

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1995-07-28**
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FILER

DEAN WITTER INTERNATIONAL SMALLCAP FUND

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Business Address
*TWO WORLD TRADE CENTER
NEW YORK NY 10048
212-392-1520*

REGISTRATION NOS.: 33-53295
811-7169

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933 /X/
PRE-EFFECTIVE AMENDMENT NO. / /
POST-EFFECTIVE AMENDMENT NO. 2 / /

AND/OR
REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY
ACT OF 1940 /X/
AMENDMENT NO. 3 / /

DEAN WITTER INTERNATIONAL SMALLCAP FUND
(A MASSACHUSETTS BUSINESS TRUST)
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

TWO WORLD TRADE CENTER
NEW YORK, NEW YORK 10048

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 392-1600

SHELDON CURTIS, ESQ.
TWO WORLD TRADE CENTER
NEW YORK, NEW YORK 10048

(NAME AND ADDRESS OF AGENT FOR SERVICE)

COPY TO:

DAVID M. BUTOWSKY, ESQ.

GORDON ALTMAN BUTOWSKY

WEITZEN SHALOV & WEIN

114 WEST 47TH STREET

NEW YORK, NEW YORK 10036

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:

As soon as practicable after this Post-Effective Amendment becomes effective.
IT IS PROPOSED THAT THIS FILING WILL BECOME EFFECTIVE (CHECK APPROXIMATE BOX)

immediately upon filing pursuant to paragraph (b)
 on (date) pursuant to paragraph (b)
 60 days after filing pursuant to paragraph (a)
 on (date) pursuant to paragraph (a) of rule 485.

THE REGISTRANT HAS REGISTERED AN INDEFINITE NUMBER OF ITS SHARES UNDER THE SECURITIES ACT OF 1933 PURSUANT TO SECTION (A)(1) OF RULE 24F-2 UNDER THE INVESTMENT COMPANY ACT OF 1940. PURSUANT TO SECTION (B)(2) OF RULE 24B-2, THE REGISTRANT FILED A RULE 24F-2 NOTICE FOR ITS FISCAL YEAR ENDED MAY 31, 1995 WITH

AMENDING THE PROSPECTUS AND UPDATING FINANCIAL STATEMENTS

DEAN WITTER INTERNATIONAL SMALLCAP FUND

CROSS-REFERENCE SHEET

FORM N-1A

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	3.	Financial Highlights; Performance Information
	4.	Investment Objective and Policies; The Fund and its Management; Cover Page; Investment Restrictions; Prospectus Summary; Risk Considerations
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	6.	Dividends, Distributions and Taxes; Additional Information
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	21.	The Distributor
	22.	Performance Information
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PART C

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

PROSPECTUS

JULY 28, 1995

Dean Witter International SmallCap Fund (the "Fund") is an open-end, non-diversified management investment company whose investment objective is to seek long-term growth of capital. The Fund seeks to meet its investment objective by investing primarily in securities of small non-U.S. companies.

Shares of the Fund are continuously offered at net asset value without the imposition of a sales charge. However, redemptions and/or repurchases are subject in most cases to a contingent deferred sales charge, scaled down from 5% to 1% of the amount redeemed, if made within six years of purchase, which charge will be paid to the Fund's Distributor, Dean Witter Distributors Inc. (See "Redemption and Repurchases--Contingent Deferred Sales Charge.") In addition, the Fund pays the Distributor a Rule 12b-1 distribution fee pursuant to a Plan of Distribution at the annual rate of 1% of the lesser of the (i) average daily aggregate net sales or (ii) average daily net assets of the Fund. (See "Purchase of Fund Shares--Plan of Distribution.")

This Prospectus sets forth concisely the information you should know before investing in the Fund. It should be read and retained for future reference. Additional information about the Fund is contained in the Statement of Additional Information, dated July 28, 1995, which has been filed with the Securities and Exchange Commission, and which is available at no charge upon request of the Fund at the address or telephone numbers listed on this page. The Statement of Additional Information is incorporated herein by reference.

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SHARES OF THE FUND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, AND THE SHARES ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY.

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

Dean Witter
International SmallCap Fund
Two World Trade Center
New York, New York 10048
(212) 392-2550 or
(800) 526-3143

PROSPECTUS SUMMARY

<TABLE>

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The Fund is organized as a Trust, commonly known as a Massachusetts business trust, and is an open-end, non-diversified management investment company. The Fund invests primarily in securities of small non-U.S. companies.

Shares Offered Shares of beneficial interest with \$.01 par value (see page 22).

Minimum Purchase Minimum initial investment, \$1,000; minimum subsequent investment, \$100 (see page 15).

Offering Price At net asset value without sales charge (see page 15). Shares redeemed within six years of purchase are subject to a contingent deferred sales charge under most circumstances (see page 20).

Investment Objective The investment objective of the Fund is to seek long-term growth of capital.

Investment Manager and Sub-Advisor Dean Witter InterCapital Inc., the Investment Manager of the Fund, and its wholly-owned subsidiary, Dean Witter Services Company Inc., serve in various investment management, advisory, management and administrative capacities to ninety-four investment companies and other portfolios with net assets under management of approximately \$72.6 billion at May 31, 1995. Morgan Grenfell Investment Services Ltd. has been retained by the Investment Manager as Sub-Advisor to provide investment advice and manage the Fund's portfolio. Morgan Grenfell Investment Services Ltd. currently serves as investment advisor for U.S. corporate and public employee benefit plans, investment companies, endowments and foundations with assets of approximately \$10.4 billion at March 31, 1995 (see page 6).

Management Fee The Investment Manager receives a monthly fee at the annual rate of 1.25% of the Fund's daily net assets, of which the Sub-Advisor receives 40% (see page 6).

Dividends and Distributions Dividends from net investment income are paid at least annually. Capital gains, if any, are distributed at least annually or retained for reinvestment by the Fund. Dividends and capital gains distributions are automatically reinvested in additional shares at net asset value (without sales charge), unless the shareholder elects to receive cash (see page 22).

Distributor and Distribution Fee Dean Witter Distributors Inc. (the "Distributor"). The Distributor receives from the Fund a distribution fee accrued daily and payable monthly at the rate of 1.0% per annum of the lesser of (i) the Fund's average daily aggregate net sales or (ii) the Fund's average daily net assets. This fee compensates the Distributor for the services provided in distributing shares of the Fund and for sales related expenses. The Distributor also receives the proceeds of any contingent deferred sales charges (see page 15).

Redemption--Contingent Shares are redeemable by the shareholder at net asset value. An account may be involuntarily redeemed if the total value of the account is less than \$100. Although no commission or sales load is imposed upon the purchase

Deferred Sales Charge of shares, a contingent deferred sales charge (scaled down from 5% to 1%) is imposed on any redemption of shares if after such redemption the aggregate current value of an account with the Fund falls below the aggregate amount of the investor's purchase payments made during the six years preceding the redemption. However, there is no charge imposed on redemption of shares purchased through reinvestment of dividends or distributions (see page 20).

Risks The net asset value of the Fund's shares will fluctuate with changes in market value of portfolio securities. Investing in lesser known, smaller capitalization companies may involve greater risk of volatility in the Fund's net asset value than is customarily associated with investing in larger, more established companies. In addition, it should be recognized that the foreign securities and markets in which the Fund will invest pose different and greater risks than those customarily associated with domestic securities and their markets. The Fund is a non-diversified investment company and, as such, is not subject to the diversification requirements of the Investment Company Act of 1940. As a result, a relatively high percentage of the Fund's assets may be invested in a limited number of issuers. However, the Fund intends to continue to qualify as a regulated investment company under the federal income tax laws and, as such, is subject to the diversification requirements of the Internal Revenue Code (see page 8).

</TABLE>

THE ABOVE IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS AND IN THE STATEMENT OF ADDITIONAL INFORMATION.

SUMMARY OF FUND EXPENSES

The following table illustrates all expenses and fees that a shareholder of the Fund will incur.

<TABLE>	
<S>	
SHAREHOLDER TRANSACTION EXPENSES	

Maximum Sales Charge Imposed on Purchases.....	None
Maximum Sales Charge Imposed on Reinvested Dividends.....	None
Contingent Deferred Sales Charge	
(as a percentage of the lesser of original purchase price or redemption proceeds)....	5.0%
A contingent deferred sales charge is imposed at the following declining rates:	

</TABLE>

<TABLE>

<CAPTION>

YEAR SINCE PURCHASE PAYMENT MADE	PERCENTAGE
-----	-----
<S>	<C>
First.....	5.0%
Second.....	4.0%
Third.....	3.0%
Fourth.....	2.0%
Fifth.....	2.0%
Sixth.....	1.0%
Seventh and thereafter.....	None

</TABLE>

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Redemption Fees.....	None
Exchange Fee.....	None
ANNUAL FUND OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)	

Management Fees.....	1.25%
12b-1 Fees*.....	1.00%
Other Expenses.....	0.65%
Total Fund Operating Expenses**.....	2.90%

<FN>

* THE 12B-1 FEE IS ACCRUED DAILY AND PAYABLE MONTHLY, AT AN ANNUAL RATE OF 1.0% OF THE LESSER OF: (A) THE AVERAGE DAILY AGGREGATE GROSS SALES OF THE FUND'S SHARES SINCE THE INCEPTION OF THE FUND (NOT INCLUDING REINVESTMENTS OF DIVIDENDS OR DISTRIBUTIONS), LESS THE AVERAGE DAILY AGGREGATE NET ASSET VALUE OF THE FUND'S SHARES REDEEMED SINCE THE FUND'S INCEPTION UPON WHICH A CONTINGENT DEFERRED SALES CHARGE HAS BEEN IMPOSED OR WAIVED, OR (B) THE FUND'S AVERAGE DAILY NET ASSETS. A PORTION OF THE 12B-1 FEE EQUAL TO 0.25% OF THE FUND'S AVERAGE DAILY NET ASSETS IS CHARACTERIZED AS A SERVICE FEE WITHIN THE MEANING OF NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. ("NASD") GUIDELINES (SEE "PURCHASE OF FUND SHARES").

** "TOTAL FUND OPERATING EXPENSES," AS SHOWN ABOVE, IS BASED UPON THE SUM OF THE 12B-1 FEES, MANAGEMENT FEES AND "OTHER EXPENSES," INCURRED BY THE FUND FOR THE FISCAL PERIOD ENDED MAY 31, 1995.

</TABLE>

EXAMPLE	1 year	3 years	5 years	10 Years
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a \$1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:.....	\$ 79	\$ 120	\$ 173	\$ 323
You would pay the following expenses on the same investment, assuming no redemption:.....	\$ 29	\$ 90	\$ 153	\$ 323

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR PERFORMANCE. ACTUAL EXPENSES OF THE FUND MAY BE GREATER OR LESS THAN THOSE SHOWN.

The purpose of this table is to assist the investor in understanding the various costs and expenses that an investor in the Fund will bear directly or indirectly. For a more complete description of these costs and expenses, see "The Fund and its Management," "Plan of Distribution" and "Redemption and Repurchases."

Long-term shareholders of the Fund may pay more in sales charges and distribution fees than the economic equivalent of the maximum front-end sales charges permitted by the NASD.

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FINANCIAL HIGHLIGHTS

The following ratios and per share data for a share of beneficial interest outstanding throughout the period have been audited by Price Waterhouse LLP, independent accountants. The financial highlights should be read in conjunction with the financial statements, notes thereto, and the unqualified report of independent accountants, which are contained in the Statement of Additional Information. Further information about the performance of the Fund is contained in the Fund's Annual Report to Shareholders, which may be obtained without charge upon request to the Fund.

	FOR THE PERIOD JULY 29, 1994* THROUGH MAY 31, 1995
<S>	<C>
PER SHARE OPERATING PERFORMANCE:	
Net asset value, beginning of period.....	\$10.00
Net investment loss.....	(0.08)
Net realized and unrealized loss.....	(1.38)
Total from investment operations.....	(1.46)
Net asset value, end of period.....	\$ 8.54
TOTAL INVESTMENT RETURN+.....	(14.60) % (1)
RATIOS TO AVERAGE NET ASSETS:	
Expenses.....	2.90 % (2)
Net investment loss.....	(1.12) % (2)
SUPPLEMENTAL DATA:	
Net assets, end of period, in thousands.....	\$93,729
Portfolio turnover rate.....	41 % (1)

* COMMENCEMENT OF OPERATIONS.
+ DOES NOT REFLECT THE DEDUCTION OF SALES CHARGE.
(1) NOT ANNUALIZED.
(2) ANNUALIZED.

SEE NOTES TO FINANCIAL STATEMENTS

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THE FUND AND ITS MANAGEMENT

Dean Witter International SmallCap Fund (the "Fund") is an open-end, non-diversified, management investment company. The Fund is a trust of the type commonly known as a "Massachusetts business trust" and was organized under the laws of The Commonwealth of Massachusetts on April 21, 1994.

Dean Witter InterCapital Inc. ("InterCapital" or the "Investment Manager"), whose address is Two World Trade Center, New York, New York 10048, is the Fund's Investment Manager. The Investment Manager, which was incorporated in July, 1992, is a wholly-owned subsidiary of Dean Witter, Discover & Co. ("DWDC"), a balanced financial services organization providing a broad range of nationally marketed credit and investment products.

InterCapital and its wholly-owned subsidiary, Dean Witter Services Company Inc., serve in various investment management, advisory, management and administrative capacities to ninety-four investment companies, thirty of which are listed on the New York Stock Exchange, with combined assets of approximately \$70.3 billion at May 31, 1995. The Investment Manager also manages portfolios of pension plans, other institutions and individuals which aggregated approximately \$2.3 billion at such date.

The Fund has retained the Investment Manager to provide administrative services, manage its business affairs and supervise the investment of the Fund's assets. InterCapital has retained Dean Witter Services Company Inc. to perform the aforementioned administrative services for the Fund.

Under a Sub-Advisory Agreement between Morgan Grenfell Investment Services Limited (the "Sub-Advisor") and the Investment Manager, the Sub-Advisor provides the Fund with investment advice and portfolio management relating to the Fund's investments, subject to the overall supervision of the Investment Manager. The Fund's Trustees review the various services provided by the Investment Manager and the Sub-Advisor to ensure that the Fund's general investment policies and programs are being properly carried out and that administrative services are being provided to the Fund in a satisfactory manner.

The Sub-Advisor, whose address is 20 Finsbury Circus, London, England, manages, as of March 31, 1995, assets of approximately \$10.4 billion for U.S. corporate and public employee benefit plans, investment companies, endowments and foundations. The Sub-Advisor is an indirect subsidiary of Deutsche Bank AG, the largest commercial bank in Germany.

As full compensation for the services and facilities furnished to the Fund and for expenses of the Fund assumed by the Investment Manager, the Fund pays the Investment Manager monthly compensation calculated daily by applying the annual rate of 1.25% to the Fund's net assets. As compensation for its services provided pursuant to the Sub-Advisory Agreement, the Investment Manager pays the Sub-Advisor monthly compensation equal to 40% of its monthly compensation.

The Fund's expenses include: the fee of the Investment Manager; the fee pursuant to the Plan of Distribution (see "Purchase of Fund Shares"); taxes; certain legal, transfer agent, custodian and auditing fees; and printing and other expenses relating to the Fund's operations which are not expressly assumed by the Investment Manager under its Investment Management Agreement with the Fund.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is long-term growth of capital. The objective is a fundamental policy of the Fund and may not be changed without shareholder approval. There is no assurance that the objective will be achieved.

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The Fund seeks to achieve its investment objective by investing, under normal circumstances, at least 65% of its total assets in equity securities of "small capitalization" companies located outside of the United States. A "small capitalization" company is defined as being, at the time of purchase of its equity securities by the Fund, among the smallest capitalized companies (where capitalization is calculated by multiplying the total number of outstanding shares of common stock of the company by their market price and by ranking the resulting companies from smallest to largest capitalization) principally located in a given country, whose aggregate capitalizations comprise no more than 25% of the total market capitalization of the country. Equity securities in which the Fund may invest include common stocks, rights or warrants to purchase common stocks and securities convertible into common stocks.

The Fund will invest in securities issued by issuers located in at least three countries outside of the U.S. An issuer of a security will be considered to be located in a given country if it: (i) is organized under the laws of the country; (ii) derives at least 50% of its revenues from goods produced or sold,

investments made, or services performed in the country; (iii) maintains at least 50% of its assets in the country; or (iv) has securities which are principally traded on a stock exchange in the country.

The Fund currently may invest, from time to time, more than 25% of its total assets in securities issued by issuers located in each of the United Kingdom and Japan. The concentration of the Fund's assets in Japanese issuers will subject the Fund to the risks of adverse social, political or economic events which occur in Japan. Specifically, investments in the Japanese stock market may entail a higher degree of risk than investments in other markets as, by fundamental measures of corporate valuation, such as its high price-earnings ratios and low dividend yields, the Japanese market as a whole may appear expensive relative to other world stock markets, (I.E., the prices of Japanese stocks may be relatively high). In addition, the prices of securities traded on the Japanese markets may be more volatile than many other markets.

Generally, the investment risks presented by equity markets in the United Kingdom are comparable to those occurring in the U.S. However, the concentration of the Fund's assets in British issuers will subject the Fund's investment performance to social, political and economic events occurring in the United Kingdom to a larger effect than to those occurring elsewhere, internationally. In addition, political and economic developments occurring elsewhere in Europe, especially as they relate to changes in the structure of the European Economic Community, and the anticipated development of a unified common market, may have profound effects upon the value of the British segment of the Fund's portfolio of investments.

The remainder of the Fund's portfolio equalling, at times, up to 35% of the Fund's total assets, may be invested in (i) securities issued by companies whose market capitalizations place them outside the Fund's definition of "small capitalization" and/or (ii) fixed-income securities issued or guaranteed by foreign governments. In addition, this portion of the Fund's portfolio will consist of various other financial instruments such as forward foreign exchange contracts, futures contracts and options.

The Fund may also invest in securities of foreign issuers in the form of American Depository Receipts (ADRs), European Depository Receipts (EDRs) or other similar securities convertible into securities of foreign issuers. These securities may not necessarily be denominated in the same currency as the securities into which they may be converted. ADRs are receipts typically issued by a United States bank or trust company evidencing ownership of the underlying securities. EDRs are European receipts evidencing a similar arrangement. Generally, ADRs, in registered form, are designed for use in the United States securities markets and EDRs, in bearer form, are designed for use in European securities markets.

In constructing its portfolio, the Fund will utilize an investment/decision-making process that primarily

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emphasizes stock research and selection which is complemented by regional asset allocation and order execution. In recognition of the characteristics of the small-cap security universe (I.E., lesser liquidity, generally, than securities issued by companies with larger capitalizations), regional asset allocations are made with a long-term view in mind. This long-term perspective will be implemented by searching for securities of companies with long-term growth prospects, attractive valuation comparisons and adequate market liquidity.

The securities selected for purchase by the Fund's Sub-Advisor will be biased toward price appreciation potential: attractive stocks will exhibit above-average earnings growth, below-average price-earnings ratios in their market and relative price-earnings ratios below the historic norm. In addition, the Fund will maintain a disciplined sell process for liquidating portfolio holdings.

There may be periods during which, in the opinion of the Investment Manager or Sub-Advisor, market conditions warrant reduction of some or all of the Fund's securities holdings. During such periods, the Fund may adopt a temporary "defensive" posture in which greater than 35% of its net assets are invested in cash or money market instruments. Money market instruments in which the Fund may invest are securities issued or guaranteed by the U.S. Government (Treasury bills, notes and bonds, including zero coupon securities); bank obligations (such as certificates of deposit and bankers' acceptances); Yankee instruments; Eurodollar certificates of deposit; obligations of savings institutions; fully insured certificates of deposit; and commercial paper rated within the two highest grades by Moody's or S&P or, if not rated, are issued by a company having an outstanding debt issue rated at least AA by S&P or Aa by Moody's.

RISK CONSIDERATIONS

SMALL-CAP STOCKS. Investing in lesser-known, smaller capitalized companies may involve greater risk of volatility of the Fund's net asset value than is customarily associated with investing in larger, more established companies. There is typically less publicly available information concerning foreign and smaller companies than for domestic and larger, more established companies. Some

small companies have limited product lines, distribution channels and financial and managerial resources and tend to concentrate on fewer geographic markets than do larger companies. Also, because smaller companies normally have fewer shares outstanding than larger companies and trade less frequently, it may be more difficult for the Fund to buy and sell significant amounts of such shares without an unfavorable impact on prevailing market prices. Some of the companies in which the Fund may invest may distribute, sell or produce products which have recently been brought to market and may be dependent on key personnel with varying degrees of experience.

FOREIGN SECURITIES. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Fluctuations in the relative rates of exchange between the currencies of different nations will affect the value of the Fund's investments denominated in foreign currency. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and thereby impact upon the Fund's total return on such assets.

Foreign currency exchange rates are determined by forces of supply and demand on the foreign exchange markets. These forces are themselves affected by the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors. Moreover, foreign currency exchange rates may be affected by the regulatory control of the exchanges on which the currencies trade. The foreign currency transactions of the Fund will be conducted on a spot basis or through forward foreign currency exchange contracts (described below).

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The Fund will incur certain costs in connection with these currency transactions.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Fund assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher on foreign markets than in the U.S. In addition, differences in clearance and settlement procedures on foreign markets may occasion delays in settlements of the Fund's trades effected in such markets. As such, the inability to dispose of portfolio securities due to settlement delays could result in losses to the Fund due to subsequent declines in value of such securities and the inability of the Fund to make intended security purchases due to settlement problems could result in a failure of the Fund to make potentially advantageous investments.

LOWER-RATED CONVERTIBLE SECURITIES. The Fund may invest a portion of its assets (up to 35% of its net assets) in lower-rated convertible securities. Most convertible securities in which the Fund may invest are not rated; when rated, such ratings will generally be below investment grade. Securities below investment grade are the equivalent of high yield, high risk bonds, commonly known as "junk bonds." Investment grade is generally considered to be debt securities rated BBB or higher by Standard & Poor's Corporation ("S&P") or Baa or higher by Moody's Investors Service, Inc. ("Moody's"). However, the Fund will not invest in debt securities that are in default in payment of principal or interest.

Because of the special nature of the Fund's permitted investments in lower rated debt securities, the Investment Manager and Sub-Adviser must take account of certain special considerations in assessing the risks associated with such investments. The prices of lower rated securities have been found to be less sensitive to changes in prevailing interest rates than higher rated investments, but are likely to be more sensitive to adverse economic changes or individual corporate developments. During an economic downturn or substantial period of rising interest rates, highly leveraged issuers may experience financial stress which would adversely affect their ability to service their principal and interest payment obligations, to meet their projected business goals or to obtain additional financing. If the issuer of a fixed-income security owned by the Fund defaults, the Fund may incur additional expenses to seek recovery. In addition, periods of economic uncertainty and change can be expected to result in an increased volatility of market prices of lower rated securities and a corresponding volatility in the net asset value of a share of the Fund.

REPURCHASE AGREEMENTS. The Fund may enter into repurchase agreements, which

may be viewed as a type of secured lending by the Fund, and which typically involve the acquisition by the Fund of debt securities, from a selling financial institution such as a bank, savings and loan association or broker-dealer. The agreement provides that the Fund will sell back to the institution, and that the institution will repurchase, the underlying security at a specified price and at a fixed time in the future, usually not more than seven days from the date of purchase. While repurchase agreements involve certain risks not associated with direct investments in debt securities, including the risks of default or bankruptcy of the selling financial institution, the Fund follows procedures to minimize such risks. These procedures include effecting repurchase

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transactions only with large, well-capitalized and well-established financial institutions and maintaining adequate collateralization.

REVERSE REPURCHASE AGREEMENTS AND DOLLAR ROLLS. The Fund may also use reverse repurchase agreements and dollar rolls as part of its investment strategy. Reverse repurchase agreements involve sales by the Fund of portfolio assets concurrently with an agreement by the Fund to repurchase the same assets at a later date at a fixed price. The Fund may enter into dollar rolls in which the Fund sells securities and simultaneously contracts to repurchase substantially similar (same type and coupon) securities on a specified future date. Reverse repurchase agreements and dollar rolls involve the risk that the market value of the securities the Fund is obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement or dollar roll files for bankruptcy or becomes insolvent, the Fund's use of proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. Reverse Repurchase agreements and dollar rolls are speculative techniques involving leverage, and are considered borrowings by the Fund.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES AND FORWARD COMMITMENTS. From time to time, in the ordinary course of business, the Fund may purchase securities on a when-issued or delayed delivery basis or may purchase or sell securities on a forward commitment basis. When such transactions are negotiated, the price is fixed at the time of the commitment, but delivery and payment can take place a month or more after the date of the commitment. There is no overall limit on the percentage of the Fund's assets which may be committed to the purchase of securities on a when-issued, delayed delivery or forward commitment basis. An increase in the percentage of the Fund's assets committed to the purchase of securities on a when-issued, delayed delivery or forward commitment basis may increase the volatility of the Fund's net asset value. An increase in the percentage of the Fund's assets committed to the purchase of securities on a when-issued or delayed delivery basis may increase the volatility of the Fund's net asset value.

WHEN, AS AND IF ISSUED SECURITIES. The Fund may purchase securities on a "when, as and if issued" basis under which the issuance of the security depends upon the occurrence of a subsequent event, such as approval of a merger, corporate reorganization, leveraged buyout or debt restructuring. If the anticipated event does not occur and the securities are not issued, the Fund will have lost an investment opportunity. There is no overall limit on the percentage of the Fund's assets which may be committed to the purchase of securities on a "when, as and if issued" basis. An increase in the percentage of the Fund's assets committed to the purchase of securities on a "when, as and if issued" basis may increase the volatility of its net asset value.

PRIVATE PLACEMENTS. The Fund may invest up to 5% of its total assets in securities which are subject to restrictions on resale because they have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or which are otherwise not readily marketable. (Securities eligible for resale pursuant to Rule 144A under the Securities Act, and determined to be liquid pursuant to the procedures discussed in the following paragraph, are not subject to the foregoing restriction.) These securities are generally referred to as private placements or restricted securities. Limitations on the resale of such securities may have an adverse effect on their marketability, and may prevent the Fund from disposing of them promptly at reasonable prices. The Fund may have to bear the expense of registering such securities for resale and the risk of substantial delays in effecting such registration.

The Securities and Exchange Commission has adopted Rule 144A under the Securities Act, which permits the Fund to sell restricted securities to qualified institutional buyers without limitation. The Investment Manager, pursuant to procedures

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adopted by the Trustees of the Fund, will make a determination as to the liquidity of each restricted security purchased by the Fund. If a restricted security is determined to be "liquid," such security will not be included within the category "illiquid securities," which under current policy may not exceed 15% of the Fund's net assets.

OPTIONS AND FUTURE TRANSACTIONS. The Fund may purchase and sell (write) call and put options on portfolio securities which are denominated in either

U.S. dollars or foreign currencies and on the U.S. dollar and foreign currencies, which are or may in the future be listed on several U.S. and foreign securities exchanges or are written in over-the-counter transactions ("OTC options"). OTC options are purchased from or sold (written) to dealers or financial institutions which have entered into direct agreements with the Fund.

The Fund is permitted to write covered call options on portfolio securities and the U.S. dollar and foreign currencies, without limit, in order to hedge against the decline in the value of a security or currency in which such security is denominated and to close out long call option positions. The Fund may write covered put options, under which the Fund incurs an obligation to buy the security (or currency) underlying the option from the purchaser of the put at the option's exercise price at any time during the option period, at the purchaser's election.

The Fund may purchase listed and OTC call and put options in amounts equalling up to 5% of its total assets. The Fund may purchase call options to close out a covered call position or to protect against an increase in the price of a security it anticipates purchasing or, in the case of call options on a foreign currency, to hedge against an adverse exchange rate change of the currency in which the security it anticipates purchasing is denominated vis-a-vis the currency in which the exercise price is denominated. The Fund may purchase put options on securities which it holds in its portfolio to protect itself against a decline in the value of the security and to close out written put positions in a manner similar to call option closing purchase transactions. There are no other limits on the Fund's ability to purchase call and put options.

The Fund may purchase and sell futures contracts that are currently traded, or may in the future be traded, on U.S. and foreign commodity exchanges on underlying portfolio securities, on any currency ("currency" futures), on U.S. and foreign fixed-income securities ("interest rate" futures) and on such indexes of U.S. or foreign equity or fixed-income securities as may exist or come into being ("index" futures). The Fund may purchase or sell interest rate futures contracts for the purpose of hedging some or all of the value of its portfolio securities (or anticipated portfolio securities) against changes in prevailing interest rates. The Fund may purchase or sell index futures contracts for the purpose of hedging some or all of its portfolio (or anticipated portfolio) securities against changes in their prices (or the currency in which they are denominated). As a futures contract purchaser, the Fund incurs an obligation to take delivery of a specified amount of the obligation underlying the contract at a specified time in the future for a specified price. As a seller of a futures contract, the Fund incurs an obligation to deliver the specified amount of the underlying obligation at a specified time in return for an agreed upon price.

The Fund also may purchase and write call and put options on futures contracts which are traded on an exchange and enter into closing transactions with respect to such options to terminate an existing position.

New futures contracts, options and other financial products and various combinations thereof continue to be developed. The Fund may invest in any such futures, options or products as may be developed, to the extent consistent with its investment objective and applicable regulatory requirements.

RISKS OF OPTIONS AND FUTURES TRANSACTIONS. The Fund may close out its position as writer of an option, or as a buyer or seller of a futures contract, only if a liquid secondary market exists for options or futures contracts of that series. There is no

assurance that such a market will exist, particularly in the case of OTC options, as such options may generally only be closed out by entering into a closing purchase transaction with the purchasing dealer. Also, exchanges may limit the amount by which the price of many futures contracts may move on any day. If the price moves equal the daily limit on successive days, then it may prove impossible to liquidate a futures position until the daily limit moves have ceased.

While the futures contracts and options transactions to be engaged in by the Fund for the purpose of hedging the Fund's portfolio securities are not speculative in nature, there are risks inherent in the use of such instruments. One such risk is that the Investment Manager or Sub-Advisor could be incorrect in its expectations as to the direction or extent of various interest rate or price movements or the time span within which the movements take place. For example, if the Fund sold futures contracts for the sale of securities in anticipation of an increase in interest rates, and then interest rates went down instead, causing bond prices to rise, the Fund would lose money on the sale. Another risk which will arise in employing futures contracts to protect against the price volatility of portfolio securities is that the prices of securities, currencies and indexes subject to futures contracts (and thereby the futures contract prices) may correlate imperfectly with the behavior of the U.S. dollar cash prices of the Fund's portfolio securities and their denominated currencies. See the Statement of Additional Information for a further discussion of risks.

NON-DIVERSIFIED STATUS. The Fund is a non-diversified investment company and, as such, is not subject to the diversification requirements of the Act. As a non-diversified investment company, the Fund may invest a greater portion of its assets in the securities of a single issuer and thus is subject to greater exposure to risks such as a decline in the credit rating of that issuer. However, the Fund anticipates that it will qualify as a regulated investment company under the federal income tax laws and, if so qualified, will be subject to the applicable diversification requirements of the Internal Revenue Code, as amended (the "Code"). As a regulated investment company under the Code, the Fund may not, as of the end of any of its fiscal quarters, have invested more than 25% of its total assets in the securities of any one issuer (including a foreign government), or as to 50% of its total assets, have invested more than 5% of its total assets in the securities of a single issuer.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS. The Fund may enter into forward foreign currency exchange contracts ("forward contracts") in connection with its foreign securities investments.

A forward contract involves an obligation to purchase or sell a currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. The Fund may enter into forward contracts as a hedge against fluctuations in future foreign exchange rates.

The Fund will enter into forward contracts under various circumstances. When the Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, it may, for example, desire to "lock in" the price of the security in U.S. dollars or some other foreign currency which the Fund is temporarily holding in its portfolio. By entering into a forward contract for the purchase or sale, for a fixed amount of dollars or other currency, of the amount of foreign currency involved in the underlying security transactions, the Fund will be able to protect itself against a possible loss resulting from an adverse change in the relationship between the U.S. dollar or other currency which is being used for the security purchase (by the Fund or the counterparty) and the foreign currency in which the security is denominated during the period between the date on which the security is purchased or sold and the date on which payment is made or received.

At other times, when, for example, the Fund's Investment Manager believes that the currency of a particular foreign country may suffer a substantial

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decline against the U.S. dollar or some other foreign currency, the Fund may enter into a forward contract to sell, for a fixed amount of dollars or other currency, the amount of foreign currency approximating the value of some or all of the Fund's securities holdings (or securities which the Fund has purchased for its portfolio) denominated in such foreign currency. Under identical circumstances, the Fund may enter into a forward contract to sell, for a fixed amount of U.S. dollars or other currency, an amount of foreign currency other than the currency in which the securities to be hedged are denominated approximating the value of some or all of the portfolio securities to be hedged. This method of hedging, called "cross-hedging," will be selected by the Investment Manager when it is determined that the foreign currency in which the portfolio securities are denominated has insufficient liquidity or is trading at a discount as compared with some other foreign currency with which it tends to move in tandem.

In addition, when the Fund's Investment Manager anticipates purchasing securities at some time in the future, and wishes to lock in the current exchange rate of the currency in which those securities are denominated against the U.S. dollar or some other foreign currency, the Fund may enter into a forward contract to purchase an amount of currency equal to some or all of the value of the anticipated purchase, for a fixed amount of U.S. dollars or other currency.

In all of the above circumstances, if the currency in which the Fund securities holdings (or anticipated portfolio securities) are denominated rises in value with respect to the currency which is being purchased (or sold), then the Fund will have realized fewer gains than had the Fund not entered into the forward contracts. Moreover, the precise matching of the forward contract amounts and the value of the securities involved will not generally be possible, since the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. The Fund is not required to enter into such transactions with regard to its foreign currency-denominated securities and will not do so unless deemed appropriate by the Investment Manager. The Fund generally will not enter into a forward contract with a term of greater than one year, although it may enter into forward contracts for periods of up to five years. The Fund may be limited in its ability to enter into hedging transactions involving forward contracts by the Internal Revenue Code requirements relating to qualification as a regulated investment company (see "Dividends, Distributions and Taxes").

RIGHTS AND WARRANTS. The Fund may acquire rights and/or warrants which are attached to other securities in its portfolio, or which are issued as a

distribution by the issuer of a security held in its portfolio. Rights and/or warrants are, in effect, options to purchase equity securities at a specific price, generally valid for a specific period of time, and have no voting rights, pay no dividends and have no rights with respect to the corporation issuing them.

CONVERTIBLE SECURITIES. The Fund may acquire, through purchase or a distribution by the issuer of a security held in its portfolio, a fixed-income security which is convertible into common stock of the issuer. Convertible securities rank senior to common stocks in a corporation's capital structure and, therefore, entail less risk than the corporation's common stock. The value of a convertible security is a function of its "investment value" (its value as if it did not have a conversion privilege), and its "conversion value" (the security's worth if it were to be exchanged for the underlying security, at market value, pursuant to its conversion privilege).

To the extent that a convertible security's investment value is greater than its conversion value, its price will be primarily a reflection of such investment value and its price will be likely to increase when interest rates fall and decrease when interest rates rise, as with a fixed-income security (the credit standing of the issuer and other factors may also have an effect on the convertible security's value). If

the conversion value exceeds the investment value, the price of the convertible security will rise above its investment value and, in addition, will sell at some premium over its conversion value. (This premium represents the price investors are willing to pay for the privilege of purchasing a fixed-income security with a possibility of capital appreciation due to the conversion privilege.) At such times the price of the convertible security will tend to fluctuate directly with the price of the underlying equity security. A portion of the convertible securities in which the Fund may invest may be unrated or, if rated, rated below investment grade by a nationally recognized statistical rating organization.

PORTFOLIO MANAGEMENT

The Fund's portfolio is actively managed by its Investment Manager and the Sub-Advisor with a view to achieving the Fund's investment objective. In determining which securities to purchase for the Fund or hold in the Fund's portfolio, the Investment Manager and the Sub-Advisor will rely on information from various sources, including research, analysis and appraisals of brokers and dealers, the views of Trustees of the Fund and others regarding economic developments and interest rate trends, and the Investment Manager's and Sub-Advisor's own analysis of factors they deem relevant. The Fund's primary portfolio manager is Mr. Graham D. Bamping, a Director of the Sub-Advisor. Mr. Bamping has been managing equity portfolios for the Sub-Advisor for over five years.

Personnel of the Investment Manager and Sub-Advisor have substantial experience in the use of the investment techniques described above under the heading "Options and Futures Transactions," which techniques require skills different from those needed to select the portfolio securities underlying various options and futures contracts.

Orders for transactions in portfolio securities and commodities may be placed for the Fund with a number of brokers and dealers, including DWR and two affiliated broker-dealers of the Sub-Advisor (Morgan Grenfell Asia and Partners Securities Pte. Limited and Morgan Grenfell Asia Securities (Hong Kong) Limited). Pursuant to an order of the Securities and Exchange Commission, the Fund may effect principal transactions in certain money market instruments with Dean Witter Reynolds Inc. ("DWR"), a broker-dealer affiliate of the Investment Manager. In addition, the Fund may incur brokerage commissions on transactions conducted through DWR and the two above-mentioned affiliated broker-dealers of the Sub-Advisor.

Although the Fund does not intend to engage in short-term trading, it may sell portfolio securities without regard to the length of time they have been held when such sale will, in the opinion of the Investment Manager or Sub-Advisor, contribute to the Fund's investment objective. It is not anticipated that the Fund's portfolio turnover rate will exceed 100% in any one year.

The expenses of the Fund relating to its portfolio management are likely to be greater than those incurred by other investment companies investing primarily in securities issued by domestic issuers as custodial costs, brokerage commissions and other transaction charges related to investing on foreign markets are generally higher than in the United States.

INVESTMENT RESTRICTIONS

The investment restrictions listed below are among the restrictions which have been adopted by the Fund as fundamental policies. Under the Investment Company Act of 1940, as amended (the "Act"), a fundamental policy may not be

changed without the vote of a majority of the outstanding voting securities of the Fund, as defined in the Act. For purposes of the following limitations: (i) all percentage limitations apply immediately after a purchase or initial investment, and (ii) any subsequent change in any applicable percentage resulting from market fluctuations or other changes in total or net

assets does not require elimination of any security from the portfolio.

The Fund may not:

1. Invest 25% or more of the value of its total assets in securities of issuers in any one industry. This restriction does not apply to obligations issued or guaranteed by the United States Government, its agencies or instrumentalities.

2. Invest more than 5% of the value of its total assets in securities of issuers having a record, together with predecessors, of less than three years of continuous operation. This restriction shall not apply to any obligation issued or guaranteed by the United States Government, its agencies or instrumentalities.

In addition, as a non-fundamental policy, the Fund may not, as to 75% of its total assets, purchase more than 10% of the voting securities of any issuer.

PURCHASE OF FUND SHARES

The Fund offers its shares for sale to the public on a continuous basis. Pursuant to a Distribution Agreement between the Fund and Dean Witter Distributors Inc. (the "Distributor"), an affiliate of the Investment Manager, shares of the Fund are distributed by the Distributor and offered by DWR and other dealers who have entered into selected dealer agreements with the Distributor ("Selected Broker-Dealers"). The principal executive office of the Distributor is located at Two World Trade Center, New York, New York 10048.

The minimum initial purchase is \$1,000. Minimum subsequent purchases of \$100 or more may be made by sending a check, payable to Dean Witter International SmallCap Fund, directly to Dean Witter Trust Company (the "Transfer Agent") at P.O. Box 1040, Jersey City, NJ 07303 or by contacting an account executive of DWR or other Selected Broker-Dealer. In the case of investments pursuant to Systematic Payroll Deduction Plans (including Individual Retirement Plans), the Fund, in its discretion, may accept investments without regard to any minimum amounts which would otherwise be required if the Fund has reason to believe that additional investments will increase the investment in all accounts under such Plans to at least \$1,000. Certificates for shares purchased will not be issued unless a request is made by the shareholder in writing to the Transfer Agent. The offering price will be the net asset value per share next determined following receipt of an order (see "Determination of Net Asset Value").

Shares of the Fund are sold through the Distributor on a normal three business day settlement basis; that is, payment is due on the third business day (settlement date) after the order is placed with the Distributor. Shares of the Fund purchased through the Distributor are entitled to any dividends declared beginning on the next business day following settlement date. Since DWR and other Selected Broker-Dealers forward investors' funds on settlement date, they will benefit from the temporary use of the funds if payment is made prior thereto. Shares purchased through the Transfer Agent are entitled to any dividends declared beginning on the next business day following receipt of an order. As noted above, orders placed directly with the Transfer Agent must be accompanied by payment. Investors will be entitled to receive dividends and capital gains distributions if their order is received by the close of business on the day prior to the record date for such distributions. While no sales charge is imposed at the time shares are purchased, a contingent deferred sales charge may be imposed at the time of redemption (see "Redemptions and Repurchases"). Sales personnel are compensated for selling shares of the Fund at the time of their sale by the Distributor and/or the Selected Broker-Dealer. In addition, some sales personnel of the Selected Broker-Dealer will receive various types of non-cash compensation as special sales incentives, including trips, educational and/or business seminars and merchandise. The Fund and the Distributor reserve the right to reject any purchase orders.

PLAN OF DISTRIBUTION

The Fund has adopted a Plan of Distribution pursuant to Rule 12b-1 under the Act (the "Plan"), under which the Fund pays the Distributor a fee, which is accrued daily and payable monthly, at an annual rate of 1.0% of the lesser of: (a) the average daily aggregate gross sales of the Fund's shares since the inception of the Fund (not including reinvestments of dividends or capital gains distributions), less the average daily aggregate net asset value of the Fund's shares redeemed since the Fund's inception upon which a contingent deferred sales charge has been imposed or waived; or (b) the Fund's average daily net assets. This fee is treated by the Fund as an expense in the year it is accrued.

