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This prospectus sets forth concisely the information about Scudder Short Term Bond Fund, a series of Scudder Funds Trust, an open-end management investment company, that a prospective investor should know before investing. Please retain it for future reference.

If you require more detailed information, a Statement of Additional Information dated May 1, 1995, as amended from time to time, may be obtained without charge by writing Scudder Investor Services, Inc., Two International Place, Boston, MA 02110-4103 or calling 1-800-225-2470. The Statement, which is incorporated by reference into this prospectus, has been filed with the Securities and Exchange Commission.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Scudder
Short Term
Bond Fund

Prospectus
May 1, 1995

A pure no-load(TM) (no sales charges) mutual fund series which seeks to provide a high level of income consistent with a high degree of principal stability.

Expense information

How to compare a Scudder pure no-load(TM) fund

This information is designed to help you understand the various costs and expenses of investing in Scudder Short Term Bond Fund (the "Fund"). By reviewing this table and those in other mutual funds' prospectuses, you can compare the Fund's fees and expenses with those of other funds. With Scudder's pure no-load(TM) funds, you pay no commissions to purchase or redeem shares, or to exchange from one fund to another. As a result, all of your investment goes to work for you.

1) Shareholder transaction expenses: Expenses charged directly to your individual account in the Fund for various transactions.

Sales commissions to purchase shares (sales load)	NONE
Commissions to reinvest dividends	NONE
Redemption fees	NONE*
Fees to exchange shares	NONE

2) Annual Fund operating expenses: Expenses paid by the Fund before it distributes its net investment income, expressed as a percentage of the Fund's average daily net assets for the fiscal year ended December 31, 1994.

Investment management fee	0.46%
12b-1 fees	NONE
Other expenses	0.27%
Total Fund operating expenses	0.73%

Example

Based on the level of total Fund operating expenses listed above, the total expenses relating to a $1,000 investment, assuming a 5% annual return and redemption at the end of each period, are listed below. Investors do not pay these expenses directly; they are paid by the Fund before it distributes its net investment income to shareholders. (As noted above, the Fund has no redemption fees of any kind.)

1 Year	3 Years	5 Years	10 Years
$7	$23	$41	$91

See "Fund organization--Investment adviser" for further information about the investment management fee. This example assumes reinvestment of all dividends and distributions and that the percentage amounts listed under "Annual Fund operating expenses" remain the same each year. This example should not be considered a representation of past or future expenses or return. Actual Fund expenses and return vary from year to year and may be higher or lower than those shown.

* You may redeem by writing or calling the Fund or by "Write-A-Check." If you wish to receive redemption proceeds via wire, there is a $5 wire service fee. For additional information, please refer to "Transaction information--Redeeming shares."

Financial highlights

<TABLE>
<CAPTION>

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the audited financial statements. If you would like more detailed information concerning the Fund's performance, a complete portfolio listing and audited financial statements are available in the Fund's Annual Report dated December 31, 1994 and may be obtained without charge by writing or calling Scudder Investor Services, Inc.

	Years Ended December 31,									
	1994	1993(c)	1992	1991	1990	1989	1988	1987	1986	1985
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.	$12.01	$11.93	$12.25	$11.72	$11.71	$11.19	$11.23	$11.92	$11.35	$10.26
Income from investment operations:										
Net investment income (a). .	.81	.87	.97	1.08	1.09	.83	.73	.74	.81	.96
Net realized and unrealized gains (losses)	(1.15)	.08	(.33)	.53	.01	.61	(.04)	(.58)	.78	1.09
Total from investment transactions	(.34)	.95	.64	1.61	1.10	1.44	.69	.16	1.59	2.05
Less distributions from:										
Net investment income. . . .	(.64)	(.80)	(.96)	(1.08)	(1.09)	(.83)	(.73)	(.74)	(.81)	(.96)
Net realized gains	--	(.03)	--	--	--	(.09)	--	(.11)	(.21)	--
In excess of gains	--	(.04)	--	--	--	--	--	--	--	--
Tax return of capital. . . .	(.12)	--	--	--	--	--	--	--	--	--
Total distributions	(.76)	(.87)	(.96)	(1.08)	(1.09)	(.92)	(.73)	(.85)	(1.02)	(.96)
Net asset value, end of period	$10.91	$12.01	$11.93	$12.25	$11.72	$11.71	$11.19	$11.23	$11.92	$11.35
TOTAL RETURN (%)	(2.87)	8.18	5.43	14.38	9.88	13.20	6.10	1.40	14.70	20.30
RATIOS AND SUPPLEMENTAL DATA										
Net assets, end of period ($ millions)	2,136	3,190	2,862	2,247	340	72	10	10	8	5
Ratio of operating expenses net, to average net assets (%)(a)	.73	.68	.75	.44	.16	.36	1.50	1.45	1.45	1.27
Ratio of net investment income to average net assets (%)	6.93	7.21	8.01	8.96	9.36	7.97	6.48	6.34	6.89	8.82
Portfolio turnover rate (%) .	65.3	66.1	83.7(b)	41.0	52.9	40.0	23.5	28.7	15.6	58.1
<FN>										
(a) Portion of expenses reimbursed by the Adviser	$ --	$ --	$ --	$ --	$ .02	$ .10	$ .04	$ .04	$ --	$.02
Management fee not imposed by the Adviser (Note C)	$ --	$ --	$ --	$ .06	$ .07	$ .05	$ --	$ --	$ .01	$.07

Ratio of operating expenses, including expenses reimbursed, management fee and other expenses not imposed, to average daily net assets aggregated .78%, 1% and 1.19% for the years ended December 31, 1992, 1991 and 1990, respectively.

(b) The high turnover rate reflects an increase in principal prepayments on mortgage securities in the Fund.

(c) Per share amounts have been calculated using weighted average shares outstanding.

On July 3, 1989, the Fund adopted its present name and objective. Prior to that date, the Fund was known as the General 1994 Portfolio of Scudder Target Fund and its objectives were current income, capital preservation, and possible capital appreciation. Financial information prior to July 3, 1989 should not be considered representative of the present Fund.

</FN>

</TABLE>

A message from Scudder's chairman

Scudder, Stevens & Clark, Inc., investment adviser to the Scudder Family of Funds, was founded in 1919. We offered America's first no-load mutual fund in 1928. Today, we manage in excess of $90 billion for many private accounts and over 50 mutual fund portfolios. We manage the mutual funds in a special program for the American Association of Retired Persons, as well as the fund options available through Scudder Horizon Plan, a tax-advantaged variable annuity. We also advise The Japan Fund and nine closed-end funds that invest in countries around the world.

The Scudder Family of Funds is designed to make investing easy and less costly. It includes money market, tax free, income and growth funds as well as IRAs, 401(k)s, Keoghs and other retirement plans.

Services available to all shareholders include toll-free access to the professional service representatives of Scudder Investor Relations, easy exchange among funds, shareholder reports, informative newsletters and the walk-in convenience of Scudder Funds Centers.

All Scudder mutual funds are pure no-load(TM). This means you pay no commissions to purchase or redeem your shares or to exchange from one fund to another. There are no "12b-1" fees either, which many other funds now charge to support their marketing efforts. All of your investment goes to work for you. We look forward to welcoming you as a shareholder.

/s/Daniel Pierce

Scudder Short Term Bond Fund

Investment objective

* a high level of income consistent with a high degree of principal stability

Investment characteristics

* designed to provide a higher and more stable level of income than typically provided by money market investments, yet more price stability than investments in intermediate-and long-term bonds

* investments primarily in high quality, short-term bonds

* average portfolio effective maturity will not exceed three years

* dividends declared daily and paid monthly

* daily liquidity at current net asset value

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Investment objective and policies

Scudder Short Term Bond Fund (the "Fund"), a diversified series of Scudder Funds Trust, is a pure no-load(TM) mutual fund designed for investors seeking:

* a higher and more stable level of income than normally provided by money market investments; and

* more price stability than investments in intermediate- and long-term bonds.

The Fund's objective is to provide a high level of income consistent with a high degree of principal stability by investing primarily in high quality, short-term bonds. The dollar-weighted average effective maturity of the Fund's portfolio may not exceed three years. Within this limitation, the Fund may purchase individual securities with remaining stated maturities greater than three years.

Except as otherwise indicated, the Fund's investment objective and policies are not fundamental and may be changed without a vote of shareholders. Shareholders will receive written notice of any changes in the Fund's objective. If there is a change in investment objective, shareholders should consider whether the Fund remains an appropriate investment in light of their then current financial position and needs. There can be no assurance that the Fund's objective will be met.

Investments

The Fund invests at least 65% of its net assets in a managed portfolio of bonds consisting of:

* U.S. Government securities, including bonds, notes and bills issued by the U.S. Treasury, and securities issued by agencies and instrumentalities of the U.S. Government;

* Corporate debt securities, such as bonds, notes and debentures;

* Mortgage-backed securities; and

* Other asset-backed securities.

Other eligible investments for the Fund are as follows:

* Money market instruments which are comprised of commercial paper, bank obligations (i.e., certificates of deposit and bankers' acceptances) and repurchase agreements;

* Privately placed obligations (including restricted securities); and

* Foreign securities, including non-U.S. dollar-denominated securities and U.S. dollar-denominated debt securities issued by foreign issuers and foreign branches of U.S. banks.

In addition, the Fund may purchase securities on a when-issued or forward delivery basis and may engage in strategic transactions. See "Additional information about policies and investments" for more information.

To meet its objective, the Fund's investment adviser, Scudder, Stevens & Clark, Inc. (the "Adviser"), actively manages the Fund's portfolio. Investment decisions are based on general economic and financial trends, such as domestic and international economic developments, the outlook for the securities markets, the level of interest rates and inflation, the supply and demand of debt securities, and other factors. The composition of the Fund's portfolio is also determined by individual security analysis. The Adviser's team of experienced credit analysts actively monitors the credit quality of the investments of the Fund.

The net asset value of the Fund is expected to fluctuate with changes in interest rates and bond market conditions, although this fluctuation should be more moderate than that of a fund with a longer average maturity. The Adviser, however, will attempt to reduce principal fluctuation through, among other things, diversification, credit analysis and security selection, and adjustment of the Fund's average portfolio maturity. In periods of rising interest rates and falling bond prices, the Adviser may shorten the Fund's average maturity to

minimize the effect of declining bond values on the Fund's net asset value.

Conversely, during times of falling rates and rising prices, a longer average maturity of up to three years may be sought. When the Adviser believes economic or other conditions warrant, for temporary defensive purposes the Fund may invest more than 35% of its assets in money market instruments.

The Fund's securities generally offer less current yield than securities of lower quality (rated below BBB/Baa) or longer maturity, but lower-quality securities generally have less liquidity, and both tend to have greater credit and market risk, and consequently more price volatility.

It is against the Fund's policy to make changes in the portfolio for short-term trading purposes. However, the Fund may take advantage of opportunities provided by temporary dislocations in the market to maintain principal stability or enhance income.

High quality securities

The Fund emphasizes high quality investments. At least 65% of the Fund's net assets will be invested in (1) obligations of the U.S. Government, its agencies or instrumentalities, and (2) debt securities rated, at the time of purchase, in one of the two highest ratings categories of Standard & Poor's ("S&P") (AAA or AA) or Moody's Investors Service, Inc. ("Moody's") (Aaa or Aa) or, if not rated, judged to be of comparable quality by the Adviser. In addition, the Fund will not invest in any debt security rated at the time of purchase lower than BBB by S&P or Baa by Moody's, or of equivalent quality as determined by the Adviser. Should the rating of a portfolio security be downgraded, the Adviser will determine whether it is in the best interest of the Fund to retain or dispose of the security.

The U.S. Government securities in which the Fund may invest include (1) securities issued and backed by the full faith and credit of the U.S. Government, such as U.S. Treasury bills, notes and bonds; (2) securities, including mortgage-backed securities, issued by an agency or instrumentality of the U.S. Government, including those backed by the full faith and credit of the U.S. Government, such as securities of the Export-Import Bank of the United States, the General Services Administration and the Government National Mortgage Association, and those issued by agencies and instrumentalities, such as Federal Home Loan Banks and the Federal Home Loan Mortgage Corporation which, while neither direct obligations of nor guaranteed by the U.S. Government, are backed by the credit of the issuer itself and may be supported as well by the issuer's right to borrow from the U.S. Treasury; and (3) securities of the U.S. Government, its agencies or instrumentalities on a when-issued or forward delivery basis. In addition, the Fund may invest in repurchase agreements with respect to U.S. Government securities.

Why invest in the Fund?

Scudder Short Term Bond Fund is designed for individuals, institutions and corporations seeking a high level of income compared to money market funds, consistent with a high degree of principal stability for their investments compared to that of longer-term fixed-income investments. Investors may choose this Fund as a complement to money market funds. Money market funds are managed for total price stability but generally tend to offer somewhat lower yields than this Fund. Further, the Fund may appeal to investors favoring a more stable investment and willing to accept somewhat lower yields than they might normally expect from a longer-term bond fund.

Some investors may view the Fund as an alternative to a bank certificate of

deposit ("CD"). While an investment in the Fund is not federally insured and there is no guarantee of price stability, an investment in the Fund-- unlike a CD--is not locked away for any period, may be redeemed at any time without incurring early withdrawal penalties and may provide a higher yield. The Fund may also be appropriate for IRAs, 401(k)s and other retirement plans where income is compounded on a tax-deferred basis.

Investors will also benefit from the convenience, cost-savings and professional management of a no-load mutual fund. Scudder, Stevens & Clark, Inc. has been researching and managing fixed-income investments since 1929 and currently oversees more than $40 billion in U.S. and foreign bonds.

In addition, the Fund offers all the benefits of the Scudder Family of Funds. Scudder, Stevens & Clark, Inc. manages a diverse family of pure no-load(TM) funds and provides a wide range of services to help investors meet their investment needs. Please refer to "Investment products and services" for additional information.

Additional information about policies and investments

Investment restrictions

The Fund has adopted certain fundamental policies which may not be changed without a vote of shareholders and which are designed to reduce the Fund's investment risk.

The Fund may not borrow money except as a temporary measure for extraordinary or emergency purposes or except in connection with reverse repurchase agreements, and may not make loans except through the lending of portfolio securities, the purchase of debt securities or through repurchase agreements.

In addition, as a matter of nonfundamental policy, the Fund may not invest more than 10% of its net assets in securities which are not readily marketable, restricted securities and repurchase agreements maturing in more than seven days. The Fund may not invest more than 5% of its total assets in restricted securities.

A complete description of these and other policies and restrictions is contained under "Investment Restrictions" in the Fund's Statement of Additional Information.

When-issued securities

The Fund may purchase securities on a when-issued or forward delivery basis, for payment and delivery at a later date. The price and yield are generally fixed on the date of commitment to purchase. During the period between purchase and settlement, no interest accrues to the Fund. At the time of settlement, the market value of the security may be more or less than the purchase price.

Repurchase agreements

As a means of earning income for periods as short as overnight, the Fund may enter into repurchase agreements with selected banks and broker/dealers. Under a repurchase agreement, the Fund acquires securities, subject to the seller's agreement to repurchase them at a specified time and price. The Fund may also enter into repurchase commitments for investment purposes for periods of 30 days or more. Such commitments involve investment risk similar to that of debt securities in which the Fund invests.

Mortgage and other asset-backed securities

The Fund may invest in mortgage-backed securities, which are securities representing interests in pools of mortgage loans. These securities provide shareholders with payments consisting of both interest and principal as the mortgages in the underlying mortgage pools are paid off.

The timely payment of principal and interest on mortgage-backed securities issued or guaranteed by the Government National Mortgage Association ("GNMA") is backed by GNMA and the full faith and credit of the U.S. Government. These guarantees, however, do not apply to the market value or yield of

mortgage-backed securities or to the value of Fund shares. Also, GNMA and other mortgage-backed securities may be purchased at a premium over the maturity value of the underlying mortgages. This premium is not guaranteed and will be lost if prepayment occurs. In addition, the Fund may invest in mortgage-backed securities issued by other issuers, such as the Federal National Mortgage Association (FNMA), which are not guaranteed by the U.S. Government. Moreover, the Fund may invest in debt securities which are secured with collateral consisting of mortgage-backed securities and in other types of mortgage-related securities.

The Fund may also invest in securities representing interests in pools of certain other consumer loans, such as automobile loans or credit card receivables. In some cases, principal and interest payments are partially guaranteed by a letter of credit from a financial institution.

Dollar roll transactions

The Fund may enter into dollar roll transactions with selected banks and broker/dealers. Dollar roll transactions are treated as reverse repurchase agreements for purposes of the Fund's borrowing restrictions and consist of the sale by the Fund of mortgage-backed securities, together with a commitment to purchase similar, but not identical, securities at a future date at the same price. In addition, the Fund is paid a fee as consideration for entering into the commitment to purchase. Dollar rolls may be renewed after cash settlement and initially involve only a firm commitment agreement by the Fund to buy the securities.

Convertible securities

The Fund may invest in convertible securities which may offer higher income than the common stocks into which they are convertible. The convertible securities in which the Fund may invest include bonds, notes, debentures and preferred stocks which may be converted or exchanged at a stated or determinable exchange ratio into underlying shares of common stock. Prior to their conversion, convertible securities may have characteristics similar to nonconvertible securities.

Foreign securities

While the Fund generally emphasizes investments in U.S. Government securities and companies domiciled in the U.S., it may invest in foreign securities that meet the same criteria as the Fund's domestic holdings when the anticipated performance of foreign securities is believed by the Adviser to offer more potential than domestic alternatives in keeping with the investment objective of the Fund. Foreign securities may be denominated either in U.S. dollars or foreign currencies.

Indexed securities

The Fund may invest in indexed securities, the value of which is linked to currencies, interest rates, commodities, indices or other financial indicators ("reference instruments"). The interest rate or (unlike most fixed-income securities) the principal amount payable at maturity of an indexed security may be increased or decreased, depending on changes in the value of the reference instrument.

Strategic Transactions and derivatives

The Fund may, but is not required to, utilize various other investment strategies as described below to hedge various market risks (such as interest rates, currency exchange rates, and broad or specific equity or fixed-income market movements), to manage the effective maturity or duration of the Fund's portfolio or to enhance potential gain. These strategies may be executed through the use of derivative contracts. Such strategies are generally accepted as a part of modern portfolio management and are regularly utilized by many mutual funds and other institutional investors. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur.

In the course of pursuing these investment strategies, the Fund may purchase and sell exchange-listed and over-the-counter put and call options on securities, equity and fixed-income indices and other financial instruments, purchase and sell financial futures contracts and options thereon, enter into various interest rate transactions such as swaps, caps, floors or collars, and enter into various currency transactions such as currency forward contracts, currency futures contracts, currency swaps or options on currencies or currency futures (collectively, all the above are called "Strategic Transactions").

Strategic Transactions may be used without limit to attempt to protect against possible changes in the market value of securities held in or to be purchased for the Fund's portfolio resulting from securities markets or currency exchange rate fluctuations, to protect the Fund's unrealized gains in the value of its portfolio securities, to facilitate the sale of such securities for investment purposes, to manage the effective maturity or duration of the Fund's portfolio, or to establish a position in the derivatives markets as a temporary substitute for purchasing or selling particular securities. Some Strategic Transactions may also be used to enhance potential gain although no more than 5% of the Fund's assets will be committed to Strategic Transactions entered into for non-hedging purposes. Any or all of these investment techniques may be used at any time and in any combination, and there is no particular strategy that dictates the use of one technique rather than another, as use of any Strategic Transaction is a function of numerous variables including market conditions. The ability of the Fund to utilize these Strategic Transactions successfully will depend on the Adviser's ability to predict pertinent market movements, which cannot be assured. The Fund will comply with applicable regulatory requirements when implementing these strategies, techniques and instruments. Strategic Transactions involving financial futures and options thereon will be purchased, sold or entered into only for bona fide hedging, risk management or portfolio management purposes and not for speculative purposes. Please refer to "Risk factors--Strategic Transactions and derivatives" for more information.

Risk factors

The Fund's risks are determined by the nature of the securities held and the portfolio management strategies used by the Adviser. The following are descriptions of certain risks related to the investments and techniques that the

Fund may use from time to time.

Debt securities. Securities rated BBB by S&P or Baa by Moody's are neither highly protected nor poorly secured. These securities normally pay higher yields but involve potentially greater price variability than higher-quality securities. These securities are regarded as having adequate capacity to repay principal and pay interest, although adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to do so. Moody's considers bonds it rates Baa to have speculative elements as well as investment-grade characteristics.

Repurchase agreements. If the seller under a repurchase agreement becomes insolvent, the Fund's right to dispose of the securities may be restricted, or the value of the securities may decline before the Fund is able to dispose of them. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before repurchase of the securities under a repurchase agreement, the Fund may encounter delay and incur costs, including a decline in the value of the securities, before being able to sell the securities.

Mortgage-backed securities. Unscheduled or early payments on the underlying mortgages may shorten the securities' effective maturities and lessen their

growth potential. The Fund may agree to purchase or sell these securities with payment and delivery taking place at a future date. A decline in interest rates may lead to a faster rate of repayment of the underlying mortgages, and expose the Fund to a lower rate of return upon reinvestment. To the extent that such mortgage-backed securities are held by the Fund, the prepayment right of mortgagors may limit the increase in net asset value of the Fund because the value of the mortgage-backed securities held by the Fund may not appreciate as rapidly as the price of non-callable debt securities.

Other asset-backed securities. In addition to prepayment risk, securities representing pools of certain consumer loans present certain risks that are not presented by mortgage-backed securities. These securities may not have the benefit of any security interest in the underlying assets. Also, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

Dollar roll transactions. If the broker/dealer to whom the Fund sells the securities underlying a dollar roll transaction becomes insolvent, the Fund's right to purchase or repurchase the securities may be restricted; the value of the securities may change adversely over the term of the dollar roll; the securities that the Fund is required to repurchase may be worth less than securities that the Fund originally held, and the return earned by the Fund with the proceeds of a dollar roll may not exceed transaction costs.

Foreign securities. Investments in foreign securities involve special considerations due to limited information, higher brokerage costs, different accounting standards, thinner trading markets as compared to domestic markets and the likely impact of foreign taxes on the yield from debt securities. They may also entail other risks, such as the possibility of one or more of the following: imposition of dividend or interest withholding or confiscatory taxes; currency blockages or transfer restrictions; expropriation, nationalization or other adverse political or economic developments; less government supervision and regulation of securities exchanges, brokers and listed companies; and the difficulty of enforcing obligations in other countries. Purchases of foreign securities are usually made in foreign currencies and, as a result, the Fund may incur currency conversion costs and may be affected favorably or unfavorably by changes in the value of foreign currencies against the U.S. dollar.

Further, it may be more difficult for the Fund's agents to keep currently informed about corporate actions which may affect the prices of portfolio securities. Communications between the U.S. and foreign countries may be less reliable than within the U.S., increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities. The Fund's ability and decisions to purchase and sell portfolio securities may be affected by laws or regulations relating to the convertibility and repatriation of assets.

Indexed securities. Indexed securities may be positively or negatively indexed, so that appreciation of the reference instrument may produce an increase or a decrease in the interest rate or value at maturity of the security. In addition, the change in the interest rate or value at maturity of the security may be some multiple of the change in the value of the reference instrument. Thus, in addition to the credit risk of the security's issuer, the Fund will bear the market risk of the reference instrument.

Strategic Transactions and derivatives. Strategic Transactions, including derivative contracts, have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent the Adviser's view as to certain market movements is incorrect, the risk that the use of such Strategic Transactions could result in losses greater than if they

had not been used. Use of put and call options may result in losses to the Fund, force the sale or purchase of portfolio securities at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Fund can realize on its investments or cause the Fund to hold a security it might otherwise sell. The use of currency transactions can result in the Fund incurring losses as a result of a number of factors including the imposition of exchange controls, suspension of settlements or the inability to deliver or receive a specified currency. The use of options and futures transactions entails certain other risks. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related portfolio position of the Fund creates the possibility that losses on the hedging instrument may be greater than gains in the value of the Fund's position. In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter options may have no markets.

As a result, in certain markets, the Fund might not be able to close out a transaction without incurring substantial losses, if at all. Although the use of futures contracts and options transactions for hedging should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain which might result from an increase in value of such position.

Finally, the daily variation margin requirements for futures contracts would create a greater ongoing potential financial risk than would purchases of options, where the exposure is limited to the cost of the initial premium. Losses resulting from the use of Strategic Transactions would reduce net asset value, and possibly income, and such losses can be greater than if the Strategic Transactions had not been utilized. The Strategic Transactions that the Fund may use and some of their risks are described more fully in the Fund's Statement of Additional Information.

Distribution and performance information

Dividends and capital gains distributions

The Fund's dividends from net investment income are declared daily and distributed monthly. The Fund intends to distribute net realized capital gains after utilization of capital loss carryforwards, if any, in November or December to prevent application of a federal excise tax. An additional distribution may be made within three months of the Fund's fiscal year end, if necessary. Any dividends or capital gains distributions declared in October, November or December with a record date in such a month and paid during the following January will be treated by shareholders for federal income tax purposes as if received on December 31 of the calendar year declared. According to preference, shareholders may receive distributions in cash or have them reinvested in additional shares of the Fund. If an investment is in the form of a retirement plan, all dividends and capital gains distributions will be reinvested into the shareholder's account.

Generally, dividends from net investment income are taxable to shareholders as ordinary income. Long-term capital gains distributions, if any, are taxable as long-term capital gains regardless of the length of time shareholders have owned shares. Short-term capital gains and any other taxable income distributions are taxable as ordinary income. It is not expected that dividends will qualify for the dividends-received deduction for corporations.

The Fund sends detailed tax information to its shareholders about the amount and type of its distributions by January 31 of the following year.

(Continued on page 14)

Purchases

<TABLE>

<C>	<C>	
Opening an account	Minimum initial investment: $1,000; IRAs $500 Group retirement plans (401(k), 403(b), etc.) have similar or lower minimums. See appropriate plan literature.	
Make checks payable to "The	o By Mail	Send your completed and signed application and check

Scudder Funds."		by regular mail to: The Scudder Funds, P.O. Box 2291, Boston, MA 02107-2291 or by express, registered, or certified mail to: The Scudder Funds, 1099 Hingham Street, Rockland, MA 02370-1052
	o By Wire	Please see Transaction information--Purchasing shares--By wire following these tables for details, including the ABA wire transfer number. Then call 1-800-225-5163 for instructions.
	o In Person	Visit one of our Funds Centers to complete your application with the help of a Scudder representative. Funds Center locations are listed under Shareholder benefits.
Purchasing additional shares	Minimum additional investment: $100; IRAs $50 Group retirement plans (401(k), 403(b), etc.) have similar or lower minimums. See appropriate plan literature.	
Make checks payable to "The Scudder Funds."	o By Mail	Send a check with a Scudder investment slip, or with a letter of instruction including your account number and the complete Fund name, to the appropriate address listed above.
	o By Wire	Please see Transaction information--Purchasing shares--By wire following these tables for details, including the ABA wire transfer number.
	o In Person	Visit one of our Funds Centers to make an additional investment in your Scudder fund account. Funds Center locations are listed under Shareholder benefits.
	o By Automatic Investment Plan ($50 minimum)	You may arrange to make investments on a regular basis through automatic deductions from your bank checking account. Please call 1-800-225-5163 for more information and an enrollment form.

</TABLE>

Exchanges and redemptions

<TABLE>

<C>	<C>	
Exchanging shares	Minimum investments: $1,000 to establish a new account; $100 to exchange among existing accounts	
	o By Telephone	To speak with a service representative, call 1-800-225-5163 from 8 a.m. to 8 p.m. eastern time or to access SAIL(TM), Scudder's Automated Information Line, call 1-800-343-2890 (24 hours a day).
	o By Mail or Fax	Print or type your instructions and include: - the name of the Fund and the account number you are exchanging from; - your name(s) and address as they appear on your account; - the dollar amount or number of shares you wish to exchange; - the name of the Fund you are exchanging into; and - your signature(s) as it appears on your account and a daytime telephone number. Send your instructions by regular mail to: The Scudder Funds, P.O. Box 2291, Boston, MA 02107-2291 or by express, registered, or certified mail to: The Scudder Funds, 1099 Hingham Street, Rockland, MA 02370-1052 or by fax to: 1-800-821-6234
Redeeming shares	o By Telephone	To speak with a service representative, call 1-800-225-5163 from 8 a.m. to 8 p.m. eastern time or to access SAIL(TM), Scudder's Automated Information Line, call 1-800-343-2890 (24 hours a day). You may have redemption proceeds sent to your predesignated bank account, or redemption proceeds of up to $50,000 sent to your address of record.
	o By "Write-A-Check"	You may redeem shares by writing checks against your account balance as often as you like for at least $100, but not more than $5,000,000.
	o By Mail or Fax	Send your instructions for redemption to the appropriate address or fax number above and include:

- the name of the Fund and account number you are redeeming from;
- your name(s) and address as they appear on your account;
- the dollar amount or number of shares you wish to redeem; and
- your signature(s) as it appears on your account and a daytime telephone number.

A signature guarantee is required for redemptions over $50,000. See Transaction information--Redeeming shares following these tables.

o By Automatic Withdrawal Plan	You may arrange to receive automatic cash payments periodically if the value of your account is $10,000 or more. Call 1-800-225-5163 for more information and an enrollment form.

</TABLE>

(Continued from page 11)

Performance information

From time to time, quotations of the Fund's performance may be included in advertisements, sales literature or shareholder reports. All performance figures are historical, show the performance of a hypothetical investment and are not intended to indicate future performance.

The "SEC yield" of the Fund is an annualized expression of the net income generated by the Fund over a specified 30-day (one month) period, as a percentage of the Fund's share price on the last day of that period. This yield is calculated according to methods required by the Securities and Exchange Commission (the "SEC"), and therefore may not equate to the level of income paid to shareholders. "Total return" is the change in value of an investment in the Fund for a specified period. The "average annual total return" of the Fund is the average annual compound rate of return of an investment in the Fund assuming the investment has been held for one year, five years and ten years as of a stated ending date. "Cumulative total return" represents the cumulative change in value of an investment in the Fund for various periods. All types of total return calculations assume that all dividends and capital gains distributions during the period were reinvested in shares of the Fund. Performance will vary based upon, among other things, changes in market conditions and the level of the Fund's expenses.

Fund organization

Scudder Short Term Bond Fund is a diversified series of Scudder Funds Trust (the "Trust"), an open-end management investment company registered under the Investment Company Act of 1940 (the "1940 Act"). The Trust was organized as a Massachusetts business trust in July 1981 and changed its name from Scudder Target Fund to its current name effective July 3, 1989.

The Fund's name and investment objective also were changed to the current ones effective July 3, 1989.

The Fund's activities are supervised by the Trust's Board of Trustees. Shareholders have one vote for each share held on matters on which they are entitled to vote. The Fund is not required to and has no current intention of holding annual shareholder meetings, although special meetings may be called for purposes such as electing or removing Trustees, changing fundamental investment policies or approving an investment advisory contract. Shareholders will be assisted in communicating with other shareholders in connection with removing a Trustee as if Section 16(c) of the 1940 Act were applicable.

Investment adviser

The Fund retains the investment management firm of Scudder, Stevens & Clark, Inc., a Delaware corporation, to manage the Fund's daily investment and business affairs subject to the policies established by the Board of Trustees. The Trustees have overall responsibility for the management of the Fund under Massachusetts law.

The Adviser receives an investment management fee for these services. The fee is graduated so that increases in the Fund's net assets may result in a lower annual fee rate and decreases in the Fund's net assets may result in a higher annual fee rate.

The fee is payable monthly, provided that the Fund will make such interim payments as may be requested by the Adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid.

For the year ended December 31, 1994 the Adviser received an investment management fee of 0.46% of the Fund's average daily net assets on an annual basis.

All of the Fund's expenses are paid out of gross investment income. Shareholders pay no direct charges or fees for investment or administrative services.

Scudder, Stevens & Clark, Inc. is located at Two International Place, Boston, Massachusetts.

Transfer agent

Scudder Service Corporation, P.O. Box 2291, Boston, Massachusetts 02107-2291, a wholly-owned subsidiary of the Adviser, is the transfer, shareholder servicing and dividend-paying agent for the Fund.

Underwriter

Scudder Investor Services, Inc., a wholly-owned subsidiary of the Adviser, is the Fund's principal underwriter. Scudder Investor Services, Inc. confirms, as agent, all purchases of shares of the Fund. Scudder Investor Relations is a telephone information service provided by Scudder Investor Services, Inc.

Transaction information

Purchasing shares

Purchases are executed at the next calculated net asset value per share after the Fund's transfer agent in Boston receives the purchase request in good order. Purchases are made in full and fractional shares. (See "Share price.")

By check. If you purchase shares with a check that does not clear, your purchase will be canceled and you will be subject to any losses or fees incurred in the transaction. Checks must be drawn on or payable through a U.S. bank. If you purchase shares by check and redeem them within seven business days of purchase, the Fund may hold redemption proceeds until the purchase check has cleared, which may take up to seven business days. If you purchase shares by federal funds wire, you may avoid this delay. Redemption or exchange requests by telephone or by "Write-A-Check" prior to the expiration of the seven-day period will not be accepted.

By wire. To open a new account by wire, first call Scudder at 1-800-225-5163 to obtain an account number. A representative will instruct you to send a completed, signed application to the transfer agent in Boston. Accounts cannot be opened without a completed, signed application and a Scudder fund account number. Contact your bank to arrange a wire transfer to:

The Scudder Funds
State Street Bank and Trust Company
Boston, MA 02101
ABA Number 011000028
DDA Account 9903-5552

Your wire instructions must also include:

- -- the name of the fund in which the money is to be invested,

- -- the account number of the fund, and

- -- the name(s) of the account holder(s).

The account will be established once the application and money order are received in good order.

You may also make additional investments of $100 or more to your existing account by wire.

By exchange. Your new account will have the same registration and address as your existing account.

The exchange requirements for corporations, other organizations, trusts, fiduciaries, agents, institutional investors and retirement plans may be different from those for regular accounts. Please call 1-800-225-5163 for more information, including information about the transfer of special account features.

You can also make exchanges among your Scudder fund accounts on SAIL, the Scudder Automated Information Line, by calling 1-800-343-2890.

Redeeming shares

The Fund allows you to redeem shares (i.e., sell them back to the Fund) without redemption fees.

By telephone. This is the quickest and easiest way to sell Fund shares. If you elected telephone redemption to your bank on your application, you can call to request that federal funds be sent to your authorized bank account. If you did not elect telephone redemption to your bank on your application, call 1-800-225-5163 for more information.

Redemption proceeds will be wired to your bank unless otherwise requested. If your bank cannot receive federal reserve wires, redemption proceeds will be mailed to your bank. There will be a $5 charge for all wire redemptions.

You can also make redemptions from your Scudder fund account on SAIL, the Scudder Automated Information Line, by calling 1-800-343-2890.

If you open an account by wire, you cannot redeem shares by telephone until the Fund's transfer agent has received your completed and signed application. Telephone redemption is not available for shares held in Scudder IRA accounts and most other Scudder retirement plan accounts.

In the event that you are unable to reach the Fund by telephone, you should write to the Fund; see "How to contact Scudder" for the address.

By "Write-A-Check." You may redeem shares by writing checks against your account balance for at least $100. Your Fund investments will continue to earn dividends until your check is presented to the Fund for payment.

Checks will be returned by the Fund's transfer agent if there are insufficient shares to meet the withdrawal amount. You should not attempt to close an account by check, because the exact balance at the time the check clears will not be known when the check is written.

Signature guarantees. For your protection and to prevent fraudulent redemptions, on written redemption requests in excess of $50,000 we require an original signature and an original signature guarantee for each person in whose name the account is registered. (The Fund reserves the right, however, to require a signature guarantee for all redemptions.) You can obtain a signature guarantee from most banks, credit unions or savings associations, or from broker/dealers, municipal securities broker/dealers, government securities broker/dealers, national securities exchanges, registered securities associations, or clearing agencies deemed eligible by the Securities and Exchange Commission. Signature guarantees by notaries public are not acceptable. Redemption requirements for corporations, other organizations, trusts, fiduciaries, agents, institutional investors and retirement plans may be different from those for regular accounts. For more information, please call 1-800-225-5163.

Telephone transactions

Shareholders automatically receive the ability to exchange by telephone and the right to redeem by telephone up to $50,000 to their address of record. Shareholders also may, by telephone, request that redemption proceeds be sent to a predesignated bank account. The Fund uses procedures designed to give reasonable assurance that telephone instructions are genuine, including recording telephone calls, testing a caller's identity and sending written confirmation of telephone transactions. If the Fund does not follow such procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions. The Fund will not be liable for acting upon instructions communicated by telephone that it reasonably believes to be genuine.

Share price

Purchases and redemptions, including exchanges, are made at net asset value. The Fund's custodian, State Street Bank and Trust Company, determines net asset value per share as of the close of regular trading on the New York Stock Exchange (the "Exchange"), normally 4 p.m. eastern time, on each day the Exchange is open for trading. Net asset value per share is calculated by dividing the value of total Fund assets, less all liabilities, by the total number of shares outstanding.

Processing time

All purchase and redemption requests must be received in good order by the Fund's transfer agent in Boston. Those requests received by the close of regular trading on the Exchange are executed at the net asset value per share calculated at the close of trading that day. Purchase and redemption requests received after the close of regular trading on the Exchange will be executed the following business day. Purchases made by federal funds wire before noon eastern time will begin earning income that day; all other purchases received before the close of regular trading on the Exchange will begin earning income the next business day. Redeemed shares will earn income on the day on which the redemption request is executed.

If you wish to make a purchase of $500,000 or more you should notify Scudder Investor Relations by calling 1-800-225-5163.

The Fund will normally send redemption proceeds within one business day following the redemption request, but may take up to seven days (or longer in the case of shares recently purchased by check).

Tax information

A redemption of shares, including an exchange into another Scudder fund, is a sale of shares and may result in a gain or loss for income tax purposes.

Tax identification number

Be sure to complete the Tax Identification Number section of the Fund's application when you open an account. Federal tax law requires the Fund to withhold 31% of taxable dividends, capital gains distributions and redemption and exchange proceeds from accounts (other than those of certain exempt payees) without a certified Social Security or tax identification number and certain other certified information or upon notification from the IRS or a broker that withholding is required. The Fund reserves the right to reject new account applications without a certified Social Security or tax identification number. The Fund also reserves the right, following 30 days' notice, to redeem all shares in accounts without a certified Social Security or tax identification number. A shareholder may avoid involuntary redemption by providing the Fund with a tax identification number during the 30-day notice period.

Minimum balances

Shareholders should maintain a share balance worth at least $1,000, which amount may be changed by the Board of Trustees. Scudder retirement plans have similar or lower minimum share balance requirements. The Fund reserves the right, following 60 days' written notice to shareholders, to redeem all shares in sub-minimum accounts, including accounts of new investors, where a reduction in value has occurred due to a redemption or exchange out of the account. Reductions in value that result solely from market activity will not trigger an involuntary redemption. The Fund will mail the proceeds of the redeemed account to the shareholder. The shareholder may restore the share balance to $1,000 or more during the 60-day notice period and must maintain it at no lower than that minimum to avoid involuntary redemption.

Third party transactions

If purchases and redemptions of Fund shares are arranged and settlement is made at an investor's election through a member of the National Association of Securities Dealers, Inc., other than Scudder Investor Services, Inc., that member may, at its discretion, charge a fee for that service.

Shareholder benefits

Experienced professional management

Scudder, Stevens & Clark, Inc., one of the nation's most experienced investment management firms, actively manages your Scudder fund investment. Professional management is an important advantage for investors who do not have the time or expertise to invest directly in individual securities.

A team approach to investing

Scudder Short Term Bond Fund is managed by a team of Scudder investment professionals who each play an important role in the Fund's management process. Team members work together to develop investment strategies and select securities for the Fund's portfolio. They are supported by Scudder's large staff of economists, research analysts, traders and other investment specialists who work in Scudder's offices across the United States and abroad. Scudder believes its team approach benefits Fund investors by bringing together many disciplines and leveraging Scudder's extensive resources.

Since the Fund was introduced in 1989, Lead Portfolio Manager Thomas M. Poor has had responsibility for its day-to-day operation. Mr. Poor, who joined Scudder in 1970, sets the Fund's general investment strategies. Christopher L. Gootkind, Portfolio Manager, also has been a member of the Fund's team since its inception. Mr. Gootkind, who has worked as a portfolio manager at Scudder since 1986, has responsibility for the Fund's investments in financial institutions and asset-backed securities. Scott E. Dolan, Portfolio Manager, joined the team in 1994 and is responsible for implementing the Fund's strategy. Mr. Dolan, who joined Scudder in 1989, has four years of experience in compliance analysis and account administration and has worked as a portfolio manager since 1993.

SAIL(TM)--Scudder Automated Information Line

For touchtone access to account information, prices and yields, or to perform transactions in existing Scudder fund accounts, shareholders can call Scudder's Automated Information Line (SAIL) at 1-800-343-2890. During periods of extreme economic or market changes, or other conditions, it may be difficult for you to effect telephone transactions in your account. In such an event you should write to the Fund; please see "How to contact Scudder" for the address.

Investment flexibility

Scudder offers toll-free telephone exchange between funds at current net asset value. You can move your investments among money market, income, growth, tax-free and growth and income funds with a simple toll-free call or, if you prefer, by sending your instructions through the mail or by fax. Telephone and fax redemptions and exchanges are subject to termination and their terms are subject to change at any time by the Fund or the transfer agent. In some cases, the transfer agent or Scudder Investor Services, Inc. may impose additional conditions on telephone transactions.

Dividend reinvestment plan

You may have dividends and distributions automatically reinvested in additional Fund shares. Please call 1-800-225-5163 to request this feature.

Shareholder statements

You receive a detailed account statement every time you purchase or redeem shares. All of your statements should be retained to help you keep track of account activity and the cost of shares for tax purposes.

Shareholder reports

In addition to account statements, you receive periodic shareholder reports highlighting relevant information, including investment results and a review of portfolio changes.

To reduce the volume of mail you receive, only one copy of most Fund reports, such as the Fund's Annual Report, may be mailed to your household (same surname, same address). Please call 1-800-225-5163 if you wish to receive additional shareholder reports.

Newsletters

Four times a year, Scudder sends you At the Helm, an informative newsletter covering economic and investment developments, service enhancements and other topics of interest to Scudder fund investors.

Scudder Funds Centers

As a convenience to shareholders who like to conduct business in person, Scudder Investor Services, Inc. maintains Funds Centers in Boca Raton, Boston, Chicago, Cincinnati, Los Angeles, New York, Portland (OR), San Diego, San Francisco and Scottsdale.

T.D.D. service for the hearing impaired

Scudder's full range of investor information and shareholder services is available to hearing impaired investors through a toll-free T.D.D. (Telephone Device for the Deaf) service. If you have access to a T.D.D., call 1-800-543-7916 for investment information or specific account questions and transactions.

Scudder tax-advantaged retirement plans

Scudder offers a variety of tax-advantaged retirement plans for individuals, businesses and non-profit organizations. These flexible plans are designed for use with the Scudder Family of Funds (except Scudder tax-free funds, which are inappropriate for such plans). Scudder Funds offer a broad range of investment objectives and can be used to seek almost any investment goal. Using Scudder's retirement plans can help shareholders save on current taxes while building their retirement savings.

* Scudder No-Fee IRAs. These retirement plans allow a maximum annual contribution of $2,000 per person for anyone with earned income. Many people can deduct all or part of their contributions from their taxable income, and all investment earnings accrue on a tax deferred basis. The Scudder No-Fee IRA charges no annual custodial fee.

* 401(k) Plans. 401(k) plans allow employers and employees to make tax-deductible retirement contributions. Scudder offers a full service program that includes recordkeeping, prototype plan, employee communications and trustee services, as well as investment options.

* Profit Sharing and Money Purchase Pension Plans. These plans allow corporations, partnerships and people who are self-employed to make annual, tax-deductible contributions of up to $30,000 for each person covered by the plans. Plans may be adopted individually or paired to maximize contributions. These are sometimes known as Keogh plans.

* 403(b) Plans. Retirement plans for tax-exempt organizations and school systems to which employers and employees may both contribute.

* SEP-IRAs. Easily administered retirement plans for small businesses and self-employed individuals. The maximum annual contribution to SEP-IRA accounts is adjusted each year for inflation.

* Scudder Horizon Plan. A no-load variable annuity that lets you build assets by deferring taxes on your investment earnings. You can start with $2,500 or more.

Scudder Trust Company (an affiliate of the Adviser) is Trustee or Custodian for some of these plans and is paid an annual fee for some of the above retirement plans. For information about establishing a Scudder No-Fee IRA, SEP-IRA, Profit Sharing Plan, Money Purchase Pension Plan or a Scudder Horizon Plan, please call 1-800-225-2470. For information about 401(k)s or 403(b)s please call 1-800-323-6105. To effect transactions in existing IRA, SEP-IRA, Profit Sharing or Pension Plan accounts, call 1-800-225-5163.

The variable annuity contract is provided by Charter National Life Insurance Company (in New York State, Intramerica Life Insurance Company [S 1802]). The contract is offered by Scudder Insurance Agency, Inc. (in New York State, Nevada and Montana, Scudder Insurance Agency of New York, Inc.). CNL, Inc. is the Principal Underwriter. Scudder Horizon Plan is not available in all states.

