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Prospectus - April 28, 1995

FFTW Funds, Inc. (the "Fund") is a no-load, open-end management investment company managed by Fischer Francis Trees & Watts, Inc. (the "Investment Adviser"). The Fund currently consists of ten separate portfolios (each a "Portfolio"), each of which is an actively-managed portfolio invested in high quality debt securities. There is no sales charge for purchases of shares. Shares of each Portfolio may be purchased through AMT Capital Services, Inc. ("AMT Capital"), the exclusive distributor. The minimum initial investment in any Portfolio is $100,000; additional investments or redemptions may be of any amount.

The ten Portfolios are: (1) U.S. Portfolios - U.S. Short-Term Fixed Income, Stable Return, U.S. Treasury, AAA Asset-Backed and Broad Market Fixed Income (the "U.S. Portfolios"); and (2) Global and International Portfolios - Worldwide Short-Term Fixed Income, Worldwide Fixed Income-Hedged, International Fixed Income and International Fixed Income-Hedged (the "Global and International Portfolios").

This Prospectus contains a concise statement of information investors should know before they invest in the Fund. Please retain this Prospectus for future reference. A statement containing additional information about the Fund, dated April 28, 1995 (the "Statement of Additional Information") has been filed with the Securities and Exchange Commission (the "Commission") and can be obtained without charge by calling or writing AMT Capital at the telephone numbers or address stated above. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.

THESE SECURITIES HAVE NOT BEEN APPROVED OR
DISAPPROVED BY THE SECURITIES AND EXCHANGE
COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS

THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The Fund

FFTW Funds, Inc. is a no-load, open-end management investment company consisting of ten different Portfolios, each of which invests primarily in high-quality debt securities. (Page 14)

The Portfolios - Investment Objectives

The ten Portfolios and their investment objectives are:

U.S. PORTFOLIOS

U.S. Short-Term Fixed Income Portfolio ("U.S. Short-Term") seeks to attain a high level of total return as may be consistent with the preservation ofcapital and to maintain liquidity by investing primarily in high-quality fixed income securities with an average U.S. dollar-weighted duration of less than one year. (Page 15) This Portfolio seeks to maintain a constant net asset value by employing the "full payout method" of declaring dividends. See "Dividends - U.S. Short-Term Fixed Income Portfolio". (Page 27) U.S. Short-Term is not a money market fund and its shares are not guaranteed by the U.S. Government.

Stable Return Portfolio ("Stable Return") seeks to maintain a stable level of total return as may be consistent with the preservation of capital by investing primarily in high-quality debt securities with an average U.S. dollar-weighted duration of less than three years and by using interest rate hedging as a stabilizing technique. (Page 15)

U.S. Treasury Portfolio ("U.S. Treasury") seeks to attain a high level of total return as may be consistent with the preservation of capital and to avoid credit quality risk by investing primarily in securities issued by the U.S. Treasury Department with an average U.S. dollar-weighted duration of less than five years which will provide investors in most jurisdictions with income exempt from state and local tax. (Page 16)

AAA Asset-Backed Portfolio ("AAA Asset-Backed") seeks to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in mortgage- and asset-backed securities, rated in the highest quality rating category, with an average U.S. dollar-weighted duration of less than five years. (Page 16)

Broad Market Fixed Income Portfolio ("Broad Market") seeks to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities reflective of the broad spectrum of the U.S. bond market with an average U.S. dollar-weighted duration of less than eight years. (Page 16)

GLOBAL AND INTERNATIONAL PORTFOLIOS

Worldwide Short-Term Fixed Income Portfolio ("Worldwide Short-Term") seeks to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in both U.S. dollars and foreign currencies, with an average U.S. dollar-weighted duration of less than one year. (Page 17)

Worldwide Fixed Income Portfolio ("Worldwide") seeks to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in both U.S. dollars and foreign currencies, with an average U.S. dollar-weighted duration of less than six years. (Page 17)

Worldwide Fixed Income-Hedged Portfolio ("Worldwide-Hedged") seeks to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in both U.S. dollars and foreign currencies, with an average U.S. dollar-weighted duration of less than six years and by actively utilizing currency hedging techniques. (Page 17)

International Fixed Income Portfolio ("International") seeks to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in foreign currencies, with an average U.S. dollar-weighted duration of less than six years. (Page 18)

International Fixed Income-Hedged Portfolio ("International-Hedged") seeks to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in foreign currencies, with an average U.S. dollar-weighted duration of less than six years and by actively utilizing currency hedging techniques. (Page 18)

Each of Worldwide Short-Term, Worldwide and International Portfolios may hedge all or any part of its assets against foreign currency risk and may engage in foreign currency transactions to enhance total return. However, each of Worldwide-Hedged and International-Hedged will, as a fundamental policy, seek to hedge at least 65% of its foreign currency-denominated assets against foreign currency risks to the fullest extent feasible, and will not engage in foreign currency transactions to enhance total return.

Investment Adviser and Sub-Adviser

Fischer Francis Trees & Watts, Inc. serves as Investment Adviser to the Fund. The Investment Adviser, organized in 1972, is a registered investment adviser that currently manages approximately $18 billion in assets entirely in portfolios of debt securities for 65 major institutional clients including banks, central banks, pension funds and other institutional clients. The average size of a client relationship with the Investment Adviser is in excess of $250 million. Fischer Francis Trees & Watts (the "Sub-Adviser"), a corporate partnership organized in 1989 under the laws of the United Kingdom and an affiliate of the Investment Adviser, serves as Sub-Adviser to the Global and International Portfolios. The Sub-Adviser is also a registered investment adviser that currently manages in excess of $1 billion in multi-currency fixed income portfolios for institutional clients. (Page 28)

Administrator and Distributor

AMT Capital Services, Inc. serves as administrator to the Fund, supervising the general day-to-day business activities and operations of the Fund other than investment advisory activities. (Page 29) AMT Capital also serves as the exclusive distributor of shares of each of the Fund's Portfolios. (Page 25)

How to Invest

Shares of each Portfolio may be purchased at the net asset value of the Portfolio next determined after receipt of the order by submitting a completed Account Application to AMT Capital and wiring federal funds to AMT Capital's "Fund Purchase Account" at Investors Bank & Trust Company in Boston, Massachusetts (the "Transfer Agent"). The minimum initial investment in each Portfolio is $100,000. There is no minimum amount for subsequent investments. There are no sales commissions (loads) or 12b-1 fees. (Page 25)

How to Redeem Shares

Shares of each Portfolio may be redeemed, without a transaction charge, at the net asset value of such Portfolio next determined after receipt by the Transfer Agent of the redemption request. (Page 26)

Risks

Prospective investors should consider various risks associated with the Portfolios prior to investing in any Portfolio, including: (1) each Portfolio may be influenced by changes in interest rates which generally have an inverse relationship with corresponding market values; (2) each Portfolio may, but generally each of the Global and International Portfolios will, invest a significant portion of its assets in securities denominated in foreign currencies which carry the risk of fluctuations of exchange rates to the U.S. dollar; (3) each Portfolio may invest in mortgage- and other asset-backed securities that carry the risk of a faster or slower than expected prepayment of principal which may affect the duration and return of the security; (4) each Portfolio, other than U.S. Short-Term, is "non-diversified" under the Investment Company Act of 1940, which may entail a greater exposure to credit and market risks than a diversified portfolio (Page 23); and (5) U.S. Short-Term may, as a result of the "full payout method", reduce the number of shares held by a shareholder in order to maintain a stable net asset value per share. (Page 27)

FUND EXPENSES

The following table illustrates the expenses and fees that a shareholder of the Fund can expect to incur. The purpose of this table is to assist the investor in understanding the various expenses that an investor in the Fund will bear directly or indirectly.

Shareholder Transaction Expenses

Sales Load Imposed on Purchases	None

Sales Load Imposed on Reinvested Dividends	None
Deferred Sales Load	None
Redemption Fees	None
Exchange Fees	None

Annual Fund Operating Expenses (after expense reimbursements, shown as a percentage of average net assets)

	Advisory Fees	12b-1 Fees(1)	Admin. Fees(2)	Other Expenses	Total Expenses
U.S. Portfolios					
U.S. Short-Term Fixed Income Portfolio	0.30%	None	0.04%	0.06%	0.40%(3)
Stable Return Portfolio	0.35%	None	0.04%	0.11%	0.50% (4)
U.S. Treasury Portfolio	0.35%	None	0.04%	0.11%(6)	0.50% (4)
AAA Asset-Backed Portfolio	0.35%	None	0.04%	0.11%(6)	0.50% (4)
Broad Market Fixed Income Portfolio	0.35%	None	0.04%	0.11%(6)	0.50% (4)
Global and International Portfolios					
Worldwide Short Term Fixed Income Portfolio	0.35%	None	0.04%	0.11%	0.50% (4)
Worldwide Fixed Income Portfolio	0.40%	None	0.04%	0.15%	0.59% (5)
Worldwide Fixed Income-Hedged Portfolio)	0.40%	None	0.04%	0.16%	0.60% (5)
International Fixed Income Portfolio	0.40%	None	0.04%	0.16%(6)	0.60% (4)
International Fixed Income-Hedged Portfolio	0.004	None	0.0004	0.16%(6)	0.60% (4)

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(1) Pursuant to a Distribution Agreement dated as of September 21, 1992, between the Fund and AMT Capital, AMT Capital provides distribution services at no cost to the Fund. See "Distribution of Fund Shares".

(2) The Administration Agreement dated as of September 21, 1992, between AMT Capital and the Fund, pursuant to which AMT Capital provides administrative services to the Fund, includes an incentive fee, capped at 0.02% of the average daily net assets of a Portfolio, for reducing the expense ratio for one or more Portfolios. See "Management of the Fund - Administrator". The incentive fee is not included in the figures set forth above.

(3) By agreement with the Investment Adviser, total operating expenses are capped at 0.40% (on an annualized basis) of the average daily net assets of U.S. Short-Term. All operating expenses in excess of the cap will be paid by the Investment Adviser. The Investment Adviser will not attempt to recover prior period reimbursements in the event that expenses fall below the cap. Without such cap, the total operating expenses including interest expense (on an annualized basis) for the fiscal year ending December 31, 1994 was 0.48% of U.S. Short-Term's average daily net assets.

(4) The Investment Adviser has voluntarily agreed to cap the total operating expenses at 0.50% of each of Stable Return's, U.S. Treasury's, AAA Asset-Backed's, Broad Market's and Worldwide Short-Term's average daily net assets, and at 0.60% of each of International's and International-Hedged's average daily net assets. Without such caps, the total operating expenses (on an annualized basis) for Stable Return and Worldwide Short-Term for the fiscal year ending December 31, 1994 were 1.07% and 0.59%, respectively,of their average daily net assets.

(5) By agreement with the Investment Adviser, total operating expenses are capped at 0.60% (on an annualized basis) of the average daily net assets of each of Worldwide and Worldwide-Hedged. All operating expenses in excess of the cap will be paid by the Investment Adviser. The Investment Adviser will not attempt to recover prior period reimbursements in the event that expenses fall below the cap. Without such cap, the total operating expenses including interest expense (on an annualized basis) forWorldwide and Worldwide-Hedged for the fiscal year ending December31, 1994 were 0.65% and 0.78%, respectively,of their average daily net assets.

(6) "Other Expenses" are based on estimated expenses for the current fiscal year.

The following table illustrates the expenses that an investor would pay on each $1,000 increment of its investment over various time periods, assuming a 5% annual return. As noted in the table above, the Fund charges no redemption fees of any kind.

Expenses Per $1,000 Investment

	1 Year	3 Years	5 Years	10 Years
U.S. Portfolios				
U.S. Short-Term Fixed In	$4	$13	$23	$51
Stable Return	$5	$16	$28	$63
U.S. Treasury	$5	$16		
AAA Asset-Backed	$5	$16		
Broad Market Fixed Incom	$5	$16		
Global and International Portfolios				
Worldwide Short-Term Fixed Income	$5	$16	$28	$63
Worldwide Fixed Income	$6	$19	$33	$74
Worldwide Fixed Income-H	$6	$19	$33	$75
International Fixed Inco	$6	$19		
International Fixed Inco	$6	$19		

These examples should not be considered a representation of future expenses or performance. Actual operating expenses and annual returns may be greater or lesser than those shown.

In no case will the expenses charged to U.S. Short-Term exceed 0.40% of its average daily net assets for any fiscal year without the consent of the holders of a majority of the outstanding shares of such Portfolio. Expenses to either Worldwide or Worldwide-Hedged will not exceed 0.60% of such Portfolio's average daily net assets for any fiscal year without the consent of the holders of a majority of the outstanding shares of Worldwide or Worldwide-Hedged, as the case may be.

At the discretion of and until further notice from the Investment Adviser, expenses to Stable Return, U.S. Treasury, AAA Asset-Backed, Broad Market and Worldwide Short-Term will not exceed 0.50% of each such Portfolio's net assets for any fiscal year and expenses to International and International-Hedged will not exceed 0.60% of each such Portfolio's net assets for any fiscal year.

The Portfolio's active management approaches could lead to higher portfolio transaction expenses as a result of a higher volume of such transactions. These transaction expenses are not fully reflected in the expenses subject to the cap described above. See "Investment Techniques - Portfolio Turnover".

FINANCIAL HIGHLIGHTS

The financial information in the following tables has been audited in conjunction with the audit of the financial statements of the Fund by Ernst & Young LLP, independent auditors. The audited financial statements for the periods ended December 31, 1994 are incorporated by reference in the

Statement of Additional Information. The financial information should be read in conjunction with the financial statements which can be obtained upon request.

Financial Highlights

U.S Short-Term Fixed Income Portfolio

For a share outstanding throughout period	Ended 12/31/94	Fiscal Year Ended 12/31/93	Ended 12/31/92	Three Months Ended 12/31/92	Fiscal Ended 9/30/91	Year Per. From 12/6/89* to 9/30/90
Per Share Data						
Net asset value, beg. of per.	$9.976	$10.000	$10.000	$10.000	$10.000	$10.000
Increases (Decreases) From Investment Operations						
Investment income net	0.443	0.321	0.337	0.119	0.627	0.621
Net realized and unrealized gain (loss) on investments, and options and financial future contracts	(0.078)	(0.030)	0.008	0.023	0.057	0.037
Total from invesment operations	0.365	0.291	0.345	0.142	0.684	0.658
Less Distributions						
From investment income, net	0.449	0.315	0.337	0.119	0.627	0.621
In excess of investment income, net	0.003	-	-	-	-	-
From net realized and unrealized gain on investments, and options and financial future contracts	-	-	0.008	0.023	0.057	0.037
Total distribution	0.452	0.315	0.345	0.142	0.684	0.658
Net asset value, end of per.	$9.889	$9.976	$10.000	$10.000	$10.000	$10.000
Total Return	3.71%	2.88%	3.45%	5.67%(b)	7.11%	8.31%(b)
Ratios/Supplemental Data						
Net assets, end of period	$290694868	$417727821	$682513193	$365310697	$269114721	$111956929

Ratio of operating expenses to average net assets	0.40%	0.40%	0.40%	0.40%(b)	0.40%	0.50%(b)
Ratio of interest expense to average net assets	0.03%	0.08%	0.03%	-	0.03%	-
Ratio of investment income, net to average net assets	4.14%	3.28%	3.37%	4.67%(b)	5.99%	8.23%(b)
Decrease in above ratios due to waiver of investment advisory fees and reimbursement of other expenses	0.08%	0.03%	-	0.03%(b)	0.11%	0.86%(b)

(a) Net of waivers and reimbursements, exclusive of interest.
(b) Annualized.
* Commencement of Operations

See Notes to Financial Statements
Financial Highlights

Stable Return Porfolio

For a share outstanding throughout the period:	Year Ended Dec. 31, 1994	Period From July 26, 1993* to Dec. 31, 1993
Per Share Data		
Net asset value, beginni	$9.947	$10.000
Increases (Decreases) From Investment Operations		
Investment income, net	0.428	0.138
Net realized and unrealized gain (loss) on investments and financial futures contra	(0.401)	0.043
Total from investment op	0.027	0.181
Less Distributions		
From investment income,	0.428	0.138
From net realized gain on investments and financial futures co	-	0.031
In excess of net realized and unrealized gains on investments		

and financial futures co	-	0.065
Total distributions	0.428	0.234
Net asset value, end of	$9.546	$9.947
Total Return	0.29%	4.27% (b)
Ratios/Supplemental Data		
Net assets, end of period	$4338339	$3482439
Ratio of operating expenses to average net assets (a	0.50%	0.50%(b)
Ratio of interest expense to average net assets	1.24%	-
Ratio of investment income, net to average net asset	4.43%	3.68%(b)
Decrease in above ratios due to waiver of investment advisory fees and reimbursement of other expenses	0.57%	1.46%(b)
Porfolio turnover	343%	1,841%

(a) Net of waivers and reimbursements, exclusive of interest.
(b) Annualized.