A portion of the fee payable pursuant to the Plan, equal to 0.25% of the Fund's average daily net assets, is characterized as a service fee within the meaning of NASD guidelines. The service fee is a payment made for personal service and/or the maintenance of shareholder accounts.

Amounts paid under the Plan are paid to the Distributor for services provided and the expenses borne by the Distributor and others in the distribution of the Fund's shares, including the payment of commissions for sales of the Fund's shares and incentive compensation to and expenses of DWR's account executives and others who engage in or support distribution of shares or who service shareholder accounts, including overhead and telephone expenses; printing and distribution of prospectuses and reports used in connection with the offering of the Fund's shares to other than current shareholders; and preparation, printing and distribution of sales literature and advertising materials. In addition, the Distributor may utilize fees paid pursuant to the Plan to compensate DWR and other Selected Broker-Dealers for their opportunity costs in advancing such amounts, which compensation would be in the form of a carrying charge on any unreimbursed expenses.

For the fiscal period July 29, 1994 (commencement of the Fund's operations) through May 31, 1995, the Fund accrued payments under the Plan amounting to \$781,755, which amount is equal to 1.0% of the Fund's average daily net assets for the period. These payments accrued under the Plan were calculated pursuant to clause (b) of the compensation formula under the Plan.

At any given time, the expenses in distributing shares of the Fund may be in excess of the total of (i) the payments made by the Fund pursuant to the Plan, and (ii) the proceeds of contingent deferred sales charges paid by investors upon the redemption of shares (see "Redemptions and Repurchases--Contingent Deferred Sales Charge"). For example, if \$1 million in expenses in distributing shares of the Fund had been incurred and \$750,000 had been received as described in (i) and (ii) above, the excess expense would amount to \$250,000. The Distributor has advised the Fund that such excess amounts, including the carrying charge described above, totalled \$5,886,875 at May 31, 1995, which was equal to 6.28% of the Fund's net assets on such date.

Because there is no requirement under the Plan that the Distributor be reimbursed for all distribution expenses or any requirement that the Plan be continued from year to year, such excess amount, if any, does not constitute a liability of the Fund. Although there is no legal obligation for the Fund to pay expenses incurred in excess of payments made to the Distributor under the Plan, and the proceeds of contingent deferred sales charges paid by investors upon redemption of shares, if for any reason the Plan is terminated the Trustees will consider at that time the manner in which to treat such expenses. Any cumulative expenses incurred, but not yet recovered through distribution fees or contingent deferred sales charges, may or may not be recovered through future distribution fees or contingent deferred sales charges.

DETERMINATION OF NET ASSET VALUE

The net asset value per share of the Fund is determined once daily at 4:00 p.m., New York time,

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on each day that the New York Stock Exchange is open (or, on days when the New York Stock Exchange closes prior to 4:00 p.m., at such earlier time) by taking the value of all assets of the Fund, subtracting all its liabilities, dividing by the number of shares outstanding and adjusting to the nearest cent. The net asset value per share will not be determined on Good Friday and on such other federal and non-federal holidays as are observed by the New York Stock Exchange.

In the calculation of the Fund's net asset value: (1) an equity portfolio security listed or traded on the New York or American Stock Exchange or other domestic or foreign stock exchange or quoted by NASDAQ is valued at its latest sale price on that exchange or quotation service, prior to the time assets are valued; if there were no sales that day, the security is valued at the latest bid price (in cases where a security is traded on more than one exchange, the security is valued on the exchange designated as the primary market by the Trustees); and (2) all other portfolio securities for which over-the-counter market quotations are readily available are valued at the latest bid price. When market quotations are not readily available, including circumstances under which it is determined by the Investment Manager that sale and bid prices are not reflective of a security's market value, portfolio securities are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board of Trustees. For valuation purposes, quotations of foreign portfolio securities, other assets and liabilities and forward contracts stated in foreign currency are translated into U.S. dollar

equivalents at the prevailing market rates prior to the close of the New York Stock Exchange. Dividends receivable are accrued as of the ex-dividend date or as of the time that the relevant ex-dividend date and amounts become known.

Short-term debt securities with remaining maturities of sixty days or less at the time of purchase are valued at amortized cost, unless the Trustees determine such does not reflect the securities' fair value, in which case these securities will be valued at their fair value as determined by the Trustees.

Certain of the Fund's portfolio securities may be valued by an outside pricing service approved by the Fund's Trustees. The pricing service utilizes a matrix system incorporating security quality, maturity and coupon as the evaluation model parameters, and/or research evaluations by its staff, including review of broker-dealer market price quotations, in determining what it believes is the fair valuation of the portfolio securities valued by such pricing service.

SHAREHOLDER SERVICES

AUTOMATIC INVESTMENT OF DIVIDENDS AND DISTRIBUTIONS. All income dividends and capital gains distributions are automatically paid in full and fractional shares of the Fund (or, if specified by the shareholder, any other open-end investment company for which InterCapital serves as investment manager (collectively, with the Fund, the "Dean Witter Funds")), unless the shareholder requests that they be paid in cash. Shares as acquired are not subject to the imposition of a contingent deferred sales charge upon their redemption (see "Redemptions and Repurchases").

INVESTMENT OF DIVIDENDS AND DISTRIBUTIONS RECEIVED IN CASH. Any shareholder who receives a cash payment representing a dividend or capital gains distribution may invest such dividend or distribution at the net asset value per share next determined after receipt by the Transfer Agent, by returning the check or the proceeds to the Transfer Agent within thirty days after the payment date. Shares so acquired are not subject to the imposition of a contingent deferred sales charge upon their redemption (see "Redemptions and Repurchases").

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EASYINVESTSM. Shareholders may subscribe to EasyInvest, an automatic purchase plan which provides for any amount from \$100 to \$5,000 to be transferred automatically from a checking or savings account, on a semi-monthly, monthly or quarterly basis, to the Transfer Agent for investment in shares of the Fund.

SYSTEMATIC WITHDRAWAL PLAN. A systematic withdrawal plan (the "Withdrawal Plan") is available for shareholders who own or purchase shares of the Fund having a minimum value of \$10,000 based upon the then current net asset value. The Withdrawal Plan provides for monthly or quarterly (March, June, September and December) checks in any dollar amount, not less than \$25, or in any whole percentage of the account balance, on an annualized basis. Any applicable contingent deferred sales charge will be imposed on shares redeemed under the Withdrawal Plan (See "Redemptions and Repurchases--Contingent Deferred Sales Charge"). Therefore, any shareholder participating in the Withdrawal Plan will have sufficient shares redeemed from his or her account so that the proceeds (net of any applicable contingent deferred sales charge) to the shareholder will be the designated monthly or quarterly amount.

Withdrawal Plan payments should not be considered as dividends, yields or income. If periodic withdrawal plan payments continuously exceed net investment income and net capital gains, the shareholder's original investment will be correspondingly reduced and ultimately exhausted.

Shareholders should contact their DWR or other Selected Broker-Dealer account executive or the Transfer Agent for further information about any of the above services.

TAX-SHELTERED RETIREMENT PLANS. Retirement plans are available for use by corporations, the self-employed, Individual Retirement Accounts and Custodial Accounts under Section 403(b)(7) of the Internal Revenue Code. Adoption of such plans should be on advice of legal counsel or tax adviser.

For further information regarding plan administration, custodial fees and other details, investors should contact their DWR or other Selected Dealer account executive or the Transfer Agent.

EXCHANGE PRIVILEGE

The Fund makes available to its shareholders an "Exchange Privilege" allowing the exchange of shares of the Fund for shares of other Dean Witter Funds sold with a contingent deferred sales charge ("CDSC funds"), and for shares of Dean Witter Short-Term U.S. Treasury Trust, Dean Witter Short-Term Bond Fund, Dean Witter Limited Term Municipal Trust, Dean Witter Balanced Growth

Fund, Dean Witter Balanced Income Fund and five Dean Witter Funds which are money market funds (the foregoing ten non-CDSC funds are hereinafter collectively referred to as the "Exchange Funds"). Exchanges may be made after the shares of the Fund acquired by purchase (not by exchange or dividend reinvestment) have been held for thirty days. There is no waiting period for exchanges of shares acquired by exchange or dividend reinvestment.

An exchange to another CDSC fund or to any Exchange Fund that is not a money market fund is on the basis of the next calculated net asset value per share of each fund after the exchange order is received. When exchanging into a money market fund from the Fund, shares of the Fund are redeemed out of the Fund at their next calculated net asset value and the proceeds of the redemption are used to purchase shares of the money market fund at the net asset value determined the following business day. Subsequent exchanges between any of the money market funds and any of the CDSC funds can be effected on the same basis. No contingent deferred sales charge ("CDSC") is imposed at the time of any exchange, although any applicable CDSC will be imposed upon ultimate redemption. Shares of the Fund acquired in exchange for shares of another CDSC fund having a different CDSC schedule than that of this Fund will be subject to the CDSC schedule of this Fund, even if such shares are subsequently re-exchanged for shares of the

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CDSC fund originally purchased. During the period of time the shareholder remains in the Exchange Fund (calculated from the last day of the month in which the Exchange Fund shares were acquired), the holding period (for the purpose of determining the rate of the CDSC) is frozen. If those shares are subsequently reexchanged for shares of a CDSC fund, the holding period previously frozen when the first exchange was made resumes on the last day of the month in which shares of a CDSC fund are reacquired. Thus, the CDSC is based upon the time (calculated as described above) the shareholder was invested in a CDSC fund (see "Redemptions and Repurchases--Contingent Deferred Sales Charge"). However, in the case of shares exchanged into an Exchange Fund, upon a redemption of shares which results in a CDSC being imposed, a credit (not to exceed the amount of the CDSC) will be given in an amount equal to the Exchange Fund 12b-1 distribution fees incurred on or after that date which are attributable to those shares. (Exchange Fund 12b-1 distribution fees are described in the prospectuses for those funds.)

In addition, shares of the Fund may be acquired in exchange for shares of Dean Witter Funds sold with a front-end sales charge ("front-end sales charge funds"), but shares of the Fund, however acquired, may not be exchanged for shares of front-end sales charge funds. Shares of a CDSC fund acquired in exchange for shares of a front-end sales charge fund (or in exchange for shares of other Dean Witter Funds for which shares of a front-end sales charge fund have been exchanged) are not subject to any CDSC upon their redemption.

Purchases and exchanges should be made for investment purposes only. A pattern of frequent exchanges may be deemed by the Investment Manager to be abusive and contrary to the best interests of the Fund's other shareholders and, at the Investment Manager's discretion, may be limited by the Fund's refusal to accept additional purchases and/ or exchanges from the investor. Although the Fund does not have any specific definition of what constitutes a pattern of frequent exchanges, and will consider all relevant factors in determining whether a particular situation is abusive and contrary to the best interests of the Fund and its other shareholders, investors should be aware that the Fund and each of the other Dean Witter Funds may in their discretion limit or otherwise restrict the number of times this Exchange Privilege may be exercised by any investor. Any such restriction will be made by the Fund on a prospective basis only, upon notice of the shareholder not later than ten days following such shareholder's most recent exchange. Also, the Exchange Privilege may be terminated or revised at any time by the Fund and/or any of such Dean Witter Funds for which shares of the Fund have been exchanged, upon such notice as may be required by applicable regulatory agencies. Shareholders maintaining margin accounts with DWR or another Selected Broker-Dealer are referred to their account executive regarding restrictions on exchange of shares of the Fund pledged in the margin account.

The current prospectus for each fund describes its investment objective(s) and policies, and shareholders should obtain a copy and examine it carefully before investing. Exchanges are subject to the minimum investment requirement and any other conditions imposed by each fund. In the case of any shareholder holding a share certificate or certificates, no exchanges may be made until all applicable share certificates have been received by the Transfer Agent and deposited in the Shareholder's account. An exchange will be treated for federal income tax purposes the same as a repurchase or redemption of shares, on which the shareholder may realize a capital gain or loss. However, the ability to deduct capital losses on an exchange may be limited in situations where there is an exchange of shares within ninety days after the shares are purchased. The Exchange Privilege is only available in states where an exchange may legally be made.

If DWR or another Selected Broker-Dealer is the current dealer of record and its account numbers are part of the account information, shareholders may

initiate an exchange of shares of the Fund for shares of any of the Dean Witter Funds (for which

the Exchange Privilege is available) pursuant to this Exchange Privilege by contacting their account executive (no Exchange Privilege Authorization Form is required). Other shareholders (and those shareholders who are clients of DWR or another Selected Broker-Dealer but who wish to make exchanges directly by writing or telephoning the Transfer Agent) must complete and forward to the Transfer Agent an Exchange Privilege Authorization Form, copies of which may be obtained from the Transfer Agent, to initiate an exchange. If the Authorization Form is used, exchanges may be made in writing or by contacting the Transfer Agent at (800) 526-3143 (toll free).

The Fund will employ reasonable procedures to confirm that exchange instructions communicated over the telephone are genuine. Such procedures may include requiring various forms of personal identification such as name, mailing address, social security or other tax identification number and DWR or other Selected Broker-Dealer account number (if any). Telephone instructions may also be recorded. If such procedures are not employed, the Fund may be liable for any losses due to unauthorized or fraudulent instructions.

Telephone exchange instructions will be accepted if received by the Transfer Agent between 9:00 a.m. and 4:00 p.m., New York time, on any day the New York Stock Exchange is open. Any shareholder wishing to make an exchange who has previously filed an Exchange Privilege Authorization Form and who is unable to reach the Fund by telephone should contact his or her DWR or other Selected Broker-Dealer account executive, if appropriate, or make a written exchange request. Shareholders are advised that during periods of drastic economic or market changes, it is possible that the telephone exchange procedures may be difficult to implement, although this has not been the experience with the Dean Witter Funds in the past.

Shareholders should contact their DWR or other Selected Broker-Dealer account executive or the Transfer Agent for further information about the Exchange Privilege.

REDEMPTIONS AND REPURCHASES

REDEMPTION. Shares of the Fund can be redeemed for cash at any time at the net asset value per share next determined; however, such redemption proceeds may be reduced by the amount of any applicable contingent deferred sales charges (see below). If shares are held in a shareholder's account without a share certificate, a written request for redemption sent to the Fund's Transfer Agent at P.O. Box 983, Jersey City, NJ 07303 is required. If certificates are held by the shareholder(s), the shares may be redeemed by surrendering the certificates with a written request for redemption, along with any additional information required by the Transfer Agent.

CONTINGENT DEFERRED SALES CHARGE. Shares of the Fund which are held for six years or more after purchase (calculated from the last day of the month in which the shares were purchased) will not be subject to any charge upon redemption. Shares redeemed sooner than six years after purchase may, however, be subject to a charge upon redemption. This charge is called a "contingent deferred sales charge" ("CDSC"), which will be a percentage of the dollar amount of shares redeemed and will be assessed on an amount equal to the lesser of the current market value or the cost of the shares being redeemed. The size of this percentage will

depend upon how long the shares have been held, as set forth in the table below:

<TABLE>
<CAPTION>

YEAR SINCE PURCHASE PAYMENT MADE	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF AMOUNT REDEEMED
First.....	5.0%
Second.....	4.0%
Third.....	3.0%
Fourth.....	2.0%
Fifth.....	2.0%
Sixth.....	1.0%
Seventh and thereafter.....	None

</TABLE>

A CDSC will not be imposed on: (i) any amount which represents an increase in value of shares purchased within the six years preceding the redemption; (ii) the current net asset value of shares purchased more than six years prior to the redemption; and (iii) the current net asset value of shares purchased through reinvestment of dividends or distributions and/or shares acquired in exchange

for shares of Dean Witter Funds sold with a front-end sales charge or of other Dean Witter Funds acquired in exchange for such shares. Moreover, in determining whether a CDSC is applicable it will be assumed that amounts described in (i), (ii) and (iii) above (in that order) are redeemed first. In addition, no CDSC will be imposed on redemptions of shares which are attributable to reinvestment of dividends or distributions from, or the proceeds of, certain Unit Investment Trusts.

In addition, the CDSC, if otherwise applicable, will be waived in the case of: (i) redemptions of shares held at the time a shareholder dies or becomes disabled, only if the shares are (a) registered either in the name of an individual shareholder (not a trust), or in the names of such shareholder and his or her spouse as joint tenants with right of survivorship, or (b) held in a qualified corporate or self-employed retirement plan, Individual Retirement Account or Custodial Account under Section 403(b)(7) of the Internal Revenue Code, provided in either case that the redemption is requested within one year of the death or initial determination of disability, and (ii) redemptions in connection with the following retirement plan distributions: (a) lump-sum or other distributions from a qualified corporate or self-employed retirement plan following retirement (or in the case of a "key employee" of a "top heavy" plan, following attainment of age 59 1/2; (b) distributions from an Individual Retirement Account or Custodial Account under Section 403(b)(7) of the Internal Revenue Code following attainment of age 59 1/2; and (c) a tax-free return of an excess contribution to an IRA. For the purpose of determining disability, the Distributor utilizes the definition of disability contained in Section 72(m)(7) of the Internal Revenue Code, which relates to the inability to engage in gainful employment. All waivers will be granted only following receipt by the Distributor of confirmation of the shareholder's entitlement.

REPURCHASE. DWR and other Selected Broker-Dealers are authorized to repurchase shares represented by a share certificate which is delivered to any of their offices. Shares held in a shareholder's account without a share certificate may also be repurchased by DWR and other Selected Broker-Dealers upon the telephonic or telegraphic request of the shareholder. The repurchase price is the net asset value next computed (see "Purchase of Fund Shares") after such repurchase order is received by DWR or other Selected Broker-Dealer, reduced by any applicable CDSC.

The CDSC, if any, will be the only fee imposed by either the Fund, the Distributor or DWR or other Selected Broker-Dealer. The offer by DWR and other Selected Broker-Dealers to repurchase shares may be suspended without notice by the Distributor at any time. In that event, shareholders may redeem their shares through the Fund's Transfer Agent as set forth above under "Redemption."

PAYMENT FOR SHARES REDEEMED OR REPURCHASED. Payment for shares presented for repurchase or redemption will be made by check within seven days after receipt by the Transfer Agent of the certificate and/or written request in good order. Such payment may be postponed or the right of redemption suspended under unusual circumstances; E.G., when normal trading is not taking

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place on the New York Stock Exchange. If the shares to be redeemed have recently been purchased by check, payment of the redemption proceeds may be delayed for the minimum time needed to verify that the check used for investment has been honored (not more than fifteen days from the time of receipt of the check by the Transfer Agent). Shareholders maintaining margin accounts with DWR or another Selected Broker-Dealer are referred to their account executive regarding restrictions on redemption of shares of the Fund pledged in the margin account.

REINSTATEMENT PRIVILEGE. A shareholder who has had his or her shares redeemed or repurchased and has not previously exercised this reinstatement privilege may, within thirty days after the date of the redemption or repurchase, reinstate any portion or all of the proceeds of such redemption or repurchase in shares of the Fund at their net asset value next determined after a reinstatement request, together with the proceeds, is received by the Transfer Agent and receive a pro-rata credit for any CDSC paid in connection with such redemption or repurchase.

INVOLUNTARY REDEMPTION. The Fund reserves the right to redeem, on sixty days' notice and at net asset value, the shares of any shareholder (other than shares held in an Individual Retirement Account or custodial account under Section 403(b)(7) of the Internal Revenue Code) whose shares due to redemptions by the shareholder have a value of less than \$100 or such lesser amount as may be fixed by the Trustees. However, before the Fund redeems such shares and sends the proceeds to the shareholder, it will notify the shareholder that the value of the shares is less than \$100 and allow him or her sixty days to make an additional investment in an amount which will increase the value of his or her account to \$100 or more before the redemption is processed. No CDSC will be imposed on any involuntary redemption.

DIVIDENDS, DISTRIBUTIONS AND TAXES

DIVIDENDS AND DISTRIBUTIONS. The Fund intends to pay dividends and to distribute substantially all of its net investment income and distribute capital

gains, if any, once each year. The Fund may, however, determine either to distribute or to retain all or part of any long-term capital gains in any year for reinvestment.

All dividends and any capital gains distributions will be paid in additional Fund shares and automatically credited to the shareholder's account without issuance of a share certificate unless the shareholder requests in writing that all dividends and/or distributions be paid in cash. (See "Shareholder Services--Automatic Investment of Dividends and Distributions".)

TAXES. Because the Fund intends to distribute all of its net investment income and net short-term capital gains to shareholders and otherwise qualify as a regulated investment company under Subchapter M of the Internal Revenue Code, it is not expected that the Fund will be required to pay any Federal income tax on any such income and capital gains. Shareholders will normally have to pay Federal income taxes, and any state and local income taxes, on the dividends and distributions they receive from the Fund.

Distributions of net investment income and net short-term capital gains are taxable to the shareholder as ordinary dividend income regardless of whether the shareholder receives such distributions in additional shares or in cash. Some part of such dividends and distributions may be eligible for the Federal dividends received deduction available to the Fund's corporate shareholders.

Distributions of net long-term capital gains, if any, are taxable to shareholders as long-term capital gains regardless of how long a shareholder has held the Fund's shares and regardless of whether the distribution is received in additional shares or in cash. Capital gains distributions are not eligible for the dividends received deduction.

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After the end of the calendar year, shareholders will be sent full information on their dividends and capital gains distributions for tax purposes. To avoid being subject to a 31% Federal backup withholding tax on taxable dividends, capital gains distributions and the proceeds of redemptions and repurchases, shareholders' taxpayer identification numbers must be furnished and certified as to their accuracy.

Dividends, interest and gains received by the Fund may give rise to withholding and other taxes imposed by foreign countries. If it qualifies for and makes the appropriate election with the Internal Revenue Service, the Fund will report annually to its shareholders the amount per share of such taxes to enable shareholders to claim United States foreign tax credits or deductions with respect to such taxes. In the absence of such an election, the Fund would deduct foreign tax in computing the amount of its distributable income.

Shareholders should consult their tax advisers as to the applicability of the foregoing to their current situation.

PERFORMANCE INFORMATION

From time to time the Fund may quote its "total return" in advertisements and sales literature. The total return of the Fund is based on historical earnings and is not intended to indicate future performance.

The "average annual total return" of the Fund refers to a figure reflecting the average annualized percentage increase (or decrease) in the value of an initial investment in the Fund of \$1,000 over a period of one year as well as over the life of the Fund. Average annual total return reflects all income earned by the Fund, any appreciation or depreciation of the Fund's assets, all expenses incurred by the Fund and all sales charges incurred by shareholders, for the stated periods. It also assumes reinvestment of all dividends and distributions paid by the Fund.

In addition to the foregoing, the Fund may advertise its total return over different periods of time by means of aggregate, average, and year-by-year or other types of total return figures. The Fund may also advertise the growth of hypothetical investments of \$10,000, \$50,000 and \$100,000 in shares of the Fund. Such calculations may or may not reflect the deduction of the contingent deferred sales charge which, if reflected, would reduce the performance quoted. The Fund from time to time may also advertise its performance relative to certain performance rankings and indexes compiled by independent organizations, such as mutual fund performance rankings of Lipper Analytical Services, Inc.

ADDITIONAL INFORMATION

VOTING RIGHTS. All shares of beneficial interest of the Fund are of \$0.01 par value and are equal as to earnings, assets and voting privileges. There are no conversion, pre-emptive or other subscription rights. In the event of a liquidation, each share of beneficial interest of the Fund is entitled to its portion of all the Fund's assets after all debts and expenses have been paid. The shares do not have cumulative voting rights.

The Fund is not required to hold Annual Meetings of Shareholders and, in ordinary circumstances, the Fund does not intend to hold such meetings. The Trustees may call Special Meetings of Shareholders for action by shareholder vote as may be required by the Act or the Declaration of Trust. Under certain circumstances the Trustees may be removed by action of the Trustees or by the shareholders.

Under Massachusetts law, shareholders of a business trust may, under certain circumstances, be held personally liable as partners for obligations of the Fund. However, the Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Fund, requires that Fund obligations include such disclaimer, and provides for indemnification and reimbursement of expenses out of the Fund's property for any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to

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circumstances in which the Fund itself would be unable to meet its obligations. Given the above limitations on shareholder personal liability, and the nature of the Fund's assets and operations, in the opinion of Massachusetts counsel to the Fund, the risk to shareholders of personal liability is remote.

CODE OF ETHICS. Directors, officers and employees of InterCapital, Dean Witter Services Company Inc. and the Distributor are subject to a strict Code of Ethics adopted by those companies. The Code of Ethics is intended to ensure that the interests of shareholders and other clients are placed ahead of any personal interest, that no undue personal benefit is obtained from a person's employment activities and that actual and potential conflicts of interest are avoided. To achieve these goals and comply with regulatory requirements, the Code of Ethics requires, among other things, that personal securities transactions by employees of the companies be subject to an advance clearance process to monitor that no Dean Witter Fund is engaged at the same time in a purchase or sale of the same security. The Code of Ethics bans the purchase of securities in an initial public offering, and also prohibits engaging in futures and option transactions and profiting on short-term trading (that is, a purchase within sixty days of a sale or a sale within sixty days of a purchase) of a security. In addition, investment personnel may not purchase or sell a security for their personal account within thirty days before or after any transaction in any Dean Witter Fund managed by them. Any violations of the Code of Ethics are subject to sanctions, including reprimand, demotion or suspension or termination of employment. The Code of Ethics comports with regulatory requirements and the recommendations in the recent report by the Investment Company Institute Advisory Group on Personal Investing.

SHAREHOLDER INQUIRIES. All inquiries regarding the Fund should be directed to the Fund at the telephone numbers or address set forth on the front cover of this Prospectus.

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Dean Witter
International SmallCap Fund

Two World Trade Center
New York, New York 10048
(212) 392-2550

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Michael E. Nugent
Philip J. Purcell
John L. Schroeder

OFFICERS
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Chairman and Chief Executive
Officer
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Vice President, Secretary and
General Counsel
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Dean Witter

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Fund

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 Dean Witter InterCapital Inc.
 SUB-ADVISOR
 Morgan Grenfell Investment Services
 Limited

PROSPECTUS -- JULY 28, 1995

STATEMENT OF ADDITIONAL INFORMATION

DEAN WITTER

JULY 28, 1995

INTERNATIONAL
 SMALLCAP FUND

Dean Witter International SmallCap Fund (the "Fund") is an open-end, non-diversified management investment company whose investment objective is to seek both capital appreciation and current income. The Fund seeks to achieve its objective by investing primarily in securities of small non-U.S. companies. (See "Investment Objective and Policies").

A Prospectus for the Fund dated July 28, 1995, which provides the basic information you should know before investing in the Fund, may be obtained without charge from the Fund at its address or telephone number listed below or from the Fund's Distributor, Dean Witter Distributors Inc., or from Dean Witter Reynolds Inc. at any of its branch offices. This Statement of Additional Information is not a Prospectus. It contains information in addition to and more detailed than that set forth in the Prospectus. It is intended to provide additional information regarding the activities and operations of the Fund, and should be read in conjunction with the Prospectus.

Dean Witter
 International SmallCap Fund
 Two World Trade Center
 New York, New York 10048
 (212) 392-2550

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THE FUND AND ITS MANAGEMENT

THE FUND

The Fund is a trust of the type commonly known as a "Massachusetts business trust" and was organized under the laws of the Commonwealth of Massachusetts on April 21, 1994.

THE INVESTMENT MANAGER

Dean Witter InterCapital Inc. (the "Investment Manager" or "InterCapital"), a Delaware corporation, whose address is Two World Trade Center, New York, New York 10048, is the Fund's Investment Manager. InterCapital is a wholly-owned subsidiary of Dean Witter, Discover & Co. ("DWDC"), a Delaware corporation. In an internal reorganization which took place in January, 1993, InterCapital assumed the advisory, administrative and management activities previously performed by the InterCapital Division of Dean Witter Reynolds Inc. ("DWR"), a broker-dealer affiliate of InterCapital. (As hereinafter used in this Statement of Additional Information, the terms "InterCapital" and "Investment Manager" refer to DWR's InterCapital Division prior to the internal reorganization and to Dean Witter InterCapital Inc. thereafter.) The daily management of the Fund and research relating to the Fund's portfolio are conducted by or under the direction of officers of the Fund and of the Investment Manager, subject to review of investments by the Fund's Trustees. In addition, Trustees of the Fund provide guidance on economic factors and interest rate trends. Information as to these Trustees and officers is contained under the caption "Trustees and Officers".

InterCapital is also the investment manager or investment adviser of the following management investment companies: Active Assets Money Trust, Active Assets Tax-Free Trust, Active Assets California Tax-Free Trust, Active Assets Government Securities Trust, InterCapital Income Securities Inc., InterCapital Insured Municipal Bond Trust, InterCapital Insured Municipal Trust, InterCapital Insured Municipal Income Trust, InterCapital Insured Municipal Securities, InterCapital California Insured Municipal Income Trust, InterCapital Insured California Municipal Securities, InterCapital Quality Municipal Investment Trust, InterCapital Quality Municipal Income Trust, InterCapital Quality Municipal Securities, InterCapital California Quality Municipal Securities, InterCapital New York Quality Municipal Securities, High Income Advantage Trust, High Income Advantage Trust II, High Income Advantage Trust III, Dean Witter Government Income Trust, Dean Witter High Yield Securities Inc., Dean Witter Tax-Free Daily Income Trust, Dean Witter Tax-Exempt Securities Trust, Dean Witter Dividend Growth Securities Inc., Dean Witter Natural Resource Development Securities Inc., Dean Witter American Value Fund, Dean Witter Developing Growth Securities Trust, Dean Witter U.S. Government Money Market Trust, Dean Witter Variable Investment Series, Dean Witter World Wide Investment Trust, Dean Witter Select Municipal Reinvestment Fund, Dean Witter U.S. Government Securities Trust, Dean Witter World Wide Income Trust, Dean Witter California Tax-Free Income Fund, Dean Witter New York Tax-Free Income Fund, Dean Witter Convertible Securities Trust, Dean Witter Federal Securities Trust, Dean Witter Value-Added Market Series, Dean Witter Utilities Fund, Dean Witter Managed Assets Trust, Dean Witter California Tax-Free Daily Income Trust, Dean Witter Strategist Fund, Dean Witter Intermediate Income Securities, Dean Witter Capital Growth Securities, Dean Witter Precious Metals and Minerals Trust, Dean Witter New York Municipal Money Market Trust, Dean Witter European Growth Fund Inc., Dean Witter Global Short-Term Income Fund Inc., Dean Witter Pacific Growth Fund Inc., Dean Witter Multi-State Municipal Series Trust, Dean Witter Short-Term U.S. Treasury Trust, Dean Witter Premier Income Trust, Dean Witter Diversified Income Trust, Dean Witter Health Sciences Trust, Dean Witter Retirement Series, Dean Witter Global Dividend Growth Securities, Dean Witter Limited Term Municipal Trust, Dean Witter Short-Term Bond Fund, Dean Witter Global Utilities Fund, Dean Witter High Income Securities, Dean Witter National Municipal Trust, Dean Witter International SmallCap Fund, Dean Witter Mid-Cap Growth Fund, Dean Witter Select Dimensions Investment Series, Dean Witter Balanced Growth Fund, Dean Witter Balanced Income Fund, Dean Witter Hawaii Municipal Trust, Municipal Income Trust, Municipal Income Trust II, Municipal Income Trust III, Municipal Income Opportunities Trust, Municipal Income Opportunities Trust II, Municipal Income Opportunities Trust III, Municipal Premium Income Trust and Prime Income Trust. The foregoing investment companies, together with the Fund, are collectively referred to as the Dean Witter Funds.

In addition, Dean Witter Services Company Inc. ("DWSC"), a wholly-owned subsidiary of InterCapital, serves as manager for the following investment companies, for which TCW Funds Management, Inc. is the investment adviser: TCW/DW Core Equity Trust, TCW/DW North American Government Income Trust, TCW/DW Latin American Growth Fund, TCW/DW Term Trust 2002, TCW/DW Income and Growth Fund, TCW/DW Small Cap Growth Fund, TCW/DW Balanced Fund, TCW/DW Global Convertible Trust, TCW/DW Total Return Trust, TCW/DW Emerging Markets Opportunities Trust, TCW/DW North American Intermediate Income Trust, TCW/DW Term Trust 2001, TCW/DW Term Trust 2000 and TCW/DW Term Trust 2003 (the "TCW/DW Funds"). InterCapital also serves as: (i) sub-adviser to Templeton Global Opportunities Trust, an open-end investment company; (ii) administrator of the BlackRock Strategic Term Trust Inc., a closed-end investment company; and (iii) sub-administrator of MassMutual Participation Investors and Templeton Global Governments Income Trust, closed-end investment companies.

The Investment Manager also serves as an investment adviser for Dean Witter World Wide Investment Fund, an investment company organized under the laws of Luxembourg, shares of which company may not be offered in the United States or purchased by American citizens outside of the United States.

Pursuant to an Investment Management Agreement (the "Management Agreement") with the Investment Manager, the Fund has retained the Investment Manager to supervise the investment of the Fund's assets. The Investment Manager, through consultation with Morgan Grenfell Investment Services Ltd. (the "Sub-Advisor") and through its own portfolio management staff, obtains and evaluates such information and advice relating to the economy, securities markets, and specific securities as it considers necessary or useful to continuously manage the assets of the Fund in a manner consistent with its investment objective.

Under the terms of the Management Agreement, the Investment Manager maintains certain of the Fund's books and records and furnishes, at its own expense, such office space, facilities, equipment, clerical help and bookkeeping and certain legal services as the Fund may reasonably require in the conduct of its business, including the preparation of prospectuses, statements of additional information, proxy statements and reports required to be filed with federal and state securities commissions (except insofar as the participation or assistance of independent accountants and attorneys is, in the opinion of the Investment Manager, necessary or desirable). In addition, the Investment Manager pays the salaries of all personnel, including officers of the Fund, who are employees of the Investment Manager. The Investment Manager also bears the cost of telephone service, heat, light, power and other utilities provided to the Fund. The Investment Manager has retained DWSC to perform its administrative services under the Agreement.

Expenses not expressly assumed by the Investment Manager under the Management Agreement, by the Sub-Advisor pursuant to the Sub-Advisory Agreement (see below) or by the distributor of the Fund's shares, Dean Witter Distributors Inc. ("Distributors" or the "Distributor") (see "The Distributor") will be paid by the Fund. The expenses borne by the Fund include, but are not limited to: charges and expenses of any registrar; custodian, stock transfer and dividend disbursing agent; brokerage commissions; taxes; engraving and printing of share certificates; registration costs of the Fund and its shares under federal and state securities laws; the cost and expense of printing, including typesetting, and distributing Prospectuses and Statements of Additional Information of the Fund and supplements thereto to the Fund's shareholders; all expenses of shareholders' and trustees' meetings and of preparing, printing and mailing of proxy statements and reports to shareholders; fees and travel expenses of trustees or members of any advisory board or committee who are not employees of the Investment Manager or Sub-Advisor or any corporate affiliate of the Investment Manager or Sub-Advisor; all expenses incident to any dividend, withdrawal or redemption options; charges and expenses of any outside service used for pricing of the Fund's shares; fees and expenses of legal counsel, including counsel to the trustees who are not interested persons of the Fund or of the Investment Manager or Sub-Advisor (not including compensation or expenses of attorneys who are employees of the Investment Manager) and independent accountants; membership dues of industry associations; interest on the

Fund's borrowings; postage; insurance premiums on property or personnel (including officers and trustees) of the Fund which inure to its benefit; extraordinary expenses including, but not limited to, legal claims and liabilities and litigation costs and any indemnification relating thereto (depending upon the nature of the legal claim, liability or lawsuit) and all other costs of the Fund's operations properly payable by the Fund.

The Management Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligation thereunder, the Investment Manager is not liable to the Fund or any of its investors for any act or omission by the Investment Manager or for any losses sustained by the Fund or its investors. The Management Agreement in no way restricts the Investment Manager from acting as investment manager or adviser to others.

As full compensation for the services and facilities furnished to the Fund and expenses of the Fund assumed by the Investment Manager, the Fund pays the Investment Manager monthly compensation calculated daily by applying the annual rate of 1.25% to the daily net assets of the Fund. The Fund accrued total compensation to the Investment Manager of \$977,193 during the fiscal period July 29, 1994 (commencement of operations) through May 31, 1995.

Pursuant to a Sub-Advisory Agreement between the Investment Manager and Sub-Advisor, the Sub-Advisor has been retained, subject to the overall supervision of the Investment Manager and the Trustees of the Fund, to continuously furnish investment advice concerning individual security selections, asset allocations and overall economic trends with respect to international small-cap issuers and to manage the Fund's portfolio subject to the supervision of the Investment Manager. On occasion, the Sub-Advisor will also provide the Investment Manager with investment advice concerning potential investment opportunities for the Fund which are available outside of Asia, Australia and New Zealand.

Morgan Grenfell Investment Services Limited ("MGIS") was organized as a British corporation in 1972 and manages, as of March 31, 1995, assets of approximately \$10.4 billion for U.S. corporate and public employee benefit plans, investment companies, endowments and foundations. MGIS' principal office is located at 20 Finsbury Circus, London, England. MGIS is a subsidiary of London based Morgan Grenfell Asset Management Limited which is itself a subsidiary of London-based Morgan Grenfell Group plc (which is owned by Deutsche Bank AG, an international commercial and investment banking group) and is registered as an investment adviser under the Investment Advisers Act of 1940. In 1838 Morgan Grenfell was founded to provide merchant banking services, primarily trade financing between Great Britain and the United States. In 1958, its investment management arm began operations. In recent years Morgan Grenfell Group plc has achieved a prominent position in the securities industry by providing investment and commercial banking services, financial services, and discretionary management and advisory services covering all of the world's leading securities markets. Morgan Grenfell Asset Management Limited, through its various investment management subsidiaries, which have extensive experience in global investment management, is managing, as of March 31, 1995, approximately \$51.7 billion worldwide.

Both the Investment Manager and the Sub-Advisor have authorized any of their directors, officers and employees who have been elected as Trustees or officers of the Fund to serve in the capacities in which they have been elected. Services furnished by the Investment Manager and the Sub-Advisor may be furnished by directors, officers and employees of the Investment Manager and the Sub-Advisor. In connection with the services rendered by the Sub-Advisor, the Sub-Advisor bears the following expenses: (a) the salaries and expenses of its personnel; and (b) all expenses incurred by it in connection with performing the services provided by it as Sub-Advisor, as described above.

As full compensation for the services and facilities furnished to the Fund and the Investment Manager and expenses of the Fund and the Investment Manager assumed by the Sub-Advisor, the Investment Manager pays the Sub-Advisor monthly compensation equal to 40% of the Investment Manager's monthly compensation payable under the Management Agreement. The Fund accrued total compensation to the Sub-Advisor of \$390,877 during the fiscal period July 29, 1994 (commencement of operations) through May 31, 1995.

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Pursuant to the Management Agreement and the Sub-Advisory Agreement, total operating expenses of the Fund are subject to applicable limitations under rules and regulations of states where the Fund is authorized to sell its shares. Therefore, operating expenses of the Fund are effectively subject to such limitations as the same may be amended from time to time. Presently, the most restrictive limitation is as follows: If, in any fiscal year, the total operating expenses of a fund, exclusive of taxes, interest, brokerage fees, distribution fees and extraordinary expenses (to the extent permitted by applicable state securities laws and regulations), exceed 2 1/2% of the first \$30,000,000 of average daily net assets, 2% of the next \$70,000,000 and 1 1/2% of any excess over \$100,000,000, the Investment Manager will reimburse such fund for the amount of such excess. Pursuant to the Sub-Advisory Agreement, if any such reimbursement is made by the Investment Manager, the Investment Manager will, in turn, be reimbursed for 40% of such payment by the Sub-Advisor. The reimbursement, if any, will be calculated daily and credited on a monthly basis. The Fund's expenses did not exceed the limitation set forth above during the fiscal period July 29, 1994 (commencement of operations) through May 31, 1995.

The Investment Manager paid the organizational expenses of the Fund incurred

prior to the offering of the Fund's shares. The Fund will reimburse the Investment Manager for such expenses in accordance with the terms of the Underwriting Agreement between the Fund and Distributors. The Fund is deferring and amortizing the organizational expenses on the straight line method over a period not to exceed five years from the date of commencement of the Fund's operations.

The Management Agreement and the Sub-Advisory Agreement (the "Agreements") were initially approved by the Trustees on May 10, 1994 and by InterCapital as the then sole shareholder on June 2, 1994. The Agreements may be terminated at any time, without penalty, on thirty days' notice by the Trustees of the Fund, by the holders of a majority of the outstanding shares of the Fund, as defined in the Investment Company Act of 1940, as amended (the "Act"), or by the Investment Manager and/or Sub-Advisor. The Agreements will automatically terminate in the event of their assignment (as defined in the Act).

Under its terms, the Agreements will continue in effect until April 30, 1996, and from year to year thereafter, provided continuance of the Agreements is approved at least annually by the vote of the holders of a majority of the outstanding shares of the Fund, as defined in the Act, or by the Trustees of the Fund; provided that in either event such continuance is approved annually by the vote of a majority of the Trustees of the Fund who are not parties to the Agreement or "interested persons" (as defined in the Act) of any such party (the "Independent Trustees"), which vote must be cast in person at a meeting called for the purpose of voting on such approval.

The Fund has acknowledged that the name "Dean Witter" is a property right of DWR. The Fund has agreed that DWR or its parent company may use, or at any time permit others to use, the name "Dean Witter". The Fund has also agreed that in the event the Agreement is terminated, or if the affiliation between InterCapital and its parent is terminated, the Fund will eliminate the name "Dean Witter" from its name if DWR or its parent company shall so request.