Trustees and Officers

Vice President

Thomas W. Joseph*
Vice President

David S. Lee*
Vice President

Thomas M. Poor*
Vice President

Robert E. Pruyne*
Vice President

Thomas F. McDonough*
Vice President, Secretary and
Assistant Treasurer

Pamela A. McGrath*
Vice President and Treasurer

Edward J. O'Connell*
Vice President and Assistant Treasurer

Kathryn L. Quirk*
Vice President and Assistant Secretary

Coleen Downs Dinneen*
Assistant Secretary

* Scudder, Stevens & Clark, Inc.

Investment products and services

<TABLE>

<C>	<C>
The Scudder Family of Funds	Income
Money market	Scudder Emerging Markets Income Fund
Scudder Cash Investment Trust	Scudder GNMA Fund
Scudder U.S. Treasury Money Fund	Scudder Income Fund
Tax free money market+	Scudder International Bond Fund
Scudder Tax Free Money Fund	Scudder Short Term Bond Fund
Scudder California Tax Free Money Fund*	Scudder Short Term Global Income Fund
Scudder New York Tax Free Money Fund*	Scudder Zero Coupon 2000 Fund
Tax free+	Growth
Scudder California Tax Free Fund*	Scudder Capital Growth Fund
Scudder High Yield Tax Free Fund	Scudder Development Fund
Scudder Limited Term Tax Free Fund	Scudder Global Fund
Scudder Managed Municipal Bonds	Scudder Global Small Company Fund
Scudder Massachusetts Limited Term Tax Free Fund*	Scudder Gold Fund
Scudder Massachusetts Tax Free Fund*	Scudder Greater Europe Growth Fund
Scudder Medium Term Tax Free Fund	Scudder International Fund
Scudder New York Tax Free Fund*	Scudder Latin America Fund
Scudder Ohio Tax Free Fund*	Scudder Pacific Opportunities Fund
Scudder Pennsylvania Tax Free Fund*	Scudder Quality Growth Fund
Growth and Income	Scudder Value Fund
Scudder Balanced Fund	The Japan Fund
Scudder Growth and Income Fund	
Retirement Plans and Tax-Advantaged Investments	
IRAs	403(b) Plans
Keogh Plans	SEP-IRAs
Scudder Horizon Plan*+++ (a variable annuity)	Profit Sharing and
401(k) Plans	Money Purchase Pension Plans
Closed-end Funds#	
The Argentina Fund, Inc.	Scudder New Europe Fund, Inc.
The Brazil Fund, Inc.	Scudder World Income Opportunities Fund, Inc.
The First Iberian Fund, Inc.	
The Korea Fund, Inc.	Institutional Cash Management
The Latin America Dollar Income Fund, Inc.	Scudder Institutional Fund, Inc.
Montgomery Street Income Securities, Inc.	Scudder Fund, Inc.
Scudder New Asia Fund, Inc.	Scudder Treasurers Trust(TM)++

For complete information on any of the above Scudder funds, including management fees and expenses, call or write for a free prospectus. Read it carefully before you invest or send money. +A portion of the income from the tax-free funds may be subject to federal, state and local taxes. *Not available in all states. +++A no-load variable annuity contract provided by Charter National Life Insurance Company and its affiliate, offered by Scudder's insurance agencies, 1-800-225-2470. #These funds, advised by Scudder, Stevens & Clark, Inc., are traded on various stock exchanges. ++For information on Scudder Treasurers Trust(TM), an institutional cash management service that utilizes certain portfolios of

Scudder Fund, Inc. ($100,000 minimum), call: 1-800-541-7703.
</TABLE>

How to contact Scudder

<TABLE>

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Account Service and Information:		Please address all correspondence to:
For existing account service and transactions	Scudder Investor Relations 1-800-225-5163	The Scudder Funds P.O. Box 2291 Boston, Massachusetts 02107-2291
For account updates, prices, yields, exchanges and redemptions	Scudder Automated Information Line (SAIL) 1-800-343-2890	
Investment Information:		Or Stop by a Scudder Funds Center:
To receive information about the Scudder funds, for additional applications and prospectuses, or for investment questions	Scudder Investor Relations 1-800-225-2470	Many shareholders enjoy the personal, one-on-one service of the Scudder Funds Centers. Check for a Funds Center near you--they can be found in the following cities:
For establishing 401(k) and 403(b) plans	Scudder Defined Contribution Services 1-800-323-6105	Boca Raton, Boston, Chicago, Cincinnati, Los Angeles, New York, Portland, OR, San Diego, San Francisco, Scottsdale

For information on Scudder Treasurers Trust(TM), an institutional cash management service for corporations, non-profit organizations and trusts which utilizes certain portfolios of Scudder Fund, Inc.* ($100,000 minimum), call: 1-800-541-7703.

For information on Scudder Institutional Funds*, funds designed to meet the broad investment management and service needs of banks and other institutions, call: 1-800-854-8525.

Scudder Investor Relations and Scudder Funds Centers are services provided through Scudder Investor Services, Inc., Distributor.

* Contact Scudder Investor Services, Inc., Distributor, to receive a prospectus with more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

</TABLE>

This prospectus sets forth concisely the information about Scudder Zero Coupon 2000 Fund, a series of Scudder Funds Trust, an open-end management investment company, that a prospective investor should know before investing. Please retain it for future reference.

If you require more detailed information, a Statement of Additional Information dated May 1, 1995, as amended from time to time, may be obtained without charge by writing Scudder Investor Services, Inc., Two International Place, Boston, MA 02110-4103 or calling 1-800-225-2470. The Statement, which is incorporated by reference into this prospectus, has been filed with the Securities and Exchange Commission.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Contents--see page 4.

Scudder
Zero Coupon

2000 Fund

Prospectus
May 1, 1995

A pure no-load(TM) (no sales charges) mutual fund designed for investors who seek as high an investment return over a selected period as is consistent with investment in U.S. Government securities and the minimization of reinvestment risk.

Expense information

How to compare a Scudder pure no-load(TM) fund

This information is designed to help you understand the various costs and expenses of investing in Scudder Zero Coupon 2000 Fund (the "Fund"). By reviewing this table and those in other mutual funds' prospectuses, you can compare the Fund's fees and expenses with those of other funds. With Scudder's pure no-load(TM) funds, you pay no commissions to purchase or redeem shares, or to exchange from one fund to another. As a result, all of your investment goes to work for you.

1) Shareholder transaction expenses: Expenses charged directly to your individual account in the Fund for various transactions.

Sales commissions to purchase shares (sales load)	NONE
Commissions to reinvest dividends	NONE
Redemption fees	NONE*
Fees to exchange shares	NONE

2) Annual Fund operating expenses (after expense maintenance): Expenses paid by the Fund before it distributes its net investment income, expressed as a percentage of the Fund's average daily net assets for the fiscal year ended December 31, 1994.

Investment management fee	0.13%**
12b-1 fees	NONE
Other expenses	0.87%
Total Fund operating expenses	1.00%**

Example

Based on the level of total Fund operating expenses listed above, the total expenses relating to a $1,000 investment, assuming a 5% annual return and redemption at the end of each period, are listed below. Investors do not pay these expenses directly; they are paid by the Fund before it distributes its net investment income to shareholders. (As noted above, the Fund has no redemption fees of any kind.)

1 Year	3 Years	5 Years	10 Years
$10	$32	$55	$122

See "Fund organization--Investment adviser" for further information about the investment management fee. This example assumes reinvestment of all dividends and distributions and that the percentage amounts listed under "Annual Fund operating expenses" remain the same each year. This example should not be considered a representation of past or future expenses or return. Actual Fund expenses and return vary from year to year and may be higher or lower than those shown.

* You may redeem by writing or calling the Fund. If you wish to receive redemption proceeds via wire, there is a $5 wire service fee. For additional information, please refer to "Transaction information--Redeeming shares."

** The Investment Adviser has agreed not to impose all or a portion of its management fee until April 30, 1996 and during such period to maintain total annualized expenses of the Fund at not more than 1% of average daily net assets of the Fund. If expense maintenance had not been in effect during the period ended December 31, 1994, the annualized management fee would have been 0.60%, and the annualized total Fund expenses would have been 1.47%, expressed as a percentage of the Fund's average daily net assets for such fiscal year.

Financial highlights

<TABLE>
<CAPTION>

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the audited financial statements.

If you would like more detailed information concerning the Fund's performance, a complete portfolio listing and audited financial statements are available in the Fund's Annual Report dated December 31, 1994 and may be obtained without charge by writing or calling Scudder Investor Services, Inc.

	Years Ended December 31,								
	1994	1993	1992	1991	1990	1989	1988	1987(b)	1986(c)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$12.85	$12.55	$13.76	$12.27	$12.61	$10.92	$10.34	$12.62	$10.00
Income from investment operations:									
Net investment income (a)	.59	.79	.94	.99	.86	.51	.63	.91	.56
Net realized and unrealized gain (loss) on investments . . .	(1.59)	1.23	.17	1.44	(.29)	1.73	.58	(1.86)	2.06
Total from investment operations	(1.00)	2.02	1.11	2.43	.57	2.24	1.21	(.95)	2.62
Less distributions:									
From net investment income . . .	(.31)	(.83)	(.93)	(.94)	(.83)	(.52)	(.63)	(1.22)	--
From net realized gains on investments	(.59)	(.89)	(1.39)	--	(.08)	(.03)	--	(.11)	--
Total distributions	(.90)	(1.72)	(2.32)	(.94)	(.91)	(.55)	(.63)	(1.33)	--
Net asset value, end of period . .	$10.95	$12.85	$12.55	$13.76	$12.27	$12.61	$10.92	$10.34	$12.62
TOTAL RETURN (%) (d)	(7.92)	16.00	8.13	20.03	4.59	20.39	11.71	(8.01)	26.20**
RATIOS AND SUPPLEMENTAL DATA									
Net assets, end of period ($ millions)	25	31	29	33	33	32	5	2	1
Ratio of operating expenses net, to average daily net assets (%) (a)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00*
Ratio of net investment income to average daily net assets (%) . .	5.23	5.29	6.38	7.12	7.62	7.10	8.10	8.13	7.27*
Portfolio turnover rate (%)	89.3	101.6	118.8	90.7	98.5	87.1	149.2	37.3	79.4*
(a) Portion of expenses reimbursed by the Adviser (Note C)	$ --	$ --	$ --	$ --	$ --	$ --	$ .14	$ .29	$ .26
Management fee not imposed by the Adviser (Note C)	$ .05	$ .04	$ .04	$ .03	$ .04	$ .04	$ .04	$ .06	$ .04
Ratio of operating expenses including management and other expenses not imposed and reimbursement absorbed (%)	1.47	1.28	1.28	1.23	1.39	1.62	3.37	4.13	5.64*

(b) Per share amounts for the year ended December 31, 1987 have been calculated using the monthly weighted average shares outstanding during the year method.
(c) For the period February 4, 1986 (commencement of operations) to December 31, 1986.
(d) Total returns are higher due to maintenance of the Fund's expenses.
* Annualized
** Not annualized

</TABLE>

A message from Scudder's chairman

Scudder, Stevens & Clark, Inc., investment adviser to the Scudder Family of Funds, was founded in 1919. We offered America's first no-load mutual fund in 1928. Today, we manage in excess of $90 billion for many private accounts and over 50 mutual fund portfolios. We manage the mutual funds in a special program for the American Association of Retired Persons, as well as the fund options available through Scudder Horizon Plan, a tax-advantaged variable annuity. We also advise The Japan Fund and nine closed-end funds that invest in countries around the world.

The Scudder Family of Funds is designed to make investing easy and less costly. It includes money market, tax free, income and growth funds as well as IRAs, 401(k)s, Keoghs and other retirement plans.

Services available to all shareholders include toll-free access to the professional service representatives of Scudder Investor Relations, easy exchange among funds, shareholder reports, informative newsletters and the walk-in convenience of Scudder Funds Centers.

All Scudder mutual funds are pure no-load(TM). This means you pay no commissions to purchase or redeem your shares or to exchange from one fund to another. There are no "12b-1" fees either, which many other funds now charge to support their marketing efforts. All of your investment goes to work for you. We look forward to welcoming you as a shareholder.

/s/Daniel Pierce

Scudder Zero Coupon 2000 Fund

Investment objective

* as high an investment return over a selected period as is consistent with investment in U.S. Government securities and the minimization of reinvestment risk

Investment characteristics

* a portfolio maturing in 2000

* professionally managed portfolio of high quality U.S. Government zero coupon securities

* relatively predictable return--if held to the Fund's maturity date and dividends and distributions are reinvested

* daily liquidity at current net asset value

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Investment objective

Scudder Zero Coupon 2000 Fund (the "Fund"), a diversified series of Scudder Funds Trust, seeks to provide as high an investment return over a selected period as is consistent with investment in U.S. Government securities and the minimization of reinvestment risk. The Fund invests primarily in zero coupon securities and the Fund matures on a specified target date.

By pursuing its objective, the Fund seeks to return to investors a reasonably assured targeted dollar amount, predictable at the time of investment, on a specific target date in the future. As with any investment, however, there can be no assurance that the Fund's objective or the targeted amount will be met.

In order to obtain the predicted return, investors should plan to hold shares of the Fund until maturity and elect automatic reinvestment of dividends and distributions. Since the Fund will be primarily invested in zero coupon securities, investors who hold shares to maturity and reinvest dividends and distributions will receive a return consisting primarily of the accretion of discount on the underlying securities in the Fund. Of course, investors may redeem their shares on any business day at the daily net asset value. However, the net asset value of the Fund's shares increases or decreases with changes in the market value of the Fund's investments which tends to vary inversely with changes in prevailing interest rates. A shareholder who redeems prior to maturity may receive a significantly different investment return than was anticipated at the time of purchase.

Except as otherwise indicated, the Fund's investment objective and policies are not fundamental and may be changed without a vote of shareholders. Shareholders will receive written notice of any changes in the Fund's objective. If there is a change in investment objective, shareholders should consider whether the Fund remains an appropriate investment in light of their then current financial position and needs.

Investing in zero coupon securities

Fund target date

The Fund matures on the third Friday of December 2000. At that time, the Fund will be converted to cash and distributed to shareholders or reinvested in another fund of their choice. The maturity date may coincide with known financial needs in the future, such as a car purchase, children's college education, the purchase of a home, or retirement. Additional funds may be added in the future.

What are zero coupon securities?

Zero coupon securities, including U.S. Government securities and privately stripped coupons on and receipts for U.S. Government securities, pay no cash income but are issued at substantial discounts from their value at maturity. When held to maturity, their entire return, which consists of the accretion of discount, comes from the difference between their issue price and their maturity value. This difference is known at the time of purchase, so investors holding zero coupon securities until maturity know the amount of their investment return at the time of their investment.

A portion of the total realized return from conventional interest-paying bonds comes from the reinvestment of periodic interest. Since the rate to be earned on these reinvestments may be higher or lower than the rate quoted on the interest-paying bonds at the time of the original purchase, the investment's total return is uncertain even for investors holding the security to its maturity. This uncertainty is commonly referred to as reinvestment risk and can have a significant impact on total realized investment return. With zero coupon securities, however, there are no cash distributions to reinvest, so investors bear no reinvestment risk if they hold the zero coupon security to maturity.

Why invest in the Fund?

The Fund is designed for investors seeking returns available on U.S. Government securities and reasonable assurance that a specific targeted dollar amount, predictable at the time of their investment, will be paid to them on a specific target date in the future.

Dividends and distributions will be automatically reinvested in additional shares (unless investors make a specific written election to take them in cash) because without such reinvestment investors are not likely to receive their targeted dollar amount on maturity. Investors should also plan to hold shares in this Fund until maturity because these shares are likely to have substantially more price volatility than shares of funds investing in traditional fixed-income investments.

The Fund is an appropriate investment for IRAs, Keoghs, 403(b) plans, 401(k) plans and other retirement plans where investors can match their retirement planning needs with the Fund's target date.

The Fund is also appropriate for investors planning for future anticipated expenses, such as the college educations of children or grandchildren, or the purchase of a home. The Fund may also be an appropriate investment in a Uniform Transfer/Gift to Minors Act account or any other investment account where predictability of return over a selected time period is important.

In addition, the Fund offers all the benefits of the Scudder Family of Funds. Scudder, Stevens & Clark, Inc. manages a diverse family of pure no-load(TM) funds and provides a wide range of services to help investors meet their investment needs. Please refer to "Investment products and services" for additional information.

Additional information about policies and investments

At least 80% of the net assets of the Fund will be invested in zero coupon securities. These include U.S. Treasury notes and bonds which have no coupons and are not entitled to income, U.S. Treasury bills, individual interest coupons which trade separately, and evidences of receipt of such securities. At least 50% of the net assets of the Fund will be invested in zero coupon securities maturing within two years of the Fund's target date. Up to 20% may be invested in interest-paying U.S. Treasury notes and bonds, and in repurchase agreements with respect to such securities. These interest-paying securities provide income for expenses, redemption payments, and cash dividends of the Fund.

The average duration of the Fund will be maintained within 12 months of the Fund's target date. Duration is a measure of the length of an investment which takes into account, through present value analysis, the timing and amount of any interest payments as well as the amount of the principal repayment. Duration is commonly used by professional investment managers to help identify and control reinvestment risk. Since the Fund will not be invested entirely in securities maturing on the target date, there will be some reinvestment risk. By balancing investments with slightly longer and shorter durations, the Fund's investment adviser, Scudder, Stevens & Clark, Inc. (the "Adviser"), believes it can maintain the Fund's average duration within 12 months of the Fund's target date and thereby reduce its reinvestment risk.

Investment restrictions

The Fund has adopted certain fundamental policies which may not be changed without a vote of shareholders and which are designed to reduce the Fund's investment risk.

The Fund may not borrow money except as a temporary measure for extraordinary or emergency purposes, and may not make loans except through the lending of

portfolio securities, the purchase of debt securities or through repurchase agreements.

In addition, as a matter of nonfundamental policy, the Fund may not invest more than 10% of its net assets in securities which are not readily marketable, restricted securities and repurchase agreements maturing in more than seven days. The Fund may not invest more than 5% of its total assets in restricted securities.

A complete description of these and other policies and restrictions is contained under "Investment Restrictions" in the Fund's Statement of Additional Information.

Predictability of return

Due to the nature of zero coupon securities, which comprise 80% or more of the investments of the Fund, and specialized investment policies designed to reduce reinvestment risk, an approximate dollar amount to be received at the target date can be estimated daily for the Fund. The difference between this amount and an initial investment is projected total return and is called anticipated growth. Anticipated growth will consist primarily of the estimated accretion of discount on the zero coupon securities in a Fund, and to a much lesser degree, of projected cash flow from incoming-producing securities in excess of estimated expenses.

The Fund will calculate on each business day its anticipated growth rate, which is the annualized rate of growth investors may expect from the time they purchase the Fund's shares until the Fund's target date. The anticipated growth rate cannot be guaranteed, as it involves certain assumptions about variable factors, such as reinvestment of dividends and distributions, the expense ratio, and Fund composition. The rate will vary from day to day due to changes in interest rates and other market factors affecting the value of the Fund's investments. Furthermore, differences in the price changes of securities with different maturities can affect investment return, as can management of the Fund. Under certain circumstances, shareholder redemptions could also affect anticipated growth rate.

Ownership in a portfolio holding zero coupon and other securities differs from a direct investment in zero coupon securities in various ways, including the factors affecting predictability of return described above and the varying maturity dates of the underlying securities held by the Fund.

However, the Adviser believes that investors purchasing and holding the Fund's shares to maturity and reinvesting all dividends and distributions should be able to realize an investment return substantially equal to the anticipated growth rate calculated on the day the Fund's shares were purchased.

Quality

The Fund will invest in zero coupon securities, including both U.S. Government securities and privately stripped coupons and receipts for U.S. Government securities, which are rated AAA or AA by Standard & Poor's, or Aaa or Aa by Moody's Investors Service, Inc., or judged by the Adviser to be of equivalent quality. The Fund's Treasury obligations, including those underlying zero coupon receipts, are backed by the full faith and credit of the U.S. Government. Should the rating of a portfolio security be downgraded, the Adviser will determine whether it is in the best interest of the Fund to retain or dispose of the security. In addition, the Fund may enter into repurchase agreements with respect to such securities with selected banks and broker/dealers.

Price variability

Investors can expect more appreciation from the Fund than from a fund investing in interest-paying securities of similar maturity during periods of declining interest rates.

Conversely, when interest rates rise, the Fund may decline more in price than a fund investing in interest-paying securities of similar maturity. Price fluctuations are expected to be greatest in a longer-maturity fund and are expected to diminish as the Fund approaches its maturity date.

Interest rates can change suddenly and unpredictably. The Fund may not be appropriate for investors who do not plan to hold their shares for a long term or until maturity. Redemptions prior to maturity generally will result in capital gains or losses.

Income taxes

Under federal income tax laws, a portion of the difference between the issue price of zero coupon securities and their face value is considered to be income to the Fund each year, even though the Fund will not in each year receive cash interest payments from these securities.

The Fund must distribute substantially all of its net investment income each year, including the imputed income from its zero coupon investments. As with all funds distributing taxable income, tax-paying investors in the Fund will be subject to income taxes whether they elect to take cash distributions or have them reinvested.

Tax-deferred investments such as IRAs, Keogh plans, 403(b) plans or 401(k) plans currently do not pay federal income taxes.

Specialized investment techniques

When-issued securities

The Fund may purchase securities on a when-issued or forward delivery basis, for payment and delivery at a later date. The price and yield are generally fixed on the date of commitment to purchase. During the period between purchase and settlement, no interest accrues to the Fund. At the time of settlement, the market value of the security may be more or less than the purchase price.

Repurchase agreements

As a means of earning income for periods as short as overnight, the Fund may enter into repurchase agreements with selected banks and broker/dealers. Under a repurchase agreement, the Fund acquires securities, subject to the seller's agreement to repurchase them at a specified time and price.

Risk factors

The Fund's risks are determined by the nature of the securities held and the portfolio management strategies used by the Adviser. The following are descriptions of certain risks related to the investments and techniques that the Fund may use from time to time.

Price variability. Because they do not pay interest until maturity, zero coupon securities tend to be subject to greater interim fluctuation of market value in response to changes in interest rates than interest-paying securities of similar maturities.

Repurchase agreements. If the seller under a repurchase agreement becomes insolvent, the Fund's right to dispose of the securities may be restricted, or the value of the securities may decline before the Fund is able to dispose of them. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before repurchase of the securities under a repurchase agreement, the Fund may encounter delay and incur costs, including a decline in the value of the securities, before being able to sell the securities.

Distribution and performance information

Dividends and capital gains distributions

The Fund intends to distribute dividends from its net investment income and net realized capital gains, if any, resulting from Fund investment activity in November or December to prevent application of a federal excise tax. An additional distribution may be made within three months of the Fund's fiscal year end, if necessary. Any dividends or capital gains distributions declared in October, November or December with a record date in such a month and paid during the following January will be treated by shareholders for federal income tax purposes as if received on December 31 of the calendar year declared. According to preference, shareholders may receive distributions in cash or have them reinvested in additional shares of the Fund. If an investment is in the form of a retirement plan, all dividends and capital gains distributions must be reinvested into the shareholder's account.

Generally, dividends from net investment income are taxable to shareholders as ordinary income. Long-term capital gains distributions, if any, are taxable as long-term capital gains regardless of the length of time shareholders have owned shares. Short-term capital gains and any other taxable income distributions are taxable as ordinary income.

The Fund sends detailed tax information about the amount and type of its distributions to its shareholders by January 31 of the following year.

Performance information

From time to time, quotations of the Fund's performance may be included in advertisements, sales literature or shareholder reports. All performance figures are historical, show the performance of a hypothetical investment and are not intended to indicate future performance.

The "yield" of the Fund refers to income generated by an investment in the Fund over a specified 30-day (one month) period. Yield is expressed as an annualized percentage. "Total return" is the change in value of an investment in the Fund for a specified period. The "average annual total return" of the Fund is the average annual compound rate of return of an investment in the Fund assuming the investment has been held for one year, five years and life of the Fund as of a stated ending date. "Cumulative total return" represents the cumulative change in value of an investment in the Fund for various periods. All types of total return calculations assume that all dividends and capital gains distributions during the period were reinvested in shares of the Fund. Performance will vary based upon, among other things, changes in market conditions and the level of the Fund's expenses.

Fund organization

Scudder Zero Coupon 2000 Fund is a diversified series of Scudder Funds Trust (the "Trust"), an open-end management investment company, registered under the Investment Company Act of 1940 (the "1940 Act"). The Trust was organized as a Massachusetts business trust in July 1981 and changed its name from Scudder Target Fund to its current name effective July 3, 1989.

The Fund's activities are supervised by the Trust's Board of Trustees. Shareholders have one vote for each share held on matters on which they are entitled to vote. The Fund is not required to and has no current intention of holding annual shareholder meetings, although special meetings may be called for purposes such as electing or removing Trustees, changing fundamental investment policies or approving an investment advisory contract. Shareholders will be assisted in communicating with other

(Continued on page 12)

Purchases

<TABLE>

<C>	<C>	
Opening an account	Minimum initial investment: $1,000; IRAs $500 Group retirement plans (401(k), 403(b), etc.) have similar or lower minimums. See appropriate plan literature.	
Make checks payable to "The Scudder Funds."	o By Mail	Send your completed and signed application and check by regular mail to: The Scudder Funds, P.O. Box 2291, Boston, MA 02107-2291 or by express, registered, or certified mail to: The Scudder Funds, 1099 Hingham Street, Rockland, MA 02370-1052
	o By Wire	Please see Transaction information--Purchasing shares--By wire following these tables for details, including the ABA wire transfer number. Then call 1-800-225-5163 for instructions.
	o In Person	Visit one of our Funds Centers to complete your application with the help of a Scudder representative. Funds Center locations are listed under Shareholder benefits.
Purchasing additional shares	Minimum additional investment: $100; IRAs $50 Group retirement plans (401(k), 403(b), etc.) have similar or lower minimums. See appropriate plan literature.	
Make checks payable to "The Scudder Funds."	o By Mail	Send a check with a Scudder investment slip, or with a letter of instruction including your account number and the complete Fund name, to the appropriate address listed above.
o By Wire		Please see Transaction information--Purchasing shares--By wire following these tables for details, including the ABA wire transfer number.
	o In Person	Visit one of our Funds Centers to make an additional investment in your Scudder fund account. Funds Center locations are listed under Shareholder benefits.
	o By Telephone	You may purchase additional shares in an amount of $10,000 or more. Please call 1-800-225-5163 for more details.
	o By Automatic Investment Plan ($50 minimum)	You may arrange to make investments on a regular basis through automatic deductions from your bank checking account. Please call 1-800-225-5163 for more information and an enrollment form.

</TABLE>

Exchanges and redemptions

<TABLE>

<C>		<C>
Exchanging shares	Minimum investments:	$1,000 to establish a new account; $100 to exchange among existing accounts
	o By Telephone	To speak with a service representative, call 1-800-225-5163 from 8 a.m. to 8 p.m. eastern time or to access SAIL(TM), Scudder's Automated Information Line, call 1-800-343-2890 (24 hours a day).
	o By Mail or Fax	Print or type your instructions and include: - the name of the Fund and the account number you are exchanging from; - your name(s) and address as they appear on your account; - the dollar amount or number of shares you wish to exchange; - the name of the Fund you are exchanging into; and - your signature(s) as it appears on your account and a daytime telephone number. Send your instructions by regular mail to: The Scudder Funds, P.O. Box 2291, Boston, MA 02107-2291 or by express, registered, or certified mail to: The Scudder Funds, 1099 Hingham Street, Rockland, MA 02370-1052 or by fax to: 1-800-821-6234
Redeeming shares	o By Telephone	To speak with a service representative, call 1-800-225-5163 from 8 a.m. to 8 p.m. eastern time or to access SAIL(TM), Scudder's Automated Information Line, call 1-800-343-2890 (24 hours a day). You may have redemption proceeds sent to your predesignated bank account, or redemption proceeds of up to $50,000 sent to your address of record.
	o By Mail or Fax	Send your instructions for redemption to the appropriate address or fax number above and include:

- the name of the Fund and account number you are redeeming from;
- your name(s) and address as they appear on your account;
- the dollar amount or number of shares you wish to redeem; and
- your signature(s) as it appears on your account and a daytime telephone number.

o By Automatic Withdrawal Plan	A signature guarantee is required for redemptions over $50,000. See Transaction information--Redeeming shares following these tables. You may arrange to receive automatic cash payments periodically if the value of your account is $10,000 or more. Call 1-800-225-5163 for more information and an enrollment form.

</TABLE>

(Continued from page 9)

shareholders in connection with removing a Trustee as if Section 16(c) of the 1940 Act were applicable.

Investment adviser

The Fund retains the investment management firm of Scudder, Stevens & Clark, Inc., a Delaware corporation, to manage the Fund's daily investment and business affairs subject to the policies established by the Board of Trustees. The Trustees have overall responsibility for the management of the Fund under Massachusetts law.

The Adviser receives an investment management fee for these services equal to 0.60% of the average daily net assets of the Fund, payable monthly, provided the Fund will make such interim payments as may be requested by the Adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid. The Adviser has agreed to waive all or a portion of its management fee until April 30, 1996, and to take other action, to the extent necessary, to maintain the annualized expenses of the Fund at not more than 1% of average daily net assets.

For the fiscal year ended December 31, 1994, the Adviser received an investment management fee of 0.13% of the Fund's average daily net assets on an annual basis.

All of the Fund's expenses are paid out of gross investment income, if any, or from the Fund's assets. Shareholders pay no direct charges or fees for investment or administrative services.

Scudder, Stevens & Clark, Inc. is located at Two International Place, Boston, Massachusetts.

Transfer agent

Scudder Service Corporation, P.O. Box 2291, Boston, Massachusetts 02107-2291, a wholly-owned subsidiary of the Adviser, is the transfer, shareholder servicing and dividend-paying agent for the Fund.

Underwriter

Scudder Investor Services, Inc., a wholly-owned subsidiary of the Adviser, is the Fund's principal underwriter. Scudder Investor Services, Inc. confirms, as agent, all purchases of shares of the Fund. Scudder Investor Relations is a telephone information service provided by Scudder Investor Services, Inc.

Custodian

State Street Bank and Trust Company is the Fund's custodian.

Transaction information

Purchasing shares

Purchases are executed at the next calculated net asset value per share after the Fund's transfer agent in Boston receives the purchase request in good order. Purchases are made in full and fractional shares. (See "Share price.")

By check. If you purchase shares with a check that does not clear, your purchase will be canceled and you will be subject to any losses or fees incurred in the transaction. Checks must be drawn on or payable through a U.S. bank. If you purchase shares by check and redeem them within seven business days of purchase, the Fund may hold redemption proceeds until the purchase check has cleared, which may take up to seven business days. If you purchase shares by federal funds wire, you may avoid this delay. Redemption or exchange requests by telephone prior to the expiration of the seven-day period will not be accepted.

By wire. To open a new account by wire, first call Scudder at 1-800-225-5163 to obtain an account number. A representative will instruct you to send a completed, signed application to the transfer agent in Boston. Accounts cannot

be opened without a completed, signed application and a Scudder fund account number. Contact your bank to arrange a wire transfer to:

The Scudder Funds
State Street Bank and Trust Company
Boston, MA 02101
ABA Number 011000028
DDA Account 9903-5552

Your wire instructions must also include:
- -- the name of the fund in which the money is to be invested,
- -- the account number of the fund, and
- -- the name(s) of the account holder(s).

The account will be established once the application and money order are received in good order.

You may also make additional investments of $100 or more to your existing account by wire.

By exchange. Your new account will have the same registration and address as your existing account.

The exchange requirements for corporations, other organizations, trusts, fiduciaries, agents, institutional investors and retirement plans may be different from those for regular accounts. Please call 1-800-225-5163 for more information, including information about the transfer of special account features.

You can also make exchanges among your Scudder fund accounts on SAIL, the Scudder Automated Information Line, by calling 1-800-343-2890.

By telephone order. Existing shareholders may purchase shares at a certain day's price by calling 1-800-225-5163 before the close of regular trading on the New York Stock Exchange (the "Exchange"), normally 4 p.m. eastern time, on that day. Orders must be for $10,000 or more and cannot be for an amount greater than four times the value of your account at the time the order is placed. A confirmation with complete purchase information is sent shortly after your order is received. You must include with your payment the order number given at the time the order is placed. If payment by check or wire is not received within seven business days, the order will be canceled and the shareholder will be responsible for any loss to the Fund resulting from this cancellation. Telephone orders are not available for shares held in Scudder IRA accounts and most other Scudder retirement plan accounts.

Redeeming shares

The Fund allows you to redeem shares (i.e., sell them back to the Fund) without redemption fees.

By telephone. This is the quickest and easiest way to sell Fund shares. If you elected telephone redemption to your bank on your application, you can call to request that federal funds be sent to your authorized bank account. If you did not elect telephone redemption to your bank on your application, call 1-800-225-5163 for more information.

Redemption proceeds will be wired to your bank unless otherwise requested. If your bank cannot receive federal reserve wires, redemption proceeds will be mailed to your bank. There will be a $5 charge for all wire redemptions.

You can also make redemptions from your Scudder fund account on SAIL, the Scudder Automated Information Line, by calling 1-800-343-2890.

If you open an account by wire, you cannot redeem shares by telephone until the Fund's transfer agent has received your completed and signed application. Telephone redemption is not available for shares held in Scudder IRA accounts and most other Scudder retirement plan accounts.

In the event that you are unable to reach the Fund by telephone, you should write to the Fund; see "How to contact Scudder" for the address.

Signature guarantees. For your protection and to prevent fraudulent redemptions, on written redemption requests in excess of $50,000 we require an original signature and an original signature guarantee for each person in whose name the

account is registered. (The Fund reserves the right, however, to require a signature guarantee for all redemptions.) You can obtain a signature guarantee from most banks, credit unions or savings associations, or from broker/dealers, municipal securities broker/dealers, government securities broker/dealers, national securities exchanges, registered securities associations, or clearing agencies deemed eligible by the Securities and Exchange Commission. Signature guarantees by notaries public are not acceptable. Redemption requirements for corporations, other organizations, trusts, fiduciaries, agents, institutional investors and retirement plans may be different from those for regular accounts. For more information, please call 1-800-225-5163.

Telephone transactions

Shareholders automatically receive the ability to exchange by telephone and the right to redeem by telephone up to $50,000 to their address of record. Shareholders also may, by telephone, request that redemption proceeds be sent to a predesignated bank account. The Fund uses procedures designed to give reasonable assurance that telephone instructions are genuine, including recording telephone calls, testing a caller's identity and sending written confirmation of telephone transactions. If the Fund does not follow such procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions. The Fund will not be liable for acting upon instructions communicated by telephone that it reasonably believes to be genuine.

Share price

Purchases and redemptions, including exchanges, are made at net asset value. Scudder Fund Accounting Corporation, a wholly-owned subsidiary of the Adviser, determines net asset value per share as of the close of regular trading on the Exchange, normally 4 p.m. eastern time, on each day the Exchange is open for trading. Net asset value per share is calculated by dividing the value of total Fund assets, less all liabilities, by the total number of shares outstanding.

Processing time

All purchase and redemption requests received in good order by the Fund's transfer agent in Boston by the close of regular trading on the Exchange are executed at the net asset value per share calculated at the close of regular trading that day.

Purchase and redemption requests received after the close of regular trading on the Exchange will be executed the following business day.

If you wish to make a purchase of $500,000 or more you should notify Scudder Investor Relations by calling 1-800-225-5163.

The Fund will normally send redemption proceeds within one business day following the redemption request, but may take up to seven days (or longer in the case of shares recently purchased by check).

Short-term trading

Purchases and sales should be made for long-term investment purposes only. The Fund and Scudder Investor Services, Inc. each reserves the right to restrict purchases of Fund shares (including exchanges) when a pattern of frequent purchases and sales made in response to short-term fluctuations in the Fund's share price appears evident.

Tax information

A redemption of shares, including an exchange into another Scudder fund, is a sale of shares and may result in a gain or loss for income tax purposes.

Tax identification number

Be sure to complete the Tax Identification Number section of the Fund's application when you open an account. Federal tax law requires the Fund to withhold 31% of taxable dividends, capital gains distributions and redemption and exchange proceeds from accounts (other than those of certain exempt payees)

without a certified Social Security or tax identification number and certain other certified information or upon notification from the IRS or a broker that withholding is required. The Fund reserves the right to reject new account applications without a certified Social Security or tax identification number. The Fund also reserves the right, following 30 days' notice, to redeem all shares in accounts without a certified Social Security or tax identification number. A shareholder may avoid involuntary redemption by providing the Fund with a tax identification number during the 30-day notice period.

Minimum balances

Shareholders should maintain a share balance worth at least $1,000, which amount may be changed by the Board of Trustees. Scudder retirement plans have similar or lower minimum share balance requirements. The Fund reserves the right, following 60 days' written notice to shareholders, to redeem all shares in sub-minimum accounts, including accounts of new investors, where a reduction in value has occurred due to a redemption or exchange out of the account. Reductions in value that result solely from market activity will not trigger an involuntary redemption. The Fund will mail the proceeds of the redeemed account to the shareholder. The shareholder may restore the share balance to $1,000 or more during the 60-day notice period and must maintain it at no lower than that minimum to avoid involuntary redemption.

Third party transactions

If purchases and redemptions of Fund shares are arranged and settlement is made at an investor's election through a member of the National Association of Securities Dealers, Inc., other than Scudder Investor Services, Inc., that member may, at its discretion, charge a fee for that service.

Shareholder benefits

Experienced professional management

Scudder, Stevens & Clark, Inc., one of the nation's most experienced investment management firms, actively manages your Scudder fund investment. Professional management is an important advantage for investors who do not have the time or expertise to invest directly in individual securities.

A team approach to investing

Scudder Zero Coupon 2000 Fund is managed by a team of Scudder investment professionals who each play an important role in the Fund's management process. Team members work together to develop investment strategies and select securities for the Fund's portfolio. They are supported by Scudder's large staff of economists, research analysts, traders, and other investment specialists who work in Scudder's offices across the United States and abroad. We believe our team approach benefits Fund investors by bringing together many disciplines and leveraging Scudder's extensive resources.

Lead Portfolio Manager Ruth Heisler has responsibility for overseeing the Fund's day- to-day operations and for implementing the Fund's investment strategies. Ms. Heisler has been in charge of the Fund's security selection since 1988 and has been involved with bond research and investing at Scudder since 1953. Renee L. Ross, Portfolio Manager, assists Ms. Heisler with trading bonds for the Fund's portfolio. Ms. Ross, who has nine years' experience as a portfolio manager, joined the team in 1986, and has worked at Scudder since 1981. Stephen A. Wohler, Portfolio Manager, joined the team in 1994 and is also responsible for implementing the Fund's strategy. Mr. Wohler has over 15 years' experience managing fixed-income investments and has been with Scudder since 1979.

SAIL(TM)--Scudder Automated Information Line

For touchtone access to account information, prices and yields, or to perform transactions in existing Scudder fund accounts, shareholders can call Scudder's Automated Information Line (SAIL) at 1-800-343-2890. During periods of extreme economic or market changes, or other conditions, it may be difficult for you to effect telephone transactions in your account. In such an event you should write to the Fund; please see "How to contact Scudder" for the address.

Investment flexibility

Scudder offers toll-free telephone exchange between funds at current net asset value. You can move your investments among money market, income, growth, tax-free and growth and income funds with a simple toll-free call or, if you prefer, by sending your instructions through the mail or by fax. Telephone and fax redemptions and exchanges are subject to termination and their terms are subject to change at any time by the Fund or the transfer agent. In some cases, the transfer agent or Scudder Investor Services, Inc. may impose additional conditions on telephone transactions.

Dividend reinvestment plan

You may have dividends and distributions automatically reinvested in additional Fund shares. Please call 1-800-225-5163 to request this feature.

Shareholder statements

You receive a detailed account statement every time you purchase or redeem shares. All of your statements should be retained to help you keep track of account activity and the cost of shares for tax purposes.

Shareholder reports

In addition to account statements, you receive periodic shareholder reports highlighting relevant information, including investment results and a review of portfolio changes.

To reduce the volume of mail you receive, only one copy of most Fund reports, such as the Fund's Annual Report, may be mailed to your household (same surname, same address). Please call 1-800-225-5163 if you wish to receive additional shareholder reports.

Newsletters

Four times a year, Scudder sends you At the Helm, an informative newsletter covering economic and investment developments, service enhancements and other topics of interest to Scudder fund investors.

Scudder Funds Centers

As a convenience to shareholders who like to conduct business in person, Scudder Investor Services, Inc. maintains Funds Centers in Boca Raton, Boston, Chicago, Cincinnati, Los Angeles, New York, Portland (OR), San Diego, San Francisco and Scottsdale.

T.D.D. service for the hearing impaired

Scudder's full range of investor information and shareholder services is available to hearing impaired investors through a toll-free T.D.D. (Telephone Device for the Deaf) service. If you have access to a T.D.D., call 1-800-543-7916 for investment information or specific account questions and transactions.

Scudder tax-advantaged retirement plans

Scudder offers a variety of tax-advantaged retirement plans for individuals, businesses and non-profit organizations. These flexible plans are designed for use with the Scudder Family of Funds (except Scudder tax-free funds, which are inappropriate for such plans). Scudder Funds offer a broad range of investment objectives and can be used to seek almost any investment goal. Using Scudder's retirement plans can help shareholders save on current taxes while building their retirement savings.

* Scudder No-Fee IRAs. These retirement plans allow a maximum annual contribution of $2,000 per person for anyone with earned income. Many people can deduct all or part of their contributions from their taxable income, and all investment earnings accrue on a tax deferred basis. The Scudder No-Fee IRA charges no annual custodial fee.

* 401(k) Plans. 401(k) plans allow employers and employees to make tax-deductible retirement contributions. Scudder offers a full service program that includes recordkeeping, prototype plan, employee communications and trustee services, as well as investment options.

* Profit Sharing and Money Purchase Pension Plans. These plans allow corporations, partnerships and people who are self-employed to make annual, tax-deductible contributions of up to $30,000 for each person covered by the plans. Plans may be adopted individually or paired to maximize contributions. These are sometimes known as Keogh plans.

* 403(b)Plans. Retirement plans for tax-exempt organizations and school systems to which employers and employees may both contribute.

* SEP-IRAs. Easily administered retirement plans for small businesses and self-employed individuals. The maximum annual contribution to SEP-IRA accounts is adjusted each year for inflation.

* Scudder Horizon Plan. A no-load variable annuity that lets you build assets by deferring taxes on your investment earnings. You can start with $2,500 or more.

Scudder Trust Company (an affiliate of the Adviser) is Trustee or Custodian for some of these plans and is paid an annual fee for some of the above retirement plans. For information about establishing a Scudder No-Fee IRA, SEP-IRA, Profit Sharing Plan, Money Purchase Pension Plan or a Scudder Horizon Plan, please call 1-800-225-2470. For information about 401(k)s or 403(b)s please call

1-800-323-6105. To effect transactions in existing IRA, SEP-IRA, Profit Sharing or Pension Plan accounts, call 1-800-225-5163.

The variable annuity contract is provided by Charter National Life Insurance Company (in New York State, Intramerica Life Insurance Company [S 1802]). The contract is offered by Scudder Insurance Agency, Inc. (in New York State, Nevada and Montana, Scudder Insurance Agency of New York, Inc.). CNL, Inc. is the Principal Underwriter. Scudder Horizon Plan is not available in all states.

Investment products and services

<TABLE>

<C>	<C>
The Scudder Family of Funds	Income
Money market	Scudder Emerging Markets Income Fund
Scudder Cash Investment Trust	Scudder GNMA Fund
Scudder U.S. Treasury Money Fund	Scudder Income Fund
Tax free money market+	Scudder International Bond Fund
Scudder Tax Free Money Fund	Scudder Short Term Bond Fund
Scudder California Tax Free Money Fund*	Scudder Short Term Global Income Fund
Scudder New York Tax Free Money Fund*	Scudder Zero Coupon 2000 Fund
Tax free+	Growth
Scudder California Tax Free Fund*	Scudder Capital Growth Fund

Scudder High Yield Tax Free Fund	Scudder Development Fund
Scudder Limited Term Tax Free Fund	Scudder Global Fund
Scudder Managed Municipal Bonds	Scudder Global Small Company Fund
Scudder Massachusetts Limited Term Tax Free Fund*	Scudder Gold Fund
Scudder Massachusetts Tax Free Fund*	Scudder Greater Europe Growth Fund
Scudder Medium Term Tax Free Fund	Scudder International Fund
Scudder New York Tax Free Fund*	Scudder Latin America Fund
Scudder Ohio Tax Free Fund*	Scudder Pacific Opportunities Fund
Scudder Pennsylvania Tax Free Fund*	Scudder Quality Growth Fund
Growth and Income	Scudder Value Fund
Scudder Balanced Fund	The Japan Fund
Scudder Growth and Income Fund	
Retirement Plans and Tax-Advantaged Investments	
IRAs	403(b) Plans
Keogh Plans	SEP-IRAs
Scudder Horizon Plan*+++ (a variable annuity)	Profit Sharing and Money Purchase Pension Plans
401(k) Plans	
Closed-end Funds#	
The Argentina Fund, Inc.	Scudder New Europe Fund, Inc.
The Brazil Fund, Inc.	Scudder World Income Opportunities Fund, Inc.
The First Iberian Fund, Inc.	
The Korea Fund, Inc.	Institutional Cash Management
The Latin America Dollar Income Fund, Inc.	Scudder Institutional Fund, Inc.
Montgomery Street Income Securities, Inc.	Scudder Fund, Inc.
Scudder New Asia Fund, Inc.	Scudder Treasurers Trust(TM)++

For complete information on any of the above Scudder funds, including management fees and expenses, call or write for a free prospectus. Read it carefully before you invest or send money. +A portion of the income from the tax-free funds may be subject to federal, state and local taxes. *Not available in all states. +++A no-load variable annuity contract provided by Charter National Life Insurance Company and its affiliate, offered by Scudder's insurance agencies, 1-800-225-2470. #These funds, advised by Scudder, Stevens & Clark, Inc., are traded on various stock exchanges. ++For information on Scudder Treasurers Trust(TM), an institutional cash management service that utilizes certain portfolios of Scudder Fund, Inc. ($100,000 minimum), call: 1-800-541-7703.