* Commencement of Operations See Notes To Financial Statements
assets in debt securities with variable, floating or zero coupon rates or other discounted instruments.

Financial Highlights

	Worldwide Short-Term Fixed Income Portfolio		Worldwide Fixed Income Portfolio		
For a share outstanding throughout the period:	Fiscal Yr Ended 12/31/94	Period From 12/13/93* to 12/31/93	Fiscal Yr Ended 12/31/94	Fiscal Yr Ended 12/31/93	Per. From 4/15/92* to 12/31/92
Per Share Data					
Net asset value, beginning of period	$10.013	$10.000	$10.023	$9.976	$10.000
Increases (Decreases) From Investment Operations					
Investment income, net	0.328	0.012	0.503	0.454	0.387
Net realized and unrealized gain (loss) on investments, options and financial					

futures contracts, and foreign currency-related transactions	(0.089)	0.013	(0.737)	1.042	0.530
Total from investment operations	0.239	0.025	(0.234)	1.496	0.917
Less Distributions From investment income,	0.254	0.012	0.225	0.453	0.387
In excess of investment	0.000	-	0.008	-	-
From capital stock in excess of par value	0.074	-	0.289	-	-
From net realized gain on investments, options and financial futures contracts, and foreign currency-related transactions	-	-	-	0.866	0.554
In excess of net realized gain on investments, options and financial futures contracts, and foreign currency-related transactions	-	-	-	0.130	0.000
Total distributions	0.328	0.012	0.522	1.449	0.941
Net asset value, end of period	$9.924	$10.013	$9.267	$10.023	$9.976
Total Return	2.72%	4.22% (b)	(2.25%)	15.86%	13.46% (b)
Ratios/Supplemental Data Net assets, end of period	$79761931	$6014986	$53721481	$217163036	$82757009
Ratio of operating expenses to average net assets (a)	0.50%	0.50%(b)	0.60%	0.59%	0.60%(b)
Ratio of interest expense to average net assets	-	-	0.03%	0.27%	0.19%(b)
Ratio of investment income, net to average net asset	4.17%	2.43%(b)	5.11%	4.48%	5.39%(b)
Decrease in above ratios due to waiver of investment advisory fees and reimburse-ment of other expenses	0.09%	0.76%(b)	0.02%	-	0.72%(b)
Portfolio Turnover	n/a	n/a	1,479%	1,245%	850%

(a) Net of waivers and reimbursements, exclusive of interest.
(b) Annualized.

* Commencement of Operations

See Notes To Financial Statements

Financial Highlights

For a share outstanding throughout the period:	Worldwide Fixed Income-Hedged Portfolio Fiscal Year Ended Dec. 31, 1994	Fiscal Year Ended Dec. 31, 1993	Period From May 19, 1992* to Dec. 31, 1992
Per Share Data			
Net asset value, beginning of period	$10.077	$9.848	$10.000
Increases (Decreases) From Investment Operations			
Investment income, net	0.338	0.448	0.319
Net realized and unrealized gain (loss) on investments, options and financial futures contracts, and foreign currency-related transactions	0.434 (c)	0.754	0.247
Total from investment operations	0.772	1.202	0.566
Less Distributions			
From investment income, net	0.437	0.448	0.319
In excess of investment income, net	0.002	-	-
From net realized gain on investments, options and financial futures contracts, and foreign currency-related transactions	-	0.525	0.399
Total distributions	0.439	0.973	0.718
Net asset value, end of period	$10.410	$10.077	$9.848
Total Return	7.84%	12.89%	9.45%
Ratios/Supplemental Data			
Net assets, end of period	$272,725	$41,137,515	$21,785,134
Ratio of operating expenses to average net assets (a)	0.60%	0.60%	0.60%
Ratio of interest expense to average net assets	0.05%	0.26%	0.23%

Ratio of investment income, net to average net assets	4.72%	4.49%	5.13%
Decrease in above ratios due to waiver of investment advisory fees and reimbursement of other expenses	0.17%	0.09%	1.01%
Portfolio Turnover	1,622%	1,254%	826%

(a) Net of waivers and reimbursements, exclusive of interest.
(b) Annualized.
(c) Includes the effect of net realized losses prior to significant decreases in shares outstanding
See Notes to Financial Statements

THE FUND

The Fund is a no-load, open-end management investment company organized as a Maryland corporation. The Fund currently consists of ten Portfolios of hig-quality debt securities, each with its own investment objectives and policies: (1) U.S. Portfolios - U.S. Short-Term Fixed Incme, Stable Return, U.S. Treasury, AAA Asset-backed and Broad Market Fixed Income; and (2) Global and International Portfolios - Worldwide Short-Term Fixed Income, Worldwide Fixed Income, Worldwide Fixed Income-Hedged, International Fixed Income and International Fixed Income-Hedged.

INVESTMENT OBJECTIVES AND POLICIES

Each Portfolio seeks to achieve its investment objective by investing in debt securities of varying durations. Duration incorporates a bond's yield, coupon interest payments, final maturity and call features into one measure. Duration is a measure of the expected life of a debt security on a present value basis. It takes the length of the time intervals between the present time and the time that the interest and principal payments are scheduled or, in the case of a callable bond, expected to be received, and weights them by the present values of the cash to be received at each future point in time. For any debt security with interest payments occurring prior to the payment of principal, duration is always less than maturity. In general, for the same maturity, the lower the stated or coupon rate of interest of a debt security, the longer the duration of the security; conversely, the higher the stated or coupon rate of interest of a debt security, the shorter the duration of the security.

Futures, options and options on futures have durations which, in general, are closely related to the duration of the securities that underlie them. Holding long futures or call options (backed by a segregated account of cash and cash equivalents) will lengthen a Portfolio's duration by approximately the same amount that holding an equivalent amount of the underlying securities would. Short futures or put option positions have durations roughly equal to the negative duration of the securities that underlie those positions, and have the effect of reducing portfolio duration by approximately the same amount that selling an equivalent amount of the underlying securities would.

The Investment Adviser or Sub-Adviser may exceed the stated duration cap of a Portfolio for temporary defensive purposes.

U.S. PORTFOLIOS

Each of the U.S. Portfolios will invest at least 65% of its assets in U.S. dollar-denominated debt securities. Each of the U.S. Portfolios, other than U.S. Treasury, may invest up to 35% of its assets in foreign currency-denominated (non-U.S. dollar) debt securities, although it is not currently expected that any of the U.S. Portfolios will invest more than a minor portion of their assets in such securities.

U.S. SHORT-TERM FIXED INCOME PORTFOLIO

The investment objective of U.S. Short-Term is to attain a high level of total return as may be consistent with the preservation of capital and to maintain liquidity by investing primarily in high-quality fixed income securities with an average U.S. dollar-weighted duration of less than one year.

U.S. Short-Term seeks to attain its objectives by investing in debt securities of U.S. and foreign issuers, including securities issued or guaranteed by the U.S. Government and its agencies or instrumentalities; municipal obligations; obligations issued or guaranteed by a foreign government or any of its political subdivisions, authorities, agencies or instrumentalities or by supranational organizations; obligations of domestic or foreign corporations or other entities; obligations of domestic or foreign banks; and mortgage- and asset-backed securities. The Portfolio may also engage in repurchase and reverse repurchase agreements. These investments are described below under "Description of Investments". In addition, U.S. Short-Term may utilize up to 5% of its assets as margin and premiums to purchase and sell options, futures and options on futures contracts. U.S. Short-Term may not invest more than 5% of its total assets in the securities of any issuer (other than the U.S. Government and its agencies).

U.S. Short-Term seeks to maintain a constant net asset value of $10 per share by employing the "full payout method" of declaring dividends. Currently, this policy has been suspended and the NAV has fallen below 10.00/share See "Dividends - U.S. Short-Term Fixed Income Portfolio". No assurance can begiven that U.S. Short-Term can maintain a constant net asset value of $10 per share. Additionally, the Portfolio may have to reduce the number of shares held by shareholders in order to maintain a constant net asset value of $10 per share.

The shares of U.S. Short-Term are not guaranteed by the U.S. Government. U.S. Short-Term is not a "money market fund" and may make investments that are not permitted by money market funds under applicable regulations. For example, U.S. Short-Term may have a dollar-weighted average maturity in excess of ninety days. Except for temporary defensive purposes, U.S Short-Term will not have a dollar-weighted average maturity in excess of three years.

STABLE RETURN PORTFOLIO

The investment objective of Stable Return is to maintain a stable level of total return as may be consistent with the preservation of capital by investing primarily in high-quality debt securities with an average U.S. dollar-weighted duration of less than three years and by using interest rate hedging as a stabilizing technique.

Stable Return seeks to attain its objective by investing in debt securities and instruments of the same type as U.S. Short-Term. Stable Return will generally purchase securities included in the Merrill Lynch 1-2.99 Year Treasury Index, which has historically maintained stable returns from quarter to quarter, relative to longer-term securities. (See "Appendix" in the Statement of Additional Information.) The price and yield of securities in the 1 to 3 year duration range are generally less volatile than those of securities with a longer duration. Stable Return will seek to match the average duration of the Index but cannot guarantee that it will do so. At no time will the average duration of the Portfolio be more than one year in excess of the average duration of the Index.

Stable Return is suitable as an investment option for defined contribution and retirement plans. Stable Return will be managed by the Investment Adviser in a manner designed to produce returns similar to those of a guaranteed investment contract ("GIC"). However, unlike a GIC, Stable Return is not guaranteed by an insurer.

U.S. TREASURY PORTFOLIO

The investment objective of U.S. Treasury is to attain a high level of total return as may be consistent with the preservation of capital and to avoid credit quality risk by investing primarily in securities issued by the U.S. Treasury with an average U.S. dollar-weighted duration of less than five years which will provide investors in most jurisdictions with income exempt from state and local tax. (Check with a tax adviser to determine if your state and local tax laws exempt income derived from U.S. Treasury mutual fund portfolios.)

U.S. Treasury seeks to attain its objective by investing at least 95% of its assets in U.S. dollar-denominated obligations issued by the U.S. Treasury, and repurchase and reverse repurchase agreements collateralized by such obligations. U.S. Treasury may invest up to 5% of its assets in U.S. dollar- or foreign currency-denominated debt securities and instruments of the same type as U.S. Short-Term.

AAA ASSET-BACKED PORTFOLIO

The investment objective of AAA Asset-Backed is to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in mortgage- and asset-backed securities, rated in the highest quality rating category, with an average U.S. dollar-weighted duration of less than five years.

AAA Asset-Backed seeks to attain its objective by investing at least 65% of its assets in mortgage- and asset-backed debt obligations of U.S. and foreign issuers rated in the highest quality rating category by a nationally recognized rating service, or deemed to be of comparable quality by the Investment Adviser. AAA Asset-Backed may also invest up to 35% of its assets in debt securities and instruments of the same type as U.S. Short-Term, also rated in the highest quality rating category. The Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in short-term U.S. Government securities and money market instruments.

BROAD MARKET FIXED INCOME PORTFOLIO

The investment objective of Broad Market is to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities reflective of the broad spectrum of the U.S. bond market with an average U.S. dollar-weighted duration of less than eight years.

Broad Market seeks to attain its objective by investing in debt securities and instruments of the same type as U.S. Short-Term. The broad market of fixed income securities includes all investment grade fixed income securities in the corporate, U.S. Government and mortgage- and asset-backed markets with durations of greater than one year. The allocation among markets will vary based upon the issuance of new securities and the retirement of outstanding securities. The current market allocation is comprised of approximately 20% in corporate securities, 50% in U.S. Government securities and 30% in mortgage- and asset-backed securities. The Investment Adviser will manage Broad Market to approximate broad market allocations by purchasing and selling representative securities in each market, but Broad Market cannot guarantee that it will match such broad market allocations. The Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in short-term U.S. Government securities and money market instruments.

GLOBAL AND INTERNATIONAL PORTFOLIOS

Each of the Worldwide Portfolios will invest at least 65% of its assets in debt securities of issuers from at least three different countries, including the United States, with a significant portion of its assets in debt securities of issuers located outside the United States. Each of the International Portfolios will invest at least 65% of its assets in debt securities of issuers from at least three different countries, excluding the United States. Each of the Portfolios may, for temporary defensive purposes, invest up to 100% of its assets in short-term U.S. Government securities and money market instruments.

WORLDWIDE SHORT-TERM FIXED INCOME PORTFOLIO

The investment objective of Worldwide Short-Term is to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in both U.S. dollars and foreign currencies, with an average U.S. dollar-weighted duration of less than one year.

Worldwide Short-Term seeks to attain its objective by investing in debt securities of U.S. and foreign issuers, including securities issued or guaranteed by the U.S. Government and its agencies or instrumentalities; municipal obligations; obligations issued or guaranteed by a foreign government, or any of its political subdivisions, authorities, agencies or instrumentalities or by supranational organizations; obligations of domestic or foreign corporations or other entities; obligations of domestic or foreign banks; and mortgage- and asset-backed securities. The Portfolio may also engage in repurchase and reverse repurchase agreements. Each of these investments are described below under "Descriptions of Investments". In addition, Worldwide Short-Term may utilize up to 5% of its assets as margin and premiums to purchase and sell options, futures and options on futures contracts.

At the Investment Adviser's or Sub-Adviser's discretion, Worldwide Short-Term may at times seek to hedge all or part of its foreign currency-denominated assets against foreign currency risks. Worldwide Short-Term may also enter into transactions in foreign currencies and related instruments, based on predictions of changes in the exchange rates between foreign currencies, in an effort to enhance total return. Except for temporary defensive purposes, Worldwide Short-Term will not have a dollar-weighted average maturity in excess of three years.

WORLDWIDE FIXED INCOME PORTFOLIO

The investment objective of Worldwide is to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in both U.S. dollars and foreign currencies, with an average U.S. dollar-weighted duration of less than six years.

Worldwide seeks to attain its objective by investing in debt securities and instruments of the same type as Worldwide Short-Term, but generally of a longer average U.S. dollar-weighted duration. The Adviser or Sub Adviser intends to actively manage the Portfolio and the allocations of the Portfolio's investment assets among various world bond markets (and currencies) are not expected to be comparable to, or as diverse as, the allocations accorded to such markets (and currencies) by the major bond market indices. The Portfolio will maintain investments in debt securities of issuers from at least three different countries, including the United States.