TRUSTEES AND OFFICERS

The Trustees and Executive Officers of the Fund, their principal business occupations during the last five years and their affiliations, if any, with InterCapital, and with the 77 Dean Witter Funds and the 13 TCW/DW Funds are shown below:

<TABLE> <CAPTION> NAME, AGE, POSITION WITH FUND AND ADDRESS	PRINCIPAL OCCUPATIONS DURING LAST FIVE YEARS
<S> Jack F. Bennett (71) Trustee c/o Gordon Altman Butowsky Weitzen Shalov & Wein Counsel to the Independent Trustees 114 West 47th Street New York, New York	<C> Retired; Director or Trustee of the Dean Witter Funds; formerly Senior Vice President and Director of Exxon Corporation (1975-January, 1989) and Under Secretary of the U.S. Treasury for Monetary Affairs (1974-1975); Director of Philips Electronics N.V., Tandem Computers Inc. and Massachusetts Mutual Insurance Co.; director or trustee of various not-for-profit and business organizations.
Michael Bozic (54) Trustee c/o Gordon Altman Butowsky Weitzen Shalov & Wein Counsel to the Independent Trustees 114 West 47th Street New York, New York	Private Investor; Director or Trustee of the Dean Witter Funds; formerly President and Chief Executive Officer of Hills Department Stores (since May, 1991); formerly Chairman and Chief Executive Officer (January, 1987-August, 1990) and President and Chief Operating Officer (August, 1990-February, 1991) of the Sears Merchandise Group of Sears, Roebuck and Co.; Director of Eaglemark Financial Services, Inc., the United Negro College Fund, Weirten Steel Corporation and Domain Inc. (home decor retailer).
Charles A. Fiumefreddo* (62) Chairman of the Board, President and Chief Executive Officer and Trustee Two World Trade Center New York, New York	Chairman, Chief Executive Officer and Director of InterCapital, Distributors and DWSC; Executive Vice President and Director of DWR; Chairman, Director or Trustee, President and Chief Executive Officer of the Dean Witter Funds; Chairman, Chief Executive Officer and Trustee of the TCW/DW Funds; Chairman and Director of Dean Witter Trust Company ("DWTC"); Director and/or officer of various DWDC subsidiaries; formerly Executive Vice President and Director of DWDC (until February, 1993).
Edwin J. Garn (62) Trustee c/o Huntsman Chemical Corporation 2000 Eagle Gate Tower Salt Lake City, Utah	Director or Trustee of the Dean Witter Funds; formerly United States Senator (R-Utah) (1974-1992) and Chairman, Senate Banking Committee (1980-1986); formerly Mayor of Salt Lake City, Utah (1972-1974); formerly Astronaut, Space Shuttle Discovery (April 12-19, 1985); Vice Chairman, Huntsman Chemical Corporation (since January, 1993); Member of the board of various civic and charitable organizations.

<TABLE>

<CAPTION>

NAME, AGE, POSITION WITH FUND AND ADDRESS	PRINCIPAL OCCUPATIONS DURING LAST FIVE YEARS
<p><S></p> <p>John R. Haire (70) Trustee Two World Trade Center New York, New York</p>	<p><C></p> <p>Chairman of the Audit Committee and Chairman of the Committee of the Independent Directors or Trustees and Director or Trustee of the Dean Witter Funds; Trustee of the TCW/DW Funds; formerly President, Council for Aid to Education (1978-1989) and Chairman and Chief Executive Officer of Anchor Corporation, an Investment Adviser (1964-1978); Director of Washington National Corporation (insurance).</p>
<p>Dr. Manuel H. Johnson (46) Trustee c/o Johnson Smick International, Inc. 1133 Connecticut Avenue, N.W. Washington, DC</p>	<p>Senior Partner, Johnson Smick International, Inc., a consulting firm (since June, 1985); Koch Professor of International Economics and Director of the Center for Global Market Studies at George Mason University (since September, 1990); Co-Chairman and a founder of the Group of Seven Council (G7C), an international economic commission (since September, 1990); Director or Trustee of the Dean Witter Funds; Trustee of the TCW/DW Funds; Director of NASDAQ (since June, 1995); Director of Greenwich Capital Markets, Inc. (broker-dealer); formerly Vice Chairman of the Board of Governors of the Federal Reserve System (February, 1986-August, 1990) and Assistant Secretary of the U.S. Treasury (1982-1986).</p>
<p>Paul Kolton (71) Trustee c/o Gordon Altman Butowsky Weitzen Shalov & Wein Counsel to the Independent Trustees 114 West 47th Street New York, New York</p>	<p>Director or Trustee of the Dean Witter Funds; Chairman of the Audit Committee and Chairman of the Committee of the Independent Trustees and Trustee of the TCW/DW Funds; formerly Chairman of the Financial Accounting Standards Advisory Council and Chairman and Chief Executive Officer of the American Stock Exchange; Director of UCC Investors Holding Inc. (Uniroyal Chemical Company Inc.); director or trustee of various not-for-profit organizations.</p>
<p>Michael E. Nugent (59) Trustee c/o Triumph Capital, L.P. 237 Park Avenue New York, New York</p>	<p>General Partner, Triumph Capital, L.P., a private investment partnership (since April, 1988); Director or Trustee of the Dean Witter Funds; Trustee of the TCW/DW Funds; formerly Vice President, Bankers Trust Company and BT Capital Corporation (1984-1988); Director of various business organizations.</p>
<p>Philip J. Purcell* (51) Trustee Two World Trade Center New York, New York</p>	<p>Chairman of the Board of Directors and Chief Executive Officer of DWDC, DWR and Novus Credit Services Inc.; Director of InterCapital, DWSC and Distributors; Director or Trustee of the Dean Witter Funds; Director and/or officer of various DWDC subsidiaries.</p>

</TABLE>

<TABLE>

<CAPTION>

NAME, AGE, POSITION WITH FUND AND ADDRESS	PRINCIPAL OCCUPATIONS DURING LAST FIVE YEARS
<p><S></p> <p>John L. Schroeder (64) Trustee c/o The Home Insurance Company 59 Maiden Lane New York, New York</p>	<p><C></p> <p>Executive Vice President and Chief Investment Officer of the Home Insurance Company (since August, 1991); Director or Trustee of the Dean Witter Funds; Director of Citizens Utilities Company; formerly Chairman and Chief Investment Officer of Axe-Houghton Management and the Axe-Houghton Funds (April, 1983-June, 1991) and President of USF&G Financial Services, Inc. (June 1990-June, 1991).</p>
<p>Sheldon Curtis (63) Vice President, Secretary and General Counsel Two World Trade Center New York, New York</p>	<p>Senior Vice President, Secretary and General Counsel of InterCapital and DWSC; Senior Vice President, Assistant Secretary and Assistant General Counsel of Distributors; Senior Vice President and Secretary of DWTC; Assistant Secretary of DWR and Vice President, Secretary and General Counsel of the Dean Witter Funds and the TCW/DW Funds.</p>
<p>Thomas F. Caloia (49) Treasurer Two World Trade Center New York, New York</p>	<p>First Vice President (since May, 1991) and Assistant Treasurer (since January, 1993) of InterCapital; First Vice President and Assistant Treasurer of DWSC; Treasurer of the Dean Witter Funds and the TCW/DW Funds; previously Vice President of InterCapital.</p>

<FN>

* Denotes Trustees who are "interested persons" of the Fund, as defined in the Act.

</TABLE>

In addition, Robert M. Scanlan, President and Chief Operating Officer of InterCapital and DWSC, Executive Vice President of Distributors and DWTC and Director of DWTC, David A. Hughey, Executive Vice President and Chief Administrative Officer of InterCapital, DWSC and Distributors and President and Director of DWTC, Edmund C. Puckhaber, Executive Vice President of InterCapital and Director of DWTC, Robert S. Giambrone, Senior Vice President of InterCapital, DWSC, Distributors and DWTC and Joseph J. McAlinden, Senior Vice President of InterCapital are Vice Presidents of the Fund; and Barry Fink and Marilyn K. Cranney, First Vice Presidents and Assistant General Counsels of InterCapital and DWSC, and Lou Anne D. McInnis and Ruth Rossi, Vice Presidents and Assistant General Counsels of InterCapital and DWSC, are Assistant Secretaries of the Fund.

BOARD OF TRUSTEES; RESPONSIBILITIES AND COMPENSATION OF INDEPENDENT TRUSTEES

As mentioned above under the caption "The Fund and its Management," the Fund is one of the Dean Witter Funds, a group of investment companies managed by InterCapital. As of the date of this Statement of Additional Information, there are a total of 77 Dean Witter Funds, comprised of 117 portfolios. As of May 31, 1995, the Dean Witter Funds had total net assets of approximately \$64.9 billion and more than five million shareholders.

The Board of Directors or Trustees, consisting of ten (10) directors or trustees, is the same for each of the Dean Witter Funds. Some of the Funds are organized as business trusts, others as corporations, but the functions and duties of directors and trustees are the same. Accordingly, directors and trustees of the Dean Witter Funds are referred to in this section as Trustees.

Eight Trustees, that is, 80% of the total number, have no affiliation or business connection with InterCapital or any of its affiliated persons and do not own any stock or other securities issued by InterCapital's parent company, DWDC. These are the "disinterested" or "independent" Trustees. Five of the eight Independent Trustees are also Independent Trustees of the TCW/DW Funds. As of the date of this Statement of Additional Information, there are a total of 13 TCW/DW Funds. Two of the Funds' Trustees, that is, the management Trustees, are affiliated with InterCapital.

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As noted in a federal court ruling, "[T]he independent directors . . . are expected to look after the interests of shareholders by 'furnishing an independent check upon management,' especially with respect to fees paid to the investment company's sponsor." In addition to their general "watchdog" duties, the Independent Trustees are charged with a wide variety of responsibilities under the Act. In order to perform their duties effectively, the Independent Trustees are required to review and understand large amounts of material, often of a highly technical and legal nature.

The Dean Witter Funds seek as Independent Trustees individuals of distinction and experience in business and finance, government service or academia; that is, people whose advice and counsel are valuable and in demand by others and for whom there is often competition. To accept a position on the Funds' Boards, such individuals may reject other attractive assignments because of the demands made on their time by the Funds. Indeed, to serve on the Funds' Boards, certain Trustees who would be qualified and in demand to serve on bank boards would be prohibited by law from serving at the same time as a director of a national bank and as a Trustee of a Fund.

The Independent Trustees are required to select and nominate individuals to fill any Independent Trustee vacancy on the Board of any Fund that has a Rule 12b-1 plan of distribution. Since most of the Dean Witter Funds have such a plan, and since all of the Funds' Boards have the same members, the Independent Trustees effectively control the selection of other Independent Trustees of all the Dean Witter Funds.

GOVERNANCE STRUCTURE OF THE DEAN WITTER FUNDS

While the regulatory system establishes both general guidelines and specific duties for the Independent Trustees, the governance arrangements from one investment company group to another vary significantly. In some groups the Independent Trustees perform their role by attendance at periodic meetings of the board of directors with study of materials furnished to them between meetings. At the other extreme, an investment company complex may employ a full-time staff to assist the Independent Trustees in the performance of their duties.

The governance structure of the Dean Witter Funds lies between these two extremes. The Independent Trustees and the Funds' Investment Manager alike believe that these arrangements are effective and serve the interests of the Funds' shareholders. All of the Independent Trustees serve as members of the Audit Committee and the Committee of the Independent Trustees. Three of them also serve as members of the Derivatives Committee.

The Committee of the Independent Trustees is charged with recommending to the full Board approval of management, advisory and administration contracts, Rule 12b-1 plans and distribution and underwriting agreements, continually reviewing Fund performance, checking on the pricing of portfolio securities, brokerage commissions, transfer agent costs and performance, and trading among Funds in the same complex, and approving fidelity bond and related insurance coverage and allocations, as well as other matters that arise from time to time.

The Audit Committee is charged with recommending to the full Board the engagement or discharge of the Fund's independent accountants; directing investigations into matters within the scope of the independent accountants' duties, including the power to retain outside specialists; reviewing with the independent accountants the audit plan and results of the auditing engagement; approving professional services provided by the independent accountants and other accounting firms prior to the performance of such services; reviewing the independence of the independent accountants; considering the range of audit and non-audit fees; reviewing the adequacy of the Fund's system of internal controls; advising the independent accountants and management personnel that they have direct access to the Committee at all times; and preparing and submitting Committee meeting minutes to the full Board.

Finally, the Board of each Fund has established a Derivatives Committee to establish parameters for and oversee the activities of the Fund with respect to derivative investments, if any, made by the Fund.

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During the calendar year ended December 31, 1994, the three Committees held a combined total of eleven meetings. The Committee meetings are sometimes held away from the offices of InterCapital and sometimes in the Board room of InterCapital. These meetings are held without management directors or officers being present, unless and until they may be invited to the meeting for purposes of furnishing information or making a report. These separate meetings provide the Independent Trustees an opportunity to explore in depth with their own independent legal counsel, independent auditors and other independent consultants, as needed, the issues they believe should be addressed and resolved in the interests of the Funds' shareholders.

DUTIES OF CHAIRMAN OF COMMITTEES

The Chairman of the Committees maintains an office at the Funds' headquarters in New York. He is responsible for keeping abreast of regulatory and industry developments and the Funds' operations and management. He screens and/or prepares written materials and identifies critical issues for the Independent Trustees to consider, develops agendas for Committee meetings, determines the type and amount of information that the Committees will need to form a judgment on the issues, and arranges to have the information furnished. He also arranges for the services of independent experts to be provided to the Committees and consults with them in advance of meetings to help refine reports and to focus on critical issues. Members of the Committees believe that the person who serves as Chairman of all three Committees and guides their efforts is pivotal to the effective functioning of the Committees.

The Chairman of the Committees also maintains continuous contact with the

Funds' management, with independent counsel to the Independent Trustees and with the Funds' independent auditors. He arranges for a series of special meetings involving the annual review of investment management and other operating contracts of the Funds and, on behalf of the Committees, conducts negotiations with the Investment Manager and other service providers. In effect, the Chairman of the Committees serves as a combination of chief executive and support staff of the Independent Trustees.

The Chairman of the Committees is not employed by any other organization and devotes his time primarily to the services he performs as Committee Chairman and Independent Trustee of the Dean Witter Funds and as an Independent Trustee of the TCW/DW Funds. The current Committee Chairman has had more than 35 years experience as a senior executive in the investment company industry.

VALUE OF HAVING SAME INDIVIDUALS AS INDEPENDENT TRUSTEES FOR ALL DEAN WITTER FUNDS

The Independent Trustees and the Funds' management believe that having the same Independent Trustees for each of the Dean Witter Funds is in the best interests of all the Funds' shareholders. This arrangement avoids the duplication of effort that would arise from having different groups of individuals serving as Independent Trustees for each of the Funds or even of sub-groups of Funds. It is believed that having the same individuals serve as Independent Trustees of all the Funds tends to increase their knowledge and expertise regarding matters which affect the Fund complex generally and enhances their ability to negotiate on behalf of each Fund with the Fund's service providers. This arrangement also precludes the likelihood of separate groups of Independent Trustees arriving at conflicting decisions regarding operations and management of the Funds and avoids the cost and confusion that would likely ensue. Finally, it is believed that having the same Independent Trustees serve on all Fund Boards enhances the ability of each Fund to obtain, at modest cost to each separate Fund, the services of Independent Trustees, and a Chairman of their Committees, of the caliber, experience and business acumen of the individuals who serve as Independent Trustees of the Dean Witter Funds.

COMPENSATION OF INDEPENDENT TRUSTEES

The Fund will pay each Independent Trustee an annual fee of \$1,200 plus a per meeting fee of \$50 for meetings of the Board of Trustees or committees of the Board of Trustees attended by the Trustee (the Fund will pay the Chairman of the Audit Committee an annual fee of \$1,000 and will pay the Chairman of the Committee of the Independent Trustees an additional annual fee of \$2,400, in each case inclusive of the Committee meeting fees). The Fund will also reimburse such Trustees for travel and other out-of-pocket expenses incurred by them in connection with attending such meetings. Trustees and officers of the Fund who are or have been employed by the Investment Manager or an affiliated company will not

receive any compensation or expense reimbursement from the Fund. The Fund commenced operations on July 29, 1994.

At such time as the Fund has been in operation, and has paid fees to the Independent Trustees, for a full fiscal year, and assuming that during such fiscal year the Fund holds the same number of Board and committee meetings as were held by the other Dean Witter Funds during the calendar year ended December 31, 1994, it is estimated that compensation paid to each Independent Trustee during such fiscal year will be the amount shown in the following table.

FUND COMPENSATION (ESTIMATED)

<TABLE>
<CAPTION>

NAME OF INDEPENDENT TRUSTEE

AGGREGATE
COMPENSATION
FROM THE FUND

<S>	<C>
Jack F. Bennett.....	\$ 1,950
Michael Bozic.....	1,950
Edwin J. Garn.....	1,950
John R. Haire.....	4,900*
Dr. Manuel H. Johnson.....	1,950
Paul Kolton.....	1,950
Michael E. Nugent.....	1,950
John L. Schroeder.....	1,950
<FN>	

* Of Mr. Haire's compensation from the Fund, \$3,400 is paid to him as Chairman of the Committee of the Independent Trustees (\$2,400) and as Chairman of the Audit Committee (\$1,000).

</TABLE>

The following table illustrates the compensation paid to the Fund's Independent Trustees for the calendar year ended December 31, 1994 for services to the 73 Dean Witter Funds and, in the case of Messrs. Haire, Johnson, Kolton and Nugent, the 13 TCW/DW Funds that were in operation at December 31, 1994. With respect to Messrs. Haire, Johnson, Kolton and Nugent, the TCW/DW Funds are included solely because of a limited exchange privilege between those Funds and five Dean Witter Money Market Funds. Mr. Schroeder was elected as a Trustee of the TCW/DW Funds on April 20, 1995.

CASH COMPENSATION FROM DEAN WITTER FUNDS AND TCW/DW FUNDS

<TABLE>
<CAPTION>

NAME OF INDEPENDENT TRUSTEE	FOR SERVICE AS DIRECTOR OR TRUSTEE AND COMMITTEE MEMBER OF 73 DEAN WITTER FUNDS	FOR SERVICE AS TRUSTEE AND COMMITTEE MEMBER OF 13 TCW/DW FUNDS	FOR SERVICE AS CHAIRMAN OF COMMITTEES OF INDEPENDENT DIRECTORS/ TRUSTEES AND AUDIT COMMITTEES	TOTAL CASH COMPENSATION FOR SERVICES TO 73 DEAN WITTER FUNDS AND 13 TCW/DW FUNDS
<S>	<C>	<C>	<C>	<C>
Jack F. Bennett.....	\$ 125,761	--	--	\$ 125,761
Michael Bozic.....	82,637	--	--	82,637
Edwin J. Garn.....	125,711	--	--	125,711
John R. Haire.....	101,061	\$ 66,950	\$ 225,563**	393,574
Dr. Manuel H. Johnson.....	122,461	60,750	--	183,211
Paul Kolton.....	128,961	51,850	34,200***	215,011
Michael E. Nugent.....	115,761	52,650	--	168,411
John L. Schroeder.....	85,938	--	--	85,938

<FN>

** For the 73 Dean Witter Funds.

*** For the 13 TCW/DW Funds.

</TABLE>

As of the date of this Statement of Additional Information, the aggregate number of shares of beneficial interest of the Fund owned by the Fund's officers and Trustees as a group was less than 1 percent of the Fund's shares of beneficial interest outstanding.

INVESTMENT PRACTICES AND POLICIES

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS. As discussed in the Prospectus, the Fund may enter into forward foreign currency exchange contracts ("forward contracts") as a hedge against fluctuations in future foreign exchange rates. The Fund will conduct its foreign currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward contracts to purchase or sell foreign currencies. A forward contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded in the interbank market conducted directly between currency traders (usually large, commercial and investment banks) and their customers. Such forward contracts will only be entered into with United States banks and their foreign branches or foreign banks whose assets total \$1 billion or more. A forward contract generally has no deposit requirement, and no commissions are charged at any stage for trades.

When management of the Fund believes that the currency of a particular foreign country may suffer a substantial movement against the U.S. dollar, it may enter into a forward contract to purchase or sell, for a fixed amount of dollars or other currency, the amount of foreign currency approximating the value of some or all of the Fund's portfolio securities denominated in such foreign currency. The Fund will not enter into such forward contracts or maintain a net exposure to such contracts where the consummation of the contracts would obligate the Fund to deliver an amount of foreign currency in excess of the value of the Fund's portfolio securities or other assets denominated in that currency. Under normal circumstances, consideration of the prospect for currency parities will be incorporated into the longer term investment decisions made with regard to overall diversification strategies. However, the management of the Fund believes that it is important to have the flexibility to enter into such forward contracts when it determines that the best interests of the Fund will be served. The Fund's custodian bank will place cash, U.S. Government securities or other appropriate liquid high grade debt securities in a segregated account of the Fund in an amount equal to the value of the Fund's total assets committed to the consummation of forward contracts entered into under the circumstances set forth above. If the value of the securities placed in the segregated account declines, additional cash or securities will be placed in the account on a daily basis so that the value of the account will equal the amount of the Fund's commitments with respect to such contracts.

Where, for example, the Fund is hedging a portfolio position consisting of foreign securities denominated in a foreign currency against adverse exchange rate moves vis-a-vis the U.S. dollar, at the maturity of the forward contract for delivery by the Fund of a foreign currency, the Fund may either sell the portfolio security and make delivery of the foreign currency, or it may retain the security and terminate its contractual obligation to deliver the foreign currency by purchasing an "offsetting" contract with the same currency trader obligating it to purchase, on the same maturity date, the same amount of the foreign currency (however, the ability of the Fund to terminate a contract is contingent upon the willingness of the currency trader with whom the contract has been entered into to permit an offsetting transaction). It is impossible to forecast the market value of portfolio securities at the expiration of the contract. Accordingly, it may be necessary for the Fund to purchase additional foreign currency on the spot market (and bear the expense of such purchase) if the market value of the security is less than the amount of foreign currency the Fund is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio securities if its market value exceeds the amount of foreign currency the Fund is obligated to deliver.

If the Fund retains the portfolio securities and engages in an offsetting transaction, the Fund will incur a gain or loss to the extent that there has been movement in spot or forward contract prices. If the Fund engages in an offsetting transaction, it may subsequently enter into a new forward contract to sell the foreign currency. Should forward prices decline during the period between the Fund's entering into a forward contract for the sale of a foreign currency and the date it enters into an offsetting contract for the

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purchase of the foreign currency, the Fund will realize a gain to the extent the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward prices increase, the Fund will suffer a loss to the extent the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell.

If the Fund purchases a fixed-income security which is denominated in U.S. dollars but which will pay out its principal based upon a formula tied to the exchange rate between the U.S. dollar and a foreign currency, it may hedge against a decline in the principal value of the security by entering into a forward contract to sell an amount of the relevant foreign currency equal to some or all of the principal value of the security.

At times when the Fund has written a call option on a security or the currency in which it is denominated, it may wish to enter into a forward contract to purchase or sell the foreign currency in which the security is denominated. A forward contract would, for example, hedge the risk of the security on which a call option has been written declining in value to a greater extent than the value of the premium received for the option. The Fund will maintain with its Custodian at all times, cash, U.S. Government securities, or other appropriate high grade debt obligations in a segregated account equal in value to all forward contract obligations and option contract obligations entered into in hedge situations such as this.

Although the Fund values its assets daily in terms of U.S. dollars, it does not intend to convert its holdings of foreign currencies into U.S. dollars on a daily basis. It will, however, do so from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the spread between the prices at which they are buying and selling various currencies. Thus

a dealer may offer to sell a foreign currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund desire to resell that currency to the dealer.

REPURCHASE AGREEMENTS. When cash may be available for only a few days, it may be invested by the Fund in repurchase agreements until such time as it may otherwise be invested or used for payments of obligations of the Fund. These agreements, which may be viewed as a type of secured lending by the Fund, typically involve the acquisition by the Fund of debt securities from a selling financial institution such as a bank, savings and loan association or broker-dealer. The agreement provides that the Fund will sell back to the institution, and that the institution will repurchase, the underlying security ("collateral") at a specified price and at a fixed time in the future, usually not more than seven days from the date of purchase. The collateral will be maintained in a segregated account and will be marked to market daily to determine that the value of the collateral, as specified in the agreement, does not decrease below the purchase price plus accrued interest. If such decrease occurs, additional collateral will be requested and, when received, added to the account to maintain full collateralization. The Fund will accrue interest from the institution until the time when the repurchase is to occur. Although such date is deemed by the Fund to be the maturity date of a repurchase agreement, the maturities of securities subject to repurchase agreements are not subject to any limits.

While repurchase agreements involve certain risks not associated with direct investments in debt securities, the Fund follows procedures designed to minimize such risks. These procedures include effecting repurchase transactions only with large, well-capitalized and well-established financial institutions whose financial condition will be continually monitored by the Investment Manager subject to procedures established by the Board of Trustees of the Fund. In addition, as described above, the value of the collateral underlying the repurchase agreement will be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. In the event of a default or bankruptcy by a selling financial institution, the Fund will seek to liquidate such collateral. However, the exercising of the Fund's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Fund could suffer a loss. It is the current policy of the Fund not to invest in repurchase agreements that do not mature within seven days if any such investment, together with any

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other illiquid assets held by the Fund, amounts to more than 15% of its net assets. The Fund's investments in repurchase agreements may at times be substantial when, in the view of the Investment Manager, liquidity, tax or other considerations warrant.

REVERSE REPURCHASE AGREEMENTS AND DOLLAR ROLLS. The Fund may also use reverse repurchase agreements and dollar rolls as part of its investment strategy. Reverse repurchase agreements involve sales by the Fund of portfolio assets concurrently with an agreement by the Fund to repurchase the same assets at a later date at a fixed price. Generally, the effect of such a transaction is that the Fund can recover all or most of the cash invested in the portfolio securities involved during the term of the reverse repurchase agreement, while it will be able to keep the interest income associated with those portfolio securities. Such transactions are only advantageous if the interest cost to the Fund of the reverse repurchase transaction is less than the cost of obtaining the cash otherwise.

The Fund may enter into dollar rolls in which the Fund sells securities for delivery in the current months and simultaneously contracts to repurchase substantially similar (same type and coupon) securities on a specified future date. During the roll period, the Fund forgoes principal and interest paid on the securities. The Fund is compensated by the difference between the current sales price and the lower forward price for the future purchase (often referred to as the "drop") as well as by the interest earned on the cash proceeds of the initial sale.

The Fund will establish a segregated account with its custodian bank in which it will maintain cash, U.S. Government Securities or other liquid high grade debt obligations equal in value to its obligations in respect of reverse repurchase agreements and dollar rolls. Reverse repurchase agreements and dollar rolls involve the risk that the market value of the securities the Fund is obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement or dollar roll files for bankruptcy or becomes insolvent, the Fund's use of proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. Reverse repurchase agreements and dollar rolls are speculative techniques involving leverage, and are considered borrowings by the Fund.

LENDING OF PORTFOLIO SECURITIES. Consistent with applicable regulatory requirements, the Fund may lend its portfolio securities to brokers, dealers and other financial institutions, provided that such loans are callable at any time

by the Fund (subject to notice provisions described below), and are at all times secured by cash or cash equivalents, which are maintained in a segregated account pursuant to applicable regulations and that are equal to at least the market value, determined daily, of the loaned securities. The advantage of such loans is that the Fund continues to receive the income on the loaned securities while at the same time earning interest on the cash amounts deposited as collateral, which will be invested in short-term obligations. The Fund will not lend its portfolio securities if such loans are not permitted by the laws or regulations of any state in which its shares are qualified for sale and will not lend more than 25% of the value of its total assets. A loan may be terminated by the borrower on one business day's notice, or by the Fund on four business days' notice. If the borrower fails to deliver the loaned securities within four days after receipt of notice, the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. As with any extensions of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower of the securities fail financially. However, these loans of portfolio securities will only be made to firms deemed by the Fund's management to be creditworthy and when the income which can be earned from such loans justifies the attendant risks. Upon termination of the loan, the borrower is required to return the securities to the Fund. Any gain or loss in the market price during the loan period would inure to the Fund. The creditworthiness of firms to which the Fund lends its portfolio securities will be monitored on an ongoing basis by the Investment Manager pursuant to procedures adopted and reviewed, on an ongoing basis, by the Board of Trustees of the Fund.

When voting or consent rights which accompany loaned securities pass to the borrower, the Fund will follow the policy of calling the loaned securities, to be delivered within one day after notice, to permit

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the exercise of such rights if the matters involved would have a material effect on the Fund's investment in such loaned securities. The Fund will pay reasonable finder's, administrative and custodial fees in connection with a loan of its securities. However, the Fund has no intention of lending any of its portfolio securities during its fiscal year ending May 31, 1995.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES AND FORWARD COMMITMENTS. From time to time the Fund may purchase securities on a when-issued or delayed delivery basis or may purchase or sell securities on a forward commitment basis. When such transactions are negotiated, the price is fixed at the time of the commitment, but delivery and payment can take place a month or more after the date of commitment. While the Fund will only purchase securities on a when-issued, delayed delivery or forward commitment basis with the intention of acquiring the securities, the Fund may sell the securities before the settlement date, if it is deemed advisable. The securities so purchased or sold are subject to market fluctuation and no interest or dividends accrue to the purchaser prior to the settlement date. At the time the Fund makes the commitment to purchase or sell securities on a when-issued, delayed delivery or forward commitment basis, it will record the transaction and thereafter reflect the value, each day, of such security purchased, or if a sale, the proceeds to be received, in determining its net asset value. At the time of delivery of the securities, the value may be more or less than the purchase or sale price. The Fund will also establish a segregated account with its custodian bank in which it will continually maintain cash or cash equivalents or other high grade debt portfolio securities equal in value to commitments to purchase securities on a when-issued, delayed delivery or forward commitment basis. Subject to the foregoing restrictions, the Fund may purchase securities on such basis without limit. The Investment Manager and the Board of Trustees do not believe that the Fund's net asset value will be adversely affected by the purchase of securities on such basis.

WHEN, AS AND IF ISSUED SECURITIES. The Fund may purchase securities on a "when, as and if issued" basis under which the issuance of the security depends upon the occurrence of a subsequent event, such as approval of a merger, corporate reorganization, leveraged buyout or debt restructuring. The commitment for the purchase of any such security will not be recognized in the portfolio of the Fund until the Investment Manager determines that issuance of the security is probable. At such time, the Fund will record the transaction and, in determining its net asset value, will reflect the value of the security daily. At such time, the Fund will also establish a segregated account with its custodian bank in which it will maintain cash or cash equivalents or other high grade debt portfolio securities equal in value to recognized commitments for such securities. Once a segregated account has been established, if the anticipated event does not occur and the securities are not issued, the Fund will have lost an investment opportunity. The value of the Fund's commitments to purchase the securities of any one issuer, together with the value of all securities of such issuer owned by the Fund, may not exceed 5% of the value of the Fund's total assets at the time the initial commitment to purchase such securities is made (see "Investment Restrictions"). Subject to the foregoing restrictions, the Fund may purchase securities on such basis without limit. An increase in the percentage of the Fund's assets committed to the purchase of securities on a "when, as and if issued" basis may increase the volatility of its net asset value. The Investment Manager and the Trustees do not believe that the net asset value of the Fund will be adversely affected by its purchase of

securities on such basis. The Fund may also sell securities on a "when, as and if issued" basis provided that the issuance of the security will result automatically from the exchange or conversion of a security owned by the Fund at the time of the sale.

PRIVATE PLACEMENTS. The Fund may invest up to 5% of its total assets in securities which are subject to restrictions on resale because they have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or which are otherwise not readily marketable. (Securities eligible for resale pursuant to Rule 144A of the Securities Act, and determined to be liquid pursuant to the procedures discussed in the following paragraph, are not subject to the foregoing restriction.) Limitations on the resale of such securities may have an adverse effect on their marketability, and may prevent the Fund from disposing of them promptly at reasonable prices. The Fund may have to bear the expense of registering such securities for resale and the risk of substantial delays in effecting such registration.

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The Securities and Exchange Commission ("SEC") has adopted Rule 144A under the Securities Act, which permits the Fund to sell restricted securities to qualified institutional buyers without limitation. The Investment Manager, pursuant to procedures adopted by the Trustees of the Fund, will make a determination as to the liquidity of each restricted security purchased by the Fund. The procedures require that the following factors be taken into account in making a liquidity determination: (1) the frequency of trades and price quotes for the security; (2) the number of dealers and other potential purchasers who have issued quotes on the security; (3) any dealer undertakings to make a market in the security; and (4) the nature of the security and the nature of the marketplace trades (the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer). If a restricted security is determined to be "liquid", such security will not be included within the category "illiquid securities", which under the SEC's current policies may not exceed 15% of the Fund's net assets, and will not be subject to the 5% limitation set out in the preceding paragraph.

The Rule 144A marketplace of sellers and qualified institutional buyers is new and still developing and may take a period of time to develop into a mature liquid market. As such, the market for certain private placements purchased pursuant to Rule 144A may be initially small or may, subsequent to purchase, become illiquid. Furthermore, the Investment Manager may not possess all the information concerning an issue of securities that it wishes to purchase in a private placement to which it would normally have had access, had the registration statement necessitated by a public offering been filed with the Securities and Exchange Commission.

OPTIONS AND FUTURES TRANSACTIONS

The Fund may write covered call options against securities held in its portfolio and covered put options on eligible portfolio securities and stock indexes and purchase options of the same series to effect closing transactions, and may hedge against potential changes in the market value of investments (or anticipated investments) and facilitate the reallocation of the Fund's assets into and out of equities and fixed-income securities by purchasing put and call options on portfolio (or eligible portfolio) securities and engaging in transactions involving futures contracts and options on such contracts. The Fund may also hedge against potential changes in the market value of the currencies in which its investments (or anticipated investments) are denominated by purchasing put and call options on currencies and engage in transactions involving currency futures contracts and options on such contracts.

Call and put options on U.S. Treasury notes, bonds and bills and equity securities are listed on Exchanges and are written in over-the-counter transactions ("OTC options"). Listed options are issued by the Options Clearing Corporation ("OCC") and other clearing entities including foreign exchanges. Ownership of a listed call option gives the Fund the right to buy from the OCC the underlying security covered by the option at the stated exercise price (the price per unit of the underlying security) by filing an exercise notice prior to the expiration date of the option. The writer (seller) of the option would then have the obligation to sell to the OCC the underlying security at that exercise price prior to the expiration date of the option, regardless of its then current market price. Ownership of a listed put option would give the Fund the right to sell the underlying security to the OCC at the stated exercise price. Upon notice of exercise of the put option, the writer of the put would have the obligation to purchase the underlying security from the OCC at the exercise price.

OPTIONS ON TREASURY BONDS AND NOTES. Because trading in options written on Treasury bonds and notes tends to center on the most recently auctioned issues, the exchanges on which such securities trade will not continue indefinitely to introduce options with new expirations to replace expiring options on particular issues. Instead, the expirations introduced at the commencement of options trading on a particular issue will be allowed to run their course, with the possible addition of a limited number of new expirations as the original ones expire. Options trading on each issue of bonds or notes will thus be phased out as new options are listed on more recent issues, and options representing a full

range of expirations will not ordinarily be available for every issue on which options are traded.

OPTIONS ON TREASURY BILLS. Because a deliverable Treasury bill changes from week to week, writers of Treasury bill calls cannot provide in advance for their potential exercise settlement obligations by

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acquiring and holding the underlying security. However, if the Fund holds a long position in Treasury bills with a principal amount of the securities deliverable upon exercise of the option, the position may be hedged from a risk standpoint by the writing of a call option. For so long as the call option is outstanding, the Fund will hold the Treasury bills in a segregated account with its Custodian, so that they will be treated as being covered.

OPTIONS ON FOREIGN CURRENCIES. The Fund may purchase and write options on foreign currencies for purposes similar to those involved with investing in forward foreign currency exchange contracts. For example, in order to protect against declines in the dollar value of portfolio securities which are denominated in a foreign currency, the Fund may purchase put options on an amount of such foreign currency equivalent to the current value of the portfolio securities involved. As a result, the Fund would be enabled to sell the foreign currency for a fixed amount of U.S. dollars, thereby "locking in" the dollar value of the portfolio securities (less the amount of the premiums paid for the options). Conversely, the Fund may purchase call options on foreign currencies in which securities it anticipates purchasing are denominated to secure a set U.S. dollar price for such securities and protect against a decline in the value of the U.S. dollar against such foreign currency. The Fund may also purchase call and put options to close out written option positions.

The Fund may also write call options on foreign currency to protect against potential declines in its portfolio securities which are denominated in foreign currencies. If the U.S. dollar value of the portfolio securities falls as a result of a decline in the exchange rate between the foreign currency in which a security is denominated and the U.S. dollar, then a loss to the Fund occasioned by such value decline would be ameliorated by receipt of the premium on the option sold. At the same time, however, the Fund gives up the benefit of any rise in value of the relevant portfolio securities above the exercise price of the option and, in fact, only receives a benefit from the writing of the option to the extent that the value of the portfolio securities falls below the price of the premium received. The Fund may also write options to close out long call option positions.

The markets in foreign currency options are relatively new and the Fund's ability to establish and close out positions on such options is subject to the maintenance of a liquid secondary market. Although the Fund will not purchase or write such options unless and until, in the opinion of the management of the Fund, the market for them has developed sufficiently to ensure that the risks in connection with such options are not greater than the risks in connection with the underlying currency, there can be no assurance that a liquid secondary market will exist for a particular option at any specific time. In addition, options on foreign currencies are affected by all of those factors which influence foreign exchange rates and investments generally.

The value of a foreign currency option depends upon the value of the underlying currency relative to the U.S. dollar. As a result, the price of the option position may vary with changes in the value of either or both currencies and have no relationship to the investment merits of a foreign security, including foreign securities held in a "hedged" investment portfolio. Because foreign currency transactions occurring in the interbank market involve substantially larger amounts than those that may be involved in the use of foreign currency options, investors may be disadvantaged by having to deal in an odd lot market (generally consisting of transactions of less than \$1 million) for the underlying foreign currencies at prices that are less favorable than for round lots.

There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Quotation information available is generally representative of very large transactions in the interbank market and thus may not reflect relatively smaller transactions (i.e., less than \$1 million) where rates may be less favorable. The interbank market in foreign currencies is a global, around-the-clock market. To the extent that the U.S. options markets are closed while the markets for the underlying currencies remain open, significant price and rate movements may take place in the underlying markets that are not reflected in the options market.

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OTC OPTIONS. Exchange-listed options are issued by the OCC which assures that all transactions in such options are properly executed. OTC options are purchased from or sold (written) to dealers or financial institutions which have entered into direct agreements with the Fund. With OTC options, such variables as expiration date, exercise price and premium will be agreed upon between the Fund and the transacting dealer, without the intermediation of a third party such as the OCC. If the transacting dealer fails to make or take delivery of the

securities underlying an option it has written, in accordance with the terms of that option, the Fund would lose the premium paid for the option as well as any anticipated benefit of the transaction. The Fund will engage in OTC option transactions only with primary U.S. Government securities dealers recognized by the Federal Reserve Bank of New York.

COVERED CALL WRITING. The Fund is permitted to write covered call options on portfolio securities and the U.S. dollar and foreign currencies, without limit, in order to aid in achieving its investment objective. Generally, a call option is "covered" if the Fund owns, or has the right to acquire, without additional cash consideration (or for additional cash consideration held for the Fund by its Custodian in a segregated account) the underlying security (currency) subject to the option except that in the case of call options on U.S. Treasury Bills, the Fund might own U.S. Treasury Bills of a different series from those underlying the call option, but with a principal amount and value corresponding to the exercise price and a maturity date no later than that of the securities (currency) deliverable under the call option. A call option is also covered if the Fund holds a call on the same security (currency) as the underlying security (currency) of the written option, where the exercise price of the call used for coverage is equal to or less than the exercise price of the call written or greater than the exercise price of the call written if the mark to market difference is maintained by the Fund in cash, U.S. Government securities or other high grade debt obligations which the Fund holds in a segregated account maintained with its Custodian.

The Fund will receive from the purchaser, in return for a call it has written, a "premium"; i.e., the price of the option. Receipt of these premiums may better enable the Fund to achieve a greater total return than would be realized from holding the underlying securities (currency) alone. Moreover, the income received from the premium will offset a portion of the potential loss incurred by the Fund if the securities (currency) underlying the option are ultimately sold (exchanged) by the Fund at a loss. The premium received will fluctuate with varying economic market conditions. If the market value of the portfolio securities (or the currencies in which they are denominated) upon which call options have been written increases, the Fund may receive less total return from the portion of its portfolio upon which calls have been written than it would have had such calls not been written.

As regards listed options and certain OTC options, during the option period, the Fund may be required, at any time, to deliver the underlying security (currency) against payment of the exercise price on any calls it has written (exercise of certain listed and OTC options may be limited to specific expiration dates). This obligation is terminated upon the expiration of the option period or at such earlier time when the writer effects a closing purchase transaction. A closing purchase transaction is accomplished by purchasing an option of the same series as the option previously written. However, once the Fund has been assigned an exercise notice, the Fund will be unable to effect a closing purchase transaction.

Closing purchase transactions are ordinarily effected to realize a profit on an outstanding call option to prevent an underlying security (currency) from being called, to permit the sale of an underlying security (or the exchange of the underlying currency) or to enable the Fund to write another call option on the underlying security (currency) with either a different exercise price or expiration date or both. Also, effecting a closing purchase transaction will permit the cash or proceeds from the concurrent sale of any securities subject to the option to be used for other investments by the Fund. The Fund may realize a net gain or loss from a closing purchase transaction depending upon whether the amount of the premium received on the call option is more or less than the cost of effecting the closing purchase transaction. Any loss incurred in a closing purchase transaction may be wholly or partially offset by unrealized appreciation in the market value of the underlying security (currency). Conversely, a gain resulting from a closing purchase transaction could be offset in whole or in part or exceeded by a decline in the market value of the underlying security (currency).

