

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

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### FILER

#### SCUDDER FUND INC

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Managed Government Securities Fund  
Managed Federal Securities Fund  
Managed Cash Fund  
Managed Tax-Free Fund  
Managed Intermediate Government Fund

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Scudder, Stevens & Clark, Inc. - Investment Adviser

Scudder Investor Services, Inc. - Distributor

Scudder Fund, Inc. (the "Company") is a professionally managed, open-end, diversified investment company that currently has five series (collectively, the "Funds"):

Managed Government Securities Fund, Managed Federal Securities Fund, Managed Cash Fund and Managed Tax-Free Fund (each, a "Money Market Fund" and collectively, the "Money Market Funds") are money market funds that seek to provide investors with as high a level of current income as is consistent with their investment objectives and policies and with preservation of capital and liquidity. The Money Market Funds are neither insured nor guaranteed by the U.S. Government. Each Money Market Fund intends to maintain a net asset value per share of \$1.00, but there is no assurance that it will be able to do so.

Managed Intermediate Government Fund seeks to provide investors with a high level of current income and to keep the price of its shares more stable than that of a long-term bond. The net asset value of the Fund's shares will fluctuate.

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This Prospectus sets forth concisely the information about the Company that a prospective investor should know before investing. Please retain it for future reference. If you require more detailed information, a Statement of Additional Information dated May 1, 1995, as amended from time to time, may be obtained without charge by writing or calling the Company at the address and telephone number printed above. The Statement of Additional Information, which is incorporated by reference into this Prospectus, has been filed with the Securities and Exchange Commission.

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

May 1, 1995

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Summary

The Company

Scudder Fund, Inc. is a professionally managed, open-end, diversified investment company which offers the following five investment series: Managed Government Securities Fund (the "Government Fund"), Managed Federal Securities Fund (the

"Federal Fund"), Managed Cash Fund (the "Cash Fund"), Managed Tax-Free Fund (the "Tax-Free Fund") and Managed Intermediate Government Fund (the "Intermediate Government Fund"), (each, a "Fund" and collectively, the "Funds"). See "Company Organization."

## Objectives and Policies

Each Money Market Fund seeks to provide investors with as high a level of current income as is consistent with its stated investment objective and policies and with preservation of capital and liquidity. Each Money Market Fund invests exclusively in high quality investments with remaining maturities of not more than 397 days. Each Money Market Fund values its portfolio securities on the basis of amortized cost rather than at market value. Thus, although the market value of a portfolio may vary inversely to changes in prevailing interest rates and may be affected by changes in the creditworthiness of issuers of securities held in its portfolio and other market factors, each Money Market Fund expects to maintain a constant net asset value of \$1.00 per share. There is no assurance, however, that this can be achieved.

The Government Fund invests in obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities.

The Federal Fund invests in obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities. The Fund seeks to attain the objective of as

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high a level of current income that cannot be subjected to state or local income tax by reason of federal law as is consistent with its other stated policies. Income from the Federal Fund may not be exempt from certain state and local taxes.

The Cash Fund invests in obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities, obligations of certain U.S. or foreign banks and their branches (such banks in each case to have total assets of at least \$1 billion), corporate commercial paper and other short-term corporate obligations, and securities issued by or on behalf of states, cities, municipalities and other public authorities (which may or may not be exempt from federal income taxes).

The Tax-Free Fund invests in a broad range of securities issued by or on behalf of states, cities, municipalities and other public authorities ("municipal obligations") the income of which is exempt from federal income taxes. Income from the Tax-Free Fund may not be exempt from certain state and local taxes.

The Intermediate Government Fund seeks to provide investors with a high level of current income and to keep the price of its shares more stable than that of a long-term bond. The net asset value of the Fund's shares will fluctuate. The Fund invests in obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities. The Fund may also invest in mortgage-related pass-through obligations issued by the Government National Mortgage

Association, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, and purchase collateralized mortgage obligations issued by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or other agencies of the U.S. Government or instrumentalities established or sponsored by the U.S. Government. Under ordinary market conditions, it is expected that the portfolio of the Fund will have a dollar-weighted average life of three to seven years. The Fund will limit its investments to those which are eligible for federally-chartered credit unions. See "Investment Objectives and Policies."

Additional Investment  
Activities

The Cash Fund may invest in obligations of foreign banks, which involve different risks than those associated with obligations of domestic banks. In addition, certain obligations in which each Fund may invest may have a floating or variable rate of interest. Certain obligations in which the Cash Fund and Tax-Free Fund may invest may be backed by bank letters of credit. Each Fund may enter into repurchase agreements, and investments in any of the Funds may be purchased on a when-issued basis and with put features. Each of these investment practices entails certain risks. See "Additional Information About Policies and Investments."

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Investment Adviser

The Funds' investment adviser is Scudder, Stevens & Clark, Inc. (the "Adviser"), a leading provider of U.S. and international investment management services for clients throughout the world.

The Adviser receives monthly an investment management fee for its services, equal, on an annual basis, to 0.40% of the first \$1.5 billion of each Money Market Fund's average daily net assets and 0.35% of such assets in excess of \$1.5 billion; and 0.65% of the Intermediate Government Fund's average daily net assets.

Distributor

Scudder Investor Services, Inc., a wholly-owned subsidiary of the Adviser (the "Distributor") is the principal underwriter for the Company.

Custodian

State Street Bank and Trust Company (the "Custodian") is the custodian for the Company.

Purchasing Shares

Shares of any Fund may be purchased at net asset value by writing or calling Scudder Service Corporation, a wholly-owned subsidiary of the Adviser (the "Transfer Agent"). There is no sales charge. While the Funds have no specific minimum initial investment requirement, it is the Company's policy normally not to accept initial investments in amounts below \$100,000 for each Fund. The minimum subsequent investment for any Fund is \$100. See "Transaction Information--Purchasing Shares."

Redeeming Shares

Shareholders may redeem all or any part of their investments in the Funds by contacting the Transfer Agent. Shares will be redeemed at their next determined net asset value. There is no redemption charge. The Company reserves the right, upon notice, to redeem the shares in an investor's account if the

value of such shares falls below certain levels or if the account does not have a certified Social Security or tax identification number. See "Transaction Information--Redeeming Shares."

Share Price

Scudder Fund Accounting Corporation, a wholly-owned subsidiary of the Adviser, determines net asset value per share of each Fund on each day the New York Stock Exchange (the "Exchange") is open for trading. The net asset value per share of each Money Market Fund is determined at 2:00 P.M. (New York time), and the net asset value per share of the Intermediate Government Fund is determined at the close of regular trading on the Exchange, which is currently 4:00 P.M. (New York time). See "Transaction Information--Share Price."

Dividends

Dividends on shares of each Fund are declared daily and paid monthly. Distributions of capital gains, if any, are paid annually. Dividends and capital gains distributions with respect to shares of each Fund are automatically paid in additional shares of the same Fund unless shareholders elect to receive payments in cash. See "Distribution and Performance Information--Dividends and Capital Gains Distributions."

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Expense Information

This information is designed to help an investor understand the various costs and expenses of investing in Government Securities Fund and Federal Securities Fund.

- 1) Shareholder Transaction Expenses: Expenses charged directly to an individual account in a Fund for various transactions.

	Government Securities Fund	Federal Securities Fund
	-----	-----
	NONE	NONE

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

Investment Management Fees	0.11%*	0%**
Other Expenses:		
Payments to Banks and Other Institutions for Shareholder and Distribution Services	0.19%	0.22%
Miscellaneous	0.25%	0.53%
Total	0.44%*	0.75%**
	----	----
Total Fund Operating Expenses	0.55%*	0.75%**
	====	====

Example

Based on the level of total Fund operating expenses listed above, the total expenses relating to a \$1,000 investment, assuming a 5% annual return and redemption at the end of each period, are listed below. Investors do not pay these expenses directly; they are paid by each Fund before it distributes its net investment income to shareholders.

One year	\$ 6	\$ 8
Three years	18	24
Five years	31	42
Ten years	69	93

See "Company Organization--Investment Adviser" for further information about investment management fees. This example assumes reinvestment of all dividends

and distributions and that the percentage amounts listed under "Annual Fund Operating Expenses" remain the same each year. This example should not be considered a representation of past or future expenses or return. Actual Fund expenses and return vary from year to year and may be higher or lower than those shown.

\* For the period January 20, 1995 to June 30, 1995, the Adviser has agreed to maintain the total annualized expenses of the Fund at not more than 0.55% of average daily net assets. If the Adviser had not agreed to maintain the Fund's expenses the total annualized expenses of the Fund would have been 0.84% (of which 0.40% would have consisted of investment management fees) for the fiscal year ended December 31, 1994.

\*\* For the period January 20, 1995 to June 30, 1995, the Adviser has agreed to maintain the total annualized expenses of the Fund at not more than 0.75% of average daily net assets. If the Adviser had not agreed to maintain the Fund's expenses the total annualized expenses of the Fund would have been 1.22% (of which 0.40% would have consisted of investment management fees) for the fiscal year ended December 31, 1994.

"Payments to Banks and Other Institutions for Shareholder and Distribution Services" represent payments made by the Company pursuant to special contractual arrangements with banks and other institutions that perform shareholder servicing functions for the Company with respect to shares of any Fund owned by customers of such banks and institutions. These shareholder services would include certain services that otherwise would have been performed for the Company by its Transfer Agent. In addition, each Fund in the above fee table may pay service fees to brokers and dealers, investment advisers and other institutions. For information with respect to such payments see "Special Arrangements with Banks and Other Institutions" and "Shareholder Service, Administration and Distribution Plan."

