

SECURITIES AND EXCHANGE COMMISSION

FORM 485APOS

Post-effective amendments [Rule 485(a)]

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FILER

IMG MUTUAL FUNDS INC

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2203 GRAND AVE
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5152445426

July 12, 1995

Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, D.C. 20549

RE: IMG Mutual Funds, Inc.
Form N-1A Reg. No. 33-81998

Gentlemen:

Pursuant to Regulation 230.461(a) and 485(a)(3) of the Securities Act of 1933, on behalf of IMG Mutual Funds, Inc., (the "Fund") and IMG Financial Services, Inc., the Fund's principal underwriter, we hereby request acceleration of the effective date of Post-Effective Amendment No. 1 to Form N-1A Registration Statement for IMG Mutual Funds, Inc. to July 13, 1995.

Very truly yours,

David W. Miles
President, IMG Financial Services, Inc.

Mark A. McClurg
President, IMG Mutual Funds, Inc.

July 12, 1995

Filer Support
Securities and Exchange Commission
6432 General Green Way
Alexandria, VA 22312

RE: IMG Mutual Funds, Inc.
33 Act Reg. No. 33-81998
40 Act Reg. No. 811-8910

Ladies and Gentlemen:

On behalf of the above referenced registrant, we herewith submit one (1) manually signed and sequentially numbered copy of Post-Effective Amendment No. 1 under the Securities Act of 1933 and Amendment No. 4 under the Investment Company Act of 1940 of Form N-1A Registration Statement which was electronically filed via EDGAR on July 12, 1995. This amendment is being filed to include

unaudited financial statements as of July 7, 1995 reflecting the acquisition of assets from the IMG Investment Trusts and to include the disclosure required by the order received pursuant to the Registrant's Application under Section 17(b).

Respectfully submitted,

Ruth Prochaska
Controller/Compliance Officer

enc.

Registration No. 33-81998
811-8910

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. _____
 Post-Effective Amendment No. 1
and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
Amendment No. 4
(Check appropriate box or boxes.)

IMG MUTUAL FUNDS, INC.
(Exact Name of Registrant as Specified in Charter)
2203 Grand Avenue
Des Moines, Iowa 50312-5338
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (515) 244-5426

MARK A. MCCLURG, President
IMG Mutual Funds, Inc.
2203 Grand Avenue
Des Moines, Iowa 50312-5338
(Name and Address of Agent for Service)

Copies of all Communications to:
JOHN C. MILES, ESQ.
Cline, Williams, Wright, Johnson & Oldfather
1900 FirstTier Bank Building
Lincoln, Nebraska 68508

Approximate Date of Proposed Public Offering: As soon as practicable after the Registration Statement becomes effective.

It is proposed that this filing will become effective pursuant to paragraph (a) of Rule 485 under the Securities Act of 1933.

This Registration Statement relates to an indefinite number of shares of the Registrant registered pursuant to Rule 24f-2 under the Securities Act of 1933.

IMG MUTUAL FUNDS, INC.
Cross-Reference Sheet
Required by Rule 404(a)

PART A

| N-1A Item No. | Location in Prospectus |
|--|--|
| 1. Cover Page..... | COVER PAGE |
| 2. Synopsis..... | SUMMARY |
| 3. Financial Highlights..... | NOT APPLICABLE |
| 4. General Description of Registrant..... | INVESTMENT OBJECTIVES AND POLICIES |
| 5. Management of the Fund..... | MANAGEMENT |
| 6. Capital Stock and Other Securities..... | COVER PAGE; DISTRIBUTIONS AND TAXES; CAPITAL STOCK |
| 7. Purchase of Securities Being Offered... | HOW TO INVEST |
| 8. Redemption or Repurchase..... | HOW TO REDEEM |
| 9. Legal Proceedings..... | NOT APPLICABLE |

PART B

| | Location in Statement of Additional Information |
|---|---|
| 10. Cover Page..... | COVER PAGE |
| 11. Table of Contents..... | TABLE OF CONTENTS |
| 12. General Information and History..... | NOT APPLICABLE |
| 13. Investment Objective and Policies..... | INVESTMENT POLICIES AND TECHNIQUES; INVESTMENT RESTRICTIONS |
| 14. Management of the Fund..... | DIRECTORS AND OFFICERS; MANAGEMENT OF THE FUNDS |
| 15. Control Persons and Principal Holder of Securities..... | DIRECTORS AND OFFICERS; PRINCIPAL SHAREHOLDERS; MANAGEMENT OF THE FUNDS |
| 16. Investment Advisory and Other Services. | MANAGEMENT OF THE FUNDS |
| 17. Brokerage Allocation..... | FUND TRANSACTIONS AND BROKERAGE |
| 18. Capital Stock and Other Securities..... | NOT APPLICABLE; SEE CAPITAL STOCK IN PROSPECTUS |
| 19. Purchase, Redemption and Pricing of Securities Being Offered..... | DETERMINATION OF NET ASSET VALUE; VALUATION OF FUND SECURITIES |
| 20. Tax Status..... | TAXES |
| 21. Underwriters..... | MANAGEMENT OF THE FUNDS |
| 22. Calculation of Performance Data..... | PERFORMANCE INFORMATION |
| 23. Financial Statements..... | FINANCIAL STATEMENTS |

PART C

Information required to be included in Part C is set forth under the appropriate item, so numbered in Part C to this Registration Statement.

SUPPLEMENT TO PROSPECTUS
DATED JULY 12, 1995

On July 7, 1995, IMG Mutual Funds, Inc. consummated an acquisition of assets from the IMG Investment Trusts. This acquisition resulted in IMG Mutual Funds, Inc. acquiring the equity securities of the IMG Equity Trust for the IMG Core Stock Fund and the debt securities of the IMG Income Trust for the IMG Bond Fund. Acquisition of these assets involved the issuance of shares by the respective Funds to the beneficiaries of the IMG Investment Trusts. The market value of the assets acquired from the IMG Equity Trust was \$8,788,518.85, while the market value of the assets acquired from the IMG Income Trust was \$4,564,451.33. The acquisition of assets will benefit investors who acquire shares after July 7, 1995 to the extent that the pro rata portion of "other expenses" borne indirectly by each investor decreases and certain economies are realized by spreading costs over a larger asset base. The acquisition may have adverse tax consequences to the same investors, however, as the Funds acquired securities that were appreciated in value from the date they were originally acquired by the Trusts; however, the same potential for adverse tax consequences is present whenever an investor purchases shares in a regulated investment company owning appreciated assets.

As of the date of acquisition, based upon the market value of the securities acquired, the IMG Core Stock Fund acquired securities having a net unrealized capital gain equal to approximately \$615,904.47, allocated among the IMG Core Stock Fund's classes of shares, \$12,601.83 in the Investor Shares, \$421,946.70 in the Select Shares, and \$181,355.94 in the Institutional Shares. Similarly, the IMG Bond Fund acquired securities having a net unrealized capital gain of approximately \$177,267.04 allocated among the IMG Bond Fund's classes of shares, \$4,846.15 in the Investor Shares, \$88,947.95 in the Select Shares, and \$83,472.94 in the Institutional Shares. When either Fund sells any of the appreciated securities acquired, the amount of any gain would be taxable to shareholders, including new shareholders as well as former beneficiaries of the respective Investment Trusts. The effect of this would subject new shareholders to income tax on distribution that economically represents a return of the purchase price of their shares rather than on an increase in the value of their investment, to the extent that the gain represents the appreciation of the securities at the time that they were acquired in the exchange.

PROSPECTUS

IMG Mutual Funds, Inc.
IMG Financial Services, Inc.
2203 Grand Avenue
Des Moines, IA 50312-5338
1-800-798-1819

IMG Mutual Funds, Inc. (the "Company") is a Maryland corporation organized as an open-end management investment company issuing its shares in series (each series referred to as a "Fund" and collectively as "Funds"), representing a diversified portfolio of investments with its own investment objectives and policies. Two Funds are currently authorized and offered by this Prospectus.

They are the IMG Core Stock Fund and the IMG Bond Fund.

Shares of the Funds are not deposits or obligations of, or guaranteed or endorsed by, any bank and the shares are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other agency.

The IMG Core Stock Fund seeks long-term capital appreciation through a diversified portfolio of Equity Securities including common stock, convertible bonds and preferred stock among others.

The IMG Bond Fund seeks to obtain income by investing in a portfolio of fixed income securities 75% of which at all times will be Investment Grade Fixed Income Securities and, secondarily, seeks capital appreciation consistent with the preservation of capital and prudent investment risk.

For a more detailed discussion of the investment objectives and policies of each of the Funds, see "INVESTMENT OBJECTIVES AND POLICIES", "IMPLEMENTATION OF POLICIES AND RISKS" and "INVESTMENT RESTRICTIONS".

This Prospectus contains information you should be aware of before investing in the Funds. Please read this Prospectus carefully and keep it for future reference. A Statement of Additional Information dated May 24, 1995 for the Funds has been filed with the Securities and Exchange Commission. This Statement, which may be revised from time to time, contains further information about the Funds and is incorporated by reference in this Prospectus. Upon request, the Funds will provide a copy of the Statement of Additional Information without charge to each person to whom a Prospectus is delivered.

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.

The date of this Prospectus is May 24, 1995.

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No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and the Statement of Additional Information, and if given or made, such information or representations may not be relied upon as having been authorized by the Funds. This Prospectus does not constitute an offer to sell securities in any state or jurisdiction in which such offering may not lawfully be made.

SUMMARY

Investment Objectives and Policies

The Funds are each managed as separate diversified open-end management investment companies, with distinct investment objectives and policies.

The IMG Core Stock Fund's investment objective is to seek long-term capital appreciation. Realization of income is not a significant investment consideration and any income realized on the Fund's investments, therefore, will be incidental to the Fund's objective. The IMG Core Stock Fund will seek to achieve its investment objective by investing primarily in Equity Securities. (See "INVESTMENT OBJECTIVES AND POLICIES".) The IMG Core Stock Fund is intended to be an investment alternative for that part of an investor's capital which can appropriately be exposed to above average risk in anticipation of greater rewards. It is not designed to offer a complete or balanced investment program suitable for all investors.

The IMG Bond Fund's investment objective is to obtain income by investing in a portfolio of fixed income securities and, secondarily, to seek capital appreciation consistent with the preservation of capital and prudent investment risk. The Fund will invest at least 75% of its total assets in Investment Grade Fixed Income Securities at all times. (See "INVESTMENT OBJECTIVES AND POLICIES".) Because of this emphasis, capital appreciation is not a significant consideration. The IMG Bond Fund is designed for the investor seeking a consistent level of income, which is higher than money market or short- and intermediate-term bond funds usually provide. Unlike money market mutual funds, the IMG Bond Fund does not seek to maintain a stable net asset value and may not be able to return dollar-for-dollar the money invested. The IMG Bond Fund seeks income from a portfolio of fixed income securities and, secondarily, seeks capital appreciation.

Risks and Investment Practices

The IMG Core Stock Fund investments in Equity Securities and the Advisor's policies relating thereto should not expose the Core Stock Fund to risks which are substantially different than other investment companies with similar investment objectives and policies; however, as with any investment company principally investing in Equity Securities including foreign securities and special situations, there can be no assurance that the Fund will achieve its objectives.

The IMG Bond Fund investments in Fixed Income securities, including derivatives and junk bonds (up to 25% of its total assets), and the Advisor's policies relating thereto should not expose the IMG Bond Fund to risks that are substantially different than other investment companies with similar investment objectives and policies; however, the investments in junk bonds and derivative securities could result in the Fund experiencing some volatility in its net asset value unrelated to interest rate risk, if the issuer of the junk bond defaults, the interest rate trends abruptly move up or down or the indices used to adjust yield on derivative securities move rapidly up or down. As with any bond fund, the principal risk of investing in a fund comprised of fixed income securities is that the net asset value will fluctuate inversely to the rise and fall of interest rates. This volatility can be reduced to some extent by managing the average portfolio maturity -- a shorter average portfolio maturity reduces volatility (which reduces yield) and a longer portfolio maturity increases volatility (which increases yield). The Advisor intends to manage the portfolio maturity to minimize the effect of interest rate volatility while maximizing yield by actively managing the portfolio in light of the Advisor's forecast for interest rates. There can be no assurance that the Fund will achieve its objective or that the Advisor's management approach will be successful.

For a complete description of the Funds investment practices and risks thereof see "INVESTMENT OBJECTIVES AND POLICIES," "IMPLEMENTATION OF POLICIES AND

RISKS," herein and "INVESTMENT POLICIES AND TECHNIQUES" in the Statement of Additional Information.

The Funds may use a variety of hedging techniques to, among other things, minimize adverse price movements or fluctuations of securities held and hedge against unfavorable future fluctuations in interest rates. Such techniques include the use of options, futures and options on futures. The Funds may also purchase put and sell call options on Fund securities and, within specified limits, invest in repurchase agreements; illiquid securities; foreign securities; mortgage- and asset-backed securities; zero coupon, deferred interest and PIK bonds; collateralized mortgage obligations and multi-class pass-through securities; stripped mortgage-backed securities; loan participations; delayed delivery transactions; variable- or floating-rate securities; and warrants; and may loan their Fund securities. Each Fund may engage in short-term trading, subject to constraints of remaining qualified under Subchapter M of the Internal Revenue Code of 1986, as amended. (See "DISTRIBUTIONS AND TAXES".)

Management

The Funds' investment advisor is Investors Management Group, ("IMG" or the "Advisor"), an Iowa corporation. IMG provides ongoing investment advisory services for the Funds. IMG is a registered investment advisor providing investment management services to mutual funds, financial institutions, insurance companies, public agencies and individuals, with approximately \$1 billion presently under management. IMG's portfolio managers will be responsible for the day-to-day management of the Funds and their investments. (See "MANAGEMENT".)

Purchase and Redemption of Shares

Shares of each Fund are available through IMG Financial Services, Inc., as Distributor to the Funds ("IFS") or from selected broker/dealer firms and other financial services firms ("Firms") at the net asset value per share of the Funds. One hundred percent of the dollars invested in the Funds are used to purchase shares of one or more of the Funds without any deduction or initial sales charge. Shares of the Funds are redeemable at any time at the next-determined net asset value per share, without any deduction or deferred sales charge. Shares of the Funds may be exchanged without charge. The net asset value per share changes daily with the value of each Fund's holdings. (See "HOW TO INVEST" and "HOW TO REDEEM SHARES".)

Multiple Classes of Shares

Each Fund offers three classes of shares to the general public, each with its own features and expense structure: Investor Shares, Select Shares, and Institutional Shares. Each class of shares represents an interest in the same portfolio of investments of each Fund. Per share dividends will be highest on Institutional Shares, then Select Shares, followed by Investor Shares. Shareholders are automatically invested in the lowest fee share class for which they are eligible.

Investor Shares: The minimum investment for Investor Shares of any of the Funds is normally \$1,000. Investor Shares of the IMG Core Stock Fund and the IMG Bond Fund each pay an annual distribution fee of up to 0.40% and 0.25% of average daily net assets respectively to IFS. Each Fund also pays an annual services fee of 0.25% of average daily net assets to IMG on this class of shares.

Select Shares: The minimum investment for Select Shares of any of the Funds is \$100,000. Select Shares of each Fund pay an annual distribution fee of up to 0.15% of average daily net assets to IFS. Annual services fees paid by Select Shares to IMG are 0.25% and 0.15% of average daily net assets of the IMG Core Stock Fund and the IMG Bond Fund respectively.

Institutional Shares: The minimum investment for Institutional Shares of any of the Funds is \$500,000. Institutional Shares of the IMG Core Stock Fund and the IMG Bond Fund pay a services fee of 0.15% and 0.10% of average daily net assets respectively. No distribution fee is paid by Institutional Shares.

Conversion: Investments in each class of shares are automatically converted to the lowest fee class of shares for which the investor is then eligible based on their last purchase, redemption or transfer in the Fund. Some Firms may not make certain classes of shares available; however all classes of shares are always available through IFS. Eligible shareholders may transfer their accounts directly to IFS and then convert to the appropriate class of shares at no charge from the Fund. A transfer or other fee may be imposed by the Firm through which the account is held.

Shareholder Services

Services offered include mail or telephone purchase, exchange and redemption; an automatic investment plan; and automatic dividend reinvestment. (See "SHAREHOLDER SERVICES".)

Dividends and Distributions

The policy of the Funds is to distribute substantially all of the net investment income of each Fund, if any, on a regular basis. Any dividends from the net income of the IMG Bond Fund normally will be distributed quarterly, and any dividends from the net income of the IMG Core Stock Fund will normally be distributed semi-annually. Dividends from net investment income paid by all classes of shares, to the extent paid, will be calculated in the same manner, at the same time, on the same day, and will be in the same amounts, except to the extent that specific share class level expenses are paid by each Fund. Any net realized capital gains for each Fund will be distributed at least annually. (See "DISTRIBUTIONS AND TAXES".)

EXPENSES

The following information is provided in order to assist you in understanding the various costs and expenses that, as an investor in the Funds, you will bear directly or indirectly.

Shareholder Transaction Expenses

| | Investor Shares | Select Shares | Institutional Shares |
|---|--------------------|------------------|-------------------------|
| Maximum Sales Charge Imposed on Purchases.... | None | None | None |
| Maximum Sales Charge on Reinvested Dividends. | None | None | None |
| Exchange Fee..... | None | None | None |
| Redemption Fee*..... | None | None | None |
| Maximum Contingent Deferred Sales Charge..... | None | None | None |

*There is a \$10 charge associated with redemptions payable by wire transfer.

