

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1995-07-28**
SEC Accession No. **0000912057-95-005759**

([HTML Version](#) on secdatabase.com)

FILER

SEVEN SEAS SERIES FUND

CIK: **826686** | State of Incorporation: **WA** | Fiscal Year End: **0831**
Type: **485BPOS** | Act: **33** | File No.: **033-19229** | Film No.: **95557220**

Mailing Address
PO BOX 1591
TACOMA WA 98401

Business Address
909 A ST
TACOMA WA 98402
2066277001

As filed with the Securities and Exchange Commission on July 28, 1995
Registration No. 33-19229; 811-5430
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. 31 (X)

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 (X)
Amendment No. 33 (X)

(Check appropriate box or boxes)

THE SEVEN SEAS SERIES FUND
(Exact Name of Registrant as Specified in Charter)

909 A Street
Tacoma, Washington 98402
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (206) 627-7001

NAME AND ADDRESS OF AGENT FOR SERVICE:	COPIES TO:
Karl J. Ege Secretary and General Counsel Frank Russell Investment Management Company 909 A Street Tacoma, Washington 98402	Philip H. Newman, Esq. Goodwin, Procter & Hoar Exchange Place Boston, Massachusetts 02109

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

It is proposed that this filing will become effective under Rule 485:

- (X) 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)(1)
- () 75 days after filing pursuant to paragraph (a)(2)
- () on (date) pursuant to paragraph (a)(2) of Rule 485

If appropriate, check the following:

- (X) This post-effective amendment designates a new effective date for a
previously filed post-effective amendment.

DECLARATION PURSUANT TO RULE 24f-2

Registrant has declared its intention to register under the Securities Act
of 1933 an indefinite number of shares of beneficial interest, par value of
\$.001, of The Seven Seas Series Fund pursuant to Rule 24f-2(a)(1) under the
Investment Company Act of 1940, as amended. The Registrant filed its Rule 24f-2
notice for the fiscal year ended August 31, 1994 on October 26, 1994.

THE SEVEN SEAS SERIES FUND

Form N-1A Cross Reference Sheet

PART A ITEM NO. AND CAPTION	PROSPECTUS CAPTION
1. Cover Page	Cover Page
2. Synopsis	Table of Contents; and Fund Operating Expenses
3. Condensed Financial Information	Fund Operating Expenses
4. General Description of Registrant	
(a) (i)	Summary (Classes B and C only); The Seven Seas Series Fund; Additional Information -

	Organization, Capitalization and Voting
(a) (ii), (b)	Summary (Classes B and C only); Investment Objectives and Policies; Investment Restrictions and Policies; and Portfolio Maturity
(c)	Investment Restrictions and Policies
5. Management of the Fund	Summary (Classes B and C only); General Management; Fund Operating Expenses; and Portfolio Maturity
6. Capital Stock and Other Securities	
(a)	Additional Information - Organization, Capitalization and Voting
(b)	General Management
(c)	Not Applicable
(d)	Summary (Classes B and C only); Additional Information - Organization, Capitalization and Voting
	-2-
(e)	Additional information - Reports to Shareholders and Shareholder Inquiries
(f)	Dividends and Distributions
(g)	Taxes
7. Purchase of Securities Being Offered	
(a)	Summary (Classes B and C only); General Management - Distribution Services and Shareholder Servicing Arrangements
(b)	Valuation of Fund Shares; Purchase of Fund Shares
(c)	Not Applicable
(d)	Manner of Offering; Purchase of Fund Shares
(e), (f)	General Management - Distribution Services and Shareholder Servicing Arrangements
8. Redemption or Repurchase	
(a)	Summary (Classes B and C only); Redemption of Fund Shares
(b)	Not Applicable
(c)	Manner of Offering; Redemption of Fund Shares
(d)	Redemption of Fund Shares
9. Pending Legal Proceedings	Not Applicable
PART B ITEM NO. AND CAPTION	STATEMENT OF ADDITIONAL INFORMATION CAPTION
10. Cover Page	Cover Page
11. Table of Contents	Table of Contents

12. General Information and History Not Applicable

-3-

13. Investment Objectives and Policies

- (a), (b), (c) Investments
- (d) (Prospectus) - Portfolio Maturity

14. Management of the Fund

- (a), (b) Structure and Governance - Trustees and Officers
- (c) Not Applicable

15. Control Persons and Principal Holders of Securities

- (a), (b) Structure and Governance - Controlling Shareholders; Additional Information - Organization, Capitalization and Voting (Prospectus)
- (c) Structure and Governance - Controlling Shareholders

16. Investment Advisory and Other Services

- (a), (b) Operation of Investment Company - Adviser; General Management - Advisory Agreement (Prospectus)
- (c) Not Applicable
- (d) Operation of Investment Company - Administrator
- (e) Not Applicable
- (f) Operation of Investment Company - Distribution Plan
- (g) Not Applicable
- (h), (i) Operation of Investment Company - Custodian and Transfer Agent; Additional Information - Custodian, Transfer Agent and Accountants (Prospectus)

-4-

17. Brokerage Allocation and Other Practices

- (a), (b), (c) Operation of Investment Company - Brokerage Practices
- (d), (e) Not Applicable

18. Capital Stock and Other Securities

- (a) Structure and Governance - Organization and Business History
- (b) Not Applicable

19. Purchase, Redemption and Pricing of Securities Being Offered

- (a), (b), (c) Operation of Investment Company - Valuation of Fund Shares;

(Prospectus) - Valuation of Fund
Shares; Redemption of Shares;
Purchase of Fund Shares

20. Tax Status	Taxes
21. Underwriters	
(a)	Operation of Investment Company - Distribution Plan
(b), (c)	Not Applicable
22. Calculation of Performance Data	Operation of Investment Company - Yield and Total Return Quotations
23. Financial Statements	Financial Statements

Part C

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

-5-

THE SEVEN SEAS SERIES FUND

Contents of Registration Statement

This Registration Statement consists of the following papers and documents:

Cover Sheet
Form N-1A Cross Reference Sheet
Part A - Prospectus
Part B - Statement of Additional Information
Part C - Other Information
Signature Page
Exhibits

-6-

Filed pursuant to Rule 485(b)
File Nos. 33-19229; 811-5430

THE SEVEN SEAS SERIES FUND
Two International Place, 35th Floor
Boston, Massachusetts 02110
(617) 654-6089

ACTIVE INTERNATIONAL FUND

The Seven Seas Series Fund is a series mutual fund. This Prospectus describes and offers shares of beneficial interest in one portfolio, The Seven Seas Series Active International Fund (referred to in this prospectus as the "Active International Fund" or the "Fund"). The Active International Fund seeks to provide long-term capital growth by investing primarily in securities of foreign issuers. The Fund's shares are offered without sales commissions. However, the Fund pays certain distribution expenses under its Rule 12b-1 plan.

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

SHARES IN THE FUNDS ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, STATE STREET BANK AND TRUST COMPANY, AND SHARES ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY, AND INVOLVE INVESTMENT RISKS INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing. Please read and retain this document for future reference. Additional information about the Fund has been filed with the Securities and Exchange Commission in a Statement of Additional Information dated July 28, 1995. The Statement of Additional Information is incorporated herein by reference and is available without charge from Distributor at its address noted below or by calling (617) 654-6089.

<TABLE>
<CAPTION>

<p><C> Investment Adviser, Custodian Transfer Agent: State Street Bank and Trust Company 225 Franklin Street Boston, Massachusetts 02110 (617) 654-4721</p>	<p><C> Distributor: Russell Fund Distributors, Inc. Two International Place 35th Floor Boston, Massachusetts 02110 (617) 654-6089</p>	<p><C> Administrator: Frank Russell Investment Management Company 909 A Street Tacoma, Washington 98402 (206) 627-7001</p>
---	---	--

<FN> PROSPECTUS DATED JULY 28, 1995

</TABLE>

TABLE OF CONTENTS

	PAGE
Fund Operating Expenses	3
Financial Highlights	4
The Seven Seas Series Fund	5
Manner of Offering	5
Investment Objective, Policies and Restrictions.	5
Risk Factors	11
Portfolio Turnover	12
Dividends and Distributions.	12
Taxes.	13
Valuation of Fund Shares	14
Purchase of Fund Shares.	15
Redemption of Fund Shares.	17
General Management	18
Fund Expenses.	21
Performance Calculations	21
Additional Information	21

-2-

FUND OPERATING EXPENSES
THE SEVEN SEAS SERIES ACTIVE INTERNATIONAL FUND

The purpose of the following table is to assist the investor in understanding the various costs and expenses that an investor in the Active International Fund will incur directly or indirectly. THE EXAMPLES PROVIDED IN THE TABLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. For additional information, see Prospectus Section -- "General Management."

SHAREHOLDER TRANSACTION EXPENSES:	
Sales Load Imposed on Purchases	None
Sales Load Imposed on Reinvested Dividends	None

Deferred Sales Load	None
Redemption Fees	None
Exchange Fee	None

ANNUAL FUND OPERATING EXPENSES:

(as a percentage of average daily net assets)

Advisory Fees		.75%
12b-1 Fees(1), (2)		.05
Other Expenses: (2)		
Administrative Fees	.06%	
Custodian Fees	.44	
Other Fees and Expenses	.44	

Total Other Expenses		.94

Total Operating Expenses Before Fee Waivers		1.74
Fees Waived(3)		(.74)

Total Operating Expenses After Fee Waivers(4)		1.00%

EXAMPLES:	1 year	3 years
	----	-----
You would pay the following expenses on a \$1,000 investment, assuming (i) 5% annual return and (ii) redemption at the end of each time period:	\$10	\$32
	---	---
	---	---

(1) Rule 12b-1 fees may include expenses paid for shareholder servicing activities.

(2) The ratios for "12b-1 fees" and "other expenses" are based on estimated amounts for the current fiscal year with expected annual average net assets of \$20 million.

(3) The Adviser voluntarily agrees to waive up to the full amount of its Advisory fee of .75% to the extent that total expenses exceed 1.00% on an annual basis. This agreement will remain in effect until further notice.

Additionally, the Administrator and Custodian have agreed to waive a portion of their fees for the first three months after the Fund becomes operational.

(4) Investors purchasing Fund shares through a financial intermediary, such as a bank or an investment adviser, may also be required to pay additional fees for services provided by the intermediary. Such investors should contact the intermediary for information concerning what additional fees, if any, will be charged.

Long-term shareholders of the Fund may pay more in Rule 12b-1 fees than the economic equivalent of the maximum front-end sales charges applicable to mutual funds sold by members of the National Association of Securities Dealers, Inc.

-3-

FINANCIAL HIGHLIGHTS
THE SEVEN SEAS SERIES ACTIVE INTERNATIONAL FUND

The following table includes selected data for a share outstanding throughout the period of March 7, 1995 (commencement of operations) to June 30, 1995 (unaudited), and other performance information derived from the financial statements.

<TABLE>	
<CAPTION>	
<S>	<C>
	1995++

NET ASSET VALUE, BEGINNING OF PERIOD	\$10.00

INCOME FROM INVESTMENT OPERATIONS:	
Net realized and unrealized gain on investments	.05

Total From Investment Operations	.05

NET ASSET VALUE, END OF PERIOD	\$10.05
	=====
TOTAL RETURN (%) (a)	.50

RATIOS (%)/SUPPLEMENTAL DATA:

Operating expenses, net, to average daily net assets(b)	2.28
Operating expenses, gross, to average daily net assets(b)	2.80
Net investment income to average daily net assets(b)	3.00
Portfolio turnover(b)	.11
Net Assets, end of period (\$000 omitted)	17,088
Per Share amount of fees waived (\$ omitted)	.0082

<FN>

++ For the period March 7, 1995 (commencement of operations) to June 30, 1995 (unaudited).

(a) Periods less than one year are not annualized.

(b) Annualized.

</TABLE>

-4-

THE SEVEN SEAS SERIES FUND

The Seven Seas Series Fund ("Investment Company") is an open-end management investment company that is organized and operates as a Massachusetts business trust under a First Amended and Restated Master Trust Agreement dated October 13, 1993, as amended. In addition, each series of the Investment Company is diversified as defined in the Investment Company Act of 1940, as amended ("1940 Act"). As a series mutual fund, Investment Company is authorized to issue an unlimited number of shares evidencing beneficial interests in different investment portfolios. Through this Prospectus, Investment Company offers shares in one such portfolio, The Seven Seas Series Active International Fund.

MANNER OF OFFERING

DISTRIBUTION AND ELIGIBLE INVESTORS. Shares of the Fund are offered without a sales commission by Russell Fund Distributors, Inc., Investment Company's distributor, to US or foreign institutional and retail investors that invest for their own account or in a fiduciary or agency capacity. The Fund will incur distribution expenses under its 12b-1 plan. See "General Management - -- Distribution Services."

MINIMUM AND SUBSEQUENT INVESTMENT. The Fund requires a minimum initial investment of \$1,000. The shareholder's investment in the Fund may be subject to redemption at the Fund's discretion if the account balance is less than \$500 as a result of shareholder redemptions. The Fund reserves the right to reject any purchase order.

INVESTMENT OBJECTIVE, POLICIES AND RESTRICTIONS

INVESTMENT OBJECTIVE

The Active International Fund's nonfundamental investment objective is to provide long-term capital growth by investing primarily in securities of foreign issuers. This objective may be changed with the approval of a majority of the Fund's Board of Trustees. Shareholders would, however receive at least 60 days' prior notice of any change to the Fund's investment objective. To meet certain state requirements, it may be determined that the objective will only be changed with the approval of a majority of the Fund's shareholders, as defined by the 1940 Act. There can be no assurance that the Fund will meet its stated investment objective.

The Fund will attempt to meet its objective through the active selection of countries, currencies and securities. The selection of investments will be made through a proprietary, quantitative process developed by the Adviser. Investments will be made in, but not limited to, countries included in the Morgan Stanley Capital International Europe, Australia, Far East ("MSCI EAFE")

Index. For additional investment policies, see "Investment Policies."

The MSCI EAFE Index is an arithmetic, market value-weighted average of the performance of over 1,000 securities listed on the stock exchanges of the following countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia,

-5-

Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and the United Kingdom. These are the countries listed in the MSCI EAFE Index as of the date of this prospectus. Countries may be added to or deleted from the list.

The Fund will invest at least 65% of its total assets in equity securities of foreign issuers. In addition to investment in equities, the Fund may hold fixed-income instruments (including convertibles), forward contracts, cash, and cash equivalents as well as derivatives. However, the Fund may invest in other equity securities and may temporarily for defensive purposes, without limitation, invest in certain short-term fixed income securities. Such securities may be used to invest uncommitted cash balances or to maintain liquidity to meet shareholder redemptions. See "Investment Policies -- Cash Reserves."

Of the fixed-income instruments used by the Fund, less than 5% will be considered lower than investment-grade. Such securities are regarded as speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. These lower rated debt securities may include obligations that are in default or that face the risk of default with respect to principal or interest. Therefore, such securities are sometimes referred to as "junk bonds." Please see the Statement of Additional Information for a description of the securities ratings.

To the extent permitted under the 1940 Act and exemptive rules and orders thereunder, the Fund may seek to achieve its investment objective by investing solely in the shares of another investment company that has substantially similar investment objectives and policies.

INVESTMENT POLICIES

The investment policies described below reflect the Fund's current practices, are not fundamental and may be changed by the Board of Trustees of Investment Company without shareholder approval. To the extent consistent with the Fund's nonfundamental investment objective and fundamental and nonfundamental investment restrictions, and unless otherwise indicated, the Fund may invest in the following instruments and may use the following investment techniques:

US AND INTERNATIONAL EQUITY SECURITIES. The Fund may invest in common and preferred equity securities publicly traded in the United States or in foreign countries. The Fund's equity securities may be denominated in foreign currencies and may be held outside the United States. The risks associated with investment in securities issued by foreign governments and companies are described under "Risk Factors -- Foreign Securities."

FOREIGN CURRENCY. The Fund has authority to deal in forward foreign currency exchange contracts (including those involving the US dollar) as a hedge against possible variations in the exchange rate between various currencies. This is accomplished through individually negotiated contractual agreements to purchase or to sell a specified currency at a specified future date and price set at the time of the contract. The Fund's dealings in forward foreign currency exchange contracts may be with respect to a specific purchase or sale of a security, or with respect to its portfolio positions generally. The Fund is not obligated to hedge its portfolio positions and will enter into such transactions only to the extent, if any, deemed appropriate by Adviser. Forward commitments generally provide a cost-effective way of defending against losses due to foreign currency depreciation in which the securities are denominated.

-6-

In addition to the forward exchange contracts, the Fund may also purchase or sell listed or over-the-counter foreign currency options and foreign currency futures and related options as a short or long hedge against possible variations in foreign currency exchange rates. The cost to the Fund of engaging in foreign currency transactions varies with such factors as the currencies involved, the

length of the contract period and the market conditions then prevailing. Transactions involving forward exchange contracts and futures contracts and options thereon are subject to certain risks. Put and call options on currency may also be used to hedge against fluctuation in currency notes when forward contracts and/or futures are deemed to be not cost effective. Options will not be used to provide leverage in any way. See "Risk Factors -- Futures Contracts and Options on Futures" for further discussion of the risks associated with such investment techniques.

Certain differences exist among these hedging instruments. For example, foreign currency options provide the holder thereof the rights to buy or sell a currency at a fixed price on a future date. A futures contract on a foreign currency is an agreement between two parties to buy and sell a specified amount of a currency for a set price on a future date. Futures contracts and options on futures contracts are traded on boards of trade of futures exchanges. The Fund will not speculate in foreign security or currency options or futures or related options.

The Fund may not hedge its positions with respect to the currency of a particular country to an extent greater than the aggregate market value (at the time of making such sale) of the securities held in its portfolio denominated or quoted in that particular foreign currency. The Fund may enter into forward exchange contracts for hedging purposes to the extent the Fund holds foreign currencies. The Fund will not enter into a forward contract with a term of more than one year.

EMERGING MARKETS. The Fund may invest in equity securities issued by companies domiciled, or doing a substantial portion of their business, in countries determined by the Fund's Adviser to have a developing or emerging economy or securities market. The Fund will diversify investments across many countries (typically at least 10) in order to reduce the volatility associated with specific markets. The countries in which the Fund invests will be expanded over time as the stock markets in other countries evolve and in countries for which subcustodian arrangements are approved by the Fund's Board of Trustees. In determining securities in which to invest, the Adviser will evaluate the countries' economic and political climates and take into account traditional securities valuation methods, including (but not limited to) an analysis of price in relation to assets, earnings, cash flows, projected earnings growth, inflation, and interest rates. Liquidity and transaction costs will also be considered.

LENDING PORTFOLIO SECURITIES. The Fund may lend portfolio securities with a value of up to 33-1/3% of its total assets. Such loans may be terminated at any time. The Fund will continuously maintain as collateral cash or obligations issued by the US Government, its agencies or instrumentalities in an amount equal to not less than 100% of the current market value (on a daily marked-to-market basis) of the loaned securities plus accrued interest.

The Fund will retain most rights of beneficial ownership, including the right to receive dividends, interest or other distributions on the loaned securities. However, the borrower has the right to vote the loaned securities. The Fund will call loans to vote proxies if a material issue affecting the investment is to be voted upon. Should the borrower of the securities fail financially, the Fund may experience delay in recovering the securities or loss of rights in the collateral. Loans are made only to borrowers that are deemed by Adviser to be of good financial standing.

-7-

DEPOSITORY RECEIPTS. The Fund may invest in securities of foreign issuers in the form of American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs") and similar instruments, or other securities convertible into securities of eligible issuers. These securities may not necessarily be denominated in the same currency as the securities for which they may be exchanged. Generally, ADRs, in registered form, are designed for use in the US securities markets, and EDRs are issued for trading primarily in European securities markets. ADRs are receipts typically issued by a US bank or trust company evidencing ownership of the underlying securities. ADRs represent the right to receive securities of foreign issuers deposited in a domestic bank or a correspondent bank. ADRs do not eliminate the risk inherent in investing in the securities of foreign issuers. In general, there is a large liquid market in the US for many ADRs. The information available for ADRs is subject to the accounting, auditing and financial reporting standards of the domestic market or exchange on which they are traded, which standards are more uniform and more exacting than those to which many foreign issuers are subject. For purposes of the Fund's investment policies, the Fund's investments in ADRs, EDRs and similar instruments will be deemed to be investments in the equity securities representing securities of foreign issuers into which they may be converted.

REPURCHASE AGREEMENTS. The Fund may enter into repurchase agreements with banks and other financial institutions, such as broker-dealers. Under these agreements, the Fund purchases securities from financial institutions that agree to repurchase the securities at the Fund's cost plus interest within a specified time (normally one day). The Fund will invest no more than 10% of its net assets (taken at current market value) in repurchase agreements maturing in more than seven days. The Fund will enter into repurchase agreements only with financial institutions that Adviser determines are creditworthy. Should the parties to these transactions fail financially, the Fund may experience delays in realizing on the collateral securing the borrowers' obligations or loss of rights in such collateral. Further, any amounts realized upon the sale of collateral may be less than that necessary to fully compensate the Fund.

REVERSE REPURCHASE AGREEMENTS. The Fund may enter into reverse repurchase agreements under the circumstances described in "Investment Restrictions." Under reverse repurchase agreements, the Fund transfers possession of portfolio securities to banks in return for cash in an amount equal to a percentage of the portfolio securities' market value and agrees to repurchase the securities at a future date by repaying the cash with interest. The Fund retains the right to receive interest and principal payments from the securities while they are in the possession of the financial institutions. Cash or liquid high quality debt obligations from a Fund's portfolio equal in value to the repurchase price including any accrued interest will be segregated by Custodian on the Fund's records while a reverse repurchase agreement is in effect. Reverse repurchase agreements involve the risk of default by the counterparty, which may adversely affect the Fund's ability to reacquire the underlying security.

CONVERTIBLE SECURITIES. The Fund may invest in convertible securities of foreign or domestic issues. A convertible security is a fixed-income security (a bond or preferred stock) which may be converted at a stated price within a specified period of time into a certain quantity of the common stock of the same or a different issuer. Convertible securities are senior to common stocks in a corporation's capital structure but are usually subordinated to similar nonconvertible securities. Convertible securities provide, through their conversion feature, an opportunity to participate in capital appreciation resulting from a market price advance in a convertible security's underlying common stock. The price of a convertible security is influenced by the market value of the underlying

-8-

common stock and tends to increase as the market value of the underlying stock rises, whereas it tends to decrease as the market value of the underlying stock declines. Of the convertible securities used by the Fund, less than 5% will be considered lower than investment-grade. Such securities are regarded as speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. These lower rated debt securities may include obligations that are in default or that face the risk of default with respect to principal or interest. Therefore, such securities are sometimes referred to as "junk bonds." Please see the Statement of Additional Information for a description of the securities ratings.