At the Investment Adviser's or Sub-Adviser's discretion, Worldwide may at times seek to hedge all or part of its foreign currency-denominated assets against foreign currency risks. Worldwide may also enter into transactions in foreign currencies and related instruments, based on predictions of changes in the exchange rates between foreign currencies, in an effort to enhance total return.

WORLDWIDE FIXED INCOME-HEDGED PORTFOLIO

The investment objective of Worldwide-Hedged is to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in both U.S. dollars and foreign currencies, with an average U.S. dollar-weighted duration of less than six years and by actively utilizing currency hedging techniques.

Worldwide-Hedged seeks to attain its objective by investing in debt securities and instruments of the same type as Worldwide. The Adviser or Sub-Adviser intends to actively manage the Portfolio and the allocations of the Portfolio's investment assets among various world bond markets are not expected to be comparable to, or as diverse as, the allocations accorded to such markets by the major bond market indices. The Portfolio will maintain investments in debt securities of issuers from at least three different countries, including the United States.

While currency hedging decisions for Worldwide Short-Term, Worldwide and International are at the discretion of the Investment Adviser or Sub-Adviser, Worldwide-Hedged, as a fundamental policy of the Portfolio, which may only be changed by a vote of shareholders, will attempt to hedge at least 65% of its foreign currency-denominated assets against foreign currency risks to the fullest extent feasible. Worldwide-Hedged may not enter into transactions in foreign currencies and related instruments for non-hedging purposes.

INTERNATIONAL FIXED INCOME PORTFOLIO

The investment objective of International is to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in foreign currencies, with an average U.S. dollar-weighted duration of less than six years.

International will seek to attain its objective by investing at least 65% of its assets in foreign currency-denominated debt securities and instruments of the same type as Worldwide. Up to 35% of the balance of its assets may be invested in U.S. dollar-denominated securities of the same type.

At the Investment Adviser's or Sub-Adviser's discretion, International may at times seek to hedge all or part of its foreign currency-denominated assets against foreign currency risks. International may also enter into transactions in foreign currencies and related instruments, based on predictions of changes in the exchange rates between foreign currencies, in an effort to enhance total return.

INTERNATIONAL FIXED INCOME-HEDGED
PORTFOLIO

The investment objective of International-Hedged is to attain a high level of total return as may be consistent with the preservation of capital by investing primarily in high-quality fixed income securities from bond markets worldwide, denominated in foreign currencies, with an average U.S. dollar-weighted duration of less than six years and by actively utilizing currency hedging techniques.

International-Hedged seeks to attain its objective by investing at least 65% of its assets in foreign currency-denominated debt securities and instruments of the same type as Worldwide. Up to 35% of the balance of its assets may be invested in U.S. dollar-denominated securities of the same type.

While currency hedging decisions for Worldwide Short-Term, Worldwide and International are at the discretion of the Investment Adviser or Sub-Adviser, International-Hedged, as a fundamental policy of the Portfolio, which may only be changed by a vote of shareholders, will attempt to hedge at least 65% of its foreign currency-denominated assets against foreign currency risks to the fullest extent feasible. International-Hedged may not enter into transactions in foreign currencies and related instruments for non-hedging purposes.

DESCRIPTION OF INVESTMENTS

The following briefly describes some of the different types of securities in which the ten Portfolios may invest, subject to each Portfolio's investment objectives and policies. For a more extensive description of these assets and the risks associated with them, see the Statement of Additional Information.

U.S. Treasury and other U.S. Government and Government Agency Securities. Each Portfolio may purchase securities issued by or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities and supported by the full faith and credit of the United States ("U.S. Government Securities"). Each Portfolio may also purchase securities issued by a U.S. Government-sponsored enterprise or federal agency that is supported either by its ability to borrow from the U.S. Treasury (e.g., Student Loan Marketing Association) or by its own credit standing (e.g., Federal National Mortgage Association). Such securities do not constitute direct obligations of the United States but are issued, in general, under the authority of an Act of Congress.

Foreign Government and International and Supranational Agency Securities. Each Portfolio may purchase debt obligations issued or guaranteed by foreign governments or their subdivisions, agencies and instrumentalities, and debt obligations issued or guaranteed by international agencies and supranational entities.

Bank Obligations. Each Portfolio may invest in obligations of domestic and foreign banks, including time deposits, certificates of deposit, bankers' acceptances, bank notes, deposit notes, Eurodollar time deposits, Eurodollar certificates of deposit, variable rate notes, loan participations, variable amount master demand notes and custodial receipts ("Bank Obligations"). Each portfolio may, from time to time, concentrate more than 25% of its assets in such Bank Obligations.

Corporate Debt Instruments. Each Portfolio may purchase commercial paper, notes and other obligations of U.S. and foreign corporate issuers meeting the Portfolio's credit quality standards (including medium-term and variable rate notes).

Repurchase and Reverse Repurchase Agreements. Each Portfolio may enter into repurchase agreements under which a bank or securities firm (that is a dealer in U.S. Government Securities reporting to the Federal Reserve Bank of New York) agrees, upon entering into the contract, to sell U.S. Government Securities to a Portfolio and repurchase such securities from the Portfolio at a mutually agreed-upon price and date. Each Portfolio may enter into reverse repurchase agreements under which a primary or reporting dealer in U.S. Government Securities purchases U.S. Government Securities from a Portfolio and the Portfolio agrees to repurchase the securities at an agreed-upon price and date.

Regulations of the Commission require either that securities sold by a Portfolio under a reverse repurchase agreement be segregated pending repurchase or that the proceeds be segregated on that Portfolio's books and records pending repurchase. The Fund will maintain for each Portfolio a segregated custodial account containing cash, U.S. Government Securities or other appropriate high-grade debt securities having an aggregate value at least equal to the amount of such commitments to repurchase, including accrued interest, until payment is made. Repurchase and reverse repurchase agreements will generally be restricted to those that mature within seven days. The Portfolios will engage in such transactions with parties selected on the basis of such party's creditworthiness. U.S. Short-Term, Worldwide, and Worldwide-Hedged may not enter into a repurchase agreement or reverse repurchase agreement if, as a result thereof, more than 25% of each such Portfolio's assets would be subject to repurchase agreements or reverse repurchase agreements.

Dollar Roll Transactions. Each Portfolio may enter into dollar roll transactions with selected banks and broker-dealers. Dollar roll transactions are treated as reverse repurchase agreements for purposes of a Portfolio's borrowing restrictions and consist of the sale by the Portfolio of mortgage-backed securities, together with a commitment to purchase similar, but not identical, securities at a future date, at the same price. In addition, the Portfolio is paid a fee as consideration for entering into the commitment to purchase. Dollar rolls may be renewed after cash settlement and initially involve only a firm commitment agreement by the Portfolio to buy a security.

Mortgage-Backed Securities. Each Portfolio may purchase securities that are secured or backed by mortgages or other mortgage-related assets. Such securities may be issued by such entities as the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), commercial banks, savings and loan associations, mortgage banks or by issuers that are affiliates of or sponsored by such entities.

Other Asset-Backed Securities. Each Portfolio may also purchase securities that are secured or backed by assets other than mortgage-related assets, such as automobile and credit card receivables, and that are sponsored by such institutions as finance companies, finance subsidiaries of industrial companies and investment banks. Each Portfolio will only purchase asset-backed securities that the Investment Adviser determines to be liquid. No Portfolio will purchase non-mortgage, asset-backed securities that are not rated at least "AA" by S&P or "Aa" by Moody's, or determined by the Investment Adviser to be of comparable quality.

Foreign Securities. Each Portfolio may, but generally the Global and International Portfolios will, invest in securities denominated in currencies other than the U.S. dollar. The Investment Adviser and the Sub-Adviser will seek to manage the Global and International Portfolios in accordance with a global market strategy. Consistent with such a strategy, these Portfolios may invest in debt securities denominated in any single currency or multi-currency units. The Investment Adviser and the Sub-Adviser will adjust the exposure of these Portfolios to different currencies based on their perception of the most favorable markets and issuers. In allocating assets among multiple markets, the Investment Adviser and the Sub-Adviser will assess the relative yield and anticipated direction of interest rates in particular markets, general market and economic conditions and the relationship of currencies of various countries to each other. In their evaluations, the Investment Adviser and the Sub-Adviser will use internal financial, economic and credit analysis resources as well as information obtained from external sources.

The Global and International Portfolios will invest primarily in securities denominated in the currencies of the United States (other than International and International-Hedged), Japan, Canada, Western European nations, New Zealand and Australia, as well as securities denominated in the European Currency Unit. Further, it is anticipated that such securities will be issued primarily by governmental and private entities located in such countries and by supranational entities. No Portfolio will invest in countries that are not considered by the Investment Adviser or the Sub-Adviser to have stable governments, based on the Investment Adviser's and the Sub-Adviser's analysis of factors such as general political or economic conditions relating to the government and the likelihood of expropriation, nationalization, freezes or confiscation of private property, or whose currencies are not convertible into U.S. dollars. Under certain adverse conditions and for the duration of such conditions, each Portfolio may restrict the financial markets or currencies in which its assets are invested and it may invest its assets solely in one financial market or in obligations denominated in one currency.

Indexed Notes, Currency Exchange-Related Securities and Similar Securities. Each Portfolio may purchase notes, the principal amount of which and/or the rate of interest payable on which is determined by reference to an index, which may be (i) the rate of exchange between the specified currency for the note and one or more other currencies or composite currencies; (ii) the difference in the price or prices of one or more specified commodities on specified dates; or (iii) the difference in the level of one or more specified stock indices on specified dates.
Each Portfolio may also purchase principal exchange rate linked securities, performance-indexed paper and foreign currency warrants. See "Supplemental Descriptions of Investments" in the Statement of Additional Information.

Securities Denominated in Multi-National Currency Units or More Than One Currency. Each Portfolio may invest in securities denominated in a multi-national currency unit, such as the European Currency Unit, which is a "basket" consisting of specified amounts of the currencies of the member states of the European Community, a Western European economic cooperative organization. Each Portfolio may also invest in securities denominated in the currency of one nation although issued by a governmental entity, corporation or financial institution of another nation.

Municipal Instruments. Each Portfolio may, from time to time, purchase municipal instruments when, in the Investment Adviser's opinion, such instruments will provide a greater rate of return than taxable instruments of comparable quality. It is not anticipated that such instruments will ever represent a significant portion of any Portfolio's assets.

INVESTMENT TECHNIQUES

PORTFOLIO TURNOVER

The costs associated with turnover have been and are expected to remain low relative to equity fund turnover costs. However, due to the Investment Adviser's and Sub-Adviser's active management style, portfolio turnover may be higher than other mutual fund portfolios investing primarily in debt securities. Custodial turnover charges are usually under 1/1000 of 1% of the transaction value. Turnover costs also include the spread between the "bid" and the "asked" price of the security bought or sold.

U.S. Short-Term Fixed Income Portfolio. Turnover of U.S. Short-Term's assets (excluding those having a maturity of one year or less) is expected to be between 2,000% and 6,000% per year but may, depending upon market conditions, be higher. This anticipated turnover rate is believed to be higher than the turnover experienced by most short-term funds, due to the Investment Adviser's active management of duration.

Worldwide Fixed Income and Worldwide Fixed Income-Hedged Portfolios. Turnover of the assets of each of Worldwide and Worldwide-Hedged (excluding those having a maturity of one year or less) is expected to be between 500% and 1,000% per year, but may, depending upon market conditions, be higher.

Other Portfolios. It is anticipated that the Worldwide Short-Term will experience turnover similar to that of the U.S. Short-Term (2,000% to 6,000%), while Stable Return, U.S. Treasury, AAA Asset-Backed, Broad Market, International and International-Hedged will experience turnover similar to that of the Worldwide and Worldwide-Hedged (500% to 1,000%).

HEDGING STRATEGIES

Interest Rate Hedging. In order to hedge against changes in interest rates, each Portfolio may purchase and sell exchange-traded or over-the counter ("OTC") put and call options on any security in which it is permitted to invest or on any security index or other index based on the securities in which it may invest, and may purchase and sell (on a covered basis) financial futures contracts for the future delivery of fixed-income securities or contracts based on financial indices, and options on such futures. Each Portfolio may engage in such activities from time to time at the Investment Adviser's and Sub-Adviser's discretion, and may not necessarily be engaging in such activities when movements in interest rates that could affect the value of the assets of the Portfolio occur.

Foreign Currency Hedging. Each Portfolio may, but generally the Global and International Portfolios will, enter into forward foreign currency exchange contracts and may purchase and sell exchange traded and OTC options on currencies, foreign currency futures contracts and options on foreign currency futures contracts to hedge the currency exchange risk associated with its assets or obligations denominated in foreign currencies. A Portfolio may also engage in synthetic hedging. Synthetic hedging entails entering into a forward contract to sell a currency whose changes in value are generally considered to be linked to a currency or currencies in which some or all of the Portfolio's securities are or are expected to be denominated, and to buy U.S. dollars. (The amount of the contract will not exceed the value of the Portfolio's holdings in linked currencies.) There is the risk that the perceived linkage between various currencies may not be present or may not be present during the particular time that a Portfolio is engaging in proxy hedging. Each Portfolio may also cross-hedge currencies by entering into forward contracts to sell one or more currencies that are expected to decline in value relative to other currencies to which the Portfolio has or in which the Portfolio expects to have portfolio exposure. Except when a Portfolio enters into a forward contract for the purchase or sale of a security denominated in a particular currency, where a corresponding forward currency contract will require no segregation, a currency contract which obligates a Portfolio to buy or sell currency will generally require the Portfolio to hold an amount of that currency or liquid securities denominated in that currency equal to the Portfolio's obligations or to segregate cash, U.S. Government securities or other appropriate high-grade debt obligations equal to the amount of the Portfolio's obligations.

As a result of hedging techniques, the net exposure of each Portfolio to any one currency may be different from that of its total assets denominated in such currency. Each of Worldwide-Hedged and International-Hedged intends to hedge its currency exchange risk to the extent practicable, but there can be no assurance that all of the assets of either Portfolio denominated in foreign currencies will be hedged at any time, or that any such hedge will be effective. Each of Worldwide Short-Term, Worldwide and International may at times, at the discretion of the Investment Adviser and the Sub-Adviser, hedge all or part of its currency exchange risk.

Worldwide Short-Term, Worldwide and International may also decide which securities to purchase or sell, whether to hedge foreign currency positions and engage in the transactions described in the previous paragraph in an effort to profit from anticipated changes in the relation between or among the rates of exchange between various currencies of the countries in which they are permitted to invest.

Coverage Requirements. All options on securities, securities indices, other indices and foreign currency written by a Portfolio are required to be covered. When a Portfolio sells a call option, this means that during the life of the option the Portfolio will own or have the contractual right to acquire the securities or foreign currency subject to the option, or will maintain with the Fund's custodian in a segregated account cash, U.S. Government Securities or other appropriate high-grade debt obligations in an amount at least equal to the market value of the securities or foreign currency underlying the option. When a Portfolio writes a put option, this means that the Portfolio will maintain with the Fund's custodian in a segregated account cash, U.S. Government Securities or other appropriate high-grade debt obligations in an amount at least equal to the exercise price of the option.

All futures and forward currency contracts purchased or sold for non-hedging purposes by a Portfolio are also required to be covered. When a Portfolio purchases a futures or forward currency contract for non-hedging purposes, this means that the Portfolio will deposit an amount of cash, U.S.

Government Securities or other appropriate high-grade debt obligations in a segregated account with the Fund's custodian so that the amount so segregated, plus the amount of initial and variation margin held in the account of its broker, if applicable, equals the market value of the futures or forward currency contract.