Annual Fund Operating Expenses

(as a percentage of average net assets)

IMG CORE STOCK FUND

| | Investor Shares | Select Shares | Institutional Shares |
|----------------------|--------------------|------------------|-------------------------|
| Management Fee..... | 0.50% | 0.50% | 0.50% |
| Rule 12b-1 Fees..... | 0.40% | 0.15% | None |
| Other Expenses..... | 0.45% | 0.45% | 0.35% |

| | | | |
|-------------------------------|-------|-------|-------|
| Total Operating Expenses..... | 1.35% | 1.10% | 0.85% |
|-------------------------------|-------|-------|-------|

IMG BOND FUND

| | | | |
|-------------------------------|-------|-------|-------|
| Management Fee..... | 0.30% | 0.30% | 0.30% |
| Rule 12b-1 Fees..... | 0.25% | 0.15% | None |
| Other Expenses..... | 0.45% | 0.35% | 0.30% |
| Total Operating Expenses..... | 1.00% | 0.80% | 0.60% |

From time to time, the Fund's Advisor may also voluntarily waive the management fee and/or absorb certain expenses for a Fund or class. "Other Expenses" is estimated. The Management Fee and Rule 12b-1 Fees are based on the maximum allowable under the Investment Advisory Agreement and Distribution Plan. As a result "Total Operating Expenses" is also estimated. Rule 12b-1 fees are fees related to distribution and marketing expenses incurred under a plan adopted pursuant to Rule 12b-1 under the 1940 Act. Long-term shareholders may pay more than the economic equivalent of the maximum front-end sales charge permitted by the National Association of Securities Dealers.

Example of Expenses

The example below assumes the purchase of shares of each class with no conversion to any other class of shares. You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return.

| IMG Core Stock Fund | Period in Years | |
|----------------------|-----------------|---------|
| | 1 year | 3 years |
| Investor Shares | \$14 | \$43 |
| Select Shares | 11 | 35 |
| Institutional Shares | 9 | 27 |

| IMG Bond Fund | Period in Years | |
|----------------------|-----------------|---------|
| | 1 year | 3 years |
| Investor Shares | \$10 | \$32 |
| Select Shares | 8 | 26 |
| Institutional Shares | 6 | 19 |

The purpose of the preceding table is to assist investors in understanding the various costs and expenses that an investor in a Fund will bear directly or indirectly.

Insofar as the Funds are newly organized and as of the date hereof had no operating history, the Example is based on the estimated "Total Operating Expenses" specified in the table above. Please remember that the Example should not be considered as representative of past or future expenses and that actual expenses may be higher or lower than those shown. For more complete descriptions of the expenses of each Fund, please see: "MANAGEMENT".

INVESTMENT OBJECTIVES AND POLICIES

The descriptions that follow are designed to help you choose the Fund that best fits your investment objective. You may want to pursue more than one objective by investing in more than one of the Funds. Each Fund's investment objectives are discussed below in connection with the Fund's investment policies.

Each Fund may invest in a diversified portfolio of securities without regard to criteria such as size, exchange listing, earnings history or other objective factors. The Advisor will be limited by its best judgment as to what will help achieve each Fund's investment objective and the policies and restrictions described below. Because of the risks inherent in all investments there can be no assurance that the objectives of the Funds will be met.

Equity Securities

Subject to certain restrictions explained more fully below, the IMG Core Stock Fund may invest in "Equity Securities". Equity Securities consist of (i) common stocks, (ii) preferred stocks, (iii) warrants to purchase common stocks or preferred stocks, (iv) securities convertible to common or preferred stocks, such as convertible bonds and debentures, (v) shares of publicly traded limited partnerships, and (vi) foreign securities -- equity securities issued by foreign issuers traded either in foreign markets or in domestic markets through depository receipts.

Fixed Income Securities

Each Fund may invest in the fixed income investments described below (collectively "Fixed Income Securities"). A Fund's authority to invest in certain types of Fixed Income Securities may be restricted or subject to objective investment criteria. For complete information on these restrictions see the description of each Fund's investment objectives and policies in this section.

Fixed Income Securities consist of (i) corporate debt securities, including bonds, debentures, and notes; (ii) bank obligations, such as certificates of deposit, bankers' acceptances, and time deposits of domestic banks, foreign branches and subsidiaries of domestic banks, and domestic and foreign branches of foreign banks and domestic savings and loan associations (in amounts in excess of the insurance coverage (currently \$100,000 per account) provided by the Federal Deposit Insurance Corporation); (iii) commercial paper; (iv) variable and floating rate securities (including variable account master demand notes); (v) repurchase agreements; (vi) illiquid debt securities (such as private placements, restricted securities and repurchase agreements maturing in more than seven days); (vii) foreign securities -- debt securities issued by foreign issuers traded either in foreign markets or in domestic markets through depository receipts; (viii) convertible securities -- debt securities of corporations convertible into or exchangeable for equity securities or debt securities that carry with them the right to acquire equity securities, as evidenced by warrants attached to such securities, or acquired as part of units of the securities; (ix) preferred stocks -- securities that represent an ownership interest in a corporation and that give the owner a prior claim over common stock on the company's earnings or assets; (x) U.S. government securities; (xi) mortgage-backed securities, collateralized mortgage obligations and similar securities (including corporate asset-backed securities); and (xii) when issued or delayed delivery securities.

Fixed Income Securities include fixed rate securities and variable or floating rate securities (income producing debt instruments with interest rates which change at stated intervals or in relation to a specified interest rate index). (See "IMPLEMENTATION OF POLICIES AND RISKS -- Variable or Floating Rate Securities".)

Corporate debt securities, including bonds, debentures, and notes, may be unsecured or secured by the issuer's assets. They may be senior or subordinate in right of payment to other creditors of the issuer and may be listed on a national securities exchange or traded in the over-the-counter market. Each Fund may invest in the obligations of banks and savings and loan associations. However, a Fund will only invest in obligations of banks and savings and loan associations which present minimal credit risks.

"U.S. government securities" include bills, notes, bonds, and other debt securities differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or issued or guaranteed by U.S. government agencies or instrumentalities. U.S. government agency securities include securities issued by (a) the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business

Administration, and the Government National Mortgage Association, whose securities are supported by the full faith and credit of the United States; (b) the Federal Home Loan Banks, Federal Intermediate Credit Banks, and the Tennessee Valley Authority, whose securities are supported by the right of the agency to borrow from the U.S. Treasury; (c) the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, whose securities are supported by the discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality; and (d) the Student Loan Marketing Association, the Interamerican Development Bank, and the International Bank for Reconstruction and Development, whose securities are supported only by the credit of such agencies. While the U.S. government provides financial support to U.S. government agencies or instrumentalities, no assurance can be given that it always will do so. The U.S. government, its agencies, and instrumentalities do not guarantee the market value of their securities and consequently, the value of such securities may fluctuate.

Fixed income securities in which the Funds may invest will primarily be "Investment Grade Fixed Income Securities". Investment-Grade Fixed Income Securities are considered to be (i) corporate debt securities rated in the four highest categories by Moody's Investors Service ("Moody's"), Standard & Poor's Corporation ("S&P"), Duff & Phelps, Inc. ("D&P"), Fitch Investors Services, Inc. ("Fitch"), or of similar quality as determined by another Nationally Recognized Statistical Rating Organization ("NRSRO") as that term is used in applicable rules of the Securities and Exchange Commission; (ii) U.S. government securities (as defined above); (iii) bank obligations (certificates of deposit, bankers' acceptances, and time deposits) issued by banks with a long-term CD rating in one of the four highest categories of an NRSRO, with respect to obligations purchased by a Fund and maturing in more than one year (e.g., BBB or higher by S&P), and in one of the three highest categories, with respect to obligations purchased by a Fund and maturing in one year or less (e.g., A-3 or higher by S&P); (iv) preferred stock rated in one of the four highest categories by an NRSRO (e.g., BBB or higher by S&P); (v) commercial paper rated in the two highest categories by S&P, Moody's, D&P, Fitch or another NRSRO (e.g., A-2 or higher by S&P); (vi) repurchase agreements involving these securities; and (vii) unrated securities which, in the opinion of the Advisor, are of a quality comparable to the foregoing. See Appendix A of the Statement of Additional Information for descriptions of the rating services' bond ratings. The IMG Core Stock Fund may invest no more than 5% of its total assets in debt securities, convertible securities and preferred stock rated below investment grade.

The IMG Bond Fund's average maturity represents an average based on the stated maturity dates of the Fund's Fixed Income Securities, except that (i) variable-rate securities are deemed to mature at the next interest rate adjustment date, (ii) debt securities with put features are deemed to mature at the next put exercise date, and (iii) the maturity of mortgage-backed securities is determined on an "expected life" basis.

The investment objective for each Fund is described below. Because of the risks involved in all investments there can, of course, be no assurance that the objectives of the Fund will be met. Except for the investment objectives of each Fund, and certain additional limitations listed under "INVESTMENT RESTRICTIONS" and in the Statement of Additional Information, the investment policies of each Fund are not fundamental. Accordingly, they may be changed by the Board of Directors of the Funds without an affirmative vote of a majority of each Fund's outstanding voting shares.

IMG Core Stock Fund

The IMG Core Stock Fund's investment objective is to seek long-term capital appreciation. Realization of income is not a significant investment consideration and any income realized on the Fund's investments, therefore, will be incidental to the Fund's objective. The IMG Core Stock Fund is intended to be an investment vehicle for that part of an investor's capital which can appropriately be exposed to above average risk in anticipation of greater

rewards. It is not designed to offer a complete or balanced investment program suitable for all investors.

The term "Core Stock Fund" indicates an equity investing style which emphasizes stocks which trade at the lower end of their historical valuation range. The stocks which pass this valuation requirement are considered to represent a core group within the broad stock market. The composition of stocks in this core group can change over time depending on economic and financial market conditions. Thus, this equity style has the flexibility to emphasize value stocks or growth stocks depending upon where the most attractive historical valuations are found.

The IMG Core Stock Fund will seek to achieve its investment objective by investing primarily (at least 65% and up to 100% of its total assets under normal conditions) in stocks; i.e., common and preferred stock, but may also invest in Fixed Income Securities and Short-Term Cash Equivalents (defined herein). See ("IMPLEMENTATION OF POLICIES AND RISKS".) However, the percentage of the IMG Core Stock Fund's assets that may be invested in Equity Securities, Fixed Income Securities and/or Short-Term Cash Equivalents at any time is not fixed. For temporary defensive purposes, when market conditions dictate a more conservative approach to investing, the Fund may be invested up to 100% in Cash or Short-Term Cash Equivalents.

Investments will be selected by the Advisor through a "top down" analysis approach, in which the macroeconomic environment is analyzed in two key areas: the market's valuation risk (based on fundamental valuation measures such as price/earnings, price/book and price/dividend ratios), and the underlying inflation environment. The Advisor's analysis of these two factors will strongly affect the Advisor's determination of the level of investment in Equity Securities.

This "top down" analysis also suggests certain market sectors for emphasis or de-emphasis based upon the sector's correlation to the major market forces examined. However, sector exposures are monitored closely and positions will not be concentrated in any sector in excess of 25% of the Fund's total assets.

Individual stocks are selected on the basis of an evaluation of factors which indicate the fundamental investment value of the security, such as sustainable earnings yield, dividend yield, cash flow, price/book value, and price/sales ratio. The primary goal is to select securities which are fundamentally undervalued. This approach favors financially strong companies with ample liquidity and debt capacity.

The Fund will also invest in "special situations" from time to time, when the securities of a particular company exhibit independent signs of under valuation. A "special situation" arises when, in the opinion of the Advisor, the securities of a particular company will be accorded market recognition at an appreciated value solely by reason of a development particularly or uniquely applicable to that company and regardless of general business conditions or movements of the stock market as a whole. Developments creating special situations might involve, among others, the following: "workouts" such as liquidations, reorganizations, recapitalizations or mergers; material litigation; technological breakthroughs; and new management or management policies. Special situations may involve a different type of risk than is inherent in ordinary investment securities; that is, a risk involving the likelihood or timing of specific events rather than general economic, market or industry risks. As with any securities transaction, investment in special situations may involve the risk of decline or total loss of the value of the investment. However, the Advisor will not invest in special situations unless, in its judgment, the risk involved is reasonable in light of the Fund's investment objective, the amount to be invested and the expected investment results.

Although the Fund's assets normally will be invested primarily in Equity Securities, the Fund may hold Fixed Income Securities (as defined above), and

Cash Equivalents, when a defensive position is warranted or so that the Fund may receive a return on its idle cash. A defensive position may occur when investment opportunities with desirable risk/reward characteristics are unavailable. While the Fund maintains a defensive position, investment income will increase and may constitute a large portion of the return on the Fund, and the Fund probably will not participate in market advances or declines to the extent it would if it were fully invested. However, except when the Advisor determines that adverse market conditions warrant a temporary defensive position, the Fund will limit the investments in Fixed Income Securities to 35% of its total assets.

Since the Fund's assets will normally consist primarily of Equity Securities, the Fund's net asset value may be subject to greater principal fluctuation than a Fund containing a substantial amount of fixed income securities. (See "IMPLEMENTATION OF POLICIES AND RISKS -- Portfolio Turnover".)

IMG Bond Fund

The investment objective of the IMG Bond Fund is to obtain income by investing in a portfolio of fixed income securities and, secondarily, to seek capital appreciation consistent with the preservation of capital and prudent investment risk. The IMG Bond Fund is designed for the investor seeking a more consistent level of income than typical equity or balanced funds, which is higher than money market or short- and intermediate-term bond funds usually provide. The Fund will invest at least 75% of its total assets in Investment Grade Fixed Income Securities (including Cash Equivalents). Investments will be made generally upon a long-term basis, but the Fund may make short-term investments from time to time. Longer maturities typically provide better yields but will subject the Fund to a greater possibility of substantial changes in the values of its securities as interest rates change. Unlike a money market fund, the Fund's net asset value will rise and fall in inverse relationship to changes in interest rates.

The Fund will invest at least 65% of its total assets in debt instruments which the advisor considers to be bonds which include corporate debt securities, U.S. government securities, bank obligations, commercial paper, repurchase agreements, variable and floating rate securities, foreign fixed income securities, mortgage-backed securities, collateralized mortgage obligations and similar securities.

To meet the objectives of the Fund and to seek additional stability of principal, the Fund will be managed to adjust the average maturity based on the interest rate outlook. During periods of rising interest rates and falling prices, a shorter average maturity may be adopted to cushion the effect of price declines on the Fund's net asset value. When rates are falling and prices are rising, a longer average maturity for the Fund may be considered.

Under normal circumstances, the Fund will invest at least 75% of its total assets in Fixed Income Securities which are considered to be of Investment Grade. Up to 25% of the Fund's total assets could be invested in below-Investment Grade securities (commonly known as "junk bonds"). Currently, the Fund does not expect to invest in (i) securities rated lower than "Ba" by Moody's or "BB" by S&P, Fitch, D&P, or of similar quality by another NRSRO; and (ii) unrated debt securities of similar quality. Securities of "BBB/Baa" or lower quality may have speculative characteristics and poor credit protection.

The ratings services' descriptions of the below-Investment Grade securities ratings categories in which the Fund may invest are as follows:

Moody's Investors Service, Inc. Bond Ratings: Bonds which are rated "Ba" are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

Standard and Poor's Corporation Bond Ratings: Debt rated "BB", "B", "CCC", and "CC" is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

Fitch Investors Services, Inc. Bond Ratings: Bonds which are rated "BB" are considered speculative and of low investment grade. The obligor's ability to pay interest and repay principal is not strong and is considered likely to be affected over time by adverse economic changes.

Duff & Phelps, Inc. Long Term Ratings: Bonds which are rated "BB+", "BB", and "BB-", are below investment grade but deemed likely to meet obligations when due. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.

See "IMPLEMENTATION OF POLICIES AND RISKS -- Lower Rated Securities" for information concerning risks associated with investing in below investment grade bonds.

The Fund's assets may be invested in all types of Fixed Income Securities in any proportion, including corporate debt securities, bank obligations, commercial paper, repurchase agreements, private placements, foreign securities, convertible securities, preferred stocks, U.S. government securities, and mortgage-backed and similar securities. (See "Fixed Income Securities" above.) Common stocks acquired through exercise of conversion rights or warrants or acceptance of exchange or similar offers will normally not be retained by the Fund, but will be disposed of in an orderly fashion consistent with the best obtainable price. There is no maximum or anticipated average maturity for the IMG Bond Fund. The maturities selected will vary depending on the interest rate outlook.

IMPLEMENTATION OF POLICIES AND RISKS

In addition to the investment policies described above (and subject to certain additional restrictions described below), the Funds may invest in some or all of the following securities and employ some or all of the following investment techniques, some of which may present special risks as described below. A more complete discussion of these securities and investment techniques and their associated risks is contained in the Statement of Additional Information.

Repurchase Obligations

Each Fund may enter into repurchase agreements with member banks of the Federal Reserve System or dealers registered under the Securities and Exchange Act of 1934. In a repurchase agreement, the Fund buys a security at one price and, at the time of sale, the seller agrees to repurchase the obligation at an agreed upon time and price (usually within seven days). The repurchase agreement thereby determines the yield during the purchaser's holding period, while the seller's obligation to repurchase is secured by the value of the underlying security. Under each repurchase agreement, the selling institution will be required to maintain the value of the securities subject to the repurchase agreement at not less than the repurchase price plus accrued interest. Repurchase agreements could involve certain risks in the event of default or insolvency of the other party to the agreement, including possible delays or restrictions upon a Fund's ability to dispose of the underlying securities. The Funds may not enter into repurchase agreements if, as a result, more than 10% of a Fund's net asset value at the time of the transaction would be invested in the aggregate in repurchase agreements maturing in more than seven days and other securities which are not readily marketable. (See "Illiquid Securities" below.)

Each Fund may also enter into reverse repurchase agreements. In a reverse repurchase agreement, a Fund sells a security to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time.

Fixed Income Securities

The net asset value of the shares of open-end investment companies, such as the IMG Bond Fund, which invest in Fixed Income Securities, changes as the general levels of interest rates fluctuate. When interest rates decline, the net asset value of the IMG Bond Fund can be expected to rise. Conversely, when interest rates rise, the net asset value of the IMG Bond Fund can be expected to decline.

