

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### **MONEY MARKET VARIABLE ACCOUNT /MA/**

CIK: **706113** | IRS No.: **042461439** | State of Incorpor.: **MA** | Fiscal Year End: **1231**  
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DEAR CONTRACT OWNERS:

The pattern of slow but sustainable growth seen in most of the world in 1996 seems likely to continue in 1997. While it appears that U.S. growth in 1997 will slow modestly relative to 1996, there is evidence that the European economies and, to a lesser degree, Japan, are continuing to recover from recession. At the same time, companies in many emerging markets are reporting robust increases in earnings as these economies benefit from higher-than-average growth and open market reforms, which should continue to provide more opportunities for development and trade.

#### U.S. OUTLOOK

After more than six years of expansion, the U.S. economy appears headed toward another year of at least moderate growth in 1997, although a few signs point to the possibility of a modest rise in inflation during the year. On the positive side, the pattern of moderate growth and subdued inflation experienced over the past few years now seems fairly well entrenched and appears to have enough momentum to continue on track for some time. Also, recent gains in such important sectors as housing, automobiles, industrial production, and exports indicate a fair amount of underlying strength in the economy. However, some reason for caution can be seen in the continuing high levels of consumer debt and the attendant rise in personal bankruptcies, as well as the modestly disappointing levels of holiday sales. Also, the ongoing tightness in labor markets, and price rises in such important sectors as energy, could add some inflationary pressures to the economy. Given these somewhat conflicting indicators, we expect real (inflation-adjusted) growth to revolve around 2% in 1997, which would represent a modest decline from 1996.

#### GLOBAL OUTLOOK

Internationally, the environment of moderate growth, benign inflation, and fairly steady interest rates is also providing support for investment markets and should help sustain valuation levels in the coming year. Throughout the world, the key to stock market performance in 1997 will be corporate earnings growth. While U.S. earnings growth is slowing but still expected to be fairly healthy, we anticipate that a number of European countries will see an acceleration in earnings growth and improved valuations in 1997. Despite this environment, many European stock markets trade at discounts to the United States. In particular, we see opportunities in some of the multinationals and in businesses with the ability to generate steady earnings growth. In Japan, a recovery appears to be taking place, but at a very modest rate, with valuations still at high levels. In the emerging markets, the long-term economic growth story remains intact and, although selectivity is even more critical in these markets, an increasing number of companies are benefiting from this economic expansion while trading at below-average global valuations.

#### BOND MARKETS

Conflicting signals over the strength of the economy have created near-term volatility in U.S. bond markets. Comments by Federal Reserve Chairman Alan Greenspan late in 1996 have created some uncertainty over the Federal Reserve Board's next move. However, we expect the Fed to maintain its anti-inflationary stance should signs of more rapid economic growth and, particularly, higher inflation resurface. While inflationary forces largely remained in check in 1996, the continued strength in labor markets and rising energy prices mean that some pickup in inflation is still possible. However, the U.S. budget deficit continues to decline

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and, as a percentage of gross domestic product, is now less than 2%, which we consider a positive development for the bond markets. Although interest rates may move higher over the coming months, we believe that, at current levels, fixed-income markets remain fairly valued.

#### STOCK MARKET

While U.S. equity returns of the past two years have been impressive, we would anticipate returns in 1997 to be closer to historical levels. Just as the slowdown in corporate earnings growth and increases in interest rates in 1996 raised some near-term concerns, further interest rate increases and an acceleration of inflation could negatively affect the stock market in 1997. However, to the extent that some slowdown in earnings means that the economy is not overheating, this may be beneficial for the equity market in the long run. Also, we believe many of the technology-driven productivity gains that U.S. companies have made in recent years will continue to enhance corporate America's competitiveness and profitability. Therefore, while we have some near-term concerns, we remain reasonably positive that the equity market will produce satisfactory long-term returns.

Specific information on each Account's performance and our current investment strategy are provided on the following pages. The performance figures provided

in the discussion do not reflect the deduction of separate account charges. Results would have been lower had these charges been deducted. We appreciate your support and welcome any questions or comments you may have.

On behalf of the  
Board of Managers,

/s/ John D. McNeil

-----  
John D. McNeil  
Chairman

January 12, 1997

#### CAPITAL APPRECIATION VARIABLE ACCOUNT

For the year ended December 31, 1996, the Account provided a total return of 21.99%, compared to a return of 22.95% for the Standard & Poor's 500 Composite Index (the S&P 500), a popular, unmanaged index of common stock performance. The Account's performance benefited from a significant weighting in the technology sector, in particular Intel and Microsoft, both of which have strong market positions related to the personal computer business. Lodging stocks such as HFS, Inc., a hotel franchiser, also contributed significantly to performance. Other significant contributors included Tyco International, a fire control and health care products manufacturer, and Wisconsin Central, a railroad company.

Performance was negatively impacted by the underweighting in oil and oil services, which benefited from rising oil prices, and financial services, which performed well despite generally flat interest rates. Both of these sectors outperformed the S&P 500 during the year.

The Account continues to seek companies possessing five key ingredients: earnings momentum, reasonable valuations, good management, a strong balance sheet, and positive secular trends. Given that current price/earnings multiples are reasonable, earnings momentum is the focus to achieving further stock price appreciation. Our largest concentration remains in the technology area, which is seeing strong spending by corporations focused on improving their productivity. Other large weightings are in lodging and in industrial goods such as agricultural equipment, which should benefit from a continuing strong farm economy.

#### GOVERNMENT SECURITIES VARIABLE ACCOUNT

For the year ended December 31, 1996, the Account provided a total return of 1.65%, com-

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pared to a 3.68% return for the Lehman Brothers Government/Mortgage Index (the Lehman Index), an unmanaged index of U.S. Treasury, government-agency, and mortgage-backed securities. Nearly half of the portfolio is held in U.S. Treasury securities, U.S. agency debentures, and Small Business Association loans. These issues currently yield between 6.0% and 7.4%. Issue maturities are distributed across the entire maturity spectrum but vary from the Lehman Index, with an overweighting in shorter maturities and an underweighting in longer maturities. The agency issues add between 0.20% and 1.10% incremental yield above comparable U.S. Treasury issues. (Principal value and interest on Treasury securities are guaranteed by the U.S. government if held to maturity.)

The remainder of the portfolio is in U.S. agency mortgage-backed pass-through certificates. These issues are held for both their yield characteristics and extension-risk protection. Both 30- and 15-year issues are currently represented, with yields that average 1.00% greater than comparable Treasury issues. These issues have stable prepayment rates, which should make them move in a predictable fashion with their Treasury counterparts. Should we become more constructive on the market, we will decrease the portfolio's allocation to mortgage-backed securities and increase its allocation to five- and 10-year Treasury issues.

#### HIGH YIELD VARIABLE ACCOUNT

For the year ended December 31, 1996, the Account posted a total return of 12.6%, compared to a return of 11.4% for the Lehman Brothers High Yield Bond Index. The Account benefited as the credit quality of its typical high-yield investment improved throughout the year. In addition, a number of companies in the portfolio were acquired and their high-yield debt retired at premiums to secondary-market prices. Performance was negatively impacted by the overweighting of defensive industries such as supermarkets and media earlier in the year.

The high-yield market was the best performing domestic fixed-income market in 1996. The economy was stronger than generally forecast, and most high-yield issuers fared well. The improvement in credit quality more than compensated for the rise in interest rates. Favorable technical factors reinforced these positive credit fundamentals. The demand for high-yield bonds outpaced supply due to strong cash inflows into high-yield mutual funds and increased buying interest from traditional investment-grade accounts. These favorable credit and technical factors caused the spread between the yield on high-yield bonds and

Treasury securities to narrow, which led to higher bond prices. (Principal value and interest on Treasury securities are guaranteed by the U.S. government if held to maturity.) The high-yield market currently offers approximately 3.25 percentage points more yield than the Treasury bond market. We would not expect this spread to widen significantly given our outlook for continued modest economic growth and the prospects for further credit improvements. While this spread is near the lower end of its historic range, it represents a 50% premium to the yields currently available on Treasury securities, and we believe it is adequate compensation for the credit risk associated with the high-yield market.

Recently, we have selectively added to the metals sector by buying bonds of specialty steel manufacturers. Despite longer-term concerns regarding capacity additions, steel prices have been firm, reflecting continued strong demand. We have balanced this cyclical exposure with an

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overweighted position in such name-brand consumer products companies as Westpoint Stevens, Sealy, Samsonite, and Revlon Cosmetics. The Account continues to emphasize telecommunication credits in such high-growth areas as wireless personal communication services. The Account is underweighted in the cable television sector due to increased competition from alternative media sources. We continue to seek companies which have improving credit quality and whose high-yield bonds offer attractive expected returns.

#### MANAGED SECTORS VARIABLE ACCOUNT

For the year ended December 31, 1996, the Account provided a total return of 18.03%, compared to a return of 22.95% for the S&P 500. Weakness in the technology sector hindered performance in the first several months of 1996. Also, weakness in the Account's gaming positions and continued softness in stocks of health maintenance organizations (HMOs), recent additions to the Account, have hurt results. This was offset to some degree by good performances in the Account's energy holdings as well as by strong individual performance in names such as First Interstate, Freddie Mac, Intel, BMC Software, Promus Hotels, Tyco International, and ADT Ltd.

The Account has recently narrowed its sector focus to four areas. The technology weighting has been increased as dramatic price corrections in many of that industry's segments have presented what we believe is an opportunity to buy high-quality companies at relative valuations well below both the market and historic averages, despite our expectations of above-average earnings growth. Energy weightings (primarily oil services companies) have been modestly increased as the prospect for consolidation-driven cost savings and enhanced operating leverage in a favorable overall environment for energy continues to bode well for superior earnings growth in natural gas and oil. The Account's allocation to the leisure sector, primarily gaming and cellular, has remained approximately the same. The health care sector was added during the year and consists primarily of HMOs. Stocks in this area suffered major corrections as earnings growth slowed, primarily due to weaker-than-expected pricing. We still believe the prospects for unit growth are very positive and pricing expectations have improved, and we expect earnings for HMOs to reaccelerate in 1997 and beyond, well above the current consensus. Finally, the "other" category, which consists of prospective future sectors and/or individual ideas we believe the Account is better off owning than not, has been concentrated to reduce the number of holdings and increase weightings in stocks we believe represent attractive values. Names such as Tyco International, ADT Ltd., Wisconsin Central, Loral Space and Communications, Office Depot, McDonnell Douglas, Sears, and Equitable of Iowa are examples of the above.

Looking ahead, we believe the best course of action for the Account is to concentrate holdings in companies led by strong management teams and which have visible earnings growth and attractive relative valuations.

#### MONEY MARKET VARIABLE ACCOUNT

Interest rates on short-term (30 days and less) debt instruments remained relatively stable during the past 12 months. The Federal Reserve Board lowered short-term interest rates on January 31, 1996 by 25 basis points (0.25%), from 5.50% to 5.25%. The federal funds' rate remained at 5.25% for the rest of 1996. Because

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of this, we maintained average maturities between 40 and 50 days.

We continue to limit the Account's investments to securities issued or guaranteed by the U.S. Treasury or agencies or instrumentalities of the U.S. government, as well as to the highest quality corporate and bank issues, in an effort to provide maximum security against credit risk. At the present time, approximately 64% of the portfolio is invested in U.S. government or government-guaranteed issues, and the balance is in corporate and bank issues. The Account is neither insured nor guaranteed by the U.S. government, and there

can be no assurance that it will be able to maintain a stable net asset value of \$1.00 per share.

#### TOTAL RETURN VARIABLE ACCOUNT

For the year ended December 31, 1996, the Account provided a total return of 13.92%, compared to returns of 22.95% for the S&P 500 and 2.90% for the Lehman Brothers Government Corporate Bond Index (the Lehman Index), an unmanaged, market-value-weighted index of U.S. Treasury and government-agency securities, excluding mortgage-backed securities. Over the past year, the Account held about 55% of its assets in common stocks, preferred stocks, and convertible bonds. This allocation provided the bulk of the Account's return as a whole, as the U.S. stock market continued its trend of 1995, posting spectacular gains. The remainder of the Account was invested in a blend of corporate bonds and U.S. Treasury bonds, with an overall duration between five and six years. The fixed-income sector also provided positive returns; however, their magnitude was far less than that of the Account's stock portion.

The Account's stock investment strategy has focused on companies that, in our view, have earnings prospects or asset values equal to or higher than the overall market as measured by the S&P 500. Two sectors that we believe fit our investment criteria are the energy and financial services sectors. Bank stocks have done particularly well because earnings have risen steadily and an increase in merger activity has made nearly all banks more valuable. We also favor the health care sector, where strong earnings and industry consolidation have improved the outlook for the stocks of many of these companies. In addition, we currently favor the aerospace industry, which we believe will benefit from a cyclical increase in the number of aircraft being built over the next three years. During the period covered by this report, we avoided the technology sector because, in our view, while many of these stocks have high growth prospects, they also have high valuations, which means they often carry greater risk. The Account is also underweighted in consumer companies because of their inability to raise prices as the U.S. consumer continues to demand more value at lower prices.

Given where equity valuations are today, we feel comfortable with our current asset allocation. However, should the stock market experience a meaningful correction, we would be looking to increase our stock allocation.

#### WORLD GOVERNMENTS VARIABLE ACCOUNT

For the year ended December 31, 1996, the Account provided a total return of 4.47%, compared to a 3.62% return for the Salomon Brothers World Government Bond Index (the Salomon Index), an unmanaged index consisting of complete universes of government bonds with remaining maturities of at least five years. The first half of 1996 witnessed concerns about accelerating U.S. growth and its potential boost to other

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major economies, which set off a rise in interest rates based on fears of higher inflation and potential rate hikes by the Federal Reserve Board. However, during the year's second half, these concerns proved unwarranted as the U.S. economy slowed, inflation fears receded, and rates aggressively declined. During this second half most central banks, with the exception of the United States, lowered official interest rates.

By the end of the year, as measured in local currency returns and by the Salomon Index, all markets registered positive returns but with significant differences. For example, the core markets -- the United States, Japan, and Germany -- were the worst performers, while the higher-yielding markets of Australia, Canada, Japan, and Italy were among the better performers. The Account benefited by being overweighted in these higher-yielding markets for most of the year.

In preparation for the monetary union due to commence in January 1999, almost all European countries announced tight fiscal budgets, while at the same time cutting interest rates due to slow growth and low inflation. Within Europe, a dramatic narrowing of yield spread differentials, or outperformance, began in earnest during the third quarter, with Spain, Italy, and Sweden being the main beneficiaries. Although a good part of this convergence has now taken place, we anticipate these markets will continue to outperform as European monetary union approaches.

Meanwhile, in the dollar bloc, both Canada and Australia continue to benefit from low inflation, slow growth, and tight fiscal budgets. The Account benefited by being overweighted in both these markets for most of the year. Looking ahead, while there still is no immediate threat of higher inflation in Canada, economic growth is finally picking up and, therefore, we expect the Bank of Canada to be accommodative in 1997. While an underweighted position in U.S. bonds has been beneficial for the year, the Account's performance was hindered during the third quarter as the U.S. position's duration (a measure of interest rate sensitivity) was low in anticipation of a pickup in U.S. economic growth that never materialized.

In regards to the Japanese bond market, the Account was underweighted for most

of the year because we felt other markets offered better value. However, the Japanese bond market was helped by continued depressed real estate and banking sectors, as well as by weak consumer spending. Our outlook calls for a continuation of slow, choppy growth with a modest increase in inflation.

For the year, the overall rise in U.S. interest rates, coinciding with reductions in short-term rates in Europe, has enabled the dollar to appreciate against the German mark. In addition, the dollar also benefited from yield convergence within Europe. The dollar has continued to strengthen versus the Japanese yen, based primarily on Japan's low interest rates and the government's policy of engineering a weaker currency in order to stimulate its beleaguered economy. Looking forward, we anticipate modest but further central bank lowering of interest rates in many European countries as well as in Australia and New Zealand, an environment that we believe could continue to be positive for bonds. However, some caution is warranted as, ultimately, the effect of lower rates in these countries will result in a pickup in economic growth and, possibly, inflation. Moreover, with the U.S. currency benefiting from positive interest rate differentials, renewed hope for a

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balanced budget, and movement toward an inclusive, single European currency, the prospects for a stable dollar remain favorable.

#### INVESTMENT OBJECTIVES AND POLICIES

CAPITAL APPRECIATION VARIABLE ACCOUNT (CAVA) seeks capital appreciation by investing in securities of all types, with a major emphasis on common stocks.

GOVERNMENT SECURITIES VARIABLE ACCOUNT (GSVA) seeks current income and preservation of capital by investing in U.S. government and government-related securities.

HIGH YIELD VARIABLE ACCOUNT (HYVA) seeks current income and capital appreciation by investing primarily in fixed-income securities of U.S. and foreign issuers which may be in the lower-rated categories or unrated and may include equity features.

MANAGED SECTORS VARIABLE ACCOUNT (MSVA) seeks capital appreciation by varying the weighting of its portfolio of common stocks among certain industry sectors. Dividend income, if any, is incidental to its objective of capital appreciation.

MONEY MARKET VARIABLE ACCOUNT (MMVA) seeks maximum current income to the extent consistent with stability of principal by investing exclusively in money market instruments maturing in less than 13 months. Investments in the Account are neither guaranteed nor insured by the U.S. government.

TOTAL RETURN VARIABLE ACCOUNT (TRVA) seeks primarily to obtain above-average income (compared to a portfolio entirely invested in equity securities) consistent with prudent employment of capital; its secondary objective is to take advantage of opportunities for growth of capital and income. Assets will be allocated and reallocated from time to time between money market, fixed-income and equity securities. Under normal market conditions, at least 25% of the Account's assets will be invested in fixed-income securities, and at least 40% and no more than 75% of its assets will be invested in equity securities.

WORLD GOVERNMENTS VARIABLE ACCOUNT (WGVA) seeks moderate current income and preservation and growth of capital by investing in a portfolio of U.S. and foreign government securities.

#### ONE-YEAR PERFORMANCE THROUGH DECEMBER 31, 1996

<TABLE>

<CAPTION>

<S>

	Compass 2 (U.S.) <C>	Compass 3 (U.S.) <C>
Capital Appreciation Variable Account	20.41%	20.28%
Government Securities Variable Account	0.36%	0.26%
High Yield Variable Account	11.15%	11.04%
Managed Sectors Variable Account	16.58%	16.40%
Money Market Variable Account	3.57%	3.47%
Total Return Variable Account	12.52%	12.35%
World Governments Variable Account	3.14%	2.99%

</TABLE>

These performance results reflect any applicable contract or surrender charges.  
 Past performance is no guarantee of future results.

PORTFOLIO OF INVESTMENTS -- December 31, 1996

CAPITAL APPRECIATION VARIABLE ACCOUNT -- CAVA

<TABLE>

<CAPTION>

STOCKS -- 98.9%

Issuer	Shares	Value
<S>	<C>	<C>
U.S. COMMON STOCKS -- 92.9%		
ADVERTISING -- 0.2%		
TMP Worldwide, Inc. ....	18,600	\$ 237,150
Universal Outdoor Holdings, Inc.*.....	36,700	862,450
		-----
		\$ 1,099,600
		-----

AEROSPACE -- 3.6%

Lockheed Martin Corp. ....	57,800	\$ 5,288,700
McDonnell-Douglas Corp. ....	145,300	9,299,200
United Technologies Corp. ....	82,800	5,464,800
		-----
		\$ 20,052,700
		-----

AGRICULTURAL PRODUCTS -- 2.3%

AGCO Corp. ....	150,400	\$ 4,305,200
Case Corp. ....	157,700	8,594,650
		-----
		\$ 12,899,850
		-----

AIRLINES -- 0.9%

America West Airlines, "B"*.....	99,200	\$ 1,574,800
Southwest Airlines Co. ....	162,700	3,599,737
		-----
		\$ 5,174,537
		-----

AUTOMOTIVE -- 0.6%

APS Holding Corp., "A"*.....	57,300	\$ 888,150
Goodrich (B.F.) Co. ....	64,100	2,596,050
		-----
		\$ 3,484,200
		-----

BANKS AND CREDIT COMPANIES -- 0.7%

Fleet/Norstar Financial Group, Inc. ....	77,900	\$ 3,885,263
		-----

BUSINESS MACHINES -- 0.8%

Sun Microsystems, Inc.*.....	165,800	\$ 4,258,988
		-----

BUSINESS SERVICES -- 5.9%

AccuStaff, Inc.*.....	67,200	\$ 1,419,600
ADT Ltd.*.....	339,200	7,759,200
ALCO Standard Corp. ....	164,400	8,487,150
Ceridian Corp.*.....	101,900	4,126,950
Corestaff, Inc.*.....	61,050	1,446,122
DST Systems, Inc.*.....	167,800	5,264,725
Loewen Group, Inc. ....	82,900	3,243,462
Sabre Group Holding, Inc., "A"*....	50,600	1,410,475
		-----
		\$ 33,157,684
		-----

CHEMICALS -- 0.6%

Betzdearborn, Inc. ....	15,000	877,500
Praxair, Inc. ....	56,000	2,583,000
		-----
		\$ 3,460,500
		-----

<CAPTION>

Issuer	Shares	Value
<S>	<C>	<C>
U.S. COMMON STOCKS -- continued		
COMPUTER SOFTWARE -- PERSONAL COMPUTERS -- 4.1%		
Electronic Arts, Inc.*.....	95,300	\$ 2,853,044
First Data Corp. ....	98,800	3,606,200
Microsoft Corp.*.....	197,000	16,277,125
		-----
		\$ 22,736,369
		-----

COMPUTER SOFTWARE -- SYSTEMS -- 8.8%		
Adobe Systems, Inc. ....	198,100	\$ 7,403,987
BMC Software, Inc.*.....	25,100	1,038,513
Cadence Design Systems, Inc.*.....	378,200	15,033,450
Computer Associates International, Inc. ....	119,700	5,955,075
Micros Systems, Inc.*.....	102,400	3,148,800
Oracle Systems Corp.*.....	298,650	12,468,638
Sybase, Inc.*.....	121,500	2,027,531
Synopsys, Inc.*.....	47,000	2,173,750

-----  
\$ 49,249,744  
-----

CONSUMER GOODS AND SERVICES -- 7.8%		
Colgate-Palmolive Co. ....	53,500	\$ 4,935,375
Gillette Co. ....	19,500	1,516,125
Philip Morris Cos., Inc. ....	166,300	18,729,537
Tyco International Ltd. ....	347,100	18,352,913

-----  
\$ 43,533,950  
-----

DEFENSE ELECTRONICS -- 1.7%		
Loral Space & Communications Corp.*.....	510,300	\$ 9,376,762

