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STEINROE INVESTMENT TRUST
STEINROE INTERNATIONAL FUND

SUPPLEMENT TO FEBRUARY 1, 1995 PROSPECTUS

Portfolio management for the International Fund is provided by a team of investment professionals employed by the Fund's sub-adviser, Rockefeller & Co., Inc. ("R&Co."). Members of the team participate in the investment process from R&Co. offices in London, Hong Kong, and New York City. R&Co. believes its team approach benefits Fund investors by exploiting the diverse expertise of team members over a range of dissimilar global markets. (See page 27 of the Prospectus.)

From time to time, the Adviser may voluntarily waive its management fee and/or absorb certain expenses for the Fund. The Adviser has agreed to voluntarily waive its management fee and absorb the expenses of the Fund to the extent that such fees and expenses (excluding taxes, interest, all commissions and other normal charges incident to the purchase and sale of portfolio securities, and extraordinary charges such as litigation costs, but including fees paid to the Adviser) on an annualized basis exceed 1.65% of average net assets through January 31, 1996, subject to earlier termination by the Adviser on 30 days' notice.

Effective May 1, 1995, there was a change in the services provided by the Fund's transfer agent and a change in the fees payable to the transfer agent. These changes are expected to change the Fund's annual operating expenses as shown in the Fee Table on page 4 of the Prospectus as follows:

Annual Fund Operating Expenses (as a percentage of average net assets)	
Management Fees	1.00%
12b-1 Fees	None
Other Expenses	0.65%
Total Fund Operating Expenses	1.65%

In addition, the expenses payable on a $1,000 investment for one and three years in the hypothetical example following the Fee Table would be changed to $17 and $52 respectively.

The Date of this Supplement is May 1, 1995

INTERNATIONAL FUND

The Fund seeks long-term growth of capital by investing in a diversified portfolio of foreign securities.

The Fund is a "no-load" fund. There are no sales or redemption charges, and the Fund has no 12b-1 plan. The Fund is a series of the STEINROE INVESTMENT TRUST.

This prospectus contains information you should know before investing in the Fund. Please read it carefully and retain it for future reference.

A Statement of Additional Information dated February 1, 1995, containing more detailed information, has been filed with the

Securities and Exchange Commission and (together with any supplements thereto) is incorporated herein by reference. The Statement of Additional Information and most recent financial statements may be obtained without charge by writing to the Secretary at the address shown on the back cover or by calling 1-800-338-2550.

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

The date of this prospectus is February 1, 1995.

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SUMMARY

The SteinRoe International Fund (the "Fund") is a series of the SteinRoe Investment Trust, an open-end diversified management investment company. The Fund is a "no-load" fund. There are no sales or redemption charges. (See The Fund and Organization and Description of Shares.)

INVESTMENT OBJECTIVE AND POLICIES. The Fund seeks long-term growth of capital by investing primarily in a diversified portfolio of foreign securities. The Fund invests primarily in equity securities. Under normal market conditions, the Fund will invest at least 65% of its total assets (taken at market value) in foreign securities of at least three countries outside the United States. The Fund diversifies its investments among several countries and does not concentrate investments in any particular industry.

There can be no guarantee that the Fund will achieve its investment objective. Please see How the Fund Invests and Portfolio Investments and Strategies for further information.

INVESTMENT RISKS. The Fund is intended for long-term investors who can accept the risks entailed in investing in foreign securities.

Since the Fund invests primarily in foreign securities, investors should understand and

consider carefully the risks involved in foreign investing. Investing in foreign securities involves certain considerations involving both risks and opportunities not typically associated with investing in U.S. securities. Such risks include fluctuations in exchange rates on foreign currencies, less public information, less government supervision, less liquidity, and greater price volatility.

Please see How the Fund Invests, Portfolio Investments and Strategies, and Risks and Investment Considerations for further information.

PURCHASES. The minimum initial investment for the Fund is $2,500 and additional investments must be at least $100 (only $50 for purchases by electronic transfer). Shares may be purchased by check, by bank wire, by electronic transfer, or by exchange from another SteinRoe Fund. For more detailed information, see How to Purchase Shares.

REDEMPTIONS. For information on redeeming Fund shares, including the special redemption privileges, see How to Redeem Shares.

NET ASSET VALUE. The purchase and redemption price of the Fund's shares is its net asset value per share. The net asset value is determined as of the close of trading on the New York Stock Exchange. (For more detailed information, see Net Asset Value.)

DISTRIBUTIONS. Dividends for the Fund are normally declared and paid annually. Distributions will be reinvested into your Fund account unless you elect to have them paid in cash, deposited by electronic transfer into your bank checking account, or invested in another SteinRoe Fund account. (See Distributions and Income Taxes and Shareholder Services.)

ADVISERS AND FEES. Stein Roe & Farnham Incorporated (the "Adviser") provides management services to the Fund and Rockefeller & Co., Inc. (the "Sub-Adviser") has been engaged to provide investment advisory services to the Fund, subject to the overall management of the Fund by the Adviser. For a description of the Adviser, the Sub-Adviser, and the advisory fees paid by the Fund, see Management of the Fund.

If you have any additional questions about the Fund, please feel free to discuss them with a relationship manager by calling 1-800-338-2550.

FEE TABLE

SHAREHOLDER TRANSACTION EXPENSES

Sales Load Imposed on Purchases	None
Sales Load Imposed on Reinvested Dividends	None

Deferred Sales Load	None
Redemption Fees	None
Exchange Fees	None
ANNUAL FUND OPERATING EXPENSES (as a percentage of average net assets)	
Management Fees	1.00%
12b-1 Fees	None
Other Expenses	0.61%
Total Fund Operating Expenses	1.61%

EXAMPLE. You would pay the following expenses on a $1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period:

1 year	3 years
$16	$51

The purpose of the Fee Table is to assist you in understanding the various costs and expenses that you will bear directly or indirectly as an investor in the Fund. The table is based on expenses incurred in the last fiscal year. (Also see Management of the Fund--Fees and Expenses.)

For purposes of the Example above, the figures assume that the percentage amounts listed for the Fund under Annual Fund Operating Expenses remain the same in each of the periods and that all income dividends and capital gain distributions are reinvested in additional Fund shares.

The figures in the Example are not necessarily indicative of past or future expenses, and actual expenses may be greater or less than those shown. Although information such as that shown above is useful in reviewing the Fund's expenses and in providing a basis for comparison with other mutual funds, it should not be used for comparison with other investments using different assumptions or time periods.

FINANCIAL HIGHLIGHTS

The table below reflects the results of operations of the Fund on a per-share basis for the period shown and has been audited by Arthur Andersen LLP, independent public accountants. The auditors' report was unqualified. The table should be read in conjunction with the Fund's financial statements and notes thereto. The Fund's annual report, which may be obtained from the Trust upon request without charge, contains additional performance information.

<TABLE>
<CAPTION>

<S>	Period Ended Sept. 30, 1994(a) <C>
NET ASSET VALUE, BEGINNING OF PERIOD	$10.00
Income from Investment Operations	
Net investment income	.03
Net realized and unrealized gains on investments and foreign currency transactions	.58
Total from investment operations	.61
NET ASSET VALUE, END OF PERIOD	$10.61

Ratio of expenses to average net asset	*1.61%
Ratio of net investment income to average net assets	*0.61%
Portfolio turnover rate	48%
Total return	6.10%
Net assets, end of period (000 omitted)	$74,817

<FN>
- ---------
*Annualized.
(a) From commencement of operations on March 1, 1994.
</TABLE>

THE FUND

The STEINROE INTERNATIONAL FUND (the "Fund") is a no-load, diversified "mutual fund." Mutual funds sell their own shares to investors and use the money they receive to invest in a portfolio of securities such as common stocks. A mutual fund allows you to pool your money with that of other investors in order to obtain professional investment management. Mutual funds generally make it possible for you to obtain greater diversification of your investments and simplify your recordkeeping. The Fund does not impose commissions or charges when shares are purchased or redeemed.

The Fund is a series of the SteinRoe Investment Trust (the "Trust"), an open-end management investment company, which is authorized to issue shares of beneficial interest in separate series. Each series represents interests in a separate portfolio of securities and other assets, with its own investment objectives and policies.

Stein Roe & Farnham Incorporated (the "Adviser") is

responsible for the overall management of the Fund, subject to the authority and direction of the Trust's Board of Trustees. Rockefeller & Co., Inc. (the "Sub-Adviser") has been engaged to provide investment advisory services, including portfolio management, to the Fund, subject to the supervision of the Adviser. The Adviser also manages and provides investment advisory services for several other no-load mutual funds with different investment objectives, including equity funds, taxable and tax-exempt bond funds, and money market funds. To obtain prospectuses and other information on any of those mutual funds, please call 1-800-338-2550.

HOW THE FUND INVESTS

The Fund invests as described below and may also employ investment techniques described under Portfolio Investments and Strategies in this prospectus.

The Fund's investment objective is to seek long-term growth of capital by investing primarily in a diversified portfolio of foreign securities. Current income is not a primary factor in the selection of portfolio securities. The Fund invests primarily in common stocks and other equity-type securities (such as preferred stocks, securities convertible or exchangeable for common stocks, and warrants or rights to purchase common stocks). The Fund may invest in securities of smaller emerging companies as well as securities of well-seasoned companies of any size. Smaller companies, however, involve higher risks in that they typically have limited product lines, markets, and financial or management resources. In addition, the securities of smaller companies may trade less frequently and have greater price fluctuation than larger companies, particularly those operating in countries with developing markets.

The Fund diversifies its investments among several countries and does not concentrate investments in any particular industry. In pursuing its objective, the Fund varies the geographic allocation and types of securities in which it invests based on the continuing evaluation by the Sub-Adviser of economic, market, and political trends throughout the world. The Fund has not established limits on geographic asset distribution but ordinarily invests in the securities markets of at least three countries outside the United States, including but not limited to Western European countries (such as Belgium, France, Germany, Ireland, Italy, The Netherlands, the countries of Scandinavia, Spain,

Switzerland, and the United Kingdom), countries in the Pacific Basin (such as Australia, Hong Kong, Japan, Malaysia, the Philippines, Singapore, and Thailand), and countries in the Americas (such as Argentina, Brazil, Chile, and Mexico).

Under normal market conditions, the Fund will invest at least 65% of its total assets (taken at market value) in foreign securities. If, however, investments in foreign securities appear to be relatively unattractive in the judgment of the Sub-Adviser because of current or anticipated adverse political or economic conditions, the Fund may hold cash or invest any portion of its assets in securities of the U.S. Government and equity and debt securities of U.S. companies, as a temporary defensive strategy. To meet liquidity needs, the Fund may also hold cash in domestic and foreign currencies and invest in domestic and foreign money market securities (including repurchase agreements and foreign money market positions).

The U.S. Government has from time to time in the past imposed restrictions, through taxation and otherwise, on foreign investments by U.S. investors such as the Fund. If such restrictions should be reinstated, it might become necessary for the Fund to invest all or substantially all of its assets in U.S. securities. In such event, the Fund would review its investment objective and policies to determine whether changes are appropriate.

The Fund may purchase foreign securities in the form of American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), or other securities representing underlying shares of foreign issuers. The Fund may invest in sponsored or unsponsored ADRs. (For a description of ADRs and EDRs, see the Statement of Additional Information.)

PORTFOLIO INVESTMENTS AND TECHNIQUES

DERIVATIVES. Consistent with its objective, the Fund may invest in a broad array of financial instruments and securities, including conventional exchange-traded and non-exchange traded options, futures contracts, futures options, forward contracts, securities collateralized by underlying pools of mortgages or other receivables, floating rate instruments, and other instruments that securitize assets of various types ("Derivatives"). In each case, the value of the instrument or security is "derived" from the performance of an underlying asset or a "benchmark" such as a security index, an interest rate, or a currency.

The Fund does not expect to invest more than 5% of its net assets in any type of Derivative except for options, futures contracts, futures options, and forward contracts.

Derivatives are most often used to manage investment risk or to create an investment position indirectly because it is more efficient or less costly than direct investment. They also may be used in an effort to enhance portfolio returns.

The successful use of Derivatives depends on the Adviser's ability to correctly predict changes in the levels and directions of movements in currency exchange rates, security prices, interest rates and other market factors affecting the Derivative itself or the value of the underlying asset or benchmark. In addition, correlations in the performance of an underlying asset to a Derivative may not be well established. Finally, privately negotiated and over-the-counter Derivatives may not be as well regulated and may be less marketable than exchange-traded Derivatives. For additional information on Derivatives, please refer to the Statement of Additional Information.

The Fund may purchase and write both call options and put options on securities, indexes and foreign currencies, enter into interest rate, index and foreign currency futures contracts and options on such futures contracts, and purchase other types of forward or investment contracts linked to individual securities, indexes, or other benchmarks in order to achieve its desired investment objective, provide additional revenue, or to hedge against changes in security prices, interest rates or currency fluctuations. The Fund may write a call or put option only if the option is covered. As the writer of a covered call option, the Fund foregoes, during the option's life, the opportunity to profit from increases in market value of the security covering the call option above the sum of the premium and the exercise price of the call. There can be no assurance that a liquid market will exist when the Fund seeks to close out a position. In addition, because of low margin deposits required, the use of futures contracts involves a high degree of leverage, and may result in losses in excess of the amount of the margin deposit.

DEBT SECURITIES. In pursuing its investment objective, the Fund may invest up to 35% of its total assets in debt securities. Investments in debt securities are limited to those that are within the four highest grades (generally

referred to as "investment grade") assigned by a nationally recognized statistical rating organization or, if unrated, deemed to be of comparable quality by the Adviser or by the Sub-Adviser. Securities in the fourth highest grade may possess speculative characteristics. If the rating of a security held by the Fund is lost or reduced below investment grade, the Fund is not required to dispose of the security, but the Sub-Adviser will consider that fact in determining whether the Fund should continue to hold the security. The risks inherent in debt securities depend primarily on the term and quality of the obligations in the Fund's portfolio, as well as on market conditions. A decline in the prevailing levels of interest rates generally increases the value of debt securities, while an increase in rates usually reduces the value of those securities.

SETTLEMENT TRANSACTIONS. When the Fund enters into a contract for the purchase or sale of a foreign portfolio security, it usually is required to settle the purchase transaction in the relevant foreign currency or receive the proceeds of the sale in that currency. In either event, the Fund is obliged to acquire or dispose of an appropriate amount of foreign currency by selling or buying an equivalent amount of U.S. dollars. The Fund may wish to "lock-in" the U.S. dollar value of a transaction at or near the time of the purchase or sale of the foreign portfolio security at the exchange rate or rates then prevailing between the U.S. dollar and the currency in which the security is denominated. The Fund may accomplish such "transaction hedging" by purchasing or selling such foreign currencies on a "spot" (i.e., cash) basis or on a forward basis whereby the Fund purchases or sells a specific amount of foreign currency, at a price set at the time of the contract, for receipt or delivery at a specified date or at any time within a specified time period. In so doing, the Fund will attempt to insulate itself against possible losses and gains resulting from a change in the relationship between the U.S. dollar and the foreign currency during the period between the date the security is purchased or sold and the date on which payment is made or received. Similar transactions may be entered into by using other currencies if the Fund seeks to move investments denominated in one currency to investments denominated in another.

CURRENCY HEDGING. Most of the Fund's portfolio will be invested in foreign securities. As a result, in addition to the risk of

change in the market value of portfolio securities, the value of the portfolio in U.S. dollars is subject to fluctuations in the exchange rate between the foreign currencies and the U.S. dollar. When, in the opinion of the Sub-Adviser, it is desirable to limit or reduce exposure in a foreign currency in order to moderate potential changes in the U.S. dollar value of the portfolio, the Fund may enter into a forward currency exchange contract to sell or buy such foreign currency (or another foreign currency that acts as a proxy for that currency) by which the U.S. dollar value of certain underlying foreign portfolio securities can be approximately matched by an equivalent U.S. dollar liability. This technique is known as "currency hedging" and, by locking in a rate of exchange, is

intended to moderate or reduce the risk of change in the U.S. dollar value of the Fund's portfolio only during the period of the forward contract. Forward contracts are usually entered into with banks and broker-dealers, are not exchange traded, and are usually for less than one year, but may be renewed. A default on the contract would deprive the Fund of unrealized profits or force the Fund to cover its commitments for purchase or sale of currency, if any, at the current market price.

Neither type of foreign currency transaction will eliminate fluctuations in the prices of the Fund's portfolio securities or prevent loss if the price of such securities should decline. In addition, such forward currency exchange contracts will diminish the benefit of the appreciation in the U.S. dollar value of that foreign currency. (For further information on forward foreign currency exchange transactions, see the Statement of Additional Information.)

PORTFOLIO TURNOVER. Although the Fund does not purchase securities with a view to rapid turnover, there are no limitations on the length of time portfolio securities must be held. Accordingly, the portfolio turnover rate may vary significantly from year to year, but is not expected to exceed 100% under normal market conditions. Flexibility of investment and emphasis on capital appreciation may involve greater portfolio turnover than that of mutual funds that have the objectives of income or maintenance of a balanced investment position. A high rate of portfolio turnover may result in increased transaction expenses and the realization of capital gains and losses. (See Distributions and Income Taxes.) The Fund is not intended to be an income-producing investment.

OTHER TECHNIQUES. The Fund may invest in securities purchased on a when-issued or delayed-delivery basis. Although the payment terms of these securities are established at the time the Fund enters into the commitment, the securities may be delivered and paid for a month or more after the date of purchase, when their value may have changed. The Fund will make such commitments only with the intention of actually acquiring the securities, but may sell the securities before settlement date if it is deemed advisable for investment reasons. The Fund may utilize spot and forward foreign exchange transactions to reduce the risk inherent in fluctuations in the exchange rate between one currency and another when securities are purchased or sold on a when-issued basis, and may invest in synthetic money market instruments. The Fund may invest in repurchase agreements, provided that it will not invest more than 15% of its net assets in repurchase agreements maturing in more than seven days and any other illiquid securities. (See the Statement of Additional Information.)

RESTRICTIONS ON THE FUND'S INVESTMENTS

The Fund will not (i) with respect to more than 75% of its total assets, invest more than 5% of its total assets in the securities of any one issuer (except that this restriction does not apply to securities of the U.S. Government or repurchase agreements for such securities and except that the Fund may invest all of its assets in shares of another investment company having the identical investment objective); (ii) acquire more than 10% of the outstanding voting securities of any one issuer, except that the Fund may invest all of its assets in shares of another investment company having the identical investment objective; or (iii) borrow money, except as a temporary measure for extraordinary or emergency purposes, and then the aggregate borrowings at any one time (including any reverse repurchase agreements and dollar rolls) may not exceed 33 1/3% of its total assets (at market). The Fund will not purchase additional securities when its borrowings, less proceeds receivable from sales of portfolio securities, exceed 5% of total assets.

The policies summarized above and the policy with respect to concentration of investments in any one industry described under

Risks and Investment Considerations are fundamental policies and, as such, can be changed only with the approval of a "majority of the outstanding voting securities" of the Fund as defined in the Investment Company Act of 1940. The Fund's investment objective is non-fundamental and, as such, may be changed by the Board of Trustees without shareholder approval. Any such change may result in the Fund having an investment objective different from the objective the shareholder considered appropriate at the time of investment in the Fund. All of the investment restrictions are set forth in the Statement of Additional Information.

Nothing in the foregoing investment restrictions shall be deemed to prohibit the Fund from purchasing the securities of any issuer pursuant to the exercise of subscription rights distributed to the Fund by the issuer, except that no such purchase may be made if as a result the Fund will no longer be a diversified investment company as defined in the Investment Company Act of 1940 or fail to meet the diversification requirements of the Internal Revenue Code.

RISKS AND INVESTMENT CONSIDERATIONS

All investments, including those in mutual funds, have risks. No investment is suitable for all investors. THE FUND IS INTENDED FOR LONG-TERM INVESTORS WHO CAN ACCEPT THE RISKS ENTAILED IN INVESTING IN FOREIGN SECURITIES. Of course, there can be no guarantee that the Fund will achieve its objective.

Although the Fund does not attempt to reduce or limit risk through wide industry diversification of investment, the Fund usually allocates its investments among a number of different industries rather than concentrating in a particular industry or group of industries. However, the Fund will not invest more than 25% of its total assets (at the time of investment) in the securities of companies in any one industry.

FOREIGN INVESTING. The Fund provides long-term investors with an opportunity to invest a portion of their assets in a diversified portfolio of foreign securities. Non-U.S. investments may be attractive because they increase diversification, as compared to a portfolio comprised solely of U.S. investments. In addition, many foreign economies have, from time to time, grown faster than the U.S. economy, and the returns on investments in these countries

have exceeded those of similar U.S. investments, although there can be no assurance that these conditions will continue. International diversification allows the Fund and an investor to achieve greater diversification and to take advantage of changes in foreign economies and market conditions.

Investors should understand and consider carefully the greater risks involved in foreign investing. Investing in foreign securities, positions in which are generally denominated in foreign currencies, and utilization of forward foreign currency exchange contracts involve certain considerations comprising both risks and opportunities not typically associated with investing in U.S. securities. These considerations include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulations or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less governmental supervision of stock exchanges, securities brokers, and issuers of securities; lack of uniform accounting, auditing, and financial reporting standards; lack of uniform settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States;

possible imposition of foreign taxes; possible investment in the securities of companies in developing as well as developed countries; and sometimes less advantageous legal, operational, and financial protections applicable to foreign sub-custodial arrangements. These risks are greater for emerging market countries.

Although the Fund will try to invest in companies and governments of countries having stable political environments, there is the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, establishment of exchange controls, the adoption of foreign government restrictions, and other adverse political, social or diplomatic developments that could affect investment in these nations.

The price of securities of small, rapidly growing companies is expected to fluctuate more widely than the general market due to the difficulty in assessing financial prospects of companies developing new products or operating in countries with developing markets.