Although changes in the value of securities subsequent to their acquisition are reflected in the net asset value of shares of the Fund, such changes will not affect the income received by the Fund from such securities. However, the dividends paid by the Fund, if any, will increase or decrease in relation to the income received by the Fund from its investments, which would in any case be reduced by the Fund's expenses before it is distributed to shareholders.

When and if available, the Funds may purchase Fixed Income Securities at a discount from face value. However, the Funds do not intend to hold such securities to maturity for the purpose of achieving potential capital appreciation, unless current yields on these securities remain attractive.

Lower Rated Securities

Investments in below-Investment Grade Fixed Income Securities by the IMG Bond Fund, while generally providing greater income and opportunity for gain than investments in higher rated securities, usually entail greater risk of principal and income (including the possibility of default or bankruptcy of the issuers of such securities), and involve greater volatility of price (especially during periods of economic uncertainty or change) than investments in higher rated securities and because yields may vary over time, no specific level of income can ever be assured. In particular, securities rated lower than "Baa" by Moody's or "BBB" by S&P or comparable securities either rated by another NRSRO or unrated (commonly known as "junk bonds") are considered speculative. These lower rated, higher yielding Fixed Income Securities generally tend to reflect economic changes (and the outlook for economic growth), short-term corporate and industry developments and the market's perception of their credit quality (especially during times of adverse publicity) to a greater extent than higher rated securities which react primarily to fluctuations in the general level of interest rates (although these lower rated Fixed Income Securities are also affected by changes in interest rates). In the past, economic downturns or an increase in interest rates have under certain circumstances caused a higher incidence of default by the issuers of these securities and may do so in the future, especially in the case of highly leveraged issuers. During certain periods, the higher yields on the Fund's lower rated, high yielding Fixed Income Securities are paid primarily because of the increased risk of loss of principal and income, arising from such factors as the heightened possibility of default or bankruptcy of the issuers of such securities. Due to the fixed income payments of these securities, the Fund may continue to earn the same level of interest income while its net asset value declines due to Fund losses, which could result in an increase in the Fund's yield despite the actual loss of principal.

The prices for these securities may be affected by legislative and regulatory developments. For example, federal rules require that savings and loan associations gradually reduce their holdings of high-yield securities. An effect of such legislation may be to depress the prices of outstanding lower rated, high yielding Fixed Income Securities.

Changes in the value of securities subsequent to their acquisition will not

affect cash income or yield to maturity of the Fund, but will be reflected in the net asset value of shares of the Fund. The market for these lower rated fixed income securities may be less liquid than the market for investment grade fixed income securities. Furthermore, the liquidity of these lower rated securities may be affected by the market's perception of their credit quality. Therefore, the Advisor's judgment may at times play a greater role in valuing these securities than in the case of Investment Grade Fixed Income Securities, and it also may be more difficult during times of certain adverse market conditions to sell these lower rated securities at their fair market value to meet redemption requests or to respond to changes in the market.

As noted above, the IMG Bond Fund may invest up to 25% of its total assets in fixed income securities that are rated lower than Investment Grade. See "Fixed Income Securities" above. To the extent the Fund invests in these lower rated fixed income securities, the achievement of its investment objective may be more dependent on the Advisor's own credit analysis than in the case of a fund investing in higher quality bonds. While the Advisor will refer to ratings issued by established ratings agencies, it is not a policy of the Fund to rely exclusively on ratings issued by these agencies, but rather to supplement such ratings with the Advisor's own independent and ongoing review of credit quality.

The Funds may also invest in Fixed Income Securities rated in the fourth highest category by one or more NRSROs (e.g., "Baa" by Moody's), and comparable unrated securities. These securities, while normally exhibiting adequate protection parameters, may have speculative characteristics and changes in economic conditions and other circumstances are more likely to lead to a weakened capacity to make principal and interest payments than in the case of higher grade Fixed Income Securities.

For further discussion, see "INVESTMENT POLICIES AND TECHNIQUES -- Low-Rated and Comparable Unrated Fixed Income Securities" in the Statement of Additional Information.

Short-Term Investments for Defensive Purposes

During periods of unusual market conditions when the Advisor believes that investing for defensive purposes is appropriate, a large portion or all of the assets of one or more of the Funds may be invested in cash or Short-Term Cash Equivalents including, but not limited to, obligations of banks (including certificates of deposit, bankers' acceptances and repurchase agreements), high quality commercial paper and short-term notes (rated in the two highest categories by S&P and/or Moody's or any other NRSRO or determined to be of comparable quality by the Advisor), other money market funds, obligations issued or guaranteed by the U.S. government or any of its agencies or instrumentalities and related repurchase agreements.

Illiquid Securities

Each Fund may invest up to 10% of its net assets in illiquid securities. For purposes of this restriction, illiquid securities include restricted securities (securities the disposition of which is restricted under the federal securities laws, such as private placements), other securities without readily available market quotations (including options traded in the over-the-counter market, and interest-only and principal-only stripped mortgage-backed securities), and repurchase agreements maturing in more than seven days. Risks associated with restricted securities include the potential obligation to pay all or part of the registration expenses in order to sell certain restricted securities. A considerable period of time may elapse between the time of the decision to sell a security and the time a Fund may be permitted to sell it under an effective registration statement. If, during such a period, adverse conditions were to develop, the Fund might obtain a less favorable price than that prevailing when it decided to sell. A complete description of these investment practices and their associated risks is contained in the Statement of Additional Information.

Futures and Options Activities

The Funds may, subject to certain restrictions, invest in interest rate futures contracts and index futures contracts. Interest rate futures contracts are contracts for the future delivery of debt securities, such as U.S. Treasury bonds, U.S. Treasury bills, U.S. Treasury notes, Government National Mortgage Association modified pass-through mortgage-backed securities, 90-day commercial paper, bank certificates of deposit, and Eurodollar certificates of deposit. Index futures contracts are contracts in which the parties agree to take or make delivery of an amount of cash equal to the difference between the value of the index at the close of the last trading day of the contract and the price at which the futures contract was originally written.

The Funds may also (i) purchase covered spread options which give each Fund the right to sell a security that it owns at a fixed dollar spread or yield spread in relationship to another security that the Fund does not own, but which is used as a benchmark (up to 5% of the Fund's total net assets); (ii) write call options and purchase put options on interest rate and index futures contracts; (iii) write covered call options on its portfolio securities and purchase covered put options on its portfolio securities; and (iv) enter into closing transactions with respect to these options. The Funds may enter into futures transactions and options on futures contracts and Fund securities only for traditional hedging purposes. Premiums may be generated through the use of call options. However, the premiums which may be generated are not the primary reason for writing covered call options.

These investment practices will primarily be used to attempt to minimize adverse principal or price fluctuations and unfavorable fluctuations in interest rates. They do, however, involve risks that are different in some respects from the investment risks associated with similar funds which do not engage in these activities. With respect to futures contracts and options on futures contracts, the correlation between changes in prices of futures contracts (and options thereon) and of the securities being hedged can only be approximate. Consequently, even a well-conceived hedge may be unsuccessful to some degree because of unexpected market behavior or interest rate trends. Because of low margin deposits required, futures trading involves an extremely high degree of leverage. As a result, a relatively small price movement in a futures contract or an option thereon may result in immediate and substantial gain, as well as loss, to the investor. Therefore, a purchase or sale of a futures contract may result in gains or losses in excess of the amount initially invested in the futures contract. Since most U.S. futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day, a Fund may not be able to close futures positions at favorable prices. Over-the-counter options are not traded on contract markets regulated by the CFTC or the SEC, and many of the protections afforded to exchange participants are not available. These options have no limits on daily price fluctuations, and pose the risks of inability to find a counterparty to a transaction, lack of a liquid secondary market, and the risk of default of the counterparty. A complete description of futures and options investment practices and their associated risks is contained in the Statement of Additional Information. Each Fund's transactions in futures, options on futures, and options on Fund securities are subject to certain restrictions. (See "INVESTMENT RESTRICTIONS".)

Warrants

The IMG Core Stock Fund may invest in warrants; however, not more than 5% of the Fund's total assets (at the time of purchase) will be invested in warrants other than warrants acquired in units or attached to other securities. Of such 5%, not more than 2% of total assets at the time of purchase may be invested in warrants that are not listed on the New York or American Stock Exchange. An investment in warrants is pure speculation in that they have no voting rights, pay no dividends, and have no rights with respect to the assets of the corporation issuing them. Warrants basically are options to purchase equity securities at a specific price valid for a specific period of time. They do not represent

ownership of securities but only the right to buy them. Warrants differ from call options in that warrants are issued by the issuer of the securities which may be purchased on their exercise, whereas call options may be written by anyone. (See "Covered Call and Put Options" in the Statement of Additional Information.) The prices of warrants do not necessarily move parallel to the prices of the underlying securities.

Variable or Floating Rate Securities

Each Fund may invest in Fixed Income securities which offer a variable or floating rate of interest. Variable rate securities provide for automatic establishment of a new interest rate at fixed intervals (e.g., daily, monthly, semi-annually, etc.). Floating rate securities provide for automatic adjustment of the interest rate whenever some specified interest rate index changes. The interest rate on variable or floating rate securities is ordinarily determined by reference to or is a percentage of a bank's prime rate, the 90-day U.S. Treasury bill rate, the rate of return on commercial paper or bank certificates of deposit, an index of short-term interest rates, or some other objective measure.

Variable or floating rate securities frequently include a demand feature entitling the holder to sell the securities to the issuer at par. In many cases, the demand feature can be exercised at any time on seven days' notice; in other cases, the demand feature is exercisable at any time on 30 days' notice or on similar notice at intervals of not more than one year. Securities with a demand feature exercisable over a period in excess of seven days are considered to be illiquid. (See "Illiquid Securities" above.) Some securities which do not have variable or floating interest rates may be accompanied by puts producing similar results and price characteristics.

Variable rate demand notes include master demand notes which are obligations that permit a Fund to invest fluctuating amounts, which may change daily without penalty, pursuant to direct arrangements between the Fund, as lender, and the borrower. The interest rates on these notes fluctuate from time to time. The issuer of such obligations normally has a corresponding right, after a given period, to prepay in its discretion the outstanding principal amount of the obligations plus accrued interest upon a specified number of days' notice to the holders of such obligations. The interest rate on a floating rate demand obligation is based on a known lending rate, such as a bank's prime rate, and is adjusted automatically each time such rate is adjusted. The interest rate on a variable rate demand obligation is adjusted automatically at specified intervals. Frequently, such obligations are secured by letters of credit or other credit support arrangements provided by banks. Because these obligations are direct lending arrangements between the lender and borrower, it is not contemplated that such instruments will generally be traded, and there generally is no established secondary market for these obligations, although they are redeemable at face value. Accordingly, where these obligations are not secured by letters of credit or other credit support arrangements, the Fund's right to redeem is dependent on the ability of the borrower to pay principal and interest on demand. Such obligations frequently are not rated by credit rating agencies. If not so rated, a Fund may invest in them only if the Advisor determines that at the time of investment the obligations are of comparable quality to the other obligations in which the Fund may invest. The Advisor, on behalf of the Fund, will consider on an ongoing basis the creditworthiness of the issuers of the floating and variable rate demand obligations owned by the Fund.

Mortgage-Backed Securities

Mortgage loans made by banks, savings and loan institutions, and other lenders are often assembled into pools which are issued and guaranteed by an agency or instrumentality of the U.S. government, though not necessarily backed by the full faith and credit of the U.S. government itself, or collateralized by U.S. Treasury obligations or by U.S. government agency securities. Interests in such pools are described herein as "Mortgage-Backed Securities". These include

securities issued by the Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), and the Federal National Mortgage Association ("FNMA"). Each Fund may invest in Mortgage-Backed Securities representing undivided ownership interests in pools of mortgage loans, including GNMA, FHLMC, and FNMA Certificates and so-called "CMOs" (i.e., collateralized mortgage obligations which are issued by nongovernmental entities but which are collateralized by U.S. Treasury obligations or by U.S. government agency securities). The Funds may also invest in REMIC Certificates issued by FNMA. Investors may purchase beneficial interests in REMICs, which are known as "regular" interests or "residual" interests. The Funds are not presently permitted to invest in "residual" interests.

GNMA Certificates are Mortgage-Backed Securities which evidence an undivided interest in a pool of mortgage loans. GNMA Certificates differ from bonds in that principal is paid monthly by the borrowers over the term of the loan rather than returned in a lump sum at maturity. GNMA Certificates that the Funds may purchase are the "modified pass-through" type. "Modified pass-through" GNMA Certificates entitle the holder to receive a share of all interest and principal payments paid and owed on the mortgage pool, net of fees paid to the "issuer" and GNMA, regardless of whether or not the mortgagor actually makes the payment. GNMA Certificates are backed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.

FHLMC issues two types of mortgage pass-through securities: mortgage participation certificates ("PCs") and guaranteed mortgage certificates ("GMCs"). PCs resemble GNMA Certificates in that each PC represents a pro rata share of all interest and principal payments made and owed on the underlying pool. The FHLMC guarantees timely payments of interest on PCs and the full return of principal. GMCs also represent a pro rata interest in a pool of mortgages. However, these PCs or GMCs pay interest semi-annually and return principal once a year in guaranteed minimum payments. This type of security is guaranteed by FHLMC as to timely payment of principal and interest but it is not guaranteed by the full faith and credit of the U.S. government.

FNMA issues guaranteed mortgage pass-through certificates ("FNMA Certificates"). FNMA Certificates resemble GNMA Certificates in that each FNMA Certificate represents a pro rata share of all interest and principal payments made and owed on the underlying pool. The principal and the timely payment of interest on FNMA Certificates are guaranteed only by FNMA itself, not by the full faith and credit of the U.S. government. FNMA also issues REMIC Certificates, which represent an interest in a trust funded with FNMA Certificates. REMIC Certificates are guaranteed by FNMA and not by the full faith and credit of the U.S. government.

Each of the Mortgage-Backed Securities described above is characterized by periodic payments to the holder, reflecting the monthly payments made by the borrowers who received the underlying mortgage loans. The payments to the security holders (such as a Fund), like the payments on the underlying loans, represent both principal and interest. Although the underlying mortgage loans are for specified periods of time, such as 20 or 30 years, the borrowers can, and typically do, pay them off sooner. Thus, the security holders frequently receive prepayments of principal in addition to the principal which is part of the regular payments. A borrower is more likely to prepay a mortgage which bears a relatively high rate of interest. This means that in times of declining interest rates, some of a Fund's higher-yielding Mortgage-Backed Securities might be converted to cash, and the Fund will be forced to accept lower interest rates when that cash is used to purchase additional securities in the Mortgage-Backed Securities sector or in other investment sectors. Investments in mortgage-backed securities can be volatile depending upon the makeup of the mortgage portfolio underlying the particular security and the prepayment experience on the underlying mortgage. In addition to the foregoing, each Fund may invest in similar asset-backed securities which are backed not by mortgages but other assets such as receivables.

Asset-Backed Securities

The Funds may invest in corporate asset-backed securities. These securities, issued by trusts and special purpose corporations, are backed by a pool of assets, such as credit card and automobile loan receivables, representing the obligations of a number of different parties

Corporate asset-backed securities present certain risks. For instance, in the case of credit card receivables, these securities may not have the benefit of any security interest in the related collateral. 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 sell-off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The underlying assets (i.e., loans) are also subject to prepayments which shorten the securities' weighted average life and may lower their return.

Corporate 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 resulting from ultimate default ensures payment through insurance policies or letters of credit obtained by the issuer or sponsor from third parties. 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.

Zero Coupon Bonds, Deferred Interest Bonds, and PIK Bonds

Each of the Funds may invest in zero coupon bonds, deferred interest bonds and PIK bonds. Zero coupon bonds are debt obligations which are issued or purchased at a significant discount from face value. The discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest payment date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds provide for a period of delay before the regular payment of interest begins. PIK bonds are debt obligations which provide that the issuer thereof may, at its option, pay interest on such bonds in cash or in the form of additional debt obligations. Such investments benefit the issuer by mitigating its need for cash to meet debt service, but also require a higher rate of return to attract investors who are willing to defer receipt of such cash. Such investments may experience greater volatility in market value due to changes in interest rates than debt obligations which make regular payments of interest. A Fund will accrue income on such investments for tax and accounting purposes, as required, which is distributable to shareholders and which, because no cash is received at the time of accrual, may require the liquidation of other Fund securities to

satisfy the Fund's distribution obligations.

Collateralized Mortgage Obligations and Multi-class Pass-Through Securities

Each of the Funds may invest a portion of its assets in Collateralized Mortgage Obligations ("CMOs"), which are debt obligations collateralized by mortgage loans or mortgage pass-through securities. Typically CMOs are collateralized by certificates issued by GNMA, FNMA or FHLMC but also may be collateralized by whole loans or private mortgage pass-through securities (such collateral collectively hereinafter referred to as "Mortgage Assets"). Each of the Funds may also invest a portion of their net assets in multi-class pass-through securities which are interests in a trust composed of Mortgage Assets. CMOs (which include multi-class pass-through securities) may be issued by agencies, authorities or instrumentalities of the U.S. government or by private originators or investors in mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing. Payments of principal and interest on Mortgage Assets, and any reinvestment income thereon, provide the funds to pay debt service on the CMOs or make scheduled distributions on the multi-class pass-through securities. In a CMO, a series of bonds or certificates is usually issued in multiple classes with different maturities. Each class of CMOs, often referred to as a "tranche", is issued at a specific fixed or floating coupon rate and has a stated maturity or final distribution date. Principal repayments on the Mortgage Assets may cause the CMOs to be retired substantially earlier than their stated maturities or final distribution dates, resulting in a loss of all or part of the premium if any has been paid. Interest is paid or accrues on all classes of the CMOs on a monthly, quarterly or semiannual basis. The principal and interest on the Mortgage Assets may be allocated among the several classes of a series of a CMO in innumerable ways. In a common structure, payments of principal, including any principal prepayments, on the Mortgage Assets are applied to the classes of the series of a CMO in the order of their respective stated maturities or final distribution dates, so that no payment of principal will be made on any class of CMOs until all other classes having an earlier stated maturity or final distribution date have been paid in full. As a part of the process of creating more predictable cash flows on most of the tranches in a series of CMOs, one or more of the tranches generally must be created to absorb most of the volatility in the cash flows in the underlying mortgage assets. The yields on these more volatile tranches are generally higher than prevailing market yields on government asset backed securities with similar average lives. Because of the uncertainty of the cash flows on these tranches, and the sensitivity thereof to changes in prepayment rates on the underlying mortgage assets, the market price of and yield on these tranches tend to be highly volatile. The same is true for multi-class pass-through securities. Certain CMOs may be stripped (securities which provide only the principal or interest factor of the underlying security). See "Stripped Mortgage-Backed Securities" in the Statement of Additional Information for a discussion of the risks of investing in classes consisting primarily of interest payments or principal payments.