When a Portfolio sells a futures or forward currency contract for non-hedging purposes, this means that during the life of the futures or forward currency contract the Portfolio will own or have the contractual right to acquire the securities or foreign currency subject to the futures or forward currency contract, or will maintain with the Fund's custodian in a segregated account cash, U.S. Government Securities or other appropriate high-grade debt obligations in an amount at least equal to the market value of the securities or foreign currency underlying the futures or forward currency contract.

If the market value of the contract moves adversely to the Portfolio, or if the value of the securities in the segregated account declines, the Portfolio will be required to deposit additional cash or securities in the segregated account at a time when it may be disadvantageous to do so.

Restrictions on Use of Futures Transactions. Regulations of the Commodity Futures Trading Commission (the "CFTC") applicable to the Fund require that all of a Portfolio's futures and options on futures transactions constitute bona fide hedging transactions and that the Portfolio not enter into such transactions if immediately thereafter, the sum of the amount of initial margin deposits on the Portfolio's existing futures positions and premiums paid for related options would exceed 5% of the market value of the Portfolio's total assets. Each Portfolio is also permitted to engage in transactions in futures contracts, and options thereon, incidental to such Portfolio's activities in the securities markets. Under applicable CFTC regulations, the value of the assets underlying futures positions is not allowed to exceed the sum of cash set aside in an identifiable manner or short-term U.S. Government or other U.S. dollar-denominated high-grade short-term debt obligations segregated for this purpose.

ILLIQUID SECURITIES

Although mutual fund portfolios are allowed to invest up to 15% of the value of their net assets in illiquid assets, it is not expected that any Portfolio will invest a significant portion of its assets in illiquid securities. All OTC options; repurchase agreements, time deposits and dollar roll transactions maturing in more than seven days; and loan participations are treated as illiquid assets.

WHEN-ISSUED AND FORWARD COMMITMENT SECURITIES

Each Portfolio may purchase when-issued securities and other securities that meet the investment criteria of such Portfolio on a forward commitment basis at fixed purchase terms at a future date beyond customary settlement time. The purchase will be recorded on the date a Portfolio enters into the commitment, and the value of the security will thereafter be reflected in the calculation of the Portfolio's net asset value. The value of the security on the delivery date may be more or less than its purchase price. No interest generally will accrue to the Portfolio until settlement. The Fund will maintain for each Portfolio a segregated custodial account containing cash, U.S. Government Securities or other appropriate high-grade debt securities having a value at least equal to the aggregate amount of a Portfolio's forward commitments.

INVESTMENT RESTRICTIONS

The Fund has adopted certain fundamental investment restrictions for each Portfolio which may only be changed with approval of a Portfolio's shareholders. Among these policies are (i) that a Portfolio may not borrow money, except by engaging in reverse repurchase agreements and dollar roll transactions or from a bank as a temporary measure, provided that borrowings, excluding reverse repurchase agreements and dollar roll transactions, will not exceed one-third of total assets and will not be engaged in for leveraging purposes; (ii) that a Portfolio may not engage in short sales of securities; and (iii) that a Portfolio may not invest for the purpose of exercising control or management.

RISKS ASSOCIATED WITH THE FUND'S INVESTMENT POLICIES AND INVESTMENT TECHNIQUES

A more detailed discussion of the risks associated with the investment policies and investment techniques of the Portfolios appears in the Statement of Additional Information.

Changes in Interest Rates. The returns that the Portfolios provide to investors will be influenced by changes in prevailing interest rates. In addition, changes in market yields will affect a Portfolio's net asset value since the prices of portfolio debt securities generally increase when interest rates decline and decrease when interest rates rise. Prices of shorter-term securities generally fluctuate less in response to interest rate changes than do longer-term securities.

Foreign Investments. Securities issued by foreign governments, foreign corporations, international agencies and obligations of foreign banks involve risks not associated with securities issued by U.S. entities. With respect to certain foreign countries, there is the possibility of expropriation of assets, confiscatory taxation and political or social instability or diplomatic developments that could affect investment in those countries. There may be less publicly available information about a foreign financial instrument than about a United States instrument and foreign entities may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of United States entities.
A Portfolio could encounter difficulties in obtaining or enforcing a judgment against the issuer in certain foreign countries. In addition, certain foreign investments may be subject to foreign withholding or other taxes, although the Fund will seek to minimize such withholding taxes whenever practicable. Investors may be able to deduct such taxes in computing their taxable income or to use such amounts as credits against their United States income taxes if more than 50% of a Portfolio's total assets at the close of any taxable year consist of stock or securities of foreign corporations. See "Tax Considerations".

Currency Exchange Risks. Changes in foreign currency exchange rates may affect the value of investments of a Portfolio, especially the Global and International Portfolios. While Worldwide-Hedged and International-Hedged will, to the fullest extent practicable, and the other Portfolios may, hedge their assets against foreign currency risk, no assurance can be given that currency values will change as predicted, and a Portfolio may suffer losses as a result of this investment strategy. As a result of hedging techniques, the net exposure of each such Portfolio to any one currency may be different from that of its total assets denominated in such currency. The foreign currency markets can be highly volatile and subject to sharp price fluctuations, and a high degree of leverage is typical of the foreign currency instruments in which each Portfolio may invest. Since each Portfolio, other than Worldwide-Hedged and International-Hedged, may invest in such instruments in an effort to enhance total return, each such Portfolio will be subject to additional risks in connection with the volatile nature of these markets to which the other Portfolios are not subject.

Mortgage and Other Asset-Backed Securities. The yield characteristics of mortgage- and other asset-backed securities differ from traditional debt securities. A major difference is that the principal amount of the obligation generally may be prepaid at any time because the underlying assets (i.e., loans) generally may be prepaid at any time. As a result, if an asset-backed security is purchased at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity. Conversely, if an asset-backed security is purchased at a discount, faster than expected prepayments will increase, while slower than expected prepayments will decrease yield to maturity.

These securities may not have the benefit of any security interest in the underlying assets and recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The Portfolios will only invest in asset-backed securities that the Investment Adviser believes are liquid.

Non-Diversified Portfolios. U.S. Short-Term is "diversified" under the Investment Company Act of 1940, while the other nine Portfolios are each "non-diversified" for purposes of such Act and so are subject only to the diversification requirements necessary for treatment as a "regulated investment company" under the Internal Revenue Code of 1986 (the "Code"). Under the Code, with respect to 50% of its assets, a Portfolio may invest up to 25% of its assets in the obligations of an individual issuer (except that this limitation does not apply to U.S. Government Securities, as defined below), and with respect to the remaining 50% of its assets may not invest more than 5% of its assets in the obligations of an individual issuer (other than U.S. Government Securities). Because a "non-diversified" portfolio may invest a larger percentage of its assets in individual issuers than a diversified portfolio, its exposure to credit and market risks associated with such investments is increased.

Hedging Transactions. The use of hedging techniques involves the risk of imperfect correlation in movements in the price of the hedge and movements in the price of the securities that are the subject of the hedge. In addition, if interest or currency exchange rates do not move in the direction against which a Portfolio has hedged, the Portfolio will be in a worse position than if a hedging strategy had not been pursued, because it will lose part or all of the benefit of the favorable rate movement due to the cost of the hedge or offsetting positions. Moreover, hedging transactions that are not entered into on a U.S. or foreign exchange may subject a Portfolio to exposure to the credit risk of its counterparty.

Repurchase Agreements. In the event the other party to a repurchase agreement or a reverse repurchase agreement becomes subject to a bankruptcy or other insolvency proceeding or such party fails to satisfy its obligations thereunder, a Portfolio could (i) experience delays in recovering cash or the securities sold (and during such delay the value of the underlying securities may change in a manner adverse to the Portfolio) or (ii) lose all or part of the income, proceeds or rights in the securities to which the Portfolio would otherwise be entitled.

Dollar Roll Transactions. If the broker-dealer to whom a Portfolio sells the security underlying a dollar roll transaction becomes insolvent, the Portfolio's right to purchase or repurchase the security may be restricted; the value of the security may change adversely over the term of the dollar roll, the security which the Portfolio is required to repurchase may be worth less than a security which the Portfolio originally held, and the return earned by the Portfolio with the proceeds of a dollar roll may not exceed transaction costs.

Zero Coupon Securities. Because they do not pay interest until maturity, zero coupon securities tend to be subject to greater interim fluctuation of market value in response to changes in interest rates than interest-paying securities of similar maturities. Additionally, for tax purposes, zero coupon securities accrue income daily even though no cash payments are received which may require a Portfolio to sell securities that would not ordinarily be sold to provide cash for the Portfolio's required distributions.

Concentration in Bank Obligations. Each Portfolio may, at times, invest in excess of 25% of its assets in Bank Obligations, as defined above. By concentrating investments in the banking industry, a Portfolio may have a greater exposure to certain risks associated with the banking industry. In particular, economic or regulatory developments in or related to the banking industry will affect the value of and investment return on a Portfolio's shares. As discussed above, each Portfolio will seek to minimize its exposure to such risks by investing only in debt securities that are determined by the Investment Adviser or Sub-Adviser to be of high quality.

DISTRIBUTION OF FUND SHARES

Shares of the Fund are distributed by AMT Capital Services, Inc. pursuant to a Distribution Agreement (the "Distribution Agreement") dated as of September 21, 1992 between the Fund and AMT Capital. The Distribution Agreement requires AMT Capital to use its best efforts on a continuing basis to solicit purchases of shares of the Fund. No fees are payable by the Fund pursuant to the Distribution Agreement, and AMT Capital bears the expense of its distribution activities.

Under a sales incentive fee agreement dated as of September 21, 1992 between AMT Capital and the Investment Adviser, the Investment Adviser has agreed to pay AMT Capital a monthly sales incentive fee at an annual rate of 0.30% of the average daily net asset value of shares purchased as a result of the sales efforts of AMT Capital (to the extent such average daily net asset value exceeds $100 million). For purposes of calculating the monthly sales incentive fee, the daily net asset value of shares purchased as a result of the sales efforts of AMT Capital shall not include shares so purchased and held for more than twelve months.

Charter Atlantic Corporation, an affiliate of the Investment Adviser, has a 10% equity interest in AMT Capital.

PURCHASES AND REDEMPTIONS

PURCHASES

There is no sales charge imposed by the Fund. The minimum initial investment in any Portfolio of the Fund is $100,000; additional purchases or redemptions may be of any amount.

The offering of shares of the Fund is continuous and purchases of shares of the Fund may be made Monday through Friday, except for the holidays declared by the Federal Reserve Bank of New York. At the present time, these holidays are: New Year's Day, Martin Luther King's Birthday, Presidents' Day, Memorial Day, Fourth of July, Labor Day, Columbus Day, Veterans Day, Thanksgiving, and Christmas. The Fund offers shares at a public offering price equal to the net asset value next determined after a purchase order becomes effective. Purchases of shares must be made by wire transfer of Federal funds. Initial share purchase orders are effective on the date when AMT Capital receives a completed Account Application Form (and other required documents) and Federal funds become available to the Fund in the Fund's account with the Transfer Agent as set forth below. The shareholder's bank may impose a charge to execute the wire transfer.

In order to purchase shares on a particular Business Day, a purchaser must call AMT Capital at (800) 762-4848 [or within the City of New York, (212) 308-4848] prior to 4:00 p.m. Eastern time to inform the Fund of the incoming wire transfer and must clearly indicate which Portfolio is to be purchased. If Federal funds are received by the Fund that same day, the order will be effective on that day. If the Fund receives notification after 4:00 p.m. Eastern time, or if Federal funds are not received by the Transfer Agent, such purchase order shall be executed as of the date that Federal funds are received. Shares purchased will begin accruing dividends on the day Federal funds are received.

REDEMPTIONS

The Fund will redeem all full and fractional shares of the Fund upon request of shareholders. The redemption price is the net asset value per share next determined after receipt by the Transfer Agent of proper notice of redemption as described below. If such notice is received by the Transfer Agent by 4:00 p.m. Eastern time on any Business Day, the redemption will be effective and payment will be made (i) in the case of U.S. Short-Term, on such Business Day; (ii) in the case of all other U.S. Portfolios, within seven calendar days, but generally on the day following receipt of such notice; and (iii) in the case of the Global and International Portfolios, within seven calendar days, but generally two business days following receipt of such notice. If the notice is received on a day that is not a Business Day or after 4:00 p.m. Eastern time, the redemption notice will be deemed received as of the next Business Day.

There is no charge imposed by the Fund to redeem shares of the Fund; however, a shareholder's bank may impose its own wire transfer fee for receipt of the wire. Redemptions may be executed in any amount requested by the shareholder up to the amount such shareholder has invested in the Fund.

To redeem shares, a shareholder or any authorized agent (so designated on the Account Application Form) must provide the Transfer Agent with the dollar or share amount to be redeemed, the account to which the redemption proceeds should be wired (which account shall have been previously designated by the shareholder on its Account Application Form), the name of the shareholder and the shareholder's account number. Shares redeemed receive dividends declared up to and including the day preceding the day of the redemption.

A shareholder may change its authorized agent or the account designated to receive redemption proceeds at any time by writing to the Transfer Agent with an appropriate signature guarantee. Further documentation may be required when deemed appropriate by the Transfer Agent.

A shareholder may request redemption by calling the Transfer Agent at (800) 247-0473. Telephone redemption is made available to shareholders of the Fund on the Account Application. The Fund or the Transfer Agent may employ procedures designed to confirm that instructions communicated by telephone are genuine. If the Fund does not employ such procedures, it may be liable for losses due to unauthorized or fraudulent instructions. The Fund or the Transfer Agent may require personal identification codes and will only wire funds through pre-existing bank account instructions. No bank instruction changes will be accepted via telephone.

EXCHANGE PRIVILEGE

Shares of a Portfolio may be exchanged for shares of any other of the Fund's Portfolios or for other funds distributed by AMT Capital based on the respective net asset values of the shares involved in the exchange, assuming that shareholders wishing to exchange shares reside in states where these mutual funds are qualified for sale. The Fund's Portfolio minimum amounts of $100,000 would still apply. An exchange order is treated the same as a redemption followed by a purchase. Investors who wish to make exchange requests should telephone AMT Capital or the Transfer Agent.

DETERMINATION OF NET ASSET VALUE

The net asset value per share of each Portfolio is determined by adding the market value of all the assets of the Portfolio, subtracting all of the Portfolio's liabilities, dividing by the number of shares outstanding and adjusting to the nearest cent. The net asset value is calculated by the Fund's Accounting Agent as of 4:00 p.m. Eastern time on each Business Day.

The following methods are used to calculate the value of a Portfolio's assets: (1) all portfolio securities for which over-the-counter market quotations are readily available (including asset-backed securities) are valued at the latest bid price; (2) deposits and repurchase agreements are valued at their cost plus accrued interest unless the Investment Adviser or Sub-Adviser determines in good faith, under procedures established by and under the general supervision of the Fund's Board of Directors, that such value does not approximate the fair value of such assets; (3) positions (e.g., futures and options) listed or traded on an exchange are valued at their last sale price on that exchange (or if there were no sales that day for a particular position, that position is valued at the closing bid price); and (4) the value of other assets will be determined in good faith by the Investment Adviser or Sub-Adviser at fair value under procedures established by and under the general supervision of the Fund's Board of Directors. Quotations of foreign securities denominated in a foreign currency are converted to U.S. dollar-equivalents using the bid price of such currencies (quoted by any major bank) in effect at the time net asset value is computed.

Since U.S. Short-Term's daily dividend accrual includes unrealized gains and losses, the net asset value is expected to remain constant at $10.00 per share (although, the net asset value will fluctuate if the Board of Directors suspends the full payout method). Fluctuations in value may reduce the number of shares held by shareholders. None of the other Portfolios employs the full payout method of declaring dividends (see "Dividends" below), and the net asset value of each will fluctuate with changes in the market prices of the assets held by such Portfolio.