ELECTRICAL EQUIPMENT -- 1.0%		
General Electric Co. ....	58,600	\$ 5,794,075

ELECTRONICS -- 8.9%		
Altera Corp.*.....	118,100	\$ 8,584,394
Analog Devices, Inc.*.....	192,150	6,509,081
Intel Corp. ....	192,400	25,192,375
LSI Logic Corp.*.....	153,100	4,095,425
Maxim Integrated Products, Inc.*...	44,000	1,903,000
Xilinx, Inc.*.....	84,800	3,121,700

-----  
\$ 49,405,975  
-----

</TABLE>

8

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STOCKS -- continued

<TABLE>

<CAPTION>

Issuer	Shares	Value
<S>	<C>	<C>
U.S. COMMON STOCKS -- continued		
ENTERTAINMENT -- 4.3%		
Clear Channel Communications, Inc.*.....	57,100	\$ 2,062,738
Cox Radio, Inc., "A"*.....	4,900	85,750
Harrah's Entertainment, Inc.*.....	392,200	7,794,975
Infinity Broadcasting Corp., "A"*.....	44,800	1,506,400
Jacor Communications, Inc.*.....	154,900	4,240,387
LIN Television Corp.*.....	88,500	3,739,125
Mirage Resorts, Inc.*.....	214,600	4,640,725
Univision Communications, Inc., "A"*.....	3,300	122,100
		-----
		\$ 24,192,200 -----

FINANCIAL INSTITUTIONS -- 5.9%		
Associates First Capital Corp., "A".....	23,700	\$ 1,045,762
Federal Home Loan Mortgage Corp. ....	63,500	6,992,938
Financial Federal Corp.*.....	92,500	1,549,375
Finova Group, Inc. ....	79,600	5,114,300
Franklin ReSources, Inc. ....	40,200	2,748,675
Green Tree Financial Corp. ....	137,000	5,291,625
Schwab (Charles) Corp. ....	311,900	9,980,800
		-----
		\$ 32,723,475 -----

FOOD AND BEVERAGE PRODUCTS -- 0.8%		
PepsiCo, Inc. ....	144,600	\$ 4,229,550

INSURANCE -- 0.7%		
Amerin Corp.*.....	37,400	\$ 963,050
Chubb Corp. ....	52,400	2,816,500



		\$ 3,779,550
-----		
MACHINERY -- 1.4%		
Deere & Co., Inc. ....	114,900	\$ 4,667,812
IDEX Corp. ....	81,100	3,233,863
-----		
		\$ 7,901,675
-----		
MEDICAL AND HEALTH PRODUCTS -- 1.7%		
Johnson & Johnson.....	160,300	\$ 7,974,925
Omnicare, Inc. ....	40,000	1,285,000
-----		
		\$ 9,259,925
-----		
MEDICAL AND HEALTH TECHNOLOGY AND SERVICES -- 4.1%		
HealthSource, Inc.*.....	275,900	3,621,188
HealthSouth Corp.*.....	142,300	5,496,337
Oxford Health Plans, Inc.*.....	75,200	4,403,900
United Healthcare Corp. ....	208,900	9,400,500
-----		
		\$ 22,921,925
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<CAPTION>

Issuer	Shares	Value
<S>	<C>	<C>
U.S. COMMON STOCKS -- continued		
METALS AND MINERALS -- 0.5%		
Minerals Technologies, Inc. ....	65,300	\$ 2,677,300
-----		
OILS -- 1.1%		
Mobil Corp. ....	49,400	\$ 6,039,150
Titan Exploration, Inc.*.....	15,400	184,800
-----		
		\$ 6,223,950
-----		
PHOTOGRAPHIC PRODUCTS -- 1.5%		
Eastman Kodak Co. ....	102,000	\$ 8,185,500
-----		
RAILROADS -- 3.0%		
Burlington Northern Santa Fe Railway Co. ....	29,400	\$ 2,539,425
Wisconsin Central Transportation Corp.*.....	363,200	14,391,800
-----		
		\$ 16,931,225
-----		
RESTAURANTS AND LODGING -- 6.5%		
HFS, Inc.*.....	381,500	\$ 22,794,625
Promus Hotel Corp.*.....	364,150	10,787,944
Renaissance Hotel Group N.V.*.....	102,200	2,401,700
-----		
		\$ 35,984,269
-----		
STORES -- 5.2%		
Ann Taylor Stores Corp.*.....	116,500	\$ 2,038,750
Corporate Express, Inc.*.....	38,300	1,127,456
Duty Free International, Inc. ....	17,500	253,750
Federated Department Stores, Inc.*.....	170,600	5,821,725
General Nutrition Cos., Inc.*.....	264,900	4,470,187
Linens N Things, Inc.*.....	21,200	416,050
Micro Warehouse, Inc.*.....	158,500	1,862,375
Office Depot, Inc.*.....	313,500	5,564,625
Officemax, Inc.*.....	149,900	1,592,688
Sears, Roebuck & Co. ....	71,000	3,274,875
Staples, Inc.*.....	129,100	2,331,869
-----		
		\$ 28,754,350
-----		

</TABLE>

PORTFOLIO OF INVESTMENTS -- continued

STOCKS -- continued

<TABLE>

<CAPTION>

Issuer	Shares	Value
<S>	<C>	<C>
U.S. COMMON STOCKS -- continued		
SUPERMARKETS -- 1.4%		
Safeway, Inc.*.....	187,800	\$ 8,028,450

TELECOMMUNICATIONS -- 6.9%		
Ascend Communications, Inc.*.....	41,700	\$ 2,590,613
Cisco Systems, Inc.*.....	176,500	11,229,812
Glenayre Technologies, Inc.*.....	358,600	7,732,312
Lucent Technologies, Inc. ....	31,600	1,461,500
MFS Communications Co., Inc.*.....	18,800	1,024,600
Tel-Save Holdings, Inc.*.....	40,700	1,180,300
Telco Communications Group*.....	27,100	474,250
Teleport Communications Group, Inc., "A"*.....	72,800	2,220,400
Tellabs, Inc.*.....	70,800	2,663,850
WorldCom, Inc.*.....	301,200	7,850,025

\$ 38,427,662

Total U.S. Common Stocks..... \$517,791,203

FOREIGN STOCKS -- 6.0%

CANADA -- 0.8%

Canadian National Railway Co. (Railroads)*.....			50,900	\$ 1,934,200
Loewen Group, Inc. (Business Services)##.....			67,000	2,615,851

\$ 4,550,051

GERMANY -- 0.7%

Sap AG, Preferred (Computer Software -- Systems).....			29,000	\$ 4,052,648
--	--	--	--------	--------------

HONG KONG -- 0.4%

Peregrine Investment Holdings (Finance).....			1,120,000	\$ 1,918,800
---	--	--	-----------	--------------

ITALY -- 1.5%

Gucci Group Designs N.V. (Apparel and Textiles).....			25,400	\$ 1,622,425
Telecom Italia S.p.A., Saving Shares (Telecommunications).....			3,255,700	4,642,576
Telecom Italia S.p.A. (Telecommunications).....			824,200	2,081,875

\$ 8,346,876

<CAPTION>

Issuer	Shares	Value
<S>	<C>	<C>

FOREIGN STOCKS -- continued

SINGAPORE -- 0.3%

Mandarin Oriental International Ltd. (Restaurants and Lodging)....			1,310,990	\$ 1,848,496
---	--	--	-----------	--------------

SOUTH KOREA -- 0.7%

Korea Mobile Telecom, ADR (Telecommunications).....			308,794	\$ 3,975,723
--	--	--	---------	--------------

SWEDEN -- 1.6%

Astra AB, Free Shares, "B" (Pharmaceuticals).....			165,300	\$ 7,980,000
Nobel Biocare AB (Medical and Health Products).....			62,800	1,105,796

\$ 9,085,796

Total Foreign Stocks..... \$ 33,778,390

Total Stocks (Identified Cost,  
\$414,717,285)..... \$551,569,593

WARRANTS

Peregrine Investment Holdings (Identified Cost, \$22,163).....			179	\$ 57,187
---	--	--	-----	-----------

Total Investments (Identified Cost,  
\$414,739,449)..... \$551,626,780

OTHER ASSETS, LESS LIABILITIES -- 1.1%..... 5,748,607

Net Assets -- 100.0%..... \$557,375,387

See portfolio footnotes and notes to financial statements

</TABLE>

## PORTFOLIO OF INVESTMENTS -- December 31, 1996

## GOVERNMENT SECURITIES VARIABLE ACCOUNT -- GSV

&lt;TABLE&gt;

&lt;CAPTION&gt;

## BONDS -- 92.9% GOVERNMENT GUARANTEED -- 56.0%

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION -- 32.3%		
GNMA, 6.5s, 2023 - 2025.....	\$ 7,645	\$ 7,291,737
GNMA, 7s, 2022 - 2026.....	13,568	13,270,856
GNMA, 7.5s, 2008 - 2026.....	26,982	27,070,654
GNMA, 8s, 2025 - 2026.....	15,751	16,066,012
GNMA, 9s, 2004 - 2022.....	8,614	9,062,318
GNMA, 10s, 2016.....	9	9,346
GNMA, 11s, 2010 - 2019.....	731	833,227
GNMA, 12.5s, 2015 - 2015.....	105	123,526
GNMA, 13.25s, 2014.....	3	2,942
GNMA, 14s, 2014 - 2015.....	65	79,853
		-----
		\$ 73,810,471
		-----

## SMALL BUSINESS ADMINISTRATION -- 5.4%

SBA, 10.35s, 1997.....	\$ 188	\$ 192,288
SBA, 8.2s, 2005.....	1,902	2,002,863
SBA, 8.4s, 2007.....	424	447,124
SBA, 9.95s, 2008.....	861	955,970
SBA, 8.7s, 2009.....	1,533	1,645,200
SBA, 10.05s, 2009.....	861	960,886
SBA, 9.5s, 2010.....	5,584	6,152,646
		-----
		\$ 12,356,977
		-----

## U.S. TREASURY OBLIGATIONS -- 18.3%

U.S. Treasury Notes, 6.125s, 1998.....	\$ 1,300	\$ 1,306,292
U.S. Treasury Notes, 9.25s, 1998.....	11,500	12,098,345
U.S. Treasury Notes, 9.125s, 1999.....	9,110	9,734,855
U.S. Treasury Notes, 6.75s, 2000.....	2,000	2,037,820
U.S. Treasury Bonds, 12s, 2013.....	9,000	12,874,230
U.S. Treasury Bonds, 8.75s, 2020.....	3,000	3,693,270
		-----
		\$ 41,744,812
		-----

Total Government Guaranteed (Identified Cost, \$127,784,223).....		\$127,912,260
		-----

## U.S. FEDERAL AGENCIES -- 36.9%

Federal Agricultural Mortgage Corp., 7.02s, 1998.....	\$ 1,800	\$ 1,821,654
Federal Agricultural Mortgage Corp., 7.25s, 1999.....	5,000	5,115,600

&lt;CAPTION&gt;

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
U.S. FEDERAL AGENCIES -- continued		
Federal Agricultural Mortgage Corp., 7.44s, 2000.....	\$ 3,725	\$ 3,859,435
Federal Agricultural Mortgage Corp., 8.07s, 2006.....	2,000	2,184,680
Federal Home Loan Mortgage Corp., 8.5s, 2021.....	27	27,521
Federal Home Loan Mortgage Corp., 9s, 2002 - 2007.....	3,705	3,862,107
Federal Housing Authority, 7.43s, 2022.....	9,238	9,460,709
Federal National Mortgage Assn., 7.27s, 2005.....	3,951	3,921,431
Federal National Mortgage Assn., 7.654s, 2020.....	755	755,793
Federal National Mortgage Assn., 8s, 2019 - 2023.....	461	469,756

Federal National Mortgage Assn., 8.5s, 2001 - 2007.....	2,068	2,152,091
Federal National Mortgage Assn., 9s, 2009.....	503	525,053
Financing Corp., 9.8s, 2018....	9,000	11,692,980
Private Export Funding Corp., 8.4s, 2001.....	12,000	12,937,920
Private Export Funding Corp., 6.24s, 2002.....	3,200	3,166,592
Republic of Israel, U.S. Government Guaranteed Notes, 5.89s, 2005.....	4,000	3,796,800
Resolution Funding Corp., 8.875s, 2020.....	12,700	15,458,313
U.S. Department of Veterans Affairs, Vendee Mortgage Trust, 7.75s, 2014.....	3,000	2,986,860
		-----
Total U.S. Federal Agencies (Identified Cost, \$77,603,676).....		\$ 84,195,295
		-----
Total Bonds (Identified Cost, \$205,387,899)...		\$212,107,555
		-----

</TABLE>

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PORTFOLIO OF INVESTMENTS -- continued

<TABLE>  
<CAPTION>

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
<CAPTION>		
REPURCHASE AGREEMENT -- 5.6%		
Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
Investments in repurchase agreements with Goldman Sachs, in a joint trading account (\$5,784,000 par), dated 12/31/96, due 1/01/97, total to be received \$5,786,121, collateralized by various U.S. Treasury and federal agency obligations (with \$65,939,000 par and valued at \$65,464,808),	\$ 12,878	\$ 12,878,000
		-----
Total Investments (Identified Cost, \$218,265,899).....		\$224,985,555
OTHER ASSETS, LESS LIABILITIES -- 1.5%		3,295,425
		-----
Net Assets -- 100.0%.....		\$228,280,980
		=====

See portfolio footnotes and notes to financial statements

PORTFOLIO OF INVESTMENTS -- December 31, 1996

HIGH YIELD VARIABLE ACCOUNT -- HYVA

<CAPTION>

BONDS -- 90.9%		
Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
AEROSPACE -- 0.8%		
BE Aerospace, Inc., 9.875s, 2006.....	\$ 900	\$ 945,000
CHC Helicopter Corp., 11.5s, 2002.....	700	714,000
		-----
		\$ 1,659,000
		-----
AIRLINES -- 1.0%		
Airplane Pass-Thru Trust, 10.875s, 2019.....	\$ 750	\$ 823,125
Continental Airlines, Inc., 11.75s, 1995**.....	2,050	205
MOOG, Inc., 10s, 2006.....	1,200	1,260,000
		-----

\$ 2,083,330

AUTOMOTIVE -- 1.7%

Harvard Industries, Inc., 12s, 2004.....	\$ 325	\$ 281,125
Harvard Industries, Inc., 11.125s, 2005.....	750	622,500

<CAPTION>

BONDS -- continued

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
AUTOMOTIVE -- continued		
Hayes Wheels International, Inc., 11s, 2006.....	\$ 1,950	\$ 2,127,938
Lear Corp., 9.5s, 2006.....	400	432,000
		-----
		\$ 3,463,563
		-----

BUILDING -- 5.0%

American Standard, Inc., 0s to 1998, 10.5s to 2005.....	2,480	2,306,400
Building Materials Corp., 0s to 1999, 11.75s to 2004.....	2,400	2,076,000
Building Materials Corp., 8.625s, 2006##.....	200	199,500
Lone Star Industries, Inc., 10s, 2003.....	1,250	1,270,313
Nortek, Inc., 9.875s, 2004.....	2,000	2,020,000
UDC Homes, Inc., 14.5s, 2000...	3	1,465
USG Corp., 9.25s, 2001.....	1,950	2,076,750
		-----
		\$ 9,950,428
		-----

CELLULAR TELEPHONES -- 0.6%

Millicom International Cellular Communications, 0s to 2000, 13.5s to 2006.....	\$ 1,900	\$ 1,178,000
		-----

CHEMICALS -- 2.8%

Harris Chemical North America, Inc., 10.25s, 2001.....	\$ 1,000	\$ 1,038,750
Indspec Chemical Corp., 0s to 1998, 11.5s to 2003.....	750	676,875
NL Industries, Inc., 11.75s, 2003.....	1,800	1,908,000
UCC Investors Holdings, Inc., 0s to 1998, 12s to 2005.....	50	43,000
UCC Investors Holdings, Inc., 10.5s, 2002.....	1,800	1,962,000
		-----
		\$ 5,628,625
		-----

CONGLOMERATES -- 1.0%

E & S Holdings Corp., 10.375s, 2006##.....	\$ 1,900	\$ 1,971,250
		-----

CONSUMER GOODS AND SERVICES -- 9.7%

Consolidated Cigar Corp., 10.5s, 2003.....	\$ 1,000	\$ 1,045,000
FoodBrands America, Inc., 10.75s, 2006.....	1,300	1,365,000

</TABLE>

<TABLE>  
<CAPTION>

BONDS -- continued

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
CONSUMER GOODS AND SERVICES -- continued		
International Semi-Tech Microelectronics, Inc., 0s to 2000, 11.5s to 2003.....	\$ 1,850	\$ 1,193,250
Iron Mountain, Inc., 10.125s, 2006.....	1,450	1,537,000
Pierce Leahy Corp., 11.125s, 2006.....	1,450	1,584,125
Reeves Industries, Inc., 11s, 2002.....	1,350	1,289,250
Remington Arms, Inc., 10s, 2003**##.....	950	800,375

Revlon, Inc., 10.5s, 2003.....	1,900	1,995,000
Samsonite Corp., 11.125s, 2005.....	2,300	2,518,500
Sealy Corp., 9.5s, 2003.....	2,205	2,227,050
Westpoint Stevens, Inc., 9.375s, 2005.....	3,575	3,682,250
		-----
		\$ 19,236,800
		-----

CONTAINERS -- 5.2%

Atlantis Group, Inc., 11s, 2003.....	\$ 1,300	\$ 1,319,500
Calmar, Inc., 11.5s, 2005.....	1,650	1,709,812
Ivex Packaging Corp., 12.5s, 2002.....	1,800	1,948,500
Owens-Illinois, Inc., 11s, 2003.....	1,500	1,668,750
Owens-Illinois, Inc., 9.95s, 2004.....	1,000	1,060,000
Silgan Corp., 11.75s, 2002.....	1,500	1,597,500
U.S. Can Corp., 10.125s, 2006##.....	1,000	1,051,250
		-----
		\$ 10,355,312
		-----

CORPORATE ASSET-BACKED -- 0.4%

Merrill Lynch Mortgage Investors, Inc., 8.083s, 2023+.....	\$ 1,000	\$ 840,625
		-----

ELECTRONICS -- 0.5%

Clark Schwebel, Inc., 10.5s, 2006.....	\$ 950	\$ 1,007,000
		-----

ENTERTAINMENT -- 1.6%

Albritton Communications Corp., 11.5s, 2004.....	\$ 900	\$ 954,000
Cinemark USA, Inc., 9.625s, 2008.....	1,500	1,500,000
Lodgenet Entertainment Corp., 10.25s, 2006##.....	500	500,000
Marvel Holdings, Inc., 0s, 1998.....	1,425	213,750
		-----
		\$ 3,167,750
		-----

FOOD AND BEVERAGE PRODUCTS -- 3.8%

Delta Beverage Group, Inc., 9.75s, 2003##.....	\$ 575	\$ 589,375
Keebler Corp., 10.75s, 2006##.....	1,200	1,311,000

<CAPTION>

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
FOOD AND BEVERAGE PRODUCTS -- continued		
PMI Acquisition Corp., 10.25s, 2003.....	\$ 2,000	\$ 2,040,000
Specialty Foods Corp., 10.25s, 2001.....	1,950	1,803,750
Texas Bottling Group, Inc., 9s, 2003.....	1,750	1,771,875
		-----
		\$ 7,516,000
		-----

FOREST AND PAPER PRODUCTS -- 3.2%

Gaylord Container Corp., 12.75s, 2005.....	\$ 3,000	\$ 3,315,000
Pacific Lumber Co., 10.5s, 2003.....	1,750	1,776,250
Specialty Paperboard, Inc., 9.375s, 2006##.....	450	451,125
Stone Container Corp., 10.75s, 2002.....	850	895,687
		-----
		\$ 6,438,062
		-----

MACHINERY -- 0.4%

AGCO Corp., 8.5s, 2006.....	\$ 800	\$ 821,000
		-----

MEDICAL AND HEALTH PRODUCTS -- 0.3%

Quest Diagnosis, Inc., 10.75s, 2006.....	\$ 500	\$ 525,000
---	--------	------------

MEDICAL AND HEALTH TECHNOLOGY AND SERVICES -- 4.4%		
Beverly Enterprises, Inc., 9s, 2006.....	\$ 2,000	\$ 2,010,000
Genesis Health Ventures, 9.75s, 2005.....	1,000	1,050,000
Quorum Health Group, Inc., 8.75s, 2005.....	1,900	1,947,500
Tenet Healthcare Corp., 10.125s, 2005.....	3,200	3,544,000
Unilab Corp., 11s, 2006.....	325	219,375
		-----
		\$ 8,770,875
		-----

OIL SERVICES -- 3.3%		
AmeriGas Partners LP, 10.125s, 2007.....	\$ 1,300	\$ 1,369,875
Clark USA, Inc., 10.875s, 2005.....	1,350	1,397,250
Falcon Drilling, Inc., 8.875s, 2003.....	1,300	1,326,000
Ferrell Gas LP, 10s, 2001.....	900	940,500
Mesa Operating Co., 10.625s, 2006.....	1,400	1,519,000
		-----
		\$ 6,552,625
		-----

</TABLE>

PORTFOLIO OF INVESTMENTS -- continued

<TABLE>  
<CAPTION>

BONDS -- continued

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
OILS -- 0.5%		
Gulf Canada, 9.25s, 2004.....	\$ 850	\$ 898,875
		-----
PRINTING AND PUBLISHING -- 1.3%		
Day International Group, Inc., 11.125s, 2005.....	\$ 750	\$ 791,250
Golden Books Publishing, Inc., 7.65s, 2002.....	600	522,000
Newsquest Capital PLC, 11s, 2006##.....	1,250	1,293,750
		-----
		\$ 2,607,000
		-----
RESTAURANTS AND LODGING -- 6.7%		
Aztar Corp., 11s, 2002.....	\$ 1,250	\$ 1,209,375
Boomtown, Inc., 11.5s, 2003....	410	431,525
Coast Hotels & Casinos, Inc., 13s, 2002.....	750	827,813
Eldorado Resorts LLC, 10.5s, 2006##.....	1,800	1,901,250
Four Seasons Hotels, Inc., 9.125s, 2000##.....	650	667,875
Grand Casinos, Inc., 10.125s, 2003.....	1,850	1,859,250
Griffin Gaming & Entertainment, Inc., 0s, 2000.....	1,000	980,000
Harrah's Jazz Co., 14.25s, 2001.....	825	405,281
Harvey's Casinos Resorts, 10.625s, 2006.....	750	802,500
Red Roof Inns, Inc., 9.625s, 2003.....	1,650	1,650,000
Sam Houston Race Park, Inc., 11s, 2001.....	309	123,414
Santa Fe Hotel, Inc., 11s, 2000.....	775	569,625
Station Casinos, Inc., 9.625s, 2003.....	1,850	1,840,750
		-----
		\$ 13,268,658
		-----
SPECIAL PRODUCTS AND SERVICES -- 10.0%		
AAP-Mcquay, Inc., 8.875s, 2003.....	\$ 1,500	\$ 1,496,250
Buckeye Cellulose Corp., 8.5s,		