The Funds may also invest in parallel pay CMOs and Planned Amortization Class CMOs ("PAC Bonds"). Parallel pay CMOs are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which as with other CMO structures, must be retired by its stated maturity date or final distribution date but may be retired earlier. PAC Bonds generally require payments of a specified amount of principal on each payment date. PAC Bonds are always parallel pay CMOs with the required principal payment on such securities having the highest priority after interest has been paid to all classes.

Stripped Mortgage-Backed Securities

Each of the Funds may invest a portion of its assets in stripped mortgage-backed securities ("SMBS"), which are derivative multi-class mortgage securities

usually structured with two classes that receive different proportions of interest and principal distributions from an underlying pool of mortgage assets. For a further description of SMBS and the risks related to transactions therein, see the Statement of Additional Information.

Loan Participations

Each of the Funds may invest a portion of its assets in "loan participations". By purchasing a loan participation, each Fund acquires some or all of the interest of a bank or other lending institution in a loan to a corporate borrower. Many such loans are secured, and most impose restrictive covenants which must be met by the borrower. These loans are made generally to finance internal growth, mergers, acquisitions, stock repurchases, leveraged buyouts and other corporate activities. Such loans may be in default at the time of purchase. Each Fund may also purchase trade or other claims against companies, which generally represent money owed by the company to a supplier of goods and services. These claims may also be purchased at a time when the company is in default. Some of the loan participations acquired by the Funds may involve revolving credit facilities or other standby financing commitments which obligate the Funds to pay additional cash on a certain date or on demand.

The highly leveraged nature of many such loans makes such loans especially vulnerable to adverse changes in economic or market conditions. Loan participations and other direct investments may not be in the form of securities or may be subject to restrictions on transfer, and only limited opportunities may exist to resell such instruments. As a result, the Funds may be unable to sell such investments at an opportune time or may have to resell them at less than fair market value. To the extent that the Advisor determines that any such investments are illiquid, the Funds will include them in the investment limitations on Illiquid Securities described above. For a further discussion of loan participations and the risks related to transactions therein, see the Statement of Additional Information.

Derivative Securities

Each of the Funds may invest in securities which are created by combining transactions in two or more underlying markets, often referred to as "derivative securities", which have a return that is tied to a formula based upon an index which may differ from the return of a simple security of the same maturity. A formula may have a cap or other limitation on the rate of interest to be paid or the amount of market fluctuation. These securities may have varying degrees of volatility at different times, or under different market conditions. Allowable investments are floating rate notes, variable rate notes, and notes whose maturity value fluctuates.

Lending of Securities

Each Fund may lend its securities, up to 30% of the Fund's total assets, to broker-dealers or institutional investors. The loans will be secured continuously by collateral equal at least to the value of the securities lent. The collateral may consist of cash, government securities, letters of credit, or other collateral permitted by regulatory agencies. A Fund will continue to receive the equivalent of the interest or dividends paid by the issuer of the securities lent. A Fund may also receive interest on the investment of the collateral or a fee from the borrower as compensation for the loan. Any cash collateral pursuant to these loans will be invested in short-term liquid debt securities. A Fund will retain the right to call, upon notice, the securities lent. While there may be delays in recovery or even loss of rights in the collateral should the borrower fail financially, the creditworthiness of the entities to which loans are made is examined to evaluate those risks. Loans will not be made unless the consideration which can be earned from such loans justifies the risks. The Funds may pay reasonable custodial and services fees in connection with the loans. (See "Reverse Repurchase Agreements" and "Securities Lending" in the Statement of Additional Information.)

Foreign Securities

Each Fund may invest up to 15% of its total assets directly in the securities of foreign issuers, including the securities of foreign branches and foreign subsidiaries of domestic banks and domestic and foreign branches of foreign banks. The Funds may also invest in foreign securities in domestic markets through sponsored depository receipts without regard to this limitation. Foreign investments may involve risks which are in addition to the risks inherent in domestic investments. In many countries, there is less publicly available information about issuers than is available in the reports and ratings published about companies in the United States.

Foreign companies may not be subject to uniform accounting, auditing, and financial reporting standards. The value of foreign investments may rise or fall because of changes in currency exchange rates, and a Fund may incur certain costs in converting securities denominated in foreign currencies to U.S. dollars. Dividends and interest on foreign securities may be subject to foreign withholding taxes, which would reduce a Fund's income without providing a tax credit for the Fund's shareholders. Obtaining judgments, when necessary, in foreign countries may be more difficult and more expensive than in the United States. Although each Fund intends to invest in securities of foreign issuers located in developed countries which are considered as having stable and friendly governments, there is the possibility of expropriation, confiscatory taxation, nationalization, currency blockage, or political or social instability which could affect investments in those nations.

In addition, the net asset values of the Funds are determined and shares of the Funds can be redeemed only on days the New York Stock Exchange ("NYSE") is open for business. However, foreign securities held by a Fund may be traded on days and at times when the NYSE is closed. Accordingly the net asset value of a Fund may be significantly affected on days when the investor is unable to purchase or redeem shares.

Delayed Delivery Securities

Each Fund may invest up to 15% of its total assets, measured at the time of purchase, in securities purchased on a when-issued or delayed delivery basis ("Delayed Delivery" or "When-Issued" Securities). Although the payment and interest terms of these securities are established at the time the purchaser enters into the commitment, these securities may be delivered and paid for at a future date, generally within 45 days. Purchasing securities on a when-issued basis allows the Fund to lock in a fixed price or yield on a security it intends to purchase. At the time a Fund purchases a When-Issued Security, it records the transaction and reflects the value of the security in determining its net asset value (although the Fund will not accrue interest income prior to actual delivery).

The Funds may also sell securities on a delayed delivery basis. When a Fund has sold a security on a delayed delivery basis, the Fund does not participate in further gains or losses with respect to the security.

Delayed Delivery Securities are subject to changes in value based on the market perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates. Delayed Delivery Securities may expose a Fund to this risk because they may experience such fluctuation prior to actual delivery. The greater the Fund's outstanding commitments to purchase these securities, the greater the Fund's exposure to possible fluctuations in its net asset value. Purchasing (or selling) Delayed Delivery Securities may involve the additional risk that the yield available in the market when delivery occurs may be higher (or lower) than that obtained at the time of commitment. Although the Fund may be able to sell Delayed Delivery Securities prior to the delivery date, a Fund will only purchase Delayed Delivery Securities for the purpose of actually acquiring the securities, unless after entering into the

commitment a sale appears desirable for investment reasons. Each Fund will segregate and maintain cash, cash-equivalents, or other high-quality, liquid debt securities in an amount at least equal to the amount of outstanding commitments for Delayed Delivery Securities at all times. See the Statement of Additional Information for further discussion of Delayed Delivery Transactions.

Mortgage "Dollar Roll" Transactions

The Funds may enter into "dollar roll" transactions with selected banks and broker-dealers pursuant to which the Fund sells Mortgaged-Backed Securities for delivery in the current month and simultaneously contracts with the same counterparty to repurchase similar (same type, coupon and maturity) but not identical securities on a specified future date. A Fund will only enter into covered rolls. A "covered roll" is a specific type of dollar roll for which there is an offsetting cash position or a cash equivalent security position which matures on or before the forward settlement date of the dollar roll transaction. A Fund gives up the right to receive principal and interest paid on the securities sold. However, a Fund would benefit to the extent of any difference between the price received for the securities sold and the lower forward price for the future purchase (often referred to as the "drop") or fee income plus the interest earned on the cash proceeds of the securities sold until the settlement date of the forward purchase. Unless such benefits exceed the income, capital appreciation, and gain or loss due to mortgage prepayments that would have been realized on the securities sold as part of the mortgage dollar roll, the use of this technique will diminish the investment performance of a Fund. A Fund will hold and maintain in a segregated account until the settlement date cash or liquid, high grade debt securities in an amount equal to the forward purchase price. The benefits derived from the use of mortgage dollar rolls may depend upon the Advisor's ability to correctly predict mortgage prepayments and interest rates. There is no assurance that mortgage dollar rolls can be successfully employed.

For financial reporting and tax purposes, each Fund proposes to treat mortgage dollar rolls as two separate transactions; one involving the purchase of a security and a separate transaction involving a sale. No Fund currently intends to enter into mortgage dollar rolls that are accounted for as a financing. Mortgage dollar rolls are considered illiquid securities. (See "Illiquid Securities" above.)

Portfolio Turnover

The Funds attempt to increase return by trading to take advantage of short-term market variations. This policy may lead to higher annual portfolio turnover rates. It is anticipated that under normal market conditions the rate of portfolio turnover for the IMG Core Stock Fund is estimated to fall between 50% and 70%; however, during periods when it is advisable to engage in substantial short-term trading, the portfolio turnover rate could exceed 200%. The rate of portfolio turnover for the IMG Bond Fund is estimated to fall between 100% and 300%. These rates should not be considered as limiting factors.

The annual portfolio turnover rate indicates changes in a Fund's securities' positions. The turnover rate may vary from year to year, as well as within a year. It may also be affected by sales of Fund securities necessary to meet cash requirements for redemptions of shares. High turnover in any year will result in the payment by a Fund of above average amounts of brokerage commissions and could result in the payment by shareholders of above average amounts of taxes on realized investment gains. However, to the extent the Funds purchase Fixed Income Securities, it is not anticipated that high turnover will produce a negative effect, because Fixed Income Securities will normally be purchased on a principal basis.

The Funds intend to limit their turnover so that realized short-term gains on securities held for less than three months do not exceed 30% of gross income. This enables the Funds to derive the benefits of favorable tax treatment

INVESTMENT RESTRICTIONS

The Funds have adopted certain investment restrictions. Each Fund's "fundamental" investment restrictions cannot be changed without approval by holders of a majority of the respective Fund's outstanding voting shares. As defined in the Investment Company Act of 1940 ("1940 Act"), this means the lesser of (a) 67% of the shares of the Fund at a meeting where more than 50% of the outstanding shares are present in person or by proxy, or (b) more than 50% of the outstanding shares of the Fund. However, except where expressly stated to be fundamental, the Funds' investment restrictions are not fundamental and may be changed without shareholder approval. Please refer to the Statement of Additional Information for a complete list of investment restrictions adopted by the Funds.

The fundamental investment restrictions provide, among other things, that each Fund may not:

1. Purchase securities of any company having less than three years of continuous operation (including operations of any predecessors) if the purchase would cause the value of a Fund's investments in all such companies to exceed 5% of the value of its net assets.
2. Purchase the securities of any issuer if such purchase would cause more than 5% of the value of 75% of the Fund's total assets to be invested in securities of any one issuer (except securities of the U.S. government or any instrumentality thereof), or purchase more than 10% of the outstanding voting securities of any one issuer.
3. Borrow money except for temporary or emergency purposes (but not for the purpose of purchasing investments) and then, only in an amount not to exceed 25% of the value of a Fund's net assets at the time the borrowing is incurred; provided, however, that a Fund may enter into transactions in options, futures, and options on futures. A Fund may borrow from a bank or by engaging in a reverse repurchase agreement. A Fund will not purchase securities when borrowings exceed 5% of its total assets. If a Fund borrows money, its share price may be subject to greater fluctuation until the borrowing is paid off. To this extent, purchasing securities when borrowings are outstanding may involve an element of leverage. See the Statement of Additional Information for an explanation of reverse repurchase agreements.
4. Enter into futures contracts or related options if more than 30% of a Fund's net assets would be represented by futures contracts or more than 5% of a Fund's total assets would be committed to initial margin and premiums on futures and related options.
5. Invest in options (options on futures, indexes and securities) if securities covering these options exceed 25% of a Fund's net assets or the premiums paid for such options exceed 5% of a Fund's net assets.

MANAGEMENT

Under the laws of the State of Maryland, the property, affairs and business of the Company and the Funds are managed by the Board of Directors. The Directors elect officers who are charged with the responsibility for the day-to-day operation of the Funds and the execution of policies formulated by the Directors. The Directors and Officers are:

*David W. Miles, Chairman of the Board and Director.
President, Treasurer and Senior Managing Director, Investors Management Group, and IMG Financial Services, Inc.

*Mark A. McClurg, President and Director.
Secretary and Senior Managing Director, Investors Management Group, and
IMG Financial Services, Inc.

David Lundquist, Director.
Vice Chairman and CFO, New Heritage Association, a cable television
company.

Johnny Danos, Director.
President, Danos, Inc., a personal investment company.

Debra Johnson, Director.
CFO and Treasurer, Business Publications Corporation/Iowa Title Company,
a publishing and abstracting service company.

Robert A. Dee, Director.
Vice Chairman, HMA, Inc., an insurance agency.

Edward J. Stanek, Director.
CEO, Iowa Lottery, a government operated lottery.

*Richard A. Westcott, Director.
Chairman, Investors Management Group, and IMG Financial Services, Inc.

*James, W. Paulsen, Vice President, Treasurer and Director.
Senior Managing Director, Investors Management Group and IMG Financial
Services, Inc.

*Ruth L. Prochaska, Secretary.
Controller / Compliance Officer, Investors Management Group, and IMG
Financial Services, Inc.

*Mr. Miles, Mr. McClurg, Mr. Westcott, Mr. Paulsen and Ms. Prochaska are
deemed to be "interested person", as defined in the Investment Company Act of
1940.

The mailing address of all officers and directors of the Fund is 2203 Grand
Avenue, Des Moines, Iowa 50312-5338.

The Advisor

The Funds have entered into an investment advisory agreement (the "Advisory
Agreement") with Investors Management Group, ("IMG" or the "Advisor"), 2203
Grand Avenue, Des Moines, Iowa 50312-5338, to serve as each Fund's investment
advisor. IMG is a registered investment advisor organized in 1982. Since then,
its principal business has been providing continuous investment management to
pension and profit-sharing plans, insurance companies, public agencies, banks,
endowments and charitable institutions, other mutual funds, individuals and
others. IMG has approximately \$800 million in equity, fixed income, and money
market assets under management. David W. Miles and Mark A. McClurg are principal
shareholders of IMG.

Pursuant to the Advisory Agreement with the Fund, IMG provides investment
advisory assistance and the day-to-day management of each Fund's investments,
subject to the supervision and authority of the Board of Directors.

The IMG Core Stock Fund is co-managed by James W. Paulsen, Ph.D. and James T.
Richards. The IMG Bond Fund is co-managed by James W. Paulsen, Ph.D., Jeffrey
D. Lorenzen, CFA, and Kathryn D. Beyer, CFA. The following is certain
biographical information concerning the co-managers:

James W. Paulsen, Ph.D., Senior Managing Director. Dr. Paulsen is
the Advisor's chief portfolio strategist and chairs IMG's Investment
Policy Committee. Prior to joining IMG in 1991, Dr. Paulsen served as

president of a Cedar Rapids, Iowa investment firm managing over \$700 million from 1983 to 1991. Dr. Paulsen received his Bachelor of Science degree in economics and his Doctorate in economics from Iowa State University.

James T. Richards, Managing Director. Mr. Richards is IMG's chief equity strategist, and is a member of IMG's Investment Policy Committee. Prior to joining IMG in 1991, he served as vice president and managing director--equities, for a Cedar Rapids, Iowa investment firm from 1985 to 1991. Mr. Richards received his Masters of Business Administration from the University of Iowa and his Bachelor of Arts degree in economics from Coe College.

Jeffrey D. Lorenzen, CFA, Managing Director. Mr. Lorenzen is a fixed income strategist and is a member of IMG's Investment Policy Committee. Prior to joining IMG in 1992, his experience includes serving as a securities analyst and corporate fixed income analyst for The Statesman Group from 1989 to 1992. He received his Masters of Business Administration from Drake University and his Bachelor of Business Administration degree from the University of Iowa.

Kathryn D. Beyer, CFA, Managing Director. Ms. Beyer is a fixed income strategist and is a member of IMG's Investment Policy Committee. Prior to joining IMG in 1993, her experience includes serving as a securities analyst and director of mortgage-backed securities for Central Life Assurance Company from 1988 to 1993. Ms. Beyer received her Masters of Business Administration from Drake University and her Bachelor of Science degree in agricultural engineering from Iowa State University.

Investment Advisory Fees

Under the terms of the Advisory Agreement, each Fund has agreed to pay IMG a monthly management fee. The IMG Core Stock Fund and the IMG Bond Fund pay IMG a management fee computed and paid monthly equal to, on an annual basis, 0.50% and 0.30% respectively of each Fund's average daily net assets.

At its expense, IMG provides office space and all necessary office facilities, equipment, and personnel for servicing the investments of the Funds.