Expense Information

This information is designed to help an investor understand the various costs and expenses of investing in Cash Fund and Tax-Free Fund.

1) Shareholder Transaction Expenses: Expenses charged directly to an individual account in a Fund for various transactions.

Cash Fund	Tax-Free Fund
-----	-----
NONE	NONE

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

Investment Management Fees	0.27%*	0.40%
Other Expenses:		
Payments to Banks and Other Institutions for Shareholder and Distribution Services	0.15%	0.19%
Miscellaneous	0.13%	0.18%
Total	0.28%*	0.37%
	----	----
Total Fund Operating Expenses	0.55%*	0.77%
	====	====

Example

Based on the level of total Fund operating expenses listed above, the total expenses relating to a \$1,000 investment, assuming a 5% annual return and redemption at the end of each period, are listed below. Investors do not pay these expenses directly; they are paid by each Fund before it distributes its net investment income to shareholders.

One year	\$ 6	\$ 8
Three years	18	25
Five years	31	43
Ten years	69	95

See "Company Organization--Investment Adviser" for further information about investment management fees. This example assumes reinvestment of all dividends and distributions and that the percentage amounts listed under "Annual Fund

Operating Expenses" remain the same each year. This example should not be considered a representation of past or future expenses or return. Actual Fund expenses and return vary from year to year and may be higher or lower than those shown.

\* For the period January 20, 1995 to June 30, 1995, the Adviser has agreed to maintain the total annualized expenses of the Fund at no more than 0.55% of average daily net assets. If the Adviser had not agreed to maintain the Fund's expenses the total annualized expenses of the Fund would have been 0.68% (of which 0.40% would have consisted of investment management fees) for the fiscal year ended December 31, 1994.

"Payments to Banks and Other Institutions for Shareholder and Distribution Services" represent payments made by the Company pursuant to special contractual arrangements with banks and other institutions that perform shareholder servicing functions for the Company with respect to shares of any Fund owned by customers of such banks and institutions. These shareholder services would include certain services that otherwise would have been performed for the Company by its Transfer Agent. In addition, each Fund in the above fee table may pay service fees to brokers and dealers, investment advisers and other institutions. For information with respect to such payments see "Special Arrangements with Banks and Other Institutions" and "Shareholder Service, Administration and Distribution Plan."

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Expense Information

This information is designed to help an investor understand the various costs and expenses of investing in Managed Intermediate Government Fund.

1) Shareholder Transaction Expenses: Expenses charged directly to an individual account in the Fund for various transactions.

Intermediate  
Government Fund  
-----  
NONE

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

Investment Management Fees	0.11%*
12b-1 Fees	0.14%+
Other Expenses	0.55%*
	----
Total Portfolio Operating Expenses	0.80%*
	=====

Example

Based on the level of total Fund operating expenses listed above, the total expenses relating to a \$1,000 investment, assuming a 5% annual return and redemption at the end of each period, are listed below. Investors do not pay these expenses directly; they are paid by the Fund before it distributes its net investment income to shareholders.

One year	\$ 8
Three years	26
Five years	44
Ten years	99

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

\* For the period January 20, 1995 to June 30, 1995, the Adviser has agreed to maintain the total annualized expenses of the Fund at not more than 0.80% of average daily net assets. If the Adviser had not agreed to maintain the Fund's expenses, the total annualized expenses of the Fund would have been 1.34% (of which 0.65% would have consisted of investment management fees) for the fiscal year ended December 31, 1994.

+ To the extent that these payments may be deemed to be for distribution purposes, long-term shareholders of the Fund may pay more than the economic equivalent of the maximum front-end sales charges permitted by the National Association of Securities Dealers, Inc.

"12b-1 Fees" represent payments made by the Company pursuant to special contractual arrangements with banks and other institutions that perform shareholder servicing functions for the Company with respect to shares of the Fund owned by customers of such banks and institutions. These shareholder services would include certain services that otherwise would have been performed for the Company by its Transfer Agent. In addition, the Fund may pay service fees to brokers and dealers, investment advisers and other institutions. For information with respect to such payments see "Special Arrangements with Banks and Other Institutions" and "Shareholder Service, Administration and Distribution Plan."

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### Financial Highlights

#### Government Fund

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

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

The following information has been audited by Price Waterhouse LLP, independent accountants, whose unqualified report thereon is included in the Annual Report to Shareholders, which is incorporated by reference to the Statement of Additional Information. The financial highlights should be read in conjunction with the financial statements and notes thereto included in the Annual Report.

<TABLE>  
<CAPTION>

	Years Ended December 31,									
	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income	.037	.026	.035	.056	.075	.084	.069	.061	.063	.077
Distributions from net investment income and net realized capital gains	(.037)	(.026)	(.035)	(.056)	(.075)	(.084)	(.069)	(.061)	(.063)	(.077)
Net asset value, end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Return (%)	3.75 (b)	2.68 (b)	3.51 (b)	5.65 (b)	7.73 (b)	8.81 (b)	7.13	6.24	6.44 (b)	7.97 (b)
Ratios and Supplemental Data										
Net assets, end of year (\$ millions)	\$ 69	\$ 92	\$ 151	\$ 87	\$ 82	\$ 64	\$ 409	\$ 587	\$ 786	\$ 564
Ratio of operating expenses to average daily net assets (%) (a)	.55	.55	.55	.55	.73	.75	.69	.69	.60	.51
Ratio of net investment income to average net assets (%)	3.61	2.65	3.39	5.54	7.48	8.42	6.83	6.01	6.19	7.71
(a) Operating expense ratio including expenses reimbursed, management fee and other expenses not imposed (%)	.84	.77	.76	.80	.80	.80	--	--	.71	.77

(b) Total returns are higher, for the periods indicated, due to maintenance of the Fund's expenses.

</TABLE>

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#### Federal Fund

The following table includes selected data for a share outstanding throughout

each year and other performance information derived from the audited financial statements.

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

The following information has been audited by Price Waterhouse LLP, independent accountants, whose unqualified report thereon is included in the Annual Report to Shareholders, which is incorporated by reference to the Statement of Additional Information. The financial highlights should be read in conjunction with the financial statements and notes thereto included in the Annual Report.

<TABLE>

<CAPTION>

	Years Ended December 31,			For the Period July
	1994	1993	1992	17, 1991
	----	----	----	(commencement of operations) through December 31, 1991
<S>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income	.032	.024	.030	.021
Distributions from net investment income and net realized capital gains	(.032)	(.024)	(.030)	(.021)
Net asset value, end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Return (%) (b)	3.24	2.45	3.02	4.80 (c)
Ratios and Supplemental Data				
Net assets, end of year (\$ millions)	\$ 13	\$ 13	\$ 12	\$ 14
Ratio of operating expenses to average daily net assets (%) (a)	.69	.52	.53	.52 (c)
Ratio of net investment income to average net assets (%)	3.19	2.43	3.00	4.67 (c)
(a) Operating expense ratio including expenses reimbursed, management fee and other expenses not imposed (%)	1.22	1.14	1.07	.92
(b) Total returns are higher due to maintenance of the Fund's expenses.				
(c) Annualized				

</TABLE>

Cash Fund

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

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

The following information has been audited by Price Waterhouse LLP, independent accountants, whose unqualified report thereon is included in the Annual Report to Shareholders, which is incorporated by reference to the Statement of Additional Information. The financial highlights should be read in conjunction with the financial statements and notes thereto included in the Annual Report.

<TABLE>

<CAPTION>

	Years Ended December 31,									
	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
	----	----	----	----	----	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

Net investment income	.038	.028	.037	.059	.076	.086	.070	.062	.063	.077
Distributions from net investment income and net realized capital gains	(.038)	(.028)	(.037)	(.059)	(.076)	(.086)	(.070)	(.062)	(.063)	(.077)
Net asset value, end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Return (%)	3.86(b)	2.81(b)	3.74(b)	6.07(b)	7.92(b)	8.93	7.21	6.35	6.46(b)	7.92(b)
Ratios and Supplemental Data										
Net assets, end of year (\$ millions)	\$ 367	\$ 324	\$ 305	\$ 347	\$ 385	\$ 331	\$ 389	\$ 445	\$ 752	\$ 915
Ratio of operating expenses to average daily net assets (%) (a)	.55	.55	.55	.55	.67	.72	.65	.68	.69	.64
Ratio of net investment income to average net assets (%)	3.84	2.78	3.76	5.93	7.64	8.56	6.95	6.08	6.26	7.65
(a) Operating expense ratio including expenses reimbursed, management fee and other expenses not imposed (%)	.68	.66	.64	.64	.70	--	--	--	.73	.71

(b) Total returns are higher, for the periods indicated, due to maintenance of the Fund's expenses.

</TABLE>

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#### Tax-Free Fund

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

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

The following information has been audited by Price Waterhouse LLP, independent accountants, whose unqualified report thereon is included in the Annual Report to Shareholders, which is incorporated by reference to the Statement of Additional Information. The financial highlights should be read in conjunction with the financial statements and notes thereto included in the Annual Report.