CASH RESERVES. For the purpose of investing uncommitted cash balances or to maintain liquidity to meet shareholder redemptions, the Fund may invest temporarily and without limitation in certain high quality short-term fixed income securities. These securities include obligations issued or guaranteed as to principal and interest by the US Government, its agencies and instrumentalities and repurchase agreements collateralized by these obligations, commercial paper, bank certificates of deposit, bankers' acceptances and time deposits.

SECURITIES WARRANTS. The Fund may invest up to 5% of its net assets in warrants of foreign or domestic issuers. Included in such amount, but not to exceed 2% of the value of the Fund's assets, may be warrants that are not listed on a securities exchange. A warrant typically is a long term option issued by a corporation which generally gives the holder the privilege of buying a specified number of shares of the underlying common stock of the issuer at a specified exercise price at any time on or before an expiration date. Stock index warrants entitle the holder to receive, upon exercise, an amount in cash determined by reference to fluctuations in the level of a specified stock index. If the Fund does not exercise or dispose of a warrant prior to its expiration, it will expire worthless.

FOREIGN GOVERNMENT SECURITIES. Foreign government securities which the Fund may invest in generally consist of obligations issued or backed by the national, state or provincial government or similar political subdivisions or central banks in foreign countries. Foreign government securities also include debt obligations of supranational entities, which include international organizations designated or backed by governmental entities to promote economic

reconstruction or development, international banking institutions and related government agencies. These securities also include debt securities of quasi-government agencies and debt securities denominated in multinational currency units of an issuer.

FORWARD COMMITMENTS. The Fund may contract to purchase securities for a fixed price at a future date beyond customary settlement time, provided that the forward commitment is consistent with the Fund's ability to manage its investment portfolio, maintain a stable net asset value and honor redemption requests. When effecting such transactions, cash or liquid high quality debt obligations held by the Fund of a dollar amount sufficient to make payment for the portfolio securities to be purchased will be segregated on the Fund's records at the trade date and maintained until the transaction is settled. The failure of the other party to the transaction to complete the transaction may cause the Fund to miss an advantageous price or yield. The Fund bears the risk of price fluctuations during the period between the trade and settlement dates. For additional discussion of the risks associated with the use of foreign currency transactions, see "Risk Factors -- Foreign Currency."

OPTIONS ON SECURITIES AND SECURITIES INDICES. The Fund may write and purchase covered put and call options on securities in which it may directly invest. Option transactions of the Fund will be

-9-

conducted so that the total amount paid on premiums for all put and call options outstanding will not exceed 5% of the value of the Fund's total assets. Further, the Fund will not write a put or call option or combination thereof if, as a result, the aggregate value of all securities or collateral used to cover its outstanding options would exceed 25% of the value of the Fund's total assets.

The Fund may purchase or sell options on securities indices that are comprised of securities in which it may directly invest, subject to the limitations set forth above and provided such options are traded on a national securities exchange or in the over-the-counter market. Options on securities indices are similar to options on securities except there is no transfer of a security and settlement is in cash. A call option on a securities index grants the purchaser of the call, for a premium paid to the seller, the right to receive in cash an amount equal to the difference between the closing value of the index and the exercise price of the option times a multiplier established by the exchange upon which the option is traded.

FUTURES CONTRACTS AND OPTIONS ON FUTURES. For hedging purposes, including protecting the price or interest rate of a security the Fund intends to buy, the Fund may enter into futures contracts that relate to securities in which it may directly invest and indices comprised of such securities and may purchase and write call and put options on such contracts.

A financial futures contract is a contract to buy or sell a specified quantity of financial instruments such as US Treasury bills, notes and bonds, commercial paper and bank certificates of deposit or the cash value of a financial instrument index at a specified future date at a price agreed upon when the contract is made. A stock index futures contract is a contract to buy or sell specified units of a stock index at a specified date at a price agreed upon when the contract is made. The value of a unit is based on the current value of the stock index. Under such contracts, no delivery of the actual securities making up the index takes place. Rather, upon expiration of the contract, settlement is made by exchanging cash in an amount equal to the difference between the contract price and the closing price of the index at expiration, net of variation margin previously paid.

Substantially all futures contracts are closed out before settlement date or called for cash settlement. A futures contract is closed out by buying or selling an identical offsetting futures contract. Upon entering into a futures contract, the Fund is required to deposit an initial margin with Custodian for the benefit of the futures broker. The initial margin serves as a "good faith" deposit that the Fund will honor its futures commitment. Subsequent payments (called "variation margin") to and from the broker are made on a daily basis as the price of the underlying investment fluctuates.

Options on futures contracts give the purchaser the right to assume a position at a specified price in a futures contract at any time before expiration of the option contract.

When trading futures contracts, the Fund will not commit more than 5% of the market value of its total assets to initial margin deposits on futures and premiums paid for options on futures.

INVESTMENT RESTRICTIONS

The Fund has fundamental investment restrictions, which may be changed only with the approval of a majority of the Fund's shareholders as defined in the 1940 Act. A more detailed discussion of the Fund's investment restrictions and investment policies appears in the Statement of Additional Information.

The Fund's fundamental investment restrictions described below, unless otherwise noted, apply at the time an investment is made. All other investment restrictions described in this Prospectus, unless otherwise noted, are not fundamental and may be changed by the Board of Trustees of Investment Company without shareholder approval. The Fund may not:

1. Invest 25% or more of the value of its total assets in securities of companies primarily engaged in any one industry (other than the US Government, its agencies and instrumentalities). Concentration may occur as a result of changes in the market value of portfolio securities, but may not result from investment.
2. Borrow money (including reverse repurchase agreements), except as a temporary measure for extraordinary or emergency purposes or to facilitate redemptions (not for leveraging or investment), provided that borrowings do not exceed an amount equal to 33-1/3% of the current value of the Fund's assets taken at market value, less liabilities other than borrowings. If at any time a Fund's borrowings exceed this limitation due to a decline in net assets, such borrowings will within three days be reduced to the extent necessary to comply with this limitation. A Fund will not purchase investments once borrowed funds (including reverse repurchase agreements) exceed 5% of its total assets.
3. Pledge, mortgage, or hypothecate its assets. However, a Fund may pledge securities having a market value at the time of the pledge not exceeding 33-1/3% of the value of the Fund's total assets to secure borrowings permitted by paragraph (2) above.

RISK FACTORS

FOREIGN SECURITIES. Investors should consider carefully the substantial risks involved in securities of companies and governments of foreign nations. There may be less publicly available information about foreign companies comparable to the reports and ratings published regarding US companies. Foreign companies are not generally subject to uniform accounting, auditing and financial reporting standards, and auditing practices and requirements may not be comparable to those applicable to US companies. Many foreign markets have substantially less volume than either the established domestic securities exchanges or the over-the-counter markets. Securities of some foreign companies are less liquid and more volatile than securities of comparable US companies. Commission rates in foreign countries, which may be fixed rather than subject to negotiation as in the US, are likely to be higher. In many foreign countries there is less government supervision and regulation of securities exchanges, brokers and listed companies than in the US, and capital requirements for brokerage firms are generally lower. Settlement of transactions in foreign securities may, in some instances, be subject to delays and related administrative uncertainties.

FOREIGN CURRENCY. The Fund may be affected either favorably or unfavorably by fluctuations in the relative rates of exchange between the currencies of different nations, exchange control regulations and indigenous economic and political developments. The Fund endeavors to buy and sell foreign currencies on favorable terms. Such price spread on currency exchange (to cover service charges) may be incurred, particularly when the Fund changes investments from one country to another or when proceeds from the sale of shares in US dollars are used for the purchase of securities in foreign countries. Also, some countries may adopt policies which would prevent the Fund from repatriating invested capital and dividends, withhold portions of interest and dividends at the source, or impose other taxes, with respect to the Fund's investments in securities of issuers of that country. There also is the possibility of expropriation, nationalization, confiscatory or other taxation, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country), default in foreign government securities, political or social

instability, or diplomatic developments that could adversely affect investments in securities of issuers in those nations.

FUTURES CONTRACTS AND OPTIONS ON FUTURES. There are certain investment risks in using futures contracts and options as a hedging technique. Such risks may include: (1) the inability to close out a futures contract or option caused by the nonexistence of a liquid secondary market; and (2) an imperfect correlation between price movements of the futures contracts or option with price movements of the portfolio securities or securities index subject to the hedge. Finally, the successful use of options and futures also depends on the Adviser's ability to correctly predict price movements in the market involved in a particular option or futures transaction.

PORTFOLIO TURNOVER

The portfolio turnover rate cannot be predicted, but it is anticipated that the Fund's annual turnover rate generally will not exceed 80%. A high turnover rate (over 100%) will: (1) increase transaction expenses which will adversely affect a Fund's performance; and (2) result in increased brokerage commissions and other transaction costs, and the possibility of realized capital gains. The Adviser's sell discipline for the Fund's investment in securities of foreign issuers is based on the premise of a long-term investment horizon, however, sudden changes in valuation levels arising from, for example, new macroeconomic policies, political developments, and industry conditions could change the assumed time horizon. Some countries impose restrictions on repatriation of capital and/or dividends which would lengthen the Adviser's assumed time horizon in those countries. Liquidity, volatility, and overall risk of a position are other factors considered by the Adviser in determining the appropriate investment horizon. Therefore, the Fund may dispose of securities without regard to the time they have been held when such action, for defensive or other purposes, appears advisable.

The Fund may effect portfolio transactions with or through State Street Brokerage Services, Inc. an affiliate of the Adviser, when the Adviser determines that the Fund will receive competitive execution, price and commissions.

DIVIDENDS AND DISTRIBUTIONS

The Board of Trustees intends to declare and pay on Fund shares dividends annually from net investment income. The Board of Trustees intends to declare distributions annually from net capital

-12-

gains, if any, generally in mid-October. An additional distribution may be declared and paid in December, if required, for the Fund to avoid imposition of a 4% federal excise tax on undistributed capital gains.

Dividends declared in October, November or December and payable to shareholders of record in such months will be deemed to have been paid by the Fund and received by shareholders on December 31 of that year if the dividend is paid prior to February 1 of the following year.

Income dividends and capital gains distributions will be paid in additional shares at their net asset value on the record date unless the shareholder has elected to receive them in cash. Such election may be made by giving 10 days' written notice to Transfer Agent.

Any dividend or capital gain distribution paid by the Fund shortly after a purchase of shares will reduce the per share net asset value of the Fund by the amount of the dividend or distribution. In effect, the payment will represent a return of capital to the shareholder. However, the shareholder will be subject to taxes with respect to such dividend or distribution.

TAXES

The Fund intends to qualify as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code, as amended (the "Code"). As a RIC, the Fund will not be subject to federal income taxes to the extent it distributes its net investment income and capital gain net income (capital gains in excess of capital losses) to its shareholders. The Board intends to distribute each year substantially all of the Fund's net investment income and capital gain net income.

Dividends from net investment income and distributions of net short-term

capital gains are taxable to shareholders as ordinary income under federal income tax laws whether paid in cash or in additional shares. Distributions from net long-term capital gains are taxable as long-term capital gains regardless of the length of time a shareholder has held such shares.

Dividends and distributions may also be subject to state or local taxes. Depending on the state tax rules pertaining to a shareholder, a portion of the dividends paid by the Fund attributable to direct obligations of the US Treasury and certain agencies may be exempt from state and local taxes.

The sale of Fund shares by a shareholder is a taxable event and may result in capital gain or loss. A capital gain or loss may be realized from an ordinary redemption of shares or an exchange of shares between two mutual funds (or two series of portfolios of a mutual fund). Any loss incurred on the sale or exchange of Fund shares held for one year or more will be treated as a long-term capital loss to the extent of capital gain dividends received with respect to such shares.

Shareholders will be notified after each calendar year of the amounts of income dividends and net capital gains distributions and the percentage of the Fund's income attributable to US Treasury and agency obligations. The Fund is required to withhold 31% of all taxable dividends, distributions, and redemption proceeds payable to any noncorporate shareholder that does not provide the Fund with the shareholder's correct taxpayer identification number or certification that the shareholder is not subject to backup withholding.

-13-

FOREIGN INCOME TAXES. Investment income received by the Fund from sources within foreign countries may be subject to foreign income taxes withheld at the source. The United States has entered into tax treaties with many foreign countries which would entitle the Fund to a reduced rate of such taxes or exemption from taxes on such income. It is impossible to determine the effective rate of foreign tax for the Fund in advance since the amount of the assets to be invested within various countries is not known.

If the Fund invests in an entity that is classified as a "passive foreign investment company" ("PFIC") for federal income tax purposes, the application of certain provisions of the Code applying to PFICs could result in the imposition of certain federal income taxes on the Fund. It is anticipated that any taxes on the Fund with respect to investments in PFICs would be insignificant. Under US Treasury regulations for PFICs, the Fund can elect to mark-to-market its PFIC holdings in lieu of paying taxes on gains or distributions therefrom. It is anticipated that any taxes on a Fund with respect to investments in PFICs would be insignificant.

Foreign shareholders should consult with their tax advisers as to if and how the federal income tax and its withholding requirements applies to them.

If more than 50% in value of a Fund's total assets at the close of any taxable year consists of securities of foreign corporations, the Fund may file an election with the Internal Revenue Service (the "Foreign Election") that would permit shareholders to take a credit (or a deduction) for foreign income taxes paid by the Fund. If the Foreign Election is made, shareholders would include in their gross income both dividends received from the Fund and foreign income taxes paid by the Fund. Shareholders of the Fund would be entitled to treat the foreign income taxes withheld as a credit against their United States federal income taxes, subject to the limitations set forth in the Internal Revenue Code with respect to the foreign tax credit generally. Alternatively, shareholders could treat the foreign income taxes withheld as a deduction from gross income in computing taxable income rather than as a tax credit. It is anticipated that the Fund will qualify to make the Foreign Election; however, the Fund cannot be certain that it will be eligible to make such an election or that any particular shareholder will be eligible for the foreign tax credit.

The foregoing discussion is only a summary of certain federal income tax issues generally affecting the Fund and its shareholders. Circumstances among investors may vary and each investor is encouraged to discuss investment in the Fund with the investor's tax adviser.

VALUATION OF FUND SHARES

NET ASSET VALUE PER SHARE. The Fund determines net asset value once each business day as of the close of the regular trading session of the New York Stock Exchange (currently 4 p.m. Eastern time). A business day is one on which the New York Stock Exchange is open for business. Net asset value per share is computed by dividing the current value of the Fund's assets, less its

liabilities, by the number of shares of the Fund outstanding and rounding to the nearest cent.

VALUATION OF FUND SECURITIES. With the exceptions noted below, the Fund values portfolio securities at fair market value. This generally means that equity and fixed income securities listed and traded principally on any national securities exchange are valued on the basis of the last sale price or,

-14-

lacking any sales, at the closing bid price, on the primary exchange on which the security is traded. United States equity and fixed income securities traded principally over-the-counter and options are valued on the basis of the last reported bid price. Futures contracts are valued on the basis of the last reported sale price.

Because many fixed income securities do not trade each day, last sale or bid prices are frequently not available. Fixed income securities therefore may be valued using prices provided by a pricing service when such prices are determined by Custodian to reflect the fair market value of such securities.

International securities traded on a national securities exchange are valued on the basis of the last sale price. International securities traded over-the-counter are valued on the basis of best bid or official bid, as determined by the relevant securities exchange. In the absence of a last sale or best or official bid price, such securities may be valued on the basis of prices provided by a pricing service if those prices are believed to reflect the fair value of such securities.

Fixed income securities maturing within 60 days of the valuation date are valued at amortized cost unless the Board determines that amortized cost does not represent fair value. The amortized cost valuation procedure initially prices an instrument at its cost and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price a Fund would receive if it sold the instrument.

The Fund values securities for which market quotations are not readily available at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

PURCHASE OF FUND SHARES

MINIMUM INITIAL INVESTMENT AND ACCOUNT BALANCE. The Fund requires a minimum initial investment of \$1,000. The minimum account balance is \$500. The Fund reserves the right to reject any purchase order.

OFFERING DATES AND TIMES. Fund shares may be purchased on any business day without a sales commission. All purchases must be made in US dollars. Purchase orders in good form and payments for Fund shares must be received by Transfer Agent prior to 4:00 p.m. Eastern time to be effective on the date received. The accompanying payment must be in federal funds or converted into federal funds by Transfer Agent before the purchase order can be accepted. Purchase orders in good form are described below.

ORDER AND PAYMENT PROCEDURES. There are several ways to invest in the Fund. The Fund requires a purchase order in good form which consists of a completed and signed Account Registration and Investment Instruction Form (the "Application") for each new account regardless of the investment method. For additional information, copies of Applications or questions, call Transfer Agent at (800) 647-7327, or write to Transfer Agent at: State Street Bank and Trust Company, P.O. Box 8317, Boston, MA 02107, Attention: The Seven Seas Series Active International Fund.

-15-

FEDERAL FUNDS WIRE. An investor may purchase shares by wiring federal funds to State Street Bank and Trust Company as Transfer Agent by:

1. Telephoning State Street Bank and Trust Company at (800) 647-7327 and stating: (1) the investor's account registration, address and social security or tax identification number; (2) the amount being wired; (3) the name of the wiring bank; (4) the name and telephone number of the

person at the wiring bank to be contacted in connection with the order; and (5) that the funds should be invested in The Seven Seas Series Active International Fund.

2. Instructing the wiring bank to wire federal funds to: State Street Bank and Trust Company, Boston, MA (ABA #0110-00028), Attention: The Seven Seas Series Active International Fund, Mutual Funds Service Division (DDA #9904-631-0). The wire instructions should also include the name in which the account is registered, the account number, and the name of the Fund in which to be invested.
3. Completing the Application and forwarding it to Transfer Agent at the above address.

MAIL. To purchase shares by mail, send a check or other negotiable bank draft payable to: State Street Bank and Trust Company, P.O. Box 8317, Boston, MA 02107, Attention: The Seven Seas Series Active International Fund. Certified checks are not necessary, but checks are accepted subject to collection at full face value in United States funds and must be drawn in United States dollars on a United States bank. Normally, checks and drafts are converted to federal funds within two business days following receipt of the check or draft. Initial investments should be accompanied by a completed Application, and subsequent investments are to be accompanied by the investor's account number.

THIRD PARTY TRANSACTIONS. Investors purchasing Fund shares through a program of services offered by a financial intermediary, such as a bank, broker-dealer, investment adviser or others, may be required to pay additional fees by such intermediary. Investors should contact such intermediary for information concerning what additional fees, if any, may be charged.

IN-KIND EXCHANGE OF SECURITIES. The Transfer Agent may, at its discretion, permit investors to purchase shares through the exchange of securities they hold. Any securities exchanged must meet the investment objective, policies and limitations of the Fund, must have a readily ascertainable market value, must be liquid and must not be subject to restrictions on resale. The market value of any securities exchanged, plus any cash, must be at least \$1 million. Shares purchased in exchange for securities generally may not be redeemed or exchanged until the transfer has settled -- usually within 15 days following the purchase by exchange.

The basis of the exchange will depend upon the relative net asset value of the shares purchased and securities exchanged. Securities accepted by the Fund will be valued in the same manner as the Fund values its assets. Any interest earned on the securities following their delivery to the Transfer Agent and prior to the exchange will be considered in valuing the securities. All interest, dividends, subscription or other rights attached to the securities become the property of the Fund, along with the securities.

-16-

EXCHANGE PRIVILEGE. Subject to the Fund's minimum investment requirement, investors may exchange their Fund shares without charge for shares of any other investment portfolio offered by Investment Company. Shares are exchanged on the basis of relative net asset value per share. Exchanges may be made: (1) by telephone if the registrations of the two accounts are identical; or (2) in writing addressed to State Street Bank and Trust Company, P.O. Box 8317, Boston, MA 02107, Attention: The Seven Seas Series Active International Fund. If shares of a Fund were purchased by check, the shares must have been present in an account for 10 days before an exchange is made. The exchange privilege will only be available in states where the exchange may legally be made, and may be modified or terminated by the Funds upon 60 days' notice to shareholders.

REDEMPTION OF FUND SHARES

Fund shares may be redeemed on any business day at the net asset value next determined after the receipt of a redemption request in proper form as described below. Payment will ordinarily be made in seven days and will be mailed to the shareholder's address of record. Upon request, redemption proceeds will be wire transferred to the shareholder's account at a domestic commercial bank that is a member of the Federal Reserve System. Although Investment Company does not currently charge a fee for this service, Investment Company reserves the right to charge a fee for the cost of wire-transferred redemptions of less than \$1,000. Payment for redemption of shares purchased by check may be withheld for up to 10 days after the date of purchase to assure that such checks are honored.

EXPEDITED REDEMPTION. Shareholders may normally redeem Fund shares by telephoning State Street Bank and Trust Company between 9:00 a.m. and 4:00 p.m.

Eastern time at (800) 647-7327, Attention: The Seven Seas Series Active International Fund. Shareholders using the expedited redemption method must complete the appropriate section on the Application. The Fund and the Transfer Agent will employ reasonable procedures to confirm that instructions communicated by telephone are properly authorized. The Fund and the Transfer Agent will not be liable for executing telephone instructions that are deemed to be authorized after following reasonable procedures. These procedures include record telephonic instructions, mailing to the shareholder a written confirmation of the transaction, performing a personal identity test with private information not likely to be known by other individuals, and restricting mailing of redemptions to the shareholder's address of record. During periods of drastic economic or market changes, shareholders using this method may encounter delays. In such event, shareholders should consider using the mail redemption procedure described below.

MAIL. Redemption requests may be made in writing directly to State Street Bank and Trust Company, P.O. Box 8317, Boston, MA 02107, Attention: The Seven Seas Series Active International Fund. The redemption price will be the net asset value next determined after receipt by State Street of all required documents in good order. Good order means that the request must include the following:

1. A letter of instruction or a stock assignment stating the Fund or Funds out of which the shares are to be redeemed and designating specifically the dollar amount to be redeemed signed by all owners of the shares in the exact names in which they appear on the account, together with a guarantee of the signature of each owner by a bank, trust company or member of a recognized stock exchange; and

-17-

2. Such other supporting legal documents, if required by applicable law or Transfer Agent, in the case of estates, trusts, guardianships, custodianships, corporations and pension and profit-sharing plans.