2005.....	1,650	1,650,000
Fairfield Manufacturing Corp., 11.375s, 2001.....	300	313,500
Genmar Holdings, Inc., 13.5s, 2001.....	500	485,000
Haynes International, Inc., 11.625s, 2004.....	1,550	1,635,250
Howmet Corp., 10s, 2003.....	1,050	1,155,000

<CAPTION>

Issuer	Principal Amount (000 Omitted) <C>	Value <C>
<S>		
SPECIAL PRODUCTS AND SERVICES -- continued		
IMO Industries, Inc., 11.75s, 2006.....	\$ 2,050	\$ 1,906,500
Interlake Corp., 12s, 2001.....	850	909,500
Interlake Corp., 12.125s, 2002.....	1,650	1,707,750
Interlake Revolver, "B", 5.75s, 1997##.....	172	170,303
International Knife & Saw, Inc., 11.375s, 2006##.....	1,000	1,032,500
K & F Industries, Inc., 10.375s, 2004.....	1,370	1,445,350
Mettler Toledo, Inc., 9.75s, 2006.....	335	351,750
Motors & Gears, Inc., 10.75s, 2006##.....	625	643,750
Polymer Group, Inc., 12.25s, 2002.....	834	911,145
Synthetic Industries, Inc., 12.75s, 2002.....	2,100	2,315,250
Thermadyne Holdings Corp., 10.25s, 2002.....	1,289	1,321,225
Thermadyne Holdings Corp., 10.75s, 2003.....	300	309,000
		-----
		\$ 19,759,023
		-----
STEEL -- 4.2%		
Alaska Steel Corp., 9.125s, 2006##.....	\$ 500	\$ 513,750
Algoma Steel, Inc., 12.375s, 2005.....	1,500	1,620,000
Carbide/Graphite Group, Inc., 11.5s, 2003.....	200	217,000
Commonwealth Aluminum Corp., 10.75s, 2006.....	1,100	1,133,000
Gulf States Steel, Inc., 13.5s, 2003.....	225	213,750
Jorgensen (Earl M.) Co., 10.75s, 2000.....	900	918,000
Kaiser Aluminum & Chemical Corp., 9.875s, 2002.....	1,125	1,153,125
Kaiser Aluminum & Chemical Corp., 12.75s, 2003.....	425	456,875
WCI Steel, Inc., 10s, 2004##...	2,000	2,040,000
		-----
		\$ 8,265,500
		-----
STORES -- 1.9%		
Finlay Enterprises, Inc., 0s to 1998, 12s to 2005.....	\$ 3,000	\$ 2,565,000
Parisian, Inc., 9.875s, 2003...	1,100	1,111,000
		-----
		\$ 3,676,000
		-----

</TABLE>

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<CAPTION>

Issuer	Principal Amount (000 Omitted) <C>	Value <C>
BONDS -- continued		
<S>		
SUPERMARKETS -- 4.7%		
Carr-Gottstein Foods Co., 12s, 2005.....	\$ 350	\$ 373,625
Dominick's Finer Foods Co., 10.875s, 2005.....	500	553,750
Fleming Cos., Inc., 10.625s,		



2001.....	400	406,000
Grand Union Co., 12s, 2004.....	1,400	1,477,000
Jitney Jungle Stores of America, Inc., 12s, 2006.....	1,750	1,850,625
Pathmark Stores, Inc., 9.625s, 2003.....	1,400	1,340,500
Ralph's Grocery Co., 10.45s, 2004.....	1,450	1,542,437
Smith's Food & Drug Centers, 11.25s, 2007.....	1,500	1,657,500
Star Market, Inc., 13s, 2004...	50	56,250
		-----
		\$ 9,257,687
		-----

TELECOMMUNICATIONS -- 15.0%

American Radio Systems Corp., 9s, 2006.....	\$ 1,700	\$ 1,666,000
Bell Cablemedia PLC, 0s to 2000, 11.875s to 2005.....	1,250	1,003,125
Brooks Fiber Properties, Inc., 0s to 2001, 10.875s to 2006...	750	480,000
Brooks Fiber Properties, Inc., 0s to 2001, 11.875s to 2006##.....	1,250	796,875
Cablevision Systems Corp., 9.25s, 2005.....	1,300	1,287,000
Charter Communications Southeast LP, 11.25s, 2006....	200	209,000
Colt Telecom Group PLC, 0s to 2001, 12s to 2006.....	1,350	799,875
Comeast Corp., 9.375s, 2005....	850	881,875
Diamond Cable Communications Corp., 0s to 2000, 11.75s to 2005.....	1,400	1,008,000
Echostar Communications Corp., 0s to 1999, 12.875s to 2004...	975	801,937
Echostar Satellite Broadcasting Corp., 0s to 2000, 13.125s to 2004.....	1,400	1,060,500
Falcon Holdings Group, Inc., 11s, 2003.....	1,123	1,004,791
Granite Broadcasting Corp., 10.375s, 2005.....	1,000	1,025,000
ICG Holdings, Inc., 0s to 2001, 12.5s to 2006.....	1,650	1,068,375

<CAPTION>

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
TELECOMMUNICATIONS -- continued		
Intermedia Capital Partners LP, 11.25s, 2006##.....	\$ 175	\$ 182,875
Jones Intercable, Inc., 9.625s, 2002.....	500	525,000
Jones Intercable, Inc., 10.5s, 2008.....	200	216,000
Marcus Cable Operating Co., 0s to 1999, 13.5s to 2004.....	875	717,500
MFS Communications, Inc., 0s to 2006, 8.875s to 2006.....	3,150	2,291,625
Mobile Telecommunication Technologies Corp., 13.5s, 2002.....	600	600,000
Mobilemedia Communications, Inc., 0s to 1998, 10.5s to 2003**.....	700	147,000
Mobilemedia Communications, Inc., 9.375s, 2007.....	850	229,500
Paging Network, Inc., 8.875s, 2006.....	1,700	1,619,250
Park Broadcasting, Inc., 11.75s, 2004.....	750	881,250
Rifkin Acquisition Partners LP, 11.125s, 2006.....	200	208,500
Rogers Cablesystems, Inc., 10.125s, 2012.....	1,750	1,815,625
Sprint Spectrum LP, 11s, 2006.....	1,100	1,190,750
Sprint Spectrum LP, 0s to 2001, 12.5s to 2006.....	1,750	1,194,375
Sygnal Wireless, Inc., 11.5s, 2006.....	875	896,875
Teleport Communications Group,		

Inc., 0s to 2001, 11.125s to 2007.....	3,650	2,500,250
Videotron Holdings PLC, 0s to 2000, 11s to 2005.....	500	402,500
Western Wireless Corp., "A", 10.5s, 2007.....	1,000	1,048,750
		-----
		\$ 29,759,978
		-----
TRANSPORTATION -- 0.9%		
Central Transport Rental Finance Corp., 9.5s, 2003.....	\$ 1,332	\$ 1,258,696
Moran Transportation Co., 11.75s, 2004.....	500	540,000
		-----
		\$ 1,798,696
		-----
Total Bonds (Identified Cost, \$176,878,574)...		\$180,456,662
		-----

</TABLE>

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PORTFOLIO OF INVESTMENTS -- continued

<TABLE>

<CAPTION>

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
STOCKS -- 0.8%		
Issuer	Shares	Value
<S>	<C>	<C>
APPAREL AND TEXTILES -- 0.2%		
Ithaca Industries, Inc.....	60,000	\$ 480,000
		-----
BUILDING		
Atlantic Gulf Communities Corp.*.....	150	\$ 647
		-----
CONSUMER GOODS AND SERVICES		
Ranger Industries, Inc.*.....	123,210	\$ 34,499
		-----
ENTERTAINMENT -- 0.5%		
Gillett Holdings, Inc.+*.....	23,535	\$ 894,330
		-----
RESTAURANTS AND LODGING		
Sam Houston Race Park, Inc.*...	82	\$ 410
		-----
SPECIAL PRODUCTS AND SERVICES -- 0.1%		
Central Transport Rental Group PLC, ADR (United Kingdom).....	653,938	\$ 245,227
Envirosource, Inc.+*.....	1,666	4,477
		-----
		\$ 249,704
		-----
Total Stocks (Identified Cost, \$4,492,331)....		\$ 1,659,590
		-----

PREFERRED STOCKS -- 3.4%

CONSUMER GOODS AND SERVICES -- 0.3%

Renaissance Cosmetics, Inc., 14s+#.....	600	\$ 606,000
		-----
ENTERTAINMENT -- 1.1%		
Time Warner, Inc., "K", 10.25s.....	1,991	\$ 2,160,235
		-----

<CAPTION>

Issuer	Shares	Value
<S>	<C>	<C>
PREFERRED STOCKS -- continued		
SPECIAL PRODUCTS AND SERVICES -- 1.3%		
K-III Communications Corp., "B", 11.625s#.....	26,065	\$ 2,632,572
		-----
TELECOMMUNICATIONS -- 0.7%		
Cablevision Systems Corp., 11.125s, 2008#.....	14,998	1,346,071
		-----
Total Preferred Stocks (Identified Cost, \$5,272,448).....		\$ 6,744,878
		-----

WARRANTS		
OIL SERVICES		
ICO, Inc.,*.....	375,000	\$ 243,750
-----		
OILS		
Crystal Oil Co., \$0.075*.....	1,920,847	\$ --
Crystal Oil Co., \$0.10*.....	1,683,209	--
Crystal Oil Co., \$0.125*.....	2,000,087	--
Crystal Oil Co., \$0.15*.....	1,963,306	--
Crystal Oil Co., \$0.25*.....	1,963,306	--
-----		
\$ --		
-----		
Total Warrants (Identified Cost, \$178,993)....		\$ 243,750
-----		

SHORT-TERM OBLIGATION -- 2.8%  
<CAPTION>

		Principal Amount	
		(000 Omitted)	
<S>	<C>		<C>
Ford Motor Credit Corp., due			
1/02/97.....	\$ 5,475		\$ 5,473,920
-----			
Total Investments (Identified Cost,			
\$192,296,266).....		\$194,578,800	
OTHER ASSETS, LESS LIABILITIES -- 2.0%		3,883,219	
-----			
Net Assets -- 100.0%.....		\$198,462,019	
=====			
See portfolio footnotes and notes to financial statements			
</TABLE>			

PORTFOLIO OF INVESTMENTS -- December 31, 1996

MANAGED SECTORS VARIABLE ACCOUNT -- MSVA  
<TABLE>  
<CAPTION>

STOCKS -- 99.1%			
Issuer	Shares	Value	
<S>	<C>		<C>
ENERGY -- 9.9%			
BJ Services Co.*.....	\$ 27,400	\$ 1,397,400	
Camco International, Inc. ....	27,500	1,268,438	
Cooper Cameron Corp.*.....	26,000	1,989,000	
Occidental Petroleum Corp. ....	105,000	2,454,375	
Tidewater, Inc. ....	32,000	1,448,000	
Weatherford Enterra, Inc.*.....	36,200	1,086,000	
-----			
\$ 9,643,213			
-----			
FINANCIAL SERVICES -- 3.7%			
Advanta Corp., "B".....	31,500	\$ 1,287,563	
Equitable of Iowa Cos.....	51,000	2,339,625	
-----			
\$ 3,627,188			
-----			
LEISURE -- 19.0%			
American Radio Systems Corp.,			
"A"*.....	14,500	\$ 395,125	
Argosy Gaming Corp.....	34,400	159,100	
Harrah's Entertainment,			
Inc.*.....	159,100	3,162,112	
HFS, Inc.*.....	13,000	776,750	
Host Marriot Corp.....	88,200	1,411,200	
LIN Television Corp.*.....	19,600	828,100	
Louisiana Quinta Inns, Inc.....	40,000	765,000	
MGM Grand, Inc.*.....	25,200	878,850	
Promus Hotel Corp.*.....	52,700	1,561,238	
Showboat, Inc.....	42,000	724,500	
Telephone & Data Systems,			
Inc.....	216,500	7,848,125	
-----			
\$ 18,510,100			
-----			
RETAIL -- 4.2%			
Gymboree Corp.....	1,400	\$ 32,025	
Office Depot, Inc.*.....	111,000	1,970,250	
Sears, Roebuck & Co.....	41,500	1,914,187	
Staples, Inc.*.....	6,600	119,213	
-----			
\$ 4,035,675			

TECHNOLOGY -- 37.1%		
ADT Ltd.*.....	149,500	\$ 3,419,812
Aerial Communications, Inc.....	72,000	585,000
AirTouch Communications, Inc.*.....	28,700	724,675
Analog Devices, Inc.*.....	32,400	1,097,550
Atmel Corp.....	59,000	1,954,375
Cabletron Systems, Inc.*.....	55,700	1,852,025
Cisco Systems, Inc.*.....	8,000	509,000

<CAPTION>

<S>	Issuer	Shares <C>	Value <C>
TECHNOLOGY -- continued			
Computer Associates			
	International, Inc.....	\$ 31,600	\$ 1,572,100
	Digital Equipment Corp.....	65,000	2,364,375
	Electronic Arts, Inc.*.....	64,100	1,918,994
	Glenayre Technologies, Inc.*...	60,600	1,306,687
	Intel Corp.....	43,600	5,708,875
Loral Space and Communications Corp.....			
		80,000	1,470,000
	MCI Communications Corp.....	32,600	1,065,613
	Microsoft Corp.*.....	14,500	1,198,062
	National Semiconductor Corp....	83,400	2,032,875
	Oracle Systems Corp.*.....	16,000	668,000
	Spectrum Holobyte, Inc.....	212,000	1,590,000
	Sun Microsystems, Inc.*.....	118,000	3,031,125
	Sybase, Inc.*.....	44,000	734,250
	VLSI Technology, Inc.....	51,500	1,229,563
			-----
			\$ 36,032,956
			-----

OTHER -- 25.2%			
AGCO Corp.....	60,000	\$ 1,717,500	
Colgate-Palmolive Co.....	14,500	1,337,625	
Coventry Corp.*.....	180,000	1,667,812	
Genesis Health Ventures, Inc.....	26,400	821,700	
HBO & Co.....	8,500	504,688	
HealthSource, Inc.*.....	125,000	1,640,625	
HealthSouth Corp.*.....	36,000	1,390,500	
McDonnell Douglas Corp.....	23,000	1,472,000	
Pacificare Health Systems, Inc., "B".....	20,500	1,747,625	
Pharmacia & Upjohn, Inc.....	38,000	1,505,750	
PowerGen PLC (United Kingdom).....	165,893	1,625,669	
Rhone-Poulenc Rorer, Inc.....	10,000	781,250	
St. Jude Medical, Inc.*.....	30,000	1,278,750	
Tyco International Ltd.....	51,500	2,723,063	
United Healthcare Corp.....	60,700	2,731,500	
Ventritex, Inc.....	12,600	310,275	
Wisconsin Central Transportation Corp.*.....	32,300	1,279,887	
			-----
			\$ 24,536,219
			-----
Total Stocks (Identified Cost, \$87,723,023)...			\$ 96,385,351
			-----

</TABLE>

PORTFOLIO OF INVESTMENTS -- continued

<TABLE>  
<CAPTION>

CONVERTIBLE BONDS -- 0.1%			
<S>	Issuer	Principal Amount (000 Omitted) <C>	Value <C>
	Spectrum Holobyte, Inc., 6.5s, 2002##.....	\$ 120,000	\$ 77,550
	Ventritex, Inc., 5.75s, 2001...	30,000	47,325
			-----
Total Convertible Bonds (Identified Cost, \$150,000).....			\$ 124,875
			-----

SHORT-TERM OBLIGATION -- 1.2%			
	Ford Motor Credit Corp., due 1/02/97.....	\$ 1,135	\$ 1,134,776

Total Investments (Identified Cost, \$89,007,799).....	\$ 97,645,002
OTHER ASSETS, LESS LIABILITIES -- (0.4)%.....	(363,256)
Net Assets -- 100.0%.....	\$ 97,281,746

See portfolio footnotes and notes to financial statements

PORTFOLIO OF INVESTMENTS -- December 31, 1996

MONEY MARKET VARIABLE ACCOUNT -- MMVA

COMMERCIAL PAPER -- 36.4%

Issuer	Principal Amount (000 Omitted)	Value
American Telephone & Telegraph Co., due 2/20/97.....	\$ 5,200	\$ 5,161,072
Bank of America, due 3/27/97...	3,000	2,962,104
Beneficial Corp., due 2/20/97.....	3,700	3,672,301
du Pont (E.I.) de Nemours & Co., due 1/22/97.....	2,000	1,993,863
Ford Motor Credit Corp., due 1/24/97.....	6,000	5,979,645
General Motors Acceptance Corp., due 1/31/97.....	4,300	4,280,507
Kimberly Clark Corp., due 2/14/97.....	3,300	3,277,817
Knight-Ridder, Inc., due 1/28/97.....	2,900	2,888,473
Pacific Gas and Electric Co., due 1/10/97.....	4,000	3,994,600
Pacific Gas and Electric Co., due 1/15/97.....	3,000	2,993,618
Raytheon Co., due 1/07/97.....	2,700	2,697,619
Raytheon Co., due 1/08/97.....	2,300	2,297,603
Transamerica Co., due 2/19/97.....	4,000	3,970,600
Total Commercial Paper, at Amortized Cost.....		\$ 46,169,822

U.S. GOVERNMENT AND  
AGENCY OBLIGATIONS -- 63.9%

Issuer	Principal Amount (000 Omitted)	Value
Federal Farm Credit Bank, due 1/13/97.....	\$ 6,000	\$ 5,989,620
Federal Farm Credit Bank, due 2/13/97.....	4,000	3,975,108
Federal Farm Credit Bank, due 1/06/97.....	4,000	3,997,100
Federal Home Loan Bank, due 1/02/97.....	3,200	3,199,533
Federal Home Loan Bank, due 1/16/97.....	4,800	4,789,600
Federal Home Loan Bank, due 2/07/97.....	990	984,689
Federal Home Loan Bank, due 3/24/97.....	2,400	2,371,136
Federal Home Loan Bank, due 2/03/97.....	2,700	2,686,907
Federal Home Loan Bank, due 1/27/97.....	3,000	2,988,192
Federal Home Loan Mortgage Corp., due 3/03/97.....	4,000	3,964,688
Federal Home Loan Mortgage Corp., due 2/06/97.....	6,900	6,863,982
Federal Home Loan Mortgage Corp., due 2/24/97.....	2,300	2,281,577
Federal Home Loan Mortgage Corp., due 2/21/97.....	5,000	4,962,954
Federal National Mortgage Assn., due 6/10/97.....	3,500	3,419,733
Federal National Mortgage Assn., due 6/11/97.....	5,300	5,177,457
Federal National Mortgage Assn., due 4/21/97.....	5,000	4,920,250
Federal National Mortgage Assn., due 1/09/97 - 2/18/97.....	9,000	8,966,102
Federal National Mortgage Assn., due 1/14/97.....	2,600	2,594,836
Tennessee Valley Authority, due 1/21/97.....	7,000	6,979,778

</TABLE>

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<TABLE>  
<CAPTION>

U.S. GOVERNMENT AND  
AGENCY OBLIGATIONS -- continued

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
Total U.S. Government and Agency Obligations, at Amortized Cost.....		\$ 81,113,242
		-----
Total Investments, at Amortized Cost.....		\$127,283,064
OTHER ASSETS, LESS LIABILITIES -- (0.3)%.....		(374,796)
		-----
Net Assets -- 100.0%.....		\$126,908,268
		=====

See portfolio footnotes and notes to financial statements  
PORTFOLIO OF INVESTMENTS -- December 31, 1996  
TOTAL RETURN VARIABLE ACCOUNT -- TRVA  
STOCKS -- 57.4%

Issuer	Shares	Value
U.S. COMMON STOCKS -- 51.9%		
AEROSPACE -- 3.9%		
Allied Signal, Inc. ....	35,400	\$ 2,371,800
General Dynamics Corp. ....	13,500	951,750
Lockheed Martin Corp. ....	10,200	933,300
Raytheon Co. ....	42,600	2,050,125
United Technologies Corp. ....	71,200	4,699,200
		-----
		\$ 11,006,175
		-----
APPAREL AND TEXTILES -- 0.5%		
VF Corp.....	22,500	\$ 1,518,750
		-----
AUTOMOTIVE -- 2.0%		
Dana Corp. ....	33,000	1,076,625
Ford Motor Co. ....	46,900	1,494,937
General Motors Corp. ....	9,900	551,925
Goodrich (B.F.) Co. ....	63,300	2,563,650
		-----
		\$ 5,687,137
		-----
BANKS AND CREDIT COMPANIES -- 5.5%		
Bank of Boston Corp. ....	25,700	\$ 1,651,225
Bank of New York, Inc. ....	54,500	1,839,375
Chase Manhattan Corp. ....	34,760	3,102,330
Comerica, Inc. ....	5,000	261,875
Fleet/Norstar Financial Group, Inc. ....	38,200	1,905,225

<CAPTION>

STOCKS -- continued

Issuer	Shares	Value
<S>	<C>	<C>
U.S. COMMON STOCKS -- continued		
BANKS AND CREDIT COMPANIES -- continued		
National City Corp. ....	53,200	\$ 2,387,350
NationsBank Corp. ....	29,500	2,883,625
Northern Trust Corp. ....	11,400	413,250
Norwest Corp. ....	30,800	1,339,800
		-----
		\$ 15,784,055
		-----
BUSINESS MACHINES -- 0.9%		
Digital Equipment Corp.*.....	33,000	\$ 1,200,375
International Business Machines Corp. ....	8,300	1,253,300
		-----
		\$ 2,453,675
		-----
CELLULAR TELEPHONES -- 0.2%		
Telephone & Data Systems, Inc. ....	16,400	\$ 594,500
		-----
CHEMICALS -- 2.2%		
Air Products & Chemicals, Inc. ....	3,000	\$ 207,375
Dow Chemical Co. ....	12,200	956,175
du Pont (E. I.) de Nemours & Co., Inc. ....	17,900	1,689,312
Praxair, Inc. ....	19,700	908,663
Rohm & Haas Co. ....	21,300	1,738,612