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If a call option expires unexercised, the Fund realizes a gain in the amount of the premium on the option less the commission paid. Such a gain, however, may be offset by depreciation in the market value of the underlying security (currency) during the option period. If a call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security (currency) equal to the difference between the purchase price of the underlying security (currency) and the proceeds of the sale of the security (currency) plus the premium received for on the option less the commission paid.

Options written by a Fund normally have expiration dates of from up to nine months (equity securities) to eighteen months (fixed-income securities) from the date written. The exercise price of a call option may be below, equal to or above the current market value of the underlying security (currency) at the time the option is written. See "Risks of Options and Futures Transactions," below.

COVERED PUT WRITING. As a writer of a covered put option, the Fund incurs an obligation to buy the security underlying the option from the purchaser of the put, at the option's exercise price at any time during the option period, at

the purchaser's election (certain listed and OTC put options written by the Fund will be exercisable by the purchaser only on a specific date). A put is "covered" if, at all times, the Fund maintains, in a segregated account maintained on its behalf at the Fund's Custodian, cash, U.S. Government securities or other high grade obligations in an amount equal to at least the exercise price of the option, at all times during the option period. Similarly, a short put position could be covered by the Fund by its purchase of a put option on the same security as the underlying security of the written option, where the exercise price of the purchased option is equal to or more than the exercise price of the put written or less than the exercise price of the put written if the mark to market difference is maintained by the Fund in cash, U.S. Government securities or other high grade debt obligations which the Fund holds in a segregated account maintained at its Custodian. In writing puts, the Fund assumes the risk of loss should the market value of the underlying security decline below the exercise price of the option (any loss being decreased by the receipt of the premium on the option written). In the case of listed options, during the option period, the Fund may be required, at any time, to make payment of the exercise price against delivery of the underlying security. The operation of and limitations on covered put options in other respects are substantially identical to those of call options.

The Fund will write put options for two purposes: (1) to receive the income derived from the premiums paid by purchasers; and (2) when the Investment Manager wishes to purchase the security underlying the option at a price lower than its current market price, in which case it will write the covered put at an exercise price reflecting the lower purchase price sought. The potential gain on a covered put option is limited to the premium received on the option (less the commissions paid on the transaction) while the potential loss equals the difference between the exercise price of the option and the current market price of the underlying securities when the put is exercised, offset by the premium received (less the commissions paid on the transaction).

PURCHASING CALL AND PUT OPTIONS. The Fund may purchase listed and OTC call and put options in amounts equalling up to 5% of its total assets. The Fund may purchase call options in order to close out a covered call position (see "Covered Call Writing" above) or purchase call options on securities they intend to purchase. The Fund may also purchase a call option on foreign currency to hedge against an adverse exchange rate move of the currency in which the security it anticipates purchasing is denominated vis-a-vis the currency in which the exercise price is denominated. The purchase of the call option to effect a closing transaction or a call written over-the-counter may be a listed or an OTC option. In either case, the call purchased is likely to be on the same securities (currencies) and have the same terms as the written option. If purchased over-the-counter, the option would generally be acquired from the dealer or financial institution which purchased the call written by the Fund.

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The Fund may purchase put options on securities (currency) which it holds (or has the right to acquire) in its portfolio only to protect itself against a decline in the value of the security (currency). If the value of the underlying security (currency) were to fall below the exercise price of the put purchased in an amount greater than the premium paid for the option, the Fund would incur no additional loss. The Fund may also purchase put options to close out written put positions in a manner similar to call options closing purchase transactions. In addition, the Fund may sell a put option which it has previously purchased prior to the sale of the securities (currency) underlying such option. Such a sale would result in a net gain or loss depending on whether the amount received on the sale is more or less than the premium and other transaction costs paid on the put option which is sold. Any such gain or loss could be offset in whole or in part by a change in the market value of the underlying security (currency). If a put option purchased by the Fund expired without being sold or exercised, the premium would be lost.

RISKS OF OPTIONS TRANSACTIONS. During the option period, the covered call writer has, in return for the premium on the option, given up the opportunity for capital appreciation above the exercise price should the market price of the underlying security (or the currency in which it is denominated) increase, but has retained the risk of loss should the price of the underlying security (currency) decline. The covered put writer also retains the risk of loss should the market value of the underlying security (currency) decline below the exercise price of the option less the premium received on the sale of the option. In both cases, the writer has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver or receive the underlying securities (currency) at the exercise price.

Prior to exercise or expiration, an option position can only be terminated by entering into a closing purchase or sale transaction. If a covered call option writer is unable to effect a closing purchase transaction or to purchase an offsetting over-the-counter option, it cannot sell the underlying security until the option expires or the option is exercised. Accordingly, a covered call option writer may not be able to sell (exchange) an underlying security (currency) at a time when it might otherwise be advantageous to do so. A covered put option writer who is unable to effect a closing purchase transaction or to

purchase an offsetting over-the-counter option would continue to bear the risk of decline in the market price of the underlying security (currency) until the option expires or is exercised. In addition, a covered put writer would be unable to utilize the amount held in cash or U.S. Government or other high grade short-term debt obligations as security for the put option for other investment purposes until the exercise or expiration of the option.

The Fund's ability to close out its position as a writer of an option is dependent upon the existence of a liquid secondary market on option Exchanges. There is no assurance that such a market will exist, particularly in the case of OTC options, as such options will generally only be closed out by entering into a closing purchase transaction with the purchasing dealer. However, the Fund may be able to purchase an offsetting option which does not close out its position as a writer but constitutes an asset of equal value to the obligation under the option written. If the Fund is not able to either enter into a closing purchase transaction or purchase an offsetting position, it will be required to maintain the securities subject to the call, or the collateral underlying the put, even though it might not be advantageous to do so, until a closing transaction can be entered into (or the option is exercised or expires).

Among the possible reasons for the absence of a liquid secondary market on an Exchange are: (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an Exchange; (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities; (iv) interruption of the normal operations on an Exchange; (v) inadequacy of the facilities of an Exchange or the Options Clearing Corporation ("OCC") to handle current trading volume; or (vi) a decision by one or more Exchanges to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that Exchange (or in that class or series of options) would cease to exist, although outstanding options on that Exchange that had been issued by the OCC as a result of trades on that Exchange would generally continue to be exercisable in accordance with their terms.

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Exchanges limit the amount by which the price of a futures contract may move on any day. If the price moves equal the daily limit on successive days, then it may prove impossible to liquidate a futures position until the daily limit moves have ceased. In the event of adverse price movements, the Fund would continue to be required to make daily cash payments of variation margin on open futures positions. In such situations, if the Fund has insufficient cash, it may have to sell portfolio securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. In addition, the Fund may be required to take or make delivery of the instruments underlying interest rate futures contracts it holds at a time when it is disadvantageous to do so. The inability to close out options and futures positions could also have an adverse impact on the Fund's ability to effectively hedge its portfolio.

In the event of the bankruptcy of a broker through which the Fund engages in transactions in options, futures or options thereon, the Fund could experience delays and/or losses in liquidating open positions purchased or sold through the broker and/or incur a loss of all or part of its margin deposits with the broker. Similarly, in the event of the bankruptcy of the writer of an OTC option purchased by the Fund, the Fund could experience a loss of all or part of the value of the option. Transactions are entered into by the Fund only with brokers or financial institutions deemed creditworthy by the Investment Manager.

Each of the Exchanges has established limitations governing the maximum number of call or put options on the same underlying security or futures contract (whether or not covered) which may be written by a single investor, whether acting alone or in concert with others (regardless of whether such options are written on the same or different Exchanges or are held or written on one or more accounts or through one or more brokers). An Exchange may order the liquidation of positions found to be in violation of these limits and it may impose other sanctions or restrictions. These position limits may restrict the number of listed options which the Fund may write.

While the futures contracts and options transactions to be engaged in by the Fund for the purpose of hedging the Fund's portfolio securities are not speculative in nature, there are risks inherent in the use of such instruments. One such risk which may arise in employing futures contracts to protect against the price volatility of portfolio securities is that the prices of securities and indexes subject to futures contracts (and thereby the futures contract prices) may correlate imperfectly with the behavior of the cash prices of the Fund's portfolio securities. Another such risk is that prices of interest rate futures contracts may not move in tandem with the changes in prevailing interest rates against which the Fund seeks a hedge. A correlation may also be distorted by the fact that the futures market is dominated by short-term traders seeking to profit from the difference between a contract or security price objective and their cost of borrowed funds. Such distortions are generally minor and would diminish as the contract approached maturity.

The hours of trading for options may not conform to the hours during which the underlying securities are traded. To the extent that the option markets close before the markets for the underlying securities, significant price and

rate movements can take place in the underlying markets that cannot be reflected in the option markets.

STOCK INDEX OPTIONS. Options on stock indexes are similar to options on stock except that, rather than the right to take or make delivery of stock at a specified price, an option on a stock index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the stock index upon which the option is based is greater than, in the case of a call, or less than, in the case of a put, the exercise price of the option. This amount of cash is equal to such difference between the closing price of the index and the exercise price of the option expressed in dollars times a specified multiple (the "multiplier"). The multiplier for an index option performs a function similar to the unit of trading for a stock option. It determines the total dollar value per contract of each point in the difference between the exercise price of an option and the current level of the underlying index. A multiplier of 100 means that a one-point difference will yield \$100. Options on different indexes may have different multipliers. The writer of the option is obligated, in return for the premium received, to make delivery of this amount.

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Unlike stock options, all settlements are in cash and a gain or loss depends on price movements in the stock market generally (or in a particular segment of the market) rather than the price movements in individual stocks. Currently, options are traded on the S&P 100 Index and the S&P 500 Index on the Chicago Board Options Exchange, the Major Market Index and the Computer Technology Index, Oil Index and Institutional Index on the American Stock Exchange and the NYSE Index and NYSE Beta Index on the New York Stock Exchange, The Financial News Composite Index on the Pacific Stock Exchange and the Value Line Index, National O-T-C Index and Utilities Index on the Philadelphia Stock Exchange, each of which and any similar index on which options are traded in the future which include stocks that are not limited to any particular industry or segment of the market is referred to as a "broadly based stock market index." Options on stock indexes provide the Fund with a means of protecting the Fund against the risk of market wide price movements. If the Investment Manager anticipates a market decline, the Fund could purchase a stock index put option. If the expected market decline materialized, the resulting decrease in the value of the Fund's portfolio would be offset to the extent of the increase in the value of the put option. If the Investment Manager anticipates a market rise, the Fund may purchase a stock index call option to enable the Fund to participate in such rise until completion of anticipated common stock purchases by the Fund. Purchases and sales of stock index options also enable the Investment Manager to more speedily achieve changes in the Fund's equity positions.

The Fund will write put options on stock indexes only if such positions are covered by cash, U.S. Government securities or other high grade debt obligations equal to the aggregate exercise price of the puts, which cover is held for the Fund in a segregated account maintained for it by the Fund's Custodian. All call options on stock indexes written by the Fund will be covered either by a portfolio of stocks substantially replicating the movement of the index underlying the call option or by holding a separate call option on the same stock index with a strike price no higher than the strike price of the call option sold by the Fund.

RISKS OF OPTIONS ON INDEXES. Because exercises of stock index options are settled in cash, call writers such as the Fund cannot provide in advance for their potential settlement obligations by acquiring and holding the underlying securities. A call writer can offset some of the risk of its writing position by holding a diversified portfolio of stocks similar to those on which the underlying index is based. However, most investors cannot, as a practical matter, acquire and hold a portfolio containing exactly the same stocks as the underlying index, and, as a result, bear a risk that the value of the securities held will vary from the value of the index. Even if an index call writer could assemble a stock portfolio that exactly reproduced the composition of the underlying index, the writer still would not be fully covered from a risk standpoint because of the "timing risk" inherent in writing index options. When an index option is exercised, the amount of cash that the holder is entitled to receive is determined by the difference between the exercise price and the closing index level on the date when the option is exercised. As with other kinds of options, the writer will not learn that it has been assigned until the next business day, at the earliest. The time lag between exercise and notice of assignment poses no risk for the writer of a covered call on a specific underlying security, such as a common stock, because there the writer's obligation is to deliver the underlying security, not to pay its value as of a fixed time in the past. So long as the writer already owns the underlying security, it can satisfy its settlement obligations by simply delivering it, and the risk that its value may have declined since the exercise date is borne by the exercising holder. In contrast, even if the writer of an index call holds stocks that exactly match the composition of the underlying index, it will not be able to satisfy its assignment obligations by delivering those stocks against payment of the exercise price. Instead, it will be required to pay cash in an amount based on the closing index value on the exercise date; and by the time it learns that it has been assigned, the index may have declined, with a corresponding decrease in the value of its stock portfolio. This "timing risk" is an inherent limitation on the ability of index call writers to cover their

risk exposure by holding stock positions.

A holder of an index option who exercises it before the closing index value for that day is available runs the risk that the level of the underlying index may subsequently change. If such a change causes the exercised option to fall out-of-the-money, the exercising holder will be required to pay the difference

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between the closing index value and the exercise price of the option (times the applicable multiplier) to the assigned writer.

If dissemination of the current level of an underlying index is interrupted, or if trading is interrupted in stocks accounting for a substantial portion of the value of an index, the trading of options on that index will ordinarily be halted. If the trading of options on an underlying index is halted, an exchange may impose restrictions prohibiting the exercise of such options.

FUTURES CONTRACTS. The Fund may purchase and sell interest rate and stock index futures contracts ("futures contracts") that are traded on U.S. and foreign commodity exchanges on such underlying securities as U.S. Treasury bonds, notes and bills ("interest rate" futures), on the U.S. dollar and foreign currencies, and such indexes as the S&P 500 Index, the Moody's Investment-Grade Corporate Bond Index and the New York Stock Exchange Composite Index ("index" futures).

As a futures contract purchaser, the Fund incurs an obligation to take delivery of a specified amount of the obligation underlying the contract at a specified time in the future for a specified price. As a seller of a futures contract, the Fund incurs an obligation to deliver the specified amount of the underlying obligation at a specified time in return for an agreed upon price.

The Fund will purchase or sell interest rate futures contracts and bond index futures contracts for the purpose of hedging its fixed-income portfolio (or anticipated portfolio) securities against changes in prevailing interest rates. If the Investment Manager anticipates that interest rates may rise and, concomitantly, the price of fixed-income securities fall, the Fund may sell an interest rate futures contract or a bond index futures contract. If declining interest rates are anticipated, the Fund may purchase an interest rate futures contract to protect against a potential increase in the price of U.S. Government securities the Fund intends to purchase. Subsequently, appropriate fixed-income securities may be purchased by the Fund in an orderly fashion; as securities are purchased, corresponding futures positions would be terminated by offsetting sales of contracts.

The Fund will purchase or sell futures contracts on the U.S. dollar and on foreign currencies to hedge against an anticipated rise or decline in the value of the U.S. dollar or foreign currency in which a portfolio security of the Fund is denominated vis-a-vis another currency.

The Fund will purchase or sell stock index futures contracts for the purpose of hedging its equity portfolio (or anticipated portfolio) securities against changes in their prices. If the Investment Manager anticipates that the prices of stock held by the Fund may fall, the Fund may sell a stock index futures contract. Conversely, if the Investment Manager wishes to hedge against anticipated price rises in those stocks which the Fund intends to purchase, the Fund may purchase stock index futures contracts. In addition, interest rate and stock index futures contracts will be bought or sold in order to close out a short or long position in a corresponding futures contract.

Although most interest rate futures contracts call for actual delivery or acceptance of securities, the contracts usually are closed out before the settlement date without the making or taking of delivery. Index futures contracts provide for the delivery of an amount of cash equal to a specified dollar amount times the difference between the stock index value at the open or close of the last trading day of the contract and the futures contract price. A futures contract sale is closed out by effecting a futures contract purchase for the same aggregate amount of the specific type of equity security and the same delivery date. If the sale price exceeds the offsetting purchase price, the seller would be paid the difference and would realize a gain. If the offsetting purchase price exceeds the sale price, the seller would pay the difference and would realize a loss. Similarly, a futures contract purchase is closed out by effecting a futures contract sale for the same aggregate amount of the specific type of equity security and the same delivery date. If the offsetting sale price exceeds the purchase price, the purchaser would realize a gain, whereas if the purchase price exceeds the offsetting sale price, the purchaser would realize a loss. There is no assurance that the Fund will be able to enter into a closing transaction.

INTEREST RATE FUTURES CONTRACTS. When the Fund enters into an interest rate futures contract, it is initially required to deposit with the Fund's Custodian, in a segregated account in the name of the broker

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performing the transaction, an "initial margin" of cash or U.S. Government securities or other high grade short-term debt obligations equal to

approximately 2% of the contract amount. Initial margin requirements are established by the Exchanges on which futures contracts trade and may, from time to time, change. In addition, brokers may establish margin deposit requirements in excess of those required by the Exchanges.

Initial margin in futures transactions is different from margin in securities transactions in that initial margin does not involve the borrowing of funds by a brokers' client but is, rather, a good faith deposit on the futures contract which will be returned to the Fund upon the proper termination of the futures contract. The margin deposits made are marked to market daily and the Fund may be required to make subsequent deposits called "variation margin", with the Fund's Custodian, in the account in the name of the broker, which are reflective of price fluctuations in the futures contract. Currently, interest rates futures contracts can be purchased on debt securities such as U.S. Treasury Bills and Bonds, U.S. Treasury Notes with maturities between 6 1/2 and 10 years, GNMA Certificates and Bank Certificates of Deposit.

INDEX FUTURES CONTRACTS. The Fund may invest in index futures contracts. An index futures contract sale creates an obligation by the Fund, as seller, to deliver cash at a specified future time. An index futures contract purchase would create an obligation by the Fund, as purchaser, to take delivery of cash at a specified future time. Futures contracts on indexes do not require the physical delivery of securities, but provide for a final cash settlement on the expiration date which reflects accumulated profits and losses credited or debited to each party's account.

The Fund is required to maintain margin deposits with brokerage firms through which it effects index futures contracts in a manner similar to that described above for interest rate futures contracts. Currently, the initial margin requirement is approximately 5% of the contract amount for index futures. In addition, due to current industry practice, daily variations in gains and losses on open contracts are required to be reflected in cash in the form of variation margin payments. The Fund may be required to make additional margin payments during the term of the contract.

At any time prior to expiration of the futures contract, the Fund may elect to close the position by taking an opposite position which will operate to terminate the Fund's position in the futures contract. A final determination of variation margin is then made, additional cash is required to be paid by or released to the Fund and the Fund realizes a loss or a gain.

Currently, index futures contracts can be purchased or sold with respect to, among others, the Standard & Poor's 500 Stock Price Index and the Standard & Poor's 100 Stock Price Index on the Chicago Mercantile Exchange, the New York Stock Exchange Composite Index on the New York Futures Exchange, the Major Market Index on the American Stock Exchange, the Moody's Investment-Grade Corporate Bond Index on the Chicago Board of Trade and the Value Line Stock Index on the Kansas City Board of Trade.

OPTIONS ON FUTURES CONTRACTS. The Fund may purchase and write call and put options on futures contracts and enter into closing transactions with respect to such options to terminate an existing position. An option on a futures contract gives the purchaser the right (in return for the premium paid), and the writer the obligation, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put) at a specified exercise price at any time during the term of the option. Upon exercise of the option, the delivery of the futures position by the writer of the option to the holder of the option is accompanied by delivery of the accumulated balance in the writer's futures margin account, which represents the amount by which the market price of the futures contract at the time of exercise exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the futures contract.

The Fund will purchase and write options on futures contracts for identical purposes to those set forth above for the purchase of a futures contract (purchase of a call option or sale of a put option) and the sale of a futures contract (purchase of a put option or sale of a call option), or to close out a long or

short position in futures contracts. If, for example, the Investment Manager wished to protect against an increase in interest rates and the resulting negative impact on the value of a portion of its fixed-income portfolio, it might write a call option on an interest rate futures contract, the underlying security of which correlates with the portion of the portfolio the Investment Manager seeks to hedge. Any premiums received in the writing of options on futures contracts may, of course, augment the total return of the Fund and thereby provide a further hedge against losses resulting from price declines in portions of the Fund's portfolio.

The writer of an option on a futures contract is required to deposit initial and variation margin pursuant to requirements similar to those applicable to futures contracts. Premiums received from the writing of an option on a futures contract are included in initial margin deposits.

LIMITATIONS ON FUTURES CONTRACTS AND OPTIONS ON FUTURES. The Fund may not enter into futures contracts or purchase related options thereon if, immediately thereafter, the amount committed to margin plus the amount paid for premiums for unexpired options on futures contracts exceeds 5% of the value of the Fund's total assets, after taking into account unrealized gains and unrealized losses on such contracts it has entered into, provided, however, that in the case of an option that is in-the-money (the exercise price of the call (put) option is less (more) than the market price of the underlying security) at the time of purchase, the in-the-money amount may be excluded in calculating the 5%. However, there is no overall limitation on the percentage of the Fund's assets which may be subject to a hedge position. In addition, in accordance with the regulations of the Commodity Futures Trading Commission ("CFTC") under which the Fund is exempted from registration as a commodity pool operator, the Fund may only enter into futures contracts and options on futures contracts transactions for purposes of hedging a part or all of its portfolio. If the CFTC changes its regulations so that the Fund would be permitted to write options on futures contracts for purposes other than hedging the Fund's investments without CFTC registration, the Fund may engage in such transactions for those purposes. Except as described above, there are no other limitations on the use of futures and options thereon by the Fund.

RISKS OF TRANSACTIONS IN FUTURES CONTRACTS AND RELATED OPTIONS. The Fund may sell a futures contract to protect against the decline in the value of securities held by the Fund. However, it is possible that the futures market may advance and the value of securities held in the portfolio of the Fund may decline. If this occurred, the Fund would lose money on the futures contract and also experience a decline in value of its portfolio securities. However, while this could occur for a very brief period or to a very small degree, over time the value of a diversified portfolio will tend to move in the same direction as the futures contracts.

If the Fund purchases a futures contract to hedge against the increase in value of securities it intends to buy, and the value of such securities decreases, then the Fund may determine not to invest in the securities as planned and will realize a loss on the futures contract that is not offset by a reduction in the price of the securities.

In addition, if the Fund holds a long position in a futures contract or has sold a put option on a futures contract, it will hold cash, U.S. Government securities or other high grade debt obligations equal to the purchase price of the contract or the exercise price of the put option (less the amount of initial or variation margin on deposit) in a segregated account maintained for the Fund by its Custodian. Alternatively, the Fund could cover its long position by purchasing a put option on the same futures contract with an exercise price as high or higher than the price of the contract held by the Fund.

If the Fund maintains a short position in a futures contract or has sold a call option on a futures contract, it will cover this position by holding, in a segregated account maintained at its Custodian, cash, U.S. Government securities or other high grade debt obligations equal in value (when added to any initial or variation margin on deposit) to the market value of the securities underlying the futures contract or the exercise price of the option. Such a position may also be covered by owning the securities underlying the futures contract (in the case of a stock index futures contract a portfolio of securities substantially replicating the relevant index), or by holding a call option permitting the Fund to purchase the same contract at a price no higher than the price at which the short position was established.

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Exchanges may limit the amount by which the price of futures contracts may move on any day. If the price moves equal the daily limit on successive days, then it may prove impossible to liquidate a futures position until the daily limit moves have ceased.

The extent to which the Fund may enter into transactions involving options and futures contracts may be limited by the Internal Revenue Code's requirements for qualification as a regulated investment company and the Fund's intention to qualify as such. See "Dividends, Distributions and Taxes" in the Prospectus and the Statement of Additional Information.

There may exist an imperfect correlation between the price movements of futures contracts purchased by the Fund and the movements in the prices of the securities which are the subject of the hedge. If participants in the futures market elect to close out their contracts through offsetting transactions rather than meet margin deposit requirements, distortions in the normal relationship between the debt securities and futures markets could result. Price distortions could also result if investors in futures contracts opt to make or take delivery of underlying securities rather than engage in closing transactions due to the resultant reduction in the liquidity of the futures market. In addition, due to the fact that, from the point of view of speculators, the deposit requirements in the futures markets are less onerous than margin requirements in the cash market, increased participation by speculators in the futures market could cause temporary price distortions. Due to the possibility of price distortions in the futures market and because of the imperfect correlation between movements in the prices of securities and movements in the prices of futures contracts, a correct

forecast of interest rate trends by the Investment Manager may still not result in a successful hedging transaction.

There is no assurance that a liquid secondary market will exist for futures contracts and related options in which the Fund may invest. In the event a liquid market does not exist, it may not be possible to close out a futures position, and in the event of adverse price movements, the Fund would continue to be required to make daily cash payments of variation margin. In addition, limitations imposed by an exchange or board of trade on which futures contracts are traded may compel or prevent the Fund from closing out a contract which may result in reduced gain or increased loss to the Fund. The absence of a liquid market in futures contracts might cause the Fund to make or take delivery of the underlying securities at a time when it may be disadvantageous to do so.

Compared to the purchase or sale of futures contracts, the purchase of call or put options on futures contracts involves less potential risk to the Fund because the maximum amount at risk is the premium paid for the options (plus transaction costs). However, there may be circumstances when the purchase of a call or put option on a futures contract would result in a loss to the Fund notwithstanding that the purchase or sale of a futures contract would not result in a loss, as in the instance where there is no movement in the prices of the futures contract or underlying securities.

The Investment Manager has substantial experience in the use of the investment techniques described above under the heading "Options and Futures Transactions," which techniques require skills different from those needed to select the portfolio securities underlying various options and futures contracts.

PORTFOLIO TURNOVER

It is anticipated that the Fund's portfolio turnover rate will not exceed 100%. A 100% turnover rate would occur, for example, if 100% of the securities held in the Fund's portfolio (excluding all securities whose maturities at acquisition were one year or less) were sold and replaced within one year.

INVESTMENT RESTRICTIONS

In addition to the investment restrictions enumerated in the Prospectus, the investment restrictions listed below have been adopted by the Fund as fundamental policies, except as otherwise indicated. Under the Act, a fundamental policy may not be changed without the vote of a majority of the outstanding voting securities of the Fund, as defined in the Act. Such a majority is defined as the lesser of (a) 67%

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or more of the shares present at a meeting of shareholders, if the holders of 50% of the outstanding shares of the Fund are present or represented by proxy or (b) more than 50% of the outstanding shares of the Fund.

The Fund may not:

1. Purchase or sell real estate or interests therein, although the Fund may purchase securities of issuers which engage in real estate operations and securities secured by real estate or interests therein.

2. Purchase oil, gas or other mineral leases, rights or royalty contracts or exploration or development programs, except that the Fund may invest in the securities of companies which operate, invest in, or sponsor such programs.

3. Borrow money, except that the Fund, (i) may borrow from a bank for temporary or emergency purposes and (ii) may engage in reverse repurchase agreements and dollar rolls, in amounts not exceeding 5% (taken at the lower of cost or current value) of its total assets (not including the amount borrowed).

4. Pledge its assets or assign or otherwise encumber them except to secure borrowings effected within the limitations set forth in restriction (3). For the purpose of this restriction, collateral arrangements with respect to the writing of options and collateral arrangements with respect to initial or variation margin for futures are not deemed to be pledges of assets.

5. Issue senior securities as defined in the Act, except insofar as the Fund may be deemed to have issued a senior security by reason of (a) entering into any repurchase or reverse repurchase agreement; (b) purchasing any securities on a when-issued or delayed delivery basis; (c) purchasing or selling futures contracts, forward foreign exchange contracts or options; (d) borrowing money in accordance with restrictions described above; or (e) lending portfolio securities.

6. Make loans of money or securities, except: (a) by the purchase of publicly distributed debt obligations in which the Fund may invest

consistent with its investment objective and policies; (b) by investment in repurchase agreements; or (c) by lending its portfolio securities.

7. Make short sales of securities.

8. Purchase securities on margin, except for such short-term loans as are necessary for the clearance of portfolio securities. The deposit or payment by the Fund of initial or variation margin in connection with futures contracts or related options thereon is not considered the purchase of a security on margin.

9. Engage in the underwriting of securities, except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933 in disposing of a portfolio security.

10. Invest for the purpose of exercising control or management of any other issuer.

11. Purchase securities of other investment companies, except in connection with a merger, consolidation, reorganization or acquisition of assets or in accordance with the provisions of Section 12(d) of the Act and any Rules promulgated thereunder.

12. Purchase or sell commodities or commodities contracts except that the Fund may purchase or sell futures contracts or options on futures.

In addition, as a nonfundamental policy, the Fund may not invest in securities of any issuer if, to the knowledge of the Fund, any officer or trustee of the Fund or any officer or director of the Investment Manager owns more than 1/2 of 1% of the outstanding securities of such issuer, and such officers, trustees and directors who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuers.

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If a percentage restriction is adhered to at the time of investment, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total or net assets will not be considered a violation of any of the foregoing restrictions.

PORTFOLIO TRANSACTIONS AND BROKERAGE

Subject to the general supervision of the Trustees, the Investment Manager and the Sub-Advisor are responsible for decisions to buy and sell securities for the Fund, the selection of brokers and dealers to effect the transactions, and the negotiation of brokerage commissions, if any. Purchases and sales of securities on a stock exchange are effected through brokers who charge a commission for their services. In the over-the-counter market, securities are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission, although the price of the security usually includes a profit to the dealer. The Fund expects that securities will be purchased at times in underwritten offerings where the price includes a fixed amount of compensation, generally referred to as the underwriter's concession or discount. Options and futures transactions will usually be effected through a broker and a commission will be charged. On occasion, the Fund may also purchase certain money market instruments directly from an issuer, in which case no commissions or discounts are paid. The Fund paid \$656,630 in brokerage commissions during the fiscal period July 29, 1994 (commencement of operations) through May 31, 1995.

The Investment Manager and the Sub-Advisor currently serve as investment advisors to a number of clients, including other investment companies, and may in the future act as investment adviser to others. It is the practice of the Investment Manager and the Sub-Advisor to cause purchase and sale transactions to be allocated among the Fund and others whose assets it manages in such manner as it deems equitable. In making such allocations among the Fund and other client accounts, the main factors considered are the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment, the size of investment commitments generally held and the opinions of the persons responsible for managing the portfolios of the Fund and other client accounts.

The policy of the Fund regarding purchases and sales of securities for its portfolio is that primary consideration will be given to obtaining the most favorable prices and efficient executions of transactions. Consistent with this policy, when securities transactions are effected on a stock exchange, the Fund's policy is to pay commissions which are considered fair and reasonable without necessarily determining that the lowest possible commissions are paid in all circumstances. The Fund believes that a requirement always to seek the lowest possible commission cost could impede effective portfolio management and preclude the Fund and the Investment Manager and the Sub-Advisor from obtaining a high quality of brokerage and research services. In seeking to determine the reasonableness of brokerage commissions paid in any transaction, the Investment

Manager and the Sub-Advisor rely upon its experience and knowledge regarding commissions generally charged by various brokers and on its judgment in evaluating the brokerage and research services received from the broker effecting the transaction. Such determinations are necessarily subjective and imprecise, and in most cases an exact dollar value for those services is not ascertainable.

The Fund anticipates that certain of its transactions involving foreign securities will be effected on foreign securities exchanges. Fixed commissions on such transactions are generally higher than negotiated commissions on domestic transactions. There is also generally less government supervision and regulation of foreign securities exchanges and brokers than in the United States.

In seeking to implement the Fund's policies, the Investment Manager and the Sub-Advisor effect transactions with those brokers and dealers who the Investment Manager and the Sub-Advisor believe provide the most favorable prices and are capable of providing efficient executions. If the Investment Manager and/or the Sub-Advisor believe such prices and executions are obtainable from more than one broker or dealer, it may give consideration to placing portfolio transactions with those brokers and dealers who also furnish research and other services to the Fund or the Investment Manager and/or the

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Sub-Advisor. Such services may include, but are not limited to, any one or more of the following: information as to the availability of securities for purchase or sale; statistical or factual information or opinions pertaining to investment; wire services; and appraisals or evaluations of portfolio securities.

The information and services received by the Investment Manager and the Sub-Advisor from brokers and dealers may be of benefit to them in the management of accounts of some of their other clients and may not in all cases benefit the Fund directly. While the receipt of such information and services is useful in varying degrees and would generally reduce the amount of research or services otherwise performed by the Investment Manager and/or the Sub-Advisor and thereby reduce their expenses, it is of indeterminable value and the fees paid to the Investment Manager and the Sub-Advisor are not reduced by any amount that may be attributable to the value of such services.

Pursuant to an order of the Securities and Exchange Commission, the Fund may effect principal transactions in certain money market instruments with DWR. The Fund will limit its transactions with DWR to U.S. Government and Government Agency Securities, Bank Money Instruments (i.e., Certificates of Deposit and Bankers' Acceptances) and Commercial Paper. Such transactions will be effected with DWR only when the price available from DWR is better than that available from other dealers.

Consistent with the policy described above, brokerage transactions in securities listed on exchanges or admitted to unlisted trading privileges may be effected through DWR and/or affiliated broker-dealers of the Sub-Advisor, i.e.; Morgan Grenfell Asia and Partners Securities Pte. Limited and Morgan Grenfell Asia Securities (Hong Kong Limited). In order for these broker-dealers to effect any portfolio transactions for the Fund, the commissions, fees or other remuneration received by them must be reasonable and fair compared to the commissions, fees or other remuneration paid to other brokers in connection with comparable transactions involving similar securities being purchased or sold on an exchange during a comparable period of time. This standard would allow DWR to receive no more than the remuneration which would be expected to be received by an unaffiliated broker in a commensurate arm's-length transaction. Furthermore, the Board of Trustees of the Fund, including a majority of the Trustees who are not "interested" persons of the Fund, as defined in the Act, have adopted procedures which are reasonably designed to provide that any commissions, fees or other remuneration paid to DWR and affiliates of the Sub-Advisor are consistent with the foregoing standard. The Fund does not reduce the management fee it pays to the Investment Manager by any amount of the brokerage commissions it may pay to DWR. The Fund paid affiliated broker-dealers of the Sub-Advisor \$815 (0.12% of its brokerage commissions) during the fiscal period ended May 31, 1995 to effect transactions totalling \$163,912 (0.10% of all transactions) on which brokerage commissions were paid.

THE DISTRIBUTOR

As discussed in the Prospectus, shares of the Fund are distributed by Dean Witter Distributors Inc. (the "Distributor"). The Distributor has entered into a dealer agreement with DWR, which through its own sales organization sells shares of the Fund. In addition, the Distributor may enter into similar agreements with other selected dealers ("Selected Broker-Dealers"). The Distributor, a Delaware corporation, is a wholly-owned subsidiary of DWDC. The Trustees of the Fund, including a majority of the Trustees who are not, and were not at the time they voted, interested persons of the Fund, as defined in the Act (the "Independent

Trustees"), approved, at their meeting held on May 10, 1994, a Distribution Agreement (the "Distribution Agreement") appointing the Distributor exclusive distributor of the Fund's shares and providing for the Distributor to bear distribution expenses not borne by the Fund. By its terms, the Distribution Agreement continues until April 30, 1995, and provides that it will remain in effect from year to year thereafter if approved by the Board. At their meeting held on April 20, 1995, the Trustees of the Fund, including all of the Independent Trustees, approved the continuation of the Distribution Agreement until April 30, 1996.

The Distributor bears all expenses it may incur in providing services under the Distribution Agreement. Such expenses include the payment of commissions for sales of the Fund's shares and incentive compensation to account executives. The Distributor also pays certain expenses in connection with the

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distribution of the Fund's shares, including the costs of preparing, printing and distributing advertising or promotional materials, and the costs of printing and distributing prospectuses and supplements thereto used in connection with the offering and sale of the Fund's shares. The Fund bears the costs of initial typesetting, printing and distribution of prospectuses and supplements thereto to shareholders. The Fund also bears the costs of registering the Fund and its shares under federal and state securities laws. The Fund and the Distributor have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933, as amended. Under the Distribution Agreement, the Distributor uses its best efforts in rendering services to the Fund, but in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations, the Distributor is not liable to the Fund or any of its shareholders for any error of judgment or mistake of law or for any act or omission or for any losses sustained by the Fund or its shareholders.

PLAN OF DISTRIBUTION

To compensate the Distributor for the services it or any selected dealer provides and for the expenses it bears under the Distribution Agreement, the Fund has adopted a Plan of Distribution pursuant to Rule 12b-1 under the Act (the "Plan") pursuant to which the Fund pays the Distributor compensation accrued daily and payable monthly at the annual rate of 1.0% of the lesser of: (a) the average daily aggregate gross sales of the Fund's shares since the inception of the Fund (not including reinvestments of dividends or capital gains distributions), less the average daily aggregate net asset value of the Fund's shares redeemed since the Fund's inception upon which a contingent deferred sales charge has been imposed or upon which such charge has been waived; or (b) the Fund's average daily net assets. The Distributor receives the proceeds of contingent deferred sales charges imposed on certain redemptions of shares, which are separate and apart from payments made pursuant to the Plan. The Distributor has informed the Fund that it received approximately \$240,661 in contingent deferred sales charges during the fiscal period ended May 31, 1994.

The Distributor has informed the Fund that an amount of the fees payable by the Fund each year pursuant to the Plan of Distribution equal to 0.25% of the Fund's average daily net assets is characterized as a "service fee" under the Rules of Fair Practice of the National Association of Securities Dealers, Inc. (of which the Distributor is a member). Such fee is a payment made for personal service and/or the maintenance of shareholder accounts. The remaining portion of the Plan of Distribution fee payments made by the Fund is characterized as an "asset-based sales charge" as such is defined by the aforementioned Rules of Fair Practice.

The Plan was adopted by a vote of the Trustees of the Fund on May 10, 1994, at a meeting of the Trustees called for the purpose of voting on such Plan. The vote included the vote of a majority of the Trustees of the Fund who are not "interested persons" of the Fund (as defined in the Act) and who have no direct or indirect financial interest in the operation of the Plan (the "Independent 12b-1 Trustees"). In making their decision to adopt the Plan, the Trustees requested from the Distributor and received such information as they deemed necessary to make an informed determination as to whether or not adoption of the Plan was in the best interests of the shareholders of the Fund. After due consideration of the information received, the Trustees, including the Independent 12b-1 Trustees, determined that adoption of the Plan would benefit the shareholders of the Fund. InterCapital, as sole shareholder of the Fund, approved the Plan on June 2, 1994, whereupon the Plan went into effect.

Under its terms, the Plan continued in effect until April 30, 1995 and will remain in effect from year to year thereafter, provided such continuance is approved annually by a vote of the Trustees in the manner described above. At their meeting held on April 20, 1995, the Trustees, including a majority of the Independent Trustees, approved the continuation of the Plan until April 30, 1996. Under the Plan and as required by Rule 12b-1, the Trustees will receive and review promptly after the end of each fiscal quarter a written report provided by the Distributor of the amounts expended by the Distributor under the

Plan and the purpose for which such expenditures were made.

Pursuant to the Plan and as required by Rule 12b-1, the Trustees will receive and review promptly after the end of each calendar quarter a written report provided by the Distributor of the amounts

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expended by the Distributor under the Plan and the purpose for which such expenditures were made. The Fund accrued \$781,755 payable to the Distributor, under the Plan, for the fiscal period July 29, 1994 through May 31, 1995. This is an accrual at an annual rate of 1.0% of the average daily net assets of the Fund for the fiscal year and was calculated pursuant to clause (b) under the Plan. This 12b-1 fee is treated by the Fund as an expense in the year it is accrued.

The Plan was adopted in order to permit the implementation of the Fund's method of distribution. Under this distribution method shares of the Fund are sold without a sales load being deducted at the time of purchase, so that the full amount of an investor's purchase payment will be invested in shares without any deduction for sales charges. Shares of the Fund may be subject to a contingent deferred sales charge, payable to the Distributor, if redeemed during the six years after their purchase. DWR compensates its account executives by paying them, from its own funds, commissions for the sale of the Fund's shares, currently a gross sales credit of up to 5% of the amount sold and an annual residual commission of up to 0.25 of 1% of the current value (not including reinvested dividends or distributions) of the amount sold. The gross sales credit is a charge which reflects commissions paid by DWR to its account executives and Fund associated distribution-related expenses, including sales compensation and overhead. The distribution fee that the Distributor receives from the Fund under the Plan, in effect, offsets distribution expenses incurred on behalf of the Fund and opportunity costs, such as the gross sales credit and an assumed interest charge thereon ("carrying charge"). In the Distributor's reporting of the distribution expenses to the Fund, such assumed interest (computed at the "broker's call rate") has been calculated on the gross sales credit as it is reduced by amounts received by the Distributor under the Plan and any contingent deferred sales charges received by the Distributor upon redemption of shares of the Fund. No other interest charge is included as a distribution expense in the Distributor's calculation of its distribution costs for this purpose. The broker's call rate is the interest rate charged to securities brokers on loans secured by exchange-listed securities.

The Fund paid 100% of the \$781,755 accrued under the Plan for the fiscal period ended May 31, 1995 to the Distributor. The Distributor estimates it has spent, pursuant to the Plan, \$6,910,604 on behalf of the Fund since the inception of the Plan. It is estimated that this amount was spent in approximately the following ways: (i) 12.58% (\$869,303)--advertising and promotional expenses; (ii) 1.75% (\$120,812)--printing of prospectuses for distribution to other than current stockholders; and (iii) 85.67% (\$5,920,489)--other expenses, including the gross sales credit and the carrying charges of which 3.61% (\$214,014) represents carrying charges, 38.46% (\$2,276,884) represents commission credits to DWR branch offices for payments of commissions to account executives and 57.93% (\$3,429,591) represents overhead and other branch office distribution-related expenses. The term "overhead and other branch office distribution-related expenses" represents (a) the expenses of operating DWR's branch offices in connection with the sale of the Fund shares, including lease costs, the salaries and employee benefits of operations and sales support personnel, utility costs, communications costs and the costs of stationery and supplies; (b) the costs of client sales seminars; (c) travel expenses of Mutual Fund sales coordinators to promote the sale of Fund shares; and (d) other expenses relating to branch promotion of Fund share sales.