<TABLE>

<CAPTION>

	Years Ended December 31,									
	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
	----	----	----	----	----	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income	.023	.018	.025	.042	.053	.057	.049	.042	.044	0.50
Distributions from net investment income and net realized capital gains	(.023)	(.018)	(.025)	(.042)	(.053)	(.057)	(.049)	(.042)	(.044)	(.050)
Net asset value, end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Return (%)	2.29	1.85	2.56	4.20	5.47	5.91	4.98	4.25	4.47(b)	5.08(b)
Ratios and Supplemental Data										
Net assets, end of year (\$ millions)	\$ 125	\$ 107	\$ 91	\$ 107	\$ 135	\$ 137	\$ 261	\$ 336	\$ 415	\$ 388
Ratio of operating expenses to average daily net assets (%) (a)	.77	.78	.77	.75	.77	.76	.60	.66	.69	.64
Ratio of net investment income to average net assets (%)	2.26	1.83	2.54	4.14	5.33	5.72	4.85	4.14	4.35	4.96
(a) Operating expense ratio including expenses reimbursed, management fee and other expenses not	--	--	--	--	--	--	--	--	.72	.74

imposed (%)

(b) Total returns are higher, for the periods indicated, due to maintenance of the Fund's expenses.

</TABLE>

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#### Intermediate Government Fund

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

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

The following information has been audited by Price Waterhouse LLP, independent accountants, whose unqualified report thereon is included in the Annual Report to Shareholders, which is incorporated by reference to the Statement of Additional Information. The financial highlights should be read in conjunction with the financial statements and notes thereto included in the Annual Report.

<TABLE>

<CAPTION>

	Year Ended December 31, 1994	For the Period March 1, 1993 (commencement of operations) to December 31, 1993
	-----	-----
<S>	<C>	<C>
Net asset value, beginning of period	\$ 9.98	\$10.00
	-----	-----
Income from Investment Operations:		
Net investment income (a)	.49	.45
Net realized and unrealized loss on investments	(.80)	(.02)
	-----	-----
Total from investment operations	(.31)	.43
	-----	-----
Less dividends from net investment income	(.49)	(.45)
	-----	-----
Net asset value, end of period	\$ 9.18	\$ 9.98
	=====	=====
Total return (%) (d)	(3.12)	4.37 (b)
	=====	=====
Ratios and Supplementary Data		
Net assets, end of period (\$ millions)	22	15
Ratio of operating expenses, to average net assets (%) (a)	1.01	.51 (c)
Ratio of net investment income, to average net assets (%)	5.19	5.35 (c)
Portfolio turnover rate (%)	336.62	132.98 (c)
(a) Reflects a per share amount of expenses reimbursed by the Manager of	\$ --	\$ .03
Reflects a per share amount of management fee and other fees not imposed	\$ .03	\$ .07
Operating expense ratio including expenses reimbursed, management fee and other expenses not imposed (%)	1.34	1.69 (c)
(b) Not annualized		
(c) Annualized		
(d) Total returns are higher due to maintenance of the Fund's expenses.		

</TABLE>

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#### Investment Objectives and Policies

Set forth below is a description of the investment objective and policies of each Fund. The Money Market Funds seek to provide investors with as high a level of current income through investment in high-quality short-term obligations as is consistent with their investment objectives and policies and with preservation of capital and liquidity. The Federal Fund seeks to provide current income that cannot be subjected to state and local taxes by reason of federal law, and the Tax-Free Fund seeks to provide current income that is exempt from federal income taxes. The Intermediate Government Fund seeks to provide investors with a high level of current income and to keep the price of its shares more stable than that of a long-term bond. The Intermediate Government Fund is not a fixed-price money market fund, and the value of its shares will fluctuate. In seeking its investment objective of high current

income, the Intermediate Government Fund will not invest in non-investment grade securities. Except as otherwise indicated, each Fund's investment objective and policies are not fundamental and may be changed without a vote of shareholders. Shareholders will receive written notice of any changes in each Fund's objective. There can be no assurance that any of the Funds will achieve its investment objective.

Securities in which the Money Market Funds invest may not yield as high a level of current income as securities of lower quality and longer maturities which generally have less liquidity and greater market risk.

Each Money Market Fund will maintain a dollar-weighted average maturity of 90 days or less in an effort to maintain a net asset value per share of \$1.00, but there is no assurance that it will be able to do so.

#### Government Fund

The Government Fund seeks to provide investors with as high a level of current income as is consistent with its investment policies and with preservation of capital and liquidity. The Fund invests exclusively in obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities that have remaining maturities of not more than 397 days and certain repurchase agreements.

In addition, the Fund may invest in variable or floating rate obligations, when-issued securities and securities with put features.

#### Federal Fund

The Federal Fund seeks to provide investors with as high a level of current income that cannot be subjected to state or local income taxes by reason of federal law as is consistent with its investment policies and with preservation of capital and liquidity. To achieve this objective, the Fund invests exclusively in obligations issued or guaranteed by the U.S. Government that have remaining maturities of not more than 397 days, including securities issued by the Federal Farm Credit Banks Funding Corp. and the Student Loan Marketing Association, and in certain repurchase agreements when in the judgment of the Adviser this is advisable for liquidity purposes, in order to enhance yield or in other circumstances such as when appropriate securities are not available.

In addition, the Fund may invest in variable or floating rate obligations, when-issued securities and securities with put features.

#### Cash Fund

The Cash Fund seeks to provide investors with as high a level of current income as is consistent with its investment policies and with preservation of capital and liquidity. The Fund invests exclusively in a broad range of short-term money market instruments that have remaining maturities of not more than 397 days and certain repurchase agreements. These securities consist of obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities, taxable and tax-exempt municipal obligations, corporate and bank obligations, certificates of deposit, bankers' acceptances and variable amount master demand notes.

The bank obligations in which the Fund may invest include negotiable certificates of deposit, bankers' acceptances, fixed time deposits or other short-term bank obligations. The Fund limits its investments in U.S. bank

obligations to obligations of U.S. banks (including foreign branches, the obligations of which are guaranteed by the U.S. parent) that have at least \$1 billion in total assets at the time of investment. "U.S. banks" include commercial banks that are members of the Federal Reserve System or are examined by the Comptroller of the Currency or whose deposits are insured by the Federal Deposit Insurance Corporation. In addition, the Fund may invest in savings banks and savings and loan associations insured by the Federal Deposit Insurance Corporation that have total assets in excess of \$1 billion at the time of the investment. The Fund limits its investments in foreign bank obligations to U.S. dollar-denominated obligations of foreign banks (including U.S. branches) which banks (based upon their most recent annual financial statements) at the time of investment (i) have more than \$10 billion, or the equivalent in other currencies, in total assets; (ii) are among the 100 largest banks in the world as determined on the basis of assets; and (iii) have branches or agencies in the U.S.; and which obligations, in the opinion of the Adviser, are of an investment quality comparable to obligations of U.S. banks in which the Fund may invest.

Fixed time deposits may be withdrawn on demand by the investor, but may be

subject to early withdrawal penalties that vary with market conditions and the remaining maturity of the obligations. The Fund may not invest more than 10% of the value of its total assets in investments that are not readily marketable including fixed time deposits subject to withdrawal penalties maturing in more than seven calendar days.

The Fund may invest in U.S. dollar-denominated obligations of foreign banks. There is no limitation on the amount of the Fund's assets that may be invested in obligations of foreign banks that meet the conditions set forth above. Such investments may involve greater risks than those affecting U.S. banks or Canadian affiliates of U.S. banks. In addition, foreign banks are not subject to examination by any U.S. Government agency or instrumentality.

Except for obligations of foreign banks and foreign branches of U.S. banks, the Fund will not invest in the securities of foreign issuers. Generally, the Fund may not invest less than 25% of the current value of its total assets in bank obligations (including bank obligations subject to repurchase agreements).

The commercial paper purchased by the Fund is limited to direct obligations of domestic corporate issuers, including bank holding companies, which obligations, at the time of investment, are (i) rated "P-1" by Moody's Investors Service, Inc. ("Moody's"), "A-1" or better by Standard & Poor's ("S&P") or "F-1" by Fitch Investors Service, Inc. ("Fitch"), (ii) issued or guaranteed as to principal and interest by issuers having an existing debt security rating of "Aa" or better by Moody's or "AA" or better by S&P or Fitch, or (iii) securities that, if not rated, are of comparable investment quality as determined by the Adviser in accordance with procedures adopted by the Board of Directors.

The Fund may invest in non-convertible corporate debt securities such as notes, bonds and debentures that have remaining maturities of not more than 397 days and that are rated "Aa" or better by Moody's or "AA" or better by S&P or Fitch, and variable amount master demand notes. A variable amount master demand note differs from ordinary commercial paper in that it is issued pursuant to a written agreement between the issuer and the holder. Its amount may from time to time be increased by the holder (subject to an agreed maximum) or decreased by the holder or the issuer and is payable on demand. The rate of interest varies pursuant to an agreed-upon formula. Generally, master demand notes are not rated by a rating agency. However, the Fund may invest in a master demand note that, if not rated, is in the opinion of the Adviser of an investment quality comparable to rated securities in which the Fund may invest. The Adviser monitors the issuers of such master demand notes on a daily basis. Transfer of such notes is usually restricted by the issuer, and there is no secondary trading market for such notes. The Fund may not invest in a master demand note if, as a result, more than 10% of the value of its total net assets would be invested in such notes.

All of the securities in which the Fund will invest must meet credit standards applied by the Adviser pursuant to procedures established by the Board of Directors. Should an issue of securities cease to be rated or if its rating is reduced below the minimum required for purchase by the Fund, the Adviser will

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dispose of any such security, as soon as practicable, unless the Directors of the Company determine that such disposal would not be in the best interests of the Fund.

