FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

Filing Date: **1995-06-13**
SEC Accession No. 0000950144-95-001678

(HTML Version on secdatabase.com)

FILER

IDEX II SERIES FUND

CIK:**787623**| IRS No.: **592649014** | State of Incorp.:**MA** | Fiscal Year End: **0930**
Type: **497** | Act: **33** | File No.: **033-02659** | Film No.: **95546732**

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201 HIGHLAND AVE
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IDEX II SERIES FUND
(GLOBAL PORTFOLIO)

SUPPLEMENT DATED JUNE 9, 1995
TO PROSPECTUS DATED FEBRUARY 1, 1995

PLEASE READ THIS SUPPLEMENT CAREFULLY AND RETAIN IT FOR FUTURE REFERENCE.

Under the section of the Prospectus entitled "Additional Investment Practices -- Foreign Securities" (page 16) the following replaces the first sentence of the first paragraph:

Each of the Growth, Balanced, Capital Appreciation and Aggressive Growth Portfolios may invest up to 25% of its assets, directly or indirectly, in foreign securities. The Global Portfolio may invest without limit in foreign securities.

IDEX II SERIES FUND
201 HIGHLAND AVENUE, LARGO, FL 34640
CUSTOMER SERVICE: (800) 851-9777

PROSPECTUS DATED FEBRUARY 1, 1995

IDEX II GROWTH PORTFOLIO (the "Growth Portfolio") seeks only growth of capital. The Growth Portfolio pursues its objective primarily by investing in common stocks listed on a national securities exchange or on NASDAQ and which the Portfolio's sub-adviser believes have a good potential for capital growth.

IDEX II GLOBAL PORTFOLIO (the "Global Portfolio") seeks long-term growth of capital in a manner consistent with preservation of capital, primarily through investments in common stocks of foreign and domestic issuers. The Global Portfolio's holdings in foreign securities involve special risks that should be considered carefully before investing and which are described in this Prospectus under "Risk Factors -- Foreign Securities."

IDEX II FLEXIBLE INCOME PORTFOLIO (the "Flexible Income Portfolio") seeks to obtain maximum total return for its shareholders, consistent with preservation of capital, by actively managing a portfolio of income-producing securities. Securities are selected because they offer the potential for the highest total return from a combination of current income and capital appreciation, with an emphasis on the income component of total return.

IDEX II TAX-EXEMPT PORTFOLIO (the "Tax-Exempt Portfolio") seeks to provide maximum current interest income exempt from federal income tax in a manner consistent with preservation of capital. The Tax-Exempt Portfolio pursues its objective primarily by investing in high quality municipal obligations the income from which is exempt from federal income tax.

IDEX II INCOME PLUS PORTFOLIO (the "Income Plus Portfolio") seeks to provide as high a level of current income as is consistent with the avoidance of excessive risk. The Income Plus Portfolio pursues its objective primarily by investing in a diversified portfolio of high-yield, fixed-income securities, including convertible debt securities.

IDEX II BALANCED PORTFOLIO (the "Balanced Portfolio") seeks long-term capital growth, consistent with preservation of capital and balanced by current income. The Portfolio is designed for investors who want to participate in the equity markets through a more moderate investment than a pure growth fund. The Portfolio normally invests 40% - 60% of its assets in equity securities selected primarily for their growth potential and 40% - 60% of its assets in fixed income securities.

IDEX II CAPITAL APPRECIATION PORTFOLIO (the "Capital Appreciation Portfolio") is a nondiversified portfolio that seeks long-term growth of capital in a manner consistent with the preservation of capital by emphasizing investments in common stocks of companies with a market capitalization between $1 billion and $5 billion. Realization of income is not a significant investment consideration, and any income realized on the Capital Appreciation Portfolio's investments will be incidental to its primary objective.

IDEX II AGGRESSIVE GROWTH PORTFOLIO (the "Aggressive Growth Portfolio") seeks long-term capital appreciation. Income is an incidental consideration in the selection of investments but is not an investment objective of the Aggressive Growth Portfolio. The Portfolio seeks to achieve its objective by investing in a diversified, actively managed portfolio of equity securities.

IDEX II EQUITY-INCOME PORTFOLIO (the "Equity-Income Portfolio") seeks to provide current income, long-term growth of income and capital appreciation. The Equity-Income Portfolio seeks to achieve its objective by investing primarily in common stocks offering above-average dividend yields, income producing securities convertible into common stock, and fixed-income securities.

This Prospectus sets forth concise information which investors should consider before investing in a Portfolio. Investors should read and retain this Prospectus for future reference. Additional and more detailed information about each Portfolio is contained in the Statement of Additional Information dated February 1, 1995 which is filed with the Securities and Exchange Commission in Washington, D.C. and incorporated by reference in this Prospectus. A copy of the Statement of Additional Information may be obtained without charge by calling or writing the Fund at the address or phone number indicated above.

PORTFOLIO SHARES ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY.

THE FLEXIBLE INCOME PORTFOLIO MAY INVEST WITHOUT LIMIT, AND THE INCOME PLUS PORTFOLIO MAY INVEST UP TO 50%, OF ITS ASSETS IN LOWER RATED BONDS, COMMONLY REFERRED TO AS "JUNK BONDS." BONDS OF THIS TYPE ARE CONSIDERED TO BE SPECULATIVE WITH REGARD TO THE PAYMENT OF INTEREST AND RETURN OF PRINCIPAL. INVESTMENTS IN THESE TYPES OF SECURITIES HAVE GREATER RISKS, INCLUDING THE RISK OF DEFAULT, THAN HIGHER RATED BONDS. THESE RISKS ARE DESCRIBED IN THE "RISK FACTORS -- HIGH YIELD/HIGH RISK BONDS" SECTION OF THIS PROSPECTUS AND THEREFORE MAY NOT BE SUITABLE FOR ALL INVESTORS. INVESTORS SHOULD CAREFULLY ASSESS THE RISKS ASSOCIATED WITH INVESTMENTS IN THOSE PORTFOLIOS.

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

SUMMARY OF INFORMATION

Each Portfolio (a "Portfolio") is a separate series of IDEX II Series Fund (the "Fund"), an open-end management investment company offering a selection of separate investment portfolios. All Portfolios other than the Capital Appreciation Portfolio are diversified, while the Capital Appreciation Portfolio is nondiversified. Each Portfolio has a distinct investment objective and policies which are summarized below.

INVESTMENT OBJECTIVES AND POLICIES

The only investment objective of IDEX II GROWTH PORTFOLIO is to provide growth of capital. The Growth Portfolio seeks to achieve its objective primarily through investment in common stocks listed on a national securities exchange or on NASDAQ and which the Portfolio's sub-adviser believes have a good potential for capital growth.

The investment objective of IDEX II GLOBAL PORTFOLIO is to provide long-term growth of capital in a manner consistent with preservation of capital primarily through investments in common stocks of foreign and domestic issuers. The Global Portfolio offers investors the ability to diversify their own investment portfolios by investing in companies and economies located throughout the world. The Global Portfolio is designed for long-term investors who can accept certain investment risks. Generally, the Global Portfolio's investments in securities of foreign issuers involve greater risks than are present in U.S. investments. Investments in foreign securities may be denominated in foreign currencies. Thus, the Global Portfolio's share value will also be affected by changes in exchange rates. A further discussion of the special considerations of investments in foreign securities can be found under "Risk Factors -- Foreign Securities."

The investment objective of IDEX II FLEXIBLE INCOME PORTFOLIO is to obtain maximum total return for its shareholders, consistent with preservation of capital, by actively managing a portfolio of income-producing securities. The Flexible Income Portfolio seeks to maximize total return from a combination of current income and capital appreciation, with an emphasis on the income component of total return. The Flexible Income Portfolio may invest in all types of income-producing securities and may have substantial holdings of debt securities rated below investment grade. The risks of investing in such securities are described under "Risk Factors -- High Yield/High Risk Bonds."

The investment objective of IDEX II TAX-EXEMPT PORTFOLIO is to provide maximum current interest income exempt from federal income tax in a manner consistent with preservation of capital. The Tax-Exempt Portfolio seeks to achieve its objective through investment in a diversified portfolio of municipal bonds and notes, including industrial development bonds.

The investment objective of IDEX II INCOME PLUS PORTFOLIO is to provide as high a level of current income as is consistent with the avoidance of excessive risk. This objective involves a significant level of risk associated with investments in securities with a relatively high degree of investment risk. The Income Plus Portfolio seeks to achieve its objective by investing in a diversified portfolio consisting primarily of high-yield, fixed-income securities, including convertible debt securities. In pursuing its investment objective, the Income Plus Portfolio may invest up to 50% of its securities (other than commercial paper) in non-investment grade securities. Investment in these securities has special risks which are described under "Risk Factors -- High Yield/High Risk Bonds."

The investment objective of IDEX II BALANCED PORTFOLIO is long-term capital growth, consistent with preservation of capital and balanced by current income. The Balanced Portfolio is designed for investors who want to participate in the equity markets through a more moderate investment than a pure growth fund. The Portfolio normally invests 40% - 60% of its assets in equity securities selected primarily for their growth potential and 40% - 60% of its assets in fixed income securities.

The IDEX II CAPITAL APPRECIATION PORTFOLIO seeks long-term growth of capital in a manner consistent with the preservation of capital by emphasizing investment in common stocks of companies with a market capitalization between $1 billion and $5 billion. Realization of income is not a significant investment consideration, and any income realized on the Capital Appreciation Portfolio's investments will be incidental to its primary objective.

The IDEX II AGGRESSIVE GROWTH PORTFOLIO seeks long-term capital appreciation. Income is an incidental consideration in the selection of investments but is not an investment objective of the Aggressive Growth Portfolio. The Aggressive Growth Portfolio seeks to achieve its objective by investing in a diversified, actively managed portfolio of equity securities.

The IDEX II EQUITY-INCOME PORTFOLIO seeks to provide current income, long-term growth of income and capital appreciation. The Equity-Income Portfolio seeks to achieve its objective by investing primarily in common stocks offering above-average dividend yields, income producing securities convertible into common stocks, and fixed-income securities.

There can be, of course, no assurance that a Portfolio will achieve its investment objective. For a further description of each Portfolio's objective and a discussion of investment policies, see "Investment Objectives and Policies."

PROFESSIONAL MANAGEMENT

Idex Management, Inc. ("IMI") is the investment adviser to the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios. Janus Capital Corporation ("Janus Capital") is the investment sub-adviser to the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios and provides IMI with investment advice and recommendations consistent with the investment objective and policies of those Portfolios. InterSecurities, Inc. ("ISI") is the investment adviser to the Tax-Exempt, Income Plus, Aggressive Growth and Equity-Income Portfolios. AEGON USA Investment Management, Inc. ("AEGON Management") is the investment sub-adviser to the Tax-Exempt and Income Plus Portfolios and provides ISI with investment advice and recommendations consistent with the investment objective and policies of those Portfolios. Fred Alger Management, Inc. ("Alger Management") is the investment sub-adviser to the Aggressive Growth Portfolio and Luther King Capital Management, Inc. ("Luther King") is the investment sub-adviser to the Equity-Income Portfolio. Alger Management and Luther King provide ISI with investment advice and recommendations consistent with the investment objective and policies of those Portfolios. ISI also serves as principal underwriter of each Portfolio's shares. The fees for these management and distribution services are described under "Investment Advisory and Other Services."

INVESTMENT IN THE PORTFOLIOS

The minimum initial investment in the Portfolios is ordinarily $500. Purchases through plans for regular investment, such as the Automatic Investment Plan, payroll deduction plans or comparable plans, ordinarily do not require a minimum initial investment. Additional investments in each Portfolio must be at least $50, with certain exceptions as described in the Shareholders' Manual section of this Prospectus. Each Portfolio offers investors a choice of two classes of shares, each with a public offering price that reflects different sales charges, if any, and expense levels. Class A shares are offered at net asset value plus any applicable sales charge (the maximum of which for the Growth, Global, Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios is 5.5% of a Portfolio's public offering price, and for the Flexible Income, Tax-Exempt and Income Plus Portfolios is 4.75% of a Portfolio's public offering price). Class C shares are offered at net asset value, without a sales charge. (See "Alternative Purchase Arrangements", "Investment Advisory and Other Services" and "Shareholders' Manual -- How to Purchase Shares.")

DIVIDENDS AND OTHER DISTRIBUTIONS

Each of the Growth, Global, Capital Appreciation and Aggressive Growth Portfolios ordinarily pays semi-annual dividends from its net investment income available for distribution. Each of the Flexible Income, Tax-Exempt and Income Plus Portfolios ordinarily pays monthly dividends from its net investment income available for distribution. The Balanced and Equity-Income Portfolios ordinarily pay quarterly dividends from their net investment income available for distribution. Distributions of net capital gain, to the extent available for distribution, will be paid by each Portfolio annually. All income, dividends and capital gain distributions will be distributed in additional shares at net asset value unless the shareholder has elected to receive cash as described under "Distributions and Taxes."

REDEMPTION OF SHARES

Shareholders may redeem shares of a Portfolio directly through the Fund's transfer agent by mail or telephone, through dealers by wire or telephone or through a Systematic Withdrawal Plan. (See "Shareholders' Manual -- How to Redeem Shares.") Shares may be redeemed at any time at the net asset value next determined after a proper redemption request is received by the Fund's transfer agent.

MISCELLANEOUS INFORMATION

Each Portfolio is a series of IDEX II Series Fund, a Massachusetts business trust that was formed by a Declaration of Trust dated January 7, 1986. The Fund is a series company whose operations are governed by a Restatement of Declaration of Trust dated as of August 30, 1991. (See "Miscellaneous Information.")

SUMMARY OF EXPENSES

IDEX II SERIES FUND

<TABLE>
<CAPTION>

	IDEX II Growth Portfolio Class A	IDEX II Growth Portfolio Class C	IDEX II Global Portfolio Class A	IDEX II Global Portfolio Class C	IDEX II Flexible Income Portfolio Class A	IDEX II Flexible Income Portfolio Class C
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SHAREHOLDER TRANSACTION EXPENSES						
Maximum Sales Load Imposed on Purchases (as a percentage of offering price)(1)................	5.50%	None	5.50%	None	4.75%	None
Exchange Fees(2).......................................	None	None	None	None	None	None
Redemption Fees(3).....................................	None	None	None	None	None	None
ANNUAL OPERATING EXPENSES (as a percentage of average net assets)						
Management Fees..	1.00%	1.00%	1.00%	1.00%	.90%	.90%
12b-1 Service and Distribution Fees(4)..................	.35%	.90%	.35%	.90%	.35%	.90%
Other Expenses (net of expense reimbursements and/or fee waivers, if any)(5).........	.41%	1.58%	.79%	2.14%	.60%	.60%
Total Operating Expenses (net of expense reimbursements and/or fee waivers, if any)(5).........	1.76%	3.48%	2.14%	4.04%	1.85%	2.40%
EXAMPLE: You would pay the following expenses on a $1,000 investment, assuming (1) a 5% annual return, and (2) redemption at the end of each period (6):						
1 year..	$ 72	$ 35	$ 76	$ 41	$ 65	$ 24
3 years...	107	107	118	123	103	75
5 years...	145	181	164	207	143	128
10 years..	251	376	289	424	254	274

</TABLE>

(1) On certain purchases of Class A shares, the sales load may be reduced. (See "Shareholders' Manual -- How to Purchase Shares.")

(2) A $5 service fee is charged for each exchange transaction under $1,000. (See "Shareholders' Manual -- How to Exchange Shares.")

(3) A $20 service fee is charged for each redemption transaction paid by Federal funds bank wire or for overnight mail delivery of check redemptions. (See "Shareholders' Manual -- How to Redeem Shares.")

(4) For the current fiscal year, 12b-1 service and distribution fees for the Tax-Exempt Portfolio's Class C shares will not exceed 0.60%, rather then the maximum 0.90% authorized pursuant to its 12b-1 plan.

(5) Other Expenses and Total Operating Expenses for the Growth, Global, Flexible

Income, Tax-Exempt and Income Plus Portfolios are based on actual expenses during the fiscal year ended September 30, 1994, while Other Expenses and Total Operating Expenses for the Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios are based on annualized estimates of expenses for the fiscal year ending September 30, 1995. For the Flexible Income and Tax-Exempt Portfolios only, Other Expenses and Total Operating Expenses are stated net of expense reimbursements and/or fee waivers. Without expense reimbursements and/or fee waivers, Total Operating Expenses for the Class A shares of the Flexible Income and Tax-Exempt Portfolios would have been 2.13% and 1.30%, respectively, and for the Class C shares of those Portfolios would have been 8.59% and 20.88%, respectively. It is not anticipated that expense reimbursements and/or fee waivers for the Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios will be made for the fiscal year ending September 30, 1995. For the Growth and Global Portfolios, Other Expenses are net of credits earned through use of affiliated broker-dealers, which credits amounted to .14% and .02%, respectively, of the Other Expenses of those Portfolios.

(6) The Example assumes all dividends and distributions are paid in additional shares and no payment of exchange or redemption fees.

SUMMARY OF EXPENSES (CONTINUED)

<TABLE>
<CAPTION>

IDEX II Tax Exempt Portfolio		IDEX II Income Plus Portfolio		IDEX II Balanced Portfolio		IDEX II Capital Appreciation Portfolio		IDEX II Aggressive Growth Portfolio		IDEX II Equity-Income Portfolio	
Class A	Class C	Class A	Class C	Class A	Class C	Class A	Class C	Class A	Class C	Class A	Class C
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
4.75%	None	4.75%	None	5.50%	None	5.50%	None	5.50%	None	5.50%	None
None	None	None	None	None	None	None	None	None	None	None	None
None	None	None	None	None	None	None	None	None	None	None	None
.60%	.60%	.60%	.60%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
.35%	.60%	.35%	.90%	.35%	.90%	.35%	.90%	.35%	.90%	.35%	.90%
.05%	.05%	.38%	2.02%	1.02%	1.07%	1.00%	1.05%	1.00%	1.05%	1.02%	1.07%
1.00%	1.25%	1.33%	3.52%	2.37%	2.97%	2.35%	2.95%	2.35%	2.95%	2.37%	2.97%
$ 57	$ 13	$ 60	$ 35	$ 78	$ 30	$ 78	$ 30	$ 78	$ 30	$ 78	$ 30
78	40	88	108	125	92	124	91	124	91	125	92
100	69	117	183	175	156	174	155	174	155	175	156
164	151	200	379	311	329	309	327	309	327	311	329

</TABLE>

Long-term shareholders may pay more in 12b-1 service and distribution fees than the economic equivalent of the maximum front-end sales charge permitted under the Rules of Fair Practice adopted by the National Association of Securities Dealers, Inc.

The purpose of the preceding table is to assist investors in understanding the various costs and expenses an investor in a Portfolio may bear directly or indirectly. These expenses are described in greater detail under "Investment Advisory and Other Services" and in the Shareholders' Manual section of this Prospectus.

THE EXPENSES SET FORTH IN THE PRECEDING TABLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. THE ASSUMED 5% ANNUAL RETURN IS HYPOTHETICAL AND SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE ANNUAL RETURNS, WHICH MAY BE GREATER OR LESS THAN THE ASSUMED AMOUNT.

FINANCIAL HIGHLIGHTS

The information contained in the table below for a share of beneficial interest outstanding throughout each fiscal year and other periods shown has been audited by Price Waterhouse LLP, independent accountants, whose report appears in the Statement of Additional Information. Previous periods ended on or before November 30, 1991 for the Tax-Exempt and Income Plus Portfolios were audited by other independent accountants. The Statement of Additional Information is incorporated by reference in this Prospectus and may be obtained without charge by calling or writing the Fund. Further information about performance of the Fund's Portfolios is contained in the Fund's Annual Report to shareholders, which may also be obtained without charge by calling or writing the Fund.

<TABLE>
<CAPTION>

	YEAR OR PERIOD ENDED	NET ASSET VALUE BEGINNING OF PERIOD	NET INVESTMENT INCOME (LOSS)	NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	TOTAL INCOME (LOSS) FROM INVESTMENTS INCOME	DIVIDENDS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM REALIZED NET CAPITAL GAINS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
IDEX II GROWTH PORTFOLIO							
Class A (1)	9/30/94(2)	$18.46	$0.01	($1.22)	($1.21)	$ -	($0.33)
	9/30/93	16.46	0.04	2.42	2.46	(0.07)	(0.39)
	9/30/92	16.22	0.08	0.88	0.96	(0.07)	(0.65)
	9/30/91(2)	13.77	0.14	5.32	5.46	(0.17)	(2.84)
	9/30/90	17.52	0.12	(2.21)	(2.09)	(0.09)	(1.57)
	9/30/89	11.48	0.09	6.18	6.27	(0.23)	-
	9/30/88	14.08	0.25	(1.59)	(1.34)	(0.16)	(1.10)
	9/30/87	9.90	0.14	4.11	4.25	(0.07)	-
	9/30/86(3)	10.00	0.07	(0.17)	(0.10)	-	-
Class C	9/30/94(3)	18.46	(0.09)	(1.22)	(1.31)	-	(0.33)
IDEX II GLOBAL PORTFOLIO							
Class A	9/30/94	$13.35	($0.04)	$2.62	$2.58	$ -	$ -
	9/30/93(3)	10.00	(0.04)	3.39	3.35	-	-
Class C	9/30/94(3)	13.35	(0.23)	2.62	2.39	-	-
IDEX II FLEXIBLE INCOME PORTFOLIO							
Class A (1)(4)	9/30/94(2)	$ 9.59	$0.65	($0.81)	($0.16)	($ 0.60)	$ -
	9/30/93	8.95	0.70	0.60	1.30	(0.66)	-
	10/31/92	8.73	0.80	0.22	1.02	(0.80)	-
	10/31/91	7.74	0.82	1.10	1.92	(0.80)	(0.13)
	10/31/90	9.55	0.90	(1.80)	(0.90)	(0.91)	-
	10/31/89	10.15	0.95	(0.46)	0.49	(0.93)	(0.16)
	10/31/88	9.60	0.91	0.55	1.46	(0.91)	-
	10/31/87(3)	10.00	0.25	(0.40)	(0.15)	(0.25)	-
Class C	9/30/94(3)	9.59	0.60	(0.81)	(0.21)	(0.55)	-
IDEX II TAX-EXEMPT PORTFOLIO							
Class A (5)	9/30/94	$12.07	$0.56	($0.60)	($0.04)	($ 0.54)	($0.39)
	9/30/93	11.62	0.56	0.45	1.01	(0.54)	(0.02)
	9/30/92	11.46	0.54	0.28	0.82	(0.54)	(0.12)
	11/30/91	11.27	0.75	0.26	1.01	(0.75)	(0.07)
	11/30/90	11.39	0.78	(0.12)	0.66	(0.78)	-
	11/30/89	10.97	0.78	0.42	1.20	(0.78)	-
	11/30/88	10.44	0.79	0.53	1.32	(0.79)	-
	11/30/87	11.81	0.77	(1.37)	(0.60)	(0.77)	-
	11/30/86	10.56	0.79	1.42	2.21	(0.79)	(0.17)
	11/30/85(3)	10.00	0.60	0.56	1.16	(0.60)	-
Class C	9/30/94(3)	12.07	0.53	(0.60)	(0.07)	(0.51)	(0.39)
IDEX II INCOME PLUS PORTFOLIO							
Class A (6)	9/30/94	$10.98	$0.76	($1.10)	($0.34)	($ 0.75)	($0.14)
	9/30/93	10.55	0.83	0.46	1.29	(0.81)	(0.05)
	9/30/92	10.04	0.76	0.64	1.40	(0.76)	(0.13)
	11/30/91	9.20	0.98	0.87	1.85	(0.98)	(0.03)
	11/30/90	9.99	1.04	(0.79)	0.25	(1.04)	-
	11/30/89	9.89	1.04	0.10	1.14	(1.04)	-
	11/30/88	9.85	1.04	0.06	1.10	(1.04)	(0.02)
	11/30/87	10.94	1.08	(1.03)	0.05	(1.08)	(0.06)
	11/30/86	10.28	1.06	0.73	1.79	(1.06)	(0.07)
	11/30/85(3)	10.00	0.44	0.29	0.73	(0.44)	(0.01)
Class C	9/30/94(3)	10.98	0.66	(1.10)	(0.44)	(0.66)	(0.14)