DIVIDENDS

Dividends are automatically reinvested in additional shares of a Portfolio on the last day of each month at the net asset value per share on the last Business Day of that month. Shareholders must indicate their desire to receive dividends in cash (payable on the first business day of the following month) on the Account Application Form. Otherwise all dividends will be reinvested in additional shares as described above. In the unlikely event that a Portfolio realizes net long-term capital gains (i.e., with respect to assets held more than one year), it will distribute them at least annually by automatically reinvesting (unless a shareholder has elected to receive cash) such long-term capital gains in additional shares of the Portfolio at the net asset value on the date the distribution is declared.

U.S. SHORT-TERM FIXED INCOME PORTFOLIO

U.S. Short-Term employs the "full payout method" of paying dividends to shareholders. Under the full payout method, dividends are determined and, if a positive amount, declared on each Business Day. In determining the dividend, there is first calculated the "Full Payout Amount" for the day. The Full Payout Amount is equal to (1) that day's net investment income (including accrued but unpaid interest and amortization of original issue and market discount or premium), plus (2)that day's net capital gains (both realized and unrealized), or minus (3) that day's net capital loss (both realized and unrealized). The amount of that day's dividend declaration is equal to the average of the Full Payout Amounts for the previous thirty days (adjusted to the extent necessary to maintain a constant $10.00 per share net asset value), a procedure which reduces the likelihood (discussed below) that a particular day's dividend will be determined to be a negative amount.

U.S. Short-Term expects that each day's dividend will ordinarily be a positive amount. Such dividends will reflect all capital gains and losses on U.S. Short-Term's investments (both realized and unrealized); thus, the net asset value per share, determined as described above, will remain constant. However, if the dividend amount so determined is negative for any day (e.g., realized and unrealized capital losses plus expenses exceed realized and unrealized capital gains plus investment income), a dividend will not be declared. Instead, each shareholder's accumulated dividend accrual for the month will be proportionately reduced. If, on the last Business Day of the month or at the time a shareholder closes his or her account, such shareholder's dividend accrual to date is negative, the shareholder's account value will be reduced by the negative accrual to date (i.e., the shareholder will be deemed to have contributed the relevant number of shares to the capital of U.S. Short-Term) so that U.S. Short-Term's net asset value per share for such day will be maintained at $10.00. Thus, although the net asset value per share will remain stable, the aggregate net asset value of the shares in a shareholder's account will decrease if such dividend accrual is negative. By purchasing shares in U.S. Short-Term, shareholders are deemed to have agreed to make such contributions of capital in the form of shares as may be necessary to maintain a stable net asset value per share. As a result of the foregoing procedure, the distributions paid by U.S. Short-Term for any particular month may be more or less than the amount of net investment income and net realized and unrealized capital gains or losses actually earned by the Portfolio during such period.

The Full Payout Amount reflects both short-term capital gains and any long-term capital gains on U.S. Short-Term's investments. The full pay-out method has currently been suspended.

If, in the view of the Board of Directors, it is inadvisable to continue the practice of maintaining the net asset value of $10.00 per share by using the full payout method, the Board of Directors reserves the right to alter, suspend or terminate the procedures described above. If such procedures are altered, the Fund will so inform shareholders.

ALL OTHER PORTFOLIOS

The other Portfolios do not employ the "full payout method". The net investment income (including accrued but unpaid interest and amortization of original issue and market discount or premium) of each Portfolio (other than U.S. Short-Term) will be declared as a dividend payable daily to the respective shareholders of record as of the close of each Business Day. Each Portfolio will also declare, to the extent necessary, a net short-term capital gain dividend once per year.

MANAGEMENT OF THE FUND

BOARD OF DIRECTORS

The Board of Directors of the Fund is responsible for the overall management and supervision of the Fund. The Fund's Directors are Stephen J. Constantine, John C Head III, Lawrence B. Krause, Paul Meek and Onder John Olcay. Additional information about the Directors and the Fund's executive officers may be found in the Statement of Additional Information under the heading "Management of the Fund - Board of Directors".

INVESTMENT ADVISER

Subject to the direction and authority of the Fund's Board of Directors, Fischer Francis Trees & Watts, Inc. is responsible for deciding upon investments for each Portfolio. The Investment Adviser continuously conducts investment research and is responsible for the purchase, sale or exchange of portfolio assets.

Organized in 1972, the Investment Adviser is a registered investment adviser and a New York corporation that currently manages approximately $18 billion in assets entirely in fixed-income portfolios for 65 major institutional clients including banks, central banks, pension funds and other institutional clients. The average size of a client relationship with the Investment Adviser is in excess of $250 million. Over $10 billion of the amount managed is made up of short-term assets constituting institutional reserves. The Investment Adviser is also the sub-adviser to three portfolios of two other open-end management investment companies. The Investment Adviser's offices are located at 200 Park Avenue, New York, New York 10166.

SUB-ADVISER

Fischer Francis Trees & Watts, a corporate partnership organized under the laws of the United Kingdom and an affiliate of the Investment Adviser, is the foreign sub-adviser to the Global and International Portfolios. Organized in 1989, the Sub-Adviser is a U.S.-registered investment adviser and currently manages approximately $1 billion in multi-currency fixed-income portfolios for institutional clients.
The Investment Adviser pays the Sub-Adviser monthly from its investment advisory fee. The Sub-Adviser's annual fee is 0.35% of the average foreign currency-denominated net assets of Worldwide Short-Term and 0.40% of the average foreign currency-denominated net assets of each of Worldwide, Worldwide-Hedged, International and International-Hedged Portfolios. From the inception date of both Portfolios, through December 31, 1992, the Sub-Adviser voluntarily agreed to waive its fees for both Worldwide and Worldwide-Hedged. The Sub-Adviser is under no obligation to waive its fees for any Portfolio subsequent to December 31, 1992. The Sub-Adviser's offices are located at 3 Royal Court, The Royal Exchange, London, EC 3V 3RA.

PORTFOLIO MANAGERS

U.S. Portfolios - David J. Marmon, Portfolio Manager. Mr. Marmon is responsible for management of the U.S. short-term portfolios. He joined FFTW in 1990 from Yamaichi International (America) where he was head of futures and options research. Mr. Marmon was previously a financial analyst and strategist at the First Boston Corporation, where he developed hedging programs for financial institutions and industrial firms. Mr. Marmon has a B.A. summa cum laude in economics from Alma College and an M.A. in economics from Duke University. Stewart M. Russell, Portfolio Manager. Mr. Russell is also responsible for management of the U.S. short-term portfolios. He joined FFTW in 1992 from the short-term proprietary trading desk in the global markets area of J.P. Morgan, where he was responsible for proprietary positioning of U.S and non-U.S. government obligations, corporate bonds, and asset-backed securities. Earlier at the bank, Mr. Russell managed the short-term interest rate risk group, coordinating a $10 billion book of assets and liabilities. Mr. Russell holds a B.A. in government from Cornell University and an M.B.A. in finance from New York University. Patricia L. Cook, Managing Director. Ms. Cook is responsible for management of the U.S. long-term portfolios. She joined FFTW in 1991 after twelve years with Salomon Brothers, where she most recently established and headed the bond strategy team that analyzes relative values among mortgages, treasuries, and other sectors of the fixed-income markets and developed portfolio strategies for Salomon Brothers' global institutional clients. Ms. Cook worked initially as an analyst in the firm's proprietary trading unit before joining the firm's financing desk. Ms. Cook has a B.A. from St. Mary's College and an M.B.A. from New York University.

Global and International Portfolios - Liaquat Ahamed, General Manager of the Sub-Adviser. Mr. Ahamed is responsible for management of the global and international portfolios. He joined FFTW in 1988 after nine years with the World Bank, where he was in charge of all investments in non-U.S. dollar government bond markets. Mr. Ahamed also served as an economist with senior government officials in the Philippines, Korea, and Bangladesh. He has a B.A. in economics from Trinity College, Cambridge University and an A.M. in economics from Harvard University.

ADMINISTRATOR

Pursuant to an Administration Agreement dated as of September 21, 1992 between the Fund and AMT Capital Services, Inc., AMT Capital is Administrator to the Fund and provides for or assists in managing and supervising all aspects of the general day-to-day business activities and operations of the Fund other than investment advisory activities, including custodial, transfer agency, dividend disbursing, accounting, auditing, compliance and related services.

Founded in early 1992, AMT Capital is a registered broker-dealer whose senior managers are former officers of Morgan Stanley and The Vanguard Group, where they were responsible for the administration and distribution of The Pierpont Funds, a $5 billion fund complex now owned by J.P. Morgan, and the private label administration group of Vanguard, which administered nearly $10 billion in assets for 45 portfolios, respectively.

The Fund pays AMT Capital a monthly fee at an annual rate of 0.04% of the average daily net assets of the Fund. The Fund also reimburses AMT Capital for certain costs. In addition, the Fund has agreed to pay the Administrator an incentive fee for reducing the expense ratio of one or more Portfolios of the Fund below the specified expense ratio established for such Portfolios. The maximum incentive fee is 0.02% of the average daily net assets of a Portfolio.

TAX CONSIDERATIONS

The following discussion is for general information only. An investor should consult with his or her own tax adviser as to the tax consequences of an investment in a Portfolio, including the status of distributions from each Portfolio under applicable state or local law.

FEDERAL INCOME TAXES

Each active Portfolio has qualified for and intends to continue to qualify to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended. To qualify, a Portfolio must meet certain income, distribution and diversification requirements. In any year in which a Portfolio qualifies as a RIC and distributes all of its taxable income on a timely basis, the Portfolio will not pay U.S. federal income or excise tax. Each Portfolio intends to distribute all of its taxable income by automatically reinvesting such amount in additional shares of the Portfolio and distributing those shares to its shareholders, unless a shareholder elects, on the Account Application Form, to receive cash payments for such distributions.

Dividends paid by a Portfolio are taxable to shareholders even though the dividends are automatically reinvested in additional shares of a Portfolio. Dividends paid by a Portfolio from its investment company taxable income (including interest and net short-term capital gains) will be taxable to a U.S. shareholder as ordinary income. Distributions of net capital gains (the excess of net long-term capital gains over net short-term capital losses), if any, designated as capital gains dividends are taxable to shareholders as long-term capital gain, regardless of how long they have held their Portfolio shares. None of the amounts treated as distributed to a Portfolio's shareholders will be eligible for the corporate dividends received deduction.

A distribution will be treated as paid on December 31 of the current calendar year if it is declared by a Portfolio in October, November or December with a record date in any such month and paid by the Portfolio during January of the following calendar year. Such distributions will be taxable to shareholders in the calendar year in which the distributions are declared, rather than the calendar year in which the distributions are received. Each Portfolio will inform shareholders of the amount and tax status of all amounts treated as distributed to them not later than 60 days after the close of each calendar year.

Any gain or loss realized by a shareholder upon the sale or other disposal of shares of a Portfolio, or upon receipt of a distribution in a complete liquidation of the Portfolio, generally will be a capital gain or loss which will be long-term or short-term, generally depending upon the shareholder's holding period for the shares.

Each Portfolio may be required to withhold U.S. federal income tax at the rate of 31% of all taxable distributions payable to shareholders who fail to provide the Portfolio with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Backup w ithholding is not an additional tax. Any amounts withheld may be credited against the shareholder's U.S. federal income tax liability.

Income received by a Portfolio from sources within foreign countries may be subject to withholding and other taxes imposed by such countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. In certain circumstances, a Portfolio may be eligible and may elect to "pass through" to the Portfolio's shareholders the amount of foreign income and similar taxes paid by the Portfolio. Each shareholder will be notified within 60 days after the close of a Portfolio's taxable year whether the foreign taxes paid by the Portfolio will "pass through" for the year.

U.S. SHORT-TERM FIXED INCOME PORTFOLIO

Under the full payout method of paying dividends adopted by U.S. Short-Term, it is possible that shareholders may receive distributions in excess of their ratable share of U.S. Short-Term's earnings and profits from time to time. It is also possible that Full Payout Income may be negative, and that the number of shares held by a shareholder will be reduced through a contribution of capital. See "Dividends" above. As a result, the shareholder may have taxable income that is greater or less than the net increase in shares in the shareholder's account at the end of the month. A shareholder's basis in shares of U.S. Short-

Term may be adjusted to reflect an excess distribution or contribution to capital, which would affect the amount of capital gain or loss realized when the shares are sold.

STATE AND LOCAL TAXES

A Portfolio may be subject to state, local or foreign taxation in any jurisdiction in which the Portfolio may be deemed to be doing business.

Portfolio distributions may be subject to state and local taxes. Distributions of a Portfolio which are derived from interest on obligations of the U.S. Government and certain of its agencies, authorities and instrumentalities may be exempt from state and local taxes in certain states.

Shareholders should consult their own tax advisers regarding the possible exclusion for state and local income tax purposes of the portion of dividends paid by a Portfolio which is attributable to interest from obligations of the U.S. Government and its agencies, authorities and instrumentalities.

SHAREHOLDER INFORMATION

DESCRIPTION OF THE FUND

The Fund was established under Maryland law by the filing of its Articles of Incorporation on February 23, 1989. The Fund has been in operation since December 6, 1989. The Fund's Articles of Incorporation permit the Directors to authorize the creation of additional portfolios, each of which will issue a separate class of shares. Currently, the Fund has ten separate Portfolios. The Fund bears all expenses of its operations other than those incurred by the Investment Adviser under its investment advisory agreement. In particular, the Fund pays: investment advisory fees; administration fees; custodian, transfer agent, accounting agent and dividend disbursing agent fees and expenses; legal and auditing fees; expenses of preparing and printing shareholder reports; registration fees and expenses; proxy and annual shareholder meeting expenses, if any; and directors' fees and expenses.

VOTING RIGHTS

Each share of the Fund gives the shareholder one vote in Director elections and other matters submitted to shareholders for their vote. Matters to be acted upon that affect a particular Portfolio, including approval of the investment advisory agreement with the Investment Adviser and the submission of changes of fundamental investment policy of a Portfolio, will require the affirmative vote of the shareholders of such Portfolio. The election of the Fund's Board of Directors and the approval of the Fund's independent public accountants are voted upon by shareholders on a Fund-wide basis. As a Maryland corporation, the Fund is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Fund's or a Portfolio's operation and for the election of Directors under certain circumstances.

Directors may be removed by shareholders at a special meeting. A special meeting of the Fund shall be called by the Directors upon written request of shareholders owning at least 10% of the Fund's outstanding shares.

PERFORMANCE INFORMATION

From time to time the Fund may advertise a Portfolio's "yield" and "total return". A Portfolio's yield for any 30-day (or one month) period is computed by dividing the net investment income per share earned during such period by the maximum public offering price per share on the last day of the period, and then annualizing such 30-day (or one month) yield in accordance with a formula prescribed by the Commission which provides for compounding on a semiannual basis. Advertisements of a Portfolio's total return may disclose its average annual compounded total return for the period since the Portfolio's inception. A Portfolio's total return for such period is computed by finding, through use of a formula prescribed by the Commission, the average annual compounded rate of return over the period that would equate an assumed initial amount invested to the value of the investment at the end of the period. For purposes of computing total return, dividends and capital gains distributions paid on shares are assumed to have been reinvested when received. As described above, the Fund imposes no sales charges applicable to purchases and redemptions. Total return and yield figures are based on a Portfolio's historical performance and are not intended to indicate future performance. The value of an investment in a Portfolio will fluctuate and the shares in an investor's account, when redeemed, may be worth more or less than their original cost.