At any given time, the expenses in distributing shares of the Fund may be more or less than the total of (i) the payments made by the Fund pursuant to the Plan and (ii) the proceeds of contingent deferred sales charges paid by investors upon redemption of shares. Because there is no requirement under the Plan that the Distributor be reimbursed for all expenses or any requirement that the Plan be continued from year to year, this excess amount does not constitute a liability of the Fund. Although there is no legal obligation for the Fund to pay distribution expenses in excess of payments made under the Plan and the proceeds of contingent deferred sales charges paid by investors upon redemption of shares, if for any reason the Plan is terminated, the Trustees will consider at that time the manner in which to treat such expenses. Any cumulative expenses incurred, but not yet recovered through distribution fees or contingent deferred sales charges, may or may not be recovered through future distribution fees or contingent deferred sales charges.

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No interested person of the Fund nor any Trustee of the Fund who is not an interested person of the Fund, as defined in the Act, has any direct or indirect financial interest in the operation of the Plan except to the extent that the

Distributor, InterCapital, DWSC and DWR or certain of their employees may be deemed to have such an interest as a result of benefits derived from the successful operation of the Plan or as a result of receiving a portion of the amounts expended thereunder by the Fund.

The Plan may not be amended to increase materially the amount to be spent for the services described therein without approval of the shareholders of the Fund, and all material amendments of the Plan must also be approved by the Trustees in the manner described above. The Plan may be terminated at any time, without payment of any penalty, by vote of a majority of the Independent 12b-1 Trustees or by a vote of a majority of the outstanding voting securities of the Fund (as defined in the Act) on not more than thirty days' written notice to any other party to the Plan. So long as the Plan is in effect, the election and nomination of Independent Trustees shall be committed to the discretion of the Independent Trustees.

DETERMINATION OF NET ASSET VALUE

The net asset value per share of the Fund is determined once daily at 4:00 p.m. New York time on each day that the New York Stock Exchange is open (or, on days when the New York Stock Exchange closes prior to 4:00 p.m., at such earlier time), and on each other day in which there is a sufficient degree of trading in the Fund's investments to affect the net asset value, except that the net asset value may not be computed on a day on which no orders to purchase, or tenders to sell or redeem, Fund shares have been received by taking the value of all assets of the Fund, subtracting its liabilities, dividing by the number of shares outstanding and adjusting to the nearest cent. The New York Stock Exchange currently observes the following holidays: New Year's Day; President's Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day.

As stated in the Prospectus, short-term securities with remaining maturities of 60 days or less at the time of purchase are valued at amortized cost, unless the Trustees determine such does not reflect the securities' market value, in which case these securities will be valued at their fair value as determined by the Trustees. Other short-term debt securities will be valued on a mark-to-market basis until such time as they reach a remaining maturity of 60 days, whereupon they will be valued at amortized cost using their value on the 61st day unless the Trustees determine such does not reflect the securities' market value, in which case these securities will be valued at their fair value as determined by the Trustees. Listed options on debt securities are valued at the latest sale price on the exchange on which they are listed unless no sales of such options have taken place that day, in which case they will be valued at the mean between their latest bid and asked prices. Unlisted options on debt securities and all options on equity securities are valued at the mean between their latest bid and asked prices. Futures are valued at the latest sale price on the commodities exchange on which they trade unless the Trustees determine that such price does not reflect their market value, in which case they will be valued at their fair value as determined by the Trustees. All other securities and other assets are valued at their fair value as determined in good faith under procedures established by and under the supervision of the Trustees.

Generally, trading in foreign securities, as well as corporate bonds, United States government securities and money market instruments, is substantially completed each day at various times prior to the close of the New York Stock Exchange. The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates are also generally determined prior to the close of the New York Stock Exchange. Occasionally, events which affect the values of such securities and such exchange rates may occur between the times at which they are determined and the close of the New York Stock Exchange and will therefore not be reflected in the computation of the Fund's net asset value. If events materially affecting the value of such securities occur during such period, then these securities will be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Trustees.

SHAREHOLDER SERVICES

Upon the purchase of shares of the Fund, a Shareholder Investment Account is opened for the investor on the books of the Fund and maintained by the Fund's transfer agent, Dean Witter Trust Company (the "Transfer Agent"). This is an open account in which shares owned by the investor are credited by the Transfer Agent in lieu of issuance of a share certificate. If a share certificate is desired, it must be requested in writing for each transaction. Certificates are issued only for full shares and may be redeposited in the account at any time. There is no charge to the investor for issuance of a certificate. Whenever a shareholder instituted transaction takes place in the Shareholder Investment Account, the shareholder will be mailed a confirmation of the transaction from the Fund or from DWR or other selected broker-dealer.

AUTOMATIC INVESTMENT OF DIVIDENDS AND DISTRIBUTIONS. As stated in the Prospectus, all income dividends and capital gains distributions are automatically paid in full and fractional shares of the Fund, unless the shareholder requests that they be paid in cash. Each purchase of shares of the Fund is made upon the condition that the Transfer Agent is thereby automatically appointed as agent of the investor to receive all dividends and capital gains distributions on shares owned by the investor. Such dividends and distributions will be paid, at the net asset value per share, in shares of the Fund (or in cash if the shareholder so requests) as of the close of business on the record date. At any time an investor may request the Transfer Agent, in writing, to have subsequent dividends and/or capital gains distributions paid to him or her in cash rather than shares. To assure sufficient time to process the charge, such request should be received by the Transfer Agent at least five business days prior to the record date of the dividend or distribution. In the case of recently purchased shares for which registration instructions have not been received on the record date, cash payments will be made to the Distributor, which will be forwarded to the shareholder, upon the receipt of proper instructions.

TARGETED DIVIDENDS.-SM- In states where it is legally permissible, shareholders may also have all income dividends and capital gains distributions automatically invested in shares of a Dean Witter Fund other than Dean Witter International Small-Cap Fund. Such investment will be made as described above for automatic investment in shares in shares of the Fund, at the net asset value per share of the selected Dean Witter Fund as of the close of business on the payment date of the dividend or distribution and will begin to earn dividends, if any, in the selected Dean Witter Fund the next business day. Shareholders of Dean Witter International SmallCap Fund must be shareholders of the Dean Witter Fund targeted to receive investments from dividends at the time they enter the Targeted Dividends program. Investors should review the prospectus of the targeted Dean Witter Fund before entering the program.

EASYINVEST.-SM- Shareholders may subscribe to EasyInvest, an automatic purchase plan which provides for any amount from \$100 to \$5,000 to be transferred automatically from a checking or savings account, on a semi-monthly, monthly or quarterly basis, to the Transfer Agent for investment in shares of the Fund. Shares purchased through EasyInvest will be added to the shareholder's existing account at the net asset value calculated the same business day the transfer of funds is effected. For further information or to subscribe to EasyInvest, shareholders should contact their DWR or other selected broker-dealer account executive or the Transfer Agent.

INVESTMENT OF DIVIDENDS OR DISTRIBUTIONS RECEIVED IN CASH. As discussed in the Prospectus, any shareholder who receives a cash payment representing a dividend or distribution may invest such dividend or distribution at the net asset value next determined after receipt by the Transfer Agent, without the imposition of a contingent deferred sales charge upon redemption, by returning the check or the proceeds to the Transfer Agent within thirty days after the payment date. If the shareholder returns the proceeds of a dividend or distribution, such funds must be accompanied by a signed statement indicating that the proceeds constitute a dividend or distribution to be invested. Such investment will be made at the net asset value per share next determined after receipt of the check or proceeds by the Transfer Agent.

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SYSTEMATIC WITHDRAWAL PLAN. As discussed in the Prospectus, a systematic withdrawal plan (the "Withdrawal Plan") is available for shareholders who own or purchase shares of the Fund having a minimum value of \$10,000 based upon the then current net asset value. The Withdrawal Plan provides for monthly or quarterly (March, June, September and December) checks in any dollar amount, not less than \$25, or in any whole percentage of the account balance, on an annualized basis. Any applicable contingent deferred sales charge will be imposed on shares redeemed under the Withdrawal Plan (see "Redemptions and Repurchases--Contingent Deferred Sales Charge" in the Prospectus). Therefore, any shareholder participating in the Withdrawal Plan will have sufficient shares redeemed from his or her account so that the proceeds (net of any applicable deferred sales charge) to the shareholder will be the designated monthly or quarterly amount.

The Transfer Agent acts as an agent for the shareholder in tendering to the Fund for redemption sufficient full and fractional shares to provide the amount of the periodic withdrawal payment designated in the application. The shares will be redeemed at their net asset value determined, at the shareholder's option, on the tenth or twenty-fifth day (or next following business day) of the relevant month or quarter and normally a check for the proceeds will be mailed by the Transfer Agent within five business days after the date of redemption. The Withdrawal Plan may be terminated at any time by the Fund.

Withdrawal Plan payments should not be considered as dividends, yields or income. If periodic withdrawal plan payments continuously exceed net investment income and net capital gains, the shareholder's original investment will be correspondingly reduced and ultimately exhausted.

Each withdrawal constitutes a redemption of shares and any gain or loss realized must be recognized for Federal income tax purposes. Although the

shareholder may make additional investments of \$2,500 or more under the Withdrawal Plan, withdrawals made concurrently with purchases of additional shares may be inadvisable because of the contingent deferred sales charge applicable to the redemption of shares purchased during the preceding six years (see "Redemptions and Repurchases-- Contingent Deferred Sales Charge").

Any shareholder who wishes to have payments under the Withdrawal Plan made to a third party or sent to an address other than the one listed on the account must send complete written instructions to the Transfer Agent to enroll in the Withdrawal Plan. The shareholder's signature on such instructions must be guaranteed by an eligible guarantor acceptable to the Transfer Agent (shareholders should contact the Transfer Agent for a determination as to whether a particular institution is such an eligible guarantor). A shareholder may, at any time, change the amount and interval of withdrawal payments through his or her Account Executive or by written nomination to the Transfer Agent. In addition, the party and/or the address to which the checks are mailed may be changed by written notification to the Transfer Agent, with signature guarantees required in the manner described above. The shareholder may also terminate the Withdrawal Plan at any time by written notice to the Transfer Agent. In the event of such termination, the account will be continued as a regular shareholder investment account. The shareholder may also redeem all or part of the shares held in the Withdrawal Plan account (see "Redemptions and Repurchases" in the Prospectus) at any time.

DIRECT INVESTMENTS THROUGH TRANSFER AGENT. As discussed in the Prospectus, a shareholder may make additional investments in Fund shares at any time by sending a check in any amount, not less than \$100, payable to Dean Witter International Small-Cap Fund, directly to the Fund's Transfer Agent. Such amounts will be applied to the purchase of Fund shares at the net asset value per share next computed after receipt of the check or purchase payment by the Transfer Agent. The shares so purchased will be credited to the investor's account.

EXCHANGE PRIVILEGE

As discussed in the Prospectus, the Fund makes available to its shareholders an Exchange Privilege whereby shareholders of the Fund may exchange their shares for shares of other Dean Witter Funds sold with a contingent deferred sales charge ("CDSC funds"), and for shares of Dean Witter Short-Term U.S. Treasury Trust, Dean Witter Limited Term Municipal Trust, Dean Witter Short-Term Bond Fund, Dean

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Witter Balanced Income Fund, Dean Witter Balanced Growth Fund and five Dean Witter Funds which are money market funds (the foregoing ten non-CDSC funds are hereinafter referred to as the "Exchange Funds"). Exchanges may be made after the shares of the Fund acquired by purchase (not by exchange or dividend reinvestment) have been held for thirty days. There is no waiting period for exchanges of shares acquired by exchange or dividend reinvestment. An exchange will be treated for federal income tax purposes the same as a repurchase or redemption of shares, on which the shareholder may realize a capital gain or loss.

Any new account established through the Exchange Privilege will have the same registration and cash dividend or dividend reinvestment plan as the present account, unless the Transfer Agent receives written notification to the contrary. For telephone exchanges, the exact registration of the existing account and the account number must be provided.

Any shares held in certificate form cannot be exchanged but must be forwarded to the Transfer Agent and deposited into the shareholder's account before being eligible for exchange. (Certificates mailed in for deposit should not be endorsed.)

As described below, and in the Prospectus under the captions "Exchange Privilege" and "Contingent Deferred Sales Charge", a contingent deferred sales charge ("CDSC") may be imposed upon a redemption, depending on a number of factors, including the number of years from the time of purchase until the time of redemption or exchange ("holding period"). When shares of the Fund or any other CDSC fund are exchanged for shares of an Exchange Fund, the exchange is executed at no charge to the shareholder, without the imposition of the CDSC at the time of the exchange. During the period of time the shareholder remains in the Exchange Fund (calculated from the last day of the month in which the Exchange Fund shares were acquired), the holding period or "year since purchase payment made" is frozen. When shares are redeemed out of the Exchange Fund, they will be subject to a CDSC which would be based upon the period of time the shareholder held shares in a CDSC fund. However, in the case of shares exchanged into an Exchange Fund on or after April 23, 1990, upon a redemption of shares which results in a CDSC being imposed, a credit (not to exceed the amount of the CDSC) will be given in an amount equal to the Exchange Fund 12b-1 distribution fees, if any, incurred on or after that date which are attributable to those

shares. Shareholders acquiring shares of an Exchange Fund pursuant to this exchange privilege may exchange those shares back into a CDSC fund from the Exchange Fund, with no CDSC being imposed on such exchange. The holding period previously frozen when shares were first exchanged for shares of the Exchange Fund resumes on the last day of the month in which shares of a CDSC fund are reacquired. A CDSC is imposed only upon an ultimate redemption, based upon the time (calculated as described above) the shareholder was invested in a CDSC fund.

In addition, shares of the Fund may be acquired in exchange for shares of Dean Witter Funds sold with a front-end sales charge ("front-end sales charge funds"), but shares of the Fund, however acquired, may not be exchanged for shares of front-end sales charge funds. Shares of a CDSC fund acquired in exchange for shares of a front-end sales charge fund (or in exchange for shares of other Dean Witter Funds for which shares of a front-end sales charge fund have been exchanged) are not subject to any CDSC upon their redemption.

When shares initially purchased in a CDSC fund are exchanged for shares of another CDSC fund, or for shares of an Exchange Fund, the date of purchase of the shares of the fund exchanged into, for purposes of the CDSC upon redemption, will be the last day of the month in which the shares being exchanged were originally purchased. In allocating the purchase payments between funds for purposes of the CDSC, the amount which represents the current net asset value of shares at the time of the exchange which were (i) purchased more than three or six years (depending on the CDSC schedule applicable to the shares) prior to the exchange, (ii) originally acquired through reinvestment of dividends or distributions and (iii) acquired in exchange for shares of front-end sales charge funds, or for shares of other Dean Witter Funds for which shares of front-end sales charge funds have been exchanged (all such shares called "Free Shares"), will be exchanged first. Shares of Dean Witter American Value Fund acquired prior to April 30, 1984, shares of Dean Witter Dividend Growth Securities Inc. and Dean Witter

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Natural Resource Development Securities Inc. acquired prior to July 2, 1984, and shares of Dean Witter Strategist Fund acquired prior to November 8, 1989, are also considered Free Shares and will be the first Free Shares to be exchanged. After an exchange, all dividends earned on shares in an Exchange Fund will be considered Free Shares. If the exchanged amount exceeds the value of such Free Shares, an exchange is made, on a block-by-block basis, of non-Free Shares held for the longest period of time (except that if shares held for identical periods of time but subject to different CDSC schedules are held in the same Exchange Privilege account, the shares of that block that are subject to a lower CDSC rate will be exchanged prior to the shares of that block that are subject to a higher CDSC rate). Shares equal to any appreciation in the value of non-Free Shares exchanged will be treated as Free Shares, and the amount of the purchase payments for the non-Free Shares of the fund exchanged into will be equal to the lesser of (a) the purchase payments for, or (b) the current net asset value of, the exchanged non-Free Shares. If an exchange between funds would result in exchange of only part of a particular block of non-Free Shares, then shares equal to any appreciation in the value of the block (up to the amount of the exchange) will be treated as Free Shares and exchanged first, and the purchase payment for that block will be allocated on a pro rata basis between the non-Free Shares of that block to be retained and the non-Free Shares to be exchanged. The prorated amount of such purchase payment attributable to the retained non-Free Shares will remain as the purchase payment for such shares, and the amount of purchase payment for the exchanged non-Free Shares will be equal to the lesser of (a) the prorated amount of the purchase payment for, or (b) the current net asset value of, those exchanged non-Free Shares. Based upon the procedures described in the Prospectus under the caption "Contingent Deferred Sales Charge", any applicable CDSC will be imposed upon the ultimate redemption of shares of any fund, regardless of the number of exchanges since those shares were originally purchased.

The Transfer Agent acts as agent for shareholders of the Fund in effecting redemptions of Fund shares and in applying the proceeds to the purchase of other fund shares. In the absence of negligence on its part, neither the Transfer Agent nor the Fund shall be liable for any redemption of Fund shares caused by unauthorized telephone instructions. Accordingly, in such an event the investor shall bear the risk of loss. The staff of the Securities and Exchange Commission is currently considering the propriety of such a policy.

With respect to the redemption or repurchase of shares of the Fund, the application of proceeds to the purchase of new shares in the Fund or any other of the funds and the general administration of the Exchange Privilege, the Transfer Agent acts as agent for the Distributor and for the shareholder's selected broker-dealer, if any, in the performance of such functions. With respect to exchanges, redemptions or repurchases, the Transfer Agent shall be liable for its own negligence and not for the default or negligence of its correspondents or for losses in transit. The Fund shall not be liable for any default or negligence of the Transfer Agent, the Distributor or any selected broker-dealer.

The Distributor and any selected broker-dealer have authorized and appointed the Transfer Agent to act as their agent in connection with the application of

proceeds of any redemption of Fund shares to the purchase of shares of any other fund and the general administration of the Exchange Privilege. No commission or discounts will be paid to the Distributor or any selected broker-dealer for any transactions pursuant to this Exchange Privilege.

Exchanges are subject to the minimum investment requirement and any other conditions imposed by each fund. (The minimum initial investment is \$5,000 for Dean Witter Liquid Asset Fund Inc., Dean Witter Tax-Free Daily Income Trust, Dean Witter California Tax-Free Daily Income Trust and Dean Witter New York Municipal Money Market Trust, although those funds may, at their discretion, accept initial investments of as low as \$1,000. The minimum investment is \$10,000 for Dean Witter Short-Term U.S.

Treasury Trust, although that fund, in its discretion, may accept initial purchases as low as \$5,000. The minimum initial investment for all other Dean Witter Funds for which the Exchange Privilege is available is \$1,000.) Upon exchange into an Exchange Fund, the shares of that fund will be held in a special Exchange Privilege Account separately from accounts of those shareholders who have acquired their shares directly from that fund. As a result, certain services normally available to shareholders of those funds, including the check writing feature, will not be available for funds held in that account.

The Fund and each of the other Dean Witter Funds may limit the number of times this Exchange Privilege may be exercised by any investor within a specified period of time. Also, the Exchange Privilege may be terminated or revised at any time by the Fund and/or any of the Dean Witter Funds for which shares of the Fund have been exchanged, upon such notice as may be required by applicable regulatory agencies (presently sixty days' prior written notice for termination or material revision), provided that six months' prior written notice of termination will be given to the shareholders who hold shares of Exchange Funds, pursuant to the Exchange Privilege, and provided further that the Exchange Privilege may be terminated or materially revised without notice at times (a) when the New York Stock Exchange is closed for other than customary weekends and holidays, (b) when trading on that Exchange is restricted, (c) when an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, (d) during any other period when the Securities and Exchange Commission by order so permits (provided that applicable rules and regulations of the Securities and Exchange Commission shall govern as to whether the conditions prescribed in (b) or (c) exist) or (e) if the Fund would be unable to invest amounts effectively in accordance with its investment objective, policies and restrictions.

The current prospectus for each fund describes its investment objective(s) and policies, and shareholders should obtain a copy and examine it carefully before investing. An exchange will be treated for federal income tax purposes the same as a repurchase or redemption of shares, on which the shareholder may realize a capital gain or loss. However, the ability to deduct capital losses on an exchange may be limited in situations where there is an exchange of shares within ninety days after the shares are purchased. The Exchange Privilege is only available in states where an exchange may legally be made.

For further information regarding the Exchange Privilege, shareholders should contact their DWR or other selected broker-dealer account executive or the Transfer Agent.

REDEMPTIONS AND REPURCHASES

REDEMPTION. As stated in the Prospectus, shares of the Fund can be redeemed for cash at any time at the net asset value per share next determined; however, such redemption proceeds may be reduced by the amount of any applicable contingent deferred sales charges (see below). If shares are held in a shareholder's account without a share certificate, a written request for redemption to the Fund's Transfer Agent at P.O. Box 983, Jersey City, NJ 07303 is required. If certificates are held by the shareholder, the shares may be redeemed by surrendering the certificates with a written request for redemption. The share certificate, or an accompanying stock power, and the request for redemption, must be signed by the shareholder or shareholders exactly as the shares are registered. Each request for redemption, whether or not accompanied by a share certificates, must be sent to the Fund's Transfer Agent, which will redeem the shares at their net asset value next computed (see "Purchase of Fund Shares") after it receives the request, and certificate, if any, in good order. Any redemption request received after such computation will be redeemed at the next determined net asset value. The term "good order" means that the share certificate, if any, and request for redemption are properly signed, accompanied by any documentation required by the Transfer Agent, and bear signature guarantees when required by the Fund or the Transfer Agent. If redemption is requested by a corporation, partnership, trust or fiduciary, the Transfer Agent may require that written evidence of authority acceptance to the Transfer Agent be submitted before such request is accepted.

Whether certificates are held by the shareholder or shares are held in a shareholder's account, if the proceeds are to be paid to any person other than

the record owner, or if the proceeds are to be paid to a corporation (other than the Distributor or a selected broker-dealer for the account of the shareholder), partnership, trust or fiduciary, or sent to the shareholder at an address other than the registered address, signatures must be guaranteed by an eligible guarantor. A stock power may be obtained from any dealer or commercial bank. The Fund may change the signature guarantee requirements from time to time upon notice to shareholders, which may be a means of a new prospectus.

CONTINGENT DEFERRED SALES CHARGE. As stated in the Prospectus, a contingent deferred sales charge ("CDSC") will be imposed on any redemption by an investor if after such redemption the current value of the investor's shares of the Fund is less than the dollar amount of all payments by the shareholder for the purchase of Fund shares during the preceding six years. However, no CDSC will be imposed to the extent that the net asset value of the shares redeemed does not exceed: (a) the current net asset value of shares purchased more than six years prior to the redemption, plus (b) the current net asset value of shares purchased through reinvestment of dividends or distributions of the Fund or another Dean Witter Fund (see "Shareholder Services -- Targeted Dividends"), plus (c) the current net asset value of shares acquired in exchange for (i) shares of Dean Witter front-end sales charge funds, or (ii) shares of other Dean Witter Funds for which shares of front-end sales charge funds have been exchanged (see "Shareholder Services -- Exchange Privilege"), plus (d) increases in the net asset value of the investor's shares above the total amount of payments for the purchase of Fund shares made during the preceding six years. The CDSC will be paid to the Distributor. In addition, no CDSC will be imposed on redemptions of shares which were purchased by the employee benefit plans established by DWR and SPS Transaction Services, Inc. (an affiliate of DWR) for their employees as qualified under Section 401K of the Internal Revenue Code.

In determining the applicability of a CDSC to each redemption, the amount which represents an increase in the net asset value of the investor's shares above the amount of the total payments for the purchase of shares within the last six years will be redeemed first. In the event the redemption amount exceeds such increase in value, the next portion of the amount redeemed will be the amount which represents the net asset value of the investor's shares purchased more than six years prior to the redemption and/or shares purchased through reinvestment of dividends or distributions and/or shares acquired in exchange for shares of Dean Witter front-end sales charge funds, or for shares of other Dean Witter Funds for which shares of front-end sales charge funds have been exchanged. Any portion of the amount redeemed which exceeds an amount which represents both such increase in value and the value of shares purchased more than six years prior to the redemption and/or shares purchased through reinvestment of dividends or distributions and/or shares acquired in the above-described exchanges will be subject to a CDSC.

In addition, the CDSC, if otherwise applicable, will be waived in the case of: (i) redemptions of shares held at the time a shareholder dies or becomes disabled, only if the shares are (a) registered either in the name of an individual shareholder (not a trust), or in the names of such shareholder and his or her spouse as joint tenants with right of survivorship, or (b) held in a qualified corporate or self-employed retirement plan, Individual Retirement Account or Custodial Account under Section 403(b)(7) of the Internal Revenue Code, provided in either case that the redemption is requested within one year of the death or initial determination of disability, and (ii) redemptions in connection with the following retirement plan distributions: (a) lump-sum or other distributions from a qualified corporate or self-employed retirement plan following retirement (or in the case of a "key employee" of a "top heavy" plan, following attainment of age 59 1/2); (b) distributions from an Individual Retirement Account or Custodial Account under Section 403(b)(7) of the Internal Revenue Code following attainment of age 59 1/2; and (c) a tax-free return of an excess contribution to an IRA. For the purpose of determining disability, the Distributor utilizes the definition of disability contained in Section 72(m)(7) of the Code, which relates to the inability to engage in gainful employment. All waivers will be granted only following receipt by the Distributor of confirmation of the investor's entitlement.

The amount of the CDSC, if any, will vary depending on the number of years from the time of payment for the purchase of Fund shares until the time of redemption of such shares. For purposes of determining the number of years from the time of any payment for the purchase of shares, all payments

made during a month will be aggregated and deemed to have been made on the last day of the month. The following table sets forth the rates of the CDSC:

<TABLE>
<CAPTION>

YEAR SINCE PURCHASE PAYMENT MADE	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF AMOUNT REDEEMED
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<S>	<C>
First.....	5.0%

Second.....	4.0%
Third.....	3.0%
Fourth.....	2.0%
Fifth.....	2.0%
Sixth.....	1.0%
Seventh and thereafter.....	None

</TABLE>

In determining the rate of the CDSC, it will be assumed that a redemption is made of shares held by the investor for the longest period of time within the applicable six-year period. This will result in any such CDSC being imposed at the lowest possible rate. Accordingly, shareholders may redeem, without incurring any CDSC, amounts equal to any net increase in the value of their shares above the amount of their purchase payments made within the past six years and amounts equal to the current value of shares purchased more than six years prior to the redemption and shares purchased through reinvestment of dividends or distributions or acquired in exchange for shares of Dean Witter front-end sales charge funds, or for shares of other Dean Witter Funds for which shares of front-end sales charge funds have been exchanged. The CDSC will be imposed, in accordance with the table shown above, on any redemptions within six years of purchase which are in excess of these amounts and which redemptions are not (a) requested within one year of death or initial determination of disability of a shareholder, or (b) made pursuant to certain taxable distributions from retirement plans or retirement accounts, as described above.

PAYMENT FOR SHARES REDEEMED OR REPURCHASED. As discussed in the Prospectus, payment for shares presented for repurchase or redemption will be made by check within seven days after receipt by the Transfer Agent of the certificate and/or written request in good order. The term "good order" means that the share certificate, if any, and request for redemption, are properly signed, accompanied by any documentation required by the Transfer Agent, and bear signature guarantees when required by the Fund or the Transfer Agent. Such payment may be postponed or the right of redemption suspended at times (a) when the New York Stock Exchange is closed for other than customary weekends and holidays, (b) when trading on that Exchange is restricted, (c) when an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, or (d) during any period when the Securities and Exchange Commission by order so permits; provided that applicable rules and regulations of the Securities and Exchange Commission shall govern as to whether the conditions prescribed in (b) or (c) exist. If the shares to be redeemed have recently been purchased by check, payment of the redemption proceeds may be delayed for the minimum time needed to verify that the check used for investment has been honored (not more than fifteen days from the time of receipt of the check by the Transfer Agent). Shareholders maintaining margin accounts with DWR or another selected broker-dealer are referred to their account executive regarding restrictions on redemption of shares of the Fund pledged in the margin account.

TRANSFERS OF SHARES. In the event a shareholder requests a transfer of any shares to a new registration, such shares will be transferred without sales charge at the time of transfer. With regard to the status of shares which are either subject to the contingent deferred sales charge or free of such charge (and with regard to the length of time shares subject to the charge have been held), any transfer involving less than all of the shares in an account will be made on a pro-rata basis (that is, by transferring shares in the same proportion that the transferred shares bear to the total shares in the account immediately prior to the transfer). The transferred shares will continue to be subject to any applicable contingent deferred sales charge as if they had not been so transferred.

REINSTATEMENT PRIVILEGE. As discussed in the Prospectus, a shareholder who has had his or her shares redeemed or repurchased and has not previously exercised this reinstatement privilege may, within 30 days after the redemption or repurchase, reinstate any portion or all of the proceeds of such redemption or repurchase in shares of the Fund held by the shareholder at the net asset value next determined after a reinstatement request, together with the proceeds, is received by the Transfer Agent.

Exercise of the reinstatement privilege will not affect the federal income tax and state income tax treatment of any gain or loss realized upon the redemption or repurchase, except that if the redemption or repurchase resulted in a loss and reinstatement is made in shares of the Fund, some or all of the loss, depending on the amount reinstated, will not be allowed as a deduction for federal income tax and state personal income tax purposes but will be applied to adjust the cost basis of the shares acquired upon reinstatement.

DIVIDENDS, DISTRIBUTIONS AND TAXES

As discussed in the Prospectus, the Fund will determine either to distribute or to retain all or part of any net long-term capital gains in any year for reinvestment. If any such gains are retained, the Fund will pay federal income tax thereon, and, if the Fund makes an election, the shareholders would include

such undistributed gains in their income and shareholders will be able to claim their share of the tax paid by the Fund as a credit against their individual federal income tax.

Any dividends declared in the last quarter of any calendar year which are paid in the following year prior to February 1 will be deemed received by the shareholder in the prior year.

Gains or losses on sales of securities by the Fund will generally be long-term capital gains or losses if the securities have been held by the Fund for more than twelve months. Gains or losses on the sale of securities held for twelve months or less will be generally short-term capital gains or losses.

The Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). If so qualified, the Fund will not be subject to federal income tax on its net investment income and capital gains, if any, realized during any fiscal year in which it distributes such income and capital gains to its shareholders.

After the end of the calendar year, shareholders will be sent full information on their dividends and capital gains distributions for tax purposes, including information as to the portion taxable as ordinary income, the portion taxable as long-term capital gains, and the amount of dividends eligible for the Federal dividends received deduction available to corporations. To avoid being subject to a 31% Federal backup withholding tax on taxable dividends, capital gains distributions and the proceeds of redemptions and repurchases, shareholders' taxpayer identification numbers must be furnished and certified as to their accuracy.

Any dividend or capital gains distribution received by a shareholder from any investment company will have the effect of reducing the net asset value of the shareholder's stock in that company by the exact amount of the dividend or capital gains distribution. Furthermore, capital gains distributions and dividends are subject to federal income taxes. If the net asset value of the shares should be reduced below a shareholder's cost as a result of the payment of dividends or the distribution of realized net long-term capital gains, such payment or distribution would be in part a return of the shareholder's investment to the extent of such reduction below the shareholder's cost, but nonetheless would be fully taxable. Therefore, an investor should consider the tax implications of purchasing Fund shares immediately prior to a distribution record date.

The Fund may elect to retain net capital gains and pay corporate income tax thereon. In such event, each shareholder of record on the last day of the Fund's taxable year would be required to include in income for tax purposes such shareholder's proportionate share of the Fund's undistributed net capital gain. In addition, each shareholder would be entitled to credit such shareholder's proportionate share of the tax paid by the Fund against federal income tax liabilities, to claim refunds to the extent that the credit

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exceeds such liabilities, and to increase the basis of his shares held for federal income tax purposes by an amount equal to 65% of such shareholder's proportionate share of the undistributed net capital gain.

Dividends, interest and capital gains received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. Investors may be entitled to claim United States foreign tax credits or deductions with respect to such taxes, subject to certain provisions and limitations contained in the Code. If more than 50% of the Fund's total assets at the close of its fiscal year consist of securities of foreign corporations, the Fund would be eligible and would determine whether or not to file an election with the Internal Revenue Service pursuant to which shareholders of the Fund will be required to include their respective pro rata portions of such withholding taxes in their United States income tax returns as gross income, treat such respective pro rata portions as taxes paid by them, and deduct such respective pro rata portions in computing their taxable income or, alternatively, use them as foreign tax credits against their United States income taxes. If the Fund does elect to file the election with the Internal Revenue Service, the Fund will report annually to its shareholders the amount per share of such withholding.

SPECIAL RULES FOR CERTAIN FOREIGN CURRENCY TRANSACTIONS. In general, gains from foreign currencies and from foreign currency options, foreign currency futures and forward foreign exchange contracts relating to investments in stock, securities or foreign currencies are currently considered to be qualifying income for purposes of determining whether the Fund qualifies as a regulated investment company. It is currently unclear, however, who will be treated as the issuer of certain foreign currency instruments or how foreign currency options, futures, or forward foreign currency contracts will be valued for purposes of the regulated investment company diversification requirements applicable to the Fund. The Fund may request a private letter ruling from the Internal Revenue Service on some or all of these issues.

Under Code Section 988, special rules are provided for certain transactions in a foreign currency other than the taxpayer's functional currency (I.E., unless certain special rules apply, currencies other than the U.S. dollar). In general, foreign currency gains or losses from forward contracts, from futures contracts that are not "regulated futures contracts", and from unlisted options will be treated as ordinary income or loss under Code Section 988. Also, certain foreign exchange gains or losses derived with respect to foreign fixed-income securities are also subject to Section 988 treatment. In general, therefore, Code Section 988 gains or losses will increase or decrease the amount of the Fund's investment company taxable income available to be distributed to shareholders as ordinary income, rather than increasing or decreasing the amount of the Fund's net capital gain. Additionally, if Code Section 988 losses exceed other investment company taxable income during a taxable year, the Fund would not be able to make any ordinary dividend distributions.

If the Fund invests in an entity which is classified as a "passive foreign investment company" ("PFIC") for U.S. tax purposes, the application of certain technical tax provisions applying to such companies could result in the imposition of federal income tax with respect to such investments at the Fund level which could not be eliminated by distributions to shareholders. The U.S. Treasury issued proposed regulation section 1.1291- 8 which establishes a mark-to-market regime which allows investment companies investing in PFIC's to avoid most, if not all, of the difficulties posed by the PFIC rules. In any event, it is not anticipated that any taxes on the Fund with respect to investments in PFIC's would be significant.

Shareholders are urged to consult their attorneys or tax advisers regarding specific questions as to federal, state or local taxes.

PERFORMANCE INFORMATION

As discussed in the Prospectus, from time to time the Fund may quote its "total return" in advertisements and sales literature. The Fund's "average annual total return" represents an annualization of the Fund's total return over a particular period and is computed by finding the annual percentage rate which

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will result in the ending redeemable value of a hypothetical \$1,000 investment made at the beginning of a one, five or ten year period, or for the period from the date of commencement of the Fund's operations, if shorter than any of the foregoing. The ending redeemable value is reduced by any contingent deferred sales charge at the end of the one, five or ten year or other period. For the purpose of this calculation, it is assumed that all dividends and distributions are reinvested. The formula for computing the average annual total return involves a percentage obtained by dividing the ending redeemable value by the amount of the initial investment, taking a root of the quotient (where the root is equivalent to the number of years in the period) and subtracting 1 from the result. The total return of the Fund for the period July 29, 1994 (commencement of the Fund's operations) through May 31, 1995 was -18.87%.

In addition to the foregoing, the Fund may advertise its total return over different periods of time by means of aggregate, average, year-by-year or other types of total return figures. Such calculations may or may not reflect the deduction of the contingent deferred charge which, if reflected, would reduce the performance quoted. For example, the average annual total returns of the Fund may be calculated in the manner described above, but without deduction for any applicable contingent deferred sales charge. Based upon this calculation, the average annual total return of the Fund for the period ended May 31, 1995 was -14.60%.

The Fund may also advertise the growth of hypothetical investments of \$10,000, \$50,000 and \$100,000 in shares of the Fund by adding 1 to the Fund's total aggregate total return to date (expressed as a decimal and without taking into account the effect of applicable CDSC) and multiplying by 10,000, \$50,000 or \$100,000 as the case may be. Investments of \$10,000, \$50,000 and \$100,000 in the Fund at inception would have declined to \$8,540, \$42,700 and \$85,400, respectively at May 31, 1995.

The Fund from time to time may also advertise its performance relative to certain performance rankings and indexes compiled by independent organizations.

DESCRIPTION OF SHARES

The shareholders of the Fund are entitled to a full vote for each full share held. The Trustees have been elected by InterCapital as the sole shareholder of the Fund. The Trustees themselves have the power to alter the number and the terms of office of the Trustees, and they may at any time lengthen their own

terms or make their terms of unlimited duration and appoint their own successors, provided that always at least a majority of the Trustees has been elected by the shareholders of the Fund. Under certain circumstances the Trustees may be removed by action of the Trustees. The shareholders also have the right to remove the Trustees following a meeting called for that purpose requested in writing by the record holders of not less than ten percent of the Fund's outstanding shares. The voting rights of shareholders are not cumulative, so that holders of more than 50 percent of the shares voting can, if they choose, elect all Trustees being selected, while the holders of the remaining shares would be unable to elect any Trustees.

The Declaration of Trust permits the Trustees to authorize the creation of additional series of shares (the proceeds of which would be invested in separate, independently managed portfolios) and additional classes of shares within any series (which would be used to distinguish among the rights of different categories of shareholders, as might be required by future regulations or other unforeseen circumstances). However, the Trustees have not authorized any such additional series or classes of shares.

The Declaration of Trust provides that no Trustee, officer, employee or agent of the Fund is liable to the Fund or to a shareholder, nor is any Trustee, officer, employee or agent liable to any third persons in connection with the affairs of the Fund, except as such liability may arise from his or her own bad faith, willful misfeasance, gross negligence, or reckless disregard of his or her duties. It also provides that all third persons shall look solely to the Fund's property for satisfaction of claims arising in connection with the affairs of the Fund. With the exceptions stated, the Declaration of Trust provides that a Trustee, officer,

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employee or agent is entitled to be indemnified against all liabilities in connection with the affairs of the Fund.

The Fund is authorized to issue an unlimited number of shares of beneficial interest. The Fund shall be of unlimited duration subject to the provisions in the Declaration of Trust concerning termination by action of the shareholders.

CUSTODIAN AND TRANSFER AGENT

The Chase Manhattan Bank, N.A., One Chase Plaza, New York, New York 10005, is the Custodian of the Fund's assets. The Custodian has contracted with various foreign banks and depositories to hold portfolio securities of non-U.S. issuers on behalf of the Fund. Any of the Fund's cash balances with the Custodian in excess of \$100,000 are unprotected by federal deposit insurance. Such balances may, at times, be substantial.

Dean Witter Trust Company, Harborside Financial Center, Plaza Two, Jersey City, New Jersey 07311 is the Transfer Agent of the Fund's shares and Dividend Disbursing Agent for payment of dividends and distributions on Fund shares and Agent for shareholders under various investment plans described herein. Dean Witter Trust Company is an affiliate of Dean Witter InterCapital Inc., the Fund's Investment Manager, and of Dean Witter Distributors Inc., the Fund's Distributor. As Transfer Agent and Dividend Disbursing Agent, Dean Witter Trust Company's responsibilities include maintaining shareholder accounts including providing subaccounting and recordkeeping services for certain retirement accounts; disbursing cash dividends and reinvesting dividends; processing account registration changes; handling purchase and redemption transactions; mailing prospectuses and reports; mailing and tabulating proxies; processing share certificate transactions; and maintaining shareholder records and lists. For these services Dean Witter Trust Company receives a per shareholder account fee.

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP serves as the independent accountants of the Fund. The independent accountants are responsible for auditing the annual financial statements of the Fund.

REPORTS TO SHAREHOLDERS

The Fund will send to shareholders, at least semi-annually, reports showing the Fund's portfolio and other information. An annual report containing financial statements audited by independent accountants will be sent to shareholders each year.

The Fund's fiscal year ends on May 31. The financial statements of the Fund must be audited at least once a year by independent accountants whose selection is made annually by the Fund's Board of Trustees.

LEGAL COUNSEL

Sheldon Curtis, Esq., who is an officer and the General Counsel of the Investment Manager, is an officer and the General Counsel of the Fund.

EXPERTS

The financial statements of the Fund included in this Statement of Additional Information and incorporated by reference in the Prospectus have been so included and incorporated in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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REGISTRATION STATEMENT

This Statement of Additional Information and the Prospectus do not contain all of the information set forth in the Registration Statement the Fund has filed with the Securities and Exchange Commission. The complete Registration Statement may be obtained from the Securities and Exchange Commission upon payment of the fee prescribed by the rules and regulations of the Commission.