</TABLE>

How to contact Scudder

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Account Service and Information:

For existing account service and transactions	Scudder Investor Relations 1-800-225-5163
For account updates, prices, yields, exchanges and redemptions	Scudder Automated Information Line (SAIL) 1-800-343-2890

Please address all correspondence to:
The Scudder Funds
P.O. Box 2291
Boston, Massachusetts
02107-2291

Investment Information:

To receive information about the Scudder funds, for additional applications and prospectuses, or for investment questions	Scudder Investor Relations 1-800-225-2470
For establishing 401(k) and 403(b) plans	Scudder Defined Contribution Services 1-800-323-6105

Or Stop by a Scudder Funds Center:

Many shareholders enjoy the personal, one-on-one service of the Scudder Funds Centers. Check for a Funds Center near you--they can be found in the following cities:

Boca Raton	New York
Boston	Portland, OR
Chicago	San Diego
Cincinnati	San Francisco
Los Angeles	Scottsdale

For information on Scudder Treasurers Trust(TM), an institutional cash management service for corporations, non-profit organizations and trusts which utilizes certain portfolios of Scudder Fund, Inc.* ($100,000 minimum), call: 1-800-541-7703.

For information on Scudder Institutional Funds*, funds designed to meet the broad investment management and service needs of banks and other institutions, call: 1-800-854-8525.

Scudder Investor Relations and Scudder Funds Centers are services provided through Scudder Investor Services, Inc., Distributor.

* Contact Scudder Investor Services, Inc., Distributor, to receive a prospectus with more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

</TABLE>

SCUDDER SHORT TERM BOND FUND

A Pure No-Load(TM) (No Sales Charge) Diversified Mutual Fund
Series Which Seeks to Provide a High Level of Income
Consistent With a High Degree of Principal
Stability By Investing Primarily in High
Quality, Short-Term Bonds

and

SCUDDER ZERO COUPON 2000 FUND

A Pure No-Load(TM) (No Sales Charge) High-Quality Diversified Mutual Fund
Series Designed For Investors Who Seek as High an Investment Return
Over a Selected Period as is Consistent With Investment in
U.S. Government Securities and the Minimization of Reinvestment Risk

- --

STATEMENT OF ADDITIONAL INFORMATION

May 1, 1995

- --

This combined Statement of Additional Information is not a prospectus and should be read in conjunction with the prospectuses of Scudder Short Term Bond Fund and Scudder Zero Coupon 2000 Fund each dated May 1, 1995, as amended from time to time, copies of which may be obtained without charge by writing to Scudder Investor Services, Inc., Two International Place, Boston, Massachusetts 02110-4103.

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THE FUNDS' INVESTMENT OBJECTIVES AND POLICIES

(See "Investment objective and policies" and "Additional information about policies and investments" in the Funds' prospectuses.)

Scudder Funds Trust, a Massachusetts business trust of which Scudder Short Term Bond Fund ("Short Term Bond Fund") and Scudder Zero Coupon 2000 Fund ("Zero Coupon 2000 Fund") are series, is referred to herein as the "Trust." Each Fund is a pure no-load(TM), open-end management investment company which continuously offers and redeems its shares. Each Fund is a company of the type commonly known as a mutual fund. Short Term Bond Fund and Zero Coupon 2000 Fund are both diversified series of the Trust. These series are sometimes referred to individually as a "Fund" and jointly as the "Funds."

Because of each Fund's investment considerations discussed herein and their investment policies, investment in shares of a Fund is not intended to provide a complete investment program for an investor. The value of each Fund's shares when sold may be higher or lower than when purchased.

The following objectives and policies, except as otherwise stated, are not fundamental and may be changed without a shareholder vote. There can be no assurance that either Fund will achieve its investment objective.

Investment Objective and Policies of Short Term Bond Fund

Short Term Bond Fund seeks to provide a high level of income consistent with a high degree of principal stability by investing primarily in high quality, short-term bonds. The dollar-weighted average effective maturity of the Fund's portfolio may not exceed three years. Within this limitation, the Fund may purchase individual securities with remaining stated maturities greater than three years. In some cases the Fund's investment adviser, Scudder, Stevens & Clark, Inc. (the "Adviser") will determine the effective maturity of debt securities.

The Fund invests at least 65% of its net assets in a managed portfolio of bonds, which include U.S. Government and agency notes and bonds, fixed and adjustable rate bonds, debentures (convertible and non-convertible), stripped coupons and bonds, asset-backed bonds and certificates, mortgage bonds and pass-through certificates, corporate notes (including convertible notes), equipment trust certificates, and the bond portion of units with stock or warrants to buy stock attached.

The Fund will maintain a dollar-weighted average effective portfolio maturity of not more than three years. This means that the dollar-weighted average duration of the Fund's investments will be less than or equal to the duration of a current coupon U.S. Treasury obligation with a remaining stated maturity of three years. Duration represents the weighted average maturity of expected cash flows (i.e. interest and principal payments) on one or more debt obligations, discounted to their present values. The duration of an obligation is always less than or equal to its stated maturity and relates to the degree of the volatility in the market value of the obligation.

In computing the dollar-weighted average effective maturity of its portfolio, the Fund will have to estimate the effective maturity of debt obligations that are subject to prepayment or redemption by the issuer, based on projected cash flows from such obligations. Subject to the requirement that the dollar-weighted average effective portfolio maturity will not exceed three years, the Fund may invest in individual debt obligations of any maturity, including obligations with a remaining stated maturity of more than three years. For purposes of the Fund's investment policy, an instrument will be treated as having a maturity earlier than its stated maturity date if the instrument has technical features (such as puts or demand features) or a variable rate of interest which, in the judgment of the Adviser, will result in the instrument being valued in the market as though it has the earlier maturity.

Investment Considerations of Short Term Bond Fund

Short Term Bond Fund may invest in obligations issued by the U.S. Government, such as U.S. Treasury bills, notes and bonds, in obligations backed by the full faith and credit of the U.S. Government such as those issued by the Export-Import Bank of the United States, the General Services Administration and the Government National Mortgage Association and in obligations issued by instrumentalities of the U.S. Government.

Obligations purchased may include the foregoing as well as obligations of issuers other than the U.S. Government such as those issued by corporations and other issuers, provided that such obligations (i) either provide for interest, which may be fixed or variable, or are issued at a discount from face value, such as U.S. Treasury bills or zero coupon securities, (ii) entitle the holder or registered owner to receive from the issuer the face value thereof, or an amount determinable by formula from the face value, on a specified date or on a date determined by the holder or owner, and (iii) meet the quality standards described in the Fund's prospectus and in this section. Examples of such securities include corporate and other bonds, notes and debentures, whether or not convertible or with warrants attached; equipment trust certificates; certificates of deposit due in over one year; and mortgage- or other asset-backed securities; as well as money market instruments due in one year or less, such as finance company and corporate commercial paper, certificates of deposit and bankers' acceptances; and any of the foregoing obligations of either long or short maturities of foreign issuers. Any value of the conversion feature of convertible securities or warrants attached to debt obligations will be realized through sale and not through exercise. Investment in money market instruments will be incidental to the management of the Fund; provided, however, that the Fund may invest more than 35% of its assets in money market instruments for temporary defensive purposes when, in the opinion of the Adviser, economic conditions warrant such investment.

The Fund may invest in certificates of deposit of large domestic and foreign banks (i.e., banks which at the time of their most recent annual financial statements show total assets in excess of one billion U.S. dollars), including foreign branches of domestic banks, and certificates of deposit of smaller banks as described below. Although the Fund recognizes that the size of a bank is important, this fact alone is not necessarily indicative of its creditworthiness. Investment in certificates of deposit issued by foreign banks or foreign branches of domestic banks involves investment risks that are different in some respects from those associated with investment in certificates of deposit issued by domestic banks. See "Specialized Investment Techniques--Foreign Securities."

The Fund may also invest in certificates of deposit issued by banks and savings and loan institutions which had at the time of their most recent annual financial statements total assets of less than one billion U.S. dollars, provided that (i) the principal amounts of such certificates of deposit are insured by an agency of the U.S. Government, (ii) at no time will the Fund hold more than $100,000 principal amount of certificates of deposit of any one such bank, and (iii) at the time of acquisition, no more than 10% of the Fund's assets (taken at current value) are invested in certificates of deposit of such banks having total assets not in excess of one billion dollars.

Other eligible investments for the Fund include privately-placed and foreign obligations. See "Specialized Investment Techniques--Foreign Securities." Privately-placed obligations are neither listed on an exchange nor traded over-the-counter and, generally, are subject to legal or contractual restrictions on resale. Companies that issue privately-placed obligations may not be subject to the disclosure and other investor protection requirements that are generally applicable to companies whose obligations are publicly traded. There may be less publicly available information concerning the issuers of privately-placed obligations. As a result, the achievement of the Fund's objective through investment in such obligations may be more dependent upon the Adviser's own credit analysis than is the case for publicly traded obligations. Further, the market for privately-placed obligations may be less liquid than that of publicly traded obligations. Consequently, privately-placed obligations may be more difficult to value than publicly traded obligations. Although privately-placed obligations may be resold, due to market illiquidity and other factors the price realized from the sale of such obligations could be less than what may be considered their fair value. Investment of the Fund's assets in relatively illiquid obligations may restrict the Fund's ability to dispose of assets in a timely manner and at a fair price. The Fund may incur costs and encounter delays if privately-placed obligations held by the Fund are required to be registered before the Fund can dispose of them.

At least 65% of the Fund's net assets will be invested in (a) obligations of the U.S. Government, its agencies or instrumentalities, and (b) debt securities rated, at the time of purchase, in one of the two highest ratings categories of Standard and Poor's ("S&P") (AAA or AA) or Moody's Investors Service, Inc. ("Moody's") (Aaa or Aa) or, if not rated, judged to be of comparable quality by the Adviser. The Fund may also invest in money market instruments of an issuer if at the time of purchase (a) such issuer has outstanding long-term debt obligations which are rated within the two highest grades assigned by Moody's or S&P or (b) if the issuer has no long-term debt obligations outstanding or its outstanding long-term debt obligations are unrated, those obligations are judged by the Adviser, subject to the Trustees' review, to be of comparable creditworthiness to issuers whose long-term debt obligations are assigned one of the two highest ratings of Moody's or S&P. Credit enhancements can be looked to for credit quality determinations. (See

"RATINGS OF CORPORATE BONDS.") The Fund has no present intention of purchasing securities rated below Baa by Moody's or BBB by S&P or judged to be of comparable quality.

Investment Objective and Policies of Zero Coupon 2000 Fund

Zero Coupon 2000 Fund seeks to provide as high an investment return over a selected period as is consistent with investment in U.S. Government securities, and with the minimization of reinvestment risk. For the purpose of the Fund's objective, privately stripped coupons on and receipts for such securities are treated as U.S. Government securities. The Fund invests at least 80% of its net assets in zero coupon securities. The Fund also may invest up to 20% of its assets in interest-paying U.S. Treasury notes and bonds, and repurchase agreements with respect to such securities. The Fund invests primarily in zero coupon securities maturing not later than a selected target calendar year (sometimes called the "Maturity Year" or "Target Year") on a selected Target Date (sometimes called the "Maturity Date"). At least 50% of the net assets of the Fund will be invested in zero coupon securities which mature within two years of a selected Target Date. The Fund also may invest in interest-paying U.S. Treasury notes and bonds, and repurchase agreements. Currently, the Trust offers one Fund maturing in 2000. (The Trustees of the Trust also have established Funds maturing in 2005 and 2010, but these two Funds are not currently being offered.) On the Maturity Date in December of the Target Year of the Fund, all of its assets will be liquidated and the net proceeds distributed to shareholders promptly thereafter.

The Fund may invest in zero coupon securities, interest-paying U.S. Treasury notes and bonds which are rated AAA or AA by S&P, or Aaa or Aa by Moody's, or judged by the Adviser to be of equivalent quality. The Fund may also enter into repurchase agreements with selected banks and broker dealers. At least 80% of the Fund's net assets will be in zero coupon securities. Such securities are non-interest (non-cash) paying debt obligations which are payable in full at maturity. These securities include U.S. Treasury notes and bonds which have no coupons and do not pay cash income, U.S. Treasury bills, individual interest coupons which trade separately and evidences of receipt of such securities.

Zero coupon securities usually trade at a deep discount from their face, or par, value and are subject to greater market value fluctuations from changing interest rates than debt obligations of comparable maturities which make current distributions of interest (cash). As a result, the net asset value of shares of the Fund prior to its Target Date may fluctuate over a greater range than shares of mutual funds investing in interest paying securities having similar maturities. The current net asset value of the Fund generally will vary inversely with changes in current interest rates.

Zero coupon securities include securities issued directly by the U.S. Treasury, and U.S. Treasury bonds or notes and their unmatured interest coupons and receipts for their underlying principal ("coupons") which have been separated by their holder, typically a custodian bank or investment brokerage firm. A holder will separate the interest coupons from the underlying principal (the "corpus") of the U.S. Treasury security. A number of securities firms and banks have stripped the interest coupons and receipts and then resold them in custodial receipt programs with a number of different names, including "Treasury Income Growth Receipts" ("TIGRS") and Certificate of Accrual on Treasuries ("CATS"). The underlying U.S. Treasury bonds and notes themselves are held in book-entry form at the Federal Reserve Bank or, in the case of bearer securities, (i.e., unregistered securities which are owned ostensibly by the bearer or holder thereof), in trust on behalf of the owners thereof. Counsel to the underwriters of these certificates or other evidences of ownership of the U.S. Treasury securities have stated that for federal tax and securities purposes, in their opinion purchasers of such certificates, such as the Fund, most likely will be deemed the beneficial holders of the underlying U.S. Government securities.

The Treasury has facilitated transfers of ownership of zero coupon securities by accounting separately for the beneficial ownership of particular interest coupon and corpus payments on Treasury securities through the Federal Reserve book-entry record-keeping system. The Federal Reserve program as established by the Treasury Department is known as "STRIPS" or "Separate Trading of Registered Interest and Principal of Securities." Under the STRIPS program, the Fund will be able to have its beneficial ownership of zero coupon securities recorded directly in the book-entry record-keeping system in lieu of having to hold certificates or other evidences of ownership of the underlying U.S. Treasury securities.

When U.S. Treasury obligations have been stripped of their unmatured interest coupons by the holder, the principal or corpus is sold at a deep discount because the buyer receives only the right to receive a future fixed

payment on the security and does not receive any rights to periodic interest (cash) payments. Once stripped or separated, the corpus and coupons may be sold separately. Typically, the coupons are sold separately or grouped with other coupons with like maturity dates and sold in such bundled form. Purchasers of stripped obligations acquire, in effect, discount obligations that are economically identical to the zero coupon securities that the Treasury sells itself.

Up to 20% of the Fund's net assets may be invested in interest-paying U.S. Treasury notes and bonds, and repurchase agreements with respect to such securities. These interest-paying securities produce income which may be an efficient way to provide for expenses and redemption payments, among other things.

Management of Reinvestment Risk and Anticipated Growth of Zero Coupon 2000 Fund

Reinvestment risk arises from the uncertainty as to the total return which will be realized from conventional interest-paying bonds due to the fact that periodic interest (cash) will be reinvested in the future at interest rates unknown at the time of the original purchase. With zero coupon securities, however, there are no cash distributions to reinvest, so investors bear no reinvestment risk if they hold a zero coupon security to maturity.

For an investor who makes a direct investment in a zero coupon security (not in a zero coupon fund) and holds it to its maturity, the return or yield to maturity is certain--regardless of whether interim reinvestment rates rise or fall. (See table below.)

<TABLE>

<CAPTION>

(Interest)	Initial Coupon Maturity	Yield to Maturity	Total Ending Value1 on a $1,000 Investment (Realized Yield) If reinvestment rates are2 : 6%	8%	10%	12%	14%
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
10%	10 years	10%	$2345 (8.7%)	$2490 (9.3%)	$2655 (10%)	$2841 (10.7%)	$3052 (11.5%)
0%	10 years	10%	$2655 (10%)	$2655 (10%)	$2655 (10%)	$2655 (10%)	$2655 (10%)

</TABLE>

Due to the nature of zero coupon securities, which comprise 80% or more of the investments of the Fund, the reinvestment risk accompanying this Fund is less than would be the case if this Fund were entirely invested in interest (cash)-paying securities. Furthermore, the Fund's Adviser believes it can reduce reinvestment risk by maintaining the Fund's average duration within twelve months of the Fund's Target Date.

Duration is a measure of the length of an investment which takes into account, through present value analysis, the timing and amount of any interest payments as well as the amount of the principal repayment. Duration is commonly used by professional investment managers to help control reinvestment risk, by balancing investments with slightly longer and shorter maturities than the investment horizon of the overall Fund.

When held to maturity, an investor's investment return in the Fund will consist primarily of the accretion of discount on the underlying securities in the Fund (the difference between their issue price and their maturity value) and will be realized on the specified Target Date. The anticipated growth rate for the Fund is the annualized rate of growth investors may expect from the time they purchase the Fund's shares until the Fund's Target Date. The Fund will calculate its anticipated growth rate on each business day. Such a rate will vary from day to day because of changes in interest rates and other factors affecting the value of the Fund's investments, and is based on certain assumptions such as reinvestment of dividends and distributions, a constant expense ratio and portfolio composition. Furthermore, changes in the price among securities with different maturities and shareholder redemptions can affect investment return, as can the skill of the Adviser in managing the Fund.

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1 See "Glossary."

2 These results assume semiannual compounding. For illustration purposes only, the table above assumed these reinvestment rates would remain constant over the life of the bond. The actual reinvestment rates, and total returns of coupon-paying bonds, will vary with changing market conditions.

Liquidation and Distribution of Assets in Target Year of Zero Coupon 2000 Fund

As securities in the Fund mature or are sold throughout the Target Year, the proceeds will be invested in eligible money market instruments. By December of that year, substantially all of the assets of the Fund will consist of such eligible money-market instruments and other then-maturing securities. These instruments will be sold or allowed to mature, the liabilities of the Fund will be discharged or provision made therefor, and the net assets will be distributed pro rata to shareholders or reinvested at their direction. The estimated expenses of terminating and liquidating the Fund will be accrued ratably over its Target Year. These expenses, which are charged to income as are all expenses, are not expected to exceed significantly the ordinary annual expenses incurred by the Fund, and, therefore, should have no effect on the maturity value of the Fund.

If a shareholder does not complete an election form directing what should be done with the liquidation proceeds, a check for the proceeds will be mailed to the shareholder's address of record in complete discharge of the Fund's obligation to the shareholder. In no event, however, will liquidation proceeds be distributed unless all share certificates, if any, have been returned to, or other arrangements have been made which are satisfactory to, the Trust or its transfer agent, Scudder Service Corporation (the "Transfer Agent"). Retirement plan participants who do not choose an option will receive their distribution as a reinvestment into Scudder U.S. Treasury Money Fund. All distributions in liquidation will be made subject to compliance with any applicable regulatory positions.

The practice of declaring and paying dividends annually (see "DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS") may be changed, and dividend declarations and payments may be withheld during the Maturity Year immediately preceding the final distribution of the assets of the Fund, and the amounts so withheld distributed in liquidation if the Trustees determine that it would be in the best interest of the Fund's shareholders to do so.

Management Strategies and Portfolio Turnover of Zero Coupon 2000 Fund

In pursuit of its investment objectives, the Fund purchases obligations that it believes are attractive and competitive values in terms of quality, yield and relationship of current price to maturity value. However, recognizing the dynamics of bond prices in response to changes in general economic conditions, fiscal and monetary policies, interest levels and market forces such as supply and demand for various bond issues, the Adviser, subject to the Trustees' review, manages the Fund, attempting to achieve as high an investment return over selected periods as is consistent with investment in U.S. Government securities and with the minimization of reinvestment risk. The primary strategies employed in the management of the Fund are:

Emphasis on Quality. The Fund is a high quality portfolio of zero coupon securities, which include U.S. Treasury notes and bonds which have no coupons and are not entitled to income, U.S. Treasury bills, individual interest coupons which trade separately and evidences of receipt of such securities. The ratings assigned by Moody's and S&P represent their opinions as to the quality of the securities which they undertake to rate, many of which may be purchased by the Fund. The Fund will invest in zero coupon securities, including both U.S. Government and privately stripped coupons and receipts for U.S. Government securities, which are rated AAA or AA by S&P, or Aaa or Aa by Moody's. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Furthermore, even within the high-quality segment of the bond market, relative credit standing and market perceptions thereof may shift. Therefore, the Adviser believes that it should review continuously the quality of debt obligations. The Fund's Adviser has over many years developed an experienced staff to assign its own quality ratings which are considered in making value judgments and in arriving at purchase or sale decisions. Through the discipline of this procedure the Adviser attempts to discern variations in credit rankings of the published services, and to anticipate changes in credit ranking. Should the rating of a portfolio security be downgraded, the Adviser will determine whether it is in the best interest of the Fund to retain or dispose of the security. (See "RATINGS OF CORPORATE BONDS.")

Emphasis on Relative Valuation. The interest rate (and hence price) relationships between different categories of bonds of the same or generally similar maturity tend to change constantly in reaction to broad swings in interest rates and factors affecting relative supply and demand. These temporary disparities in normal yield relationships may afford opportunities to implement a flexible policy of trading the Fund's holdings in order to invest in more attractive market sectors or specific issues.

Market Trading Opportunities. In addition to the above, the Fund, consistent with its investment policies, may engage in short-term trading (selling securities held for brief periods of time, usually less than three months) if the Adviser believes that such transactions, net of costs, would further the attainment of the Fund's objective. The needs of different classes of lenders and borrowers and their changing preferences and circumstances have in the past caused market dislocations unrelated to fundamental creditworthiness and trends in interest rates which have presented market trading opportunities. There can be no assurance that such dislocations will occur in the future or that the Fund will be able to take advantage of them. The Fund will limit its voluntary short-term trading to the extent necessary to qualify as a "regulated investment company" under the Internal Revenue Code. (See "TAXES.")

Specialized Investment Techniques

Mortgage-Backed Securities and Mortgage Pass-Through Securities. Short Term Bond Fund may also invest in mortgage-backed securities, which are interests in pools of mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations as further described below. The Fund may also invest in debt securities which are secured with collateral consisting of mortgage-backed securities (see "Collateralized Mortgage Obligations"), and in other types of mortgage-related securities.

A decline in interest rates may lead to a faster rate of repayment of the underlying mortgages, and expose the Fund to a lower rate of return upon reinvestment. To the extent that such mortgage-backed securities are held by the Fund, the prepayment right will tend to limit to some degree the increase in net asset value of the Fund because the value of the mortgage-backed securities held by the Fund may not appreciate as rapidly as the price of non-callable debt securities.

Interests in pools of mortgage-backed securities differ from other forms of debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, these securities provide a monthly payment which consists of both interest and principal payments. In effect, these payments are a "pass-through" of the monthly payments made by the individual borrowers on their mortgage loans, net of any fees paid to the issuer or guarantor of such securities. Additional payments are caused by repayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs which may be incurred. Some mortgage-related securities (such as securities issued by the Government National Mortgage Association) are described as "modified pass-through." These securities entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, at the scheduled payment dates regardless of whether or not the mortgagor actually makes the payment.

The principal governmental guarantor of mortgage-related securities is the Government National Mortgage Association ("GNMA"). GNMA is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. GNMA is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of FHA-insured or VA-guaranteed mortgages. These guarantees, however, do not apply to the market value or yield of mortgage-backed securities or to the value of Fund shares. Also, GNMA securities often are purchased at a premium over the maturity value of the underlying mortgages. This premium is not guaranteed and will be lost if prepayment occurs.

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). FNMA is a government-sponsored corporation owned entirely by private stockholders. It is subject to general regulation by the Secretary of Housing and Urban Development. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) mortgages from a list of approved seller/servicers which include state and federally-chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government.

FHLMC is a corporate instrumentality of the U.S. Government and was created by Congress in 1970 for the purpose of increasing the availability of mortgage credit for residential housing. Its stock is owned by the twelve Federal Home Loan Banks. FHLMC issues Participation Certificates ("PCs") which represent interests in conventional mortgages from FHLMC's national portfolio. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of conventional mortgage loans. Such issuers may, in addition, be the originators and/or servicers of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government or agency guarantees of payments. However, timely payment of interest and principal of these pools may be supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance and letters of credit. The insurance and guarantees are issued by governmental entities, private insurers and the mortgage poolers. Such insurance and guarantees and the creditworthiness of the issuers thereof will be considered in determining whether a mortgage-related security meets the Fund's investment quality standards. There can be no assurance that the private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. The Fund may buy mortgage-related securities without insurance or guarantees, if through an examination of the loan experience and practices of the originators/servicers and poolers, the Adviser determines that the securities meet the Fund's quality standards. Although the market for such securities is becoming increasingly liquid, securities issued by certain private organizations may not be readily marketable.

Collateralized Mortgage Obligations ("CMO"s). Short Term Bond Fund may invest in CMOs which are hybrids between mortgage-backed bonds and mortgage pass-through securities. Similar to a bond, interest and prepaid principal are paid, in most cases, semiannually. CMOs may be collateralized by whole mortgage loans but are more typically collateralized by portfolios of mortgage pass-through securities guaranteed by GNMA, FHLMC, or FNMA, and their income streams.

CMOs are structured into multiple classes, each bearing a different stated maturity. Actual maturity and average life will depend upon the prepayment experience of the collateral. CMOs provide for a modified form of call protection through a de facto breakdown of the underlying pool of mortgages according to how quickly the loans are repaid. Monthly payment of principal received from the pool of underlying mortgages, including prepayments, is first returned to investors holding the shortest maturity class. Investors holding the longer maturity classes receive principal only after the first class has been retired. An investor is partially guarded against a sooner than desired return of principal because of the sequential payments.

In a typical CMO transaction, a corporation issues multiple series, (e.g., A, B, C, Z) of CMO bonds ("Bonds"). Proceeds of the Bond offering are used to purchase mortgages or mortgage pass-through certificates ("Collateral"). The Collateral is pledged to a third party trustee as security for the Bonds. Principal and interest payments from the Collateral are used to pay principal on the Bonds in the order A, B, C, Z. The Series A, B, and C bonds all bear current interest. Interest on the Series Z Bond is accrued and added to principal and a like amount is paid as principal on the Series A, B, or C Bond currently being paid off. When the Series A, B, and C Bonds are paid in full, interest and principal on the Series Z Bond begins to be paid currently. With some CMOs, the issuer serves as a conduit to allow loan originators (primarily builders or savings and loan associations) to borrow against their loan portfolios.

FHLMC Collateralized Mortgage Obligations. Short Term Bond Fund may invest in FHLMC CMOs which are debt obligations of FHLMC issued in multiple classes having different maturity dates and are secured by the pledge of a pool of conventional mortgage loans purchased by FHLMC. Unlike FHLMC PCs, payments of principal and interest on the CMOs are made semiannually, as opposed to monthly. The amount of principal payable on each semiannual payment date is determined in accordance with FHLMC's mandatory sinking fund schedule, which, in turn, is equal to approximately 100% of FHA prepayment experience applied to the mortgage collateral pool. All sinking fund payments in the CMOs are allocated to the retirement of the individual classes of bonds in the order of their stated maturities. Payment of principal on the mortgage loans in the collateral pool in excess of the amount of FHLMC's minimum sinking fund obligation for any payment date are paid to the holders of the CMOs as additional sinking fund payments. Because of the "pass-through" nature of all principal payments received on the collateral pool in excess of FHLMC's minimum sinking fund requirement, the rate at which principal of the CMOs is actually repaid is likely to be such that each class of bonds will be retired in advance of its scheduled maturity date.

If collection of principal (including prepayments) on the mortgage loans during any semiannual payment period is not sufficient to meet FHLMC's minimum sinking fund obligation on the next sinking fund payment date, FHLMC agrees to make up the deficiency from its general funds.

Criteria for the mortgage loans in the pool backing the CMOs are identical to those of FHLMC PCs. FHLMC has the right to substitute collateral in the event of delinquencies and/or defaults.

Other Mortgage-Backed Securities. The Adviser expects that governmental, government-related or private entities may create mortgage loan pools and other mortgage-related securities offering mortgage pass-through and mortgage-collateralized investments in addition to those described above. The mortgages underlying these securities may include alternative mortgage instruments, that is, mortgage instruments whose principal or interest payments may vary or whose terms to maturity may differ from customary long-term fixed rate mortgages. Short Term Bond Fund will limit its purchases of mortgage-backed securities or any other assets which, in the opinion of the Adviser, are illiquid, in accordance with the nonfundamental investment restriction on securities which are not readily marketable discussed below. As new types of mortgage-related securities are developed and offered to investors, the Adviser will, consistent with the Fund's investment objective, policies and quality standards, consider making investments in such new types of mortgage-related securities.

Other Asset-Backed Securities. The securitization techniques used to develop mortgage-backed securities are now being applied to a broad range of assets. Through the use of trusts and special purpose corporations, various types of assets, including automobile loans, computer leases and credit card receivables, are being securitized in pass-through structures similar to the mortgage pass-through structures described above or in a structure similar to the CMO structure. Consistent with Short Term Bond Fund's investment objectives and policies, the Fund may invest in these and other types of asset-backed securities that may be developed in the future. In general, the collateral supporting these securities is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments with interest rate fluctuations.

Several types of asset-backed securities have already been offered to investors, including Certificates of Automobile ReceivablesSM ("CARSSM"). CARSSM represent undivided fractional interests in a trust ("Trust") whose assets consist of a pool of motor vehicle retail installment sales contracts and security interests in the vehicles securing the contracts. Payments of principal and interest on CARSSM are passed through monthly to certificate holders, and are guaranteed up to certain amounts and for a certain time period by a letter of credit issued by a financial institution unaffiliated with the trustee or originator of the Trust. An investor's return on CARSSM may be affected by early prepayment of principal on the underlying vehicle sales contracts. If the letter of credit is exhausted, the Trust may be prevented from realizing the full amount due on a sales contract because of state law requirements and restrictions relating to foreclosure sales of vehicles and the obtaining of deficiency judgments following such sales or because of depreciation, damage or loss of a vehicle, the application of federal and state bankruptcy and insolvency laws, or other factors. As a result, certificate holders may experience delays in payments or losses if the letter of credit is exhausted.

Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities may not have the benefit of any security interest in the related assets. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. There is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. To lessen the effect of failures by obligors on underlying assets to make payments, the securities may contain elements of credit support which fall into two categories: (i) liquidity protection, and (ii) protection against losses resulting from ultimate default by an obligor on the underlying assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to ensure that the receipt of payments on the underlying pool occurs in a timely fashion. Protection against losses results from payment of the insurance obligations on at least a portion of the assets in the pool. This protection may be provided through guarantees, policies or letters of credit obtained by the issuer or sponsor from third parties,

through various means of structuring the transaction or through a combination of such approaches. The Fund will not pay any additional or separate fees for credit support. The degree of credit support provided for each issue is generally based on historical information respecting the level of credit risk associated with the underlying assets. Delinquency or loss in excess of that anticipated or failure of the credit support could adversely affect the return on an investment in such a security.

The Fund may also invest in residual interests in asset-backed securities. In the case of asset-backed securities issued in a pass-through structure, the cash flow generated by the underlying assets is applied to make required payments on the securities and to pay related administrative expenses. The residual in an asset-backed security pass-through structure represents the interest in any excess cash flow remaining after making the foregoing payments. The amount of residual cash flow resulting from a particular issue of asset-backed securities will depend on, among other things, the characteristics of the underlying assets, the coupon rates on the securities, prevailing interest rates, the amount of administrative expenses and the actual prepayment experience on the underlying assets. Asset-backed security residuals not registered under the Securities Act of 1933 (the "1933 Act") may be subject to certain restrictions on transferability. In addition, there may be no liquid market for such securities.

The availability of asset-backed securities may be affected by legislative or regulatory developments. It is possible that such developments may require the Fund to dispose of any then existing holdings of such securities.

Convertible Securities. Short Term Bond Fund may invest in convertible securities, that is, bonds, notes, debentures, preferred stocks and other securities which are convertible into common stock. Investments in convertible securities can provide an opportunity for capital appreciation and/or income through interest and dividend payments by virtue of their conversion or exchange features.

The convertible securities in which Short Term Bond Fund may invest are either fixed income or zero coupon debt securities which may be converted or exchanged at a stated or determinable exchange ratio into underlying shares of common stock. The exchange ratio for any particular convertible security may be adjusted from time to time due to stock splits, dividends, spin-offs, other corporate distributions or scheduled changes in the exchange ratio. Convertible debt securities and convertible preferred stocks, until converted, have general characteristics similar to both debt and equity securities. Although to a lesser extent than with debt securities generally, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion or exchange feature, the market value of convertible securities typically changes as the market value of the underlying common stocks changes, and, therefore, also tends to follow movements in the general market for equity securities. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock, although typically not as much as the underlying common stock. While no securities investments are without risk, investments in convertible securities generally entail less risk than investments in common stock of the same issuer.

As debt securities, convertible securities are investments which provide for a stream of income (or in the case of zero coupon securities, accretion of income) with generally higher yields than common stocks. Of course, like all debt securities, there can be no assurance of income or principal payments because the issuers of the convertible securities may default on their obligations. Convertible securities generally offer lower yields than non-convertible securities of similar quality because of their conversion or exchange features.

Indexed Securities. Short Term Bond Fund may invest in indexed securities, the value of which is linked to currencies, interest rates, commodities, indices or other financial indicators ("reference instruments"). Most indexed securities have maturities of three years or less.

Indexed securities differ from other types of debt securities in which the Fund may invest in several respects. First, the interest rate or, unlike other debt securities, the principal amount payable at maturity of an indexed security may vary based on changes in one or more specified reference instruments, such as an interest rate compared with a fixed interest rate or the currency exchange rates between two currencies (neither of which need be the currency in which the instrument is denominated). The reference instrument need

not be related to the terms of the indexed security. For example, the principal amount of a U.S. dollar denominated indexed security may vary based on the exchange rate of two foreign currencies. An indexed security may be positively or negatively indexed; that is, its value may increase or decrease if the value of the reference instrument increases. Further, the change in the principal amount payable or the interest rate of an indexed security may be a multiple of the percentage change (positive or negative) in the value of the underlying reference instrument(s).

Investment in indexed securities involves certain risks. In addition to the credit risk of the security's issuer and the normal risks of price changes in response to changes in interest rates, the principal amount of indexed securities may decrease as a result of changes in the value of reference instruments. Further, in the case of certain indexed securities in which the interest rate is linked to a reference instrument, the interest rate may be reduced to zero, and any further declines in the value of the security may then reduce the principal amount payable on maturity. Finally, indexed securities may be more volatile than the reference instruments underlying indexed securities.

Dollar Roll Transactions. Short Term Bond Fund may enter into "dollar roll" transactions, which consist of the sale by the Fund to a bank or broker/dealer (the "counterparty") of GNMA certificates or other mortgage-backed securities together with a commitment to purchase from the counterparty similar, but not identical, securities at a future date, at the same price. The counterparty receives all principal and interest payments, including prepayments, made on the security while it is the holder. The Fund receives a fee from the counterparty as consideration for entering into the commitment to purchase. Dollar rolls may be renewed over a period of several months with a different purchase and repurchase price fixed and a cash settlement made at each renewal without physical delivery of securities. Moreover, the transaction may be preceded by a firm commitment agreement pursuant to which the Fund agrees to buy a security on a future date.

The Fund will not use such transactions for leveraging purposes and, accordingly, will segregate cash, U.S. Government securities or other high grade debt obligations in an amount sufficient to meet its purchase obligations under the transactions. The Fund will also maintain asset coverage of at least 300% for all outstanding firm commitments, dollar rolls and other borrowings.

Dollar rolls are treated for purposes of the Investment Company Act of 1940 (the "1940 Act") as borrowings of the Fund because they involve the sale of a security coupled with an agreement to repurchase. Like all borrowings, a dollar roll involves costs to the Fund. For example, while the Fund receives a fee as consideration for agreeing to repurchase the security, the Fund forgoes the right to receive all principal and interest payments while the counterparty holds the security. These payments to the counterparty may exceed the fee received by the Fund, thereby effectively charging the Fund interest on its borrowing. Further, although the Fund can estimate the amount of expected principal prepayment over the term of the dollar roll, a variation in the actual amount of prepayment could increase or decrease the cost of the Fund's borrowing.

The entry into dollar rolls involves potential risks of loss which are different from those related to the securities underlying the transactions. For example, if the counterparty becomes insolvent, the Fund's right to purchase from the counterparty might be restricted. Additionally, the value of such securities may change adversely before the Fund is able to purchase them. Similarly, the Fund may be required to purchase securities in connection with a dollar roll at a higher price than may otherwise be available on the open market. Since, as noted above, the counterparty is required to deliver a similar, but not identical security to the Fund, the security which the Fund is required to buy under the dollar roll may be worth less than an identical security. Finally, there can be no assurance that the Fund's use of the cash that it receives from a dollar roll will provide a return that exceeds borrowing costs.

The Trustees of the Fund have adopted guidelines to ensure that those securities received are substantially identical to those sold. To reduce the risk of default, the Fund will engage in such transactions only with banks and broker/dealers selected pursuant to such guidelines.

Repurchase Agreements. Each Fund may enter into repurchase agreements with member banks of the Federal Reserve System or any domestic broker/dealer which is recognized as a reporting government securities dealer if the creditworthiness of the bank or broker/dealer has been determined by the Adviser to be at least as high as that of other obligations a Fund may purchase or at least equal to that of issuers of commercial paper rated within the two highest grades assigned by Moody's or S&P.

A repurchase agreement provides a means for a Fund to earn income on funds for periods as short as overnight. It is an arrangement under which a Fund acquires a security ("Obligation") and the seller agrees, at the time of sale, to repurchase the Obligation at a specified time and price. Obligations subject to a repurchase agreement are held in a segregated account and the value of such obligations is kept at least equal to the repurchase price on a daily basis. The repurchase price may be higher than the purchase price, the difference being income to a Fund, or the purchase and repurchase prices may be the same, with interest at a stated rate due to a Fund together with the repurchase price on repurchase. In either case, the income to a Fund is unrelated to the interest rate on the Obligation. Obligations will be held by the Funds' custodian or in the Federal Reserve Book Entry System.

For purposes of the 1940 Act, a repurchase agreement is deemed to be a loan from a Fund to the seller of the Obligation subject to the repurchase agreement and is therefore subject to a Fund's investment restriction applicable to loans. It is not clear whether a court would consider the Obligation purchased by a Fund subject to a repurchase agreement as being owned by a Fund or as being collateral for a loan by a Fund to the seller. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the Obligation before repurchase of the Obligation under a repurchase agreement, a Fund may encounter delay and incur costs before being able to sell the security. Delays may involve loss of interest or decline in the price of the Obligation. If the court characterizes the transaction as a loan and a Fund has not perfected a security interest in the Obligation, a Fund may be required to return the Obligation to the seller's estate and be treated as an unsecured creditor of the seller. As an unsecured creditor, a Fund would be at risk of losing some or all of the principal and income involved in the transaction. As with any unsecured debt obligation purchased for a Fund, the Adviser seeks to minimize the risk of loss through repurchase agreements by analyzing the creditworthiness of the obligor, in this case the seller of the Obligation. Apart from the risk of bankruptcy or insolvency proceedings, there is also the risk that the seller may fail to repurchase the Obligation, in which case a Fund may incur a loss if the proceeds to that Fund of its sale of the securities underlying the repurchase agreement to a third party are less than the repurchase price. However, if the market value (including interest) of the Obligation subject to the repurchase agreement becomes less than the repurchase price (including interest), a Fund will direct the seller of the Obligation to deliver additional securities so that the market value (including interest) of all securities subject to the repurchase agreement will equal or exceed the repurchase price. It is possible that a Fund will be unsuccessful in seeking to impose on the seller a contractual obligation to deliver additional securities.

Short Term Bond Fund may enter into repurchase commitments with any party deemed creditworthy by the Adviser, including foreign banks and broker/dealers, if the transaction is entered into for investment purposes and the counterparty's creditworthiness is at least equal to that of issuers of securities which the Fund may purchase. Such transactions may not provide the Fund with collateral marked-to-market during the term of the commitment.

When-Issued Securities. Each Fund may purchase securities offered on a "when-issued" or "forward delivery" basis. The price of such securities, which is generally expressed in yield terms, is generally fixed at the time the commitment to purchase is made, but delivery and payment for the when-issued or forward delivery securities take place at a later date. During the period between purchase and settlement, no payment is made by a Fund to the issuer and no interest on the when-issued or forward delivery security accrues to a Fund. To the extent that assets of a Fund are not invested prior to the settlement of a purchase of securities, a Fund will earn no income; however, it is intended that a Fund will be fully invested to the extent practicable and subject to the policies stated above. While when-issued or forward delivery securities may be sold prior to the settlement date, it is intended that a Fund will purchase such securities with the purpose of actually acquiring them unless a sale appears desirable for investment reasons. At the time a Fund makes the commitment to purchase a security on a when-issued or forward delivery basis, it will record the transaction and reflect the value of the security in determining its net asset value. The market value of when-issued or forward delivery securities may be more or less than the purchase price. Each Fund does not believe that its net asset value or income will be adversely affected by their purchase of securities on a when-issued or forward delivery basis. Each Fund will establish a segregated account for commitments for when-issued or forward delivery securities as described above. For Zero Coupon 2000 Fund, such segregated securities either will mature or, if necessary, be sold on or before the settlement date.

Foreign Securities. Short Term Bond Fund may invest in securities of foreign issuers. Investing in foreign issuers involves certain special considerations, including those set forth below, which are not typically associated with investing in United States issuers. As foreign companies are not generally subject to uniform accounting and auditing and financial reporting standards, practices and requirements comparable to those applicable to domestic companies, there may be less publicly available information about a foreign company than about a domestic company. Volume and liquidity in most foreign bond markets is

less than in the United States and, at times, volatility of price can be greater than in the United States. There is generally less government supervision and regulation of brokers and listed companies than in the United States. Mail service between the United States and foreign countries may be slower or less reliable than within the United States, thus increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities. Securities issued or guaranteed by foreign national governments, their agencies, instrumentalities, or political subdivisions, may or may not be supported by the full faith and credit and taxing power of the foreign government. The Fund's ability and decisions to purchase and sell portfolio securities may be affected by laws or regulations relating to the convertibility and repatriation of assets. Further, it may be more difficult for the Fund's agents to keep currently informed about corporate actions which may affect the prices of portfolio securities. In addition, with respect to certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments which could affect United States investments in those countries. In addition, it may be more difficult to obtain and enforce a judgment against a foreign issuer. Foreign securities may be subject to foreign government taxes which will reduce the yield on such securities. A shareholder of the Fund will not be entitled to claim a credit or deduction for U.S. federal income tax purposes for his or her proportionate share of such foreign taxes paid by the Fund.

Lending of Portfolio Securities. Short Term Bond Fund may seek to increase its income by lending portfolio securities. Such loans may be made to registered broker/dealers and are required to be secured continuously by collateral in cash, U.S. Government Securities and high grade debt obligations maintained on a current basis at an amount at least equal to the market value and accrued interest of the securities loaned. The Fund has the right to call a loan and obtain the securities loaned on no more than five days' notice. During the existence of a loan, the Fund will continue to receive the equivalent of any distributions paid by the issuer on the securities loaned and will also receive compensation based on investment of the collateral. As with other extensions of credit there are risks of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially. However, the loans will be made only to firms deemed by the Adviser to be of good standing. The value of the securities loaned will not exceed 30% of the value of the Fund's total assets at the time any loan is made.

Strategic Transactions and Derivatives. Short Term Bond Fund may, but is not required to, utilize various other investment strategies as described below to hedge various market risks (such as interest rates, currency exchange rates, and broad or specific equity or fixed-income market movements), to manage the effective maturity or duration of the Fund's portfolio, or to enhance potential gain. These strategies may be executed through the use of derivative contracts. Such strategies are generally accepted as a part of modern portfolio management and are regularly utilized by many mutual funds and other institutional investors. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur.

In the course of pursuing these investment strategies, the Fund may purchase and sell exchange-listed and over-the-counter put and call options on securities, equity and fixed-income indices and other financial instruments, purchase and sell financial futures contracts and options thereon, enter into various interest rate transactions such as swaps, caps, floors or collars, and enter into various currency transactions such as currency forward contracts, currency futures contracts, currency swaps or options on currencies or currency futures (collectively, all the above are called "Strategic Transactions"). Strategic Transactions may be used without limit to attempt to protect against possible changes in the market value of securities held in or to be purchased for the Fund's portfolio resulting from securities markets or currency exchange rate fluctuations, to protect the Fund's unrealized gains in the value of its portfolio securities, to facilitate the sale of such securities for investment purposes, to manage the effective maturity or duration of the Fund's portfolio, or to establish a position in the derivatives markets as a temporary substitute for purchasing or selling particular securities. Some Strategic Transactions may also be used to enhance potential gain although no more than 5% of the Fund's assets will be committed to Strategic Transactions entered into for non-hedging purposes. Any or all of these investment techniques may be used at any time and in any combination, and there is no particular strategy that dictates the use of one technique rather than another, as use of any Strategic Transaction is a function of numerous variables including market conditions. The ability of the Fund to utilize these Strategic Transactions successfully will depend on the Adviser's ability to predict pertinent market movements, which cannot be assured. The Fund will comply with applicable regulatory requirements when implementing these strategies, techniques and instruments. Strategic Transactions involving financial futures and options thereon will be purchased, sold or entered into only for bona fide hedging, risk management or portfolio management purposes and not for speculative purposes.