Except for the expenses expressly assumed by IMG as set forth above or as described below with respect to the distribution of the Funds' shares, each Fund is responsible for all its other expenses, including, without limitation, governmental fees, interest charges, taxes if applicable, membership dues in the Investment Company Institute allocable to the Fund, brokerage commissions, and other expenses connected with the execution, recording and settlement of Fund security transactions, expenses of repurchasing and redeeming shares and expenses of servicing shareholder accounts; expenses for preparing, printing and distributing periodic reports, notices and proxy statements to shareholders and to governmental officers and commissions; insurance premiums; fees and expenses of the Funds' custodian, including safekeeping of funds and securities and maintaining required books and accounting; expenses of calculating the net asset value of shares of the Funds; fees and expenses of independent auditors, of legal counsel, and of any transfer agent, registrar or dividend disbursing agent of the Funds; compensation and expenses of Directors who are not "interested persons" of the Advisor; and expenses of shareholder meetings. Expenses relating to the issuance, registration and qualification of shares of the Funds and the preparation, printing and mailing of prospectuses to existing shareholders are borne by the Funds except that the Funds' Distribution Agreement with IFS requires IFS to pay for prospectuses that are to be used for sales purposes with persons other than current shareholders.

From time to time, IMG may voluntarily waive all or a portion of the management fee and/or absorb certain expenses of a Fund without further notification of the

commencement or termination of such waiver or absorption. Any such waiver will have the effect of lowering the overall expense ratio for that Fund and increasing the Fund's overall yield to investors at the time any such amounts are waived and/or absorbed.

Except as voluntarily absorbed by IMG, all expenses incurred in the operation of the Funds will be borne by the Funds. Expenses attributable to a particular Fund are charged against the assets of that Fund; other expenses of the Funds are allocated among the Funds on a reasonable basis determined by the Board of Directors, including, but not limited to, proportionately in relation to the net assets of each Fund.

Distributor

IFS serves as distributor and principal underwriter for the Funds pursuant to a Distribution Agreement and a Rule 12b-1 Plan. IFS bears all its expenses of providing services pursuant to the agreement, including the payment of any commissions. Under the Plan, the Fund is not required to reimburse the distributor for any unreimbursed distribution expenses incurred. IFS provides for the preparation of advertising or sales literature and bears the cost of printing and mailing prospectuses to persons other than current shareholders. The Funds bear the cost of qualifying and maintaining the qualification of Funds' shares for sale under the securities laws of the various states and the expense of registering their shares with the Securities and Exchange Commission. For its services under the Distribution Agreement, IFS receives a fee, payable monthly, at the annual rate of 0.40% of average daily net assets of Investor Shares of the IMG Core Stock Fund, 0.25% of average daily net assets of Investor Shares of the IMG Bond Fund, and 0.15% of Select Shares of each Fund. This fee is accrued daily as an expense of each Fund. Institutional Shares do not pay a distribution services fee. (See "ADDITIONAL INVESTMENT INFORMATION".)

IFS may enter into related selling group agreements with various broker-dealer firms that provide distribution services to investors. IFS does not currently compensate firms for sales of shares of the Funds but may elect to pay such compensation solely from its assets. IFS may, from time to time, pay additional commissions or promotional incentives to firms that sell shares of the Funds. In some instances, such additional commissions, fees or other incentives may be offered only to certain firms that sell or are expected to sell during specified time periods certain minimum amounts of shares of the Funds, or of other funds distributed by IFS.

Banks and other financial services firms may provide administrative services to facilitate transactions in shares of the Funds for their clients, and IFS may pay them a fee up to the level of the distribution fee allowable to dealers as described above. Banks currently are prohibited under the Glass-Steagall Act from providing certain underwriting or distribution services. If the Glass-Steagall Act should prevent banking firms from acting in any capacity or providing any of the described services, management will consider what action, if any, is appropriate in order to provide efficient services for the Funds. Banks or other financial services firms may be subject to various state laws regarding the services described above and may be required to register as dealers pursuant to state law. Presently IFS does not pay distribution fees to broker-dealers, banks, or other financial services firms. The Funds do not believe that a termination of such a relationship with a bank would result in any material adverse consequence to the Funds.

Since the Distribution Agreement provides for fees that are used by IFS to pay for distribution services, that agreement along with the related selling group agreements (collectively, the "Plan") is approved and reviewed in accordance with the Funds' Rule 12b-1 Plan under the 1940 Act, which regulates the manner in which an investment company may, directly or indirectly, bear the expenses of distributing its shares.

For further information, see "MANAGEMENT OF THE FUNDS" in the Statement of

Additional Information.

Fees for Shareholder Services

IMG also provides information and administrative services for shareholders of the Funds pursuant to an Administrative Services Agreement ("Administrative Services Agreement") under a "Shareholder Services Plan" adopted by the Board of Directors and reviewed at least annually. Under the Shareholder Services Plan, IMG may enter into related arrangements with various financial services firms, such as broker-dealer firms or banks ("Firms"), that provide services and facilities for their customers or clients who are shareholders of the Funds. Such administrative services and assistance may include, but are not limited to, establishing and maintaining shareholder accounts and records, processing purchase and redemption transactions, answering routine inquiries regarding the Funds and their special features and such other services as may be agreed upon from time to time and permitted by applicable statute, rule or regulation. IMG bears all its expenses of providing services pursuant to the Administrative Services Agreement, including the payment of any services fees. For services under the Administrative Services Agreement, the Funds pay IMG a fee, payable monthly, at the annual rate of up to 0.25% of average daily net assets of the Investor Shares of either Fund, 0.25% of Select Shares of the IMG Core Stock Fund, 0.15% of Select Shares of the IMG Bond Fund, 0.15% of Institutional Shares of the IMG Core Stock Fund, and 0.10% of Institutional Shares of the IMG Bond Fund. IMG may then pay each Firm a service fee at an annual rate of up to 0.25% of net assets of IMG Core Stock Fund and the IMG Bond Fund owned by those accounts in the Funds that the Firm maintains and services. A Firm becomes eligible for the service fee based on assets in the accounts in the month following the month of purchase and the fee continues until terminated by IMG or the Funds. The fees are calculated monthly and paid quarterly.

IMG also may provide some of the above services and may retain any portion of the fee under the Administrative Services Agreement not paid to Firms to compensate itself for administrative functions performed for the Funds.

Fund Accounting

IMG provides fund accounting services pursuant to a Fund Accounting Agreement. Each Fund pays IMG fees equal to an annual rate of 0.10% of average daily net assets.

HOW TO INVEST

You can purchase shares of the Funds in several ways, each of which is described below, from IFS as distributor of the Funds' shares. You may also purchase (or redeem) shares of a Fund through dealers or others who may charge a service or transaction fee. (See "Financial Services Firms" below.) Please review the information under "ADDITIONAL INVESTMENT INFORMATION", and "HOW TO REDEEM SHARES". All purchases are subject to acceptance by the Funds and the Funds may decline to accept a purchase order upon receipt when it would not be in the best interest of existing shareholders to accept the order. The purchase price of your shares will be the net asset value next determined after IFS receives your investment in proper form. (See "ADDITIONAL INVESTMENT INFORMATION -Determining Your Share Price".)

By Mail

You can purchase shares of the Funds by sending an application and a check or money order payable to "IMG Mutual Funds, Inc." to the address on the back cover of this Prospectus. To make additional purchases, enclose a check payable to IMG Mutual Funds, Inc. along with the Additional Investment Form provided with your account statement. Or, you may send a check along with an indication of the account in which it should be deposited. Please note the minimum investment requirements for each class of shares of the Funds. (See "ADDITIONAL INVESTMENT INFORMATION -- Minimum Investments".) If your check does not clear, you will be

charged a \$20 service fee. You will also be responsible for any losses suffered by a Fund as a result. All your purchases must be made by checks payable to IMG Mutual Funds, Inc. drawn on U.S. banks. Third-party checks are not accepted.

By Wire

You may purchase additional shares by wire. Please call 1-800-798-1819 for complete wire instructions. The Funds will not be responsible for the consequences of delays resulting from the banking or Federal Reserve wire systems.

By Exchange

You can open a new account by exchanging from one Fund account to another. Exchanges may only be made between identically registered accounts. There is no charge for this service. You may request an exchange by calling or writing IFS. Your purchase price will be the offering price next determined after your exchange request is received in proper form. The telephone exchange minimum is the lesser of \$50 or the balance of your account, with no minimum for written exchanges. Check the minimum initial investment requirements for the class of shares of the Fund you are investing in under "ADDITIONAL INVESTMENT INFORMATION -- Minimum Investments". Please review the information about this privilege under "SHAREHOLDER SERVICES -- Telephone Exchange and Redemption Privilege".

By Telephone Purchase

You can make additional investments from \$50 to \$25,000 into your IMG Funds account by telephone. Upon your authorization, money from your bank checking or NOW account will be withdrawn to make the investment. The price you receive will be the offering price next computed after IFS receives your funds from your bank, which is normally two banking days after you have initiated the transaction through IFS. To establish the telephone purchase privilege, request a form by calling 1-800-798-1819. Neither the Funds nor their transfer agent will be responsible for the authenticity of purchase instructions received by telephone. Further documentation may be requested from corporations, executors, administrators, trustees, guardians, agents, or attorneys-in-fact.

No Minimum Investment Program -- Investor Shares

The Funds will waive the minimum initial investment for investors purchasing Investor Shares using the Automatic Investment Plan or Automatic Exchange. To establish these options, call 1-800-798-1819 for an application. If the Automatic Investment Plan or Automatic Exchange is discontinued before the investor reaches the minimum investment that would otherwise be required, a Fund reserves the right to close an investor's account. Prior to closing any account for failure to reach the minimum initial investment, however, the Fund will give the investor written notice and 60 days in which to reinstate the Automatic Investment Plan or Automatic Exchange or otherwise reach the minimum initial investment. Since each Fund has the right to redeem an investor's account for failure to reach the minimum initial investment, you should consider your financial ability to continue in this Plan until the minimum initial investment amount is met, since such a redemption may occur in periods of declining share prices. Involuntary redemptions will not occur where the investor's account falls below the minimum because of a decrease in the net asset value of a Fund. (See "SHAREHOLDER SERVICES -- Automatic Investment Plan" and "-- Automatic Exchange Plan".)

Financial Services Firms

Shares of the Funds are available through selected financial services firms such as broker-dealer firms and banks ("Firms"). The purchase price for shares of a Fund purchased through such Firms will be the net asset value next determined after receipt of the order to purchase by the Firm. Such Firms are responsible for the prompt transmission of purchase and redemption orders.

Firms provide varying arrangements for their clients to purchase and redeem Fund shares. Some may establish higher minimum investment requirements than set forth above. They may arrange with their clients for other investment or administrative services. Such Firms may independently establish and charge additional amounts to their clients for such services, which charges would reduce the clients' yield or return. Firms may also hold Fund shares positions in nominee or street name as agent for and on behalf of their customers. In such instances, the Fund's transfer agent will have no information with respect to or control over accounts of specific shareholders. Such shareholders may obtain access to their accounts and information about their accounts only from their Firms. Some of the Firms may receive compensation from the Fund's Shareholder Service Agent for recordkeeping and other expenses related to these nominee accounts. In addition, certain privileges with respect to the purchase and redemption of shares or the reinvestment of dividends may not be available through such Firms. Some Firms may participate in a program allowing them access to their clients' accounts for servicing including, without limitation, transfers of registration and dividend payee changes; and may perform functions such as generation of confirmation statements and disbursement of cash dividends. This Prospectus should be read in connection with such Firms' material regarding their fees and services. Some Firms may not offer all classes of shares of each Fund to their clients. A shareholder otherwise eligible for a class of Shares with a lower fee structure may transfer an account to IFS at no charge to convert to the appropriate class of shares. A transfer fee or other charge may be imposed by the transferring firm. Shareholders should also consider that certain Firms may offer services which may not be available directly from the Fund.

IFS does not presently compensate Firms for sales of Fund shares. IFS is compensated by the Fund for services as distributor and principal underwriter. A salesperson for a Firm or for IFS or any other person entitled to receive compensation for selling or servicing Fund shares may receive different compensation for such sales depending on the class of the shares sold.

ADDITIONAL INVESTMENT INFORMATION

The shares of each Fund may be purchased at the net asset value of that Fund's shares next determined after the Fund receives the order for such purchase. Each Fund reserves the right to cease offering its shares for sale at any time.

Multiple Classes of Shares and Conversion Feature

The shares of each Fund are divided into "Investor" Shares, "Select" Shares, and "Institutional" Shares. All shares may be purchased directly, with the following restrictions:

The purpose of this three class structure is to flexibly meet the needs of different types of shareholders through a single Fund, thereby minimizing operating costs to the Fund. It is also believed that by offering alternative expense structures within the Fund, the Fund will more effectively compete for investments of different levels. Funds commonly achieve this objective by offering "clone funds" with lower expense ratios, and sometimes fewer services, to investors able to meet higher investment minimums. In the view of the Advisor, investors may benefit more by providing these alternatives in the context of a single fund. Multiple classes avoid duplicative portfolio and fund management costs that are required by "clone funds" which should lower expenses compared to creation of multiple funds. It is also anticipated that by using multiple classes of shares the Funds may be able to attract larger asset bases, which would permit the Funds to spread fixed costs over more shares and improve portfolio liquidity and diversification.

Investor Shares are available directly from IFS as the Fund's distributor, or through broker dealer firms and other financial service firms executing selling agreements with the Funds. Investor Shares offer the lowest minimum initial

investment and account values -- \$1,000 (\$250 for UG/TMA and IRA accounts). Shareholder services offered are Automatic Dividend Reinvestment; Telephone Purchase, Exchange and Redemption Privilege; Automatic Investment Plan; Payroll Direct Deposit Plan; Automatic Exchange Plan; Systematic Withdrawal Plan; and, No Minimum Investment Plan.

Investor Shares pay two class level expenses: (1) an administrative services fee ("service fee") pursuant to a Shareholder Services Plan adopted by the Fund at an annual rate of 0.25% on average daily net assets; (2) a distribution fee ("distribution fee") pursuant to a Distribution Plan adopted by the IMG Core Stock Fund and the IMG Bond Fund at an annual rate of 0.40% and 0.25% on average daily net assets respectively. The services fee compensates IMG and broker dealer firms and other financial services firms IMG executes administrative services agreements with, for providing information and services described in the Plan directly to shareholders. The distribution fee is paid to IFS for its services in marketing the shares of the Fund.

Select Shares are also available directly from IFS or from other Firms. The minimum investment in Select Shares is \$100,000 per portfolio. All shareholder services available to owners of Investor Shares are also available to Select Share owners with the exception of the No Minimum Investment Plan. In addition, owners of Select Shares are invited to periodic meetings with the Funds' Advisor, and are eligible to receive portfolio investment related publications from IMG at no cost.

Select Shares are subject to a distribution fee of 0.15%, and pay the services fee at an annual rate of 0.25% and 0.15% of average daily net assets for the IMG Core Stock Fund and the IMG Bond Fund respectively.

Institutional Shares require a minimum investment of \$500,000. All services available to owners of Select Shares will be available to owners of Institutional Shares. It is anticipated that IMG will have a higher degree of direct contact with owners of Institutional Shares than of other classes.

Institutional Shares pay no distribution fees. Institutional Shares of the IMG Core Stock Fund and the IMG Bond Fund pay services fees of 0.15% and 0.10% respectively. Except for the services fee and distribution fee, all other expenses of the Fund are charged proportionally to all shares.

Conversion from one class of shares to another depends upon the minimum investment requirement of each Fund. Investor Shares of a Fund will automatically convert to Select Shares upon attaining the \$100,000 minimum investment. The conversion will be made on the relative net asset values of the two classes without the imposition of any sales load, fee or other charge. The conversion will occur within three business days following any purchase or transfer of shares in the account after which the value of Investor Shares in the account at the current net asset value reaches \$100,000. Identically registered accounts in more than one Fund are not combined for purposes of calculating account minimums.

Investor and Select Shares of a Fund will also automatically convert to Institutional Shares upon meeting the \$500,000 minimum investment on the same terms described above.

Certain other Firms may not offer all classes of shares to their clients. Shareholders holding their accounts through such Firms will not be eligible for automatic conversion. These (or any) shareholders may elect to transfer their accounts to IFS in order to convert to the lowest fee class of shares for which they qualify at no charge or fee from the Fund. A fee or other charge may be imposed by the other Firm. Shareholders should also consider that other Firms may offer additional services not otherwise available from the Funds.

Shareholders may also be automatically converted from Institutional Shares to Select or Investor Shares, and from Select Shares to Investor Shares. The

conversion will occur within three business days following the date of any transfer or redemption of shares in the account after which the value of the remaining shares in the account at the current net asset value falls below the required minimum for that class of shares. The conversion will be to the lowest fee class of shares for which the investor is eligible as of the date of conversion.

Investors will not be converted to another class of shares solely due to a change in net asset value of their existing shares. However, a change in net asset value together with purchase, redemption, or transfer from the account could result in a conversion to another class of shares at a time when the purchase, redemption, or transfer alone may not have triggered the conversion. Dividend reinvestment may not result in a conversion to another class of shares.

An account may be terminated by the Funds on not less than 30 days' notice if, at the time of any transfer or redemption of shares in the account, the value of the remaining shares in the account falls below \$1,000 (\$250 for UG/TMA or IRA accounts).

Each share of a Fund, whether Investor, Select, or Institutional, represents an identical interest in the investment portfolio of that Fund and has the same rights, except as described above. Since Select and Institutional Shares have progressively lower expense ratios than Investor Shares, they will pay higher dividends than Investor Shares.

If shares of any class are converted to another class, all shares in that account will be converted, including shares purchased through the reinvestment of dividends and other distributions.