</TABLE>

FINANCIAL HIGHLIGHTS (CONTINUED)

<TABLE>
<CAPTION>

DISTRIBUTIONS IN EXCESS OF NET REALIZED CAPITAL GAINS	TOTAL DISTRIBUTIONS	NET ASSET VALUE END OF PERIOD	TOTAL RETURN (7)	NET ASSETS END OF PERIOD (000'S)	SHARES OUTSTANDING AT END OF PERIOD (000'S)	RATIO OF EXPENSES TO AVERAGE NET ASSETS (8)	RATIO OF NET INCOME (LOSS) TO AVERAGE NET ASSETS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
($ 0.14)	($ 0.47)	$ 16.78	(6.72%)	$431,207	25,691	1.76%	0.04%
-	(0.46)	18.46	15.13	548,564	29,710	1.61	0.29
-	(0.72)	16.46	6.10	403,361	24,507	1.61	0.69
-	(3.01)	16.22	48.00	126,436	7,796	1.48	0.88
-	(1.66)	13.77	(12.50)	74,594	5,415	1.35	0.75
-	(0.23)	17.52	55.70	89,494	5,107	1.41	0.67
-	(1.26)	11.48	(8.00)	65,463	5,704	1.47	2.45
-	(0.07)	14.08	44.10	78,979	5,610	1.32	0.94
-	-	9.90	(1.70)	19,745	1,995	2.02	2.35
(0.14)	(0.47)	16.68	(7.72)	3,423	205	3.48	(1.68)
$ -	$ -	$ 15.93	19.33%	$ 81,241	5,102	2.14%	(0.55%)
-	-	13.35	33.52	17,430	1,306	2.84	(0.87)
-	-	15.74	17.90	3,571	227	4.04	(2.46)
$ -	($ 0.60)	$ 8.83	(1.54%)	$ 21,527	2,438	1.85%	6.57%
-	(0.66)	9.59	13.66	29,232	3,048	1.50	7.76
-	(0.80)	8.95	12.17	26,676	2,982	1.50	8.55
-	(0.93)	8.73	26.38	18,696	2,142	1.50	9.84
-	(0.91)	7.74	(10.22)	18,760	2,424	1.50	10.51
-	(1.09)	9.55	5.20	27,645	2,895	1.29	9.63
-	(0.91)	10.15	15.60	20,469	2,018	1.00	9.22
-	(0.25)	9.60	(1.90)	4,676	487	1.14	7.88
-	(0.55)	8.83	(2.15)	691	78	2.40	6.03
$ -	($ 0.93)	$ 11.10	(0.41%)	$ 29,096	2,621	1.00%	4.83%
-	(0.56)	12.07	8.97	30,717	2,545	1.00	4.83
-	(0.66)	11.62	7.20	28,363	2,442	1.00	5.49
-	(0.82)	11.46	9.20	28,242	2,464	0.95	6.67
-	(0.78)	11.27	6.00	22,708	2,016	0.68	6.92
-	(0.78)	11.39	11.20	15,916	1,398	0.70	6.98
-	(0.79)	10.97	12.90	11,805	1,076	0.70	7.28
-	(0.77)	10.44	(5.20)	8,833	846	0.64	7.16
-	(0.96)	11.81	21.40	3,112	264	1.21	6.89
-	(0.60)	10.56	7.80	1,294	123	0.93	8.18
-	(0.90)	11.10	(0.73)	277	25	1.25	4.58
$ -	($ 0.89)	$ 9.75	(3.28%)	$ 63,995	6,560	1.33%	7.35%
-	(0.86)	10.98	12.80	72,401	6,596	1.33	7.73
-	(0.89)	10.55	14.40	54,647	5,181	1.17	8.79
-	(1.01)	10.04	21.00	47,334	4,716	1.15	10.20
-	(1.04)	9.20	2.50	33,182	3,607	0.69	11.12
-	(1.04)	9.99	12.10	23,416	2,343	0.70	10.59
-	(1.06)	9.89	11.50	17,078	1,726	0.68	10.55
-	(1.14)	9.85	0.30	11,349	1,152	0.64	10.82
-	(1.13)	10.94	17.90	4,221	386	1.29	9.93
-	(0.45)	10.28	8.80	2,282	222	0.60	10.80
-	(0.80)	9.74	(4.55)	2,112	217	3.52	5.16

<CAPTION>

IN EXCESS OF NET REALIZED CAPITAL GAINS	PORTFOLIO TURNOVER RATE(9)
<S>	<C>
($ 0.14)	63.73%
-	97.40
-	56.21
-	102.16
-	127.79
-	98.88
-	133.28
-	167.58
-	19.57
(0.14)	63.73
$ -	148.01
-	116.98
-	148.01
$ -	105.40%

	-	138.86
	-	140.23
	-	130.73
	-	72.40
	-	71.44
	-	54.42
	-	68.21
	-	105.40
$	-	59.84
	-	91.03
	-	106.89
	-	117.92
	-	81.17
	-	67.45
	-	35.44
	-	87.03
	-	38.00
	-	20.15
	-	59.84
$	-	48.12
	-	54.51
	-	91.01
	-	52.79
	-	18.54
	-	57.50
	-	34.29
	-	34.13
	-	29.80
	-	25.08
	-	48.12

</TABLE>

NOTES TO FINANCIAL HIGHLIGHTS

(1) As of October 1, 1992, Growth Class A and Flexible Income Class A discontinued the practice of equalization accounting.

(2) Prior to May 1, 1991, no 12b-1 fees were incurred by Growth Class A shares. Effective May 1, 1991, Growth Portfolio Class A shares incurred 12b-1 fees at the rate of 0.25% in accordance with the Plan of Distribution under Rule 12b-1 of the Investment Company Act of 1940 applicable to those shares. Prior to October 1, 1993, no 12b-1 fees were incurred by Flexible Income Class A shares. Effective October 1, 1993, Flexible Income Portfolio Class A shares incurred 12b-1 fees at the rate of 0.35% in accordance with the Plan of Distribution under Rule 12b-1 of the Investment Company Act of 1940 applicable to those shares.

(3) Commencement of operations for Growth Class A, Global Class A, IDEX Total Income Trust (predecessor to Flexible Income Class A), AEGON USA Tax-Exempt Portfolio (predecessor to Tax-Exempt Class A) and AEGON USA High Yield Portfolio (predecessor to Income Plus Class A) was May 8, 1986, October 1, 1992, June 29, 1987, April 1, 1985 and June 14, 1985, respectively. Commencement of operations for the Class C shares of all Portfolios was October 1, 1993. (See Notes (4), (5) and (6) to Financial Highlights.)

(4) On October 1, 1993, IDEX Total Income Trust ("IDEX Total") was reorganized into IDEX II Flexible Income Portfolio, which had no prior operating history as of that date. Pursuant to the Agreement and Plan of Reorganization and Liquidation, Flexible Income acquired all of the assets and assumed all of the liabilities of IDEX Total in exchange for Class A shares of Flexible Income. All historical financial information relates to IDEX Total prior to the date it was reorganized into Flexible Income.

(5) On August 5, 1992, shareholders of AEGON USA Tax-Exempt Portfolio ("AEGON Tax-Exempt") approved an Agreement and Plan of Reorganization and Liquidation ("Reorganization Agreement") whereby, on August 7, 1992, AEGON Tax-Exempt was reorganized into IDEX II Tax-Exempt Portfolio, which had no prior operating history as of that date. Pursuant to the Reorganization Agreement, Tax-Exempt acquired all of the assets and assumed all of the liabilities of the AEGON Tax-Exempt in exchange for shares of Tax-Exempt. All historical financial information prior to August 7, 1992 relates to AEGON Tax-Exempt.

(6) On August 5 1992, shareholders of the AEGON USA High Yield Portfolio ("AEGON High Yield") approved an Agreement and Plan of Reorganization and Liquidation ("Reorganization Agreement") whereby, on August 7, 1992, AEGON High Yield was reorganized into IDEX II Income Plus (formerly known as IDEX II High Yield Portfolio), which had no prior operating history as of that

date. Pursuant to the Reorganization Agreement, Income Plus acquired all of the assets and assumed all the liabilities of AEGON High Yield in exchange for shares of Income Plus. All historical financial information prior to August 7, 1992 relates to AEGON High Yield.

(7) Total return has been calculated without deduction of a sales load, if any, on an initial purchase and assumes all dividends and distributions are paid in additional shares. Short periods (where applicable) are not annualized.

(8) The following summarizes the expense ratios without expense reimbursement by the investment adviser for those Portfolios whose ratios are net of expense reimbursement. Short periods (where applicable) are annualized.

	Growth		Global		Flexible Income		Tax-Exempt		Income Plus	
	Class A	Class C	Class A	Class C	Class A	Class C	Class A	Class C	Class A	Class C
1994	-	-	-	-	2.13%	8.59%	1.30%	20.88%	-	-
1993	-	-	3.65%	-	1.56%	-	1.43%	-	-	-
1992	-	-	-	-	1.66%	-	1.20%	-	-	-
1991	-	-	-	-	1.75%	-	1.24%	-	1.21%	-
1990	-	-	-	-	1.60%	-	0.92%	-	1.44%	-
1989	-	-	-	-	1.56%	-	1.11%	-	1.09%	-
1988	-	-	-	-	1.96%	-	1.13%	-	1.11%	-
1987	1.39%	-	-	-	-	-	1.37%	-	1.20%	-
1986	2.21%	-	-	-	-	-	2.92%	-	2.25%	-
1985	-	-	-	-	-	-	5.62%	-	3.96%	-

(9) This rate is calculated by dividing the average value of the Portfolio's long-term investments during the period into the lesser of its respective long-term purchases or sales during the period. Short periods (where applicable) are annualized.

ALTERNATIVE PURCHASE ARRANGEMENTS

Each Portfolio offers investors a choice of two classes of shares, each with a public offering price that reflects different sales charges, if any, and expense levels.

CLASS A SHARES

Class A shares are offered at net asset value plus any applicable sales charge (the maximum of which for the Growth, Global, Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios is 5.50% of the public offering price and for the Flexible Income, Tax-Exempt and Income Plus Portfolios is 4.75% of the public offering price). Certain purchases of Class A shares qualify for reduced sales charges. Class A shares of each Portfolio also bear annual service and distribution fees of up to .35% of the average daily net assets of that class. (See "Summary of Expenses," "Investment Advisory and Other Services -- Distributor and Distribution and Service Plans" and "Shareholders' Manual -- How to Purchase Shares -- Purchasing Class A Shares").

CLASS C SHARES

Class C shares are offered at net asset value, without a sales charge. Class C shares of all Portfolios other than the Tax-Exempt Portfolio bear annual service and distribution fees of up to .90% of the average daily net assets of that class. Class C shares of the Tax-Exempt Portfolio may bear annual service and distribution fees of up to .90% of the average daily net assets of that class, although the Tax-Exempt Portfolio currently intends to limit the total of these fees to .60% of the average daily net assets of that Portfolio's Class C shares. The higher service and distribution fees paid by Class C shares are expected to cause that class to have a higher expense ratio and pay lower dividends than Class A shares of the same Portfolio. (See "Summary of Expenses," "Investment Advisory and Other Services -- Distributor and Distribution and Service Plans" and "Shareholders' Manual -- How to Purchase Shares -- Purchasing Class C Shares.")

CHOOSING A CLASS OF SHARES

The alternative purchase arrangements offered by each Portfolio enable the investor to choose the method of purchasing Portfolio shares that is most beneficial given the amount of the purchase, the length of time the investor intends to hold the shares, and other circumstances. An investor should consider whether, during the anticipated life of his or her investment in the Portfolio, the cumulative service and distribution fees on Class C shares would be less than the applicable initial sales charge and cumulative service and distribution fees on Class A shares purchased at the same time, and to what extent such differential may be offset by the anticipated higher return of Class A shares.

For example, investors who qualify for significantly reduced sales charges might elect to purchase Class A shares which are subject to lower service and distribution fees and accordingly, are expected to pay correspondingly higher dividends, if any, per share. Investors not qualifying for reduced initial sales charges may nonetheless wish to consider the Class A initial sales charge alternative if they expect to hold their shares for an extended period of time because the cumulative service and distribution fees on Class C shares may exceed the initial sales charge plus the cumulative service and distribution fees on Class A shares during the life of the investment. Class C investors, however, enjoy the benefit of permitting all their dollars to work from the time the investments are made. Any positive investment return on the additional invested amount may offset the higher annual service and distribution fees borne by Class C shares. There can be, however, no assurance that such a positive return will be achieved. The example under "Summary of Expenses" shows the cumulative expenses an investor would pay over time on a hypothetical $1,000 investment in each class of shares, assuming an annual return of 5%. Actual annual returns, of course, may be higher or lower than 5%.

Distribution and service expenses incurred by ISI in connection with the sale of Portfolio shares will be paid, in the case of Class A shares, from the proceeds of the initial sales charge and the ongoing service and distribution fees on Class A shares, and in the case of Class C shares, from the ongoing service and distribution fees on Class C shares. Brokers and dealers distributing Portfolio shares and other financial institutions entitled to receive compensation for selling such shares may receive different levels of compensation for selling a particular class of shares of the Portfolio rather than the other.

Class A and Class C shares of a Portfolio represent interests in the same portfolio of investments and generally have the same rights, except that each class bears the separate expenses of its service and distribution plan and any other expenses attributable only to that class, has exclusive voting rights with respect to such plan (or any other matters pertaining solely to that class), and has a separate exchange privilege. Dividends and other distributions paid by a Portfolio with respect to its Class A and Class C shares are calculated in the same manner and declared and paid at the same time. The per share dividends from net investment income on Class C shares are anticipated to be lower than the per share dividends from net investment income on Class A shares as a result of the higher service and distribution fees applicable to the Class C shares.

See "Shareholders' Manual -- How to Purchase Shares" for a more complete description of the initial sales charges applicable to Class A shares. In addition, see "Investment Advisory and Other Services" and "Distributions and Taxes" for information regarding other differences between the two classes.

INVESTMENT OBJECTIVES AND POLICIES

Each Portfolio is a series of IDEX II Series Fund, an open-end management investment company registered under the Investment Company Act of 1940 (the "1940 Act"). All Portfolios other than the Capital Appreciation Portfolio are diversified, while the Capital Appreciation Portfolio is nondiversified. (See "Additional Investment Practices -- Diversification Policies.") Each Portfolio has its own investment objective and policies which are described below. As all investments are subject to inherent market risks and fluctuations in value due to earnings, economic conditions and other factors, there can be no assurance that a Portfolio will, in fact, achieve its investment objective. Each Portfolio's investment objective and unless otherwise noted, its investment policies and practices, may be changed by the Board of Trustees without shareholder approval. A change in the investment objective or policies of a Portfolio may result in the Portfolio having an investment objective or policies different from that which the shareholder deemed appropriate at the time of investment. A Portfolio will not change its investment objective without 30 days prior notice to its shareholders nor will it charge shareholders an exchange fee or redemption fee after such notice and prior to the expiration of such 30 day notice period. However, should a shareholder decide to redeem Portfolio shares because of a change in its investment objective, the shareholder may realize a taxable gain or loss.

IDEX II GROWTH PORTFOLIO

The only investment objective of IDEX II Growth Portfolio is growth of capital. The Growth Portfolio seeks to achieve its objective primarily through investment in common stocks listed on a national securities exchange or on NASDAQ and which the Portfolio's sub-adviser believes have a good potential for capital growth. The Growth Portfolio seeks to invest substantially all of its assets in common stocks when its portfolio manager believes that the relevant market environment favors profitable investing in those securities. Common stock investments are selected from industries and companies that the portfolio manager believes are experiencing favorable demand for their products and services, and which operate in a favorable competitive environment and regulatory climate. The portfolio manager's analysis and selection process focuses on stocks with earnings growth potential that may not be recognized by the market. These securities are selected solely for their capital growth potential; investment income is not a consideration.

Although the Growth Portfolio's assets will be invested primarily in common stocks at most times, the cash position of the Portfolio may increase when the portfolio manager is unable to locate investment opportunities with desirable risk/reward characteristics. The Portfolio may also invest in U.S. government securities, high grade commercial paper, corporate bonds and debentures, warrants, preferred stocks, certificates of deposit of commercial banks, other debt securities or repurchase agreements when its portfolio manager perceives an opportunity for capital growth from such securities, or so that the Growth Portfolio may receive a return on its uninvested cash. When the Growth Portfolio invests in such securities, investment income will likely increase and may constitute a larger portion of the return on the Portfolio's investments than if the Portfolio were fully invested in common stocks. (See "Distributions and Taxes.")

The Growth Portfolio may invest in both domestic and foreign companies, although the Growth Portfolio will not invest more than 25% of its net assets at the time of purchase in the securities of foreign issuers and obligors. (See "Additional Investment Practices -- Foreign Securities.") Investments in foreign securities involve risks that are different in some respects from investments in securities of U.S. issuers. (See "Risk Factors -- Foreign Securities.")

The Growth Portfolio may also invest in futures, options and other derivative instruments. (See "Additional Investment Practices -- Futures, Options and Other Derivative Instruments" and "Risk Factors -- Futures, Options and Other Derivative Instruments.") For further information about the Growth Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information.

IDEX II GLOBAL PORTFOLIO

The investment objective of IDEX II Global Portfolio is long-term growth of capital in a manner consistent with preservation of capital primarily through investments in common stocks of foreign and domestic issuers. The Global Portfolio seeks to invest in companies and other organizations on a worldwide basis regardless of country of organization or place of principal business activity, as well as domestic and foreign governments, government agencies and other governmental entities.

The Global Portfolio may be appropriate for investors who are seeking a variety of investment goals, including:

* Long-term growth of capital without being limited to investments in U.S. issuers.

* Returns from potential increases in the Portfolio's underlying securities relative to the value of U.S. securities.

* Hedging to an extent against a decline in the value of U.S. securities relative to other countries' securities.

* Diversifying domestic investments by including other countries' securities in the investment portfolio.

The Global Portfolio seeks to invest substantially all of its assets in common stocks when its portfolio manager believes that the relevant market environment favors profitable investing in those securities. Common stock investments are selected from industries and companies that the portfolio manager

believes are experiencing favorable demand for their products and services, and which operate in a favorable competitive environment and regulatory climate. These securities are selected solely for their capital growth potential; investment income is not a consideration.

Although the assets of the Global Portfolio are ordinarily invested in common stocks at most times, the cash position of the Portfolio may increase when the portfolio manager is unable to locate investment opportunities with desirable risk/reward characteristics. The Global Portfolio may also invest in government securities, corporate bonds and debentures, high-grade commercial paper, preferred stocks, certificates of deposit, other debt securities or repurchase agreements when its portfolio manager perceives an opportunity for capital growth from such securities, or so that the Portfolio may receive a competitive return on its uninvested cash. The Global Portfolio's investment in the foregoing types of debt securities will be limited to securities of U.S. companies, the U.S. government and foreign governments, and U.S. and foreign governmental agencies and instrumentalities and other governmental entities. When the Global Portfolio invests in such securities, investment income may increase and may constitute a larger portion of the return on the Portfolio's investments, and the Portfolio may not participate in market advances or declines to the extent that it would if it were fully invested in common stock.

The Global Portfolio's assets are normally invested in securities of issuers from at least five different countries, including the United States, although the Portfolio may at times invest all its assets in fewer than five countries or even a single country. When recommending allocations of the Portfolio's investments among geographic regions and individual countries, and among assets denominated in U.S. and foreign currencies, the portfolio manager considers various factors which may include: prospects for relative economic growth among countries, regions or geographic areas; expected levels of inflation; government policies influencing business conditions; and the outlook for currency relationships. Investments in foreign securities involve risks that are different in some respects from investments in securities of U.S. issuers. (See "Additional Investment Practices -- Foreign Securities" and "Risk Factors -- Foreign Securities.")

The Global Portfolio may also invest in futures, options and other derivative instruments. (See "Additional Investment Practices -- Futures, Options and Other Derivative Instruments" and "Risk Factors -- Futures, Options and Other Derivative Instruments.") For further information about the Global Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information.

IDEX II FLEXIBLE INCOME PORTFOLIO

The investment objective of IDEX II Flexible Income Portfolio is to obtain maximum total return for its shareholders, consistent with preservation of capital, by actively managing a portfolio of income-producing securities. Securities are selected because they offer the potential for the highest total return from a combination of current income and capital appreciation. The Flexible Income Portfolio is designed for those investors who want participation in a broad array of income-producing securities, and/or those investors who desire a more consistent level of income from their securities investments. Because of this emphasis, income rather than capital appreciation will normally be the dominant component of total return. In evaluating investment opportunities, the portfolio manager gives special emphasis to corporate debt securities which offer higher yield but more risk than higher grade securities.

The Flexible Income Portfolio may invest in virtually all types of income-producing securities. The Portfolio may purchase domestic or foreign securities issued by companies or by governments or governmental agencies. As a fundamental policy, the Flexible Income Portfolio will invest at least 80% of its assets in income-producing securities. The Flexible Income Portfolio may purchase debt securities of any maturity and the average maturity of its portfolio may vary substantially, depending on its portfolio manager's analysis of market, economic and financial conditions. The Portfolio has no pre-established quality standards and may invest in debt securities of any quality, including lower rated bonds that may offer higher yields because of the greater risks involved in such investments. Debt securities rated below investment grade by the primary rating agencies (Moody's Investor Service, Inc. ("Moody's") and Standard and Poor's Ratings Group ("S&P")) generally constitute lower rated securities.

The Flexible Income Portfolio may also invest in unrated debt securities of foreign and domestic issuers. Unrated debt, while not necessarily of lower quality than rated securities, may not have as broad a market. Sovereign debt of foreign governments is generally rated by country. Because these ratings do not take into account individual factors relevant to each issue and may not be updated regularly, the portfolio manager may treat such securities as unrated debt.

Appendix A of this Prospectus contains a description of bond rating categories and includes a table showing the portfolio composition of the Flexible Income Portfolio at September 30, 1994. The Portfolio may deliberately vary the overall quality of its portfolio and at times, may have substantial holdings of high-yield/high risk bonds or unrated bonds of foreign and domestic issuers. These securities involve additional risks, which are described in detail under "Risk Factors -- High Yield/High Risk Bonds."