The strategy for selecting investments will be based on various criteria. A company proposed for investment should

have a good market position in a fast-growing segment of the economy, strong management, preferably a leading position in its business, prospects of superior financial returns, ability to self-finance, and securities available for purchase at a reasonable market valuation. Because of the foreign domicile of such companies, however, information on some of the above factors may be difficult, if not impossible, to obtain.

To the extent portfolio securities are issued by foreign issuers or denominated in foreign currencies, the Fund's investment performance is affected by the strength or weakness of the U.S. dollar against these currencies. If the dollar falls relative to the Japanese yen, for example, the dollar value of a yen-denominated stock held in the portfolio will rise even though the price of the stock remains unchanged. Conversely, if the dollar rises in value relative to the yen, the dollar value of the yen-denominated stock will fall. (See the discussion of portfolio and transaction hedging under Portfolio Investments and Strategies.)

MASTER FUND/FEEDER FUND OPTION. Rather than invest in securities directly, the Fund may in the future seek to achieve its investment objective by pooling its assets with assets of other mutual funds managed by the Adviser for investment in another investment company having the same investment objective and substantially the same investment policies and restrictions as the Fund. The purpose of such an arrangement is to achieve greater operational efficiencies and reduce costs. It is expected that any such investment company would be managed by the Adviser in substantially the same manner as the Fund. Shareholders of the Fund will be given at least 30 days' prior notice of any such investment, although they will not be entitled to vote on the action. Such investment would be made only if the Trustees determine it to be in the best interests of the Fund and its shareholders.

HOW TO PURCHASE SHARES

You may purchase Fund shares by check, by wire, by electronic transfer, or by exchange from your account with another SteinRoe Fund. The initial purchase minimum per Fund account is $2,500; the minimum for Uniform Gifts/Transfers to Minors Act ("UGMA") accounts is $1,000; the minimum for accounts established under an automatic investment plan (i.e., Regular Investments, Dividend Purchase Option, or the Automatic Exchange Plan) is $1,000 for regular

accounts and $500 for UGMA accounts; and the minimum per account for SteinRoe IRAs is $500. The initial purchase minimum is waived for shareholders who participate in the SteinRoe Counselor [service mark] and SteinRoe Counselor Preferred [service mark] programs and for clients of the Adviser. Subsequent purchases must be at least $100, or at least $50 if you purchase by electronic transfer. If you wish to purchase shares to be held by a tax-sheltered retirement plan sponsored by the Adviser, you must obtain special forms for those plans. (See Shareholder Services.)

BY CHECK. To make an initial purchase of shares of the Fund by check, please complete and sign the Application and mail it to P.O. Box 804058, Chicago, Illinois 60680, together with a check made payable to SteinRoe Funds.

You may make subsequent investments by submitting a check along with either the stub from your Fund account confirmation statement or a note indicating the amount of the purchase, your account number, and the name in which your account is registered. Each individual check submitted for purchase must be at least $100, and the Trust generally will not accept cash, drafts, third party checks, or checks drawn on banks outside of the United States. Should an order to purchase shares of the Fund be cancelled because your check does not clear, you will be responsible for any resulting loss incurred by the Fund.

BY WIRE. You may also pay for shares by instructing your bank to wire Federal funds (monies of member banks within the Federal Reserve System) to the Fund's custodian bank. Your bank may charge you a fee for sending the wire. If you are opening a new account by wire transfer, you must first telephone the Trust to request an account number and furnish your social security or other tax identification number. Neither the Fund nor the Trust will be responsible for the consequences of delays, including delays in the banking or Federal Reserve wire systems. Your bank must include the full name(s) in which your account is registered and your Fund account number, and should address its wire as follows:

State Street Bank & Trust Company
Boston, Massachusetts
Attention: Custody
Fund No. 7123; SteinRoe International Fund
Account of (exact name(s) in registration)
Shareholder Account No. _________

BY ELECTRONIC TRANSFER. You may also make subsequent investments by an electronic

transfer of funds from your bank checking account. Electronic transfer allows you to make purchases at your request ("Special Investments") by calling 1-800-338-2550 or at pre-scheduled intervals ("Regular Investments"). (See Shareholder Services.) Electronic transfer purchases are subject to a $50 minimum and a

$100,000 maximum. You may not open a new account through electronic transfer. Should an order to purchase shares of the Fund be cancelled because your electronic transfer does not clear, you will be responsible for any resulting loss incurred by the Fund.

BY EXCHANGE. You may purchase shares by exchange of shares from another SteinRoe Fund account either by phone (if the Telephone Exchange Privilege has been established on the account from which the exchange is being made), by mail, in person, or automatically at regular intervals (if you have elected Automatic Exchanges). Restrictions apply; please review the information on the Exchange Privilege under How to Redeem Shares--By Exchange.

PURCHASE PRICE AND EFFECTIVE DATE. Each purchase of the Fund's shares is made at the Fund's net asset value (see Net Asset Value) next determined after receipt of payment as follows:

A purchase by check or wire transfer is made at the net asset value next determined after receipt by the Fund of the check or wire transfer of funds in payment of the purchase.

A purchase by electronic transfer is made at the net asset value next determined after the Fund receives the electronic transfer from your bank. A Special Electronic Transfer Investment order received by telephone on a business day before 2:00 p.m., Chicago time, is effective on the next business day.

CONDITIONS OF PURCHASE. Each purchase order for the Fund must be accepted by an authorized officer of the Trust in Chicago and is not binding until accepted and entered on the books of the Fund. Once your purchase order has been accepted, you may not cancel or revoke it; however, you may redeem the shares. The Trust reserves the right not to accept any purchase order that it determines not to be in the best interest of the Trust or of the Fund's shareholders. The Trust also reserves the right to waive or lower its investment minimums for any reason.

PURCHASES THROUGH THIRD PARTIES.
You may purchase (or redeem) shares through investment dealers, banks, or other financial institutions. These

institutions may charge for their services or place limitations on the extent to which you may use the services offered by the Trust. There are no charges or limitations imposed by the Trust (other than those described in this prospectus) if shares are purchased (or redeemed) directly from the Trust.

Some financial institutions that maintain nominee accounts with the Fund for their clients for whom they hold Fund shares charge an annual fee of up to 0.25% of the average net assets held in such accounts for accounting, servicing, and distribution services they provide with respect to the underlying Fund shares. The Fund may pay a portion of those fees not to exceed the fees and expenses the Fund would pay to its transfer agent if the shares held in nominee name were registered on the Fund's books in the individual names of the beneficial owners of such shares. The balance of such fees are paid by the Adviser.

HOW TO REDEEM SHARES

BY WRITTEN REQUEST. You may redeem all or a portion of your shares of the Fund by submitting a written request in "good order" to the Trust at P.O. Box 804058, Chicago, Illinois 60680. A redemption request will be considered to have been received in good order if the following conditions are satisfied:

(1) the request must be in writing, indicate the number of shares or dollar amount to be redeemed, and identify the shareholder's account number;

(2) the request must be signed by the shareholder(s) exactly as the shares are registered;

(3) the signatures on the written redemption request must be guaranteed (a signature guarantee is not a notarization, but is a widely accepted way to protect you and the Fund by verifying your signature);

(4) corporations and associations must submit with each request a completed Certificate of Authorization included in this prospectus (or a form of resolution acceptable to the Trust); and

(5) other supporting legal documents may be required from organizations, executors, administrators, trustees, or others acting on accounts not registered in their names.

BY EXCHANGE. You may redeem all or any portion of your Fund shares and use the proceeds to purchase shares of any other SteinRoe Fund offered for sale in your state if your signed, properly

completed Application is on file. AN EXCHANGE TRANSACTION IS A SALE AND PURCHASE OF SHARES FOR FEDERAL INCOME TAX PURPOSES AND MAY RESULT IN CAPITAL GAIN OR LOSS. Before exercising the Exchange Privilege, you should obtain the prospectus for the SteinRoe Fund in which you wish to invest and read it carefully. The registration of the account to which you are making an exchange must be exactly the same as that of the Fund account from which the exchange is made and the amount you exchange must meet any applicable minimum investment of the SteinRoe Fund being purchased. An exchange may be made by following the redemption procedure described above under By Written Request and indicating the SteinRoe Fund to be purchased, except that a signature guarantee normally is not required. (See also the discussion below of the Telephone Exchange Privilege and Automatic Exchanges.)

SPECIAL REDEMPTION PRIVILEGES. The Telephone Exchange Privilege and the Telephone Redemption by Check Privilege will be established automatically for you when you open your account unless you decline these Privileges on your Application. Other Privileges must be specifically elected. If you do not want the Telephone Exchange and Redemption Privileges, check the box(es) under the section "Telephone Redemption Options" when completing your Application. In addition, a signature guarantee may be required to establish a Privilege after you open your account.

The Telephone Redemption by Check Privilege and Special Electronic Transfer Redemptions are not available to redeem shares held by a tax-sheltered retirement plan sponsored by the Adviser. (See also General Redemption Policies.)

Telephone Exchange Privilege. You may use the Telephone Exchange Privilege to exchange an amount of $1,000 or more from your account by calling 1-800-338-2550 or by sending a telegram; new accounts opened by exchange are subject to the initial purchase minimum for the Fund being purchased. GENERALLY, YOU WILL BE LIMITED TO FOUR TELEPHONE EXCHANGE ROUND-TRIPS PER YEAR AND THE FUND MAY REFUSE REQUESTS FOR TELEPHONE EXCHANGES IN EXCESS OF FOUR ROUND-TRIPS (A ROUND-TRIP BEING THE EXCHANGE OUT OF THE FUND INTO ANOTHER STEINROE FUND, AND THEN BACK TO THE FUND). Also, the Trust's general redemption policies apply to redemptions of shares by Telephone Exchange.

(See General Redemption Policies.)

The Trust reserves the right at any time without prior notice to suspend or terminate the use of the Telephone Exchange Privilege by any person or class of persons. The Trust believes that use of the Telephone Exchange Privilege by investors utilizing market-timing strategies adversely affects the Fund. THEREFORE, THE TRUST GENERALLY WILL NOT HONOR REQUESTS FOR TELEPHONE EXCHANGES BY SHAREHOLDERS IDENTIFIED BY THE TRUST AS "MARKET-TIMERS." Moreover, the Trust reserves the right at any time without prior notice to suspend, limit, modify, or terminate the Telephone Exchange Privilege in its entirety. Because such a step would be taken only if the Board of Trustees believes it would be in the best interests of the Fund, the Trust expects that it would provide shareholders with prior written notice of any such action unless the resulting delay in the suspension, limitation, modification, or termination of the Telephone Exchange Privilege would adversely affect the Fund. IF THE TRUST WERE TO SUSPEND, LIMIT, MODIFY, OR TERMINATE THE TELEPHONE EXCHANGE PRIVILEGE, A SHAREHOLDER EXPECTING TO MAKE A TELEPHONE EXCHANGE MIGHT FIND THAT AN EXCHANGE COULD NOT BE PROCESSED OR THAT THERE MIGHT BE A DELAY IN THE IMPLEMENTATION OF THE EXCHANGE. (See How to Redeem Shares--By Exchange.) During periods of volatile economic and market conditions, you may have difficulty placing your exchange by telephone.

Automatic Exchanges. You may use the Automatic Exchange Privilege to automatically redeem a fixed amount from your Fund account for investment in another SteinRoe Fund account on a regular basis.

Telephone Redemption by Check Privilege. You may use the Telephone Redemption by Check Privilege to redeem an amount of $1,000 or more from your account by calling 1-800-338-2550. The proceeds will be sent by check to your registered address. The Telephone Redemption by Check Privilege is not available to redeem shares held by a tax-sheltered retirement plan sponsored by the Adviser.

Electronic Transfer Privilege. You may redeem shares by calling 1-800-338-2550 and requesting an electronic transfer ("Special Redemption") of the proceeds to a checking account previously designated by you at a bank that is a member of the Automated Clearing House or at scheduled intervals ("Automatic Redemptions"--see Shareholder Services). Electronic transfers are subject to a $50 minimum and a

$100,000 maximum. A Special Redemption request received by telephone after 2:00 p.m., Chicago time, is deemed received on the next business day.

GENERAL REDEMPTION POLICIES. You may not cancel or revoke your redemption order once instructions have been received and accepted. The Trust cannot accept a redemption request that specifies a particular date or price for redemption or any special conditions. Please telephone the Trust if you have any questions about requirements for a redemption before submitting your request. If you wish to redeem shares held by a tax-sheltered retirement plan sponsored by the Adviser, special procedures of those plans apply to such redemptions. (See Shareholder Services--Tax-Sheltered Retirement Plans.) The Trust reserves the right to require a properly completed Application before making payment for shares redeemed.

The price at which your redemption order will be executed is the net asset value next determined after proper redemption instructions are received. (See Net Asset Value.) Because the redemption price you receive depends upon the Fund's net asset value per share at the time of redemption, it may be more or less than the price you originally paid for the shares and may result in a realized capital gain or loss.

The Trust will generally mail payment for shares redeemed within seven days after proper instructions are received. If you attempt to redeem shares within 15 days after they have been purchased by check or electronic transfer, the Trust may delay payment of the redemption proceeds to you until it can verify that payment for the purchase of those shares has been (or will be) collected. To reduce such delays, the Trust recommends that your purchase be made by Federal funds wire through your bank.

Generally, you may not use the Exchange Privilege or any Special Redemption Privilege to redeem shares purchased by check (other than certified or cashiers' checks) or electronic transfer until 15 days after their date of purchase.

The Trust reserves the right at any time without prior notice to suspend, limit, modify, or terminate any Privilege or its use in any manner by any person or class.

Neither the Trust, its transfer agent, nor their respective officers, trustees, directors, employees, or agents will be responsible for the authenticity of instructions provided under the Privileges, nor for any loss, liability, cost or expense for acting upon instructions

furnished thereunder if they reasonably believe that such instructions are genuine. The Fund employs procedures reasonably designed to confirm that instructions communicated by telephone under any Special Redemption Privilege or the Special Electronic Transfer Redemption Privilege are genuine. Use of any Special Redemption Privilege or the Special Electronic Transfer Redemption Privilege authorizes the Fund and its transfer agent to tape-record all instructions to redeem. In addition, callers are asked to identify the account number and registration, and may be required to provide other forms of identification. Written confirmations of transactions are mailed promptly to the registered address; a legend on the confirmation requests the shareholder to review the transactions and inform the Fund immediately if there is a problem. If the Fund does not follow reasonable procedures for protecting shareholders against loss on telephone transactions, it may be liable for any losses due to unauthorized or fraudulent instructions.

The Trust reserves the right to redeem shares in any account and send the proceeds to the owner if the shares in the account do not have a value of at least $1,000. A shareholder would be notified that his account is below the minimum and allowed 30 days to increase the account before the redemption is processed.

Shares in any account you maintain with the Fund or any of the other SteinRoe Funds may be redeemed to the extent necessary to reimburse any SteinRoe Fund for any loss it sustains that is caused by you (such as losses from uncollected checks and electronic transfers for the purchase of shares or any SteinRoe Fund liability under the Internal Revenue Code provisions on backup withholding).

SHAREHOLDER SERVICES

REPORTING TO SHAREHOLDERS. You will receive a confirmation statement reflecting each of your purchases and redemptions of shares of the Fund, as well as periodic statements detailing distributions made by the Fund. Shares purchased by reinvestment of dividends, by cross-reinvestment of dividends from another Fund, or pursuant to an automatic investment plan will be confirmed to you quarterly. In addition, the Trust will send you semiannual and annual reports showing Fund portfolio holdings and will provide you annually with tax information.

FUNDS-ON-CALL [REGISTERED TRADEMARK] 24-HOUR INFORMATION SERVICE. To access the SteinRoe Funds-on-Call [registered trademark] automated telephone service, just call 1-800-338-2550 on any touch-tone telephone and follow the recorded instructions. Funds-on-Call [registered trademark] provides yields, prices, latest dividends, account balances, last transaction, and other information 24 hours a day, seven days a week.

FUNDS-ON-CALL [REGISTERED TRADEMARK] AUTOMATED TELEPHONE TRANSACTIONS. If you have established the Funds-on-Call [REGISTERED TRADEMARK] transaction privilege (Funds-on-Call [REGISTERED TRADEMARK] Application will be required), you may initiate Special Investments and Redemptions, Telephone Exchanges, and Telephone Redemptions by Check 24 hours a day, seven days a week by calling 1-800-338-2550 on a touch-tone telephone. These transactions are subject to the terms and conditions of the individual privileges. (See How to Purchase Shares and How to Redeem Shares.)

STEINROE COUNSELOR [SERVICE MARK] PROGRAM. The SteinRoe Counselor [service mark] and SteinRoe Counselor Preferred [service mark] programs are professional investment advisory services available to shareholders. These programs are designed to provide investment guidance in helping investors to select a portfolio of SteinRoe Funds. The SteinRoe Counselor Preferred [service mark] program, which automatically adjusts client portfolios among the SteinRoe Funds, has a fee of up to 1% of assets.

TAX-SHELTERED RETIREMENT PLANS. Booklets describing the following programs and special forms necessary for establishing them are available on request. You may use all of the SteinRoe Funds, except those investing primarily in tax-exempt securities, in these plans. Please read the prospectus for each fund in which you plan to invest before making your investment.

Individual Retirement Accounts ("IRAs") for employed persons and their non-employed spouses.

Prototype Money Purchase Pension and Profit-Sharing Plans for self-employed individuals, partnerships, and corporations.

Simplified Employee Pension Plans permitting employers to provide retirement benefits to their employees by utilizing IRAs while minimizing administration and reporting requirements.

SPECIAL SERVICES. The following special services are available to shareholders. Please call 1-800-338-2550 or write the Trust for additional information and forms.

Dividend Purchase Option--to diversify your Fund investments by having distributions

from one Fund account automatically invested in another SteinRoe Fund account. Before establishing this option, you should obtain and read carefully the prospectus of the SteinRoe Fund into which you wish to have your distributions invested. The account from which distributions are made must be of sufficient size that each distribution will usually be at least $25. The account into which distributions are to be invested may be opened with an initial investment of only $1,000.

Automatic Dividend Deposit (electronic transfer)--to have income dividends and capital gain distributions deposited directly into your bank checking account.

Telephone Redemption by Check Privilege and Telephone Exchange Privilege--established automatically when you open your account unless you decline them on your Application ($1,000 minimum). (See How to Redeem Shares--Special Redemption Privileges.)

Special Redemption Option (electronic transfer)--to redeem shares at any time and have the proceeds deposited directly to your bank checking account ($50 minimum; $100,000 maximum).

Regular Investments (electronic transfer)--to purchase Fund shares at regular intervals directly from your bank checking account ($50 minimum; $100,000 maximum).

Special Investments (electronic transfer)--to purchase Fund shares by telephone and pay for them by electronic transfer of funds from your checking account ($50 minimum; $100,000 maximum).

Automatic Exchange Plan--to automatically redeem a fixed dollar amount from your Fund account and invest it in another SteinRoe Fund account on a regular basis ($50 minimum; $100,000 maximum).

Automatic Redemptions (electronic transfer)--to have a fixed dollar amount redeemed and sent at regular intervals directly to your bank checking account ($50 minimum; $100,000 maximum).

Systematic Withdrawals--to have a fixed dollar amount, declining balance, or fixed percentage of your account redeemed and sent at regular intervals by check to you or another payee.

NET ASSET VALUE

The purchase and redemption price of the Fund's shares is its net asset value per share. The net asset value of a share of the Fund is determined as of the close of trading on the New York Stock Exchange ("NYSE") (currently 3:00 p.m., Chicago time) by dividing the difference between

the values of the Fund's assets and liabilities by the number of shares outstanding. Net asset value will not be determined on days when the NYSE is closed unless, in the judgment of the Board of Trustees, the net asset value of the Fund should be determined on any such day, in which case the determination will be made at 3:00 p.m., Chicago time.

In computing the net asset value of the Fund, the values of portfolio securities are generally based upon market quotations which, depending upon local convention or regulation, may be last sale price, last bid or asked price, or the mean between the last bid and asked prices as of, in each case, the close of the appropriate exchange or other designated time. Trading in securities on European and Far Eastern securities exchanges and over-the-counter markets is normally completed at various times before the close of business on each day on which the NYSE is open. Trading of these securities may not take place on every NYSE business day. In addition, trading may take place in various foreign markets on Saturdays or on other days when the NYSE is not open and on which the Fund's net asset value is not calculated. Therefore, such calculation does not take place contemporaneously with the determination of the prices of many of the portfolio securities used in such calculation and the value of the Fund's portfolio may be significantly affected on days when shares of the Fund may not be purchased or redeemed.

DISTRIBUTIONS AND INCOME TAXES

DISTRIBUTIONS. Income dividends for the Fund are normally declared and paid annually. The Fund intends to distribute by the end of each calendar year at least 98% of any net capital gains realized from the sale of securities during the twelve-month period ended October 31 in that year. The Fund intends to distribute any undistributed net investment income and net realized capital gains in the following year.

All of your income dividends and capital gain distributions will be reinvested in additional shares unless you elect to have distributions either (1) paid by check, (2) deposited by electronic transfer into your bank checking account, (3) applied to purchase shares in your account with another SteinRoe Fund, or (4) applied to purchase shares in a SteinRoe Fund account of another person. (See Shareholder Services.) Reinvestment into the same Fund account normally occurs one business day after the record date.

Investment of distributions into another SteinRoe Fund account occurs on the payable date. If you choose to receive your distributions in cash, your distribution check normally will be mailed approximately 15 days after the record date. The Trust reserves the right to reinvest the proceeds and future distributions in additional Fund shares if checks mailed to you for distributions are returned as undeliverable or are not presented for payment within six months.

U.S. FEDERAL INCOME TAXES. Your distributions will be taxable to you, under income tax law, whether received in cash or reinvested in additional shares. For Federal income tax purposes, any distribution that is paid in January but was declared in the prior calendar year is deemed paid in the prior calendar year.

You will be subject to Federal income tax at ordinary rates on income dividends and distributions of net short-term capital gains. Distributions of net long-term capital gains will be taxable to you as long-term capital gain regardless of the length of time you have held your shares.