The Fund reserves the right to redeem the shares in any account with a balance of less than \$500 as a result of shareholder redemptions. Before shares are redeemed to close an account, the shareholder will be notified in writing and allowed 60 days to purchase additional shares to meet the minimum account balance.

The Fund may pay any portion of the redemption amount in excess of \$250,000 by a distribution in kind of readily marketable securities from the portfolio of the Fund in lieu of cash. Investors will incur brokerage charges on the sale of these portfolio securities. The Fund reserves the right to suspend the right of redemption or postpone the date of payment if emergency conditions, as specified in the 1940 Act or determined by the Securities and Exchange Commission, should exist.

GENERAL MANAGEMENT

The Board of Trustees supervises the management, activities and affairs of the Fund and has approved contracts with various financial organizations to provide, among other services, day-to-day management required by the Fund.

ADVISORY AGREEMENT. The Investment Company employs State Street Bank and Trust Company ("State Street" or "Adviser") to furnish investment services to the Fund. State Street is one of the largest providers of securities processing and recordkeeping services for US mutual funds and pension funds. State Street is a wholly owned subsidiary of State Street Boston Corporation, a publicly held bank holding company. State Street, with over \$144 billion (US) under management as of September 30, 1994, provides complete global investment management services from offices in the United States, London, Sydney, Hong Kong, Tokyo, Toronto, Luxembourg, Melbourne, Montreal, Paris, Dubai, Munich and Brussels.

Adviser, subject to Board supervision, directs the investment of the Fund in accordance with the Fund's investment objective, policies and restrictions. Investment decisions regarding the Fund are made by committee, and no person is primarily responsible for making recommendations to that committee. For these services, the Fund pays Adviser a fee, calculated daily and paid monthly, that on an annual basis is equal to .75% of the Fund's average daily net assets. This fee is higher than the investment advisory fees paid by most investment companies. However, the fee is comparable to that of other funds with similar investment objectives.

The Glass-Steagall Act prohibits a depository state chartered bank such as

Adviser from engaging in the business of issuing, underwriting, selling or distributing certain securities. The activities of Adviser in informing its customers of the Fund, performing investment and redemption services and providing custodian, transfer, shareholder servicing, dividend disbursing and investment advisory services may raise issues under these provisions. Adviser has been advised by its counsel that its activities in connection with the Fund are consistent with its statutory and regulatory obligations. THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT ENDORSED OR GUARANTEED BY STATE STREET OR ITS AFFILIATES,

-18-

ARE NOT DEPOSITS OR OBLIGATIONS OF STATE STREET OR ITS AFFILIATES, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

Changes in federal or state statutes and regulations relating to the permissible activities of banks and their affiliates, as well as judicial or administrative decisions or interpretations of such or future statutes and regulations, could prevent Adviser from continuing to perform all or a part of the above services for its customers and/or the Funds. If Adviser were prohibited from serving the Funds in any of its present capacities, the Board of Trustees would seek an alternative provider(s) of such services. In such event, changes in the operation of the Fund may occur. It is not expected by Adviser that existing shareholders would suffer any adverse financial consequences (if another adviser with equivalent abilities is found) as a result of any of these occurrences.

State Street may from time to time have discretionary authority over accounts which invest in Investment Company shares. These accounts include accounts maintained for securities lending clients and accounts which permit the use of Investment Company portfolios as short-term cash sweep investments. Shares purchased for all discretionary accounts are held of record by State Street, who retains voting control of them. As of July 26, 1995, State Street held of record 32% of the issued and outstanding shares of Investment Company in connection with its discretionary accounts. Consequently, State Street may be deemed to be a controlling person of Investment Company for purposes of the 1940 Act.

ADMINISTRATION AGREEMENT. Frank Russell Investment Management Company ("Administrator") serves as administrator to the Fund. Administrator currently serves as investment manager and administrator to 22 mutual funds with assets of \$6.1 billion as of January 31, 1995, and acts as administrator to 18 mutual funds, including the Fund, with assets of \$6.0 billion as of January 31, 1995.

Pursuant to the Administration Agreement with Investment Company, Administrator will: (1) supervise all aspects of the Funds' operations; (2) provide the Funds with administrative and clerical services, including the maintenance of certain of the Funds' books and records; (3) arrange the periodic updating of the Funds' prospectuses and any supplements thereto; (4) provide proxy materials and reports to Fund shareholders and the Securities and Exchange Commission; and (5) provide the Funds with adequate office space and all necessary office equipment and services, including telephone service, heat, utilities, stationery supplies and similar items. For these services, the Active International Fund pays Administrator a fee that on an annual basis is equal to the following percentages of each Fund's average daily net assets: \$0 up to \$500 million -- .07%; over \$500 million to \$1 billion -- .06%; over \$1 billion to and including \$1.5 billion -- .04%; and over \$1.5 billion -- .03%. The percentage of the fee paid by a particular Fund is equal to the percentage of average aggregate daily net assets that are attributable to that Fund. Administrator will also receive reimbursement of expenses it incurs in connection with establishing new investment portfolios. Further, the administration fee paid by Investment Company will be reduced by the sum of certain distribution related expenses (up to a maximum of 15% of the asset-based administration fee listed above).

Administrator also provides administrative services in connection with the registration of shares of Investment Company with those states in which its shares are offered or sold. Compensation for such services is on a time spent basis. Investment Company will pay all registration, exemptive application, renewal and related fees and reasonable out-of-pocket expenses.

-19-

DISTRIBUTION SERVICES AND SHAREHOLDER SERVICING ARRANGEMENTS. Pursuant to

the Distribution Agreement with Investment Company, Russell Fund Distributors, Inc. ("Distributor"), a wholly owned subsidiary of Administrator, serves as distributor for all Fund shares.

The Fund has adopted a distribution plan pursuant to Rule 12b-1 (the "Plan") under the 1940 Act. The purpose of the Plan is to provide for the payment of certain Investment Company distribution and shareholder servicing expenses. Under the Plan, Distributor will be reimbursed in an amount up to .25% of the Fund's average annual net assets for distribution-related and shareholder servicing expenses. Payments under the Plan will be made to Distributor to finance activity which is intended to result in the sale and retention of Fund shares including: (1) the costs of prospectuses, reports to shareholders and sales literature; (2) advertising; and (3) expenses incurred in connection with the promotion and sale of Fund shares, including Distributor's overhead expenses for rent, office supplies, equipment, travel, communication, compensation and benefits of sales personnel.

Under the Plan, the Fund may also enter into agreements ("Service Agreements") with financial institutions, which may include Adviser ("Service Organizations"), to provide shareholder servicing with respect to Fund shares held by or for the customers of the Service Organizations. Under the Service Agreements, the Service Organizations may provide various services for such customers including: answering inquiries regarding the Fund; assisting customers in changing dividend options, account designations and addresses; performing subaccounting for such customers; establishing and maintaining customer accounts and records; processing purchase and redemption transactions; providing periodic statements showing customers' account balances and integrating such statements with those of other transactions and balances in the customers' other accounts serviced by the Service Organizations; arranging for bank wires transferring customers' funds; and such other services as the customers may request in connection with the Fund, to the extent permitted by applicable statute, rule or regulation. Service Organizations may receive from the Fund, for shareholder servicing, monthly fees at a rate that shall not exceed .20% per annum of the average daily net asset value of the Fund's shares owned by or for shareholders with whom the Service Organization has a servicing relationship. Banks and other financial service firms may be subject to various state laws, and may be required to register as dealers pursuant to state law.

Investment Company has entered into Service Agreements with Adviser and with Adviser's State Street Solutions area to obtain the services described above with respect to Fund shares held by or for customers. In return for these services, Investment Company pays Adviser a fee in an amount that per annum is equal to .025% of the average daily value of all Fund shares held by or for customers, and .175% of the average daily value of all Fund shares held by or for customers of Adviser's State Street Solutions area.

Payments to the Distributor, as well as payments to Service Organizations from the Fund are not permitted by the Plan to exceed .25% of the Fund's average net asset value per year. Any payments that are required to be made by the Distribution Agreement and any Service Agreement but could not be made because of the .25% limitation may be carried forward and paid in subsequent years so long as the Plan is in effect. A Fund's liability for any such expenses carried forward shall terminate at the end of two years following the year in which the expenditure was incurred. Service Organizations will be responsible for prompt transmission of purchase and redemption orders and may charge fees for their services.

-20-

FUND EXPENSES

The Fund will pay all of their expenses other than those expressly assumed by Adviser and Administrator. The principal expenses of the Fund are the annual advisory fee payable to Adviser and distribution and shareholder servicing expenses. Other expenses include: (1) amortization of deferred organizational costs; (2) taxes, if any; (3) expenses for legal, auditing and financial accounting services; (4) expense of preparing (including typesetting, printing and mailing) reports, prospectuses and notices to existing shareholders; (5) administrative fees; (6) expense of issuing and redeeming Fund shares; (7) the cost of registering Fund shares under federal and state laws; (8) shareholder meetings and related proxy solicitation expenses; (9) the fees, travel expenses and other out-of-pocket expenses of Trustees who are not affiliated with Adviser or any of its affiliates; (10) insurance, interest, brokerage and litigation costs; (11) extraordinary expenses as may arise, including expenses incurred in connection with litigation proceedings and claims and the legal obligations of Investment Company to indemnify its Trustees, officers, employees, shareholders, distributors and agents; and (12) other expenses properly payable by the Fund.

From time to time the Fund may advertise its total return. The total return of a Fund refers to the average annual compounded rates of return from a hypothetical investment in the Fund over one-, five- and ten-year periods or for the life of the Fund (as stated in the advertisement), assuming the reinvestment of all dividend and capital gains distributions.

Comparative performance information may be used from time to time in advertising or marketing Fund shares, including data from Lipper Analytical Services, Inc., Wall Street Journal Score Card, MSCI EAFE Index, or other industry publications, business periodicals, rating services and market indices. The Fund may also advertise nonstandardized performance information which is for periods in addition to those required to be presented.

Total return and other performance figures are based on historical earnings and are not indications of future performance.

ADDITIONAL INFORMATION

CUSTODIAN, ACCOUNTANTS AND REPORTS. State Street holds all portfolio securities and cash assets of the Fund, provides portfolio recordkeeping services and serves as the Fund's transfer agent ("Transfer Agent") and custodian ("Custodian"). State Street is authorized to deposit securities in securities depositories or to use the services of subcustodians. State Street has no responsibility for the supervision and management of the Fund except as investment adviser. Coopers & Lybrand L.L.P., Boston, Massachusetts, is Investment Company's independent accountants.

REPORTS TO SHAREHOLDERS AND SHAREHOLDER INQUIRIES. Shareholders will receive an unaudited semiannual financial statement and an annual financial statement audited by Investment Company's independent accountants. Shareholder inquiries regarding the Prospectus and financial statements

-21-

may be made by calling Distributor at (617) 654-6089. Inquiries regarding shareholder balances may be made by calling the Transfer Agent at (800) 647-7327.

ORGANIZATION, CAPITALIZATION AND VOTING. Investment Company was organized as a Massachusetts business trust on October 3, 1987.

Investment Company issues shares divisible into an unlimited number of series (or funds), each of which is a separate trust under Massachusetts law. The Active International Fund is one such series.

Fund shares represent an equal proportionate interest in the Fund, have a par value of \$.001 per share and are entitled to such relative rights and preferences and dividends and distributions earned on the assets belonging to the Fund as may be declared by the Board of Trustees. Fund shares are fully paid and nonassessable by Investment Company and have no preemptive rights.

Each Fund share has one vote. There are no cumulative voting rights. There is no annual meeting of shareholders, but special meetings may be held. On any matter that affects only a particular investment portfolio, only shareholders of that fund vote unless otherwise required by the 1940 Act or the Master Trust Agreement. The Trustees hold office for the life of the Trust. A Trustee may resign or retire, and a Trustee may be removed at any time by a vote of two-thirds of the Investment Company shares. The Trustees shall promptly call and give notice of a meeting of shareholders for the purpose of voting upon removal of any Trustee when requested to do so in writing by holders of not less than 10% of the shares then outstanding. A vacancy on the Board of Trustees may be filled by the vote of a majority of the remaining Trustees, provided that immediately thereafter at least two-thirds of the Trustees have been elected by shareholders.

Investment Company does not issue share certificates for the Fund. Transfer Agent sends Fund shareholders statements concurrent with any transaction activity, confirming all investments in or redemptions from their accounts. Each statement also sets forth the balance of shares held in the account.

-22-

THE SEVEN SEAS SERIES FUND
Two International Place, 35th Floor
Boston, Massachusetts 02110

INVESTMENT ADVISER, CUSTODIAN AND TRANSFER AGENT
State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110

DISTRIBUTOR
Russell Fund Distributors, Inc.
Two International Place, 35th Floor
Boston, Massachusetts 02110

ADMINISTRATOR
Frank Russell Investment Management Company
909 A Street
Tacoma, Washington 98402

LEGAL COUNSEL
Goodwin, Procter & Hoar
Exchange Place
Boston, Massachusetts 02109

INDEPENDENT ACCOUNTANTS
Coopers & Lybrand L.L.P.
One Post Office Square
Boston, Massachusetts 02109

-23-

Filed pursuant to Rule 485(b)
File Nos. 33-19229; 811-5430

THE SEVEN SEAS SERIES FUND

Two International Place, 35th Floor
Boston, Massachusetts 02110
(617) 654-6089

STATEMENT OF ADDITIONAL INFORMATION

THE SEVEN SEAS SERIES ACTIVE INTERNATIONAL FUND

JULY 28, 1995

The Seven Seas Series Fund ("Investment Company") is a registered open-end investment company organized as a Massachusetts business trust offering shares of beneficial interest in separate investment portfolios. In addition, each series of the Investment Company is diversified as defined in the Investment Company Act of 1940, as amended ("1940 Act").

This Statement of Additional Information supplements or describes in greater detail the Investment Company and The Seven Seas Series Active International Fund (the "Active International Fund" or the "Fund") as contained in the Fund's Prospectus dated July 28, 1995. This Statement is not a Prospectus and should be read in conjunction with the Fund's Prospectus, which may be obtained by telephoning or writing Investment Company at the number or address shown above.

TABLE OF CONTENTS

	Page

STRUCTURE AND GOVERNANCE	3
Organization and Business History.	3
Shareholder Meetings	4
Controlling Shareholders	4

Principal Shareholders	5
Trustees and Officers.	5
OPERATION OF INVESTMENT COMPANY.	7
Service Providers.	7
Adviser.	7
Administrator.	8
Distributor.	8
Custodian and Transfer Agent	8
Distribution Plan.	8
Federal Law Affecting State Street	9
Valuation of Fund Shares	9
Brokerage Practices.	10
Portfolio Turnover Policy.	11
Total Return Quotations.	11
INVESTMENTS.	12
Investment Restrictions.	12
Investment Policies.	15
Hedging Strategies and Related Investment Techniques	18
RISK CONSIDERATIONS.	24
TAXES	26
FINANCIAL STATEMENTS	28
APPENDIX: DESCRIPTION OF SECURITIES RATINGS	29

STRUCTURE AND GOVERNANCE

ORGANIZATION AND BUSINESS HISTORY. Investment Company is a Massachusetts business trust organized under a First Amended and Restated Master Trust Agreement, dated October 13, 1993, as amended. Investment Company is authorized to issue shares of beneficial interest, par value \$.001 per share, which may be divided into one or more series, each of which evidences pro rata ownership interest in a different investment portfolio, or "Fund." The Active International Fund is one such investment portfolio. The Trustees may create additional Funds at any time without shareholder approval.

Further, the Investment Company is authorized to divide shares of any series into two or more classes of shares. The shares of each Fund may have such rights and preferences as the Trustees may establish from time to time, including the right of redemption (including the price, manner and terms of redemption), special and relative rights as to dividends and distributions, liquidation rights, sinking or purchase fund provisions and conditions under which any Fund may have separate voting rights or no voting rights. Each class of shares of a Fund is entitled to the same rights and privileges as all other classes of that Fund, except that each class bears the expenses associated with the distribution and shareholder servicing arrangements of that class, as well as other expenses attributable to the class and unrelated to the management of the Fund's portfolio securities.

As of the date of this Statement of Additional Information, Investment Company is comprised of the following investment portfolios, each of which commenced operations on the date set forth opposite the portfolio's name:

The Seven Seas Series Money Market Fund	May 2, 1988
The Seven Seas Series US Government Money Market Fund	March 1, 1991
The Seven Seas Series US Treasury Money Market Fund	December 1, 1993
The Seven Seas Series US Treasury Obligations Fund	*
The Seven Seas Series Prime Money Market Fund	February 22, 1994
The Seven Seas Series Yield Plus Fund	November 9, 1992
The Seven Seas Series Tax Free Money Market Fund	December 1, 1994
The Seven Seas Series Short Term Government Securities Fund	April 15, 1992
The Seven Seas Series Intermediate Fund	September 1, 1993
The Seven Seas Series Bond Market Fund	*
The Seven Seas Series Growth and Income Fund	September 1, 1993
The Seven Seas Series S&P 500 Index Fund	December 30, 1992
The Seven Seas Series Small Cap Fund	July 1, 1992
The Seven Seas Series Matrix Equity Fund	May 4, 1992
The Seven Seas Series Active International Fund	March 7, 1995
The Seven Seas Series International Pacific Index Fund	*
The Seven Seas Series Emerging Markets Fund	March 1, 1994
The Seven Seas Series Real Estate Equity Fund	*

*As of the date of this Statement of Additional Information, these portfolios have not commenced operations.

-3-

Prospectuses for these Investment Portfolios may be obtained by calling Investment Company's distributor, Russell Fund Distributors, Inc., at (617) 654-6089.

Shares of the Money Market, US Government Money Market and Tax Free Money Market Funds are divided into Classes A, B and C.

Any amendment to the Master Trust Agreement that would materially and adversely affect shareholders of Investment Company as a whole, or shareholders of a particular Fund, must be approved by the holders of a majority of the shares of Investment Company or the Fund, respectively. All other amendments may be effected by Investment Company's Board of Trustees.

Under certain unlikely circumstances, and as is the case with any Massachusetts business trust, a shareholder of a Fund may be held personally liable for the obligations of a Fund. The Master Trust Agreement provides that shareholders shall not be subject to any personal liability for the acts or obligations of a Fund and that every written agreement, obligation, or other undertaking of the Fund shall contain a provision to the effect that the shareholders are not personally liable thereunder. The Master Trust Agreement also provides that the Fund shall, upon request, assume the defense of any claim made against any shareholder for any act or obligation of the Fund and satisfy any judgment thereon. Thus, the risk to shareholders of incurring financial loss beyond their investments is limited to circumstances in which the Fund itself would be unable to meet its obligations.

SHAREHOLDER MEETINGS. Investment Company will not have an annual meeting of shareholders. Special meetings may be convened: (1) by the Board of Trustees; (2) upon written request to the Board by the holders of at least 10% of the outstanding shares; or (3) upon the Board's failure to honor the shareholders' request described above, by holders of at least 10% of the outstanding shares giving notice of the special meeting to the shareholders.

CONTROLLING SHAREHOLDERS. The Trustees have the authority and responsibility to manage the business of Investment Company. Trustees hold office until they resign or are removed by, in substance, a vote of two-thirds of Investment Company shares outstanding.

State Street Bank and Trust Company ("State Street") may from time to time have discretionary authority over accounts which invest in Investment Company shares. These accounts include accounts maintained for securities lending program and investment accounts which permit the use of Investment Company portfolios as short-term cash sweep investments. Shares purchased for all discretionary accounts are held of record by State Street, who retains voting control of them. As of July 26, 1995, State Street held of record 32% of the issued and outstanding shares of Investment Company in connection with its discretionary accounts. Consequently, State Street may be deemed to be a controlling person of Investment Company for purposes of

-4-

the 1940 Act. State Street also acts as Investment Company's investment adviser, transfer agent and custodian. The address of State Street Bank and Trust Company is 225 Franklin Street, Boston, MA 02110.

Frank Russell Investment Management Company, Investment Company's administrator ("Administrator"), will be the initial sole shareholder of the Fund until such time as the Fund has public shareholders and therefore Administrator may be deemed to be a controlling person for the purposes of the 1940 Act.

PRINCIPAL SHAREHOLDERS. As of July 26, 1995, the following shareholders owned of record 5% or more of the issued and outstanding shares of the Fund: Wellesley College Retirement Fund, 146 Green Hill, Wellesley, MA 02181-9%; and CM01 State Street Retirement, P.O. Box 351, Boston, MA 02101-54%.

The Trustees and officers of Investment Company, as a group, own less than 1% of Investment Company's voting securities.

TRUSTEES AND OFFICERS. The Board of Trustees is responsible for overseeing generally the operation of the Fund. The officers, all of whom are employed by, and are officers of, Administrator or its affiliates, are responsible for the day-to-day management and administration of the Fund's operations.

Trustees who are not officers or employees of State Street or its affiliates are paid an annual fee and are reimbursed for travel and other expenses they incur in attending Board meetings. Investment Company's officers and employees are paid by Administrator or its affiliates.

The following lists Investment Company's Trustees and officers, their positions with Investment Company, their present and principal occupations during the past five years and the mailing addresses of Trustees who are not affiliated with Investment Company. The mailing address for all Trustees and officers affiliated with Investment Company is The Seven Seas Series Fund, 909 A Street, Tacoma, WA 98402.

An asterisk (*) indicates that a Trustee is an "interested person" of the Investment Company, as defined in the 1940 Act.

*LYNN L. ANDERSON, Trustee, Chairman of the Board and President. Director, Frank Russell Company; Director, President and Chief Executive Officer of Frank Russell Investment Management Company and Frank Russell Trust Company; Trustee, President and Chief Executive Officer, Frank Russell Investment Company; Director and President, Russell Fund Distributors, Inc.

WILLIAM L. MARSHALL, Trustee. 33 West Court Street, Doylestown, PA 18901. Chief Executive Officer and President, Wm. L. Marshall Associates, Inc. (a registered investment adviser and provider of financial and related consulting services); Certified Financial Planner; Member, Registry of Financial Planning Practitioners; and Advisory Committee, International Association for Financial Planning Broker-Dealer Program.

-5-

Member, Institute of Certified Financial Planners. Registered for Securities with FSC Securities Corp., Marietta, Georgia.

*STEVEN J. MASTROVICH, Trustee. 1 Financial Center, Boston, MA 02111. Partner, Brown, Rudnick, Freed & Gesmer (law firm). 1990 to 1994, Partner, Warner & Stackpole (law firm). Prior to that, Partner, Fine & Ambrogne (law firm); Attorney, Rackemann, Sawyer & Brewster (law firm).