Witco Corp. ....	29,600	902,800
		-----
		\$ 6,402,937
		-----
CONSUMER GOODS AND SERVICES -- 3.3%		
American Brands, Inc. ....	23,400	\$ 1,161,225
Colgate-Palmolive Co. ....	14,700	1,356,075
Olin Corp. ....	25,200	948,150
Philip Morris Cos., Inc. ....	34,200	3,851,775
Rubbermaid, Inc. ....	28,400	646,100
Sherwin Williams Co. ....	24,800	1,388,800
		-----
		\$ 9,352,125
		-----
ELECTRICAL EQUIPMENT -- 1.5%		
General Electric Co. ....	33,600	\$ 3,322,200
Honeywell, Inc. ....	14,400	946,800
		-----
		\$ 4,269,000
		-----
ELECTRONICS -- 0.1%		
Analog Devices, Inc.*.....	10,200	\$ 345,525
		-----

</TABLE>

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PORTFOLIO OF INVESTMENTS -- continued

<TABLE>  
<CAPTION>

STOCKS -- continued		
Issuer	Shares	Value
U.S. COMMON STOCKS -- continued		
<S>	<C>	<C>
FINANCIAL INSTITUTIONS -- 2.0%		
American Express Co. ....	35,700	\$ 2,017,050
Federal Home Loan Mortgage Corp. ....	14,200	1,563,775
Southern National Corp. ....	59,000	2,138,750
		-----
		\$ 5,719,575
		-----
FOOD AND BEVERAGE PRODUCTS -- 1.3%		
Anheuser Busch Cos., Inc. ....	9,000	\$ 360,000
Dimon, Inc. ....	30,000	693,750
General Mills, Inc. ....	21,600	1,368,900
McCormick & Co., Inc. ....	21,200	499,525
PepsiCo, Inc. ....	22,400	655,200
		-----
		\$ 3,577,375
		-----
FOREST AND PAPER PRODUCTS -- 0.3%		
Weyerhaeuser Co. ....	21,000	\$ 994,875
		-----
INSURANCE -- 3.6%		
Allstate Corp. ....	32,100	\$ 1,857,787
Chubb Corp. ....	20,400	1,096,500
Cigna Corp. ....	15,900	2,172,337
Conseco, Inc. ....	70	4,463
St. Paul Cos., Inc. ....	30,600	1,793,925
Torchmark Corp. ....	36,000	1,818,000
Travelers Group, Inc. ....	31,300	1,420,238
		-----
		\$ 10,163,250
		-----
MACHINERY -- 1.2%		
Cooper Industries, Inc. ....	18,000	\$ 758,250
Deere & Co., Inc. ....	48,400	1,966,250
York International Corp. ....	14,700	821,363
		-----
		\$ 3,545,863
		-----
MEDICAL AND HEALTH PRODUCTS -- 1.9%		
American Home Products Corp. ....	32,600	\$ 1,911,175
Baxter International, Inc. ....	22,100	906,100
Pharmacia & Upjohn, Inc. ....	33,000	1,307,625
Rhone-Poulenc Rorer, Inc. ....	18,500	1,445,313
		-----
		\$ 5,570,213
		-----

<CAPTION>

Issuer	Shares	Value
U.S. COMMON STOCKS -- continued		
<S>	<C>	<C>
MEDICAL AND HEALTH TECHNOLOGY AND SERVICES -- 1.0%		
Columbia Healthcare Corp. ....	23,900	\$ 973,925
St. Jude Medical, Inc.*.....	11,400	485,925
United Healthcare Corp. ....	29,200	1,314,000
		-----
		\$ 2,773,850
		-----
METALS AND MINERALS -- 0.6%		
Aluminum Cos. of America.....	21,600	\$ 1,377,000
Phelps Dodge Corp. ....	6,000	405,000
		-----
		\$ 1,782,000
		-----
OIL SERVICES -- 0.7%		
Schlumberger Ltd. ....	19,600	\$ 1,957,550
		-----
OILS -- 4.9%		
Amoco Corp. ....	20,500	\$ 1,650,250
Atlantic Richfield Co. ....	12,500	1,656,250
Exxon Corp. ....	20,500	2,009,000
Mobil Corp. ....	16,000	1,956,000
Occidental Petroleum Corp. ....	76,600	1,790,525
Sun, Inc. ....	6,459	157,438
Texaco, Inc. ....	19,000	1,864,375
Ultramar Diamond Shamrock.....	13,100	414,288
USX-Marathon Group.....	109,400	2,611,925
		-----
		\$ 14,110,051
		-----
PHOTOGRAPHIC PRODUCTS -- 1.1%		
Eastman Kodak Co. ....	37,500	\$ 3,009,375
		-----
POLLUTION CONTROL -- 0.6%		
Browning Ferris Industries, Inc. ....	31,500	\$ 826,875
WMX Technologies, Inc. ....	26,300	858,038
		-----
		\$ 1,684,913
		-----
RAILROADS -- 1.5%		
Burlington Northern Santa Fe Railway Co. ....	21,300	\$ 1,839,787
CSX Corp. ....	16,400	692,900
Illinois Central Corp. ....	50,450	1,614,400
		-----
		\$ 4,147,087
		-----
REAL ESTATE -- 1.3%		
Arden Realty, Inc.....	13,000	\$ 360,750
Hospitality Properties Trust...	41,000	1,189,000

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<TABLE>  
<CAPTION>

Issuer	Shares	Value
U.S. COMMON STOCKS -- continued		
<S>	<C>	<C>
REAL ESTATE -- continued		
Meditrust Corp. ....	42,100	\$ 1,684,000
National Health Investors, Inc. ....	11,400	431,775
		-----
		\$ 3,665,525
		-----
SPECIAL PRODUCTS AND SERVICES -- 0.4%		
Stanley Works.....	39,900	\$ 1,077,300
		-----
STORES -- 1.3%		
May Department Stores Co. ....	20,000	\$ 935,000
Rite Aid Corp. ....	8,700	345,825
Sears, Roebuck & Co. ....	33,300	1,535,963
Wal-Mart Stores, Inc. ....	33,800	773,175
		-----
		\$ 3,589,963
		-----
UTILITIES -- ELECTRIC -- 3.3%		
Allegheny Power Systems, Inc.....	20,800	\$ 631,800



CMS Energy Corp.....	20,000	672,500
Carolina Power & Light Co.....	28,700	1,047,550
Coastal Corp.....	35,300	1,725,286
DPL, Inc.....	20,000	490,000
FPL Group, Inc.....	45,000	2,070,000
Peco Energy Co.....	20,000	505,000
Pinnacle West Capital Corp.....	27,000	857,250
Portland General Corp.....	19,800	831,600
Texas Utilities Co.....	14,000	570,500

-----  
\$ 9,401,486  
-----

UTILITIES -- GAS -- 2.0%

Eastern Enterprises.....	16,900	\$ 597,838
Pacific Enterprises.....	18,000	546,750
PanEnergy Corp.....	41,000	1,845,000
Sonat, Inc.....	15,000	772,500
UGI Corp.....	20,000	447,500
Williams Cos., Inc.....	39,300	1,473,750

-----  
\$ 5,683,338  
-----

UTILITIES -- TELEPHONE -- 2.8%

Ameritech Corp.....	16,900	\$ 1,024,563
AT&T Corp.....	7,400	321,900
BellSouth Corp.....	35,900	1,449,462

<CAPTION>

Issuer	Shares	Value
U.S. COMMON STOCKS -- continued		
<S>	<C>	<C>
UTILITIES -- TELEPHONE -- continued		
GTE Corp.....	60,000	\$ 2,730,000
MCI Communications Corp.....	79,600	2,601,925

-----  
\$ 8,127,850  
-----

Total U.S. Common Stocks..... \$147,995,318  
-----

FOREIGN STOCKS -- 5.5%

CANADA -- 0.1%

Canadian National Railway Co. (Railroads).....	5,600	\$ 212,800
---	-------	------------

GERMANY -- 0.4%

Henkel KgaA, Preferred (Consumer Goods and Services).....	21,100	\$ 1,060,143
---	--------	--------------

NETHERLANDS -- 0.9%

Royal Dutch Petroleum Co., ADR (Oils).....	15,600	\$ 2,663,700
---	--------	--------------

NEW ZEALAND

Lion Nathan Ltd. (Food and Beverage Products).....	53,800	\$ 128,853
---	--------	------------

SPAIN -- 0.4%

Repsol S.A., ADR (Oil Services).....	27,000	\$ 1,029,375
---	--------	--------------

SWEDEN -- 0.5%

Astra AB, "A", ADR (Medical and Health Products).....	20,000	\$ 980,000
Volvo AB, ADR (Automotive).....	25,000	543,750

-----  
\$ 1,523,750  
-----

SWITZERLAND -- 0.9%

Novartis AG (Pharmaceuticals)*.....	2,133	\$ 2,444,092
--	-------	--------------

UNITED KINGDOM -- 2.3%

British Petroleum PLC, ADR (Oils).....	28,861	\$ 4,080,224
Smithkline Beecham PLC, ADR (Medical and Health Products).....	36,100	2,454,800

-----  
\$ 6,535,024  
-----

Total Foreign Stocks..... \$ 15,597,737  
-----

Total Stocks (Identified Cost,

\$123,238,747)..... \$163,593,055  
-----

</TABLE>

PORTFOLIO OF INVESTMENTS -- continued

<TABLE>  
<CAPTION>

Issuer	BONDS -- 30.5%	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>	<C>
U.S. BONDS -- 21.3%			
AEROSPACE -- 0.1%			
Northrop Grumman Corp., 9.375s, 2024.....	\$	225	\$ 248,740 -----
AIRLINES -- 1.7%			
Continental Airlines, Inc., 9.5s, 2001##.....	\$	625	\$ 637,500
Continental Airlines Pass-Thru Trust, 9.5s, 2013.....		150	168,562
Continental Airlines Pass-Thru Trust, 10.22s, 2014.....		500	585,505
Delta Air Lines, Inc., 8.5s, 2002.....		400	423,524
Delta Air Lines, Inc., 10.375s, 2022.....		375	472,076
Jet Equipment Trust, 9.41s, 2010##.....		330	380,771
Jet Equipment Trust, 8.64s, 2012##.....		243	265,481
Jet Equipment Trust, 11.44s, 2014##.....		300	355,572
Jet Equipment Trust, 10.69s, 2015##.....		250	304,228
Qantas Airways Ltd., 7.5s, 2003##.....		450	460,224
United Airlines, Inc., 9.12s, 2012.....		200	223,336
United Airlines Pass-Thru Trust, 7.27s, 2013.....		500	484,155 -----
			\$ 4,760,934 -----

BANKS AND CREDIT COMPANIES -- 3.0%

Advanta Capital Trust, 8.99s, 2026##.....	\$	375	\$ 375,581
Advanta Corp., 7.47s, 2001.....		250	254,310
BankAmerica Capital, 8s, 2026.....		500	506,850
BT Institutional Capital Trust, "A", 8.09s, 2026.....		400	402,000
Capital One Bank, 6.75s, 2000.....		900	898,875
Capital One Financial Corp., 7.25s, 2003.....		400	395,000
Contifinancial Corp., 8.375s, 2003.....		300	309,000
Equitable Life Assurance Society, 7.7s, 2015.....	1,250		1,249,475
First Chicago NBD Institutional Capital, 7.95s, 2026##.....		250	245,625
First USA Capital Trust, 9.33s, 2027.....		600	599,382
MBNA Capital, 8.278s, 2026.....		400	401,500
Mellon Capital II, 7.995s, 2027.....		500	500,000

<CAPTION>

Issuer	Principal Amount (000 Omitted)	Value	
<S>	<C>	<C>	
BANKS AND CREDIT COMPANIES -- continued			
NB Capital Trust, 7.83s, 2026.....	\$	420	\$ 418,719
New York Life Insurance Co., 7.5s, 2023.....		300	290,676
Peoples Bank of Bridgeport, 7.2s, 2006.....		125	122,208
State Street Bank & Trust,			

7.94s, 2026.....	350	341,687
Travelers Capital III, 7.75s, 2036.....	985	947,137
United Cos. Financial Corp., 7.7s, 2004.....	200	201,000
		-----
		\$ 8,459,025
		-----
BUILDING -- 0.2%		
Owens Corning Fiberglas Corp., 8.875s, 2002.....	\$ 200	\$ 216,878
Owens Corning Fiberglas Corp., 9.9s, 2015##.....	200	220,500
		-----
		\$ 437,378
		-----
BUSINESS MACHINES -- 0.1%		
International Business Machines Corp., 7.125s, 2096.....	\$ 400	\$ 380,332
		-----
BUSINESS SERVICES -- 0.5%		
Loewen Group International, Inc., 7.5s, 2001.....	\$ 900	\$ 901,125
Loewen Group International, Inc., 7.75s, 2001##.....	400	407,000
		-----
		\$ 1,308,125
		-----
CELLULAR TELEPHONES -- 0.1%		
360 Communications, 7.5s, 2006.....	\$ 200	\$ 198,382
		-----
CONSUMER GOODS AND SERVICES -- 0.2%		
Philip Morris Cos., Inc., 7.65s, 2008.....	\$ 690	\$ 704,676
		-----
CORPORATE ASSET BACKED -- 1.4%		
AT&T Universal Card Master Trust, 5.65s, 2003.....	\$ 3,500	\$ 3,498,880
BCF LLC, 7.75s, 2026##.....	199	194,880
Merrill Lynch Mortgage Investors, Inc., 8.9s, 2011...	347	366,339
		-----
		\$ 4,060,099
		-----

</TABLE>

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<TABLE>

<CAPTION>

BONDS -- continued

Issuer	Principal Amount (000 Omitted)	Value
U.S. BONDS -- continued		
<S>	<C>	<C>
ENTERTAINMENT -- 1.8%		
Time Warner, Inc., 7.45s, 1998.....	\$ 3,450	\$ 3,487,984
Time Warner, Inc., 7.95s, 2000.....	400	413,076
Time Warner, Inc., 8.375s, 2023.....	800	811,096
Time Warner, Inc., 9.15s, 2023.....	349	378,313
		-----
		\$ 5,090,469
		-----
FINANCIAL INSTITUTIONS -- 1.6%		
Alex Brown, Inc., 7.625s, 2005.....	\$ 320	\$ 326,480
Auburn Hills Trust, 12s, 2020.....	725	1,099,057
First Merchants Acceptance Corp., 9.5s, 2006.....	200	196,000
Humpuss Funding Corp., 7.72s, 2009##.....	200	197,426
Lehman Brothers, Inc., 7.125s, 2003.....	400	399,692
Lehman Brothers, Inc., 7.5s, 2026.....	1,150	1,165,973
Salton Sea Funding Corp., 7.37s, 2005.....	400	399,428

7.84s, 2010.....	400	402,188
Salton Sea Funding Corp., 8.3s, 2011.....	200	207,130
		-----
		\$ 4,393,374
		-----
FOOD AND BEVERAGE PRODUCTS -- 0.5%		
RJR Nabisco, Inc., 8.75s, 2004.....	\$ 165	\$ 166,528
RJR Nabisco, Inc., 8.75s, 2007.....	500	499,230
RJR Nabisco, Inc., 7.55s, 2015.....	890	882,675
		-----
		\$ 1,548,433
		-----
FOREST AND PAPER PRODUCTS -- 0.9%		
Boise Cascade Co., 9.85s, 2002.....	\$ 600	\$ 678,522
Boise Cascade Co., 7.43s, 2005.....	250	253,750
Champion International Corp., 6.4s, 2026.....	400	381,876
Georgia Pacific Corp., 9.875s, 2021.....	1,150	1,285,482
		-----
		\$ 2,599,630
		-----
INSURANCE -- 1.0%		
American Realty Corp., 7.45s, 2026##.....	\$ 400	\$ 399,500
Liberty Mutual Insurance Co., 8.2s, 2007##.....	875	929,197

<CAPTION>

Issuer	Principal Amount (000 Omitted)	Value
U.S. BONDS -- continued		
<S>	<C>	<C>
INSURANCE -- continued		
Liberty Mutual Insurance Co., 7.875s, 2026##.....	\$ 200	\$ 200,698
Metropolitan Life Insurance Co., 7.7s, 2015##.....	400	400,996
Nationwide Mutual Life Insurance Co., 7.5s, 2024##...	750	699,015
Travelers Group, Inc., 7.875s, 2025.....	275	287,235
		-----
		\$ 2,916,641
		-----

OIL SERVICES -- 0.2%		
Transcontinental Gas Pipe Line, 7.25s, 2026.....	\$ 500	\$ 492,500
		-----

OILS -- 0.9%		
CITGO Petroleum, 7.875s, 2006.....	\$ 200	\$ 203,920
Enerch Exploration, Inc., 7.54s, 2009##.....	350	344,750
Husky Oil Ltd., 7.125s, 2006...	400	400,016
Mitchell Energy & Development Corp., 6.75s, 2004.....	200	186,780
Oryx Energy Co., 10s, 2001.....	290	318,330
Oryx Energy Co., 8s, 2003.....	300	303,525
Oryx Energy Co., 8.375s, 2004.....	650	671,697
		-----
		\$ 2,429,018
		-----

REAL ESTATE -- 0.2%		
Taubman Realty Group Ltd., 8s, 2001.....	\$ 600	\$ 619,278
		-----

RESTAURANTS AND LODGING -- 0.1%		
Circus Circus Enterprises, Inc., 6.7s, 2096.....	\$ 300	\$ 295,056
		-----

RETAIL -- 0.1%		
Price/Costco, Inc., 7.125s, 2005.....	\$ 250	\$ 250,030
		-----

SPECIAL PRODUCTS AND SERVICES -- 0.3%

Mark IV Industries, Inc., 7.75s, 2006.....	\$ 550	\$ 540,375
Stewart Enterprises, Inc., 6.7s, 2003.....	300	297,057
		-----
		\$ 837,432
		-----
TELECOMMUNICATIONS -- 1.6%		
American Portable Telecom, Inc., 0s, 2006##.....	\$ 900	\$ 405,144

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PORTFOLIO OF INVESTMENTS -- continued

<TABLE>  
<CAPTION>

BONDS -- continued			
Issuer	Principal Amount (000 Omitted)	Value	
U.S. BONDS -- continued			
<S>	<C>	<C>	
TELECOMMUNICATIONS -- continued			
Continental Cablevision, Inc., 8.3s, 2006.....	\$ 550	\$	591,938
TCI Communications, Inc., 5.56s, 2003.....	500		497,500
Tele-Communications, Inc., 7.38s, 2001.....	500		504,850
Tele-Communications, Inc., 7.49s, 2003.....	800		807,432
Tele-Communications, Inc., 10.125s, 2022.....	1,475		1,619,579
Viacom, Inc., 7.625s, 2016.....	260		238,875
			-----
		\$	4,665,318
			-----
UTILITIES -- ELECTRIC -- 4.2%			
Arkansas Power & Light Co., 8.75s, 2026.....	\$ 75	\$	77,265
Central Maine Power Co., 7.45s, 1999.....	200		199,012
Cleveland Electric Illuminating Co., 9.375s, 2017.....	700		717,927
Cleveland Electric Illuminating Co., 9s, 2023.....	350		350,938
Coastal Corp., 7.75s, 2035.....	650		661,745
Edison Mission Energy Funding Corp., 7.33s, 2008##.....	100		101,373
El Paso Electric Co., 8.9s, 2006.....	575		599,518
First PV Funding Corp., 10.3s, 2014.....	474		504,810
First PV Funding Corp., 10.15s, 2016.....	362		384,625
Long Island Lighting Co., 8.75s, 1997.....	500		501,305
Long Island Lighting Co., 7.5s, 2007.....	275		256,108
Long Island Lighting Co., 8.9s, 2019.....	870		887,617
Long Island Lighting Co., 9s, 2022.....	775		815,687
Long Island Lighting Co., 8.2s, 2023.....	100		98,991
Long Island Lighting Co., 9.625s, 2024.....	800		850,808
Louisiana Power & Light Co., 10.67s, 2017.....	400		428,111

<CAPTION>

Issuer	Principal Amount (000 Omitted)	Value	
U.S. BONDS -- continued			
<S>	<C>	<C>	
UTILITIES -- ELECTRIC -- continued			
Louisiana Power & Light Co., 8.75s, 2026.....	\$ 87	\$	87,544
Midland Cogeneration Venture Corp., 10.33s, 2002.....	468		497,593
Midland Funding Corp. II, "A", 11.75s, 2005.....	750		830,370
Montana Power Co., 7.875s,			

2026.....	750	756,563
Niagara Mohawk Power Corp., 8s, 2004.....	500	480,340
Pacificorp Holdings, 7.2s, 2006##.....	680	676,600
System Energy Resources, 7.38s, 2000.....	700	697,935
Texas & New Mexico Power Co., 12.5s, 1999.....	400	434,540
		-----
		\$ 11,897,325
		-----
UTILITIES -- GAS -- 0.6%		
California Energy, Inc., 10.25s, 2004.....	\$ 600	\$ 632,250
Louis Dreyfus Natural Gas Corp., 9.25s, 2004.....	250	262,908
NGC Corp., 7.625s, 2026.....	200	202,990
Province of Quebec, 6.5s, 2006.....	312	301,030
Ras Laffan Liquefied Natural Gas, 8.294s, 2014##.....	325	325,812
Tosco Corp., 7.625s, 2006.....	355	366,509
		-----
		\$ 2,091,499
		-----
U.S. FEDERAL AGENCIES -- 4.9%		
Federal Home Loan Mortgage Corp., 9s, 2020 - 2020.....	\$ 327	\$ 346,558
Federal National Mortgage Assn., 2016.....	1,345	1,315,197
Federal National Mortgage Assn., 7.5s, 2010 - 2011.....	2,144	2,173,418
Federal National Mortgage Assn., 8s, 2025 - 2026.....	10,099	10,288,499
		-----
		\$ 14,123,672
		-----

</TABLE>

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<TABLE>  
<CAPTION>

BONDS -- continued

Issuer	Principal Amount (000 Omitted)	Value
U.S. BONDS -- continued		
<S>	<C>	<C>
U.S. TREASURY OBLIGATIONS -- 6.4%		
U.S. Treasury Notes, 6.5s, 2001.....	\$ 1,300	\$ 1,314,222
U.S. Treasury Notes, 6.625s, 2001.....	3,400	3,454,706
U.S. Treasury Notes, 7.5s, 2001.....	2,920	3,073,767
U.S. Treasury Notes, 5.875s, 2005.....	100	96,422
U.S. Treasury Notes, 6.5s, 2006.....	3,615	3,634,775
U.S. Treasury Notes, 6.875s, 2006.....	300	309,141
U.S. Treasury Bonds, 12s, 2005.....	2,195	2,980,393
U.S. Treasury Bonds, 12s, 2013.....	705	1,008,481
U.S. Treasury Bonds, 6.5s, 2026.....	700	686,987
U.S. Treasury Bonds, 6.75s, 2026.....	1,684	1,696,630
		-----
		\$ 18,255,524
		-----
Total U.S. Bonds.....		\$ 93,062,890
		-----