You will be advised annually as to the source of distributions for tax purposes. If you are not subject to tax on your income, you will not be required to pay tax on these amounts.

If you redeem shares of the Fund held for six months or less, any loss on the sale of those shares will be a long-term capital loss to the extent of any distributions of net long-term capital gains you have received with respect to those shares.

For Federal income tax purposes, the Fund is treated as a separate taxable entity distinct from the other series of the Trust.

FOREIGN INCOME TAXES. Investment income received by the Fund from sources within foreign countries may be subject to foreign income taxes withheld at the source. The United States has entered into tax treaties with many foreign countries that entitle the Fund to a reduced rate of tax or exemption from tax on such income. It is impossible to determine the effective rate of foreign tax in advance since the amount of the Fund's assets to be invested within various countries will fluctuate and the extent to which tax refunds will be recovered is uncertain. The Fund intends to operate so as to qualify for treaty-reduced tax rates where applicable.

To the extent that the Fund is liable for foreign income taxes withheld at the source, the Fund also intends to operate so as to meet the requirements of the U.S. Internal Revenue Code to "pass

through" to the Fund's shareholders foreign income taxes paid, but there can be no assurance that the Fund will be able to do so.

This discussion of U.S. and foreign taxation is not intended to be a full discussion of income tax laws and their effect on shareholders. You may wish to consult your own tax advisor. The foregoing information applies to U.S. shareholders. Foreign shareholders should consult their tax advisors as to the tax consequences of ownership of Fund shares.

BACKUP WITHHOLDING. If (a) you fail to (i) furnish your properly certified social security or other tax identification number or (ii) certify that your tax identification number is correct or that you are not subject to backup withholding due to the underreporting of certain income, or (b) the Internal Revenue Service informs the Trust that your tax identification number is incorrect, the Trust may be required to withhold Federal income tax ("backup withholding") from certain payments (including redemption proceeds) to you. These certifications are contained in the Application that you should complete and return when you open an account. The Fund must promptly pay to the IRS all amounts withheld. Therefore, it is usually not possible for the Fund to reimburse you for amounts withheld. However, you may claim the amount withheld as a credit on your Federal income tax return.

INVESTMENT RETURN

The total return from an investment in the Fund is measured by the distributions received (assuming reinvestment) plus or minus the change in the net asset value per share for a given period. A total return percentage may be calculated by dividing the value of a share at the end of the period (including reinvestment of distributions) by the value of the share at the beginning of the period and subtracting one. For a given period, an average annual total return may be calculated by finding the average annual compounded rate that would equate a hypothetical $1,000 investment to the ending redeemable value.

Comparison of the Fund's total return with alternative investments should consider differences between the Fund and the alternative investments, the periods and methods used in calculation of the return being compared, and the impact of taxes on alternative investments. Of course, past performance is not necessarily indicative of future results.

MANAGEMENT OF THE FUND

TRUSTEES AND ADVISERS. The Board of Trustees of the Trust has overall management responsibility for the Trust and the Fund. See the Statement of Additional Information for the names of and additional information about the trustees and officers. The Fund's Adviser, Stein Roe & Farnham Incorporated, One South Wacker Drive, Chicago, Illinois 60606, is responsible for managing the Fund, subject to the direction of the Board of Trustees. The Adviser is registered as an investment adviser under the Investment Advisers Act of 1940. The Adviser was organized in 1986 to succeed to the business of Stein Roe & Farnham, a partnership that had advised and managed mutual funds since 1949. The Adviser is a wholly-owned indirect subsidiary of Liberty Mutual Insurance Company ("Liberty Mutual").

The Sub-Adviser, Rockefeller & Co., Inc., subject to the overall supervision of the Adviser, provides the Fund with investment advisory services, including portfolio management. The Sub-Adviser, which is registered as an investment adviser under the Investment Advisers Act of 1940, is a private investment advisory and management firm established by the Rockefeller Family to serve its own needs and those of a small number of other persons and institutions. As of October 31, 1994, the Sub-Adviser managed over $2.5 billion in assets, including $836 million in foreign securities. The Sub-Adviser, with offices at 30 Rockefeller Plaza, New York, New York 10112, is an indirect, wholly-owned subsidiary of the Rockefeller Family Trust. The Sub-Adviser has previous experience in advising mutual funds, serving as a sub-adviser to a European emerging companies fund from 1990 to 1992.

PORTFOLIO MANAGER. Bruno Bertocci is primarily responsible for the day-to-day management of the Fund's portfolio and has been the portfolio manager of the Fund since its inception. Mr. Bertocci is Senior Portfolio Manager for the Sub-Adviser, and has been employed by the Sub-Adviser since 1983. He received an A.B. from Oberlin College in 1976 and an M.B.A. from Harvard University in 1980.

FEES AND EXPENSES. In return for its services, the Adviser receives a monthly fee from the Fund, computed and accrued daily, at an annual rate of 1% of average net assets. This fee is higher than the fees paid by most mutual funds. With respect to the portfolio assets of the Fund allocated by the Adviser to the

Sub-Adviser, the Adviser pays the Sub-Adviser a fee of 0.5% of average net assets.

Under a separate agreement with the Trust, the Adviser provides certain accounting and bookkeeping services to the Fund, including computation of the Fund's net asset value and calculation of its net income and capital gains and losses on disposition of Fund assets.

PORTFOLIO TRANSACTIONS. The Sub-Adviser places the orders for the purchase and sale of portfolio securities and options and futures transactions for the Fund. In doing so, the Sub-Adviser seeks to obtain the best combination of price and execution, which involves a number of judgmental factors.

TRANSFER AGENT. SteinRoe Services Inc., One South Wacker Drive, Chicago, Illinois 60606, a wholly-owned indirect subsidiary of Liberty Mutual, is the agent of the Trust for the transfer of shares, disbursement of dividends, and maintenance of shareholder accounting records.

DISTRIBUTOR. The shares of the Fund are offered for sale through Liberty Securities Corporation ("Distributor") without any sales commissions or charges to the Fund or to its shareholders. The Distributor is a wholly-owned indirect subsidiary of Liberty Mutual. The business address of the Distributor is 600 Atlantic Avenue, Boston, Massachusetts 02210; however, all Fund correspondence (including purchase and redemption orders) should be mailed to the Trust at P.O. Box 804058, Chicago, Illinois 60680. All distribution and promotional expenses are paid by the Adviser, including payments to the Distributor for sales of Fund shares.

CUSTODIAN. State Street Bank and Trust Company (the "Bank"), 225 Franklin Street, Boston, Massachusetts 02101, is the custodian for the Fund. Foreign securities are maintained in the custody of foreign banks and trust companies that are members of the Bank's Global Custody Network or foreign depositories used by such members. (See Custodian in the Statement of Additional Information.)

ORGANIZATION AND DESCRIPTION OF SHARES

The Trust is a Massachusetts business trust organized under an Agreement and Declaration of Trust ("Declaration of Trust") dated January 8, 1987, which provides that each shareholder shall be deemed to have agreed to be bound by the terms thereof. The Declaration of Trust may be amended by a vote of either the

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Trust's shareholders or its trustees. The Trust may issue an unlimited number of shares, in one or more series as the Board may authorize. Currently, eight series are authorized and outstanding.

Under Massachusetts law, shareholders of a Massachusetts business trust such as the Trust could, in some circumstances, be held personally liable for unsatisfied obligations of the trust. The Declaration of Trust provides that persons extending credit to, contracting with, or having any claim against, the Trust or any particular Fund shall look only to the assets of the Trust or of the respective Fund for payment under such credit, contract or claim, and that the shareholders, Trustees and officers of the Trust shall have no personal liability therefor. The Declaration of Trust requires that notice of such disclaimer of liability be given in each contract, instrument or undertaking executed or made on behalf of the Trust. The Declaration of Trust provides for indemnification of any shareholder against any loss and expense arising from personal liability solely by reason of being or having been a shareholder. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is believed to be remote, because it would be limited to circumstances in which the disclaimer was inoperative and the Trust was unable to meet its obligations.

The risk of a particular Fund incurring financial loss on account of unsatisfied liability of another Fund of the Trust is also believed to be remote, because it would be limited to claims to which the disclaimer did not apply and to circumstances in which the other Fund was unable to meet its obligations.

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CERTIFICATE OF AUTHORIZATION (FOR USE BY CORPORATIONS AND ASSOCIATIONS ONLY)

A corporation or association must complete this Certificate and submit it with the Fund Application, each written redemption, transfer or exchange request, and each request to terminate or change any of the Privileges or special service elections.

If the entity submitting the Certificate is an association, the word "association" shall be deemed to appear each place the word "corporation" appears. If the officer signing this Certificate is named as an authorized person, another officer must countersign the Certificate. If there is no other officer, the person signing the Certificate must have his signature guaranteed. If you are not sure whether you are required to complete this Certificate, call the office of the SteinRoe Funds, 1-800-338-2550 toll-free.

The undersigned hereby certifies that he is the duly elected Secretary of ____________ _____________________________ (the "Corporation") and (name of Corporation/Associaton)

that the following individual(s):

Authorized Persons

Name Title

Name Title

Name Title

is (are) duly authorized by resolution or otherwise to act on behalf of the Corporation in connection with the Corporation's ownership of shares of any mutual fund managed by Stein Roe & Farnham Incorporated (individually, the "Fund" and collectively, the "Funds") including, without limitation, furnishing any such Fund and its transfer agent with instructions to transfer or redeem shares of that Fund payable to any person or in any manner, or to redeem shares of that Fund and apply the proceeds of such redemption to purchase shares of another Fund (an "exchange"), and to execute any necessary forms in connection therewith.

Unless a lesser number is specified, all of the Authorized Persons must sign written instructions. Number of signatures required: ________.

If the undersigned is the only person authorized to act on behalf of the Corporation, the undersigned certifies that he is the sole shareholder, director, and officer of the Corporation and that the Corporation's Charter and Bylaws provide that he is the only person authorized to so act.

Unless expressly declined on the Application (or other form acceptable to the Funds), the undersigned further certifies that the Corporation has authorized by resolution or otherwise the establishment of the Telephone Exchange and Telephone Redemption by Check Privileges for the Corporation's account with any Fund offering any such Privilege. If elected on the Application (or other form acceptable to the Funds), the undersigned also certifies that the Corporation has similarly authorized establishment of the Electronic Transfer, Telephone Redemption by Wire, and Check-Writing Privileges for the Corporation's account with any Fund offering said Privileges. The undersigned has further authorized each Fund and its transfer agent to honor any written, telephonic, or telegraphic instructions furnished pursuant to any such Privilege by any person believed by the Fund or its transfer agent or their agents, officers, directors, trustees, or employees to be authorized to act on behalf of the Corporation and agrees that neither the Fund nor its transfer agent, their agents, officers, directors, trustees, or employees will be liable for any loss, liability, cost, or expense for acting upon any such instructions.

These authorizations shall continue in effect until five business days after the Fund and its transfer agent receive written notice from the Corporation of any change.

IN WITNESS WHEREOF, I have hereunto subscribed my name as Secretary and affixed the seal of this Corporation this ____ day of ________________, 19___.

Corporate
Seal
Here Secretary

Signature Guarantee*
*Only required if the person signing the Certificate is the only person named as "Authorized Person."

[STEIN ROE & FARNHAM MUTUAL FUNDS LOGO]

The SteinRoe Funds
SteinRoe Government Reserves
SteinRoe Cash Reserves
SteinRoe Limited Maturity Income Fund
SteinRoe Government Income Fund
SteinRoe Intermediate Bond Fund
SteinRoe Income Fund
SteinRoe Municipal Money Market Fund
SteinRoe Intermediate Municipals
SteinRoe Managed Municipals
SteinRoe High-Yield Municipals
SteinRoe Total Return Fund
SteinRoe Prime Equities
SteinRoe Growth Stock Fund
SteinRoe Capital Opportunities Fund
SteinRoe Special Fund
SteinRoe International Fund
SteinRoe Young Investor Fund
SteinRoe Special Venture Fund

SteinRoe International Fund

Prospectus
February 1, 1995

P.O. Box 804058
Chicago, Illinois 60680
1-800-338-2550

In Chicago, visit our Fund Center
at One South Wacker Drive

Liberty Securities Corporation, Distributor

06009

STEINROE INVESTMENT TRUST
STEINROE INTERNATIONAL FUND

Supplement to February 1, 1995 Defined Contribution Plans Prospectus

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Portfolio management for the International Fund is provided by a team of investment professionals employed by the Fund's sub-adviser, Rockefeller & Co., Inc. ("R&Co."). Members of the team participate in the investment process from R&Co. offices in London, Hong Kong, and New York City. R&Co. believes its team approach benefits Fund investors by exploiting the diverse expertise of team members over a range of dissimilar global markets. (See page 10 of the Prospectus.)

From time to time, the Adviser may voluntarily waive its management fee and/or absorb certain expenses for the Fund. The Adviser has agreed to voluntarily waive its management fee and absorb the expenses of the Fund to the extent that such fees and expenses (excluding taxes, interest, all commissions and other normal charges incident to the purchase and sale of portfolio securities, and extraordinary charges such as litigation costs, but including fees paid to the Adviser) on an annualized basis exceed 1.65% of average net assets through January 31, 1996, subject to earlier termination by the Adviser on 30 days' notice.

Effective May 1, 1995, there was a change in the services provided by the Fund's transfer agent and a change in the fees payable to the transfer agent. These changes are expected to change the Fund's annual operating expenses as shown in the Fee Table on page 2 of the Prospectus as follows:

Annual Fund Operating Expenses
(as a percentage of average net assets)

Management Fees	1.00%
12b-1 Fees	None
Other Expenses	0.65%
Total Fund Operating Expenses	1.65%

In addition, the expenses payable on a $1,000 investment for one and three years in the hypothetical example following the Fee Table would be changed to $17 and $52 respectively.

The Date of this Supplement is May 1, 1995

[STEINROE MUTUAL FUNDS LOGO]

PROSPECTUS
DEFINED CONTRIBUTION PLANS

STEINROE INTERNATIONAL FUND
The Fund seeks long-term growth of capital by investing in a diversified portfolio of foreign securities.

This prospectus relates only to shares of the Fund purchased through eligible employer-sponsored defined contribution plans ("defined contribution plans").

The Fund is a "no-load" fund. There are no sales or redemption charges, and the Fund has no 12b-1 plan. The Fund is a series of the STEINROE INVESTMENT TRUST.

This prospectus contains information you should know before investing in the Fund. Please read it carefully and retain it for future reference.

A Statement of Additional Information dated February 1, 1995, containing more detailed information, has been filed with the Securities and Exchange Commission and (together with any supplements thereto) is incorporated herein by reference. The Statement of Additional Information and the most recent financial statements may be obtained without charge by writing to the Secretary at P.O. Box 804058, Chicago, IL 60680 or by calling 1-800-322-1130.

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

THE DATE OF THIS PROSPECTUS IS FEBRUARY 1, 1995

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FEE TABLE

SHAREHOLDER TRANSACTION EXPENSES	
Sales Load Imposed on Purchases	None
Sales Load Imposed on Reinvested Dividends	None
Deferred Sales Load	None
Redemption Fees	None
Exchange Fees	None
ANNUAL FUND OPERATING EXPENSES (as a percentage of average net assets)	
Management Fees	1.00%
12b-1 Fees	None
Other Expenses	0.61%
Total Fund Operating Expenses	1.61%

EXAMPLE. You would pay the following expenses on a $1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period:

1 year	3 years
$16	$51

The purpose of the Fee Table is to assist you in understanding the various costs and expenses that you will bear directly or indirectly as an investor in the Fund. The information in the table is based upon actual expenses incurred in the last fiscal year. (Also see Management of the Fund--Fees and Expenses.) For purposes of the Example above, the figures assume that the percentage amounts listed for the Fund under Annual Fund Operating Expenses remain the same in each of the periods and that all income dividends and capital gain distributions are reinvested in additional Fund shares. The figures in the Example are not necessarily indicative of past or future expenses, and actual expenses may be greater or less than those shown. Although information such as that shown above is useful in reviewing the Fund's expenses and in providing a basis for comparison with other mutual funds, it should not be used for comparison with other investments using different assumptions or time periods. The example does not reflect any charges or expenses related to your employer's plan.

FINANCIAL HIGHLIGHTS

The table below reflects the results of operations of the Fund for the period shown on a per-share basis and has been audited by Arthur Andersen LLP, independent public accountants. All of the auditors' reports were unqualified. This table should be read in conjunction with the Fund's financial statements and notes thereto. The Fund's annual report, which may be obtained from the Trust upon request without charge, contains additional performance information.

	Period Ended Sept. 30, 1994(a)
NET ASSET VALUE, BEGINNING OF PERIOD	$10.00
Income from Investment Operations	
Net investment income	.03
Net realized and unrealized gains on investments and foreign currency transactions	.58
Total from investment operations	.61
NET ASSET VALUE, END OF PERIOD	$10.61
Ratio of expenses to average net asset	*1.61%
Ratio of net investment income to average net assets	*0.61%
Portfolio turnover rate	48%
Total return	6.10%
Net assets, end of period (000 omitted)	$74,817

*Annualized.
(a) From commencement of operations on March 1, 1994.

THE FUND

STEINROE INTERNATIONAL FUND (the "Fund") is a no-load, diversified "mutual fund." Mutual funds sell their own shares to investors and use the money they receive to invest in a portfolio of securities such as common stocks. A mutual fund allows you to pool your money with that of other investors in order to obtain professional investment management. Mutual funds generally make it possible for you to obtain greater diversification of your investments and simplify your recordkeeping. The Fund does not impose commissions or charges when shares are purchased or redeemed.

The Fund is a series of the STEINROE INVESTMENT TRUST (the "Trust"), an open-end management investment company, which is authorized to issue shares of beneficial interest in separate series. Each series represents interests in a separate portfolio of securities and other assets, with its own investment objectives and policies.

Stein Roe & Farnham Incorporated (the "Adviser") is responsible for the overall management of the Fund, subject to the authority and direction of the Trust's Board of Trustees. Rockefeller & Co., Inc. (the "Sub-Adviser") has been engaged to provide investment advisory services, including portfolio management, to the Fund, subject to the supervision of the Adviser. The Adviser also manages and provides investment advisory services for several other no-load mutual funds with different investment objectives, including equity funds, taxable and tax-exempt bond funds, and money market funds. To obtain prospectuses and other information on opening a regular account in any of these mutual funds, please call 1-800-338-2550.

HOW THE FUND INVESTS

The Fund invests as described below. Further information on portfolio investments and strategies may be found under Portfolio Investments and Strategies in this prospectus and in the Statement of Additional Information.

The Fund's investment objective is to seek long-term growth of capital by investing primarily in a diversified portfolio of foreign securities. Current income is not a primary factor in the selection of portfolio securities. The Fund invests primarily in common stocks and other equity-type securities (such as preferred stocks, securities convertible or exchangeable for common stocks, and warrants or rights to purchase common stocks). The Fund may invest in securities of smaller emerging companies as well as securities of well-seasoned companies of any size. Smaller companies, however, involve higher risks in that they typically have limited product lines, markets, and financial or management resources. In addition, the securities of smaller companies may trade less frequently and have greater price fluctuation than larger companies, particularly those operating in countries with developing markets.

The Fund diversifies its investments among several countries and does not concentrate investments in any particular industry. In pursuing its objective, the Fund varies the geographic allocation and types of securities in which it invests based on the continuing evaluation by the Sub-Adviser of economic, market, and political trends throughout the world. The Fund has not established limits on geographic asset distribution but ordinarily invests in the securities markets of at least three countries outside the United States, including but not limited to Western European countries (such as Belgium, France, Germany, Ireland, Italy, The Netherlands, the countries of Scandinavia, Spain, Switzerland, and the United Kingdom), countries in the Pacific Basin (such as Australia, Hong Kong, Japan, Malaysia, the Philippines, Singapore, and Thailand), and countries in the Americas (such as Argentina, Brazil, Chile, and Mexico).

Under normal market conditions, the Fund will invest at least 65% of its total assets (taken at market value) in foreign securities. If, however, investments in foreign securities appear to be relatively unattractive in the judgment of the Sub-Adviser because of current or anticipated adverse political or economic conditions, the Fund may hold cash or invest any portion of its assets in securities of the U.S. Government and equity and debt securities of U.S. companies, as a temporary defensive strategy. To meet liquidity needs, the Fund may also hold cash in

domestic and foreign currencies and invest in domestic and foreign money market securities (including repurchase agreements and foreign money market positions).

The U.S. Government has from time to time in the past imposed restrictions, through taxation and otherwise, on foreign investments by U.S. investors such as the Fund. If such restrictions should be reinstated, it might become necessary for the Fund to invest all or substantially all of its assets in U.S. securities. In such event, the Fund would review its investment objective and policies to determine whether changes are appropriate.

The Fund may purchase foreign securities in the form of American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), or other securities representing underlying shares of foreign issuers. The Fund may invest in sponsored or unsponsored ADRs. (For a description of ADRs and EDRs, see the Statement of Additional Information.)

PORTFOLIO INVESTMENTS AND STRATEGIES

DERIVATIVES.
Consistent with its objective, the Fund may invest in a broad array of financial instruments and securities, including conventional exchange-traded and non-exchange traded options, futures contracts, futures options, forward contracts, securities collateralized by underlying pools of mortgages or other receivables, floating rate instruments, and other instruments that securitize assets of various types ("Derivatives"). In each case, the value of the instrument or security is "derived" from the performance of an underlying asset or a "benchmark" such as a security index, an interest rate, or a currency. The Fund does not expect to invest more than 5% of its net assets in any type of Derivative except for options, futures contracts, futures options, and forward contracts.

Derivatives are most often used to manage investment risk or to create an investment position indirectly because it is more efficient or less costly than direct investment. They also may be used in an effort to enhance portfolio returns.