CUSTODIAN AND ACCOUNTING AGENT

Investors Bank & Trust Company, P.O. Box 1537, Boston, Massachusetts 02205-1537, is Custodian and Accounting Agent for the Fund.

TRANSFER AND DIVIDEND DISBURSING AGENT

Investors Bank & Trust Company, P.O. Box 1537, Boston, Massachusetts 02205-1537, is Transfer Agent for the shares of the Fund, and Dividend Disbursing Agent for the Fund.

LEGAL COUNSEL

Dechert Price & Rhoads, 1500 K Street, N.W., Washington, D.C. 20005-1208, is legal counsel for the Fund.

INDEPENDENT AUDITORS

Ernst & Young LLP, 787 Seventh Avenue, New York, New York 10019, is the independent auditor for the Fund. Ernst & Young LLP also renders accounting services to the Investment Adviser and the Sub-Adviser.

SHAREHOLDER INQUIRIES

Inquiries concerning the Fund may be made by writing to AMT Capital Services, Inc., 430 Park Avenue, 17th Floor, New York, New York 10022 or by calling AMT Capital at (800) 762-4848 [or (212) 308-4848, if within New

STATEMENT OF ADDITIONAL INFORMATION

FFTW FUNDS, INC.

200 Park Avenue, 46th Floor
New York, New York 10166
(212) 681-3000

FFTW Funds, Inc. (the "Fund") is a no-load, open-end management investment company managed by Fischer Francis Trees & Watts, Inc. (the "Investment Adviser"). The Fund currently consists of ten separate portfolios (each a "Portfolio"): (1) U.S. Portfolios - U.S. Short-Term Fixed Income Portfolio ("U.S. Short-Term"); Stable Return Portfolio ("Stable Return"); U.S. Treasury Portfolio ("U.S. Treasury"); AAA Asset-Backed Portfolio ("AAA Asset-Backed");and Broad Market Fixed Income Portfolio ("Broad Market"); and (2) Global and International Portfolios - Worldwide Short-Term Fixed Income Portfolio ("Worldwide Short-Term"); Worldwide Fixed Income Portfolio ("Worldwide"); Worldwide Fixed Income-Hedged Portfolio ("Worldwide-Hedged"); International Fixed Income Portfolio ("International"); and International Fixed Income-Hedged Portfolio ("International-Hedged"). Shares of each Portfolio may be purchased through AMT Capital Services, Inc. ("AMT Capital"), the exclusive distributor.

This Statement of Additional Information is not a prospectus and should be read in conjunction with the prospectus of the Fund, dated April 28, 1995 (the "Prospectus"), which has been filed with the Securities and Exchange Commission (the "Commission") and can be obtained, without charge, by calling or writing AMT Capital at the telephone number or address stated below. This Statement of Additional Information incorporates by reference the Prospectus.

Distributed by: AMT Capital Services, Inc.
430 Park Avenue, 17th Floor
New York, New York 10022
(212) 308-4848
(800) 762-4848 (outside New York City)

The date of this Statement of Additional Information is April 28, 1995.

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HISTORY OF THE FUND

From its inception on February 23, 1989 to September 27, 1989, the name of the Fund was "FFTW Institutional Reserves Fund, Inc.". The Fund commenced operations on December 6, 1989. From September 27, 1989 to July 22, 1991 the name of the Fund was

"FFTW Reserves, Inc." On July 22, 1991 the name of the Fund was changed to its present name, "FFTW Funds, Inc." Prior to the effective date of this Statement of Additional Information, the U.S. Short-Term Fixed Income Portfolio which commenced operations on December 6, 1989, Worldwide Fixed Income Portfolio which commenced operations on April 15, 1992, and Worldwide Fixed Income-Hedged Portfolio which commenced operations on May 19, 1992, were known as Short-Term Series (and prior to September 18, 1991 as FFTW Institutional Reserves Fund Stock), Worldwide Series and Worldwide Hedged Series, respectively. The seven other Portfolios were established on February 16, 1993.

ORGANIZATION OF THE FUND

The authorized capital stock of the Fund consists of 1,000,000,000 shares with $.001 par value, allocated as follows: (i) 100,000,000 shares each to Stable Return, U.S. Treasury, AAA Asset-Backed, Broad Market, Worldwide Short-Term, Worldwide and Worldwide-Hedged; (ii) 50,000,000 shares each to International and International-Hedged; and (iii) 200,000,000 shares to U.S. Short-Term. Each share of each Portfolio has equal voting rights as to each share of such Portfolio. Shareholders have one vote for each share held. All shares issued and outstanding are fully paid and non-assessable, transferable, and redeemable at net asset value at the option of the shareholder. Shares have no preemptive or conversion rights.

The shares of the Fund have non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of Directors can elect 100% of the Directors if they choose to do so, and, in such event, the holders of the remaining less than 50% of the shares voting for the election of Directors will not be able to elect any person or persons to the Board of Directors.

No Portfolio of the Fund shall be liable for the obligations of any other Portfolio.

MANAGEMENT OF THE FUND

BOARD OF DIRECTORS AND OFFICERS

The Fund is managed by its Board of Directors. The individuals listed below are the officers and directors of the Fund. An asterisk (*) has been placed next to the name of each director who is an "interested person" of the Fund, as such term is defined in the Investment Company Act of 1940, as amended (the "1940 Act"), by virtue of his affiliation with the Fund or the Investment Adviser.

*Stephen J. Constantine, 200 Park Avenue, New York, NY. President and Director of the Fund. Mr. Constantine has been a shareholder and Managing Director of the Investment Adviser for the last five years.

John C Head III, 545 Madison Avenue, New York, NY. Director of the Fund. Mr. Head has been a general partner of John Head & Partners L.P., a merchant banking firm providing financial advice to corporations in the insurance industry, since August 1987. He is a director of Sphere Drake Holding Plc, Anglo American Insurance Company Ltd. and Integon Corporation. From 1986 until August 1987, Mr. Head was chairman of Odyssey Investors, Inc., an affiliate of Odyssey Partners (a partnership making specific and designated investments). From 1983 until 1986, Mr. Head was a managing director of Morgan Stanley & Co. Incorporated.

Lawrence B. Krause, University of California - San Diego ("UCSD"), La Jolla, CA. Director of the Fund. Mr. Krause is a member of the Editorial Advisory Board of the Political Science Quarterly, a member of the Council on Foreign Relations, and Vice-Chairman of the U.S. National Committee for Pacific Economic Cooperation. In December, 1990, he was selected as the first holder of the Pacific Economic Cooperation Chair at UCSD. In 1989, Mr. Krause became the Director, Korea-Pacific Program at UCSD. In 1988, he was named Coordinator of the Pacific Economic Outlook Project for the Pacific Economic Cooperation Conference. Mr. Krause was the first appointment to the new Graduate School of International Relations and Pacific Studies at UCSD and joined the faculty as a professor on January 1, 1987. From 1969 - 1986 Mr. Krause was a senior fellow of the Brookings Institution. Mr. Krause is also an author of numerous publications.

Paul Meek, 5837 Cove Landing Road, Burke, Va. Director of the Fund. Since 1985, Mr. Meek has been a financial and economic consultant to foreign central banks under the auspices of each of the Harvard Institute for International Development, the International Monetary Fund and the World Bank. Mr. Meek is a principal in PM Consulting (financial and economic consulting) and has been since 1985. PM Consulting was a consultant to the Investment Adviser from 1985 - January, 1989; such consulting arrangement has been terminated. From 1982-1985, Mr. Meek was Vice President and Monetary Adviser of the Federal Reserve Bank of New York. Mr. Meek has been a trustee of the Weiss, Peck & Greer group of mutual funds since 1988.

*Onder John Olcay, 200 Park Avenue, New York, NY. Chairman of the Board of the Fund. Mr. Olcay has been a shareholder and Managing Director of the Investment Adviser for the last five years.

Stephen P. Casper, 200 Park Avenue, New York, NY. Treasurer of the Fund. Mr. Casper has been a shareholder and Managing Director of the Investment Adviser since December 1991. In addition, Mr. Casper has been the Chief Financial Officer of the Investment Adviser since February 1990. From March 1984 through January 1990, Mr. Casper was Treasurer of Rockefeller & Company, a registered investment adviser.

Kyle L. Chang, 200 Park Avenue, New York, NY. Secretary of the Fund. Ms. Chang has been an Administrative Assistant with the Investment Adviser since April 1989. Ms. Chang was employed by Salomon Brothers Inc from June 1987 to April 1989 as an Executive Assistant. From November 1984 to June 1987 she was a Benefits Administrator at the Bank of New York.

Carla E. Dearing, 430 Park Avenue, New York, NY. Assistant Treasurer of the Fund. Ms. Dearing has served as Senior Vice President, Principal, and Director of AMT Capital Services since its inception in March 1992. Ms. Dearing is also Senior Vice President and Principal of AMT Capital Advisers, Inc. since January 1992. Ms. Dearing was a former Vice President of Morgan Stanley & Co., where she worked from June 1984 to August 1986 and from November 1988 to January 1992.

William E. Vastardis, 430 Park Avenue, New York, NY. Assistant Secretary of the Fund. Mr. Vastardis serves as administrator of the Fund on behalf of AMT Capital Services. Prior to April 1992, Mr. Vastardis served as Vice President and head of the Vanguard Group Inc.'s private label administration unit for seven years, after six years in Vanguard's fund accounting operations.

Directors and officers of the Fund collectively owned less than 1% of the Fund's outstanding shares as of April 28, 1995.

INVESTMENT ADVISER AND SUB-ADVISER

The Fund has two sets of advisory agreements, one for U.S. Short-Term, Worldwide and Worldwide-Hedged (the "original" agreement), and one for each of the other seven Portfolios (the "new" agreements). The Fund also has two sets of sub-advisory agreements, one for Worldwide and Worldwide-Hedged, and one for each of Worldwide Short-Term, International and International-Hedged.

Pursuant to their terms, the advisory agreements between the Fund and the Investment Adviser (the "Advisory Agreements") and the sub-advisory agreements (the "Sub-Advisory Agreements") between the Investment Adviser and its affiliate Fischer Francis Trees & Watts (the "Sub-Adviser"), a corporate partnership organized under the laws of the United Kingdom, remain in effect for two years following their date of execution and thereafter will automatically continue for successive annual periods, so long as such continuance is specifically approved at least annually by (a) the Board of Directors or (b) the vote of a "majority" (as defined in the 1940 Act) of a Portfolio's outstanding shares voting as a single class; provided, that in either event the continuance is also approved by at least a majority of the Board of Directors who are not "interested persons" (as defined in the 1940 Act) of the Fund, the Investment Adviser or the Sub-Adviser by vote cast in person at a meeting called for the purpose of voting on such approval. Each Advisory Agreement was most recently approved by the Directors on February 1, 1995. The original

Advisory Agreement was approved by U.S. Short-Term's shareholders on April 3, 1991 and by Worldwide's and Worldwide-Hedged's shareholders on December 31, 1992, and the new Advisory Agreements were approved by the Investment Adviser as sole shareholder of each Portfolio on February 18, 1993. The Sub-Advisory Agreements were most recently approved by the Directors on February 1, 1995. The original Sub-Advisory Agreement was approved by Worldwide and Worldwide-Hedged shareholders on December 31, 1992, and the new Sub-Advisory Agreements were approved by the Investment Adviser as sole shareholder of each Portfolio on February 18, 1993.

Each Advisory and Sub-Advisory Agreement is terminable without penalty on not less than 60 days' notice by the Board of Directors or by a vote of the holders of a majority of the relevant Portfolio's outstanding shares voting as a single class, or upon not less than 60 days' notice by the Investment Adviser or the Sub-Adviser. Each Advisory and Sub-Advisory Agreement will terminate automatically in the event of its "assignment" (as defined in the 1940 Act).

The Investment Adviser pays all of its expenses arising from the performance of its obligations under the Advisory Agreements, including all executive salaries and expenses of the directors and officers of the Fund who are employees of the Investment Adviser or its affiliates and office rent of the Fund. The Investment Adviser also pays a monthly sales incentive fee to AMT Capital Services, Inc., the Distributor for the Fund. See "Distribution of Fund Shares" in the Prospectus. In addition, the Investment Adviser will pay all of the fees payable to its affiliate as Sub-Adviser. The Sub-Adviser pays all of its expenses arising from the performance of its obligations under the Sub-Advisory Agreements. Subject to the expense reimbursement provisions described in the Prospectus under "Fund Expenses", other expenses incurred in the operation of the Fund are borne by the Fund, including, without limitation, investment advisory fees, brokerage commissions, interest, fees and expenses of independent attorneys, auditors, custodians, accounting agents, transfer agents, taxes, cost of stock certificates and any other expenses (including clerical expenses) of issue, sale, repurchase or redemption of shares, expenses of registering and qualifying shares of the Fund under federal and state laws and regulations, expenses of printing and distributing reports, notices and proxy materials to existing shareholders, expenses of printing and filing reports and other documents filed with governmental agencies, expenses of annual and special shareholders' meetings, fees and expenses of directors of the Fund who are not employees of the Investment Adviser or its affiliates, membership dues in the Investment Company Institute, insurance premiums and extraordinary expenses such as litigation expenses. Fund expenses directly attributable to a Portfolio are charged to that Portfolio; other expenses are allocated proportionately among all the Portfolios in relation to the net assets of each Portfolio.

Both the Investment Adviser and the Sub-Adviser are directly or indirectly wholly-owned by Charter Atlantic Corporation, a

New York corporation.

As compensation (subject to expense caps as described under "Fund Expenses" in the Prospectus) for the services rendered by the Investment Adviser under the Advisory Agreements, each Portfolio pays the Investment Adviser a monthly advisory fee (each of U.S. Short-Term, Worldwide and Worldwide-Hedged pays its fees quarterly) calculated by applying the following annual percentage rates to such Portfolio's average daily net assets for the month (quarter):

U.S. Portfolios	Rate
U.S. Short-Term	0.30%
Stable Return	0.35%
U.S. Treasury	0.35%
AAA Asset-Backed	0.35%
Broad Market	0.35%

Global and International Portfolios	
Worldwide Short-Term	0.35%
Worldwide	0.40%
Worldwide-Hedged	0.40%
International	0.40%
International-Hedged	0.40%

For the fiscal year ended December 31, 1994, the periods ended December 31, 1993 and the periods ended December 31, 1992, the amount of advisory fees (net of waivers and reimbursements) paid by each Portfolio were as follows:

Portfolio	Year Ended 12/31/94	Periods Ended 12/31/93	Periods Ended 12/31/92
U.S. Short-Term Income Portfolio	$625321	1369875	2038477
Worldwide Fixed Income Portfolio (1)	517,489	595,287	0
Worldwide Fixed Hedged Portfolio (2)	35,809	120,271	0
Stable Return Portfolio (3)	0	0	N/A
Worldwide Short-Term Fixed Income Portfolio (4)	$182,447	0	N/A

(1) Commencement of Operations was April 15, 1992.
(2) Commencement of Operations was May 19, 1992.
(3) Commencement of Operations was July 26, 1993.
(4) Commencement of Operations was December 13, 1993.

PORTFOLIO MANAGERS

In addition to the portfolio managers mentioned in the Prospectus, the following persons are also responsible for managing the portfolios:

Adnan Akant, Managing Director. Mr. Akant is responsible for management of the U.S. short-term portfolios. He joined FFTW in 1984 after serving as senior investment officer of the World Bank, where he was responsible for the investment and trading of the Bank's actively-managed liquidity portfolio and a member of the investment strategy committee. At the Massachusetts Institute of Technology, Mr Akant earned a Ph.D. in systems science, and M.S. degrees in finance and international management and engineering.