The Flexible Income Portfolio may invest up to 50% of its assets in foreign securities denominated in foreign currency and not publicly traded in the United States, provided that no more than 25% of its assets may be invested in the securities of the government or private issuers of any one foreign country. In

addition, the Flexible Income Portfolio may invest in foreign issuers through the purchase of American Depositary Receipts and similar securities. (See "Additional Investment Practices -- Foreign Securities.") Investments in foreign securities involve risks that are different in some respects from investments in securities of U.S. issuers. (See "Risk Factors -- Foreign Securities.")

The Flexible Income Portfolio may also purchase mortgage and other asset-backed securities, preferred stocks, income-producing common stocks or securities convertible into common stocks if such securities appear to offer the best opportunity for maximum total return.

The Flexible Portfolio may also invest in futures, options and other derivative instruments. (See "Additional Investment Practices -- Futures, Options and Other Derivative Instruments" and "Risk Factors -- Futures, Options and Other Derivative Instruments.") For further information about the Flexible Income Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information, including Appendix A.

IDEX II TAX-EXEMPT PORTFOLIO

The investment objective of IDEX II Tax-Exempt Portfolio is to provide maximum current interest income exempt from federal income tax in a manner consistent with preservation of capital. Securities in which the Tax-Exempt Portfolio invests may not yield as high a level of current income as securities of lower quality which generally have less liquidity, greater market risk and more fluctuation. The Portfolio's goal of preserving capital may preclude realization of the highest available income yields. The Portfolio's tax-exempt income objective may make it an unsuitable investment for tax-exempt entities or persons in low income tax brackets.

The tax-exempt securities in which the Tax-Exempt Portfolio invests include obligations issued by states, territories or possessions of the United States, the District of Columbia and their political subdivisions, agencies, instrumentalities and authorities, the interest from which, in the opinion of bond counsel, is exempt from federal income tax ("Municipal Obligations"). Income from Municipal Obligations which is exempt from federal income tax may be subject to state and local tax and may constitute an item of preference for determining the federal alternative minimum tax. Municipal Obligations with maturities of at least one year when issued are generally referred to as "Municipal Bonds," while those with shorter maturities of from 6 months to 3 years are generally referred to as "Municipal Notes." It is anticipated that the weighted average maturity of securities in the Tax-Exempt Portfolio will be between 20 and 35 years in non-defensive periods.

Ordinarily, at least 80% of the Tax-Exempt Portfolio's total net assets will be invested in Municipal Obligations, except to the extent the Portfolio invests in Temporary Investments, as discussed below. In addition, the Tax-Exempt Portfolio normally invests at least 75% of its total net assets in one or a combination of (a) Municipal Obligations which at the time of purchase are rated within the four highest ratings assigned by Moody's or S&P; (b) municipal commercial paper rated at the time of purchase within the highest grade assigned by Moody's or S&P; and (c) unrated Municipal Notes of issuers which at the time of purchase have outstanding at least one issue of Municipal Bonds rated within the four highest ratings of Moody's or S&P. The Tax-Exempt Portfolio may invest up to 25% of its total net assets in unrated Municipal Obligations when in the opinion of its portfolio manager such unrated securities are comparable in quality to securities rated within the four highest ratings of Moody's or S&P.

The Tax-Exempt Portfolio may also invest in floating and variable rate Municipal Obligations or participation interests therein, provided the interest thereon is exempt from federal income tax and when, in the opinion of its portfolio manager, the quality of the underlying creditor or bank is equivalent to the four highest ratings of Moody's or S&P for long-term bonds and/or the two highest ratings of Moody's for short-term Municipal Notes.

At times, the Tax-Exempt Portfolio may temporarily invest up to 20% of its total net assets in taxable securities ("Temporary Investments") due to market conditions, pending the investment of proceeds from purchases of its shares or proceeds from sales of portfolio securities, or to provide highly liquid securities to meet anticipated redemptions. The Tax-Exempt Portfolio may also temporarily invest more than 20% of its total net assets in Temporary Investments when, in the judgment of the portfolio manager, a defensive position is required in anticipation of a decline in the market value of portfolio securities. Temporary Investments may consist of the following fixed-income, short-term securities: (a) obligations of, or guaranteed as to principal and interest by, the United States Government or its agencies or instrumentalities ("Government securities"); (b) certificates of deposit issued by domestic banks with assets of at least $1 billion and having deposits insured by the Federal Deposit Insurance Corporation; (c) repurchase agreements with respect to Government securities; and (d) commercial paper rated P-1 by Moody's or A-1 by S&P.

The ratings of Moody's and S&P represent their respective opinions of the quality of the Municipal Obligations they undertake to rate and such ratings are general and are not absolute standards or warranties of quality. Consequently, Municipal Obligations with the same maturity, coupon and rating may have different yields, while Municipal Obligations of the same maturity and coupon with different ratings may have the same yield. An investor interested in the characteristics of securities carrying the various investment ratings of Moody's and S&P is referred to Appendix A of this Prospectus.

Municipal Bonds and Notes rated in Moody's or S&P's fourth rating category are considered medium-grade obligations, have an "adequate" capacity to pay interest and repay principal and are neither highly protected nor poorly secured. Such bonds lack outstanding investment characteristics and have certain speculative characteristics. Bonds in this category may be more adversely affected by changes in circumstances and economic conditions than higher rated bonds. The Tax-Exempt Portfolio's operating policies place no specific limitations on the proportion of its portfolio which may be made up of such bonds, so long as the portfolio manager believes that the Portfolio's objective of preserving invested capital is being met.

While ratings at the time of purchase will determine which securities are eligible to be acquired by the Tax-Exempt Portfolio, a subsequent reduction in rating will not require the Tax-Exempt Portfolio to dispose of the securities. Unrated municipal securities may be less liquid and therefore, their purchase by the Tax-Exempt Portfolio may entail somewhat greater risk than comparable but rated Municipal Obligations. Investment in Municipal Obligations with lower Moody's or S&P ratings may produce a higher yield than securities rated within the four highest ratings of Moody's or S&P (or judged of comparable quality). However, the added risk of lower quality securities might not be consistent with the Tax-Exempt Portfolio's objective of preservation of capital.

A period of rising commercial interest rates may adversely affect the value of the Tax-Exempt Portfolio and the net asset value per share and may require rapid portfolio turnover. Temporary Investments which may have lower yields and produce income taxable to shareholders may also be made in periods of rising commercial interest rates, as the risk of issuer default on principal and interest payments increases in the tax-exempt securities market. Portfolio values will tend to increase in periods of falling commercial interest rates.

Because yields from Municipal Obligations are typically lower than yields on securities of comparable quality producing taxable income, the Tax-Exempt Portfolio is not well suited as an investment vehicle for tax-exempt retirement programs (e.g., individual retirement accounts and qualified pension trusts) which cannot benefit from tax-exempt income and whose distributions are taxable to recipients as ordinary income, despite the underlying source of the distribution (that is, tax-exempt or capital gain dividends and redemption proceeds) when received by the retirement plan. Similarly, the benefits of tax-exempt income from investment in the Tax-Exempt Portfolio will be greater for persons with higher taxable incomes than for persons in lower income tax brackets.

Congress has periodically considered proposals to restrict or eliminate the federal income tax exemption for interest on certain types of or on all Municipal Obligations. Enactment of legislation affecting the tax-exempt status of Municipal Obligations would affect their availability for investment and the value of the Tax-Exempt Portfolio's assets.

For more information about the Tax-Exempt Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information. For a further discussion of various types of Municipal Obligations and Temporary Investments and certain risks relating to each, see Appendix A of the Statement of Additional Information.

IDEX II INCOME PLUS PORTFOLIO

The investment objective of IDEX II Income Plus Portfolio is to provide as high a level of current income as is consistent with the avoidance of excessive risk. The Portfolio's efforts to avoid excessive risk may preclude the realization of the highest available income yields. In seeking a high level of income, the Income Plus Portfolio may nevertheless invest in securities whose degree of investment risk may make investment in the Portfolio unsuitable for investors without alternate sources of income unless such investment is made as part of a diversified personal investment portfolio.

The Income Plus Portfolio attempts to invest in securities that offer the highest yield without excessive risk at the time of investment. The Income Plus Portfolio seeks to achieve its objective by investing in a diversified portfolio of fixed-income and convertible debt securities and dividend paying common, preferred and convertible preferred stocks. Although yields on convertible securities are often lower than yields on nonconvertible bonds and preferred stocks of comparable investment quality, the Income Plus Portfolio may invest in convertible securities, if the total return is expected to provide higher current income than nonconvertible securities. The Income Plus Portfolio may also hold or invest in common stocks which are acquired in conversion or exchange of, or in a unit offering with, fixed-income securities. Appendix A of the Statement of Additional Information contains a brief description of the principal types of short-term securities in which the Income Plus Portfolio may invest.

When consistent with the Portfolio's investment objective and policies and in the judgment of the portfolio manager warranted by market conditions, or when deemed appropriate by the portfolio manager for defensive purposes under certain market and economic conditions, the Income Plus Portfolio may temporarily invest some or all of its assets in short-term obligations such as (a) commercial paper and bankers' acceptances of U.S. banks; (b) U.S. dollar-denominated obligations of U.S. bank branches located outside the United States and of U.S. branches of foreign banks; (c) U.S. dollar-denominated time deposits (subject to certain limitations -- see "Investment Restrictions of the IDEX II Income Plus Portfolio" in the Statement of Additional Information) and certificates of deposit; and (d) obligations of, or guaranteed as to principal and interest by, the U.S. government or its agencies or instrumentalities. (See the Statement of Additional Information,

"Appendix A -- Short-Term Obligations.") Before acquiring any of the foreign short-term bank obligations noted above, the portfolio manager will consider a variety of factors which may include the political and economic condition in a country, the prospect for changes in the value of its currency or currency controls, expropriation or nationalization, and interest payment limitations, based on existing or prior actions of the foreign government. Such risks, however, cannot be entirely eliminated for any foreign obligation. (See "Risk Factors -- Foreign Securities.")

In addition to the investment policy described below which prohibits investments by the Income Plus Portfolio in securities rated below "B" or "b" (or unrated issues determined to be of comparable quality to securities rated below such ratings), the Portfolio is subject to an operating policy intended to reduce certain investment risks. Under this operating policy, (a) the Income Plus Portfolio may not invest in commercial paper of corporate issuers which is rated below Prime-2 by Moody's or A-2 by S&P (or if unrated, determined by the portfolio manager to be of comparable quality to securities rated below Prime-2 or A-2); and (b) the Income Plus Portfolio may not invest in other rated corporate securities if, after such investment, more than 50% of the Portfolio's total holdings of securities (other than commercial paper) would then be rated below the four highest rating categories of either Moody's or S&P, or if unrated, are determined by the portfolio manager to be of comparable quality.

Appendix A of this Prospectus contains a description of bond rating categories and includes a table showing the portfolio composition of the Income Plus Portfolio at September 30, 1994. These securities involve certain risks, which are described in detail under "Risk Factors -- High Yield/Risk Bonds."

Securities rated in the fourth rating category for bonds (Moody's "Baa"; S&P's "BBB") and preferred stocks (Moody's "baa"; S&P's "BBB") are considered medium grade investments with certain speculative characteristics; and although they have adequate earnings and asset protection at the time the rating is accorded, such protection may be questionable over any great length of time. Adverse economic conditions or changing circumstances are more likely to weaken the payment or repayment capacity of such securities than that of higher rated securities. There is no specific limitation on the proportion of the Income Plus Portfolio's securities which may be made up of securities rated in Moody's or S&P's fourth highest rating category.

The Income Plus Portfolio will not invest in rated securities that, at the time of investment, are rated below "B" by Moody's or "B" by S&P ("b" in the case of Moody's preferred stock ratings) or, if unrated, are judged by the portfolio manager not to possess investment qualities at least equivalent to a "B" or "b" rating. In the event that ratings decline after the Income Plus Portfolio's investment in securities, the portfolio manager will consider such factors as it deems relevant to the advisability of retaining such securities. The portfolio manager uses but does not place sole reliance on credit ratings in evaluating bonds and determining the credit quality of the issuer.

The Income Plus Portfolio may also invest in futures, options and other derivative instruments. (See "Additional Investment Practices -- Futures, Options and Other Derivative Instruments" and "Risk Factors -- Futures, Options and Other Derivative Instruments.") For further information about the Income Plus Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information.

IDEX II BALANCED PORTFOLIO

The investment objective of the Balanced Portfolio is long-term capital growth, consistent with preservation of capital and balanced by current income. The Balanced Portfolio is designed for investors who want to participate in the equity markets through a more moderate investment than a pure growth fund. Investments in income-producing securities are intended to result in a portfolio that provides a more consistent total return than may be attainable through investing solely in growth stocks. The Balanced Portfolio is not designed for investors who desire a consistent level of income.

The Balanced Portfolio normally invests 40 - 60% of its assets in equity securities selected primarily for growth potential and 40 - 60% of its assets in fixed income securities. At least 25% of its assets will be invested in fixed income senior securities, which include corporate debt and preferred stocks. The Balanced Portfolio may shift assets between the growth and income portions of its portfolio based on its portfolio manager's analysis of the relevant market, financial and economic conditions. If the portfolio manager believes that growth securities will provide better returns than the yields then available or expected on income-producing securities, then the Balanced Portfolio will place a greater emphasis on that component.

The growth component of the Balanced Portfolio is expected to consist primarily of common stocks. Common stock investments are selected in industries and companies that the portfolio manager believes are experiencing favorable demand for their products and services, and which operate in a favorable competitive environment and regulatory climate. The portfolio manager's analysis and selection process focuses on stocks with earnings growth potential that may not be recognized by the market. The Balanced Portfolio may invest for capital growth in any type of equity security that its portfolio manager believes will benefit from economic trends, promising technologies, products or other opportunities.

Although the growth component of the Balanced Portfolio's assets will be invested primarily in common stocks at most

times, the cash position of the Portfolio may increase when the portfolio manager is unable to locate investment opportunities with desirable risk/reward characteristics. The Portfolio may also invest in U.S. government, high grade commercial paper, corporate bonds and debentures, warrants, preferred stocks, certificates of deposit of commercial banks, other debt securities or repurchase agreements when its portfolio manager perceives an opportunity for capital growth from such securities, or so that the Balanced Portfolio may receive a return on its uninvested cash. When the Balanced Portfolio invests in such securities, investment income will likely increase and may constitute a larger portion of the return on the Portfolio's investments than if the growth component of the portfolio were fully invested in common stocks. (See "Distributions and Taxes.")

The income component of the Balanced Portfolio may consist of all types of income-producing securities, including common stocks selected primarily for their dividend payments, preferred stocks, convertible securities and debt securities of corporate and government issuers. Because income is a consideration in selecting securities, the Balanced Portfolio may select equity securities on the basis of growth potential, dividend-paying properties, or some combination of both. To the extent that the Balanced Portfolio invests in debt securities, such securities will primarily be of "investment grade." Investment grade debt securities are considered to be securities rated Baa or higher by Moody's or BBB or higher by S&P, and unrated debt securities that are of comparable quality based on the credit analysis of the Portfolio's sub-adviser. Unrated debt securities are not necessarily of lower grade than rated securities, but they may not be as attractive to many buyers. The Portfolio relies more on the credit analysis of its sub-adviser when investing in debt securities that are unrated. The considerations discussed in the Statement of Additional Information for lower rated debt securities also applies to lower quality unrated debt securities of all types.

The Balanced Portfolio may invest in both domestic and foreign companies, although the Balanced Portfolio will not invest more than 25% of its net assets at the time of purchase in the securities of foreign issuers and obligors. The selection criteria for domestic issuers apply equally to securities of foreign issuers. In addition, factors such as expected levels of inflation, government policies influencing business conditions, the outlook for currency relationships, and prospects for relative economic growth among countries, regions or geographic areas may warrant greater consideration in selecting foreign stocks. (See "Additional Investment Practices -- Foreign Securities" and "Risk Factors -- Foreign Securities.")

The Balanced Portfolio may also invest in futures, options and other derivative instruments. (See "Additional Investment Practices -- Futures, Options and Other Derivative Instruments" and "Risk Factors -- Futures, Options and Other Derivative Instruments.") For further information about the Balanced Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information.

IDEX II CAPITAL APPRECIATION PORTFOLIO

The investment objective of the IDEX II Capital Appreciation Portfolio is long-term growth of capital in a manner consistent with the preservation of capital. Realization of income is not a significant investment consideration and any income realized on the Capital Appreciation Portfolio's investments will be incidental to its primary objective.

The Capital Appreciation Portfolio will pursue its objective by emphasizing investment in common stocks of companies with a market capitalization between $1 billion and $5 billion. Although the Capital Appreciation Portfolio expects to emphasize such securities, it may also invest in smaller or larger companies. Common stock investments are selected in industries and companies that the portfolio manager believes are experiencing favorable demand for their products and services, and which operate in a favorable competitive environment and regulatory climate. The portfolio manager's analysis and selection process focuses on stocks with earnings growth potential that may not be recognized by the market. Such securities are selected solely for their capital growth potential; investment income is not a consideration. Medium-sized companies may suffer more significant losses as well as realize more substantial growth than larger issuers. Thus, investments in such companies tend to be more volatile than investments in companies with larger market capitalization, and somewhat speculative.

The Capital Appreciation Portfolio is a nondiversified investment company within the meaning of the 1940 Act, and therefore may be subject to additional risks. (See "Additional Investment Practices -- Diversification Policies.")

The Capital Appreciation Portfolio may invest in both domestic and foreign companies, although the Capital Appreciation Portfolio will not invest more than 25% of its net assets at the time of purchase in the securities of foreign issuers and obligors. The selection criteria for domestic issuers apply equally to stocks of foreign issuers. In addition, factors such as expected levels of inflation, government policies influencing business conditions, the outlook for currency relationships, and prospects for relative economic growth among countries, regions or geographic areas may warrant greater consideration in selecting foreign stocks. (See "Additional Investment Practices -- Foreign Securities" and "Risk Factors -- Foreign Securities.")

Although the Capital Appreciation Portfolio normally invests in common stocks, its cash position may increase when its portfolio manager is unable to locate investment opportuni-

ties with desirable risk/reward characteristics. The Capital Appreciation Portfolio may also invest in preferred stocks, warrants, U.S. and foreign government securities, corporate bonds and debentures, high-grade commercial paper, certificates of deposit, other debt securities or repurchase agreements when its portfolio manager perceives an opportunity for capital growth from such securities or so that the Capital Appreciation Portfolio may receive a return on its idle cash. To the extent that the Portfolio invests in such securities, investment income may increase and may constitute a large portion of the return realized by the Portfolio and the Portfolio probably will not participate in market advances or declines to the extent that it would if it remained fully invested in common stocks. To the extent that the Capital Appreciation Portfolio invests in debt securities, such securities will primarily be of "investment grade." Investment grade debt securities are considered to be securities rated Baa or higher by Moody's or BBB or higher by S&P, and unrated debt securities that are of comparable quality based on the credit analysis of the Portfolio's sub-adviser. Unrated debt securities are not necessarily of lower grade than rated securities, but they may not be as attractive to many buyers. The Portfolio relies more on the credit analysis of its sub-adviser when investing in debt securities that are unrated. The considerations discussed in the Statement of Additional Information for lower rated debt securities also applies to lower quality unrated debt securities of all types.

The Capital Appreciation Portfolio may also invest in futures, options and other derivative instruments. (See "Additional Investment Practices -- Futures, Options and Other Derivative Instruments" and "Risk Factors -- Futures, Options and Other Derivative Instruments.") For further information about the Capital Appreciation Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information.

IDEX II AGGRESSIVE GROWTH PORTFOLIO

The investment objective of the Aggressive Growth Portfolio is to seek long-term capital appreciation. Income is an incidental consideration in the selection of investments but is not an investment objective of the Aggressive Growth Portfolio. The Aggressive Growth Portfolio seeks to achieve its objective by investing in a diversified, actively managed portfolio of equity securities, such as common or preferred stocks, or securities convertible into or exchangeable for equity securities, including warrants and rights. The Aggressive Growth Portfolio may engage in leveraging and options and futures transactions, which are deemed to be speculative and which may cause the Aggressive Growth Portfolio's net asset value to be more volatile than the net asset value of a fund which does not engage in these activities. (See "Additional Investment Practices -- Futures, Options and Other Derivative Instruments" and "Borrowing and Lending." See also "Risk Factors -- Futures, Options and Other Derivative Instruments.")

Except during temporary defensive periods, the Portfolio invests at least 85% of its net assets in equity securities. It is anticipated that the Aggressive Growth Portfolio will invest primarily in companies whose securities are traded on domestic stock exchanges or in the over-the-counter market. These companies may still be in the developmental stage, may be older companies that appear to be entering a new stage of growth owing to factors such as management changes or development of new technology, products or markets, or may be companies providing products or services with a high unit volume growth rate. In order to afford the Aggressive Growth Portfolio the flexibility to take advantage of new opportunities for investments in accordance with its investment objective, the Aggressive Growth Portfolio may hold up to 15% of its net assets in money market instruments and repurchase agreements and in excess of that amount (up to 100% of its assets) during temporary defensive periods. This amount may be higher than that maintained by other funds with similar investment objectives. To the extent that the Portfolio invests in such securities, investment income may increase and may constitute a large portion of the return realized by the Portfolio and the Portfolio probably will not participate in market advances or declines to the extent that it would if it remained fully invested in common stocks. The Aggressive Growth Portfolio will only invest in convertible debt securities rated in one of the three highest rating categories as determined by Moody's (Aaa, Aa, or A) or S&P (AAA, AA or A).

The Aggressive Growth Portfolio may invest in both domestic and foreign companies, and may invest up to 25% of its net assets at the time of purchase in the securities of foreign issuers and obligors. (See "Additional Investment Practices -- Foreign Securities.") Investments in foreign securities involve risks that are different in some respects from investments in securities of U.S. issuers. (See "Risk Factors -- Foreign Securities.")

For further information about the Aggressive Growth Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information.

IDEX II EQUITY-INCOME PORTFOLIO

The investment objective of the Equity-Income Portfolio is to provide current income, long-term growth of income and capital appreciation. The Equity-Income Portfolio seeks to achieve its objective by investing primarily in common stocks, income producing securities convertible into common stock, and fixed-income securities. In seeking current income and growth opportunities, the Equity-Income Portfolio will primarily select companies with established operating histories and potential for dividend growth. The Equity-Income Portfolio seeks to achieve an income yield in excess of the dividend income yield of the Standard & Poor's 500 Index.

In selecting equity securities and securities convertible into equity securities for the Equity-Income Portfolio, the

portfolio manager typically seeks companies which exhibit strong fundamental characteristics and considers factors such as balance sheet quality, cash flow generation, earnings and dividend growth record and outlook, and profitability levels. The portfolio manager presently intends to consider these and other fundamental characteristics in determining attractive investment opportunities. However, the portfolio manager may select securities based on factors other than those described above. Shares of companies with undervalued assets may also be owned by the Equity-Income Portfolio; the portfolio manager's objective in investing in such undervalued companies is to purchase shares of these companies at a discount to net asset value and have the investment accrue to that value over time.