Strategic Transactions, including derivative contracts, have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent the Adviser's view as to certain market movements is incorrect, the risk that the use of such Strategic Transactions could result in losses greater than if they had not been used. Use of put and call options may result in losses to the Fund, force the sale or purchase of portfolio securities at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Fund can realize on its investments or cause the Fund to hold a security it might otherwise sell. The use of currency transactions can result in the Fund incurring losses as a result of a number of factors including the imposition of exchange controls, suspension of settlements, or the inability to deliver or receive a specified currency. The use of options and futures transactions entails certain other risks. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related portfolio position of the Fund creates the possibility that losses on the hedging instrument may be greater than gains in the value of the Fund's position. In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter options may have no markets. As a result, in certain markets, the Fund might not be able to close out a transaction without incurring substantial losses, if at all. Although the use of futures and options transactions for hedging should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain which might result from an increase in value of such position. Finally, the daily variation margin requirements for futures contracts would create a greater ongoing potential financial risk than would purchases of options, where the exposure is limited to the cost of the initial premium. Losses resulting from the use of Strategic Transactions would reduce net asset value, and possibly income, and such losses can be greater than if the Strategic Transactions had not been utilized.

General Characteristics of Options. Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. Thus, the following general discussion relates to each of the particular types of options discussed in greater detail below. In addition, many Strategic Transactions involving options require segregation of Short Term Bond Fund assets in special accounts, as described below under "Use of Segregated and Other Special Accounts."

A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. For instance, the Fund's purchase of a put option on a security might be designed to protect its holdings in the underlying instrument (or, in some cases, a similar instrument) against a substantial decline in the market value by giving the Fund the right to sell such instrument at the option exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. The Fund's purchase of a call option on a security, financial future, index, currency or other instrument might be intended to protect the Fund against an increase in the price of the underlying instrument that it intends to purchase in the future by fixing the price at which it may purchase such instrument. An American style put or call option may be exercised at any time during the option period while a European style put or call option may be exercised only upon expiration or during a fixed period prior thereto. The Fund is authorized to purchase and sell exchange listed options and over-the-counter options ("OTC options"). Exchange listed options are issued by a regulated intermediary such as the Options Clearing Corporation ("OCC"), which guarantees the performance of the obligations of the parties to such options. The discussion below uses the OCC as an example, but is also applicable to other financial intermediaries.

With certain exceptions, OCC issued and exchange listed options generally settle by physical delivery of the underlying security or currency, although in the future cash settlement may become available. Index options and Eurodollar instruments are cash settled for the net amount, if any, by which the option is "in-the-money" (i.e., where the value of the underlying instrument exceeds, in the case of a call option, or is less than, in the case of a put option, the exercise price of the option) at the time the option is exercised. Frequently, rather than taking or making delivery of the underlying instrument through the process of exercising the option, listed options are closed by entering into offsetting purchase or sale transactions that do not result in ownership of the new option.

The Fund's ability to close out its position as a purchaser or seller of an OCC or exchange listed put or call option is dependent, in part, upon the liquidity of the option market. Among the possible reasons for the absence of a liquid option market on an exchange are: (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an exchange; (iii) trading halts, suspensions or other restrictions imposed with respect to

particular classes or series of options or underlying securities including reaching daily price limits; (iv) interruption of the normal operations of the OCC or an exchange; (v) inadequacy of the facilities of an exchange or OCC to handle current trading volume; or (vi) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the relevant market for that option on that exchange would cease to exist, although outstanding options on that exchange would generally continue to be exercisable in accordance with their terms.

The hours of trading for listed options may not coincide with the hours during which the underlying financial instruments are traded. To the extent that the option markets close before the markets for the underlying financial instruments, significant price and rate movements can take place in the underlying markets that cannot be reflected in the option markets.

OTC options are purchased from or sold to securities dealers, financial institutions or other parties ("Counterparties") through direct bilateral agreement with the Counterparty. In contrast to exchange listed options, which generally have standardized terms and performance mechanics, all the terms of an OTC option, including such terms as method of settlement, term, exercise price, premium, guarantees and security, are set by negotiation of the parties. The Fund will only sell OTC options (other than OTC currency options) that are subject to a buy-back provision permitting the Fund to require the Counterparty to sell the option back to the Fund at a formula price within seven days. The Fund expects generally to enter into OTC options that have cash settlement provisions, although it is not required to do so.

Unless the parties provide for it, there is no central clearing or guaranty function in an OTC option. As a result, if the Counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC option it has entered into with the Fund or fails to make a cash settlement payment due in accordance with the terms of that option, the Fund will lose any premium it paid for the option as well as any anticipated benefit of the transaction. Accordingly, the Adviser must assess the creditworthiness of each such Counterparty or any guarantor or credit enhancement of the Counterparty's credit to determine the likelihood that the terms of the OTC option will be satisfied. The Fund will engage in OTC option transactions only with U.S. government securities dealers recognized by the Federal Reserve Bank of New York as "primary dealers" or broker/dealers, domestic or foreign banks or other financial institutions which have received (or the guarantors of the obligation of which have received) a short-term credit rating of A-1 from S&P or P-1 from Moody's or an equivalent rating from any nationally recognized statistical rating organization ("NRSRO") or, in the case of OTC currency transactions, are determined to be of equivalent credit quality by the Adviser. The staff of the SEC currently takes the position that OTC options purchased by the Fund, and portfolio securities "covering" the amount of the Fund's obligation pursuant to an OTC option sold by it (the cost of the sell-back plus the in-the-money amount, if any) are illiquid, and are subject to the Fund's limitation on investing no more than 10% of its assets in illiquid securities.

If the Fund sells a call option, the premium that it receives may serve as a partial hedge, to the extent of the option premium, against a decrease in the value of the underlying securities or instruments in its portfolio or will increase the Fund's income. The sale of put options can also provide income.

The Fund may purchase and sell call options on securities including U.S. Treasury and agency securities, mortgage-backed securities, corporate debt securities, equity securities (including convertible securities) and Eurodollar instruments that are traded on U.S. and foreign securities exchanges and in the over-the-counter markets, and on securities indices, currencies and futures contracts. All calls sold by the Fund must be "covered" (i.e., the Fund must own the securities or futures contract subject to the call) or must meet the asset segregation requirements described below as long as the call is outstanding. Even though the Fund will receive the option premium to help protect it against loss, a call sold by the Fund exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or instrument and may require the Fund to hold a security or instrument which it might otherwise have sold.

The Fund may purchase and sell put options on securities including U.S. Treasury and agency securities, mortgage-backed securities, foreign sovereign debt, corporate debt securities, equity securities (including convertible securities) and Eurodollar instruments (whether or not it holds the above securities in its portfolio), and on securities indices, currencies and futures contracts other than futures on individual corporate debt and individual equity securities. The Fund will not sell put options if, as a result, more than 50% of the Fund's assets would be required to be segregated to cover its potential obligations under such put options other than those with respect to futures and options thereon. In selling put options, there is a risk that the Fund may be required to buy the underlying security at a disadvantageous price above the market price.

General Characteristics of Futures. Short Term Bond Fund may enter into financial futures contracts or purchase or sell put and call options on such futures as a hedge against anticipated interest rate, currency or equity market changes, for duration management and for risk management purposes. Futures are generally bought and sold on the commodities exchanges where they are listed with payment of initial and variation margin as described below. The sale of a futures contract creates a firm obligation by the Fund, as seller, to deliver to the buyer the specific type of financial instrument called for in the contract at a specific future time for a specified price (or, with respect to index futures and Eurodollar instruments, the net cash amount). Options on futures contracts are similar to options on securities except that an option on a futures contract gives the purchaser the right in return for the premium paid to assume a position in a futures contract and obligates the seller to deliver such position.

The Fund's use of financial futures and options thereon will in all cases be consistent with applicable regulatory requirements and in particular the rules and regulations of the Commodity Futures Trading Commission and will be entered into only for bona fide hedging, risk management (including duration management) or other portfolio management purposes. Typically, maintaining a futures contract or selling an option thereon requires the Fund to deposit with a financial intermediary as security for its obligations an amount of cash or other specified assets (initial margin) which initially is typically 1% to 10% of the face amount of the contract (but may be higher in some circumstances). Additional cash or assets (variation margin) may be required to be deposited thereafter on a daily basis as the mark to market value of the contract fluctuates. The purchase of an option on financial futures involves payment of a premium for the option without any further obligation on the part of the Fund. If the Fund exercises an option on a futures contract it will be obligated to post initial margin (and potential subsequent variation margin) for the resulting futures position just as it would for any position. Futures contracts and options thereon are generally settled by entering into an offsetting transaction but there can be no assurance that the position can be offset prior to settlement at an advantageous price, nor that delivery will occur.

The Fund will not enter into a futures contract or related option (except for closing transactions) if, immediately thereafter, the sum of the amount of its initial margin and premiums on open futures contracts and options thereon would exceed 5% of the Fund's total assets (taken at current value); however, in the case of an option that is in-the-money at the time of the purchase, the in-the-money amount may be excluded in calculating the 5% limitation. The segregation requirements with respect to futures contracts and options thereon are described below.

Options on Securities Indices and Other Financial Indices. Short Term Bond Fund also may purchase and sell call and put options on securities indices and other financial indices and in so doing can achieve many of the same objectives it would achieve through the sale or purchase of options on individual securities or other instruments. Options on securities indices and other financial indices are similar to options on a security or other instrument except that, rather than settling by physical delivery of the underlying instrument, they settle by cash settlement, i.e., an option on an index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the index upon which the option is based exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option (except if, in the case of an OTC option, physical delivery is specified). This amount of cash is equal to the excess of the closing price of the index over the exercise price of the option, which also may be multiplied by a formula value. The seller of the option is obligated, in return for the premium received, to make delivery of this amount. The gain or loss on an option on an index depends on price movements in the instruments making up the market, market segment, industry or other composite on which the underlying index is based, rather than price movements in individual securities, as is the case with respect to options on securities.

Currency Transactions. Short Term Bond Fund may engage in currency transactions with Counterparties in order to hedge the value of portfolio holdings denominated in particular currencies against fluctuations in relative value. Currency transactions include forward currency contracts, exchange listed currency futures, exchange listed and OTC options on currencies, and currency swaps. A forward currency contract involves a privately negotiated obligation to purchase or sell (with delivery generally required) a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. A currency swap is an agreement to exchange cash flows based on the notional difference among two or more currencies and operates similarly to an interest rate swap, which is described below. The Fund may enter into currency transactions with Counterparties which have received (or the guarantors of the obligations of which have received) a credit rating of A-1 or P-1 by S&P or Moody's, respectively, or that have an equivalent rating from a NRSRO or are determined to be of equivalent credit quality by the Adviser.

The Fund's dealings in forward currency contracts and other currency transactions such as futures, options, options on futures and swaps will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is entering into a currency transaction with respect to specific assets or liabilities of the Fund, which will generally arise in connection with the purchase or sale of its portfolio securities or the receipt of income therefrom. Position hedging is entering into a currency transaction with respect to portfolio security positions denominated or generally quoted in that currency.

The Fund will not enter into a transaction to hedge currency exposure to an extent greater, after netting all transactions intended wholly or partially to offset other transactions, than the aggregate market value (at the time of entering into the transaction) of the securities held in its portfolio that are denominated or generally quoted in or currently convertible into such currency, other than with respect to proxy hedging or cross hedging as described below.

The Fund may also cross-hedge currencies by entering into transactions to purchase or sell one or more currencies that are expected to decline in value relative to other currencies to which the Fund has or in which the Fund expects to have portfolio exposure.

To reduce the effect of currency fluctuations on the value of existing or anticipated holdings of portfolio securities, the Fund may also engage in proxy hedging. Proxy hedging is often used when the currency to which the Fund's portfolio is exposed is difficult to hedge or to hedge against the dollar. Proxy hedging entails entering into a commitment or option to sell a currency whose changes in value are generally considered to be correlated to a currency or currencies in which some or all of the Fund's portfolio securities are or are expected to be denominated, in exchange for U.S. dollars. The amount of the commitment or option would not exceed the value of the Fund's securities denominated in correlated currencies. For example, if the Adviser considers that the Austrian schilling is correlated to the German deutschemark (the "D-mark"), the Fund holds securities denominated in schillings and the Adviser believes that the value of schillings will decline against the U.S. dollar, the Adviser may enter into a commitment or option to sell D-marks and buy dollars. Currency hedging involves some of the same risks and considerations as other transactions with similar instruments. Currency transactions can result in losses to the Fund if the currency being hedged fluctuates in value to a degree or in a direction that is not anticipated. Further, there is the risk that the perceived correlation between various currencies may not be present or may not be present during the particular time that the Fund is engaging in proxy hedging. If the Fund enters into a currency hedging transaction, the Fund will comply with the asset segregation requirements described below.

Risks of Currency Transactions. Currency transactions in which Short Term Bond Fund may engage are subject to risks different from those of other portfolio transactions. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These can result in losses to the Fund if it is unable to deliver or receive currency or funds in settlement of obligations and could also cause hedges it has entered into to be rendered useless, resulting in full currency exposure as well as incurring transaction costs. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally. Further, settlement of a currency futures contract for the purchase of most currencies must occur at a bank based in the issuing nation. Trading options on currency futures is relatively new, and the ability to establish and close out positions on such options is subject to the maintenance of a liquid market which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

Combined Transactions. Short Term Bond Fund may enter into multiple transactions, including multiple options transactions, multiple futures transactions, multiple currency transactions (including forward currency contracts) and multiple interest rate transactions and any combination of futures, options, currency and interest rate transactions ("component" transactions), instead of a single Strategic Transaction, as part of a single or combined strategy when, in the opinion of the Adviser, it is in the best interests of the Fund to do so. A combined transaction will usually contain elements of risk that are present in each of its component transactions. Although combined transactions are normally entered into based on the Adviser's judgment that the combined strategies will reduce risk or otherwise more effectively achieve the desired portfolio management goal, it is possible that the combination will instead increase such risks or hinder achievement of the portfolio management objective.

Swaps, Caps, Floors and Collars. Among the Strategic Transactions into which Short Term Bond Fund may enter are interest rate, currency and index swaps and the purchase or sale of related caps, floors and collars. The Fund expects to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio, to protect against currency fluctuations, as a duration management technique or to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. The Fund intends to use these transactions as hedges and not as speculative investments and will not sell interest rate caps or floors where it does not own securities or other instruments providing the income stream the Fund may be obligated to pay. Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. A currency swap is an agreement to exchange cash flows on a notional amount of two or more currencies based on the relative value differential among them and an index swap is an agreement to swap cash flows on a notional amount based on changes in the values of the reference indices. The purchase of a cap entitles the purchaser to receive payments on a notional principal amount from the party selling such cap to the extent that a specified index exceeds a predetermined interest rate or amount. The purchase of a floor entitles the purchaser to receive payments on a notional principal amount from the party selling such floor to the extent that a specified index falls below a predetermined interest rate or amount. A collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates or values.

The Fund will usually enter into swaps on a net basis, i.e., the two payment streams are netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Inasmuch as these swaps, caps, floors and collars are entered into for good faith hedging purposes, the Adviser and the Fund believe such obligations do not constitute senior securities under the 1940 Act and, accordingly, will not treat them as being subject to its borrowing restrictions. The Fund will not enter into any swap, cap, floor or collar transaction unless, at the time of entering into such transaction, the unsecured long-term debt of the Counterparty, combined with any credit enhancements, is rated at least A by S&P or Moody's or has an equivalent rating from a NRSRO or is determined to be of equivalent credit quality by the Adviser. If there is a default by the Counterparty, the Fund may have contractual remedies pursuant to the agreements related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid. Caps, floors and collars are more recent innovations for which standardized documentation has not yet been fully developed and, accordingly, they are less liquid than swaps.

Eurodollar Instruments. Short Term Bond Fund may make investments in Eurodollar instruments. Eurodollar instruments are U.S. dollar-denominated futures contracts or options thereon which are linked to the London Interbank Offered Rate ("LIBOR"), although foreign currency-denominated instruments are available from time to time. Eurodollar futures contracts enable purchasers to obtain a fixed rate for the lending of funds and sellers to obtain a fixed rate for borrowings. The Fund might use Eurodollar futures contracts and options thereon to hedge against changes in LIBOR, to which many interest rate swaps and fixed-income instruments are linked.

Risks of Strategic Transactions Outside the U.S. When conducted outside the U.S., Strategic Transactions may not be regulated as rigorously as in the U.S., may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies and other instruments. The value of such positions also could be adversely affected by: (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the U.S. of data on which to make trading decisions, (iii) delays in the Fund's ability to act upon economic events occurring in foreign markets during non-business hours in the U.S., (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the U.S., and (v) lower trading volume and liquidity.

Use of Segregated and Other Special Accounts. Many Strategic Transactions, in addition to other requirements, require that Short Term Bond Fund segregate liquid high grade assets with its custodian to the extent Fund obligations are not otherwise "covered" through ownership of the underlying security, financial instrument or currency. In general, either the full amount of any obligation by the Fund to pay or deliver securities or assets must be covered at all times by the securities, instruments or currency required to be delivered, or, subject to

any regulatory restrictions, an amount of cash or liquid high grade securities at least equal to the current amount of the obligation must be segregated with the custodian. The segregated assets cannot be sold or transferred unless equivalent assets are substituted in their place or it is no longer necessary to segregate them. For example, a call option written by the Fund will require the Fund to hold the securities subject to the call (or securities convertible into the needed securities without additional consideration) or to segregate liquid high-grade securities sufficient to purchase and deliver the securities if the call is exercised. A call option sold by the Fund on an index will require the Fund to own portfolio securities which correlate with the index or to segregate liquid high grade assets equal to the excess of the index value over the exercise price on a current basis. A put option written by the Fund requires the Fund to segregate liquid, high grade assets equal to the exercise price.

Except when the Fund enters into a forward contract for the purchase or sale of a security denominated in a particular currency, which requires no segregation, a currency contract which obligates the Fund to buy or sell currency will generally require the Fund to hold an amount of that currency or liquid securities denominated in that currency equal to the Fund's obligations or to segregate liquid high grade assets equal to the amount of the Fund's obligation.

OTC options entered into by the Fund, including those on securities, currency, financial instruments or indices and OCC issued and exchange listed index options, will generally provide for cash settlement. As a result, when the Fund sells these instruments it will only segregate an amount of assets equal to its accrued net obligations, as there is no requirement for payment or delivery of amounts in excess of the net amount. These amounts will equal 100% of the exercise price in the case of a non cash-settled put, the same as an OCC guaranteed listed option sold by the Fund, or the in-the-money amount plus any sell-back formula amount in the case of a cash-settled put or call. In addition, when the Fund sells a call option on an index at a time when the in-the-money amount exceeds the exercise price, the Fund will segregate, until the option expires or is closed out, cash or cash equivalents equal in value to such excess. OCC issued and exchange listed options sold by the Fund other than those above generally settle with physical delivery, or with an election of either physical delivery or cash settlement and the Fund will segregate an amount of assets equal to the full value of the option. OTC options settling with physical delivery, or with an election of either physical delivery or cash settlement will be treated the same as other options settling with physical delivery.

In the case of a futures contract or an option thereon, the Fund must deposit initial margin and possible daily variation margin in addition to segregating assets sufficient to meet its obligation to purchase or provide securities or currencies, or to pay the amount owed at the expiration of an index-based futures contract. Such assets may consist of cash, cash equivalents, liquid debt or equity securities or other acceptable assets.

With respect to swaps, the Fund will accrue the net amount of the excess, if any, of its obligations over its entitlements with respect to each swap on a daily basis and will segregate an amount of cash or liquid high grade securities having a value equal to the accrued excess. Caps, floors and collars require segregation of assets with a value equal to the Fund's net obligation, if any.

Strategic Transactions may be covered by other means when consistent with applicable regulatory policies. The Fund may also enter into offsetting transactions so that its combined position, coupled with any segregated assets, equals its net outstanding obligation in related options and Strategic

Transactions. For example, the Fund could purchase a put option if the strike price of that option is the same or higher than the strike price of a put option sold by the Fund. Moreover, instead of segregating assets if the Fund held a futures or forward contract, it could purchase a put option on the same futures or forward contract with a strike price as high or higher than the price of the contract held. Other Strategic Transactions may also be offset in combinations. If the offsetting transaction terminates at the time of or after the primary transaction no segregation is required, but if it terminates prior to such time, assets equal to any remaining obligation would need to be segregated.

The Fund's activities involving Strategic Transactions may be limited by the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, (the "Code") for qualification as a regulated investment company. (See "TAXES.")

Investment Restrictions

The following restrictions are fundamental policies and may not be changed with respect to each of the Funds without the approval of a majority of the outstanding voting securities of such Fund which, under the 1940 Act and the

rules thereunder and as used in this combined Statement of Additional Information, means the lesser of (1) 67% of the shares of such Fund present at a meeting if the holders of more than 50% of the outstanding shares of such Fund are present in person or by proxy, or (2) more than 50% of the outstanding shares of such Fund.

As a matter of fundamental policy, each Fund may not:

1. with respect to 75% of its total assets taken at market value, purchase more than 10% of the voting securities of any one issuer or invest more than 5% of the value of its total assets in the securities of any one issuer, except obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and except securities of other investment companies;

2. borrow money, except as a temporary measure for extraordinary or emergency purposes or except in connection with reverse repurchase agreements; provided that the Fund maintains asset coverage of 300% for all borrowings;

3. purchase or sell real estate (except that the Fund may invest in (i) securities of companies which deal in real estate or mortgages, and (ii) securities secured by real estate or interests therein, and that the Fund reserves freedom of action to hold and sell real estate acquired as a result of the Fund's ownership of securities) or purchase or sell physical commodities or contracts relating to physical commodities;

4. act as underwriter of securities issued by others, except to the extent that it may be deemed an underwriter in connection with the disposition of portfolio securities of the Fund;

5. make loans to other persons, except (a) loans of portfolio securities, and (b) to the extent that the entry into repurchase agreements and the purchase of debt securities in accordance with the Fund's investment objective and investment policies may be deemed to be loans;

6. issue senior securities, except as appropriate to evidence indebtedness which it is permitted to incur, and except for shares of the separate classes or series of the Trust, provided that collateral arrangements with respect to currency-related contracts, futures contracts, options or other permitted investments, including deposits of initial and variation margin, are not considered to be the issuance of senior securities for purposes of this restriction; or

7. purchase any securities which would cause more than 25% of the market value of its total assets at the time of such purchase to be invested in the securities of one or more issuers having their principal business activities in the same industry, provided that there is no limitation with respect to investments in obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities. (For the purposes of this restriction, telephone companies are considered to be in a separate industry from gas and electric public utilities, and wholly-owned finance companies are considered to be in the industry of their parents if their activities are primarily related to financing the activities of the parents.)

As a matter of nonfundamental policy each Fund may not:

(a) purchase or retain securities of any open-end investment company, or securities of any closed-end investment company except by purchase in the open market where no commission or profit to a sponsor or dealer results from such purchases, or except when such purchase, though not made in the open market, is part of a plan of merger, consolidation, reorganization or acquisition of assets; in any event the Fund may not purchase more than 3% of the outstanding voting securities of another investment company, may not invest more than 5% of its assets in another investment company, and may not invest more than 10% of its assets in other investment companies;

(b) pledge, mortgage or hypothecate its assets in excess, together with permitted borrowings, of 1/3 of its total assets;

(c) purchase or retain securities of an issuer any of whose officers, directors, trustees or security holders is an officer or Trustee of the Trust or a member, officer, director or trustee of the investment adviser of the Fund if one or more of such individuals owns beneficially more than one-half of one percent (1/2%) of the outstanding shares or securities or both (taken at market value) of such issuer and such individuals owning more than one-half of one percent (1/2%) of such shares or securities together own beneficially more than 5% of such shares or securities or both;

(d) purchase securities on margin or make short sales, unless, by virtue of its ownership of other securities, it has the right to obtain securities equivalent in kind and amount to the securities sold and, if the right is conditional, the sale is made upon the same conditions, except in connection with arbitrage transactions, and except that the Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities;

(e) invest more than 10% of its net assets in the aggregate in securities which are not readily marketable, the disposition of which is restricted under Federal securities laws, and in repurchase agreements not terminable within 7 days provided the Fund will not invest more than 5% of its total assets in restricted securities;

(f) purchase securities of any issuers with a record of less than three years continuous operations, including predecessors, except U.S. Government securities, securities of such issuers which are rated by at least one nationally recognized statistical rating organization, municipal obligations and obligations issued or guaranteed by any foreign government or its agencies or instrumentalities, if such purchase would cause the investments of the Fund in all such issuers to exceed 5% of the total assets of the Fund taken at market value;

(g) (Short Term Bond Fund only) buy options on securities or financial instruments, unless the aggregate premiums paid on all such options held by the Fund at any time do not exceed 20% of its net assets; or sell put options on securities if, as a result, the aggregate value of the obligations underlying such put options would exceed 50% of the Fund's net assets;

(h) (Short Term Bond Fund only) enter into futures contracts or purchase options thereon unless immediately after the purchase, the value of the aggregate initial margin with respect to all futures contracts entered into on behalf of the Fund and the premiums paid for options on futures contracts does not exceed 5% of the Fund's total assets; provided that in the case of an option that is in-the-money at the time of purchase, the in-the-money amount may be excluded in computing the 5% limit;

(i) (Zero Coupon 2000 Fund only) purchase or sell any put or call options or any combination thereof;

(j) invest in oil, gas or other mineral leases, or exploration or development programs (although it may invest in issuers which own or invest in such interests);

(k) (Short Term Bond Fund only) borrow money in excess of 5% of its total assets (taken at market value) except for temporary or emergency purposes or borrow other than from banks; however, in the case of reverse repurchase agreements, the Fund may invest in such agreements with other than banks subject to total asset coverage of 300% for such agreements and all borrowing;

(l) (Zero Coupon 2000 Fund only) borrow money, including reverse repurchase agreements, in excess of 5% of its total assets (taken at market value) except for temporary or emergency purposes or borrow other than from banks;

(m) purchase warrants if as a result warrants taken at the lower of cost or market value would represent more than 5% of the value of the Fund's total net assets or more than 2% of its net assets in warrants that are not listed on the New York or American Stock Exchanges or on an exchange with comparable listing requirements (for this purpose, warrants attached to securities will be deemed to have no value);

(n) make securities loans if the value of such securities loaned exceeds 30% of the value of the Fund's total assets at the time any loan is made; all loans of portfolio securities will be fully collateralized and marked to market daily. The Fund has no current intention of making loans of portfolio securities that would amount to greater than 5% of the Fund's total assets; or

(o) purchase or sell real estate limited partnership interests.

For Short Term Bond Fund, restrictions with respect to repurchase agreements shall be construed to be for repurchase agreements entered into for the investment of available cash consistent with the Fund's repurchase agreement procedures, not repurchase commitments entered into for general investment purposes.

PURCHASES

(See "Purchases" and "Transaction information" in the Funds' prospectuses.)

Additional Information About Opening An Account

Clients having a regular investment counsel account with the Adviser or its affiliates and members of their immediate families, officers and employees of the Adviser or of any affiliated organization and their immediate families, members of the National Association of Securities Dealers, Inc. ("NASD") and banks may, if they prefer, subscribe initially for at least $1,000 of Fund shares through Scudder Investor Services, Inc. (the "Distributor") by letter, fax, TWX or telephone.

Shareholders of other Scudder funds who have submitted an account application and have a certified taxpayer identification number, clients having a regular investment counsel account with the Adviser or its affiliates and members of their immediate families, officers and employees of the Adviser or of any affiliated organization and their immediate families, members of the NASD and banks may open an account by wire. These investors must call 1-800-225-5163 to get an account number. During the call the investor will be asked to indicate the Fund name, amount to be wired ($1,000 minimum), name of bank or trust company from which the wire will be sent, the exact registration of the new account, the taxpayer identification or Social Security number, address and telephone number. The investor must then call the bank to arrange a wire transfer to The Scudder Funds, Boston, MA 02101, ABA Number 011000028, DDA Account Number 9903-5552. The investor must give the Scudder fund name, account name and new account number. Finally, the investor must send the completed and signed application to a Fund promptly.

The minimum initial purchase amount is less than $1,000 under certain special plan accounts.

Additional Information About Making Subsequent Investments By Telephone Order

Subsequent purchase orders for shares of Zero Coupon 2000 Fund in the amount of $10,000 or more and for an amount not greater than four times the value of the shareholder's account may be placed by telephone, fax, etc., by members of the NASD, by banks, and by established shareholders (except by Scudder Individual Retirement Account (IRA), Scudder Profit-Sharing and Money Purchase Pension Plans, Scudder 401(k) and Scudder 403(b) plan holders). Orders placed in this manner may be directed to any office of the Distributor listed in the Fund's prospectus. A two-part invoice of the purchase will be mailed out promptly following receipt of a request to buy. Payment should be attached to a copy of the invoice for proper identification. Federal regulations require that payment be received within seven business days. If payment is not received within that time, the shares may be canceled. In the event of such cancellation or cancellation at the purchaser's request, the purchaser will be responsible for any loss incurred by the Fund or the principal underwriter by reason of such cancellation. If the purchaser is a shareholder, the Trust shall have the authority, as agent of the shareholder, to redeem shares in the account in order to reimburse the Fund or the principal underwriter for the loss incurred. Net losses on such transactions which are not recovered from the purchaser will be absorbed by the principal underwriter. Any net profit on the liquidation of unpaid shares will accrue to that Fund.

Checks

A certified check is not necessary, but checks are accepted subject to collection at full face value in U.S. funds and must be drawn on, or payable through, a U.S. bank.

If shares are purchased by a check which proves to be uncollectible, the Trust reserves the right to cancel the purchase immediately and the purchaser will be responsible for any loss incurred by the Trust or the principal underwriter by reason of such cancellation. If the purchaser is a shareholder, the Trust shall have the authority, as agent of the shareholder, to redeem shares in the account in order to reimburse a Fund or the principal underwriter for the loss incurred. Investors whose orders have been canceled may be prohibited from or restricted in placing future orders in any of the Scudder funds.

Wire Transfer of Federal Funds

To purchase shares of Short Term Bond Fund and obtain the same day dividend you must have your bank forward federal funds by wire transfer and provide the required account information so as to be available to Short Term Bond Fund prior to twelve o'clock noon eastern time on that day. If you wish to make a purchase of $500,000 or more you should notify the Fund's Transfer Agent of such a purchase by calling 1-800-225-5163. If either the federal funds or the account information is received after twelve o'clock noon eastern time, but both the funds and the information are made available before the close of regular trading on the New York Stock Exchange (the "Exchange") (normally 4 p.m. eastern time) on any business day, shares will be purchased at net asset value determined on that day but will not receive the dividend; in such cases, dividends commence on the next business day.

To obtain the net asset value determined as of the close of regular trading on the Exchange on a selected day for either Fund, your bank must forward federal funds by wire transfer and provide the required account information so as to be available to a Fund prior to the close of regular trading on the Exchange (normally 4 p.m. eastern time).

The bank sending an investor's federal funds by bank wire may charge for the service. Presently the Funds pay a fee for receipt by State Street Bank and Trust Company (the "Custodian") of "wired funds," and the right to charge investors for this service is reserved.

Boston banks are closed on certain holidays although the Exchange may be open. These holidays include Martin Luther King, Jr. Day (the 3rd Monday in January), Columbus Day (the 2nd Monday in October) and Veterans Day (November 11). Investors are not able to purchase shares by wiring federal funds on such holidays because the Custodian is not open to receive such federal funds on behalf of a Fund.

Share Price

Purchases will be filled without sales charge at the net asset value next computed after receipt of the application in good order. Net asset value per share is currently determined once daily, as of the close of regular trading on the Exchange (normally 4 p.m. eastern time), on each day the Exchange is open for trading. Orders received after such close will be executed at the net asset value per share on the next business day. If the order has been placed by a member of the NASD other than the Distributor, it is the responsibility of that member broker, rather than a Fund, to forward the purchase order to the Transfer Agent in Boston by the close of trading on the Exchange.

Share Certificates

Due to the desire of the Funds' management to afford ease of redemption, certificates will not be issued to indicate ownership in a Fund. Share certificates now in a shareholder's possession may be sent to the Transfer Agent for cancellation and credit to such shareholder's account. Shareholders who prefer, may hold the certificates in their possession until they wish to exchange or redeem such shares. (See "Redeeming shares" in the Funds' prospectuses.)

Other Information

If purchases or redemptions of Fund shares are arranged and settlement is made, at an investor's election, through a member of the NASD other than the Distributor, that member may, at its discretion, charge a fee for that service. The Board of Trustees and Scudder Investor Services, Inc., the Trust's principal underwriter, each has the right to limit the amount of purchases by, and to refuse to sell to any person.

The Trustees and the Distributor each may suspend or terminate the offering of shares of a Fund at any time.

The Tax Identification Number section of each Fund's application must be completed when opening an account. Applications and purchase orders without a certified tax identification number and certain other certified information, (e.g., certification of exempt status from exempt investors) will be returned to the investor.

A Fund may issue shares at net asset value in connection with any merger or consolidation with, or acquisition of, the assets of any investment company (or series thereof) or personal holding company, subject to the requirements of the 1940 Act.

EXCHANGES AND REDEMPTIONS

(See "Exchanges and redemptions" and "Transaction information" in the Funds' prospectuses.)

Exchanges

Exchanges are comprised of a redemption from one Scudder fund and a purchase of another Scudder fund to an existing account or a newly established account. The purchase side of the exchange may be either an additional investment into an existing account or may involve opening a new account in another fund. When an exchange involves a new account, the new account will be established with the same registration, tax identification number, address, telephone redemption option, "Scudder Automated Information Line" (SAIL) transaction authorization and dividend option as the existing account. Other features will not carry over automatically to the new account. Exchanges to a new fund account must be for a minimum of $1,000. When an exchange represents an additional investment into an existing account, the account receiving the exchange proceeds must have identical registration, tax identification number, address, and account options/features as the account of origin. Exchanges into an existing account must be for $100 or more. If the account receiving the exchange proceeds is different in any respect, the exchange request must be in writing and must contain a signature guarantee as described under "Redeeming shares--Signature guarantees" in the Funds' prospectuses.

Exchange orders received before the close of regular trading on the Exchange on any business day will ordinarily be executed at respective net asset values determined on that day. Exchange orders received after the close of trading will be executed on the following business day.

Investors may also request, at no extra charge, to have exchanges automatically executed on a predetermined schedule from one Scudder Fund to an existing account in another Scudder Fund through Scudder's Automatic Exchange Program. Exchanges must be for a minimum of $50. Shareholders may add this free feature over the phone or in writing. Automatic Exchanges will continue until the shareholder requests by phone or in writing to have the feature removed, or until the originating account is depleted. The Trust and the Transfer Agent each reserves the right to suspend or terminate the privilege of the Automatic Exchange Program at any time.

There is no charge to the shareholder for any exchange described above. An exchange into another Scudder fund is a redemption of shares, and therefore, may result in tax consequences (gain or loss) to the shareholder and the proceeds of such exchange may be subject to backup withholding. (See "TAXES.")

Investors currently receive the exchange privilege, including exchange by telephone, automatically without having to elect it. The Trust employs procedures, including recording telephone calls, testing a caller's identity, and sending written confirmation of telephone transactions, designed to give reasonable assurance that instructions communicated by telephone are genuine, and to discourage fraud. To the extent that the Trust does not follow such procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions. The Trust will not be liable for acting upon instructions communicated by telephone that it reasonably believes to be genuine. The Trust, the Funds and the Transfer Agent each reserves the right to suspend or terminate the privilege of exchanging by telephone or fax at any time.

The Scudder Funds into which investors may make an exchange are listed under "THE SCUDDER FAMILY OF FUNDS" herein. Before making an exchange, shareholders should obtain from the Distributor a prospectus of the Scudder Fund into which the exchange is being contemplated.

Scudder retirement plans may have different exchange requirements. Please refer to appropriate plan literature.

Redemption by Telephone

Shareholders currently receive the right, automatically without having to elect it, to redeem by telephone up to $50,000 and have the proceeds mailed to their address of record. Shareholders may also request to have the proceeds mailed or wired to their predesignated bank account. In order to request wire redemptions by telephone, shareholders must have completed and returned to the Transfer Agent the application, including the designation of a bank account to which the redemption proceeds are to be sent.

(a) NEW INVESTORS wishing to establish telephone redemption to a designated bank account must complete the appropriate section on the application.

(b) EXISTING SHAREHOLDERS (except those who are Scudder IRA, Scudder Pension and Profit-Sharing, Scudder 401(k) and Scudder 403(b) planholders) who wish to establish telephone redemption to a designated bank account or who want to change the bank account previously designated to receive redemption proceeds should either return a Telephone Redemption Option Form (available upon request) or send a letter identifying the account and specifying the exact information to be changed. The letter must be signed exactly as the shareholder's name(s) appears on the account. A signature and a signature guarantee are required for each person in whose name the account is registered.

Telephone redemption is not available with respect to shares held in IRA accounts.

If a request for redemption to a shareholder's bank account is made by telephone or fax, payment will be by Federal Reserve bank wire to the bank account designated on the application, unless a request is made that the redemption check be mailed to the designated bank account. There will be a $5 charge for all wire redemptions.

Note: Investors designating that a savings bank receive their telephone redemption proceeds are advised that if the savings bank is not a participant in the Federal Reserve System, redemption proceeds must be wired through a commercial bank which is a correspondent of the savings bank. As this may delay receipt by the shareholder's account, it is suggested that investors wishing to use a savings bank discuss wire procedures with their banks and submit any special wire transfer information with the telephone redemption authorization. If appropriate wire information is not supplied, redemption proceeds will be mailed to the designated bank.

The Trust employs procedures, including recording telephone calls, testing a caller's identity, and sending written confirmation of telephone transactions, designed to give reasonable assurance that instructions communicated by telephone are genuine, and to discourage fraud. To the extent that the Trust does not follow such procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions. The Trust will not be liable for acting upon instructions communicated by telephone that it reasonably believes to be genuine.

Redemption requests by telephone (technically a repurchase by agreement between a Fund and the shareholder) of shares purchased by check will not be accepted until the purchase check has cleared, which may take up to seven business days.

Redemption by Mail or Fax

Any existing share certificates representing shares being redeemed must accompany a request for redemption and be duly endorsed or accompanied by a proper stock assignment form with signature(s) guaranteed as explained in the Funds' prospectuses.

In order to ensure proper authorization before redeeming shares, the Transfer Agent may request additional documents such as, but not restricted to, stock powers, trust instruments, certificates of death, appointments as executor/executrix, certificates of corporate authority and waivers of tax (required in some states when settling estates).

It is suggested that shareholders holding share certificates or shares registered in other than individual names contact the Transfer Agent prior to redemptions to ensure that all necessary documents accompany the request. When shares are held in the name of a corporation, trust, fiduciary agent, attorney or partnership, the Transfer Agent requires, in addition to the stock power, certified evidence of authority to sign. These procedures are for the protection of shareholders and should be followed to ensure prompt payment. Redemption requests must not be conditional as to date or price of the redemption. Proceeds of a redemption will be sent within seven business days after receipt by the Transfer Agent of a request for redemption that complies with the above requirements. Delays of more than seven days of payment for shares tendered for redemption may result but only until the purchase check has cleared.

The requirements for IRA redemptions are different from those for regular accounts. For more information call 1-800-225-5163.

Redemption by "Write-A-Check"

All new investors and existing shareholders of Short Term Bond Fund who apply to the Custodian for checks may use them to pay any person, provided that each check is for at least $100 and not more than $5 million. By using the checks, the shareholder will receive daily dividend credit on his or her shares until the check has cleared the banking system. Investors who purchased shares by check may write checks against those shares only after they have been on Short Term Bond Fund's books for seven business days. Shareholders who use this service may also use other redemption procedures. No shareholder may write checks against certificated shares. Short Term Bond Fund pays the bank charges for this service. However, the Fund will review the cost of operation periodically and reserves the right to determine if direct charges to the persons who avail themselves of this service would be appropriate. The Trust, on behalf of Short Term Bond Fund, the Transfer Agent and the Custodian each reserves the right at any time to suspend or terminate the "Write-A-Check" procedure. Checks will be returned by the Custodian if there are insufficient shares to meet the withdrawal amount. Potential fluctuations in the per share value of Short Term Bond Fund should be considered in determining the amount of the check. An investor should not attempt to close an account by check, because the exact balance at the time the check clears will not be known when the check is written.

Other Information

If the shareholder redeems all shares in the account after the record date of a dividend, the shareholder will receive, in addition to the net asset value thereof, all declared but unpaid dividends thereon. The value of shares redeemed may be more or less than a shareholder's cost depending upon the net asset value at the time the redemption is made. The Trust does not impose a redemption charge, although a wire charge may be applicable for redemption proceeds wired to an investor's bank account. Redemption of shares, including an exchange into another Scudder fund, may result in tax consequences (gain or loss) to the shareholder, and the proceeds of such redemptions may be subject to backup withholding. (See "TAXES.")

Shareholders who wish to redeem shares from Special Plan Accounts should contact the employer, trustee or custodian of the Plan for the requirements.

The determination of net asset value, and a shareholder's right to redeem shares and to receive payment therefore may be suspended at times (a) during which the Exchange is closed, other than customary weekend and holiday closings, (b) during which trading on said Exchange is restricted, (c) during which an emergency exists as a result of which disposal by a Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for a Fund fairly to determine the value of its net assets, or (d) during which a governmental body having jurisdiction over the Trust may by order permit such a suspension for the protection of the Trust's shareholders; provided that applicable rules and regulations of the Securities and Exchange Commission ("SEC") (or any succeeding governmental authority) shall govern as to whether the conditions prescribed in (b), (c) or (d) exist.

If transactions at any time reduce a shareholder's account balance to below $1,000 in value, the Trust may notify the shareholder that, unless the account balance is brought up to at least $1,000, the Trust may redeem all shares in a Fund, close the account, and send redemption proceeds to the shareholder. The shareholder has sixty days to bring the account balance up to $1,000 before any action will be taken. No transfer from an existing to a new Scudder fund account should be for less than $1,000; otherwise the new account will be redeemed as described above. (This policy applies to accounts of new shareholders, but does not apply to certain Special Plan Accounts.) The Trustees have the authority to change the minimum account size.

FEATURES AND SERVICES OFFERED BY THE FUNDS

(See "Shareholder benefits" in the Funds' prospectuses.)

The Pure No-Load(TM) Concept

Investors are encouraged to be aware of the full ramifications of mutual fund fee structures, and of how Scudder distinguishes its funds from the vast majority of mutual funds available today. The primary distinction is between load and no-load funds.

Load funds generally are defined as mutual funds that charge a fee for the sale and distribution of fund shares. There are three types of loads: front-end loads, back-end loads, and asset-based 12b-1 fees. 12b-1 fees are distribution-related fees charged against fund assets and are distinct from service fees, which are charged for personal services and/or maintenance of shareholder accounts. Asset-based sales charges and service fees are typically paid pursuant to distribution plans adopted under 12b-1 under the 1940 Act.

A front-end load is a sales charge, which can be as high as 8.50% of the amount invested. A back-end load is a contingent deferred sales charge, which can be as high as 8.50% of either the amount invested or redeemed. The maximum front-end or back-end load varies, and depends upon whether or not a fund also charges a 12b-1 fee and/or a service fee or offers investors various sales-related services such as dividend reinvestment. The maximum charge for a 12b-1 fee is 0.75% of a fund's average annual net assets, and the maximum charge for a service fee is 0.25% of a fund's average annual net assets.

A no-load fund does not charge a front-end or back-end load, but can charge a small 12b-1 fee and/or service fee against fund assets. Under the NASD Rules of Fair Practice, a mutual fund can call itself a "no-load" fund only if the 12b-1 fee and/or service fee does not exceed 0.25% of a fund's average annual net assets.

Because Scudder funds do not pay any asset-based sales charges or service fees, Scudder developed and trademarked the phrase pure no-load(TM) to distinguish Scudder funds from other no-load mutual funds. Scudder pioneered the no-load concept when it created the nation's first no-load fund in 1928, and later developed the nation's first family of no-load mutual funds.

The following chart shows the potential long-term advantage of investing $10,000 in a Scudder pure no-load fund over investing the same amount in a load fund that collects an 8.50% front-end load, a load fund that collects only a 0.75% 12b-1 and/or service fee, and a no-load fund charging only a 0.25% 12b-1 and/or service fee. The hypothetical figures in the chart show the value of an account assuming a constant 10% rate of return over the time periods indicated and reinvestment of dividends and distributions.

<TABLE>
<CAPTION>

YEARS	Scudder Pure No-Load(TM) Fund	8.50% Load Fund	Load Fund with 0.75% 12b-1 Fee	No-Load Fund with 0.25% 12b-1 Fee
<S>	<C>	<C>	<C>	<C>
10	$25,937	$23,733	$24,222	$25,354
15	41,772	38,222	37,698	40,371
20	67,275	61,557	58,672	64,282

</TABLE>

Investors are encouraged to review the fee tables on page 2 of the Funds' prospectuses for more specific information about the rates at which management fees and other expenses are assessed.