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES
MAY 31, 1995

<TABLE> <S>	<C>
ASSETS:	
Investments in securities, at value (identified cost \$102,191,229).....	\$ 93,095,931
Cash (including \$345,148 in foreign currency).....	448,016
Receivable for:	
Shares of beneficial interest sold.....	430,353
Dividends.....	200,408
Foreign withholding taxes reclaimed.....	40,314
Investments sold.....	25,765
Deferred organizational expenses.....	143,412
Prepaid expenses and other assets.....	64,158

TOTAL ASSETS.....	94,448,357

LIABILITIES:	
Payable for:	
Investments purchased.....	243,592
Investment management fee.....	106,689
Plan of distribution fee.....	85,351
Shares of beneficial interest repurchased.....	24,913
Accrued expenses and other payables.....	258,533

TOTAL LIABILITIES.....	719,078

NET ASSETS:	
Paid-in-capital.....	108,269,985
Net unrealized depreciation.....	(9,093,543)
Net investment loss.....	(259,957)
Net realized loss.....	(5,187,206)

NET ASSETS.....	\$ 93,729,279

NET ASSET VALUE PER SHARE, 10,980,289 SHARES OUTSTANDING (UNLIMITED SHARES AUTHORIZED OF \$.01 PAR VALUE).....	\$8.54

</TABLE>

STATEMENT OF OPERATIONS
FOR THE PERIOD JULY 29, 1994* THROUGH MAY 31, 1995

<TABLE>	
<S>	<C>
NET INVESTMENT INCOME:	
INCOME	
Dividends (net of \$131,578 foreign withholding tax).....	\$ 946,711
Interest.....	444,779

TOTAL INCOME.....	1,391,490

EXPENSES	
Investment management fee.....	977,193
Plan of distribution fee.....	781,755
Transfer agent fees and expenses.....	169,490
Custodian fees.....	126,814
Professional fees.....	85,892
Registration fees.....	39,722
Shareholder reports and notices.....	39,521
Organizational expenses.....	28,876
Trustees' fees and expenses.....	18,010
Other.....	3,413

TOTAL EXPENSES.....	2,270,686

NET INVESTMENT LOSS.....	(879,196)

NET REALIZED AND UNREALIZED GAIN (LOSS):	
Net realized loss on:	
Investments.....	(3,952,364)
Foreign exchange transactions.....	(1,310,064)

TOTAL LOSS.....	(5,262,428)

Net unrealized appreciation (depreciation) on:	
Investments.....	(9,095,298)
Translation of forward foreign currency contracts, other assets and liabilities denominated in foreign currencies.....	1,755

TOTAL DEPRECIATION.....	(9,093,543)

NET LOSS.....	(14,355,971)

NET DECREASE.....	\$ (15,235,167)

<FN>

* Commencement of operations.
</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS
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DEAN WITTER INTERNATIONAL SMALLCAP FUND
FINANCIAL STATEMENTS, CONTINUED

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

FOR THE PERIOD
JULY 29, 1994*
THROUGH MAY 31, 1995

<S>	<C>
INCREASE (DECREASE) IN NET ASSETS:	
OPERATIONS:	
Net investment loss.....	\$ (879,196)
Net realized loss.....	(5,262,428)
Net unrealized depreciation.....	(9,093,543)

NET DECREASE.....	(15,235,167)
Net increase from transactions in shares of beneficial interest.....	108,864,446

TOTAL INCREASE.....	93,629,279
NET ASSETS:	
Beginning of period.....	100,000

END OF PERIOD	
(INCLUDING NET INVESTMENT LOSS OF \$259,957).....	\$ 93,729,279

<FN>

 * Commencement of operations.
 </TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
 NOTES TO FINANCIAL STATEMENTS MAY 31, 1995

1. ORGANIZATION AND ACCOUNTING POLICIES

Dean Witter International SmallCap Fund (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a non-diversified, open-end management investment company. The Fund was organized as a Massachusetts business trust on April 21, 1994 and had no operations other than those relating to organizational matters and the issuance of 10,000 shares of beneficial interest for \$100,000 to Dean Witter InterCapital Inc. (the "Investment Manager"). The Fund commenced operations on July 29, 1994.

The following is a summary of significant accounting policies:

A. VALUATION OF INVESTMENTS -- (1) an equity security listed or traded on the New York Stock Exchange, American Stock Exchange or other domestic or foreign stock exchange is valued at its latest sale price on that exchange prior to the time when assets are valued; if there were no sales that day, the security is valued at the latest bid price (in cases where securities are traded on more than one exchange, the securities are valued on the exchange designated as the primary market by the Trustees); (2) all other portfolio securities for which over-the-counter market quotations are readily available are valued at the latest available bid price prior to the time of valuation; (3) when market quotations are not readily available, including circumstances under which it is determined by the Investment Manager that sale and bid prices are not reflective of a security's market value, portfolio securities are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Trustees; (4) certain of the Fund's portfolio securities may be valued by an outside pricing service approved by the Trustees. The pricing service utilizes a matrix system incorporating security quality, maturity and coupon as the evaluation model parameters, and/or research and evaluations by its staff, including review of broker-dealer market price quotations, if available, in determining what it believes is the fair valuation of the portfolio securities valued by such pricing service; and (5) short-term debt securities having a maturity date of more than sixty days at time of purchase are valued on a mark-to-market basis until sixty days prior to maturity and thereafter at amortized cost based on their value on the 61st day. Short-term debt securities having a maturity date of sixty days or less at the time of purchase are valued at amortized cost.

B. ACCOUNTING FOR INVESTMENTS -- Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on security transactions are determined by the identified cost method. Dividend income and other distributions are recorded on the ex-

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
 NOTES TO FINANCIAL STATEMENTS MAY 31, 1995, CONTINUED

dividend date except certain dividends from foreign securities which are recorded as soon as the Fund is informed after the ex-dividend date. Interest income is accrued daily and includes amortization of discounts of certain short-term securities.

C. OPTION ACCOUNTING PRINCIPLES -- When the Fund writes a call option, an amount equal to the premium received is included in the Statement of Assets and Liabilities as a liability which is subsequently marked-to-market to reflect the current market value of the option written. If a written option either expires or the Fund enters into a closing purchase transaction, the Fund realizes a gain or loss without regard to any unrealized gain or loss on the underlying security or currency and the liability related to such option is extinguished. If a written call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security or currency and the proceeds from such sale are increased by the premium originally received.

When the Fund purchases a call or put option, the premium paid is recorded as an investment and is subsequently marked-to-market to reflect the current market value. If a purchased option expires, the Fund will realize a loss to the extent of the premium paid. If the Fund enters into a closing sale transaction, a gain or loss is realized for the difference between the proceeds from the sale and the cost of the option. If a put option is exercised, the cost of the security or currency sold upon exercise will be increased by the premium originally paid. If a call option is exercised, the cost of the security purchased upon exercise will be increased by the premium originally paid.

D. FOREIGN CURRENCY TRANSLATION -- The books and records of the Fund are maintained in U.S. dollars as follows: (1) the foreign currency market value of investment securities, other assets and liabilities and forward contracts are translated at the exchange rates prevailing at the end of the period; and (2) purchases, sales, income and expenses are translated at the exchange rates prevailing on the respective dates of such transactions. The resultant exchange gains and losses are included in the Statement of Operations as realized and unrealized gain/loss on foreign exchange transactions. Pursuant to U.S. Federal income tax regulations, certain foreign exchange gains/losses included in realized and unrealized gain/loss are included in or are a reduction of ordinary income for federal income tax purposes. The Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the changes in the market prices of the securities.

E. FORWARD FOREIGN CURRENCY CONTRACTS -- The Fund may enter into forward foreign currency contracts which are valued daily at the appropriate exchange rates. The resultant unrealized exchange gains and losses are included in the Statement of Operations as unrealized foreign

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
NOTES TO FINANCIAL STATEMENTS MAY 31, 1995, CONTINUED

currencies gain or loss. The Fund records realized gains or losses on delivery of the currency or at the time the forward contract is extinguished (compensated) by entering into a closing transaction prior to delivery.

F. FEDERAL INCOME TAX STATUS -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, no federal income tax provision is required.

G. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS -- The Fund records dividends and distributions to its shareholders on the record date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. Dividends and distributions which exceed net investment income and net realized capital gains for financial reporting purposes but not for tax purposes are reported as dividends in excess of net investment income or distributions in excess of net realized capital gains. To the extent they exceed net investment income and net realized capital gains for tax purposes, they are reported as distributions of paid-in-capital.

H. ORGANIZATIONAL EXPENSES -- The Investment Manager paid the organizational expenses of the Fund in the amount of approximately \$172,000 which have been reimbursed for the full amount thereof. Such expenses have been deferred and are being amortized by the Fund on the straight-line method over a period not to exceed five years from the commencement of operations.

2. INVESTMENT MANAGEMENT AND SUB-ADVISORY AGREEMENTS

Pursuant to an Investment Management Agreement, the Fund pays its Investment Manager a management fee, calculated daily and payable monthly, by applying the annual rate of 1.25% to the net assets of the Fund determined as of the close of each business day.

Under the terms of the Agreement, in addition to managing the Fund's investments, the Investment Manager maintains certain of the Fund's books and records and furnishes, at its own expense, office space, facilities, equipment, clerical, bookkeeping and certain legal services and pays the salaries of

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
NOTES TO FINANCIAL STATEMENTS MAY 31, 1995, CONTINUED

all personnel, including officers of the Fund who are employees of the Investment Manager. The Investment Manager also bears the cost of telephone services, heat, light, power and other utilities provided to the Fund.

Under a Sub-Advisory Agreement between Morgan Grenfell Investment Services

Limited (the "Sub-Advisor") and the Investment Manager, the Sub-Advisor provides the Fund with investment advice and portfolio management relating to the Fund's investments in securities, subject to the overall supervision of the Investment Manager. As compensation for its services provided pursuant to the Sub-Advisory Agreement, the Investment Manager pays the Sub-Advisor monthly compensation equal to 40% of its monthly compensation.

3. PLAN OF DISTRIBUTION

Shares of the Fund are distributed by Dean Witter Distributors Inc. (the "Distributor"), an affiliate of the Investment Manager. The Fund has adopted a Plan of Distribution (the "Plan") pursuant to Rule 12b-1 under the Act pursuant to which the Fund pays the Distributor compensation, accrued daily and payable monthly, at an annual rate of 1.0% of the lesser of: (a) the average daily aggregate gross sales of the Fund's shares since the Fund's inception (not including reinvestment of dividend or capital gain distributions) less the average daily aggregate net asset value of the Fund's shares redeemed since the Fund's inception upon which a contingent deferred sales charge has been imposed or upon which such charge has been waived; or (b) the Fund's average daily net assets. Amounts paid under the Plan are paid to the Distributor to compensate it for the services provided and the expenses borne by it and others in the distribution of the Fund's shares, including the payment of commissions for sales of the Fund's shares and incentive compensation to, and expenses of, the account executives of Dean Witter Reynolds Inc. ("DWR"), an affiliate of the Investment Manager and Distributor, and other employees or selected broker-dealers who engage in or support distribution of the Fund's shares or who service shareholder accounts, including overhead and telephone expenses, printing and distribution of prospectuses and reports used in connection with the offering of the Fund's shares to other than current shareholders and preparation, printing and distribution of sales literature and advertising materials. In addition, the Distributor may be compensated under the Plan for its opportunity costs in advancing such amounts which compensation would be in the form of a carrying charge on any unreimbursed expenses incurred by the Distributor.

Provided that the Plan continues in effect, any cumulative expenses incurred but not yet recovered by the Distributor, may be recovered through future distribution fees from the Fund and contingent deferred sales charges from the Fund's shareholders.

DEAN WITTER INTERNATIONAL SMALLCAP FUND
NOTES TO FINANCIAL STATEMENTS MAY 31, 1995, CONTINUED

The Distributor has informed the Fund that for the period ended May 31, 1995, it received approximately \$241,000 in contingent deferred sales charges from certain redemptions of the Fund's shares. The Fund's shareholders pay such charges which are not an expense of the Fund.

4. SECURITY TRANSACTIONS AND TRANSACTIONS WITH AFFILIATES

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the period ended May 31, 1995 aggregated \$133,894,661 and \$35,083,015, respectively.

For the period ended May 31, 1995, the Fund incurred \$815 in brokerage commissions with affiliates of Morgan Grenfell Investment Services Limited for portfolio transactions executed on behalf of the Fund.

Dean Witter Trust Company, an affiliate of the Investment Manager and Distributor, is the Fund's transfer agent. At May 31, 1995, the Fund had transfer agent fees and expenses payable of approximately \$21,000.

5. SHARES OF BENEFICIAL INTEREST

Transactions in shares of beneficial interest were as follows:

<TABLE>
<CAPTION>

	FOR THE PERIOD JULY 29, 1994* THROUGH MAY 31, 1995	
	SHARES	AMOUNT
<S>	<C>	<C>
Sold.....	12,935,998	\$ 126,064,242
Repurchased.....	(1,965,709)	(17,199,796)
Net increase.....	10,970,289	\$ 108,864,446

<FN>

* Commencement of operations.
</TABLE>

6. FEDERAL INCOME TAX STATUS

Capital and foreign currency losses incurred after October 31 ("post-October losses") within the taxable year are deemed to arise on the first business day of the Fund's next taxable year. The Fund incurred and will elect to defer net capital and foreign currency losses of approximately \$3,935,000 and \$1,232,000, respectively during fiscal 1995. As of May 31, 1995, the Fund had temporary book/tax differences primarily attributable to post-October losses and permanent book/tax differences primarily attributable to foreign currency losses and a net operating loss. To reflect reclassifications

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
NOTES TO FINANCIAL STATEMENTS MAY 31, 1995, CONTINUED

arising from permanent book/tax differences for the period ended May 31, 1995, paid-in-capital was charged \$694,461, net realized loss was credited \$75,222 and net investment loss was credited \$619,239.

7. PURPOSES OF AND RISKS RELATING TO CERTAIN FINANCIAL INSTRUMENTS

The Fund may enter into forward foreign currency contracts ("forward contracts") to facilitate settlement of foreign currency denominated portfolio transactions or to manage foreign currency exposure associated with foreign currency denominated securities. Additionally, as a hedge against adverse foreign currency and market risk, the Fund may purchase and write options on foreign currency ("derivative instruments").

At May 31, 1995, there were no outstanding forward contracts other than those used to facilitate settlement of foreign currency denominated portfolio transactions.

Derivative instruments involve elements of market risk in excess of the amounts reflected in the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rates underlying the forward contracts. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
PORTFOLIO OF INVESTMENTS MAY 31, 1995
<TABLE>

<CAPTION>

NUMBER OF SHARES		VALUE
<C>	<S>	<C>
COMMON AND PREFERRED STOCKS (91.8%)		
ARGENTINA (0.6%)		
	AUTOMOTIVE	
\$	40,000	Ciadea S.A.*..... \$ 208,041

	FOOD, BEVERAGE, TOBACCO & HOUSEHOLD PRODUCTS	
	115,000	Nobleza Piccardo S.A..... 346,219

	TOTAL ARGENTINA.....	554,260

AUSTRALIA (1.1%)		
	BUILDING & CONSTRUCTION	
	700,000	Macmahon Holdings Ltd..... 210,798

	MANUFACTURING	
	230,000	Pacific BBA Ltd..... 445,257

	METALS & MINING	
	350,000	QCT Resources Ltd..... 341,292

	TOTAL AUSTRALIA.....	997,347

AUSTRIA (0.6%)		
	CONSUMER PRODUCTS	
	6,495	Wolford AG..... 333,512

	ELECTRONIC COMPONENTS	
	1,600	Austria Mikro Systeme International AG..... 209,585

	TOTAL AUSTRIA.....	543,097
	BELGIUM (0.4%)	
	FOOD, BEVERAGE, TOBACCO & HOUSEHOLD PRODUCTS	
4,050	Quick Restaurants S.A.....	353,278
	DENMARK (0.2%)	
	MANUFACTURING	
2,494	Oticon Holding AS.....	193,392
	FINLAND (0.7%)	
	TELECOMMUNICATIONS	
11,390	Benefon Oy.....	410,071
	TRANSPORTATION	
31,000	Finnair Oy.....	228,941
	TOTAL FINLAND.....	639,012

<CAPTION>

	NUMBER OF SHARES		VALUE
<C>	<S>		<C>
	FRANCE (5.1%)		
	AUTO PARTS		
4,000	Bertr Faure.....	\$	169,338
3,199	MGI Coutier.....		303,100
3,983	Sylea.....		411,910
			884,348
	CONSUMER PRODUCTS		
3,000	Hermes International.....		410,039
	FINANCIAL SERVICES		
1,250	But S.A.		260,306
2,534	Union Financiere de Banque S.A.		257,461
			517,767
	FOOD, BEVERAGE, TOBACCO & HOUSEHOLD PRODUCTS		
944	Brioche Pasquier S.A.		107,521
	INSURANCE		
4,500	Cardif S.A.		598,730
	MACHINERY & MACHINE TOOLS		
2,666	Sidel S.A.		785,746
	OFFICE EQUIPMENT		
2,669	Airfeu S.A.		130,262
4,850	Guilbert S.A.		482,018
			612,280
	PUBLISHING		
1,430	Filipacchi Medias.....		206,983
	RETAIL - SPECIALTY		
4,600	Grand Optical Photoservice.....		394,114
	TEXTILES		
2,650	Deveaux S.A.		309,314
	TOTAL FRANCE.....		4,826,842
	GERMANY (4.8%)		
	BUILDING MATERIALS		
807	Sto AG (Preferred).....		530,959
	DISTRIBUTION		
550	Hach AG (Preferred).....		243,191
	INSURANCE BROKERS		
445	Marschollek, Lautenschlaeger & Partner AG.....		278,617

</TABLE>

DEAN WITTER INTERNATIONAL SMALLCAP FUND
PORTFOLIO OF INVESTMENTS MAY 31, 1995, CONTINUED

<TABLE>

<CAPTION>

<C>	NUMBER OF SHARES	<S>	VALUE	<C>
		MACHINERY & MACHINE TOOLS		
	1,898	Doerries Scharmann AG.....	\$ 190,673	
	1,000	Jungheinrich AG (Preferred).....	219,314	
			409,987	
		MULTI-INDUSTRY		
	595	Hugo Boss AG (Preferred).....	437,778	
		PHOTOGRAPHY		
	815	Cewe Color Holding AG.....	288,291	
		RETAIL - SPECIALTY		
	12,500	Fielmann AG (Preferred).....	526,176	
	1,240	Moebel Walther AG.....	617,588	
			1,143,764	
		TEXTILES		
	1,190	Adolf Ahlers AG.....	294,659	
	2,850	Stoehr & Co. AG.....	468,783	
			763,442	
		TEXTILES - APPAREL MANUFACTURERS		
	1,909	Puma AG (Preferred)*.....	455,134	
		TOTAL GERMANY.....	4,551,163	
		HONG KONG (1.4%)		
		AEROSPACE & DEFENSE		
	40,000	Hong Kong Aircraft Engineering Co. Ltd.....	103,943	
		ELECTRONICS & ELECTRICAL		
	77,000	ASM Pacific Technology.....	60,724	
	650,000	Gold Peak Industries.....	277,311	
			338,035	
		HOTELS/MOTELS		
	200,000	Grand Hotel Holdings Ltd. (Series A).....	71,752	
	1,050,000	Regal Hotels International.....	219,910	
			291,662	
		MACHINERY & MACHINE TOOLS		
	300,000	Chen Hsong Holdings.....	187,136	
		MULTI-INDUSTRY		
	372,000	TVE Holdings Ltd.....	144,279	
		TEXTILES		
	150,000	Winsor Industrial Corp. Ltd.....	201,681	

<CAPTION>

<C>	NUMBER OF SHARES	<S>	VALUE	<C>
		TRANSPORTATION		
	50,000	Kowloon Motor Bus Co. Ltd.....	\$ 94,699	
		TOTAL HONG KONG.....	1,361,435	
		INDONESIA (0.9%)		
		CHEMICALS		
	60,000	PT Aneka Kimia Raya.....	154,987	

DISTRIBUTION		
100,000	PT Wicaksana Overseas International*.....	269,542

FOOD, BEVERAGE, TOBACCO & HOUSEHOLD PRODUCTS		
142,000	PT Fast Food Indonesia.....	153,100

MACHINERY & MACHINE TOOLS		
80,000	PT United Tractors.....	160,826

PHARMACEUTICALS		
50,000	PT Enseval Putera Megatrading...	123,539

	TOTAL INDONESIA.....	861,994

ITALY (1.7%)		
ELECTRONICS & ELECTRICAL		
76,000	Gewiss SpA.....	663,087

FINANCIAL SERVICES		
16,800	Banca Popolare Di Bergamo.....	217,303

MACHINERY & MACHINE TOOLS		
7,500	Industria Macchine Automatic....	28,371

MANUFACTURING		
10,802	Industrie Natuzzi SpA (ADR)....	365,918
30,000	Saes Getters Di Risp (ADR).....	179,561
9,000	Saes Getters SpA.....	121,080

		666,559

	TOTAL ITALY.....	1,575,320

JAPAN (39.3%)		
AUTO RELATED		
40,000	Mitsuba Electric Mfg. Co.....	388,442

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
PORTFOLIO OF INVESTMENTS MAY 31, 1995, CONTINUED

<TABLE>

<CAPTION>

NUMBER OF SHARES		VALUE
<C>	<S>	<C>

BUILDING & CONSTRUCTION		
25,000	C-Cube Corp.....	\$ 174,977
30,000	Fuji PS Corp.....	508,054
20,500	Higashi Nihon House.....	388,442
10,000	Hosoda Corp.....	107,178
40,000	Ichiken Co., Ltd.....	427,760
30,000	Kaneshita Construction.....	401,469
18,000	Sankyo Frontier Co., Ltd.....	490,290
40,000	Takada Kiko.....	483,184
35,000	Tohoku Misawa Homes Co.....	382,580

		3,363,934

BUILDING MATERIALS		
10,000	Maezawa Kaisei Industries.....	493,842

BUSINESS SERVICES		
25,000	Chuo Warehouse.....	334,557
14,400	Nippon Kanzai.....	428,044
10,000	Takashimaya Kosakusho.....	65,135
40,000	Tanseisha.....	454,287

		1,282,023

CHEMICALS		
13,000	SK Kaken Co., Ltd.....	441,852

COMPUTER SERVICES		
20,000	Enix Corp.....	620,559
25,000	Meitec Corp.....	316,793

		937,352
	COMPUTERS	
10,000	I-O Data Device, Inc.....	460,682
	COMPUTERS - SYSTEMS	
25,000	Daiwabo Information Systems Co.....	532,923
22,000	Japan Digital Laboratory.....	461,156
11,000	TKC Corp.....	283,989
		1,278,068
	ELECTRONIC & ELECTRICAL EQUIPMENT	
30,000	Aiwa Co.....	710,564
25,000	Mitsui High-Tec.....	500,355
40,000	Mitsumi Electric Co. Ltd.....	658,456
20,000	Nihon Dempa Kogyo.....	601,611
18,000	Nitto Electric Works.....	245,144
		2,716,130
	ENGINEERING & CONSTRUCTION	
20,900	Meiden Engineering Co.....	264,839
	ENTERTAINMENT	
10,000	H.I.S. Co. Ltd.....	450,024
	FINANCIAL SERVICES	
12,000	Nichiei Co., Ltd. (Kyoto).....	753,198
10,000	Nissin Co., Ltd.....	639,507

<CAPTION>

	NUMBER OF SHARES		VALUE
<C>	<S>	<C>	
	7,000	Sanyo Shinpan Finance Co., Ltd.....	\$ 547,134
			1,939,839
		FOOD, BEVERAGE, TOBACCO & HOUSEHOLD PRODUCTS	
	9,000	Plenus Co., Ltd.....	457,248
	30,000	Sanyo Coca Cola Bottling.....	476,078
	30,000	Stamina Foods.....	333,965
	20,000	Steak Miya Co., Ltd.....	246,329
	16,500	Yonkyu Co., Ltd.....	381,040
	400	Yoshinoya D & C Co., Ltd.....	540,028
	20,100	Yukiguni Maitake Co., Ltd.....	395,144
			2,829,832
		HEALTH & PERSONAL CARE	
	22,000	Hitachi Medical Corp.....	304,832
	30,000	Kawasumi Laboratories, Inc.....	387,257
			692,089
		HOUSEHOLD FURNISHINGS & APPLIANCES	
	14,000	Beltecno Corp.....	281,857
	25,000	Noritz Corp.....	518,119
			799,976
		MACHINERY & MACHINE TOOLS	
	45,000	Aichi Corp.....	456,182
	45,000	Comson Corp.....	470,038
	20,000	Fuji Machine Manufacturing Co.....	594,505
	85,000	Nippon Thompson Co.....	533,515
	13,000	Sankyo Engineering.....	352,558
	33,000	Sansei Yusoki Co., Ltd.....	322,418
	60,000	Sintokogio.....	481,052
			3,210,268
		MANUFACTURING	
	25,000	Bridgestone Metalpha Corp.....	355,282
	50,000	Itoki Crebio Corp.....	479,631
	30,000	Nichiha Corp.....	639,507
			1,474,420
		MISCELLANEOUS	
	10,000	Maruco Co., Ltd.....	657,271

22,000	Misumi Corp.....	630,507
11,000	Y.A.C. Company, Ltd.....	241,000
11,000	Yagi Corp.....	195,405

		1,724,183

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS
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DEAN WITTER INTERNATIONAL SMALLCAP FUND
PORTFOLIO OF INVESTMENTS MAY 31, 1995, CONTINUED

<TABLE>

<CAPTION>

NUMBER OF SHARES		VALUE
<C>	<S>	<C>
	MULTI-INDUSTRY	
27,000	Trusco Nakayama Corp.....	\$ 645,902
30,000	Yamae Hisano.....	408,574

		1,054,476

	PHARMACEUTICALS	
22,000	Santen Pharmaceutical Co.....	534,107
15,000	Seikagaku Corp.....	621,743
7,700	Towa Pharmaceutical Co., Ltd....	379,346

		1,535,196

	REAL ESTATE	
20,000	Chubu Sekiwa Real Estate, Ltd.....	225,012
24,000	Fuso Lexel, Inc.....	198,958
30,000	Kansai Sekiwa Real Estate.....	401,468
50,000	Sekiwa Real Estate.....	467,788

		1,293,226

	RETAIL	
25,000	Arcland Sakamoto.....	423,378
15,600	Belluna Co., Ltd.....	362,103
5,000	Fast Retailing Co., Ltd.....	393,771
18,700	Home Wide Corp.....	210,165
25,000	Izumi Co., Ltd.....	615,822
56,000	Juntendo.....	364,756
11,700	Kahma Co., Ltd.....	243,865
33,000	Kuroganeya Co.....	468,972
27,000	Ministop Co., Ltd.....	601,137
18,000	Nissen Co., Ltd.....	569,161
20,000	Shimachu Co., Ltd.....	542,397
10,000	Sumiya Co., Ltd.....	144,481
3,000	Sundrug Co., Ltd.....	119,730
10,000	Tsutsumi Jewelry Co., Ltd.....	435,812
21,000	Xebio Co. Ltd.....	651,587

		6,147,137

	RETAIL - DRUG STORES	
12,000	Seijo Corp.....	457,603

	TELECOMMUNICATIONS	
25,000	Uniden Corp.....	438,181

	TRANSPORTATION	
10,000	Kanto Seino Transportation.....	396,731

	WHOLESALE DISTRIBUTOR	
21,000	Catena.....	261,132
30,000	Wakita & Co.....	465,419

		726,551

	TOTAL JAPAN.....	36,796,896

<CAPTION>

NUMBER OF SHARES		VALUE
<C>	<S>	<C>
	MALAYSIA (2.2%)	

AUTOMOTIVE		
30,000	Cycle & Carriage Bintang Berhad.....	\$ 127,789
BANKS - COMMERCIAL		
100,000	Hock Hua Bank Berhad.....	344,828
BUILDING & CONSTRUCTION		
60,000	Muhibbah Engineering Berhad.....	243,408
40,000	Road Builder Berhad.....	130,629
		374,037
BUILDING MATERIALS		
30,000	CI Holdings Berhad.....	115,619
FINANCIAL SERVICES		
73,333	Arab Malaysian Finance Berhad...	254,360
50,000	Public Finance Berhad.....	127,789
		382,149
INSURANCE		
105,000	Malaysia Assurance.....	372,718
MANUFACTURING		
40,000	George Kent Berhad.....	76,268
REAL ESTATE		
30,000	IOI Properties Berhad.....	104,665
160,000	Tan & Tan Development Berhad....	186,288
		290,953
	TOTAL MALAYSIA.....	2,084,361
MEXICO (1.3%)		
BANKS - COMMERCIAL		
25,000	Grupo Financiero GEM Atlantico S.A. (GDS)*.....	43,750
ENERGY TECHNOLOGY & EQUIPMENT		
90,000	Tubos de Acero de Mexico (ADR)*.....	438,750
INDUSTRIALS		
25,000	Grupo Industrial Saltillo S.A. de C.V. (Series A).....	296,191

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
PORTFOLIO OF INVESTMENTS MAY 31, 1995, CONTINUED

<TABLE>

<CAPTION>

NUMBER OF SHARES		VALUE
<C>	<S>	<C>
TRANSPORTATION		
60,000	Transportacion Maritima Mexicana S.A. de C.V. (ADR).....	\$ 405,000
	TOTAL MEXICO.....	1,183,691
NETHERLANDS (1.9%)		
BUILDING MATERIALS		
6,600	Koninklijke Sphinx.....	233,211
BUSINESS SERVICES		
3,600	Randstad Holdings NV.....	223,464
ELECTRONICS & ELECTRICAL		
1,469	Otra NV.....	291,571
OFFICE EQUIPMENT		
6,307	Samas-Groep NV.....	263,124
PHARMACEUTICALS		

9,540	OPG Apotheker Coop UA.....	253,274
	PUBLISHING	
400	Verenigde Nederlandse Uitgebedri Verigd Bezit.....	47,510
	TRANSPORTATION	
16,500	IHC Caland NV.....	441,182
	TOTAL NETHERLANDS.....	1,753,336
	NEW ZEALAND (0.6%) CHEMICALS	
150,000	Fernz Corp. Ltd.....	567,720
	NORWAY (2.7%) ENERGY TECHNOLOGY & EQUIPMENT	
66,000	Tomra Systems AS.....	252,269
	MISCELLANEOUS	
7,300	Multisoft AS.....	130,212
28,000	Sagatex.....	423,634
	OIL RELATED	
50,000	Transocean Drilling AS.....	585,284
	RETAIL - SPECIALTY	
31,010	System Etikettering AS.....	543,255
	TRANSPORTATION	
12,900	Storli AS.....	254,754

<C>	<S>	<C>
NUMBER OF SHARES		VALUE
	TRANSPORTATION - SHIPPING	
38,325	Awilco AS (Series B).....	\$ 366,221
	TOTAL NORWAY.....	2,555,629
	PHILIPPINES (0.3%) CONGLOMERATES	
93,079	First Philippine Holdings Corp. (B Shares).....	268,010
	SINGAPORE (1.1%) BUILDING MATERIALS	
60,000	Ssang Yong Cement Ltd.....	176,052
	COMPUTER SERVICES	
467,000	Flextech Holdings Ltd.....	184,718
	ENGINEERING & CONSTRUCTION	
40,000	Jurong Engineering, Ltd.....	230,133
	HOUSEHOLD FURNISHINGS & APPLIANCES	
120,000	Courts Ltd.....	183,818
	SHIPBUILDING	
100,000	Singapore Technologies Shipbuilding & Engineering Ltd.....	241,640
	TOTAL SINGAPORE.....	1,016,361
	SPAIN (1.8%) BUILDING MATERIALS	
52,000	Energia e Indust Aragonesas.....	286,648
	ELECTRONICS & ELECTRICAL	
11,150	Electricas Reunidas de Zaragoza S.A.....	234,473
	FINANCIAL SERVICES	
5,000	Banco Pastor S.A.....	242,140

	PAPER & FOREST PRODUCTS	
12,900	Empresa Nacional de Celulosas S.A.....	334,483

	RETAIL	
21,000	Cortefiel S.A.....	626,827

	TOTAL SPAIN.....	1,724,571

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS
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DEAN WITTER INTERNATIONAL SMALLCAP FUND
PORTFOLIO OF INVESTMENTS MAY 31, 1995, CONTINUED

<TABLE>
<CAPTION>

	NUMBER OF SHARES		VALUE
<C>	<S>		<C>
		SWEDEN (1.3%)	
		ELECTRONIC & ELECTRICAL EQUIPMENT	
14,300	Kanthal Hoganas AB (Series B)...	\$	230,724

		MISCELLANEOUS	
45,568	Assa Abloy AB (Series B).....		208,467
25,000	Kalmar Industries.....		350,602

			559,069

		PHARMACEUTICALS	
18,000	Elekta Instrument (Series B)....		446,048

		TOTAL SWEDEN.....	1,235,841

		SWITZERLAND (2.8%)	
		BUILDING MATERIALS	
181	Sarna Kunststoff Holding AG.....		229,743

		ELECTRONIC & ELECTRICAL EQUIPMENT	
1,500	Swisslog Holding AG.....		450,257

		HOUSEHOLD FURNISHINGS & APPLIANCES	
1,604	Fust SA AG.....		515,866

		MACHINERY & MACHINE TOOLS	
172	Bossard Holding AG.....		287,650

		MISCELLANEOUS	
1,745	Kardex AG.....		478,902
232	Phonak Holding AG (Series B)....		127,938
173	Zehnder Holdings.....		139,468

			746,308

		PUBLISHING	
1,700	Edipresse S.A.....		393,654

		TOTAL SWITZERLAND.....	2,623,478

		THAILAND (0.8%)	
		ELECTRONICS & ELECTRICAL	
30,000	KCE Electronics Co., Ltd.....		111,269

		HOUSEHOLD PRODUCTS	
40,000	Srithai Superware Co. Ltd.....		309,688

		INDUSTRIALS	
30,000	Thai Glass Industries.....		133,766

		MANUFACTURING	
150,000	Pan Asia Footwear Co.....		127,685

<CAPTION>

	NUMBER OF SHARES		VALUE
<C>	<S>		<C>
		PUBLISHING	

10,000	Matchon Newspaper Group.....	\$ 50,668

	TOTAL THAILAND.....	733,076

	UNITED KINGDOM (18.2%) ADVERTISING	
300,000	Shandwick PLC.....	178,650

	AUTO PARTS - ORIGINAL EQUIPMENT	
20,000	Avon Rubber PLC.....	160,388
167,000	BBA Group PLC.....	628,515
33,500	Laird Group PLC.....	191,513

		980,416

	BUILDING & CONSTRUCTION	
75,000	Barratt Developments PLC.....	229,863
100,000	Havelock Europa PLC.....	338,244

		568,107

	BUILDING MATERIALS	
110,000	Hepworth PLC.....	532,774
340,000	Ibstock PLC.....	415,738
65,000	Lilleshall PLC.....	92,898
255,000	Rugby Group PLC.....	485,928
60,000	SIG PLC.....	238,200

		1,765,538

	CHEMICALS	
90,000	Albright & Wilson PLC.....	265,831
130,000	Allied Colloids Group PLC.....	270,436

		536,267

	COMPUTER SERVICES	
170,000	ISA International PLC.....	278,059

	CONTAINERS	
100,000	Parkside International PLC.....	130,216

	CONTAINERS - PAPER	
52,200	David S. Smith PLC.....	476,638

	DISTRIBUTION	
23,000	Tibbett and Britten Group PLC...	191,751

	ELECTRONIC & ELECTRICAL EQUIPMENT	
56,000	Diploma PLC.....	439,304
50,000	Fairey Group PLC.....	353,330

		792,634

	FINANCIAL SERVICES	
90,000	MAI PLC.....	378,738

	FOOD PROCESSING	
95,000	Devro International PLC.....	351,504

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
PORTFOLIO OF INVESTMENTS MAY 31, 1995, CONTINUED

<TABLE>

<CAPTION>

	NUMBER OF SHARES	VALUE
<C>	<S>	<C>
		FOOD, BEVERAGE, TOBACCO & HOUSEHOLD PRODUCTS
60,000	Boddington Group PLC.....	\$ 263,926
82,500	Dalgety PLC.....	580,374

		844,300

		HEALTH & PERSONAL CARE
35,000	Community Hospitals Group PLC...	135,615

		HOTELS/MOTELS
250,000	Stakis PLC.....	345,390

HOUSEHOLD FURNISHINGS & APPLIANCES		
245,000	MFI Furniture PLC.....	490,216
188,400	Walker Greenbank PLC.....	284,220
		774,436
INDUSTRIALS		
120,000	Staveley Industries PLC.....	352,536
INSURANCE		
10,000	Domestic & General Group PLC....	222,320
MACHINERY & MACHINE TOOLS		
50,000	Crabtree Group PLC.....	285,840
155,000	Metalrax Group PLC.....	285,522
60,000	Spirax-Sarco Engineering PLC....	502,126
		1,073,488
MANUFACTURING		
45,000	Bluebird Toys PLC.....	155,783
150,000	Bunzl PLC.....	471,636
87,000	Glynwed International PLC.....	479,401
50,000	Halma PLC.....	165,152
54,000	IMI PLC.....	267,546
83,000	Protean PLC.....	309,739
		1,849,257
MISCELLANEOUS		
80,000	Christies International PLC.....	204,534
OIL RELATED		
35,000	Charter PLC.....	491,883
PHARMACEUTICALS		
18,000	Amersham International PLC.....	256,684
PUBLISHING		
29,800	Daily Mail & General Trust.....	556,038

<CAPTION>

NUMBER OF SHARES		VALUE
<C>	<S>	<C>
	REAL ESTATE	
70,000	Bradford Property Trust PLC....	\$ 197,865
50,000	Capital Shopping Centers PLC....	170,710
63,000	Great Portland Estates PLC.....	186,082
40,000	Helical Bar PLC.....	201,994
		756,651
	RESTAURANTS	
130,000	City Centre Restaurants PLC....	179,603
66,000	Compass Group PLC.....	366,828
		546,431
	RETAIL	
100,000	Goldsmiths Group.....	230,260
77,000	William Morrison Supermarkets PLC.....	173,632
		403,892
	RETAIL - SPECIALTY	
20,000	Cowie Group PLC.....	88,610
20,000	Pendragon PLC.....	82,576
		171,186
	TELECOMMUNICATIONS	
42,500	Security Services PLC.....	593,912
	TEXTILES	
57,500	Courtlaulds Textiles PLC.....	454,724
	TRANSPORTATION	
90,000	GRT Bus Group PLC.....	383,026
	TOTAL UNITED KINGDOM.....	17,044,821

TOTAL COMMON AND PREFERRED
STOCKS
(IDENTIFIED COST \$94,927,829) ... 86,044,931

</TABLE>

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT IN THOUSANDS		VALUE
<C>	<S>	<C>
	SHORT-TERM INVESTMENT (a) (6.7%) U.S. GOVERNMENT AGENCY Federal Home Loan Mortgage Corp. 6.10% due 06/01/95 (Amortized Cost \$6,300,000).....	6,300,000

</TABLE>

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
PORTFOLIO OF INVESTMENTS MAY 31, 1995, CONTINUED

<TABLE>
<CAPTION>

CURRENCY AMOUNT IN THOUSANDS	EXPIRATION DATE/ EXERCISE PRICE	VALUE
<C>	<S>	<C>
Y 2,525,700	PURCHASED PUT OPTIONS ON FOREIGN CURRENCY (0.8%) June 10, 1995/Y 84.19.....	\$ 603,000
FRF 19,492	November 28, 1995/FRF 4.87.....	148,000
	TOTAL PURCHASED PUT OPTIONS ON FOREIGN CURRENCY (IDENTIFIED COST \$963,400).....	751,000

TOTAL INVESTMENTS
(IDENTIFIED COST
\$102,191,229) (B) 99.3 % 93,095,931

CASH AND OTHER ASSETS IN
EXCESS OF LIABILITIES..... 0.7 633,348

NET ASSETS..... 100.0 % \$93,729,279

<FN>

ADR American Depository Receipt.
GDS Global Depository Shares.
* Non-income producing security.
(a) The U.S. Government agency was purchased on a discount basis. The interest rate shown has been adjusted to reflect a money market equivalent yield.
(b) The aggregate cost for federal income tax purposes is \$102,471,309; the aggregate gross unrealized appreciation is \$5,293,352 and the aggregate gross unrealized depreciation is \$14,668,730, resulting in net unrealized depreciation of \$9,375,378.