The Equity-Income Portfolio seeks to invest its assets primarily in income producing common or preferred stock when the portfolio manager believes that the relevant market environment favors profitable investing in those securities. The remaining assets of the Equity-Income Portfolio will ordinarily be invested in debt obligations, typically many of which will be convertible into common stock, and other fixed-income securities. However, the Equity-Income Portfolio may increase its cash position when the portfolio manager determines that investment opportunities with desirable risk/reward characteristics are unavailable. The Equity-Income Portfolio does not presently intend to invest more than 20% of its total assets in equity securities which do not pay a dividend. It is anticipated that a majority of the equity securities in which the Equity-Income Portfolio invests will be listed on a national securities exchange or traded on NASDAQ or in the U.S. over-the-counter market.

The Equity-Income Portfolio may invest in U.S. government securities, corporate bonds and debentures, high-grade commercial paper, preferred stocks or certificates of deposit when the portfolio manager perceives attractive opportunities from such securities, or so that the Equity-Income Portfolio may receive a competitive return on its uninvested cash. The Portfolio may invest in debt securities of U.S. and foreign issuers.

To the extent that the Equity-Income Portfolio invests in debt securities, such securities will primarily be of "investment grade." Investment grade debt securities are considered to be securities rated Baa or higher by Moody's Investors Service, Inc. ("Moody's") or BBB or higher by Standard & Poor's

Corporation ("S&P"), and unrated debt securities that are of comparable quality based on the credit analysis of the Portfolio's sub-adviser. Unrated debt securities are not necessarily of lower grade than rated securities, but they may not be as attractive to many buyers. The Portfolio relies more on the credit analysis of its sub-adviser when investing in debt securities that are unrated. The considerations discussed in the Statement of Additional Information for lower rated debt securities also applies to lower quality unrated debt securities of all types. When the Portfolio invests in fixed-income debt securities, regardless of investment grade, investment income may increase and may constitute a larger portion of the return on the Equity-Income Portfolio's investments, and the Equity-Income Portfolio may not participate in stock market advances or declines to the extent that it would if it were fully invested in equity securities.

Investments in commercial paper are limited to obligations rated Prime-1 by Moody's or A-1 by S&P.

The Equity-Income Portfolio may invest in both domestic and foreign companies, although the Equity-Income Portfolio may not invest more than 10% of its net assets at the time of purchase in the securities of foreign issuers and obligors. (See "Additional Investment Practices -- Foreign Securities.") Investments in foreign securities involve risks that are different in some respects from investments in securities of U.S. issuers. (See "Risk Factors -- Foreign Securities.")

For more information about the Equity-Income Portfolio's investment policies, see "Additional Investment Practices" and the Statement of Additional Information.

ADDITIONAL INVESTMENT PRACTICES

FOREIGN SECURITIES

Each of the Growth, Global, Balanced, Capital Appreciation and Aggressive Growth Portfolios may invest up to 25% of its assets, directly or indirectly, in foreign securities. The Equity Income Portfolio may invest up to 25% of its assets, directly or indirectly, in foreign securities, provided that no more than 10% of its assets may be invested directly in foreign securities which are denominated in foreign currency and not publicly traded in the United States. The Flexible Income Portfolio may invest up to 50% of its assets, directly or indirectly, in foreign securities, provided that no more than 25% of its assets may be invested in the securities of the government or private issuers of any one foreign country.

Subject to the foregoing limitations, these Portfolios may invest directly in foreign securities denominated in a foreign currency and not publicly traded in the United States. If appropriate and available, in addition to investing directly in foreign securities, and subject to each Portfolio's particular investment objectives, policies and practices, these Portfolios may also purchase foreign securities through American Depositary Receipts ("ADRs") or American Depositary Shares ("ADSs"), which are dollar-denominated receipts that are issued by domestic banks or securities firms, are publicly traded in the United States, and may not involve the same direct currency and liquidity risks as securities denominated in foreign currency. These Portfolios may also indirectly invest in foreign securities through European Depositary Receipts ("EDRs"), which are typically issued by European banks, Global Depositary Receipts ("GDRs"), which may be issued by either domestic or foreign banks, and other types of receipts evidencing ownership of the underlying foreign securities.

Investments in foreign securities involve risks that are different in some respects from investments in securities of U.S. issuers. (See "Risk Factors -- Foreign Securities.")

FUTURES, OPTIONS AND OTHER DERIVATIVE INSTRUMENTS

Subject to certain limitations described in the Statement of Additional Information, the Growth, Global, Flexible Income, Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios may write and purchase options on securities as well as engage in transactions involving options on securities or foreign currencies, futures contracts, options on futures contracts, forward currency contracts, and interest rate swaps, caps and floors for hedging and other appropriate purposes. Each of these Portfolios may engage in such strategies to attempt to reduce the overall level of investment risk that normally would be expected to be associated with a Portfolio's securities and, in particular, to attempt to manage the Portfolio's foreign currency exposure and to attempt to protect the Portfolio against market movements that might adversely affect the value of the Portfolio's securities or the price of securities that the Portfolio is considering purchasing. The Growth, Global, Balanced and Capital Appreciation Portfolios will limit their use of futures contracts and related options for purposes other than bona fide hedging such that the aggregate initial margin and premiums required to establish any non-hedging positions will not exceed 5% of the fair market value of a Portfolio's net assets.

The Flexible Income Portfolio may also write and purchase options on securities to enhance income. The Flexible Income Portfolio may write call options on futures contracts when it owns equivalent securities that it is willing to sell at the level of the exercise price of the call. The writing of such options creates an obligation, but offers the Flexible Income Portfolio the opportunity to enhance income or to purchase or sell securities at prices more favorable than might otherwise be obtained. The Flexible Income Portfolio will limit its use of futures contracts and related options for purposes other than bona fide hedging such that the aggregate initial margin and premiums required to establish any non-hedging positions will not exceed 5% of the fair market value of a Portfolio's net assets.

The Income Plus Portfolio may purchase and sell contracts for the future delivery of fixed-income securities at an established price, commonly referred to as "interest rate futures contracts," to attempt to hedge against declines in the value of its holdings of long-term debt securities. The Income Plus Portfolio may invest in interest rate futures contracts only as a hedge against anticipated interest rate changes that would adversely affect the value of portfolio securities. The Income Plus Portfolio will not use futures contracts for speculation or to leverage the Portfolio. The Income Plus Portfolio will maintain cash or cash equivalents equal in value to the market value of futures contracts purchased (less related margin deposits) to assure that the Portfolio's position is fully collateralized and that its use of futures contracts is unleveraged.

Subject to the following limitations, the Aggressive Growth Portfolio intends to use derivative instruments for hedging purposes as well as to enhance income. The Aggressive Growth Portfolio may write covered call options on common stocks that it owns or has an immediate right to acquire through conversion or exchange of other securities in an amount not to exceed 25% of total assets. The Aggressive Growth Portfolio does not intend to write any put options. The Aggressive Growth Portfolio may only buy options that are listed on a national securities exchange. The Aggressive Growth Portfolio will not purchase options if, as a result, the aggregate cost of all outstanding options exceeds 10% of the Portfolio's total assets, although no more than 5% will be committed to transactions entered into for non-hedging purposes.

The Aggressive Growth Portfolio will purchase and sell stock index futures contracts and options on stock index futures contracts solely for hedging or other permissible risk-management purposes, such as protecting the price of a security the Aggressive Growth Portfolio intends to buy, but not for purposes of speculation. Aggregate initial margins and premiums on such investments may not constitute more than 5% of the Aggressive Growth Portfolio's assets.

The Equity-Income Portfolio currently does not intend to purchase or sell any of these types of instruments, although it may do so in the future.

There can be no assurance that the use of these instruments by a Portfolio will assist it in achieving its investment objective. The use of futures contracts, options and other derivative instruments also involves certain risks. (See "Risk Factors -- Futures, Options and Other Derivative Instruments.") Further information on these instruments, hedging strategies and risk considerations relating to them is set forth in the Statement of Additional Information.

MORTGAGE-AND OTHER ASSET-BACKED SECURITIES

Each Portfolio may invest up to 25% of its net assets in mortgage-and other asset-backed securities. These securities are subject to prepayment risk, that is, the possibility that prepayments on the underlying mortgages or other loans will cause the principal and interest on the securities to be paid prior to their stated maturities. Unscheduled prepayments are more likely to accelerate during periods of declining long-term interest rates. In the event of a prepayment during a period of declining interest rates, a Portfolio may be required to invest the unanticipated proceeds at a lower interest rate. Prepayments during such periods will also limit a Portfolio's ability to participate in as large a market gain as may be experienced with a comparable government security not subject to prepayment.

WHEN-ISSUED, DELAYED DELIVERY AND FORWARD TRANSACTIONS

Each Portfolio, other than the Tax-Exempt Portfolio, may purchase securities on a when-issued or delayed delivery basis and may enter into contracts to purchase securities for a fixed price at a future date beyond normal settlement time ("forward commitments"). However, each of the Growth, Global and Flexible Income Portfolios does not intend to invest more than 20% of its assets in when-issued securities. The Tax-Exempt Portfolio may purchase Municipal Bonds on a "when-issued" or "delayed delivery" basis. The Portfolios bear the risk that the value of such securities may change prior to delivery of the security and the risk that the seller may not complete the transaction.

ILLIQUID SECURITIES

Each of the Growth, Global, Flexible Income, Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios may invest up to 15%, and each of the Tax-Exempt and Income Plus Portfolios may invest up to 10%, of its assets in securities that are considered illiquid because of the absence of a readily available market or due to legal or contractual restrictions on resale. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A Portfolio may be restricted in its ability to sell such securities at a time when the sub-advisor deems it advisable to do so. In addition, in order to meet redemption requests, a Portfolio may have to sell other assets, rather than such illiquid securities, at a time which is not advantageous. Certain restricted securities that are not registered for sale to the general public but that can be resold to institutional investors ("Rule 144A Securities") may not be considered illiquid, provided that a dealer or institutional trading market exists. Securities eligible for resale under Rule 144A of the Securities Act of 1933 may be determined to be liquid by a Portfolio's sub-adviser pursuant to procedures adopted by the Board of Trustees of the Fund. For each of the Tax-Exempt Portfolio and the Flexible Income Portfolio, the sub-adviser may also determine municipal lease obligations held by the Portfolio to be liquid pursuant to procedures adopted by the Board of Trustees. Securities previously determined to be liquid pursuant to these procedures may be subsequently deemed to be illiquid, and investment in Rule 144A securities and municipal lease obligations could have the effect of increasing portfolio illiquidity.

ZERO COUPON BONDS AND OTHER SECURITIES

Although it is the policy of the Flexible Income and Income Plus Portfolios to invest in income-producing securities, each of the Portfolios other than the Aggressive Growth Portfolio may invest up to 10% of their assets in zero coupon bonds, step coupon bonds, pay-in-kind securities or strips. Zero coupon bonds do not make regular interest payments; rather, they are sold at a discount from face value. Principal and accreted discount (representing interest accrued but not paid) are paid at maturity. Step coupon bonds sell at a discount and pay a low coupon rate for an initial period and a higher coupon rate thereafter. Pay-in-kind securities may pay interest in cash or a similar bond. The Flexible Income Portfolio may also invest in "strips," which are debt securities that are stripped of their interest after the securities are issued, but otherwise are comparable to zero coupon bonds. The market value of zero coupon bonds, step coupon bonds, pay-in-kind securities and "strips" generally fluctuates in response to changes in interest rates to a greater degree than interest-paying securities of comparable term and quality. The Portfolios may realize greater gains or losses as a result of such fluctuations. In order to pay cash distributions from income earned on zero coupon, step coupon bonds, pay-in-kind securities and "strips", the Portfolios may sell certain portfolio securities and may incur a capital gain or loss on such sales.

BORROWING AND LENDING

Each Portfolio may borrow money from banks for temporary or emergency purposes in an amount not to exceed 25% of its total assets in the case of the Growth, Global, Flexible Income, Balanced, Capital Appreciation and Equity-Income Portfolios, and 33 1/3% of its total assets in the case of the Tax-Exempt and Income Plus Portfolios. To secure borrowings, a Portfolio may not mortgage or pledge its securities in amounts that exceed 15% of its net assets, in the case of the Growth, Global, Flexible Income, Balanced, Capital Appreciation and Equity-Income Portfolios, and 10% of its net assets, in the case of the Income Plus Portfolio. In addition, each of the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios may borrow money from or lend money to other funds that permit such transactions and are advised or sub-advised by Janus Capital, provided that the Portfolio seeks and obtains permission to do so from the Securities and Exchange Commission ("SEC"). There is no assurance that such permission will be sought or granted.

The Aggressive Growth Portfolio may borrow only from banks for investment purposes. This borrowing is known as leveraging. The 1940 Act requires the Aggressive Growth Portfolio to maintain continuous asset coverage (that is, total assets including borrowings, less liabilities exclusive of borrowings) of 300% of the amount borrowed. If such asset coverage should decline to below 300% as a result of market fluctuations or other reasons, the Aggressive Growth Portfolio may be required to sell some of the portfolio holdings within three days to reduce the debt and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to sell securities at that time. Leveraging may exaggerate the effect on net asset value of any increase or decrease in the market value of the Portfolio's securities. Money borrowed for leveraging will be subject to interest costs which may or may not be recovered by appreciation of the securities purchased; in certain cases, interest costs may exceed the return received on the securities purchased. The Aggressive Growth Portfolio also may be required to maintain minimum average balances in connection with such borrowing or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate. Additional limitations on borrowing that are imposed by state law and regulations may apply.

Each of the Portfolios other than the Tax-Exempt and Income Plus Portfolios may also lend their portfolio securities to broker-dealers and financial institutions for the purpose of realizing additional income. As a fundamental policy, each such Portfolio, other than the Aggressive Growth Portfolio, will not lend securities or other assets if, as a result, more than 25% of its total assets would be lent to other parties, although none of these Portfolios presently intends to lend securities or make any other loans valued at more than 5% of its total assets. As a fundamental policy, the Aggressive Growth Portfolio may not make loans to others, except through purchasing qualified debt obligations, lending portfolio securities or entering into repurchase agreements. The Aggressive Growth Portfolio will not lend securities or other assets if, as a result, more than 20% of its total assets would be lent to other parties. Securities lending may involve some credit risk to a Portfolio if the borrower defaults and the Portfolio is delayed or prevented from recovering the collateral or is otherwise required to cover a transaction in the security loaned. If portfolio securities are loaned, collateral values will be continuously maintained at no less than 100% by marking to market daily. If a material event is to be voted upon affecting a Portfolio's investment in securities which are on loan, the Portfolio will take such action as may be appropriate in order to vote its shares. For further information about the Portfolios' policies relating to borrowing and lending, see the Statement of Additional Information.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Each of the Portfolios other than the Equity-Income Portfolio may invest in repurchase and reverse repurchase agreements. A repurchase agreement involves the purchase of a security by a Portfolio and a simultaneous agreement by the seller (generally a bank or broker-dealer) to repurchase that security from the Portfolio at a specified price and date or upon demand. This technique offers a method of earning income on idle cash. The repurchase agreement is effectively secured by the value of the underlying security. A risk associated with repurchase agreements is the failure of the seller to repurchase the securities as agreed, which may cause a Portfolio to suffer a loss if the market value of such securities declines before they can be liquidated on the open market. In the event of bankruptcy of the seller, a Portfolio may encounter delays and incur costs in liquidating the underlying security. Repurchase agreements maturing in more than seven days are subject to the previously stated limit on illiquid securities.

When a Portfolio invests in a reverse repurchase agreement, it sells a portfolio security to another party, such as a bank or broker-dealer, in return for cash, and agrees to buy the security back at a future date and price. Reverse repurchase agreements may be used to provide cash to satisfy unusually heavy redemption requests or for other temporary or emergency purposes without the necessity of selling portfolio securities or to earn additional income on portfolio securities, such as treasury bills and notes.

SHORT SALES

Each of the Portfolios may sell securities "short against the box". While a short sale is the sale of a security that a Portfolio does not own, it is "against the box" if at all times when the short position is open, a Portfolio owns an equal amount of the securities or securities convertible into, or exchangeable without further consideration for, securities of the same issue as the securities sold short.

HIGH-YIELD/HIGH-RISK BONDS

High-yield/high-risk, below investment grade securities (commonly known as "junk bonds") involve significant credit and liquidity concerns and fluctuating yields and are not suitable for short-term investing. None of the Portfolios other than the Flexible Income and Income Plus Portfolios may invest more than 5% of its net assets in junk bonds. See "Risk Factors -- High-Yield/High-Risk Bonds" and the Statement of Additional Information for further information concerning the risks associated with investing in junk bonds.

DIVERSIFICATION POLICIES

Each of the Portfolios other than the Capital Appreciation Portfolio is a diversified investment company under the 1940 Act as a matter of fundamental policy, while the Capital Appreciation Portfolio is a nondiversified investment company. For more specific information concerning the diversification policies of each of the Portfolios, see the Statement of Additional Information.

As a fundamental policy, with respect to 50% of its total assets, the Capital Appreciation Portfolio will not purchase securities of any one issuer (other than cash items and U.S. government securities) if immediately after and as a result of such purchase (a) the Capital Appreciation Portfolio owns more than 10% of the outstanding voting securities of that issuer, or (b) the value of the Capital Appreciation Portfolio's holdings of that issuer exceeds 5% of the value of the Capital Appreciation Portfolio's total assets. The other 50% of the Capital Appreciation Portfolio's assets may be invested in the securities of as few as two issuers. The Capital Appreciation Portfolio is therefore deemed to be a nondiversified investment company under the 1940 Act, although it reserves the right to become a diversified company by investing no more than 25% of its assets in issuers which represent more than 5% of its total assets. Although the Capital Appreciation Portfolio may invest

up to 50% of its assets in the securities of as few as two issuers, it does not anticipate doing so unless its sub-adviser believes a security has the potential for substantial capital appreciation consistent with the Capital Appreciation Portfolio's investment objective and policies. It does, however, intend to take advantage of the flexibility of nondiversification to invest more than 5% of its total assets in the securities of one issuer. To the extent that the Capital Appreciation Portfolio invests more than 5% of its assets in a particular issuer, its exposure to credit risks and/or market risks associated with that issuer increases. The Capital Appreciation Portfolio may also realize greater benefits from increases in the value of one or a small number of securities than a diversified mutual fund.

As an additional fundamental policy, the Portfolios will not invest more than 25% of the value of their respective total assets in any particular industry (other than U.S. government securities).

OTHER INVESTMENT POLICIES AND RESTRICTIONS

The Fund may in the future seek to achieve the investment objective of the Growth, Global, Flexible Income, Balanced, Capital Appreciation, Aggressive Growth or Equity-Income Portfolios by investing all of a Portfolio's assets in another investment company having the same investment objective and substantially the same investment policies and restrictions as those applicable to that Portfolio. Shareholders of the Growth, Global, Flexible Income, Balanced, Capital Appreciation, Aggressive Growth or Equity-Income Portfolios will be given at least 30 days prior notice of any such investment. Such investment would be made only if the Board of Trustees of the Fund determines it to be in the best interests of a Portfolio and its shareholders. In making that determination, the Board of Trustees will consider, among other things, the benefits to shareholders and/or the opportunity to reduce costs and achieve operational efficiencies.

Each Portfolio is subject to investment restrictions, certain of which are fundamental policies of that Portfolio and as such may not be changed without approval of that Portfolio's shareholders. Non-fundamental investment restrictions and operating policies may be changed by the Board of Trustees without shareholder approval. The investment restrictions of each Portfolio are described in the Statement of Additional Information.

The securities and financial instruments markets in the United States and worldwide have been characterized in recent years by rapid change and innovation in the creation of new instruments and securities. The sub-advisers reserve the right to evaluate new financial instruments as they are developed and become actively traded, and subject to any applicable investment restriction of a Portfolio, a Portfolio may invest in any such investment products that its portfolio manager believes will further the Portfolio's particular investment objective.

RISK FACTORS

FOREIGN SECURITIES

Investments in foreign securities involve risks that are different in some respects from investments in securities of U.S. issuers. For example, changes in currency exchange rates and exchange rate controls may affect the value of foreign securities and the value of their dividend or interest payments and, therefore, a Portfolio's share price and returns. Foreign companies generally are subject to tax laws and accounting, auditing, and financial reporting standards, practices and requirements that differ from those applicable to U.S. companies. There is generally less publicly available information about foreign companies and less securities and other governmental regulation and supervision of foreign companies, stock exchanges and securities brokers and dealers. A Portfolio may encounter difficulties in enforcing obligations in foreign countries and in negotiating favorable brokerage commission rates. Securities of some foreign companies are less liquid, and their prices more volatile, than securities of comparable U.S. companies. Delays may be encountered in settling securities transactions in certain foreign markets and a Portfolio will incur costs in converting foreign currencies into U.S. dollars. Custody charges are generally higher for foreign securities than for domestic securities. In addition, with respect to some foreign countries, there is the possibility of expropriation or confiscatory taxation, limitations on the removal of securities, property or other assets of a Portfolio, political or social instability or war, or diplomatic developments, any or all of which could affect U.S. investments in those countries. ADRs do not involve the same direct currency and liquidity risks as securities denominated in foreign currency.

The considerations noted above may be intensified in the case of investment in developing countries or countries with limited or developing capital markets. In particular, developing countries may have relatively unstable governments, economies based on only a few industries and securities markets that trade a small number of securities. Securities of issuers located in developing countries may have limited marketability and may be subject to more abrupt or erratic price fluctuations.

At times, securities held by the Portfolios may be listed on foreign exchanges or traded in foreign markets which are open on days (such as Saturday) when the Portfolios do not compute a price or accept orders for the purchase, redemption or exchange of shares. As a result, the net asset value of the Portfolios may be significantly affected by trading on days when shareholders cannot make transactions.

To the extent that a Portfolio invests in foreign securities, its share price reflects the movements of both the prices of securities in which it is invested and the currencies in which the investments are denominated. For a Portfolio that invests in both U.S. and foreign securities markets, changes in the Portfolio's share price may have a low correlation with movements in the U.S. markets. If most of the foreign securities in

which a Portfolio invests are denominated in foreign currencies, or otherwise have values that depend on the performance of foreign currencies relative to the U.S. dollar, the relative strength of the U.S. dollar may be an important factor in the performance of the Portfolio.

To the extent that a Portfolio invests in foreign securities, it may employ certain strategies in order to manage exchange rate risks. For example, a Portfolio may seek to hedge some or all of its investments denominated in a foreign currency against a decline in the value of that currency. The Portfolios may exchange foreign currencies for U.S. dollars and for other foreign currencies in the normal course of business and may buy or sell securities through forward currency contracts in order to fix a price for securities it has agreed to buy or sell ("transaction hedge"). The Portfolios may also enter into contracts to sell that foreign currency for U.S. dollars (not exceeding the value of that Portfolio's assets denominated in that currency) or by participating in options or futures contracts with respect to such currency ("position hedge"). The Portfolio could also seek to hedge that position by selling a second currency, which is expected to perform similarly to the currency in which portfolio investments are denominated, for U.S. dollars ("proxy hedge"). The Portfolios may also enter into a forward contract to sell the currency in which the security is denominated for a second currency that is expected to perform better relative to the U.S. dollar if the portfolio manager believes there is a reasonable degree of correlation between movements in the two currencies ("cross-hedge"). As an operating policy, a Portfolio will not commit more than 10% of its assets to the consummation of cross-hedge contracts and will either cover such transactions with liquid portfolio securities denominated in the applicable currency or segregate high-grade, liquid assets in the amount of such commitments. In addition, when the Portfolio anticipates purchasing securities denominated in a particular currency, it may enter into a forward contract to purchase such currency in exchange for the dollar or another currency ("anticipatory hedge").