The successful use of Derivatives depends on the Sub-Adviser's ability to correctly predict changes in the levels and directions of movements in currency exchange rates, security prices, interest rates and other market factors affecting the Derivative itself or the value of the underlying asset or benchmark. In addition, correlations in the performance of an underlying asset to a Derivative may not be well established. Finally, privately negotiated and over-the-counter Derivatives may not be as well regulated and may be less marketable than exchange-traded Derivatives. For additional information on Derivatives, please refer to the Statement of Additional Information.

The Fund may purchase and write both call options and put options on securities, indexes and foreign currencies, enter into interest rate, index and foreign currency futures contracts and options on such futures contracts, and purchase other types of forward or investment contracts linked to individual securities, indexes, or other benchmarks in order to achieve its desired investment objective, provide additional revenue, or to hedge against changes in security prices, interest rates or currency fluctuations. The Fund may write a call or put option only if the option is covered. As the writer of a covered call option, the Fund foregoes, during the option's life, the opportunity to profit from increases in market value of the security covering the call option above the sum of the premium and the exercise price of the call. There can be no assurance that a liquid market will exist when the Fund seeks to close out a position. In addition, because of low margin deposits required, the use of futures contracts involves a high degree of leverage, and may result in losses in excess of the amount of the margin deposit.

DEBT SECURITIES.
In pursuing its investment objective, the Fund may invest up to 35% of its total assets in debt securities. Investments in debt securities are limited to those that are within the four highest grades (generally referred to as "investment grade") assigned by a nationally recognized statistical rating organization or, if unrated, deemed to be of comparable quality by the Adviser or by the Sub-Adviser. Securities in the

fourth highest grade may possess speculative characteristics. If the rating of a security held by the Fund is lost or reduced below investment grade, the Fund is not required to dispose of the security, but the Sub-Adviser will consider that fact in determining whether the Fund should continue to hold the security.

SETTLEMENT TRANSACTIONS.
When the Fund enters into a contract for the purchase or sale of a foreign portfolio security, it usually is required to settle the purchase transaction in the relevant foreign currency or receive the proceeds of the sale in that currency. In either event, the Fund is obliged to acquire or dispose of an appropriate amount of foreign currency by selling or buying an equivalent amount of U.S. dollars. The Fund may wish to "lock-in" the U.S. dollar value of a transaction at or near the time of the purchase or sale of the foreign portfolio security at the exchange rate or rates then prevailing between the U.S. dollar and the currency in which the security is denominated. The Fund may accomplish such "transaction hedging" by purchasing or selling such foreign currencies on a "spot" (i.e., cash) basis or on a forward basis whereby the Fund purchases or sells a specific amount of foreign currency, at a price set at the time of the contract, for receipt or delivery at a specified date or at any time within a specified time period. In so doing, the Fund will attempt to insulate itself against possible losses and gains resulting from a change in the relationship between the U.S. dollar and the foreign currency during the period between the date the security is purchased or sold and the date on which payment is made or received. Similar transactions may be entered into by using other currencies if the Fund seeks to move investments denominated in one currency to investments denominated in another.

CURRENCY HEDGING.
Most of the Fund's portfolio will be invested in foreign securities. As a result, in addition to the risk of change in the market value of portfolio securities, the value of the portfolio in U.S. dollars is subject to fluctuations in the exchange rate between the foreign currencies and the U.S. dollar. When, in the opinion of the Sub-Adviser, it is desirable to limit or reduce exposure in a foreign currency in order to moderate potential changes in the U.S. dollar value of the portfolio, the Fund may enter into a forward currency exchange contract to sell or buy such foreign currency (or another foreign currency that acts as a proxy for that currency) by which the U.S. dollar value of certain underlying foreign portfolio securities can be approximately matched by an equivalent U.S. dollar liability. This technique is known as "currency hedging" and, by locking in a rate of exchange, is intended to moderate or reduce the risk of change in the U.S. dollar value of the Fund's portfolio only during the period of the forward contract. Forward contracts are usually entered into with banks and broker-dealers, are not exchange traded, and are usually for less than one year, but may be renewed. A default on the contract would deprive the Fund of unrealized profits or force the Fund to cover its commitments for purchase or sale of currency, if any, at the current market price.

Neither type of foreign currency transaction will eliminate fluctuations in the prices of the Fund's portfolio securities or prevent loss if the price of such securities should decline. In addition, such forward currency exchange contracts will diminish the benefit of the appreciation in the U.S. dollar value of that foreign currency. (For further information on forward foreign currency exchange transactions, see the Statement of Additional Information.)

OTHER TECHNIQUES.
The Fund may invest in securities purchased on a when-issued or delayed-delivery basis. Although the payment terms of these securities are established at the time the Fund enters into the commitment, the securities may be delivered and paid for a month or more after the date of purchase, when their value may have

changed. The Fund will make such commitments only with the intention of actually acquiring the securities, but may sell the securities before settlement date if it is deemed advisable for investment reasons. The Fund may utilize spot and forward foreign exchange transactions to reduce the risk inherent in fluctuations in the exchange rate between one currency and another when securities are purchased or sold on a when-issued basis, and may invest in synthetic money market instruments. The Fund may invest in repurchase agreements, provided that it will not invest more than 15% of its net assets in repurchase agreements maturing in more than seven days and any other illiquid securities. (See the Statement of Additional Information.)

PORTFOLIO TURNOVER.

Although the Fund does not purchase securities with a view to rapid turnover, there are no limitations on the length of time portfolio securities must be held. Accordingly, the portfolio turnover rate may vary significantly from year to year, but is not expected to exceed 100% under normal market conditions. Flexibility of investment and emphasis on capital appreciation may involve greater portfolio turnover than that of mutual funds that have the objectives of income or maintenance of a balanced investment position. A high rate of portfolio turnover may result in increased transaction expenses and the realization of capital gains and losses. (See Distributions and Income Taxes.) The Fund is not intended to be an income-producing investment.

RESTRICTIONS ON THE FUND'S INVESTMENTS

The Fund will not (i) with respect to 75% of its total assets, invest more than 5% of its total assets in the securities of any one issuer (except that this restriction does not apply to securities of the U.S. Government or repurchase agreements for such securities, and except that the Fund may invest all of its assets in shares of another investment company having the identical investment objective); (ii) acquire more than 10% of the outstanding voting securities of any one issuer (except that the Fund may invest all of its assets in shares of another investment company having the identical investment objective); or (iii) borrow money, except as a temporary measure for extraordinary or emergency purposes, and then the aggregate borrowings at any one time (including any reverse repurchase agreements and dollar rolls) may not exceed 33 1/3% of its total assets (at market). The Fund will not purchase additional securities when its borrowings, less proceeds receivable from sales of portfolio securities, exceed 5% of total assets.

The Fund may invest in repurchase agreements, /1/ provided that the Fund will not invest more than 15% of its net assets in repurchase agreements maturing in more than seven days, and any other illiquid securities.

The policies summarized in the first paragraph under Restrictions on the Fund's Investments and the policy with respect to concentration of investments in any one industry described under Risks and Investment Considerations are fundamental policies and, as such, can be changed only with the approval of a "majority of the outstanding voting securities" of the Fund as defined in the Investment Company Act of 1940. The Fund's investment objective is non-fundamental and, as such, may be changed by the Board of Trustees without shareholder approval. Any such change may result in the Fund having an investment objective different from the objective the shareholder considered appropriate at the time of investment in the Fund. All of the investment restrictions are set forth in the Statement of Additional Information.

Nothing in the foregoing investment restrictions shall be deemed to prohibit the Fund from purchasing the securities of any issuer pursuant to the exercise of subscription rights distributed to the Fund by the issuer, except that no such purchase may be made if as a result the Fund will no longer be a diversified investment company as defined in the Investment Company Act of 1940 or fail to meet the diversification requirements of the Internal Revenue Code.

RISKS AND INVESTMENT CONSIDERATIONS

All investments, including those in mutual funds, have risks. No investment is suitable for all investors. The Fund is intended for long-term investors who can accept the risks entailed in investing in foreign securities. Of course, there can be no guarantee that the Fund will achieve its objective.

/1/ A sale of securities to the Fund in which the seller agrees to repurchase the securities at a higher price, which includes an amount representing interest on the purchase price, within a specified time. In the event of bankruptcy of the seller, the Fund could experience both losses and delays in liquidating its collateral.

Although the Fund does not attempt to reduce or limit risk through wide industry diversification of investment, the Fund usually allocates its investments among a number of different industries rather than concentrating in a particular industry or group of industries. However, the Fund will not invest more than 25% of its total assets (at the time of investment) in the securities of companies in any one industry.

FOREIGN INVESTING.
The Fund provides long-term investors with an opportunity to invest a portion of their assets in a diversified portfolio of foreign securities. Non-U.S. investments may be attractive because they increase diversification, as compared to a portfolio comprised solely of U.S. investments. In addition, many foreign economies have, from time to time, grown faster than the U.S. economy, and the returns on investments in these countries have exceeded those of similar U.S. investments, although there can be no assurance that these conditions will continue. International diversification allows the Fund and an investor to achieve greater diversification and to take advantage of changes in foreign economies and market conditions.

Investors should understand and consider carefully the greater risks involved in foreign investing. Investing in foreign securities, positions in which are generally denominated in foreign currencies, and utilization of forward foreign currency exchange contracts involve certain considerations comprising both risks and opportunities not typically associated with investing in U.S. securities. These considerations include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulations or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less governmental supervision of stock exchanges, securities brokers, and issuers of securities; lack of uniform accounting, auditing, and financial reporting standards; lack of uniform settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; possible imposition of foreign taxes; possible investment in the securities of companies in developing as well as developed countries; and sometimes less advantageous legal, operational, and financial protections applicable to foreign sub-custodial arrangements. These risks are greater for emerging markets.

Although the Fund will try to invest in companies and governments of countries having stable political environments, there is the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, establishment of exchange controls, the adoption of foreign government restrictions, and other adverse political, social or diplomatic developments that could affect investment in these nations.

The price of securities of small, rapidly growing companies is expected to fluctuate more widely than the general market due to the difficulty in assessing financial prospects of companies developing new products or operating in countries with developing markets.

The strategy for selecting investments will be based on various criteria. A company proposed for investment should have a good market position in a fast-growing segment of the economy, strong management, preferably a leading position in its business, prospects of superior financial returns, ability to self-finance, and securities available for purchase at a reasonable market valuation. Because of the foreign domicile of such companies, however, information on some of the above factors may be difficult, if not impossible, to obtain.

To the extent portfolio securities are issued by foreign issuers or denominated in foreign currencies, the Fund's investment performance is affected by the strength or weakness of the U.S. dollar against these currencies. If the dollar falls relative to the Japanese yen, for example, the dollar value of a yen-denominated stock held in the portfolio will rise even though the price of the stock remains unchanged. Conversely, if the dollar rises in value relative to the yen, the dollar value of the yen-denominated stock will fall. (See the discussion of portfolio and transaction hedging under Portfolio Investments and Strategies.)

MASTER FUND/FEEDER FUND OPTION.
Rather than invest in securities directly, the Fund may in the future seek to achieve its investment objective by pooling its assets with assets of other mutual funds managed by the Adviser for investment in another investment company having the same investment objective and substantially the same

investment policies and restrictions as the Fund. The purpose of such an arrangement is to achieve greater operational efficiencies and reduce costs. It is expected that any such investment company would be managed by the Adviser in substantially the same manner as the Fund. Shareholders of the Fund will be given at least 30 days' prior notice of any such investment, although they will not be entitled to vote on the action. Such investment would be made only if the Trustees determine it to be in the best interests of the Fund and its shareholders.

HOW TO PURCHASE SHARES

All shares must be purchased through your employer's defined contribution plan. For more information about how to purchase shares of the Fund through your employer or limitations on the amount that may be purchased, please consult your employer. Shares are sold to eligible defined contribution plans at the Fund's net asset value (see Net Asset Value) next determined after receipt of payment by the Fund.

Each purchase order for the Fund must be accepted by an authorized officer of the Trust in Chicago and is not binding until accepted and entered on the books of the Fund. Once your purchase order has been accepted, you may not cancel or revoke it; however, you may redeem the shares. The Trust reserves the right not to accept any purchase order that it determines not to be in the best interest of the Trust or of the Fund's shareholders.

Shares purchased by reinvestment of dividends will be confirmed quarterly. All other purchases and redemptions will be confirmed as transactions occur.

HOW TO REDEEM SHARES

Subject to restrictions imposed by your employer's plan, Fund shares may be redeemed any day the New York Stock Exchange is open. For more information about how to redeem your shares of the Fund through your employer's plan, including any charges that may be imposed by the plan, please consult with your employer.

EXCHANGE PRIVILEGE.
Subject to your plan's restrictions, you may redeem all or any portion of your Fund shares and use the proceeds to purchase shares of any other SteinRoe Fund available through your employer's defined contribution plan. (An exchange is commonly referred to as a "transfer.") Before exercising the Exchange Privilege, you should obtain the prospectus for the SteinRoe Fund in which you wish to invest and read it carefully. Contact your plan administrator for instructions on how to exchange your shares or to obtain prospectuses of other SteinRoe Funds available through your plan. The Fund reserves the right to suspend, limit, modify, or terminate the Exchange Privilege or its use in any manner by any person or class; shareholders would be notified of such a change.

GENERAL REDEMPTION POLICIES.
Redemption instructions may not be cancelled or revoked once they have been received and accepted by the Trust. The Trust cannot accept a redemption request that specifies a particular date or price for redemption or any special conditions.

The price at which your redemption order will be executed is the net asset value next determined after proper redemption instructions are received. (See Net Asset Value.) Because the redemption price you receive depends upon the Fund's net asset value per share at the time of redemption, it may be more or less than the price you originally paid for the shares.

NET ASSET VALUE

The purchase and redemption price of the Fund's shares is its net asset value per share. The net asset value of a share of the Fund is determined as of the close of trading on the New York Stock Exchange ("NYSE") (currently 3:00 p.m., Chicago time) by dividing the difference between the values of the Fund's

assets and liabilities by the number of shares outstanding. Net asset value will not be determined on days when the NYSE is closed unless, in the judgment of the Board of Trustees, the net asset value of the Fund should be determined on any such day, in which case the determination will be made at 3:00 p.m., Chicago time.

In computing the net asset value of the Fund, the values of portfolio securities are generally based upon market quotations which, depending upon local convention or regulation, may be last sale price, last bid or asked price, or the mean between the last bid and asked prices as of, in each case, the close of the appropriate exchange or other designated time. Trading in securities on European and Far Eastern securities exchanges and over-the-counter markets is normally completed at various times before the close of business on each day on which the NYSE is open. Trading of these securities may not take place on every NYSE business day. In addition, trading may take place in various foreign markets on Saturdays or on other days when the NYSE is not open and on which the Fund's net asset value is not calculated. Therefore, such calculation does not take place contemporaneously with the determination of the prices of many of the portfolio securities used in such calculation and the value of the Fund's portfolio may be significantly affected on days when shares of the Fund may not be purchased or redeemed.

DISTRIBUTIONS AND INCOME TAXES

DISTRIBUTIONS.
Income dividends are normally declared and paid annually. The Fund intends to distribute by the end of each calendar year at least 98% of any net capital gains realized from the sale of securities during the twelve-month period ended October 31 in that year. The Fund intends to distribute any undistributed net investment income and net realized capital gains in the following year.

The terms of your plan will govern how you may receive distributions from the Fund. Generally, dividend and capital gains distributions will be reinvested in additional shares of the Fund.

U.S. FEDERAL INCOME TAXES.
The Fund intends to qualify as a "regulated investment company" for Federal income tax purposes and to meet all other requirements that are necessary for it to be relieved of Federal taxes on income and gain it distributes. The Fund will distribute substantially all of its ordinary income and net capital gains on a current basis. Generally, Fund distributions are taxable as ordinary income, except that any distributions of net long-term capital gains will be taxed as such. However, distributions by the Fund to employer-sponsored defined contribution plans that qualify for tax-exempt treatment under Federal income tax laws will not be taxable. Special tax rules apply to investments through such plans. You should consult your tax advisor to determine the suitability of the Fund as an investment through such a plan and the tax treatment of distributions (including distributions of amounts attributable through an investment in the Fund) from such a plan. This section is not intended to be a full discussion of income tax laws and their effect on shareholders.

FOREIGN INCOME TAXES.
Investment income received by the Fund from sources within foreign countries may be subject to foreign income taxes withheld at the source. The United States has entered into tax treaties with many foreign countries that entitle the Fund to a reduced rate of tax or exemption from tax on such income. It is impossible to determine the effective rate of foreign tax in advance since the amount of the Fund's assets to be invested within various countries will fluctuate and the extent to which tax refunds will be recovered is uncertain. The Fund intends to operate so as to qualify for treaty-reduced tax rates where applicable.

To the extent that the Fund is liable for foreign income taxes withheld at the source, the Fund also intends to operate so as to meet the requirements of the U.S. Internal Revenue Code to "pass through" to the Fund's shareholders foreign income taxes paid, but there can be no assurance that the Fund will be able to do so.

This discussion of U.S. and foreign taxation is not intended to be a full discussion of income tax laws and their effect on shareholders. You may wish to consult your own tax advisor. The foregoing information applies to U.S. shareholders. Foreign shareholders should consult their tax advisors as to the tax consequences of ownership of Fund shares.

INVESTMENT RETURN

The total return from an investment in the Fund is measured by the distributions received (assuming reinvestment) plus or minus the change in the net asset value per share for a given period. A total return percentage may be calculated by dividing the value of a share at the end of the period (including reinvestment of distributions) by the value of the share at the beginning of the period and subtracting one. For a given period, an average annual total return may be calculated by finding the average annual compounded rate that would equate a hypothetical $1,000 investment to the ending redeemable value.

Comparison of the Fund's total return with alternative investments should consider differences between the Fund and the alternative investments, the periods and methods used in calculation of the return being compared, and the impact of taxes on alternative investments. The Fund's total return does not reflect any charges or expenses related to your employer's plan. Of course, past performance is not necessarily indicative of future results.

MANAGEMENT OF THE FUND

TRUSTEES AND ADVISERS.
The Board of Trustees of the Trust has overall management responsibility for the Trust and the Fund. See the Statement of Additional Information for the names of and additional information about the trustees and officers. The Fund's Adviser, Stein Roe & Farnham Incorporated, One South Wacker Drive, Chicago, Illinois 60606, is responsible for managing the Fund, subject to the direction of the Board of Trustees. The Adviser is registered as an investment adviser under the Investment Advisers Act of 1940.

The Adviser was organized in 1986 to succeed to the business of Stein Roe & Farnham, a partnership that had advised and managed mutual funds since 1949. The Adviser is a wholly-owned indirect subsidiary of Liberty Mutual Insurance Company ("Liberty Mutual").

The Sub-Adviser, Rockefeller & Co., Inc., subject to the overall supervision of the Adviser, provides the Fund with investment advisory services, including portfolio management. The Sub-Adviser, which is registered as an investment adviser under the Investment Advisers Act of 1940, is a private investment advisory and management firm established by the Rockefeller Family to serve its own needs and those of a small number of other persons and institutions. As of October 31, 1994, the Sub-Adviser managed over $2.5 billion in assets, including $836 million in foreign securities. The Sub-Adviser, with offices at 30 Rockefeller Plaza, New York, New York 10112, is an indirect, wholly-owned subsidiary of the Rockefeller Family Trust. The Sub-Adviser has previous experience in advising mutual funds, serving as a sub-adviser to a European emerging companies fund from 1990 to 1992.

PORTFOLIO MANAGER.
Bruno Bertocci is primarily responsible for the day-to-day management of the Fund's portfolio and has been the portfolio manager of the Fund since its inception. Mr. Bertocci is Senior Portfolio Manager for the Sub-Adviser, and has been employed by the Sub-Adviser since 1983. He received an A.B. from Oberlin College in 1976 and an M.B.A. from Harvard University in 1980.

FEES AND EXPENSES.
In return for its services, the Adviser receives a monthly fee from the Fund, computed and accrued daily, at an annual rate of 1% of average net assets. This fee is higher than the fees paid by most mutual funds. With respect to the portfolio assets of the Fund allocated by the Adviser to the Sub-Adviser, the Adviser pays the Sub-Adviser a fee of 0.5% of average net assets.

Under a separate agreement with the Trust, the Adviser provides certain accounting and bookkeeping services to the Fund, including computation of the Fund's net asset value and calculation of its net income and capital gains and losses on disposition of Fund assets.

PORTFOLIO TRANSACTIONS.
The Sub-Adviser places the orders for the purchase and sale of portfolio securities and options and futures transactions for the Fund. In doing so, the Sub-Adviser seeks to obtain the best combination of price and execution, which involves a number of judgmental factors.

TRANSFER AGENT.
SteinRoe Services Inc., One South Wacker Drive, Chicago, Illinois 60606, a wholly-owned indirect subsidiary of Liberty Mutual, is the agent of the Trust for the transfer of shares, disbursement of dividends, and maintenance of shareholder accounting records.

DISTRIBUTOR.
The shares of the Fund are offered for sale through Liberty Securities Corporation ("Distributor") without any sales commissions or charges to the Fund or to its shareholders. The Distributor is a wholly-owned indirect subsidiary of Liberty Mutual. The business address of the Distributor is 600 Atlantic Avenue, Boston, Massachusetts 02210; however, all Fund correspondence (including purchase and redemption orders) should be mailed to the Trust at P.O. Box 804058, Chicago, Illinois 60680. All distribution and promotional expenses are paid by the Adviser, including payments to the Distributor for sales of Fund shares.

CUSTODIAN.
State Street Bank and Trust Company (the "Bank"), 225 Franklin Street, Boston, Massachusetts 02101, is the custodian for the Fund. Foreign securities are maintained in the custody of foreign banks and trust companies that are members of the Bank's Global Custody Network or foreign depositories used by such members. (See Custodian in the Statement of Additional Information.)