FOREIGN BONDS -- 2.8%

ARGENTINA -- 0.3%		
Hydroelectrica Alicura, 8.375s, 1999##.....	\$ 500	\$ 495,000
Republic of Argentina, 9.25s, 2001.....	220	223,300
		-----
		\$ 718,300
		-----

CANADA -- 0.6%			
Canadian Pacific Forest Products Ltd., 9.25s, 2002....	\$	800	\$ 812,784
Fairfax Financial Holdings Ltd., 8.3s, 2026.....		400	416,640
Gulf Canada Resources Ltd., 8.35s, 2006.....		400	411,500
			-----
			\$ 1,640,924
			-----

CHILE -- 0.2%			
Empresa Electrica Del Norts, 7.75s, 2006##.....	\$	190	\$ 193,800
Enersis S.A., 6.9s, 2006.....		350	341,596
			-----
			\$ 535,396
			-----

COLOMBIA -- 0.5%			
Financiera Energetica Nacional Colombia, 9.375s, 2006##.....	\$	135	\$ 143,438
Oleoducto Centrale S.A., 9.35s, 2005##.....		300	303,000

<CAPTION>

Issuer	Principal Amount (000 Omitted)	Value
FOREIGN BONDS -- continued		
<S>	<C>	<C>
COLOMBIA -- continued		
Republic of Colombia, 8.75s, 1999.....	\$ 250	\$ 261,250
Republic of Colombia, 8.66s, 2016##.....	200	210,000
Republic of Colombia, 8.7s, 2016.....	540	520,835
		-----
		\$ 1,438,523
		-----
ITALY -- 0.1%		
City of Naples, 7.52s, 2006....	\$ 375	\$ 386,745
		-----
MALAYSIA -- 0.1%		
Petroliam Nasional Berhad, 7.625s, 2026##.....	\$ 400	\$ 403,228
		-----
NETHERLANDS -- 0.3%		
ABN Amro Bank NV, 7.3s, 2026...	\$ 800	\$ 760,640
		-----
SOUTH AFRICA -- 0.3%		
Republic of South Africa, 8.375s, 2006.....	\$ 900	\$ 899,982
		-----
SWITZERLAND -- 0.2%		
Ciba-Geigy AG, 6.25s, 2016##...	\$ 500	\$ 504,375
		-----
THAILAND -- 0.1%		
Total Access Communication Public, 8.375s, 2006##.....	\$ 400	\$ 401,324
		-----
UNITED KINGDOM -- 0.1%		
Crown Cork & Seal Finance PLC, 7s, 2006.....	\$ 200	\$ 198,272
		-----
Total Foreign Bonds.....		\$ 7,887,709
		-----
Total Bonds (Identified Cost, \$87,132,486)....		\$100,950,599
		-----

<CAPTION>

Issuer	Shares	Value
PREFERRED STOCKS -- 0.3%		
<S>	<C>	<C>
El Paso Tennessee Pipeline Co., 8.25s.....	4,000	\$ 204,500
Enron Corp., Cv.....	10,000	240,000
Long Island Lighting Co., 7.95s.....	20,000	507,500
		-----
Total Preferred Stocks (Identified Cost, \$933,000).....		\$ 952,000
		-----

</TABLE>

## PORTFOLIO OF INVESTMENTS -- continued

&lt;TABLE&gt;

&lt;CAPTION&gt;

PREFERRED STOCKS -- 0.3%  
Shares

&lt;S&gt; &lt;C&gt; &lt;C&gt;

&lt;CAPTION&gt;

SHORT-TERM OBLIGATIONS -- 6.4%  
Principal Amount  
(000 Omitted) Value

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
Federal Home Loan Bank, due 1/03/97.....	\$ 6,000	\$ 5,998,180
Ford Motor Credit Corp., due 1/02/97.....	8,000	7,998,555
General Electric Capital Corp., due 1/02/97.....	4,185	4,184,175
		-----
Total Short-Term Obligations, at Amortized Cost.....		\$ 18,180,910
		-----
Total Investments (Identified Cost, \$243,673,683).....		\$283,676,564
OTHER ASSETS, LESS LIABILITIES -- (0.5)%		1,571,614
		-----
Net Assets -- 100.0%		\$285,248,178
		=====

See portfolio footnotes and notes to financial statements  
</TABLE>

## PORTFOLIO OF INVESTMENTS -- December 31, 1996

## WORLD GOVERNMENTS VARIABLE ACCOUNT -- WGVA

## BONDS -- 97.4%

&lt;TABLE&gt;

&lt;CAPTION&gt;

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
U.S. BONDS -- 21.1%		
U.S. TREASURY OBLIGATIONS		
U.S. Treasury Notes, 6.25s, 2001.....	\$ 1,000	\$ 1,000,940
U.S. Treasury Notes, 6.625s, 2001.....	5,600	5,689,264
		-----
		\$ 6,690,204
		-----
FOREIGN BONDS -- 76.3%		
AUSTRALIA -- 12.9%		
Commonwealth of Australia, 8.75s, 2001.....	AUD 1,580	\$ 1,336,355
Commonwealth of Australia, 9.75s, 2002.....	1,750	1,548,902
Commonwealth of Australia, 9.5s, 2003.....	1,350	1,194,868
		-----
		\$ 4,080,125
		-----

&lt;CAPTION&gt;

Issuer	Principal Amount (000 Omitted)	Value
<S>	<C>	<C>
FOREIGN BONDS -- continued		
BELGIUM -- 2.8%		
Kingdom of Belgium, 9s, 1998.....	BEF 10,000	\$ 342,256
Kingdom of Belgium, 8.75s, 2002.....	5,000	185,994
Kingdom of Belgium, 7.25s, 2004.....	5,000	174,124
Kingdom of Belgium, 8.5s, 2007...	5,000	187,997
		-----
		\$ 890,371
		-----
CANADA -- 2.9%		
Government of Canada, 7s, 2006...	CAD 1,200	\$ 913,377
		-----
DENMARK -- 5.6%		
Kingdom of Denmark, 6s, 1999.....	DKK 2,003	\$ 353,591
Kingdom of Denmark, 8s, 2001.....	6,587	1,241,893



Kingdom of Denmark, 7s, 2007.....	973	168,046	
		-----	
		\$ 1,763,530	
		-----	
GERMANY -- 13.0%			
Federal Republic of Germany, 6.875s, 1999.....	DEM 1,160	\$ 804,121	
Federal Republic of Germany, 7.125s, 2002.....	1,330	948,765	
German Unity Fund, 8.75s, 2000...	241	178,968	
Treuhandanstalt Obligationen, 6.375s, 1999.....	3,202	2,207,163	
		-----	
		\$ 4,139,017	
		-----	
IRELAND -- 2.3%			
Republic of Ireland, 8s, 2000....	IEP 400	\$ 722,281	
		-----	
ITALY -- 10.8%			
Republic of Italy, 8.313s, 1999.....	ITL 2,475,000	1,728,954	
Republic of Italy, 8.313s, 2006.....	2,285,000	1,705,792	
		-----	
		\$ 3,434,746	
		-----	
JAPAN -- 9.8%			
Export Import Bank of Japan, 4.375s, 2003.....	JPY 160,000	\$ 1,558,514	
International Bank of Reconstruction & Development, 4.5s, 2000.....	96,000	922,247	
International Bank of Reconstruction & Development, 5.25s, 2002.....	62,000	627,234	
		-----	
		\$ 3,107,995	
		-----	
SPAIN -- 8.2%			
Government of Spain, 8.4s, 2001.....	ESP 106,820	\$ 899,420	
Government of Spain, 10.1s, 2001.....	4,600	40,765	
Government of Spain, 7.9s, 2002.....	201,850	1,660,246	
		-----	
		\$ 2,600,431	
		-----	

</TABLE>

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<TABLE>

<CAPTION>

BONDS -- continued			
Issuer		Principal Amount (000 Omitted)	Value
FOREIGN BONDS -- continued			
<S>		<C>	<C>
SWEDEN -- 3.1%			
Kingdom of Sweden, 11s, 1999.....	SEK	2,300	\$ 378,968
Kingdom of Sweden, 10.25s, 2000.....		3,500	592,407
			-----
			\$ 971,375
			-----
UNITED KINGDOM -- 4.9%			
United Kingdom Treasury, 9s, 2000.....	GBP	420	\$ 757,320
United Kingdom Treasury, 9.75s, 2002..		420	797,348
			-----
			\$ 1,554,668
			-----
Total Foreign Bonds.....			\$24,177,916
			-----
Total Bonds (Identified Cost, \$30,676,134)...			\$30,868,120
			-----

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CALL OPTIONS PURCHASED			
Description/ Expiration Month/ Strike Price		Principal Amount of Contracts (000 Omitted)	Value

<S>	<C>	<C>
ITALIAN LIRE/DEUTSCHE MARKS		
January/995 (Premium Paid, \$4,198).....	ITL 1,691,540	\$8,458
		-----
PUT OPTIONS PURCHASED -- 2.1% DEUTSCHE MARKS/BRITISH POUNDS		
January/2.45.....	DEM 4,309	\$ 207,248
DEUTSCHE MARKS/BRITISH POUNDS		
January/2.51.....	4,414	138,699
DEUTSCHE MARKS/BRITISH POUNDS		
January/2.56.....	4,502	85,744
SWISS FRANCS/DEUTSCHE MARKS		
January/0.829.....	CHF 1,704	61,087
SWISS FRANCS/DEUTSCHE MARKS		
February/0.84.....	1,727	44,149
SWISS FRANCS/DEUTSCHE MARKS		
February/0.84.....	2,981	76,176
SWISS FRANCS/DEUTSCHE MARKS		
March/0.86.....	4,820	52,306
		-----
Total Put Options Purchased (Premiums Paid, \$147,890).....		\$ 665,409
		-----
Total Investments (Identified Cost, \$30,828,222).....		\$31,541,987
		-----

<CAPTION>

	CALL OPTIONS WRITTEN		
Description/ Expiration Month/ Strike Price	Principal Amount of Contracts (000 Omitted)		Value
<S>	<C>	<C>	
DEUTSCHE MARKS/BRITISH POUNDS			
January/2.3682.....	DEM 4,165	\$	--
SWISS FRANCS/DEUTSCHE MARKS			
February/0.8265.....	CHF 2,933		(18)
			-----
Total Call Options Written (Premiums Received, \$24,861).....		\$	(18)
			-----
PUT OPTIONS WRITTEN -- (1.6)% DEUTSCHE MARKS/BRITISH POUNDS			
January/2.45.....	DEM 4,309	\$	(206,395)
DEUTSCHE MARKS/BRITISH POUNDS			
January/2.5105.....	4,415		(138,144)
SWISS FRANCS/DEUTSCHE MARKS			
January/0.829.....	CHF 1,704		(61,130)
SWISS FRANCS/DEUTSCHE MARKS			
February/0.84.....	4,708		(120,379)
			-----
Total Put Options Written (Premiums Received, \$214,566).....		\$	(526,048)
			-----
OTHER ASSETS, LESS LIABILITIES -- 2.1%.....		\$	668,975
			-----
Net Assets -- 100.0%.....		\$31,684,896	=====

See portfolio footnotes and notes to financial statements  
</TABLE>

PORTFOLIO FOOTNOTES:

- \* Non-income producing security.
- \*\* Non-income producing security - in default.
- # Payment-in-kind security.
- ## SEC Rule 144A restriction.
- + Restricted security.

Abbreviations have been used throughout this report to indicate amounts shown in currencies other than the U.S. dollar. A list of abbreviations is shown below.

<TABLE>	<S>	<C>	<C>	<C>	<C>
AUD =	Australian Dollars	GBP =	British Pounds		
BEF =	Belgian Francs	IEP =	Irish Punts		
CAD =	Canadian Dollars	ITL =	Italian Lire		
CHF =	Swiss Francs	JPY =	Japanese Yen		
DEM =	Deutsche Marks	NZD =	New Zealand Dollars		
DKK =	Danish Kroner	NLG =	Dutch Guilders		
ESP =	Spanish Pesetas	SEK =	Swedish Kronor		
</TABLE>					

STATEMENTS OF ASSETS AND LIABILITIES -- December 31, 1996  
(000 Omitted)

<TABLE>  
<CAPTION>

ASSETS:	Capital Appreciation Variable Account	Government Securities Variable Account	High Yield Variable Account	Managed Sectors Variable Account	Money Market Variable Account	Total Return Variable Account	World Governments Variable Account
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investments --							
Identified cost.....	\$414,739	\$218,266	\$192,296	\$89,008	\$127,283	\$243,673	\$30,828
Unrealized appreciation.....	136,887	6,720	2,283	8,637	--	40,003	714
Total value.....	\$551,626	\$224,986	\$194,579	\$97,645	\$127,283	\$283,676	\$31,542
Cash.....	4,361	67	13	4	96	16	102
Receivable for forward foreign currency exchange contracts sold.....	--	--	--	--	--	--	277
Receivable for investments sold.....	1,977	--	--	892	--	14	--
Receivable for units sold.....	109	52	13	5	267	48	1
Interest and dividends receivable.....	485	3,468	3,927	47	--	1,985	902
Receivable from sponsor.....	--	--	61	--	12	265	--
Other assets.....	5	3	2	1	2	13	--
Total assets.....	\$558,563	\$228,576	\$198,595	\$98,594	\$127,660	\$286,017	\$32,824
LIABILITIES:							
Payable for investments purchased.....	\$ 170	\$	\$	\$1,198	\$	\$ 532	\$ --
Payable for units surrendered.....	409	122	74	35	432	177	12
Written options outstanding, at value (premiums received, \$239).....	--	--	--	--	--	--	526
Payable for forward foreign currency exchange contracts sold.....	--	--	--	--	--	--	272
Payable for closed forward foreign currency exchange contracts.....	--	--	--	--	--	--	257
Payable to affiliates --							
Investment adviser.....	33	10	12	6	5	18	2
Sponsor.....	521	124	--	46	278	--	45
Accrued expenses and other liabilities....	55	39	47	27	37	42	25
Total liabilities.....	\$ 1,188	\$ 295	\$ 133	\$1,312	\$ 752	\$ 769	\$ 1,139
Net assets.....	\$557,375	\$228,281	\$198,462	\$97,282	\$126,908	\$285,248	\$31,685

&lt;/TABLE&gt;

See notes to financial statements

STATEMENTS OF ASSETS AND LIABILITIES -- December 31, 1996 -- continued  
(000 Omitted except for unit values)

<TABLE>  
<CAPTION>

	Units	Unit Value	Capital Appreciation Variable Account	Government Securities Variable Account	High Yield Variable Account	Managed Sectors Variable Account	Money Market Variable Account	Total Return Variable Account	World Governments Variable Account
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net assets applicable to contract owners:									
Capital Appreciation Variable Account --									
Compass 2.....	9,004	\$45.4107	\$408,860						
Compass 3.....	3,721	30.1803	112,326						
Compass 3 - Level 2.....	2,493	12.4143	30,948						
Government Securities Variable Account --									
Compass 2.....	7,255	\$25.6724		\$186,230					
Compass 3.....	1,549	18.0755		27,993					
Compass 3 - Level 2.....	1,080	10.4604		11,283					
High Yield Variable Account --									
Compass 2.....	4,956	\$29.0656			\$144,051				
Compass 3.....	1,438	21.5259			30,940				
Compass 3 - Level 2.....	1,819	11.3852			20,711				
Managed Sectors Variable Account --									
Compass 2.....	731	\$36.5900				\$26,675			

Compass 3.....	1,552	36.3604					56,421	
Compass 3 - Level 2.....	1,203	11.6449					14,020	
Money Market								
Variable Account --								
Compass 2.....	5,209	\$17.1109					\$100,240	
Compass 3.....	1,930	14.1277					15,955	
Compass 3 - Level 2.....	898	10.4654					9,389	
Total Return								
Variable Account --								
Compass 2.....	4,414	\$25.0444					\$110,531	
Compass 3.....	5,177	24.7133					127,894	
Compass 3 - Level 2.....	3,717	11.8074					43,894	
World Governments								
Variable Account --								
Compass 2.....	587	\$18.6786						\$10,961
Compass 3.....	789	18.4308						14,536
Compass 3 - Level 2.....	563	10.6836						6,016
-----								
Net assets applicable to owners of deferred contracts.....	\$552,134		\$225,506	\$195,702	\$97,116	\$125,584	\$282,319	\$31,513
Reserve for variable annuities --								
Compass 2 Contracts.....	4,778		2,550	2,745	125	1,316	2,544	71
Compass 3 Contracts.....	325		81	15	41	5	315	14
Compass 3 - Level 2 Contracts.....	138		144	--	--	3	70	87
-----								
Net assets.....	\$557,375		\$228,281	\$198,462	\$97,282	\$126,908	\$285,248	\$31,685
=====								

</TABLE>

See notes to financial statements

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STATEMENTS OF OPERATIONS -- Year Ended December 31, 1996  
(000 Omitted)

	Capital Appreciation Variable Account	Government Securities Variable Account	High Yield Variable Account	Managed Sectors Variable Account	Money Market Variable Account	Total Return Variable Account	World Governments Variable Account
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET INVESTMENT INCOME (EXPENSE):							
Income --							
Interest.....	\$ 209	\$ 18,443	\$18,429	\$ 121	\$7,897	\$ 8,237	\$ 2,306
Dividends.....	3,438	--	--	644	--	4,783	--
Foreign taxes withheld.....	(29)	--	--	(7)	--	(67)	--
-----							
Total investment income.....	\$ 3,618	\$ 18,443	\$18,429	\$ 758	\$7,897	\$12,953	\$ 2,306
-----							
Expenses --							
Mortality and expense risk charges.....	\$ 6,793	\$ 3,165	\$ 2,404	\$1,124	\$1,874	\$ 3,404	\$ 418
Management fees.....	3,818	1,361	1,416	674	734	2,059	252
Custodian fees.....	260	115	163	42	62	118	35
Distribution expense charges.....	170	49	45	85	56	205	25
Auditing fees.....	31	43	41	31	31	35	35
Legal fees.....	1	1	--	--	1	1	1
Boards of Managers fees and expenses.....	10	10	10	10	10	10	9
Printing.....	23	13	18	8	8	13	3
Miscellaneous.....	5	2	10	2	5	5	1
-----							
Total expenses.....	\$ 11,111	\$ 4,759	\$ 4,107	\$1,976	\$2,781	\$ 5,850	\$ 779
Fees paid indirectly.....	--	(3)	(5)	--	(10)	(7)	--
-----							
Net expenses.....	\$ 11,111	\$ 4,756	\$ 4,102	\$1,976	\$2,771	\$ 5,843	\$ 779
-----							
Net investment income (expense).....	\$ (7,493)	\$ 13,687	\$14,327	\$(1,218)	\$5,126	\$ 7,110	\$ 1,527
=====							
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS:							
Realized gains (losses) (identified cost basis) --							
Investment transactions.....	\$ 74,029	\$ (151)	\$ 2,950	\$13,680	\$--	\$27,964	\$ 371
Written option transactions.....	--	--	--	--	--	--	201
Foreign currency transactions.....	(98)	--	--	(5)	--	(4)	(837)
-----							
Net realized gains (losses) on investments and foreign currency transactions.....	\$ 73,931	\$ (151)	\$ 2,950	\$13,675	\$--	\$27,960	\$ (265)
-----							
Change in unrealized appreciation (depreciation) --							
Investments.....	\$ 32,320	\$ (12,741)	\$ 3,210	\$1,098	\$--	\$ (2,943)	\$ (29)

Written options.....	--	--	--	--	--	--	(317)
Translation of assets and liabilities in foreign currencies.....	57	--	(1)	2	--	(1)	7
Net unrealized gains (losses) on investments.....	\$ 32,377	\$ (12,741)	\$ 3,209	\$1,100	\$--	\$ (2,944)	\$ (339)
Net realized and unrealized gains (losses) on investments.....	\$106,308	\$ (12,892)	\$ 6,159	\$14,775	\$--	\$25,016	\$ (604)
Increase in net assets from operations....	\$ 98,815	\$ 795	\$20,486	\$13,557	\$5,126	\$32,126	\$ 923

</TABLE>

See notes to financial statements

STATEMENTS OF CHANGES IN NET ASSETS  
(000 Omitted)

<TABLE>  
<CAPTION>

	Capital Appreciation Variable Account		Government Securities Variable Account		High Yield Variable Account	
	Year Ended December 31, 1996	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS FROM:						
OPERATIONS:						
Net investment income (expense).....	\$ (7,493)	\$ (4,739)	\$ 13,687	\$ 15,090	\$ 14,327	\$ 15,430
Net realized gains (losses) on investments and foreign currency transactions.....	73,931	70,307	(151)	(1,546)	2,950	(8,850)
Net unrealized gains (losses) on investments and foreign currency transactions.....	32,377	70,403	(12,741)	27,975	3,209	21,177
Increase in net assets from operations.....	\$ 98,815	\$135,971	\$ 795	\$ 41,519	\$ 20,486	\$ 27,757
PARTICIPANT TRANSACTIONS:						
Accumulation activity:						
Purchase payments received.....	\$ 21,404	\$ 19,308	\$ 6,200	\$ 6,994	\$ 4,765	\$ 5,092
Net transfers between variable and fixed accumulation accounts.....	554	5,813	3,800	(42,552)	(2,435)	4,042
Withdrawals, surrenders, annuitizations and contract charges.....	(62,268)	(69,281)	(39,464)	(45,443)	(25,541)	(26,006)
Net accumulation activity.....	\$ (40,310)	\$ (44,160)	\$ (29,464)	\$ (81,001)	\$ (23,211)	\$ (16,872)
Annuitization activity:						
Annuitizations.....	\$ 585	\$ 375	\$ 317	\$ 538	\$ 118	\$ 584
Annuity payments and contract charges...	(811)	(622)	(480)	(466)	(475)	(406)
Net transfers among accounts for annuity reserves.....	18	12	(51)	6	13	--
Adjustments to annuity reserves.....	(135)	(139)	(69)	87	6	49
Net annuitization activity.....	\$ (343)	\$ (374)	\$ (283)	\$ 165	\$ (338)	\$ 227
Decrease in net assets from participant transactions.....	\$ (40,653)	\$ (44,534)	\$ (29,747)	\$ (80,836)	\$ (23,549)	\$ (16,645)
Total increase (decrease) in net assets.....	\$ 58,162	\$ 91,437	\$ (28,952)	\$ (39,317)	\$ (3,063)	\$ 11,112
NET ASSETS:						
At beginning of year.....	499,213	407,776	257,233	296,550	201,525	190,413
At end of year.....	\$557,375	\$499,213	\$228,281	\$257,233	\$198,462	\$201,525