Distribution Plans

Investors have freedom to choose whether to receive cash or to reinvest any dividends from net investment income or distributions from realized capital gains in additional shares of a Fund. A change of instructions for the method of payment must be received by the Transfer Agent at least five days prior to a dividend record date. Shareholders also may change their dividend option either by calling 1-800-225-5163 or by sending written instructions to the Transfer Agent. See "How to contact Scudder" in the prospectuses for the address. Please include your account number with your written request.

Reinvestment is usually made on the day following the record date. Investors may leave standing instructions with the Transfer Agent designating their option for either reinvestment or cash distribution of any income dividends or capital gains distributions. If no election is made, dividends and distributions will be invested in additional shares of a Fund.

Investors may also have dividends and distributions automatically deposited to their predesignated bank account through Scudder's DistributionsDirect Program. Shareholders who elect to participate in the DistributionsDirect Program, and whose predesignated checking account of record is with a member bank of the Automated Clearing House Network (ACH) can have income and capital gain distributions automatically deposited to their personal bank account usually within three business days after a Fund pays its distribution. A DistributionsDirect request form can be obtained by calling 1-800-225-5163. Confirmation statements will be mailed to shareholders as notification that distributions have been deposited.

Investors choosing to participate in Scudder's Automatic Withdrawal Plan must reinvest any dividends or capital gains. For most retirement plan accounts, the reinvestment of dividends and capital gains is also required.

Diversification

Your investment represents an interest in a large, diversified portfolio of carefully selected securities. Diversification may protect you against the possible risks associated with concentrating in fewer securities.

Scudder Funds Centers

Investors may visit any of the Fund Centers maintained by the Distributor listed in the Funds' prospectuses. The Centers are designed to provide individuals with services during any business day. Investors may pick up literature or find assistance with opening an account, adding monies or special options to existing accounts, making exchanges within the Scudder Family of Funds, redeeming shares or opening retirement plans. Checks should not be mailed to the Centers but should be mailed to "The Scudder Funds" at the address listed under "How to Contact Scudder" in the Funds' prospectuses.

Reports to Shareholders

The Trust issues to the Funds' shareholders semiannual financial statements, audited annually by independent accountants, including a list of investments held and statements of assets and liabilities, operations, changes in net assets and financial highlights for each Fund.

Transaction Summaries

Annual summaries of all transactions in each Fund account are available to shareholders. The summaries may be obtained by calling 1-800-225-5163.

THE SCUDDER FAMILY OF FUNDS

(See "Investment products and services" in the Funds' prospectuses.)

The Scudder Family of Funds is America's first family of mutual funds and the nation's oldest family of no-load mutual funds. To assist investors in choosing a Scudder fund, descriptions of the Scudder funds' objectives follow. Initial purchases in each Scudder fund must be at least $1,000 or $500 in the case of IRAs. Subsequent purchases must be for $100 or more. Minimum investments for special plan accounts may be lower.

MONEY MARKET

Scudder Cash Investment Trust ("SCIT") seeks to maintain the stability of capital, and consistent therewith, to maintain the liquidity of capital and to provide current income through investment in a supervised portfolio of short-term debt securities. SCIT intends to seek to maintain a constant net asset value of $1.00 per share, although in certain circumstances this may not be possible.

Scudder U.S. Treasury Money Fund seeks to provide safety, liquidity and stability of capital and consistent therewith to provide current income through investment in a supervised portfolio of U.S. Government and U.S. Government guaranteed obligations with maturities of not more than 762 calendar days. The Fund intends to seek to maintain a constant net asset value of $1.00 per share, although in certain circumstances this may not be possible.

INCOME

Scudder Emerging Markets Income Fund seeks to provide high current income and, secondarily, long-term capital appreciation through investments primarily in high-yielding debt securities issued in emerging markets.

Scudder GNMA Fund seeks to provide investors with high current income from a portfolio of high-quality GNMA securities.

Scudder Income Fund seeks to earn a high level of income consistent with the prudent investment of capital through a flexible investment program emphasizing high-grade bonds.

Scudder International Bond Fund seeks to provide income from a portfolio of high-grade bonds denominated in foreign currencies. As a secondary objective, the Fund seeks protection and possible enhancement of principal value by actively managing currency, bond market and maturity exposure and by security selection.

Scudder Short Term Bond Fund seeks to provide a higher and more stable level of income than is normally provided by money market investments, and more price stability than investments in intermediate-and long-term bonds.

Scudder Short Term Global Income Fund seeks to provide high current income from a portfolio of high-grade money market instruments and short-term bonds denominated in foreign currencies and the U.S. dollar.

Scudder Zero Coupon 2000 Fund seeks to provide as high an investment return over a selected period as is consistent with the minimization of reinvestment risks through investments primarily in zero coupon securities.

TAX FREE MONEY MARKET

Scudder Tax Free Money Fund ("STFMF") is designed to provide investors with income exempt from regular federal income tax while seeking stability of principal. STFMF seeks to maintain a constant net asset value of $1.00 per share, although in certain circumstances this may not be possible.

Scudder California Tax Free Money Fund* is designed to provide California taxpayers income exempt from California state and regular federal income taxes, and seeks stability of capital and the maintenance of a constant net asset value of $1.00 per share, although in certain circumstances this may not be possible.

Scudder New York Tax Free Money Fund* is designed to provide New York taxpayers income exempt from New York state, New York City and regular federal income taxes, and seeks stability of capital and the maintenance of a constant net asset value of $1.00 per share, although in certain circumstances this may not be possible.

TAX FREE

Scudder High Yield Tax Free Fund seeks to provide high income which is exempt from regular federal income tax by investing in investment-grade municipal securities.

Scudder Limited Term Tax Free Fund seeks to provide as high a level of income exempt from regular federal income tax as is consistent with a high degree of principal stability.

Scudder Managed Municipal Bonds seeks to provide income which is exempt from regular federal income tax primarily through investments in long-term municipal securities with an emphasis on high quality.

Scudder Medium Term Tax Free Fund seeks to provide a high level of income free from regular federal income taxes and to limit principal fluctuation by investing in high-grade municipal securities of intermediate maturities.

Scudder California Tax Free Fund* seeks to provide income exempt from both California and regular federal income taxes through the professional and efficient management of a portfolio consisting of California state, municipal and local government obligations.

Scudder Massachusetts Limited Term Tax Free Fund* seeks to provide as high a level of income exempt from Massachusetts personal and regular federal income tax as is consistent with a high degree of principal stability.

Scudder Massachusetts Tax Free Fund* seeks to provide income exempt from both Massachusetts and regular federal income taxes through the professional and efficient management of a portfolio consisting of Massachusetts state, municipal and local government obligations.

Scudder New York Tax Free Fund* seeks to provide income exempt from New York state, New York City and regular federal income taxes through the professional and efficient management of a portfolio consisting of investments in New York state, municipal and local government obligations.

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* These funds are not available for sale in all states. For information, contact Scudder Investor Services, Inc.

Scudder Ohio Tax Free Fund* seeks to provide income exempt from both Ohio and regular federal income taxes through the professional and efficient management of a portfolio consisting of Ohio state, municipal and local government obligations.

Scudder Pennsylvania Tax Free Fund* seeks to provide income exempt from both Pennsylvania and regular federal income taxes through a portfolio consisting of Pennsylvania state, municipal and local government obligations.

GROWTH AND INCOME

Scudder Balanced Fund seeks to provide a balance of growth and income, as well as long-term preservation of capital, from a diversified portfolio of equity and fixed income securities.

Scudder Growth and Income Fund seeks to provide long-term growth of capital, current income, and growth of income through a portfolio invested primarily in common stocks and convertible securities by companies which offer the prospect of growth of earnings while paying current dividends.

GROWTH

Scudder Capital Growth Fund seeks to maximize long-term growth of capital through a broad and flexible investment program emphasizing common stocks.

Scudder Development Fund seeks to achieve long-term growth of capital primarily through investments in marketable securities, principally common stocks, of relatively small or little-known companies which in the opinion of management have promise of expanding their size and profitability or of gaining increased market recognition for their securities, or both.

Scudder Global Fund seeks long-term growth of capital primarily through a diversified portfolio of marketable equity securities selected on a worldwide basis. It may also invest in debt securities of U.S. and foreign issuers. Income is an incidental consideration.

Scudder Global Small Company Fund seeks above-average capital appreciation over the long term by investing primarily in the equity securities of small companies located throughout the world.

Scudder Gold Fund seeks maximum return (principal change and income) consistent with investing in a portfolio of gold-related equity securities and gold.

Scudder Greater Europe Growth Fund seeks long-term growth of capital through investments primarily in the equity securities of European companies.

Scudder International Fund seeks long-term growth of capital through investment principally in a diversified portfolio of marketable equity securities selected primarily to permit participation in non-U.S. companies and economies with prospects for growth. It also invests in fixed-income securities of foreign governments and companies, with a view toward total investment return.

Scudder Latin America Fund seeks to provide long-term capital appreciation through investment primarily in the securities of Latin American issuers.

Scudder Pacific Opportunities Fund seeks long-term growth of capital through investment primarily in the equity securities of Pacific Basin companies, excluding Japan.

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* These funds are not available for sale in all states. For information, contact Scudder Investor Services, Inc.

Scudder Quality Growth Fund seeks to provide long-term growth of capital through investment primarily in the equity securities of seasoned, financially strong U.S. growth companies.

Scudder Value Fund seeks long-term growth of capital through investment in undervalued equity securities.

The Japan Fund, Inc. seeks capital appreciation through investment in Japanese securities, primarily in common stocks of Japanese companies.

The net asset values of most Scudder Funds can be found daily in the "Mutual Funds" section of The Wall Street Journal under "Scudder Funds," and in other leading newspapers throughout the country. Investors will notice the net asset value and offering price are the same, reflecting the fact that no sales commission or "load" is charged on the sale of shares of the Scudder Funds. The latest seven-day yields for the money-market funds can be found every Monday and Thursday in the "Money-Market Funds" section of The Wall Street Journal. This information also may be obtained by calling the Scudder Automated Information Line (SAIL) at 1-800-343-2890.

The Scudder Family of Funds offers many conveniences and services, including: active professional investment management; broad and diversified investment portfolios; pure no-load funds with no commissions to purchase or redeem shares or Rule 12b-1 distribution fees; individual attention from a Scudder Service Representative; easy telephone exchanges into Scudder money market, tax free, income, and growth funds; shares redeemable at net asset value at any time.

SPECIAL PLAN ACCOUNTS

(See "Scudder tax-advantaged retirement plans," "Purchases--By Automatic Investment Plan" and "Exchanges and redemptions--By Automatic Withdrawal Plan" in the Funds' prospectuses.)

Detailed information on any Scudder investment plan, including the applicable charges, minimum investment requirements and disclosures made pursuant to Internal Revenue Service (the "IRS") requirements, may be obtained by contacting Scudder Investor Services, Inc., Two International Place, Boston, Massachusetts 02110-4103 or by calling toll free, 1-800-225-2470. It is advisable for an investor considering the funding of the investment plans described below to consult with an attorney or other investment or tax adviser with respect to the suitability requirements and tax aspects thereof.

Shares of a Fund may also be a permitted investment under profit sharing and pension plans and IRA's other than those offered by the Funds' distributor depending on the provisions of the relevant plan or IRA.

None of the plans assures a profit or guarantees protection against depreciation, especially in declining markets.

Scudder Retirement Plans: Profit-Sharing and Money Purchase Pension Plans for Corporations and Self-Employed Individuals

Shares of a Fund may be purchased as the investment medium under a plan in the form of a Scudder Profit-Sharing Plan (including a version of the Plan which includes a cash-or-deferred feature) or a Scudder Money Purchase Pension Plan (jointly referred to as the Scudder Retirement Plans) adopted by a corporation, a self-employed individual or a group of self-employed individuals (including sole proprietorships and partnerships), or other qualifying organization. Each of these forms was approved by the IRS as a prototype. The IRS's approval of an employer's plan under Section 401(a) of the Code will be greatly facilitated if it is in such approved form. Under certain circumstances, the IRS will assume that a plan, adopted in this form, after special notice to any employees, meets the requirements of Section 401(a) of the Code.

Scudder 401(k): Cash or Deferred Profit-Sharing Plan for Corporations and Self-Employed Individuals

Shares of a Fund may be purchased as the investment medium under a plan in the form of a Scudder 401(k) Plan adopted by a corporation, a self-employed individual or a group of self-employed individuals (including sole proprietors and partnerships), or other qualifying organization. This plan has been approved as a prototype by the IRS.

Scudder IRA: Individual Retirement Account

Shares of a Fund may be purchased as the underlying investment for an Individual Retirement Account which meets the requirements of Section 408(a) of the Code.

A single individual who is not an active participant in an employer-maintained retirement plan, a simplified employee pension plan, or a tax-deferred annuity program (a "qualified plan"), and a married individual who is not an active participant in a qualified plan and whose spouse is also not an active participant in a qualified plan, are eligible to make tax deductible contributions of up to $2,000 to an IRA prior to the year such individual attains age 70 1/2. In addition, certain individuals who are active participants in qualified plans (or who have spouses who are active participants) are also eligible to make tax-deductible contributions to an IRA; the annual amount, if any, of the contribution which such an individual will be eligible to deduct will be determined by the amount of his, her, or their adjusted gross income for the year. Whenever the adjusted gross income limitation prohibits an individual from contributing what would otherwise be the maximum tax-deductible contribution he or she could make, the individual will be eligible to contribute the difference to an IRA in the form of nondeductible contributions.

An eligible individual may contribute as much as $2,000 of qualified income (earned income or, under certain circumstances, alimony) to an IRA each year (up to $2,250 for married couples if one spouse has earned income of no more than $250). All income and capital gains derived from IRA investments are reinvested and compound tax-deferred until distributed. Such tax-deferred compounding can lead to substantial retirement savings.

The table below shows how much individuals would accumulate in a fully tax-deductible IRA by age 65 (before any distributions) if they contribute $2,000 at the beginning of each year, assuming average annual returns of 5, 10, and 15%. (At withdrawal, accumulations in this table will be taxable.)
<TABLE>
<CAPTION>

Value of IRA at Age 65
Assuming $2,000 Deductible Annual Contribution

Starting Age of Contributions	Annual Rate of Return 5%	10%	15%
<S>	<C>	<C>	<C>
25	$253,680	$973,704	$4,091,908
35	139,522	361,887	999,914
45	69,439	126,005	235,620
55	26,414	35,062	46,699

</TABLE>

This next table shows how much individuals would accumulate in non-IRA accounts by age 65 if they start with $2,000 in pretax earned income at the beginning of each year (which is $1,380 after taxes are paid), assuming average annual returns of 5, 10 and 15%. (At withdrawal, a portion of the accumulation in this table will be taxable.)

<TABLE>
<CAPTION>

Value of a Non-IRA Account at
Age 65 Assuming $1,380 Annual Contributions
(post tax, $2,000 pretax) and a 31% Tax Bracket

Starting Age of Contributions	Annual Rate of Return 5%	10%	15%
<S>	<C>	<C>	<C>
25	$119,318	$287,021	$741,431
35	73,094	136,868	267,697
45	40,166	59,821	90,764
55	16,709	20,286	24,681

</TABLE>

Scudder 403(b) Plan

Shares of a Fund may also be purchased as the underlying investment for tax sheltered annuity plans under the provisions of Section 403(b)(7) of the Code. In general, employees of tax-exempt organizations described in Section

501(c)(3) of the Code (such as hospitals, churches, religious, scientific, or literary organizations and educational institutions) or a public school system are eligible to participate in a 403(b) plan.

Automatic Withdrawal Plan

Non-retirement plan shareholders who currently own or purchase $10,000 or more of shares of a Fund may establish an Automatic Withdrawal Plan. The investor can then receive monthly, quarterly or periodic redemptions from his or her account for any designated amount of $50 or more. Payments are mailed at the end of each month. The check amounts may be based on the redemption of a fixed dollar amount, fixed share amount, percent of account value or declining balance. The Plan provides for income dividends and capital gains distributions, if any, to be reinvested in additional shares. Shares are then liquidated as necessary to provide for withdrawal payments. Since the withdrawals are in amounts selected by the investor and have no relationship to yield or income, payments received cannot be considered as yield or income on the investment and the resulting liquidations may deplete or possibly extinguish the initial investment. Requests for increases in withdrawal amounts or to change payee must be submitted in writing, signed exactly as the account is registered and contain signature guarantee(s) as described under "Transaction information--Redeeming shares--Signature guarantees" in the Funds' prospectuses. Any such requests must be received by the Funds' transfer agent by the 15th of the month in which such change is to take effect. An Automatic Withdrawal Plan may be terminated at any time by the shareholder, the Trust or its agent on written notice, and will be terminated when all shares of a Fund under the Plan have been liquidated or upon receipt by the Trust of notice of death of the shareholder.

An Automatic Withdrawal Plan request form can be obtained by calling 1-800-225-5163.

Group or Salary Deduction Plan

An investor may join a Group or Salary Deduction Plan where satisfactory arrangements have been made with Scudder Investor Services, Inc. for forwarding regular investments through a single source. The minimum annual investment is $240 per investor which may be made in monthly, quarterly, semiannual or annual payments. The minimum monthly deposit per investor is $20. Except for trustees or custodian fees for certain retirement plans, at present there is no separate charge for maintaining group or salary deduction plans; however, the Trust and its agents reserve the right to establish a maintenance charge in the future depending on the services required by the investor.

The Trust reserves the right, after notice has been given to the shareholder, to redeem and close a shareholder's account in the event that the shareholder ceases participating in the group plan prior to investment of $1,000 per individual or in the event of a redemption which occurs prior to the accumulation of that amount or which reduces the account value to less than $1,000 and the account value is not increased to $1,000 within a reasonable time after notification. An investor in a plan who has not purchased shares for six months shall be presumed to have stopped making payments under the plan.

Automatic Investment Plan

Shareholders may arrange to make periodic investments through automatic deductions from checking accounts by completing the appropriate form and providing the necessary documentation to establish this service. The minimum investment is $50.

The Automatic Investment Plan involves an investment strategy called dollar cost averaging. Dollar cost averaging is a method of investing whereby a specific dollar amount is invested at regular intervals. By investing the same dollar amount each period, when shares are priced low the investor will purchase more shares than when the share price is higher. Over a period of time this investment approach may allow the investor to reduce the average price of the shares purchased. However, this investment approach does not assure a profit or protect against loss. This type of regular investment program may be suitable for various investment goals such as, but not limited to, college planning or saving for a home.

Uniform Transfers/Gifts to Minors Act

Grandparents, parents or other donors may set up custodian accounts for minors. The minimum initial investment is $1,000 unless the donor agrees to continue to make regular share purchases for the account through Scudder's Automatic Investment Plan. In this case, the minimum initial investment is $500.

The Trust reserves the right, after notice has been given to the shareholder and custodian, to redeem and close a shareholder's account in the event that regular investments to the account cease before the $1,000 minimum is reached.

Scudder Trust Company

Annual service fees are paid by a Fund to Scudder Trust Company, an affiliate of the Adviser, for certain retirement plan accounts and are included in the fees paid to the Transfer Agent.

DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS

(See "Distribution and performance information--Dividends and capital gains distributions" in the Funds' prospectuses.)

Each Fund intends to follow the practice of distributing substantially all of its investment company taxable income (defined under "GLOSSARY") which includes any excess of net realized short-term capital gains over net realized long-term capital losses. A Fund may follow the practice of distributing the entire excess of net realized long-term capital gains over net realized short-term capital losses. However, a Fund may retain all or part of such gain for reinvestment, after paying the related income taxes for which shareholders may then be asked to claim a credit against their federal income tax liability. (See "TAXES.") If a Fund does not distribute an amount of capital gain and/or ordinary income required to be distributed by an excise tax provision of the Code, it may be subject to such a tax. (See "TAXES.") In certain circumstances, a Fund may determine that it is in the interest of shareholders to distribute less than such amount or less than substantially all of its investment company taxable income.

With respect to Short Term Bond Fund, dividends will be declared daily and distributions of net investment income will be made monthly. Distributions of net realized capital gains, if any, will be made in November or December to prevent application of a federal excise tax. An additional distribution may be made within three months of the Fund's fiscal year end, if necessary. Any dividends or capital gains distributions declared in October, November or December with a record date in such a month and paid during the following January will be treated by shareholders for federal income tax purposes as if received on December 31 of the calendar year declared. Both types of distributions will be made in shares of the Fund and confirmations will be mailed to each shareholder unless a shareholder has elected to receive cash, in which case a check will be sent.

With respect to Zero Coupon 2000 Fund, the net investment income of the Fund normally will be declared and distributed as a dividend in December. Distributions of net realized capital gains, if any, will be made in November or December to prevent application of a federal excise tax. An additional distribution may be made within three months of the Fund's fiscal year end, if necessary. Any dividends declared in October, November or December with a record

date in such a month and paid during the following January will be treated by shareholders for federal income tax purposes as if received on December 31 of the calendar year declared. Checks will be mailed to shareholders electing to take dividends in cash. Confirmations will be mailed to shareholders electing to invest dividends in additional shares for the dividends declared during the preceding period shortly after the end of the fiscal year.

PERFORMANCE INFORMATION

(See "Distribution and performance information--Performance information" in the Funds' prospectuses.)

From time to time, quotations of the Funds' performances may be included in advertisements, sales literature or reports to shareholders or prospective investors. These performance figures may be calculated in the following manner:

Average Annual Total Return

Average annual total return is the average annual compounded rate of return for the periods of one year, five years, and ten years, all ended on the last day of a recent calendar quarter. Because Zero Coupon 2000 Fund has been in existence for less than ten years, the average annual total return for the life of that Fund is given. Average annual total return quotations reflect changes in the price of a Fund's shares and assume that all dividends and capital gains distributions during the respective periods were reinvested in Fund shares. Average annual total return is calculated by finding the average annual compounded rates of return of a hypothetical investment over such periods according to the following formula (average annual total return is then expressed as a percentage):

$$T = (ERV/P)^{(1/n)} - 1$$

Where:

- T = average annual total return
- P = a hypothetical initial investment of $1,000
- n = number of years
- ERV = ending redeemable value: ERV is the value, at the end of the applicable period, of a hypothetical $1,000 investment made at the beginning of the applicable period.

<TABLE>
<CAPTION>

Average Annual Total Return for periods ended December 31, 1994

<S>	One Year <C>	Five Years <C>	Ten Years <C>	Life of Fund <C>
Short Term Bond Fund	-2.87%	6.84%	8.95%(1)	
Zero Coupon 2000 Fund*	-7.92%	7.71%	N/A	9.60%(2)

(1) The foregoing average annual total return includes the period prior to July 3, 1989, during which the Fund operated under the investment objective and policies of Scudder Target Fund General 1994 Portfolio. Average annual total return figures for the periods prior to July 3, 1989 should not be considered representative of the present Fund.

(2) For the period February 4, 1986 (commencement of operations) to December 31, 1994.

* If the Adviser had not temporarily maintained expenses, the average annual total return for the one year, five years and life of Fund would have been lower.

</TABLE>

Cumulative Total Return

Cumulative total return is the cumulative rate of return on a hypothetical initial investment of $1,000 for a specified period. Cumulative total return quotations reflect changes in the price of a Fund's shares and assume that all dividends and capital gains distributions during the period were reinvested in Fund shares. Cumulative total return is calculated by finding the

cumulative rates of a return of a hypothetical investment over such periods, according to the following formula (cumulative total return is then expressed as a percentage):

$$C = (ERV/P)-1$$

Where:

- C = cumulative total return
- P = a hypothetical initial investment of $1,000
- ERV = ending redeemable value: ERV is the value, at the end of the applicable period, of a hypothetical $1,000 investment made at the beginning of the applicable period.

<TABLE>
<CAPTION>

Cumulative Total Return for periods ended December 31, 1994

<S>	One Year <C>	Five Years <C>	Ten Years <C>	Life of Fund <C>
Short Term Bond Fund	-2.87%	39.24%	135.74%(1)	
Zero Coupon 2000 Fund*	-7.92%	44.99%	N/A	126.37%(2)

(1) The foregoing cumulative total return includes the period prior to July 3, 1989, during which the Fund operated under the investment objective and policies of Scudder Target Fund General 1994 Portfolio. Cumulative total return figures for the periods prior to July 3, 1989 should not be considered representative of the present Fund.

(2) For the period February 4, 1986 (commencement of operations) to December 31, 1994.

* If the Adviser had not temporarily maintained expenses, the

cumulative total return for the one year, five years and life of Fund would have been lower.

</TABLE>

Total Return

Total return is the rate of return on an investment for a specified period of time calculated in the same manner as Cumulative Total Return.

Yield

Yield is the net annualized yield based on a specified 30-day (or one month) period assuming semi-annual compounding of income. Yield is calculated by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period, according to the following formula:

YIELD = 2[((a-b)/cd + 1)^6 - 1]

Where:

<TABLE>

<C>	<C>	<C>
a	=	dividends and interest earned during the period.
b	=	expenses accrued for the period (net of reimbursements).
c	=	the average daily number of shares outstanding during the period that were entitled to receive dividends.
d	=	the maximum offering price per share on the last day of the period.

</TABLE>

The yield for the 30-day period ended December 31, 1994 for Short Term Bond Fund was 7.70%.

The yield for the 30-day period ended December 31, 1994 for Zero Coupon 2000 Fund was 7.07%.

Quotations of a Fund's performance are based on historical earnings and are not intended to indicate future performance of a Fund. An investor's shares when redeemed may be worth more or less than their original cost. Performance of a Fund will vary based on changes in market conditions and the level of a Fund's expenses. In periods of declining interest rates a Fund's quoted yield will tend to be somewhat higher than prevailing market rates, and in periods of rising interest rates a Fund's quoted yield will tend to be somewhat lower.

Comparison of Fund Performance

A comparison of the quoted non-standard performance offered for various investments is valid only if performance is calculated in the same manner. Since there are different methods of calculating performance, investors should consider the effects of the methods used to calculate performance when comparing performance of a Fund with performance quoted with respect to other investment companies or types of investments.

In connection with communicating its performance to current or prospective shareholders, a Fund also may compare these figures to the performance of unmanaged indices which may assume reinvestment of dividends or interest but generally do not reflect deductions for administrative and management costs. Examples include, but are not limited to the Dow Jones Industrial Average, the Consumer Price Index, Standard & Poor's 500 Composite Stock Price Index (S&P 500), the NASDAQ OTC Composite Index, the NASDAQ Industrials Index, the Russell 2000 Index, and statistics published by the Small Business Administration.

From time to time, in advertising and marketing literature, the Funds' performances may be compared to the performance of broad groups of mutual funds with similar investment goals, as tracked by independent organizations such as, Investment Company Data, Inc. ("ICD"), Lipper Analytical Services, Inc. ("Lipper"), CDA Investment Technologies, Inc. ("CDA"), Morningstar, Inc., Value Line Mutual Fund Survey and other independent organizations. When these organizations' tracking results are used, a Fund will be compared to the appropriate fund category, that is, by fund objective and portfolio holdings, or to the appropriate volatility grouping, where volatility is a measure of a fund's risk. For instance, a Scudder growth fund will be compared to funds in the growth fund category; a Scudder income fund will be compared to funds in the income fund category; and so on. Scudder funds (except for money market funds) may also be compared to funds with similar volatility, as measured statistically by independent organizations.

From time to time, in marketing and other Fund literature, Trustees and officers of the Funds, the Funds' portfolio managers, or members of the portfolio management team may be depicted and quoted to give prospective and current shareholders a better sense of the outlook and approach of those who manage a Fund. In addition, the amount of assets that the Adviser has under management in various geographical areas may be quoted in advertising and marketing materials.

A Fund may be advertised as an investment choice in Scudder's college planning program. The description may contain illustrations of projected future college costs based on assumed rates of inflation and examples of hypothetical fund performance, calculated as described above.

Statistical and other information, as provided by the Social Security Administration, may be used in marketing materials pertaining to retirement planning in order to estimate future payouts of social security benefits. Estimates may be used on demographic and economic data.

Marketing and other Fund literature may include a description of the potential risks and rewards associated with an investment in a Fund. The description may include a "risk/return spectrum" which compares a Fund to other Scudder funds or broad categories of funds, such as money market, bond or equity funds, in terms of potential risks and returns. Money market funds are designed to maintain a constant $1.00 share price and have a fluctuating yield. Share price, yield and total return of a bond fund will fluctuate. The share price and return of an equity fund also will fluctuate. The description may also compare a Fund to bank products, such as certificates of deposit. Unlike mutual funds, certificates of deposit are insured up to $100,000 by the U.S. government and offer a fixed rate of return.

Because bank products guarantee the principal value of an investment and money market funds seek stability of principal, these investments are considered to be less risky than investments in either bond or equity funds, which may involve the loss of principal. However, all long-term investments, including investments in bank products, may be subject to inflation risk, which is the risk of erosion of the value of an investment as prices increase over a long time period. The risks/returns associated with an investment in bond or

equity funds depend upon many factors. For bond funds these factors include, but are not limited to, a fund's overall investment objective, the average portfolio maturity, credit quality of the securities held, and interest rate movements. For equity funds, factors include a fund's overall investment objective, the types of equity securities held and the financial position of the issuers of the securities. The risks/returns associated with an investment in international bond or equity funds also will depend upon currency exchange rate fluctuation.

A risk/return spectrum generally will position the various investment categories in the following order: bank products, money market funds, bond funds and equity funds. Shorter-term bond funds generally are considered less risky and offer the potential for less return than longer-term bond funds. The same is true of domestic bond funds relative to international bond funds, and bond funds that purchase higher quality securities relative to bond funds that purchase lower quality securities. Growth and income equity funds are generally considered to be less risky and offer the potential for less return than growth funds. In addition, international equity funds usually are considered more risky than domestic equity funds but generally offer the potential for greater return.

Risk/return spectrums also may depict funds that invest in both domestic and foreign securities or a combination of bond and equity securities.

Evaluation of Fund performance or other relevant statistical information made by independent sources may also be used in advertisements concerning a Fund, including reprints of, or selections from, editorials or articles about the Funds. Sources for Fund performance information and articles about a Fund may include the following:

American Association of Individual Investors' Journal, a monthly publication of the AAII that includes articles on investment analysis techniques.

Asian Wall Street Journal, a weekly Asian newspaper that often reviews U.S. mutual funds investing internationally.

Banxquote, an on-line source of national averages for leading money market and bank CD interest rates, published on a weekly basis by Masterfund, Inc. of Wilmington, Delaware.

Barron's, a Dow Jones and Company, Inc. business and financial weekly that periodically reviews mutual fund performance data.

Business Week, a national business weekly that periodically reports the performance rankings and ratings of a variety of mutual funds investing abroad.

CDA Investment Technologies, Inc., an organization which provides performance and ranking information through examining the dollar results of hypothetical mutual fund investments and comparing these results against appropriate market indices.

Consumer Digest, a monthly business/financial magazine that includes a "Money

Watch" section featuring financial news.

Financial Times, Europe's business newspaper, which features from time to time articles on international or country-specific funds.

Financial World, a general business/financial magazine that includes a "Market Watch" department reporting on activities in the mutual fund industry.

Forbes, a national business publication that from time to time reports the performance of specific investment companies in the mutual fund industry.

Fortune, a national business publication that periodically rates the performance of a variety of mutual funds.

The Frank Russell Company, a West-Coast investment management firm that periodically evaluates international stock markets and compares foreign equity market performance to U.S. stock market performance.

Global Investor, a European publication that periodically reviews the performance of U.S. mutual funds investing internationally.

IBC/Donoghue's Money Fund Report, a weekly publication of the Donoghue Organization, Inc., of Holliston, Massachusetts, reporting on the performance of the nation's money market funds, summarizing money market fund activity and including certain averages as performance benchmarks, specifically "Donoghue's Money Fund Average," and "Donoghue's Government Money Fund Average."

Ibbotson Associates, Inc., a company specializing in investment research and data.

Investment Company Data, Inc., an independent organization which provides performance ranking information for broad classes of mutual funds.

Investor's Daily, a daily newspaper that features financial, economic, and business news.

Kiplinger's Personal Finance Magazine, a monthly investment advisory publication that periodically features the performance of a variety of securities.

Lipper Analytical Services, Inc.'s Mutual Fund Performance Analysis, a weekly publication of industry-wide mutual fund averages by type of fund.

Money, a monthly magazine that from time to time features both specific funds and the mutual fund industry as a whole.

Morgan Stanley International, an integrated investment banking firm that compiles statistical information.

Mutual Fund Values, a biweekly Morningstar, Inc. publication that provides ratings of mutual funds based on fund performance, risk and portfolio characteristics.

The New York Times, a nationally distributed newspaper which regularly covers financial news.

The No-Load Fund Investor, a monthly newsletter, published by Sheldon Jacobs, that includes mutual fund performance data and recommendations for the mutual fund investor.

No-Load Fund*X, a monthly newsletter, published by DAL Investment Company, Inc., that reports on mutual fund performance, rates funds and discusses investment strategies for the mutual fund investor.

Personal Investing News, a monthly news publication that often reports on investment opportunities and market conditions.

Personal Investor, a monthly investment advisory publication that includes a "Mutual Funds Outlook" section reporting on mutual fund performance measures, yields, indices and portfolio holdings.

Smart Money, a national personal finance magazine published monthly by Dow Jones and Company, Inc. and The Hearst Corporation. Focus is placed on ideas for investing, spending and saving.

Success, a monthly magazine targeted to the world of entrepreneurs and growing business, often featuring mutual fund performance data.

United Mutual Fund Selector, a semi-monthly investment newsletter, published by Babson United Investment Advisors, that includes mutual fund performance data and reviews of mutual fund portfolios and investment strategies.

USA Today, a leading national daily newspaper.

U.S. News and World Report, a national business weekly that periodically reports mutual fund performance data.

Wall Street Journal, a Dow Jones and Company, Inc. newspaper which regularly covers financial news.

Wiesenberger Investment Companies Services, an annual compendium of information about mutual funds and other investment companies, including comparative data on funds' backgrounds, management policies, salient features, management results, income and dividend records and price ranges.

Working Woman, a monthly publication that features a "Financial Workshop" section reporting on the mutual fund/financial industry.

Worth, a national publication put out 10 times per year by Capital Publishing Company, a subsidiary of Fidelity Investments. Focus is placed on personal financial journalism.

ORGANIZATION OF THE FUNDS

(See "Fund organization" in the Funds' prospectuses.)

Each Fund is a series of Scudder Funds Trust, a Massachusetts business trust established under a Declaration of Trust dated July 24, 1981, as amended. The name of the Trust was changed, effective July 3, 1989, from Scudder Target Fund to Scudder Funds Trust. Prior to action taken by the Trustees of the Trust on March 7, 1990, Scudder Zero Coupon 2000 Fund was named 2000 U.S. Government Zero Coupon Target Portfolio. On December 23, 1987 the par value of the shares of beneficial interest of the Trust was changed from no par value to $.01 par value per share. The Trust's authorized capital consists of an unlimited number of shares of beneficial interest of $.01 par value, issued in separate series. Each share of each series represents an equal proportionate interest in that series with each other share of that series. Shareholders have one vote for each share held on matters on which they are entitled to vote.

Effective as of July 3, 1989, two series of the Trust, the General 1990 Portfolio and U.S. Government 1990 Portfolio, sold their assets to another series of the Trust, the General 1994 Portfolio, in exchange for shares of the 1994 Portfolio, as approved by shareholders on June 26, 1989. Effective as of the same date, the General 1994 Portfolio changed its name to Scudder Short Term Bond Fund and changed its investment objectives from current income, capital preservation and possible capital appreciation to its current investment objective.

The assets of the Trust received for the issue or sale of the shares of each series and all income, earnings, profits and proceeds thereof, subject only to the rights of creditors, are specifically allocated to such series and constitute the underlying assets of such series. The underlying assets of each series are segregated on the books of account, and are to be charged with the liabilities in respect to such series and with such a share of the general liabilities of the Trust. If a series were unable to meet its obligations, the assets of all other series may in some circumstances be available to creditors for that purpose, in which case the assets of such other series could be used to meet liabilities which are not otherwise properly chargeable to them. Expenses with respect to any two or more series are to be allocated in proportion to the asset value of the respective series except where allocations of direct expenses can otherwise be fairly made. The officers of the Trust, subject to the general supervision of the Trustees, have the power to determine which liabilities are allocable to a given series, or which are general or allocable to two or more series. In the event of the dissolution or liquidation of the Trust or any series, the holders of the shares of any series are entitled to receive as a class the underlying assets of such shares available for distribution to shareholders.

Shares of the Trust entitle their holders to one vote per share; however, separate votes are taken by each series on matters affecting an individual series. For example, a change in investment policy for a series would be voted upon only by shareholders of the series involved. Additionally, approval of the investment management agreement is a matter to be determined separately by each series. Approval by the shareholders of one series is effective as to that series whether or not enough votes are received from the shareholders of the other series to approve such agreement as to the other series.

The Trustees have the authority to designate additional series and to designate the relative rights and preferences as between the different series. All shares issued and outstanding will be fully paid and non-assessable by the Trust, and redeemable as described in this combined Statement of Additional Information and in the Funds' prospectuses.

The Trustees, in their discretion, may authorize the division of shares of a Fund (or shares of a series) into different classes, permitting shares of different classes to be distributed by different methods. Although shareholders of different classes of a series would have an interest in the same portfolio of assets, shareholders of different classes may bear different expenses in connection with different methods of distribution. The Trustees have no present intention of taking the action necessary to effect the division of shares into separate classes (which under present regulations would require a Fund first to obtain an exemptive order of the SEC), nor of changing the method of distribution of shares of a Fund.

The Declaration of Trust provides that obligations of the Trust are not binding upon the Trustees individually but only upon the property of the Trust, that the Trustees and officers will not be liable for errors of judgment or mistakes of fact or law, and that the Trust will indemnify its Trustees and officers against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices with the Trust except if it is determined in the manner provided in the Declaration of Trust that they have not acted in good faith in the reasonable belief that their actions were in the best interests of the Trust. However, nothing in the Declaration of Trust protects or indemnifies a Trustee or officer against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his office.

INVESTMENT ADVISER

(See "Fund organization--Investment adviser" in the Funds' prospectuses.)

The Trust has investment management agreements on behalf of the Funds (the "Agreements") with the investment counsel firm of Scudder, Stevens & Clark, Inc. (sometimes referred to herein as the "Adviser"). This organization is one of the most experienced investment management firms in the United States. It was established as a partnership in 1919 and pioneered the practice of providing investment counsel to individual clients on a fee basis. In 1928, it introduced the first no-load mutual fund to the public. In 1953, the Adviser introduced Scudder International Fund, the first mutual fund available in the U.S. investing internationally in several foreign countries.

The principal source of the Adviser's income is professional fees received from providing continuous investment advice, and the firm derives no income from brokerage or underwriting of securities. Today, it provides investment counsel for many individuals and institutions, including insurance companies, colleges, industrial corporations, and financial and banking organizations. In addition, it manages Montgomery Street Income Securities, Inc., Scudder California Tax Free Trust, Scudder Cash Investment Trust, Scudder Development Fund, Scudder Equity Trust, Scudder Fund, Inc., Scudder Funds Trust, Scudder Global Fund, Inc., Scudder GNMA Fund, Scudder Portfolio Trust, Scudder Institutional Fund, Inc., Scudder International Fund, Inc., Scudder Investment Trust, Scudder Municipal Trust, Scudder Mutual Funds, Inc., Scudder New Asia Fund, Inc., Scudder New Europe Fund, Inc., Scudder State Tax Free Trust, Scudder Tax Free Money Fund, Scudder Tax Free Trust, Scudder U.S. Treasury Money Fund, Scudder Variable Life Investment Fund, Scudder World Income Opportunities Fund, Inc., The Argentina Fund, Inc., The Brazil Fund, Inc., The First Iberian Fund, Inc., The Korea Fund, Inc., The Japan Fund, Inc. and The Latin America Dollar Income Fund, Inc. Some of the foregoing companies or trusts have two or more series.

The Adviser also provides investment advisory services to the mutual funds which comprise the AARP Investment Program from Scudder. The AARP Investment Program from Scudder has assets over $11 billion and includes the AARP Growth Trust, AARP Income Trust, AARP Tax Free Income Trust and AARP Cash Investment Funds.

In selecting among the securities in which a Fund may invest, the conclusions and investment decisions of the Adviser with respect to a Fund are based primarily on the analyses of its own research department. The Adviser receives published reports and statistical compilations of the issuers themselves, as well as analyses from brokers and dealers who may execute portfolio transactions for the Adviser's clients. However, the Adviser regards this information and material as an adjunct to its own research activities.

Certain investments may be appropriate for more than one series of the Trust and also for other clients advised by the Adviser. Investment decisions for the series and other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. Frequently, a particular security may be bought or sold for only one series or client or in different amounts and at different times for more than one but less than all series or clients. Likewise, a particular security may be bought for one or more series or clients when one or more other series or clients are selling the security. In addition, purchases or sales of the same security may be made for two or more series or clients on the same day. In such event, such transactions will be allocated among the clients in a manner believed by the Adviser to be equitable to each. In some cases, this procedure could have an adverse effect on the price or amount of the securities purchased or sold by a Fund. Purchase and sale orders for a Fund may be combined with those of other series or other clients of the Adviser in the interest of the most favorable net results to the series.

The Agreements for both Funds were last approved by the Trustees on September 7, 1994. The Agreements for Short Term Bond Fund and Zero Coupon 2000 Fund are dated September 7, 1993 and June 6, 1991, respectively, and will continue in effect until September 30, 1995 and from year to year thereafter only if its continuance is approved annually by the vote of a majority of those Trustees who are not parties to such Agreements or interested persons of the Adviser or a Fund, cast in person at a meeting called for the purpose of voting on such approval, and either by vote of a majority of the Trustees or a majority of the outstanding voting securities of the Funds. Each Agreement may be terminated at any time without payment of penalty by either party on sixty days written notice, and automatically terminates in the event of its assignment.

Under the Agreements, the Adviser regularly provides the Funds with continuing investment management for the Funds consistent with each Fund's investment objective, policies and restrictions and determines what securities shall be purchased for the Funds, what securities shall be held or sold by the Funds, and what portion of the Funds' assets shall be held uninvested, subject always to the provisions of the Trust's Declaration of Trust and By-Laws, the 1940 Act, the Code and the Funds' investment objectives, policies and restrictions, and subject further to such policies and instructions as the Trustees of the Trust may from time to time establish. The Adviser also advises and assists the officers of the Trust in taking such steps as are necessary or appropriate to carry out the decisions of its Trustees and the appropriate committee of the Trustees regarding the conduct of the business of the Trust.

Under the Agreements, the Adviser also renders significant administrative services (not otherwise provided by third parties) necessary for the Trust's operations as an open-end investment company including, but not limited to, preparing reports and notices to the Trustees and shareholders; supervising, negotiating contractual arrangements with, and monitoring various third-party service providers to the Funds (such as the Funds' transfer agent, pricing agents, custodian, accountants and others); preparing and making filings with the SEC and other regulatory agencies; assisting in the preparation and filing of each Fund's federal, state and local tax returns; preparing and filing each Fund's federal excise tax returns; assisting with investor and public relations matters; monitoring the valuation of securities and the calculation of net asset value; monitoring the registration of shares of a Fund under applicable federal and state securities laws; maintaining a Fund's books and records to the extent not otherwise maintained by a third party; assisting in establishing accounting policies of a Fund; assisting in the resolution of accounting and legal issues; establishing and monitoring a Fund's operating budget; processing the payment of a Fund's bills; assisting a Fund in, and otherwise arranging for, the payment of distributions and dividends and otherwise assisting a Fund in the conduct of its business, subject to the direction and control of the Trustees.

The Adviser pays the compensation and expenses (except those for attending Board and Committee meetings outside New York, New York or Boston, Massachusetts) of all Trustees, officers and executive employees of the Trust affiliated with the Adviser and makes available, without expense to a Fund, the services of the Adviser's directors, officers and employees as may duly be elected officers, subject to their individual consent to serve and to any limitations imposed by law, and provides the Trust's office space and facilities and provides investment advisory, research and statistical facilities and all clerical services relating to research, statistical and investment work.

For these services Short Term Bond Fund pays the Adviser a fee at an annual rate of 0.60% of the first $500 million of average daily net assets, 0.50% of the next $500 million of such assets, 0.45% of the next $500 million of such assets, 0.40% of the next $500 million of such assets, 0.375% of the next $1 billion of such assets and 0.35% of such assets in excess of $3 billion. Zero Coupon 2000 Fund pays the Adviser a fee at an annual rate of 0.60% of the Fund's average daily net assets. The fees are payable monthly, provided the Funds will make such interim payments as may be requested by the Adviser not to exceed 75% of the amount of the fee then accrued on the books of a Fund and unpaid. Prior to September 7, 1993, Short Term Bond Fund paid a fee equal to 0.45% of the Fund's average daily net assets under an Agreement dated March 17, 1992.

From January 1, 1992 to March 17, 1992, the Adviser agreed to maintain management fees of Short Term Bond Fund at an amount equal to 0.60% of the first $500 million of average daily net assets, 0.50% of such assets in excess of $500 million, 0.45% of such assets in excess of $1 billion, 0.40% of such assets in excess of $1.5 billion and 0.375% of such assets in excess of $2 billion.

From March 18, 1992 to September 6, 1993, Short Term Bond Fund paid the Adviser a fee at the annual rate of 0.60% of the first $500 million of average daily net assets, 0.50% of such assets in excess of $500 million, 0.45% of such assets in excess of $1 billion, 0.40% of such assets in excess of $1.5 billion and 0.375% of such assets in excess of $2 billion.