ORGANIZATION AND DESCRIPTION OF SHARES

The Trust is a Massachusetts business trust organized under an Agreement and Declaration of Trust ("Declaration of Trust") dated January 8, 1987, which provides that each shareholder shall be deemed to have agreed to be bound by the terms thereof. The Declaration of Trust may be amended by a vote of either the Trust's shareholders or its trustees. The Trust may issue an unlimited number of shares, in one or more series as the Board may authorize. Currently, eight series are authorized and outstanding.

Under Massachusetts law, shareholders of a Massachusetts business trust such as the Trust could, in some circumstances, be held personally liable for unsatisfied obligations of the trust. The Declaration of Trust provides that persons extending credit to, contracting with, or having any claim against, the Trust or any particular series shall look only to the assets of the Trust or of the respective series for payment under such credit, contract or claim, and that the shareholders, Trustees and officers of the Trust shall have no personal liability therefor. The Declaration of Trust requires that notice of such disclaimer of liability be given in each contract, instrument or undertaking executed or made on behalf of the Trust. The Declaration of Trust provides for indemnification of any shareholder against any loss and expense arising from personal liability solely by reason of being or having been a shareholder. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is believed to be remote, because it would be limited to circumstances in which the disclaimer was inoperative and the Trust was unable to meet its obligations.

The risk of a particular series incurring financial loss on account of unsatisfied liability of another series of the Trust is also believed to be remote, because it would be limited to claims to which the disclaimer did not apply and to circumstances in which the other series was unable to meet its obligations.

FOR MORE INFORMATION

Contact a SteinRoe Retirement Plan Representative at 1-800-322-1130 for more information about this Fund.

STEINROE INVESTMENT TRUST
SteinRoe International Fund

Supplement to February 1, 1995 Statement of Additional Information

Effective May 1, 1995, the fees for transfer agency services described in this Statement of Additional information under the caption Transfer Agent have been changed. The revised fee schedule calls for the Fund to pay to SteinRoe Services Inc. at an annual rate of 0.22% of the Fund's average daily net assets.

The Date of this Supplement is May 1, 1995.

Statement of Additional Information Dated February 1, 1995

STEINROE INVESTMENT TRUST
P.O. Box 804058, Chicago, Illinois 60680
1-800-338-2550

STEINROE INTERNATIONAL FUND

The SteinRoe International Fund is a series of the SteinRoe Investment Trust (the "Trust"). Each series of the Trust represents shares of beneficial interest in a separate portfolio of securities and other assets, with its own objectives and policies. This Statement of Additional Information is not a prospectus, but provides additional information that should be read in conjunction with the Fund's prospectus dated February 1, 1995, and any supplements thereto ("Prospectus"). The Prospectus may be obtained at no charge by telephoning 1-800-338-2550.

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GENERAL INFORMATION AND HISTORY

As used herein, "the Fund," refers to the series of the Trust designated SteinRoe International Fund. Currently eight series are authorized and outstanding.

Stein Roe & Farnham Incorporated (the "Adviser") is responsible for the overall management of the Fund, subject to the authority and direction of the members of the Trust's Board. Rockefeller & Co., Inc. (the "Sub-Adviser") has been engaged to provide investment advisory services, including portfolio management, subject to the supervision of the Adviser.

Each share of a series is entitled to participate pro rata in any dividends and other distributions declared by the Board on shares of that series, and all shares of a series have equal rights in the event of liquidation of that series.

Each whole share (or fractional share) outstanding on the record date established in accordance with the By-Laws shall be entitled to a number of votes on any matter on which it is entitled to vote equal to the net asset value of the share (or fractional share) in United States dollars determined at the close of business on the record date (for example, a share having a net asset value of $10.50 would be entitled to 10.5 votes). As a business trust, the Trust is not required to hold annual shareholder meetings. However, special meetings may be called for purposes such as electing or removing trustees, changing fundamental policies, or approving an investment advisory contract. If requested to do so by the holders of at least 10% of the Trust's outstanding shares, the Trust will call a special meeting for the purpose of voting upon the question of removal of a trustee or trustees and will assist in the communications with other shareholders as if the Trust were subject to Section 16(c) of the Investment Company Act of 1940. All shares of all series of the Trust are voted together in the election of trustees. On any other matter submitted to a vote of shareholders, shares are voted in the aggregate and not by individual series, except that shares are voted by individual series when required by the Investment Company Act of 1940 or other applicable law, or when the Board of Trustees determines that the matter affects only the interests of one or more series, in which case shareholders of the unaffected series are not entitled to vote on such matters.

SPECIAL CONSIDERATIONS REGARDING MASTER FUND/FEEDER FUND STRUCTURE

The Fund may in the future seek to achieve its objective by pooling its assets with assets of other mutual funds managed by the Adviser for investment in another mutual fund having the same investment objective and substantially the same investment policies and restrictions as the Fund. The purpose of such an arrangement is to achieve greater operational efficiencies and reduce costs. The Adviser is expected to manage any such mutual fund in which a Fund would invest. Such investment would be subject to determination by the Trustees that it was in the best interests of the Fund and its shareholders, and shareholders would receive advance notice of any such change.

INVESTMENT POLICIES

In pursuing its objective, the Fund will invest as described below and may employ the investment techniques described in the Prospectus and under Portfolio Investments and Strategies in this Statement of Additional Information. The Fund's investment objective is non-fundamental and may be changed by the Board of Trustees without the approval of a "majority of the outstanding voting securities"/1/ of the Fund. In pursuing its investment objective, the Fund may invest in debt securities. Investments in debt securities are limited to those that are within the four highest grades assigned by a nationally recognized statistical rating organization or, if unrated, deemed to be of comparable quality by the Sub-Adviser (referred to as "investment grade"). If the rating of a security held by the Fund is lost or reduced, the Fund is not required to sell the security, but the Sub-Adviser will consider such fact in determining whether the Fund should continue to hold the security.

The Fund's investment objective is to seek long-term growth of capital by investing primarily in a diversified portfolio of foreign securities. Current income is not a primary factor in the selection of portfolio securities. The Fund invests primarily in common stocks and other equity-type securities (such as preferred stocks, securities convertible or exchangeable for common stocks, and warrants or rights to purchase common stocks). The Fund may invest in securities of smaller emerging companies as well as securities of well-seasoned companies of any size. Smaller companies, however, involve higher risks in that they typically have limited product lines, markets, and financial or management resources. In addition, the securities of smaller companies may trade less frequently and have greater price fluctuation than larger companies, particularly those operating in countries with developing markets.

The Fund diversifies its investments among several countries and does not concentrate investments in any particular industry. In pursuing its objective, the Fund varies the geographic allocation and types of securities in which it invests based on the continuing evaluation by the Sub-Adviser of economic, market, and political trends throughout the world. The Fund has not established limits on geographic asset distribution but ordinarily invests in the securities markets of at least three countries outside the United States, including but not limited to Western European countries (such as Belgium, France, Germany, Ireland, Italy, The Netherlands, the countries of Scandinavia, Spain, Switzerland, and the United Kingdom), countries in the Pacific Basin (such as Australia, Hong Kong, Japan, Malaysia, the Philippines, Singapore, and Thailand), and countries in the Americas (such as Argentina, Brazil, Chile, and Mexico).

Under normal market conditions, the Fund will invest at least 65% of its total assets (taken at market value) in foreign securities. If, however, investments in foreign securities appear to be relatively unattractive in the judgment of the Sub-Adviser because of current or anticipated adverse political or economic conditions, the Fund may

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/1/ A "majority of the outstanding voting securities" means the approval of the lesser of (i) 67% or more of the shares at a meeting if the holders of more than 50% of the outstanding shares of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding shares of the Fund.

hold cash or invest any portion of its assets in securities of the U.S.

Government and equity and debt securities of U.S. companies, as a temporary defensive strategy. To meet liquidity needs, the Fund may also hold cash in domestic and foreign currencies and invest in domestic and foreign money market securities (including repurchase agreements and "synthetic" foreign money market positions).

The U.S. Government has from time to time in the past imposed restrictions, through taxation and otherwise, on foreign investments by U.S. investors such as the Fund. If such restrictions should be reinstated, it might become necessary for the Fund to invest all or substantially all of its assets in U.S. securities. In such event, the Fund would review its investment objective and policies to determine whether changes are appropriate.

PORTFOLIO INVESTMENTS AND STRATEGIES

DERIVATIVES

Consistent with its objective, the Fund may invest in a broad array of financial instruments and securities, including conventional exchange-traded and non-exchange traded options, futures contracts, futures options, forward contracts, securities collateralized by underlying pools of mortgages or other receivables, floating rate instruments, and other instruments that securitize assets of various types ("Derivatives"). In each case, the value of the instrument or security is "derived" from the performance of an underlying asset or a "benchmark" such as a security index, an interest rate, or a currency.

Derivatives are most often used to manage investment risk or to create an investment position indirectly because it is more efficient or less costly than direct investment that cannot be readily established directly due to portfolio size, cash availability, or other factors. They also may be used in an effort to enhance portfolio returns.

The successful use of Derivatives depends on the Sub-Adviser's ability to correctly predict changes in the levels and directions of movements in currency exchange rates, security prices, interest rates and other market factors affecting the Derivative itself or the value of the underlying asset or benchmark. In addition, correlations in the performance of an underlying asset to a Derivative may not be well established. Finally, privately negotiated and over-the-counter Derivatives may not be as well regulated and may be less marketable than exchange-traded Derivatives.

The Fund does not currently intend to invest more than 5% of its net assets in any type of Derivative, except for options, futures contracts, futures options, and forward contracts. (See Options and Futures in this Statement of Additional Information.)

DEFENSIVE INVESTMENTS

When the Sub-Adviser considers a temporary defensive position advisable, the Fund may invest, without limitation, in high-quality fixed-income securities or hold assets in cash or cash equivalents.

FOREIGN SECURITIES

The Fund invests primarily in foreign securities, which may entail a greater degree of risk (including risks relating to exchange rate fluctuations, tax provisions, or expropriation of assets) than does investment in securities of domestic issuers. The Fund may also purchase foreign securities in the form of American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), or other securities representing underlying shares of foreign issuers. Positions in these securities are not necessarily denominated in the same currency as the common stocks into which they may be converted. ADRs are receipts typically issued by an American bank or trust company evidencing ownership of the underlying securities.

EDRs are European receipts evidencing a similar arrangement. Generally, ADRs, in registered form, are designed for the U.S. securities markets and EDRs, in bearer form, are designed for use in European securities markets. The Fund may invest in sponsored or unsponsored ADRs. In the case of an unsponsored ADR, the Fund is likely to bear its proportionate share of the expenses of the depository and it may have greater difficulty in receiving shareholder communications than it would have with a sponsored ADR.

With respect to portfolio securities that are issued by foreign issuers or denominated in foreign currencies, the Fund's investment performance is affected by the strength or weakness of the U.S. dollar against these currencies. For example, if the dollar falls in value relative to the Japanese yen, the dollar value of a yen-denominated stock held in the portfolio will rise even though the price of the stock remains unchanged. Conversely, if the dollar rises in value relative to the yen, the dollar value of the yen-denominated stock will fall. (See discussion of transaction hedging and portfolio hedging under Currency Exchange Transactions.)

Investors should understand and consider carefully the risks involved in foreign investing. Investing in foreign securities, positions in which are generally denominated in foreign currencies, and utilization of forward foreign currency exchange contracts involve certain considerations comprising both risks and opportunities not typically associated with investing in U.S. securities. These considerations include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulation or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less governmental supervision of stock exchanges, securities brokers, and issuers of securities; lack of uniform accounting, auditing, and financial reporting standards; lack of uniform settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; possible imposition of foreign taxes; possible investment in securities of companies in develop-

ing as well as developed countries; and sometimes less advantageous legal, operational, and financial protections applicable to foreign sub-custodial arrangements.

Although the Fund will try to invest in companies and governments of countries having stable political environments, there is the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, establishment of exchange controls, the adoption of foreign government restrictions, or other adverse political, social or diplomatic developments that could affect investment in these nations.

Currency Exchange Transactions. Currency exchange transactions may be conducted either on a spot (i.e., cash) basis at the spot rate for purchasing or selling currency prevailing in the foreign exchange market or through forward currency exchange contracts ("forward contracts"). Forward contracts are contractual agreements to purchase or sell a specified currency at a specified future date (or within a specified time period) and price set at the time of the contract. Forward contracts are usually entered into with banks and broker-dealers, are not exchange traded, and are usually for less than one year, but may be renewed.

Forward currency transactions may involve currencies of the different countries in which the Fund may invest, and serve as hedges against possible variations in the exchange rate between these currencies. The Fund's currency transactions are limited to transaction hedging and portfolio hedging involving either specific transactions or portfolio positions, except to the extent described below under "Synthetic Foreign Money Market Positions." Transaction hedging is the purchase or sale of forward contracts with respect to specific receivables or payables of the Fund accruing in connection with the purchase and sale of its portfolio securities. Portfolio hedging is the use of forward contracts with respect to portfolio security positions denominated or quoted in a particular currency. Portfolio hedging allows the Sub-Adviser to limit or reduce exposure in a foreign currency by entering into a forward contract to sell or buy such foreign currency (or another foreign currency that acts as a proxy for that currency) so that the U.S. dollar value of certain underlying foreign portfolio securities can be approximately matched by an equivalent U.S. dollar liability. The Fund may not engage in portfolio hedging with respect to the currency of a particular country to an extent greater than the aggregate market value (at the time of making such sale) of the securities held in its portfolio denominated or quoted in that particular currency, except that the Fund may hedge all or part of its foreign currency exposure through the use of a basket of currencies or a proxy currency where such currencies or currency act as an effective proxy for other currencies. In such a case, the Fund may enter into a forward contract where the amount of the foreign currency to be sold exceeds the value of the securities denominated in such currency. The use of this basket hedging technique may be more efficient and economical than entering into separate forward contracts for each currency held in the Fund. The Fund may not engage in "speculative" currency exchange transactions.

At the maturity of a forward contract to deliver a particular currency, the Fund may either sell the portfolio security related to such contract and make delivery of the

currency, or it may retain the security and either acquire the currency on the spot market or terminate its contractual obligation to deliver the currency by purchasing an offsetting contract with the same currency trader obligating it to purchase on the same maturity date the same amount of the currency.

It is impossible to forecast with absolute precision the market value of portfolio securities at the expiration of a forward contract. Accordingly, it may be necessary for the Fund to purchase additional currency on the spot market (and bear the expense of such purchase) if the market value of the security is less than the amount of currency the Fund is obligated to deliver and if a decision is made to sell the security and make delivery of the currency. Conversely, it may be necessary to sell on the spot market some of the currency received upon the sale of the portfolio security if its market value exceeds the amount of currency the Fund is obligated to deliver.

If the Fund retains the portfolio security and engages in an offsetting transaction, the Fund will incur a gain or a loss to the extent that there has been movement in forward contract prices. If the Fund engages in an offsetting transaction, it may subsequently enter into a new forward contract to sell the currency. Should forward prices decline during the period between the Fund's entering into a forward contract for the sale of a currency and the date it enters into an offsetting contract for the purchase of the currency, the Fund will realize a gain to the extent the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward prices increase, the Fund will suffer a loss to the extent the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell. A default on the contract would deprive the Fund of unrealized profits or force the Fund to cover its commitments for purchase or sale of currency, if any, at the current market price.

Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Such transactions also preclude the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for the Fund to hedge against a devaluation that is so generally anticipated that the Fund is not able to contract to sell the currency at a price above the devaluation level it anticipates. The cost to the Fund of engaging in currency exchange transactions varies with such factors as the currency involved, the length of the contract period, and prevailing market conditions. Since currency exchange transactions are usually conducted on a principal basis, no fees or commissions are involved.

Synthetic Foreign Money Market Positions. The Fund may invest in money market instruments denominated in foreign currencies. In addition to, or in lieu of, such direct investment, the Fund may construct a synthetic foreign money market position by (a) purchasing a money market instrument denominated in one currency, generally U.S. dollars, and (b) concurrently entering into a forward contract to deliver a corresponding amount of that currency in exchange for a different currency on a future date and at a specified rate of exchange. For example, a synthetic money market position in Japanese yen could be constructed by purchasing a U.S. dollar money market

instrument, and entering concurrently into a forward contract to deliver a corresponding amount of U.S. dollars in exchange for Japanese yen on a specified date and at a specified rate of exchange. Because of the availability of a variety of highly liquid short-term U.S. dollar money market instruments, a synthetic money market position utilizing such U.S. dollar instruments may offer greater liquidity than direct investment in foreign currency money market instruments. The result of a direct investment in a foreign currency and a concurrent construction of a synthetic position in such foreign currency, in terms of both income yield and gain or loss from changes in currency exchange rates, in general should be similar, but would not be identical because the components of the alternative investments would not be identical. Except to the extent a synthetic foreign money market position consists of a money market instrument denominated in a foreign currency, the synthetic foreign money market position shall not be deemed a "foreign security" for purposes of the policy that, under normal conditions, the Fund will invest at least 65% of its total assets in foreign securities.

LENDING OF PORTFOLIO SECURITIES

Subject to restriction (5) under Investment Restrictions in this Statement of Additional Information, the Fund may lend its portfolio securities to broker-dealers and banks. Any such loan must be continuously secured by collateral in cash or cash equivalents maintained on a current basis in an amount at least equal to the market value of the securities loaned by the Fund. The Fund would continue to receive the equivalent of the interest or dividends paid by the issuer on the securities loaned, and would also receive an additional return that may be in the form of a fixed fee or a percentage of the collateral. The Fund would have the right to call the loan and obtain the securities loaned at any time on notice of not more than five business days. The Fund would not have the right to vote the securities during the existence of the loan but would call the loan to permit voting of the securities if, in the Sub-Adviser's judgment, a material event requiring a shareholder vote would otherwise occur before the loan was repaid. In the event of bankruptcy or other default of the borrower, the Fund could experience both delays in liquidating the loan collateral or recovering the loaned securities and losses, including (a) possible decline in the value of the collateral or in the value of the securities loaned during the period while the Fund seeks to enforce its rights thereto, (b) possible subnormal levels of income and lack of access to income during this period, and (c) expenses of enforcing its rights.

REPURCHASE AGREEMENTS

The Fund may invest in repurchase agreements, provided that it will not invest more than 15% of net assets in repurchase agreements maturing in more than seven days and any other illiquid securities. A repurchase agreement is a sale of securities to the Fund in which the seller agrees to repurchase the securities at a higher price, which includes an amount representing interest on the purchase price, within a specified time. In the event of bankruptcy of the seller, the Fund could experience both losses and delays in liquidating its collateral.

WHEN-ISSUED AND DELAYED-DELIVERY SECURITIES; REVERSE REPURCHASE AGREEMENTS

The Fund may purchase securities on a when-issued or delayed-delivery basis. Although the payment and interest terms of these securities are established at the time the Fund enters into the commitment, the securities may be delivered and paid for a month or more after the date of purchase, when their value may have changed. The Fund makes such commitments only with the intention of actually acquiring the securities, but may sell the securities before settlement date if the Sub-Adviser deems it advisable for investment reasons. The Fund may utilize spot and forward foreign currency exchange transactions to reduce the risk inherent in fluctuations in the exchange rate between one currency and another when securities are purchased or sold on a when-issued or delayed-delivery basis.

The Fund may enter into reverse repurchase agreements with banks and securities dealers. A reverse repurchase agreement is a repurchase agreement in which the Fund is the seller of, rather than the investor in, securities and agrees to repurchase them at an agreed-upon time and price. Use of a reverse repurchase agreement may be preferable to a regular sale and later repurchase of securities because it avoids certain market risks and transaction costs.

At the time the Fund enters into a binding obligation to purchase securities on a when-issued basis or enters into a reverse repurchase agreement, liquid assets (cash, U.S. Government securities or other "high-grade" debt obligations) of the Fund having a value at least as great as the purchase price of the securities to be purchased will be segregated on the books of the Fund and held by the custodian throughout the period of the obligation. The use of these investment strategies, as well as borrowing under a line of credit as described below, may increase net asset value fluctuation.

CONVERTIBLE SECURITIES

By investing in convertible securities, the Fund obtains the right to benefit from the capital appreciation potential in the underlying stock upon exercise of the conversion right, while earning higher current income than would be available if the stock were purchased directly. In determining whether to purchase a convertible, the Sub-Adviser will consider substantially the same criteria that would be considered in purchasing the underlying stock. While convertible securities purchased by the Fund are frequently rated investment grade, the Fund also may purchase unrated securities or securities rated below investment grade if the securities meet the Sub-Adviser's other investment criteria. Convertible securities rated below investment grade (a) tend to be more sensitive to interest rate and economic changes, (b) may be obligations of issuers who are less creditworthy than issuers of higher quality convertible securities, and (c) may be more thinly traded due to such securities being less well known to investors than either common stock or conventional debt securities. As a result, the Sub-Adviser's own investment research and analysis tends to be more important in the purchase of such securities than other factors.

SHORT SALES

The Fund may make short sales "against the box." In a short sale, the Fund sells a borrowed security and is required to return the identical security to the lender. A short sale "against the box" involves the sale of a security with respect to which the Fund already owns an equivalent security in kind and amount. A short sale "against the box" enables the Fund to obtain the current market price of a security which it desires to sell but is unavailable for settlement.

RULE 144A SECURITIES

The Fund may purchase securities that have been privately placed but that are eligible for purchase and sale under Rule 144A under the 1933 Act. That Rule permits certain qualified institutional buyers, such as the Fund, to trade in privately placed securities that have not been registered for sale under the 1933 Act. The Sub-Adviser, under the supervision of the Board of Trustees, will consider whether securities purchased under Rule 144A are illiquid and thus subject to the Fund's restriction of investing no more than 15% of its net assets in illiquid securities. A determination of whether a Rule 144A security is liquid or not is a question of fact. In making this determination, the Sub-Adviser will consider the trading markets for the specific security, taking into account the unregistered nature of a Rule 144A security. In addition, the Sub-Adviser could consider the (1) frequency of trades and quotes, (2) number of dealers and potential purchasers, (3) dealer undertakings to make a market, and (4) nature of the security and of marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer). The liquidity of Rule 144A securities would be monitored and, if as a result of changed conditions, it is determined that a Rule 144A security is no longer liquid, the Fund's holdings of illiquid securities would be reviewed to determine what, if any, steps are required to assure that the Fund does not invest more than 15% of its assets in illiquid securities. Investing in Rule 144A securities could have the effect of increasing the amount of the Fund's assets invested in illiquid securities if qualified institutional buyers are unwilling to purchase such securities. The Fund does not expect to invest as much as 5% of its total assets in Rule 144A securities.