</TABLE>

See notes to financial statements

STATEMENTS OF CHANGES IN NET ASSETS -- continued  
(000 Omitted)

<TABLE>  
<CAPTION>

	Managed Sectors Variable Account		Money Market Variable Account	
	Year Ended December 31, 1996	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1995
<S>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS FROM:				
OPERATIONS:				
Net investment income (expense).....	\$ (1,218)	\$ (809)	\$ 5,126	\$ 7,005
Net realized gains on investments and foreign currency transactions.....	13,675	15,458	--	--
Net unrealized gains on investments and foreign currency transactions.....	1,100	4,877	--	--
Increase in net assets from operations.....	\$ 13,557	\$ 19,526	\$ 5,126	\$ 7,005
PARTICIPANT TRANSACTIONS:				
Accumulation activity:				
Purchase payments received.....	\$ 8,975	\$ 6,862	\$ 5,979	\$ 7,259
Net transfers between variable and fixed accumulation accounts.....	3,625	3,581	(14,269)	22,474
Withdrawals, surrenders, annuitizations and contract charges.....	(11,912)	(9,312)	(37,717)	(39,085)
Net accumulation activity.....	\$ 688	\$ 1,131	\$ (46,007)	\$ (9,352)
Annuitization activity:				
Annuitizations.....	\$ 72	\$ --	\$ 300	\$ 91
Annuity payments and contract charges.....	(27)	(9)	(279)	(230)
Net transfers among accounts for annuity reserves.....	65	--	--	(18)
Adjustments to annuity reserves.....	(19)	(7)	(208)	(41)
Net annuitization activity.....	\$ 91	\$ (16)	\$ (187)	\$ (198)
Increase (decrease) in net assets from participant transactions.....	\$ 779	\$ 1,115	\$ (46,194)	\$ (9,550)
Total increase (decrease) in net assets.....	\$ 14,336	\$ 20,641	\$ (41,068)	\$ (2,545)
NET ASSETS:				
At beginning of year.....	82,946	62,305	167,976	170,521
At end of year.....	\$ 97,282	\$ 82,946	\$126,908	\$167,976

</TABLE>

See notes to financial statements

STATEMENTS OF CHANGES IN NET ASSETS -- continued  
(000 Omitted)

<TABLE>  
<CAPTION>

	Total Return Variable Account		World Governments Variable Account	
	Year Ended December 31, 1996	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1995
<S>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS FROM:				
OPERATIONS:				
Net investment income.....	\$ 7,110	\$ 7,294	\$ 1,527	\$ 1,965
Net realized gains (losses) on investments and foreign currency transactions.....	27,960	26,520	(265)	1,672
Net unrealized gains (losses) on investments and foreign currency transactions.....	(2,944)	24,712	(339)	1,327
Increase in net assets from operations.....	\$ 32,126	\$ 58,526	\$ 923	\$ 4,964
PARTICIPANT TRANSACTIONS:				
Accumulation activity:				
Purchase payments received.....	\$ 16,989	\$ 15,564	\$ 1,917	\$ 2,063
Net transfers between variable and fixed accumulation accounts.....	7,233	540	(3,193)	(1,733)
Withdrawals, surrenders, annuitizations and contract				

charges.....	(36,762)	(32,616)	(4,588)	(5,080)
Net accumulation activity.....	\$ (12,540)	\$ (16,512)	\$ (5,864)	\$ (4,750)
Annuitization activity:				
Annuitizations.....	\$ 250	\$ 270	\$ --	\$ 190
Annuity payments and contract charges.....	(436)	(376)	(52)	(62)
Net transfers among accounts for annuity reserves.....	(4)	--	(3)	--
Adjustments to annuity reserves.....	12	183	(35)	(5)
Net annuitization activity.....	\$ (178)	\$ 77	\$ (90)	\$ 123
Decrease in net assets from participant transactions...	\$ (12,718)	\$ (16,435)	\$ (5,954)	\$ (4,627)
Total increase (decrease) in net assets.....	\$ 19,408	\$ 42,091	\$ (5,031)	\$ 337
NET ASSETS:				
At beginning of year.....	265,840	223,749	36,716	36,379
At end of year.....	\$285,248	\$265,840	\$ 31,685	\$ 36,716

</TABLE>

See notes to financial statements

PER UNIT AND OTHER DATA

<TABLE>  
<CAPTION>

Capital Appreciation Variable Account

	Compass 2				
	Year Ended December 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*					
Net asset value -- beginning of year.....	\$37.7151	\$28.0107	\$32.9053	\$29.2712	\$26.6401
Investment income.....	\$ 0.2861	\$ 0.3624	\$ 0.4277	\$ 0.3914	\$ 0.2670
Expenses.....	0.8695	0.6989	0.6325	0.6436	0.5467
Net investment loss.....	\$ (0.5834)	\$ (0.3365)	\$ (0.2048)	\$ (0.2522)	\$ (0.2797)
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	8.2790	10.0409	(4.6898)	3.8863	2.9108
Net increase (decrease) in unit value.....	\$ 7.6956	\$ 9.7044	\$ (4.8946)	\$ 3.6341	\$ 2.6311
Unit value:					
Net asset value -- end of year.....	\$45.4107	\$37.7151	\$28.0107	\$32.9053	\$29.2712

RATIOS (TO AVERAGE NET ASSETS):

Expenses+# #.....	0.78%	0.80%	0.79%	0.78%	0.80%
Net investment loss.....	(1.41)%	(1.02)%	(0.69)%	(0.83)%	(1.08)%
PORTFOLIO TURNOVER.....	66%	96%	95%	56%	34%
AVERAGE COMMISSION RATE# #.....	\$ 0.0371	--	--	--	--
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED).....	9,004	10,014	11,310	13,833	14,914

</TABLE>

<TABLE>  
<CAPTION>

Capital Appreciation Variable Account

	Compass 3 - Level 2		Compass 3				
	Year Ended December 31, 1996	Period Ended December 31, 1995#	Year Ended December 31,				
	1996	1995#	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*							
Net asset value -- beginning of year.....	\$ 10.3053	\$10.0000	\$25.0907	\$18.6531	\$21.9341	\$19.5311	\$17.7928
Investment income.....	\$ 0.0790	\$ 0.0196	\$ 0.1893	\$ 0.2402	\$ 0.2870	\$ 0.2617	\$ 0.1919
Expenses.....	0.2370	0.0517	0.6053	0.4847	0.4421	0.4498	0.4131
Net investment loss.....	\$ (0.1580)	\$ (0.0321)	\$ (0.4160)	\$ (0.2445)	\$ (0.1551)	\$ (0.1881)	\$ (0.2212)
Net realized and unrealized							

gains (losses) on investments and foreign currency transactions.....	2.2670	0.3374	5.5056	6.6821	(3.1259)	2.5911	1.9595
Net increase (decrease) in unit value.....	\$ 2.109	\$ 0.3053	\$ 5.0896	\$ 6.4376	\$(3.2810)	\$ 2.4030	\$ 1.7383
Unit value: Net asset value -- end of year.....	\$ 12.4143	\$10.3053	\$30.1803	\$25.0907	\$18.6531	\$21.9341	\$19.5311
RATIOS (TO AVERAGE NET ASSETS):							
Expenses+# #.....	0.78%	0.80%	0.78%	0.80%	0.79%	0.78%	0.80%
Net investment loss.....	(1.41)%	(1.02)%	(1.41)%	(1.02)%	(0.69)%	(0.83)%	(1.08)%
PORTFOLIO TURNOVER.....	66%	96%	66%	96%	95%	56%	34%
AVERAGE COMMISSION RATE# #....	\$ 0.0371	--	\$ 0.0371	--	--	--	--
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED).....	2,494	955	3,721	4,272	4,686	4,899	4,401
* Per unit data is based on the average number of units outstanding during each year. + Excluding mortality and expense risk charges and distribution expense charges. # For the period from May 1, 1995 (commencement of Level 2 Units) to December 31, 1995. ## For years ending on or after December 31, 1995, expenses are calculated without reduction for fees paid indirectly. ### Average commission rate is calculated for funds with fiscal years beginning on or after September 1, 1995.							

See notes to financial statements

PER UNIT AND OTHER DATA -- continued

Government Securities Variable Account					
Compass 2					
Year Ended December 31,					
	1996	1995	1994	1993	1992
PER UNIT DATA:*	<C>	<C>	<C>	<C>	<C>
Net asset value -- beginning of year.....	\$25.5791	\$22.0031	\$22.7120	\$21.1172	\$19.9842
Investment income.....	\$ 1.9022	\$ 1.7836	\$ 1.5648	\$ 1.5732	\$ 1.4340
Expenses.....	0.4873	0.4564	0.4229	0.4238	0.3672
Net investment income.....	\$ 1.4149	\$ 1.3272	\$ 1.1419	\$ 1.1494	\$ 1.0668
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	(1.3216)	2.2488	(1.8508)	0.4454	0.0662
Net increase (decrease) in unit value.....	\$ 0.0933	\$ 3.5760	\$(0.7089)	\$ 1.5948	\$ 1.1330
Unit value: Net asset value -- end of year.....	\$25.6724	\$25.5791	\$22.0031	\$22.7120	\$21.1172
RATIOS (TO AVERAGE NET ASSETS):					
Expenses + # #.....	0.62%	0.63%	0.61%	0.61%	0.62%
Net investment income.....	5.53%	5.51%	5.09%	5.11%	5.51%
PORTFOLIO TURNOVER.....	39%	80%	41%	81%	175%
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED)....	7,255	8,361	11,308	12,679	15,059

Government Securities Variable Account						
Compass 3 - Level 2			Compass 3			
Year Ended December 31, 1996	Period Ended December 31, 1995#	Year Ended December 31,				
		1996	1995	1994	1993	1992
PER UNIT DATA:*	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value -- beginning of year.....	\$ 10.4172	\$10.0000	\$18.0278	\$15.5227	\$16.0387	\$14.9267
Investment income.....	\$ 0.7931	\$ 0.1868	\$ 1.3222	\$ 1.2529	\$ 1.1028	\$ 1.1064
Expenses.....	0.1966	0.0478	0.3586	0.3385	0.3146	0.3154
						0.2950



Net investment income.....	\$ 0.5965	\$ 0.1390	\$ 0.9636	\$ 0.9144	\$ 0.7882	\$ 0.7910	\$ 0.7901
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	(0.5533)	0.2782	(0.9159)	1.5907	(1.3042)	0.3210	(0.0030)
Net increase (decrease) in unit value.....	\$ 0.0432	\$ 0.4172	\$ 0.0477	\$ 2.5051	\$ (0.5160)	\$ 1.1120	\$ 0.7871
Unit value:							
Net asset value -- end of year.....	\$ 10.4604	\$10.4172	\$18.0755	\$18.0278	\$15.5227	\$16.0387	\$14.9267
RATIOS (TO AVERAGE NET ASSETS):							
Expenses+##.....	0.62%	0.63%	0.62%	0.63%	0.61%	0.61%	0.62%
Net investment income.....	5.53%	5.51%	5.53%	5.51%	5.09%	5.11%	5.51%
PORTFOLIO TURNOVER.....	39%	80%	39%	80%	41%	81%	175%
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED).....	1,079	608	1,549	1,888	2,922	2,697	2,722
* Per unit data is based on the average number of units outstanding during each year.							
+ Excluding mortality and expense risk charges and distribution expense charges.							
# For the period from May 1, 1995 (commencement of Level 2 Units) to December 31, 1995.							
## For years ending on or after December 31, 1995, expenses are calculated without reduction for fees paid indirectly.							

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PER UNIT AND OTHER DATA -- continued

High Yield Variable Account					
Compass 2					
Year Ended December 31,					
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*					
Net asset value -- beginning of year.....	\$26.1493	\$22.6776	\$23.3591	\$19.7156	\$17.3208
Investment income.....	\$ 2.7199	\$ 2.5137	\$ 2.2324	\$ 2.0867	\$ 2.0657
Expenses.....	0.6035	0.5356	0.5062	0.4797	0.4061
Net investment income.....	\$ 2.1164	\$ 1.9781	\$ 1.7262	\$ 1.6070	\$ 1.6596
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	0.7999	1.4936	(2.4077)	2.0365	0.7352
Net increase (decrease) in unit value.....	\$ 2.9163	\$ 3.4717	\$ (0.6815)	\$ 3.6435	\$ 2.3948
Unit value:					
Net asset value -- end of year.....	\$29.0656	\$26.1493	\$22.6776	\$23.3591	\$19.7156
RATIOS (TO AVERAGE NET ASSETS):					
Expenses + # #.....	0.88%	0.88%	0.91%	0.86%	0.93%
Net investment income.....	7.59%	7.91%	7.41%	6.97%	9.03%
PORTFOLIO TURNOVER.....	108%	88%	77%	67%	61%
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED).....	4,956	5,649	6,433	7,564	8,218

High Yield Variable Account						
Compass 3 - Level 2			Compass 3			
Year Ended December 31, 1996	Period Ended December 31, 1995#	Year Ended December 31,				
		1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*						
Net asset value -- beginning of year.....	\$ 10.2377	\$10.0000	\$19.3854	\$16.8283	\$17.3543	\$14.6589
Investment income.....	\$ 0.9246	\$ 0.3803	\$ 1.9450	\$ 1.8912	\$ 1.5336	\$ 1.5179
Expenses.....	0.2033	0.0765	0.4432	0.4253	0.3711	0.3340

Net investment income.....	\$ 0.7213	\$ 0.3038	\$ 1.5018	\$ 1.4659	\$ 1.1625	\$ 1.1508	\$ 1.2629
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	0.4262	(0.0661)	0.6387	1.0912	(1.6885)	1.5446	0.5037
Net increase (decrease) in unit value.....	\$ 1.1475	\$ 0.2377	\$ 2.1405	\$ 2.5571	\$ (0.5260)	\$ 2.6954	\$ 1.7666
Unit value:							
Net asset value -- end of year.....	\$ 11.3852	\$10.2377	\$21.5259	\$19.3854	\$16.8283	\$17.3543	\$14.6589
RATIOS (TO AVERAGE NET ASSETS):							
Expenses + # #.....	0.88%	0.88%	0.88%	0.88%	0.91%	0.86%	0.93%
Net investment income.....	7.59%	7.91%	7.59%	7.91%	7.41%	6.97%	9.03%
PORTFOLIO TURNOVER.....	108%	88%	108%	88%	77%	67%	61%
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED).....	1,819	1,368	1,438	1,913	2,506	2,577	2,345
* Per unit data is based on the average number of units outstanding during each year.							
+ Excluding mortality and expense risk charges and distribution expense charges.							
# For the period from May 1, 1995 (commencement of Level 2 Units) to December 31, 1995.							
# # For years ending on or after December 31, 1995, expenses are calculated without reduction for fees paid indirectly.							

See notes to financial statements

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PER UNIT AND OTHER DATA -- continued

	Managed Sectors Variable Account				
	Compass 2				
	Year Ended December 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*					
Net asset value -- beginning of year.....	\$31.3870	\$23.9044	\$24.7295	\$23.8070	\$22.6652
Investment income.....	\$ 0.2838	\$ 0.3277	\$ 0.3066	\$ 0.1822	\$ 0.1121
Expenses.....	0.7089	0.6066	0.5155	0.4994	0.4782
Net investment loss.....	\$(0.4251)	\$(0.2789)	\$(0.2089)	\$(0.3172)	\$(0.3661)
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	5.6281	7.7615	(0.6162)	1.2397	1.5079
Net increase (decrease) in unit value.....	\$ 5.2030	\$ 7.4826	\$(0.8251)	\$ 0.9225	\$ 1.1418
Unit value:					
Net asset value -- end of year.....	\$36.5900	\$31.3870	\$23.9044	\$24.7295	\$23.8070
RATIOS (TO AVERAGE NET ASSETS):					
Expenses+# #.....	0.85%	0.87%	0.90%	0.91%	0.92%
Net investment loss.....	(1.36)%	(1.07)%	(0.97)%	(1.49)%	(1.75)%
PORTFOLIO TURNOVER.....	64%	115%	111%	122%	34%
AVERAGE COMMISSION RATE# #.....	\$ 0.0459	--	--	--	--
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED)....	729	788	800	878	1,041

	Managed Sectors Variable Account						
	Compass 3 - Level 2		Compass 3				
	Year Ended	Year Ended	Year Ended December 31,				
	December 31, 1996	Period Ended December 31, 1995#	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
PER UNIT DATA:*							
Net asset value -- beginning of year.....	\$ 9.9892	\$10.0000	\$31.2371	\$23.8258	\$24.6849	\$23.8007	\$22.6927
Investment income.....	\$ 0.0873	\$ 0.0231	\$ 0.2830	\$ 0.3259	\$ 0.3031	\$ 0.1817	\$ 0.1156

Expenses.....	0.2287	0.0539	0.7511	0.6452	0.5452	0.5313	0.5325
Net investment loss.....	\$ (0.1414)	\$ (0.0308)	\$ (0.4681)	\$ (0.3193)	\$ (0.2421)	\$ (0.3496)	\$ (0.4169)
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	1.7971	0.0200	5.5914	7.7306	(0.6170)	1.2338	1.5249
Net increase (decrease) in unit value.....	\$ 1.6557	\$ (0.0108)	\$ 5.1233	\$ 7.4113	\$ (0.8591)	\$ 0.8842	\$ 1.1080
Unit value: Net asset value -- end of year.....	\$ 11.6449	\$ 9.9892	\$36.3604	\$31.2371	\$23.8258	\$24.6849	\$23.8007

RATIOS (TO AVERAGE NET ASSETS):

Expenses+# #.....	0.85%	0.87%	0.85%	0.87%	0.90%	0.91%	0.92%
Net investment loss.....	(1.36)%	(1.07)%	(1.36)%	(1.07)%	(0.97)%	(1.49)%	(1.75)%
PORTFOLIO TURNOVER.....	64%	115%	64%	115%	111%	122%	34%
AVERAGE COMMISSION RATE# # #....	\$ 0.0459	--	\$ 0.0459	--	--	--	--

NUMBER OF UNITS OUTSTANDING AT

END OF YEAR (000 OMITTED).....	1,204	418	1,552	1,729	1,810	1,819	1,728
--------------------------------	-------	-----	-------	-------	-------	-------	-------

\* Per unit data is based on the average number of units outstanding during each year.

+ Excluding mortality and expense risk charges and distribution expense charges.

# For the period from May 1, 1995 (commencement of Level 2 Units) to December 31, 1995.

# # For years ending on or after December 31, 1995, expenses are calculated without reduction for fees paid indirectly.

# # # Average commission rate is calculated for funds with fiscal years beginning on or after September 1, 1995.

</TABLE>

See notes to financial statements

PER UNIT AND OTHER DATA -- continued

<TABLE>

<CAPTION>

Money Market Variable Account					
Compass 2					
Year Ended December 31,					
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*					
Net asset value -- beginning of year.....	\$16.5213	\$15.8699	\$15.5003	\$15.2976	\$14.9945
Investment income.....	\$ 0.9058	\$ 0.9560	\$ 0.6615	\$ 0.4864	\$ 0.5772
Expenses.....	0.3162	0.3046	0.2919	0.2837	0.2741
Net investment income.....	\$ 0.5896	\$ 0.6514	\$ 0.3696	\$ 0.2027	\$ 0.3031
Net increase in unit value.....	\$ 0.5896	\$ 0.6514	\$ 0.3696	\$ 0.2027	\$ 0.3031
Unit value: Net asset value -- end of year.....	\$17.1109	\$16.5213	\$15.8699	\$15.5003	\$15.2976
RATIOS (TO AVERAGE NET ASSETS):					
Expenses+# #.....	0.58%	0.58%	0.58%	0.36%	0.59%
Net investment income.....	3.49%	4.00%	2.37%	1.30%	2.03%
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED)....	5,208	6,501	6,851	6,418	8,026

</TABLE>

<TABLE>

<CAPTION>

Money Market Variable Account						
Compass 3 - Level 2			Compass 3			
Year Ended	Year Ended December 31,		Year Ended December 31,			
December 31, 1996	December 31, 1995#	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*						
Net asset value -- beginning of year.....	\$ 10.0997	\$10.0000	\$ 13.6545	\$13.1291	\$12.8359	\$12.6806
Investment income.....	\$ 0.5993	\$ 0.1358	\$ 0.7437	\$ 0.7885	\$ 0.5688	\$ 0.4888

Expenses.....	0.2336	0.0361	0.2705	0.2631	0.2756	0.2512	0.2497
Net investment income...	\$ 0.3657	\$ 0.0997	\$ 0.4732	\$ 0.5254	\$ 0.2932	\$ 0.1553	\$ 0.2391
Net increase in unit value.....	\$ 0.3657	\$ 0.0997	\$ 0.4732	\$ 0.5254	\$ 0.2932	\$ 0.1553	\$ 0.2391
Unit value: Net asset value -- end of year.....	\$ 10.4654	\$10.0997	\$ 14.1277	\$13.6545	\$13.1291	\$12.8359	\$12.6806

RATIOS (TO AVERAGE NET ASSETS):

Expenses+# #.....	0.58%	0.58%	0.58%	0.58%	0.58%	0.36%	0.59%
Net investment income.....	3.49%	4.00%	3.49%	4.00%	2.37%	1.30%	2.03%

NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED).....

897	561	1,930	3,929	4,599	3,823	3,704
-----	-----	-------	-------	-------	-------	-------

\* Per unit data is based on the average number of units outstanding during each year.

+ Excluding mortality and expense risk charges and distribution expense charges.