These strategies seek to minimize the effect of currency appreciation as well as depreciation, but do not protect against a decline in the underlying value of the hedged security. In addition, such strategies may reduce or eliminate the opportunity to profit from increases in the value of the original currency and may adversely impact a Portfolio's performance if the portfolio manager's projection of future exchange rates is inaccurate.

FUTURES, OPTIONS AND OTHER DERIVATIVE INSTRUMENTS

Generally, the use of strategies involving options, futures contracts, forward contracts and swap-related products ("derivative instruments") involves additional investment risks and transaction costs, and draws upon skills and experience which are different from those needed to select the other instruments in which a Portfolio invests. If a portfolio manager seeks to protect a Portfolio against potential adverse movements in the securities, foreign currency or interest rate markets using these instruments, and if such markets do not move in a direction adverse to the Portfolio, the Portfolio may not achieve the desired benefits of the foregoing instruments, and could be left in a less favorable position than if such strategies had not been used. The use of such strategies involves special risks, which include: 1) the risk that interest rates, securities prices and currency markets will not move in the directions anticipated by the portfolio manager, and thus that the use of these instruments as hedging techniques may fail and/or losses may result; 2) imperfect correlation between the price of the instruments and movements in the prices of the securities, interest rates or currencies being hedged; 3) the fact that there are not daily price fluctuation limits with respect to options on currencies, forward contracts and other negotiated or over-the-counter instruments, and adverse market movements could therefore continue to an unlimited extent over a period of time; 4) the possible absence of a liquid secondary market for any particular instrument at any time, and thus the Portfolio being unable to control losses by closing out a position; and 5) the possible need to defer closing out certain hedged positions to avoid adverse tax consequences. The loss from investing in futures is potentially unlimited. See the Statement of Additional Information for further information concerning the use of options, futures and other derivative instruments, and the associated risks.

FIXED-INCOME INVESTING

The performance of the debt component of a Portfolio depends primarily on interest rate changes, the average weighted maturity of that Portfolio and the quality of the securities held. The debt component of a Portfolio will tend to decrease in value when interest rates rise and increase when interest rates fall. A Portfolio may vary the average maturities of its portfolio based on the portfolio manager's analysis of interest rate trends and other factors. Generally, shorter term securities are less sensitive to interest rate changes, but longer term securities offer higher yields. A Portfolio's share price and yield also depend, in part, on the quality of its investments in debt securities. For example, while U.S. government securities generally are of high quality, government securities that are not backed by the full faith and credit of the United States and other debt securities, including those of foreign governments, may be affected by changes in the creditworthiness of the issuer of the security. The extent that such changes are reflected in a Portfolio's share price will depend upon the extent of the Portfolio's investment in such securities. For further information about a Portfolio's policies relating to fixed-income investing, see the Statement of Additional Information.

HIGH-YIELD/HIGH-RISK BONDS

High-yield/high-risk, below investment grade securities (commonly known as "junk bonds") involve significant credit and liquidity concerns and fluctuating yields and are not

suitable for short-term investing. Lower rated bonds also involve the risk that the issuer will not make interest or principal payments when due. In the event of an unanticipated default, a Portfolio owning such bonds would experience a reduction in its income, and could expect a decline in the market value of the securities so affected. More careful analysis of the financial condition of each issuer of lower rated securities is therefore necessary. During an economic downturn or substantial period of rising interest rates, highly leveraged issuers may experience financial stress which would adversely affect their ability to service their principal and interest payments obligations, to meet projected business goals and to obtain additional financing.

The market prices of lower grade securities are generally less sensitive to interest rate changes than higher rated investments, but more sensitive to adverse economic or political changes or individual developments specific to the issuer. Periods of economic or political uncertainty and change can be expected to result in volatility of prices of these securities. Since the last major economic recession, there has been a substantial increase in the use of high-yield debt securities to fund highly leveraged corporate acquisitions and restructurings, so past experience with high-yield securities in a prolonged economic downturn may not provide an accurate indication of future performance during such periods. Lower rated securities also may have less liquid markets than higher rated securities, and their liquidity as well as their value may be more severely affected by adverse economic conditions. Adverse publicity and investor perceptions as well as new or proposed laws may also have a greater negative impact on the market for lower rated bonds.

Higher yields are ordinarily available on fixed-income securities which are unrated or are rated in the lower rating categories of recognized rating services such as Moody's and S&P. Unrated securities are not necessarily of lower quality than rated securities, but the markets for lower rated and nonrated securities are more limited than those in which higher rated securities are traded. In addition, an economic downturn or increase in interest rates is likely to have a greater negative effect on the market for lower rated and nonrated securities, the value of high yield debt securities held by a Portfolio, the net asset value of a Portfolio holding such securities and the ability of the bonds' issuers to repay principal and interest, meet projected business goals and obtain additional financing than on higher rated securities.

SPECIAL SITUATIONS

Each Portfolio may invest in "special situations" from time to time. A special situation arises when, in the opinion of the portfolio manager, the securities of a particular issuer will be recognized and appreciate in value due to a specific development with respect to that issuer. Developments creating a special situation might include, among others, a new product or process, a management change, a technological breakthrough or other extraordinary corporate event, or differences in market supply of and demand for the security. Investment in special situations may carry an additional risk of loss in the event that the anticipated development does not occur or does not attract the expected attention. The impact of this strategy on a Portfolio will depend on that Portfolio's size and the extent of the holdings of the special situation company relative to the Portfolio's total assets.

OTHER PORTFOLIO POLICIES

Although it is the policy of each of the Growth, Global, Flexible Income, Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios to purchase and hold securities for its stated investment objective, changes in these holdings will generally be made whenever their respective portfolio managers believe they are advisable. Portfolio changes in the Growth, Global, Flexible Income, Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolio may result from liquidity needs, securities having reached a price or yield objective, anticipated changes in interest rates or the credit standing of an issuer or by reason of developments not foreseen at the time of the investment decision. To a limited extent, the Growth, Global, Flexible Income, Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios each may engage in short-term transactions if such transactions further their investment objectives. Because investment changes ordinarily will be made without reference to the length of time a security has been held, a significant number of short-term transactions may result, and the rate of portfolio turnover will not be a limiting factor when changes are deemed to be appropriate. The estimated annual portfolio turnover rates of the Balanced and Capital Appreciation Portfolios are anticipated to be up to 200%. The estimated annual portfolio turnover rates of the Aggressive Growth and Equity-Income Portfolios are anticipated to be under 100%.

The investment policies of the Tax-Exempt and Income Plus Portfolios may lead to frequent changes in investments, particularly in periods of rapidly fluctuating interest rates. Securities may be sold in anticipation of a decline in portfolio value (a rise in interest rates) or purchased in anticipation of a portfolio value rise (decline in interest rates). In addition, a security may be sold and another purchased at approximately the same time to take advantage of what the portfolio manager believes to be a temporary disparity in the normal yield relationship between the two securities. Yield disparities may occur for reasons not directly related to the investment quality of particular issues or the general movement of interest rates, due to such factors as changes in the overall demand for or supply of various types of securities or changes in the investment objectives of investors. This rate will not be a limiting factor when the portfolio manager deems it desirable to sell or purchase securities for either of these Portfolios.

Certain tax rules may restrict a Portfolio's ability to sell securities in some circumstances when the security has been held for less than three months. Increased portfolio turnover necessarily results in correspondingly higher brokerage costs or mark-up charges for a Portfolio which are ultimately borne by the shareholders and may also result in short-term capital gains which are taxed as ordinary income to the shareholders. (See "Distributions and Taxes -- Tax Information.") For annual portfolio turnover rates, see "Financial Highlights" and the Statement of Additional Information.

PERFORMANCE

Each Portfolio's performance is calculated separately for Class A and Class C shares of that Portfolio. Performance may be measured in terms of average annual total return which is calculated by finding the average annual compounded rates of return over a period of time that would equate the initial amount invested to the ending redeemable value. The calculation assumes the deduction of the maximum sales load from the initial investment and the payment of all dividends and other distributions in additional shares on the reinvestment dates during the period. An average annual total return reflects the hypothetical annually compounded return that would have produced the same cumulative return if performance had been constant over the entire period. Because average annual returns for more than one year tend to smooth out variations in performance, such figures are not the same as actual year-by-year results. The Statement of Additional Information contains a description of the method used to compute average annual total return of each Portfolio.

A Portfolio may also advertise non-standardized performance information which is for periods in addition to those required to be presented, or which provides cumulative total return, actual year-by-year return, or any combination thereof. For Class A shares, a Portfolio may also advertise nonstandardized performance which does not reflect deduction of the maximum sales charge.

The current yield for a particular class of shares of the Flexible Income

Portfolio, the Tax-Exempt Portfolio, or the Income Plus Portfolio is based on the investment income during a particular 30-day period (including dividends, if any, and interest), expenses accrued during the period, average shares outstanding during the 30-day period and the maximum offering price per share on the last day of the base period, and then annualizing the result. Each class of shares of the Tax-Exempt Portfolio may also advertise its tax equivalent yield which is calculated by applying the stated income tax rate to only the net investment income exempt from taxation, according to a standardized formula. See the formulas described in greater detail in the Statement of Additional Information. In addition to the above standardized yields, each of these Portfolios may also advertise non-standardized yields.

From time to time in advertisements or sales materials, each Portfolio may present and discuss its performance rankings and/or ratings or other information as published by recognized mutual fund statistical services, such as Lipper Analytical Services, Inc., or by publications of general interest such as Forbes, Money, The Wall Street Journal, Business Week, Barron's, Changing Times, Fortune, Institutional Investor, or Morningstar Mutual Fund Values. Ratings may include criteria relating to portfolio characteristics in addition to performance information. In connection with a ranking, a Portfolio will also provide additional information with respect to the ranking, including the particular category to which it relates, the number of funds in the category, the period and criteria on which the ranking is based, and the effect of sales charges, fee waivers and/or expense reimbursements. A Portfolio may compare its performance to that of other selected mutual funds or recognized market indicators, including the Standard & Poor's 500 Stock Index, the Dow Jones Industrial Average, the Standard & Poor's Midcap Index, the Russell 2000, the NASDAQ Composite, the Lehman Brothers Government Corporate Bond Index, the Lehman Brothers Long Municipal Bond Index, the Lehman Brothers Aggregate Bond Index, the Merrill Lynch High Yield Master Index and the Morgan Stanley Capital International World Index. In addition, a Portfolio may as appropriate compare its performance to that of other types of investments such as certificates of deposit, savings accounts and U.S. Treasury securities, or to certain interest rate and inflation indices, such as the Consumer Price Index. The Global Portfolio's performance may also be compared to the record of global market indicators such as the Morgan Stanley Capital International Europe, Australia, Far East Index ("EAFE Index"). The EAFE Index is an unmanaged Index of foreign common stock prices translated into U.S. dollars.

Each Portfolio will include performance data for both Class A and Class C shares of the Portfolio in any advertisements or information that includes performance data for that Portfolio. All performance figures are based upon historical results and are not intended to indicate future performance. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

INVESTMENT ADVISORY AND OTHER SERVICES

TRUSTEES

The Board of Trustees is responsible for managing the business and affairs of the Fund, and it oversees the operation of the Fund by its officers. Information concerning the Trustees and officers of the Fund is contained in the Statement of Additional Information.

INVESTMENT ADVISERS

GROWTH, GLOBAL, FLEXIBLE INCOME, BALANCED AND CAPITAL APPRECIATION PORTFOLIOS. The Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios have each entered into a Management and Investment Advisory Agreement ("Advisory Agreement") with Idex Management, Inc. ("IMI"), whose address is 201 Highland Avenue, Largo, Florida 34640, to act as its investment adviser. IMI has served as investment adviser to IDEX Fund, IDEX II Series Fund Growth, Global, Flexible Income (and its predecessor, IDEX Total Income Trust), Balanced and Capital Appreciation Portfolios and IDEX Fund 3 since inception of each fund or portfolio. Fifty percent (50%) of the outstanding stock of IMI and 100% of the outstanding stock of InterSecurities, Inc., principal underwriter of the Fund's shares, is owned by AUSA Holding Company ("AUSA"). AUSA is a holding company which is wholly-owned by AEGON USA, Inc. ("AEGON USA"), a financial services holding company whose primary emphasis is on life and health insurance and annuity and investment products. AEGON USA is a wholly-owned indirect subsidiary of AEGON nv, a Netherlands corporation and publicly traded international insurance group. Janus Capital Corporation ("Janus Capital"), the sub-adviser of the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios, owns the remaining 50% of the outstanding shares of IMI. Kansas City Southern Industries, Inc., a publicly-owned holding company whose primary subsidiaries are engaged in transportation and financial services, owns approximately 83% of Janus Capital.

IMI is responsible for furnishing or causing to be furnished to each of these five Portfolios investment advice and recommendations and supervising the purchase and sale of securities as directed by appropriate Fund officers. In addition, IMI is responsible for the administration of each of these five Portfolios. For services furnished to the Growth, Global, Balanced and Capital Appreciation Portfolios, respectively, IMI receives an annual fee, computed daily and paid monthly, equal to 1.00% of the first $750 million of that Portfolio's average daily net assets, 0.9% of the next $250 million of that Portfolio's average daily net assets, and 0.85% of the average daily net assets of that Portfolio in excess of $1 billion. For its services to the Flexible Income Portfolio, IMI receives an annual fee, computed daily and paid monthly, equal to 0.9% of the first $100 million of that Portfolio's average daily net assets, 0.8% of the next $150 million of that Portfolio's average daily net assets and 0.7% of the average daily net assets of that Portfolio in excess of $250 million. The investment advisory fees paid by each of the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios are higher than those paid by many other funds.

For the fiscal year ended September 30, 1994, the investment advisory fee paid by the Growth and Global Portfolios was 1.00% of each Portfolio's respective average daily net assets. For the fiscal year ended September 30, 1994, the investment advisory fee incurred by the Flexible Income Portfolio, was .52% of that Portfolio's average daily net assets, net of fees waived by IMI.

In addition to the investment advisory fee, under its Advisory Agreement, the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios each pay most of its operating costs, including administrative, bookkeeping and clerical expenses, legal fees, auditing and accounting fees, shareholder services and transfer agent fees, custodian fees, costs of complying with federal and state regulations, preparing, printing and distributing reports to shareholders, non-interested trustees' fees and expenses, interest, insurance, dues for trade associations and taxes. Each Portfolio also pays all brokers' commissions in connection with its portfolio transactions. IMI will reimburse any of these Portfolios or waive fees, or both, to the extent that the Portfolio's normal operating expenses, including investment advisory fees but excluding interest, taxes, brokerage commissions and 12b-1 fees, exceed on an annual basis the lesser of the most restrictive expense limitation imposed by any state in which its shares are offered or, with respect to the Growth Portfolio and the Flexible Income Portfolio, 1.50% of that Portfolio's average daily net assets, and with respect to the Balanced Portfolio and the Capital Appreciation Portfolio, 2.50% of that Portfolio's average daily net assets for the fiscal year ended September 30, 1995, and 1.50% thereafter.

For the fiscal year ended September 30, 1994, the total expenses of the Growth Portfolio Class A and Class C shares, including the investment advisory fee, amounted to 1.76% and 3.48%, respectively, of each Class's respective average daily net assets. For the year ended September 30, 1994, the total expenses of the Global Portfolio Class A and Class C shares, including the investment advisory fee, amounted to 2.14% and 4.04%, respectively, of each Class's respective average daily net assets. For the fiscal year ended September 30, 1994, the total expenses of the Flexible Income Portfolio Class A and Class C shares, including the investment advisory fee, amounted to 1.85% and 2.40%, respectively, of each Class's respective average daily net assets during that period (net of fees waived by IMI).

TAX-EXEMPT, INCOME PLUS, AGGRESSIVE GROWTH AND EQUITY-INCOME PORTFOLIOS. The Tax-Exempt, Income Plus, Aggressive Growth and Equity-Income Portfolios have each entered into an Advisory Agreement with InterSecurities, Inc. ("ISI"), whose address is 201 Highland Avenue, Largo, Florida 34640, to act as the investment adviser. ISI has served as investment adviser to the Tax-Exempt and Income Plus Portfolios since 1992, and to the Aggressive Growth and Equity-Income Portfolios since their inception, December 1994. In addition, its affiliate, IMI, is and has served as investment adviser to IDEX Fund, IDEX II Series Fund Growth, Global, Flexible Income (and its predecessor, IDEX Total Income

Trust), Balanced and Capital Appreciation Portfolios and IDEX Fund 3 since inception of each fund or portfolio. All of the outstanding stock of ISI is owned by AUSA, a wholly-owned subsidiary of AEGON USA and thus, ISI is an affiliate of IMI.

ISI is responsible for furnishing or causing to be furnished to the Tax-Exempt, Income Plus, Aggressive Growth and Equity-Income Portfolios investment advice and recommendations and supervising the purchase and sale of securities as directed by appropriate Fund officers. In addition, ISI provides all administrative services and facilities to each of these Portfolios, including furnishing all executive and managerial personnel, office space and equipment, regulatory compliance, financial reports, supervising preparation of tax returns and recordkeeping. For services furnished to the Tax-Exempt and Income Plus Portfolios, respectively, ISI receives an annual fee, computed daily and paid monthly, equal to 0.60% of the average daily net assets of that Portfolio. For services furnished to the Aggressive Growth and Equity-Income Portfolios, respectively, ISI receives an annual fee, computed daily and paid monthly, equal to 1.00% of the first $750 million of that Portfolio's average daily net assets, 0.90% of the next $250 million of that Portfolio's average daily net assets, and 0.85% of the average daily net assets of the Portfolio in excess of $1 billion. The investment advisory fees paid by the Tax-Exempt, Income Plus, Aggressive Growth and Equity-Income Portfolios are higher than those paid by many other funds.

For the fiscal year ended September 30, 1994, the investment advisory fee paid by the Tax-Exempt Portfolio was .22% of that Portfolio's average daily net assets, net of fees waived by ISI. For the fiscal year ended September 30, 1994, the investment advisory fee paid by the Income Plus Portfolio was .60% of that Portfolio's average daily net assets.

In addition to the investment advisory fee, under its Advisory Agreement the Tax-Exempt, Income Plus, Aggressive Growth and Equity-Income Portfolios each pay most of its operating costs, including administrative, bookkeeping and clerical expenses, legal fees, auditing and accounting fees, shareholder services and transfer agent fees, custodian fees, costs of complying with federal and state regulations, preparing, printing and distributing reports to shareholders, non-interested trustees' fees, interest, insurance, dues for trade associations and taxes. Each Portfolio also pays all brokers' commissions in connection with its portfolio transactions. Pursuant to an expense limitation voluntarily adopted by ISI, ISI plans to reimburse each of the Tax-Exempt, Income Plus, Aggressive Growth and Equity-Income Portfolios or waive fees, or both, to the extent that the Portfolio's normal operating expenses, including investment advisory fees but excluding interest, taxes, brokerage commissions and 12b-1 fees, exceed on an annual basis, with respect to the Tax-Exempt Portfolio and the Income Plus Portfolio, .65% and 1.25%, respectively, of the average daily net assets of the Portfolio, and with respect to the Aggressive Growth Portfolio and the Equity-Income Portfolio, the lesser of the most restrictive expense limitation imposed by any state in which its shares are offered or 2.50% of that Portfolio's average daily net assets for the fiscal year ended September 30, 1995, and 1.50% thereafter.

For the fiscal year ended September 30, 1994, the total expenses of the Tax-Exempt Portfolio Class A and Class C shares, including the investment advisory fee, amounted to 1.00% and 1.25%, respectively, of each Class's respective average net assets (net of voluntary expense reimbursements and/or fee waivers). For the fiscal year ended September 30, 1994, the total expenses of the Income Plus Portfolio Class A and Class C shares, including the investment advisory fee, amounted to 1.33% and 3.52%, respectively, of each Class's respective average daily net assets.

BALANCED, CAPITAL APPRECIATION, AGGRESSIVE GROWTH AND EQUITY-INCOME PORTFOLIOS. No investment advisory fees or expenses were assessed for the fiscal year ended September 30, 1994 for the IDEX II Balanced, Capital Appreciation, Aggressive Growth and Equity-Income Portfolios, as these Portfolios did not commence operations until December 5, 1994.

SUB-ADVISERS

GROWTH, GLOBAL, FLEXIBLE INCOME, BALANCED AND CAPITAL APPRECIATION PORTFOLIOS. IMI has entered into an Investment Counsel Agreement for each of the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios with Janus Capital, whose address is 100 Fillmore Street, Suite 300, Denver, Colorado 80206. Janus Capital is a registered investment adviser which serves as the investment adviser or sub-adviser to other mutual funds and private accounts. Janus Capital provides IMI with investment advice and recommendations for each Portfolio consistent with that Portfolio's investment objective, policies and restrictions, and supervises the purchase and sale of all security transactions on behalf of the Portfolio, including the negotiation of commissions and the allocation of principal business and portfolio brokerage. In allocating such portfolio transactions, Janus Capital may consider research and other services furnished to it and may place portfolio transactions with broker-dealers that are affiliated with IMI or Janus Capital. In placing portfolio business with all dealers, Janus Capital seeks the best execution of each transaction and all brokerage placement must be consistent with the Rules of Fair Practice of the National Association of Securities Dealers, Inc. While Janus Capital carries out most of IMI's advisory functions, IMI retains responsibility for the performance of such functions. For its services, Janus Capital receives 50% of the fees received by IMI under each of the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios' respective Advisory Agreements less 50% of any amount reimbursed to the Portfolio or waived by IMI pursuant to that Portfolio's expense limitation. IMI may pay additional compensation to Janus Capital under certain cir-

cumstances depending on the level of the aggregate net assets of certain mutual funds in the IDEX Group of Mutual Funds, as described in the Statement of Additional Information.

Thomas F. Marsico has served as portfolio manager of the Growth Portfolio since its inception. Mr. Marsico also serves as portfolio manager of other mutual funds in the IDEX Group: IDEX Fund and IDEX Fund 3. Mr. Marsico is an

Executive Vice President of Janus Investment Fund and has been a Vice President of Janus Capital since 1986.

Helen Y. Hayes has served as portfolio manager of the Global Portfolio since its inception. Ms. Hayes is also an Executive Vice President of Janus Investment Fund and Janus Aspen Series. Ms. Hayes has been employed by Janus Capital since 1987.

Ronald V. Speaker has served as portfolio manager of the Flexible Income Portfolio since its inception, and served as portfolio manager of the Flexible Income Portfolio's predecessor, IDEX Total Income Trust since February 1992. Mr. Speaker is also an Executive Vice President of Janus Investment Fund and Janus Aspen Series and previously served as a securities analyst and research associate at Janus Capital, since 1986.

James P. Craig has served as portfolio manager of the Balanced Portfolio since its inception. Mr. Craig has been active in the investment management business for twelve years and has managed Janus Fund since 1986, Janus Venture Fund from its inception in April 1985 to December 1993 and Janus Balanced Fund since December 1993. He holds a Bachelor of Arts in Business from the University of Alabama and a Master of Arts in Finance from the Wharton School of the University of Pennsylvania.