PATRICK J. RILEY, Trustee. 21 Custom House Street, Boston, MA 02110. Partner, Riley, Burke & Donahue (law firm).

RICHARD D. SHIRK, Trustee. 3350 Peachtree Road, N.E., Atlanta, GA 30326. President and Chief Executive Officer, Blue Cross/Blue Shield of Georgia. 1990 to 1992, President, Champions Group Resources--Business Management and Employee Benefits Consulting; 1990, Senior Vice President, Employee Benefits Division, Cigna Corporation (providing and insuring group life, health and disability employee benefit products and services); from 1986 to 1990, Senior Vice President, EQUICOR-Equitable HCA Corporation (providing and insuring group life, health and disability employee benefit products and services).

BRUCE D. TABER, Trustee. 26 Round Top Road, Boxford, MA 01921. President, A.B. Reed, Inc. - Engineers, Architects, Planners. Prior to that, Vice President, Instrumentation and Controls, A.B. Reed, Inc.

HENRY W. TODD, Trustee. 111 Commerce Drive, Montgomeryville, PA 18936. President and Director, Zink & Triest Co., Inc. (dealer in vanilla flavor materials); Director, A.M. Todd Co., and Flavorite Laboratories.

MARGARET L. BARCLAY, Senior Vice President, Fund Treasurer and Director of Operations. Director--Finance and Operations, Frank Russell Investment Management Company and Frank Russell Trust Company; Treasurer and Chief Accounting Officer, Frank Russell Investment Company; Director, Russell Fund Distributors, Inc.

J. DAVID GRISWOLD, Vice President and Secretary. Assistant Secretary, Associate General Counsel, Compliance Officer, Frank Russell Investment Management Company and Russell Fund Distributors, Inc.; Associate General Counsel and Assistant Secretary, Frank Russell Company; Assistant Secretary, Russell Fiduciary Services Company; Secretary, Associate General Counsel and Compliance Officer, Frank Russell Securities, Inc.; prior to that Attorney, Foster Pepper & Shefelman (law firm).

-6-

<TABLE>
<CAPTION>

TRUSTEE COMPENSATION TABLE

Trustee	Aggregate Compensation from Investment Company	Pension or Retirement Benefits Accrued as Part of Investment Company Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From Investment Company Paid to Trustees
<S>	<C>	<C>	<C>	<C>
Lynn L. Anderson	\$0	\$0	\$0	\$0
William L. Marshall	\$43,000	\$0	\$0	\$43,000
Steven J. Mastrovich	\$43,000	\$0	\$0	\$43,000
Patrick J. Riley	\$43,000	\$0	\$0	\$43,000
Richard D. Shirk	\$43,000	\$0	\$0	\$43,000
Bruce D. Taber	\$43,000	\$0	\$0	\$43,000
Henry W. Todd	\$43,000	\$0	\$0	\$43,000

</TABLE>

OPERATION OF INVESTMENT COMPANY

SERVICE PROVIDERS. Most of the Fund's necessary day-to-day operations are performed by separate business organizations under contract to Investment Company. The principal service providers are:

Investment Adviser,
Custodian and
Transfer Agent: State Street Bank and Trust Company
Administrator: Frank Russell Investment Management Company
Distributor: Russell Fund Distributors, Inc.

ADVISER. State Street serves as the Fund's investment adviser ("Adviser") pursuant to an Advisory Agreement dated April 12, 1988. State Street Bank and Trust Company, 225 Franklin Street, Boston, MA 02110, is a wholly owned subsidiary of State Street Boston Corporation, a publicly held bank holding company.

Under the Advisory Agreement, Adviser directs the Fund's investments in accordance with its investment objective, policies and limitations. For these services, the Fund pays a fee to Adviser at the rate stated in the Prospectus. The Advisory Agreement will continue from year to year provided that a majority of the Trustees who are not interested persons of any Investment Portfolio and either a majority of all Trustees or a majority of the shareholders of each Investment Portfolio approve its continuance. The Agreement may be terminated by Adviser or a Fund without penalty upon 60 days' notice and will terminate automatically upon its assignment. State Street Bank and Trust Company's mailing address is 225 Franklin Street, Boston, MA 02110.

-7-

ADMINISTRATOR. Frank Russell Investment Management Company ("Administrator") serves as the Fund's administrator, pursuant to an Administration Agreement dated April 12, 1988. A description of the services provided under the Administration Agreement and the basis for computing fees for such services is provided in the Fund's Prospectus. The Administration Agreement will continue from year to year provided that a majority of the Trustees and a majority of the Trustees who are not interested persons of any Investment Portfolio and who have no direct or indirect financial interest in the operation of the Distribution Plan described below or the Administration Agreement approve its continuance. The Agreement may be terminated by Administrator or a Fund without penalty upon 60 days' notice and will terminate automatically upon its assignment.

Administrator is a wholly owned subsidiary of Frank Russell Company. Frank Russell Company was founded in 1936 and has provided comprehensive asset management consulting services since 1969 for institutional pools of investment assets, principally those of large corporate employee benefit plans. Frank

Russell Company and its affiliates have offices in Tacoma, Seattle, New York City, Toronto, London, Tokyo, Sydney, Paris and Zurich, and have approximately 1,000 officers and employees. Administrator's and Frank Russell Company's mailing address is 909 A Street, Tacoma, WA 98402.

DISTRIBUTOR. Russell Fund Distributors, Inc. ("Distributor") serves as the distributor of Fund shares pursuant to a Distribution Agreement dated April 12, 1988. Distributor is a wholly owned subsidiary of Administrator. Distributor's mailing address is Two International Place, 35th Floor, Boston, MA 02110.

CUSTODIAN AND TRANSFER AGENT. State Street serves as the custodian ("Custodian") and transfer agent ("Transfer Agent") for Investment Company. State Street also provides the basic portfolio recordkeeping required by Investment Company for regulatory and financial reporting purposes. For these services, State Street is paid an annual fee in accordance with the following: custody services--a fee payable monthly on a pro rata basis, based on the following percentages of average daily net assets of each Fund: \$0 up to \$100 million-0.05%, over \$100 million to \$200 million-0.03%; and over \$200 million-0.02%; securities transaction charges from \$25.00 to \$150.00 per transaction; Eurodollar transaction fees ranging from \$110.00 to \$125.00 per transaction; monthly pricing fees of \$375.00 per Investment Fund and from \$6.00 to \$11.00 per security, depending on the type of instrument and the pricing service used; transfer agent services of \$5.00 per shareholder transaction and a multiple class fee of \$18,000 per year for each additional class of shares; and yield calculation fees of \$350.00 per non-money market portfolio per month. As of the date of this SAI, a yield calculation will not be calculated for the Fund and therefore the \$350.00 fee will not be charged. State Street is reimbursed by the Fund for supplying certain out-of-pocket expenses including postage, transfer fees, stamp duties, taxes, wire fees, telexes, and freight.

-8-

DISTRIBUTION PLAN. Under the 1940 Act, the Securities and Exchange Commission has adopted Rule 12b-1, which regulates the circumstances under which the Fund may, directly or indirectly, bear distribution and shareholder servicing expenses. The Rule provides that the Fund may pay for such expenses only pursuant to a plan adopted in accordance with the Rule. Accordingly, the Fund has adopted an active distribution plan (the "Plan"), which is described in the Fund's Prospectus.

The Plan provides that the Fund may spend annually, directly or indirectly, up to 0.25% of 1% of the average daily value of the net assets for distribution and shareholder servicing services. The Plan does not provide for the Fund to be charged for interest, carrying or any other financing charges on any distribution expenses carried forward to subsequent years. A quarterly report of the amounts expended under the Plan, and the purposes for which such expenditures were incurred, must be made to the Trustees for their review. The Plan may not be amended without shareholder approval to increase materially the distribution or shareholder servicing costs that the Fund may pay. The Plan and material amendments to it must be approved annually by all of the Trustees and by the Trustees who are neither "interested persons" (as defined in the 1940 Act) of the Fund nor have any direct or indirect financial interest in the operation of the Plan or any related agreements.

Under the Plan, the Fund may also enter into agreements ("Service Agreements") with financial institutions, which may include Adviser ("Service Organizations"), to provide shareholder servicing with respect to Fund shares held by or for the customers of the Service Organizations. Such arrangements are more fully described in the Fund's prospectus under "Distribution Services and Shareholder Servicing."

FEDERAL LAW AFFECTING STATE STREET. The Glass-Steagall Act of 1933 prohibits state chartered banks such as State Street from engaging in the business of underwriting, selling or distributing certain securities, and prohibits a member bank of the Federal Reserve System from having certain affiliations with an entity engaged principally in that business. The activities of State Street in informing its customers of the Fund, performing investment and redemption services, providing custodian, transfer, shareholder servicing, dividend disbursing, agent servicing and investment advisory services, may raise issues under these provisions. State Street has been advised by its counsel that its activities in connection with the Fund contemplated under this arrangement are consistent with its statutory and regulatory obligations.

VALUATION OF FUND SHARES. The Fund determines net asset value per share once each "business day," as of the close of the regular trading session of the New York Stock Exchange (currently, 4:00 p.m. Eastern time). A business day is one on which the New York Stock Exchange is open for business. Currently, the New York Stock Exchange is open for trading every weekday except New Year's Day,

President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

The Fund's portfolio securities actively trade on foreign exchanges which may trade on Saturdays and on days that the Fund does not offer or redeem shares. The trading of

-9-

portfolio securities on foreign exchanges on such days may significantly increase or decrease the net asset value of Fund shares when the shareholder is not able to purchase or redeem Fund shares. Further, because foreign securities markets may close prior to the time the Fund determines net asset value, events affecting the value of the portfolio securities occurring between the time prices are determined and the time the Fund calculates net asset value may not be reflected in the calculation of net asset value unless Adviser determines that a particular event would materially affect the net asset value.

BROKERAGE PRACTICES. All portfolio transactions are placed on behalf of the Fund by Adviser. Adviser ordinarily pays commissions when it executes transactions on a securities exchange. In contrast, there is generally no stated commission in the purchase or sale of securities traded in the over-the-counter markets, including most debt securities and money market instruments. Rather, the price of such securities includes an undisclosed "commission" in the form of a mark-up or mark-down. The cost of securities purchased from underwriters includes an underwriting commission or concession.

The Fund contemplates purchasing most equity securities directly in the securities markets located in emerging or developing countries or in the over-the-counter markets. ADRs and EDRs may be listed on stock exchanges, or traded in the over-the-counter markets in the US or Europe, as the case may be. ADRs, like other securities traded in the US, will be subject to negotiated commission rates.

Subject to the arrangements and provisions described below, the selection of a broker or dealer to execute portfolio transactions is usually made by Adviser. The Advisory Agreement provides, in substance and subject to specific directions from officers of Investment Company, that in executing portfolio transactions and selecting brokers or dealers, the principal objective is to seek the best overall terms available to the Fund. Ordinarily, securities will be purchased from primary markets, and Adviser shall consider all factors it deems relevant in assessing the best overall terms available for any transaction, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, for the specific transaction and other transactions on a continuing basis.

The Advisory Agreement authorizes Adviser to select brokers or dealers to execute a particular transaction, including principal transactions, and in evaluating the best overall terms available, to consider the "brokerage and research services" (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) provided to the Fund and/or Adviser (or its affiliates). Adviser is authorized to cause the Fund to pay a commission to a broker or dealer who provides such brokerage and research services for executing a portfolio transaction which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction. The Fund or Adviser, as appropriate, must determine in good faith that such commission was reasonable in relation to the value of the brokerage and research services provided--viewed in terms of

-10-

that particular transaction or in terms of all the accounts over which Adviser exercises investment discretion.

The Trustees periodically review Adviser's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the Fund and review the prices paid by the Fund over representative periods of time to determine if such prices are reasonable in relation to the benefits provided to the Fund. Certain services received by Adviser attributable to a particular Fund transaction may benefit one or more other accounts for which Adviser exercises investment discretion or an Investment Portfolio other than such Fund. Adviser's fees are not reduced by Adviser's receipt of such brokerage and research services.

PORTFOLIO TURNOVER POLICY. Generally, securities are purchased for the

Fund for investment income and/or capital appreciation and not for short-term trading profits. The Adviser's sell discipline for the Fund's investment in securities of foreign issuers is based on the premise of a long-term investment horizon, however, sudden changes in valuation levels arising from, for example, new macroeconomic policies, political developments, and industry conditions could change the assumed time horizon. Some countries impose restrictions on repatriation of capital and/or dividends which would lengthen the Adviser's assumed time horizon in those countries. Liquidity, volatility, and overall risk of a position are other factors considered by the Adviser in determining the appropriate investment horizon. Therefore, the Fund may dispose of securities without regard to the time they have been held when such action, for defensive or other purposes, appears advisable. The Fund will limit investments in illiquid securities to 15% of net assets.

The portfolio turnover rate for the Fund is calculated by dividing the lesser of purchases or sales of portfolio securities for the particular year, by the monthly average value of the portfolio securities owned by the Fund during the year. For purposes of determining the rate, all short-term securities, including options, futures, forward contracts, and repurchase agreements, are excluded.

TOTAL RETURN QUOTATIONS. The Fund computes average annual total return by using a standardized method of calculation required by the Securities and Exchange Commission. Average annual total return is computed by finding the average annual compounded rates of return on a hypothetical initial investment of \$1,000 over the one-, five- and ten-year periods (or life of the funds as appropriate), that would equate the initial amount invested to the ending redeemable value, according to the following formula:

-11-

$$P(1+T)^n = ERV$$

where: P = a hypothetical initial payment of \$1,000
T = average annual total return
n = number of years
ERV = ending redeemable value of a \$1,000 payment made at the beginning of the 1-, 5- and 10-year periods at the end of the year or period

The calculation assumes that all dividends and distributions of the Fund are reinvested at the price stated in the Prospectus on the dividend dates during the period, and includes all recurring and nonrecurring fees that are charged to all shareholder accounts.

INVESTMENTS

The nonfundamental investment objective of the Fund is set forth in the Prospectus. The investment objective may be changed with the approval of a majority of the Fund's Board of Trustees, with at least 60 days' prior notice to shareholders. However, to meet certain state requirements, it may be determined that the objective will only be changed with the approval of a majority of the Fund's shareholders, as defined by the 1940 Act.

In addition to that investment objective, the Fund also has certain fundamental investment restrictions, which may be changed only with the approval of a majority of the shareholders of the Fund, and certain nonfundamental investment restrictions and policies, which may be changed by the Fund without shareholder approval.

INVESTMENT RESTRICTIONS

The Fund is subject to the following investment restrictions. Restrictions 1 through 11 are fundamental, and restrictions 12 through 18 are nonfundamental. These restrictions apply at the time an investment is made. The Fund will not:

(1) Invest 33-1/3% or more of the value of its total assets in securities of companies primarily engaged in any one industry (other than the US Government, its agencies and instrumentalities). Concentration may occur as a result of changes in the market value of portfolio securities, but may not result from investment.

(2) Borrow money, except as a temporary measure for extraordinary or emergency purposes or to facilitate redemptions (not for leveraging or investment), provided that borrowings do not exceed an amount equal to 33-1/3% of the current value of the Fund's assets taken at market value, less liabilities other than borrowings. If at any time a Fund's borrowings exceed this limitation due to a decline in net assets, such borrowings will within three days be reduced to the extent necessary to comply with this limitation. A

Fund will not purchase investments once borrowed funds exceed 5% of its total assets.

-12-

(3) Pledge, mortgage, or hypothecate its assets. However, the Fund may pledge securities having a market value (on a daily marked-to-market basis) at the time of the pledge not exceeding 33-1/3% of the value of the Fund's total assets to secure borrowings permitted by paragraph (2) above.

(4) With respect to 75% of its total assets, invest in securities of any one issuer (other than securities issued by the US Government, its agencies and instrumentalities), if immediately after and as a result of such investment the current market value of the Fund's holdings in the securities of such issuer exceeds 5% of the value of the Fund's assets.

(5) Make loans to any person or firm; provided, however, that the making of a loan shall not include (i) the acquisition for investment of bonds, debentures, notes or other evidences of indebtedness of any corporation or government which are publicly distributed or of a type customarily purchased by institutional investors, or (ii) the entry into "repurchase agreements" or "reverse repurchase agreements." A Fund may lend its portfolio securities to broker-dealers or other institutional investors if the aggregate value of all securities loaned does not exceed 33-1/3% of the value of the Fund's total assets. Portfolio securities may be loaned if collateral values are continuously maintained at no less than 100% by "marking to market" daily.

(6) Purchase or sell commodities or commodity futures contracts or options on a futures contract except that the Fund may enter into futures contracts and options thereon to the extent provided in its Prospectus, and if, as a result thereof, more than 10% of the Fund's total assets (taken at market value at the time of entering into the contract) would be committed to initial deposits and premiums on open futures contracts and options on such contracts.

(7) Purchase or sell real estate or real estate mortgage loans; provided, however, that the Fund may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein (including real estate investment trusts), and may purchase or sell currencies (including forward currency exchange contracts), futures contracts and related options generally as described in the Prospectus and Statement of Additional Information.

(8) Except as required in connection with permissible financial options activities and futures contracts, purchase securities on margin or underwrite securities issued by others, except that a Fund will not be deemed to be an underwriter or to be underwriting on account of the purchase of securities subject to legal or contractual restrictions on disposition. This restriction does not preclude the Fund from obtaining such short-term credit as may be necessary for the clearance of purchases and sales of its portfolio securities.

(9) Issue senior securities, except as permitted by its investment objective, policies and restrictions, and except as permitted by the 1940 Act. This restriction shall not be

-13-

deemed to prohibit the Fund from (i) making any permitted borrowings, mortgages or pledges, or (ii) entering into repurchase transactions.

(10) Purchase or sell puts, calls or invest in straddles, spreads or any combination thereof, except as described herein and in the Fund's Prospectus, and subject to the following conditions: (i) such options are written by other persons and (ii) the aggregate premiums paid on all such options which are held at any time do not exceed 5% of the Fund's total assets.

(11) Make short sales of securities or purchase any securities on margin, except for such short-term credits as are necessary for the clearance of transactions. The Fund may make initial margin deposits and variation margin payments in connection with transactions in futures contracts and related options.

(12) Purchase from or sell portfolio securities to its officers or directors or other "interested persons" (as defined in the 1940 Act) of the Fund, including their investment advisers and affiliates, except as permitted by the 1940 Act and exemptive rules or orders thereunder.

(13) Invest in securities of any issuer which, together with its predecessor, has been in operation for less than three years if, as a result, more than 5% of the Fund's total assets would be invested in such securities, except that the Fund may invest in securities of a particular issuer to the extent their respective underlying indices invest in that issuer.

(14) Invest more than 15% of its net assets in the aggregate in illiquid securities or securities that are not readily marketable, including repurchase agreements and time deposits of more than seven days' duration.

(15) Purchase interests in oil, gas or other mineral exploration or development programs.

(16) Make investments for the purpose of gaining control of an issuer's management.

(17) Purchase the securities of any issuer if the Investment Company's officers, Directors, Adviser or any of their affiliates beneficially own more than one-half of 1% of the securities of such issuer or together own beneficially more than 5% of the securities of such issuer.

(18) Invest in warrants, valued at the lower of cost or market, in excess of 5% of the value of the Fund's net assets. Included in such amount, but not to exceed 2% of the value of the Fund's net assets, may be warrants which are not listed on the New York Stock Exchange or American Stock Exchange. Warrants acquired by the Fund in units or attached to securities may be deemed to be without value.

-14-

To the extent these restrictions reflect matters of operating policy which may be changed without shareholder vote, these restrictions may be amended upon approval by the Board of Trustees and notice to shareholders. The Fund currently does not intend to invest in the securities of any issuer that would qualify as a real estate investment trust under federal tax law.

If a percentage restriction is adhered to at the time of investment, a subsequent increase or decrease in a percentage resulting from a change in the values of assets will not constitute a violation of that restriction, except as otherwise noted.

INVESTMENT POLICIES

To the extent permitted under the 1940 Act and exemptive rules and orders thereunder, the Fund may seek to achieve its investment objective by investing solely in the shares of another investment company that has substantially similar investment objectives and policies. To the extent consistent with its nonfundamental investment objective and fundamental and nonfundamental investment restrictions, the Fund may invest in the following instruments and utilize the following investment techniques:

EQUITY SECURITIES. The Fund may invest in common and preferred equity securities publicly traded in the United States or in foreign countries on developed or emerging markets. The Fund's equity securities may be denominated in foreign currencies and may be held outside the United States. Certain emerging markets are closed in whole or part to the direct purchase of equity securities by foreigners. In these markets, the Fund may be able to invest in equity securities solely or primarily through foreign government authorized pooled investment vehicles.

US GOVERNMENT OBLIGATIONS. The types of US Government obligations in which the Fund may at times invest include: (1) a variety of US Treasury obligations, which differ only in their interest rates, maturities and times of issuance; and (2) obligations issued or guaranteed by US Government agencies and instrumentalities which are supported by any of the following: (a) the full faith and credit of the US Treasury, (b) the right of the issuer to borrow an amount limited to a specific line of credit from the US Treasury, (c) discretionary authority of the US Government agency or instrumentality or (d) the credit of the instrumentality (examples of agencies and instrumentalities are: Federal Land Banks, Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Central Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks, General Services Administration, Maritime Administration, Tennessee Development Bank, Asian-American Development Bank, Student Loan Marketing Association, International Bank for Reconstruction and Development and Federal National Mortgage Association). No assurance can be given that in the future the US Government will provide financial support to such US Government agencies or instrumentalities described in (2) (b), (2) (c) and (2) (d), other than as set

forth above, since it is not obligated to do so by law. The Fund may purchase US Government obligations on a forward commitment basis.

-15-

DEBT SECURITIES. The Fund may also invest in debt securities, including instruments issued by emerging market companies, governments and their agencies. Other debt will typically represent less than 5% of the Fund's assets. The Fund is likely to purchase debt securities which are not investment grade debt, since much of the emerging market debt falls in this category. These securities are subject to market and credit risk. These lower rated debt securities may include obligations that are in default or that face the risk of default with respect to principal or interest. Such securities are sometimes referred to as "junk bonds." Please see the Appendix for a description of securities ratings.

ASSET-BACKED SECURITIES. Asset-backed securities represent undivided fractional interests in pools of instruments, such as consumer loans, and are similar in structure to mortgage-related pass-through securities described below. Payments of principal and interest are passed through to holders of the securities and are typically supported by some form of credit enhancement, such as a letter of credit, surety bond, limited guarantee by another entity or by priority to certain of the borrower's other securities. The degree of credit-enhancement varies, generally applying only until exhausted and covering only a fraction of the security's par value.