The conversion of shares between classes may be subject to the continuing availability of an opinion of counsel, ruling by the Internal Revenue Service or other assurance acceptable to the Funds to the effect that (i) the assessment of different fees with respect to each class does not result in the Funds' dividends constituting "preferential dividends" under the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) that the conversion of shares from one class to another does not constitute a taxable event under the Code. The ability to convert from one class to another may be suspended if such assurance is not available. In that event, no further conversions would occur, and shares might continue to be subject to higher fees for an indefinite period.

Signature Guarantees

A signature guarantee is designed to protect you and the Funds against fraudulent transactions by unauthorized persons. A signature guarantee is required for all persons registered on an account. Some instances in which you will need a signature guarantee include:

1. when you add the telephone redemption option to your existing account;
2. if you transfer the ownership of your account to another individual or organization;
3. for a written redemption request over \$25,000;
4. when you want redemption proceeds sent to a different name or address than is registered on your account;
5. if you add/change your name or add/remove an owner on your account; and
6. if you add/change the beneficiary on your retirement account.

A signature guarantee may be obtained from any eligible guarantor institution. These institutions include banks, savings and loan associations, credit unions, brokerage firms, and others. The words "SIGNATURE GUARANTEED" must be stamped or

Exchange. Subsequent investments into every class of all Funds must be at least \$50. (See "HOW TO INVEST -- No Minimum Investment Program".)

Determining Your Share Price

Except as provided herein, when you make investments in a Fund, the purchase price of your shares will be the net asset value next determined after IFS's receipt of an order, or exchange request in proper form. Except as provided below, if IFS receives your order prior to the close of the NYSE on a day in which the NYSE is open, your price will be the net asset value determined that day. The method used to calculate the net asset value is described below under "Calculation of Net Asset Value".

Calculation of Net Asset Value

The net asset value per share is determined as of the close of trading on the NYSE, currently 3:00 p.m. Central Time, on days the NYSE is open for business. However, net asset values will not be determined on days during which the Funds receive no orders to purchase shares and no shares are tendered for redemption. Net asset value is calculated by taking the fair value of a Fund's total assets, subtracting all liabilities, and dividing by the total number of outstanding shares. Expenses are accrued daily and applied when determining the net asset value. Equity Securities are valued at the last sales price on the national securities exchange or NASDAQ on which such securities are primarily traded; however, securities traded on NASDAQ for which there were no transactions on a given day or securities not listed on an exchange or NASDAQ are valued at the average of the most recent bid and asked prices. Fixed Income Securities are valued on the basis of valuations furnished by a pricing service that utilizes electronic data processing techniques to determine valuations for normal institutional sized trading units of Fixed Income Securities without regard to sale or bid prices when such valuations are believed to more accurately reflect the fair market value of such institutional securities. Otherwise sale or bid prices are used. Any securities or other assets for which market quotations are not readily available are valued at fair value as determined in good faith by the Board of Directors. Fixed Income Securities in a Fund having maturities of 60 days or less are valued by the amortized cost method unless the Board of Directors believes unusual circumstances indicate another method of determining fair value should be used. Under this method of valuation, a security is initially valued at its acquisition cost, and thereafter, amortization of any discount or premium is assumed each day regardless of the impact of fluctuating interest rates on the market value of the security.

HOW TO REDEEM SHARES

You may request redemption of your shares at any time. The price you receive will be the net asset value next determined after the Funds receive your request in proper form. (See "ADDITIONAL INVESTMENT INFORMATION -- Calculation of Net Asset Value".) Once your redemption request is received in proper form, each of the Funds will normally mail you the proceeds the next business day. Proceeds will ordinarily be mailed no later than seven days after receipt of a redemption request in proper form. However, the Funds may withhold payment until investments which were made by check, telephone, or the Automatic Investment Plan have been collected. (This is a security precaution only and does not affect your investment. Your money is invested the day your purchase order is accepted.)

Checks generally are collected in 10 calendar days.

The right of redemption may be suspended during any period, when: (a) trading on the NYSE is restricted, as determined by the Commission, or such NYSE is closed for other than weekends and holidays; (b) the Commission has permitted such suspension by order; or (c) an emergency as determined by the Commission exists, making disposal of Fund securities or valuation of net assets of a Fund not reasonably practicable.

If you are exchanging into another Fund, see "SHAREHOLDER SERVICES -- Telephone Exchange and Redemption Privilege" for a discussion of procedures and certain tax consequences. Redemptions may also be made through broker-dealers or others who may charge a commission or other transaction fee. Requests for transfers of shares of a Fund from or between broker-dealer street name accounts must be made by the broker-dealer. You should contact the broker in whose account your shares are held if you want to transfer these shares.

You may redeem shares in any of the following ways:

Written Redemption

To make a written redemption, please send your request to IMG Mutual Funds, Inc., 2203 Grand Avenue, Des Moines, Iowa 50312-5338, and include:

1. your account number,
2. the number of shares or dollar amount you want to redeem,
3. each owner's name as registered on the account,
4. your street address as registered on the account, and
5. the signature of each owner as the name appears on the account.

Further documentation may be requested from corporations, executors, administrators, trustees, guardians, agents, or attorneys-in-fact. In addition, redemptions over \$25,000 require a signature guarantee. (See "ADDITIONAL INVESTMENT INFORMATION -Signature Guarantees".)

Retirement Plan Redemption

To redeem from an Individual Retirement Account (IRA), you may either use the distribution form which you may request by calling 1-800-798-1819, or you may send your request which includes the information described under "Written Redemption" above.

In addition, you must:

1. indicate whether (a) 10% or more of the redemption proceeds should be withheld for taxes, or (b) no portion of the proceeds should be withheld for taxes;
2. include the type of distribution (e.g., a normal distribution or a premature distribution); and
3. write that you certify under penalties of perjury that your social security number is correct and that you are not subject to backup withholding.

For redemptions from any other retirement plan, please call IFS for the appropriate distribution form.

Telephone Redemption

Telephone redemption privileges are only available to those shareholders who have elected to use the privilege.

Once you authorize the telephone redemption option on your application, you may redeem shares in amounts of \$500 (or the balance of your account) or more by telephone. If you would like to add the option to your account, you may request a telephone redemption form from IFS. Each owner's signature must be guaranteed in order to add the option to existing accounts. (See "ADDITIONAL INVESTMENT INFORMATION -- Signature Guarantees".)

To place a redemption request by telephone, call IFS at 1-800-798-1819. Redemption proceeds can be directly deposited by Electronic Funds Transfer ("EFT") or wired only to a commercial bank that you have authorized on your account application or telephone redemption form. They may also be mailed to the registered address on your account. Once you place your telephone redemption

request, it cannot be canceled or modified. The Funds and their Transfer Agent will employ reasonable procedures to confirm that instructions communicated by telephone are genuine, including refusing a telephone redemption if they believe it advisable to do so. The Funds will tape record all telephone redemption requests and will ask the social security number or other personal identifying information of the shareholder and will only send redemption proceeds to the shareholder of record at their address or to a financial account which has been established by the shareholder pursuant to written authorization. IFS does not charge a fee for redemptions directly deposited to your bank account by EFT. However, a \$10.00 fee is applicable to each wire redemption. Further documentation may be requested from corporations, executors, administrators, trustees, guardians, agents, or attorneys-in-fact. Shareholders may experience difficulty in implementing a telephone redemption during periods of drastic economic or market changes.

SHAREHOLDER SERVICES

As an IMG Mutual Funds, Inc. shareholder, you will enjoy the advantages of:

- o Automatic Dividend Reinvestment
- o Telephone Purchase Privilege
- o Telephone Exchange and Redemption Privilege
- o Automatic Investment Plan
- o Payroll Direct Deposit Plan
- o Automatic Exchange Plan
- o Dollar Cost Averaging
- o Systematic Withdrawal Plan
- o No Minimum Investment Program

Automatic Dividend Reinvestment

You can automatically reinvest all dividends and capital gains distributions, have them directly deposited by EFT to your bank account, or receive them in the form of a check. If you elect to have them reinvested, your dividends and capital gains distributions will purchase additional shares at the net asset value determined on the dividend or capital gains distribution payment date (no sales charges). Dividend reinvestment may not result in a conversion to another class of shares. You may change your election at any time by writing IFS. IFS must receive any such change seven days (15 days for EFT) prior to a dividend or capital gains distribution payment date in order for the change to be effective for that payment.

Telephone Purchase Privilege

The Funds offer free telephone purchase privileges. (See "HOW TO INVEST -- By Telephone Purchase".)

Telephone Exchange and Redemption Privilege

You may exchange shares between identically registered Fund accounts either in writing or by telephone. Shares are exchanged on the basis of each Fund's relative net asset value per share next computed following receipt of a properly executed exchange request. Shares will be exchanged for the lowest fee class of shares for which the shareholder is eligible in the new Fund. Once an exchange request is made, either in writing or by telephone, it may not be modified or canceled. A \$50 minimum, or the balance of your account if less, applies to telephone exchanges. When opening a new account by an exchange, the initial minimum investment is required. An exchange transaction is a sale and purchase of shares for federal income tax purposes and may result in a capital gain or loss.

You may authorize the telephone exchange or redemption privilege by completing the "telephone authorization" section on your application. If you add the telephone redemption privilege to your existing account, you must have each

owner's signature guaranteed. (See "ADDITIONAL INVESTMENT INFORMATION -- Signature Guarantees".) By establishing the telephone exchange and redemption services, you authorize the Funds and their agents to act upon your instruction by telephone to redeem or exchange shares from any account for which you have authorized such services. (See "HOW TO REDEEM SHARES -- Telephone Redemption".) The Funds reserve the right, at any time without prior notice, to suspend, limit, modify, or terminate the exchange privilege or its use in any manner by any person or class. In particular, since an excessive number of exchanges may be disadvantageous to the Funds, each Fund reserves the right to terminate the exchange privilege of any shareholder who makes more than five exchanges of shares in a year and/or three exchanges of shares in a calendar quarter.

Automatic Investment Plan

The Automatic Investment Plan allows you to make regular, systematic investments in a Fund from your bank checking or NOW account. You may choose to make investments on the fifth and/or twentieth day of each month from your financial institution in amounts of \$50 or more. When used in conjunction with the No Minimum Investment Program, the initial minimum investment is not required. (See "HOW TO INVEST -- No Minimum Investment Program".) There is no service fee for participating in this Plan. You can set up the Automatic Investment Plan with any financial institution that is a member of the Automated Clearinghouse. For an application call 1-800-798-1819. The Funds reserve the right to suspend, modify, or terminate the Automatic Investment Plan or its use by any person without notice. If the Automatic Investment Plan is discontinued before the investor reaches the minimum investment that would otherwise be required (see "ADDITIONAL INVESTMENT INFORMATION -- Minimum Investments"), the Funds reserve the right to close the investor's account. A service fee of \$20 will be deducted from your account for any Automatic Investment Plan purchase that does not clear due to insufficient funds or, if prior to notifying IFS in writing to terminate the Plan, you close your bank account or in any manner prevent withdrawal of funds from the designated checking or NOW account. (See "Dollar Cost Averaging" below.)

Payroll Direct Deposit Plan

You may purchase additional shares of the Funds through the Payroll Direct Deposit Plan. Through this Plan, periodic investments (minimum \$50) are made automatically from your payroll check into your existing Fund account. By enrolling in the Plan, you authorize your employer or its agents to deposit a specified amount from your payroll check into the Funds' bank account. In most cases, your Fund account will be credited the day after the amount is received by the Fund's bank. In order to participate in the Plan, your employer must have direct deposit capabilities by EFT available to its employees. The Plan may be used for other direct deposits, such as social security checks, military allotments and annuity payments.

This privilege may be selected by completing the Authorization for Direct Deposit Form, which may be obtained by calling 1-800-798-1819. To enroll in the Plan, the Authorization Form must be signed by you and given to your employer's payroll department. You may alter the amount of the deposit, the frequency of the deposit, or terminate your participation in the Plan by notifying your employer. Each Fund reserves the right, at any time and without prior notice, to suspend, limit, or terminate the Automatic Direct Deposit privilege or its use in any manner by any person. (See "Dollar Cost Averaging" below.)

Automatic Exchange Plan

The Automatic Exchange Plan allows you to make regular, systematic exchanges (minimum \$50) from one Fund account into another Fund account. By establishing the Automatic Exchange Plan, you authorize the Funds and their agents to redeem a set dollar amount or number of shares from your first Fund account and purchase shares of a second Fund. An exchange transaction is a sale and purchase of shares for federal income tax purposes and may result in a capital gain or

loss. To establish the Automatic Exchange Plan on your account, request a form by calling 1-800-798-1819. (See "Dollar Cost Averaging" below.)

When used in conjunction with the No Minimum Investment Program, the initial minimum investment in the second account is not required. An account application form must be completed and submitted with the Authorization for Automatic Exchange Form when you establish a new account under the No Minimum Investment Program. (See "HOW TO INVEST -- No Minimum Investment Program".) If the Automatic Exchange Plan is discontinued before you reach the minimum initial investment that would otherwise be required in the second Fund, or the account balance in the first Fund falls below the minimum initial investment, the Funds reserve the right to close your account(s). (See "ADDITIONAL INVESTMENT INFORMATION -- Minimum Investments".)

To participate in the Automatic Exchange Plan, you must have an initial account balance in the first account of \$12,000. Exchanges may be made monthly, quarterly or annually. If the amount remaining in the first account is less than the exchange amount you requested, then the remaining amount will be exchanged. At such time as the first account has a zero balance, the participation in the Plan will be terminated. The Plan may also be terminated at any time by written request to the Funds. Once participation in the Plan has been terminated for any reason, investing additional funds will not reinstate the Plan. Participation in the Plan may be reinstated only by written request to the Funds. Each Fund reserves the right, at any time and without prior notice, to modify, suspend, or terminate the Automatic Exchange Plan privilege or its use in any manner by any person.

Dollar Cost Averaging

The IMG Mutual Funds' Automatic Investment Plan, Payroll Direct Deposit Plan, and Automatic Exchange privilege, all discussed above, are methods of implementing dollar cost averaging. Dollar cost averaging is an investment strategy that involves investing a fixed amount of money at a regular time interval. By always investing the same set amount, you'll be purchasing more shares when the price is low and fewer shares when the price is high. Ultimately, by using this principle in conjunction with fluctuations in share price, your average cost per share may be less than the average transaction price. A program of regular investment cannot ensure a profit or protect against a loss. Since such a program involves continuous investment regardless of fluctuating share values, you should consider your financial ability to continue the program through periods of low share price levels.

Systematic Withdrawal Plan

The owner of \$24,000 or more of a Fund's shares may provide for the withdrawal of a maximum of 10% per year from the owner's account to be paid on a monthly, quarterly, semi-annual or annual basis. One request will be honored in any 12 month period. The minimum periodic payment is \$200. Any income and capital gain dividends will be automatically reinvested at net asset value. A sufficient number of full and fractional shares will be redeemed to make the designated payment.

The right is reserved to amend the Systematic Withdrawal Plan on 30 days' notice. The Plan may be terminated at any time by the shareholder or the Funds.

No Minimum Investment Program

The Funds offer a No Minimum Investment Program for shareholders investing in Investor Shares through the Automatic Investment Plan or the Automatic Exchange Plan. (See "HOW TO INVEST -- No Minimum Investment Program".)

DISTRIBUTIONS AND TAXES

Each Fund will qualify and intends to remain qualified as a "regulated

investment company" under the Internal Revenue Code and intends to take all other action required to ensure that no federal income taxes will be payable by the Fund. Any dividends from the net income of the IMG Bond Fund normally will be distributed quarterly, and any dividends from the net income of the IMG Core Stock Fund will normally be distributed semi-annually. Any net realized capital gains will be distributed annually, after using any available capital loss carry-over. The Funds will attempt to do so in such a manner as to avoid the Funds paying income tax on their net investment income and net realized capital gains or being subject to federal excise taxes. Shares purchased on a day on which the Funds calculate their net asset value will not begin to accrue dividends until the following day, and redemption orders effected on any particular day will receive dividends declared through the day of redemption.

Distributions for each Fund are made on a per share basis to shareholders as of the record date of the distribution of that Fund, regardless of how long the shares have been held. Such distributions are taxable income and are subject to federal income tax (except for shareholders exempt from income tax), whether such distributions are received in cash or are reinvested in additional Fund shares. After every quarterly or semi-annual distribution, the value of a share drops by the amount of the distribution, net of any subsequent market fluctuations. Because the purchase price of shares (particularly those shares purchased shortly before the semi-annual distribution) may include earned and undistributed dividend and/or capital gains income, some portion of the purchase price may be returned to the shareholder in the semi-annual distribution as taxable dividends and/or capital gains. However, the dividends and capital gains that are reinvested in additional Fund shares may increase the shareholder's costs basis. If dividends and capital gains distributions are not automatically reinvested in additional Fund shares (See "SHAREHOLDER SERVICES--AUTOMATIC DIVIDEND REINVESTMENT") checks for cash dividends and distributions will be mailed to shareholders, usually within ten days after the record date of the distribution or they may be deposited in your bank account by EFT. Full information regarding income dividends and any capital gains distributions will be mailed to shareholders for tax purposes on or before January 31st of each year.

For federal income tax purposes, dividends paid by a Fund and distributions from net realized short-term capital gains, whether received in cash or reinvested in additional shares, are taxable as ordinary income. Distributions paid by a Fund from net realized long-term capital gains, whether received in cash or reinvested in additional shares, are taxable as long-term capital gains. The capital gain holding period is determined by the length of time a Fund has held the instrument and not the length of time you have held shares in the Fund. If you are not required to pay tax on your income, you will not be required to pay federal income taxes on the amounts distributed to you. Promptly after the end of each calendar year, you will receive a statement of the federal income tax status on all dividends and capital gains distributions paid during the year.

If you do not furnish a Fund with your correct social security number or employer identification number, such Fund will be required to withhold federal income tax at a rate of 31% (backup withholding tax) from your distribution and redemption proceeds. To avoid backup withholding, you must provide a social security number or employer identification number and state that you are not subject to such withholding due to the under reporting of your income. This certification is included as part of your application. You should complete it when opening your account.