Willett S. Moore, Jr., Managing Director. Mr. Moore is responsible for management of the U.S. long-term portfolios. Mr. Moore joined FFTW in 1976 from Alliance Capital Management Corp., where he had been a member of the fixed-income policy committee in charge of formulating bond strategy and was responsible for management of discretionary fixed-income portfolios. Previously, Mr. Moore served as the investment officer in charge of all portfolios of taxable fixed-income securities for the trust department of Colorado National Bank. Mr. Moore holds a B.A. degree from Stanford University.

ADMINISTRATOR

Pursuant to its terms, the Administration Agreement between the Fund and AMT Capital Services, Inc., a Delaware corporation, will remain in effect for two years following the date of execution and thereafter will automatically continue for successive annual periods. AMT Capital provides for, or assists in managing and supervising all aspects of, the general day-to-day business activities and operations of the Fund other than investment advisory activities, including custodial, transfer agency, dividend disbursing, accounting, auditing, compliance and related services.

The Fund pays AMT Capital a monthly fee at an annual rate of 0.04% of the average daily net assets of the Fund. The Fund also reimburses AMT Capital for certain costs. In addition, the Fund has agreed to pay the Administrator an incentive fee for reducing the expense ratio of one or more Portfolios of the Fund below the specified expense ratio established for such Portfolios. The maximum incentive fee is 0.02% of the average daily net assets of a Portfolio.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

As of March 31, 1995, no shareholder was a "control person" (as such term is defined in the 1940 Act) of the Fund.

As of March 31, 1995, the following persons held 5 percent or more of the outstanding shares of U.S. Short-Term:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Portfolio
Common Stock, $. per Share	State Street Bank & Trus Trustee for Bull HN Information Systems, Inc. - Retirement Distribution Account, One Enterprise Drive, North Quincy, MA 02171	Direct Ownership	24.00%
Common Stock, $. per Share	Wachovia Bank of North Carolina, Trustee for RJR Nabisco Defined Benefit Plan, P.O. Box 3099, Winston-Salem, NC 27150-3099	Direct Ownership	17.55%
Common Stock, $. per Share	Philip Morris Companies, 120 Park Avenue, New York 10017-5523	Direct Ownership	11.93%
Common Stock, $. per Share	State Street Bank & Trus Trustee for Pacific Gas and Electric Co. Short-Term Liquidity Portfolio, One Enterprise Drive, North Quincy, MA 02171	Direct Ownership	7.93%
Common Stock, $. per Share	State Street Bank & Trus Trustee for Bull HN Information Systems, Inc. - Retirement Aggregate Account, One Enterprise Drive, North Quincy, MA 02171	Direct Ownership	7.63%
Common Stock, $. per Share	U.S. Trust Co., Trustee for Corning, Inc., 777 Broadway, 10th Floor, New York, NY 10003-9598		5.68%

As of March 31, 1995, the following person held 5 percent or more of the outstanding shares of Stable Return:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Portfolio
Common Stock, $. per Share	Corporation for Supporti Housing, 342 Madison Avenue, Suite 505, New York, NY 10173	Direct Ownership	95.87%

As of March 31, 1995, the following persons held 5 percent or more of the outstanding shares of Worldwide Short-Term:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Portfolio
Common Stock, $. per Share	Monsanto Company, 800 N. Lindbergh Blvd., Bldg. E, St. Louis, MO 63167	Direct Ownership	81.66%
Common Stock, $. per Share	Henry J. Kaiser Family Foundation, c/o Bankers Trust Co., 34 Exchange Place - 2nd Floor, Jersey City, NJ 07302	Direct Ownership	8.20%
Common Stock, $. per Share	Sprint (Short/Intermedia Shawnee Mission Parkway, Westwood, KS 66205-2005	Direct Ownership	5.75%

As of March 31, 1995, the following persons held 5 percent or more of the outstanding shares of Worldwide:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Portfolio
Common Stock, $. per Share	Northrop Corporation Emp Benefit Plan, 1840 Century Park East, Los Angeles, CA 90067-2101	Direct Ownership	45.53%
Common Stock, $. per Share	Chase Manhattan Bank, Tr for Amoco Corporation Master Trust Employee Pension Plan,3 Chase Metrotech Center, Brooklyn, NY 11245	Direct Ownership	16.04%
Common Stock, $. per Share	The Edna McConnell Clark Foundation, 250 Park Avenue, New York, NY 10017	Direct Ownership	8.20%
Common Stock, $. per Share	Western Pennsylvania Teamsters and Employees Pension Fund, 49		7.69%

	Auto Way, Pittsburgh, PA 15206-0260		
Common Stock, $.001 per Share	U.S. Trust Company, Trus Corning, Inc., 114 West 47th Street, New York, NY 10036-8701	Direct Ownership	6.94%
Common Stock, $. per Share	Cornell University, Terr Ithaca, NY 14853-0001	Direct Ownership	6.69%
Common Stock, $.001 per Share	Pension Fund of the Reti Plan of Norfolk Southern Corp. and Participating Subsidiary Cos., 3 Commercial Place, Norfolk, VA 23510-2191	Direct Ownership	6.36%

As of March 31, 1995, the following persons held 5 percent or more of the outstanding shares of Worldwide-Hedged:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Portfolio
Common Stock, $. per Share	Bankers Trust Co., Trust Premark International Master Defined Benefit Trust 105884-99, 34 Exchange Place, Jersey City, NJ 07302	Direct Ownership	95.93%

DISTRIBUTION OF FUND SHARES

Shares of the Fund are distributed by AMT Capital Services, Inc. pursuant to a Distribution Agreement (the "Distribution Agreement") dated as of September 21, 1992 between the Fund and AMT Capital. The Distribution Agreement requires AMT Capital to use its best efforts on a continuing basis to solicit purchases of shares of the Fund. No fees are payable by the Fund pursuant to the Distribution Agreement, and AMT Capital bears the expense of its distribution activities. The Fund and AMT Capital have agreed to indemnify one another against certain liabilities.

Under a sales incentive fee agreement dated as of September 21, 1992, between AMT Capital and the Investment Adviser, the Investment Adviser has agreed to pay AMT Capital a monthly sales incentive fee at an annual rate of 0.30% of the average daily net asset value of shares purchased as a result of the sales efforts of AMT Capital (to the extent such average daily net asset value exceeds $100 million). For purposes of calculating the sales incentive fee, the daily net asset value of shares purchased as a result of the sales efforts of AMT Capital does not include shares so purchased and held for over twelve months.

SUPPLEMENTAL DESCRIPTIONS OF INVESTMENTS

The different types of securities in which the Portfolios may invest, subject to their respective investment objectives, policies and restrictions, are described in the Prospectus under "Descriptions of Investments". Additional information concerning the characteristics of certain of the Portfolio's investments are set forth below.

U.S. Treasury and U.S. Government Agency Securities. U.S. Government Securities include instruments issued by the U.S. Treasury, including bills, notes and bonds. These instruments are direct obligations of the U.S. Government and, as such, are backed by the full faith and credit of the United States. They differ primarily in their interest rates, the lengths of their maturities and the dates of their issuances. In addition, U.S. Government Securities include securities issued by instrumentalities of the U.S. Government, such as the Government National Mortgage Association ("GNMA"), which are also backed by the full faith and credit of the United States. U.S. Government Agency Securities include instruments issued by instrumentalities established or sponsored by the U.S. Government, such as the Student Loan Marketing Association ("SLMA"), the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). While these securities are issued, in general, under the authority of an Act of Congress, the U.S. Government is not obligated to provide financial support to the issuing instrumentalities.

Foreign Government and International and Supranational Agency Securities. Obligations of foreign governmental entities have various kinds of government support and include obligations issued or guaranteed by foreign governmental entities with taxing powers or issued or guaranteed by international or supranational entities. These obligations may or may not be supported by the full faith and credit of a foreign government or several foreign governments. Examples of international and supranational entities include the International Bank for Reconstruction, and Development ("World Bank"), the European Steel and Coal Community, the Asian Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank. The governmental members, or "shareholders", usually make initial capital contributions to the supranational entity and in many cases are committed to make additional capital contributions if the supranational entity is unable to repay its borrowings.

Bank Obligations. The Fund limits its investments in U.S. bank obligations to obligations of U.S. banks that in the Investment Adviser's opinion meet sufficient creditworthiness criteria.

The Fund limits its investments in foreign bank obligations to obligations of foreign banks (including U.S. branches of foreign banks) that, in the opinion of the Investment Adviser or the Sub-

Adviser, are of an investment quality comparable to obligations of U.S. banks in which each Portfolio may invest.

Corporate Debt Instruments. Corporate debt securities of domestic and foreign issuers include such instruments as corporate bonds, debentures, notes, commercial paper, medium-term notes, variable rate notes and other similar corporate debt instruments. As described in the Fund's Prospectus, U.S. Treasury and AAA Asset-Backed will only invest in securities rated in the highest rating category or of comparable creditworthiness in the opinion of the Investment Adviser. Each of the other Portfolios will invest only in those securities that are rated at least "A" by S&P or Moody's rating service or determined by the Investment Adviser or the Sub-Adviser to be of similar creditworthiness. Bonds rated in these categories are generally described as high-grade debt obligations with a very strong capacity to pay principal and interest on a timely basis.

Repurchase and Reverse Repurchase Agreements. When participating in repurchase agreements, a Portfolio buys securities from a vendor (e.g., a bank or securities firm) with the agreement that the vendor will repurchase the securities at the same price plus interest at a later date. Repurchase agreements may be characterized as loans secured by the underlying securities. Such transactions afford an opportunity for the Portfolio to earn a return on available cash at minimal market risk, although the Portfolio may be subject to various delays and risks of loss if the vendor becomes subject to a proceeding under the U.S. Bankruptcy Code or is otherwise unable to meet its obligation to repurchase. The securities underlying a repurchase agreement will be marked to market every business day so that the value of such securities is at least equal to the value of the repurchase price thereof, including the accrued interest thereon.

When participating in reverse repurchase agreements, a Portfolio sells U.S. Government Securities and simultaneously agrees to repurchase them at an agreed upon price and date. The difference between the amount the Portfolio receives for the securities and the amount it pays on repurchase is deemed to be a payment of interest. The Fund will maintain for each Portfolio a segregated custodial account containing cash, U.S. Government Securities or other appropriate high-grade debt securities having an aggregate value at least equal to the amount of such commitments to repurchase, including accrued interest, until payment is made. Reverse repurchase agreements create leverage, a speculative factor, but will be not considered as borrowings for the purposes of limitations on borrowings.

In addition, repurchase and reverse repurchase agreements may also involve the securities of certain foreign governments in which there is an active repurchase market. The Investment Adviser expects that such repurchase and reverse repurchase agreements will primarily involve government securities of countries belonging to the Organization for Economic Cooperation and Development ("OECD"). Transactions in foreign repurchase and reverse repurchase agreements may involve additional risks.

Dollar Roll Transactions. "Dollar roll" transactions consist of the sale by a Portfolio to a bank or broker-dealer (the "counterparty") of GNMA certificates or other mortgage-backed securities together with a commitment to purchase from the counterparty similar, but not identical, securities at a future date, at the same price. The counterparty receives all principal and interest payments, including prepayments, made on the security while it is the holder. The Portfolio receives a fee from the counterparty as consideration for entering into the commitment to purchase. Dollar rolls may be renewed over a period of several months with a new purchase and repurchase price fixed and a cash settlement made at each renewal without physical delivery of securities. Moreover, the transaction may be preceded by a firm commitment agreement pursuant to which the Portfolio agrees to buy a security on a future date.

A Portfolio will not use such transactions for leverage purposes and, accordingly, will segregate cash, U.S. Government securities or other high grade debt obligations in an amount sufficient to meet its purchase obligations under the transactions.

Dollar rolls are similar to reverse repurchase agreements because they involve the sale of a security coupled with an agreement to repurchase. Like all borrowings, a dollar roll involves costs to a Portfolio. For example, while a Portfolio receives a fee as consideration for agreeing to repurchase the security, the Portfolio may forgo the right to receive all principal and interest payments while the counterparty holds the security. These payments to the counterparty may exceed the fee received by the Portfolio, thereby effectively charging the Portfolio interest on its borrowing. Further, although the Portfolio can estimate the amount of expected principal prepayment over the term of the dollar roll, a variation in the actual amount of prepayment could increase or decrease the cost of the Portfolio's borrowing.

Mortgage-Backed Securities. Mortgage-backed securities are securities which represent ownership interests in, or are debt obligations secured entirely or primarily by, "pools" of residential or commercial mortgage loans or other mortgage-backed securities (the "Underlying Assets"). In the case of mortgage-backed securities representing ownership interests in the Underlying Assets, the principal and interest payments on the underlying mortgage loans are distributed monthly to the holders of the mortgage-backed securities. In the case of mortgage-backed securities representing debt obligations secured by the Underlying Assets, the principal and interest payments on the underlying mortgage loans, and any reinvestment income thereon, provide the funds to pay debt service on such mortgage-backed securities. Mortgage-backed securities may take a variety of forms, but the two most common are mortgage pass-through securities, which represent ownership interests in the Underlying Assets, and collateralized mortgage obligations ("CMOs"), which are debt obligations collateralized by the Underlying Assets.

Certain mortgaged-backed securities are issued that represent an undivided fractional interest in the entirety of the

Underlying Assets (or in a substantial portion of the Underlying Assets, with additional interests junior to that of the mortgage-backed security), and thus have payment terms that closely resemble the payment terms of the Underlying Assets.

In addition, many mortgage-backed securities are issued in multiple classes. Each class of such multi-class mortgage-backed securities ("MBS"), often referred to as a "tranche", is issued at a specific fixed or floating coupon rate and has a stated maturity or final distribution date. Principal prepayment on the Underlying Assets may cause the MBSs to be retired substantially earlier than their stated maturities or final distribution dates. Interest is paid or accrues on all or most classes of the MBSs on a periodic basis, typically monthly or quarterly. The principal of and interest on the Underlying Assets may be allocated among the several classes of a series of a MBS in many different ways. In a relatively common structure, payments of principal (including any principal prepayments) on the Underlying Assets are applied to the classes of a series of a MBS in the order of their respective stated maturities so that no payment of principal will be made on any class of MBSs until all other classes having an earlier stated maturity have been paid in full.

Mortgage-backed securities are often backed by a pool of Underlying Assets representing the obligations of a number of different parties. To lessen the effect of failures by obligors on Underlying Assets to make payments, such securities may contain elements of credit support. Such credit support falls into two categories: (i) liquidity protection; and (ii) protection against losses resulting from ultimate default by an obligor on the Underlying Assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to ensure that the receipt of payments on the underlying pool occurs in a timely fashion. Protection against losses resulting from ultimate default ensures ultimate payment of obligations on at least a portion of the assets in the pool. Such protection may be provided through guarantees, insurance policies or letters of credit obtained by the issuer or sponsor from third parties, through various means of structuring the transaction or through a combination of such approaches. A Portfolio will not pay any additional fees for such credit support, although the existence of credit support may increase the price of a security.

The Investment Adviser expects that governmental, government-related and private entities may create new types of mortgage-backed securities offering asset pass-through and asset-collateralized investments in addition to those described above. As such new types of mortgage-related securities are developed and offered to investors, the Investment Adviser will, consistent with each Portfolio's investment objectives, policies and quality standards, consider whether it would be appropriate for such Portfolio to make investments in them.

The duration of a mortgage-backed security, for purposes of a Portfolio's average duration restrictions, will be computed based upon the expected average life of that security.

Other Asset-Backed Securities. The Investment Adviser expects that other asset-backed securities (unrelated to mortgage loans) will be developed and offered to investors in the future. Several types of such asset-backed securities have already been offered to investors, including securities backed by automobile loans and credit card receivables. Consistent with each Portfolio's investment objectives and policies, a Portfolio may invest in other types of asset-backed securities as they become available.