From September 7, 1993 to December 31, 1993, Short Term Bond Fund paid the Adviser a fee at an annual rate of 0.60% of the first $500 million of average daily net assets, 0.50% of the next $500 million of such assets, 0.45% of the next $500 million of such assets, 0.40% of the next $500 million of such assets, 0.375% of the next $1 billion of such assets and 0.35% of such assets in excess of $3 billion.

For the year ended December 31, 1992, the Adviser did not impose a portion of its management fee amounting to $657,270 and the portion imposed amounted to $12,021,294, of which $1,092,023 was unpaid at December 31, 1992. For the year ended December 31, 1993, the Adviser imposed its management fee which amounted to $13,596,092, of which $1,190,026 was unpaid at December 31, 1993. For the year ended December 31, 1994, the Adviser imposed its management fee for Short Term Bond Fund which amounted to $12,415,709.

For the year ended December 31, 1992 the Adviser did not impose all or a portion of its fees amounting to $80,665 for Zero Coupon 2000 Fund, which amounted to $.04 per share for the Fund. The amount imposed was $92,486 for the Fund. The Adviser agreed to waive all or a portion of its management fee until April 30, 1994, and to take other action, to the extent necessary, to maintain the annualized expenses of the Fund at not more than 1% of average daily net assets.

For the year ended December 31, 1993, the Adviser did not impose all or a portion of its fees amounting to $90,982 for Zero Coupon 2000 Fund, which amounted to $.04 per share for the Fund. The amount imposed was $108,121 for the Fund. The Adviser agreed to waive all or a portion of its management fee until April 30, 1995, and to take other action, to the extent necessary, to maintain the annualized expenses of the Fund at not more than 1% of average daily net assets.

For the year ended December 31, 1994, the Adviser did not impose all or a portion of its fees amounting to $117,316 for Zero Coupon 2000 Fund, which amounted to $.05 per share for the Fund. The amount imposed was $33,453 for the Fund. The Adviser has voluntarily agreed to waive management fees or reimburse the Fund to the extent necessary so that the total annualized expenses of the Fund do not exceed 1% of the average daily net assets until April 30, 1996. The Adviser retains the ability to be repaid by the Fund if expenses fall below the specified limit prior to the end of the fiscal year. These expense limitation arrangements can decrease the Fund's expenses and improve its performance.

The yield on shares of a Fund will be increased to the extent that the Adviser maintains a Fund's expenses, and thereafter will be reduced to the extent that full payment by a Fund of the fee and expenses is instituted.

Under the Agreements, the Funds are responsible for all of their other expenses, including fees and expenses incurred in connection with membership in investment company organizations; brokerage commissions; payment for portfolio pricing services to a pricing agent, if any; legal, auditing or accounting expenses; taxes or governmental fees; the fees and expenses of the Transfer Agent; and any other expenses, including clerical expense, of issue, redemption or repurchase of shares; the expenses of and fees for registering or qualifying securities for sale; the fees and expenses of the Trustees, officers and employees of the Trust who are not affiliated with the Adviser; the cost of printing and distributing reports and notices to shareholders; and the fee or disbursements of custodians. A Fund may arrange to have third parties assume all or part of the expenses of sale, underwriting and distribution of shares of a Fund. A Fund is also responsible for its expenses incurred in connection with litigation, proceedings and claims and the legal obligation it may have to indemnify officers and Trustees of the Trust with respect thereto.

The Agreements require the Adviser to maintain the Funds' expenses up to, but not exceeding, the advisory fee for annual expenses of a Fund (including the advisory fee stated above) which exceed the limitations prescribed by any state in which a Fund's shares are offered for sale. Management has been advised that, while most states have eliminated expense limitations, the lowest of such limitations is currently 2 1/2% of average net assets up to $30,000,000, 2% of the next $70,000,000 of such net assets and 1 1/2% of such net assets in excess of that amount. Certain expenses such as brokerage commissions, taxes, extraordinary expenses and interest are excluded from the calculation of such limitations, and other expenses may be excluded from time to time. Any such maintenance will be made as promptly as practicable after the end of the Funds' fiscal year. However, no fee payment will be made to the Adviser during any fiscal year which will cause year-to-date expenses to exceed the cumulative pro rata expense limitation at the time of such payment.

The expense ratio, the ratio of operating expenses to average net assets, for Short Term Bond Fund was 0.75%, 0.68% and 0.73% for the years ended December 31, 1992, 1993 and 1994, respectively.

The expense ratio, the ratio of operating expenses to average net assets, for Zero Coupon 2000 Fund was 1.00% for each of the years ended December 31, 1992, December 31, 1993 and December 31, 1994.

The Agreements provide that a Fund may use any name derived from the name "Scudder, Stevens & Clark" only as long as the Agreements remains in effect.

In reviewing the terms of the Agreements and in discussions with the Adviser concerning the Agreements, Trustees who are not "interested persons" of the Trust or the Adviser are represented by independent counsel at the Funds' expense.

The Agreements provide that the Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by a Fund in connection with matters to which the Agreements relate, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its duties or from reckless disregard by the Adviser of its obligations and duties under the Agreements.

Officers and employees of the Adviser from time to time may have transactions with various banks, including the Funds' Custodian. It is the Adviser's opinion that the terms and conditions of those transactions were not influenced by existing or potential custodial or other Fund relationships.

None of the Trustees or officers of the Trust may have dealings with the Trust as principals in the purchase or sale of securities, except as individual subscribers to or holders of shares of the Trust.

Personal Investments by Employees of the Adviser

Employees of the Adviser are permitted to make personal securities transactions, subject to requirements and restrictions set forth in the Adviser's Code of Ethics. The Code of Ethics contains provisions and requirements designed to identify and address certain conflicts of interest between personal investment activities and the interests of investment advisory clients such as the Funds. Among other things, the Code of Ethics, which generally complies with standards recommended by the Investment Company Institute's Advisory Group on Personal Investing, prohibits certain types of transactions absent prior approval, imposes time periods during which personal transactions may not be made in certain securities, and requires the submission of duplicate broker confirmations and monthly reporting of securities transactions. Additional restrictions apply to portfolio managers, traders, research analysts and others involved in the investment advisory process. Exceptions to these and other provisions of the Code of Ethics may be granted in particular circumstances after review by appropriate personnel.

TRUSTEES AND OFFICERS

(See "Trustees and Officers" in the Funds' prospectuses.)

<TABLE>
<CAPTION>

Name and Address	Position with Trust	Principal Occupation**	Position with Underwriter, Scudder Investor Services, Inc.
<S>	<C>	<C>	<C>
Daniel Pierce*#+	President and Trustee	Chairman of the Board and Managing Director of Scudder, Stevens & Clark, Inc.	Vice President, Director and Assistant Treasurer
Lynn S. Birdsong*++	Trustee	Managing Director of Scudder, Stevens & Clark, Inc.	--

Thomas J. Devine 641 Lexington Avenue New York, NY 10022	Trustee	Consultant	--
Peter B. Freeman 100 Alumni Avenue Providence, RI 02906	Trustee	Corporate Director and Trustee	--
Wilson Nolen 1120 Fifth Avenue New York, NY 10128	Trustee	Consultant, June 1989 to present; Corporate Vice President of Becton, Dickinson & Company (Manufacturer of medical and scientific products), from 1973 to June 1989	--
Juris Padegs*#++	Trustee	Managing Director of Scudder, Stevens & Clark, Inc.	Vice President and Director
Jerard K. Hartman++	Vice President	Managing Director of Scudder, Stevens & Clark, Inc.	--
Thomas W. Joseph+	Vice President	Principal of Scudder, Stevens & Clark, Inc.	Vice President, Director, Treasurer & Assistant Clerk
David S. Lee+	Vice President	Managing Director of Scudder, Stevens & Clark, Inc.	President, Assistant Treasurer and Director
Thomas F. McDonough+	Vice President, Secretary and Assistant Treasurer	Principal of Scudder, Stevens & Clark, Inc.	Clerk
Pamela A. McGrath+	Vice President and Treasurer	Principal of Scudder, Stevens & Clark, Inc.	--
Edward J. O'Connell++	Vice President and Assistant Treasurer	Principal of Scudder, Stevens & Clark, Inc.	Assistant Treasurer
Thomas M. Poor+	Vice President	Managing Director of Scudder, Stevens & Clark, Inc.	--

</TABLE>

<TABLE>
<CAPTION>

Name and Address	Position with Trust	Principal Occupation**	Position with Underwriter, Scudder Investor Services, Inc.
<S>	<C>	<C>	<C>
Robert E. Pruyne+	Vice President	Managing Director of Scudder, Stevens & Clark, Inc.	Assistant Treasurer
Kathryn L. Quirk++	Vice President and Assistant Secretary	Managing Director of Scudder, Stevens & Clark, Inc.	Vice President
Coleen Downs Dinneen+	Assistant Secretary	Vice President of Scudder, Stevens & Clark, Inc.	Assistant Clerk

</TABLE>

* Messrs. Birdsong, Padegs and Pierce are considered by the Trust and its counsel to be Trustees who are "interested persons" of the Adviser or of the Trust, within the meaning of the 1940 Act.

** Unless otherwise stated, all Officers and Trustees have been associated with their respective company for more than five years but not necessarily in the same capacity.

Messrs. Padegs and Pierce are members of the Executive Committee, which may exercise all of the powers of the Trustees when the Trustees are not in session.

+ Address: Two International Place, Boston, Massachusetts 02110

++ Address: 345 Park Avenue, New York, New York 10154

As of April 1, 1995, all Trustees and officers of Short Term Bond Fund as a group owned beneficially (as that term is defined under Section 13(d) of the Securities Exchange Act of 1934) less than 1% of the outstanding shares of the Fund.

As of April 1, 1995, all Trustees and officers of Zero Coupon 2000 Fund as a group owned beneficially (as that term is defined under Section 13(d) of the Securities Exchange Act of 1934) 5.6% of the outstanding shares of the Fund.

Certain accounts for which the Adviser acts as investment adviser owned 12,474,226 shares of Short Term Bond Fund in the aggregate or 6.9% of the outstanding shares on April 1, 1995. The Adviser may be deemed to be the beneficial owner of such shares, but disclaims any beneficial interest in such shares.

As of April 1, 1995, the following owned 5% or more of the outstanding shares of Zero Coupon 2000 Fund:

Shareholder	Number of Shares	Percentage
Charles Schwab and Co.	183,997	8.1%

To the best of each Fund's knowledge, as of April 1, 1995 no person owned beneficially more than 5% of Short Term Bond Fund's and Zero Coupon 2000 Fund's outstanding shares except as stated above.

The Trustees and officers of the Trust also serve in similar capacities with other Scudder funds.

REMUNERATION

Several of the officers and Trustees of the Trust may be officers or employees of the Adviser, the Distributor, Scudder Service Corporation, Scudder Trust Company or Scudder Fund Accounting Corporation from whom they receive compensation as a result of which they may be deemed to participate in the fees paid by a Fund. The Trust pays no direct remuneration to any officer of the Trust. However, each of the Trust's Trustees who is not affiliated with the Adviser will be paid by the Trust. Each of these unaffiliated Trustees receives an annual Trustee's fee of $4,000 plus $400 for attending each Trustees' meeting, audit committee meeting or meeting held for the purpose of considering arrangements between the Trust and the Adviser or any of its affiliates. Each unaffiliated Trustee also receives $150 per committee meeting attended other than those set forth above. For the year ended December 31, 1994, such fees aggregated $13,974 for Short Term Bond Fund and $13,432 for Zero Coupon 2000 Fund.

The following Compensation Table provides, in tabular form, the following data:

Column (1): all Trustees who receive compensation from the Trust.

Column (2): aggregate compensation received by a Trustee from all the series of the Trust.

Columns (3) and (4): pension or retirement benefits accrued or proposed be paid by the Trust. Scudder Funds Trust does not pay its Trustees such benefits.

Column (5): total compensation received by a Trustee from the Trust, plus compensation received from all funds for which a Trustee serves in a fund complex. The total number of funds from which a Trustee receives such compensation is also provided.
<TABLE>
<CAPTION>

Compensation Table
for the year ended December 31, 1994

(1)	(2)	(3)	(4)	(5)
Name of Person, Position	Aggregate Compensation from Scudder Funds Trust*	Pension or Retirement Benefits Accrued As Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From Scudder Funds Trust and Fund Complex Paid to Trustee
<S>	<C>	<C>	<C>	<C>
Thomas J. Devine, Trustee	$8,200	N/A	N/A	$115,656 (16 funds)

Peter B. Freeman, Trustee	$7,800	N/A	N/A	$146,243 (31 funds)
Robert T. Johnson,** Trustee	$2,550	N/A	N/A	$13,050 (11 funds)
Wilson Nolen, Trustee	$8,200	N/A	N/A	$132,023 (15 funds)

* Scudder Funds Trust consists of two Funds, Scudder Short Term Bond Fund and Scudder Zero Coupon 2000 Fund.

** For 1994, Robert T. Johnson served as Trustee from January until his death in May.

</TABLE>

DISTRIBUTOR

The Trust has an underwriting agreement with Scudder Investor Services, Inc., a Massachusetts corporation, which is wholly owned by Scudder Financial Services, Inc., a Delaware corporation, all of whose securities are owned by owners of all of the securities of the Adviser. The Trust's underwriting agreement dated July 15, 1985 was last approved by the Trustees on September 7, 1994 and will remain in effect until September 30, 1995 and from year to year thereafter only if its continuance is approved annually by a majority of the Trustees who are not parties to such agreement or interested persons of any such party and either by vote of a majority of the Trustees or a majority of the outstanding voting securities of the Trust.

Under the principal underwriting agreement, the Trust is responsible for: the payment of all fees and expenses in connection with the preparation and filing with the SEC of its registration statement and prospectus and any amendments and supplements thereto; the registration and qualification of shares for sale in the various states, including registering the Trust as a broker or dealer in the various states as required; the fees and expenses of preparing, printing and mailing prospectuses (see below for expenses relating to prospectuses paid by the Distributor), notices, proxy statements, reports or other communications (including newsletters) to shareholders of the Trust; the cost of printing and mailing confirmations of purchases of shares and the prospectuses accompanying such confirmations; any issue taxes or any initial transfer taxes; a portion of shareholder toll-free telephone charges and expenses of service representatives; the cost of wiring funds for share purchases and redemptions (unless paid by the shareholder who initiates the transaction); the cost of printing and postage of business reply envelopes; and a portion of the cost of computer terminals used by both the Trust and the Distributor.

The Distributor will pay for printing and distributing prospectuses or reports prepared for its use in connection with the offering of the shares to the public and preparing, printing and mailing any other literature or advertising in connection with the offering of shares of the Trust to the public. The Distributor will pay all fees and expenses in connection with its qualification and registration as a broker or dealer under federal and state laws, a portion of the cost of toll-free telephone service and expenses of service representatives, a portion of the cost of computer terminals, and of any activity which is primarily intended to result in the sale of shares issued by the Trust.

Note: Although the Funds do not currently have a 12b-1 Plan and shareholder approval would be required in order to adopt one, the underwriting agreement provides that the Funds will also pay those fees and expenses permitted to be paid or assumed by the Funds pursuant to a 12b-1 Plan, if any, adopted by the Trust, notwithstanding any other provision to the contrary in the underwriting agreement and the Trust or a third party will pay those fees and expenses not specifically allocated to the Distributor in the underwriting agreement.

As agent, the Distributor currently offers the Funds' shares on a continuous basis to investors in all states. The underwriting agreement provides that the Distributor accepts orders for shares at net asset value as no sales commission or load is charged the investor. The Distributor has made no firm commitment to acquire shares of a Fund.

TAXES

(See "Distribution and performance information--Dividends and capital gains distributions" and "Transaction information--Tax information, Tax identification number" in the Funds' prospectuses.)

Each Fund intends to qualify as a separate regulated investment company under Subchapter M of the Code. Such qualification does not involve governmental supervision or management of investment practices or policy. Each series of a series fund is treated as a separate taxpayer. Accordingly, each Fund is treated as a separate taxpayer.

A regulated investment company qualifying under Subchapter M of the Code is required to distribute to its shareholders at least 90 percent of its investment company taxable income (including net short-term capital gain) and generally is not subject to federal income tax to the extent that it distributes annually its investment company taxable income and net realized capital gains in the manner required under the Code.

Each Fund is subject to a 4% nondeductible excise tax on amounts required to be but not distributed under a prescribed formula. The formula requires a Fund to distribute to shareholders during a calendar year an amount equal to at least 98% of a Fund's ordinary income for the calendar year, at least 98% of the excess of its capital gains over capital losses (adjusted for certain ordinary losses) realized during the one-year period ending October 31 during such year, and all ordinary income and capital gains for prior years that were not previously distributed. Investment companies with taxable years ending on November 30 or December 31 may make an irrevocable election to measure the required capital gain distribution for excise tax purposes, using their actual taxable year, rather than the one-year period ending October 31.

Investment company taxable income includes dividends, interest (including original issue discount) and net short-term capital gains in excess of net long-term capital losses, less expenses. Net realized capital gains of a Fund for a fiscal year are computed by taking into account any capital loss carryforward of a Fund.

If any net realized long-term capital gains in excess of net realized short-term capital losses are retained by a Fund for reinvestment, requiring federal income taxes to be paid thereon by such Fund, the Fund will elect to treat such capital gains as having been distributed to shareholders. As a result, each shareholder will report such capital gains as long-term capital gains, will be able to claim his/her share of federal income taxes paid by the Fund on such gains as a credit against his/her own federal income tax liability, and will be entitled to increase the adjusted tax basis of his/her shares by the difference between his/her pro rata share of such gains and his/her tax credit.

Distributions of investment company taxable income are taxable to shareholders as ordinary income.

Since no portion of a Fund's income is expected to be comprised of dividends from domestic corporations, none of the income distributions of a Fund are expected to be eligible for the deduction for dividends received by corporations, except when a Fund invests in certain high yield, original issue discount obligations, discussed below.

Distributions of the excess of net long-term capital gain over net short-term capital loss are taxable to shareholders as long-term capital gain, regardless of the length of time the shares of a Fund have been held by such shareholders. Such distributions are not eligible for the dividends-received deduction. Any loss realized upon the redemption of shares held at the time of redemption for six months or less will be treated as a long-term capital loss to the extent of any amounts treated as distributions of long-term capital gain during such six-month period.

Distributions of investment company taxable income and net realized capital gains will be taxable as described above, whether received in shares or in cash. Shareholders electing to receive distributions in the form of additional shares will have a cost basis for federal income tax purposes in each share so received equal to the net asset value of a share of a Fund on the reinvestment date.

If a Fund holds zero coupon securities or other securities which are issued at discount, a portion of the difference between the issue price and the face amount of such securities ("original issue discount") will be treated as income to the Fund each year, although no current payments will be received by the Fund with respect to such income. This original issue discount will comprise a part of the investment company taxable income of a Fund which must be distributed to shareholders in order to maintain its qualification as a regulated investment company and to avoid federal income tax at the Fund level. Shareholders will be subject to income tax on such original issue discount, whether or not they elect to receive their distributions in cash. In the event that a Fund acquires a debt instrument at a market discount, it is possible that a portion of any gain recognized on the disposition of such instrument may be treated as ordinary income.

If Short Term Bond Fund invests in certain high yield original issue discount obligations issued by corporations, a portion of the original issue discount accruing on the obligations may be eligible for the deduction for dividends received by corporations. In such event, dividends of investment company taxable income received from the Fund by its corporate shareholders, to the extent attributable to such portion of accrued original issue discount, may be eligible for this deduction for dividends received by corporations if so designated by the Fund in a written notice to shareholders.

Since Zero Coupon 2000 Fund invests primarily in zero coupon securities, upon which it will receive no cash payments of interest, to the extent shareholders of the Fund elect to take their distributions in cash, the Fund may have to generate the required cash from interest earned on non-zero coupon securities, from the disposition of such securities, or possibly from the disposition of some of the zero coupon securities.

All distributions of investment company taxable income and net realized capital gain, whether received in shares or in cash, must be reported by each shareholder on his or her federal income tax return. Dividends declared in October, November or December with a record date in such a month and paid during the following January will be treated by shareholders for federal income tax purposes as if received on December 31 of the calendar year declared. Redemptions of shares, including exchanges for shares of another Scudder Fund, may result in tax consequences (gain or loss) to the shareholder and are also subject to these reporting requirements.

An individual may make a deductible IRA contribution of up to $2,000 or, if less, the amount of the individual's earned income, for any taxable year only if (i) neither the individual nor his or her spouse (unless filing separate returns) is an active participant in an employer's retirement plan, or (ii) the individual (and his or her spouse, if applicable) has an adjusted gross income below a certain level ($40,050 for married individuals filing a joint return, with a phase-out of the deduction for adjusted gross income between $40,050 and $50,000; $25,050 for a single individual, with a phase-out for adjusted gross income between $25,050 and $35,000). However, an individual not permitted to make a deductible contribution to an IRA for any such taxable year may nonetheless make nondeductible contributions up to $2,000 to an IRA (up to $2,250 to IRAs for an individual and his or her nonearning spouse) for that year. There are special rules for determining how withdrawals are to be taxed if an IRA contains both deductible and nondeductible amounts. In general, a proportionate amount of each withdrawal will be deemed to be made from nondeductible contributions; amounts treated as a return of nondeductible contributions will not be taxable. Also, annual contributions may be made to a spousal IRA even if the spouse has earnings in a given year if the spouse elects to be treated as having no earnings (for IRA contribution purposes) for the year.

Distributions by a Fund result in a reduction in the net asset value of a Fund's shares. Should a distribution reduce the net asset value below a shareholder's cost basis, such distribution would nevertheless be taxable to the shareholder as ordinary income or capital gain as described above, even though, from an investment standpoint, it may constitute a partial return of capital. In particular, investors should consider the tax implications of buying shares just prior to a distribution. The price of shares purchased at that time includes the amount of the forthcoming distribution. Those purchasing just prior to a distribution will then receive a partial return of capital upon the distribution, which will nevertheless be taxable to them.

Over-the-counter options on debt securities written or purchased by Short Term Bond Fund will be subject to tax under Section 1234 of the Code. In general, no loss is recognized by the Fund upon payment of a premium in connection with the purchase of a put or call option. The character of any gain or loss recognized (i.e., long-term or short-term) will generally depend in the case of a lapse or sale of the option on the Fund's holding period for the option and in the case of an exercise of a put option on the Fund's holding period for the underlying security. The purchase of a put option may constitute a short sale for federal income tax purposes, causing an adjustment in the holding period of the underlying security or a substantially identical security of the Fund. If the Fund writes a put or call option, no gain is recognized upon its receipt of a premium. If the option lapses or is closed out, any gain or loss is treated as a short-term capital gain or loss. If a call option written by the Fund is exercised, the character of the gain or loss depends on the holding period of the underlying security. The exercise of a put option written by the Fund is not a taxable transaction for the Fund.

Many futures and forward contracts entered into by Short Term Bond Fund and all listed nonequity options written or purchased by the Fund (including options on debt securities, options on futures contracts, and options on securities indices) will be governed by Section 1256 of the Code. Absent a tax election to the contrary, gain or loss attributable to the lapse, exercise or closing out of any such position generally will be treated as 60% long-term and 40% short-term, and on the last trading day of the Fund's fiscal year (and generally, on October 31 for purposes of the 4% excise tax), all outstanding Section 1256 positions will be marked-to-market (i.e. treated as if such positions were closed out at their closing price on such day), with any resulting gain or loss recognized as 60% long-term and 40% short-term. Under Section 988 of the Code, discussed below, foreign currency gain or loss from foreign currency-related forward contracts, certain futures contracts and options and similar financial instruments entered into or acquired by the Fund will be treated as ordinary income or loss. Under certain circumstances, entry into a futures contract to sell a security may constitute a short sale for federal income tax purposes, causing an adjustment in the holding period of the underlying security or a substantially identical security owned by the Fund.

Subchapter M of the Code requires that each Fund realize less than 30% of its annual gross income from the sale or other disposition of stock, securities and certain options, futures and forward contracts held for less than three months. Certain options, futures and forward transactions of Short Term Bond Fund may increase the amount of gains realized by the Fund that are subject to the 30% limitation. Accordingly, the amount of such transactions that the Fund may undertake may be limited.

Positions of Short Term Bond Fund which consist of at least one position not governed by Section 1256 and at least one future, forward, or option on a futures contract which is governed by Section 1256 and substantially diminishes the Fund's risk of loss with respect to such other position will be treated as a "mixed straddle." Although mixed straddles are subject to the straddle rules of Section 1092 of the Code, the operation of which may cause deferral of losses, adjustments in the holding periods of securities, and conversion of short-term capital losses into long-term capital losses, certain tax elections exist for them which reduce or eliminate the operation of these rules. The Fund will monitor its transactions in options and futures and may make certain tax elections in connection with these investments.

Under the Code, gains or losses attributable to fluctuations in exchange rates which occur between the time Short Term Bond Fund accrues interest or other receivables or accrues expenses or other liabilities denominated in a foreign currency and the time the Fund actually collects such receivables or pays such liabilities generally are treated as ordinary income or ordinary loss. Similarly, on disposition of debt securities denominated in a

foreign currency and on disposition of certain futures contracts, forward contracts and options, gains or losses attributable to fluctuations in the value of foreign currency between the date of acquisition of the security or contract and the date of disposition are also treated as ordinary gain or loss. These gains or losses, referred to under the Code as "Section 988" gains or losses, may increase or decrease the amount of the Fund's investment company taxable income to be distributed to its shareholders as ordinary income.

Each Fund will be required to report to the IRS all distributions of taxable income and capital gains as well as gross proceeds from the redemption or exchange of its shares, except in the case of certain exempt shareholders. Under the backup withholding provisions of Section 3406 of the Code, distributions of taxable income and capital gains and proceeds from the redemption or exchange of the shares of a regulated investment company may be subject to withholding of federal income tax at the rate of 31% in the case of non-exempt shareholders who fail to furnish the investment company with their taxpayer identification numbers and with required certifications regarding their status under the federal income tax law. Withholding may also be required if a Fund is notified by the IRS or a broker that the taxpayer identification number furnished by the shareholder is incorrect or that the shareholder has previously failed to report interest or dividend income. If the withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in additional shares, will be reduced by the amounts required to be withheld. In addition, the IRS imposes a penalty of $50.00 per failure on shareholders who fail to furnish their tax identification numbers to a Fund.

Shareholders of a Fund may be subject to state and local taxes on distributions received from a Fund and on redemptions of their shares. Under the laws of certain states, distributions of investment company taxable income are taxable to shareholders as dividends, even though a portion of such distributions may be derived from interest on U.S. Government obligations which, if received directly by such shareholders, would be exempt from state income tax.

Each distribution is accompanied by a brief explanation of the form and character of the distribution. In January of each year, each Fund issues to each shareholder a statement of the federal income tax status of all distributions.

Dividend and interest income received by Short Term Bond Fund from sources outside the United States may be subject to withholding and other taxes imposed by such foreign jurisdictions. Tax conventions between certain countries and the U.S. may reduce or eliminate these foreign taxes, however, and foreign countries generally do not impose taxes on capital gains in respect of investments by foreign investors.

Each Fund is organized as part of a Massachusetts business trust, and is not liable for any income or franchise tax in the Commonwealth of Massachusetts, provided that each Fund continues to be treated as a regulated investment company under Subchapter M of the Code.

The foregoing discussion of U.S. federal income tax law relates solely to the application of that law to U.S. persons, i.e., U.S. citizens and residents and U.S. corporations, partnerships, trusts and estates. Each shareholder who is not a U.S. person should consider the U.S. and foreign tax consequences of ownership of shares of a Fund, including the possibility that such a shareholder may be subject to a U.S. withholding tax at a rate of 30% (or at a lower rate under an applicable income tax treaty) on amounts constituting ordinary income received by him or her, where such amounts are treated as income from U.S. sources under the Code.

Shareholders should consult their tax advisers about the application of the provisions of tax law in light of their particular tax situations.

PORTFOLIO TRANSACTIONS

Brokerage Commissions

To the maximum extent feasible, the Adviser places orders for portfolio transactions for a Fund through the Distributor, which in turn places orders on behalf of a Fund with other brokers and dealers. The Distributor receives no commissions, fees or other remuneration for this service. Allocation of brokerage is supervised by the Adviser.

A Fund's purchases and sales of portfolio securities are generally placed by the Adviser with primary market makers for these securities on a net basis, without any brokerage commission being paid by a Fund. Trading does, however, involve transaction costs. Transactions with dealers serving as primary market makers reflect the spread between the bid and ask prices. Purchases of underwritten issues may be made which will include an underwriting fee paid to the underwriter. Portfolio transactions in debt securities may also be placed on an agency basis, with a commission being charged.

The primary objective of the Adviser in placing orders for the purchase and sale of securities for a Fund is to obtain the most favorable net results taking into account such factors as price, commission (negotiable in the case of national securities exchange transactions), if any, size of order, difficulty of execution and skill required of the executing broker/dealer. The Adviser seeks to evaluate the overall reasonableness of brokerage commissions paid (to the extent applicable) through the familiarity of the Distributor with commissions charged on comparable transactions, as well as by comparing commissions paid by the Fund to reported commissions paid by others. The Adviser reviews on a routine basis commission rates, execution and settlement services performed, making internal and external comparisons. For Zero Coupon 2000 Fund, no commissions were paid in any of the last three fiscal years. Short Term Bond Fund paid $159,000 and $12,000 in brokerage commissions for the years ended December 31, 1992 and 1993, and no brokerage commissions for the year ended December 31, 1994.

When it can be done consistently with the policy of obtaining the most favorable net results, it is the Adviser's practice to place such orders with brokers and dealers who supply market quotations to the custodian of the Trust for appraisal purposes; who pay, directly or indirectly, a portion of the Trust's expenses, such as custodian or transfer agent fees; or who supply research, market and statistical information to the Trust or the Adviser. The term "research, market and statistical information" includes advice as to the value of securities, the advisability of investing in, purchasing or selling securities; and the availability of securities or purchasers or sellers of securities; and furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. The Adviser is not authorized when placing portfolio transactions for a Fund to pay a brokerage commission (to the extent applicable) in excess of that which another broker might have charged for effecting the same transaction solely on account of the receipt of research, market or statistical information.

The Adviser will not place orders with brokers or dealers on the basis that a broker or dealer has or has not sold shares of the Trust. Except for implementing the policy stated above, there is no intention to place portfolio transactions with particular brokers or dealers or groups thereof. In effecting transactions in over-the-counter securities, orders are placed with the principal market-makers for the security being traded unless, after exercising care, it appears that more favorable results are available otherwise.

Subject also to obtaining the most favorable net results, the Adviser may place brokerage transactions through the Funds' Custodian and a credit against the custodian fee due to the custodian equal to one-half of the commission on any such transaction will be given.

Although certain research, market and statistical information from brokers and dealers can be useful to a Fund and to the Adviser, it is the opinion of the Adviser that such information is only supplementary to the Adviser's own research effort, since the information must still be analyzed, weighed, and reviewed by the Adviser's staff. Such information may be useful to the Adviser in providing services to clients other than the Trust and not all such information is used by the Adviser in connection with a Fund. Conversely, such information provided to the Adviser by brokers and dealers through whom other clients of the Adviser effect securities transactions may be useful to the Adviser in providing services to a Fund.

The Trustees review from time to time whether the recapture for the benefit of the Trust of some portion of the brokerage commissions or similar fees paid by a Fund on portfolio transactions is legally permissible and advisable.

Portfolio Turnover

The portfolio turnover rate, i.e. the ratio of the lesser of sales or purchases to the monthly average value of the portfolio (excluding from both the numerator and the denominator securities with maturities at the time of acquisition of one year or less) for Short Term Bond Fund was 66.1% and 65.3% for the years ended December 31, 1993 and 1994, respectively. To the extent that Short Term Bond Fund enters into dollar roll transactions, which involve the sale and purchase of a security, such Fund's portfolio turnover rate will be higher. The portfolio turnover rate for Zero Coupon 2000 Fund for the two years ended December 31, 1993 and 1994 was 101.6% and 89.3%, respectively.

Purchases and sales are made for a Fund whenever necessary, in management's opinion, to meet each Fund's objective.

NET ASSET VALUE

The net asset value of shares of each Fund is computed as of the close of regular trading on the Exchange on each day the Exchange is open for trading. The Exchange is scheduled to be closed on the following holidays: New Year's Day, Presidents Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas. Net asset value per share is determined by dividing the value of the total assets of the Fund, less all liabilities, by the total number of shares outstanding.

An exchange-traded equity security is valued at its most recent sale price. Lacking any sales, the security is valued at the calculated mean between the most recent bid quotation and the most recent asked quotation (the "Calculated Mean"). Lacking a Calculated Mean, the security is valued at the most recent bid quotation. An equity security which is traded on the National Association of Securities Dealers Automated Quotation ("NASDAQ") system is valued at its most recent sale price. Lacking any sales, the security is valued at the high or "inside" bid quotation. The value of an equity security not quoted on the NASDAQ System, but traded in another over-the-counter market, is its most recent sale price. Lacking any sales, the security is valued at the Calculated Mean. Lacking a Calculated Mean, the security is valued at the most recent bid quotation.

Debt securities, other than short-term securities, are valued at prices supplied by the Funds' pricing agent(s) which reflect broker/dealer supplied valuations and electronic data processing techniques. Short-term securities with remaining maturities of sixty days or less are valued by the amortized cost method, which the Board believes approximates market value. If it is not possible to value a particular debt security pursuant to these valuation methods, the value of such security is the most recent bid quotation supplied by a bona fide marketmaker. If it is not possible to value a particular debt security pursuant to the above methods, the Adviser may calculate the price of that debt security, subject to limitations established by the Board.

An exchange traded options contract on securities, currencies, futures and other financial instruments is valued at its most recent sale price on such exchange. Lacking any sales, the options contract is valued at the Calculated Mean. Lacking any Calculated Mean, the options contract is valued at the most recent bid quotation in the case of a purchased options contract, or the most recent asked quotation in the case of a written options contract. An options contract on securities, currencies and other financial instruments traded over-the-counter is valued at the most recent bid quotation in the case of a purchased options contract and at the most recent asked quotation in the case of a written options contract. Futures contracts are valued at the most recent settlement price. Foreign currency exchange forward contracts are valued at the value of the underlying currency at the prevailing exchange rate.

If a security is traded on more than one exchange, or upon one or more exchanges and in the over-the-counter market, quotations are taken from the market in which the security is traded most extensively.

If, in the opinion of the Funds' Valuation Committee, the value of a portfolio asset as determined in accordance with these procedures does not represent the fair market value of the portfolio asset, the value of the portfolio asset is taken to be an amount which, in the opinion of the Valuation Committee, represents fair market value on the basis of all available information. The value of other portfolio holdings owned by the Fund is determined in a manner which, in the discretion of the Valuation Committee most fairly reflects fair market value of the property on the valuation date.

Following the valuations of securities or other portfolio assets in terms of the currency in which the market quotation used is expressed ("Local Currency"), the value of these portfolio assets in terms of U.S. dollars is calculated by converting the Local Currency into U.S. dollars at the prevailing currency exchange rate on the valuation date.

ADDITIONAL INFORMATION

Experts

The Financial Highlights of each Fund included in each Fund's Prospectus and the Financial Statements incorporated by reference in this combined Statement of Additional Information have been so included or incorporated by reference in reliance on the report of Coopers & Lybrand L.L.P., One Post Office Square, Boston, Massachusetts, 02109, independent accountants, and given on the authority of that firm as experts in accounting and auditing.

Shareholder Indemnification

The Trust is an organization of the type commonly known as a Massachusetts business trust. Under Massachusetts law, shareholders of such a trust may, under certain circumstances, be held personally liable as partners for the obligations of the Trust. The Declaration of Trust contains an express disclaimer of shareholder liability in connection with the Trust property or the acts, obligations or affairs of the Trust and a disclaimer stating that each series shall not be liable for the obligations of any other series. The Declaration of Trust also provides for indemnification out of the Trust's property of any shareholder held personally liable for the claims and liabilities to which a shareholder may become subject by reason of being or having been a shareholder. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Trust itself would be unable to meet its obligations.

Other Information

Short Term Bond Fund's CUSIP number is 810902-20-5.

Zero Coupon 2000 Fund's CUSIP number is 810902-23-9.

The Funds have fiscal years ending on December 31.

Portfolio securities of each Fund are held separately, pursuant to a custodian agreement, by the Funds' custodian, State Street Bank and Trust Company, 255 Franklin Street, Boston, Massachusetts 02101.

The firm of Dechert Price & Rhoads is counsel to the Trust.

Coopers & Lybrand L.L.P., One Post Office Square, Boston, MA 02109, serves as independent accountants to the Trust.

Scudder Service Corporation ("Service Corporation"), P.O. Box 2291, Boston, Massachusetts 02107-2291, a wholly-owned subsidiary of Scudder, Stevens & Clark, Inc., is the transfer and dividend paying agent for each Fund. Service Corporation also serves as shareholder service agent and provides subaccounting and recordkeeping services for shareholder accounts in certain retirement and employee benefit plans. Short Term Bond Fund pays Service Corporation an annual fee of $25.00 for each account maintained for a participant, which is $13.25 for its services as transfer and dividend paying agent and $11.75 for its services as shareholder service agent. Zero Coupon 2000 Fund pays Service Corporation an annual fee of $17.55 for each account maintained for a plan participant, which is $8.05 for services as transfer and dividend-paying agent and $9.50 for its services as shareholder service agent. For the year ended December 31, 1994, Service Corporation's fee amounted to $3,931,601 for Short Term Bond Fund and $71,971 for Zero Coupon 2000 Fund. Please refer to "How to Contact Scudder" in the Funds' prospectuses or call 1-800-225-5163 for specific mailing instructions regarding your investment.

Scudder Fund Accounting Corporation ("SFAC"), Two International Place, Boston, Massachusetts 02110-4103, a wholly-owned subsidiary of the Adviser, computes Zero Coupon 2000 Fund's net asset value. Zero Coupon 2000 Fund pays SFAC an annual fee equal to .025% of the first $150 million of average daily net assets, .0075% of such assets in excess of $150 million up until $1 billion and .0045% of such assets in excess of $1 billion.

The name "Scudder Funds Trust" is the designation of the Trustees for the time being under a Declaration of Trust dated June 24, 1981, as amended from time to time, and all persons dealing with the Trust must look solely to the property of the Trust for the enforcement of any claims against the Trust as neither the Trustees, officers, agents nor shareholders assume any personal liability for obligations entered into on behalf of the Trust. Upon the initial purchase of shares, the shareholder agrees to be bound by the Trust's Declaration of Trust, as amended from time to time. The Declaration of Trust is on file at the Massachusetts Secretary of State's Office in Boston, Massachusetts. All persons dealing with a Fund must look only to the assets of a Fund for the enforcement of any claims against a Fund as no other series of the Trust assumes any liabilities for obligations entered into on behalf of a Fund.

SCUDDER FUNDS TRUST, Two International Place, Boston, Massachusetts 02110-4103, has filed with the U.S. Securities and Exchange Commission, Washington, D.C. 20549, a Registration Statement under the 1933 Act, as amended, with respect to the shares of Short Term Bond Fund and Zero Coupon 2000 Fund offered by each Fund's prospectus. Each Fund's prospectus and this combined Statement of Additional Information do not contain all of the information set forth in the Registration Statement and its amendments, certain parts of which are omitted in accordance with Rules and Regulations of the SEC. The Registration Statement and its amendments, may be inspected at the principal office of the SEC at 450 Fifth Street, N.W., Washington and copies thereof may be obtained from the SEC at prescribed rates.

FINANCIAL STATEMENTS

The financial statements, including the investment portfolio, of Scudder Short Term Bond Fund, together with the Financial Highlights, notes to financial statements and the Report of Independent Accountants are incorporated by reference and attached hereto on pages 10 through 32 , inclusive, in the Annual Report to the Shareholders of the Fund dated December 31, 1994, and are hereby deemed to be a part of this combined Statement of Additional Information.

The financial statements, including the investment portfolio, of Scudder Zero Coupon 2000 Fund, together with Financial Highlights, the Report of Independent Accountants and notes to financial statements, are incorporated by reference and attached hereto on pages 9 through 17, inclusive, in the Annual Report to the Shareholders of the Fund dated December 31, 1994, and are hereby deemed to be a part of this combined Statement of Additional Information.

RATINGS OF CORPORATE BONDS

The two highest ratings of Moody's for corporate bonds are Aaa and Aa. Bonds rated Aaa are judged by Moody's to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group, they comprise what are generally known as high-grade bonds. Aa bonds are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities. Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's Baa rated bonds are considered medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and may have speculative characteristics as well.

The two highest ratings of S&P for corporate bonds are AAA and AA. Bonds rated AAA have the highest rating assigned by S&P to a debt obligation. Capacity to pay interest and repay principal is extremely strong. Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree. Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated securities. S&P's BBB rated bonds, or medium-grade category bonds, are between sound obligations and those where the speculative elements begin to predominate. Although these bonds have adequate asset coverage and normally are protected by satisfactory earnings, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and principal.

GLOSSARY

1. Bond

A contract by an issuer (borrower) to repay the owner of the contract (lender) the face amount of the bond on a specified date (maturity date) and to pay a stated rate of interest until maturity. Interest is generally paid semi-annually in amounts equal to one-half the annual interest rate.

2. Debt Obligation

A general term which includes fixed income and variable rate securities, obligations issued at a discount and other types of securities which evidence a debt.

3. Discount and Premium

(a) Market Discount and Premium - A discount (premium) bond is a bond selling in the market at a price lower (higher) than its face value. The amount of the market discount (premium) is the difference between market value and face value.

(b) Original Issue Discount - An original issue discount is the discount from face value at which the bond is first offered to the public.

4. Face Value

The value of a bond that appears on the face of the bond, unless the value is otherwise specified by the issuing company. Face value is ordinarily the amount the issuing company promises to pay at maturity. Face value is not an indication of market value.

5. Fixed Income Obligation

An instrument under which the lender agrees to pay interest, either at a stated rate or according to a specified formula, over the life of the instrument, as well as to repay principal at maturity.

6. Investment Company Taxable Income

The investment company taxable income of a Fund includes dividends, interest (including original issue discount) and net short-term capital gains in excess of long-term capital losses, less expenses.

7. Liquidation

The process of converting securities or other property into cash.

8. Maturity

The date on which the principal amount of a debt obligation comes due by the terms of the instrument.

9. Maturity Date

Zero Coupon Fund will mature on the third Friday in December 2000 and proceeds of the liquidation of the Fund will be distributed shortly thereafter.

10. Maturity Value

The actual maturity value per share of Zero Coupon Fund will be the actual net asset value per share on the Maturity Date.

When used with respect to periods prior to the Maturity Date, maturity value means an estimate of the approximate anticipated net asset value per share of Zero Coupon 2000 Fund on its Maturity Date, calculated by dividing the aggregate face value of all securities in the Fund increased by any unamortized premiums and decreased by any unamortized original issue discounts plus all other assets, minus all liabilities, by the number of outstanding shares at the time of calculation of Maturity Value.

11. Maturity Year

The calendar year in which Zero Coupon 2000 Fund will mature. All investments in a Fund will mature within two years of the Fund's Maturity Year.

12. Net Asset Value Per Share

The value of the share of a Fund for purposes of sales and redemptions. (See "NET ASSET VALUE.")

13. Net Investment Income

The net investment income of a Fund is comprised of its interest income, including amortizations of original issue and certain market discounts, less amortizations of premiums and expenses paid or accrued.

14. Par Value

Par value of a bond is a dollar amount representing the denomination and assigned value of the bond. It signifies the dollar value on which interest on the bonds is computed and is usually the same as face value and maturity value for an individual bond. For example, most bonds are issued in $1,000 denominations and they have a face value, maturity value and par value of $1,000. Their market price can of course vary significantly from $1,000 during their life between issuance and maturity.

15. Target or Target Year

See Maturity Year.

16. Target Date

See Maturity Date.

17. Zero Coupon Security

A non-interest (non-cash) paying debt obligation which is issued at a substantial discount from its face value. Income is accrued over the life of the obligation, and cash equal to the face value is due at maturity.

<TABLE>
<CAPTION>

Compound Interest Table1

The table below shows the return on $100 over 5, 10 and 15 year periods assuming interest rates of 5%, 7%, 9%, 11% and 13%.

		Years	
Interest Rate	5	10	15
<S>	<C>	<C>	<C>
5%	$128.0	$163.8	$209.7
7%	141.0	198.9	280.6
9%	155.2	241.1	374.5
1%	170.8	291.7	498.3
3%	187.7	352.3	661.4

1 Compounded semi-annually at one-half the annual rate similar to normal bond calculation of yield-to-maturity. The calculation is different from a calculation of anticipated growth which involves additional assumptions. (See "THE FUNDS' INVESTMENT OBJECTIVES AND POLICIES--Management of Reinvestment Risk

and Anticipated Growth of Zero Coupon 2000 Fund" and "DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.")

</TABLE>

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

Scudder Short Term Bond Fund

Annual Report
December 31, 1994

* Seeks to provide a high level of income consistent with a high degree of principal stability.

* A pure no-load(tm) fund with no commissions to buy, sell, or exchange shares.

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HIGHLIGHTS

* The Fund experienced above-average price volatility throughout the year, stemming primarily from the rise in interest rates and, secondarily, the devaluation of the Mexican peso.

* Scudder Short Term Bond Fund provided a 7.70% 30-day net annualized yield on December 31, 1994, up from 5.65% a year earlier.

* During the year, the Fund incurred currency-related losses that, according to U.S. tax law, must be treated as offsets to ordinary income. As a result, 14.89% of the Fund's 1994 income payments will be considered nontaxable distributions of capital.