In addition, the Fund may invest in variable or floating rate obligations, obligations backed by bank letters of credit, when-issued securities and securities with put features.

#### Tax-Free Fund

The Tax-Free Fund seeks to provide investors with as high a level of current income that cannot be subjected to federal income tax by reason of federal law as is consistent with its investment policies and with preservation of capital and liquidity. The Fund invests primarily in high-quality municipal obligations the interest on which is exempt from federal income taxes and that have remaining maturities of not more than 397 days. Opinions relating to the exemption of interest on municipal obligations from federal income tax are rendered by bond counsel to the municipal issuer. The Fund may also invest in certain taxable obligations on a temporary defensive basis, as described below.

From time to time the Fund may invest 25% or more of the current value of its total assets in municipal obligations that are related in such a way that an economic, business or political development or change affecting one such obligation would also affect the other obligations. For example, certain municipal obligations accrue interest that is paid from revenues of similar type

projects; other municipal obligations have issuers located in the same state.

The Fund may, pending the investment of proceeds of sales of shares or proceeds from sales of portfolio securities or in anticipation of redemptions, or to maintain a "defensive" posture when, in the opinion of the Adviser, it is advisable to do so because of market conditions, elect to invest temporarily up to 20% of the current value of its total assets in cash reserves or taxable securities. Under ordinary market conditions, the Fund will maintain at least 80% of the value of its total assets in obligations that are exempt from federal income taxes and are not subject to the alternative minimum tax. The foregoing constitutes a fundamental policy that cannot be changed without the approval of a majority of the outstanding shares of the Fund.

The taxable market is a broader and more liquid market with a greater number of investors, issuers and market makers than the market for municipal obligations. The more limited marketability of municipal obligations may make it difficult in certain circumstances to dispose of large investments advantageously. In addition, certain municipal obligations might lose tax-exempt status in the event of a change in the tax laws.

All of the securities in which the Fund will invest must meet credit standards applied by the Adviser pursuant to procedures established by the Board of Directors. Should an issue of securities cease to be rated or if its rating is reduced below the minimum required for purchase by the Fund, the Adviser will dispose of any such security, as soon as practicable, unless the Directors of the Company determine that such disposal would not be in the best interests of the Fund.

In addition, the Fund may enter into repurchase agreements, and invest in variable or floating rate obligations, obligations backed by bank letters of credit, when-issued securities and securities with put features.

#### Intermediate Government Fund

The Intermediate Government Fund invests in obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities and certain repurchase agreements described below under "Additional Information About Policies and Investments." The Fund may also invest in mortgage-related pass-through obligations issued by the Government National Mortgage Association, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation ("pass-through obligations"); purchase collateralized mortgage obligations ("CMOs") issued by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or other agencies of the U.S. Government or instrumentalities established or sponsored by the U.S. Government; and invest in zero coupon bonds. Under ordinary market conditions, it is expected that the

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portfolio of the Fund will have a dollar-weighted average life of three to seven years. The Fund will limit its investments to those which are eligible for federally-chartered credit unions.

Obligations of U.S. Government agencies and instrumentalities are debt securities issued by U.S. Government sponsored enterprises and federal agencies. Some of such obligations are supported by (a) the full faith and credit of the U.S. Treasury (such as Government National Mortgage Association participation certificates), (b) the limited authority of the issuer to borrow from the U.S. Treasury (such as securities of the Federal Home Loan Bank), (c) the authority of the U.S. Government to purchase certain obligations of the issuer (such as securities of the Federal National Mortgage Association) or (d) only the credit of the issuer. In the case of obligations not backed by the full faith and credit of the U.S., the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment.

A pass-through obligation is a security that represents an ownership interest in a pool of mortgages and the resultant cash flow from those mortgages. Payments by homeowners on the loans in the pool flow through to certificate holders in amounts sufficient to repay principal and to pay interest at the pass-through rate. The average lives of pass-through obligations may be shortened by unscheduled prepayments of principal and interest on the underlying mortgages. Variations in the maturities of pass-through obligations will affect the Fund's yield. Furthermore, as with any debt obligation, fluctuations in interest rates will inversely affect the market value of pass-through obligations. Moreover, during periods of declining interest rates, prepayments may affect the Fund's ability to maintain positions in high-yielding pass-through obligations. In the case of pass-through obligations purchased at a premium, such premiums may be lost as a result of a decrease in value of the pass-through obligations due to such prepayments. The Fund will invest only in pass-through obligations that are supported by the full faith and credit of the U.S. Government (such as those issued by the Government National Mortgage

Association) or those that are guaranteed by an agency of the U.S. Government (such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation). Such guarantees are only for timely payment of principal and/or interest and do not guarantee yield or protect against declines in market value. The Fund will invest only in pass-through obligations of U.S. Government agencies or instrumentalities that meet the criteria as set forth above. There is no limitation on the amount of the Fund's assets that may be invested in pass-through obligations.

A CMO is a debt obligation backed by a portfolio of mortgages or mortgage-backed securities. The issuer's obligation to make interest and principal payments is secured by the underlying portfolio of mortgages or mortgage-backed securities. Generally, a CMO is partitioned into several classes with a ranked priority by which the classes of obligations are redeemed.

In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a "tranche," is issued at a specific fixed or floating coupon rate and has stated maturity or final distribution date. Principal prepayments on the underlying mortgages or securities may cause the CMOs to be retired substantially earlier than their stated maturities or final distribution dates. Interest is paid or accrues on all classes of the CMOs on a monthly, quarterly or semi-annual basis. The principal of and interest on the underlying mortgages or securities may be allocated among the several classes of series of a CMO in innumerable ways. In one structure, payments of principal, including any principal prepayments, on the underlying mortgages or securities are applied to the classes of a CMO in the order of their respective stated maturities or final distribution dates, so that no payment of principal will be made on any class of CMOs until all other classes having an earlier stated maturity or final distribution date have been paid in full.

The Fund may also invest in, among others, parallel pay CMOs and Planned Amortization Class CMOs ("PAC Bonds"). Parallel pay CMOs are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which, as with other CMO structures, must be retired by its stated maturity date or final distribution

date but may be retired earlier. PAC Bonds generally call for payments of a specified amount of principal on each payment date.

#### Additional Information About Policies and Investments

##### Investment Restrictions

The following investment restrictions and those described in the Statement of Additional Information are fundamental policies of each Fund that may be changed only when permitted by law and approved by the holders of a majority of such Fund's outstanding voting securities, as described under "Company Organization" in the Statement of Additional Information.

No Fund may (1) issue senior securities, borrow money or pledge or mortgage its assets, except that each Fund may borrow from banks up to 10% of the current value of such Fund's total net assets for temporary purposes only in order to meet redemptions, and these borrowings may be secured by the pledge of not more than 10% of the current value of the Fund's total net assets (but investments may not be purchased by such Fund while any such borrowing exists); (2) make loans, except that each Fund may loan portfolio securities, purchase or hold a portion of an issue of publicly distributed bonds, debentures or other obligations, and enter into repurchase agreements with respect to its portfolio securities and except that each Money Market Fund may purchase negotiable certificates of deposit and bankers' acceptances; or (3) invest an amount equal to 10% or more of the current value of such Fund's total assets in investments that are not readily marketable, including securities restricted as to disposition under the Securities Act of 1933, repurchase agreements having maturities of more than seven days and, in the case of the Cash Fund, fixed time deposits subject to withdrawal penalties having maturities of more than seven calendar days.

For a more complete description, see "Investment Restrictions" in the Statement of Additional Information.

Obligations of U.S. Government Agencies and Instrumentalities. Obligations of U.S. Government agencies and instrumentalities are debt securities issued or guaranteed by U.S. Government-sponsored enterprises and federal agencies. Some of such obligations are supported by (a) the full faith and credit of the U.S. Treasury (such as Government National Mortgage Association participation certificates), (b) the limited authority of the issuer to borrow from the U.S. Treasury (such as securities of the Federal Home Loan Bank), (c) the authority

of the U.S. Government to purchase certain obligations of the issuer (such as securities of the Federal National Mortgage Association) or (d) only the credit of the issuer. In the case of obligations not backed by the full faith and credit of the U.S., the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment, which agency may be privately owned. The Company will invest in obligations of U.S. Government agencies and instrumentalities only when the Adviser is satisfied that the credit risk with respect to the issuer is minimal.

**Floating and Variable Rate Instruments.** Certain of the obligations that each Fund may purchase have a floating or variable rate of interest. Such obligations bear interest at rates that are not fixed, but which vary with changes in specified market rates or indices, such as the Prime Rate, and at specified intervals. Certain of such obligations may carry a demand feature that would permit the holder to tender them back to the issuer at par value prior to maturity. Each Money Market Fund may invest in floating and variable rate obligations even if they carry stated maturities in excess of 397 days, if certain conditions contained in a rule of the Securities and Exchange Commission (the "SEC") are met, in which case the obligations will be treated as having maturities of not more than 397 days. Each Fund will limit its purchase of floating and variable rate obligations to those meeting the quality standards set forth above for such Fund. The Adviser will monitor on an ongoing basis the earning power, cash flow and other liquidity ratios of the issuers of such obligations, and will similarly monitor the ability of an issuer of a demand instrument to pay principal and interest on demand. Each Fund's right to obtain payment at par on a demand instrument could be affected by events occurring between the date the Fund elects to demand payment and the date payment is due that may affect the ability of the issuer of the instrument to make payment when

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due except when such demand instruments permit same day settlement. To facilitate settlement, the same day demand instruments must be held in book entry form at a bank other than the Fund's Custodian subject to a sub-custodian agreement approved by the Fund between that bank and the Fund's Custodian.