LINE OF CREDIT

Subject to restriction (6) under Investment Restrictions in this Statement of Additional Information, the Fund may establish and maintain a line of credit with a major bank in order to permit borrowing on a temporary basis to meet share redemption requests in circumstances in which temporary borrowing may be preferable to liquidation of portfolio securities.

PORTFOLIO TURNOVER

Although the Fund does not purchase securities with a view to rapid turnover, there are no limitations on the length of time that portfolio securities must be held. Portfolio turnover can occur for a number of reasons such as general conditions in the

securities markets, more favorable investment opportunities in other securities, or other factors relating to the desirability of holding or changing a portfolio investment. Because of the Fund's flexibility of investment and emphasis on growth of capital, it may have greater portfolio turnover than that of mutual funds that have primary objectives of income or maintenance of a balanced investment position. The future turnover rate may vary greatly from year to year. A high rate of portfolio turnover in the Fund, if it should occur, would result in increased transaction expense, which must be borne by the Fund. High portfolio turnover may also result in the realization of capital gains or losses and, to the extent net short-term capital gains are realized, any distributions resulting from such gains will be considered ordinary income for Federal income tax purposes. (See Risks and Investment Considerations and Distributions and Income Taxes in the Prospectus, and Additional Income Tax Considerations in this Statement of Additional Information.)

OPTIONS ON SECURITIES AND INDEXES

The Fund may purchase and sell put options and call options on securities, indexes or foreign currencies in standardized contracts traded on recognized securities exchanges, boards of trade, or similar entities, or quoted on NASDAQ. The Fund may purchase agreements, sometimes called cash puts, that may accompany the purchase of a new issue of bonds from a dealer.

An option on a security (or index) is a contract that gives the purchaser (holder) of the option, in return for a premium, the right to buy from (call) or sell to (put) the seller (writer) of the option the security underlying the option (or the cash value of the index) at a specified exercise price at any time during the term of the option (normally not exceeding nine months). The writer of an option on an individual security or on a foreign currency has the obligation upon exercise of the option to deliver the underlying security or foreign currency upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security or foreign currency. Upon exercise, the writer of an option on an index is obligated to pay the difference between the cash value of the index and the exercise price multiplied by the specified multiplier for the index option. (An index is designed to reflect specified facets of a particular financial or securities market, a specific group of financial instruments or securities, or certain economic indicators.)

The Fund will write call options and put options only if they are "covered." For example, in the case of a call option on a security, the option is "covered" if the Fund owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration (or, if additional cash consideration is required, cash or cash equivalents in such amount are held in a segregated account by its custodian) upon conversion or exchange of other securities held in its portfolio.

If an option written by the Fund expires, the Fund realizes a capital gain equal to the premium received at the time the option was written. If an option purchased by the Fund expires, the Fund realizes a capital loss equal to the premium paid.

Prior to the earlier of exercise or expiration, an option may be closed out by an offsetting purchase or sale of an option of the same series (type, exchange, underlying security or index, exercise price, and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when the Fund desires.

The Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if it is more, the Fund will realize a capital loss. If the premium received from a closing sale transaction is more than the premium paid to purchase the option, the Fund will realize a capital gain or, if it is less, the Fund will realize a capital loss. The principal factors affecting the market value of a put or a call option include supply and demand, interest rates, the current market price of the underlying security or index in relation to the exercise price of the option, the volatility of the underlying security or index, and the time remaining until the expiration date.

A put or call option purchased by the Fund is an asset of the Fund, valued initially at the premium paid for the option. The premium received for an option written by the Fund is recorded as a deferred credit. The value of an option purchased or written is marked-to-market daily and is valued at the closing price on the exchange on which it is traded or, if not traded on an exchange or no closing price is available, at the mean between the last bid and asked prices.

Risks Associated with Options. There are several risks associated with transactions in options. For example, there are significant differences between the securities markets, the currency markets, and the options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position. If the Fund were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option would expire and become worthless. If the Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security until the option expired. As the writer of a covered call option on a security, the Fund foregoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the exercise price of the call.

If trading were suspended in an option purchased or written by the Fund, the Fund would not be able to close out the option. If restrictions on exercise were imposed, the Fund might be unable to exercise an option it has purchased.

FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

The Fund may use interest rate futures contracts, index futures contracts, and foreign currency futures contracts. An interest rate, index or foreign currency futures contract provides for the future sale by one party and purchase by another party of a specified quantity of a financial instrument or the cash value of an index /2/ at a specified price and time. A public market exists in futures contracts covering a number of indexes (including, but not limited to: the Standard & Poor's 500 Index, the Value Line Composite Index, and the New York Stock Exchange Composite Index) as well as financial instruments (including, but not limited to: U.S. Treasury bonds, U.S. Treasury notes, Eurodollar certificates of deposit, and foreign currencies). Other index and financial instrument futures contracts are available and it is expected that additional futures contracts will be developed and traded.

The Fund may purchase and write call and put futures options. Futures options possess many of the same characteristics as options on securities, indexes and foreign currencies (discussed above). A futures option gives the holder the right, in return for the premium paid, to assume a long position (call) or short position (put) in a futures contract at a specified exercise price at any time during the period of the option. Upon exercise of a call option, the holder acquires a long position in the futures contract and the writer is assigned the opposite short position. In the case of a put option, the opposite is true. The Fund might, for example, use futures contracts to hedge against or gain exposure to fluctuations in the general level of stock prices, anticipated changes in interest rates or currency fluctuations that might adversely affect either the value of the Fund's securities or the price of the securities that the Fund intends to purchase. Although other techniques could be used to reduce or increase the Fund's exposure to stock price, interest rate and currency fluctuations, the Fund may be able to achieve its exposure more effectively and perhaps at a lower cost by using futures contracts and futures options.

The Fund will only enter into futures contracts and futures options that are standardized and traded on an exchange, board of trade, or similar entity, or quoted on an automated quotation system.

The success of any futures transaction depends on the Sub-Adviser correctly predicting changes in the level and direction of stock prices, interest rates, currency exchange rates and other factors. Should those predictions be incorrect, the Fund's return might have been better had the transaction not been attempted; however, in the absence of the ability to use futures contracts, the Sub-Adviser might have taken portfolio actions in anticipation of the same market movements with similar investment results but, presumably, at greater transaction costs.

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/2/ A futures contract on an index is an agreement pursuant to which two parties agree to take or make delivery of an amount of cash equal to the difference between the value of the index at the close of the last trading day of the contract and the price at which the index contract was originally written. Although the value of a securities index is a function of the value of certain specified securities, no physical delivery of those securities is made.

When a purchase or sale of a futures contract is made by the Fund, the Fund is required to deposit with its custodian (or broker, if legally permitted) a specified amount of cash or U.S. Government securities or other securities acceptable to the broker ("initial margin"). The margin required for a futures contract is set by the exchange on which the contract is traded and may be modified during the term of the contract. The initial margin is in the nature of a performance bond or good faith deposit on the futures contract, which is returned to the Fund upon termination of the contract, assuming all contractual obligations have been satisfied. The Fund expects to earn interest income on its initial margin deposits. A futures contract held by the Fund is valued daily at the official settlement price of the exchange on which it is traded. Each day the Fund pays or receives cash, called "variation margin," equal to the daily change in value of the futures contract. This process is known as "marking-to-market." Variation margin paid or received by the Fund does not represent a borrowing or loan by the Fund but is instead settlement between the Fund and the broker of the amount one would owe the other if the futures contract had expired at the close of the previous day. In computing daily net asset value, the Fund will mark-to-market its open futures positions.

The Fund is also required to deposit and maintain margin with respect to put and call options on futures contracts written by it. Such margin deposits will vary depending on the nature of the underlying futures contract (and the related initial margin requirements), the current market value of the option, and other futures positions held by the Fund.

Although some futures contracts call for making or taking delivery of the underlying securities, usually these obligations are closed out prior to delivery by offsetting purchases or sales of matching futures contracts (same exchange, underlying security or index, and delivery month). If an offsetting purchase price is less than the original sale price, the Fund engaging in the transaction realizes a capital gain, or if it is more, the Fund realizes a capital loss. Conversely, if an offsetting sale price is more than the original purchase price, the Fund engaging in the transaction realizes a capital gain, or if it is less, the Fund realizes a capital loss. The transaction costs must also be included in these calculations.

RISKS ASSOCIATED WITH FUTURES

There are several risks associated with the use of futures contracts and futures options. A purchase or sale of a futures contract may result in losses in excess of the amount invested in the futures contract. In trying to increase or reduce market exposure, there can be no guarantee that there will be a correlation between price movements in the futures contract and in the portfolio exposure sought. In addition, there are significant differences between the securities and futures markets that could result in an imperfect correlation between the markets, causing a given transaction not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as: variations in speculative market demand for futures, futures options and the related securities, including technical influences in futures and futures options trading and differences between the securities markets and the securities underlying

the standard contracts available for trading. For example, in the case of index futures contracts, the composition of the index, including the issuers and the weighting of each issue, may differ from the composition of the Fund's portfolio, and, in the case of interest rate futures contracts, the interest rate levels, maturities, and creditworthiness of the issues underlying the futures contract may differ from the financial instruments held in the Fund's portfolio. A decision as to whether, when and how to use futures contracts involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected stock price or interest rate trends.

Futures exchanges may limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of the current trading session. Once the daily limit has been reached in a futures contract subject to the limit, no more trades may be made on that day at a price beyond that limit. The daily limit governs only price movements during a particular trading day and therefore does not limit potential losses because the limit may work to prevent the liquidation of unfavorable positions. For example, futures prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of positions and subjecting some holders of futures contracts to substantial losses. Stock index futures contracts are not normally subject to such daily price change limitations.

There can be no assurance that a liquid market will exist at a time when the Fund seeks to close out a futures or futures option position. The Fund would be exposed to possible loss on the position during the interval of inability to close, and would continue to be required to meet margin requirements until the position is closed. In addition, many of the contracts discussed above are relatively new instruments without a significant trading history. As a result, there can be no assurance that an active secondary market will develop or continue to exist.

LIMITATIONS ON OPTIONS AND FUTURES

If other options, futures contracts, or futures options of types other than those described herein are traded in the future, the Fund may also use those investment vehicles, provided the Board of Trustees determines that their use is consistent with the Fund's investment objective.

The Fund will not enter into a futures contract or purchase an option thereon if, immediately thereafter, the initial margin deposits for futures contracts held by the Fund plus premiums paid by it for open futures option positions, less the amount by which any such positions are "in-the-money," /3/ would exceed 5% of the Fund's total assets.

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/3/ A call option is "in-the-money" if the value of the futures contract that is the subject of the option exceeds the exercise price. A put option is "in-the-money" if the exercise price exceeds the value of the futures contract that is the subject of the option.

When purchasing a futures contract or writing a put option on a futures contract, the Fund must maintain with its custodian (or broker, if legally permitted) cash or cash equivalents (including any margin) equal to the market value of such contract. When writing a call option on a futures contract, the Fund similarly will maintain with its custodian cash or cash equivalents (including any margin) equal to the amount by which such option is in-the-money until the option expires or is closed out by the Fund.

The Fund may not maintain open short positions in futures contracts, call options written on futures contracts or call options written on indexes if, in the aggregate, the market value of all such open positions exceeds the current value of the securities in its portfolio, plus or minus unrealized gains and losses on the open positions, adjusted for the historical relative volatility of the relationship between the portfolio and the positions. For this purpose, to the extent the Fund has written call options on specific securities in its portfolio, the value of those securities will be deducted from the current market value of the securities portfolio.

In order to comply with Commodity Futures Trading Commission Regulation 4.5 and thereby avoid being deemed a "commodity pool operator," the Fund will use commodity futures or commodity options contracts solely for bona fide hedging purposes within the meaning and intent of Regulation 1.3(z), or, with respect to positions in commodity futures and commodity options contracts that do not come within the meaning and intent of 1.3(z), the aggregate initial margin and premiums required to establish such positions will not exceed 5% of the fair market value of the assets of the Fund, after taking into account unrealized profits and unrealized losses on any such contracts it has entered into [in the case of an option that is in-the-money at the time of purchase, the in-the-money amount (as defined in Section 190.01(x) of the Commission Regulations) may be excluded in computing such 5%].

As long as the Fund continues to sell its shares in certain states, the Fund's options and futures transactions will also be subject to certain non-fundamental investment restrictions set forth under Investment Restrictions in this Statement of Additional Information.

TAXATION OF OPTIONS AND FUTURES

If the Fund exercises a call or put option that it holds, the premium paid for the option is added to the cost basis of the security purchased (call) or deducted from the proceeds of the security sold (put). For cash settlement options and futures options exercised

by the Fund, the difference between the cash received at exercise and the premium paid is a capital gain or loss.

If a call or put option written by the Fund is exercised, the premium is included in the proceeds of the sale of the underlying security (call) or reduces the cost basis of the security purchased (put). For cash settlement options and futures options written by the Fund, the difference between the cash paid at exercise and the premium received is a capital gain or loss.

Entry into a closing purchase transaction will result in capital gain or loss. If an option written by the Fund was in-the-money at the time it was written and the security covering the option was held for more than the long-term holding period prior to the writing of the option, any loss realized as a result of a closing purchase transaction will be long-term. The holding period of the securities covering an in-the-money option will not include the period of time the option is outstanding.

If the Fund writes an equity call option other /4/ than a "qualified covered call option," as defined in the Internal Revenue Code, any loss on such option transaction, to the extent it does not exceed the unrealized gains on the securities covering the option, may be subject to deferral until the securities covering the option have been sold.

A futures contract held until delivery results in capital gain or loss equal to the difference between the price at which the futures contract was entered into and the settlement price on the earlier of delivery notice date or expiration date. If the Fund delivers securities under a futures contract, the Fund also realizes a capital gain or loss on those securities.

For Federal income tax purposes, the Fund generally is required to recognize as income for each taxable year its net unrealized gains and losses as of the end of the year on futures, futures options and non-equity options positions ("year-end mark-to-market"). Generally, any gain or loss recognized with respect to such positions (either by year-end mark-to-market or by actual closing of the positions) is considered to be 60% long-term and 40% short-term, without regard to the holding periods of the contracts. However, in the case of positions classified as part of a "mixed straddle," the recognition of losses on certain positions (including options, futures and futures options positions, the related securities and certain successor positions thereto) may be deferred to a later taxable year. Sale of futures contracts or writing of call options (or futures call options) or buying put options (or futures put options) that are intended to hedge against a change in the value of securities held by the Fund: (1) will affect the holding period of the hedged securities; and (2) may cause unrealized gain or loss on such securities to be recognized upon entry into the hedge.

If the Fund were to enter into a short index future, short index futures option or short index option position and the Fund's portfolio were deemed to "mimic" the performance of the index underlying such contract, the option or futures contract position and the Fund's stock positions would be deemed to be positions in a mixed straddle, subject to the above-mentioned loss deferral rules.

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/4/ An equity option is defined to mean any option to buy or sell stock, and any other option the value of which is determined by reference to an index of stocks of the type that is ineligible to be traded on a commodity futures exchange (e.g., an option contract on a sub-index based on the price of nine hotel-casino stocks). The definition of equity option excludes options on broad-based stock indexes (such as the Standard & Poor's 500 index).

In order for the Fund to continue to qualify for Federal income tax treatment as a regulated investment company, at least 90% of its gross income for a taxable year must be derived from qualifying income; i.e., dividends, interest, income derived from loans of securities, and gains from the sale of securities or foreign currencies, or other income (including but not limited to gains from options, futures, or forward contracts). In addition, gains realized on the sale or other disposition of securities held for less than three months must be limited to less than 30% of the Fund's annual gross income. Any net gain realized from futures (or futures options) contracts will be considered gain from the sale of securities and therefore be qualifying income for purposes of the 90% requirement. In order to avoid realizing excessive gains on securities held less than three months, the Fund may be required to defer the closing out of certain positions beyond the time when it would otherwise be advantageous to do so.

The Fund distributes to shareholders annually any net capital gains that have been recognized for Federal income tax purposes (including year-end mark-to-market gains) on options and futures transactions. Such distributions are combined with distributions of capital gains realized on the Fund's other investments, and shareholders are advised of the nature of the payments.

INVESTMENT RESTRICTIONS

The Fund operates under the following investment restrictions. The Fund may not:

(1) with respect to 75% of its total assets, invest more than 5% of its total assets, taken at market value at the time of a particular purchase, in the securities of a single issuer, except for securities issued or guaranteed by the government of the U.S., or any of its agencies or instrumentalities or repurchase agreements for such securities and except that all or substantially all of the assets of the Fund may be invested in another registered investment company having the same investment objective and substantially similar investment policies as the Fund;

(2) acquire more than 10%, taken at the time of a particular purchase, of the outstanding voting securities of any one issuer, except that all or substantially all of the assets of the Fund may be invested in another registered investment company having the same investment objective and substantially similar investment policies as the Fund;

(3) act as an underwriter of securities, except insofar as it may be deemed an underwriter for purposes of the Securities Act of 1933 on disposition of securities acquired subject to legal or contractual restrictions on resale, except that all or substantially all of the assets of the Fund may be invested in another registered investment company having the same investment objective and substantially similar investment policies as the Fund;

(4) purchase or sell real estate (although it may purchase securities secured by real estate or interests therein, or securities issued by companies which invest in real

estate or interests therein), commodities, or commodity contracts, except that it may enter into (a) futures and options on futures and (b) forward contracts;

(5) make loans, but this restriction shall not prevent the Fund from (a) buying a part of an issue of bonds, debentures, or other obligations which are publicly distributed, or from investing up to an aggregate of 15% of its total assets (taken at market value at the time of each purchase) in parts of issues of bonds, debentures or other obligations of a type privately placed with financial institutions, (b) investing in repurchase agreements, /5/ or (c) lending portfolio securities, provided that it may not lend securities if, as a result, the aggregate value of all securities loaned would exceed 33% of its total assets (taken at market value at the time of such loan);

(6) borrow, except that it may (a) borrow up to 33 1/3% of its total assets, taken at market value at the time of such borrowing, as a temporary measure for extraordinary or emergency purposes, but not to increase portfolio income (the total of reverse repurchase agreements and such borrowings will not exceed 33 1/3% of its total assets, and the Fund will not purchase additional securities when its borrowings, less proceeds receivable from sales of portfolio securities, exceed 5% of its total assets) and (b) enter into transactions in options, futures, and options on futures;

(7) invest in a security if more than 25% of its total assets (taken at market value at the time of a particular purchase) would be invested in the securities of issuers in any particular industry, /6/ except that this restriction does not apply to securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities and except that all or substantially all of the assets of the Fund may be invested in another registered investment company having the same investment objective and substantially similar investment policies as the Fund; or

(8) issue any senior security except to the extent permitted under the Investment Company Act of 1940.

The above restrictions are fundamental policies and may not be changed without the approval of a "majority of the outstanding voting securities," as defined above. The Fund is also subject to the following non-fundamental restrictions and policies, which may be changed by the Board of Trustees. The Fund may not:

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/5/ A repurchase agreement involves the sale of securities to the Fund, with the concurrent agreement of the seller to repurchase the securities at the same price plus an amount representing interest at an agreed-upon interest rate, within a specified time, usually less than one week, but, on occasion, at a later time. Repurchase agreements entered into by the Fund will be fully collateralized and will be marked-to-market daily. In the event of a bankruptcy or other default of a seller of a repurchase agreement, the Fund could experience both delays in liquidating the underlying securities and losses, including: (a) possible decline in the value of the collateral during the period while the Fund seeks to enforce its rights thereto; (b) possible subnormal levels of income and lack of access to income during this period; and (c) expenses of enforcing its rights.

/6/ For purposes of this investment restriction, the Fund uses industry classifications contained in Morgan Stanley Capital International Perspective, which is published by Morgan Stanley, an international investment banking and brokerage firm.