LETTER FROM THE FUND'S PRESIDENT

Dear Shareholders,

The United States Federal Reserve raised interest rates six times during 1994 in an effort to bring economic growth down to a more sustainable level. Investors generally underestimated the scope and speed with which interest rates rose and sent prices lower on a broad range of fixed-income securities, resulting in the worst bond market in more than 60 years.

The rise in interest rates poses a challenge for income funds: to provide shareholders with the higher income now available from bonds while protecting against price erosion. Although we believe the worst is over, it is possible interest rates may rise somewhat further in 1995. However, in the year ahead, we believe a combination of factors, including the Federal Reserve's tightening efforts, will keep the economy and inflation on a moderate course, which should ease the upward pressure on rates. These developments ultimately should be reflected in more favorable financial markets, and we expect investors to begin focusing on positive long-term fundamentals rather than short-term uncertainties.

Additional increases in interest rates may, of course, cause periods of difficult adjustment for fixed-income markets. At times like these, it is more important than ever to have a sound investment plan that can weather market storms. The past year has demonstrated that virtually all financial instruments, whether conservative or aggressive, are susceptible to disappointing performance. Experience tells us that over the long term, investors who have participated in the stock and bond markets have faired much better than those who have chosen to protect their savings above all else.

If you have questions about your Fund or your investments, please contact a Scudder Investor Relations representative at 1-800-225-2470. Page 35 provides more information on how to contact Scudder. Thank you for choosing Scudder Short Term Bond Fund to help meet your investment needs.

Sincerely

/s/Daniel Pierce
Daniel Pierce
President
Scudder Short Term Bond Fund

Scudder Short Term Bond Fund
Performance Update as of December 31, 1994

Growth of a $10,000 Investment

Scudder Short Term Bond Fund

Period Ended 12/31/94	Growth of $10,000	Total Return Cumulative	Total Return Average Annual
1 Year	$ 9,713	-2.87%	-2.87%
5 Year	$13,924	39.24%	6.84%
10 Year*	$23,574	135.74%	8.95%

Salomon Brothers Inc. Broad Investment
Grade Bond Index (1-3 years)

Period Ended 12/31/94	Growth of $10,000	Total Return Cumulative	Total Return Average Annual
1 Year	$10,060	.60%	.60%
5 Year	$13,877	38.77%	6.77%
10 Year	$21,808	118.08%	8.10%

A chart in the form of a line graph appears here,
illustrating the Growth of a $10,000 Investment.
The data points from the graph are as follows:

Yearly periods ended December 31

Scudder Short Term Bond Fund

Year	Amount
84	10000
85	12091
86	13863
87	14060
88	14946
89	16931
90	18605
91	21280
92	22436
93	24271
94	23574

Salomon Brothers Inc. Broad Investment
Grade Bond Index (1-3 years)

Year	Amount
84	10000
85	11402
86	12595
87	13315
88	14167
89	15716
90	17239
91	19281
92	20524
93	21679
94	21808

Salomon Brothers Inc. Broad Investment Grade Bond Index (1-3 years) is composed of Treasury, Government Sponsored Agency, and Corporate securities with maturities of one to three years. Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses.

- ---
Returns and Per Share Information
- ---

A chart in the form of a bar graph appears here, illustrating the Fund Total Return (%) and Index Total Return (%) with the exact data points listed in the table below.

Yearly periods ended December 31
- ----------------------------------
<TABLE>
<S>

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Net Asset Value...	$11.35	$11.92	$11.23	$11.19	$11.71	$11.72	$12.25	$11.93	$12.01	$10.91
Income Dividends..	$ .96	$ .81	$ .74	$ .73	$ .83	$ 1.09	$ 1.08	$ .96	.80	.76
Capital Gains Distributions.....	$ --	$ .21	$ .11	$ --	$ .09	$ --	$ --	$ --	.07	--
Fund Total Return (%)........	20.30	14.70	1.40	6.10	13.20	9.88	14.38	5.43	8.18	-2.87
Index Total Return (%)........	14.02	10.46	5.72	6.40	10.93	9.70	11.85	6.44	5.63	.60

</TABLE>

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results.
Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.
Returns may be higher due to the Adviser's maintenance of the Fund's expenses.
See Financial Highlights on page 24.
*The Fund, with its current name and investment objective, commenced operations on July 3, 1989. Performance figures include the performance of its predecessor, the General 1994 Portfolio of Scudder Target Fund. Since adopting its current objectives, the cumulative and average annual returns are 46.80% and 7.34%, respectively.

Portfolio Summary as of December 31, 1994
- ---
Diversification
- ---

Asset-Backed Securities	25%
Collateralized Mortgage Obligations	23%
Corporate Bonds	19%
U.S. Gov't Guaranteed Mortgages	11%
Indexed Securities	9%
Commercial Paper	5%
Foreign Bonds - U.S. $ Denominated	5%
Foreign Bonds - Non U.S. $ Denominated	2%
Other	1%
	100%

While the Fund invests in a wide variety of securities, all but 2% are now denominated in U.S. dollars.

A graph in the form of a pie chart appears here, illustrating the exact data points in the above table.

- ---
Quality
- ---

U.S. Gov't & Agencies	27%
AAA*	34%
AA	9%
A	17%
BBB	13%
	100%

Historically, the Fund has maintained a high-quality portfolio with better than 80% of Fund holdings rated A or above.

Weighted average quality: AA+
*Category includes cash equivalents

A graph in the form of a pie chart appears here,
illustrating the exact data points in the above table.

- ---
Effective Maturity
- ---

Under 1 year	27%
1 < 5 years	63%
5 < 8 years	8%
8 years or greater	2%

	100%
	====

The Fund's effective maturity was reduced during the year, reflecting a challenging environment for fixed-income investments.

Weighted average effective maturity: 1.1 years*
*Includes Eurodollar Futures sold short

A graph in the form of a pie chart appears here,
illustrating the exact data points in the above table.

For more complete details about the Fund's Investment Portfolio, see page 10.
A monthly Investment Portfolio Summary is available upon request.

PORTFOLIO MANAGEMENT DISCUSSION

Dear Shareholders,

This past year was without question the most turbulent 12-month period experienced by Scudder Short Term Bond Fund. Higher interest rates, which rose faster and further than we anticipated, and to a lesser extent the devaluation of the Mexican peso were the predominant causes of price declines in the Fund's securities.

The Fund's net asset value per share fell 9%, from $12.01 on December 31, 1993, to $10.91 on December 31, 1994. However, rising global interest rates paved the way for increased income distributions throughout the year, which helped offset the price decline somewhat. The combination of price change and distributions resulted in a total return of -2.87% for the year. The Fund's 30-day net annualized yield stood at 7.70% on December 31, 1994, up from 5.65% a year earlier and well above the 6.17% average yield of short-term investment-grade debt funds tracked by Lipper Analytical Services. Lipper is an independent analyst of investment performance.

Strong Economy and Rising Interest Rates Hinder Bond Market

Price declines in the world's bond markets began to accelerate in February 1994, when the United States Federal Reserve initiated the first in a series of interest-rate hikes intended to head off a rise in inflation. At the time, inflation, as measured by the consumer price index, was only 2.4%. But troubling signs abounded, including stronger growth in gross domestic product (6.37% annualized in the fourth quarter of 1993), factories running at near full capacity, a weaker dollar, and higher prices of many raw materials.

The Fed's repeated rate hikes failed to ease fears of rising inflation, however, and bond prices continued to fall throughout the spring and into summer. The selloff in bonds was exacerbated by the unwinding of leverage, which had sprung up in a multitude of forms in the early 1990s. Record numbers of institutional and individual investors had been taking advantage of low prevailing rates of interest on short-term debt to

leverage their investments in the United States and abroad. But when rates reversed direction in the United States, overextended investors were forced to sell their holdings, compounding price declines. Declines in the value of many derivative securities complicated the situation when buyers for these instruments all but disappeared.

By year end, the bond market had suffered its worst year in recorded history, dating back to 1926, with interest rates increasing dramatically across the entire range of fixed-income securities.

Portfolio Strategy Review

Scudder Short Term Bond Fund's investment goal is to provide a higher level of income than money market funds and more price stability than is typically found in intermediate and longer-maturity bonds. To achieve this goal, we actively manage a diverse collection of high-quality bonds, while keeping the Fund's effective maturity under three years.

However, 1994 was a year of unpleasant surprises, including the persistent increase in global interest rates and the Mexican peso crisis. Early in the year, in keeping with our view that interest rates would rise, we reduced the Fund's effective maturity from three to two years. Generally, securities that take less time to mature are less sensitive to changes in interest rates. Clearly, however, we underestimated the scope of the Fed's interest-rate increases. Given a benign outlook for inflation and economic growth, both domestic and global, we lengthened the Fund's effective maturity to two and a half years in the spring, which added a modicum of interest-rate sensitivity. When in the autumn it became apparent that interest rates were continuing to rise, we reduced the effective maturity to one year.

We continued to invest in high-quality securities throughout the year, in keeping with the Fund's objective of limiting credit risk. The Fund's largest holdings included collateralized mortgage obligations (CMOs) of comparatively short maturities, asset backed securities, and U.S. corporate

bonds. Also in keeping with our emphasis on price preservation, we eliminated many of the Fund's most interest-rate-sensitive investments, including indexed securities based on the movements of European and Japanese interest rates. Virtually all of the portfolio's higher-coupon mortgage-backed securities were sold during the year and replaced with five-year balloon mortgage-backed securities, so called because their underlying mortgages are repaid in five years. Further, we increased our holdings in asset-backed securities to 25% from 18% at the start of the year. Asset-backeds are a form of debt security, collateralized with pools of assets such as credit cards and automobile and home equity loans. These securities have several protections against default and are generally accorded AAA ratings from public rating agencies.

Our research work at Scudder has long followed Mexico, and we were generally impressed with the years of financial reform in that country. Over the past four years, we used high-yielding short-term Mexican Treasury bills as productive although limited investments for the Fund. Along with many others, we had several reasons to support our belief that a devaluation of the peso would be avoided at almost any cost, given the importance of a stable currency to Mexico's economic health and social stability. Even so, due to the uncertain political environment in Mexico prior to the summer elections, we let our short-term, peso-denominated Mexican holdings mature. Encouraged by the results of the elections, however, we rebuilt our position in short-term Mexican Treasury and agency bills to approximately 6% of the portfolio in early December. Then, on December 20, 1994, the Mexican government broke its implicit promise not to devalue the peso. In the final three weeks of 1994, the Mexican peso declined nearly 40%, inflicting losses to the Fund. In fact, almost a third of this year's decline in net asset value is directly related to losses in the Fund's Mexican holdings. Because we no longer viewed Mexican securities as investment grade, we subsequently reduced through maturity and sale our Mexican peso-denominated holdings to 2.5% of the portfolio by year end. By the end of January 1995, all Mexican investments were sold or had matured.

Outlook for 1995

It is possible that the Federal Reserve will continue its tightening efforts in the first half of 1995 if the economy continues to show signs of solid growth. We believe the Fed's repeated action to increase short-term interest rates will eventually reduce the pace of U.S. economic growth as well as allay investors' fears about inflation. As 1995's interest-rate environment unfolds, we intend to adjust the Fund's effective maturity accordingly, extending maturity within the Fund's 0- to 3-year range if we see evidence of interest-rate stability or decline, while maintaining high standards of quality and diversification.

Scudder Short Term Bond Fund has consistently provided significantly more income than shorter-term investments or even U.S. Treasuries of comparable maturity. Moreover, shareholders who did not sell Fund shares during the year have participated in the Fund's rising income stream against a backdrop of low relative inflation. As always, we are committed to meeting the needs of investors seeking high current income with more price stability than that provided by intermediate-term and longer-term bonds.

Sincerely,

Your Portfolio Management Team

/s/Thomas M. Poor /s/Scott E. Dolan
Thomas M. Poor Scott E. Dolan

/s/Christopher L. Gootkind
Christopher L. Gootkind

Scudder Short Term Bond Fund:
A Team Approach to Investing

Scudder Short Term Bond Fund is managed by a team of Scudder investment professionals who each play an important role in the Fund's management process. Team members work together to develop investment strategies and select securities for the Fund. They are supported by Scudder's large staff of economists, research analysts, traders, and other investment specialists who work in our offices across the United States and abroad. We believe our team approach benefits Scudder Short Term Bond Fund investors by bringing together many disciplines and leveraging Scudder's extensive resources.

Since Scudder Short Term Bond Fund was introduced in 1989, Lead Portfolio Manager Thomas M. Poor has had responsibility for the Fund's day-to-day operation. Tom, who joined Scudder in 1970, sets the Fund's general investment strategies. Christopher L. Gootkind, Portfolio Manager, also has been a member of the Fund's team since its inception. Chris, who has worked in the investment industry since 1981 and at Scudder since 1986, has responsibility for the Fund's bank, finance, and asset-backed securities. Scott E. Dolan, Portfolio Manager, joined Scudder in 1989 and the Fund's portfolio management team in 1993. Scott has five years of experience in the investment industry and is responsible for implementing investment strategy.

<TABLE>
SCUDDER SHORT TERM BOND FUND
INVESTMENT PORTFOLIO as of December 31, 1994

<CAPTION>

% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>		<C>
5.3%		COMMERCIAL PAPER	
	43,000,000	Associates Corp. of North America, 5.87%, 1/3/95	43,000,000
	30,000,000	Ford Motor Credit Co., 5.6%, 1/3/95	30,000,000
	40,100,000	Household Finance Corp., 5.9%, 1/6/95	40,067,140
		TOTAL COMMERCIAL PAPER (Cost $113,067,140)	113,067,140
10.8%		U.S. GOV'T GUARANTEED MORTGAGES	
	61,247	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 3/31/99	55,926
	161,531	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 4/1/99	147,498
	5,149,934	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 6/1/97	4,702,507
	4,788,245	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 8/1/99	4,372,242
	457,234	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 12/1/98	417,510
	423,748	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 3/1/99	386,933
	148,545	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 4/1/99	135,639
	179,467	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 4/1/99	163,875
	7,313,807	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 5/1/99	6,678,383
	1,165,928	Federal Home Loan Mortgage Corp., 5 year Balloon, 5%, 6/1/99	1,064,632
	24,099,146	Federal Home Loan Mortgage Corp., 5 year Balloon, 6%, 10/1/98	22,683,321
	8,673,724	Federal Home Loan Mortgage Corp., 5 year Balloon, 6%, 1/1/99	8,164,143
	18,683,599	Federal Home Loan Mortgage Corp., 5 year Balloon, 7%, 9/1/98	18,053,027
	73,966,135	Federal National Mortgage Association 7 year Balloon, 5.5% with various maturities to 7/1/01	66,985,209
	50,770,292	Federal National Mortgage Association 7 year Balloon, 6% with various	

		maturities to 11/1/01	46,581,743
	8,791,027	Government National Mortgage Association Pass-thru 10% with various maturities to 1/20/22	9,084,911

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

<CAPTION>

% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>		<C>
	4,550,523	Government National Mortgage Association Pass-thru 11% with various maturities to 8/20/15	4,829,244
	33,350,541	Government National Mortgage Association Pass-thru 11.5% with various maturities to 4/15/19 (b)	36,597,877
		TOTAL U.S. GOVERNMENT GUARANTEED MORTGAGES (Cost $237,002,472)	231,104,620
23.2%		COLLATERALIZED MORTGAGE OBLIGATIONS	
	8,642,940	CMC Security Corp.,1992-D, 7.2%, 12/25/08 . .	8,254,007
	8,069,243	Chase Mortgage Finance Corp., Series 1992-L, 5.5%, 11/25/09	7,974,681
	38,846,000	Chase Mortgage Finance Corp., Series 1993-N, 6.75%, 11/25/24	34,572,940
	8,656,942	Chase Mortgage Finance Corp., Series 1993-I2 A2, 7.25%, 7/25/24	8,537,909
	20,589,000	Chase Mortgage Finance Corp., Series 1993-I2 A3, 7.25%, 7/25/24	19,829,781
	4,175,000	Chemical Mortgage Securities Inc. Series 1993-1 A4, 7.45%, 2/25/23	3,933,635
	57,241,126	Countrywide Funding Corp., Series 1994A, 6.25%, 3/25/94	49,566,808
	34,747,000	Countrywide Funding Corp., Series 1994A, 6.75%, 3/25/24	31,532,903
	4,158,750	Daiwa Mortgage Acceptance Corp., Series 1991A, 8.625%, 4/15/10	4,127,559
	63,075,893	Federal Home Loan Mortgage Corp., REMIC, 1724-PO, 5/15/01	45,178,045
	63,186,756	Federal Home Loan Mortgage Corp., STRIP, PO, 5/15/99	49,838,554
	48,332,924	Federal Home Loan Mortgage Corp., 1719-C, PO, 4/15/99	38,122,593
	1,605,113	Federal Home Loan Mortgage Corp., Series 1337 A, 6%, 4/15/03	1,595,579
	9,850,000	Federal Home Loan Mortgage Corp., Series 1267 O, 7.25%, 12/15/05	9,443,688
	25,055,425	Federal Home Loan Mortgage Corp., Series 1152-J, 8%, 12/15/19	24,562,084
	12,500,000	Federal Home Loan Mortgage Corp., Series 1276-G, 7.5%, 12/15/05	12,265,625
	5,204,096	Federal Home Loan Mortgage Corp.,,Series 1381 Z, 6%, 7/15/05	4,856,046
	4,400,000	Federal Home Loan Mortgage Corp., Series 1406 E, 6%, 12/15/18	3,902,250

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

<CAPTION>

% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>		<C>
	5,250,000	Federal Home Loan Mortgage Corp.,Series 1250 F, 7%, 4/15/19	4,961,250
	10,432,793	Federal National Mortgage Association, Series G93-4 B, 9/25/22	10,139,370
	213,702	Federal National Mortgage Association	

	1989-11 H, PO, Zero Coupon, 3/25/19	208,360
1,825,354	Federal National Mortgage Association 1989-68 G, 8.75%, 8/25/18	1,837,895
20,469,000	First Bank System Inc. Series 1993-F, 7.187%, 11/25/24	18,450,885
30,075,000	General Electric Capital Mortgage Services, Inc. Series 1993, 6.5%, 1/25/18	28,120,125
500,000	General Electric Capital Mortgage Services, Inc. Series 1992-2F, 7%, 6/25/07	465,625
236,364	Kidder, Peabody & Co. Mortgage Assets Trust, 2-B, 8.2%, 1/20/18	234,074
1,331,462	Merrill Lynch Mortgage Investors Inc. 37-B, 8.5%, 8/1/15	1,336,868
1,824,000	Paine Webber Mortgage Acceptance Corp., Series 1993-6, 6.9%, 8/25/08	1,697,745
8,944,000	Prudential Home Mortgage Securities Co., 1993-4 Series A3, 7%, 3/25/23	8,630,960
3,430,597	Prudential Home Mortgage Securities Co., Series 1992-47 A7, 7.5%, 1/25/23	3,381,265
3,220,000	Residential Funding Mortgage Securities, Series 1993-A2, 6.85%, 9/25/23	2,839,638
19,500,000	Residential Funding Mortgage Securities, Series 1993-A5, 7.112%, 10/25/23	18,077,109
1,370,674	Resolution Trust Corp., Series 1992-2, 7.2%, 11/25/21	1,367,248
3,698,162	Resolution Trust Corp., Series 1992 A2A, 7.5%, 8/25/23	3,591,839
6,108,000	Resolution Trust Corp., Series 1992 A2C, 7.5%, 8/25/23	6,066,008
1,185,520	Resolution Trust Corp., Series 1992-7, Class A-2B, 8.35%, 6/25/29	1,182,372
49,550	Resolution Trust Corp. Series 1992-5 A-3, 8.75%, 5/25/26	48,249
905,000	Resolution Trust Corp., Series A, Zero Coupon, 7/15/97	744,299
16,320,000	Ryland Acceptance Corp., Four, Series 97-H, 8.95%, 8/20/19	16,422,000
7,050,000	Sears Mortgage Security Corp., Series 1993-11T4, 7.125%, 11/25/20	6,318,563
	TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost $541,430,907)	494,216,434

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

<CAPTION>

% of Portfolio		Principal Amount ($)		Market Value ($)
5.1%			FOREIGN BONDS - U.S. $ DENOMINATED	
		15,479,940	Comision Federal de Electricidad Promissory Note, 5.5%, 6/22/98	13,704,205
		11,900,000	Korea Development Bank Medium-Term Note, 8.67%, 3/15/95	11,945,220
		2,000,000	Third Mexican Acceptance Corp., 7.37%, 3/15/98	1,950,000
		32,000,000	United Mexican States Tesobonos, 1/26/95	31,694,400
		9,084,000	United Mexican States Tesobonos, 3/23/95	8,820,019
		43,135,000	United Mexican States Tesobonos, 8/17/95	39,563,422
			TOTAL FOREIGN BONDS - U.S. $ DENOMINATED (Cost $110,530,743)	107,677,266
2.5%			FOREIGN BONDS - NON U.S. $ DENOMINATED	
	MXN	50,487,600	Certificados de la Tesoreria, 1/19/95	9,928,279
	CLP	131,460,000	Citibank Chilean Time Deposit, 16.5%, 1/10/95 . .	327,830
	MXN	124,178,612	Nacional Financiera Pagare, 1/5/95	24,774,552
	MXN	90,641,619	Nacional Financiera Pagare, 1/19/95	17,949,395
			TOTAL FOREIGN BONDS - NON U.S. $ DENOMINATED (Cost $75,319,718)	52,980,056
24.5%			ASSET-BACKED SECURITIES	

AUTOMOBILE RECEIVABLES	3.1%			
		25,000,000	Ford Motor Credit Co. Series 1992 3A Automobile Loan Master Trust, 5.625%, 10/15/97	24,640,500
		4,028,792	Navistar Financial Corp., Series 1993-A, 4.8%, 10/15/98	3,909,177
		14,155,261	Premier Auto Trust Asset Backed Certificate, Series 1993-2, 5%, 10/15/98	13,628,827
		3,715,442	Premier Auto Trust, Series 1994-1, 4.7%, 2/2/00 .	3,536,637
		10,129,539	Premier Auto Trust, Series 1993-5, 4.875%, 1/3/00	9,645,144
		7,967,283	Premier Auto Trust Asset Backed Certificate, 4.45%, 3/2/99	7,561,429
		1,079,450	Select Automobile Receivables Trust, Series 1991-A, 7.4%, 5/15/96	1,079,450
		1,077,245	Western Financial Corp., 1991-2A Grantor Trust, 7.3%, 10/1/96	1,075,899

				65,077,063

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
SCUDDER SHORT TERM BOND FUND

<CAPTION>

<S>	% of Portfolio <C>	Principal Amount ($) <C>		Market Value ($) <C>
CREDIT CARD RECEIVABLES	6.6%			
		1,910,000	Discover Credit Card Trust, Series 1993-A, 6.8%, 8/15/00	1,812,705
		4,720,000	Discover Credit Card Trust, Series 1991-D, 8.375%, 10/16/00	4,683,090
		11,000,000	Discover Credit Card Trust, Series 1991-B, 8.85%, 7/16/98	11,048,070
		14,689,769	First USA Bank, Series 1994-1, 7.45%, 4/15/99 . .	13,977,315
		2,106,573	First USA Credit Card Trust, Series 1989 B, 8.7%, 5/31/96	2,106,573
		1,965,000	Household Credit Card Trust, Series 1993-3B, 4.95%, 3/15/99	1,847,100
		25,200,000	MBNA Credit Card Trust, Series 1991-1A Pass-thru Certificate, 7.25%, 6/15/99	24,687,936
		2,500,000	Signet Credit Card Trust, Series 1990-1A Participating Certificate, 9%, 6/15/97	2,507,800
		34,700,000	Standard Credit Card Trust, Series 1994-1A, 4.65%, 3/7/99	32,384,859
		41,700,000	Standard Credit Card Trust, Series 1992-2A, 5.875%, 7/7/95	41,387,250
		2,250,000	Standard Credit Card Trust, Series 1991-6B, 8.35%, 1/7/00	2,236,635
		2,000,000	Standard Credit Card Trust, Series 1990-6B, 9.625%, 1/7/99	2,054,360

				140,733,693

HOME EQUITY LOANS	8.4%			
		2,021,870	AFC Home Equity Loan Trust, Series 1993-3A, 5.45%, 6/20/14	1,819,683
		1,463,148	AFC Home Equity Loan Trust, Series 1992-3A, 7.05%, 8/15/07	1,375,359
		3,424,235	AFC Home Equity Loan Trust, Series 1990-3A, 9.6%, 9/15/05	3,304,386
		2,924,302	BCI Home Equity Loan, Series 1991 B, 7.5%, 9/15/06	2,902,370
		2,238,109	CTS Home Equity Loan Trust, Series 1991-1A, 8.8%, 1/15/06	2,233,207
		21,325,000	Contimortgage Home Equity Loan Trust, Series 1994-5 A1, 9.07%, 5/15/06	21,444,953
		1,536,930	Contimortgage Home Equity Loan Trust, Series 1991-1, 9.52%, 3/15/06	1,569,205
		5,062,659	Equity Credit Corp. Home Equity Loan Trust, 5.3%, 9/15/08	4,605,440
		3,776,404	Equity Credit Corp. Home Equity Loan Trust, Series 1993-4B, 5.65%, 12/15/08	3,430,629
		6,451,860	Fleet Financial Home Equity Trust, Series 1991-2A, 6.65%, 10/16/06	6,264,356

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

INVESTMENT PORTFOLIO

<CAPTION>

	% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>	<C>		<C>
		8,949,812	Home Equity Loan Trust, Series 1992 A, 6.65%, 11/20/12	8,527,471
		1,954,557	Home Equity Loan Trust, Series 1992 B, 6.85%, 11/20/12	1,855,598
		4,328,868	Household Finance Home Equity Trust, Series 1992-2 A3, 5.25%, 10/20/07	4,182,768
		2,329,483	Old Stone Credit Corp. Home Equity Loan, Series 1993-1, 5.85%, 3/15/08	2,160,595
		8,642,884	Old Stone Credit Corp. Home Equity Loan, Series 1992-3 A2, 6.3%, 8/25/07	8,029,758
		9,591,426	Old Stone Credit Corp. Home Equity Loan, Series 1992-2, 6.95%, 5/15/07	9,135,833
		3,231,881	Old Stone Credit Corp., Series 1991-2, 8.42%, 9/15/06	3,205,622
		3,790,115	Security Pacific Home Equity Loan Trust, Series 1991-2A, 8.1%, 6/15/20	3,794,853
		4,483,479	Security Pacific Home Equity Loan Trust, Series 1991-2B, 8.15%, 6/15/20	4,414,792
		15,600,000	Security Pacific Home Equity Trust, Series 1991-A B, 10.5%, 3/10/06	15,999,750
		33,686,451	TMS Home Equity Loan Trust, Series 1993-D, 5.075%, 2/15/18	31,440,687
		4,903,854	TMS Home Equity Loan Trust, Series 1992-C1, 6.2%, 10/15/07	4,523,805
		21,700,000	TMS Home Equity Loan Trust, Series 1994-D, 7.625%, 9/15/04	21,598,292
		2,033,882	U.S. Home Equity Loan, Series 1991-2C, 8.5%, 4/15/21	2,030,689
		9,700,000	U.S. Home Equity Loan, Series 1991-2B, 9.125%, 4/15/21	9,627,250

				179,477,351
MANUFACTURED HOUSING RECEIVABLES	6.4%			-----------
		6,584,709	Chemical Financial Acceptance Corp. Housing Trust, Series 1989 A, Participating Certificate, 9.25%, 5/15/98	6,625,863
		27,917,222	Green Tree Financial Corp. Securitized NIM Series 1994B, 7.85%, 7/15/04	27,219,291
		28,084,682	Green Tree Financial Corp., Securitized NIM, Series 1994A, 6.9%, 2/15/04	26,750,660
		7,511,726	Merrill Lynch Mortgage Investors Inc., Series 1992-B A4, 7.85%, 4/15/12	7,368,477
		4,456,940	Merrill Lynch Mortgage Investors Inc., Series 1992-D, 7.95%, 7/15/17	4,349,662
		14,678,038	Merrill Lynch Mortgage Investors Inc., Series 1992-B, 8.5%, 4/15/12	14,246,797

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

SCUDDER SHORT TERM BOND FUND

<CAPTION>

	% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>	<C>		<C>
		4,109,197	Merrill Lynch Mortgage Investors Inc., Series 1991-C, 8.9%, 7/15/11	4,069,379
		6,874,938	Merrill Lynch Mortgage Investors Inc., Series 1991-G, 9.15%, 10/15/11	6,761,020
		1,468,135	Merrill Lynch Mortgage Investors Inc., Series 1991-B, 9.2%, 4/15/11	1,471,336
		6,277,106	Merrill Lynch Mortgage Investors Inc., Series 1990-H, 9.25%, 1/15/11	6,286,899
		4,487,848	Merrill Lynch Mortgage Investors Inc., Series 1991-A, 9.25%, 5/15/08	4,487,848

		400,038	Merrill Lynch Mortgage Investors Inc., Series 1988-H, 9.7%, 6/15/10	401,410
		3,161,825	Merrill Lynch Mortgage Investors Inc., Series 1990-C, 9.7%, 6/15/09	3,182,566
		538,299	Merrill Lynch Mortgage Investors Inc., Series 1989-F, 9.75%, 10/15/08	543,682
		869,564	Merrill Lynch Mortgage Investors Inc., Series 1988-Q, 9.8%, 9/15/08	874,182
		5,532,938	Merrill Lynch Mortgage Investors Inc., Series 1990-I, 10%, 1/15/11	5,532,938
		8,125,000	Security Pacific Acceptance Corp., Series 1991-A2, 7.1%, 6/15/12	7,932,031
		8,608,086	Security Pacific Acceptance Corp., Series 1991-2B, 8.55%, 9/15/11	8,411,649
				136,515,690
			TOTAL ASSET-BACKED SECURITIES (Cost $538,950,030)	521,803,797
	18.8%		CORPORATE BONDS	
CONSUMER STAPLES	2.3%			
		3,500,000	PepsiCo Inc., Medium-Term Note, 7.58%, 8/23/95 . .	3,507,000
		44,625,000	RJR Nabisco Inc., Medium-Term Note, 5.25%, 9/15/95	43,754,366
		1,410,000	RJR Nabisco Inc., Medium-Term Note, 6.8%, 9/1/01	1,336,285
				48,597,651
FINANCIAL	8.3%			
		5,000,000	American General Finance Corp., 8.875%, 3/15/96	5,048,950
		4,000,000	Associates Corp. of North America, 5.875%, 8/15/97	3,766,920
		6,000,000	Associates Corp. of North America, 8.75%, 2/1/96	6,047,520

</TABLE>

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<TABLE>

INVESTMENT PORTFOLIO

<CAPTION>

	% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>	<C>		<C>
		14,000,000	British Aerospace Finance Inc., 7.15%, 6/24/97 . .	13,620,600
		10,000,000	Discover Credit Corp. Medium-Term Note, 6.77%, 5/15/95	9,982,400
		4,000,000	Discover Credit Corp. Medium-Term Note, 6.81%, 5/15/95	3,993,520
		5,000,000	Discover Credit Corp. Medium-Term Note, Series 2, 8.73%, 8/15/96	5,038,500
		18,725,000	First Fidelity Bancorp., 8.5%, 4/1/98	18,747,096
		13,000,000	First Fidelity Bancorp., 9.75%, 5/25/95	13,128,180
		5,000,000	First Union Corp., 8.125%, 12/15/96	4,989,650
		6,500,000	Fleet/Norstar Financial Group Inc., 6.09%, 7/10/95	6,463,665
		4,000,000	Ford Motor Credit Co., 8.65%, 3/2/95	4,013,200
		11,000,000	Household Finance Corp., 9%, 9/1/95	11,106,370
		1,500,000	Household Finance Corp. Medium-Term Note, 10.08%, 4/1/96	1,540,260
		5,000,000	KB Ifima NV Guaranteed Floating Rate Note, 4/25/11	4,660,000
		18,000,000	Manufacturers Hanover Corp., 5.25%, 4/30/97 . . .	17,871,300
		4,000,000	Marine Midland Bank, 5.25%, 12/16/00	3,927,600
		21,520,000	The Money Store Inc., Series B, 9.16%, 9/9/97 . .	21,291,350
		20,000,000	World Savings & Loan Association of Oakland, CA, Medium-Term Note, 5.83%, 12/18/95	19,707,000
		2,500,000	World Savings & Loan Association of Oakland, CA, 10.25%, 10/1/97	2,608,100
				177,552,181
MEDIA	1.6%			
		15,525,000	News America Holdings Inc., 9.125%, 10/15/99 . . .	15,648,424
		18,600,000	Time Warner Inc., senior note, 7.45%, 2/1/98 . . .	17,728,218

				33,376,642
SERVICE INDUSTRIES	0.1%			
		2,000,000	Hertz Corp., 8%, 4/1/95	2,005,860
DURABLES	4.6%			
		6,813,687	Ford Motor Co., 8.42%, 12/30/96	6,840,942
		25,825,000	Lockheed Corp., 4.875%, 2/15/96	25,002,732
		45,000,000	Lockheed Corp., 5.875%, 3/15/98	41,891,400
		24,970,000	McDonnell Douglas Corp., Medium-Term Note, 6.54%, 7/29/96	24,202,173
				97,937,247
MANUFACTURING	1.9%			
		13,775,000	Lyondell Petrochemical Co., 8.25%, 3/15/97	13,629,949
		12,940,000	Lyondell Petrochemical Co., 9.95%, 6/1/96	13,184,178

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
SCUDDER SHORT TERM BOND FUND

<CAPTION>

% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>		<C>
	14,400,000	Lyondell Petrochemical Co., 10%, 6/1/99	14,935,824
			41,749,951
		TOTAL CORPORATE BONDS (Cost $414,642,508)	401,219,532
0.2%	MEDIUM-TERM MUNICIPAL INVESTMENTS		
	1,000,000	Massachusetts Industrial Finance Agency, 6%, 7/1/96	973,050
	4,035,000	Virgin Islands Public Finance Authority, 7.5%, 10/1/95	4,029,956
		TOTAL MEDIUM-TERM MUNICIPAL INVESTMENTS (Cost $5,035,000)	5,003,006
6.7%	COUPON INDEXED SECURITIES		
	24,850,000	Credit Suisse Medium-Term Note, inversely indexed to 2 year Spanish Peseta Swap Rate, 3.44%, 7/8/96	22,300,390
	7,200,000	Federal Home Loan Bank, inversely indexed to 6 month U.S. LIBOR Rate, 0.813%, 3/23/98 . . .	5,490,000
	39,000,000	Federal Home Loan Bank, inversely indexed to COFI, 4.832%, 10/28/98	29,347,500
	5,183,586	Federal Home Loan Mortgage Corp., inversely indexed to COFI, 9.774%, 8/15/08	2,695,465
	9,932,013	Federal Home Loan Mortgage Corp., inversely indexed to COFI, 10.27%, 5/15/08	5,214,307
	1,192,909	Federal Home Loan Mortgage Corp., inversely index to COFI, 10.432%, 10/15/08	627,023
	828,152	Federal Home Loan Mortgage Corp., inversely indexed to COFI, 12.042%, 9/15/07	581,518
	12,140,325	Federal Home Loan Mortgage Corp., inversely indexed to COFI, 9.492%, 4/15/08	6,130,864
	5,500,000	Federal National Mortgage Association, inversely indexed to COFI, 9.306%, 7/25/08 . . .	2,715,625
	52,400,000	Federal National Mortgage Association Medium-Term Note, inversely indexed to 30 day Commercial Paper Bond Equivalent Yield, 9.949%, 12/29/97	50,042,000

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

<CAPTION>

	% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>	<C>		<C>
		5,423,725	Federal National Mortgage Association REMIC, inversely indexed to COFI, 10.532%, 11/25/07 . . .	3,308,473
		13,825,000	Student Loan Marketing Association, inversely indexed to 6 month LIBOR Bond Equivalent Yield, 11.938%, 8/22/95	13,963,250
			TOTAL COUPON INDEXED SECURITIES (Cost $178,930,407)	142,416,415
	2.3%	PRINCIPAL INDEXED SECURITIES		
		30,000,000	Plus Capital Co., Ltd., collateralized by United Mexican States adjustable bonds, 7.875%, 1/15/95	27,900,000
		25,000,000	Plus Capital Co., Ltd., collateralized by United Mexican States adjustable bonds, Zero Coupon, 1/17/95	20,500,000
			TOTAL PRINCIPAL INDEXED SECURITIES (Cost $54,948,999)	48,400,000
	0.5%	CONVERTIBLE BONDS		
FINANCIAL	0.1%			
Real Estate		2,500,000	Health Care Property Investors Inc., 6%, 11/8/00	2,187,500
ENERGY	0.4%			
Oilfield Services/ Equipment		14,850,000	Halliburton Co., Zero Coupon, 3/13/06	7,387,875
			TOTAL CONVERTIBLE BONDS (Cost $9,669,872)	9,575,375
	0.1%	PURCHASED OPTIONS		
		2,250,000	Put on Eurodollar Futures, strike price 91.75, expire 9/16/95	1,192,500
		2,250,000	Put on Eurodollar Futures, strike price 92, expire 6/19/95	900,000
		2,250,000	Put on Eurodollar Futures, strike price 92.75, expire 3/13/95	495,000
			TOTAL PURCHASED OPTIONS (Cost $2,657,250)	2,587,500
			TOTAL INVESTMENT PORTFOLIO -- 100.0% (Cost $2,282,185,046)(a)	2,130,051,141

</TABLE>
The accompanying notes are an integral part of the financial statements.

(a) The cost for federal income tax purposes was $2,282,185,046. At December 31, 1994, net unrealized depreciation for all securities based on tax cost was $152,133,905. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of market value over tax cost of $2,871,110 and aggregate gross unrealized depreciation for all securities in which there was an excess oftax cost over market value of $155,005,015.

(b) At December 31, 1994, this security, in part, has been pledged to cover initial margin requirements for open futures contracts sold short.

<TABLE>
AT DECEMBER 31, 1994, OPEN FUTURES CONTRACTS SOLD SHORT WERE AS FOLLOWS (NOTE A):
<CAPTION>

Futures	Expiration	Contracts	Aggregate Face Value ($)	Market Value ($)
<S>	<C>	<C>	<C>	<C>

Eurodollars	Dec. 1995	1,400	323,970,450	320,145,000
Eurodollars	Mar. 1996	1,400	323,701,625	320,425,000
Eurodollars	Jun. 1996	1,400	323,227,250	320,670,000
Eurodollars	Sep. 1996	1,400	322,844,500	320,845,000
Eurodollars	Dec. 1996	1,400	322,372,725	320,845,000
Eurodollars	Mar. 1997	1,400	321,641,070	321,195,000
Eurodollars	Jun. 1997	1,400	321,427,795	321,370,000
		9,800	2,259,185,415	2,245,495,000
Total net unrealized appreciation on open futures contracts				13,690,415

</TABLE>

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments will be shorter than stated maturities due to prepayments. All separate investments in each of the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

<TABLE>

CURRENCY ABBREVIATIONS AND OTHER ACRONYMS USED IN THIS PORTFOLIO:

<CAPTION>

<S>	<C>
CLP	Chilean Peso
MXN	Mexican Peso
COFI	Cost of Funds Index
NIM	Net Interest Margin
LIBOR	London Inter-Bank Offering Rate
REMIC	Real Estate Mortgage Investment Conduit
STRIP	Separate Trading Registered Interest and Principal

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

STATEMENT OF ASSETS AND LIABILITIES

<S>	<C>	<C>
DECEMBER 31, 1994		
ASSETS		
Investments, at market (identified cost $2,282,185,046) (Note A)		$2,130,051,141
Cash		6,607,580
Receivables:		
Investments sold		3,619,972
Interest		20,572,514
Fund shares sold		3,020,424
Daily variation margin on open futures contracts (Note A)		1,190,000
Total assets		2,165,061,631
LIABILITIES		
Payables:		
Fund shares redeemed	$13,444,956	
Investments purchased	10,838,642	
Dividends	3,159,432	
Accrued management fee (Note C)	890,904	
Other accrued expenses (Note C)	790,962	
Total liabilities		29,124,896
Net assets, at market value		2,135,936,735
NET ASSETS		
Net assets consist of:		
Unrealized appreciation (depreciation) on:		
Investments		(152,133,905)
Futures contracts		13,690,415
Accumulated net realized loss		(43,456,565)
Shares of beneficial interest		1,957,765
Additional paid-in capital		2,315,879,025

Net assets, at market value	$2,135,936,735
NET ASSET VALUE, offering and redemption price per share ($2,135,936,735 -:- 195,776,523 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	$10.91

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

SCUDDER SHORT TERM BOND FUND

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1994

<S>	<C>	<C>
INVESTMENT INCOME		
Interest		$ 207,436,125
Expenses:		
Management fee (Note C)	$ 12,415,709	
Services to shareholders (Note C)	5,080,612	
Trustees' fees (Note C)	13,974	
Custodian fees	1,105,177	
Reports to shareholders	662,158	
Federal and state registration	132,574	
Legal	42,345	
Auditing	87,155	
Other	119,111	19,658,815
Net investment income		187,777,310
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT TRANSACTIONS		
Net realized gain (loss) from:		
Investments	(73,433,253)	
Futures	(1,771,309)	
Options	1,138,746	
Foreign currency related transactions	(5,703,227)	(79,769,043)
Net unrealized appreciation (depreciation) during the period on:		
Investments	(202,883,212)	
Futures	13,690,415	
Options	628,110	
Foreign currency related transactions	(62,210)	(188,626,897)
Net loss on investment transactions		(268,395,940)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS . .		$ (80,618,630)

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN NET ASSETS

<CAPTION>

	YEARS ENDED DECEMBER 31,	
INCREASE (DECREASE) IN NET ASSETS	1994	1993
<S>	<C>	<C>
Operations:		
Net investment income	$ 187,777,310	$ 218,430,196
Net realized gain (loss) from investment transactions	(79,769,043)	7,342,919
Net unrealized appreciation (depreciation) on investment transactions during the period	(188,626,897)	10,509,177
Net increase (decrease) in net assets resulting from operations	(80,618,630)	236,282,292

Distributions to shareholders from:		
Net investment income ($.64 and $.80 per share, respectively)	(149,862,207)	(200,957,465)
Net realized gains from investment transactions ($.03 per share)	--	(7,342,919)
In excess of realized gains from investment transactions ($.04 per share)	--	(11,225,930)
Tax return of capital ($.12 per share)	(27,524,389)	--
Fund share transactions:		
Proceeds from shares sold	1,037,772,973	1,985,122,252
Net asset value of shares issued to shareholders in reinvestment of distributions .	134,347,811	173,554,830
Cost of shares redeemed	(1,968,606,250)	(1,846,962,196)
Net increase (decrease) in net assets from Fund share transactions	(796,485,466)	311,714,886
INCREASE (DECREASE) IN NET ASSETS	(1,054,490,692)	328,470,864
Net assets at beginning of period	3,190,427,427	2,861,956,563
NET ASSETS AT END OF PERIOD (including accumulated net investment loss of ($1,696,479) at December 31, 1993	$2,135,936,735	$3,190,427,427
OTHER INFORMATION		
Increase (decrease) in Fund shares		
Shares outstanding at beginning of period	265,610,358	239,890,892
Shares sold	89,258,004	164,136,014
Shares issued to shareholders in reinvestment of distributions	11,736,021	14,356,576
Shares redeemed	(170,827,860)	(152,773,124)
Net increase (decrease) in Fund shares	(69,833,835)	25,719,466
Shares outstanding at end of period	195,776,523	265,610,358

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
SCUDDER SHORT TERM BOND FUND
FINANCIAL HIGHLIGHTS

THE FOLLOWING TABLE INCLUDES SELECTED DATA FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD AND OTHER PERFORMANCE INFORMATION DERIVED FROM THE FINANCIAL STATEMENTS.

<CAPTION>

	Years Ended December 31,									
	1994	1993(c)	1992	1991	1990	1989	1988	1987	1986	1985
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.	$12.01	$11.93	$12.25	$11.72	$11.71	$11.19	$11.23	$11.92	$11.35	$10.26
Income from investment operations:										
Net investment income (a). .	.81	.87	.97	1.08	1.09	.83	.73	.74	.81	.96
Net realized and unrealized gains (losses)	(1.15)	.08	(.33)	.53	.01	.61	(.04)	(.58)	.78	1.09
Total from investment transactions	(.34)	.95	.64	1.61	1.10	1.44	.69	.16	1.59	2.05
Less distributions from:										
Net investment income. . . .	(.64)	(.80)	(.96)	(1.08)	(1.09)	(.83)	(.73)	(.74)	(.81)	(.96)
Net realized gains	--	(.03)	--	--	--	(.09)	--	(.11)	(.21)	--
In excess of gains	--	(.04)	--	--	--	--	--	--	--	--
Tax return of capital. . . .	(.12)	--	--	--	--	--	--	--	--	--
Total distributions	(.76)	(.87)	(.96)	(1.08)	(1.09)	(.92)	(.73)	(.85)	(1.02)	(.96)
Net asset value, end of period	$10.91	$12.01	$11.93	$12.25	$11.72	$11.71	$11.19	$11.23	$11.92	$11.35

TOTAL RETURN (%)	(2.87)	8.18	5.43	14.38	9.88	13.20	6.10	1.40	14.70	20.30
RATIOS AND SUPPLEMENTAL DATA										
Net assets, end of period ($ millions)	2,136	3,190	2,862	2,247	340	72	10	10	8	5
Ratio of operating expenses net, to average net assets (%)(a)	.73	.68	.75	.44	.16	.36	1.50	1.45	1.45	1.27
Ratio of net investment income to average net assets (%)	6.93	7.21	8.01	8.96	9.36	7.97	6.48	6.34	6.89	8.82
Portfolio turnover rate (%)	65.3	66.1	83.7(b)	41.0	52.9	40.0	23.5	28.7	15.6	58.1

<FN>

(a) Portion of expenses reimbursed by the Adviser	$ --	$ --	$ --	$ --	$ .02	$ .10	$ .04	$ .04	$ --	$.02
Management fee not imposed by the Adviser (Note C)	$ --	$ --	$ --	$ .06	$ .07	$ .05	$ --	$ --	$ .01	$.07

Ratio of operating expenses, including expenses reimbursed, management fee and other expenses not imposed, to average daily net assets aggregated .78%, 1% and 1.19% for the years ended December 31, 1992, 1991 and 1990, respectively.