The floating and variable rate obligations that the Funds other than the Intermediate Government Fund may purchase include certificates of participation in such obligations purchased from banks. A certificate of participation gives each such Fund an undivided interest in the underlying obligations in the proportion that such Fund's interest bears to the total principal amount of such obligations. Certain of such certificates of participation may carry a demand feature that would permit the holder to tender them back to the issuer prior to maturity. The Money Market Funds may invest in certificates of participation even if the underlying obligations carry stated maturities in excess of one year, upon compliance with certain conditions contained in a rule of the SEC. The income received on certificates of participation in tax-exempt municipal obligations constitutes interest from tax-exempt obligations.

To the extent that floating and variable rate instruments without demand features are not readily marketable, they will be subject to the investment restriction that no Fund may invest an amount equal to 10% or more of the current value of its total assets in securities that are not readily marketable.

**Repurchase Agreements.** Each Fund may enter into repurchase agreements wherein the seller of a security to the Fund agrees to repurchase that security from the Fund at a mutually agreed-upon time and price. Sellers of repurchase agreements are banks that are issuers of eligible bank obligations (see "Cash Fund" under "Investment Objectives and Policies" above) and dealers that meet guidelines established by the Board of Directors. The period of maturity is usually quite short, often overnight or a few days, although it may extend over a number of months. Each Fund may enter into repurchase agreements only with respect to obligations that could otherwise be purchased by the Fund. While the maturities of the underlying securities may be greater than one year, the term of the repurchase agreement in the case of the Money Market Funds is always less than one year. If the seller defaults and the value of the underlying securities has declined, the Fund may incur a loss. In addition, if bankruptcy proceedings are commenced with respect to the seller of the security, the Fund's disposition of the security may be delayed or limited.

**Municipal Obligations.** Municipal obligations, which are debt obligations issued by or on behalf of states, cities, municipalities and other public authorities, and may be general obligation, revenue, or industrial development bonds, include municipal bonds, municipal notes and municipal commercial paper.

The Tax-Free Fund may invest in excess of 25% of its assets in industrial development bonds subject to the Fund's fundamental investment policy requiring that it maintain at least 80% of the value of its total assets in obligations that are exempt from federal income tax and are not subject to the alternative minimum tax. For purposes of the Fund's fundamental investment limitation

regarding concentration of investments in any one industry, industrial development bonds will be considered representative of the industry for which purpose that bond was issued.

The Cash and Tax-Free Funds' investments in municipal bonds are limited to bonds that are rated at the date of purchase "Aa" or better by Moody's or "AA" or better by S&P or Fitch.

The Funds' investments in municipal notes will be limited to notes that are rated at the date of purchase "MIG 1" or "MIG 2" (or "VMIG 1" or "VMIG 2" in the case of an issue having a variable rate demand feature) by Moody's, "SP-1" or "SP-1+" by S&P or "F-1" or "F-1+" by Fitch.

Municipal commercial paper is a debt obligation with a stated maturity of 270 days or less that is issued to finance seasonal working capital needs or as short-term financing in anticipation of longer-term debt. The Funds may invest in municipal commercial paper that is rated at the date of purchase "P-1" by Moody's, "A-1" or "A-1+" by S&P or "F-1" by Fitch. If a municipal obligation is not rated, the Funds may purchase the obligation if, in the opinion of the

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Adviser, it is of investment quality comparable to other rated investments that are permitted in the Funds.

Letters of Credit. Municipal obligations, including certificates of participation, commercial paper and other short-term obligations may be backed by an irrevocable letter of credit of a bank which assumes the obligation for payment of principal and interest in the event of default by the issuer. Only banks which, in the opinion of the Adviser, are of investment quality comparable to other permitted investments of the Money Market Funds may be used for letter of credit backed investments.

Securities with Put Rights. The Money Market Funds may enter into put transactions with respect to obligations held in their portfolios with broker/dealers pursuant to a rule under the Investment Company Act of 1940 (the "1940 Act") and with commercial banks.

The right of the Funds to exercise a put is unconditional and unqualified. A put is not transferable by a Fund, although the Fund may sell the underlying securities to a third party at any time. If necessary and advisable, any Fund may pay for certain puts either separately in cash or by paying a higher price for portfolio securities that are acquired subject to such a put (thus reducing the yield to maturity otherwise available for the same securities). The Funds expect, however, that puts generally will be available without the payment of any direct or indirect consideration.

The Funds may enter into puts only with banks or broker/dealers that, in the opinion of the Adviser, present minimal credit risks. The ability of the Funds to exercise a put will depend on the ability of the bank or broker/dealer to pay for the underlying securities at the time the put is exercised. In the event that a bank or broker/dealer should default on its obligation to repurchase an underlying security, the Fund might be unable to recover all or a portion of any loss sustained from having to sell the security elsewhere.

The Funds intend to enter into puts solely to maintain liquidity and do not intend to exercise their rights thereunder for trading purposes. The puts will only be for periods substantially less than the life of the underlying security. The acquisition of a put will not affect the valuation by the Fund of the underlying security. The actual put will be valued at zero in determining net asset value of the Funds. Where a Fund pays directly or indirectly for a put, its cost will be reflected as an unrealized loss for the period during which the put is held by the Fund and will be reflected in realized gain or loss when the put is exercised or expires. If the value of the underlying security increases, the potential for unrealized or realized gain is reduced by the cost of the put. The maturity of a municipal obligation purchased by a Fund will not be considered shortened by any put to which such obligation is subject.

Third Party Puts. The Money Market Funds may also purchase long-term fixed rate bonds that have been coupled with an option granted by a third party financial institution allowing a Fund at specified intervals, not exceeding 397 calendar days, to tender (or "put") the bonds to the institution and receive the face value thereof (plus accrued interest). These third party puts are available in several different forms, may be represented by custodial receipts or trust certificates and may be combined with other features such as interest rate swaps. A Fund receives a short-term rate of interest (which is periodically reset), and the interest rate differential between that rate and the fixed rate on the bond is retained by the financial institution. The financial institution granting the option does not provide credit enhancement, and in the event that there is a default in the payment of principal or interest, or downgrading of a

bond to below investment grade, or a loss of the bond's tax-exempt status, the put option will terminate automatically, the risk to a Fund will be that of holding such a long-term bond and the dollar-weighted average maturity of the Fund would be adversely affected.

When-Issued Securities. Each Fund may purchase securities on a when-issued basis, in which case delivery and payment normally take place within 45 days after the date of the commitment to purchase. The Funds will only make commitments to purchase securities on a when-issued basis with the intention of actually acquiring the securities, but may sell them before the settlement date if it is deemed advisable. When-issued securities are subject to market fluctuation and no income accrues to the purchaser prior to issuance. The purchase price, and the interest rate that will be received on debt securities, are fixed at the time the purchaser enters into the commitment. Purchasing a

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security on a when-issued basis can involve a risk that the market price at the time of delivery may be lower than the agreed upon purchase price, in which case there could be an unrealized loss at the time of delivery.

Each Fund will establish a segregated account in which it will maintain liquid assets in an amount at least equal in value to that Fund's commitments to purchase when-issued securities. If the value of these assets declines, the Fund will place additional liquid assets in the account on a daily basis so that the value of the assets in the account is equal to the amount of such commitments.

#### Portfolio Turnover

Recent economic and market conditions have necessitated more active trading, resulting in a higher portfolio turnover rate for the Intermediate Government Fund. A higher rate involves greater transaction costs to the Fund and may result in the realization of net capital gains, which would be taxable to shareholders when distributed.

#### Special Arrangements with Banks and Other Institutions

As more fully described in the Statement of Additional Information, the Company and the Adviser for a Fund may enter into special contractual arrangements with banks and other institutions (collectively, "Participating Organizations") that process substantial volumes of purchases and redemptions of shares of the Fund for their customers. Under such contractual arrangements, the Transfer Agent will ordinarily maintain an omnibus account for a Participating Organization and the Participating Organization will maintain sub-accounts for its customers for whom it processes purchases and redemptions of shares. The Company pays a Participating Organization to the extent that it performs a shareholder servicing function for the Company with respect to shares of any Fund owned from time to time by customers of the Participating Organization. These shareholder services would otherwise have been performed for the Company by its transfer agent. In certain cases, the Adviser for a Fund may also pay a Participating Organization for providing other administrative services to its customers who invest in such Fund where those services would have been provided to shareholders by the Adviser. A Participating Organization may charge its customers a fee, as agreed upon by the Participating Organization and the customer, with respect to the cash management or other services it provides. Customers of Participating Organizations should read this Prospectus in conjunction with the service agreement and other literature describing the services and related fees that will be provided by the Participating Organization to its customers prior to any purchase of shares.

There are currently unresolved issues with respect to existing federal laws and regulations relating to the permissible activities of banks and trust companies, including the extent to which certain Participating Organizations may perform the shareholder and administrative services described herein. A judicial or administrative decision or interpretation with respect to those laws and regulations, as well as future changes in such laws and regulations, could prevent certain Participating Organizations from performing these services. If a Participating Organization were prohibited from performing these services, it is expected that all arrangements between the Company, the Adviser and the Participating Organization would be terminated and that customers of the Participating Organization who seek to invest in a Fund would have to purchase and redeem shares directly through the Transfer Agent.