(a) invest in any of the following: (i) interests in oil, gas, or other mineral leases or exploration or development programs (except readily marketable securities, including but not limited to master limited partnership interests, that may represent indirect interests in oil, gas, or other mineral exploration or development programs); (ii) puts, calls, straddles, spreads, or any combination thereof (except that the Fund may enter into transactions in options, futures, and options on futures); (iii) shares of other open-end investment companies, except in connection with a merger, consolidation, acquisition, or reorganization, and except that all or substantially all of the assets of the Fund may be invested in another registered investment company having the same investment objective and substantially similar investment policies as the Fund; and (iv) limited partnerships in real estate unless they are readily marketable;

(b) invest in companies for the purpose of exercising control or management, except that all or substantially all of the assets of the Fund may be invested in another registered investment company having the same investment objective and substantially similar investment policies as the Fund;

(c) purchase more than 3% of the stock of another investment company or purchase stock of other investment companies equal to more than 5% of the Fund's total assets (valued at time of purchase) in the case of any one other investment company and 10% of such assets (valued at time of purchase) in the case of all other investment companies in the aggregate; any such purchases are to be made in the open market where no profit to a sponsor or dealer results from the purchase, other than the customary broker's commission, except for securities acquired as part of a merger, consolidation or acquisition of assets, and except that all or substantially all of the assets of the Fund may be invested in another registered investment company having the same investment objective and substantially similar investment policies as the Fund;

(d) purchase or hold securities of an issuer if 5% of the securities of such issuer are owned by those officers, trustees, or directors of the Trust or of its investment adviser, who each own beneficially more than 1/2 of 1% of the securities of that issuer;

(e) purchase securities of issuers (other than issuers of Federal agency obligations or securities issued or guaranteed by any foreign country or asset-backed securities) that, including their predecessors or unconditional guarantors, have been in operation for less than three years, if by reason of such purchase the value of the Fund's investment in all such securities will exceed 5% of its total assets (valued at time of purchase), except that all or substantially all of the assets of the Fund may be invested in another registered investment company having the same investment objective and substantially similar investment policies as the Fund;

(f) mortgage, pledge, or hypothecate its assets, except as may be necessary in connection with permitted borrowings or in connection with options, futures, and options on futures;

(g) invest more than 5% of its net assets (valued at time of purchase) in warrants, nor more than 2% of its net assets in warrants that are not listed on the New York or American stock exchange or a recognized foreign exchange;

(h) write an option on a security unless the option is issued by the Options Clearing Corporation, an exchange, or similar entity;

(i) buy or sell an option on a security, a futures contract, or an option on a futures contract unless the option, the futures contract, or the option on the futures contract is offered through the facilities of a recognized securities association or listed on a recognized exchange or similar entity;

(j) purchase a put or call option if the aggregate premiums paid for all put and call options exceed 20% of its net assets (less the amount by which any such positions are in-the-money), excluding put and call options purchased as closing transactions;

(k) invest more than 10% of its total assets in restricted securities, other than securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933;

(l) invest more than 15% of its net assets (taken at market value at the time of each purchase) in illiquid securities, including repurchase agreements maturing in more than seven days; and

(m) purchase securities on margin (except for use of short-term credits as are necessary for the clearance of transactions), or sell securities short unless (i) the Fund owns or has the right to obtain securities equivalent in kind and amount to those sold short at no added cost or (ii) the securities sold are "when issued" or "when distributed" securities which the Fund expects to receive in a recapitalization, reorganization, or other exchange for securities the Fund contemporaneously owns or has the right to obtain and provided that transactions in options, futures, and options on futures are not treated as short sales.

Notwithstanding the foregoing investment restrictions, the Fund may purchase securities pursuant to the exercise of subscription rights, subject to the condition that such purchase will not result in the Fund's ceasing to be a diversified investment company. Far Eastern and European corporations frequently issue additional capital stock by means of subscription rights offerings to existing shareholders at a price substantially below the market price of the shares. The failure to exercise such rights would result in the Fund's interest in the issuing company being diluted. The market for such rights is not well developed in all cases and, accordingly, the Fund may not always realize full value on the sale of rights. The exception applies in cases where the limits set forth in the investment restrictions would otherwise be exceeded by exercising rights or would have already been exceeded as a result of fluctuations in the market value of the Fund's portfolio securities with the result that the Fund would be forced either to sell securities at a time when it might not otherwise have done so, to forego exercising the rights.

PURCHASES AND REDEMPTIONS

Purchases and redemptions are discussed in the Prospectus under the headings How to Purchase Shares, How to Redeem Shares, Net Asset Value, and Shareholder Services,

and that information is incorporated herein by reference. The Prospectus discloses that you may purchase (or redeem) shares through investment dealers, banks, or other institutions. The staff of the Securities and Exchange Commission has asked the Trust to disclose that it is the responsibility of any such institution to establish procedures insuring the prompt transmission to the Trust of any such purchase order. The state of Texas has asked that the Trust disclose in its Statement of Additional Information, as a reminder to any such bank or institution, that it must be registered as a securities dealer in Texas.

The Fund's net asset value is determined on days on which the New York Stock Exchange (the "NYSE") is open for trading. The NYSE is regularly closed on Saturdays and Sundays and on New Year's Day, the third Monday in February, Good Friday, the last Monday in May, Independence Day, Labor Day, Thanksgiving, and Christmas. If one of these holidays falls on a Saturday or Sunday, the NYSE will be closed on the preceding Friday or the following Monday, respectively. Net asset value will not be determined on days when the NYSE is closed unless, in the judgment of the Board of Trustees, net asset value of the Fund should be determined on any such day, in which case the determination will be made at 3:00 p.m., Chicago time.

The Trust intends to pay all redemptions in cash and is obligated to redeem shares solely in cash up to the lesser of $250,000 or one percent of the net assets of the Trust during any 90-day period for any one shareholder. However, redemptions in excess of such limit may be paid wholly or partly by a distribution in kind of securities. If redemptions were made in kind, the redeeming shareholders might incur transaction costs in selling the securities received in the redemptions.

Due to the relatively high cost of maintaining smaller accounts, the Trust reserves the right to redeem shares in any account for their then-current value (which will be promptly paid to the investor) if at any time the shares in the account do not have a value of at least $1,000. An investor will be notified that the value of his account is less than that minimum and allowed at least 30 days to bring the value of the account up to at least $1,000 before the redemption is processed. The Agreement and Declaration of Trust also authorizes the Trust to redeem shares under certain other circumstances as may be specified by the Board of Trustees.

The Trust reserves the right to suspend or postpone redemptions of shares of the Fund during any period when: (a) trading on the NYSE is restricted, as determined by the Securities and Exchange Commission, or the NYSE is closed for other than customary weekend and holiday closings; (b) the Securities and Exchange Commission has by order permitted such suspension; or (c) an emergency, as determined by the Securities and Exchange Commission, exists, making disposal of portfolio securities or valuation of net assets of the Fund not reasonably practicable.

MANAGEMENT

The following table sets forth certain information with respect to the trustees and officers of the Trust:

<TABLE>
<CAPTION>

NAME	POSITION(S) HELD WITH THE TRUST	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS
<S>	<C>	<C>
Gary A. Anetsberger	Senior Vice-President; Controller	Vice-President of Stein Roe & Farnham Incorporated (the "Adviser") since January, 1991; associate of the Adviser prior thereto
Timothy K. Armour (1)(2)	President; Trustee	President of the Mutual Funds division of the Adviser and Director of the Adviser since June, 1992; senior vice president and director of marketing of Citibank Illinois prior thereto
Jilaine Hummel Bauer	Executive Vice-President; ; Secretary	Senior Vice President (since April, 1992) and Assistant Secretary (since May, 1990) of the Adviser; vice president of the Adviser, prior thereto
Kenneth L. Block (3)	Trustee	Chairman Emeritus of A. T. Kearney, Inc. (international management consultants)
William W. Boyd (3)	Trustee	Chairman and Director of Sterling Plumbing Group, Inc. (manufacturer of plumbing products) since 1992; chairman, president, and chief executive officer of Sterling Plumbing Group, Inc. prior thereto
N. Bruce Callow	Executive Vice-President	President of the Investment Counsel division of the Adviser since June, 1994; senior vice president of trust and financial services for The Northern Trust prior thereto
Daniel K. Cantor	Vice-President	Vice President of the Adviser since January, 1992; associate of the Adviser prior thereto
Robert A. Christensen	Vice-President	Senior Vice President of the Adviser since January, 1991; first vice president of the Adviser prior thereto

Lindsay Cook (1)	Trustee	Senior Vice President of Liberty Financial Companies, Inc. (the indirect parent of the Adviser)
Kenneth W. Corba	Vice-President	Senior Vice President of the Adviser
E. Bruce Dunn	Vice-President	Senior Vice President of the Adviser
Erik P. Gustafson	Vice-President	Vice President of the Adviser since May, 1994; associate of the Adviser from April, 1992 to May, 1994; associate attorney with Fowler White Burnett Hurley Banick & Strickroot prior thereto
Philip D. Hausken	Vice-President	Legal Counsel for the Adviser since July, 1994; assistant regional director, midwest regional office of the Securities and Exchange Commission prior thereto
Millie Adams Hurwitz	Vice-President	Associate of the Adviser since 1992; senior vice president of OLC Corporation prior thereto
Kenneth A. Kalina	Treasurer	Associate of the Adviser
Stephen P. Lautz	Vice-President	Vice President of the Adviser since May, 1994; associate of the Adviser prior thereto
Lynn C. Maddox	Vice-President	Senior Vice President of the Adviser

Anne E. Marcel	Vice-President	Manager, Mutual Fund Sales & Services of the Adviser since October, 1994; supervisor of the Counselor Department of the Adviser from October, 1992 to October, 1994; vice president of Selected Financial Services from May, 1990 to March, 1992; assistant vice president of Carnegie Capital prior thereto
Francis W. Morley (3)	Trustee	Chairman of Employer Plan Administrators and Consultants Co. (designer, administrator, and communicator of employee benefit plans)
Charles R. Nelson (3)	Trustee	Professor, Department of Economics of the University of Washington
Nicolette D. Parrish	Vice-President; Assistant Secretary	Associate of the Adviser
Richard B. Peterson	Vice-President	Senior Vice President of the Adviser since June, 1991; officer of State Farm Investment Management Corporation prior thereto
Janet B. Rysz	Assistant Secretary	Assistant Secretary of the Adviser
Gloria J. Santella	Vice-President	Vice President of the Adviser since January, 1992; associate of the Adviser prior thereto
Thomas P. Sorbo	Vice-President	Senior Vice President of the Adviser since January, 1994; vice president of the Adviser from September, 1992 to December, 1993; associate of Travelers Insurance Company prior thereto
Shary Risting Stadler	Vice-President	Senior Vice President & Director of Marketing of the Adviser since November, 1993; vice president, marketing of Citicorp from April, 1990 to October, 1993; assistant vice president

		of Citicorp prior thereto
Gordon R. Worley (2)(3)	Trustee	Private investor
Hans P. Ziegler	Executive Vice-President	Chief Executive Officer of the Adviser since May, 1994; president of the Investment Counsel division of the Adviser from July, 1993 to June, 1994; president and chief executive officer, Pitcairn Financial Management Group prior thereto

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(1) Trustee who is an "interested person" of the Trust and of the Adviser, as defined in the Investment Company Act of 1940.
(2) Member of the Executive Committee of the Board of Trustees, which is authorized to exercise all powers of the Board with certain statutory exceptions.
(3) Member of the Audit Committee of the Board, which makes recommendations to the Board regarding the selection of auditors and confers with the auditors regarding the scope and results of the audit.
</TABLE>

Certain of the trustees and officers of the Trust are trustees or officers of other investment companies managed by the Adviser. Ms. Bauer is a vice president of the Fund's distributor, Liberty Securities Corporation. The address of Mr. Block is 11 Woodley Road, Winnetka, Illinois 60093; that of Mr. Boyd is 2900 Golf Road, Rolling

Meadows, Illinois 60008; that of Mr. Cook is 600 Atlantic Avenue, Boston, Massachusetts 02210; that of Mr. Morley is 20 North Wacker Drive, Suite 2275, Chicago, Illinois 60606; that of Mr. Nelson is Department of Economics, University of Washington, Seattle, Washington 98195; that of Mr. Worley is 1407 Clinton Place, River Forest, Illinois 60305; and that of the officers is One South Wacker Drive, Chicago, Illinois 60606.

The only compensation paid to the trustees and officers of the Trust for their services as such consists of fees paid to each trustee who is not an "interested person" of the Trust or the Adviser. The fee schedule provides for an annual retainer of $8,000 (divided equally among the Funds of the Trust) plus an attendance fee from each Fund for each meeting of the Board or committee thereof attended at which business for that Fund is conducted. The attendance fees (other than for a Nominating Committee meeting) are based on each Fund's net assets as of the preceding December 31. For a Fund with net assets of less than $251 million, the fee is $200 per meeting; with $251 million to $500 million, $350; with $501 million to $750 million, $500; with $750 million to $1 billion, $650; and with over $1 billion in net assets, $800. Each non-interested trustee also receives an aggregate of $500 for attending each meeting of the Nominating Committee. The trustees collectively received from the Trust an aggregate of $90,600 in fees for the fiscal year ended September 30, 1994.

FINANCIAL STATEMENTS

Please refer to the Fund's 9/30/94 Financial Statements (balance sheets and schedules of investments as of 9/30/94 and the statements of operations, changes in net assets, and notes thereto) and the report of independent public accountants contained in the 9/30/94 Annual Report. The Financial Statements and the report of independent public accountants (but no other material from the Annual Report) are incorporated herein by reference. The Annual Report may be obtained at no charge by telephoning 1-800-338-2550.

PRINCIPAL SHAREHOLDERS

As of October 31, 1994 the only person known by the Trust to own of record or "beneficially" 5% or more of the outstanding shares of the Fund within the definition of that term as contained in Rule 13d-3 under the Securities Exchange Act of 1934 was as follows:

Name and Address	Approximate Percentage of Outstanding Shares Held
First Bank National Association* 410 N. Michigan Avenue Chicago, IL 60611	9.9%

*Shares held of record, but not beneficially.

The following table shows shares of the Fund held by the categories of persons indicated, and in each case the approximate percentage of outstanding shares represented:

Clients of the Adviser in their Client Accounts as of 10/31/94*		Trustees and Officers as of 10/31/94	
Shares Held	Percent	Shares Held	Percent
5,664,183	80.1%	34,946	**

*The Adviser may have discretionary authority over such shares and, accordingly, they could be deemed to be owned "beneficially" by the Adviser under Rule 13d-3. However, the Adviser disclaims actual beneficial ownership of such shares.
**Represents less than 1% of the outstanding shares.

INVESTMENT ADVISORY SERVICES

The Adviser, Stein Roe & Farnham Incorporated, is a wholly-owned subsidiary of SteinRoe Services Inc. ("SSI"), the Fund's transfer agent, which in turn is a wholly-owned indirect subsidiary of Liberty Mutual Insurance Company ("Liberty Mutual"). Liberty Mutual is a mutual insurance company, principally in the property/casualty insurance field, organized under the laws of Massachusetts in 1912.

The directors of the Adviser are Gary L. Countryman, Kenneth R. Leibler, Timothy K. Armour, N. Bruce Callow, and Hans P. Ziegler. Mr. Countryman is Chairman of Liberty Mutual Insurance Company; Mr. Leibler is President and Chief Operating Officer of Liberty Financial Companies; Mr. Armour is President of the Adviser's Mutual Funds division; Mr. Callow is President of the Adviser's Investment Counsel division; and Mr. Ziegler is Chief Executive Officer of the Adviser. The business address of Mr. Countryman is 175 Berkeley Street, Boston, Massachusetts 02117; that of Mr. Leibler is Federal Reserve Plaza, Boston, Massachusetts 02210; and that of Messrs. Armour, Callow, and Ziegler is One South Wacker Drive, Chicago, Illinois 60606.

The Adviser and its predecessor have been providing investment advisory services since 1932. The Adviser acts as investment adviser to wealthy individuals, trustees, pension and profit sharing plans, charitable organizations, and other institutional investors. As of December 31, 1994, the Adviser managed over $22.8 billion in assets: over $5.4 billion in equities and over $17.4 billion in fixed-income securities (including $2.3 billion in municipal securities). The $22.8 billion in managed assets included over $6.4 billion held by open-end mutual funds managed by the Adviser (approximately 25% of the mutual fund assets were held by clients of the Adviser). These mutual funds were owned by over 149,000 shareholders. The $6.4 billion in mutual fund assets included over $504 million in over 33,000 IRA accounts. In managing those assets, the Adviser utilizes a proprietary computer-based information system that maintains and regularly updates information for approximately 6,500 companies. The Adviser also monitors over 1,400 issues via a proprietary credit analysis system. At December 31, 1994, the Adviser employed 20 research analysts and 42 account managers. The average investment-related experience of these individuals was

19 years.

Rockefeller & Co., Inc. (the "Sub-Adviser"), which is registered as an investment adviser under the Investment Advisers Act of 1940, is a private investment advisory and management firm established by the Rockefeller Family to serve its own needs and those of a small number of other persons and institutions. As of October 31,

1994, the Sub-Adviser managed over $2.5 billion in assets, including $836 million in foreign securities. The Sub-Adviser, with offices at 30 Rockefeller Plaza, New York, New York 10112, is a wholly-owned subsidiary of Rockefeller Financial Services, Inc., all of the voting shares of which are owned by the Rockefeller Family Trust. The directors of the Sub-Adviser are Walter M. Cabot, Colin G. Campbell, Abby O. Caulkins, Pamela P. Flaherty, Laird I. Grant, Judy C. Lewent, Abby M. O'Neill, David Rockefeller, David Rockefeller, Jr., Peter C. Rockefeller, Richard G. Rockefeller, Rodman C. Rockefeller, Sharon P. Rockefeller, and Joseph D. Williams. Mr. Cabot is a Senior Adviser of Standish, Ayer & Wood; Mr. Campbell is President of Rockefeller Brothers Fund; Mrs. Caulkins is a director of Rockefeller Financial Services, Inc.; Ms. Flaherty is a Division Executive of Citibank A.N.A.; Ms. Grant is President and Chief Executive Officer of the Sub-Adviser; Ms. Lewent is Senior Vice President and Chief Financial Officer of Merck & Co., Inc.; Mrs. O'Neill is a Trustee of Massachusetts Financial Services Company; Mr. David Rockefeller is Chairman of The Rockefeller Group; Mr. David Rockefeller, Jr. is Chairman of Rockefeller Financial Services, Inc. and Chairman of the Sub-Adviser; Mr. Peter Rockefeller is an Investment Banking Associate of Donaldson Lufkin & Jenrette Securities Corp.; Dr. Richard Rockefeller is a practicing physician; Mr. Rodman Rockefeller is Chairman of Pocantico Associates, Inc.; Mrs. Rockefeller is President and Chief Executive Officer of WETA-TV; and Mr. Williams is Chairman of the Executive Committee of Warner-Lambert Company. The trustees of the Rockefeller Family Trust are George L. Shinn, D. Ronald Daniel, and Richard D. Parsons. John T. Leyden is Vice-President--Finance and Treasurer of the Sub-Adviser; J. Murray Logan is Vice President of the Sub-Adviser; and David A. Strawbridge is Vice President, Secretary, and General Counsel of the Sub-Adviser.

The Rockefeller Family Trust was established in 1979, primarily for the benefit of the grandchildren of John D. Rockefeller, Jr. and their descendants. The grantors of the trust property are the senior members of the Rockefeller Family. In 1980, the Sub-Adviser was registered as an investment adviser and commenced providing management services to non-Rockefeller Family clients. Rockefeller & Co. provides integrated investments in the global equity and fixed-interest markets. It allocates capital to asset classes that have superior investment return potential commensurate with the overall risk level and financial objectives of the clients. The asset classes are managed by specialized investment units, each with its own experts and disciplines suited to particular asset classes or geographic regions. These investment units include global small capitalized equities, global large capitalized equities, and global unquoted equities. As of October 31, 1994, the Sub-Adviser employed approximately 62 investment professionals and support staff in offices located in New York, London, and Hong Kong.

SteinRoe Counselor [service mark] and SteinRoe Counselor Preferred [service mark] are professional investment advisory services offered to Fund shareholders. Each is designed to help shareholders construct Fund investment portfolios to suit their individual needs. Based on information shareholders provide about their financial circumstances, goals, and objectives in response to a questionnaire, the Adviser's investment professionals create customized portfolio recommendations for investments in the Fund and other mutual funds managed by the Adviser. Shareholders participating in SteinRoe

Counselor [service mark] are free to self direct their investments while considering the Adviser's recommendations; shareholders participating in SteinRoe Counselor Preferred [service mark] enjoy the added benefit of having the Adviser implement portfolio recommendations automatically for a fee of 1% or less, depending on the size of their portfolios. In addition to reviewing shareholders' circumstances, goals, and objectives periodically and updating portfolio recommendations to reflect any changes, the shareholders who participate in these programs are assigned a dedicated Counselor [service mark] representative. Other distinctive services include specially designed account statements with portfolio performance and transaction data, newsletters, and regular investment, economic, and market updates. A $50,000 minimum investment is required to participate in either program.

Please refer to the description of the Adviser, the Sub-Adviser, advisory agreements, advisory fee, and transfer agency services under Management of the Fund in the Prospectus, which is incorporated herein by reference. From the Fund's inception on March 1, 1994 through September 30, 1994, the Adviser received payments of $343,107 in advisory fees from the Fund.

The Adviser provides office space and executive and other personnel to the Fund and bears any sales or promotional expenses. The Sub-Adviser pays the cost of maintaining the staff and personnel necessary for it to perform its services to the Fund including the expenses of office rent, telephone, and other facilities necessary to enable it to perform its investment management services. The Fund pays all expenses other than those paid by the Adviser or the Sub-Adviser, including but not limited to printing and postage charges and securities registration and custodian fees and expenses incidental to its organization.

The investment advisory agreement provides that the Adviser shall reimburse the Fund to the extent that total annual expenses of the Fund (including fees paid to the Adviser, but excluding taxes, interest, brokers' commissions and other normal charges incident to the purchase and sale of portfolio securities and expenses of litigation to the extent permitted under applicable state law) exceed the applicable limits prescribed by any state in which shares of the Fund are being offered for sale to the public; provided, however, that the Adviser shall not be required to reimburse the Fund an amount in excess of the management fee from the Fund for such year. The Trust believes that currently the most restrictive state limit on mutual fund expenses is that of California, which limit currently is 2 1/2% of the first $30 million of average net assets, 2% of the next $70 million, and 1 1/2% thereafter.

The advisory agreement and the portfolio management agreement also provide that neither the Adviser, the Sub-Adviser, nor any of their respective directors, officers, stockholders (or partners of stockholders), agents, or employees shall have any liability to the Trust or any shareholder of the Trust for any error of judgment, mistake of law or any loss arising out of any investment, or for any other act or omission in the performance by the Adviser or the Sub-Adviser of their duties under the agreements, except for liability resulting from willful misfeasance, bad faith or gross negligence on their part in the performance of their duties or from reckless disregard by them of their obligations and duties under the agreements.

Any expenses that are attributable solely to the organization, operation, or business of the Fund shall be paid solely out of the Fund's assets. Any expenses incurred by the Trust that are not solely attributable to a particular series are apportioned in such manner as the Adviser determines is fair and appropriate, unless otherwise specified by the Board of Trustees.

BOOKKEEPING AND ACCOUNTING AGREEMENT

Pursuant to a separate agreement with the Trust, the Adviser receives a fee for performing certain bookkeeping and accounting services for the Fund. For these services, the Adviser receives an annual fee of $25,000 per Fund plus .0025 of 1% of average net assets over $50 million.