# For the period from May 1, 1995 (commencement of Level 2 Units) to December 31, 1995.

# # For years ending on or after December 31, 1995, expenses are calculated without reduction for fees paid indirectly.

</TABLE>

See notes to financial statements

PER UNIT AND OTHER DATA -- continued

<TABLE>

<CAPTION>

	Total Return Variable Account				
	Compass 2				
	Year Ended December 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*					
Net asset value -- beginning of year.....	\$22.2577	\$17.4729	\$18.0043	\$15.9891	\$14.6451
Investment income.....	\$ 1.1203	\$ 1.0394	\$ 0.8583	\$ 0.8513	\$ 0.9191
Expenses.....	0.4844	0.4118	0.3704	0.3616	0.3303
Net investment income.....	\$ 0.6359	\$ 0.6276	\$ 0.4879	\$ 0.4897	\$ 0.5888
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	2.1508	4.1572	(1.0193)	1.5255	0.7552
Net increase (decrease) in unit value.....	\$ 2.7867	\$ 4.7848	\$ (0.5314)	\$ 2.0152	\$ 1.3440
Unit value: Net asset value -- end of year.....	\$25.0444	\$22.2577	\$17.4729	\$18.0043	\$15.9891
RATIOS (TO AVERAGE NET ASSETS):					
Expenses+# #.....	0.82%	0.83%	0.82%	0.76%	0.86%
Net investment income.....	2.59%	2.99%	2.60%	2.43%	3.63%
PORTFOLIO TURNOVER.....	140%	105%	63%	89%	94%
AVERAGE COMMISSION RATE# #.....	\$ 0.0538	--	--	--	--
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED)....	4,414	4,801	5,410	5,889	5,732

<TABLE>

<CAPTION>

	Total Return Variable Account						
	Compass 3 - Level 2		Compass 3				
	Year Ended	Period Ended	Year Ended December 31,				
	December 31, 1996	December 31, 1995#	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
PER UNIT DATA:*							
Net asset value -- beginning of year.....	\$ 10.4938	\$10.0000	\$21.9966	\$17.2937	\$17.8462	\$15.8723	\$14.5600
Investment income.....	\$ 0.5280	\$ 0.1247	\$ 1.0817	\$ 1.0122	\$ 0.8371	\$ 0.8304	\$ 0.9284
Expenses.....	0.2317	0.0525	0.5068	0.4358	0.3904	0.3829	0.3607

Net investment income.....	\$ 0.2963	\$ 0.0722	\$ 0.5749	\$ 0.5764	\$ 0.4467	\$ 0.4475	\$ 0.5677
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	1.0173	0.4216	2.1418	4.1265	(0.9992)	1.5264	0.7446
Net increase (decrease) in unit value.....	\$ 1.3136	\$ 0.4938	\$ 2.7167	\$ 4.7029	\$(0.5525)	\$ 1.9739	\$ 1.3123
Unit value:							
Net asset value -- end of year.....	\$ 11.8074	\$10.4938	\$24.7133	\$21.9966	\$17.2937	\$17.8462	\$15.8723
RATIOS (TO AVERAGE NET ASSETS):							
Expenses+# #.....	0.82%	0.83%	0.82%	0.83%	0.82%	0.76%	0.86%
Net investment income.....	2.59%	2.99%	2.59%	2.99%	2.60%	2.43%	3.63%
PORTFOLIO TURNOVER.....	140%	105%	140%	105%	63%	89%	94%
AVERAGE COMMISSION RATE# # #....	\$ 0.0538	--	\$ 0.0538	--	--	--	--
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED).....	3,717	1,637	5,177	6,322	7,349	7,013	5,721
* Per unit data is based on the average number of units outstanding during each year.							
+ Excluding mortality and expense risk charges and distribution expense charges.							
# For the period from May 1, 1995 (commencement of Level 2 Units) to December 31, 1995.							
# # For years ending on or after December 31, 1995, expenses are calculated without reduction for fees paid indirectly.							
# # # Average commission rate is calculated for funds with fiscal years beginning on or after September 1, 1995.							

See notes to financial statements

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PER UNIT AND OTHER DATA -- continued

World Governments Variable Account					
Compass 2					
Year Ended December 31,					
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*					
Net asset value -- beginning of year.....	\$18.1095	\$15.8337	\$16.9056	\$14.4420	\$14.5806
Investment income.....	\$ 1.2469	\$ 1.3112	\$ 1.0805	\$ 1.1460	\$ 1.2892
Expenses.....	0.4084	0.3863	0.3565	0.3704	0.3624
Net investment income.....	\$ 0.8385	\$ 0.9249	\$ 0.7240	\$ 0.7756	\$ 0.9268
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	(0.2694)	1.3509	(1.7959)	1.6880	(1.0654)
Net increase (decrease) in unit value.....	\$ 0.5691	\$ 2.2758	\$(1.0719)	\$ 2.4636	\$(0.1386)
Unit value:					
Net asset value -- end of year.....	\$18.6786	\$18.1095	\$15.8337	\$16.9056	\$14.4420
RATIOS (TO AVERAGE NET ASSETS):					
Expenses+# #.....	1.00%	1.00%	1.00%	0.94%	1.15%
Net investment income.....	4.54%	5.25%	4.45%	4.12%	6.03%
PORTFOLIO TURNOVER.....	397%	330%	256%	202%	133%
NUMBER OF UNITS OUTSTANDING AT END OF YEAR (000 OMITTED)....	588	824	983	1,092	949

World Governments Variable Account						
Compass 3 - Level 2			Compass 3			
Year Ended	Year Ended December 31,		Year Ended December 31,			
December 31, 1996	Period Ended December 31, 1995#	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PER UNIT DATA:*						
Net asset value -- beginning of year.....	\$ 10.3582	\$10.0000	\$17.8962	\$15.6705	\$16.7563	\$14.3365
Investment income.....	\$ 0.7308	\$ 0.1819	\$ 1.2367	\$ 1.3045	\$ 1.0666	\$ 1.2979

Expenses.....	0.2391	0.0554	0.4322	0.4086	0.3760	0.3890	0.3876
Net investment income.....	\$ 0.4917	\$ 0.1265	\$ 0.8045	\$ 0.8959	\$ 0.6906	\$ 0.7403	\$ 0.9103
Net realized and unrealized gains (losses) on investments and foreign currency transactions.....	(0.1663)	0.2317	(0.2699)	1.3298	(1.7764)	1.6795	(1.0699)
Net increase (decrease) in unit value.....	\$ 0.3254	\$ 0.3582	\$ 0.5346	\$ 2.2257	\$(1.0858)	\$ 2.4198	\$(0.1596)
Unit value:							
Net asset value -- end of year.....	\$ 10.6836	\$10.3582	\$18.4308	\$17.8962	\$15.6705	\$16.7563	\$14.3365

RATIOS (TO AVERAGE NET ASSETS):

Expenses+# #.....	1.00%	1.00%	1.00%	1.00%	1.00%	0.94%	1.15%
Net investment income.....	4.54%	5.25%	4.54%	5.25%	4.45%	4.12%	6.03%
PORTFOLIO TURNOVER.....	397%	330%	397%	330%	256%	202%	133%

NUMBER OF UNITS OUTSTANDING AT END OF

YEAR (000 OMITTED).....	563	316	789	1,021	1,321	1,363	1,176
-------------------------	-----	-----	-----	-------	-------	-------	-------

\* Per unit data is based on the average number of units outstanding during each year.

+ Excluding mortality and expense risk charges and distribution expense charges.

# For the period from May 1, 1995 (commencement of Level 2 Units) to December 31, 1995.

# # For years ending on or after December 31, 1995, expenses are calculated without reduction for fees paid indirectly.

</TABLE>

See notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION

Capital Appreciation Variable Account, Government Securities Variable Account, High Yield Variable Account, Managed Sectors Variable Account, Money Market Variable Account, Total Return Variable Account and World Governments Variable Account are separate accounts established by Sun Life Assurance Company of Canada (U.S.), the Sponsor, in connection with the issuance of Compass 2 and Compass 3 combination fixed/variable annuity contracts. Capital Appreciation Variable Account, Government Securities Variable Account, Money Market Variable Account and Total Return Variable Account operate as open-end, diversified management investment companies and High Yield Variable Account, Managed Sectors Variable Account and World Governments Variable Account operate as open-end, non-diversified management investment companies as those terms are defined in the Investment Company Act of 1940, as amended.

(2) SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political and economic environment.

INVESTMENT VALUATIONS

Equity securities listed on securities exchanges or reported through the NASDAQ system are valued at last sale prices. Unlisted equity securities or listed equity securities for which last sale prices are not available are valued at last quoted bid prices. Debt securities (other than short-term obligations which mature in 60 days or less), including listed issues and forward contracts, are valued on the basis of valuations furnished by dealers or by a pricing service with consideration to factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data, without exclusive reliance upon exchange or over-the-counter prices. Short-term obligations, which mature in 60 days or less, are valued at amortized cost, which approximates market value. Non-U.S. dollar denominated short-term obligations are valued at amortized cost as calculated in the base currency and translated into U.S. dollars at the closing daily exchange rate. Futures contracts, options, and options on futures contracts listed on commodities exchanges are valued at closing settlement prices. Over-the-counter options are valued by brokers through the use of a pricing model which takes into account closing bond valuations, implied volatility, and short-term repurchase rates. Securities for which there are no such quotations or valuations are valued at fair value as determined in good faith by or at the direction of the Boards of Managers.

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## REPURCHASE AGREEMENTS

Certain Variable Accounts may enter into repurchase agreements with institutions that the Variable Account's investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Such Variable Accounts require that the securities purchased in a repurchase transaction be transferred to the custodian in a manner sufficient to enable the Account to obtain those securities in the event of a default under the repurchase agreement. The investment adviser monitors, on a daily basis, the value of the securities transferred to ensure that the value, including accrued interest, of the securities under each repurchase agreement is greater than the amount owed to the Variable Account under each such repurchase agreement.

## FOREIGN CURRENCY TRANSLATION

Investment valuations, other assets, and liabilities initially expressed in foreign currencies are converted each business day into U.S. dollars based upon current exchange rates. Purchases and sales of foreign investments, income and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

## WRITTEN OPTIONS

Certain Variable Accounts may write covered call or put options for which premiums are received and are recorded as liabilities, and are subsequently adjusted to the current value of the options written. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or are closed are offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the security or currency purchased. The writer of an option may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option. In general, written call options may serve as a partial hedge against decreases in value of the underlying securities or exchange rates to the extent of the premium received. Written options may also be used as part of an income producing strategy reflecting the view of the Variable Account's management on the direction of interest and exchange rates.

## FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

Certain Variable Accounts may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering

into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. Forward contracts will be entered into for hedging purposes as well as for non-hedging purposes. For hedging purposes, certain Variable Accounts may enter into contracts to deliver or receive foreign currency they will receive from or require for their normal investment activities. They may also use contracts in a manner intended to protect foreign currency denominated securities from declines in value due to unfavorable exchange rate movements. For non-hedging purposes, certain Variable Accounts may enter into contracts with the intent of changing the relative exposure of the Accounts' portfolio of securities to different currencies to take advantage of anticipated changes. The forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date.

## FEDERAL INCOME TAXES

The Variable Accounts are funding vehicles for individual variable annuities. The operations of the Variable Accounts are part of the operations of Sun Life Assurance Company of Canada (U.S.), the Sponsor, and are not taxed separately; the Variable Accounts are not taxed as regulated investment companies. The Sponsor qualifies for the federal income tax treatment granted to life insurance companies under Subchapter L of the Internal Revenue Code. Accordingly, no provision for federal income or excise tax is necessary. Foreign taxes have been provided for on interest and dividend income earned on foreign investments in accordance with the applicable country's tax rates and to the extent unrecoverable are recorded as a reduction of investment income.

## INVESTMENT TRANSACTIONS AND INCOME

Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and original issue discount are

amortized or accreted for financial statement and tax reporting purposes as required by federal income tax regulations. Dividend income is recorded on the ex-dividend date for dividends received in cash. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

As appropriate, based on its investments, certain of the Variable Accounts use the effective interest method for reporting interest income on payment-in-kind (PIK) bonds, whereby interest income on PIK bonds is recorded ratably by the Variable Account at a constant yield to maturity. Legal fees and other related expenses incurred to preserve and protect the value of a security owned are added to the cost of the security; other legal fees are expensed. Capital infusions, which are generally non-recurring, incurred to protect or enhance the value of high-yield debt securities, are reported as an addition to the cost basis of the security. Costs that are incurred to negotiate the terms or conditions of capital infusions or that are expected to result in a plan of reorganization are reported as realized losses.

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#### NOTES TO FINANCIAL STATEMENTS -- continued

Ongoing costs incurred to protect or enhance an investment, or costs incurred to pursue other claims or legal actions, are reported as operating expenses.

#### FEES PAID INDIRECTLY

The Variable Accounts' custodian bank calculates its fees based on the Accounts' average daily net assets. A fee arrangement provides for custody fees to be reduced based on a formula developed to measure the value of cash deposited with the custodian by the Accounts. This amount is shown as a reduction of expenses on the Statement of Operations.

#### (3) CONTRACT CHARGES

The Sponsor makes a deduction from the Variable Accounts at the end of each valuation period, during both the accumulation period and after annuity payments begin, for assuming the mortality and expense risks under the contracts. The rate of the deduction may be changed annually but in no event may it exceed 1.25% of the average net assets of each Variable Account attributable to Compass 3 contracts, or, with respect to Compass 2 contracts, 1.30% of the assets of Capital Appreciation Variable Account, Government Securities Variable Account, High Yield Variable Account and Money Market Variable Account, or 1.25% of the assets of Managed Sectors Variable Account, Total Return Variable Account and World Governments Variable Account attributable to such contracts.

For assuming the distribution expense risk under Compass 3 contracts, the Sponsor makes a deduction from the Variable Accounts at the end of each valuation period for the first seven contract years at an effective annual rate of 0.15% of the net assets of the Variable Accounts attributable to such contracts. Contracts are transferred from Compass 3 to Compass 3--Level 2 in the month following the seventh contract anniversary. No deduction is made after the seventh contract anniversary. No deduction is made with respect to assets attributable to Compass 2 contracts.

Each year, on the contract anniversary, a contract maintenance charge of \$25 with respect to Compass 2 contracts and \$30 with respect to Compass 3 contracts is deducted from each contract's accumulation account and paid the Sponsor to cover administrative expenses relating to the contract. After the annuity commencement date, the annual contract maintenance charge is deducted pro rata from each annuity payment made during the year.

The Sponsor does not deduct a sales charge from purchase payments. However, a withdrawal charge (contingent deferred sales charge) may be deducted to cover certain expenses relating to the sale of the contract. In no event shall the aggregate withdrawal charges (including the distribution expense charge described above applicable to Compass 3 contracts) exceed 5% of the purchase payments made under a Compass 2 contract or 9% of the purchase payments made under a Compass 3 contract.

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#### (4) ANNUITY RESERVES

Annuity reserves for contracts with annuity commencement dates prior to February 1, 1987 have been calculated using the 1971 Individual Annuitant Mortality Table. Annuity reserves for contracts with annuity commencement dates on or after February 1, 1987 are calculated using the 1983 Individual Annuitant Mortality Table. Annuity reserves for contracts in payment period are calculated using an assumed interest rate of 4%. Required adjustments are accomplished by transfers to or from the Sponsor.

#### (5) MANAGEMENT AGREEMENTS

The Management Agreements provide that the Variable Accounts will pay the



Investment Adviser, Massachusetts Financial Services Company, a wholly-owned subsidiary of the Sponsor, a fee computed daily and paid monthly at an effective annual rate based on a percentage of each Variable Account's average daily net assets as follows:

<TABLE>  
<CAPTION>

	Annual Rate of Management Fee Based on Average Daily Net Assets Not Exceeding \$300 Million	Annual Rate of Management Fee Based on Average Daily Net Assets in Excess of \$300 Million
	-----	-----
<S>	<C>	<C>
Capital Appreciation Variable Account.....	0.75%	0.675%
Government Securities Variable Account.....	0.55%	0.495%
High Yield Variable Account.....	0.75%	0.675%
Managed Sectors Variable Account.....	0.75%	0.675%
Money Market Variable Account.....	0.50%	0.500%
Total Return Variable Account.....	0.75%	0.675%
World Governments Variable Account.....	0.75%	0.675%

The agreements also provide that the Investment Adviser will pay certain Variable Account expenses in excess of 1.25% of the average daily net assets of each Variable Account for any calendar year. The Variable Accounts pay no compensation directly to their officers or members of the Boards of Managers who are affiliated with the Investment Adviser or the Sponsor.

(6) PORTFOLIO SECURITIES

For the year ended December 31, 1996, purchases and sales of investments, other than U.S. government securities, purchased option transactions and short-term obligations, were as follows:

<TABLE>  
<CAPTION>

	Purchases	Sales
	-----	-----
<S>	<C>	<C>
Capital Appreciation Variable Account.....	\$ 351,265,580	\$ 399,121,584
High Yield Variable Account.....	194,831,049	202,891,027
Managed Sectors Variable Account.....	108,583,124	95,281,867
Money Market Variable Account*.....	1,247,284,805	1,254,889,000
Total Return Variable Account.....	216,264,210	218,126,392
World Governments Variable Account.....	55,485,700	53,742,852

NOTES TO FINANCIAL STATEMENTS -- continued

For the year ended December 31, 1996, purchases and sales of U.S. government securities, other than purchased option transactions and short-term obligations, were as follows:

<TABLE>  
<CAPTION>

	Purchases	Sales
	-----	-----
<S>	<C>	<C>
Government Securities Variable Account.....	\$ 93,253,551	\$ 114,500,502
Money Market Variable Account*.....	2,344,082,351	2,377,531,444
Total Return Variable Account.....	128,150,534	128,084,504
World Governments Variable Account.....	71,227,011	71,511,844

\* Purchases and sales of investments for Money Market Variable Account consist solely of short-term obligations.

(7) HIGH-YIELD SECURITIES AND FINANCIAL INSTRUMENTS

Although the High Yield Variable Account has a diversified portfolio, its portfolio is invested in high-yield securities rated below investment grade or which are unrated. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions.

Certain Variable Accounts trade financial instruments with off-balance sheet risk in the normal course of their investing activities in order to manage exposure to market risks such as interest rates and foreign currency exchange rates. These financial instruments include written options and forward foreign currency exchange contracts. The notional or contractual amounts of these instruments represent the investment the Variable Accounts have in particular classes of financial instruments and do not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these

instruments is meaningful only when all related and offsetting transactions are considered. A summary of obligations under these financial instruments at December 31, 1996, is as follows:

WRITTEN OPTION TRANSACTIONS  
World Governments Variable Account

<TABLE>  
<CAPTION>

	1996 Calls		1996 Puts	
	Principal Amounts of Contracts (000 Omitted)	Premiums	Principal Amounts of Contracts (000 Omitted)	Premiums
<S>	<C>	<C>	<C>	<C>
Outstanding, beginning of year --				
Australian Dollars.....	--	\$ --	981	\$ 12,572
Deutsche Marks/British Pounds.....	3,415	15,181	--	--
Italian Lire/Deutsche Marks.....	5,191,550	86,037	5,191,550	191,159
Japanese Yen.....	--	\$ --	152,500	\$ 19,888
	-----	-----	-----	-----

</TABLE>

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WRITTEN OPTION TRANSACTIONS -- continued

<TABLE>  
<CAPTION>

	1996 Calls		1996 Puts	
	Principal Amounts of Contracts (000 Omitted)	Premiums	Principal Amounts of Contracts (000 Omitted)	Premiums
<S>	<C>	<C>	<C>	<C>
Options written --				
Australian Dollars.....	919	\$ 4,978	--	\$ --
Canadian Dollars.....	3,131	3,214	4,526	13,654
Deutsche Marks.....	28,351	148,857	3,118	8,559
Deutsche Marks/British Pounds.....	16,071	58,944	8,724	135,374
Italian Lire/Deutsche Marks.....	4,140,601	32,517	--	--
Japanese Yen.....	447,306	21,553	432,282	28,163
New Zealand Dollars.....	--	--	2,497	3,713
Spanish Pesetas/Deutsche Marks.....	--	--	345,239	8,535
Swiss Francs/Deutsche Marks.....	2,933	8,902	6,412	79,193
Options terminated in closing transactions --				
Australian Dollars.....	(919)	(4,978)	--	--
Canadian Dollars.....	--	--	--	--
Deutsche Marks.....	(28,351)	(148,857)	(3,118)	(8,559)
Deutsche Marks/British Pounds.....	(6,798)	(23,046)	--	--
Italian Lire/Deutsche Marks.....	(9,332,151)	(118,554)	(5,191,550)	(191,159)
Japanese Yen.....	(447,306)	(21,553)	(398,500)	(36,993)
New Zealand Dollars.....	--	--	(2,497)	(3,713)
Options expired --				
Australian Dollars.....	--	--	(981)	(12,572)
Canadian Dollars.....	(3,131)	(3,214)	(4,526)	(13,654)
Deutsche Marks/British Pounds.....	(8,523)	(35,120)	--	--
Japanese Yen.....	--	--	(186,282)	(11,058)
Spanish Pesetas/Deutsche Marks.....	--	--	(345,239)	(8,535)
	-----	-----	-----	-----
Outstanding, end of period.....	7,098	\$ 24,861	15,136	\$ 214,567
	=====	=====	=====	=====
Options outstanding at end of period consist of:				
Deutsche Marks/British Pounds.....	4,165	\$ 15,959	8,724	\$ 135,374
Swiss Francs/Deutsche Marks.....	2,933	8,902	6,412	79,193
	-----	-----	-----	-----
Outstanding, end of period.....	7,098	\$ 24,861	15,136	\$ 214,567
	=====	=====	=====	=====

</TABLE>

At December 31, 1996, the World Governments Variable Account had sufficient cash and/or securities at least equal to the value of the written options.

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NOTES TO FINANCIAL STATEMENTS -- continued

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

<TABLE>

<CAPTION>

Account	Transaction	Settlement Date	Contracts to		In Exchange for
			Deliver/Receive		
<S>	<C>	<C>	<C>	<C>	<C>
World Governments Variable Account	Sales	2/07/97	CHF	3,536,316	\$ 2,893,512
		1/10/97 - 4/21/97	DEM	5,888,295	3,850,840
		4/21/97	GBP	1,141,824	1,894,782
		2/24/97	IEP	554,470	888,592
		2/07/97	ITL	5,004,102,505	3,286,421
		1/29/97	JPY	176,314,139	1,594,160
		2/03/97	NLG	1,158,670	707,628
		4/21/97	NZD	1,293,374	912,061
		2/03/97 - 2/07/97	SEK	6,752,151	1,019,052
					-----
					\$ 17,047,048
					=====
	Purchases				
		4/21/97	AUD	1,054,000	\$ 837,686
		2/07/97 - 4/21/97	CHF	2,381,456	1,852,668
		1/21/97 - 4/21/97	DEM	10,868,536	7,182,627
		2/07/97	DKK	2,679,600	452,169
		1/10/97 - 2/07/97	ITL	1,586,253,785	1,032,059
		1/21/97 - 1/29/97	JPY	385,211,191	3,462,945
		2/03/97	NLG	1,224,066	719,055
		2/03/97	SEK	2,237,576	338,737
					-----
					\$ 15,877,946
					=====

<CAPTION>

Account	Contracts at Value	Net Unrealized Appreciation (Depreciation)
<S>	<C>	<C>
World Governments Variable Account	\$ 2,652,598	\$ 240,914
	3,837,306	13,534
	1,950,715	(55,933)
	939,258	(50,666)
	3,287,695	(1,274)
	1,529,525	64,635
	672,457	35,171
	908,148	3,913
	992,222	26,830
	-----	-----
	\$16,769,924	\$ 277,124
	=====	=====
	\$ 835,742	\$ (1,944)
	1,791,944	(60,724)
	7,100,838	(81,789)
	455,923	3,754
	1,042,578	10,519
	3,340,097	(122,848)
	710,411	(8,644)
	328,774	(9,963)
	-----	-----
	\$15,606,307	\$ (271,639)
	=====	=====

</TABLE>

Forward foreign currency purchases and sales under master netting arrangements and closed forward foreign currency exchange contracts for the World Governments Variable Account, excluded above, amounted to a net payable of \$256,676 at December 31, 1996.