</TABLE>

FORWARD FOREIGN CURRENCY CONTRACTS OPEN AT MAY 31, 1995:

<TABLE>
<CAPTION>

CONTRACTS TO DELIVER	IN EXCHANGE FOR	DELIVERY DATE	UNREALIZED APPRECIATION/ (DEPRECIATION)
<S>	<C>	<C>	<C>
US\$ 20,979	HKD 162,270	06/01/95	\$ --
US\$ 30,292	ITL 48,891,227	06/02/95	(462)
US\$ 28,301	ITL 46,500,000	06/08/95	70

Net unrealized depreciation..... \$ (392)

</TABLE>

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DEAN WITTER INTERNATIONAL SMALLCAP FUND
SUMMARY OF INVESTMENTS MAY 31, 1995

<TABLE>

<CAPTION>

INDUSTRY	VALUE	PERCENT OF NET ASSETS
<S>	<C>	<C>
Advertising.....	\$ 178,650	0.2%
Aerospace & Defense.....	103,943	0.1
Auto Parts.....	884,348	0.9
Auto Parts - Original Equipment.....	980,416	1.1
Auto Related.....	388,442	0.4
Automotive.....	335,830	0.4
Banks - Commercial.....	388,578	0.4
Building & Construction.....	4,516,876	4.8
Building Materials.....	3,831,612	4.1
Business Services.....	1,505,487	1.6
Chemicals.....	1,700,826	1.8
Computer Services.....	1,400,129	1.5
Computers.....	460,682	0.5
Computers - Systems.....	1,278,068	1.4
Conglomerates.....	268,010	0.3
Consumer Products.....	743,551	0.8
Containers.....	130,216	0.1
Containers - Paper.....	476,638	0.5
Distribution.....	704,484	0.7
Electronic & Electrical Equipment.....	4,189,745	4.5
Electronic Components.....	209,585	0.2
Electronics & Electrical.....	1,638,435	1.7
Energy Technology & Equipment.....	691,019	0.7
Engineering & Construction.....	494,972	0.5
Entertainment.....	450,024	0.5
Financial Services.....	3,677,936	3.9
Food Processing.....	351,504	0.4
Food, Beverage, Tobacco & Household Products.....	4,634,250	4.9
Foreign Currency Put Options.....	751,000	0.8
Health & Personal Care.....	827,704	0.9
Hotels/Motels.....	637,052	0.7
Household Furnishings & Appliances.....	2,274,096	2.4
Household Products.....	309,688	0.3
Industrials.....	782,493	0.8

<CAPTION>

INDUSTRY	VALUE	PERCENT OF NET ASSETS
<S>	<C>	<C>
Insurance.....	\$ 1,193,768	1.3%
Insurance Brokers.....	278,617	0.3
Machinery & Machine Tools.....	6,143,472	6.6
Manufacturing.....	4,832,838	5.2
Metals & Mining.....	341,292	0.4
Miscellaneous.....	3,787,940	4.0
Multi-Industry.....	1,636,533	1.7
Office Equipment.....	875,404	0.9
Oil Related.....	1,077,167	1.2
Paper & Forest Products.....	334,483	0.4
Pharmaceuticals.....	2,614,741	2.8
Photography.....	288,291	0.3
Publishing.....	1,254,853	1.3
Real Estate.....	2,340,830	2.5
Restaurants.....	546,431	0.6
Retail.....	7,177,856	7.7
Retail - Drug Stores.....	457,603	0.5
Retail - Specialty.....	2,252,319	2.4
Shipbuilding.....	241,640	0.3
Telecommunications.....	1,442,164	1.5
Textiles.....	1,729,161	1.8
Textiles - Apparel Manufacturers.....	455,134	0.5
Transportation.....	2,204,333	2.4
Transportation - Shipping.....	366,221	0.4
U.S. Government Agency.....	6,300,000	6.7
Wholesale Distributor.....	726,551	0.8
	-----	---
	\$ 93,095,931	99.3%
	-----	---

</TABLE>

<TABLE>
<CAPTION>

TYPE OF INVESTMENT	VALUE	PERCENT OF NET ASSETS
<S>	<C>	<C>
Common Stocks.....	\$ 83,632,379	89.2%
Foreign Currency Put Options.....	751,000	0.8
Preferred Stocks.....	2,412,552	2.6
U.S. Government Agency.....	6,300,000	6.7
	-----	---
	\$ 93,095,931	99.3%
	-----	---
	-----	---

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS
62

DEAN WITTER INTERNATIONAL SMALLCAP FUND
FINANCIAL HIGHLIGHTS

Selected ratios and per share data for a share of beneficial interest outstanding throughout the period:

<TABLE>
<CAPTION>

	FOR THE PERIOD JULY 29, 1994* THROUGH MAY 31, 1995
<S>	<C>
PER SHARE OPERATING PERFORMANCE:	
Net asset value, beginning of period....	\$ 10.00 -----
Net investment loss.....	(0.08)
Net realized and unrealized loss.....	(1.38) -----
Total from investment operations.....	(1.46) -----
Net asset value, end of period.....	\$ 8.54 ----- -----
TOTAL INVESTMENT RETURN+.....	(14.60) % (1)
RATIOS TO AVERAGE NET ASSETS:	
Expenses.....	2.90 % (2)
Net investment loss.....	(1.12) % (2)
SUPPLEMENTAL DATA:	
Net assets, end of period, in thousands.....	\$93,729
Portfolio turnover rate.....	41 % (1)

<FN>

* Commencement of operations.
+ Does not reflect the deduction of sales charge.
(1) Not annualized.
(2) Annualized.

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

DEAN WITTER INTERNATIONAL SMALLCAP FUND
REPORT OF INDEPENDENT ACCOUNTANTS

TO THE SHAREHOLDERS AND TRUSTEES
OF DEAN WITTER INTERNATIONAL SMALLCAP FUND

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of

changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Dean Witter International SmallCap Fund (the "Fund") at May 31, 1995, and the results of its operations, the changes in its net assets and the financial highlights for the period July 29, 1994 (commencement of operations) through May 31, 1995, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at May 31, 1995 by correspondence with the custodian and brokers and the application of alternative auditing procedures where confirmations from brokers were not received, provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
 NEW YORK, NEW YORK
 JULY 13, 1995

DEAN WITTER INTERNATIONAL SMALL CAP FUND

PART C OTHER INFORMATION

Item 24. Financial Statements and Exhibits

(a) FINANCIAL STATEMENTS

(1) Financial statements and schedules, included in Prospectus (Part A):

	Page in Prospectus -----
--	--------------------------------

Financial highlights for the period July 29, 1994 (commencement of operations) through May 31, 1995	4
--	---

(2) Financial statements included in the Statement of Additional Information (Part B):

	Page in SAI ---
--	-----------------------

Statement of assets and liabilities at May 31, 1995	46
--	----

Statement of operations for the period July 29, 1994 (commencement of operations) through May 31, 1995	46
---	----

Statement of changes in net assets for the period July 29, 1994 (commencement of operations) through May 31, 1995.	47
---	----

Notes to Financial Statements.	48
--	----

Portfolio of Investments at May 31, 1995	54
--	----

Summary of Investments at May 31, 1995	54
--	----

Financial highlights for the period July 29, 1994 (commencement of operations) through May 31, 1995	63
--	----

(3) Financial statements included in Part C:

None

(b) EXHIBITS:

- 2. -- Amended and Restated By-Laws of the Registrant
- 9. -- Form of Services Agreement between Dean Witter
InterCapital Inc. and Dean Witter Services Company Inc.
- 11. -- Consent of Independent Accountants

16. -- Schedule for Computation of Performance Quotation

27. -- Financial Data Schedule

All other exhibits previously filed and incorporated by reference.

Item 25. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT.

None

Item 26. NUMBER OF HOLDERS OF SECURITIES.

(1)	(2)
Title of Class	Number of Record Holders
-----	at June 30, 1995
-----	-----
Shares of Beneficial Interest	16,420

Item 27. INDEMNIFICATION

Pursuant to Section 5.3 of the Registrant's Declaration of Trust and under Section 4.8 of the Registrant's By-Laws, the indemnification of the Registrant's trustees, officers, employees and agents is permitted if it is determined that they acted under the belief that their actions were in or not opposed to the best interest of the Registrant, and, with respect to any criminal proceeding, they had reasonable cause to believe their conduct was not unlawful. In addition, indemnification is permitted only if it is determined that the actions in question did not render them liable by reason of willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of reckless disregard of their obligations and duties to the Registrant. Trustees, officers, employees and agents will be indemnified for the expense of litigation if it is determined that they are entitled to indemnification against any liability established in such litigation. The Registrant may also advance money for these expenses provided that they give their undertakings to repay the Registrant unless their conduct is later determined to permit indemnification.

Pursuant to Section 5.2 of the Registrant's Declaration of Trust and paragraph 8 of the Registrant's Investment Management Agreement, neither the Investment Manager nor any trustee, officer, employee or agent of the Registrant shall be liable for any action or failure to act, except in the case of bad faith, willful misfeasance, gross negligence or reckless disregard of duties to the Registrant.

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Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to trustees, officers and controlling persons of the Registrant pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a trustee, officer, or controlling person of the Registrant in connection with the successful defense of any action, suit or proceeding) is asserted against the Registrant by such trustee, officer or controlling person in connection with the shares being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act, and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that it will apply the indemnification provision of its by-laws in a manner consistent with Release 11330 of the Securities and Exchange Commission under the Investment Company Act of 1940, so long as the interpretation of Sections 17(h) and 17(i) of such Act remains in effect.

Registrant, in conjunction with the Investment Manager, Registrant's Trustees, and other registered investment management companies managed by the Investment Manager, maintains insurance on behalf of any person who is or was a Trustee, officer, employee, or agent of Registrant, or who is or was serving at the request of Registrant as a trustee, director, officer, employee or agent of another trust or corporation, against any liability asserted against him and incurred by him or arising out of his position. However, in no event will Registrant maintain insurance to indemnify any such person for any act for which Registrant itself is not permitted to indemnify him.

Item 28. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER.

See "The Fund and Its Management" in the Prospectus regarding the business of the investment adviser. The following information is given regarding officers of Dean Witter InterCapital Inc. InterCapital is a wholly-owned subsidiary of Dean Witter, Discover & Co. The principal address of the Dean Witter Funds is Two World Trade Center, New York, New York 10048.

The term "Dean Witter Funds" used below refers to the following registered investment companies:

CLOSED-END INVESTMENT COMPANIES

- (1) InterCapital Income Securities Inc.
- (2) High Income Advantage Trust
- (3) High Income Advantage Trust II
- (4) High Income Advantage Trust III

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- (5) Municipal Income Trust
- (6) Municipal Income Trust II
- (7) Municipal Income Trust III
- (8) Dean Witter Government Income Trust
- (9) Municipal Premium Income Trust
- (10) Municipal Income Opportunities Trust
- (11) Municipal Income Opportunities Trust II
- (12) Municipal Income Opportunities Trust III
- (13) Prime Income Trust
- (14) InterCapital Insured Municipal Bond Trust
- (15) InterCapital Quality Municipal Income Trust
- (16) InterCapital Quality Municipal Investment Trust
- (17) InterCapital Insured Municipal Income Trust
- (18) InterCapital California Insured Municipal Income Trust
- (19) InterCapital Insured Municipal Trust
- (20) InterCapital Quality Municipal Securities
- (21) InterCapital New York Quality Municipal Securities
- (22) InterCapital California Quality Municipal Securities
- (23) InterCapital Insured California Municipal Securities
- (24) InterCapital Insured Municipal Securities

OPEN-END INVESTMENT COMPANIES:

- (1) Dean Witter Short-Term Bond Fund
- (2) Dean Witter Tax-Exempt Securities Trust
- (3) Dean Witter Tax-Free Daily Income Trust
- (4) Dean Witter Dividend Growth Securities Inc.
- (5) Dean Witter Convertible Securities Trust
- (6) Dean Witter Liquid Asset Fund Inc.
- (7) Dean Witter Developing Growth Securities Trust
- (8) Dean Witter Retirement Series
- (9) Dean Witter Federal Securities Trust
- (10) Dean Witter World Wide Investment Trust
- (11) Dean Witter U.S. Government Securities Trust
- (12) Dean Witter Select Municipal Reinvestment Fund
- (13) Dean Witter High Yield Securities Inc.
- (14) Dean Witter Intermediate Income Securities
- (15) Dean Witter New York Tax-Free Income Fund
- (16) Dean Witter California Tax-Free Income Fund
- (17) Dean Witter Health Sciences Trust
- (18) Dean Witter California Tax-Free Daily Income Trust
- (19) Dean Witter Managed Assets Trust
- (20) Dean Witter American Value Fund
- (21) Dean Witter Strategist Fund
- (22) Dean Witter Utilities Fund
- (23) Dean Witter World Wide Income Trust
- (24) Dean Witter New York Municipal Money Market Trust
- (25) Dean Witter Capital Growth Securities
- (26) Dean Witter Precious Metals and Minerals Trust
- (27) Dean Witter European Growth Fund Inc.
- (28) Dean Witter Global Short-Term Income Fund Inc.
- (29) Dean Witter Pacific Growth Fund Inc.
- (30) Dean Witter Multi-State Municipal Series Trust
- (31) Dean Witter Premier Income Trust
- (32) Dean Witter Short-Term U.S. Treasury Trust

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- (33) Dean Witter Diversified Income Trust
- (34) Dean Witter U.S. Government Money Market Trust
- (35) Dean Witter Global Dividend Growth Securities
- (36) Active Assets California Tax-Free Trust
- (37) Dean Witter Natural Resource Development Securities Inc.
- (38) Active Assets Government Securities Trust

- (39) Active Assets Money Trust
- (40) Active Assets Tax-Free Trust
- (41) Dean Witter Limited Term Municipal Trust
- (42) Dean Witter Variable Investment Series
- (43) Dean Witter Value-Added Market Series
- (44) Dean Witter Global Utilities Fund
- (45) Dean Witter High Income Securities
- (46) Dean Witter National Municipal Trust
- (47) Dean Witter International SmallCap Fund
- (48) Dean Witter Mid-Cap Growth Fund
- (49) Dean Witter Select Dimensions Investment Series
- (50) Dean Witter Global Asset Allocation Fund
- (51) Dean Witter Balanced Growth Fund
- (52) Dean Witter Balanced Income Fund
- (53) Dean Witter Hawaii Municipal Trust

The term "TCW/DW Funds" refers to the following registered investment companies:

OPEN-END INVESTMENT COMPANIES

- (1) TCW/DW Core Equity Trust
- (2) TCW/DW North American Government Income Trust
- (3) TCW/DW Latin American Growth Fund
- (4) TCW/DW Income and Growth Fund
- (5) TCW/DW Small Cap Growth Fund
- (6) TCW/DW Balanced Fund
- (7) TCW/DW North American Intermediate Income Trust
- (8) TCW/DW Global Convertible Trust
- (9) TCW/DW Total Return Trust

CLOSED-END INVESTMENT COMPANIES

- (1) TCW/DW Term Trust 2000
- (2) TCW/DW Term Trust 2002
- (3) TCW/DW Term Trust 2003
- (4) TCW/DW Emerging Markets Opportunities Trust

NAME AND POSITION WITH DEAN WITTER INTERCAPITAL INC. -----	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT, INCLUDING NAME, PRINCIPAL ADDRESS AND NATURE OF CONNECTION -----
Charles A. Fiumefreddo Chairman, Chief Executive Officer and Director	Executive Vice President and Director of Dean Witter Reynolds Inc. ("DWR"); Chairman, Chief Executive Officer and Director of Dean Witter Distributors Inc. ("Distributors") and Dean Witter Services Company Inc. ("DWSC"); Chairman and Director of Dean Witter Trust Company ("DWTC"); Chairman, Director or Trustee, President and Chief Executive Officer of the Dean Witter Funds and Chairman, Chief Executive Officer and Trustee of the TCW/DW Funds; Formerly Executive Vice President and Director of Dean Witter, Discover & Co. ("DWDC"); Director and/or officer of various DWDC subsidiaries.
Philip J. Purcell Director	Chairman, Chief Executive Officer and Director of DWDC and DWR; Director of DWSC and Distributors; Director or Trustee of the Dean Witter Funds; Director and/or officer of various DWDC subsidiaries.
Richard M. DeMartini Director	Executive Vice President of DWDC; President and Chief Operating Officer of Dean Witter Capital; Director of DWR, DWSC, Distributors and DWTC; Trustee of the TCW/DW Funds.
James F. Higgins Director	Executive Vice President of DWDC; President and Chief Operating Officer of Dean Witter Financial; Director of DWR, DWSC, Distributors and DWTC.
Thomas C. Schneider Executive Vice President, Chief Financial Officer and Director	Executive Vice President and Chief Financial Officer of DWDC, DWR, DWSC and Distributors; Director of DWR, DWSC and Distributors.
Christine A. Edwards Director	Executive Vice President, Secretary and General Counsel of DWDC and DWR; Executive Vice President, Secretary and Chief Legal Officer of Distributors; Director of DWR, DWSC and Distributors.
Robert M. Scanlan President and Chief	President and Chief Operating Officer of DWSC, Executive Vice President of Distributors;

Operating Officer	Executive Vice President and Director of DWTC; Vice President of the Dean Witter Funds and the TCW/DW Funds.
David A. Hughey Executive Vice President and Chief Administrative Officer	Executive Vice President and Chief Administrative Officer of DWSC, Distributors and DWTC; Director of DWTC; Vice President of the Dean Witter Funds and the TCW/DW Funds.

NAME AND POSITION WITH DEAN WITTER INTERCAPITAL INC. -----	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT, INCLUDING NAME, PRINCIPAL ADDRESS AND NATURE OF CONNECTION -----
Edmund C. Puckhaber Executive Vice President	Director of DWTC; Vice President of the Dean Witter Funds.
John Van Heuvelen Executive Vice President	President, Chief Operating Officer and Director of DWTC.
Sheldon Curtis Senior Vice President, General Counsel and Secretary	Assistant Secretary of DWR; Senior Vice President, Secretary and General Counsel of DWSC; Senior Vice President, Assistant General Counsel and Assistant Secretary of Distributors; Senior Vice President and Secretary of DWTC; Vice President, Secretary and General Counsel of the Dean Witter Funds and the TCW/DW Funds.
Peter M. Avelar Senior Vice President	Vice President of various Dean Witter Funds.
Mark Bavoso Senior Vice President	Vice President of various Dean Witter Funds.
Thomas H. Connelly Senior Vice President	Vice President of various Dean Witter Funds.
Richard Felegy Senior Vice President	
Edward Gaylor Senior Vice President	Vice President of various Dean Witter Funds.
Robert S. Giambrone Senior Vice President	
Rajesh K. Gupta Senior Vice President	Vice President of various Dean Witter Funds.
Kenton J. Hinchcliffe Senior Vice President	Vice President of various Dean Witter Funds.
Kevin Hurley Senior Vice President	Vice President of various Dean Witter Funds.
John B. Kemp, III Senior Vice President	Director of the Provident Savings Bank, Jersey City, New Jersey.
Anita Kolleeny Senior Vice President	Vice President of various Dean Witter Funds.

NAME AND POSITION WITH DEAN WITTER INTERCAPITAL INC. -----	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT, INCLUDING NAME, PRINCIPAL ADDRESS AND NATURE OF CONNECTION -----
Joseph McAlinden Senior Vice President	
Jonathan R. Page Senior Vice President	Vice President of various Dean Witter Funds.
Ira Ross Senior Vice President	Vice President of various Dean Witter Funds.
Rochelle G. Siegel Senior Vice President	Vice President of various Dean Witter Funds.
Paul D. Vance	

Senior Vice President	Vice President of various Dean Witter Funds.
Elizabeth A. Vetell Senior Vice President	
James F. Willison Senior Vice President	Vice President of various Dean Witter Funds.
Ronald J. Worobel Senior Vice President	Vice President of various Dean Witter Funds.
Thomas F. Caloia First Vice President and Assistant Treasurer	First Vice President and Assistant Treasurer of DWSC, Assistant Treasurer of Distributors; Treasurer of the Dean Witter Funds and the TCW/DW Funds.
Marilyn K. Cranney First Vice President and Assistant Secretary	Assistant Secretary of DWR; First Vice President and Assistant Secretary of DWSC; Assistant Secretary of the Dean Witter Funds and the TCW/DW Funds.
Barry Fink First Vice President and Assistant Secretary	First Vice President and Assistant Secretary of DWSC; Assistant Secretary of the Dean Witter Funds and the TCW/DW Funds.
Michael Interrante First Vice President and Controller	First Vice President and Controller of DWSC; Assistant Treasurer of Distributors; First Vice President and Treasurer of DWTC.
Robert Zimmerman First Vice President	
Joan Allman Vice President	
Joseph Arcieri Vice President	Vice President of Various Dean Witter Funds.

NAME AND POSITION WITH DEAN WITTER INTERCAPITAL INC. -----	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT, INCLUDING NAME, PRINCIPAL ADDRESS AND NATURE OF CONNECTION -----
---	---

Douglas Brown Vice President	
Thomas Chronert Vice President	
Rosalie Clough Vice President	
Patricia A. Cuddy Vice President	Vice President of various Dean Witter Funds.
B. Catherine Connelly Vice President	
Salvatore DeSteno Vice President	Vice President of DWSC.
Frank J. DeVito Vice President	Vice President of DWSC.
Dwight Doolan Vice President	
Bruce Dunn Vice President	
Jeffrey D. Geffen Vice President	
Deborah Genovese Vice President	
Peter W. Gurman Vice President	
Russell Harper Vice President	

John Hechtlinger
Vice President

Peter Hermann
Vice President

Vice President of Dean Witter Mid-Cap Growth Fund.

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NAME AND POSITION
WITH DEAN WITTER
INTERCAPITAL INC.

OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION
OR EMPLOYMENT, INCLUDING NAME, PRINCIPAL ADDRESS
AND NATURE OF CONNECTION

David Hoffman
Vice President

David Johnson
Vice President

Christopher Jones
Vice President

Stanley Kapica
Vice President

Michael Knox
Vice President

Vice President of Dean Witter Convertible
Securities Trust.

Konrad J. Krill
Vice President

Vice President of various Dean Witter Funds.

Paul LaCosta
Vice President

Vice President of various Dean Witter Funds.

Thomas Lawlor
Vice President

Gerard Lian
Vice President

Vice President of various Dean Witter Funds.

Lou Anne D. McInnis
Vice President and
Assistant Secretary

Vice President and Assistant Secretary of DWSC;
Assistant Secretary of the Dean Witter Funds and
the TCW/DW Funds.

Sharon K. Milligan
Vice President

Julie Morrone
Vice President

David Myers
Vice President

James Nash
Vice President

Richard Norris
Vice President

Hugh Rose
Vice President

10

NAME AND POSITION
WITH DEAN WITTER
INTERCAPITAL INC.

OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION
OR EMPLOYMENT, INCLUDING NAME, PRINCIPAL ADDRESS
AND NATURE OF CONNECTION

Ruth Rossi
Vice President and
Assistant Secretary

Vice President and Assistant Secretary of DWSC;
Assistant Secretary of the Dean Witter Funds and
the TCW/DW Funds.

Carl F. Sadler
Vice President

Rafael Scolari
Vice President

Vice President of Prime Income Trust

Kathleen Stromberg
Vice President

Vice President of various Dean Witter Funds.

Vinh Q. Tran

Vice President	Vice President of various Dean Witter Funds.
Alice Weiss	
Vice President	Vice President of various Dean Witter Funds.
Jayne M. Wolff	
Vice President	Vice President of various Dean Witter Funds.
Marianne Zalys	
Vice President	

Item 29. PRINCIPAL UNDERWRITERS

(a) Dean Witter Distributors Inc. ("Distributors"), a Delaware corporation, is the principal underwriter of the Registrant. Distributors is also the principal underwriter of the following investment companies:

- (1) Dean Witter Liquid Asset Fund Inc.
- (2) Dean Witter Tax-Free Daily Income Trust
- (3) Dean Witter California Tax-Free Daily Income Trust
- (4) Dean Witter Retirement Series
- (5) Dean Witter Dividend Growth Securities Inc.
- (6) Dean Witter Global Asset Allocation
- (7) Dean Witter World Wide Investment Trust
- (8) Dean Witter Capital Growth Securities
- (9) Dean Witter Convertible Securities Trust
- (10) Active Assets Tax-Free Trust
- (11) Active Assets Money Trust
- (12) Active Assets California Tax-Free Trust
- (13) Active Assets Government Securities Trust
- (14) Dean Witter Short-Term Bond Fund
- (15) Dean Witter Mid-Cap Growth Fund
- (16) Dean Witter U.S. Government Securities Trust
- (17) Dean Witter High Yield Securities Inc.
- (18) Dean Witter New York Tax-Free Income Fund

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- (19) Dean Witter Tax-Exempt Securities Trust
- (20) Dean Witter California Tax-Free Income Fund
- (21) Dean Witter Managed Assets Trust
- (22) Dean Witter Natural Resource Development Securities Inc.
- (23) Dean Witter World Wide Income Trust
- (24) Dean Witter Utilities Fund
- (25) Dean Witter Strategist Fund
- (26) Dean Witter New York Municipal Money Market Trust
- (27) Dean Witter Intermediate Income Securities
- (28) Prime Income Trust
- (29) Dean Witter European Growth Fund Inc.
- (30) Dean Witter Developing Growth Securities Trust
- (31) Dean Witter Precious Metals and Minerals Trust
- (32) Dean Witter Pacific Growth Fund Inc.
- (33) Dean Witter Multi-State Municipal Series Trust
- (34) Dean Witter Federal Securities Trust
- (35) Dean Witter Short-Term U.S. Treasury Trust
- (36) Dean Witter Diversified Income Trust
- (37) Dean Witter Health Sciences Trust
- (38) Dean Witter Global Dividend Growth Securities
- (39) Dean Witter American Value Fund
- (40) Dean Witter U.S. Government Money Market Trust
- (41) Dean Witter Global Short-Term Income Fund Inc.
- (42) Dean Witter Premium Income Trust
- (43) Dean Witter Value-Added Market Series
- (44) Dean Witter Global Utilities Fund
- (45) Dean Witter High Income Securities
- (46) Dean Witter National Municipal Trust
- (47) Dean Witter International SmallCap Fund
- (48) Dean Witter Balanced Growth Fund
- (49) Dean Witter Balanced Income Fund
- (50) Dean Witter Hawaii Municipal Trust
- (51) Dean Witter Global Asset Allocation Fund
- (52) Dean Witter Variable Investment Investment Series
- (1) TCW/DW Core Equity Trust
- (2) TCW/DW North American Government Income Trust
- (3) TCW/DW Latin American Growth Fund
- (4) TCW/DW Income and Growth Fund
- (5) TCW/DW Small Cap Growth Fund
- (6) TCW/DW Balanced Fund
- (7) TCW/DW North American Intermediate Income Trust
- (8) TCW/DW Global Convertible Trust
- (9) TCW/DW Total Return Trust

(b) The following information is given regarding directors and officers of

Distributors not listed in Item 28 above. The principal address of Distributors is Two World Trade Center, New York, New York 10048. None of the following persons has any position or office with the Registrant.

Name	Positions and Office with Distributors
Fredrick K. Kubler	Senior Vice President, Assistant Secretary and Chief Compliance Officer.
Michael T. Gregg	Vice President and Assistant Secretary.

Item 30. LOCATION OF ACCOUNTS AND RECORDS

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940 and the Rules thereunder are maintained by the Investment Manager at its offices, except records relating to holders of shares issued by the Registrant, which are maintained by the Registrant's Transfer Agent, at its place of business as shown in the prospectus.

Item 31. MANAGEMENT SERVICES

Registrant is not a party to any such management-related service contract.

Item 32. UNDERTAKINGS

Registrant hereby undertakes to furnish each person to whom a prospectus is delivered with a copy of the Registrant's latest annual report to shareholders, upon request and without charge.

EXHIBIT INDEX

Exhibit No.	Description
2. --	Amended and Restated By-Laws of Registrant
9. --	Form of Services Agreement between Dean Witter InterCapital Inc. and Dean Witter Services Company Inc.
11. --	Consent of Independent Accountants
16. --	Schedule for Computation of Performance Quotations -
27. --	Financial Data Schedule

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all of the requirements for effectiveness of this Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Post-Effective Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York on the 28th day of July, 1995.

DEAN WITTER INTERNATIONAL SMALLCAP FUND

By /s/ Sheldon Curtis

Sheldon Curtis
Vice President and Secretary

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 2 has been signed below by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signatures	Title	Date
-----	-----	----
<S>	<C>	<C>
(1) Principal Executive Officer	President, Chief Executive Officer, Trustee and Chairman	
By /s/ Charles A. Fiumefreddo ----- Charles A. Fiumefreddo		07/28/95
(2) Principal Financial Officer	Treasurer and Principal Accounting Officer	
By /s/ Thomas F. Caloia ----- Thomas F. Caloia		07/28/95
(3) Majority of the Trustees		
Charles A. Fiumefreddo (Chairman) Philip J. Purcell		
By /s/ Sheldon Curtis ----- Sheldon Curtis Attorney-in-Fact		07/28/95
Jack F. Bennett Paul Kolton John R. Haire Michael E. Nugent Michael Bozic Manuel H. Johnson Edwin J. Carn John L. Schroeder		
By /s/ David M. Butowsky ----- David M. Butowsky Attorney-in-Fact		07/28/95

</TABLE>

BY-LAWS

OF

DEAN WITTER INTERNATIONAL SMALLCAP FUND
(AMENDED AND RESTATED AS OF JANUARY 25, 1995)

ARTICLE I
DEFINITIONS

The terms "Commission", "Declaration", "Distributor", "Investment Adviser", "Majority Shareholder Vote", "1940 Act", "Shareholder", "Shares", "Transfer Agent", "Trust", "Trust Property", and "Trustees" have the respective meanings given them in the Declaration of Trust of Dean Witter International SmallCap Fund dated April 21, 1994.

ARTICLE II
OFFICES

SECTION 2.1. Principal Office. Until changed by the Trustees, the principal office of the Trust in the Commonwealth of Massachusetts shall be in the City of Boston, County of Suffolk.

SECTION 2.2. Other Offices. In addition to its principal office in the Commonwealth of Massachusetts, the Trust may have an office or offices in the City of New York, State of New York, and at such other places within and without the Commonwealth as the Trustees may from time to time designate or the business of the Trust may require.

ARTICLE III
SHAREHOLDERS' MEETINGS

SECTION 3.1. Place of Meetings. Meetings of Shareholders shall be held at such place, within or without the Commonwealth of Massachusetts, as may be designated from time to time by the Trustees.

SECTION 3.2. Meetings. Meetings of Shareholders of the Trust shall be held whenever called by the Trustees or the President of the Trust and whenever election of a Trustee or Trustees by Shareholders is required by the provisions of Section 16(a) of the 1940 Act, for that purpose. Meetings of Shareholders shall also be called by the Secretary upon the written request of the holders of Shares entitled to vote as otherwise required by Section 16(c) of the 1940 Act and to the extent required by the corporate or business statute of any state in which the Shares of the Trust are sold, as made applicable to the Trust by the provisions of Section 2.3 of the Declaration.

Such request shall state the purpose or purposes of such meeting and the matters proposed to be acted on thereat. Except to the extent otherwise

required by Section 16(c) of the 1940 Act, as made applicable to the Trust by the provisions of Section 2.3 of the Declaration, the Secretary shall inform such Shareholders of the reasonable estimated cost of preparing and mailing such notice of the meeting, and upon payment to the Trust of such costs, the Secretary shall give notice stating the purpose or purposes of the meeting to all entitled to vote at such meeting. No meeting need be called upon the request of the holders of Shares entitled to cast less than a majority of all votes entitled to be cast at such meeting, to consider any matter which is substantially the same as a matter voted upon at any meeting of Shareholders held during the preceding twelve months.

SECTION 3.3. Notice of Meetings. Written or printed notice of every Shareholders' meeting stating the place, date, and purpose or purposes thereof, shall be given by the Secretary not less than ten (10) nor more than ninety (90) days before such meeting to each Shareholder entitled to vote at such meeting. Such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the Shareholder at his address as it appears on the records of the Trust.

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SECTION 3.4. Quorum and Adjournment of Meetings. Except as otherwise provided by law, by the Declaration or by these By-Laws, at all meetings of Shareholders the holders of a majority of the Shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum for the transaction of business. In the absence of a quorum, the Shareholders present or represented by proxy and entitled to vote thereat shall have power to adjourn the meeting from time to time. Any adjourned meeting may be held as adjourned without further notice. At any adjourned meeting at which a quorum shall be present, any business may be transacted as if the meeting had been held as originally called.

SECTION 3.5. Voting Rights, Proxies. At each meeting of Shareholders, each holder of record of Shares entitled to vote thereat shall be entitled to one vote in person or by proxy, executed in writing by the Shareholder or his duly authorized attorney-in-fact, for each Share of beneficial interest of the Trust and for the fractional portion of one vote for each fractional Share entitled to vote so registered in his name on the records of the Trust on the date fixed as the record date for the determination of Shareholders entitled to vote at such meeting. No proxy shall be valid after eleven months from its date, unless otherwise provided in the proxy. At all meetings of Shareholders, unless the voting is conducted by inspectors, all questions relating to the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided by the chairman of the

meeting. Pursuant to a resolution of a majority of the Trustees, proxies may be solicited in the name of one or more Trustees or Officers of the Trust.

SECTION 3.6. Vote Required. Except as otherwise provided by law, by the Declaration of Trust, or by these By-Laws, at each meeting of Shareholders at which a quorum is present, all matters shall be decided by Majority Shareholder Vote.

SECTION 3.7. Inspectors of Election. In advance of any meeting of Shareholders, the Trustees may appoint Inspectors of Election to act at the meeting or any adjournment thereof. If Inspectors of Election are not so appointed, the chairman of any meeting of Shareholders may, and on the request of any Shareholder or his proxy shall, appoint Inspectors of Election of the meeting. In case any person appointed as Inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Trustees in advance of the convening of the meeting or at the meeting by the person acting as chairman. The Inspectors of Election shall determine the number of Shares outstanding, the Shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, shall receive votes, ballots or consents, shall hear and determine all challenges and questions in any way arising in connection with the right to vote, shall count and tabulate all votes or consents, determine the results, and do such other acts as may be proper to conduct the election or vote with fairness to all Shareholders. On request of the chairman of the meeting, or of any Shareholder or his proxy, the Inspectors of Election shall make a report in writing of any challenge or question or matter determined by them and shall execute a certificate of any facts found by them.

SECTION 3.8. Inspection of Books and Records. Shareholders shall have such rights and procedures of inspection of the books and records of the Trust as are granted to Shareholders under Section 32 of the Corporations Law of the State of Massachusetts.

SECTION 3.9. Action by Shareholders Without Meeting. Except as otherwise provided by law, the provisions of these By-Laws relating to notices and meetings to the contrary notwithstanding, any action required or permitted to be taken at any meeting of Shareholders may be taken without a meeting if a majority of the Shareholders entitled to vote upon the action consent to the action in writing and such consents are filed with the records of the Trust. Such consent shall be treated for all purposes as a vote taken at a meeting of Shareholders.

ARTICLE IV TRUSTEES

SECTION 4.1. Meetings of the Trustees. The Trustees may in their discretion provide for regular or special meetings of the Trustees. Regular meetings of the Trustees may be held at such time and place as shall be determined from time to time by the Trustees without further notice. Special meetings of the Trustees may be called at any time by the Chairman and shall be called by the Chairman or the Secretary upon the written request of any

SECTION 4.2. Notice of Special Meetings. Written notice of special meetings of the Trustees, stating the place, date and time thereof, shall be given not less than two (2) days before such meeting to each Trustee, personally, by telegram, by mail, or by leaving such notice at his place of residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the Trustee at his address as it appears on the records of the Trust. Subject to the provisions of the 1940 Act, notice or waiver of notice need not specify the purpose of any special meeting.

SECTION 4.3. Telephone Meetings. Subject to the provisions of the 1940 Act, any Trustee, or any member or members of any committee designated by the Trustees, may participate in a meeting of the Trustees, or any such committee, as the case may be, by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at the meeting.

SECTION 4.4. Quorum, Voting and Adjournment of Meetings. At all meetings of the Trustees, a majority of the Trustees shall be requisite to and shall constitute a quorum for the transaction of business. If a quorum is present, the affirmative vote of a majority of the Trustees present shall be the act of the Trustees, unless the concurrence of a greater proportion is expressly required for such action by law, the Declaration or these By-Laws. If at any meeting of the Trustees there be less than a quorum present, the Trustees present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall have been obtained.

SECTION 4.5. Action by Trustees Without Meeting. The provisions of these By-Laws covering notices and meetings to the contrary notwithstanding, and except as required by law, any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting if a consent in writing setting forth the action shall be signed by all of the Trustees entitled to vote upon the action and such written consent is filed with the minutes of proceedings of the Trustees.

SECTION 4.6. Expenses and Fees. Each Trustee may be allowed expenses, if any, for attendance at each regular or special meeting of the Trustees, and each Trustee who is not an officer or employee of the Trust or of its investment manager or underwriter or of any corporate affiliate of any of said persons shall receive for services rendered as a Trustee of the Trust such compensation as may be fixed by the Trustees. Nothing herein contained shall be construed to preclude any Trustee from serving the Trust in any other capacity and receiving compensation therefor.

SECTION 4.7. Execution of Instruments and Documents and Signing of Checks and Other Obligations and Transfers. All instruments, documents and other papers shall be executed in the name and on behalf of the Trust and all checks, notes, drafts and other obligations for the payment of money by the Trust shall be signed, and all transfer of securities standing in the name of the Trust shall be executed, by the Chairman, the President, any Vice President or the Treasurer or by any one or more officers or agents of the Trust as shall be designated for that purpose by vote of the Trustees; notwithstanding the above, nothing in this Section 4.7 shall be deemed to preclude the electronic authorization, by designated persons, of the Trust's Custodian (as described herein in Section 9.1) to transfer assets of the Trust, as provided for herein in Section 9.1.

SECTION 4.8. Indemnification of Trustees, Officers, Employees and Agents. (a) The Trust shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Trustee, officer, employee, or agent of the Trust. The indemnification shall be against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement, actually and reasonably incurred by him in connection with the action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Trust shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or on behalf of the Trust to obtain a judgment or decree in its favor by reason of the fact that he is or was a Trustee, officer, employee, or agent of the Trust. The indemnification shall be against expenses, including attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust; except that no indemnification shall be made in respect of any claim, issue, or matter as to which the person has been adjudged to be liable for negligence or misconduct in the performance of

his duty to the Trust, except to the extent that the court in which the action or suit was brought, or a court of equity in the county in which the Trust has its principal office, determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnity for those expenses which the court shall deem proper, provided such Trustee, officer, employee or agent is not adjudged to be liable by reason of his willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

(c) To the extent that a Trustee, officer, employee, or agent of the Trust has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsection (a) or (b) or in defense of any claim, issue or matter therein, he shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection therewith.

(d) (1) Unless a court orders otherwise, any indemnification under subsections (a) or (b) of this section may be made by the Trust only as authorized in the specific case after a determination that indemnification of the Trustee, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) or (b).

(2) The determination shall be made:

(i) By the Trustees, by a majority vote of a quorum which consists of Trustees who were not parties to the action, suit or proceeding; or

(ii) If the required quorum is not obtainable, or if a quorum of disinterested Trustees so directs, by independent legal counsel in a written opinion; or

(iii) By the Shareholders.

(3) Notwithstanding any provision of this Section 4.8, no person shall be entitled to indemnification for any liability, whether or not there is an adjudication of liability, arising by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of duties as described in Section 17(h) and (i) of the Investment Company Act of 1940 ("disabling conduct"). A person shall be deemed not liable by reason of disabling conduct if, either:

(i) a final decision on the merits is made by a court or other body before whom the proceeding was brought that the person to be indemnified ("indemnitee") was not liable by reason of disabling conduct; or

(ii) in the absence of such a decision, a reasonable determination, based upon a review of the facts, that the indemnitee was not liable by reason of disabling conduct, is made by either--

(A) a majority of a quorum of Trustees who are neither "interested persons" of the Trust, as defined in Section 2(a)(19) of the Investment Company Act of 1940, nor parties to the action, suit or proceeding, or

(B) an independent legal counsel in a written opinion.

(e) Expenses, including attorneys' fees, incurred by a Trustee, officer, employee or agent of the Trust in defending a civil or criminal action, suit or proceeding may be paid by the Trust in advance of the final disposition thereof if:

(1) authorized in the specific case by the Trustees; and

(2) the Trust receives an undertaking by or on behalf of the Trustee, officer, employee or agent of the Trust to repay the advance if it is not ultimately determined that such person is entitled to be indemnified by the Trust; and

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(3) either, (i) such person provides a security for his undertaking, or

(ii) the Trust is insured against losses by reason of any lawful advances, or

(iii) a determination, based on a review of readily available facts, that there is reason to believe that such person ultimately will be found entitled to indemnification, is made by either--

(A) a majority of a quorum which consists of Trustees who are neither "interested persons" of the Trust, as defined in Section 2(a)(19) of the 1940 Act, nor parties to the action, suit or proceeding, or

(B) an independent legal counsel in a written opinion.

(f) The indemnification provided by this Section shall not be deemed exclusive of any other rights to which a person may be entitled under any by-law, agreement, vote of Shareholders or disinterested Trustees or otherwise, both as to action in his official capacity and as to action in another capacity while holding the office, and shall continue as to a person who has ceased to be a Trustee, officer, employee, or agent and inure to the benefit of the heirs, executors and administrators of such person; provided that no person may satisfy any right of indemnity or reimbursement granted herein or to which he may be otherwise entitled except out of the property of

the Trust, and no Shareholder shall be personally liable with respect to any claim for indemnity or reimbursement or otherwise.

(g) The Trust may purchase and maintain insurance on behalf of any person who is or was a Trustee, officer, employee, or agent of the Trust, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such. However, in no event will the Trust purchase insurance to indemnify any officer or Trustee against liability for any act for which the Trust itself is not permitted to indemnify him.

(h) Nothing contained in this Section shall be construed to protect any Trustee or officer of the Trust against any liability to the Trust or to its security holders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

ARTICLE V COMMITTEES

SECTION 5.1. Executive and Other Committees. The Trustees, by resolution adopted by a majority of the Trustees, may designate an Executive Committee and/or committees, each committee to consist of two (2) or more of the Trustees of the Trust and may delegate to such committees, in the intervals between meetings of the Trustees, any or all of the powers of the Trustees in the management of the business and affairs of the Trust. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint a Trustee to act in place of such absent member. Each such committee shall keep a record of its proceedings.

The Executive Committee and any other committee shall fix its own rules or procedure, but the presence of at least fifty percent (50%) of the members of the whole committee shall in each case be necessary to constitute a quorum of the committee and the affirmative vote of the majority of the members of the committee present at the meeting shall be necessary to take action.

All actions of the Executive Committee shall be reported to the Trustees at the meeting thereof next succeeding to the taking of such action.

SECTION 5.2. Advisory Committee. The Trustees may appoint an advisory committee which shall be composed of persons who do not serve the Trust in any other capacity and which shall have advisory functions with respect to the investments of the Trust but which shall have no power to determine that any security or other investment shall be purchased, sold or otherwise disposed of by the Trust. The number of persons constituting any such advisory committee shall be determined from time to time by the Trustees. The members of any such advisory committee may receive compensation for their services and may be allowed such fees and expenses for the attendance at meetings as the Trustees may from time to time determine to be appropriate.

SECTION 5.3. Committee Action Without Meeting. The provisions of these By-Laws covering notices and meetings to the contrary notwithstanding, and except as required by law, any action required or permitted to be taken at any meeting of any Committee of the Trustees appointed pursuant to Section 5.1 of these By-Laws may be taken without a meeting if a consent in writing setting forth the action shall be signed by all members of the Committee entitled to vote upon the action and such written consent is filed with the records of the proceedings of the Committee.

ARTICLE VI OFFICERS

SECTION 6.1. Executive Officers. The executive officers of the Trust shall be a Chairman, a President, one or more Vice Presidents, a Secretary and a Treasurer. The Chairman shall be selected from among the Trustees but none of the other executive officers need be a Trustee. Two or more offices, except those of President and any Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity. The executive officers of the Trust shall be elected annually by the Trustees and each executive officer so elected shall hold office until his successor is elected and has qualified.