James P. Goff has served as portfolio manager of the Capital Appreciation Portfolio since its inception. Mr. Goff joined Janus Capital in 1988 and has managed Janus Enterprise Fund since its inception in September 1992 and has co-managed Janus Venture Fund since December 1993. He holds a Bachelor of Arts in Economics from Yale University and is a Chartered Financial Analyst.

TAX-EXEMPT AND INCOME PLUS PORTFOLIOS. AEGON USA Investment Management, Inc. ("AEGON Management"), 4333 Edgewood Road, N.E., Cedar Rapids, Iowa 52499, serves as the investment sub-adviser to each of the Tax-Exempt and Income Plus Portfolios pursuant to an Investment Counsel Agreement relating to each Portfolio. Each Investment Counsel Agreement was entered into between ISI and AEGON USA Securities, Inc. ("AEGON Securities") (formerly known as MidAmerica Management Corporation), which assigned each Agreement to AEGON Management, on September 30, 1992. AEGON Securities previously served as the investment adviser to each series of AEGON USA Managed Portfolios, Inc. AEGON Management is a wholly-owned indirect subsidiary of AEGON USA and thus is an affiliate of ISI and IMI.

AEGON Management provides ISI with investment advice and recommendations for the Tax-Exempt and Income Plus Portfolios consistent with each Portfolio's investment objective, policies and restrictions, and supervises the purchase and sale of all security transactions on behalf of each Portfolio, including the negotiation of commissions and the allocation of principal business and portfolio brokerage. In allocating such portfolio transactions, AEGON Management may consider research and other services furnished to it and may place portfolio transactions with broker-dealers that are affiliated with ISI or AEGON Management. In placing portfolio business with all dealers, AEGON Management seeks the best execution of each transaction and all brokerage placement must be consistent with the Rules of Fair Practice of the National Association of Securities Dealers, Inc. While AEGON Management carries out most of ISI's advisory functions, ISI retains responsibility for the performance of such functions. For its services, AEGON Management receives 50% of the fees received by ISI under the Tax-Exempt and the Income Plus Portfolio's Advisory Agreement less 50% of any amount reimbursed to that Portfolio or waived by ISI pursuant to the Portfolio's expense limitation.

Rachel A. Dennis has served as portfolio manager of the Tax-Exempt Portfolio since its inception. Ms. Dennis is also a Vice President of AEGON Management. Ms. Dennis has been employed by AEGON Management and its affiliates in various positions since 1977.

David R. Halfpap has served as portfolio manager of the Income Plus Portfolio since its inception. Mr. Halfpap is a Vice President of AEGON Management and has been employed by AEGON Management and its affiliates in various positions since 1975.

AGGRESSIVE GROWTH AND EQUITY-INCOME PORTFOLIOS. Fred Alger Management, Inc., located at 75 Maiden Lane, New York, NY 10038 ("Alger Management"), serves as the investment sub-adviser to the Aggressive Growth Portfolio pursuant to an Investment Counsel Agreement relating to the Portfolio. Alger Management, a registered investment adviser, is a wholly-owned subsidiary of Fred Alger & Company, Incorporated ("Alger, Inc."), which in turn is a wholly-owned subsidiary of Alger Associates, Inc., a financial services holding company controlled by Fred M. Alger. As of December 31, 1994, Alger Management had approximately $2.9 billion in assets under management for investment companies and private accounts. Alger Management has served as the investment sub-adviser to the WRL Series Fund, Inc. Aggressive Growth Portfolio since its inception in February 1994. See the Statement of Additional Information for a more detailed description of the previous experience of Alger Management as an investment adviser.

David Alger has served as portfolio manager of the Aggressive Growth Portfolio since its inception. Mr. Alger has served as an Executive Vice President and Director of Research of Alger Management since 1971, and as President since 1995. He serves as portfolio manager for other mutual funds and investment accounts managed by Alger Management. Mr. Alger has also served as the portfolio manager of the WRL Series Fund, Inc. Aggressive Growth Portfolio since its inception in February 1994.

Luther King Capital Management Corporation ("Luther King"), located at 301 Commerce Street, Suite 1600, Fort Worth, Texas 76102, serves as the investment sub-adviser to the Equity-Income Portfolio pursuant to an Investment Counsel Agreement relating to the Portfolio. Ultimate control of the sub-adviser is exercised by J. Luther King, Jr. Luther King is a registered investment adviser and provides investment management services to accounts of individual and other institutional investors. Luther King has served as the investment sub-adviser to the WRL Series Fund, Inc. Equity-Income Portfolio since its inception in February 1993. See the Statement of Additional Information for a more detailed description of the previous experience of Luther King as an investment adviser.

Luther King, Jr., Scot C. Hollmann and John Patrick Clegg have served as portfolio managers of the Equity-Income Portfolio since its inception. Mr. King has been President of Luther King since 1979. Mr. Hollmann has served as Vice President of Luther King since 1983 and Mr. Clegg has served as Vice President of Luther King since 1991. From 1986 to 1991, Mr. Clegg served as Assistant Portfolio Manager to various investment companies advised by American Capital Management & Research, Inc. Messrs. King, Hollman and Clegg have also served as portfolio managers of the WRL Series Fund, Inc. Equity-Income Portfolio since its inception in February 1993.

Alger Management and Luther King provide ISI with investment advice and recommendations for the Aggressive Growth and Equity-Income Portfolios, respectively, consistent with each Portfolio's investment objective, policies and restrictions, and supervise the purchase and sale of all security transactions on behalf of each Portfolio, including the negotiation of commissions and the allocation of principal business and portfolio brokerage. In allocating such portfolio transactions, Alger Management and Luther King may consider research and other services furnished to them. It is anticipated that Alger, Inc., an affiliate of Alger Management, will serve as the Aggressive Growth Portfolio's broker in effecting substantially all of the Aggressive Growth Portfolio's transactions on securities exchanges and will retain commissions in accordance with certain regulations of the Securities and Exchange Commission. In placing portfolio business with all dealers, Alger Management and Luther King seek the best execution of each transaction and all brokerage placement must be consistent with the Rules of Fair Practice of the National Association of Securities Dealers, Inc. While Alger Management and Luther King carry out most of ISI's advisory functions, ISI retains responsibility for the performance of such functions. For their services, Alger Management and Luther King each receive 40% of the fees received by ISI under the Aggressive Growth and the Equity-Income Portfolio's respective Advisory Agreement, less 40% of any amount reimbursed to each respective Portfolio or waived by ISI pursuant to the Portfolio's expense limitation.

Janus Capital, AEGON Management, Alger Management and Luther King may be referred to herein collectively as the "sub-advisers" and individually as a "sub-adviser."

ADMINISTRATOR

IMI has entered into an Administrative Services Agreement ("Administrative Agreement") pursuant to which ISI serves as administrator to each of the Growth, Global, Flexible Income, Balanced and Capital Appreciation Portfolios. Under the Administrative Agreements, ISI provides all services required to carry on the general administrative and corporate affairs of these Portfolios. These services include furnishing all executive and managerial personnel, office space and equipment, arrangements for and supervision of all shareholder services, federal and state regulatory compliance and responsibility for accounting and recordkeeping. For its services under an Administrative Agreement, ISI receives 50% of the fees received by IMI under the corresponding Advisory Agreement. Under certain circumstances, the amounts payable to ISI under an Administrative Agreement will be reduced by any additional compensation payable by IMI to Janus Capital, as described in the Statement of Additional Information.

DISTRIBUTOR AND DISTRIBUTION AND SERVICE PLANS

The Fund has entered into an Underwriting Agreement with ISI pursuant to which ISI serves as principal underwriter and performs services and bears expenses relating to the offering of Fund shares for sale to the public. ISI also serves as principal underwriter of IDEX Fund and IDEX Fund 3. As compensation for the expenses borne by ISI and the distribution services provided, ISI receives the sales charges imposed on Class A shares and reallows a portion of such charges to brokers or dealers that have sold Class A shares. See "Shareholders' Manual -- How to Purchase Shares" for a more complete description of the sales charges for Class A shares. ISI may also receive annual service and distribution fees in accordance with the Plan of Distribution pursuant to Rule 12b-1 under the 1940 Act, adopted with respect to each class of shares of a Portfolio.

Under its Plan of Distribution for Class A shares ("Class A Plan"), a Portfolio may pay ISI an annual distribution fee of up to 0.35%, and an annual service fee of up to

0.25%, of the average daily net assets of that Portfolio's Class A shares; however, to the extent that a Portfolio pays service fees, the amount which the Portfolio may pay as a distribution fee is reduced accordingly so that the total fees payable under the Class A Plan may not exceed on an annualized basis 0.35% of the average daily net assets of that Portfolio's Class A shares.

Under its Plan of Distribution for Class C shares ("Class C Plan"), a Portfolio may pay ISI an annual distribution fee of up to 0.75% and an annual service fee of up to 0.25%, of the average daily net assets of that Portfolio's Class C shares; however, the total fee payable pursuant to a Class C Plan may not on an annualized basis exceed 0.90% of the average daily net assets of each Portfolio, and the Tax-Exempt Portfolio currently intends to limit the total fees payable pursuant to its Class C Plan to 0.60% of the average daily net assets of that Portfolio's Class C shares.

ISI may use the fees payable under the Class A and Class C Plans as it deems appropriate to pay for activities or expenses primarily intended to result in the sale of Class A or Class C shares, respectively, or in personal service to and/or maintenance of Class A or Class C shareholder accounts, respectively. For each class, these activities and expenses may include, but are not limited to: compensation to employees of ISI; compensation to and expenses of ISI and other selected dealers who engage in or otherwise support the distribution of shares or who service shareholder accounts; the costs of printing and distributing prospectuses, statements of additional information and reports for other than existing shareholders; and the costs of preparing, printing and distributing sales literature and advertising materials.

Of the distribution and service fees received by ISI for Class A shares, ISI currently reallows an annual amount of 0.25% of the average daily net assets of that Portfolio's Class A shares to brokers or dealers that have sold such Class A shares. Of the distribution and service fees received by ISI for Class C shares, ISI currently reallows the total fees to brokers or dealers that have sold such Class C shares.

DISTRIBUTIONS AND TAXES

DISTRIBUTION PAYMENT POLICY

Each of the Growth, Global, Aggressive Growth and Capital Appreciation Portfolios ordinarily declares and pays semi-annual dividends from its net investment income available for distribution, and each of the Flexible Income, Tax-Exempt and Income Plus Portfolios ordinarily declares and pays monthly dividends from its net investment income available for distribution. The Balanced and Equity-Income Portfolios ordinarily pay quarterly dividends from their net investment income available for distribution. Each Portfolio makes annual distributions of any net realized short-term capital gains, net gains from certain foreign currency transactions and net capital gain (the excess of net long-term capital gain over net short-term capital loss). Capital gain distributions realized during each fiscal year (ending on September 30) normally will be declared and paid in the subsequent fiscal year. To avoid a 4% excise tax on undistributed amounts of ordinary income and capital gains, as described in the Statement of Additional Information, a Portfolio may, to the extent permitted by applicable rules adopted by the Securities and Exchange Commission, pay additional distributions of capital gain in any year and make additional dividend distributions.

Dividends and other distributions paid by a Portfolio with respect to its Class A and Class C shares are calculated in the same manner and declared and paid at the same time. The per share dividends from net investment income on Class C shares of a Portfolio are expected to be lower than the per share dividends from net investment income on Class A shares of that Portfolio as a result of the higher service and distribution fees applicable to Class C shares.

All dividends and capital gain distributions, if any, with respect to a particular class, will be paid automatically in additional shares of that class at the net asset value per share determined as of the next business day following the record date, unless the shareholder elects on his or her New Account Application or by written request to ISI, one of the following options:

1. to receive or direct to another payee all dividends and capital gain distributions in cash;

2. to receive or direct to another payee all dividends in cash and to receive all capital gain distributions in additional shares at net asset value; or

3. to invest all dividends and capital gain distributions in the shares of the same class of another IDEX portfolio or fund on which an initial sales charge is imposed held by the shareholder in the same type of account (either retirement or non-retirement).

Checks for cash distributions and distribution confirmations are usually mailed to shareholders within ten days of the record date. Checks for cash distributions will be made payable to the shareholder of record and sent by first class mail to the shareholder's address of record unless otherwise requested by the shareholder on the New Account Application or by a separate written request. Any checks which are unable to be delivered and are returned to the Fund or Idex Investor Services, Inc. (the "Transfer Agent") will be reinvested into the shareholder's account in full or fractional shares at the net asset value next computed after the check has been received by the Transfer Agent. To reduce costs to a Portfolio, checks outstanding and uncashed for over 180 days may be "stop-paid" and reinvested back into the shareholder/payee's account at the discretion of the Transfer Agent. Also at the discretion of the Transfer Agent, cash distribution checks less

than $5.00 may be reinvested back into the account and the distribution option changed to automatic payment of distributions in additional shares of the Portfolio.

Each shareholder of the Flexible Income, Tax-Exempt and Income Plus Portfolios whose dividends are automatically paid in additional shares will receive quarterly statements that confirm the dividend transactions during the period, unless the shareholder elects to receive confirmation at the time of each transaction.

Further information concerning dividends and distributions may be obtained by calling Customer Service at (800) 851-9777. Shareholders may change their dividend or distribution options any time before the record date of any dividend or distribution by calling Customer Service or writing to Idex Investor Services, Inc., P.O. Box 9015, Clearwater, FL 34618-9015.

TAX INFORMATION

Each Portfolio is treated as a separate entity for federal tax purposes. As a result, each Portfolio must separately meet, and intends to meet, the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, for treatment as a regulated investment company so as to avoid paying federal income tax on that portion of its investment company taxable income (consisting generally of net investment income and net short-term capital gain) and net capital gain distributed to its shareholders. Dividends paid from a Portfolio's investment company taxable income are taxable to its shareholders (other than those exempt from income tax) as ordinary income, whether received in cash or in additional shares, to the extent of the Portfolio's earnings and profits. Distributions paid from a Portfolio's net capital gain, when designated as such by the Portfolio, are taxable to shareholders (other than those exempt from income tax) as long-term capital gains, whether received in cash or in additional shares and regardless of how long shareholders have held their shares. If a Portfolio declares a dividend or other distribution in October, November or December payable to shareholders of record on a specified date in such a month, and if the Portfolio pays the distribution to the shareholders during January of the following year, then each shareholder will be treated as receiving the distribution on December 31 of that year, and the Portfolio will be treated as having paid the distribution on that date.

As a general rule, a shareholder's gain or loss on a sale (redemption or exchange out of a Portfolio) of his or her shares will be a long-term capital gain or loss if the shares have been held for more than one year and a short-term capital gain or loss if held for one year or less. Individuals are subject to a maximum federal tax rate of 28% on net capital gain. The maximum rate of 28% applies to both capital gain distributions from the Portfolio to individual shareholders and to net long-term capital gains on the disposition of shares by individual shareholders. For most accounts (other than retirement plan accounts which will receive Form 1099-B), the Transfer Agent will provide basis information incorporated within Form 1099-B on the gain or loss on sale of Portfolio shares based upon the Internal Revenue Service single category average cost method. Shareholders are encouraged to keep regular account statements to use in conjunction with average cost information (if received) in order to determine gain or loss on the sale of Portfolio shares for tax purposes.

To the extent that dividends paid by a Portfolio are attributable to qualifying dividend income received from U.S. corporations, dividends paid by the Portfolio will qualify for the dividends-received deduction for corporations. However, dividends received by a corporate shareholder and deducted by it pursuant to the dividends-received deduction are subject indirectly to the alternative minimum tax.

If shares of a Portfolio are redeemed at a loss after being held for six months or less, the loss will be disallowed to the extent of any exempt-interest dividends received with respect to those shares; any portion of the loss that is allowed will be treated as long-term capital loss to the extent of any capital gain distributions on those shares. It is anticipated that this situation could only occur for shareholders in the Tax-Exempt Portfolio.

Generally, shareholders should be aware that if shares of a non-retirement plan account are purchased on or shortly before the record date for a dividend or other taxable distribution, the shareholder will pay full price for the shares and receive some portion of the price back as a taxable distribution.

Generally a redemption of Portfolio shares will result in taxable gain or loss to the redeeming shareholder, depending on whether the redemption proceeds are more or less than the shareholder's adjusted basis for the redeemed shares (which normally includes any sales charge paid on Class A shares). An exchange of Portfolio shares for shares of any other IDEX portfolio or fund generally will have similar tax consequences. However, special rules apply when a shareholder (1) disposes of Class A shares through a redemption or exchange within 90 days after his or her purchase thereof and (2) subsequently acquires Class A shares of the Portfolio or another IDEX portfolio or fund on which an initial sales charge normally is imposed, without paying a sales charge due to the exchange privilege or 90-day reinvestment privilege. (See "Shareholders' Manual -- How to Exchange Shares" and "Shareholders' Manual -- How to Redeem Shares -- Reinvestment Privilege.") In these cases, any gain on the disposition of the Class A shares would be increased, or loss decreased, by the amount of the sales charge paid when those shares were acquired, and that amount will increase the adjusted basis of the shares subsequently acquired. In addition, if Portfolio shares are purchased (whether pursuant to the reinvestment privilege or otherwise) within 30 days before or after redeeming other shares of the Portfolio at a loss, that loss ("wash sale-loss") will be deferred rather than currently deductible, and

thus will increase the basis of the newly purchased shares. The Transfer Agent currently is able to calculate and track for shareholders wash sale adjustments, but is unable to adjust shareholders' basis information for any applicable 90 day sales load deferral adjustment as described above.

The Tax-Exempt Portfolio intends to continue to qualify to pay "exempt interest" dividends which are distributions from that Portfolio's investment income attributable to interest on Municipal Obligations, designated as such by the Portfolio to its shareholders on a statement provided in January. Exempt-interest dividends are generally treated as excludable from the gross income of recipients for federal income tax purposes. (However, shareholders who are "substantial users" or persons related to "substantial users" of certain facilities financed by industrial development bonds may not exclude exempt-interest dividends relating to those bonds.) Interest on indebtedness incurred or continued to purchase or carry Tax-Exempt Portfolio shares is not deductible to the extent attributable to exempt-interest dividends. Some securities held by the Tax-Exempt Portfolio may be specified private activity bonds the interest on which is a specific item of tax preference for purposes of computing the federal alternative minimum tax for both individuals and corporations. Therefore, to the extent the Tax-Exempt Portfolio receives income from such securities, a portion of the dividends paid by the Tax-Exempt Portfolio will be subject to the alternative minimum tax. In addition, for certain corporate shareholders, all tax-exempt income, including all exempt-interest dividends, to the extent not treated as an item of tax preference, as discussed above, will be included in determining the corporation's alternative minimum tax.

Shareholders of the Tax-Exempt Portfolio should note that they may, in addition to receiving exempt-interest dividends, receive additional dividends that are taxable as ordinary income or capital gains.

Up to 85% of social security and railroad retirement benefits may be included in taxable income for a benefit recipient if the sum of his or her adjusted gross income, income from tax-exempt sources such as exempt interest dividends from the Tax-Exempt Portfolio, plus 50% of his or her benefits exceeds certain base amounts. Exempt interest dividends from the Tax-Exempt Portfolio still are tax-exempt to the extent described above; they are only included in the calculation of whether a recipient's income exceeds established amounts.

In many states, shareholders are not subject to state income taxation on distributions made by a registered investment company that were derived from interest on direct obligations of the U.S. government (although dividends derived from interest on obligations issued by agencies or instrumentalities of the U.S., or interest earned on repurchase obligations secured by such obligations or direct obligations of the U.S. may be subject to state income taxation).

Statements as to the tax status of the dividends and other distributions paid by a Portfolio are mailed annually. For most types of accounts, the Transfer Agent will report the proceeds of redemptions to shareholders and the Internal Revenue Service annually. Average cost basis information on non-retirement plan account redemptions is not currently reported to the IRS.

Each Portfolio, except the Tax-Exempt Portfolio, is required to withhold 31% of all dividends, and each Portfolio, including the Tax-Exempt Portfolio, is required to withhold 31% of capital gain distributions and redemption proceeds, paid on behalf of any individuals and certain other noncorporate shareholders who do not furnish the Portfolio with a correct taxpayer identification number. Withholding from dividends and capital gain distributions also is required for shareholders who otherwise are subject to backup withholding.

The foregoing is only a summary of some of the important federal tax considerations under current tax law generally affecting each Portfolio and its shareholders; see the Statement of Additional Information for further discussion. Because there may be other federal, state or local tax considerations applicable to a particular shareholder, shareholders are urged to consult their own tax advisers.

MISCELLANEOUS INFORMATION

ORGANIZATION

Each Portfolio is a series of IDEX II Series Fund (the "Fund"), a Massachusetts business trust that was formed by a Declaration of Trust dated January 7, 1986 and whose operations are governed by a Restatement of Declaration of Trust dated as of August 30, 1991 ("Declaration of Trust"), a copy of which is on file with the Secretary of the Commonwealth of Massachusetts. Prior to its organization as a series company, the name of the Fund was IDEX II.

The Fund is managed by its Board of Trustees pursuant to the Declaration of Trust. The Declaration of Trust permits the Board of Trustees to issue an unlimited number of shares of beneficial interest in the Fund. The shares of beneficial interest of each Portfolio are divided into two classes, currently Class A and Class C. Each class represents interests in the same assets of the Portfolio and differ as follows: each class of shares has exclusive voting rights on matters pertaining to its plan of distribution or any other matters appropriately limited to that class; Class A shares are subject to an initial sales charge; Class C shares are subject to higher ongoing distribution and service fees; each class may bear differing amounts of certain class-specific expenses; and each class has a separate exchange privilege. The Fund does not anticipate that there will be any conflicts between the interests of holders of the different classes of shares of the same Portfolio by virtue of those classes. On an ongoing basis, the Board of Trustees will consider whether any such conflict exists and, if so, take

appropriate action. Each share of a series is entitled to equal voting, dividend, liquidation and redemption rights, except that due to the differing expenses borne by the two classes, dividends and liquidation proceeds of Class C shares are expected to be lower than for Class A shares of the same Portfolio.

The Fund does not intend to hold annual meetings of shareholders, unless required to do so by the 1940 Act or by the Declaration of Trust. A meeting will be called for the election of trustees upon the written request of holders of 10% of the outstanding shares of the Fund. Shareholders have neither preemptive nor cumulative voting rights.

On August 7, 1992, in a tax-free reorganization, IDEX II Tax-Exempt Portfolio acquired all of the assets and assumed all of the liabilities of AEGON USA Tax-Exempt Portfolio in exchange for shares of IDEX II Tax-Exempt Portfolio which were then distributed to the AEGON USA Tax-Exempt Portfolio shareholders, and IDEX II Income Plus Portfolio acquired all of the assets and assumed all of the liabilities of AEGON USA High Yield Portfolio in exchange for shares of IDEX II Income Plus Portfolio which were then distributed to the AEGON USA High Yield Portfolio shareholders. All historical financial information set forth in this Prospectus relates to the AEGON USA Tax-Exempt Portfolio and the AEGON USA High Yield Portfolio prior to the date they were reorganized into the IDEX II Tax-Exempt Portfolio and the IDEX II Income Plus Portfolio, respectively. On August 21, 1992, in a tax-free reorganization, IDEX II Growth Portfolio acquired all of the assets and assumed all of the liabilities of AEGON USA Growth Portfolio and AEGON USA Capital Appreciation Portfolio in exchange for shares of IDEX II Growth Portfolio which were then distributed on a prorata basis to the respective AEGON USA Growth Portfolio and AEGON USA Capital Appreciation shareholders.