#### Shareholder Service, Administration and Distribution Plan

The Company's Board of Directors has adopted, and each Fund's shareholders have approved, a Shareholder Service, Administration and Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act on behalf of each Fund. Under the Plan, Participating Organizations that enter into contractual arrangements with the Company on behalf of a Fund and the Adviser for the Fund may receive up

to 0.50% on an annual basis of such Fund's average daily net assets for any of shareholder service, administration and distribution assistance. Of such fees, up to 0.25% may be paid by the Fund and up to 0.25% may be paid by the Adviser out of its management fee, past profits or any other sources available to it. Under existing agreements, the Company pays fees to Participating Organizations that perform shareholder services for their customers that would otherwise be performed by the Company's Transfer Agent. In certain cases, the Adviser for a

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Fund may also pay fees to Participating Organizations for providing other administrative services to their customers that would be provided by the Adviser. In addition, each of the Funds may pay service fees to brokers and dealers, investment advisers and other institutions. The Adviser for each of such Funds may make payments to all such institutions for similar purposes. The fees payable to Participating Organizations from time to time shall, within such limits, be determined by the Board of Directors of the Company. Among the factors that will be considered in determining the amount of fees payable to a Participating Organization will be the amount of the average daily net assets of a Fund attributable to the Participating Organization, the facilities that the Participating Organization has for the establishment of shareholder accounts and records, the processing of purchases and redemptions of shares of that Fund, the automatic investment in shares of that Fund of client account balances, the furnishing of assistance in handling client inquiries regarding the Fund and related shareholder services. Participating Organizations referred to above under "Special Arrangements with Banks and Other Institutions" may be compensated for their services pursuant to the Plan.

#### Distribution and Performance Information

##### Dividends and Capital Gains Distributions

The Company declares dividends on the outstanding shares of each Money Market Fund from each Fund's net investment income at the close of each business day to shareholders of record at 2:00 P.M. (New York time) on the day of declaration. Realized capital gains and losses may be taken into account in determining the daily distribution. Shares purchased will begin earning dividends on the day the purchase order is executed and shares redeemed will earn dividends through the previous day. Net investment income for a Saturday, Sunday or holiday will be declared as a dividend on the previous business day to shareholders of record at 2:00 P.M. (New York time) on that day.

The Company declares dividends on the outstanding shares of the Intermediate Government Fund from the Fund's net investment income at the close of each business day to shareholders of record at 4:00 P.M. (New York time) on the previous business day. Shares purchased will begin earning dividends on the day after the purchase order is executed and shares redeemed will earn dividends through the day of redemption except that with respect to orders for shares for which federal funds wires are received by 12:00 Noon (New York time) or if monies are otherwise received in time to be invested by the Fund that same day, such shares purchased will begin earning dividends on the day the purchase order is executed. Net investment income for a Saturday, Sunday or holiday will be declared as a dividend on the next business day to shareholders of record at 4:00 P.M. (New York time) on the previous business day.

Investment income for a Money Market Fund includes, among other things, interest income and accretion of market and original issue discount and amortization of premium. Investment income for the Intermediate Government Fund includes, among other things, interest income and accretion of original issue discount.

With respect to all Funds, dividends declared in and attributable to the preceding month will be paid on the first business day of each month. Net realized capital gains after utilization of capital loss carryforwards, if any, will be distributed annually, although an additional distribution may be necessary to prevent the application of a federal excise tax. Dividends and distributions will be invested in additional shares of the same Fund at net asset value and credited to the shareholder's account on the payment date or, at the shareholder's election, paid in cash. Dividend checks and Statements of Account will be mailed approximately two business days after the payment date. Each Fund forwards to the Custodian the monies for dividends to be paid in cash on the payment date.

Shareholders who redeem all their shares prior to a dividend payment will receive, in addition to the redemption proceeds, dividends declared but unpaid. Shareholders who redeem only a portion of their shares will be entitled to all dividends declared but unpaid on such shares on the next dividend payment date. (See also "Transaction Information--Redeeming Shares.")

## Taxes

Each of the Company's Funds has in the past qualified, and intends to continue to qualify, as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). Each Fund will be treated as a separate entity for tax purposes and thus the provisions of the Code applicable to regulated investment companies generally will be applied to each Fund separately, rather than to the Company as a whole. In addition, net capital gains, net investment income, and operating expenses will be determined separately for each Fund. By complying with the applicable provisions of the Code, each Fund will not be subject to federal income taxes with respect to net investment income and net capital gains distributed to its shareholders. A 4% non-deductible excise tax will be imposed on each Fund (except the Tax-Free Fund to the extent of its tax-exempt income) to the extent such Fund does not meet certain distribution requirements by the end of each calendar year.

Dividends from net investment income (including realized net short-term capital gains in excess of net long-term capital losses), except "exempt-interest dividends" (described below), will be taxable as ordinary income for federal income tax purposes. Most states exempt from personal income tax dividends paid by a regulated investment company attributable to interest derived from obligations of the U.S. Government and certain of its agencies and instrumentalities. For example, shareholders of a regulated investment company will not be subject to New York State or City personal income tax on the dividends paid by such a fund to the extent attributable to interest on obligations of the U.S. Government and certain of its agencies and instrumentalities, provided that at the close of each quarter of the fund's taxable year at least 50% of the value of the total assets of the fund consists of such obligations. Dividends paid by the Federal Fund are intended to qualify for this treatment, and dividends paid by the Government Fund and Intermediate Government Fund may qualify. Dividends distributed by the Tax-Free Fund are not excluded in determining New York State or City franchise taxes on corporations and financial institutions. In addition to the distributions described above, in the case of the dividends distributed by the Tax-Free Fund, that part of the Fund's net investment income that is attributable to interest from tax-exempt securities and that is distributed to shareholders will be designated by the Company as an "exempt-interest dividend," and, as such, will be exempt from federal income tax. Income from the Federal Fund and the Tax-Free Fund may not be exempt from certain state and local taxes.

Distributions of net long-term capital gains in excess of net short-term capital losses, if any, will be taxable as long-term capital gains, whether received in cash or reinvested in additional shares, regardless of how long the shareholder has held the shares. Because substantially all of the income of each Fund will arise from interest, no part of the distributions to shareholders is expected to qualify for the dividends-received deduction available to corporations. Each year the Company will notify shareholders of the federal income tax status of distributions.

In the case of the shareholders of the Tax-Free Fund, interest on indebtedness incurred, or continued, to purchase or carry shares of the Fund will not be deductible for federal income tax purposes to the extent that the Fund's distributions are exempt from federal income tax. In addition, a portion of an exempt-interest dividend allocable to certain tax-exempt obligations may be treated as a preference item for purposes of the alternative minimum tax imposed on both individuals and corporations. Persons who may be "substantial users" (or "related persons" of substantial users) of facilities financed by private activity bonds should consult their tax advisors before purchasing shares in the Tax-Free Fund.

The Company will be required to withhold, subject to certain exemptions, at a rate of 31% on dividends paid or credited to individual shareholders (except shareholders of the Tax-Free Fund to the extent it distributes exempt-interest dividends) and on redemption proceeds, if a correct Social Security or taxpayer identification number, certified when required, is not on file with the Company or Transfer Agent. (See also "Transaction Information--Redeeming Shares.")

The exemption of interest income for federal income tax purposes may not result in similar exemptions under the tax law of state and local tax authorities. In general, interest earned on obligations issued by the state or

locality in which the investor resides may be exempt from state and local taxes. State and local laws differ, however, with respect to the tax treatment of dividends attributable to interest on obligations of: (i) the U.S. Government

and certain of its agencies and instrumentalities and (ii) obligations of states and localities, and shareholders should consult their tax advisors about the taxability of dividends. The Company furnishes each shareholder of record with a statement of the portion of the previous year's income derived from: (i) U.S. Government Obligations and (ii) various agencies and instrumentalities, each of which is specified by name. Shareholders are urged to consult their own tax advisors regarding specific questions as to federal, state or local taxes.

#### Performance Information

From time to time, quotations of a Fund's performance may be included in advertisements, sales literature or shareholder reports. All performance figures are historical, show the performance of a hypothetical investment and are not intended to indicate future performance. The "yield" of a Money Market Fund refers to income generated by an investment in a Fund over a specified seven-day period. The "SEC yield" of the Intermediate Government Fund is an annualized expression of the net income generated by the Fund over a specified 30-day (one month) period, as a percentage of the Fund's share price on the last day of the period. The SEC yield is calculated according to methods required by the SEC, and therefore may not equate to the level of income paid to shareholders. Yield is expressed as an annualized percentage. The "effective yield" of a Money Market Fund is expressed similarly but, when annualized, the income earned by an investment in a Fund is assumed to be reinvested and will reflect the effects of compounding. "Total return" is the change in value of an investment in a Fund for a specified period. The "average annual total return" of a Fund is the average annual compound rate of return of an investment in a Fund assuming the investment has been held for one year, five years and ten years as of a stated ending date. If a Fund has not been in operation for at least ten years, the life of the Fund will be used where applicable. "Cumulative total return" represents the cumulative change in value of an investment in a Fund for various periods. Total return calculations assume that all dividends and capital gains distributions during the period were reinvested in shares of a Fund. Performance will vary based upon, among other things, changes in market conditions and the level of a Fund's expenses.