This section is not intended to be a full discussion of present or proposed federal income tax laws and the effect of such laws on you. There may be other federal, state or local tax considerations applicable to your particular investment. You are urged to consult your tax advisor.

CAPITAL STOCK

IMG Mutual Funds, Inc., is a Maryland corporation organized on November 16,

1994, and currently has 4 billion shares authorized capital stock of \$.001 par value each, of which 1.2 billion shares have been further authorized for issuance in two Funds, with three classes of shares in each Fund as set forth below:

| Fund | Institutional | | Shares |
|---------------------|-----------------|---------------|-------------|
| | Investor Shares | Select Shares | |
| IMG Core Stock Fund | 200,000,000 | 200,000,000 | 200,000,000 |
| IMG Bond Fund | 200,000,000 | 200,000,000 | 200,000,000 |

Each share has one vote, and all shares participate equally in dividends and other capital gains distributions by the respective Fund and in the residual assets of the respective Fund in the event of liquidation. Fractional shares have the same rights proportionately as do full shares. Shares of the Funds have no preemptive subscription rights. Cumulative voting is not authorized. You are entitled to redeem shares as set forth under "HOW TO REDEEM SHARES". All shares are held in uncertificated form and will be evidenced by the appropriate notation on the books of the transfer agent.

SHAREHOLDER REPORTS AND MEETINGS

Each Fund will confirm all transactions for your account in writing. You will also receive quarterly Fund information, a semiannual report, and an annual report containing audited financial statements. If you have questions about your account, call 1-800-798-1819. You may also write to IFS at the address on the cover of this Prospectus. You may order statements for the current and preceding year at no charge. However, there will be a \$10.00 fee per statement per year for statements ordered for other years.

The Funds may operate without an annual meeting of shareholders under specified circumstances if an annual meeting is not required by the 1940 Act. The Funds have adopted the appropriate provisions in their Bylaws and may, in their discretion, not hold annual meetings of shareholders for the election of Directors unless otherwise required by the 1940 Act. The Funds have also adopted provisions in their Bylaws for the removal of Directors by the shareholders. Shareholders may receive assistance in communicating with other shareholders as provided in Section 16(c) of the 1940 Act.

There normally will be no meetings of shareholders for the purpose of electing Directors unless and until such time as less than a majority of the Directors holding office have been elected by shareholders, at which time the Directors then in office will call a shareholders' meeting for the election of Directors. Shareholders of the Funds may remove a Director by the affirmative vote of a majority of the Funds' outstanding voting shares. In addition, the Directors are required to call a meeting of shareholders for the purpose of voting upon the question of removal of any such Director or for any other purpose when requested in writing to do so by the shareholders of record of not less than 10% of the Funds' outstanding voting securities.

To date, two Funds have been authorized. All consideration received by the Funds for shares of one of the Funds and all assets in which such consideration is invested, belong to that Fund (subject only to the rights of creditors of the Fund) and will be subject to the liabilities related thereto. The income and expenses attributable to one Fund are treated separately from those of the other Funds.

Rule 18f-2 under the 1940 Act provides that any matter required to be submitted under the provisions of the 1940 Act or applicable state law or otherwise, to the holders of the outstanding voting securities of an investment company, such as the Funds, will not be deemed to have been effectively acted upon unless approved by the holders of a majority of the outstanding shares of each Fund affected by such matter. Rule 18f-2 further provides that a Fund shall be deemed to be affected by a matter unless it is clear that the interests of each Fund in

the matter are identical or that the matter does not affect any interest of such Fund. However, the Rule exempts the selection of independent accountants and the election of Directors from the separate voting requirements of the Rule.

CUSTODIAN, FUND ACCOUNTANT, TRANSFER AGENT, DIVIDEND
DISBURSING AGENT AND SHAREHOLDER SERVICING AGENT

Norwest Bank Minnesota, N.A., Sixth and Marquette, Minneapolis, Minnesota 55479, acts as custodian of the Funds' assets. IMG, 2203 Grand Avenue, Des Moines, Iowa 50312-5338, acts as fund accountant, transfer agent, dividend disbursing agent and shareholder servicing agent for the Funds. IMG is compensated for its services based on an annual fee as a percent of assets. The fees received and the services provided as fund accountant, transfer agent, dividend disbursing agent and shareholder servicing agent are in addition to those received and paid to IMG under the Advisory Agreement and the Administrative Services Agreement, or payable to IFS under the Distribution Agreement with the Funds.

PERFORMANCE INFORMATION

From time to time, a Fund may advertise several types of performance information. Each class of shares of the IMG Core Stock Fund and IMG Bond Fund may advertise "average annual total return", "total return", and "cumulative total return". Each class of shares of the IMG Bond Fund may also advertise "yield". Each of these figures is based upon historical results and is not necessarily representative of the future performance of a Fund.

Average annual total return and total return figures measure both the net investment income generated by, and the effect of any realized and unrealized appreciation or depreciation of, the underlying investments in a Fund for the period in question, assuming the reinvestment of all dividends. Thus, these figures reflect the change in the value of an investment in a Fund during a specified period. Average annual total return will be quoted for at least the one, five, and ten year periods ending on a recent calendar quarter (or if such periods have not elapsed, at the end of the shorter period corresponding to the life of a Fund). Average annual total return figures are annualized and, therefore, represent the average annual percentage change over the period in question. Total return figures are not annualized and represent the aggregate percentage or dollar value change over the period in question. Cumulative total return reflects a Fund's performance over a stated period of time.

Yield refers to the net investment income per share generated by a hypothetical investment in a Fund over a specific one month, or 30 day period. Returns, yields, and net asset values will fluctuate. Shares of the Funds are redeemable by an investor at the then current net asset value per share, which may be more or less than original cost. Additional information concerning Fund performance appears in the Statement of Additional Information.

IMG MUTUAL FUNDS, INC.
Statement of Assets and Liabilities
May 1, 1995
(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Initial Shareholder
IMG Mutual Funds, Inc.:

We have audited the statements of assets and liabilities of IMG Core Stock Fund and IMG Bond Fund (portfolios within IMG Mutual Funds, Inc.) as of May 1, 1995. These financial statements are the responsibility of Fund management. Our responsibility is to express an opinion on these financial statements based on

our audit.

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 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 cash by correspondence with the custodian. 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 audit provides a reasonable basis for our opinion.

In our opinion, the statements of assets and liabilities referred to above present fairly, in all material respects, the financial position of IMG Core Stock Fund and IMG Bond Fund as of May 1, 1995 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Des Moines, Iowa
May 3, 1995

IMG MUTUAL FUNDS, INC.

Statement of Assets and Liabilities

May 1, 1995

| | IMG Core Stock Fund | IMG Bond Fund |
|---|---------------------------|---------------------|
| Assets - cash | \$50,000 | 50,000 |
| Liabilities | -- | -- |
| | ----- | ----- |
| Net assets applicable to outstanding capital stock | \$50,000 ===== | 50,000 ===== |
| Represented by: | | |
| Capital stock (note 5) | \$ 50 | 50 |
| Additional paid-in capital | 49,950 | 49,950 |
| | ----- | ----- |
| | \$50,000 ===== | 50,000 ===== |
| Net asset value per share of outstanding capital stock: | | |
| Investor shares - net assets \$15,000 and shares outstanding 1,500 | \$10.00 ===== | 10.00 ===== |
| Select shares - net assets \$15,000 and shares outstanding 1,500 | \$10.00 ===== | 10.00 ===== |

| | | |
|--|---------|-------|
| Institutional shares - net assets \$20,000 | | |
| and shares outstanding 2,000 | \$10.00 | 10.00 |
| | ===== | ===== |

See accompanying note to financial statements of assets and liabilities.

IMG MUTUAL FUNDS, INC.

Notes to Statement of Assets and Liabilities

May 1, 1995

(1) Organization and Significant Accounting Policies

IMG Mutual Funds, Inc. (the Fund) was incorporated on November 16, 1994 and capitalized on May 1, 1995. The Fund is registered under the Investment Company Act of 1940 (the Act) (as amended) as a diversified open-end management investment company issuing its shares in two series representing a diversified portfolio with distinct investment objectives and policies. The shares of each series are divided into Investors, Select, and Institutional Shares. Investments in specific class levels are based upon minimum investment requirements. Shares will automatically convert to the next class level upon attainment of the minimum investment requirement. Each class of shares has equal rights as to earnings, assets, and voting privileges except that each class bears different distribution expenses. Each class of shares has exclusive voting rights with respect to matters that affect just that class. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based upon its relative net assets.

The Fund's dividend distribution policy provides for quarterly dividends for the IMG Bond Fund and semiannual dividends for IMG Core Stock Fund.

(2) Federal Taxes

The Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute taxable income to shareholders in amounts that will avoid or minimize federal income or excise taxes of the fund.

(3) Fees and Expenses

The Fund has entered into an investment advisory agreement with Investors Management Group (the Advisor), for management of the Fund's assets. The annual fees for such services are .50 percent of the average daily net assets of the IMG Core Stock Fund and .30 percent of the average daily net assets of the IMG Bond Fund. Organization costs were borne by the Advisor.

The Fund has also entered into an administrative services agreement with the Advisor to provide certain information and administrative services to the Fund. The annual fees for such services will range from .10 percent to .25 percent of average daily net assets, depending on the type of shares owned.

IMG will also act as fund accountant, transfer agent, and dividend paying agent for the Funds, and maintain all shareholder records. Fees for such services will total .15 percent of average daily net assets.

In addition, the Fund is responsible for paying most other operating expenses including outside directors' fees and expenses; custodian fees; registration fees; printing and shareholder reports; transfer agent fees and expenses; legal, auditing and accounting services; insurance; interest; and other miscellaneous expenses.

(Continued)

IMG MUTUAL FUNDS, INC.

Notes to Statement of Assets and Liabilities, Continued

(4) Distribution Plan

The Fund has entered into a distribution agreement, pursuant to Rule 12b-1 under the 1940 Act, with IMG Financial Services Inc. (the Distributor) for the marketing and distribution of the shares of the Fund. The fees for such services for the IMG Core Stock Fund are .40 percent and .15 percent of the average daily net assets of the Investor and Select Shares, respectively. Fees paid by the IMG Bond Fund amount to .25 percent and .15 percent of the average daily net assets of the Investors and Select Shares, respectively. The Fund pays no distribution fees in relation to the Institutional shares outstanding.

(5) Capital Stock

The Fund's capital stock is as follows as of May 1, 1995:

| Portfolio | Shares authorized | | | Shares issued | | |
|------------------------|-------------------|-------------|---------------|---------------|--------|---------------|
| | Investor | Select | Institutional | Investor | Select | Institutional |
| IMG Core Stock Fund | 200,000,000 | 200,000,000 | 200,000,000 | 1,500 | 1,500 | 2,000 |
| IMG Bond Fund | 200,000,000 | 200,000,000 | 200,000,000 | 1,500 | 1,500 | 2,000 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Par Value

| Portfolio | Investor | Select | Institutional |
|------------------------|----------|--------|---------------|
| IMG Core Stock Fund | \$.001 | .001 | .001 |
| IMG Bond Fund | \$.001 | .001 | .001 |
| | ===== | ===== | ===== |

The shares of each portfolio have one vote, and all shares of a portfolio participate equally in dividends and other capital gains

distributions for such portfolio by the Fund. The shares of a portfolio have no preemptive, conversion, or subscription rights.

IMG BOND FUND
STATEMENT OF NET ASSETS
July 7, 1995

ASSETS

| | | |
|---|--|----------------|
| Investment securities - at market value | | |
| (identified cost \$4,387,184.29) | | \$4,564,451.33 |
| Cash | | 50,000.33 |
| Receivables | | |
| Accrued Income | | 58,961.93 |
| Investment Securities Sold | | 0.00 |
| Capital Shares Sold | | 0.00 |
| Income and Other Receivables | | 0.00 |
| | | ----- |
| Total Assets | | 4,673,413.59 |

LIABILITIES

| | | |
|------------------------------------|--|-------|
| Income Distribution Payable | | 0.00 |
| Capital Gains Distribution Payable | | 0.00 |
| Investment Securities Purchased | | 0.00 |
| Capital Shares Redeemed | | 0.00 |
| Accrued Expenses | | 0.00 |
| Other Payables | | 0.00 |
| | | ----- |
| Total Liabilities | | 0.00 |

NET ASSETS

\$4,673,413.59
=====

Capital Shares Outstanding:

| | | |
|----------------------------------|--|--------------|
| Investor Shares | | 14,139.5570 |
| Select Shares | | 233,490.7590 |
| Institutional Shares | | 219,711.0430 |
| | | ----- |
| Total Capital Shares Outstanding | | 467,341.3590 |
| | | ===== |

NET ASSET VALUE PER SHARE

\$10.00
=====

IMG CORE STOCK FUND
STATEMENT OF NET ASSETS
July 7, 1995

ASSETS

| | | |
|---|--|----------------|
| Investment securities - at market value | | |
| (identified cost \$8,172,614.38) | | \$8,788,518.85 |
| Cash | | 50,000.25 |
| Receivables | | |
| Accrued Income | | 29,628.71 |
| Investment Securities Sold | | 0.00 |

| | |
|------------------------------|--------------|
| Capital Shares Sold | 0.00 |
| Income and Other Receivables | 0.00 |
| | ----- |
| Total Assets | 8,868,147.81 |

LIABILITIES

| | |
|------------------------------------|-------|
| Income Distribution Payable | 0.00 |
| Capital Gains Distribution Payable | 0.00 |
| Investment Securities Purchased | 0.00 |
| Capital Shares Redeemed | 0.00 |
| Accrued Expenses | 0.00 |
| Other Payables | 0.00 |
| | ----- |
| Total Liabilities | 0.00 |

NET ASSETS

\$8,868,147.81
=====

Capital Shares Outstanding:

| | |
|----------------------------------|--------------|
| Investor Shares | 22,831.6000 |
| Select Shares | 602,333.9850 |
| Institutional Shares | 261,649.1960 |
| | ----- |
| Total Capital Shares Outstanding | 886,814.7810 |
| | ===== |

NET ASSET VALUE PER SHARE

\$10.00
=====

IMG BOND FUND
SCHEDULE OF INVESTMENTS
JULY 7, 1995

| SECURITIES | SHARES | MARKET VALUE |
|---|---------|-----------------|
| U.S. Government Securities: | | |
| U.S. Treasury Bonds (11.51%) | | |
| U.S. Treasury Bond, 7.25%, 05/15/16 | 500,000 | \$537,920.00 |
| | | ----- |
| U.S. Treasury Notes (31.01%) | | |
| U.S. Treasury Note, 6.875%, 03/31/00 | 965,000 | 1,007,817.05 |
| U.S. Treasury Note, 6.25%, 02/15/03 | 435,000 | 441,511.95 |
| | | ----- |
| | | 1,449,329.00 |
| | | ----- |
| Corporate Bonds (21.27%) | | |
| Dayton Hudson, 10.0%, 12/01/00 | 75,000 | 87,184.50 |
| GMAC, 8.875%, 06/01/2010 | 205,000 | 240,618.75 |
| Hydro-Quebec, 8.25%, 01/15/27 | 75,000 | 80,250.00 |
| ITT Financial, 8.875%, 06/01/10 | 120,000 | 146,002.80 |
| Lehman Brothers MTN, 8.02%, 01/15/19 | 115,000 | 119,312.50 |
| Manitoba, 7.75%, 07/17/16 | 153,000 | 162,299.34 |
| Nova Scotia, 8.25%, 11/15/19 | 140,000 | 158,200.00 |
| | | ----- |
| | | 993,867.89 |
| | | ----- |
| Municipal Bonds (4.40%) | | |
| Oregon Dept of Trans., 9.0%, 06/15/00 | 115,313 | 119,637.45 |
| Texas St. G.O. Taxable, 8.70%, 12/01/09 | 75,000 | 85,781.25 |
| | | ----- |

| | | |
|---|---------|----------------|
| | | 205,418.70 |
| | | ----- |
| Mortgage-Backed Securities (29.23%) | | |
| Chase Mtge. Finance Corp. 5.75%, 4/25/09 | 67,492 | 66,205.50 |
| Citicorp Mtge Sec 1987-13 A3, 9.35%, 06/01/10 | 75,301 | 76,006.97 |
| FHLMC Ser L Class 5, 7.9%, 5/01/01 | 20,751 | 20,822.54 |
| FHLMC 1504B, 7.0%, 12/15/22 | 100,000 | 98,203.00 |
| FHLMC 91 Series 188 Class F, 7.50%, 05/15/20 | 98,445 | 99,328.75 |
| FNMA 1991 - 75L CMO, 9.0%, 06/25/01 | 25,000 | 25,797.50 |
| FNMA 1991-137 G, 8.3%, 06/25/20 | 50,000 | 52,278.00 |
| Goldman Sachs Ser C Class 3, 9.45%, 10/27/03 | 72,342 | 72,929.52 |
| Hsg Sec Inc 1993-E E-14, 0.0%, 09/25/08 | 70,775 | 50,249.90 |
| Hsg Sec Inc 1993-C C3, 0.0%, 05/25/08 | 93,167 | 66,599.80 |
| Hsg Hsc Inc 1992-EA A6, 0%, 10/25/07 | 88,825 | 64,536.65 |
| Hsg Sec Inc 92-EB B1A, 6.75%, 05/25/20 | 17,663 | 17,604.75 |
| Kidder Peabody Mtg Asset Tr Class 5 G, 8.45%, 05/20/18 | 146,415 | 145,774.69 |
| Res Fndg Mtg Sec I Ser 1993-S7 C1 A6, 7.15%, 02/25/08 | 79,112 | 79,402.56 |
| Resolution Trust Corp Ser 1992-17 Class A1, 12/25/20 | 86,876 | 88,043.88 |
| FHMLC Pool #C00126, 8.5%, 06/01/22 | 23,633 | 24,488.66 |
| GNMA Pool #359600, 7.5%, 07/15/23 | 115,863 | 117,961.28 |
| GNMA Pool #315929, 9.0%, 06/15/22 | 60,742 | 64,139.73 |
| GNMA Pool #341681, 8.5%, 01/15/23 | 76,391 | 79,831.48 |
| GNMA Pool #354189, 7.5%, 05/01/23 | 54,684 | 55,678.08 |
| | | ----- |
| | | 1,365,883.24 |
| | | ----- |
| Cash Equivalents (1.33%) | | |
| Pilot Short-Term U.S. Treasury Money Market Fund | 12,033 | 12,032.50 |
| Cash | 50,000 | 50,000.33 |
| | | ----- |
| | | 62,032.83 |
| | | ----- |
| TOTAL INVESTMENT SECURITIES (98.74%) | | 4,614,451.66 |
| | | ----- |
| OTHER ASSETS, NET OF LIABILITIES (1.26%) | | 58,961.93 |
| | | ----- |
| NET ASSETS (100.00%) | | \$4,673,413.59 |
| | | ===== |