On October 1, 1993, in a tax-free reorganization, IDEX II Flexible Income Portfolio acquired all of the assets and assumed all of the liabilities of IDEX Total Income Trust in exchange for shares of IDEX II Flexible Income Portfolio which were then distributed to the IDEX Total Income Trust shareholders. All historical financial information in this Prospectus pertaining to IDEX II Flexible Income Portfolio relates to IDEX Total Income Trust prior to the date it was reorganized into that Portfolio.

CERTAIN LIABILITIES

Under Massachusetts law, shareholders of a Massachusetts business trust could, under certain circumstances, be held personally liable for acts or obligations of the trust. The Declaration of Trust contains an express disclaimer of shareholder liability for acts, obligations or affairs of the Fund. The Declaration of Trust also provides for indemnification out of Fund assets for all loss and expense of any shareholder held personally liable by reason of being or having been a shareholder. Liability is limited to circumstances in which the Fund itself would be unable to meet its obligations, a possibility that the adviser believes is remote.

TRANSFER AGENT

Idex Investor Services, Inc., P.O. Box 9015, Clearwater, Florida 34618-9015, an affiliate of IMI and ISI, is the Fund's Transfer Agent, withholding agent and dividend paying agent. All written correspondence relating to a shareholder's account should be sent to the Transfer Agent.

CUSTODIAN

Investors Fiduciary Trust Company, 127 West 10th Street, Kansas City, Missouri 64105, is custodian of the Fund's assets and serves as custodian or trustee for qualified retirement plans and individual retirement plan accounts. However, correspondence regarding a shareholder's account should be sent to the Transfer Agent at the address shown above.

SHAREHOLDER INQUIRIES

Any inquiries by shareholders relating to a Portfolio or the Fund or requests for forms for establishing or changing shareholder accounts or plans should be made by calling Customer Service at (800) 851-9777 or writing the Transfer Agent at P.O. Box 9015, Clearwater, Florida 34618-9015.

SHAREHOLDER REPORTS, PROSPECTUSES AND CONSOLIDATED STATEMENTS

The Fund sends annual and semi-annual reports and updated prospectuses to shareholders. The annual reports contain audited financial statements. To reduce costs, a shareholder who has more than one account in the Fund, each with the same taxpayer identification number, will be sent only one copy (rather than multiple copies) of certain shareholder mailings and will receive a consolidated statement with respect to such accounts. Further, two or more shareholders may elect to receive a consolidated statement and only one copy (rather than multiple copies) of certain shareholder mailings for their accounts as long as the shareholders have the same surname and address of record and each of the affected shareholders so elects on the New Account Application or by written request to the Transfer Agent. Additional copies of shareholder reports and prospectuses may be obtained by calling Customer Service at (800) 851-9777.

SHAREHOLDERS' MANUAL

OPENING AN ACCOUNT

To open an account, complete and sign the New Account Application. Each Portfolio currently offers two classes of shares. You can buy Class A and Class C shares of a Portfolio in several ways which are described below. Additional documentation may be required for corporations, associations and certain fiduciaries. A special application is required for IDEX IRA's and other retirement plans. If you have an account in

another IDEX fund or portfolio, you may open an account in a Portfolio of this Fund with the same features by sending a written request to the Transfer Agent. If you have any questions or need extra forms, please call Customer Service at (800) 851-9777 or write the Transfer Agent.

TAX IDENTIFICATION NUMBER. To avoid being subject to a 31% federal withholding tax on dividends, capital gain distributions and proceeds of redemption, an individual or other non-exempt investor must furnish the Fund with the investor's taxpayer identification number and certify in writing that the number furnished is correct and that the investor is not subject to backup withholding. The appropriate number may be furnished and certified on the application to purchase shares or on IRS Form W-9. To avoid the additional expense of withholding taxes on dividends and other distributions, the Fund may involuntarily redeem any accounts for which certified taxpayer identification numbers have not been furnished within 60 days of the initial purchase of shares in those accounts. Foreign shareholders ordinarily must recertify their foreign status to the Transfer Agent every three years on IRS Form W-8.

HOW TO PURCHASE SHARES

Class A and Class C shares of a Portfolio may be purchased at the public offering price through ISI or through dealers who have sales agreements with

ISI. WHEN PLACING PURCHASE ORDERS, INVESTORS SHOULD SPECIFY WHETHER THE ORDER IS FOR CLASS A OR CLASS C SHARES OF A PORTFOLIO. Investments by check should be payable in dollars and drawn on U.S. institutions. Ordinarily, the minimum initial investment in the Portfolios, inclusive of the applicable sales charge for Class A shares, is $500. Purchases through plans for regular investment, such as the Automatic Investment Plan, payroll deduction plans or comparable plans, ordinarily do not require a minimum initial investment. Subsequent investments must ordinarily be at least $50. The minimum initial and subsequent investment for military allotment programs and for shares purchased along with other products offered by an affiliate of ISI is $10. A $15 service charge will be charged (through a redemption of shares) when a check, pre-authorized draft or an electronic transfer of monies through Automated Clearing House ("ACH") (or other similar means of purchasing shares) is returned or rejected by the paying bank because of insufficient or uncollected funds or because of a stop payment order.

All orders to purchase shares are subject to acceptance by the Fund and are not binding until so accepted, and are subject to ultimate collectibility of funds. The Fund may decline to accept a purchase order when in the judgment of management the acceptance of an order is not in the best interest of existing shareholders. All orders are processed at the appropriate offering price based on the net asset value of a Portfolio's shares next computed after receipt and acceptance of the order.

BY MAIL

Once an account is established, shareholders may purchase additional Class A or Class C shares at any time by sending checks for subsequent investments directly to the Transfer Agent:

Idex Investor Services, Inc.
P.O. Box 9015
Clearwater, FL 34618-9015

Make your check payable to IDEX Mutual Funds and indicate the class of shares. Please note your account number on the check.

BY AUTOMATIC INVESTMENT PLAN

Shareholders may purchase either Class A or Class C shares through an IDEX Automatic Investment Plan under which investments may be made periodically by means of a pre-authorized charge on their bank accounts on approximately the 5th and/or the 20th day of the month. The monies are electronically transferred through ACH or through a pre-authorized draft. Such transactions will be confirmed on the shareholder's bank statement as an ACH debit or a pre-authorized withdrawal. The shareholder's IDEX confirmation will reflect the shares so purchased. A shareholder may change the amount of the shareholder's regular investment or discontinue investments under the Automatic Investment Plan without penalty by calling Customer Service at (800) 851-9777 or writing the Transfer Agent. A shareholder may also request that the amount of his or her regular investment under the Automatic Investment Plan be automatically increased monthly, quarterly, semi-annually or annually. The periodic increases may be stated as a percentage of the automatic investment amount or as a specified dollar amount. Shareholders may participate in an Automatic Investment Plan by completing the appropriate section on the New Account Application or by written request to the Transfer Agent. Forms for establishing an Automatic Investment Plan may be obtained by calling Customer Service or writing the Transfer Agent.

BY TELEPHONE

Once an account is established, shareholders may purchase additional Class A or Class C shares by telephone request and make payment by means of a pre-authorized charge on their bank accounts. The shareholder may elect this additional purchase option on the New Account Application or by written request to the Transfer Agent. Payments for telephone purchases are automatically transferred from the shareholder's bank account to his or her IDEX account through ACH on approximately the second bank business day after the purchase request is effected. The purchase is confirmed on the shareholder's bank statement as a pre-authorized charge or withdrawal. The shareholder's IDEX confirmation will reflect the shares purchased. See "Other Information -- Telephone Transactions" for further information relating to the purchase of shares by telephone request.

PURCHASES THROUGH AUTHORIZED DEALERS

Purchase orders of at least $1,000 may be made by telephone by authorized dealers ("confirmed purchases"). Confirmed purchases can be paid to the Transfer Agent by a check or Federal funds bank wire. Dealers who wish to pay for orders with a Federal funds bank wire are referred to the wire instructions described below. If the confirmed purchase is for a new account, registration instructions including dealer certification of the shareholder's tax identification number must be mailed to the Transfer Agent. If the confirmed purchase is for an existing account, no additional documentation is needed. (It is the dealer's responsibility to transmit such orders promptly.)

As described above, confirmed purchases of at least $1,000 can be paid by dealers to the Transfer Agent through a Federal funds bank wire. Dealers that pay for orders with a bank wire should instruct their bank to wire Federal funds as follows:

NationsBank, N.A.
Tampa, Florida
ABA #063100277
DDA #3601194554
ATTN: Idex Investor Services, Inc.
Confirmed purchase order number(s)
Shareholder's account name(s)

There may be a charge by the dealer's bank for sending out a bank wire, but the Transfer Agent currently does not charge for this convenience.

PUBLIC OFFERING PRICE AND NET ASSET VALUE

The public offering price of a Class A or Class C share of a Portfolio is the net asset value per share next determined after receipt and acceptance of the order plus, if Class A shares, the applicable sales charge, if any. Net asset value is determined separately for each class of shares of a Portfolio. The net asset value ("NAV") per share of a Portfolio's Class A or Class C shares refers to the value of one share of that class and is determined by the Fund's custodian once daily as of the close of the regular session of business on the New York Stock Exchange (the "Exchange"), currently 4:00 p.m. Eastern time, each day the Exchange is open, and at such other times as the Fund may determine. The per share NAV of each class of shares of a Portfolio is determined by dividing the total value of the Portfolio's securities and other assets, less liabilities, allocable to that class by the total number of shares outstanding of that class. In determining NAV, securities and other portfolio investments are valued at market value. Investments for which quotations are not readily available are valued at fair value determined in good faith by the sub-advisers under the supervision of the Board of Trustees. The different expenses borne by each class of shares will result in different NAV's and dividends. The per share NAV of Class C shares will generally be lower than the Class A shares of that Portfolio because of the higher expenses borne by the Class C shares.

PURCHASING CLASS A SHARES

SALES CHARGES

The public offering price of a Class A share is equal to the net asset value per share plus a sales charge determined in accordance with the following schedules:

IDEX II GROWTH PORTFOLIO -- CLASS A SHARES
IDEX II GLOBAL PORTFOLIO -- CLASS A SHARES
IDEX II BALANCED PORTFOLIO -- CLASS A SHARES
IDEX II CAPITAL APPRECIATION PORTFOLIO -- CLASS A SHARES
IDEX II AGGRESSIVE GROWTH PORTFOLIO -- CLASS A SHARES
IDEX II EQUITY-INCOME PORTFOLIO -- CLASS A SHARES

<TABLE>
<CAPTION>

Amount of Purchase	Sales Charge as % of Offering Price	Reallowance to Dealers as a % of Offering Price	Sales Charge as % of Amount Invested
<S>	<C>	<C>	<C>
Less than $25,000...........................	5.50%	4.75%	5.82%
$25,000 but less than $50,000..............	5.00%	4.25%	5.26%
$50,000 but less than $75,000..............	4.50%	3.75%	4.71%
$75,000 but less than $100,000.............	4.00%	3.25%	4.17%
$100,000 but less than $250,000............	3.25%	2.75%	3.36%
$250,000 but less than $500,000............	2.00%	1.50%	2.04%
$500,000 but less than $1,000,000..........	1.00%	0.75%	1.01%
$1,000,000 or more.........................	0.00%	0.25%*	0.00%

</TABLE>

* This amount is not a charge incurred by shareholders. ISI, at its own expense, may make such a payment in accordance with its procedures as may be in effect from time to time. ISI's procedures currently provide for a payment in the amount shown.

IDEX II FLEXIBLE INCOME PORTFOLIO -- CLASS A SHARES
IDEX II TAX-EXEMPT PORTFOLIO -- CLASS A SHARES
IDEX II INCOME PLUS PORTFOLIO -- CLASS A SHARES

<TABLE>
<CAPTION>

Amount of Purchase	Sales Charge as % of Offering Price	Reallowance to Dealers as a % of Offering Price	Sales Charge as % of Amount Invested
<S>	<C>	<C>	<C>
Less than $25,000...........................	4.75%	4.00%	4.99%
$25,000 but less than $50,000..............	4.25%	3.50%	4.44%
$50,000 but less than $75,000..............	3.75%	3.00%	3.90%
$75,000 but less than $100,000.............	3.25%	2.50%	3.36%
$100,000 but less than $250,000............	2.25%	1.75%	2.30%
$250,000 but less than $500,000............	1.50%	1.00%	1.52%
$500,000 but less than $1,000,000..........	0.75%	0.50%	0.76%
$1,000,000 or more.........................	0.00%	0.25%*	0.00%

</TABLE>

* This amount is not a charge incurred by shareholders. ISI, at its own expense, may make such a payment in accordance with its procedures as may be in effect from time to time. ISI's procedures currently provide for a payment in the amount shown.

Each Portfolio receives the entire NAV of all of its shares sold. ISI retains the sales charge from which it reallows discounts from the applicable public offering price to dealers which are uniform for all dealers in the United States and its territories. From time to time, ISI may reallow up to the full applicable sales charge on Class A shares, as shown in the above tables, to selected dealers who sell or are expected to sell significant amounts of shares during specified time periods or who render designated training services. During periods when substantially the entire sales charge is reallowed, such dealers may be deemed to be underwriters as that term is defined in the Securities Act of 1933, as amended. In addition, ISI from time to time provides noncash compensation to dealers that employ registered representatives that sell a minimum dollar amount of shares of funds in the IDEX Group of Funds. Such noncash compensation is in the form of merchandise and attendance by registered representatives at seminars conducted by ISI, including lodging and travel expenses. ISI may also pay amounts equal to the applicable reallowance, as shown in the above tables, to selected banks and other financial institutions to compensate such institutions for their services in connection with the purchase of Class A shares of a Portfolio and servicing of shareholder accounts. In addition, ISI may pay fees from its own funds to certain dealers and financial institutions whose clients maintain significant account balances in one or more IDEX portfolios or funds to compensate such dealers and financial institutions for rendering administrative and shareholder services.

The above sales charge schedules are applicable to purchases of Class A shares of a Portfolio by any "purchaser" which includes: (i) an individual, (ii) an individual, his or her spouse and children under the age of 21, and (iii) a trustee or other fiduciary of a single trust estate or single fiduciary account (including pension, profit-sharing and other employee benefit trusts qualified under Section 401 of the Internal Revenue Code of 1986 ("Code")) although more than one beneficiary is involved.

REDUCED SALES CHARGE PLANS FOR CLASS A SHARES

RIGHT OF ACCUMULATION

The sales charges described above also apply to current purchases of Class A shares of a Portfolio by a purchaser, as defined above, where the aggregate value of Class A shares of a Portfolio plus the value of certain shares of other IDEX portfolios or funds held by the shareholder, as determined at their respective NAVs at the time of the current purchase of Class A shares, amounts to more than the specified amounts in the sales charge schedules, provided ISI or the Transfer Agent is notified by such investor or the investor's dealer that such purchase is made under the Right of Accumulation privilege. THE FOREGOING RIGHT OF ACCUMULATION APPLIES ONLY TO CLASS A SHARES OF A PORTFOLIO AND OTHER FUNDS OR PORTFOLIOS IN THE IDEX GROUP ON WHICH AN INITIAL SALES CHARGE IS IMPOSED.

LETTER OF INTENTION

The above sales charges are also applicable to the total value of purchases of Class A shares of a Portfolio (excluding any dividends and capital gain distributions received in additional shares) made by a purchaser, as defined above, pursuant to a Letter of Intention ("LOI") to invest a certain amount within a 13-month period. AN LOI WILL APPLY ONLY TO CLASS A SHARES OF A PORTFOLIO, AND TO OTHER FUNDS OR PORTFOLIOS IN THE IDEX GROUP ON WHICH AN INITIAL SALES CHARGE IS IMPOSED. THE VALUE OF CLASS C SHARES OF ANY PORTFOLIO OF THE FUND WILL NOT BE COUNTED TOWARD THE FULFILLMENT OF AN LOI. Subject to the terms of escrow described below, each purchase made under an LOI will be made at the current public offering price applicable to the full amount covered by the LOI. In the event of a change in the sales charges set forth above, any purchases made under an existing LOI after the effective date of the change will be subject to the revised sales charge. Should the amount actually purchased during the 13-month period be more or less than that indicated in the LOI, an adjustment in the sales charge will be made. A purchase not made pursuant to an LOI may be included thereunder if the LOI is filed within 90 days of such purchase and the 13-month period will commence on the date of such purchase. Any shareholder also may obtain the reduced sales charge by including the value (at the NAV) of all of his or her Class A shares in a Portfolio, together with shares of other IDEX funds or portfolios on which an initial sales charge is imposed, held of record as of the date of his or her LOI as a credit toward determining the applicable scale of sales charges for the shares to be purchased under the LOI. If the total purchases made under an LOI plus any credit under the Right of Accumulation described above, are large enough to qualify for a lower sales charge category than specified in the LOI, all transactions will be recomputed on the expiration date of the LOI to effect the lower sales charge.

An LOI authorizes the Transfer Agent to escrow Class A shares having a purchase price of 5% of the minimum dollar amount specified in the LOI. All dividends and capital gain distributions on shares held in escrow will be paid in additional shares unless the shareholder elects another distribution option on the New Account Application or by written request to the Transfer Agent. When the minimum investment specified in the LOI is completed, the shares held in escrow will remain on deposit unless the shareholder requests a certificate for such shares. Shares held in escrow can be redeemed by the Transfer Agent to retroactively adjust upward the sales charge which results when the amount invested differs from the amount intended to be invested. In any retroactive reduction in sales charge, the amount of the reduction will be invested in additional shares at NAV, or remitted to the shareholder if otherwise requested by the shareholder.

An LOI is not a binding obligation upon the investor to purchase, nor a Portfolio to sell, the full amount indicated. To insure that all purchases will receive a quantity discount, the shareholder or the shareholder's dealer should notify the Fund or Transfer Agent that an LOI is in effect at the time an initial investment in shares is made. Forms and other information concerning LOIs may be obtained by calling Customer Service or writing the Transfer Agent.

CERTAIN GROUPS

An individual who is a member of a qualified group may purchase Class A shares of a Portfolio at the reduced sales charge which ISI anticipates will be applicable to the group as a whole within a specified period. The applicable sales charge is determined by ISI by taking into account the anticipated aggregate amount of purchases by members of the group of Class A shares of a Portfolio and of all other IDEX funds or portfolios available for sale to the public on which an initial sales charge is imposed. A "qualified group" is one which (i) has been in existence for more than six months, (ii) has a purpose other than to acquire shares of the Portfolio or similar investments (e.g., investment clubs), and (iii) satisfies uniform criteria which allows ISI and/or other dealers offering Portfolio shares to realize economies of scale in distributing such shares. A qualified group does not include one whose sole organizational nexus, for example, is that its participants are credit card holders of the same institution. Pension or other employee benefit plan participants may qualify for group purchases. The Fund reserves the right to modify this privilege at any time. Further information about qualifying groups may be obtained by calling Customer Service at (800) 851-9777.

CERTAIN PURCHASES

Class A shares of a Portfolio may be sold at NAV per share without a sales charge, if such shares are purchased for investment purposes and may not be resold except to the Fund, to: (a) current or former trustees, trustees emeriti, directors, officers, full-time employees or sales representatives of the Fund, IMI, Janus Capital, ISI, AEGON Management, Alger Management, Luther King or of any of their affiliates; (b) directors, officers, full-time employees and sales representatives of any dealer having a sales agreement with ISI; (c) any trust, pension, profit-sharing or other benefit plan for any of the foregoing persons; (d) any members of the family (e.g., spouse, children, siblings, parents and parents-in-law) of any of the foregoing persons; or (e) IMI, Janus Capital, ISI, AEGON Management, Alger Management, Luther King or any of their affiliates. Any person who was eligible to purchase Class A shares of a Portfolio at NAV pursuant to (a) through (e) above, who subsequently becomes ineligible may continue to purchase Class A shares of the Portfolio at NAV for accounts opened prior to such ineligibility. The Fund reserves the right to modify or eliminate this privilege at any time.

PURCHASING CLASS C SHARES

The public offering price of Class C shares of a Portfolio is the net asset value per share. Since Class C shares are sold without an initial sales charge, Class C investors enjoy the benefit of permitting all of their investment dollars to work from the time the investments are made. Class C shares are subject to ongoing service and distribution fees at an annual rate of up to 0.90% of the average daily net assets of that class, although the Tax-Exempt Portfolio currently intends to limit the total of these fees to .60% of the average daily net assets of the Tax-Exempt Portfolio's Class C shares.

HOW TO EXCHANGE SHARES

EXCHANGE PRIVILEGE

CLASS A SHARES OF A PORTFOLIO MAY BE EXCHANGED ONLY FOR SHARES OF OTHER FUNDS OR PORTFOLIOS IN THE IDEX GROUP ON

WHICH AN INITIAL SALES CHARGE IS IMPOSED. CLASS C SHARES MAY BE EXCHANGED ONLY FOR CLASS C SHARES OF OTHER PORTFOLIOS OF THE FUND. Shares of a Portfolio which have been owned by a shareholder for at least 15 days may be exchanged for the same class of shares of any other IDEX fund or portfolio which is then offering shares for sale in the shareholder's state of residence, and for Class A shares, on which an initial sales charge is imposed. Class A or Class C shares of a Portfolio may also be exchanged for shares of various portfolios of the Cash Equivalent Fund or the California Tax-Exempt Money Market Fund, money market mutual funds managed by Kemper Financial Services, Inc. (See "Money Market Fund Exchange Privilege.")

Any IDEX exchange will be based on the respective NAV's of the shares involved and may be made in amounts of $1,000 or more. If an exchange transaction is less than $1,000, a $5 service charge may be deducted from the shareholder's account through a redemption of Portfolio shares. There is no sales commission involved in an exchange of Class A and Class C shares.

A shareholder will automatically have exchange privileges unless the shareholder gives instructions to the contrary on the shareholder's New Account Application or by written notice to the Transfer Agent. Exchange requests may be made by either: 1) submitting written instructions to the Transfer Agent, or 2) providing telephone exchange instructions to Customer Service. A shareholder may make a full exchange to a new account by written request and in that case all special account features such as an Automatic Investment Plan, Letter of Intention or Systematic Withdrawal/Exchange Plan will be transferred to the new account unless the Transfer Agent is otherwise instructed. A shareholder may make a partial exchange to a new account by written request and in that case all special account features except the Automatic Investment Plan and the Systematic Withdrawal/Exchange Plan will be transferred to the new account unless the Transfer Agent is otherwise instructed. Before making an exchange, the investor should consider the investment objective of the fund or portfolio whose shares are to be purchased, which can be found in the current prospectus of that fund or portfolio. A prospectus for any of the IDEX funds may be obtained by calling Customer Service at (800) 851-9777 or writing the Transfer Agent.

All exchange requests will be processed at the NAV per share next determined after the request is received. The Fund reserves the right to establish limitations as to the amounts or frequency of such exchanges, to change the service charge for such exchanges and to impose such other restrictions as may be necessary to assure that such exchanges do not disadvantage the Fund and its shareholders. The Fund reserves the right to reject any exchange request and to modify or terminate the exchange privilege at any time. For further information concerning the exchange privilege, or to obtain appropriate forms, please call Customer Service or write the Transfer Agent.