Investors who purchase and redeem shares of any Fund through broker/dealers, banks and other institutions may be subject to service fees imposed by those entities with respect to the cash management and other services they provide. Such fees will have the effect of reducing the return for those investors. See "Special Arrangements with Banks and Other Institutions." Orders placed by an investor directly with the Transfer Agent will not be subject to such fees.

#### Company Organization

The Company was formed on June 18, 1982 as a corporation under the laws of the State of Maryland. The Company is a professionally managed, open-end diversified investment company registered under the 1940 Act. The Company's activities are supervised by its Board of Directors. The Board of Directors, under applicable laws of the State of Maryland, in addition to supervising the actions of the Company's Adviser and Distributor, as set forth below, decides upon matters of general policy.

On April 1, 1995, Summa Four, Inc. held of record and beneficially 69.29%, respectively, of the outstanding shares of the Intermediate Government Fund. To the extent that a shareholder is the beneficial owner of 25% or more of the Fund's outstanding shares, it may be deemed to be a "control" person of the Fund for purposes of the 1940 Act.

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

#### Investment Adviser

The Company retains the investment management firm of Scudder, Stevens & Clark, Inc. (the "Adviser"), a Delaware corporation, to manage the Company's daily investment and business affairs subject to the policies established by the Board of Directors. The Adviser is one of the most experienced investment counsel firms in the U.S. The Adviser was established in 1919 as a partnership and was restructured as a Delaware corporation in 1985. The principal source of the Adviser's income is professional fees received from providing continuing investment advice. The Adviser provides investment counsel for many individuals and institutions, including insurance companies, endowments, industrial

corporations and financial and banking organizations. As of December 31, 1994, the Adviser and its affiliates had in excess of \$90 billion under their supervision, approximately two-thirds of which was invested in fixed-income securities.

Pursuant to Investment Advisory Agreements (the "Agreements") with the Company on behalf of each Fund, the Adviser regularly provides each Fund with investment research, advice and supervision and furnishes continuously an investment program for each Fund consistent with its investment objective and policies. The Agreements further provide that the Adviser will pay the compensation and certain expenses of all officers and certain employees of the Company and make available to each such Fund such of the Adviser's directors, officers and employees as are reasonably necessary for such Fund's operations or as may be duly elected officers or directors of the Company. Under the Agreements, the Adviser pays each Fund's office rent and will provide investment advisory research and statistical facilities and all clerical services relating to research, statistical and investment work. The Adviser, including the Adviser's employees who serve the Funds, may render investment advice, management and other services to others.

Each Fund will bear all expenses not specifically assumed by the Adviser under the terms of the Agreements, including, among others, the fee payable to the Adviser as investment adviser, the fees of the Directors who are not "affiliated persons" of the Adviser, the expenses of all Directors and the fees and out-of-pocket expenses of the Company's Custodian and its Transfer Agent. For a more complete description of the expenses to be borne by the Funds, see "Investment Adviser" and "Distributor" in the Statement of Additional Information.

Each Money Market Fund is charged a management fee at an annual rate equal to 0.40% of the first \$1.5 billion of average daily net assets and 0.35% of such assets in excess of \$1.5 billion. The Intermediate Government Fund is charged a management fee at an annual rate equal to 0.65% of the Fund's average daily net assets. Management fees are computed daily and paid monthly.

#### Transfer Agent

Scudder Service Corporation, P.O. Box 2038, Boston, Massachusetts 02106, a wholly-owned subsidiary of the Adviser, is the transfer, shareholder servicing and dividend-paying agent for the Company.

#### Distributor

Scudder Investor Services, Inc., a wholly-owned subsidiary of the Adviser, is the Company's principal underwriter. Scudder Investor Services, Inc. confirms, as agent, all purchases of shares of the Company. Under the Underwriting Agreement with the Company, the Distributor acts as the principal underwriter and bears the cost of printing and mailing prospectuses to potential investors and of any advertising expenses incurred by it in connection with the distribution of shares.

#### Custodian

State Street Bank and Trust Company is the custodian for the Company.

#### Transaction Information

#### Purchasing Shares

While the Funds have no specific minimum initial investment requirement, it is the Company's policy normally not to accept initial investments in amounts below \$100,000 for each of the Funds. The minimum subsequent investment for any

of the Funds is \$100. The minimum investment requirements may be waived or lowered for investments effected through banks and other institutions that have entered into special arrangements with the Company and for investments effected on a group basis by certain other entities and their employees, such as pursuant to a payroll deduction plan and for investments made in an Individual Retirement Account offered by the Company. Investment minimums may also be waived for Directors and officers of the Company. The Company and the Distributor reserve the right to reject any purchase order. All funds will be invested in full and fractional shares.

Shares of any Fund may be purchased by writing or calling the Company's Transfer Agent. Orders for shares of a Fund will be executed at the net asset value per share next determined after an order has become effective. See "Share Price."

Orders for shares of a Fund will become effective when an investor's bank wire order or check is converted into federal funds (monies credited to the Custodian's account with its registered Federal Reserve Bank). If payment is transmitted by the Federal Reserve Wire System, the order will become effective upon receipt. Orders will be executed at 2:00 P.M. (New York time) on the same day if a bank wire or check is converted to federal funds by 12:00 Noon (New York time) or a federal funds' wire is received by 12:00 Noon (New York time). In addition, if investors known to the Company notify the Company by 2:00 P.M. (New York time) that they intend to wire federal funds to purchase shares of a Fund on any business day and if monies are received in time to be invested, orders will be executed at the net asset value per share determined at 2:00 P.M. (New York time) the same day.

Orders for shares of the Intermediate Government Fund will become effective at the net asset value per share next determined after receipt by the Transfer Agent of a check drawn on any member of the Federal Reserve System or by the Custodian of a bank wire or Federal Reserve wire.

Wire transmissions may, however, be subject to delays of several hours, in which event the effectiveness of the order will be delayed. Payments transmitted by a bank wire other than the Federal Reserve Wire System may take longer to be converted into federal funds.

Checks drawn on a non-member bank or a foreign bank may take substantially longer to be converted into federal funds and, accordingly, may delay the execution of an order. Checks must be payable in U.S. dollars and will be accepted subject to collection at full face value.

By investing in a Fund, a shareholder appoints the Transfer Agent to establish an open account to which all shares purchased will be credited, together with any dividends and capital gains distributions that are paid in additional shares. See "Distribution and Performance Information--Dividends and Capital Gains Distributions."

#### Initial Purchase by Wire

1. Shareholders may open an account by calling toll free from any continental state: 1-800-854-8525. Give the Fund(s) to be invested in, name(s) in which the account is to be registered, address, Social Security or taxpayer identification number, dividend payment election, amount to be wired, name of the wiring bank and name and telephone number of the person to be contacted in connection with the order. An account number will then be assigned.

2. Instruct the wiring bank to transmit the specified amount to:

State Street Bank and Trust Company  
Boston, Massachusetts  
ABA Number 011000028  
Custody and Shareholder Services Division  
Attention: [Name of Fund(s)]  
Account (name(s) in which registered)  
Account Number (as assigned by telephone) and amount  
invested in each Fund

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3. Complete a Purchase Application. Indicate the services to be used. A completed Purchase Application must be received by the Transfer Agent before the Expedited Redemption or Check Redemption Service can be used. Mail the Purchase Application to:

Scudder Service Corporation  
P.O. Box 2038  
Boston, Massachusetts 02106

#### Additional Purchases by Wire

Instruct the wiring bank to transmit the specified amount to the Custodian with the information stated above.

#### Initial Purchase by Mail

1. Complete a Purchase Application. Indicate the services to be used.

2. Mail the Purchase Application and your check payable to the Fund whose shares are to be purchased, to the Transfer Agent at the address set forth above.

#### Additional Purchases by Mail

1. Make a check payable to the Fund whose shares are to be purchased. Write the shareholder's Fund account number on the check.

2. Mail the check and the detachable stub from the Statement of Account (or a letter providing the account number) to the Transfer Agent at the address set forth above.

#### Redeeming Shares

Upon receipt by the Transfer Agent of a redemption request in proper form, shares of any Fund will be redeemed at their next determined net asset value. See "Share Price." For the shareholder's convenience, the Company has established several different redemption procedures.

Payment of redemption proceeds may be made in securities, subject to regulation by some state securities commissions. The Company may suspend the right of redemption during any period when (i) trading on the New York Stock Exchange (the "Exchange") is restricted or the Exchange is closed, other than customary weekend and holiday closings, (ii) the SEC has by order permitted such suspension or (iii) an emergency, as defined by rules of the SEC, exists making disposal of portfolio securities or determination of the value of the net assets of the Funds not reasonably practicable.

The proceeds of redemption may be more or less than the amount invested and, therefore, a redemption may result in a gain or loss for federal income tax purposes.

A shareholder's account in a Fund remains open for up to one year following complete redemption, and all costs during the period will be borne by that Fund.

The Company reserves the right to redeem upon not less than 30 days' written notice all shares in an account that has a value of \$1,000 or less. However, any shareholder affected by the exercise of this right will be allowed to make additional investments prior to the date fixed for redemption to avoid liquidation of the account.

The Company also reserves the right, following 30 days' notice to shareholders, to redeem all shares in accounts without certified Social Security or taxpayer identification numbers. A shareholder may avoid involuntary redemption by providing the Company with a taxpayer identification number during the 30-day notice period.