The value of asset-backed securities is affected by changes in the market's perception of the asset backing the security, changes in the creditworthiness of the servicing agent for the instrument pool, the originator of the instruments or the financial institution providing any credit enhancement and the expenditure of any portion of any credit enhancement. The risks of investing in asset-backed securities are ultimately dependent upon payment of the underlying instruments by the obligors, and a Fund would generally have no recourse against the obligee of the instruments in the event of default by an obligor. The underlying instruments are subject to prepayments which shorten the weighted average life of asset-backed securities and may lower their return, in the same manner as described below for prepayments of pools of mortgage loans underlying mortgage-backed securities. Use of asset-backed securities will represent less than 5% of the Fund's total assets.

SECTION 4(2) COMMERCIAL PAPER. The Fund may invest in commercial paper issued in reliance on the so-called "private placement" exemption from registration afforded by Section 4(2) of the Securities Act of 1933 ("Section 4(2) paper"). Section 4(2) paper is restricted as to disposition under the federal securities laws, and generally is sold to investors who agree that they are purchasing the paper for an investment and not with a view to public distribution. Any resale by the purchaser must be in an exempt transaction. Section 4(2) paper is normally resold to other investors through or with the assistance of the issuer or investment dealers who make a market in Section 4(2) paper, thus providing liquidity. Pursuant to guidelines established by the Board of Trustees, Adviser may determine that Section 4(2) paper is liquid for the purposes of complying with the Fund's investment restriction relating to investments in illiquid securities.

-16-

EURODOLLAR CERTIFICATES OF DEPOSIT (ECDS), EURODOLLAR TIME DEPOSITS (ETDS) AND YANKEE CERTIFICATES OF DEPOSIT (YCDS). ECDS are US dollar denominated certificates of deposit issued by foreign branches of domestic banks. ETDS are US dollar denominated deposits in foreign banks or foreign branches of US banks. YCDS are US dollar denominated certificates of deposit issued by US branches of foreign banks.

Different risks than those associated with the obligations of domestic banks may exist for ECDS, ETDS and YCDS because the banks issuing these instruments, or their domestic or foreign branches, are not necessarily subject to the same regulatory requirements that apply to domestic banks, such as loan limitations, examinations and reserve, accounting, auditing, recordkeeping and public reporting requirements.

REPURCHASE AGREEMENTS. The Fund may enter into repurchase agreements with banks. Under repurchase agreements, these parties sell securities to the Fund and agree to repurchase the securities at the Fund's cost plus interest within a specified time (normally one day). The securities purchased by the Fund have a total value in excess of the purchase price paid by the Fund and are held by Custodian until repurchased. Repurchase agreements assist the Fund in being invested fully while retaining "overnight" flexibility in pursuit of investments

of a longer-term nature. The Fund will limit repurchase transactions to those member banks of the Federal Reserve System and broker-dealers whose creditworthiness is continually monitored and found satisfactory by Adviser.

REVERSE REPURCHASE AGREEMENTS. The Fund may enter into reverse repurchase agreements under the circumstances described in "Investment Restrictions.". Under reverse repurchase agreements, a Fund transfers possession of portfolio securities to banks in return for cash in an amount equal to a percentage of the portfolio securities' market value and agrees to repurchase the securities at a future date by repaying the cash with interest. The Fund retains the right to receive interest and principal payments from the securities while they are in the possession of the financial institutions. Cash or liquid high quality debt obligations from a Fund's portfolio equal in value to the repurchase price including any accrued interest will be segregated by Custodian on the Fund's records while a reverse repurchase agreement is in effect. Reverse repurchase agreements involve the risk that the market value of securities sold by a Fund may decline below the price at which it is obligated to repurchase the securities.

WHEN-ISSUED TRANSACTIONS. New issues of securities are often offered on a when-issued basis. This means that delivery and payment for the securities normally will take place approximately 7 to 15 days after the date the buyer commits to purchase them. The payment obligation and the interest rate that will be received on securities purchased on a when-issued basis are each fixed at the time the buyer enters into the commitment.

The Fund will make commitments to purchase when-issued securities only with the intention of actually acquiring the securities, but the Fund may sell these securities or dispose of the commitment before the settlement date if it is deemed advisable as a matter of investment strategy. Cash or marketable high quality debt securities equal to

-17-

the amount of the above commitments will be segregated on the Fund's records. For the purpose of determining the adequacy of these securities the segregated securities will be valued at market. If the market value of such securities declines, additional cash or securities will be segregated on the Fund's records on a daily basis so that the market value of the account will equal the amount of such commitments by the Fund. The Fund will invest no more than 5% of its net assets in when-issued securities.

Securities purchased on a when-issued basis and the securities held by the Fund are subject to changes in market value based upon the public's perception of changes in the level of interest rates. Generally, the value of such securities will fluctuate inversely to changes in interest rates -- i.e., they will appreciate in value when interest rates decline and decrease in value when interest rates rise. Therefore, if in order to achieve higher interest income the Fund remains substantially fully invested at the same time that it has purchased securities on a "when-issued" basis, there will be a greater possibility of fluctuation in the Fund's net asset value.

When payment for when-issued securities is due, the Fund will meet its obligations from then-available cash flow, the sale of segregated securities, the sale of other securities or, and although it would not normally expect to do so, from the sale of the when-issued securities themselves (which may have a market value greater or less than the Fund's payment obligation). The sale of securities to meet such obligations carries with it a greater potential for the realization of capital gains, which are subject to federal income taxes.

SPECIAL SITUATIONS AND ILLIQUID SECURITIES. The Fund and the Adviser believe that carefully selected investments in joint ventures, cooperatives, partnerships, private placements, unlisted securities, and other similar vehicles (collectively, "special situations") could enhance the Fund's capital appreciation potential. These investments are generally illiquid. The Fund currently does not intend to invest more than 5% of its net assets in all types of illiquid securities or securities that are not readily marketable, including special situations. In no case will the Fund invest more than 15% of its net assets in illiquid securities. Due to foreign ownership restrictions, the Fund may invest periodically in illiquid securities which are or become illiquid due to restrictions on foreign ownership imposed by foreign governments. Said securities may be more difficult to price and trade. The absence of a regular trading market for illiquid securities imposes additional risks on investment in these securities. Illiquid securities may be difficult to value and may often be disposed of only after considerable expense and delay.

FORWARD COMMITMENTS. The Fund may contract to purchase securities for a fixed price at a future date beyond customary settlement time consistent with the Fund's ability to manage its investment portfolio, maintain a stable net

asset value and meet redemption requests. The Fund may dispose of a commitment prior to settlement if it is appropriate to do so and realize short-term profits or losses upon such sale. When effecting such transactions, cash or liquid high quality debt obligations held by the Fund of a dollar amount sufficient to make payment for the portfolio securities to be purchased will be

-18-

segregated on the Fund's records at the trade date and maintained until the transaction is settled. Forward commitments involve a risk of loss if the value of the security to be purchased declines prior to the settlement date, or if the other party fails to complete the transaction.

HEDGING STRATEGIES AND RELATED INVESTMENT TECHNIQUES

The Fund may seek to hedge its portfolios against movements in the equity markets, interest rates and currency exchange rates through the use of options, futures transactions, options on futures and forward foreign currency exchange transactions. The Fund has authority to write (sell) covered call and put options on its portfolio securities, purchase put and call options on securities and engage in transactions in stock index options, stock index futures and financial futures and related options on such futures. The Fund may enter into such options and futures transactions either on exchanges or in the over-the-counter ("OTC") markets. Although certain risks are involved in options and futures transactions (as discussed in the Prospectus and below), Adviser believes that, because the Fund will only engage in these transactions for hedging purposes, the options and futures portfolio strategies of the Fund will not subject the Fund to the risks frequently associated with the speculative use of options and futures transactions. Although the use of hedging strategies by the Fund is intended to reduce the volatility of the net asset value of the Fund's shares, the Fund's net asset value will nevertheless fluctuate. There can be no assurance that the Fund's hedging transactions will be effective.

WRITING COVERED CALL OPTIONS. The Fund is authorized to write (sell) covered call options on the securities in which it may invest and to enter into closing purchase transactions with respect to such options. Writing a call option obligates the Fund to sell or deliver the option's underlying security, in return for the strike price, upon exercise of the option. By writing a call option, the Fund receives an option premium from the purchaser of the call option. Writing covered call options is generally a profitable strategy if prices remain the same or fall. Through receipt of the option premium, the Fund would seek to mitigate the effects of a price decline. By writing covered call options, however, the Fund gives up the opportunity, while the option is in effect, to profit from any price increase in the underlying security above the option exercise price. In addition, the Fund's ability to sell the underlying security will be limited while the option is in effect unless the Fund effects a closing purchase transaction.

WRITING COVERED PUT OPTIONS. The Fund is authorized to write (sell) covered put options on its portfolio securities and to enter into closing transactions with respect to such options.

When the Fund writes a put option, it takes the opposite side of the transaction from the option's purchaser. In return for receipt of the premium, the Fund assumes the obligation to pay the strike price for the option's underlying instrument if the other party to the option chooses to exercise it. The Fund may seek to terminate its position in a put option it writes before exercise by closing out the option in the secondary market at its

-19-

current price. If the secondary market is not liquid for an option the Fund has written, however, the Fund must continue to be prepared to pay the strike price while the option is outstanding, regardless of price changes, and must continue to set aside assets to cover its position.

The Fund may write put options as an alternative to purchasing actual securities. If security prices rise, the Fund would expect to profit from a written put option, although its gain would be limited to the amount of the premium it received. If security prices remain the same over time, it is likely that the Fund will also profit, because it should be able to close out the option at a lower price. If security prices fall, the Fund would expect to suffer a loss. This loss should be less than the loss the Fund would have experienced from purchasing the underlying instrument directly, however, because the premium received for writing the option should mitigate the effects of the

decline.

PURCHASING PUT OPTIONS. The Fund is authorized to purchase put options to hedge against a decline in the market value of its portfolio securities. By buying a put option the Fund has the right (but not the obligation) to sell the underlying security at the exercise price, thus limiting the Fund's risk of loss through a decline in the market value of the security until the put option expires. The amount of any appreciation in the value of the underlying security will be partially offset by the amount of the premium paid by the Fund for the put option and any related transaction costs. Prior to its expiration, a put option may be sold in a closing sale transaction and profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction costs. A closing sale transaction cancels out the Fund's position as the purchaser of an option by means of an offsetting sale of an identical option prior to the expiration of the option it has purchased. The Fund will not purchase put options on securities (including stock index options discussed below) if as a result of such purchase, the aggregate cost of all outstanding options on securities held by the Fund would exceed 5% of the market value of the Fund's total assets.

PURCHASING CALL OPTIONS. The Fund is also authorized to purchase call options. The features of call options are essentially the same as those of put options, except that the purchaser of a call option obtains the right to purchase, rather than sell, the underlying instrument at the option's strike price (call options on futures contracts are settled by purchasing the underlying futures contract). The Fund will purchase call options only in connection with "closing purchase transactions."

STOCK INDEX OPTIONS AND FINANCIAL FUTURES. The Fund is authorized to engage in transactions in stock index options and financial futures, and related options. The Fund may purchase or write put and call options on stock indices to hedge against the risks of market-wide stock price movements in the securities in which the Fund invests. Options on indices are similar to options on securities except that on exercise or assignment, the parties to the contract pay or receive an amount of cash equal to the difference between the closing value of the index and the exercise price of the option times a specified multiple. The Fund may invest in stock index options based on a broad market index, such as the S&P 500 Index, or on a narrow index representing an industry

-20-

or market segment, such as the AMEX Oil & Gas Index. The Fund's investments in foreign stock index futures contracts and foreign interest rate futures contracts, and related options, are limited to only those contracts and related options that have been approved by the Commodity Futures Trading Commission ("CFTC") for investment by United States investors. Additionally, with respect to the Fund's investments in foreign options, unless such options are specifically authorized for investment by order of the CFTC, the Fund will not make such investments.

The Fund may also purchase and sell stock index futures contracts and other financial futures contracts ("futures contracts") as a hedge against adverse changes in the market value of its portfolio securities as described below. A futures contract is an agreement between two parties which obligates the purchaser of the futures contract to buy and the seller of a futures contract to sell a security for a set price on a future date. Unlike most other futures contracts, a stock index futures contract does not require actual delivery of securities, but results in cash settlement based upon the difference in value of the index between the time the contract was entered into and the time of its settlement. The Fund may effect transactions in stock index futures contracts in connection with debt securities in which it invests and in financial futures contracts in connection with equity securities in which it invests, if any. Transactions by the Fund in stock index futures and financial futures are subject to limitations as described below under "Restrictions on the Use of Futures Transactions."

The Fund may sell futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of the Fund's securities portfolio that might otherwise result. When a Fund is not fully invested in the securities markets and anticipates a significant market advance, the Fund may purchase futures in order to gain rapid market exposure that may partially or entirely offset increases in the cost of securities that the Fund intends to purchase. As such purchases are made, an equivalent amount of futures contracts will be terminated by offsetting sales. It is anticipated that, in a substantial majority of these transactions, the Fund will purchase such securities upon termination of the long futures position, whether the long position results from the purchase of a futures contract or the purchase of a call option, but under unusual circumstances (e.g., the Fund experiences a significant amount of redemptions), a long futures position may be terminated

without the corresponding purchase of securities.

The Fund also is authorized to purchase and write call and put options on futures contracts and stock indices in connection with its hedging activities. Generally, these strategies would be utilized under the same market and market sector conditions (i.e., conditions relating to specific types of investments) during which the Fund enters into futures transactions. The Fund may purchase put options or write call options on futures contracts and stock indices rather than selling the underlying futures contract in anticipation of a decrease in the market value of securities. Similarly, the Fund can purchase call options, or write put options on futures contracts and stock indices, as a substitute for the purchase of such futures to hedge against the increased cost resulting from an increase in the market value of securities which the Fund intends to purchase.

-21-

The Fund is also authorized to engage in options and futures transactions on US and foreign exchanges and in options in the OTC markets ("OTC options"). In general, exchange traded contracts are third-party contracts (i.e., performance of the parties' obligations is guaranteed by an exchange or clearing corporation) with standardized strike prices and expiration dates. OTC options transactions are two-party contracts with price and terms negotiated by the buyer and seller. See "Restrictions on OTC Options" below for information as to restrictions on the use of OTC options.

The Fund is authorized to purchase or sell listed or OTC foreign security or currency options, foreign security or currency futures and related options as a short or long hedge against possible variations in foreign exchange rates and market movements. Such transactions could be effected with respect to hedges on non-US dollar denominated securities owned by a Fund, sold by a Fund but not yet delivered, or committed or anticipated to be purchased by a Fund. As an illustration, a Fund may use such techniques to hedge the stated value in US dollars of an investment in a yen-denominated security. In such circumstances, for example, the Fund can purchase a foreign currency put option enabling it to sell a specified amount of yen for US dollars at a specified price by a future date. To the extent the hedge is successful, a loss in the value of the yen relative to the US dollar will tend to be offset by an increase in the value of the put option.

RESTRICTIONS ON THE USE OF FUTURES TRANSACTIONS. The purchase or sale of a futures contract differs from the purchase or sale of a security in that no price or premium is paid or received. Instead, an amount of cash or securities acceptable to the broker and the relevant contract market, which varies, but is generally about 5% of the contract amount, must be deposited with the broker. This amount is known as "initial margin" and represents a "good faith" deposit assuring the performance of both the purchaser and seller under the futures contract. Subsequent payments to and from the broker, called "variation margin," are required to be made on a daily basis as the price of the futures contract fluctuates making the long and short positions in the futures contracts more or less valuable, a process known as "marking to market." At any time prior to the settlement date of the future contract, the position may be closed out by taking an opposite position which will operate to terminate the position in the futures contract. A final determination of variation margin is then made, additional cash is required to be paid to or released by the broker and the purchaser realizes a loss or gain. In addition, a nominal commission is paid on each completed sale transaction.

Regulations of the CFTC applicable to the Fund requires that all of the Fund's futures and options on futures transactions constitute bona fide hedging transactions and that a Fund not enter into such transactions if, immediately thereafter, the sum of the amount of initial margin deposits on the Fund's existing futures positions and premiums paid for related options would exceed 5% of the market value of the Fund's total assets.

RESTRICTIONS ON OTC OPTIONS. The Fund will engage in OTC options, including OTC stock index options, OTC foreign security and currency options and options on foreign security and currency futures, only with member banks of the Federal Reserve

-22-

System and primary dealers in US Government securities or with affiliates of such banks or dealers which have capital of at least \$50 million or whose obligations are guaranteed by an entity having capital of at least \$50 million. The Fund will acquire only those OTC options for which Adviser believes the Fund

can receive on each business day at least two independent bids or offers (one of which will be from an entity other than a party to the option).

The Staff of the SEC has taken the position that purchased OTC options and the assets used as cover for written OTC options are illiquid securities. Therefore, the Fund has adopted an operating policy pursuant to which it will not purchase or sell OTC options (including OTC options on futures contracts) if, as a result of such transaction, the sum of: (1) the market value of outstanding OTC options held by the Fund; (2) the market value of the underlying securities covered by outstanding OTC call options sold by the Fund; (3) margin deposits on the Fund's existing OTC options on futures contracts; and (4) the market value of all other assets of the Fund that are illiquid or are not otherwise readily marketable, would exceed 10% of the net assets of the Fund, taken at market value. However, if an OTC option is sold by the Fund to a primary US Government securities dealer recognized by the Federal Reserve Bank of New York and the Fund has the unconditional contractual right to repurchase such OTC option from the dealer at a predetermined price, then the Fund will treat as illiquid such amount of the underlying securities as is equal to the repurchase price less the amount by which the option is "in-the-money" (current market value of the underlying security minus the option's strike price). The repurchase price with primary dealers is typically a formula price which is generally based on a multiple of the premium received for the option plus the amount by which the option is "in-the-money."

ASSET COVERAGE FOR FUTURES AND OPTIONS POSITIONS. The Fund will not use leverage in its options and futures strategies. Such investments will be made for hedging purposes only. The Fund will hold securities or other options or futures positions whose values are expected to offset its obligations under the hedge strategies. The Fund will not enter into an option or futures position that exposes the Fund to an obligation to another party unless it owns either: (1) an offsetting position in securities or other options or futures contracts; or (2) cash, receivables and short-term debt securities with a value sufficient to cover its potential obligations. The Fund will comply with guidelines established by the SEC with respect to coverage of options and futures strategies by mutual funds, and if the guidelines so require will set aside cash and high grade liquid debt securities in a segregated account with its custodian bank in the amount prescribed. The Fund's custodian shall maintain the value of such segregated account equal to the prescribed amount by adding or removing additional cash or liquid securities to account for fluctuations in the value of securities held in such account. Securities held in a segregated account cannot be sold while the futures or option strategy is outstanding, unless they are replaced with similar securities. As a result, there is a possibility that segregation of a large percentage of a Fund's assets could impede portfolio management or the Fund's ability to meeting redemption requests or other current obligations.

-23-

RISK FACTORS IN OPTIONS, FUTURES, FORWARD AND CURRENCY TRANSACTIONS. Utilization of options and futures transactions to hedge the Fund's portfolios involves the risk of imperfect correlation in movements in the price of options and futures and movements in the price of securities or currencies which are the subject of the hedge. If the price of the options or futures moves more or less than the price of hedged securities or currencies, the Fund will experience a gain or loss which will not be completely offset by movements in the price of the subject of the hedge. The successful use of options and futures also depends on Adviser's ability to correctly predict price movements in the market involved in a particular options or futures transaction. To compensate for imperfect correlations, the Fund may purchase or sell stock index options or futures contracts in a greater dollar amount than the hedged securities if the volatility of the hedged securities is historically greater than the volatility of the stock index options or futures contracts. Conversely, the Fund may purchase or sell fewer stock index options or futures contracts, if the historical price volatility of the hedged securities is less than that of the stock index options or futures contracts. The risk of imperfect correlation generally tends to diminish as the maturity date of the stock index option or futures contract approaches. Options are also subject to the risks of an illiquid secondary market, particularly in strategies involving writing options, which the Fund cannot terminate by exercise. In general, options whose strike prices are close to their underlying instruments' current value will have the highest trading volume, while options whose strike prices are further away may be less liquid.

The Fund intends to enter into options and futures transactions, on an exchange or in the OTC market, only if there appears to be a liquid secondary market for such options or futures or, in the case of OTC transactions, the Adviser believes the Fund can receive on each business day at least two independent bids or offers. However, there can be no assurance that a liquid secondary market will exist at any specific time. Thus, it may not be possible

to close an options or futures position. The inability to close options and futures positions also could have an adverse impact on a Fund's ability to effectively hedge its portfolio. There is also the risk of loss by a Fund of margin deposits or collateral in the event of bankruptcy of a broker with whom the Fund has an open position in an option, a futures contract or related option.

The exchanges on which options on portfolio securities and currency options are traded have generally established limitations governing the maximum number of call or put options on the same underlying security or currency (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 in one or more accounts or through one or more brokers). "Trading limits" are imposed on the maximum number of contracts which any person may trade on a particular trading day.

-24-

RISK CONSIDERATIONS

Investors should consider carefully the substantial risks involved in securities of companies and governments of foreign nations, which are in addition to the usual risks inherent in domestic investments. There may be less publicly available information about foreign companies comparable to the reports and ratings published regarding US companies. Foreign companies are not generally subject to uniform accounting, auditing and financial reporting standards, and auditing practices and requirements may not be comparable to those applicable to US companies. Many foreign markets have substantially less volume than either the established domestic securities exchanges or the OTC markets. Securities of some foreign companies are less liquid and more volatile than securities of comparable US companies. Commission rates in foreign countries, which may be fixed rather than subject to negotiation as in the US, are likely to be higher. In many foreign countries there is less government supervision and regulation of securities exchanges, brokers and listed companies than in the US, and capital requirements for brokerage firms are generally lower. Settlement of transactions in foreign securities may, in some instances, be subject to delays and related administrative uncertainties.