DISTRIBUTOR

Shares of the Fund are distributed by Liberty Securities Corporation ("LSC") under a Distribution Agreement as described under Management of the Fund in the Prospectus, which is incorporated herein by reference. The Distribution Agreement continues in effect from year to year, provided such continuance is approved annually (i) by a majority of the trustees or by a majority of the outstanding voting securities of the Trust, and (ii) by a majority of the trustees who are not parties to the Agreement or interested persons of any such party. The Trust has agreed to pay all expenses in connection with registration of its shares with the Securities and Exchange Commission and auditing and filing fees in connection with registration of its shares under the various state blue sky laws and assumes the cost of preparation of prospectuses and other expenses. The Adviser bears all sales and promotional expenses, including payments to LSC for the sales of Fund shares. The Adviser also makes payments to other broker-dealers, banks, and other institutions for the sales of Fund shares of 0.20% of the annual average value of accounts of such shares.

As agent, LSC offers shares of the Fund to investors in states where the shares are qualified for sale, at net asset value, without sales commissions or other sales load to the investor. In addition, no sales commission or "12b-1" payment is paid by the Fund. LSC offers the Fund's shares only on a best-efforts basis.

TRANSFER AGENT

SSI performs certain transfer agency services for the Trust, as described under Management of the Fund in the Prospectus. For performing these services, SSI receives the following payments from the Fund: (1) a fee of $4.00 for each new account opened; (2) monthly payments of $1.063 per open shareholder account; (3) payments of $0.367 per closed shareholder account for each month through June of the calendar year following the year in which the account is closed; (4) $0.3025 per shareholder account for each dividend paid; and (5) $1.415 for each shareholder-initiated transaction. In addition, the Fund reimburses SSI for any charges for certain services provided to it by DST Systems, Inc. in connection with transfer agency services to the Fund. The Trust

believes the charges by SSI to the Fund are comparable to those of other companies performing similar services. (See Investment Advisory Services.)

CUSTODIAN

State Street Bank and Trust Company (the "Bank"), 225 Franklin Street, Boston, Massachusetts 02101, is the custodian for the Trust. It is responsible for holding all securities and cash of the Fund, receiving and paying for securities purchased, delivering against payment securities sold, receiving and collecting income from investments, making all payments covering expenses of the Fund, and performing other administrative duties, all as directed by authorized persons. The custodian does not exercise any supervisory function in such matters as purchase and sale of portfolio securities, payment of dividends, or payment of expenses of the Fund.

Portfolio securities purchased in the U.S. are maintained in the custody of the Bank or of other domestic banks or depositories. Portfolio securities purchased outside of the U.S. are maintained in the custody of foreign banks and trust companies that are members of the Bank's Global Custody Network and foreign depositories ("foreign sub-custodians"). Each of the domestic and foreign custodial institutions holding portfolio securities has been approved by the Board of Trustees in accordance with regulations under the Investment Company Act of 1940.

The Board of Trustees reviews, at least annually, whether it is in the best interest of the Fund and its shareholders to maintain Fund assets in each of the countries in which the Fund invests with particular foreign sub-custodians in such countries, pursuant to contracts between such respective foreign sub-custodians and the Bank. The review includes an assessment of the risks of holding Fund assets in any such country (including risks of expropriation or imposition of exchange controls), the operational capability and reliability of each such foreign sub-custodian, and the impact of local laws on each such custody arrangement. The Board of Trustees is aided in its review by the Bank, which has assembled the network of foreign sub-custodians utilized by the Fund, as well as by the Adviser, the Sub-Adviser, and counsel. However, with respect to foreign sub-custodians, there can be no assurance that the Fund, and the value of its shares, will not be adversely affected by acts of foreign governments, financial or operational difficulties of the foreign sub-custodians, difficulties and costs of obtaining jurisdiction over, or enforcing judgments against, the foreign sub-custodians, or application of foreign law to the Fund's foreign sub-custodial arrangements. Accordingly, an investor should recognize that the non-investment risks involved in holding assets abroad are greater than those associated with investing in the United States.

The Fund may invest in obligations of the custodian and may purchase or sell securities from or to the custodian.

INDEPENDENT PUBLIC ACCOUNTANTS

The independent public accountants for the Trust are Arthur Andersen LLP, 33 West Monroe Street, Chicago, Illinois 60603. The accountants audit and report on the

Fund's annual financial statements, review certain regulatory reports and the Fund's Federal income tax returns, and perform other professional accounting, auditing, tax and advisory services when engaged to do so by the Trust.

PORTFOLIO TRANSACTIONS

The Sub-Adviser places the orders for the purchase and sale of the Fund's portfolio securities and options and futures contracts. The Sub-Adviser's overriding objective in effecting portfolio transactions is to seek to obtain the best combination of price and execution. The best net price, giving effect to brokerage commissions, if any, and other transaction costs, normally is an important factor in this decision, but a number of other judgmental factors may also enter into the decision. These include: the Sub-Adviser's knowledge of negotiated commission rates currently available and other current transaction costs; the nature of the security being traded; the size of the transaction; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance and settlement capabilities of the broker or dealer selected and others which are considered; the Sub-Adviser's knowledge of the financial stability of the broker or dealer selected and such other brokers or dealers; and the Sub-Adviser's knowledge of actual or apparent operational problems of any broker or dealer. Recognizing the value of these factors, the Fund may pay a brokerage commission in excess of that which another broker or dealer may have charged for effecting the same transaction. Evaluations of the reasonableness of brokerage commissions, based on the foregoing factors, are made on an ongoing basis by the Sub-Adviser's staff while effecting portfolio transactions. The general level of brokerage commissions paid is reviewed by the Sub-Adviser, and reports are made annually to the Board of Trustees.

With respect to issues of securities involving brokerage commissions, when more than one broker or dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction for the Fund, the Sub-Adviser often selects a broker or dealer that has furnished it with research products or services such as research reports, subscriptions to financial publications and research compilations, compilations of securities prices, earnings, dividends, and similar data, and computer data bases, quotation equipment and services, research-oriented computer software and services, and services of economic and other consultants. Selection of brokers or dealers is not made pursuant to an agreement or understanding with any of the brokers or dealers; however, the Sub-Adviser uses an internal allocation procedure to identify those brokers or dealers who provide it with research products or services and the amount of research products or services they provide, and endeavors to direct sufficient commissions generated by its clients' accounts in the aggregate, including the Fund, to such brokers or dealers to ensure the continued receipt of research products or services the Sub-Adviser feels are useful. In certain instances, the Sub-Adviser may receive from brokers and dealers products or services that are used both as investment research and for administrative, marketing, or other non-research purposes. In such instances, the Sub-Adviser will make a good faith effort to determine the relative proportions of such products or services which may be considered as investment research. The portion of the costs of such products

or services attributable to research usage may be defrayed by the Sub-Adviser (without prior agreement or understanding, as noted above) through brokerage commissions generated by transactions by clients (including the Fund), while the portions of the costs attributable to non-research usage of such products or services is paid by the Sub-Adviser in cash. No person acting on behalf of the Fund is authorized, in recognition of the value of research products or services, to pay a commission in excess of that which another broker or dealer might have charged for effecting the same transaction. Research products or services furnished by brokers and dealers may be used in servicing any or all of the clients of the Sub-Adviser and not all such research products or services are used in connection with the management of the Fund.

With respect to the Fund's purchases and sales of portfolio securities transacted with a broker or dealer on a net basis, the Sub-Adviser may also consider the part, if any, played by the broker or dealer in bringing the security involved to the Sub-Adviser's attention, including investment research related to the security and provided to the Fund.

The table below shows information on brokerage commissions paid by the Fund:

Total amount of brokerage commissions paid during fiscal year ended 9/30/94	$ 145,832
Amount of commissions paid to brokers or dealers who supplied research services to the Adviser	145,832
Total dollar amount involved in such transactions	37,295,964
Amount of commissions paid to brokers or dealers that were allocated to such brokers or dealers by the Fund's portfolio manager because of research services provided to the Fund	N/A
Total dollar amount involved in such transactions	N/A

The Trust has arranged for its custodian to act as a soliciting dealer to accept any fees available to the custodian as a soliciting dealer in connection with any tender offer for Fund portfolio securities. The custodian will credit any such fees received against its custodial fees. In addition, the Board of Trustees has reviewed the legal developments pertaining to and the practicability of attempting to recapture underwriting discounts or selling concessions when portfolio securities are purchased in underwritten offerings. The Board of Trustees has been advised by counsel that recapture in foreign securities underwritings is permitted and has directed the Sub-Adviser to attempt to recapture to the extent consistent with best price and execution.

ADDITIONAL INCOME TAX CONSIDERATIONS

The Fund intends to comply with the special provisions of the Internal Revenue Code that relieve it of Federal income tax to the extent of its net investment income and capital gains currently distributed to shareholders.

Because dividend and capital gain distributions reduce net asset value, a shareholder who purchases shares shortly before a record date will, in effect, receive a

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return of a portion of his investment in such distribution. The distribution would nonetheless be taxable to him, even if the net asset value of shares were reduced below his cost. However, for Federal income tax purposes the shareholder's original cost would continue as his tax basis.

The Fund expects that less than 100% of its dividends will qualify for the deduction for dividends received by corporate shareholders.

To the extent the Fund invests in foreign securities, it may be subject to withholding and other taxes imposed by foreign countries. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. Investors may be entitled to claim U.S. foreign tax credits with respect to such taxes, subject to certain provisions and limitations contained in the Code. Specifically, if more than 50% of the Fund's total assets at the close of any fiscal year consist of stock or securities of foreign corporations, the Fund may file an election with the Internal Revenue Service pursuant to which shareholders of the Fund will be required to (i) include in ordinary gross income (in addition to taxable dividends actually received) their pro rata shares of foreign income taxes paid by the Fund even though not actually received, (ii) treat such respective pro rata shares as foreign income taxes paid by them, and (iii) deduct such pro rata shares in computing their taxable incomes, or, alternatively, use them as foreign tax credits, subject to applicable limitations, against their United States income taxes. Shareholders who do not itemize deductions for Federal income tax purposes will not, however, be able to deduct their pro rata portion of foreign taxes paid by the Fund, although such shareholders will be required to include their share of such taxes in gross income. Shareholders who claim a foreign tax credit may be required to treat a portion of dividends received from the Fund as separate category income for purposes of computing the limitations on the foreign tax credit available to such shareholders. Tax-exempt shareholders will not ordinarily benefit from this election relating to foreign taxes. Each year, the Fund will notify shareholders of the amount of (i) each shareholder's pro rata share of foreign income taxes paid by the Fund and (ii) the portion of Fund dividends which represents income from each foreign country, if the Fund qualifies to pass along such credit.

PASSIVE FOREIGN INVESTMENT COMPANIES. The Fund may purchase the securities of certain foreign investment funds or trusts called passive foreign investment companies ("PFICs"). In addition to bearing their proportionate share of the Fund's expenses (management fees and operating expenses), shareholders will also indirectly bear similar expenses of PFICs. Capital gains on the sale of PFIC holdings will be deemed to be ordinary income regardless of how long the Fund holds its investment. In addition, the Fund may be subject to corporate income tax and an interest charge on certain dividends and capital gains earned from PFICs, regardless of whether such income and gains are distributed to shareholders.

In accordance with tax regulations, the Fund intends to treat PFICs as sold on the last day of the Fund's fiscal year and recognize any gains for tax purposes at that time; losses will not be recognized. Such gains will be considered ordinary income

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which the Fund will be required to distribute even though it has not sold the security and received cash to pay such distributions.

INVESTMENT PERFORMANCE

The Fund may quote certain total return figures from time to time. A "Total Return" on a per share basis is the amount of dividends distributed per share plus or minus the change in the net asset value per share for a period. A "Total Return Percentage" may be calculated by dividing the value of a share at the end of a period by the value of the share at the beginning of the period and subtracting one. For a given period, an "Average Annual Total Return" may be computed by finding the average annual compounded rate that would equate a hypothetical initial amount invested of $1,000 to the ending redeemable value.

Average Annual Total Return is computed as follows: ERV = P(1+T)n

Where: P = a hypothetical initial payment of $1,000
T = average annual total return
n = number of years
ERV = ending redeemable value of a hypothetical $1,000 payment made at the beginning of the period at the end of the period (or fractional portion thereof).

For example, for a $1,000 investment in the Fund, the "Total Return," the "Total Return Percentage," and the "Average Annual Total Return" at September 30, 1994 were:

	Total Return	Total Return Percentage
*Life of Fund	$1,061	6.10%

*Life of Fund is from its date of public offering, 3/1/94.

Investment performance figures assume reinvestment of all dividends and distributions and do not take into account any Federal, state, or local income taxes which shareholders must pay on a current basis. They are not necessarily indicative of future results. The performance of the Fund is a result of conditions in the securities markets, portfolio management, and operating expenses. Although investment performance information is useful in reviewing the Fund's performance and in providing some basis for comparison with other investment alternatives, it should not be used for comparison with other investments using different reinvestment assumptions or time periods.

In advertising and sales literature, the Fund may compare its performance with that of other mutual funds, indexes or averages of other mutual funds, indexes of related financial assets or data, and other competing investment and deposit products available from or through other financial institutions. The composition of these indexes or averages differs from that of the Fund. Comparison of the Fund to an alternative investment should be made with consideration of differences in features and expected performance.

All of the indexes and averages noted below will be obtained from the indicated sources or reporting services, which the Fund believes to be generally accurate. The Fund may also note its mention or recognition in newspapers, magazines, or other media from time to time. However, the Fund assumes no responsibility for the accuracy of such data. Newspapers and magazines which might mention the Fund include, but are not limited to, the following:

Architectural Digest
Arizona Republic
Atlanta Constitution
Barron's
Boston Herald
Business Week
Chicago Tribune
Chicago Sun-Times
Cleveland Plain Dealer
CNBC

Crain's Chicago Business
Consumer Reports
Consumer Digest
Financial World
Forbes
Fortune
Fund Action
Gourmet
Investor's Business Daily
Kiplinger's Personal Finance Magazine
Knight-Ridder
Los Angeles Times
Money
Mutual Fund Letter
Mutual Fund News Service
Mutual Fund Values (Morningstar)
Newsweek
The New York Times
No-Load Fund Investor
Pension World
Pensions and Investment
Personal Investor
Physicians Financial News
Jane Bryant Quinn (syndicated column)
The San Francisco Chronicle
Smart Money
Smithsonian
Stanger's Investment Adviser
Time
Travel & Leisure
United Mutual Fund Selector
USA Today
U.S. News and World Report
The Wall Street Journal
Working Women
Worth
Your Money

The Fund may compare its performance to the Consumer Price Index (All Urban), a widely recognized measure of inflation.

The Fund's performance may be compared to the following indexes or averages:

Dow-Jones Industrial Average	New York Stock Exchange Composite Index
Standard & Poor's 500 Stock Index	American Stock Exchange Composite Index
Standard & Poor's 400 Industrials	NASDAQ Composite
Wilshire 5000	NASDAQ Industrials

(These indexes are widely recognized indicators of general U.S. stock market results.) (These indexes generally reflect the performance of stocks traded in the indicated markets.)

EAFE Index
Financial Times Actuaries World Index (Ex-U.S.)
Morgan Stanley Capital International World Index
(These indexes are widely recognized indicators of the international markets)

In addition, the Fund may compare performance to the indices indicated below:

Lipper International & Global Funds Average
Lipper General Equity Funds Average
Lipper Equity Funds Average
Lipper International Fund Index
(The Lipper averages are unweighted averages of total return

performance as classified, calculated, and published by Lipper.)
ICD International Equity Funds Average
ICD All Equity Funds Average
ICD General Equity Average*
ICD Global Equity Funds Average
ICD International Equity and Global Equity Funds Average
ICD Foreign Securities Index
Morningstar International Stock Average
Morningstar U.S. Diversified Average
Morningstar Equity Fund Average
Morningstar Hybrid Fund Average
Morningstar All Equity Funds Average
Morningstar General Equity Average**

*Includes ICD Aggressive Growth, Growth & Income, Long-Term Growth, and Total Return Averages.
**Includes Morningstar Aggressive Growth, Growth, Balanced, Equity Income, and Growth & Income Averages.

The ICD Indexes reflect the unweighted average total return of the largest twenty funds within their respective category as calculated and published by ICD.

The Lipper International Fund index reflects the net asset value weighted return of the ten largest international funds.

The Lipper, ICD, and Morningstar averages are unweighted averages of total return performance of mutual funds as classified, calculated, and published by these independent services that monitor the performance of mutual funds. The Fund may also use comparative performance as computed in a ranking by Lipper or category averages and rankings provided by another independent service. Should Lipper or another service reclassify the Fund to a different category or develop (and place the Fund into) a new category, the Fund may compare its performance or ranking with those of other funds in the newly assigned category, as published by the service.

The Fund may also cite its rating, recognition, or other mention by Morningstar or any other entity. Morningstar's rating system is based on risk-adjusted total return performance and is expressed in a star-rating format. The risk-adjusted number is computed by subtracting the Fund's risk score (which is a function of the Fund's

monthly returns less the 3-month T-bill return) from the Fund's load-adjusted total return score. This numerical score is then translated into rating categories, with the top 10% labeled five star, the next 22.5% labeled four star, the next 35% labeled three star, the next 22.5% labeled two star, and the bottom 10% one star. A high rating reflects either above-average returns or below-average risk, or both.

Of course, past performance is not indicative of future results.

To illustrate the historical returns on various types of financial assets, the Fund may use historical data provided by Ibbotson Associates, Inc. ("Ibbotson"), a Chicago-based investment firm. Ibbotson constructs (or obtains) very long-term (since 1926) total return data (including, for example, total return indexes, total return percentages, average annual total returns and standard deviations of such returns) for the following asset types:

Common stocks
Small company stocks
Long-term corporate bonds
Long-term government bonds
Intermediate-term government bonds

U.S. Treasury bills
Consumer Price Index

The Fund may also use hypothetical returns to be used as an example in a mix of asset allocation strategies. One such example is reflected in the chart below, which shows the effect of tax deferral on a hypothetical investment. This chart assumes that an investor invested $2,000 a year on January 1, for any specified period, in both a Tax-Deferred Investment and a Taxable Investment, that both investments earn either 6%, 8% or 10% compounded annually, and that the investor withdrew the entire amount at the end of the period. (A tax rate of 39.6% is applied annually to the Taxable Investment and on the withdrawal of earnings on the Tax-Deferred Investment.)

TAX-DEFERRED INVESTMENT VS. TAXABLE INVESTMENT

INTEREST RATE	6%	8%	10%	6%	8%	10%
Compounding Years	Tax-Deferred Investment			Taxable Investment		
30	$124,992	$171,554	$242,340	$109,197	$135,346	$168,852
25	90,053	115,177	150,484	82,067	97,780	117,014
20	62,943	75,543	91,947	59,362	68,109	78,351
15	41,684	47,304	54,099	40,358	44,675	49,514
10	24,797	26,820	29,098	24,453	26,165	28,006
5	11,178	11,613	12,072	11,141	11,546	11,965
1	2,072	2,096	2,121	2,072	2,096	2,121

Dollar Cost Averaging. Dollar cost averaging is an investment strategy that requires investing a fixed amount of money in Fund shares at set intervals. This allows you to purchase more shares when prices are low and fewer shares when prices are high. Over time, this tends to lower your average cost per share.

Like any investment strategy, dollar cost averaging can't guarantee a profit or protect against losses in a steadily declining market. Dollar cost averaging involves uninterrupted investing regardless of share price and therefore may not be appropriate for every investor.

From time to time, the Fund may offer in its advertising and sales literature to send an investment strategy guide, a tax guide, or other supplemental information to investors and shareholders. It may also mention the SteinRoe Counselor [service mark] and the SteinRoe Counselor Preferred [service mark] programs and asset allocation and other investment strategies.

APPENDIX--RATINGS

RATINGS IN GENERAL

A rating of a rating service represents the service's opinion as to the credit quality of the security being rated. However, the ratings are general and are not absolute standards of quality or guarantees as to the creditworthiness of an issuer. Consequently, the Adviser believes that the quality of debt securities in which the Fund invests should be continuously reviewed and that individual analysts give different weightings to the various factors involved in credit analysis. A rating is not a recommendation to purchase, sell or hold a security because it does not take into account market value or suitability for a particular investor. When a security has received a rating from more than one service, each rating should be evaluated independently. Ratings are based on current information furnished by the issuer or obtained by the rating services from other sources which they consider reliable. Ratings may be changed, suspended or withdrawn as a result of changes in or unavailability of such information, or for other reasons.

The following is a description of the characteristics of ratings of corporate debt securities used by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("S&P").

RATINGS BY MOODY'S

AAA. Bonds rated Aaa are judged to be the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or an exceptionally stable margin and principal is secure. Although the various protective elements are likely to change, such changes as can be visualized are more unlikely to impair the fundamentally strong position of such bonds.

AA. Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa bonds or fluctuation of protective elements may be of greater

amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa bonds.

A. Bonds rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

BAA. Bonds rated Baa are considered as medium grade obligations; i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

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

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

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

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

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

RATINGS BY S&P

AAA. Debt rated AAA has the highest rating. Capacity to pay interest and repay principal is extremely strong.

AA. Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A. Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB. Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than for debt in higher rated categories.

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

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

D. Debt rated D is in default, and payment of interest and/or repayment of principal is in arrears. The D rating is also used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

NOTES:
The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Foreign debt is rated on the same basis as domestic debt measuring the creditworthiness of the issuer; ratings of foreign debt do not take into account currency exchange and related uncertainties.

The "r" is attached to highlight derivative, hybrid, and certain other obligations that S&P believes may experience high volatility or high variability in expected returns due to non-credit risks. Examples of such obligations are: securities whose principal or interest return is indexed to equities, commodities, or currencies; certain swaps and options; and interest only and principal only mortgage securities. The absence of an "r" symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.