#### Redemption by Mail

1. Write a letter of instruction. Indicate the dollar amount or number of shares to be redeemed. Refer to the shareholder's Fund account number and give Social Security or taxpayer identification number (where applicable).

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2. Sign the letter in exactly the same way the account is registered. If there is more than one owner of the shares, all must sign.

3. If shares to be redeemed have a value of \$50,000 or more, the signature(s) must be guaranteed by a commercial bank that is a member of the Federal Deposit Insurance Corporation, a trust company, a member firm of a domestic stock exchange or a foreign branch of any of the foregoing. In addition, signatures may be guaranteed by other Eligible Guarantor Institutions, i.e., other banks, other brokers and dealers, municipal securities brokers and dealers, government securities brokers and dealers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations. The Transfer Agent, however, may reject redemption instructions if the guarantor is neither a member of nor a participant in a signature guarantee program (currently known as "STAMPsm"). Signature guarantees by notaries public are not acceptable. Further documentation, such as copies of corporate resolutions and instruments of authority, may be requested from corporations, administrators, executors, personal representatives, trustees or custodians to evidence the authority of the person or entity making the redemption request.

4. Mail the letter to the Transfer Agent at the address set forth under "Purchasing Shares."

Checks for redemption proceeds will normally be mailed the day following receipt of the request in proper form, although the Company reserves the right to take up to seven days. Unless other instructions are given in proper form, a check for the proceeds of a redemption will be sent to the shareholder's address of record. The Custodian may benefit from the use of redemption proceeds until the check issued to a redeeming shareholder for such proceeds has cleared.

When proceeds of a redemption are to be paid to someone other than the shareholder, either by wire or check, the signature(s) on the letter of instruction must be guaranteed regardless of the amount of the redemption.

#### Redemption by Expedited Redemption Service

If Expedited Redemption Service has been elected on the Purchase Application on file with the Transfer Agent, redemption of shares may be requested by telephoning the Transfer Agent on any day the Company and the Custodian are open for business.

No redemption of shares purchased by check will be permitted pursuant to the Expedited Redemption Service until seven business days after those shares have been credited to the shareholder's account.

1. Telephone the request to the Transfer Agent by calling toll free from any continental state: 1-800-854-8525, or

2. Mail the request to the Transfer Agent at the address set forth under "Purchasing Shares."

Proceeds of Expedited Redemptions of \$1,000 or more will be wired to the shareholder's bank indicated in the Purchase Application. If an Expedited Redemption request for the Funds is received by the Transfer Agent by 12:00 Noon (New York time) on a day the Company and the Custodian are open for business, the redemption proceeds will be transmitted to the shareholder's bank that same day. Such expedited redemption request received after 12:00 Noon and before 2:00 P.M. (New York time) will be honored the same day if such redemption can be accomplished in time to meet the Federal Reserve Wire System's schedule. A check for proceeds of less than \$1,000 will be mailed to the shareholder's address of record. In the case of investments in a Fund that have been effected through banks and other institutions that have entered into special arrangements with the Company, the full amount of the redemption proceeds will be transmitted by wire.

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

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#### Redemption by Check Redemption Service

If Check Redemption Service has been elected on the Purchase Application on file with the Transfer Agent, redemptions of shares may be made by using redemption checks provided by the Company. There is no charge for this service.

No redemption of shares purchased by check will be permitted pursuant to the Check Redemption Service until seven business days after those shares have been credited to the shareholder's account.

1. Checks must be written for amounts of \$500 or more.

2. Checks may be payable to anyone and negotiated in the normal way.

3. If more than one shareholder owns the shares, all must sign the check unless an election has been made to require only one signature on checks and that election has been indicated on the Purchase Application.

The shareholder should make certain that there are adequate shares in the account to cover the amount of checks written under this service. If insufficient shares are in the account, or if checks are improperly signed, they will not be honored.

Shares represented by a redemption check will continue to earn daily income until the check clears the banking system. When honoring a redemption check, the Transfer Agent will redeem exactly enough full and fractional shares from an account to cover the amount of the check. The Check Redemption Service may be terminated at any time by the Custodian or the Company.

#### Exchanging Shares

Shares of any of the Funds that have been held for seven days or more may be exchanged for shares of one of the other Funds in an identically registered account. Shares may be exchanged for shares of another Fund only if shares of

such Fund may legally be sold under applicable state laws.

A shareholder may exchange shares by calling the Transfer Agent's toll free number at 1-800-854-8525 by 4:00 P.M. (New York time).

Procedures applicable to redemption of a Fund's shares are also applicable to exchanging shares. The proceeds of redemption for the Intermediate Government Fund may be more or less than the amount invested and, therefore, a redemption may result in a gain or loss for federal income tax purposes. The Company and the Distributor may modify or discontinue exchange privileges at any time upon 60 days' notice. A capital gain or loss for tax purposes may be realized upon an exchange, depending upon the cost or other basis of shares redeemed.

#### Share Price

Net asset value per share for each Fund is determined by Scudder Fund Accounting Corporation on each day the Exchange is open for trading. The net asset value per share of each Money Market Fund is determined at 2:00 P.M. (New York time), and the net asset value of shares of the Intermediate Government Fund is determined at the close of regular trading on the Exchange, which is currently 4:00 P.M. (New York time). The net asset value per share of each Fund is computed by dividing the value of the total assets of the Fund, less all liabilities, by the total number of outstanding shares of the Fund.

Each Money Market Fund uses the amortized cost method to value its portfolio securities and seeks to maintain a constant net asset value of \$1.00 per share. The amortized cost method involves valuing a security at its cost and accreting any discount and amortizing any premium over the period until maturity, regardless of the impact of fluctuating interest rates on the market value of the security. See the Statement of Additional Information for a more complete description of the amortized cost method.

The value of securities of the Intermediate Government Fund is determined as of the close of regular trading on the Exchange. The Fund's securities are valued utilizing primarily the latest bid prices or, if bid prices are not available, on the basis of valuations based on a matrix system, both as furnished by a reputable independent pricing service. Debt securities maturing in 60 days or less are valued at amortized cost. All other securities and other

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assets for which current market quotations are not readily available are valued at fair value as determined in good faith by the Company's Board of Directors and in accordance with procedures adopted by the Board of Directors.

Because of the difference between the bid and asked prices of the over-the-counter securities in which the Intermediate Government Fund may invest, there may be an immediate reduction in the net asset value of the shares of the Fund after the Fund has completed a purchase of such securities, since they will be valued at the bid price but usually purchased at or near the asked price.

#### Shareholder Benefits

Experienced professional management

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

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

Lead Portfolio Manager David H. Glen has set the Intermediate Government Fund's investment strategy and overseen its daily operation since the Fund was introduced in 1993. Mr. Glen has 15 years of experience in finance and investing. Mark S. Boyadjian, Portfolio Manager, joined the team in 1995, and contributes his seven years' experience managing fixed-income securities. Mr. Boyadjian has been with Scudder since 1989.

#### Account Services

Shareholders will be sent a Statement of Account from the Distributor, as

agent of the Company, whenever a share transaction is effected in the accounts. Shareholders can write or call the Company at the address and telephone number on the cover of this Prospectus with any questions relating to their investment in shares of any of the Funds.

#### Shareholder Services

The Company offers the following shareholder services. See the Statement of Additional Information for further details about these services or call or write the Company.

**Special Monthly Summary of Accounts.** A special service is available to banks, brokers, investment advisers, trust companies and others who have a number of accounts in one or more of the Funds. A monthly summary of accounts can be provided, showing for each account the account number, the month-end share balance and the dividends and distributions paid during the month.

**Shareholder Reports.** The fiscal year of the Company ends on December 31 of each year. The Company sends to its shareholders, semi-annually, reports showing the investments in each of the Company's Funds and other information (including unaudited financial statements) pertaining to the Company. An annual report, containing financial statements audited by the Company's independent accountants, is sent to shareholders each year.

Shareholder inquiries should be addressed to Scudder Fund, Inc., 345 Park Avenue, New York, New York 10154.

**IRAs.** A form of individual retirement account ("IRA") is available to qualified individuals for investment in shares of any Fund of the Company. Individuals who have received certain distributions from tax qualified plans under the Code or other IRAs are eligible to establish an IRA by making a rollover contribution.

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Managed Government  
Securities Fund

Managed Federal  
Securities Fund

Managed Cash Fund

Managed Tax-Free Fund

Managed Intermediate  
Government Fund

345 Park Avenue, New York, New York 10154  
(800) 854-8525

Investment Manager

Scudder, Stevens & Clark, Inc.  
345 Park Avenue  
New York, New York 10154

Managed Government  
Securities Fund

Managed Federal  
Securities Fund

Distributor

Scudder Investor Services, Inc.  
Two International Place  
Boston, Massachusetts 02110

Managed Cash Fund

Managed Tax-Free Fund

Managed Intermediate  
Government Fund

Custodian

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

Fund Accounting Agent

Scudder Fund Accounting Corporation  
Two International Place  
Boston, Massachusetts 02110

Transfer Agent and  
Dividend Disbursing Agent

Scudder Service Corporation  
P.O. Box 2038

Boston, Massachusetts 02106

Legal Counsel

Sullivan & Cromwell  
New York, New York

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No person has been authorized to give any information or to make any representations not contained in this Prospectus, and information or representations not contained herein must not be relied upon as having been authorized by the Company or the Distributor. This Prospectus does not constitute an offer of any security other than the registered securities to which it relates or an offer to any person in any jurisdiction where such offer would be unlawful.

Prospectus  
May 1, 1995