At December 31, 1996, the World Governments Variable Account had sufficient cash and/or securities to cover any commitments under these contracts.

See page 27 for an explanation of abbreviations used to indicate amounts shown in currencies other than the U.S. dollar.

(8) RESTRICTED SECURITIES

Certain of the Variable Accounts may invest in securities which are subject to legal or contractual restrictions on resale. At December 31, 1996, High Yield Variable Account owned the following restricted securities (consisting of 1.2% of the Account's net assets) which may not be publicly sold without registration under the Securities Act of 1933. The Variable Account does not have the right to demand that such securities be registered. The value of these securities is determined by valuations supplied by a pricing service or brokers or, if not

available, in good faith by or at the direction of the Boards of Managers.

<TABLE>  
<CAPTION>

Account	Description	Date of Acquisition	Share/Par Amount
<S>	<C>	<C>	<C>
High Yield Variable Account	Atlantic Gulf Communities Corp.	9/25/95	150
	Envirosource, Inc.	5/15/94	1.666
	Gillett Holdings, Inc.	10/08/92	23.535
	Merrill Lynch Mortgage Investors, Inc., 8.083s, 2023	6/22/94	1,000,000
	Renaissance Cosmetics, Inc.	8/15/96	600

<CAPTION>

Account	Cost	Value
<S>	<C>	<C>
High Yield Variable Account	\$ --	\$ 647
	7,288	4,477
	224,000	894,330
	693,125	840,625
	600,000	606,000
	\$1,524,413	\$2,346,079
	=====	=====

</TABLE>

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NOTES TO FINANCIAL STATEMENTS -- continued

(9) PARTICIPANT TRANSACTIONS

The changes in net assets from changes in numbers of outstanding units were as follows:

<TABLE>  
<CAPTION>

	Year Ended December 31, 1996 (000 Omitted)									
	Purchase Payments Received		Transfers Between Variable Accounts and Fixed Accumulation Account		Withdrawals, Surrenders, Annuitizations, and Contract Charges		Net Accumulation Activity		Net Annuitization Activity	Net Increase (Decrease)
	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars	Dollars	Dollars
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Capital Appreciation Variable Account										
Compass 2 Contracts....	180	\$ 7,455	(91)	\$ (4,061)	(1,099)	\$ (45,738)	(1,010)	\$ (42,344)	\$ (349)	\$ (42,693)
Compass 3 Contracts....	538	13,949	1,300	4,615	(851)	(16,530)	987	2,034	6	2,040
		\$21,404		\$ 554		\$ (62,268)		\$ (40,310)	\$ (343)	\$ (40,653)
		=====		=====		=====		=====	=====	=====
Government Securities Variable Account										
Compass 2 Contracts....	111	\$ 2,777	88	\$ 1,771	(1,305)	\$ (32,747)	(1,106)	\$ (28,199)	\$ (190)	\$ (28,389)
Compass 3 Contracts....	204	3,423	407	2,029	(478)	(6,717)	133	(1,265)	(93)	(1,358)
		\$ 6,200		\$ 3,800		\$ (39,464)		\$ (29,464)	\$ (283)	\$ (29,747)
		=====		=====		=====		=====	=====	=====
High Yield Variable Account										
Compass 2 Contracts....	84	\$ 2,279	(68)	\$ (1,706)	(709)	\$ (19,329)	(693)	\$ (18,756)	\$ (335)	\$ (19,091)
Compass 3 Contracts....	126	2,486	253	(729)	(403)	(6,212)	(24)	(4,455)	(3)	(4,458)
		\$ 4,765		\$ (2,435)		\$ (25,541)		\$ (23,211)	\$ (338)	\$ (23,549)
		=====		=====		=====		=====	=====	=====
Managed Sectors Variable Account										
Compass 2 Contracts....	27	\$ 890	11	\$ 569	(95)	\$ (3,210)	(57)	\$ (1,751)	\$ 51	\$ (1,700)
Compass 3 Contracts....	265	8,085	731	3,056	(388)	(8,702)	608	2,439	40	2,479
		\$ 8,975		\$ 3,625		\$ (11,912)		\$ 688	\$ 91	\$ 779
		=====		=====		=====		=====	=====	=====
Money Market Variable Account										
Compass 2 Contracts....	89	\$ 1,495	(32)	\$ (491)	(1,350)	\$ (22,684)	(1,292)	\$ (21,680)	\$ (175)	\$ (21,855)
Compass 3 Contracts....	326	4,484	(748)	(13,778)	(1,241)	(15,033)	(1,662)	(24,327)	(12)	(24,339)

		\$ 5,979		\$ (14,269)		\$ (37,717)		\$ (46,007)	\$ (187)	\$ (46,194)
Total Return Variable										
Account										
Compass 2 Contracts....	96	\$ 2,226	145	\$ 3,421	(628)	\$ (14,638)	(387)	\$ (8,991)	\$ (241)	\$ (9,232)
Compass 3 Contracts....	691	14,763	1,496	3,812	(1,252)	(22,124)	935	(3,549)	63	(3,486)
		\$16,989		\$ 7,233		\$ (36,762)		\$ (12,540)	\$ (178)	\$ (12,718)
World Governments										
Variable Account										
Compass 2 Contracts....	14	\$ 246	(144)	\$ (2,559)	(107)	\$ (1,946)	(237)	\$ (4,259)	\$ (9)	\$ (4,268)
Compass 3 Contracts....	98	1,671	99	(634)	(182)	(2,642)	15	(1,605)	(81)	(1,686)
		\$ 1,917		\$ (3,193)		\$ (4,588)		\$ (5,864)	\$ (90)	\$ (5,954)

</TABLE>

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PARTICIPANT TRANSACTIONS -- continued

<TABLE>  
<CAPTION>

Year Ended December 31, 1995 (000 Omitted)

	Purchase Payments Received		Transfers Between Variable Accounts and Fixed Accumulation Account		Withdrawals, Surrenders, Annuitizations, and Contract Charges		Net Accumulation Activity		Net Annuitization Activity	Net Increase (Decrease)
	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars	Dollars	Dollars
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<S>										
Capital Appreciation										
Variable Account										
Compass 2 Contracts....	237	\$ 7,828	84	\$ 3,030	(1,617)	\$ (53,462)	(1,296)	\$ (42,604)	\$ (459)	\$ (43,063)
Compass 3 Contracts....	523	11,480	797	2,783	(779)	(15,819)	541	(1,556)	85	(1,471)
		\$19,308		\$ 5,813		\$ (69,281)		\$ (44,160)	\$ (374)	\$ (44,534)
Government Securities										
Variable Account										
Compass 2 Contracts....	141	\$ 3,360	(1,455)	\$ (34,220)	(1,633)	\$ (38,734)	(2,947)	\$ (69,594)	\$ 9	\$ (69,585)
Compass 3 Contracts....	217	3,634	(223)	(8,332)	(420)	(6,709)	(426)	(11,407)	156	(11,251)
		\$ 6,994		\$ (42,552)		\$ (45,443)		\$ (81,001)	\$ 165	\$ (80,836)
High Yield Variable										
Account										
Compass 2 Contracts....	106	\$ 2,618	(3)	\$ (225)	(897)	\$ (22,116)	(794)	\$ (19,723)	\$ 226	\$ (19,497)
Compass 3 Contracts....	136	2,474	865	4,267	(226)	(3,890)	775	2,851	1	2,852
		\$ 5,092		\$ 4,042		\$ (26,006)		\$ (16,872)	\$ 227	\$ (16,645)
Managed Sectors Variable										
Account										
Compass 2 Contracts....	28	\$ 795	101	\$ 2,867	(141)	\$ (4,009)	(12)	\$ (347)	\$ (16)	\$ (363)
Compass 3 Contracts....	215	6,067	316	714	(194)	(5,303)	337	1,478	--	1,478
		\$ 6,862		\$ 3,581		\$ (9,312)		\$ 1,131	\$ (16)	\$ 1,115
Money Market Variable										
Account										
Compass 2 Contracts....	113	\$ 1,833	1,275	\$ 20,487	(1,738)	\$ (28,147)	(350)	\$ (5,827)	\$ (165)	\$ (5,992)
Compass 3 Contracts....	408	5,426	325	1,987	(842)	(10,938)	(109)	(3,525)	(33)	(3,558)
		\$ 7,259		\$ 22,474		\$ (39,085)		\$ (9,352)	\$ (198)	\$ (9,550)
Total Return Variable										
Account										
Compass 2 Contracts....	127	\$ 2,491	153	\$ 3,187	(889)	\$ (17,489)	(609)	\$ (11,811)	\$ 153	\$ (11,658)
Compass 3 Contracts....	698	13,073	760	(2,647)	(848)	(15,127)	610	(4,701)	(76)	(4,777)
		\$15,564		\$ 540		\$ (32,616)		\$ (16,512)	\$ 77	\$ (16,435)
World Governments										
Variable Account										
Compass 2 Contracts....	20	\$ 341	(41)	\$ (720)	(138)	\$ (2,396)	(159)	\$ (2,775)	\$ (8)	\$ (2,783)
Compass 3 Contracts....	102	1,722	80	(1,013)	(166)	(2,684)	16	(1,975)	131	(1,844)

\$ 2,063  
=====

\$ (1,733)  
=====

\$ (5,080)  
=====

\$ (4,750)  
=====

\$ 123  
=====

\$ (4,627)  
=====

</TABLE>

NOTES TO FINANCIAL STATEMENTS -- continued

(10) DETAILED STATEMENTS OF OPERATIONS -- Year Ended December 31, 1996 (000 Omitted)

<TABLE>  
<CAPTION>

Capital Appreciation Variable Account							
	Compass 2		Compass 3		Compass 3 - Level 2		Total
	Accumulation	Annuitization	Accumulation	Annuitization	Accumulation	Annuitization	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:							
Interest.....	\$ 156	\$ 2	\$ 45	\$ --	\$ 6	\$ --	\$ 209
Dividends.....	2,524	31	726	3	125	--	3,409
Total investment income.....	\$ 2,680	\$ 33	\$ 771	\$ 3	\$ 131	\$ --	\$ 3,618
Expenses.....	8,206	38	2,471	3	393	--	11,111
Net investment loss....	\$ (5,526)	\$ (5)	\$ (1,700)	\$ --	\$ (262)	\$ --	\$ (7,493)
Realized and unrealized gains (losses) on investments:							
Net realized gains.....	\$ 54,788	\$ 671	\$ 15,914	\$ 58	\$ 2,496	\$ 4	\$ 73,931
Net unrealized gains (losses).....	24,305	287	6,627	26	1,134	(2)	32,377
Net realized and unrealized gains on investments.....	\$ 79,093	\$ 958	\$ 22,541	\$ 84	\$ 3,630	\$ 2	\$106,308
Increase in net assets from operations.....	\$ 73,567	\$ 953	\$ 20,841	\$ 84	\$ 3,368	\$ 2	\$ 98,815

</TABLE>

<TABLE>  
<CAPTION>

Government Securities Variable Account							
	Compass 2		Compass 3		Compass 3 - Level 2		Total
	Accumulation	Annuitization	Accumulation	Annuitization	Accumulation	Annuitization	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:							
Interest.....	\$ 15,101	\$ 196	\$ 2,452	\$ 9	\$ 676	\$ 9	\$ 18,443
Total investment income.....	\$ 15,101	\$ 196	\$ 2,452	\$ 9	\$ 676	\$ 9	\$ 18,443
Expenses.....	3,902	16	667	1	169	1	4,756
Net investment income.....	\$ 11,199	\$ 180	\$ 1,785	\$ 8	\$ 507	\$ 8	\$ 13,687
Realized and unrealized gains (losses) on investments:							
Net realized losses....	\$ (121)	\$ (1)	\$ (20)	\$ --	\$ (9)	\$ --	\$ (151)
Net unrealized gains (losses).....	(10,552)	(138)	(1,779)	34	(302)	(4)	(12,741)
Net realized and unrealized gains (losses) on investments.....	\$ (10,673)	\$ (139)	\$ (1,799)	\$ 34	\$ (311)	\$ (4)	\$ (12,892)
Increase (decrease) in net assets from operations.....	\$ 526	\$ 41	\$ (14)	\$ 42	\$ 196	\$ 4	\$ 795

</TABLE>

## DETAILED STATEMENTS OF OPERATIONS -- continued

<TABLE>  
<CAPTION>

High Yield Variable Account							
	Compass 2		Compass 3		Compass 3 - Level 2		Total
	Accumulation	Annuity	Accumulation	Annuity	Accumulation	Annuity	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:							
Interest.....	\$ 13,924	\$ 258	\$ 2,885	\$ 2	\$ 1,360	\$ --	\$ 18,429
Total investment income.....	\$ 13,924	\$ 258	\$ 2,885	\$ 2	\$ 1,360	\$ --	\$ 18,429
Expenses.....	3,123	23	657	--	299	--	4,102
Net investment income.....	\$ 10,801	\$ 235	\$ 2,228	\$ 2	\$ 1,061	\$ --	\$ 14,327
Realized and unrealized gains on investments:							
Net realized gains.....	\$ 2,283	\$ 42	\$ 445	\$ --	\$ 180	\$ --	\$ 2,950
Net unrealized gains...	2,027	63	677	--	442	--	3,209
Net realized and unrealized gains on investments.....	\$ 4,310	\$ 105	\$ 1,122	\$ --	\$ 622	\$ --	\$ 6,159
Increase in net assets from operations.....	\$ 15,111	\$ 340	\$ 3,350	\$ 2	\$ 1,683	\$ --	\$ 20,486

&lt;/TABLE&gt;

<TABLE>  
<CAPTION>

Managed Sectors Variable Account							
	Compass 2		Compass 3		Compass 3 - Level 2		Total
	Accumulation	Annuity	Accumulation	Annuity	Accumulation	Annuity	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:							
Interest.....	\$ 33	\$ --	\$ 77	\$ --	\$ 10	\$ --	\$ 120
Dividends.....	176	1	405	--	55	--	637
Total investment income.....	\$ 209	\$ 1	\$ 482	\$ --	\$ 65	\$ --	\$ 757
Expenses.....	524	1	1,279	--	172	--	1,976
Net investment loss....	\$ (315)	\$ --	\$ (797)	\$ --	\$ (107)	\$ --	\$ (1,219)
Realized and unrealized gains on investments:							
Net realized gains.....	\$ 3,813	\$ 20	\$ 8,605	\$ 1	\$ 1,237	\$ --	\$ 13,676
Net unrealized gains...	207	2	725	--	166	--	1,100
Net realized and unrealized gains on investments.....	\$ 4,020	\$ 22	\$ 9,330	\$ 1	\$ 1,403	\$ --	\$ 14,776
Increase in net assets from operations.....	\$ 3,705	\$ 22	\$ 8,533	\$ 1	\$ 1,296	\$ --	\$ 13,557

&lt;/TABLE&gt;

## NOTES TO FINANCIAL STATEMENTS -- continued

## DETAILED STATEMENTS OF OPERATIONS -- continued

<TABLE>  
<CAPTION>

## Money Market Variable Account

	Compass 2		Compass 3		Compass 3 - Level 2		Total
	Accumulation	Annuity	Accumulation	Annuity	Accumulation	Annuity	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:							
Interest.....	\$ 5,208	\$ 72	\$ 2,044	\$ 1	\$ 572	\$ --	\$ 7,897
Total investment income.....	\$ 5,208	\$ 72	\$ 2,044	\$ 1	\$ 572	\$ --	\$ 7,897
Expenses.....	1,819	7	752	--	193	--	2,771
Net investment income.....	\$ 3,389	\$ 65	\$ 1,292	\$ 1	\$ 379	\$ --	\$ 5,126
Realized and unrealized gains (losses) on investments.....	\$ 11,154	\$ 141	\$(11,296)	\$ 1	\$ --	\$ --	\$ --
Increase (decrease) in net assets from operations.....	\$ 14,543	\$ 206	\$(10,004)	\$ 2	\$ 379	\$ --	\$ 5,126

</TABLE>

<TABLE>  
<CAPTION>

	Compass 2		Compass 3		Compass 3 - Level 2		Total
	Accumulation	Annuity	Accumulation	Annuity	Accumulation	Annuity	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:							
Interest.....	\$ 3,219	\$ 65	\$ 4,087	\$ 9	\$ 856	\$ 1	\$ 8,237
Dividends.....	1,841	37	2,341	5	491	1	4,716
Total investment income.....	\$ 5,060	\$ 102	\$ 6,428	\$ 14	\$ 1,347	\$ 2	\$ 12,953
Expenses.....	2,215	18	3,016	2	592	--	5,843
Net investment income.....	\$ 2,845	\$ 84	\$ 3,412	\$ 12	\$ 755	\$ 2	\$ 7,110
Realized and unrealized gains (losses) on investments:							
Net realized gains.....	\$ 10,955	\$ 221	\$ 13,789	\$ 31	\$ 2,961	\$ 3	\$ 27,960
Net unrealized gains (losses).....	(1,118)	(24)	(1,763)	(3)	(37)	1	(2,944)
Net realized and unrealized gains on investments.....	\$ 9,837	\$ 197	\$ 12,026	\$ 28	\$ 2,924	\$ 4	\$ 25,016
Increase in net assets from operations.....	\$ 12,682	\$ 281	\$ 15,438	\$ 40	\$ 3,679	\$ 6	\$ 32,126

</TABLE>

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DETAILED STATEMENTS OF OPERATIONS -- continued

<TABLE>  
<CAPTION>

	Compass 2		Compass 3		Compass 3 - Level 2		Total
	Accumulation	Annuity	Accumulation	Annuity	Accumulation	Annuity	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:							
Interest.....	\$ 838	\$ 5	\$1,144	\$ 7	\$308	\$ 4	\$ 2,306
Total investment income.....	\$ 838	\$ 5	\$1,144	\$ 7	\$308	\$ 4	\$ 2,306
Expenses.....	275	1	401	1	101	--	779
Net investment income.....	\$ 563	\$ 4	\$ 743	\$ 6	\$207	\$ 4	\$ 1,527



Realized and unrealized gains (losses) on investments:							
Net realized losses....	\$ (82)	\$ --	\$ (162)	\$ (1)	\$ (19)	\$ (1)	\$ (265)
Net unrealized gains (losses).....	(184)	(1)	(144)	(5)	(9)	4	(339)
Net realized and unrealized gains (losses) on investments.....	\$ (266)	\$ (1)	\$ (306)	\$ (6)	\$ (28)	\$ 3	\$ (604)
Increase in net assets from operations.....	\$ 297	\$ 3	\$ 437	\$ --	\$179	\$ 7	\$ 923

</TABLE>

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INDEPENDENT AUDITORS' REPORT

To the Participants in and the Board of Managers of Capital Appreciation Variable Account, Government Securities Variable Account, High Yield Variable Account, Managed Sectors Variable Account, Money Market Variable Account, Total Return Variable Account and World Governments Variable Account and the Board of Directors of Sun Life Assurance Company of Canada (U.S.):

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Capital Appreciation Variable Account, Government Securities Variable Account, High Yield Variable Account, Managed Sectors Variable Account, Money Market Variable Account, Total Return Variable Account and World Governments Variable Account (the "Variable Accounts") as of December 31, 1996, the related statements of operations for the year then ended, the statements of changes in net assets for the years ended December 31, 1996 and 1995 and the per unit and other data for each of the years in the five-year period ended December 31, 1996. These financial statements and the per unit and other data are the responsibility of the Variable Accounts' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the per unit and other data are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at December 31, 1996 by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and per unit and other data present fairly, in all material respects, the financial position of the Variable Accounts at December 31, 1996, the results of their operations, the changes in their net assets, and their per unit and other data for each of the respective stated periods in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Boston, Massachusetts  
February 7, 1997

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This Compass annual report is prepared for the general information of contract owners. It is authorized for distribution to prospective purchasers only when preceded by an effective prospectus.

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MEMBERS OF BOARDS OF MANAGERS  
AND OFFICERS

JOHN D. McNEIL\*, Chairman and Member  
Chairman, Sun Life Assurance Company of Canada,  
Toronto, Ontario, Canada

BONNIE S. ANGUS, Secretary  
Secretary, Sun Life Assurance Company of Canada (U.S.),

Wellesley Hills, Massachusetts

SAMUEL ADAMS, Member  
Partner, Warner & Stackpole,  
Boston, Massachusetts

GEOFFREY CROFTS, Member  
Professor Emeritus, University of Hartford,  
Hartford, Connecticut

DAVID D. HORN\*, Member  
Senior Vice President and General Manager,  
Sun Life Assurance Company of Canada,  
Wellesley Hills, Massachusetts

GARTH MARSTON, Member  
Former Chairman, The Provident Institution for Savings,  
Boston, Massachusetts

DERWYN F. PHILLIPS, Member  
Former Vice Chairman, The Gillette Company,  
Boston, Massachusetts

SUN LIFE ASSURANCE COMPANY  
OF CANADA (U.S.)

ANNUITY SERVICE MAILING ADDRESS  
c/o Sun Life Annuity Service Center  
P.O. Box 1024, Boston, MA 02103-9986

INVESTMENT MANAGER  
Massachusetts Financial Services Company  
500 Boylston Street, Boston, MA 02116-3741

DISTRIBUTOR  
Clarendon Insurance Agency, Inc.  
500 Boylston Street, Boston, MA 02116-3741

CUSTODIAN  
State Street Bank and Trust Company  
225 Franklin Street, Boston, MA 02110-2875

AUDITORS  
Deloitte & Touche LLP  
125 Summer Street, Boston, MA 02110-1616

\*Affiliated with the Investment Adviser

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ACCOUNT INFORMATION

For account information, please call toll free:  
1-800-752-7218 anytime from a touch-tone  
telephone.

To speak with a customer service representative,  
please call toll free: 1-800-752-7215 any  
business day from 8 a.m. to 6 p.m. Eastern time.  
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[COMPASS LOGO]

PROFESSIONALLY MANAGED COMBINATION  
FIXED/VARIABLE ANNUITIES  
FOR PERSONAL INVESTMENTS AND  
QUALIFIED RETIREMENT PLANS

ANNUAL REPORT - DECEMBER 31, 1996

Capital Appreciation Variable Account  
Government Securities Variable Account  
High Yield Variable Account  
Managed Sectors Variable Account  
Money Market Variable Account  
Total Return Variable Account  
World Governments Variable Account

Issued by  
Sun Life Assurance Company of Canada (U.S.),  
A Wholly-Owned Subsidiary of  
Sun Life Assurance Company of Canada