IMG CORE STOCK FUND
SCHEDULE OF INVESTMENTS
JULY 7, 1995

| SECURITIES | SHARES | MARKET VALUE |
|--------------------------|--------|-----------------|
| COMMON STOCKS: | | |
| Utilities (21.45%) | | |
| Ameritech Corp. | 4,600 | \$214,475.00 |
| Consolidated Edison | 7,300 | 214,437.50 |
| Detroit Edison Co. | 7,000 | 205,625.00 |
| GTE Corp. | 6,300 | 219,712.50 |
| NYNEX Corp. | 5,000 | 202,500.00 |
| San Diego Gas & Electric | 9,500 | 201,875.00 |
| South Jersey Industries | 10,200 | 215,475.00 |
| U.S. West, Incorporated" | 5,200 | 217,750.00 |
| WPS Resources Corp. | 7,200 | 210,600.00 |
| | | ----- |

| | | |
|-------------------------------|--------|--------------|
| | | 1,902,450.00 |
| | | ----- |
| Finance (18.05%) | | |
| AMBAC Inc. | 4,300 | 171,462.50 |
| American Heritage Life | 8,400 | 176,400.00 |
| Banc One Corp | 5,500 | 178,062.50 |
| Comerica, Inc." | 5,900 | 191,012.50 |
| First Hawaiian | 6,300 | 162,225.00 |
| Key Corp. | 5,900 | 185,850.00 |
| PNC Bank Corp. | 6,800 | 182,750.00 |
| Providian | 4,700 | 172,725.00 |
| Regions Financial Corp | 4,800 | 180,000.00 |
| | | ----- |
| | | 1,600,487.50 |
| | | ----- |
| Retail Trade (5.34%) | | |
| Charming Shoppes | 19,800 | 106,425.00 |
| Liz Claiborne Inc. | 8,800 | 199,100.00 |
| Medicine Shoppe Intl Inc. | 4,900 | 167,825.00 |
| | | ----- |
| | | 473,350.00 |
| | | ----- |
| Consumer Services (1.90%) | | |
| Knight-Ridder Inc. | 2,900 | 168,562.50 |
| | | ----- |
| Consumer Non-Durables (7.60%) | | |
| American Greetings | 5,900 | 177,000.00 |
| General Mills Inc. | 3,300 | 169,537.50 |
| Kimerly-Clark Corp | 2,800 | 163,800.00 |
| Rubbermaid, Inc. | 5,500 | 163,625.00 |
| | | ----- |
| | | 673,962.50 |
| | | ----- |
| Consumer Durables (1.88%) | | |
| CENTEX | 5,500 | 166,375.00 |
| | | ----- |
| Health Technology (9.16%) | | |
| American Home Products | 2,200 | 165,000.00 |
| Bristol-Meyers Squibb Co. | 2,400 | 160,200.00 |
| Merck & Co., Inc. | 3,800 | 180,500.00 |
| Schering-Plough | 3,800 | 162,925.00 |
| Upjohn | 3,900 | 143,812.50 |
| | | ----- |
| | | 812,437.50 |
| | | ----- |
| Electronic Technology (2.06%) | | |
| MCI Communications | 8,000 | 183,000.00 |
| | | ----- |
| Commercial Services (1.91%) | | |
| Dun & Bradstreet Corp. | 3,200 | 169,600.00 |
| | | ----- |
| Process Industries (2.03%) | | |
| Great Lakes Chemical | 2,900 | 179,800.00 |
| | | ----- |
| Industrial Services (5.96%) | | |
| Flightsafety International | 3,500 | 171,937.50 |
| Foster Wheeler Corp. | 5,000 | 184,375.00 |
| WMX Technologies | 5,800 | 172,550.00 |
| | | ----- |

| | | |
|--|---------|----------------|
| | | 528,862.50 |
| | | ----- |
| Energy (1.66%) | | |
| Atlantic Richfield Co. | 1,300 | 147,062.50 |
| | | ----- |
| TOTAL COMMON STOCKS (79.00%) (Cost \$6,450,823.32) | | 7,005,950.00 |
| U.S. Government Securities (11.59%) | | |
| U.S. Treasury Bond, 7.25%, 05/15/16 | 955,000 | 1,027,427.20 |
| | | ----- |
| Cash Equivalents (9.08%) | | |
| Pilot Short-Term US Treasury Money Market Fund | 755,142 | 755,141.65 |
| Cash | 50,000 | 50,000.25 |
| | | ----- |
| | | 805,141.90 |
| | | ----- |
| TOTAL INVESTMENT SECURITIES (99.67%) | | 8,838,519.10 |
| OTHER ASSETS, NET OF LIABILITIES (0.33%) | | 29,628.71 |
| | | ----- |
| NET ASSETS (100.00%) | | \$8,868,147.81 |
| | | ===== |

IMG MUTUAL FUNDS, INC.
Notes to Statements of Net Assets
July 7, 1995

(1) Organization and Significant Accounting Policies

IMG Mutual Funds, Inc. (the "Fund") was incorporated on November 16, 1994 and capitalized on May 1, 1995. The Fund is registered under the Investment Company Act of 1940 (the "1940 Act"), as amended, as a diversified open-end management investment company issuing its shares in two series, each series representing a diversified portfolio with distinct investment objectives and policies. The shares of each series are divided into Investor, Select, and Institutional Shares. Investments in specific class levels are based upon minimum investment requirements. Shares will automatically convert to the next class level upon attainment of the minimum investment requirement. Each class of shares has equal rights as to earnings, assets, and voting privileges except that each class bears different distribution expenses. Each class of shares has exclusive voting rights with respect to matters that affect just that class. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based upon its relative net assets.

Basis of Presentation

The financial statements for July 7, 1995 are unaudited. In the opinion of Management of IMG Mutual Funds, Inc. these financial statements reflect all adjustments, consisting only of normal occurring accruals, necessary to present fairly these financial statements.

Security Valuation

Equity securities are values at the last sales price on the national

securities exchange. Fixed income securities are valued on the basis of valuations furnished by a pricing service that utilizes electronic data processing techniques to determine valuations for normal institutional sized trading units of fixed income securities without regard to sale or bid prices when such valuations are believed to more accurately reflect the fair market value of such institutional securities. Otherwise sale or bid prices are used. Any securities or other assets for which market quotations are not readily available are valued at fair value as determined by the Portfolio Manager. Fixed income securities in a portfolio having maturities of 60 days or less are valued by the amortized cost method.

Security Transactions

Security transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis.

Investment Income

Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date. Original issue discounts and premiums on securities purchased are amortized over the expected life of the respective securities.

Distribution of Income and Gains

The Fund's dividend distribution policy provides for quarterly dividends for the IMG Bond Fund and semiannual dividends for IMG Core Stock Fund. Any net realized capital gains will be distributed annually, after using any available capital loss carry-over.

(2) Federal Taxes

The Fund's policy is to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute taxable income to shareholders in amounts that will avoid or minimize federal income or excise taxes of the Fund. Net investment income and net realized gains (losses) for the Funds may differ for financial statement and tax purposes. The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the year that the income or realized gains (losses) were recorded by the Funds. It is unlikely the Board of Directors will authorize a distribution of any net realized capital gains until the available capital loss carryover has been offset or expires.

(3) Fees and Expenses

The Fund has entered into an investment advisory agreement with Investors Management Group (the "Advisor"), for management of the Fund's assets. The annual fees for such services are 0.50 percent of the average daily net assets of the IMG Core Stock Fund and 0.30 percent of the average daily net assets of the IMG Bond Fund. Organization costs were borne by the Advisor.

The Fund has entered into an administrative services agreement with the Advisor to provide certain information and administrative services to the Fund. The annual fees for such services will range from 0.10 percent to 0.25 percent of average daily net assets,

depending on the type of shares owned.

IMG will also act as fund accountant, transfer agent, and dividend paying agent for the Funds, and maintain shareholder records. Fees for such services will total 0.15 percent of average daily net assets.

In addition, the Fund is responsible for paying most other operating expenses including outside directors' fees and expenses; custodian fees; registration fees; printing and shareholder reports; transfer agent fees and expenses; legal, auditing, and accounting services; insurance; interest; and other miscellaneous expenses.

(4) Distribution Plan

The Fund has entered into a distribution agreement, pursuant to Rule 12b-1 under the 1940 Act, with IMG Financial Services, Inc. (the "Distributor") for the marketing and distribution of the shares of the Fund. The fees for such services for the IMG Core Stock Fund are 0.40 percent and 0.15 percent of the average daily net assets of the Investor and Select Shares, respectively. Fees paid by the IMG Bond Fund amount to 0.25 percent and 0.15 percent of the average daily net assets of the Investor and Select Shares, respectively. The Fund pays no distribution fees in relation to the Institutional Shares outstanding.

(5) Capital Stock

The Fund's capital stock is as follows as of July 7, 1995:

<TABLE>

<CAPTION>

| Portfolio <S> | Shares Authorized | | | Shares Issued | | |
|---------------------|-------------------|---------------|----------------------|-----------------|---------------|----------------------|
| | Investor <C> | Select <C> | Institutional <C> | Investor <C> | Select <C> | Institutional <C> |
| IMG Core Stock Fund | 200,000,000 | 200,000,000 | 200,000,000 | 22,831.6000 | 602,333.9850 | 261,649.1960 |
| IMG Bond Fund | 200,000,000 | 200,000,000 | 200,000,000 | 14,139.5570 | 233,490.7590 | 219,711.0430 |

<CAPTION>

| Portfolio <S> | Par Value | | |
|---------------------|-----------------|---------------|----------------------|
| | Investor <C> | Select <C> | Institutional <C> |
| IMG Core Stock Fund | \$.001 | .001 | .001 |
| IMG Bond Fund | \$.001 | .001 | .001 |

</TABLE>

The shares of each portfolio have one vote, and all shares of a portfolio participate equally in dividends and other capital gains distributions for such portfolio by the Fund. The shares of a portfolio have no preemptive, conversion, or subscription rights.

PART C

OTHER INFORMATION

Item 24. Financial Statements and Exhibits.

(a) Financial Statements

(1) Included in Part A:

Not applicable

- (2) Included in Part B:
Independent Auditors' Report dated May 3, 1995
Statement of Assets and Liabilities as of May 1, 1995
Statements of Net Assets dated July 7, 1995 (unaudited)
Schedules of Investments dated July 7, 1995 (unaudited)
Notes to Financial Statements
- (3) Included in Part C:
Consent of KPMG Peat Marwick LLP.

(b) Exhibits

| Exhibit No. | Description |
|-------------|--|
| *1. (a) | Articles of Incorporation, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *2. | Bylaws, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *5. (a) | Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent Agreement, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *5. (b) | Investment Advisory Agreement, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *5. (c) | Administrative Services Agreement, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *5. (d) | Fund Accounting Agreement, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *6. | Distribution Agreement, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *8. | Custodial Agreement, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *9. | Shareholder Services Plan, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *10. | Opinion of Ober, Kaler, Grimes & Shriver |
| *11. | Power of Attorney, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994 |
| *13. | Subscription Agreement of Initial Stockholder, incorporated by reference |

to the Fund's Registration Statement,
filed December 14, 1994

- *15. Distribution Plan, incorporated by reference to the Fund's Registration Statement, filed December 14, 1994
- *16. 18f3 Plan, incorporated by reference to Pre-Effective Amendment No. 3, filed May 18, 1995

Item 25. Persons Controlled by or under Common Control with Registrant.

None

Item 26. Number of Holders of Securities.

| Title of Class | Number of Record Holders |
|---------------------|--------------------------|
| IMG Core Stock Fund | 57 as of July 7, 1995 |
| IMG Bond Fund | 31 as of July 7, 1995 |

Item 27. Indemnification.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification by the Registrant is against public policy as expressed in the Act and, therefore, may be unenforceable. In the event that a claim for such indemnification (except insofar as it provides for the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person and the Securities and Exchange Commission is still of the same opinion, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Section 2-418 of the Maryland General Corporation Law permits the Registrant to indemnify directors and officers. In addition, Section 2-405.1 sets forth the standard of care for directors and Section 2-405.2 allows the Registrant to include in the Charter provisions further limiting the liability of the directors and officers in certain circumstances. Article ELEVENTH of the Articles of Incorporation included herewith as Exhibit 1(a) (the "Articles") limits the liability of any director or officer of the Registrant arising out of a breach of fiduciary duty, subject to the limits of the Investment Company Act of 1940 ("1940 Act"). Article TWELFTH of the Articles and Article VII of the Bylaws, included herewith as Exhibit (2), makes mandatory the indemnification of any person made or threatened to be made a party to any action by reason of the facts that such person is or was a director, officer or employee, subject to the limits otherwise imposed by law or by the 1940 Act.

In addition, Paragraph 7 of the Advisory Agreement included herewith as Exhibit (5)(b), and Article III of the Distribution Agreement, included herewith as Exhibit (6), provide that Investors Management Group, ("IMG") and IMG Financial Services, Inc. ("IFS"), shall not be liable to the Registrant for any error, judgment or mistake of law or for any loss arising out of any investment or for any act or omission in the management provided by IMG or for any distribution services provided by IFS to the Registrant for the performance of the duties under such agreements, except for willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of

reckless disregard of their obligation and duties under such agreements. In addition, Article IV of the Distribution Agreement and Paragraph 8 of the Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent Agreement, included herewith as Exhibit (5)(a), further indemnify IFS and IMG against certain liabilities arising out of the performance of such agreements.

Item 28. Business and Other Connections of Investment Adviser.

Investors Management Group, Ltd.

| Name | Positions with Adviser | Principal Occupations (Present and for Past Two Years) |
|------------------|--|---|
| Mark A. McClurg | Vice President, Secretary, Director and Senior Managing Director | Public Finance Manager. Joined IMG in February, 1989. From April 1987 through January 1989, Vice President, Piper, Jaffray & Hopwood. |
| David W. Miles | President, Treasurer, Director, and Senior Managing Director | See caption "Management" in the Statement of Additional Information forming a part of this Registration Statement. |
| James W. Paulsen | Senior Managing Director | Equity Investment Manager. Joined IMG in August 1991. From May 1983 through July 1992, President, Securities Counselors of Iowa. |

Item 29. Principal Underwriters.

(a) IMG Financial Services, Inc., acts as distributor to IMG Liquid Assets Fund, Inc., IMG Tax Exempt Liquid Assets Fund, Inc., and Capital Value Fund, Inc.

| Name and Principal Business Address | Positions and Offices with Underwriter | Positions and Offices with Registrant |
|--|--|---------------------------------------|
| Mark A. McClurg 2203 Grand Avenue Des Moines, IA 50312-5338 | Vice President, Secretary, Director and Senior Managing Director | President, Director |
| David W. Miles 2203 Grand Avenue Des Moines, IA 50312-5338 | President, Treasurer, Director, and Senior Managing Director | Chairman, Director |
| James W. Paulsen 2203 Grand Avenue Des Moines, IA 50312-5338 | Senior Managing Director | Vice President, Treasurer, Director |

(c) Not applicable.

Item 30. Location of Accounts and Records.

All required accounts, books and records will be maintained by Ruth L. Prochaska, 2203 Grand Avenue, Des Moines, Iowa 50312-5338.

Item 31. Management Services.

Not applicable.

Item 32. Undertakings.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, and the Investment Company Act of 1940, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Des Moines, State of Iowa, on the 11th day of July, 1995.

IMG MUTUAL FUNDS, INC.
By: _____/s/ Mark A. McClurg _____
Mark A. McClurg, President

Pursuant to the requirements of the Securities Act of 1933, the Registration Statement has been signed below by the following persons in the capacities indicated on July 11, 1995:

| Signature | Title |
|--|--|
| /s/ David W. Miles David W. Miles | Chairman & Director |
| /s/ Mark A. McClurg Mark A. McClurg | President, Principal Executive Officer, Principal Financial & Accounting Officer, and Director |
| /s/ James W. Paulsen James W. Paulsen | Vice President, Treasurer and Director |
| /s/ Ruth L. Prochaska Ruth L. Prochaska | Secretary |
| ----- | |
| /s/ Johnny Danos Johnny Danos | Director |
| /s/ David Lundquist David Lundquist | Director |
| /s/ Debra Johnson Debra Johnson | Director /s/ David W. Miles by: David W. Miles Attorney-in-fact |
| /s/ Robert Dee Robert Dee | Director |
| /s/ Edward Stanek Edward Stanek | Director |
| ----- | |

CONSENT OF INDEPENDENT AUDITORS

To the Directors and Shareholders of
IMG Mutual Funds, Inc.:

We consent to the use of our report included herein and to the references to our Firm under the heading "Independent Auditors" in the Statement of Additional Information.

KPMG Peat Marwick LLP

Des Moines, Iowa

July __, 1995