Investments in companies domiciled in emerging market countries may be subject to additional risks than investment in the US and in other developed countries. These risks include: (1) Volatile social, political and economic conditions can cause investments in emerging or developing markets exposure to economic structures that are generally less diverse and mature. Emerging market countries can have political systems which can be expected to have less stability than those of more developed countries. The possibility may exist that recent favorable economic developments in certain emerging market countries may be suddenly slowed or reversed by unanticipated political or social events in such countries. Moreover, the economies of individual emerging market countries may differ favorably or unfavorably from the US economy in such respects as the rate of growth in gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. (2) The small current size of the markets for such securities and the currently low or nonexistent volume of trading can result in a lack of liquidity and in greater price volatility. Until recently, there has been an absence of a capital market structure or market-oriented economy in certain emerging market countries. Because the Fund's securities will generally be denominated in foreign currencies, the value of such securities to the Fund will be affected by changes in currency exchange rates and in exchange control regulations. A change in the value of a foreign currency against the US dollar will result in a corresponding change in the US dollar value of the Fund's securities. In addition, some emerging market countries may have fixed or managed currencies which are not free-floating against the US dollar. Further, certain emerging market currencies may not be internationally traded. Certain of these currencies have experienced a steady devaluation relative to the US dollar. Many emerging markets countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. (3) The existence of national policies may restrict the Fund's investment opportunities and may include restrictions on investment in issuers or industries deemed sensitive to national interests. (4) Some

-25-

emerging markets countries may not have developed structures governing private or foreign investment and may not allow for judicial redress for injury to

private property.

The Fund endeavors to buy and sell foreign currencies on favorable terms. Such price spread on currency exchange (to cover service charges) may be incurred, particularly when the Fund changes investments from one country to another or when proceeds from the sale of shares in US dollars are used for the purchase of securities in foreign countries. Also, some countries may adopt policies which would prevent the Fund from repatriating invested capital and dividends, withhold portions of interest and dividends at the source, or impose other taxes, with respect to the Fund's investments in securities of issuers of that country. There also is the possibility of expropriation, nationalization, confiscatory or other taxation, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country), default in foreign government securities, political or social instability, or diplomatic developments that could adversely affect investments in securities of issuers in those nations.

The Fund may be affected either favorably or unfavorably by fluctuations in the relative rates of exchange between the currencies of differentiations, exchange control regulations and indigenous economic and political developments.

TAXES

The Fund intends to qualify for treatment as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended ("the Code"). As a RIC, the Fund will not be liable for federal income taxes on taxable net investment income and capital gain net income (capital gains in excess of capital losses) that it distributes to its shareholders, provided that the Fund distributes annually to its shareholders at least 90% of its net investment income and net short-term capital gain for the taxable year ("Distribution Requirement"). For a Fund to qualify as a RIC it must abide by all of the following requirements: (1) at least 90% of the Fund's gross income each taxable year must be derived from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock or securities or foreign currencies, or other income (including gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies ("Income Requirement"); (2) less than 30% of the Fund's gross income each taxable year must be derived from the sale or other disposition of securities and certain options, futures contracts, forward contracts and foreign currencies held for less than three months ("Short-Short Limitation"); (3) at the close of each quarter of the Fund's taxable year, at least 50% of the value of its total assets must be represented by cash and cash items, US government securities, securities of other RICs, and other securities, with such other securities limited, in respect of any one issuer, to an amount that does not exceed 5% of the total assets of the Fund and that does not represent more than 10% of the outstanding voting securities of such issuer; and (4) at the close of each quarter of the Fund's taxable year, not more than 25% of the value of its assets may be invested in

-26-

securities (other than US government securities or the securities of other RICs) of any one issuer.

The Fund will be subject to a nondeductible 4% excise tax to the extent it fails to distribute by the end of any calendar year an amount at least equal to the sum of: (1) 98% of its ordinary income for that year; (2) 98% of its capital gain net income for the one-year period ending on October 31 of that year; and (3) certain undistributed amounts from the preceding calendar year. For this and other purposes, dividends declared in October, November or December of any calendar year and made payable to shareholders of record in such month will be deemed to have been received on December 31 of such year if the dividends are paid by the Fund subsequent to December 31 but prior to February 1 of the following year.

If a shareholder receives a distribution taxable as long-term capital gain with respect to shares of a Fund and redeems or exchanges the shares without having held the shares for more than one year, then any loss on the redemption or exchange will be treated as long-term capital loss to the extent of the capital gain distribution.

ISSUES RELATED TO HEDGING AND OPTION INVESTMENTS. The Fund's ability to make certain investments may be limited by provisions of the Code that require inclusion of certain unrealized gains or losses in the Fund's income for purposes of the Income Requirement, the Short-Short Limitation and the Distribution Requirement, and by provisions of the Code that characterize certain income or loss as ordinary income or loss rather than capital gain or loss. Such recognition, characterization and timing rules will affect

investments in certain futures contracts, options, foreign currency contracts and debt securities denominated in foreign currencies.

STATE AND LOCAL TAXES. Depending upon the extent of the Fund's activities in states and localities in which its offices are maintained, its agents or independent contractors are located or it is otherwise deemed to be conducting business, the Fund may be subject to the tax laws of such states or localities.

FOREIGN INCOME TAXES. Investment income received by the Fund from sources within foreign countries may be subject to foreign income taxes withheld at the source. The United States has entered into tax treaties with many foreign countries which would entitle the Fund to a reduced rate of such taxes or exemption from taxes on such income. It is impossible to determine the effective rate of foreign tax for the Fund in advance since the amount of the assets to be invested within various countries is not known.

If the Fund invests in an entity that is classified as a "passive foreign investment company" ("PFIC") for federal income tax purposes, the application of certain provisions of the Code applying to PFICs could result in the imposition of certain federal income taxes on the Fund. It is anticipated that any taxes on the Fund with respect to investments in PFICs would be insignificant. Under US Treasury regulations issued in 1992 for PFICs, the Fund can elect to mark-to-market its PFIC holdings in lieu of paying

-27-

taxes on gains or distributions therefrom. It is anticipated that any taxes on a Fund with respect to investments in PFICs would be insignificant.

Foreign shareholders should consult with their tax advisers as to if and how the federal income tax and its withholding requirements applies to them.

FINANCIAL STATEMENTS

Immediately following are unaudited financial statements for the Fund, including notes to the financial statements and financial highlights, for the period March 7, 1995 (commencement of operations) to June 30, 1995. Audited financial statements for the Fund will be available within 60 days following the end of the Fund's then current fiscal year and, when available, can be obtained without charge by calling the Distributor at (617) 654-6089.

-28-

APPENDIX

DESCRIPTION OF SECURITIES RATINGS

RATINGS OF DEBT INSTRUMENTS

MOODY'S INVESTORS SERVICE, INC. ("MOODY'S"). Aaa -- Debt which is rated Aaa is judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edge." Interest payments are protected by a large or exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa -- Debt which is rated Aa is judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa Securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A -- Debt rated A possesses many favorable investment attributes and is considered as "upper medium grade obligations."

Baa -- Moody's rates bonds which are considered medium grade obligations as Baa. Bonds possessing this rating are neither highly protected nor poorly secured. Interest payments and principal security is judged adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack

outstanding investment characteristics and in fact have speculative characteristics as well.

Ba -- Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during other good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B -- Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.

Caa -- Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal and interest.

Ca -- Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

-29-

C -- Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers, 1, 2 and 3 in each generic rating classification in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic category; the modifier 2 indicates a mid-range ranking; and modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Debt in the Aa and A group which Moody's believes possess the strongest investment attributes are designated by the symbols Aa 1 and A 1.

STANDARD & POOR'S CORPORATION ("S&P"). AAA -- This is the highest rating assigned by S&P to a debt obligation and indicates an extremely strong capacity to pay principal and interest.

AA -- Debt rated AA also qualifies as high-quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from AAA issues only in small degree.

A -- Debt rated A has a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB -- Debt instruments receiving this rating are regarded as having an adequate capacity to pay interest and repay principal. Such bonds typically exhibit adequate protection parameters, but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB, B, CCC, CC, C -- Bonds rated BB, B, CCC, CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and C the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

BB -- Bonds rated BB have less near-term vulnerability to default than other speculative issues. However, they face major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The BB rating category is also used for debt subordinated to senior debt that is assigned an actual implied BBB- rating.

-30-

B -- Bonds rated B have a greater vulnerability to default but currently have the capacity to meet interest payments and principal repayments. Adverse

business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual implied BB or BB- rating.

CCC -- Bonds rated CCC have a currently identifiable vulnerability to default, and are dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The CCC rating category is also used for debt subordinated to senior debt that is assigned an actual implied B or B- rating.

CC -- The rating CC is typically applied to debt subordinated to senior debt that is assigned an actual or implied CCC rating.

C -- The rating C is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC debt rating. The C rating has been used to cover a situation where a bankruptcy petition has been filed but debt service payments are continued.

C1 -- The rating C1 is reserved for income bonds on which no interest is being paid.

D -- Bonds rated D are in payment default. The D rating is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-): The ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the appropriate category.

RATINGS OF COMMERCIAL PAPER

MOODY'S. Commercial paper rated Prime by Moody's is based upon its evaluation of many factors, including: (1) management of the issuer; (2) the issuer's industry or industries and the speculative-type risks which may be inherent in certain areas; (3) the issuer's products in relation to competition and customer acceptance; (4) liquidity; (5) amount and quality of long-term debt; (6) trend of earnings over a period of ten years; (7) financial strength of a parent company and the relationships which exist with the issue; and (8) recognition by the management of obligations which may be present or may arise as a result of public interest questions and preparations to meet such

-31-

obligations. Relative differences in these factors determine whether the issuer's commercial paper is rated Prime-1, Prime-2, or Prime-3.

Prime-1 indicates a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics: (1) leading market positions in well established industries; (2) high rates of return on funds employed; (3) conservative capitalization structures with moderate reliance on debt and ample asset protection; (4) broad margins in earnings coverage of fixed financial charges and high internal cash generation; and (5) well established access to a range of financial markets and assured sources of alternative liquidity.

Prime-2 indicates a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternative liquidity is maintained.

S&P. Commercial paper rated by S&P has the following characteristics: liquidity ratios are adequate to meet cash requirements. Long-term senior debt is rated A or better. The issuer has access to at least two additional channels of borrowing. Basic earnings and cash flow have an upward trend with allowance made for unusual circumstances. Typically, the issuer's industry is well established and the issuer has a strong position within the industry. The reliability and quality of management are unquestioned. Relative strength or weakness of the above factors determine whether the issuer's commercial paper is rated A-1, A-2, or A-3.

A-1 -- This designation indicates that the degree of safety regarding

timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

A-2 -- Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as high as for issues designated A-1.

FITCH'S INVESTORS SERVICE, INC. ("FITCH"). Commercial paper rated by Fitch reflects Fitch's current appraisal of the degree of assurance of timely payment of such debt. An appraisal results in the rating of an issuer's paper as F-1, F-2, F-3, or F-4.

F-1 -- This designation indicates that the commercial paper is regarded as having the strongest degree of assurance for timely payment.

F-2 -- Commercial paper issues assigned this rating reflect an assurance of timely payment only slightly less in degree than those issues rated F-1.

DUFF AND PHELPS, INC. Duff & Phelps' short-term ratings are consistent with the rating criteria utilized by money market participants. The ratings apply to all obligations with maturities of under one year, including commercial paper, the uninsured portion of

-32-

certificates of deposit, unsecured bank loans, master notes, bankers acceptances, irrevocable letters of credit, and current maturities of long-term debt. Asset-backed commercial paper is also rated according to this scale.

Emphasis is placed on liquidity which is defined as not only cash from operations, but also access to alternative sources of funds including trade credit, bank lines, and the capital markets. An important consideration is the level of an obligor's reliance on short-term funds on an ongoing basis.

The distinguishing feature of Duff & Phelps' short-term ratings is the refinement of the traditional '1' category. The majority of short-term debt issuers carry the highest rating, yet quality differences exist within that tier. As a consequence, Duff & Phelps has incorporated gradations of '1+' (one plus) and '1-' (one minus) to assist investors in recognizing those differences.

Duff 1+--Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below risk-free U.S. Treasury short-term obligations.

Duff 1--Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

Duff 1- -- High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

GOOD GRADE. Duff 2--Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

SATISFACTORY GRADE. Duff 3--Satisfactory liquidity and other protection factors qualify issue as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

NON-INVESTMENT GRADE. Duff 4--Speculative investment characteristics. Liquidity is not sufficient to ensure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.

DEFAULT. Duff 5--Issuer failed to meet scheduled principal and/or interest payments.

IBCA, INC. In addition to conducting a careful review of an institution's reports and published figures, IBCA's analysts regularly visit the companies for discussions with senior management. These meetings are fundamental to the preparation of individual reports and ratings. To keep abreast of any changes that may affect assessments, analysts maintain contact throughout the year with the management of the companies they cover.

IBCA's analysts speak the languages of the countries they cover, which is essential to maximize the value of their meetings with management and to properly analyze a company's written materials. They also have a thorough knowledge of the laws and accounting practices that govern the operations and reporting of companies within the various countries.

Often, in order to ensure a full understanding of their position, companies entrust IBCA with confidential data. While these data cannot be disclosed in reports, they are taken into account when assigning our ratings. Before dispatch to subscribers, a draft of the report is submitted to each company to permit correction of any factual errors and to enable clarification of issues raised.

IBCA's Rating Committees meet at regular intervals to review all ratings and to ensure that individual ratings are assigned consistently for institutions in all the countries covered. Following the Committee meetings, ratings are issued directly to subscribers. At the same time, the company is informed of the ratings as a matter of courtesy, but not for discussion.

A1+--Obligations supported by the highest capacity for timely repayment.

A1--Obligations supported by a very strong capacity for timely repayment.

A2--Obligations supported by a strong capacity for timely repayment, although such capacity may be susceptible to adverse changes in business, economic or financial conditions.

B1--Obligations supported by an adequate capacity for timely repayment. Such capacity is more susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories.

B2--Obligations for which the capacity for timely repayment is susceptible to adverse changes in business, economic or financial conditions.

C1--Obligations for which there is an inadequate capacity to ensure timely repayment.

D1--Obligations which have a high risk of default or which are currently in default.

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

STATEMENT OF NET ASSETS
June 30, 1995 (Unaudited)

<TABLE>
<CAPTION>

	NUMBER OF SHARES	MARKET VALUE (000)
<S>	<C>	<C>
COMMON STOCKS - 90.2%		
BRAZIL - 1.0%		
Brazil Fund, Inc.	3,800	\$ 95
Sider Nacional Cia NPV	1,152,000	26
Telecomunicacoes Brasileiros NPV	1,680,000	48

		169

FRANCE - 8.8%		
Alcatel Alsthom	350	31
Banque Nationale Paris	800	39
CGIP	650	152
Christian Dior	1,700	150
Cie de St. Gobain	340	41
Credit National	1,800	145
Enterprise Jean Lefebvre SA	2,050	145
Gascogne	1,500	173
Groupe Andre SA (a)	1,250	109
Guyenne et Gascogne	100	29

Peugeot SA	1,300	180
Rhone Poulenc SA Class A - ADR	1,650	37
Sanofi	2,100	116
Societe Nationale Elf d'Aquitaine	2,200	162

1,509

GERMANY - 11.0%

Allianz AG Holding 1996 Warrants (a)	50	45
AMB - Aachener & Muenchener Beteiligung (Regd)	200	138
Bankgesell Berlin	350	93
BASF AG	950	203
Bayer Hypotheken & Wechsell Bank	250	68
Berliner Handels & Frankfurter Bank	250	66
Daimler-Benz AG	100	46
DBV Holding AG (Regd)	550	214
Degussa AG (a)	50	15
Holsten Brauere AG	1,000	255
IKB DT Industriebk (a)	800	150

<CAPTION>

	NUMBER OF SHARES	MARKET VALUE (000)
	-----	-----
<S>	<C>	<C>
Kolbenschmidt AG (a)	1,400	\$ 197
Siemens AG	400	199
Thyssen AG (a)	900	168
Veba AG	50	20

1,877

HONG KONG - 5.3%

Great Eagle Holdings	69,000	147
Hong Kong Electric	25,500	87
Hong Kong Telecommunications	67,200	133
Jardine International Motor	148,000	145
Tai Cheung Holdings (a)	162,000	142
Wing Lung Bank (a)	18,200	103
Yuc Yuen Industrial	586,000	143

900

ITALY - 2.5%

Assicurazioni Generali SPA	2,000	47
Banco Ambrosiano Veneto di Risp NC	13,300	18
Danieli & C di Risp NC	14,000	43
Fiat SPA di Risp NC	29,000	62
I.M.I.	7,000	43
Montefibre di Risp (a)	44,300	25
R.A.S. NV di Risp	9,000	57
Recordati (a)	14,000	44
Stet di Risp NC	19,000	42
Telecom Italia di Risp	20,000	42

423

JAPAN - 38.4%

Aichi Machine Industries (a)	23,000	122
Amada Co., Ltd.	13,000	111
Amada Sonoike Co.	37,000	214
Bunka Shutter Co. (a)	54,000	266

</TABLE>

Special Provisional Financial Report 9

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

STATEMENT OF NET ASSETS, CONTINUED
June 30, 1995 (Unaudited)

<TABLE>

<CAPTION>

	NUMBER OF SHARES	MARKET VALUE (000)
<S>	<C>	<C>
Citizen Watch Co., Ltd.	28,000	\$ 173
Dai-Ichi Katei Denki (a)	35,000	157
Daidoh, Ltd. (a)	14,000	107
Daikyo, Inc.	39,000	276
Daishinku Corp.	17,000	176
Gun-Ei Chemical Industry Co. (a)	52,000	242
Hitachi, Ltd.	34,000	339
Hokkaido Takushoku Bank, Ltd.	96,000	263
Ines Corp. (a)	23,000	228
Keiyo Bank, Ltd.	6,000	36
Marudai Food Co.	34,000	227
Matsushita Electric Industrial Co., Ltd.	18,000	280
Nichiei Construction (a)	29,000	239
Nichimo Co. (a)	12,000	52
Nippon Trust Bank (a)	61,000	207
Nippon Valqua Industries (a)	34,000	132
Nisshinbo Industries, Inc.	7,000	55
Nissho Corp.	15,000	145
Okabe Co.	21,000	172
Orient Corp. (a)	19,000	95
Ryosan Co. (a)	9,000	212
Sanyo Special Steel Co.	71,000	273
Settsu Corp. (a)	88,000	270
Sogo Co. (a)	29,000	93
Sumisho Computer Systems Corp. (a)	10,000	114
Sumitomo Realty & Development	42,000	251
Suntelephone Co.	36,000	234
Suzutan Co. (a)	19,000	128
SXL Corp.	12,000	129
Tokyo Electric Co., Ltd. (a)	64,000	253
Toyota Motor Corp.	2,000	40
Yamato Kogyo Co. (a)	33,000	259

6,570

NETHERLANDS - 4.6%

DSM NV (BR)	1,359	117
Hoogovens & Staal CVA	3,112	124
International Nederlanden CVA	1,168	65

<CAPTION>

	NUMBER OF SHARES	MARKET VALUE (000)
<S>	<C>	<C>
KLM (a)	1,143	\$ 37
Kon Ptt Nederland	1,878	68
Nutricia Verenigde Bedrijven CVA	1,057	73
Royal Dutch Petroleum Co. (BR)	2,189	267
Stad Rotterdam	453	12
Unilever NV CVA	170	22

785

NORWAY - 3.5%

Aker AS Series B	4,400	55
Bergesen DY AS Series B	1,400	32
DNL Series B	1,300	56
Hafslund Nycomed Series B Free	2,889	67
Kvaerner Industries Series B Free	900	39
Leif Hoegh & Co.	1,200	16
Norsk Hydro AS	5,600	235
Norske Skogindustrier Class A	1,100	39
Saga Petroleum AS	3,700	53

592

PORTUGAL - 0.1%

Portucel Industrial SA (a)	2,300	16

		16

SINGAPORE - 3.4%		
Development Bank (Alien Market)	12,000	137
Far East Levingston	7,000	33
Keppel Bank	17,000	48
Keppel Corp	2,000	16
Metro Holdings, Ltd.	20,000	84
Neptune Orient Lines, Ltd.	67,000	78
Singapore Airlines, Ltd. (Alien Market)	8,000	74
Singapore Land	3,000	20
United Industrial Corp., Ltd. (a)	89,000	86

		576

</TABLE>

Special Provisional Financial Report 10

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

STATEMENT OF NET ASSETS, CONTINUED
June 30, 1995 (Unaudited)

<TABLE>

<CAPTION>

	NUMBER OF SHARES	MARKET VALUE (000)
	-----	-----
<S>	<C>	<C>
SOUTH KOREA - 2.0%		
Korea International Trust - IDR (a)	7*	\$ 343

		343

SPAIN - 0.6%		
Banco Central Hispan (Regd)	950	20
Dragados Y Construcciones SA	1,300	19
Repsol SA	400	12
Telefonica de Espana	1,100	14
Union Electrica Fenosa	6,750	32

		97

SWITZERLAND - 3.9%		
Baloise Holdings (Regd)	10	23
Bobst AG	20	30
Ciba Geigy AG (BR)	75	55
Gotthard Bank	55	29
Hero (BR)	55	30
Magazine Globus (PTG)	50	35
Nestle SA (Regd)	65	68
Pargesa Holdings SA (BR)	25	32
Roche Holdings Genusschein AG NPV	20	129
Sandoz AG (Regd)	140	97
Schweiz Bankgesellschaft (BR)	45	47
Schweiz Bankverein (Regd)	380	67
Winterthur (Regd)	45	27

		669

UNITED KINGDOM - 5.1%		
Amstrad PLC	12,600	50
ASDA-MFI Group PLC	30,800	46
Associated British Foods Group PLC	3,800	40
Barclays Bank PLC	1,700	18
British Steel PLC	14,800	40
British Telecommunications PLC	2,400	15
Burton Group PLC	46,400	61

<CAPTION>

	NUMBER OF SHARES	MARKET VALUE (000)
<S>	<C>	<C>
Cable & Wireless PLC	12,100	\$ 83
Fisons PLC	6,600	20
General Accident PLC	3,500	32
Greenalls Group PLC	5,400	42
Hammerson Property PLC	7,600	42
Kleinwort Benson Group PLC (a)	3,800	43
Lonrho PLC	15,100	35
Northumbrian Water PLC	2,500	37
Royal Bank of Scotland Group PLC	5,800	39
Royal Insurance Co., Ltd. PLC	8,100	40
Sevren Trent Water PLC	4,600	40
Smith & Nephew PLC	14,500	41
Taylor Woodrow PLC	20,600	38
Yorkshire Water PLC	8,700	80

882

TOTAL COMMON STOCKS
(cost \$15,884) 15,408

PREFERRED STOCKS - 3.8%

BRAZIL - 0.9%

Banco Nacional SA NPV	871,000	17
Electrobras (centr) Series B NPV	224,000	60
Petrol Brasileiros NPV	255,000	21
Sider Riograndense NPV (a)	765,000	22
Vale Rio Doce (Cia) NPV	193,000	29

149

GERMANY - 2.9%

Dyckerhoff Zement AG NV	200	64
RWE AG NV (a)	850	234
Volkswagen AG NV	900	198

496

TOTAL PREFERRED STOCKS
(cost \$671) 645

</TABLE>

Special Provisional Financial Report 11

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

STATEMENT OF NET ASSETS, CONTINUED
June 30, 1995 (Unaudited)

<TABLE>

<CAPTION>

	PRINCIPAL AMOUNT (000)	MARKET VALUE (000)
SHORT-TERM INVESTMENTS - 4.7%		
<S>	<C>	<C>
UNITED STATES - 4.7%		
Federal Home Loan Mortgage Discount Note (b) 6.100% due 07/03/95	\$ 804	804

TOTAL SHORT-TERM INVESTMENTS
(cost \$804) 804

TOTAL INVESTMENTS
(Identified cost \$17,359) (c) -
98.7%

16,857

OTHER ASSETS AND
LIABILITIES, NET - 1.3% 231

NET ASSETS - 100.0% \$ 17,088

<FN>

- (a) Nonincome-producing security.
- (b) Rate noted is yield-to-maturity.
- (c) At June 30, 1995, the cost for federal income tax purposes was the same as shown above and net unrealized depreciation for all securities was \$502. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of market value over tax cost of \$355 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over market value of \$857.