(b) The high turnover rate reflects an increase in principal prepayments on mortgage securities in the Fund.

(c) Per share amounts have been calculated using weighted average shares outstanding.

On July 3, 1989, the Fund adopted its present name and objective. Prior to that date, the Fund was known as the General 1994 Portfolio of Scudder Target Fund and its objectives were current income, capital preservation, and possible capital appreciation. Financial information prior to July 3, 1989 should not be considered representative of the present Fund.

</TABLE>

A. SIGNIFICANT ACCOUNTING POLICIES

Scudder Short Term Bond Fund (the "Fund") is a diversified series of Scudder Funds Trust (the "Trust"). The Trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end, management investment company. The policies described below are followed consistently by the Fund in the preparation of its financial statements in conformity with generally accepted accounting principles.

SECURITY VALUATION. Portfolio debt securities with remaining maturities greater than sixty days are valued by pricing agents approved by the officers of the Fund, which quotations reflect broker/dealer-supplied valuations and electronic data processing techniques. If the pricing agents are unable to provide such quotations, the most recent bid quotation supplied by a bona fide market maker shall be used. Short-term investments having a maturity of sixty days or less are valued at amortized cost. All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Board of Trustees.

OPTIONS. The Fund may write (sell) exchange-listed and over-the-counter call and put options on securities, currencies and other financial instruments. When the Fund writes a call, it gives the purchaser of the call option the right to buy the underlying security or currency at the price specified in the option (the "exercise price") at any time during the option period, generally ranging up to nine months. When the Fund writes a put option, it gives the purchaser of the put option the right to sell the underlying security or currency to the Fund at the exercise price at any time during the option period, generally ranging up to nine months. If the option expires unexercised, the Fund will realize income, in the form of a capital gain, to the extent of the amount received for the option (the "premium"). If the option is exercised, a decision over which the Fund has no control, the Fund must sell the underlying security or currency to the option holder or purchase the underlying security or currency from the option holder at the exercise price. Certain options, including options on indices will require cash settlement by the Fund if the option is exercised. By writing a call option, the Fund foregoes, in exchange

for the premium less the commission ("net premium"), the opportunity to profit during the option period from an increase in the market value of the underlying security or currency above the exercise price.

By writing a put option, the Fund, in exchange for the net premium received, accepts the risk of a decline in the market value of the underlying security or currency below the exercise price. The liability representing the Fund's obligation under an exchange traded written call or put option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked price or at the most recent asked price if no bid and asked price are available. Over the counter written options are valued using dealer supplied valuations.

In addition, the Fund may purchase, singly and in combination, call and put options on securities, currencies and securities indices. Exchange traded purchased options are valued at the last sales price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent bid price if no bid and asked prices are available. Over-the-counter purchased options are valued using dealer supplied valuations.

OPTIONS ON FUTURES CONTRACTS. The Fund may purchase and write (sell) call and put options on futures contracts which are traded for bona fide hedging purposes. Options on futures contracts will be valued in accordance with the security and options valuation policies described above.

FUTURES CONTRACTS. The Fund may enter into interest rate, securities index and currency futures contracts for bona fide hedging purposes. During the period, to shorten portfolio duration, the Fund sold short Eurodollar futures contracts. Upon entering into a futures contract, the Fund is required to deposit with a broker an amount ("initial margin") equal to a certain percentage of the purchase price indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Fund each day, dependent on the daily fluctuations in the value of the underlying security, and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. When entering into a closing transaction, the Fund will realize, for book purposes, a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy.

Futures contracts are valued at the most recent settlement price. Certain risks may arise upon entering into futures contracts from the contingency of imperfect market conditions.

INDEXED SECURITIES. Indexed securities held by the Fund are investments whose value is indexed to another financial instrument, index, currency, or commodity (the "reference instrument"). For principal indexed securities, the principal amount payable at maturity may be more or less than the amounts shown depending on fluctuations in the value of the reference instrument. For coupon indexed securities, the principal amount payable at maturity is fixed. However, the coupon is indexed to the reference instrument. The price sensitivity of these securities may be greater than that of non-indexed securities with similar maturities.

FOREIGN CURRENCY TRANSLATIONS. The books and records of the Fund are maintained in U.S. dollars. Foreign currency transactions are translated into U.S. dollars on the following basis:

(i) market value of investment securities, other assets and liabilities at the daily rates of exchange, and

(ii) purchases and sales of investment securities, interest income and certain expenses at the rates of exchange prevailing on the respective dates of such transactions.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains and losses from investments.

Net realized and unrealized gain (loss) from foreign currency related transactions includes gains and losses between trade and settlement dates on securities transactions, gains and losses arising from the sales of foreign currency, and gains and losses between the ex and payment dates on interest and foreign withholding taxes.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS. In connection with portfolio purchases and sales of securities denominated in a foreign currency, the Fund may enter into forward foreign currency exchange contracts ("contracts"). Additionally, the Fund may enter into contracts to hedge certain other foreign currency denominated assets. Contracts are recorded at market value. Certain risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts. Realized and unrealized gains and losses arising from such transactions are included in net realized and unrealized gain (loss) from foreign currency related transactions.

FEDERAL INCOME TAXES. It is the Fund's policy to comply with the requirements of the Internal Revenue Code which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, the Fund paid no federal income taxes and no provision for federal income taxes was required.

At December 31, 1994, the Fund had a net tax basis capital loss carryforward of approximately $27,264,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2002, the expiration date.

In addition, from November 1, 1994 through December 31, 1994, the Fund incurred approximately $19,600,000 of net realized currency losses. As permitted by tax regulations, the Fund intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 1995.

DISTRIBUTION OF INCOME AND GAINS. Substantially all of the net investment income of the Fund is declared as a dividend to shareholders of record as of the close of business each day and is paid to shareholders monthly. During any particular year, net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders. An additional distribution may be made to the extent necessary to avoid the payment of a four percent federal excise tax. Distributions of net realized capital gains to shareholders are recorded on the ex-dividend date.

The timing and characterization of certain income and capital gains distributions are determined in accordance with federal tax regulations which may differ from generally accepted accounting principles. These differences primarily relate to investments in foreign denominated investments, mortgage-backed securities, and certain securities sold at a loss. As a result, net investment income and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The Fund uses the identified cost method for determining realized gain or loss on investments for both financial and federal income tax reporting purposes.

OTHER. Investment security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. All original issue discounts are accreted for both tax and financial reporting purposes.

B. PURCHASES AND SALES OF SECURITIES

For the year ended December 31, 1994, purchases and sales of investment securities (excluding short-term investments and U.S. Government obligations) aggregated $1,407,666,008 and $1,778,976,271, respectively. Purchases and sales of U.S. Government obligations aggregated $76,872,422 and $254,795,335, respectively.

The face value of futures contracts opened and closed during the year ended December 31, 1994 amounted to $3,038,216,692 and $779,031,277, respectively.

Transactions in written options for the year ended December 31, 1994 are summarized as follows:

<TABLE>
<CAPTION>

	OPTIONS CONTRACTS		OPTIONS ON CURRENCIES		
	NUMBER OF CONTRACTS	PREMIUMS RECEIVED ($)	GERMAN DEUTSCHE MARKS	AUSTRALIAN DOLLARS	PREMIUMS RECEIVED ($)
<S>	<C>	<C>	<C>	<C>	<C>
Beginning of Period . .	500	206,650	--	51,000,768	441,157
Written	--	--	97,440,000	89,000,000	1,720,025
Closed	(500)	(206,650)	(97,440,000)	(95,500,768)	(1,718,407)
Expired	--	--	--	(44,500,000)	(442,775)
End of Period	--	--	--	--	--

</TABLE>

C. RELATED PARTIES

Under the Investment Management Agreement (the "Management Agreement") with Scudder, Stevens & Clark, Inc. ("the Adviser"), the Adviser directs the investments of the Fund in accordance with its investment objectives, policies, and restrictions. The Adviser determines the securities, instruments, and other contracts relating to investments to be purchased, sold or entered into by the Fund. In addition to portfolio management services, the Adviser provides certain administrative services in accordance with the Management Agreement. The management fee payable under the Management Agreement is equal to an annual rate of 0.60% on the first $500,000,000 of average daily net assets, 0.50% on the next $500,000,000 of such net assets, 0.45% on the next $500,000,000 of such net assets, 0.40% on the next $500,000,000 of such net assets, 0.375% on the next $1,000,000,000 of such net assets and 0.35% on such net assets in excess of $3,000,000,000, computed and accrued daily and payable monthly. The Management Agreement also provides that if the Fund's expenses, exclusive of taxes, interest, and extraordinary expenses, exceed specified limits, such excess, up to the amount of the management fee, will be paid by the Adviser. For the year ended December 31, 1994, the fee pursuant to the Management Agreement amounted to $12,415,709, which was equivalent to an annualized effective rate of .46% of the Fund's average daily net assets.

Scudder Service Corporation ("SSC"), a wholly-owned subsidiary of the Adviser, is the transfer, dividend paying and shareholder service agent for the Fund. Included in services to shareholders is $3,931,601 charged to the Fund by SSC for the year ended December 31, 1994, of which $298,604 is unpaid at December 31, 1994.

The Trust pays each of its Trustees not affiliated with the Adviser $4,000 annually, divided equally among the series of the Trust, plus specified amounts for attended board and committee meetings. For the year ended December 31, 1994, Trustees' fees aggregated $13,974.

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE TRUSTEES OF SCUDDER FUNDS TRUST AND TO THE SHAREHOLDERS OF SCUDDER SHORT TERM BOND FUND:

We have audited the accompanying statement of assets and liabilities of Scudder Short Term Bond Fund as of December 31, 1994, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the ten years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1994 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Scudder Short Term Bond Fund as of December 31, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the ten years in the period then ended in conformity with generally accepted accounting principles.

Boston, Massachusetts   COOPERS & LYBRAND L.L.P.
February 22, 1995

By now shareholders to whom year-end tax reporting is required by the IRS should have received their Form 1099-DIV and tax information letter from the Fund. For corporate shareholders no amount of the income dividends paid by the Fund qualified for the dividends received deduction.

In many states the amount of income you receive from obligations of the U.S. Government is exempt from your state income taxes. Of the Fund's dividends from net investment income, 1.92% was derived from direct obligations of the U.S. Government, 0.95% from the Student Loan Marketing Association and 1.23% from the Federal Home Loan Bank.

Please consult a tax adviser if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your Scudder Fund account, please call a Scudder Investor Relations Representative at (800) 225-5163.

OFFICERS AND TRUSTEES

INVESTMENT PRODUCTS AND SERVICES

The Scudder Family of Funds

Money market
- Scudder Cash Investment Trust
- Scudder U.S. Treasury Money Fund

Tax free money market+

Scudder Tax Free Money Fund
Scudder California Tax Free Money Fund*
Scudder New York Tax Free Money Fund*

Tax free+

Scudder California Tax Free Fund*
Scudder High Yield Tax Free Fund
Scudder Limited Term Tax Free Fund
Scudder Managed Municipal Bonds
Scudder Massachusetts Limited Term Tax Free Fund*
Scudder Massachusetts Tax Free Fund*
Scudder Medium Term Tax Free Fund
Scudder New York Tax Free Fund*
Scudder Ohio Tax Free Fund*
Scudder Pennsylvania Tax Free Fund*
Growth and Income
Scudder Balanced Fund
Scudder Growth and Income Fund

Income

Scudder Emerging Markets Income Fund
Scudder GNMA Fund
Scudder Income Fund
Scudder International Bond Fund
Scudder Short Term Bond Fund
Scudder Short Term Global Income Fund
Scudder Zero Coupon 2000 Fund

Growth

Scudder Capital Growth Fund
Scudder Development Fund
Scudder Global Fund
Scudder Global Small Company Fund
Scudder Gold Fund
Scudder Greater Europe Growth Fund
Scudder International Fund
Scudder Latin America Fund
Scudder Pacific Opportunities Fund
Scudder Quality Growth Fund
Scudder Value Fund
The Japan Fund

Retirement Plans and Tax-Advantaged Investments

IRAs
Keogh Plans
Scudder Horizon Plan+++* (a variable annuity)
401(k) Plans
403(b) Plans
SEP-IRAs
Profit Sharing and Money Purchase Pension Plans

Closed-end Funds#

The Argentina Fund, Inc.
The Brazil Fund, Inc.
The First Iberian Fund, Inc.
The Korea Fund, Inc.
The Latin America Dollar Income Fund, Inc.
Montgomery Street Income Securities, Inc.
Scudder New Asia Fund, Inc.
Scudder New Europe Fund, Inc.
Scudder World Income Opportunities Fund, Inc.

Institutional Cash Management

Scudder Institutional Fund, Inc.
Scudder Fund, Inc.
Scudder Treasurers Trust(tm)++

For complete information on any of the above Scudder funds, including management fees and expenses, call or write for a free prospectus. Read it carefully before you invest or send money. +A portion of the income from the tax-free funds may be subject to federal, state and local taxes. *Not available in all states. +++A no-load variable annuity contract provided by Charter National Life Insurance Company and its affiliate, offered by Scudder's insurance agencies, 1-800-225-2470. #These funds, advised by Scudder, Stevens & Clark, Inc., are traded on various stock exchanges. ++For information on Scudder Treasurers Trust(tm), an institutional cash management service that utilizes certain portfolios of Scudder Fund, Inc. ($100,000 minimum), call: 1-800-541-7703.

HOW TO CONTACT SCUDDER

Account Service and Information

For existing account service and transactions

SCUDDER INVESTOR RELATIONS

1-800-225-5163

For account updates, prices, yields, exchanges and redemptions

SCUDDER AUTOMATED INFORMATION LINE (SAIL)
1-800-343-2890

Investment Information

To receive information about the Scudder funds, for additional applications and prospectuses, or for investment questions

SCUDDER INVESTOR RELATIONS
1-800-225-2470

For establishing 401(k) and 403(b) plans

SCUDDER DEFINED CONTRIBUTION SERVICES
1-800-323-6105

Please address all correspondence to

THE SCUDDER FUNDS
P.O. BOX 2291
BOSTON, MASSACHUSETTS
02107-2291

Or stop by a Scudder Funds Center

Many shareholders enjoy the personal, one-on-one service of the Scudder Funds Centers. Check for a Funds Center near you--they can be found in the following cities:

Boca Raton
Boston
Chicago
Cincinnati
Los Angeles
New York
Portland, OR
San Diego
San Francisco
Scottsdale

For information on Scudder Treasurers Trust(tm), an institutional cash management service for corporations, non-profit organizations and trusts which utilizes certain portfolios of Scudder Fund, Inc.* ($100,000 minimum), call: 1-800-541-7703.

For information on Scudder Institutional Funds,* funds designed to meet the broad investment management and service needs of banks and other institutions, call: 1-800-854-8525.

Scudder Investor Relations and Scudder Funds Centers are services provided through Scudder Investor Services, Inc., Distributor.

* Contact Scudder Investor Services, Inc., Distributor, to receive a prospectus with more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

Celebrating 75 Years of Serving Investors

Established in 1919 by Theodore Scudder, Sidney Stevens, and F. Haven Clark, Scudder, Stevens & Clark, Inc. was the first independent investment counsel firm in the United States. Since its birth, Scudder's pioneering spirit and commitment to professional long-term investment management have helped shape the investment industry. In 1928, we introduced the nation's first no-load mutual fund. Today we offer 36 pure no load(tm) funds, including the first international mutual fund offered to U.S. investors.

Over the years, Scudder's global investment perspective and dedication to research and fundamental investment disciplines have helped Scudder become one of the largest and most respected investment managers in the world. Though times have changed since our beginnings, we remain committed to our longstanding principles: managing money with integrity and distinction, keeping the interests of our clients first; providing access to investments and markets that may not be easily available to individuals; and making investing as simple and convenient as possible through friendly, comprehensive service.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

Scudder Zero Coupon 2000 Fund

Annual Report
December 31, 1994

* For investors who seek as high an investment return over a select period as is consistent with investment in U.S. government securities and the minimization of reinvestment risk.

* A pure no-load(tm) fund with no commissions to buy, sell, or exchange shares.

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HIGHLIGHTS

* Reflecting an environment of rising interest rates and falling bond prices, Scudder Zero Coupon 2000 Fund posted a total return of -7.92% for its 1994 fiscal year.

(BAR CHART TITLE) Average Annual Total Returns For Periods Ended December 31, 1994

(CHART DATA)

<TABLE>
<CAPTION>

<S>	<C> Scudder Zero Coupon 2000 Fund	<C> Lehman Brothers Government/Corporate Bond Index
1 Year	-7.92%	-3.51%
3 Years	4.92%	4.84%
5 Years	7.71%	7.70%

</TABLE>

* Yields rose dramatically during the year among bonds of all maturities. For example, yields of five-year Treasury notes rose by 2.63 percentage points.

* To provide a measure of protection from rising interest rates, the Fund increased its holdings of short-term securities over the course of 1994.

LETTER FROM THE FUND'S PRESIDENT

Dear Shareholders,

The world's financial markets were shaken repeatedly in 1994 by a variety of events. Rising interest rates, losses for investors in highly leveraged derivatives, and unsettling global developments combined to create a difficult environment for bond investors. Masking the market volatility, however, many broad indexes ended the year little changed from a year ago.

The rise in interest rates in the past year has posed a challenge for income funds: to provide shareholders with the higher income now available from bonds while protecting against an inordinate amount of price erosion. We expect this challenge to remain in 1995, since it is possible that interest rates may rise further. In the year ahead, we believe a combination of factors, including the Federal Reserve's tightening efforts, will keep the economy and inflation on a moderate course, which should ease the upward pressure on rates. These developments ultimately should be viewed as favorable for the financial markets.

Interest rate uncertainties may, of course, spark episodes of volatility for fixed-income markets. At times like these, it's more important than ever to have a sound investment plan that can weather market storms. The past year has demonstrated that virtually all financial instruments, whether conservative or aggressive, are susceptible to disappointing performance. But experience tells us that over the long term, investors who have participated in the stock and bond markets have fared much better than those who have chosen to protect their savings above all else.

If you have questions about your Fund or your investments, please contact a Scudder Investor Relations representative at 1-800-225-2470. Page 23 provides more information on how to contact Scudder. Thank you for choosing Scudder Zero Coupon 2000 Fund to help meet your investment needs.

Sincerely,

/s/Daniel Pierce
Daniel Pierce
President,
Scudder Zero Coupon 2000 Fund

Scudder Zero Coupon 2000 Fund
Performance Update as of December 31, 1994

Growth of a $10,000 Investment

Scudder Zero Coupon 2000 Fund

Period Ended 12/31/94	Growth of $10,000	Total Return Cumulative	Total Return Average Annual
1 Year	$ 9,208	-7.92%	-7.92%
5 Year	$ 14,499	44.99%	7.71%
Life of Fund*	$ 22,637	126.37%	9.60%

LB Government/Corporate Bond Index

Period Ended 12/31/94	Growth of $10,000	Total Return Cumulative	Total Return Average Annual
1 Year	$ 9,649	-3.51%	-3.51%
5 Year	$ 14,493	44.93%	7.70%
Life of Fund*	$ 20,098	100.98%	8.22%

*The Fund commenced operations on February 4, 1986. Index comparisons begin on February 28, 1986.

A chart in the form of a line graph appears here, illustrating the Growth of a $10,000 Investment. The data points from the graph are as follows:

Yearly periods ended December 31

Scudder Zero Coupon 2000 Fund

Year	Amount
2/28/86	10000
86	11022
87	10139
88	11326
89	13635
90	14262
91	17118

92	18510
93	21472
94	19770

LB Government/Corporate Bond Index

Year	Amount
2/28/86	10000
86	11031
87	11284
88	12139
89	13867
90	15016
91	17437
92	18759
93	20829
94	20098

The unmanaged Lehman Brothers (LB) Government/Corporate Bond Index is composed of U.S. government treasury and agency securities, corporate and Yankee bonds. Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses.

- --

Returns and Per Share Information

- --

A chart in the form of a bar graph appears here, illustrating the Fund Total Return (%) and Index Total Return (%) with the exact data points listed in the table below.

Yearly periods ended December 31

- ------------------------------------

<TABLE>
<S>

	1986*	1987	1988	1989	1990	1991	1992	1993	1994
Net Asset Value...	$12.62	$10.34	$10.92	$12.61	$12.27	$13.76	$12.55	$12.85	$10.95
Income Dividends..	$ --	$ 1.22	$ .63	$ .52	$ .83	$ .94	$ .93	$ .83	$ .31
Capital Gains Distributions.....	$ --	$ .11	$ --	$ .03	$ .08	$ --	$ 1.39	$ .89	$ .59
Fund Total Return (%)........	26.20	-8.01	11.71	20.39	4.59	20.03	8.13	16.00	-7.92
Index Total Return (%)........	10.31	2.29	7.58	14.23	8.28	16.12	7.58	11.03	-3.51

</TABLE>

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. If the Adviser had not temporarily capped expenses, the average annual total return for the one year, five year, and life of fund would have been lower.

PORTFOLIO MANAGEMENT DISCUSSION

Dear Shareholders,

This report details Scudder Zero Coupon 2000 Fund's activities for the year ended December 31, 1994. The Fund, which invests in high-quality, government-backed zero-coupon bonds, seeks to provide investors with as high an investment return over a selected period as is consistent with investments in government securities. The Fund's investments in zero coupon bonds pay no cash income but, similar to savings bonds, are issued at substantial discounts to their value at maturity. When zero coupon bonds are held to maturity, their entire return comes from the difference between their issue price and their maturity value. As managers, we seek to maximize the value you will receive when the Fund matures in December 2000 while moderating the Fund's potential share price volatility as we respond to changing market conditions.

The Fund's 1994 Results

In 1994, fixed-income securities as a group provided their worst returns in more than sixty years. Nagging fears of inflation due to the economy's strength resulted in six short-term rate increases by the Federal Reserve, which caused bond prices to decline substantially across the board. Reflecting this environment, the Fund's net asset value declined to $10.95 on December 31, 1994, from $12.85 at the start of the year. At the same time, Fund shareholders received a total of $0.31 per share in income and $0.59 in capital gain distributions, which helped offset the share price decline somewhat. Combined, the distributions and change in net asset value produced a total return of -7.92% for the 12 months ended December 31, 1994. This compares with a return of -3.51% for the unmanaged Lehman Brothers Government/Corporate Bond Index. The Fund's performance trailed that of the Index during 1994 primarily because the Fund's average effective maturity was longer than that of the Index. In general, bonds that take longer to mature are more sensitive to changes in interest rates.

Although negative returns are always disappointing, it is important to view your Fund's short-term performance in the context of its longer-term results. Scudder Zero Coupon 2000 Fund provided a 7.71% average annual return for the five years through December 31, 1994, versus the Lehman Index's 7.70%. Since its inception on February 4, 1986, the Fund has generated a 9.60% average annual total return, compared with the Index's 8.22% return since February 28, 1986.

Markets Reacted to Inflation Fears

For the U.S. economy, 1994 was a year of dynamic change. A capital-investment-led recovery picked up speed early in the year as American businesses increased their spending on new machines and technology at an unprecedented rate. Economic growth provided a challenging backdrop for most investment markets. Interest rates rose faster and further than most had expected despite the fact that inflation was relatively subdued. Toward the end of the year, however, we saw signs that long-term rates were beginning to stabilize, while short- and intermediate-term rates continued to climb. In the year ahead, global economic expansion is expected to continue at a more moderate pace, and inflation should remain under wraps. Consequently, while U.S. rates may not reverse direction, it is possible that the income markets will encounter less volatility in 1995 than they did in 1994. Furthermore, because U.S. consumers' spending levels have historically slowed in reaction to higher interest rates, we believe that any additional Fed rate increases could lead to a slowdown in growth by the end of the year. While this would hardly ease workers' concerns about the United States' "jobless recovery," it should create a better environment for bond investors.

Re-extending the Fund's "Barbell"

Scudder Zero Coupon 2000 Fund seeks to maximize the value of your investment at maturity. Since the Fund's zero-coupon bonds lack the cushion of regular interest payments, the Fund can be more volatile than other types of fixed-income investments during periods of rising interest rates. Therefore, we try to limit share price volatility where possible, in fairness to those who may need to redeem Fund shares before the December 2000 maturity date. For those who remain invested until the Fund's maturity, the positive tradeoff for interim volatility is a higher return versus comparable fixed-income investments.

Over the course of 1994, we modified our "barbell" maturity structure (a balance between bonds at the short and long ends of the maturity spectrum) to provide a measure of protection from persistently rising interest rates. As we reported last June, we moved to a more neutral position at midyear, reducing our long-maturity exposure. During the second

half of the year, as longer-term bonds stabilized in price, we sold several intermediate-maturity bonds which we believe are currently most vulnerable to further rate hikes. With the proceeds of those sales, we purchased additional bonds at the longer and shorter ends of the Fund's maturity limits. During the year we also reduced the Fund's duration (a measure of the Fund's sensitivity to changes in interest rates) from 7.99 years at the beginning of the year to 5.01 years at its close.

Effective Maturity Structure of Scudder Zero Coupon 2000 Fund
<TABLE>
<CAPTION>

<S>	12/31/93 <C>	12/31/94 <C>
1-3 years	0.0%	8.4%
3-4 years	0.0	17.5
4-5 years	29.9	1.0
5-6 years	0.0	12.2
6-8 years	46.4	60.9
8-10 years	5.8	0.0
10+ years	17.9	0.0

</TABLE>

A Look Ahead

The difference in yields between one- and 30-year Treasuries--2.75 percentage points at the beginning of 1994--had declined to 0.60 percentage points by year's end. In 1995, it is possible that short- and intermediate-term rates may continue to move closer to the level of long-term rates, especially if the Federal Reserve continues its tight monetary policy. If the Fed's actions over the past year result in slower economic growth, long-term rates might even move down slightly in 1995, which would help bond prices.

In the coming months, we will continue to adjust the Fund's maturity structure as the need arises and, as always, maintain flexibility in our strategic approach. We remain committed to maximizing Scudder Zero Coupon 2000 Fund's value as it approaches its maturity date.

Sincerely,

Your Portfolio Management Team

/s/Ruth Heisler /s/Renee L. Ross
Ruth Heisler Renee L. Ross

/S/Stephen A. Wohler
Stephen A. Wohler

Scudder Zero Coupon 2000 Fund:
A Team Approach to Investing

Scudder Zero Coupon 2000 Fund is managed by a team of Scudder investment professionals who each play an important role in the Fund's management process. Team members work together to develop investment strategies and select securities for the Fund. They are supported by Scudder's large staff of economists, research analysts, traders, and other investment specialists who work in our offices across the United States and abroad. We believe our team approach benefits Scudder Zero Coupon 2000 Fund investors by bringing together many disciplines and leveraging Scudder's extensive resources.

Lead Portfolio Manager Ruth Heisler has responsibility for overseeing the Fund's day-to-day operations and setting the Fund's investment strategy. Ruth has been in charge of security selection since 1988 and has been involved in bond research and investing at Scudder since 1953. Renee L. Ross, Portfolio Manager, assists Ruth with trading bonds for the Fund's portfolio. Renee has worked on the team since 1986 and at Scudder since 1981. Stephen Wohler, Portfolio Manager, joined the team in 1994 and is also responsible for implementing the Fund's strategy. Steve has over 14 years' experience managing fixed income investments and has been with Scudder since 1979.

<TABLE>

INVESTMENT PORTFOLIO as of December 31, 1994

<CAPTION>

% of Portfolio	Principal Amount ($)		Market Value ($)
<S>	<C>	<C>	<C>
100.0%	U.S. GOVERNMENT OBLIGATIONS		
	290,000	U.S. Treasury Note, 5.125%, 11/30/98	263,810
	275,000	U.S. Treasury Note, 5%, 1/31/99	247,973
	1,080,000	U.S. Treasury Separate Trading Registered Interest and Principal, 2/15/96 (7.41*)	995,328
	1,215,000	U.S. Treasury Separate Trading Registered Interest and Principal, 5/15/96 (7.52*)	1,097,983
	1,884,000	U.S. Treasury Separate Trading Registered Interest and Principal, 2/15/98 (7.81*)	1,483,123
	3,505,000	U.S. Treasury Separate Trading Registered Interest and Principal, 11/15/98 (7.83*)	2,603,374
	4,506,000	U.S. Treasury Separate Trading Registered Interest and Principal, 2/15/00 (7.82*)	3,042,406
	21,297,000	U.S. Treasury Separate Trading Registered Interest and Principal, 2/15/01 (7.83*)	13,305,301
	3,179,000	U.S. Treasury Separate Trading Registered Interest and Principal, 2/15/02 (7.86*)	1,835,300

		TOTAL INVESTMENT PORTFOLIO -- 100.0% (Cost $26,127,239) (a)	24,874,598
			==========

<FN>
(a) The cost for federal income tax purposes was $26,314,039. At December 31, 1994, net unrealized depreciation for all securities was $1,439,441. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of market value over tax cost of $721 and aggregate gross unrealized depreciation for all securities in which there was an excess tax cost over market value of $1,440,162.
* Bond equivalent yield to maturity; not a coupon rate.

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
<CAPTION>

STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 1994

<S>		<C>
ASSETS		
Investments, at market (identified cost $26,127,239) (Note A)		$24,874,598
Cash		181
Receivables:		
Fund shares sold		80,991
Interest		7,061
Total assets		24,962,831
LIABILITIES		
Payables:		
Fund shares redeemed	$ 44,860	
Accrued management fee (Note C)	18,428	
Other accrued expenses (Note C)	31,510	
Total liabilities		94,798
Net assets, at market value		24,868,033
NET ASSETS		
Net assets consist of:		
Undistributed net investment income		$ 640,017
Unrealized depreciation on investments		(1,252,641)
Accumulated net realized loss		(1,463,555)
Shares of beneficial interest		22,719
Additional paid-in capital		26,921,493
Net assets, at market value		24,868,033
NET ASSET VALUE, offering and redemption price per share ($24,868,033 -:- 2,271,921 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)		$10.95

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1994

<S>	<C>	<C>
INVESTMENT INCOME		
Interest		$ 1,564,944
Expenses:		
Management fee (Note C)	$ 33,453	
Services to shareholders (Note C)	85,865	
Trustees' fees (Note C)	13,432	

Custodian fees	30,861	
State registration	16,760	
Auditing	27,067	
Legal	16,877	
Reports to shareholders	22,261	
Other	4,692	251,268
Net investment income		$ 1,313,676
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized loss from investments		(1,399,239)
Net unrealized depreciation on investments during the period		(2,122,299)
Net loss on investments		(3,521,538)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		$(2,207,862)

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
<CAPTION>

STATEMENTS OF CHANGES IN NET ASSETS

INCREASE (DECREASE) IN NET ASSETS	YEARS ENDED DECEMBER 31, 1994	1993
<S>	<C>	<C>
Operations:		
Net investment income	$ 1,313,676	$ 1,718,621
Net realized gain (loss) from investments	(1,399,239)	3,018,446
Net unrealized depreciation on investments during the period	(2,122,299)	(33,379)
Net increase (decrease) in net assets resulting from operations	(2,207,862)	4,703,688
Distributions to shareholders:		
From net investment income ($.31 and $.83 per share, respectively)	(674,895)	(1,792,574)
From net realized gains from investments ($.59 and $.89 per share, respectively)	(1,284,256)	(1,934,280)
Fund share transactions:		
Proceeds from shares sold	10,304,177	16,608,035
Net asset value of shares issued to shareholders in reinvestment of distributions	1,933,362	3,672,065
Cost of shares redeemed	(13,967,971)	(19,458,474)
Net increase (decrease) in net assets from Fund share transactions	(1,730,432)	821,626
INCREASE (DECREASE) IN NET ASSETS	(5,897,445)	1,798,460
Net assets at beginning of period	30,765,478	28,967,018
NET ASSETS AT END OF PERIOD (including undistributed net investment income of $640,017 and $13,413, respectively)	24,868,033	$30,765,478
OTHER INFORMATION		
INCREASE (DECREASE) IN FUND SHARES		
Shares outstanding at beginning of period	2,394,451	2,308,913
Shares sold	891,083	1,210,179
Shares issued to shareholders in reinvestment of distributions	169,739	282,758
Shares redeemed	(1,183,352)	(1,407,399)
Net increase (decrease) in Fund shares	(122,530)	85,538
Shares outstanding at end of period	2,271,921	2,394,451

</TABLE>

The accompanying notes are an integral part of the financial statements.

12

<TABLE>
<CAPTION>

FINANCIAL HIGHLIGHTS

THE FOLLOWING TABLE INCLUDES SELECTED DATA FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD AND OTHER PERFORMANCE INFORMATION DERIVED FROM THE FINANCIAL STATEMENTS.

	Years Ended December 31,								
	1994	1993	1992	1991	1990	1989	1988	1987(b)	1986(c)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$12.85	$12.55	$13.76	$12.27	$12.61	$10.92	$10.34	$12.62	$10.00
Income from investment operations:									
Net investment income (a)	.59	.79	.94	.99	.86	.51	.63	.91	.56
Net realized and unrealized gain (loss) on investments . . .	(1.59)	1.23	.17	1.44	(.29)	1.73	.58	(1.86)	2.06
Total from investment operations	(1.00)	2.02	1.11	2.43	.57	2.24	1.21	(.95)	2.62
Less distributions:									
From net investment income . . .	(.31)	(.83)	(.93)	(.94)	(.83)	(.52)	(.63)	(1.22)	--
From net realized gains on investments	(.59)	(.89)	(1.39)	--	(.08)	(.03)	--	(.11)	--
Total distributions	(.90)	(1.72)	(2.32)	(.94)	(.91)	(.55)	(.63)	(1.33)	--
Net asset value, end of period . .	$10.95	$12.85	$12.55	$13.76	$12.27	$12.61	$10.92	$10.34	$12.62
TOTAL RETURN (%) (d)	(7.92)	16.00	8.13	20.03	4.59	20.39	11.71	(8.01)	26.20**
RATIOS AND SUPPLEMENTAL DATA									
Net assets, end of period ($ millions)	25	31	29	33	33	32	5	2	1
Ratio of operating expenses net, to average daily net assets (%) (a)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00*
Ratio of net investment income to average daily net assets (%) . .	5.23	5.29	6.38	7.12	7.62	7.10	8.10	8.13	7.27*
Portfolio turnover rate (%)	89.3	101.6	118.8	90.7	98.5	87.1	149.2	37.3	79.4*
(a) Portion of expenses reimbursed by the Adviser (Note C)	$ --	$ --	$ --	$ --	$ --	$ --	$ .14	$ .29	$ .26
Management fee not imposed by the Adviser (Note C)	$ .05	$ .04	$ .04	$ .03	$ .04	$ .04	$ .04	$ .06	$ .04
Ratio of operating expenses including management and other expenses not imposed and reimbursement absorbed (%)	1.47	1.28	1.28	1.23	1.39	1.62	3.37	4.13	5.64*

<FN>
(b) Per share amounts for the year ended December 31, 1987 have been calculated using the monthly weighted average shares outstanding during the year method.
(c) For the period February 4, 1986 (commencement of operations) to December 31, 1986.
(d) Total returns are higher due to maintenance of the Fund's expenses.
 * Annualized
 ** Not annualized

</TABLE>

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SCUDDER ZERO COUPON 2000 FUND
NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

Scudder Zero Coupon 2000 Fund (the "Fund") is organized as a diversified series of Scudder Funds Trust (the "Trust"), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The Fund primarily invests in U.S. Government zero coupon securities. At least 50% of the Fund's net assets will be invested in zero coupon securities maturing within two years of the Fund's target maturity date. It is expected that the Fund will be liquidated in December of the year 2000.

The policies described below are followed consistently by the Fund in the preparation of its financial statements in conformity with generally accepted accounting principles.

SECURITY VALUATION. Portfolio debt securities with remaining maturities greater than sixty days are valued by pricing agents approved by the Officers of the Fund, which prices reflect broker/dealer-supplied valuations and electronic data processing techniques. If the pricing agents are unable to provide such quotations, the most recent bid quotation supplied by a bona fide market maker shall be used. Short-term investments having a maturity of sixty days or less are valued at amortized cost. All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Trustees.

FEDERAL INCOME TAXES. The Fund's policy is to comply with the requirements of the Internal Revenue Code which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, the Fund paid no federal income taxes and no provision for federal income taxes was required.

At December 31, 1994, the Fund had a net tax basis capital loss carryforward of approximately $883,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2002, the expiration date. In addition, from November 1, 1994 through December 31, 1994, the Fund incurred approximately $393,000 of net realized capital losses. As permitted by tax regulations, the Fund intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 1995.

DISTRIBUTION OF INCOME AND GAINS. Distributions of net investment income are made annually. During any particular year, net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders. An additional distribution may be made to the extent necessary to avoid the payment of a four percent federal excise tax.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from generally accepted accounting principles. These differences primarily relate to investments in certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The Fund uses the specific identification method for determining realized gain or loss on investments for both financial and federal income tax reporting purposes.

OTHER. Investment security transactions are accounted for on a trade date basis. Interest income is generally recorded on the accrual basis under the amortized cost method whereby the Fund adjusts the cost of each investment assuming a constant accretion to maturity of any discount. All original issue discounts are accreted for both tax and financial reporting purposes. Distributions to shareholders are recorded on the ex-dividend date.

B. PURCHASES AND SALES OF SECURITIES

During the year ended December 31, 1994, purchases and sales of investment securities were $22,754,268 and $27,101,128, respectively.

C. RELATED PARTIES

Under the Investment Management Agreement (the "Agreement") with Scudder, Stevens & Clark, Inc. (the "Adviser"), the Adviser directs the investments of the Fund in accordance with its investment objectives, policies and restrictions. The Adviser determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Fund. In addition to portfolio management services, the Adviser provides certain administrative services in accordance with the Agreement. The management fee payable under the Agreement is equal to an annual rate of approximately 0.60% of the average daily net assets of the Fund computed and accrued daily and payable monthly. The Agreement also provides that if the Fund's expenses, exclusive of taxes, interest and extraordinary expenses exceed specified limits, such excess, up to the amount of the management fee, will be paid by the Adviser. In addition, the Adviser has agreed to maintain the annualized expenses of the Fund at not more than 1% of average daily net assets until April 30, 1995. For the year ended December 31, 1994, the management fee aggregated $150,769 of which $117,316 was not imposed and $18,428 is unpaid at December 31, 1994.

Scudder Service Corporation ("SSC"), a wholly-owned subsidiary of the Adviser, is the transfer, dividend disbursing and shareholder service agent for the Fund. For the year ended December 31, 1994, $71,971 was charged to the Fund by SSC of which $6,250 was unpaid at December 31, 1994.

The Trust pays each Trustee not affiliated with the Adviser $4,000 annually, plus specified amounts for attended board and committee meetings. For the year ended December 31, 1994, Trustees' fees amounted to $13,432.

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE TRUSTEES OF SCUDDER FUNDS TRUST AND THE SHAREHOLDERS OF SCUDDER ZERO COUPON 2000 FUND:

We have audited the accompanying statement of assets and liabilities of Scudder Zero Coupon 2000 Fund including the investment portfolio, as of December 31, 1994, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the eight years in the period then ended and for the period February 4, 1986 (commencement of operations) to December 31, 1986. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1994 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Scudder Zero Coupon 2000 Fund as of December 31, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the eight years in the period then ended and for the period February 4, 1986 (commencement of operations) to December 31, 1986, in conformity with generally accepted accounting principles.

Boston, Massachusetts   COOPERS & LYBRAND L.L.P.
February 3, 1995

SCUDDER ZERO COUPON 2000 FUND
TAX INFORMATION

By now shareholders for whom year-end tax reporting is required by the IRS should have received their Form 1099-DIV and tax information letter from the Fund. For corporate shareholders no amount of the income dividends paid by the Fund qualified for the dividends received deduction.

In many states the amount of income you received from direct obligations of the U.S. Government is exempt from your state income taxes. Of the Zero Coupon 2000 Fund's dividend from ordinary income, which includes net short-term capital gains, 100% was derived from direct obligations of the U.S. Government.

Please consult a tax adviser if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your Scudder Fund account, please call a Scudder Investor Relations Representative at 1-800-225-5163.

(The next two pages are blank in the printed report)

OFFICERS AND TRUSTEES

INVESTMENT PRODUCTS AND SERVICES

The Scudder Family of Funds

Money market
- Scudder Cash Investment Trust
- Scudder U.S. Treasury Money Fund

Tax free money market+
- Scudder Tax Free Money Fund
- Scudder California Tax Free Money Fund*
- Scudder New York Tax Free Money Fund*

Tax free+
- Scudder California Tax Free Fund*
- Scudder High Yield Tax Free Fund
- Scudder Limited Term Tax Free Fund
- Scudder Managed Municipal Bonds
- Scudder Massachusetts Limited Term Tax Free Fund*
- Scudder Massachusetts Tax Free Fund*
- Scudder Medium Term Tax Free Fund
- Scudder New York Tax Free Fund*
- Scudder Ohio Tax Free Fund*
- Scudder Pennsylvania Tax Free Fund*

Growth and Income
- Scudder Balanced Fund
- Scudder Growth and Income Fund

Income
- Scudder Emerging Markets Income Fund

Scudder GNMA Fund
Scudder Income Fund
Scudder International Bond Fund
Scudder Short Term Bond Fund
Scudder Short Term Global Income Fund
Scudder Zero Coupon 2000 Fund

Growth

Scudder Capital Growth Fund
Scudder Development Fund
Scudder Global Fund
Scudder Global Small Company Fund
Scudder Gold Fund
Scudder Greater Europe Growth Fund
Scudder International Fund
Scudder Latin America Fund
Scudder Pacific Opportunities Fund
Scudder Quality Growth Fund
Scudder Value Fund
The Japan Fund

Retirement Plans and Tax-Advantaged Investments

IRAs
Keogh Plans
Scudder Horizon Plan+++* (a variable annuity)
401(k) Plans
403(b) Plans
SEP-IRAs
Profit Sharing and Money Purchase Pension Plans

Closed-end Funds#

The Argentina Fund, Inc.
The Brazil Fund, Inc.
The First Iberian Fund, Inc.
The Korea Fund, Inc.
The Latin America Dollar Income Fund, Inc.
Montgomery Street Income Securities, Inc.
Scudder New Asia Fund, Inc.
Scudder New Europe Fund, Inc.
Scudder World Income Opportunities Fund, Inc.

Institutional Cash Management

Scudder Institutional Fund, Inc.
Scudder Fund, Inc.
Scudder Treasurers Trust(tm)++

For complete information on any of the above Scudder funds, including management fees and expenses, call or write for a free prospectus. Read it carefully before you invest or send money. +A portion of the income from the tax-free funds may be subject to federal, state and local taxes. *Not available in all states. +++A no-load variable annuity contract provided by Charter National Life Insurance Company and its affiliate, offered by Scudder's insurance agencies, 1-800-225-2470. #These funds, advised by Scudder, Stevens & Clark, Inc., are traded on various stock exchanges. ++For information on Scudder Treasurers Trust(tm), an institutional cash management service that utilizes certain portfolios of Scudder Fund, Inc. ($100,000 minimum), call: 1-800-541-7703.

HOW TO CONTACT SCUDDER

Account Service and Information

For existing account service and transactions

SCUDDER INVESTOR RELATIONS
1-800-225-5163

For account updates, prices, yields, exchanges and redemptions

SCUDDER AUTOMATED INFORMATION LINE (SAIL)
1-800-343-2890

Investment Information

To receive information about the Scudder funds, for additional applications and prospectuses, or for investment questions

SCUDDER INVESTOR RELATIONS
1-800-225-2470

For establishing 401(k) and 403(b) plans

SCUDDER DEFINED CONTRIBUTION SERVICES
1-800-323-6105

Please address all correspondence to

THE SCUDDER FUNDS
P.O. BOX 2291
BOSTON, MASSACHUSETTS
02107-2291

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* Contact Scudder Investor Services, Inc., Distributor, to receive a prospectus with more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

Celebrating 75 Years of Serving Investors

Established in 1919 by Theodore Scudder, Sidney Stevens, and F. Haven Clark, Scudder, Stevens & Clark was the first independent investment counsel firm in the United States. Since its birth, Scudder's pioneering spirit and commitment to professional long-term investment management have helped shape the investment industry. In 1928, we introduced the nation's first no-load mutual fund. Today we offer 36 pure no load(tm) funds, including the first international mutual fund offered to U.S. investors.

Over the years, Scudder's global investment perspective and dedication to research and fundamental investment disciplines have helped Scudder become one of the largest and most respected investment managers in the world. Though times have changed since our beginnings, we remain committed to our longstanding principles: managing money with integrity and distinction, keeping the interests of our clients first; providing access to investments and markets that may not be easily available to individuals; and making investing as simple and convenient as possible through friendly, comprehensive service.