SECTION 6.2. Other Officers and Agents. The Trustees may also elect one or more Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers and may elect, or may delegate to the Chairman the power to appoint, such other officers and agents as the Trustees shall at any time or from time to time deem advisable.

SECTION 6.3. Term and Removal and Vacancies. Each officer of the Trust shall hold office until his successor is elected and has qualified. Any officer or agent of the Trust may be removed by the Trustees whenever, in their judgment, the best interests of the Trust will be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

SECTION 6.4. Compensation of Officers. The compensation of officers and agents of the Trust shall be fixed by the Trustees, or by the President to the extent provided by the Trustees with respect to officers appointed by the President.

SECTION 6.5. Power and Duties. All officers and agents of the Trust, as between themselves and the Trust, shall have such authority and perform such duties in the management of the Trust as may be provided in or pursuant to these By-Laws, or to the extent not so provided, as may be prescribed by the Trustees; provided, that no rights of any third party shall be affected or impaired by any such By-Law or resolution of the Trustees unless he has

knowledge thereof.

SECTION 6.6. The Chairman. (a) The Chairman shall preside at all meetings of the Shareholders and of the Trustees, he shall be a signatory on all Annual and Semi-Annual Reports as may be sent to shareholders, and he shall perform such other duties as the Trustees may from time to time prescribe.

SECTION 6.7. The President. (a) The President shall be the chief executive officer of the Trust; he shall have general and active management of the business of the Trust, shall see that all orders and resolutions of the Trustees are carried into effect, and, in connection therewith, shall be authorized to delegate to one or more Vice Presidents such of his powers and duties at such times and in such manner as he may deem advisable.

(b) In the absence of the Chairman, the President shall preside at all meetings of the shareholders and the Board of Trustees; and he shall perform such other duties as the Board of Trustees may from time to time prescribe.

SECTION 6.8. The Vice Presidents. The Vice Presidents shall be of such number and shall have such titles as may be determined from time to time by the Trustees. The Vice President, or, if there be more than one, the Vice Presidents in the order of their seniority as may be determined from time to time by the Trustees or the President, shall, in the absence or disability of the President, exercise the powers and perform the duties of the President, and he or they shall perform such other duties as the Trustees or the President may from time to time prescribe.

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SECTION 6.9. The Assistant Vice Presidents. The Assistant Vice President, or, if there be more than one, the Assistant Vice Presidents, shall perform such duties and have such powers as may be assigned them from time to time by the Trustees or the President.

SECTION 6.10. The Secretary. The Secretary shall attend all meetings of the Trustees and all meetings of the Shareholders and record all the proceedings of the meetings of the Shareholders and of the Trustees in a book to be kept for that purpose, and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the Shareholders and special meetings of the Trustees, and shall perform such other duties and have such powers as the Trustees, or the President, may from time to time prescribe. He shall keep in safe custody the seal of the Trust and affix or cause the same to be affixed to any instrument requiring it, and, when so affixed, it shall be attested by his signature or by the signature of an Assistant Secretary.

SECTION 6.11. The Assistant Secretaries. The Assistant Secretary, or, if

there be more than one, the Assistant Secretaries in the order determined by the Trustees or the President, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such duties and have such other powers as the Trustees or the President may from time to time prescribe.

SECTION 6.12. The Treasurer. The Treasurer shall be the chief financial officer of the Trust. He shall keep or cause to be kept full and accurate accounts of receipts and disbursements in books belonging to the Trust, and he shall render to the Trustees and the President, whenever any of them require it, an account of his transactions as Treasurer and of the financial condition of the Trust; and he shall perform such other duties as the Trustees, or the President, may from time to time prescribe.

SECTION 6.13. The Assistant Treasurers. The Assistant Treasurer, or, if there shall be more than one, the Assistant Treasurers in the order determined by the Trustees or the President, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Trustees, or the President, may from time to time prescribe.

SECTION 6.14. Delegation of Duties. Whenever an officer is absent or disabled, or whenever for any reason the Trustees may deem it desirable, the Trustees may delegate the powers and duties of an officer or officers to any other officer or officers or to any Trustee or Trustees.

ARTICLE VII DIVIDENDS AND DISTRIBUTIONS

Subject to any applicable provisions of law and the Declaration, dividends and distributions upon the Shares may be declared at such intervals as the Trustees may determine, in cash, in securities or other property, or in Shares, from any sources permitted by law, all as the Trustees shall from time to time determine.

Inasmuch as the computation of net income and net profits from the sales of securities or other properties for federal income tax purposes may vary from the computation thereof on the records of the Trust, the Trustees shall have power, in their discretion, to distribute as income dividends and as capital gain distributions, respectively, amounts sufficient to enable the Trust to avoid or reduce liability for federal income taxes.

ARTICLE VIII CERTIFICATES OF SHARES

SECTION 8.1. Certificates of Shares. Certificates for Shares of each series or class of Shares shall be in such form and of such design as the Trustees shall approve, subject to the right of the Trustees to change such form and design at any time or from time to time, and shall be entered in the records of the Trust as they are issued. Each such certificate shall bear a distinguishing number; shall exhibit the holder's name and certify the number

of full Shares owned by such holder; shall be signed by or in the name of

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the Trust by the President, or a Vice President, and countersigned by the Secretary or an Assistant Secretary or the Treasurer and an Assistant Treasurer of the Trust; shall be sealed with the seal; and shall contain such recitals as may be required by law. Where any certificate is signed by a Transfer Agent or by a Registrar, the signature of such officers and the seal may be facsimile, printed or engraved. The Trust may, at its option, determine not to issue a certificate or certificates to evidence Shares owned of record by any Shareholder.

In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall appear on, any such certificate or certificates shall cease to be such officer or officers of the Trust, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Trust, such certificate or certificates shall, nevertheless, be adopted by the Trust and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall appear therein had not ceased to be such officer or officers of the Trust.

No certificate shall be issued for any share until such share is fully paid.

SECTION 8.2. Lost, Stolen, Destroyed and Mutilated Certificates. The Trustees may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Trust alleged to have been lost, stolen or destroyed, upon satisfactory proof of such loss, theft, or destruction; and the Trustees may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give to the Trust and to such Registrar, Transfer Agent and/or Transfer Clerk as may be authorized or required to countersign such new certificate or certificates, a bond in such sum and of such type as they may direct, and with such surety or sureties, as they may direct, as indemnity against any claim that may be against them or any of them on account of or in connection with the alleged loss, theft or destruction of any such certificate.

ARTICLE IX CUSTODIAN

SECTION 9.1. Appointment and Duties. The Trust shall at times employ a bank or trust company having capital, surplus and undivided profits of at least five million dollars (\$5,000,000) as custodian with authority as its agent, but subject to such restrictions, limitations and other requirements,

if any, as may be contained in these By-Laws and the 1940 Act:

(1) to receive and hold the securities owned by the Trust and deliver the same upon written or electronically transmitted order;

(2) to receive and receipt for any moneys due to the Trust and deposit the same in its own banking department or elsewhere as the Trustees may direct;

(3) to disburse such funds upon orders or vouchers;

all upon such basis of compensation as may be agreed upon between the Trustees and the custodian. If so directed by a Majority Shareholder Vote, the custodian shall deliver and pay over all property of the Trust held by it as specified in such vote.

The Trustees may also authorize the custodian to employ one or more sub-custodians from time to time to perform such of the acts and services of the custodian and upon such terms and conditions as may be agreed upon between the custodian and such sub-custodian and approved by the Trustees.

SECTION 9.2. Central Certificate System. Subject to such rules, regulations and orders as the Commission may adopt, the Trustees may direct the custodian to deposit all or any part of the securities owned by the Trust in a system for the central handling of securities established by a national securities exchange or a national securities association registered with the Commission under the Securities Exchange Act of 1934, or such other person as may be permitted by the Commission, or otherwise in accordance with the 1940 Act, pursuant to which system all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of such securities, provided that all such deposits shall be subject to withdrawal only upon the order of the Trust.

ARTICLE X
WAIVER OF NOTICE

Whenever any notice of the time, place or purpose of any meeting of Shareholders, Trustees, or of any committee is required to be given in accordance with law or under the provisions of the Declaration or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting of shareholders, Trustees or committee, as the case may be, in person, shall be deemed equivalent to the giving of such notice to such person.

ARTICLE XI
MISCELLANEOUS

SECTION 11.1. Location of Books and Records. The books and records of the Trust may be kept outside the Commonwealth of Massachusetts at such place or places as the Trustees may from time to time determine, except as otherwise required by law.

SECTION 11.2. Record Date. The Trustees may fix in advance a date as the record date for the purpose of determining Shareholders entitled to notice of, or to vote at, any meeting of Shareholders, or Shareholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of Shareholders for any other proper purpose. Such date, in any case, shall be not more than ninety (90) days, and in case of a meeting of Shareholders not less than ten (10) days, prior to the date on which particular action requiring such determination of Shareholders is to be taken. In lieu of fixing a record date the Trustees may provide that the transfer books shall be closed for a stated period but not to exceed, in any case, twenty (20) days. If the transfer books are closed for the purpose of determining Shareholders entitled to notice of a vote at a meeting of Shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting.

SECTION 11.3. Seal. The Trustees shall adopt a seal, which shall be in such form and shall have such inscription thereon as the Trustees may from time to time provide. The seal of the Trust may be affixed to any document, and the seal and its attestation may be lithographed, engraved or otherwise printed on any document with the same force and effect as if it had been imprinted and attested manually in the same manner and with the same effect as if done by a Massachusetts business corporation under Massachusetts law.

SECTION 11.4. Fiscal Year. The fiscal year of the Trust shall end on such date as the Trustees may by resolution specify, and the Trustees may by resolution change such date for future fiscal years at any time and from time to time.

SECTION 11.5. Orders for Payment of Money. All orders or instructions for the payment of money of the Trust, and all notes or other evidences of indebtedness issued in the name of the Trust, shall be signed by such officer or officers or such other person or persons as the Trustees may from time to time designate, or as may be specified in or pursuant to the agreement between the Trust and the bank or trust company appointed as Custodian of the securities and funds of the Trust.

ARTICLE XII
COMPLIANCE WITH FEDERAL REGULATIONS

The Trustees are hereby empowered to take such action as they may deem to be necessary, desirable or appropriate so that the Trust is or shall be in compliance with any federal or state statute, rule or regulation with which

compliance by the Trust is required.

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ARTICLE XIII
AMENDMENTS

These By-Laws may be amended, altered, or repealed, or new By-Laws may be adopted, (a) by a Majority Shareholder Vote, or (b) by the Trustees; provided, however, that no By-Law may be amended, adopted or repealed by the Trustees if such amendment, adoption or repeal requires, pursuant to law, the Declaration, or these By-Laws, a vote of the Shareholders. The Trustees shall in no event adopt By-Laws which are in conflict with the Declaration, and any apparent inconsistency shall be construed in favor of the related provisions in the Declaration.

ARTICLE XIV
DECLARATION OF TRUST

The Declaration of Trust establishing Dean Witter International SmallCap Fund, dated April 21, 1994, a copy of which is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name Dean Witter International SmallCap Fund refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, Shareholder, officer, employee or agent of Dean Witter International SmallCap Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise, in connection with the affairs of said Dean Witter International SmallCap Fund, but the Trust Estate only shall be liable.

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SERVICES AGREEMENT

AGREEMENT made as of the 17th day of April, 1995 by and between Dean Witter InterCapital Inc., a Delaware corporation (herein referred to as "InterCapital"), and Dean Witter Services Company Inc., a Delaware corporation (herein referred to as "DWS").

WHEREAS, InterCapital has entered into separate agreements (each such agreement being herein referred to as an "Investment Management Agreement") with certain investment companies as set forth on Schedule A (each such investment company being herein referred to as a "Fund" and, collectively, as the "Funds") pursuant to which InterCapital is to perform, or supervise the performance of, among other services, administrative services for the Funds (and, in the case of Funds with multiple portfolios, the Series or Portfolios of the Funds (such Series and Portfolio being herein individually referred to as "a Series" and, collectively, as "the Series"));

WHEREAS, InterCapital desires to retain DWS to perform the administrative services as described below; and

WHEREAS, DWS desires to be retained by InterCapital to perform such administrative services:

Now, therefore, in consideration of the mutual covenants and agreements of the parties hereto as herein set forth, the parties covenant and agree as follows:

1. DWS agrees to provide administrative services to each Fund as hereinafter set forth. Without limiting the generality of the foregoing, DWS shall (i) administer the Fund's business affairs and supervise the overall day-to-day operations of the Fund (other than rendering investment advice); (ii) provide the Fund with full administrative services, including the maintenance of certain books and records, such as journals, ledger accounts and other records required under the Investment Company Act of 1940, as amended (the "Act"), the notification to the Fund and InterCapital of available funds for investment, the reconciliation of account information and balances among the Fund's custodian, transfer agent and dividend disbursing agent and InterCapital, and the calculation of the net asset value of the Fund's shares; (iii) provide the Fund with the services of persons competent to perform such supervisory, administrative and clerical functions as are necessary to provide effective operation of the Fund; (iv) oversee the performance of administrative and professional services rendered to the Fund by others, including its custodian, transfer agent and dividend disbursing agent, as well as accounting, auditing and other services; (v) provide the Fund with adequate general office space and facilities; (vi) assist in the preparation and the printing of the periodic updating of the Fund's

registration statement and prospectus (and, in the case of an open-end Fund, the statement of additional information), tax returns, proxy statements, and reports to its shareholders and the Securities and Exchange Commission; and (vii) monitor the compliance of the Fund's investment policies and restrictions.

In the event that InterCapital enters into an Investment Management Agreement with another investment company, and wishes to retain DWS to perform administrative services hereunder, it shall notify DWS in writing. If DWS is willing to render such services, it shall notify InterCapital in writing, whereupon such other Fund shall become a Fund as defined herein.

2. DWS shall, at its own expense, maintain such staff and employ or retain such personnel and consult with such other persons as it shall from time to time determine to be necessary or useful to the performance of its obligations under this Agreement. Without limiting the generality of the foregoing, the staff and personnel of DWS shall be deemed to include officers of DWS and persons employed or otherwise retained by DWS (including officers and employees of InterCapital, with the consent of InterCapital) to furnish services, statistical and other factual data, information with respect to technical and scientific developments, and such other information, advice and assistance as DWS may desire. DWS shall maintain each Fund's records and books of account (other than those maintained by the Fund's transfer agent, registrar, custodian and other agencies). All such books and records so maintained shall be the property of the Fund and, upon request therefor, DWS shall surrender to InterCapital or to the Fund such of the books and records so requested.

3. InterCapital will, from time to time, furnish or otherwise make available to DWS such financial reports, proxy statements and other information relating to the business and affairs of the Fund as DWS may reasonably require in order to discharge its duties and obligations to the Fund under this Agreement or to comply with any applicable law and regulation or request of the Board of Directors/Trustees of the Fund.

4. For the services to be rendered, the facilities furnished, and the expenses assumed by DWS, InterCapital shall pay to DWS monthly compensation calculated daily (in the case of an open-end Fund) or weekly (in the case of a closed-end Fund) by applying the annual rate or rates set forth on Schedule B to the net assets of each Fund. Except as hereinafter set forth, (i) in the case of an open-end Fund, compensation under this Agreement shall be calculated by applying 1/365th of the annual rate or rates to the Fund's or the Series' daily net assets determined as of the close of business on that day or the last previous business day and (ii) in the case of a closed-end

Fund, compensation under this Agreement shall be calculated by applying the annual rate or rates to the Fund's average weekly net assets determined as of the close of the last business day of each week. If this Agreement becomes effective subsequent to the first day of a month or shall terminate before the last day of a month, compensation for that part of the month this Agreement is in effect shall be prorated in a manner consistent with the calculation of the fees as set forth on Schedule B. Subject to the provisions of paragraph 5 hereof, payment of DWS' compensation for the preceding month shall be made as promptly as possible after completion of the computations contemplated by paragraph 5 hereof.

5. In the event the operating expenses of any open-end Fund and/or any Series thereof, or of InterCapital Income Securities Inc., including amounts payable to InterCapital pursuant to the Investment Management Agreement, for any fiscal year ending on a date on which this Agreement is in effect, exceed the expense limitations applicable to the Fund and/or any Series thereof imposed by state securities laws or regulations thereunder, as such limitations may be raised or lowered from time to time, or, in the case of InterCapital Income Securities Inc. or Dean Witter Variable Investment Series or any Series thereof, the expense limitation specified in the Fund's Investment Management Agreement, the fee payable hereunder shall be reduced on a pro rata basis in the same proportion as the fee payable by the Fund under the Investment Management Agreement is reduced.

6. DWS shall bear the cost of rendering the administrative services to be performed by it under this Agreement, and shall, at its own expense, pay the compensation of the officers and employees, if any, of the Fund employed by DWS, and such clerical help and bookkeeping services as DWS shall reasonably require in performing its duties hereunder.

7. DWS will use its best efforts in the performance of administrative activities on behalf of each Fund, but in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations hereunder, DWS shall not be liable to the Fund or any of its investors for any error of judgment or mistake of law or for any act or omission by DWS or for any losses sustained by the Fund or its investors. It is understood that, subject to the terms and conditions of the Investment Management Agreement between each Fund and InterCapital, InterCapital shall retain ultimate responsibility for all services to be performed hereunder by DWS. DWS shall indemnify InterCapital and hold it harmless from any liability that InterCapital may incur arising out of any act or failure to act by DWS in carrying out its responsibilities hereunder.

8. It is understood that any of the shareholders, Directors/Trustees, officers and employees of the Fund may be a shareholder, director, officer or employee of, or be otherwise interested in, DWS, and in any person controlling, controlled by or under common control with DWS, and that DWS and any person controlling, controlled by or under common control with DWS may have an interest in the Fund. It is also understood that DWS and any affiliated persons thereof or any persons controlling, controlled by or under common control with DWS have and may have advisory, management,

administration service or other contracts with other organizations and persons, and may have other interests and businesses, and further may purchase, sell or trade any securities or commodities for their own accounts or for the account of others for whom they may be acting.

9. This Agreement shall continue until April 30, 1995, and thereafter shall continue automatically for successive periods of one year unless terminated by either party by written notice delivered to the other party within 30 days of the expiration of the then-existing period. Notwithstanding the foregoing, this Agreement may be terminated at any time, by either party on 30 days' written notice delivered to the other party. In the event that the Investment Management Agreement between any Fund and InterCapital is terminated, this Agreement will automatically terminate with respect to such Fund.

10. This Agreement may be amended or modified by the parties in any manner by written agreement executed by each of the parties hereto.

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11. This Agreement may be assigned by either party with the written consent of the other party.

12. This Agreement shall be construed and interpreted in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written in New York, New York.

DEAN WITTER INTERCAPITAL INC.

By: _____

Attest:

DEAN WITTER SERVICES COMPANY INC.

By: _____

Attest:

SCHEDULE A
DEAN WITTER FUNDS
AT APRIL 17, 1995

OPEN-END FUNDS

1. Active Assets California Tax-Free Trust
2. Active Assets Government Securities Trust
3. Active Assets Money Trust
4. Active Assets Tax-Free Trust
5. Dean Witter American Value Fund
6. Dean Witter Balanced Growth Fund
7. Dean Witter Balanced Income Fund
8. Dean Witter California Tax-Free Daily Income Trust
9. Dean Witter California Tax-Free Income Fund
10. Dean Witter Capital Growth Securities
11. Dean Witter Convertible Securities Trust
12. Dean Witter Developing Growth Securities Trust
13. Dean Witter Diversified Income Trust
14. Dean Witter Dividend Growth Securities Inc.
15. Dean Witter European Growth Fund Inc.
16. Dean Witter Federal Securities Trust
17. Dean Witter Global Asset Allocation Fund
18. Dean Witter Global Dividend Growth Securities
19. Dean Witter Global Short-Term Income Fund Inc.
20. Dean Witter Global Utilities Fund
21. Dean Witter Health Sciences Trust
22. Dean Witter High Income Securities
23. Dean Witter High Yield Securities Inc.
24. Dean Witter Intermediate Income Securities
25. Dean Witter International Small Cap Fund
26. Dean Witter Limited Term Municipal Trust
27. Dean Witter Liquid Asset Fund Inc.
28. Dean Witter Managed Assets Trust
29. Dean Witter Mid-Cap Growth Fund
30. Dean Witter Multi-State Municipal Series Trust
31. Dean Witter National Municipal Trust
32. Dean Witter Natural Resource Development Securities Inc.
33. Dean Witter New York Municipal Money Market Trust

- 34. Dean Witter New York Tax-Free Income Fund
- 35. Dean Witter Pacific Growth Fund Inc.
- 36. Dean Witter Precious Metals and Minerals Trust
- 37. Dean Witter Premier Income Trust
- 38. Dean Witter Retirement Series
- 39. Dean Witter Select Dimensions Series
- 40. Dean Witter Select Municipal Reinvestment Fund
- 41. Dean Witter Short-Term Bond Fund
- 42. Dean Witter Short-Term U.S. Treasury Trust
- 43. Dean Witter Strategist Fund
- 44. Dean Witter Tax-Exempt Securities Trust
- 45. Dean Witter Tax-Free Daily Income Trust
- 46. Dean Witter U.S. Government Money Market Trust
- 47. Dean Witter U.S. Government Securities Trust
- 48. Dean Witter Utilities Fund
- 49. Dean Witter Value-Added Market Series
- 50. Dean Witter Variable Investment Series
- 51. Dean Witter World Wide Income Trust
- 52. Dean Witter World Wide Investment Trust

CLOSED-END FUNDS

- 53. High Income Advantage Trust
- 54. High Income Advantage Trust II
- 55. High Income Advantage Trust III
- 56. InterCapital Income Securities Inc.
- 57. Dean Witter Government Income Trust
- 58. InterCapital Insured Municipal Bond Trust
- 59. InterCapital Insured Municipal Trust
- 60. InterCapital Insured Municipal Income Trust
- 61. InterCapital California Insured Municipal Income Trust
- 62. InterCapital Insured Municipal Securities
- 63. InterCapital Insured California Municipal Securities
- 64. InterCapital Quality Municipal Investment Trust
- 65. InterCapital Quality Municipal Income Trust
- 66. InterCapital Quality Municipal Securities
- 67. InterCapital California Quality Municipal Securities
- 68. InterCapital New York Quality Municipal Securities

DEAN WITTER SERVICES COMPANY INC.
 SCHEDULE OF ADMINISTRATIVE FEES--APRIL 17, 1995

Monthly compensation calculated daily by applying the following annual rates to a fund's net assets:

FIXED INCOME FUNDS

Dean Witter Balanced Income Fund	0.60% to the net assets.
Dean Witter California Tax-Free Income Fund	0.055% of the portion of daily net assets not exceeding \$500 million; 0.0525% of the portion exceeding \$500 million but not exceeding \$750 million; 0.050% of the portion exceeding \$750 million but not exceeding \$1 billion; and 0.0475% of the portion of the daily net assets exceeding \$1 billion.
Dean Witter Convertible Securities Securities Trust	0.060% of the portion of the daily net assets not exceeding \$750 million; .055% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.050% of the portion of the daily net assets of the exceeding \$1 billion but not exceeding \$1.5 billion; 0.0475% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.045% of the portion of the daily net assets exceeding \$2 billion but not exceeding \$3 billion; and 0.0425% of the portion of the daily net assets exceeding \$3 billion.
Dean Witter Diversified Income Trust	0.040% of the net assets.
Dean Witter Federal Securities Trust	0.055% of the portion of the daily net assets not exceeding \$1 billion; 0.0525% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.050% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.0475% of the portion of the daily net assets exceeding \$2 billion but not exceeding \$2.5 billion; 0.045% of the portion of daily net assets exceeding \$2.5 billion but not exceeding \$5 billion; 0.0425% of the portion of the daily net assets exceeding \$5 billion but not exceeding \$7.5 billion; 0.040% of the portion of the daily net assets exceeding \$7.5 billion but not exceeding \$10 billion; 0.0375% of the portion of the daily net assets exceeding \$10 billion but not exceeding \$12.5 billion;

	and 0.035% of the portion of the daily net assets exceeding \$12.5 billion.
Dean Witter Global Short-Term Income Fund	0.055% of the portion of the daily net assets not exceeding \$500 million; and 0.050% of the portion of the daily net assets exceeding \$500 million.
Dean Witter High Income Securities	0.050% to the net assets.
Dean Witter High Yield Securities Inc.	0.050% of the portion of the daily net assets not exceeding \$500 million; 0.0425% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.0375% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.035% of the portion of
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	the daily net assets exceeding \$1 billion but not exceeding \$2 billion; 0.0325% of the portion of the daily net assets exceeding \$2 billion but not exceeding \$3 billion; and 0.030% of the portion of daily net assets exceeding \$3 billion.
Dean Witter Intermediate Income Securities	0.060% of the portion of the daily net assets not exceeding \$500 million; 0.050% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.040% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; and 0.030% of the portion of the daily net assets exceeding \$1 billion.
Dean Witter Limited Term Municipal Trust	0.050% to the net assets.
Dean Witter Multi-State Municipal Series Trust (10)	0.035% to the net assets.
Dean Witter National	0.035% to the net assets.

Municipal Trust

Dean Witter New York Tax-Free Income Fund	0.055% to the net assets not exceeding \$500 million and 0.0525% of the net assets exceeding \$500 million.
Dean Witter Premier Income Trust	0.050% to the net assets.
Dean Witter Retirement Series Intermediate Income	0.065% to the net assets.
Dean Witter Retirement Series U.S. Government Securities Trust	0.065% to the net assets.
Dean Witter Select Dimensions Series-North American Government Securities Portfolio	0.65% to the net assets.
Dean Witter Short-Term Bond Fund	0.070% to the net assets.
Dean Witter Short-Term U.S. Treasury Trust	0.035% to the net assets.
Dean Witter Tax-Exempt Securities Trust	0.050% of the portion of the daily net assets not exceeding \$500 million; 0.0425% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.0375% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; and 0.035% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.25 billion; .0325% of the portion of the daily net assets exceeding \$1.25 billion.
Dean Witter U.S. Government Securities Trust	0.050% of the portion of such daily net assets not exceeding \$1 billion; 0.0475% of the portion of such daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.045% of the portion of such daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.0425% of the portion of such daily net assets exceeding \$2 billion but not exceeding \$2.5 billion; 0.040% of that portion of such daily net assets exceeding \$2.5 billion but not exceeding \$5 billion; 0.0375% of that portion

of such daily net assets exceeding \$5 billion but not exceeding \$7.5 billion; 0.035% of that portion of such daily net assets exceeding \$7.5 billion but not exceeding \$10 billion; 0.0325% of that portion of such daily net assets exceeding \$10 billion but not exceeding \$12.5 billion; and 0.030% of that portion of such daily net assets exceeding \$12.5 billion.

Dean Witter Variable Investment Series-High Yield	0.050% to the net assets.
Dean Witter Variable Investment Series-Quality Income	0.050% to the net assets.
Dean Witter World Wide Income Trust	0.075% of the daily net assets up to \$250 million; 0.060% of the portion of the daily net assets exceeding \$250 million but not exceeding \$500 million; 0.050% of the portion of the daily net assets of the exceeding \$500 million but not exceeding \$750 milliion; 0.040% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; and 0.030% of the daily net assets exceeding \$1 billion.
Dean Witter Select Municipal Reinvestment Fund	0.050% to the net assets.

EQUITY FUNDS

Dean Witter American Value Fund	0.0625% of the portion of the daily net assets not exceeding \$250 million and 0.050% of the portion of the daily net assets exceeding \$250 million.
Dean Witter Balanced Growth Fund	0.60% to the net assets.
Dean Witter Capital Growth Securities	0.065% to the portion of daily net assets not exceeding \$500 million; 0.055% of the portion exceeding \$500

	million but not exceeding \$1 billion; 0.050% of the portion exceeding \$1 billion but not exceeding \$1.5 billion; and 0.0475% of the net assets exceeding \$1.5 billion.
Dean Witter Developing Growth Securities Trust	0.050% of the portion of daily net assets not exceeding \$500 million; and 0.0475% of the portion of daily net assets exceeding \$500 million.
Dean Witter Dividend Growth Securities Inc.	0.0625% of the portion of the daily net assets not exceeding \$250 million; 0.050% of the portion exceeding \$250 million but not exceeding \$1 billion; 0.0475% of the portion of daily net assets exceeding \$1 billion but not exceeding \$2 billion; 0.045% of the portion of daily net assets exceeding \$2 billion but not exceeding \$3 billion; 0.0425% of the portion of daily net assets exceeding \$3 billion but not exceeding \$4 billion; 0.040% of the portion of daily net assets exceeding \$4 billion but not exceeding \$5 billion; 0.0375% of the portion of the daily net assets exceeding \$5 billion but not exceeding \$6 billion; 0.035% of the portion of the daily net assets exceeding \$6 billion but not exceeding \$8 billion; and 0.0325% of the portion of the daily net assets exceeding \$8 billion.
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Dean Witter European Growth Fund Inc.	0.060% of the portion of daily net assets not exceeding \$500 million; and 0.057% of the portion of daily net assets exceeding \$500 million.
Dean Witter Global Asset Allocation Fund	1.0% to the net assets.
Dean Witter Global Dividend Growth Securities	0.075% to the net assets.
Dean Witter Global Utilities Fund	0.065% to the net assets.

Dean Witter Health Sciences Trust	0.10% to the net assets.
Dean Witter International Small Cap Fund	0.075% to the net assets.
Dean Witter Managed Assets Trust	0.060% to the daily net assets not exceeding \$500 million and 0.055% to the daily net assets exceeding \$500 million.
Dean Witter Mid-Cap Growth Fund	0.75% to the net assets.
Dean Witter Natural Resource Development Securities Inc.	0.0625% of the portion of the daily net assets not exceeding \$250 million and 0.050% of the portion of the daily net assets exceeding \$250 million.
Dean Witter Pacific Growth Fund Inc.	0.060% of the portion of daily net assets not exceeding \$1 billion; and 0.057% of the portion of daily net assets exceeding \$1 billion.
Dean Witter Precious Metals and Minerals Trust	0.080% to the net assets.
Dean Witter Retirement Series American Value	0.085% to the net assets.
Dean Witter Retirement Series Capital Growth	0.085% to the net assets.
Dean Witter Retirement Series Dividend Growth	0.075% to the net assets.
Dean Witter Retirement Series Global Equity	0.10% to the net assets.
Dean Witter Retirement Series Intermediate Income Securities	0.065% to the net assets.
Dean Witter Retirement Series Liquid Asset	0.050% to the net assets.
Dean Witter Retirement Series Strategist	0.085% to the net assets.
Dean Witter Retirement Series U.S. Government Money Market	0.050% to the net assets.
Dean Witter Retirement Series U.S. Government Securities	0.065% to the net assets.

Dean Witter Retirement Series
Utilities

0.075% to the net assets.

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Dean Witter Retirement Series
Value Added

0.050% to the net assets.

Dean Witter Select Dimensions Series-

American Value Portfolio

0.625% to the net assets.

Balanced Portfolio

0.75% to the net assets.

Core Equity Portfolio

0.85% to the net assets.

Developing Growth Portfolio

0.50% to the net assets.

Diversified Income Portfolio

0.40% to the net assets.

Dividend Growth Portfolio

0.625% to the net assets.

Emerging Markets Portfolio

1.25% to the net assets.

Global Equity Portfolio

1.0% to the net assets.

Utilities Portfolio

0.65% to the net assets.

Value-Added Market Portfolio

0.50% to the net assets.

Dean Witter Strategist Fund

0.060% of the portion of daily net assets not exceeding \$500 million; 0.055% of the portion of the daily net assets exceeding \$500 million but not exceeding \$1 billion; and 0.050% of the portion of the daily net assets exceeding \$1 billion.

Dean Witter Utilities Fund

0.065% of the portion of daily net assets not exceeding \$500 million; 0.055% of the portion exceeding \$500 million but not exceeding \$1 billion; 0.0525% of the portion exceeding \$1 billion but not exceeding \$1.5 billion; 0.050% of the portion exceeding \$1.5 billion but not exceeding \$2.5 billion; 0.0475% of the portion exceeding \$2.5 billion but not exceeding \$3.5 billion; 0.045% of the portion of the daily net assets exceeding \$3.5 but not exceeding \$5 billion; and 0.0425% of the portion of daily net assets exceeding \$5 billion.

Dean Witter Value-Added Market
Series

0.050% of the portion of daily net assets not exceeding \$500 million; and 0.45% of the portion of daily net assets

	exceeding \$500 million.
Dean Witter Variable Investment Series-Capital Growth	0.065% to the net assets.
Dean Witter Variable Investment Series-Dividend Growth	0.0625% of the portion of daily net assets not exceeding \$500 million; and 0.050% of the portion of daily net assets exceeding \$500 million.
Dean Witter Variable Investment Series-Equity	0.050% to the net assets.
Dean Witter Variable Investment Series-European Growth	0.060% to the net assets.
Dean Witter Variable Investment Series-Managed	0.050% to the net assets.
Dean Witter Variable Investment Series-Utilities	0.065% of the portion of daily net assets exceeding \$500 million and 0.055% of the portion of daily net assets exceeding \$500 million.
Dean Witter World Wide Investment Trust	0.055% of the portion of daily net assets not exceeding \$500 million; and 0.05225% of the portion of daily net assets exceeding \$500 million.

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MONEY MARKET FUNDS

Active Assets Account (4)	0.050% of the portion of the daily net assets not exceeding \$500 million; 0.0425% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.0375% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.035% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.0325% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.030% of the portion of the daily net assets exceeding \$2 billion but not exceeding \$2.5 billion; 0.0275%
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of the portion of the daily net assets exceeding \$2.5 billion but not exceeding \$3 billion; and 0.025% of the portion of the daily net assets exceeding \$3 billion.

Dean Witter California Tax-Free
Daily Income Trust

0.050% of the portion of the daily net assets not exceeding \$500 million; 0.0425% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.0375% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.035% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.0325% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.030% of the portion of the daily net assets exceeding \$2 billion but not exceeding \$2.5 billion; 0.0275% of the portion of the daily net assets exceeding \$2.5 billion but not exceeding \$3 billion; and 0.025% of the portion of the daily net assets exceeding \$3 billion.

Dean Witter Liquid Asset
Fund Inc.

0.050% of the portion of the daily net assets not exceeding \$500 million; 0.0425% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.0375% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.035% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.35 billion; 0.0325% of the portion of the daily net assets exceeding \$1.35 billion but not exceeding \$1.75 billion; 0.030% of the portion of the daily net assets exceeding \$1.75 billion but not exceeding \$2.15 billion; 0.0275% of the portion of the daily net assets exceeding \$2.15 billion but not exceeding \$2.5 billion; 0.025% of the portion of the daily net assets exceeding \$2.5 billion but not exceeding \$15 billion; 0.0249% of the portion of the daily net assets exceeding \$15 billion but not exceeding \$17.5 billion;

and 0.0248% of the portion of the daily net assets exceeding \$17.5 billion.

Dean Witter New York Municipal
Money Market Trust

0.050% of the portion of the daily net assets not exceeding \$500 million; 0.0425% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.0375% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.035% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.0325% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.030% of the portion of the daily net assets exceeding \$2 bil-

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lion but not exceeding \$2.5 billion; 0.0275% of the portion of the daily net assets exceeding \$2.5 billion but not exceeding \$3 billion; and 0.025% of the portion of the daily net assets exceeding \$3 billion.

Dean Witter Retirement Series
Liquid Assets

0.050% of the net assets.

Dean Witter Retirement Series
U.S. Government Money Market

0.050% of the net assets.

Dean Witter Select Dimensions Series-
Money Market Portfolio

0.50% to the net assets.

Dean Witter Tax-Free Daily
Income Trust

0.050% of the portion of the daily net assets not exceeding \$500 million; 0.0425% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.0375% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.035% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.0325% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding

\$2 billion; 0.030% of the portion of the daily net assets exceeding \$2 billion but not exceeding \$2.5 billion; 0.0275% of the portion of the daily net assets exceeding \$2.5 billion but not exceeding \$3 billion; and 0.025% of the portion of the daily net assets exceeding \$3 billion.

Dean Witter U.S. Government
Money Market Trust

0.050% of the portion of the daily net assets not exceeding \$500 million; 0.0425% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.0375% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.035% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.0325% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.030% of the portion of the daily net assets exceeding \$2 billion but not exceeding \$2.5 billion; 0.0275% of the portion of the daily net assets exceeding \$2.5 billion but not exceeding \$3 billion; and 0.025% of the portion of the daily net assets exceeding \$3 billion.

Dean Witter Variable Investment
Series-Money Market

0.050% to the net assets.

Monthly compensation calculated weekly by applying the following annual rates to the weekly net assets.

CLOSED-END FUNDS

Dean Witter Government Income
Trust

0.060% to the average weekly net assets.

High Income Advantage Trust

0.075% of the portion of the average weekly net assets not exceeding \$250 million; 0.060% of the portion of average weekly net assets exceeding \$250 million and not exceeding \$500 million; 0.050% of the portion of average weekly net assets exceeding \$500 million and not exceeding \$750 million; 0.040% of the portion of average weekly net assets

exceeding

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\$750 million and not exceeding \$1 billion; and 0.030% of the portion of average weekly net assets exceeding \$1 billion.

High Income Advantage Trust II

0.075% of the portion of the average weekly net assets not exceeding \$250 million; 0.060% of the portion of average weekly net assets exceeding \$250 million and not exceeding \$500 million; 0.050% of the portion of average weekly net assets exceeding \$500 million and not exceeding \$750 million; 0.040% of the portion of average weekly net assets exceeding \$750 million and not exceeding \$1 billion; and 0.030% of the portion of average weekly net assets exceeding \$1 billion.

High Income Advantage Trust III

0.075% of the portion of the average weekly net assets not exceeding \$250 million; 0.060% of the portion of average weekly net assets exceeding \$250 million and not exceeding \$500 million; 0.050% of the portion of average weekly net assets exceeding \$500 million and not exceeding \$750 million; 0.040% of the portion of the average weekly net assets exceeding \$750 million and not exceeding \$1 billion; and 0.030% of the portion of average weekly net assets exceeding \$1 billion.

InterCapital Income Securities Inc.

0.050% to the average weekly net assets.

InterCapital Insured Municipal
Bond Trust

0.035% to the average weekly net assets.

InterCapital Insured Municipal
Trust

0.035% to the average weekly net assets.

InterCapital Insured Municipal
Income Trust

0.035% to the average weekly net assets.

InterCapital California Insured Municipal Income Trust	0.035% to the average weekly net assets.
InterCapital Quality Municipal Investment Trust	0.035% to the average weekly net assets.
InterCapital New York Quality Municipal Securities	0.035% to the average weekly net assets.
InterCapital Quality Municipal Income Trust	0.035% to the average weekly net assets.
InterCapital Quality Municipal Securities	0.035% to the average weekly net assets.
InterCapital California Quality Municipal Securities	0.035% to the average weekly net assets.
InterCapital Insured Municipal Securities	0.035% to the average weekly net assets.
InterCapital Insured California Municipal Securities	0.035% to the average weekly net assets.

Consent of Independent Accountants

We hereby consent to the use in the Statement of Additional Information constituting part of this Post-Effective Amendment No. 2 to the registration statement on Form N-1A (the "Registration Statement") of our report dated July 13, 1995, relating to the financial statements and financial highlights of Dean Witter International SmallCap Fund, which appears in such Statement of Additional Information, and to the incorporation by reference of our report into the Prospectus which constitutes part of this Registration Statement. We also consent to the reference to us under the headings "Independent Accountants" and "Experts" in such Statement of Additional Information and to the reference to us under the heading "Financial Highlights" in such Prospectus.

/s/ Price Waterhouse LLP
PRICE WATERHOUSE LLP

1177 Avenue of the Americas
New York, New York 10036
July 26, 1995

SCHEDULE FOR COMPUTATIONS OF PERFORMANCE QUOTATIONS
DEAN WITTER INTERNATIONAL SMALLCAP FUND

(A) AVERAGE ANNUAL TOTAL RETURNS (I.E. STANDARDIZED COMPUTATIONS)

FORMULA:

$$T = \left[\frac{ERV}{P} \right]^{\frac{1}{n}} - 1$$

T = AVERAGE ANNUAL COMPOUND RETURN
n = NUMBER OF YEARS
ERV = ENDING REDEEMABLE VALUE
P = INITIAL INVESTMENT

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\$1,000 INVESTED - P	ERV AS OF 31-May-95	NUMBER OF YEARS - n	(A) AVERAGE ANNUAL COMPOUND RETURN - T	CUMULATIVE TOTAL RETURN
<S> 29-Jul-94	<C> \$811.30	<C> 0.84	<C> N/A	<C> -18.87%

(B) TOTAL RETURN WITHOUT DEDUCTION FOR APPLICABLE SALES CHARGE
(NON STANDARD COMPUTATIONS)

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\$1,000 INVESTED - P	EV AS OF 31-May-95	(B) TOTAL RETURN - TR	NUMBER OF YEARS - n	AVERAGE ANNUAL COMPOUND RETURN - t
<S> 29-Jul-94	<C> \$854.00	<C> -14.60%	<C> 0.84	<C> N/A

- (D) GROWTH OF \$10,000
- (E) GROWTH OF \$50,000
- (F) GROWTH OF \$100,000

FORMULA: G = (TR+1)*P
G= GROWTH OF INITIAL INVESTMENT
P= INITIAL INVESTMENT
TR= TOTAL RETURN SINCE INCEPTION

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INVESTED - P	TOTAL RETURN - TR	(D) GROWTH OF \$10,000 INVESTMENT - G	(E) GROWTH OF \$50,000 INVESTMENT-G	(F) GROWTH OF \$100,000 INVESTMENT - G
<S> 29-Jul-94	<C> -14.60	<C> \$8,540	<C> \$42,700	<C> \$85,400

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