* Reflected in units. 1 IDR Unit = 1,000 shares.

</TABLE>

<TABLE>

<CAPTION>

INDUSTRY DIVERSIFICATION	% OF NET ASSETS	MARKET VALUE (000)
--------------------------	-----------------------	--------------------------

<S>	<C>	<C>
Basic Industries	12.9%	\$ 2,200
Capital Goods	7.5	1,274
Consumer Basics	16.1	2,750
Consumer Durable Goods	5.3	906
Consumer Non-Durables	6.9	1,182
Consumer Services	1.0	167
Energy	4.4	751
Finance	15.0	2,566
General Business	1.7	287
Miscellaneous	9.6	1,644
Shelter	3.0	504
Technology	4.2	717
Transportation	0.7	126
Utilities	5.7	979
Short-Term Investments	4.7	804

Total Investments	98.7	16,857
Other Assets and Liabilities, Net	1.3	231

NET ASSETS	100.0%	\$ 17,088
------------	--------	-----------

</TABLE>

The accompanying notes are an integral part of the financial statements.

Special Provisional Financial Report 12

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

STATEMENT OF ASSETS AND LIABILITIES
June 30, 1995 (Unaudited)

<TABLE>

<S>	<C>	<C>
ASSETS		
Investments at market (identified cost \$17,358,925) (Note 2)		\$16,857,243
Cash		1,107
Foreign currency holdings (identified cost \$215,512)		217,381
Forward foreign currency exchange contracts (cost \$6,970,673) (Notes 2 and 5)		6,970,673
Foreign currency exchange spot contracts (cost \$49,264) (Notes 2 and 5)		49,214
Receivables:		
Dividends and interest		38,373
Fund shares sold		25,000
Foreign taxes recoverable		15,312
Deferred organization expense (Note 2)		41,240
		24,215,543

LIABILITIES

Payables (Note 4):		
Investments purchased.....	\$ 88,618	
Accrued advisory fees.....	7,559	
Accrued shareholder service fees.....	323	
Accrued administrative fees.....	684	
Accrued custodian fees.....	9,407	
Organization fees.....	43,193	
Other accrued expenses.....	3,512	
Forward foreign currency exchange contracts (cost \$6,970,673) (Notes 2 and 5).....	6,924,971	
Foreign currency exchange spot contracts (cost \$49,264) (Notes 2 and 5).....	49,264	7,127,531
	-----	-----
NET ASSETS.....		\$17,088,012

NET ASSETS CONSIST OF:		
Undistributed net investment income.....	\$ 80,828	
Accumulated net realized gain (loss) from investments and foreign currency-related transactions.....	(40,758)	
Unrealized appreciation (depreciation) on investments and foreign currency-related transactions.....	(453,410)	
Shares of beneficial interest.....	1,700	
Additional paid-in capital.....	17,499,652	

NET ASSETS.....		\$17,088,012

Net asset value, offering and redemption price per share (\$17,088,012 divided by 1,699,969 shares of \$.001 par value shares of beneficial interest outstanding).....		\$10.05

</TABLE>

The accompanying notes are an integral part of the financial statements.

14 Special Provisional Financial Report

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

STATEMENT OF OPERATIONS
For the Period March 7, 1995 (Commencement of Operations)
to June 30, 1995 (Unaudited)

<TABLE>		
<S>	<C>	<C>
INVESTMENT INCOME		
Income:		
Dividends (net of foreign taxes withheld of \$17,609).....	\$ 111,125	
Interest.....	31,253	

		142,378
Expenses (Notes 2 and 4):		
Advisory fees.....	\$ 20,203	
Administrative fees.....	1,603	
Custodian fees.....	15,607	
Distribution fees.....	676	
Professional fees.....	16,275	
Registration fees.....	17,589	
Shareholder service fees.....	673	
Amortization of deferred organization expenses.....	2,760	
Miscellaneous.....	154	

Expenses before waivers.....	75,540	
Expenses waived.....	(13,990)	61,550
	-----	-----
Net investment income.....		80,828

REALIZED AND UNREALIZED
GAIN (LOSS) ON INVESTMENTS

Net realized gain (loss) from:

Investment transactions (Notes 2 and 3).....	(827)
Foreign currency-related transactions (Notes 2 and 3).....	(39,931)
Net change in unrealized appreciation or depreciation of:	
Investment transactions (Notes 2 and 3).....	(501,682)
Foreign currency-related transactions (Notes 2 and 3).....	48,272

Net gain (loss) on investments.....	(494,168)

Net increase (decrease) in net assets resulting from operations.....	\$ (413,340)

</TABLE>

The accompanying notes are an integral part of the financial statements.

Special Provisional Financial Report 15

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

STATEMENT OF CHANGES IN NET ASSETS
For the Period March 7, 1995 (Commencement of Operations)
to June 30, 1995 (Unaudited)

<TABLE>	
<S>	<C>
INCREASE (DECREASE) IN NET ASSETS	
Operations:	
Net investment income.....	\$ 80,828
Net realized gain (loss) from:	
Investment transactions.....	(827)
Foreign currency-related transactions.....	(39,931)
Net change in unrealized appreciation or depreciation of:	
Investment transactions.....	(501,682)
Foreign currency-related transactions.....	48,272

Net increase (decrease) in net assets resulting from operations.....	(413,340)
Increase (decrease) in net assets from Fund share transactions.....	17,501,352

INCREASE (DECREASE) IN NET ASSETS.....	17,088,012
Net assets at beginning of period.....	--

NET ASSETS AT END OF PERIOD	
(including undistributed net investment income of \$80,828).....	\$17,088,012

</TABLE>

<TABLE>
<CAPTION>
FUND SHARE TRANSACTIONS

	SHARES	AMOUNT
	-----	-----
<S>	<C>	<C>
Fund shares sold.....	1,704,869	\$17,552,908
Fund shares redeemed.....	(4,900)	(51,556)
	-----	-----
Net increase (decrease).....	1,699,969	\$17,501,352
	-----	-----
	-----	-----

</TABLE>

The accompanying notes are an integral part of the financial statements.

16 Special Provisional Financial Report

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

FINANCIAL HIGHLIGHTS

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

	1995++

<S>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$ 10.00

INCOME FROM INVESTMENT OPERATIONS:	
Net realized and unrealized gain on investments.....	.05

Total from Investment Operations.....	.05

NET ASSET VALUE, END OF PERIOD.....	\$ 10.05

TOTAL RETURN (%) (a).....	.50
RATIOS (%) / SUPPLEMENTAL DATA:	
Operating expenses, net, to average daily net assets (b) (c).....	2.28
Operating expenses, gross, to average daily net assets (b) (c).....	2.80
Net investment income to average daily net assets (b).....	3.00
Portfolio turnover (b).....	.11
Net assets, end of period (\$000 omitted).....	17,088
Per share amount of fees waived (\$ omitted).....	.0082
<FN>	
++ For the period March 7, 1995 (commencement of operations) to June 30, 1995 (Unaudited).	
(a) Periods less than one year are not annualized.	
(b) Annualized.	
(c) See Note 4.	

</TABLE>

Special Provisional Financial Report 17

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

NOTES TO FINANCIAL STATEMENTS
June 30, 1995 (Unaudited)

1. ORGANIZATION

The Seven Seas Series Fund (the "Investment Company") is a series mutual fund, currently comprising 14 investment portfolios which have commenced operations as of June 30, 1995. These financial statements report on one portfolio, The Seven Seas Series Active International Fund (the "Fund"), which commenced operations on March 7, 1995. The Investment Company is registered under the Investment Company Act of 1940, as amended, as a diversified open-end management investment company which was organized as a Massachusetts business trust on October 3, 1987 and now operates under a First Amended and Restated Master Trust Agreement dated October 13, 1993. The Investment Company's master trust agreement permits the Board of Trustees to issue an unlimited number of full and fractional shares of beneficial interest at a \$.001 par value.

2. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are in conformity with generally accepted accounting principles for investment companies. Such policies are consistently followed by the Fund in the preparation of these financial statements.

SECURITY VALUATION: International equity and fixed-income securities traded on a national securities exchange are valued on the basis of the last sale price. International securities traded over-the-counter are valued on the basis of the mean of bid prices. In the absence of a last sale or mean bid price, respectively, such securities may be valued on the basis of prices provided by a pricing service if those prices are believed to reflect the fair market value of such securities.

The Fund may value certain securities for which market quotations are not readily available at "fair value," as determined in good faith pursuant

to procedures established by the Board of Trustees.

SECURITIES TRANSACTIONS: Securities transactions are recorded on the trade date basis. Realized gains and losses from the securities transactions are recorded on the basis of identified cost.

INVESTMENT INCOME: Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis.

FEDERAL INCOME TAXES: As the Investment Company is a Massachusetts business trust, each sub-trust is a separate corporate taxpayer and determines its net investment income and capital gains (or losses) and the amounts to be distributed to each fund's shareholders without regard to the income and capital gains (or losses) of the other funds.

It is each fund's intention to qualify as a regulated investment company and distribute all of its taxable income. The Fund, accordingly, paid no federal income taxes and no federal income tax provision was required.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS: Income dividends and capital gain distributions, if any, are recorded on the ex-dividend date. The Fund declares and pays dividends annually. Capital gain distributions, if any, are generally declared and paid annually. An additional distribution may be paid by the Fund to avoid imposition of federal income tax on any remaining undistributed net investment income and capital gains.

Special Provisional Financial Report 13

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 1995 (Unaudited)

The timing and characterization of certain income and capital gains distributions are determined in accordance with federal tax regulations which may differ from generally accepted accounting principles ("GAAP"). As a result, net investment income and net realized gain (or loss) on investment and foreign currency-related transactions for a reporting period may differ significantly from distributions during such period. The differences between tax regulations and GAAP primarily relate to investments in options, futures, forward contracts, passive foreign investment companies, foreign-denominated investments, and certain securities sold at a loss. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting its net asset value.

EXPENSES: Expenses such as advisory fees, custodian fees, transfer agent fees, administrative fees and registration fees are charged directly to the Fund, while indirect expenses, such as printing, professional fees, and insurance are allocated among all funds, principally based on their relative net assets.

DEFERRED ORGANIZATION EXPENSES: The Fund has incurred expenses in connection with its organization and initial registration. These costs have been deferred and are being amortized over 60 months on a straight-line basis.

FOREIGN CURRENCY TRANSLATIONS: The books and records of the Fund are maintained in US dollars. Foreign currency amounts and transactions of the Fund are translated into US dollars on the following basis:

(a) Market value of investment securities, other assets and liabilities at the closing rate of exchange on the valuation date.

(b) Purchases and sales of investment securities and income at the closing rate of exchange prevailing on the respective trade dates of such transactions.

Reported net realized gains or losses from foreign currency-related transactions arise from sales and maturities of short-term securities; sales of foreign currencies; currency gains or losses realized between the trade and settlement dates on securities transactions; the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books, and the US dollar equivalent of the amounts actually received or paid. Net unrealized gains or losses from foreign currency-related transactions arise from changes in the value of assets

and liabilities, other than investments in securities, at fiscal year-end, resulting from changes in the exchange rates.

It is not practical to isolate that portion of the results of operations of the Fund that arises as a result of changes in exchange rates from that portion that arises from changes in market prices of investments during the year. Such fluctuations are included with the net realized and unrealized gain or loss from investments. However, for federal income tax purposes the Fund does isolate the effects of changes in foreign exchange rates from the fluctuations arising from changes in market prices for realized gain (or loss) on debt obligations.

14 Special Provisional Financial Report

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED June 30, 1995 (Unaudited)

REPURCHASE AGREEMENTS: The Fund may engage in repurchase and tri-party repurchase agreements with several financial institutions whereby the Fund, through its custodian or third-party custodian, receives delivery of the underlying securities. The market value of these securities (including accrued interest) on acquisition date is required to be an amount equal to at least 102% of the repurchase price. The Fund's Adviser will monitor repurchase agreements daily to determine that the market value (including accrued interest) at Fedwire closing time of the underlying securities remains at least equal to 100% of the repurchase price. The Adviser or third-party custodian will notify the seller to immediately increase the collateral on the repurchase agreement to 102% of the repurchase price if collateral falls below 100%.

INVESTMENT IN INTERNATIONAL MARKETS: Investing in international markets may involve special risks and considerations not typically associated with investing in the United States. These risks include revaluation of currencies, future adverse political and economic developments and liquidity concerns resulting from thinner markets. Moreover, securities issued in these markets may be less liquid and their prices more volatile than those of comparable securities in the United States.

3. SECURITIES TRANSACTIONS

SECURITIES: For the period March 7, 1995 (commencement of operations) to June 30, 1995, purchases and sales of investment securities, excluding short-term investments, aggregated to \$16,558,766 and \$3,001, respectively.

SECURITIES LENDING: The Fund may loan securities with a value up to 33-1/3% of its total assets to certain brokers. The Fund receives cash (US currency) and securities issued or guaranteed by the US Government or its agencies as collateral against the loaned securities. To the extent that a loan is secured by cash collateral, such collateral shall be invested in short-term debt securities. To the extent that a loan is secured by non-cash collateral, brokers pay the Fund negotiated lenders' fees, which are divided between the Fund and its lending agent, and are included as interest income to the Fund. Income generated from the investment of cash collateral is also divided between the Fund and its lending agent, and is included as interest income to the Fund. All collateral received will equal at least 100% of the market value of the loaned securities at the inception of each loan. This collateral must be maintained at not less than 100% of the market value of the loaned securities during the period of the loan. Should the borrower of the securities fail financially, there is a risk of delay in recovery of the securities or loss of rights in the collateral. Consequently, loans are made only to borrowers which are deemed to be of good financial standing. As of June 30, 1995, there were no securities out on loan.

4. RELATED PARTIES

The Investment Company has an investment advisory agreement with State Street Bank and Trust Company (the "Adviser") under which the Adviser directs the investments of the Fund in accordance with its investment objective, policies, and limitations. For these services, the Fund pays a fee to the Adviser, calculated daily and paid monthly, at the annual rate of .75% of its average daily net assets. The Investment Company also has contracts with the Adviser to provide custody, transfer agent and

THE SEVEN SEAS SERIES
ACTIVE INTERNATIONAL FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 1995 (Unaudited)

For the period March 7, 1995 (commencement of operations) to June 30, 1995, the Adviser voluntarily agreed to waive up to the full amount of its advisory fee of .75%, to the extent that total Fund expenses exceed 1.00% on an annual basis. For this period, advisory fee waivers amounted to \$12,645.

The Investment Company has a shareholder servicing agreement with State Street Bank and Trust Company ("the Agent") under which the Agent provides administrative functions for Investment Company shareholders, including services related to the purchase and redemption of Investment Company shares. For these services, the Fund pays a fee to the Agent, in the amount of .025% on an annual basis of the average daily value of net assets of the Fund. This fee, in conjunction with other distribution-related expenses, may not exceed .25% of the average daily value of net assets on an annual basis.

The Investment Company has contracts with the Adviser to provide custody and transfer agent services to the Fund. For the period March 7, 1995 (commencement of operations) to June 30, 1995, the Adviser voluntarily waived a portion of its custodial services fee to the Fund, which amounted to \$843.

Frank Russell Investment Management Company (the "Administrator") serves as administrator of the Investment Company. The Administrator is also required, pursuant to the Administration Agreement, to arrange and pay certain promotional and sales costs of Investment Company shares. Russell Fund Distributors, Inc. (the "Distributor"), a subsidiary of the Administrator, is the distributor for Investment Company shares. Under the Distribution Plan, each fund may spend, and the Distributor be reimbursed, annually, directly or indirectly, up to .25% of the average daily value of the net assets on an annual basis for distribution-related and shareholder servicing services. If, in any calendar month, the distribution expenses incurred by the Distributor exceed the maximum amount of allowable reimbursement, the excess amounts may be carried forward for subsequent reimbursement from the Investment Company. In no event may excess amounts be carried forward more than two fiscal years from the year when such expenses were incurred.

Pursuant to the Administration Agreement with the Investment Company, the Administrator supervises all non-portfolio investment aspects of the Investment Company's operations and provides adequate office space and all necessary office equipment and services, including telephone service, utilities, stationery supplies, and similar items. The Investment Company pays the Administrator the following fees for the services supplied by the Administrator pursuant to the Administration Agreement: (i) an annual fee, payable monthly on a pro rata basis, based on the following percentages of the average daily net assets of the Fund: \$0 up to \$500 million -- .07%; over \$500 million to and including \$1 billion -- .06%; over \$1 billion up to \$1.5 billion -- .04%; over \$1.5 billion -- .03%; (ii) less an amount equal to the sum of certain distribution-related expenses incurred by the Investment Company's Distributor on behalf of the Fund (up to a maximum of 15% of the asset-based fee determined in (i)); (iii) out-of-pocket expenses; and (iv) start-up costs for new funds. For the period March 7, 1995 (commencement of operations) to June 30, 1995, the Administrator voluntarily waived a portion of its fee to the Fund, which amounted to \$502.

The Investment Company pays each of its Trustees not affiliated with the Investment Company \$38,000 annually; \$1,000 for each of the board meetings attended; an additional \$1,000 for attending the annual audit committee meeting; and reimbursement for out-of-pocket expenses.

5. COMMITMENTS

As of June 30, 1995, the Active International Fund has entered into various forward foreign currency exchange and foreign currency exchange spot contracts which contractually obligate the Funds to deliver or receive currencies at specified future dates. Open contracts were as follows:

ACTIVE INTERNATIONAL FUND
FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

<TABLE>
<CAPTION>

CONTRACTS TO DELIVER	IN EXCHANGE FOR	SETTLEMENT DATE	UNREALIZED APPRECIATION (DEPRECIATION)
<S>	<C>	<C>	<C>
CHF 360,000	USD 320,899	08/04/95	\$ 7,304
DEM 1,000,000	USD 733,084	08/04/95	8,836
DEM 670,000	USD 484,034	08/04/95	(1,212)
JPY 365,000,000	USD 4,372,410	09/08/95	25,561
JPY 10,590,000	USD 126,842	09/08/95	723
JPY 78,000,000	USD 933,405	09/08/95	4,489
			\$ 45,701

</TABLE>

ACTIVE INTERNATIONAL FUND
FORWARD FOREIGN CURRENCY EXCHANGE SPOT CONTRACTS

<TABLE>
<CAPTION>

CONTRACTS TO DELIVER	IN EXCHANGE FOR	SETTLEMENT DATE	UNREALIZED APPRECIATION (DEPRECIATION)
<S>	<C>	<C>	<C>
USD 16,421	PTE 2,400,000	07/05/95	\$ (17)
USD 16,421	PTE 2,400,000	07/03/95	(17)
USD 16,421	PTE 2,400,000	07/05/95	(17)
			\$ (51)

</TABLE>

The related net unrealized appreciation (depreciation) is reflected in the Active International Fund's financial statements.

Performance is historical and assumes reinvestments of all dividends and capital gains. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than when purchased. Past performance is not indicative of future results.

Two International Place, 35th Floor
Boston, Massachusetts 02110
(617) 654-6089

TRUSTEES

Lynn L. Anderson, Chairman
William L. Marshall
Steven J. Mastrovich
Patrick J. Riley
Richard D. Shirk
Bruce D. Taber
Henry W. Todd

OFFICERS

Lynn L. Anderson, President
Margaret L. Barclay, Senior Vice President,
Treasurer and Director of Operations
J. David Griswold, Vice President
and Secretary

INVESTMENT ADVISER

State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110

CUSTODIAN, TRANSFER AGENT AND
OFFICE OF SHAREHOLDERS INQUIRIES

State Street Bank and Trust Company
1776 Heritage Drive
North Quincy, Massachusetts 02171
(800) 64-7SEAS (77327)

DISTRIBUTOR

Russell Fund Distributors, Inc.
Two International Place, 35th Floor
Boston, Massachusetts 02110
(617) 654-6089

ADMINISTRATOR

Frank Russell Investment Management Company
909 A Street
Tacoma, Washington 98402

LEGAL COUNSEL

Goodwin, Procter & Hoar
Exchange Place
Boston, Massachusetts 02109

INDEPENDENT ACCOUNTANTS

Coopers & Lybrand L.L.P.
One Post Office Square
Boston, Massachusetts 02109

22 Special Provisional Financial Report

PART C: OTHER INFORMATION

Item 24. FINANCIAL STATEMENTS AND EXHIBITS

(a) FINANCIAL STATEMENTS

Part A -- None.

Part B -- Unaudited financial statements, including notes to the financial statements and financial highlights for The Seven Seas Series Active International Fund for the period March 7, 1995 (commencement of operations) to June 30, 1995.