TELEPHONE EXCHANGES

To place a telephone exchange request, call Customer Service at (800) 851-9777 before 4:00 p.m. Eastern Time. Shares acquired by telephone exchange must be registered exactly as the account from which the exchange was made. Certificated shares are not eligible for the telephone exchange privilege. See "Other Information -- Telephone Transactions" for further information relating to the telephone exchange privilege.

SYSTEMATIC EXCHANGES

A shareholder who owns Class A or Class C shares of a Portfolio worth at least $10,000 at the current public offering price may elect on his or her New Account Application or by written request to the Transfer Agent a systematic exchange option providing for monthly exchanges of that class of shares of the Portfolio for shares of the same class of shares of any other IDEX fund or portfolio which is then offering shares for sale in the shareholder's state of residence, and for Class A shares, on which an initial sales charge is imposed. Shareholders may also systematically redeem shares of a Portfolio and invest the proceeds in various portfolios of the Cash Equivalent Fund or the California Tax-Exempt Money Market Fund (See "Money Market Fund Exchange Privilege".) Shares acquired by systematic exchange must be registered exactly as the account from which the exchange is made. Certificated shares are not eligible for the systematic exchange privilege.

MONEY MARKET FUND EXCHANGE PRIVILEGE

Shareholders may redeem Class A or Class C shares of a Portfolio having a value of at least $1,000 and automatically invest the proceeds in various portfolios of the Cash Equivalent Fund or the California Tax-Exempt Money Market Fund (collectively, the "Money Market Funds"), which are separately managed, diversified open-end money market mutual funds. Shareholders may subsequently redeem their shares of any of the Money Market Funds in minimum amounts of $1,000 and automatically invest the proceeds of such redemption in the same class of shares of the Portfolio at the then applicable NAV per share. If an exchange transaction is less than $1,000, a $5 service charge may be deducted from the shareholder's account through a redemption of Portfolio shares. The Fund reserves the right to change this service charge or the amount of such exchanges at any time. Shareholders may also elect a systematic exchange option providing for monthly exchanges of shares between a Portfolio and any of the Money Market Funds.

To the extent that Money Market Fund shares were originally acquired other than pursuant to an exchange of Fund shares, purchases of Class A shares of any of the Portfolios of the Fund with the proceeds of Money Market Fund shares will not be considered to be made in accordance with the exchange privilege described above. Accordingly, the purchase of Class A shares subsequent to the redemption of Money Market

Fund shares not originally acquired pursuant to an exchange of Fund shares shall be subject to the otherwise applicable sales charge on such Class A shares.

Redemptions of shares in connection with Money Market Fund exchanges will be effected as of the end of the day on which an exchange request is received, if received before 4:00 p.m., Eastern time. This exchange privilege does not constitute an offering or recommendation of Money Market Fund shares by the Fund. Before making such an exchange, the investor should consider the investment objective of the fund or portfolio whose shares are to be purchased, which can be found in the current prospectus of that fund or portfolio. Shareholders will receive a Money Market Fund Prospectus with their initial confirmation statement. Exchanges may be requested by writing the Transfer Agent or calling Customer Service at (800) 851-9777.

HOW TO REDEEM SHARES

GENERAL INFORMATION

Shareholders may redeem their shares at any time at a price equal to the NAV per share next determined following receipt of a valid redemption request by the Transfer Agent. Payment of redemption proceeds will normally be made within seven days of the Fund's receipt of a valid redemption request, as described below. IF SHARES HAVE BEEN PURCHASED BY CHECK OR OTHER MEANS THAT ARE SUBJECT TO FINAL COLLECTION, THE FUND WILL NOT MAKE REDEMPTION PROCEEDS AVAILABLE UNTIL SUCH PURCHASE(S) HAS CLEARED THE SHAREHOLDER'S BANK, WHICH MAY TAKE UP TO 15 DAYS OR MORE. Redemption proceeds will be sent by regular first class mail, or for a $20 service charge, by overnight mail, if requested. A shareholder can pay the $20 by check. Otherwise, the charge will be deducted from the shareholder's account or the proceeds of such redemption. The Transfer Agent may be unable to provide overnight mail service when mailing to addresses other than street addresses or if this delivery is not available to a given location.

The value of Portfolio shares on redemption may be more or less than the shareholder's cost or basis, depending upon the Portfolio's NAV at the time of redemption. Shares will normally be redeemed for cash, except under unusual circumstances as described in the Statement of Additional Information under "Redemption of Shares." Redemption and repurchase of shares may be suspended or payment postponed during any period in which the Exchange is closed (other than on weekends or customary holidays) or trading on the Exchange is restricted, or during periods of an emergency or other periods during which the SEC permits such suspension.

REDEMPTIONS REQUESTED IN WRITING

To redeem shares in writing, the shareholder must send a written redemption request, together with any outstanding certificates representing the shares to be redeemed, to:

Idex Investor Services, Inc.
P.O. Box 9015
Clearwater, Florida 34618-9015

The written request must be signed by the owner(s) of the account (or a person authorized to act on behalf of such owner(s)) and should specify the name of the Portfolio, the class of shares, the number of shares or dollars of that class of shares being redeemed, the account number and the name(s) on the account. Any outstanding certificates must be endorsed by the registered owner or owners, with signatures guaranteed, if required. FOR YOUR PROTECTION, SIGNATURE GUARANTEES ARE REQUIRED IF THE AMOUNT OF THE REDEMPTION IS MORE THAN $50,000 OR IF THE REDEMPTION PROCEEDS ARE BEING MAILED TO AN ADDRESS OTHER THAN THE ADDRESS OF RECORD. All required guarantees of signatures must be made by a national or state bank, a member firm of a national stock exchange or any other institution which is an eligible guarantor institution as defined by rules and regulations of the SEC. If shares are held of record in the name of a corporation, partnership, trust or fiduciary, evidence of the authority of the person seeking redemption is required before the request for redemption is accepted, including redemptions under $50,000. For additional information, call Customer Service at (800) 851-9777.

TELEPHONE AND EXPEDITED REDEMPTIONS

Shareholders may automatically redeem Portfolio shares by telephone and have redemption proceeds paid by check unless instructions to the contrary are indicated on the shareholder's New Account Application or by written request to the Transfer Agent. These privileges are not available for newly purchased shares (within the prior 15 days), retirement plan accounts or for shares represented by certificate. The Fund reserves the right to modify or eliminate these privileges without prior notice to shareholders at any time. If an account has multiple owners, the Transfer Agent may rely on the instructions of any one owner. See "Other Information -- Telephone Transactions" for further information relating to the telephone redemption privilege.

TELEPHONE REDEMPTIONS. Shareholders may redeem Portfolio shares in amounts up to $25,000 by telephone by calling Customer Service at (800) 851-9777 if this privilege is in effect for your account. Redemption proceeds paid by check will be made payable to the shareholder(s) of record and may only be sent to the address of record for the account. A redemption requested by telephone and payable by check will not be made if the address of record has been changed within 30 days of the telephone redemption request. Only one telephone redemption is permitted in each 30-day period.

EXPEDITED REDEMPTIONS. Shareholders may elect to have the privilege of receiving redemption proceeds by ACH or Federal funds bank wire to a designated bank account by completing the appropriate section of the New Account Application. This privilege may be added to an existing account by mailing a signature guaranteed request with complete bank information (usually a voided check) to the Transfer Agent. Redemption proceeds of up to $25,000 may be electronically transferred through ACH whereby the redemption proceeds are credited directly to the shareholder's pre-designated bank account on approximately the third bank business day after the

redemption request is effected. The Transfer Agent currently does not charge for the convenience of paying redemptions electronically through ACH.

If the expedited redemption privilege has been elected, redemption proceeds up to $25,000 may also be electronically transferred to a pre-designated bank account through a Federal funds bank wire for a $20 service charge. The charge will be deducted from the shareholder's account through a redemption of Portfolio shares. The minimum redemption amount for a Federal funds bank wire is $1,000. The bank wire for the redemption proceeds normally will be transmitted by the Transfer Agent to the designated bank account on the next bank business day after the redemption request is effected. The bank routing and account numbers for standing expedited redemption privileges must be provided on the New Account Application or by written request to the Transfer Agent and may be changed only by signature guaranteed instructions by all registered owners. Expedited redemption requests may be made by calling Customer Service or by writing the Transfer Agent. Shareholder accounts without standing expedited redemption privileges can request redemptions to be sent by Federal funds bank wire for a $20 charge to a U.S. bank account by submitting an original, written request to the Transfer Agent with all Fund account owners' signatures guaranteed. The request must specify the necessary bank routing and account numbers and the names on the bank account.

REDEMPTIONS THROUGH AN AUTHORIZED DEALER

Shareholders may also request dealers to place confirmed redemption orders (including those through the National Securities Clearing Corporation ("NSCC") electronic order system). It is the responsibility of dealers to transmit such orders promptly. For shareholders redeeming through dealers, payment will be made directly to the dealer within seven days after receipt by the Transfer Agent of the written settlement instructions and certificates for shares, properly endorsed and with signatures guaranteed as described above. Redemptions through NSCC are settled after review by the Transfer Agent for good order.

SYSTEMATIC WITHDRAWAL PLAN

Shareholders who own Class A or Class C shares of a Portfolio worth at least $10,000 at the current public offering price may establish a Systematic Withdrawal Plan ("SWP") providing for monthly, quarterly or annual payments of at least $50. Under an SWP, sufficient Class A or Class C shares of a Portfolio are in most instances redeemed to provide the amount of the periodic payment. Such payments may be paid through ACH, whereby the redemption proceeds are credited directly to the shareholder's bank account or, upon request, paid by a check from the Fund. Redemptions of shares in connection with an SWP are normally effected approximately seven to ten days prior to the first day of the month; however, the Fund cannot guarantee that payment will be received by the date selected. Dividends and capital gain distributions on shares in an account with an active SWP are usually paid in additional shares only of the Portfolio. If the requested payments under an SWP require redemption of more shares than have been credited through the payment of dividends and capital gain distributions in additional shares, the shareholder's original investment may be depleted and ultimately exhausted. The amounts received by a shareholder under an SWP cannot be considered an actual yield or income on investment since such payments may include a return of the shareholder's original investment. It may be disadvantageous to an investor to maintain an SWP concurrently with the additional purchase of shares because a sales charge may apply to such purchases. An SWP may be amended or terminated at any time upon written notice to the Transfer Agent, and will be terminated when all shares in an account with an active SWP have been redeemed or upon notification of the shareholder's death. Forms for establishing an SWP may be obtained by calling Customer Service.

REINVESTMENT PRIVILEGE

A shareholder who has redeemed Class A shares of a Portfolio may reinvest in that class of shares of any of the Portfolios of the Fund or in the shares of IDEX Fund, an amount not to exceed the amount of redemption proceeds, without a sales commission, if the shareholder sends a written request to the Fund or the Transfer Agent within 90 days after the redemption. (Prior to March 1, 1995, this reinvestment privilege is limited to reinvestment in the Class A shares of the Portfolio owned prior to redemption.) The redemption proceeds will be reinvested on the basis of the NAV of the shares in effect immediately after receipt of the written request. This reinvestment privilege may be exercised only once by a shareholder upon redemption of Class A shares of a Portfolio.

MINIMUM ACCOUNT BALANCE

The Fund may redeem shares in any account and pay the proceeds to the shareholder if, due to redemptions, the account balance falls below $500, and the account reflects no purchases of shares, other than through the payment of dividends or capital gains in additional shares, during the sixty days prior to the mailing of the notice of intent to redeem. The Fund will give the shareholder sixty days written notice of intent to redeem prior to any such redemption. During the sixty-day period following mailing of the notice, the shareholder may increase the value of his or her account through additional purchases and avoid involuntary redemption. A notice of intent to redeem will usually be sent to shareholders within 24 months of establishment of an account.

REPURCHASE

For the convenience of shareholders, the Fund has authorized ISI to act as its agent in the repurchase of Fund shares. The Fund reserves the right to terminate this procedure at any time. Offers to sell shares to the Fund may be communicated to ISI by wire or telephone from dealers for their customers. The Fund's practice will be to repurchase shares offered to it at the NAV per share determined as of the close of the regular session of business on the Exchange on the day the offer for repurchase is received and accepted by the dealer, if the offer is received by the dealer before the close of the regular session of business on the Exchange and is received by ISI before the close of ISI's business on that day. The dealer will be responsible for the prompt transmission of orders.

Payment of the repurchase proceeds will be made in cash to the dealer placing the order. Neither the Fund nor ISI charges any fee or commission upon such repurchase which is then settled as an ordinary transaction with the dealer delivering the shares repurchased. However, dealers may charge a fee. Payment will normally be made within seven days after receipt of an order to repurchase provided that the certificates, or stock powers if no certificates have been issued, have been delivered to the Transfer Agent in proper form as described above.

OTHER INFORMATION

RETIREMENT PLANS. Class A and Class C shares of a Portfolio may be purchased in conjunction with individual retirement accounts, Simplified Employee Pension Plans, 401(k) Plans, corporate and self-employed pension and profit sharing plans and 403(b)(7) programs. These plans require the completion of a separate application and a prototype agreement which are available without charge upon request to the Transfer Agent. Ordinarily, the annual maintenance fee for retirement plan accounts is $12 per account with a maximum of $24 per tax identification number. However, this annual fee will be waived if the account balances per tax identification number are greater than $50,000. Additional information about retirement plans is included in the Statement of Additional Information, and may also be obtained by calling Customer Service at (800) 851-9777. With respect to plans intended to provide tax deferred benefits, investors may wish to consult with their own tax counsel or advisors.

TELEPHONE TRANSACTIONS. As described above under "How to Purchase Shares," "How to Exchange Shares," and "How to Redeem Shares", shareholders may purchase, exchange and/or redeem shares by telephone request. The registered representative of record may also purchase, exchange and/or redeem shares on a shareholder's behalf pursuant to a shareholder's instructions. The Fund, ISI and the Transfer Agent will not be liable for complying with telephone instructions and investors will bear the risk of any such loss. The Fund, ISI and/or the Transfer Agent will employ reasonable procedures to determine that telephone instructions are genuine. If the Fund, ISI and/or the Transfer Agent do not employ such procedures, they may be liable for losses due to unauthorized or fraudulent instructions. Such procedures may include, among others, requiring forms of personal identification prior to acting upon telephone instructions, providing written confirmation of such transactions and/or tape recording telephone instructions.

CONFIRMATIONS, HISTORICAL STATEMENTS AND CERTIFICATES. After every account transaction, except the automatic payment of dividends and distributions in shares, a shareholder will receive a statement showing the details of the transaction, the number of shares held, and a record of transactions since the beginning of the year. For shareholders who request a historical transcript of their accounts, the Fund charges a fee based upon the number of years researched, currently $10 per year researched beyond the two most current years. The shareholder can pay the fee by check. Otherwise, the charge will be deducted from the shareholder's account. The Fund reserves the right to make other charges to investors to cover administrative costs.

Shares purchased are ordinarily in non-certificated form. Certificates representing shares owned will not be delivered to the shareholder unless requested in writing from the Transfer Agent. No certificate will be issued for fractional shares and no certificate will be issued to a shareholder who would thereafter hold a certificate or certificates representing in the aggregate less than 30 shares (except in connection with sales or transfers of shares represented by certificates already outstanding). Certificates are issued only in like registration to that of the account. Certificates may be returned to the Transfer Agent at any time. No charge is made for this safekeeping service. If certificates have been lost or stolen, notify the Transfer Agent immediately. There may be a charge for cancelling and replacing certificates.

APPENDIX A
SECURITIES RATINGS

The ratings by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P") are a generally accepted measurement of credit risk. However, they are subject to certain limitations. Ratings are generally based upon historical events and do not necessarily reflect the future. In addition, there is a period of time between the issuance of a rating and the update of a rating, during which time a published rating may be inaccurate.

A. KEY TO MOODY'S RATINGS

1. Description of Moody's Corporate, Utility and Government Bond Rating Categories:

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

Aa. Bonds which are 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 securities or fluctuation or protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities.

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

B. Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or 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.

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

Conditional Rating: Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. Conditional rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

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 category. Such modifiers are not considered in applying the Tax-Exempt Portfolio's operating policy restrictions on corporate investments.

2. Description of Moody's Municipal Note Rating Categories:

The four ratings of Moody's for short-term notes are MIG1, MIG2, MIG3, AND MIG4. MIG1 denotes "best-quality, enjoying strong protection from established cash flow"; MIG2 denotes "high-quality" with "ample margins of protection"; MIG3 notes are of "favorable quality . . . but lacking the undeniable strength of the preceding grades"; MIG4 notes are of "adequate quality, carrying specific risk but having protection . . . and not distinctly or predominately speculative".

3. Description of Moody's Preferred Stock Rating Categories:

aaa. An issue which is rated "aaa" is considered to be a top-quality preferred stock. This rating indicates good asset protection and the least risk of dividend impairment within the universe of preferred stocks.

aa. An issue which is rated "aa" is considered a high-grade preferred stock. This rating indicates that there is reasonable assurance that earnings and asset protection will remain relatively well maintained in the foreseeable future.

a. An issue which is rated "a" is considered to be an upper-medium grade preferred stock. While risks are judged to be somewhat greater than in the "aaa" and "aa" classifications, earnings and asset protections are, nevertheless, expected to be maintained at adequate levels.

baa. An issue which is rated "baa" is considered to be a medium grade, neither highly protected nor poorly secured. Earnings and asset protection appear adequate at present but may be questionable over any great length of time.

ba. An issue which is rated "ba" is considered to have speculative elements and its future cannot be considered well assured. Earnings and asset protection may be very moderate and not well safeguarded during adverse periods. Uncertainty of position characterizes preferred stocks in this class.

b. An issue which is rated "b" generally lacks the characteristics of a desirable investment. Assurance of dividend payments and maintenance of other terms of the issue over any long period of time may be small.

Moody's major rating categories for preferred stocks continue in descending order as follows: Caa, Ca, C.

Note: Moody's may apply numerical modifiers identical in significance to those described for bond rating categories to preferred stocks rated "aa" through "b". Such modifiers are not considered in applying the Tax-Exempt Portfolio's operating policy restrictions on corporate investments.

4. Description of Moody's Commercial Paper Rating Categories:

Moody's commercial paper ratings are opinions of the ability of issuers (or related supporting institutions) to repay punctually promissory obligations not having an original maturity in excess of 9 months. Moody's employs the following 3 designations, all judged to be investment grade, to indicate the relative repayment capacity of rated issuers:

Issuers rated Prime-1 ("P-1") have a superior capacity for repayment of short-term promissory obligations.

Issuers rated Prime-2 ("P-2") have a strong capacity for repayment of short-term promissory obligations.

Issuers rated Prime-3 ("P-3") have an acceptable capacity for repayment of short-term promissory obligations.

Issuers rated Not Prime do not fall within any of the Prime rating categories.

5. Absence of Moody's Rating

Where no rating has been assigned or where a rating has been suspended or withdrawn, it may be for reasons unrelated to the quality of the issue.

Should no rating be assigned, the reason may be one of the following:

1. An application for rating was not received or accepted.

2. The issue or issuer belongs to a group of securities that are not rated as a matter of policy.

3. There is a lack of essential data pertaining to the issue or issuer.

4. The issue was privately placed, in which case the rating is not published in Moody's publications.

Suspense or withdrawal may occur; if new and material circumstances arise, the effects of which preclude satisfactory analysis; if there is no longer available reasonable up-to-date data to permit a judgment to be formed; if a bond is called for redemption; or for other reasons.

B. KEY TO S&P RATINGS

1. Description of S&P Bond Rating Categories:

AAA. Debt rated AAA has the highest rating assigned by S&P. 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 higher 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 debts 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 in higher rated categories.

BB, B, CCC, CC, C. Debt rated BB, B, CCC, CC and 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 the large uncertainties or major risk exposures to adverse conditions.

C1. The rating C1 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.

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

Provisional Ratings: The letter "p" indicates that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the bonds being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion.

2. Description of S&P Preferred Stock Rating Categories:

AAA. This is the highest rating that may be assigned by S&P to a preferred stock issue and indicates an extremely strong capacity to pay the preferred stock obligations.

AA. A preferred stock issue rated "AA" also qualifies as a high-quality fixed-income security. The capacity to pay preferred stock obligations is very strong, although not as overwhelming as for issues rated AAA.

A. An issue rated "A" is backed by a sound capacity to pay the preferred stock obligations, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB. An issue rated "BBB" is regarded as backed by an adequate capacity to pay the preferred stock obligations. Although it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to make payments for a preferred stock in this category than for issues in the A category.

BB, B, CCC, C, D. Preferred stock rated BB, B, CCC, CC, C and D are regarded, on balance, as predominately speculative with respect to the issuer's capacity to pay preferred stock obligations. BB indicates the lowest degree of speculation and D the highest degree of speculation. While such issues will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposure to adverse conditions.

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

3. Description of S&P's Commercial Paper Rating Categories:

An S&P Commercial Paper Rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. Ratings are graded into four categories, ranging for "A" for the highest quality obligations to "D" for the lowest. The "A" rating category consists of the following:

A. Issues assigned to the highest rating are regarded as having the greatest capacity for timely payment. Issues in this category are further refined with the designation 1, 2 and 3 to indicate the relative degree of safety.

A-1. This designation indicates that the degree of safety regarding timely payment is very strong.

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

A-3. Issues carrying this designation have a satisfactory capacity for timely payment. They are, however, somewhat more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

4. Absence of S&P Rating:

"NR" indicates that no rating has been requested, that there is insufficient information on which to base a rating or that S&P does not rate a particular type of obligation as a matter of policy.

IDEX II FLEXIBLE INCOME PORTFOLIO

SECURITIES HOLDINGS BY RATING CATEGORY

At September 30, 1994, the percentage of securities holdings of the Flexible Income Portfolio, by rating category based upon a weighted average by market value was:

Bonds -- Standard & Poor's Rating

<TABLE>

<S>	<C>
AAA..................................	2.19%
AA...................................	4.50
A+...................................	2.07
A-...................................	2.30
BBB..................................	7.21
BBB-.................................	27.48
BB+..................................	3.59
BB...................................	2.17
BB-..................................	4.61
B+...................................	2.53
B....................................	7.49
B-...................................	9.19
CCC..................................	2.99
C....................................	1.86
Nonrated.............................	12.71
Non-Convertible Preferred Stocks.....	3.30
Convertible Preferred Stocks.........	1.90
Other................................	1.91

TOTAL................................	100.00%

</TABLE>

IDEX II INCOME PLUS PORTFOLIO

SECURITIES HOLDINGS BY RATING CATEGORY

At September 30, 1994, the percentage of securities holdings of the Income Plus Portfolio, by rating category based upon a weighted average by market value was:

Bonds -- Standard & Poor's Rating

<TABLE>

<S>	<C>
AA-..................................	2.82%
BBB+.................................	7.12
BBB..................................	16.89
BBB-.................................	26.91
BB+..................................	2.41
BB...................................	6.67
BB-..................................	4.53
B+...................................	13.35
B....................................	14.61
B-...................................	0.46
Preferred Stocks.....................	1.15
Short-Term & Cash....................	3.08

TOTAL................................	100.00%

</TABLE>