(b) EXHIBITS

NAME OF EXHIBIT

INCORPORATED BY REFERENCE
OR EXHIBIT NUMBER

1. First Amended and Restated
Master Trust Agreement

Post-Effective Amendment #18

(a) Amendment No. 1

Post-Effective Amendment #19

(b) Amendment No. 2

Post-Effective Amendment #22

(c)	Amendment No. 3	Post-Effective Amendment #22
(d)	Amendment No. 4	Post-Effective Amendment #23
(e)	Amendment No. 5	Post-Effective Amendment #27
(f)	Amendment No. 6	Post-Effective Amendment #28
2.	Bylaws	Pre-Effective Amendment #1
3.	Voting Trust Agreement	None
4.	Specimen Security	None
5. (a)	Investment Advisory Agreement	Post-Effective Amendment #10
(b)	Letter agreement incorporating the Yield Plus and Bond Market Funds within the Investment Advisory Agreement	Post-Effective Amendment #11
(c)	Letter agreement incorporating the US Treasury Money Market and US Treasury Obligations Funds within the Investment Advisory Agreement	Post-Effective Amendment #15
(d)	Letter agreement incorporating the Growth and Income and Intermediate Funds within the Investment Advisory Agreement	Post-Effective Amendment #16

-7-

(e)	Letter agreement incorporating the Emerging Markets Fund and the Prime Money Market Portfolio within the Investment Advisory Agreement	Post-Effective Amendment #20
(f)	Letter agreement incorporating the Tax Free Money Market Fund within the Investment Advisory Agreement	Post-Effective Amendment #25
(g)	Letter agreement incorporating the Small Cap, Active International and Real Estate Equity Funds within the Investment Advisory Agreement	Post-Effective Amendment #28
6.	Distribution Agreements	
(a)	Distribution Agreement (Class A Shares)	Post-Effective Amendment #10
(a) (i)	Letter agreement incorporating the Yield Plus and Bond Market Funds within the Distribution Agreement	Post-Effective Amendment #11
(a) (ii)	Letter agreement incorporating the US Treasury Money Market and US Treasury Obligations Funds within the Distribution Agreement	Post-Effective Amendment #15
(a) (iii)	Letter agreement incorporating the Growth and Income and Intermediate Funds within the Distribution Agreement	Post-Effective Amendment #16
(a) (iv)	Letter agreement incorporating the Emerging Markets Fund and the Prime Money Market Portfolio within the Distribution Agreement	Post-Effective Amendment #20
(a) (v)	Letter agreement incorporating Class A shares of the Tax Free Money Market Fund within the Distribution Agreement	Post-Effective Amendment #25

(a) (vi) Letter agreement incorporating the Small Cap, Active International and Real Estate Equity Funds Post-Effective Amendment #28

-8-

within the Distribution Agreement

(b) Distribution Agreement (regarding Class B Shares of the Money Market and US Government Money Market Funds) Post-Effective Amendment #23

(b) (i) Letter agreement incorporating the Class B Shares of the Tax Free Money Market Fund within the Distribution Agreement To be filed by amendment

(c) Distribution Agreement (regarding Class C Shares of the Money Market and US Government Money Market Funds) Post-Effective Amendment #23

(c) (i) Letter agreement incorporating the Class C Shares of the Tax Free Money Market Fund within the Distribution Agreement To be filed by amendment

7. Bonus, profit sharing, or pension plans None

8. (a) Custodian Contract Post-Effective Amendment #10

(b) Letter agreement incorporating the Yield Plus and Bond Market Funds within the Custodian Contract Post-Effective Amendment #11

(c) Letter agreement incorporating the US Treasury Money Market and US Treasury Obligations Funds within the Custodian Contract Post-Effective Amendment #15

(d) Letter agreement incorporating the Growth and Income and Intermediate Funds within the Custodian Contract Post-Effective Amendment #16

(e) Letter agreement incorporating the Emerging Markets Fund and the Prime Money Market Portfolio within the Custodian Contract Post-Effective Amendment #20

(f) Fee Schedule, dated February 17, 1994, to Custodian Agreement Post-Effective Amendment #22

-9-

(g) Letter agreement incorporating the Tax Free Money Market Fund within the Custodian Contract Post-Effective Amendment #25

(h) Letter agreement incorporating the Small Cap, Active International and Real Estate Equity Funds within the Custodian Contract Post-Effective Amendment #28

9. (a) (i) Transfer Agency and Service Agreement Post-Effective Amendment #10

(a) (ii) Letter agreement incorporating the Yield Plus and Bond Market Funds within the Transfer Agency and Service Agreement Post-Effective Amendment #11

(a) (iii) Letter agreement incorporating the US Treasury Money Market and US Post-Effective Amendment #15

Treasury Obligations Funds within
the Transfer Agency and Service
Agreement

- (a) (iv) Letter agreement incorporating the Growth and Income and Intermediate Funds within the Transfer Agency and Service Agreement Post-Effective Amendment #16
- (a) (v) Letter agreement incorporating the Emerging Markets Fund and the Prime Money Market Portfolio within the Transfer Agency and Service Agreement Post-Effective Amendment #20
- (a) (vi) Letter agreement incorporating the Tax Free Money Market Fund within the Transfer Agency and Service Agreement Post-Effective Amendment #25
- (a) (vii) Letter agreement incorporating the Small Cap, Active International and Real Estate Equity Funds within the Transfer Agency and Service Agreement Post-Effective Amendment #28
- (b) (i) Administration Agreement Post-Effective Amendment #10

-10-

- (b) (ii) Letter agreement incorporating the Yield Plus and Bond Market Funds within the Administration Agreement Post-Effective Amendment #11
- (b) (iii) Letter agreement incorporating the US Treasury Money Market and US Treasury Obligations Funds within the Administration Agreement Post-Effective Amendment #15
- (b) (iv) Letter agreement incorporating the Growth and Income and Intermediate Funds within the Administration Agreement Post-Effective Amendment #16
- (b) (v) Letter agreement incorporating the Emerging Markets Fund and the Prime Money Market Portfolio within the Administration Agreement Post-Effective Amendment #20
- (b) (vi) Letter agreement incorporating the Tax Free Money Market Fund within the Administration Agreement Post-Effective Amendment #25
- (b) (vii) Letter agreement incorporating the Small Cap, Active International and Real Estate Equity Funds within the Administration Agreement Post-Effective Amendment #28

10. Opinion of Counsel

- (a) Relating to The Seven Seas Series Money Market Fund Pre-Effective Amendment #1
- (b) Relating to The Seven Seas Series US Government Money Market Fund Post-Effective Amendment #5
- (c) Relating to The Seven Seas Series S&P 500 Index, S&P Midcap Index, Matrix Equity, International European Index, International Pacific Index and Short Term Government Securities Funds Post-Effective Amendment #8
- (d) Relating to The Seven Seas Series Yield Plus and Bond Market Funds Post-Effective Amendment #11

(e)	Relating to The Seven Seas Series US Treasury Money Market and Treasury Obligations Funds	Post-Effective Amendment #13
(f)	Relating to The Seven Seas Series Growth and Income and Intermediate Funds	Post-Effective Amendment #16
(g)	Relating to The Seven Seas Series Emerging Markets Fund and the Prime Money Market Portfolio	Post-Effective Amendment #19
(h)	Relating to Class A, Class B and Class C Shares The Seven Seas Series Money Market and US Government Money Market Funds	Post-Effective Amendment #22
(i)	Relating to Class A, Class B and Class C Shares of The Seven Seas Series Tax Free Money Market Fund	Post-Effective Amendment #23
(j)	Relating to The Seven Seas Series Active International Fund	Post-Effective Amendment #28
(k)	Relating to The Seven Seas Series Real Estate Equity Fund	Post-Effective Amendment #29
11.	Other Opinions: Consent of Independent Accountants	None
12.	Financial Statements Omitted from Item 23	None
13.	Letter of Investment Intent	
(a)	The Seven Seas Series Money Market Fund	Pre-Effective Amendment #1
(b)	The Seven Seas Series US Government Money Market Fund	Post-Effective Amendment #5
(c)	The Seven Seas Series Government Securities, Index, Midcap Index, Matrix, European Index and Pacific Index Funds	Post-Effective Amendment #10
(d)	The Seven Seas Series Yield Plus and Bond Market Funds	Post-Effective Amendment #11

(e)	The Seven Seas Series US Treasury Money Market and US Treasury Obligations Funds	Post-Effective Amendment #15
(f)	The Seven Seas Series Growth and Income and Intermediate Funds	Post-Effective Amendment #16
(g)	The Seven Seas Series Emerging Markets Fund and the Prime Money Market Portfolio	Post-Effective Amendment #20
(h)	Class B and C Shares of The Seven Seas Series Money Market and US Government Money Market Funds	Post-Effective Amendment #25
(i)	The Seven Seas Series Tax Free Money Market Fund (Class A, B and C Shares)	Post-Effective Amendment #25
(j)	The Seven Seas Series Active	Post-Effective Amendment #28

14. Prototype Retirement Plan None
15. Distribution Plans pursuant to Rule 12b-1
- (a) Plan of Distribution for the Government Securities, Index, Midcap Index, Matrix, European Index and Pacific Index Funds as approved by the Board of Trustees Post-Effective Amendment #10
- (a)(i) Addendum to the Plan of Distribution incorporating the Yield Plus and Bond Market Funds into the Plan Post-Effective Amendment #11
- (a)(ii) Addendum to the Plan of Distribution incorporating the Money Market and US Government Money Market Funds into the Plan (Class A Shares) Post-Effective Amendment #11
- (a)(iii) Addendum to the Plan of Distribution incorporating the US Treasury Money Market and US Treasury Obligations Funds Post-Effective Amendment #15
- (a)(iv) Addendum to the Plan of Distribution incorporating the Growth and Income and Intermediate Funds Post-Effective Amendment #16
- (a)(v) Addendum to the Plan of Distribution incorporating the Emerging Markets Fund and the Prime Money Market Portfolio Post-Effective Amendment #20
- (a)(vi) Addendum to the Plan of Distribution incorporating the Class A Shares of the Tax Free Money Market Fund Post-Effective Amendment #25
- (a)(vii) Addendum to the Plan of Distribution incorporating the Small Cap, Active International and Real Estate Equity Funds Post-Effective Amendment #28
- (b) Plan of Distribution for the Money Market and US Government Money Market Funds (Class B Shares) as approved by the Board of Trustees Post-Effective Amendment #23
- (b)(i) Addendum to the Plan of Distribution incorporating the Class B Shares of the Tax Free Money Market Fund To be filed by amendment
- (c) Plan of Distribution for the Money Market and US Government Money Market Funds (Class C Shares) as approved by the Board of Trustees Post-Effective Amendment #23
- (c)(i) Addendum to the Plan of Distribution incorporating the Class C Shares of the Tax Free Money Market Fund To be filed by amendment
- (d) Shareholder Servicing Agreement, by and between The Seven Seas Series Fund and State Street Bank and Trust Company Post-Effective Amendment #12
- (e) Form of Agreement Pursuant to Rule 12b-1 Plan (relating to Class B Shares) as approved by the Board of Trustees Post-Effective Amendment #22

-13-

-14-

(f) Form of Agreement Pursuant to Post-Effective Amendment #22
Rule 12b-1 Plan (relating to Class C
Shares) as approved by the Board
of Trustees

16. Computation of Performance Post-Effective Amendment #26
Quotation

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

None

Item 26. NUMBER OF HOLDERS OF SECURITIES

TITLE OF CLASS NUMBER OF RECORD HOLDERS AS OF JULY 26, 1995
Shares of beneficial interest
Par Value \$0.001
THE SEVEN SEAS SERIES

Money Market Fund	
Class A Shares	3613
Class B Shares	1
Class C Shares	1
US Government Money Market Fund	
Class A Shares	236
Class B Shares	1
Class C Shares	1
Short Term Government Securities Fund	0
Matrix Equity Fund	2,653
Small Cap Fund	217
S&P 500 Index Fund	1,421
Active International Fund	352
International Pacific Index	1
Yield Plus Fund	1,118
Bond Market Fund	1
Growth and Income Fund	2,026
Intermediate Fund	1,725
US Treasury Money Market Fund	47

-15-

US Treasury Obligations Fund	1
Prime Money Market Fund	54
Emerging Markets Fund	829
Tax Free Money Market Fund	
Class A Shares	31
Class B Shares	1
Class C Shares	1

Item 27. INDEMNIFICATION

Indemnification is provided to officers and Trustees of the Registrant pursuant to Section 6.4 of Article VI of Registrant's First Amended and Restated Master Trust Agreement, which reads as follows:

"Section 6.4 INDEMNIFICATION OF TRUSTEES, OFFICERS, ETC. The Trust shall indemnify (from the assets of the Sub-Trust or Sub-Trusts in question) each of its Trustees and officers (including persons who serve at the Trust's request as directors, officers or trustees of another organization in which the Trust has any interest as a shareholder, creditor or otherwise [hereinafter referred to as "Covered Person"]) against all liabilities, including but not limited to amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and

expenses, including reasonable accountants' and counsel fees, incurred by any Covered Person in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or legislative body, in which such Covered Person may be or may have been involved as a party or otherwise with which such person may be or may have been threatened, while in office or thereafter, or by reason of being or having been such a Trustee or officer, director or trustee, except with respect to any matter as to which it has been determined that such Covered Person had acted with willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person's office (such conduct referred to hereafter as "Disabling Conduct"). A determination that the Covered Person is entitled to indemnification may be made by (i) a final decision on the merits by a court or other body before whom the proceeding was brought that the person to be indemnified was not liable by reason of Disabling Conduct, (ii) dismissal of a court action or an administrative proceeding against a Covered Person for insufficiency of evidence of Disabling Conduct, or (iii) a reasonable determination, based upon a review of the facts, that the indemnitee was not liable by reason of Disabling Conduct by (a) a vote of a majority of a quorum 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 proceeding, or (b) an independent legal counsel in a written opinion. Expenses, including accountants' and counsel fees so incurred by any such Covered Person (but excluding amounts paid in satisfaction of judgments, in compromise or as fines or penalties), may be paid from time to time by the Sub-Trust in question in advance of the final disposition of any such action, suit or proceeding, provided that the Covered Person shall have undertaken to repay the amounts so paid to the Sub-Trust in question if it is ultimately determined that indemnification of such expenses is not authorized under this Article VI and (i) the Covered Person shall have provided security for such undertaking, (ii) the Trust shall be insured against losses arising by reason of any lawful advances, or (iii) a majority of a quorum of the disinterested Trustees who are not a party to the proceeding, or an independent legal counsel in a written opinion, shall have determined, based on a review of

-16-

readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the Covered Person ultimately will be found entitled to indemnification."

The Investment Advisory Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties under the Investment Advisory Agreement or on the part of the Adviser, or for a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services, the Adviser shall not be subject to liability to the Registrant or to any shareholder of the Registrant for any error of judgment, mistake of law or any other act or omission in the course of, or connected with, rendering services under the Investment Advisory Agreement or for any losses that may be sustained in the purchase, holding or sale of any security.

The Distribution Agreements relating to Class A, Class B and Class C Shares provide that in the absence of willful misfeasance, bad faith, gross negligence, or reckless disregard of obligations or duties under the Distribution Agreement, the Distributor, its officers, directors and any controlling person (within the meaning of Section 15 of the 1933 Act) ("Distributor") shall be indemnified by the Registrant from and against any and all claims, demands, liabilities and expenses (including the cost of investigating or defending such claims, demands or liabilities and any counsel fees incurred in connection therewith) which Distributor may incur under the 1933 Act or under common law or otherwise arising out of or based upon any alleged untrue statement of a material fact contained in the Registration Statement, Prospectus or Statement of Additional Information or arising out of or based upon any alleged omission to state a material fact required to be stated in said documents or necessary to make the statements not misleading.

Registrant provides the following undertaking:

"Insofar as indemnification for liabilities arising under the Securities Act of 1933 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 the successful defense of any action, suit or proceeding) is asserted by such Trustee, officer or controlling person in connection with the securities 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."

-17-

Item 28. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER.

The Investment Management Division of State Street Bank and Trust Company ("State Street") serves as adviser to the Registrant. State Street, a Massachusetts bank, currently manages large institutional accounts and collective investment funds. The business, profession, vocation or employment of a substantial nature which each director or officer of the investment adviser is or has been, at any time during the past two fiscal years, engaged for his own account or in the capacity of director, officer, employee, partner or trustee, is as follows:

NAME	CAPACITY WITH ADVISER	BUSINESS NAME AND ADDRESS*
Tenley E. Albright, MD	Director	Chairman, Vital Sciences, Inc.
Joseph A. Baute	Director	Former Chairman and CEO, Markem Corporation
I. MacAlister Booth	Director	Chairman, President and CEO Polaroid Corporation
Marshall N. Carter	Chairman and CEO	State Street Bank and Trust Company
James I. Cash, Jr.	Director	The James E. Robison Professor of Business Administration Harvard Business School
Truman S. Casner	Director	Partner, Ropes & Gray
Nader F. Darehshori	Director	Chairman, President and CEO Houghton Mifflin Company
Lois D. Jubiler	Director	Chief Technological Officer Colgate-Palmolive Company
Charles F. Kaye	Director	President, Transportation Investments, Inc.
George H. Kidder	Director	Senior Partner Hemenway & Barnes
John M. Kucharski	Director	Chairman, President and CEO EG&G, Inc.
David B. Perini	Director	Chairman and President Perini Corporation
Dennis J. Picard	Director	Chairman and CEO Raytheon Company
Bernard W. Reznicek	Director	Chairman, President and CEO

-18-

		Boston Edison Company
David A. Spina	Vice Chairman	State Street Bank and Trust Company
Robert E. Weissman	Director	President and COO The Dun & Bradstreet Corp.

*Address of all individuals: State Street Boston Corporation, 225 Franklin Street, Boston, Massachusetts 02110

Item 29. PRINCIPAL UNDERWRITERS

(a) Russell Fund Distributors, Inc., also acts as principal

underwriter for Frank Russell Investment Company.

(b) The directors and officers of Russell Fund Distributors, Inc., their principal business address, and positions and offices with the Registrant and Russell Fund Distributors, Inc. are set forth below:

NAME AND PRINCIPAL BUSINESS ADDRESS*	POSITION AND OFFICES WITH UNDERWRITER	POSITION WITH REGISTRANT
Lynn L. Anderson	Director and President	Trustee, Chairman of the Board, and President
Margaret L. Barclay	Director	Senior Vice President, Fund Treasurer, and Director of Operations
Karl J. Ege	Secretary and General Counsel	None
J. David Griswold	Associate General Counsel and Assistant Secretary	Secretary
Mary E. Hughs	Assistant Secretary	None
Nancy M. Jacoby	Assistant Secretary	None
John C. James	Assistant Secretary	None
Randall P. Lert	Director	None
James K. Palmer	Treasurer	None

*Address of all individuals: 909 A Street, Tacoma, Washington 98402

-19-

Item 30. LOCATION OF ACCOUNTS AND RECORDS

The Registrant's Administrator, Frank Russell Investment Management Company, 909 A Street, Tacoma, Washington 98402, will maintain the physical possession of the books and records required by subsection (b) (4) of Rule 31a-1 under the Investment Company Act of 1940. All other accounts, books and documents required by Rule 31a-1 are maintained in the physical possession of Registrant's investment adviser, transfer agent, and custodian, State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts, 02110 and 1776 Heritage Drive, North Quincy, Massachusetts 02171.

Item 31. MANAGEMENT SERVICES

Not applicable.

Item 32. UNDERTAKINGS

(a) Not applicable.

(b) Not applicable.

(c) The Registrant hereby undertakes to furnish to 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.

-20-

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, The Registrant, the Seven Seas Series Fund, certifies that it meets all of the requirements for effectiveness of this Post-Effective Amendment No. 31 to its Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Boston, and Commonwealth of Massachusetts, on the 27th day of July, 1995.

By: /s/ Lynn L. Anderson

Lynn L. Anderson, President
and Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities as indicated on July 27, 1995.

SIGNATURE	TITLE
/s/ Lynn L. Anderson ----- Lynn L. Anderson	Trustee, President and Chairman of the Board
----- Steven J. Mastrovich	Trustee
/s/ William L. Marshall ----- William L. Marshall	Trustee
/s/ Patrick J. Riley ----- Patrick J. Riley	Trustee
----- Richard D. Shirk	Trustee
/s/ Bruce D. Taber ----- Bruce D. Taber	Trustee
/s/ Henry W. Todd ----- Henry W. Todd	Trustee
/s/ Margaret L. Barclay ----- Margaret L. Barclay	Treasurer and Principal Financial and Accounting Officer

-21-

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
----------------	-------------	-------------------------------

-22-

<TABLE> <S> <C>

<ARTICLE> 6

<SERIES>

<NUMBER> 7

<NAME> THE SEVEN SEAS SERIES ACTIVE INTERNATIONAL FUND

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	OTHER
<FISCAL-YEAR-END>	AUG-31-1995
<PERIOD-START>	MAR-07-1995
<PERIOD-END>	JUN-30-1995
<INVESTMENTS-AT-COST>	17,359
<INVESTMENTS-AT-VALUE>	16,857
<RECEIVABLES>	7,099
<ASSETS-OTHER>	260
<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	24,216
<PAYABLE-FOR-SECURITIES>	89
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	7,039
<TOTAL-LIABILITIES>	7,128
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	17,501
<SHARES-COMMON-STOCK>	1,700
<SHARES-COMMON-PRIOR>	0
<ACCUMULATED-NII-CURRENT>	81
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	(41)
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	(453)
<NET-ASSETS>	17,088
<DIVIDEND-INCOME>	111
<INTEREST-INCOME>	31
<OTHER-INCOME>	0
<EXPENSES-NET>	61
<NET-INVESTMENT-INCOME>	81
<REALIZED-GAINS-CURRENT>	(41)
<APPREC-INCREASE-CURRENT>	(453)
<NET-CHANGE-FROM-OPS>	(413)
<EQUALIZATION>	0
<DISTRIBUTIONS-OF-INCOME>	0
<DISTRIBUTIONS-OF-GAINS>	0
<DISTRIBUTIONS-OTHER>	0
<NUMBER-OF-SHARES-SOLD>	1,705
<NUMBER-OF-SHARES-REDEEMED>	5
<SHARES-REINVESTED>	0

<NET-CHANGE-IN-ASSETS>	17,088
<ACCUMULATED-NII-PRIOR>	0
<ACCUMULATED-GAINS-PRIOR>	0
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	20
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	76
<AVERAGE-NET-ASSETS>	8,476
<PER-SHARE-NAV-BEGIN>	10.00
<PER-SHARE-NII>	.00
<PER-SHARE-GAIN-APPREC>	.05
<PER-SHARE-DIVIDEND>	.00
<PER-SHARE-DISTRIBUTIONS>	.00
<RETURNS-OF-CAPITAL>	.00
<PER-SHARE-NAV-END>	10.05
<EXPENSE-RATIO>	2.28
<AVG-DEBT-OUTSTANDING>	0
<AVG-DEBT-PER-SHARE>	0

</TABLE>