Zero Coupon Securities and Custodial Receipts. Zero coupon securities include securities issued directly by the U.S. Treasury, and U.S. Treasury bonds or notes and their unmatured interest coupons and receipts for their underlying principal (the "coupons") which have been separated by their holder, typically a custodian bank or investment brokerage firm. A holder will separate the interest coupons from the underlying principal (the "corpus") of the U.S. Treasury security. A number of securities firms and banks have stripped the interest coupons and receipts and then resold them in custodial receipt programs with a number of different names, including "Treasury Income Growth Receipts" ("TIGRS") and "Certificate of Accrual on Treasuries" ("CATS"). The underlying U.S. Treasury bonds and notes themselves are held in book-entry form at the Federal Reserve Bank or, in the case of bearer securities (i.e., unregistered securities which are owned ostensibly by the bearer or holder thereof), in trust on behalf of the owners thereof. Counsel to the underwriters of these certificates or other evidences of ownership of the U.S. Treasury securities have stated that for Federal tax and securities law purposes, in their opinion, purchasers of such certificates, such as a Portfolio, most likely will be deemed the beneficial holders of the underlying U.S. Treasury securities.

Recently, the Treasury has facilitated transfer of ownership of zero coupon securities by accounting separately for the beneficial ownership of particular interest coupon and corpus payments on Treasury securities through the Federal Reserve book-entry record-keeping system. The Federal Reserve program as established by the Treasury Department is known as "Separate Trading of Registered Interest and Principal of Securities" ("STRIPS"). Under the STRIPS program, a Portfolio can be able to have its beneficial ownership of zero coupon securities recorded directly in the book-entry record-keeping system in lieu of holding certificates or other evidences of ownership of the underlying U.S. Treasury securities.

When U.S. Treasury obligations have been stripped of their unmatured interest coupons by the holder, the principal or corpus is sold at a deep discount because the buyer receives only the right to receive a future fixed payment on the security and does not receive any rights to periodic interest (cash) payments. Once stripped or separated, the corpus and coupons may be sold separately. Typically, the coupons are sold separately or grouped with other coupons with like maturity dates and sold in such bundled form. Purchasers of stripped obligations acquire, in effect, discount obligations that are economically identical to the zero coupon securities that the Treasury sells itself.

Loan Participations. A loan participation is an interest in a loan to a U.S. corporation (the "corporate borrower") which is administered and sold by an intermediary bank. The borrower of the underlying loan will be deemed to be the issuer of the participation interest except to the extent the Portfolio derives its rights from the intermediary bank who sold the loan participation. Such loans must be to issuers in whose obligations a Portfolio may invest. Any participation purchased by a Portfolio must be issued by a bank in the United States with assets exceeding $1 billion. See "Supplemental Discussion of Risks Associated With the Fund's Investment Policies and Investment Techniques".

Variable Amount Master Demand Notes. Variable amount master demand notes permit the investment of fluctuating amounts at varying rates of interest pursuant to direct arrangements between a Portfolio (as lender) and the borrower. These notes are direct lending arrangements between lenders and borrowers, and are generally not transferable, nor are they ordinarily rated by either Moody's or S&P.

Currency-Indexed Notes. In selecting the two currencies with respect to which currency-indexed notes are adjusted, the Investment Adviser and the Sub-Adviser will consider the correlation and relative yields of various currencies. Each Portfolio may purchase a currency-indexed obligation using the currency in which it is denominated and, at maturity, will receive interest and principal payments thereon in that currency. The amount of principal payable by the issuer at maturity, however, will vary (i.e., increase or decrease) in response to the change (if any) in the exchange rate between the two specified currencies during the period from the date the instrument is issued to its maturity date. The potential for realizing gains as a result of changes in foreign currency exchange rates may enable a Portfolio to hedge the currency in which the obligation is denominated (or to effect cross-hedges against other currencies) against a decline in the U.S. dollar value of investments denominated in foreign currencies while providing an attractive market rate of return. Each Portfolio will purchase such indexed obligations to generate current income or for hedging purposes and will not speculate in such obligations.

Principal Exchange Rate Linked Securities. Principal exchange rate linked securities (or "PERLs") are debt obligations, the principal on which is payable at maturity in an amount that may vary based on the exchange rate between the U.S. dollar and a particular foreign currency at or about that time. The return on "standard" principal exchange rate linked securities is enhanced if the foreign currency to which the security is linked appreciates against the U.S. dollar, and is adversely affected by increases in the foreign exchange value of the U.S. dollar; "reverse" principal exchange rate linked securities are like the "standard" securities, except that their return is enhanced by increases in the value of the U.S. dollar and adversely impacted by increases in the value of the foreign currency. Interest payments on the securities are generally made in U.S. dollars at rates that reflect the degree of foreign currency risk assumed or given up by the purchaser of the notes.

Performance Indexed Paper. Performance indexed paper (or "PIPs") is U.S. dollar-denominated commercial paper, the yield of which is linked to certain foreign exchange rate movements. The yield to the investor on performance indexed paper is established at maturity as a function of spot exchange rates between the U.S. dollar and a designated currency as of that time. The yield to the investor will be within a range stipulated at the time of purchase of the obligation, generally with a guaranteed minimum rate of return that is below, and a potential maximum rate of return that is above, market yields on U.S. dollar-denominated commercial paper, with both the minimum and maximum rates of return on the investment corresponding to the minimum and maximum values of the spot exchange rate two business days prior to maturity.

Other Foreign Currency Exchange-Related Securities. Securities may be denominated in the currency of one nation although issued by a governmental entity, corporation or financial institution of another nation. For example, a Portfolio may invest in a British pound sterling-denominated obligation issued by a United States corporation. Such investments involve credit risks associated with the issuer and currency risks associated with the currency in which the obligation is denominated.

The Investment Adviser or the Sub-Adviser bases its decision for a Portfolio to invest in any foreign currency exchange-related securities that may be offered in the future on the same general criteria applicable to the Investment Adviser's or Sub-Adviser's decision for such Portfolio to invest in any debt security, including the Portfolio's minimum ratings and investment quality criteria, with the additional element of foreign currency exchange rate exposure added to the Investment Adviser's or Sub-Adviser's analysis of interest rates, issuer risk and other factors.

Securities Denominated in Multi-National Currency Units or More Than One Currency. An illustration of a multi-national currency unit is the European Currency Unit (the "ECU"), which is a "basket" consisting of specified amounts of the currencies of the member states of the European Community, a Western European economic cooperative organization. The specific amounts of currencies comprising the ECU may be adjusted by the Council of Ministers of the European Community to reflect changes in relative values of the underlying currencies. The Investment Adviser does not believe that such adjustments will adversely affect holders of ECU-denominated obligations or the marketability of such securities. European supranational entities, in particular, issue ECU-denominated obligations.

Foreign Currency Warrants. Foreign currency warrants such as currency exchange warrants ("CEWs") are warrants that entitle the holder to receive from their issuer an amount of cash (generally, for warrants issued in the United States in U.S. dollars) which is calculated pursuant to a predetermined formula and based on the exchange rate between a specified foreign currency and the U.S. dollar as of the exercise date of the warrant. Foreign currency warrants generally are exercisable upon their issuance and expire as of a specified date and time. Foreign currency warrants have been issued in connection with U.S. dollar-denominated debt offerings by major corporate issuers in an attempt to reduce the foreign currency exchange risk which, from the point of view of prospective purchasers of the securities, is inherent in the international fixed income marketplace. The formula used to determine the amount payable upon exercise of a foreign currency warrant may make the warrant worthless unless the applicable foreign currency exchange rate moves in a particular direction (e.g., unless the U.S. dollar appreciates or depreciates against the particular foreign currency to which the warrant is linked or indexed). In addition, foreign currency warrants are subject to other risks associated with foreign securities, including risks arising from complex political or economic factors.

Municipal Instruments. Municipal notes may include such instruments as tax anticipation notes, revenue anticipation notes, and bond anticipation notes. Municipal notes are issued by state and local governments and public authorities as interim financing in anticipation of tax collections, revenue receipts or bond sales. Municipal bonds, which may be issued to raise money for various public purposes, include general obligation bonds and revenue bonds. General obligation bonds are backed by the taxing power of the issuing municipality and are considered the safest type of bonds. Revenue bonds are backed by the revenues of a project or facility such as the tolls from a toll bridge. Industrial development revenue bonds are a specific type of revenue bond backed by the credit and security of a private user. Revenue bonds are generally considered to have more potential risk than general obligation bonds.

Municipal obligations can have floating, variable or fixed rates. The value of floating and variable rate obligations generally is more stable than that of fixed rate obligations in response to changes in interest rate levels. Variable and floating rate obligations usually carry rights that permit a Portfolio to sell them at par value plus accrued interest upon short notice. The issuers or financial intermediaries providing rights to sell may support their ability to purchase the obligations by obtaining credit with liquidity supports. These may include lines of credit, which are conditional commitments to lend, letters of credit, which will ordinarily be irrevocable, both issued by domestic banks or foreign banks which have a branch, agency or subsidiary in the United States. When considering whether an obligation meets a Portfolio's quality standards, the Investment Adviser will look at the creditworthiness of the party providing the right to sell as well as to the quality of the obligation itself.

Municipal securities may be issued to finance private activities, the interest from which is an item of tax preference for purposes of the federal alternative minimum tax. Such "private activity" bonds might include industrial development revenue bonds, and bonds issued to finance such projects as solid waste disposal facilities, student loans or water and sewage projects.

SUPPLEMENTAL INVESTMENT TECHNIQUES

Borrowing. Each Portfolio may borrow money temporarily from banks when (i) it is advantageous to do so in order to meet redemption requests, (ii) a Portfolio fails to receive transmitted funds from a shareholder on a timely basis, (iii) the custodian of the Fund fails to complete delivery of securities sold or (iv) a Portfolio needs cash to facilitate the settlement of trades made by the Portfolio. In addition, each Portfolio may, in effect, lend securities by engaging in reverse repurchase agreements and/or dollar roll transactions and may, in effect, borrow money by doing so. Securities may be borrowed by engaging in repurchase agreements. See "Investment Restrictions" and "Supplemental Descriptions of Investments".

Securities Lending. Each Portfolio, except U.S. Short-Term, is authorized to lend securities from its investment portfolios, with a value not exceeding 33 1/3% of its total assets, to banks, brokers and other financial institutions if it receives collateral in cash, U.S. Government Securities or irrevocable bank stand-by letters of credit which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The loans will be terminable at any time by the Fund and the relevant Portfolio will then receive the loaned securities within five days. During the period of such a loan, the Portfolio receives the income on the loaned securities and a loan fee and may thereby increase its total return.

SUPPLEMENTAL DISCUSSION OF RISKS ASSOCIATED WITH THE FUND'S INVESTMENT POLICIES AND INVESTMENT TECHNIQUES

The risks associated with the different types of securities in which the Portfolios may invest are described in the Prospectus under "Risks Associated With the Fund's Investment Policies and Investment Techniques". Additional information concerning risks associated with certain of the Portfolio's investments is set forth below.

Foreign Investments. Foreign financial markets, while growing in volume, have, for the most part, substantially less volume than United States markets, and securities of many foreign companies are less liquid and their prices more volatile than securities of comparable domestic companies. The foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delivery of securities may not occur at the same time as payment in some foreign markets. Delays in settlement could result in temporary periods when a portion of the assets of a Portfolio is uninvested and no return is earned thereon. The inability of a Portfolio to make intended security purchases due to settlement problems could cause the Portfolio to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to a Portfolio due to subsequent declines in value of the portfolio security or, if the Portfolio has entered into a contract to sell the security, could result in possible liability to the purchaser. There is generally less government supervision and regulation of exchanges, financial institutions and issuers in foreign countries than there is in the United States. In addition, a foreign government may impose exchange control regulations which may have an impact on currency exchange rates.

Foreign Bank Obligations. Obligations of foreign banks involve somewhat different investment risks than those affecting obligations of United States banks, including the possibilities that their liquidity could be impaired because of future political and economic developments, that their obligations may be less marketable than comparable obligations of United States banks, that a foreign jurisdiction might impose withholding taxes on interest income payable on those obligations, that foreign deposits may be seized or nationalized, that foreign governmental restrictions such as exchange controls may be adopted that might adversely affect the payment of principal and interest on those obligations and that the selection of those obligations may be more difficult because there may be less publicly available information concerning foreign banks or the accounting, auditing and financial reporting standards, practices and requirements applicable to foreign banks may differ from those applicable to United States banks. Foreign banks are not generally subject to examination by any United States government agency or instrumentality. Also, investments in commercial banks located in several foreign countries are subject to additional risks due to the combination in such banks of commercial banking and diversified securities activities.

Dollar Roll Transactions. The entry into dollar rolls involves potential risks of loss which are different from those related to the securities underlying the transactions. For example, if the counterparty becomes insolvent, a Portfolio's right to purchase from the counterparty might be restricted. Additionally, the value of such securities may change adversely before the Portfolio is able to purchase them. Similarly, a Portfolio may be required to purchase securities in connection with a dollar roll at a higher price than may otherwise be available on the open market. Since, as noted above under "Supplemental Descriptions of Investments", the counterparty is required to deliver a similar, but not identical, security to a Portfolio, the security which the Portfolio is required to buy under the dollar roll may be worth less than an identical security. Finally, there can be no assurance that a Portfolio's use of cash that it receives from a dollar roll will provide a return that exceeds borrowing costs.

Mortgage and Other Asset-Backed Securities. Prepayments on securitized assets such as mortgages, automobile loans and credit card receivables ("Securitized Assets") generally increase with falling interest rates and decrease with rising interest rates; furthermore, prepayment rates are influenced by a variety of economic and social factors. In general, the collateral supporting non-mortgage asset-backed securities is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. In addition to prepayment risk, borrowers on the underlying Securitized Assets may default in their payments creating delays or loss of principal.

Non-mortgage asset-backed securities involve certain risks that are not presented by mortgage-backed securities. Primarily, these securities do not have the benefit of a security interest in assets underlying the related mortgage collateral. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have an effective security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

Some forms of asset-backed securities are relatively new forms of investments. Although each Portfolio will only invest in asset-backed securities that the Investment Adviser believes are liquid, because the market experience in certain of these securities is limited, the market's ability to sustain liquidity through all phases of a market cycle may not have been tested.

Forward Commitments. Each Portfolio may purchase securities on a when-issued or forward commitment basis, which involves a risk of loss if the value of the securities to be purchased increases prior to the settlement date and the counterparty to the trade fails to execute the transaction. If this were to occur, the net asset value of a Portfolio, which includes any appreciation or depreciation of a security purchased on a forward basis, would decline by the amount of such unrealized appreciation.

Loan Participations. Because the issuing bank of a loan participation does not guarantee the participation in any way, it is subject to the credit risks generally associated with the underlying corporate borrower. In addition, because it may be necessary under the terms of the loan participation for a Portfolio to assert through the issuing bank such rights as may exist against the underlying corporate borrower, in the event that the underlying corporate borrower should fail to pay principal and interest when due, the Portfolio could be subject to delays, expenses and risks which are greater than those which would have been involved if the Portfolio had purchased a direct obligation (such as commercial paper) of the borrower. Moreover, under the terms of the loan participation, the purchasing Portfolio may be regarded as a creditor of the issuing bank (rather than of the underlying corporate borrower), so that the Portfolio also may be subject to the risk that the issuing bank may become insolvent. Further, in the event of the bankruptcy or insolvency of the corporate borrower, the loan participation might be subject to certain defenses that can be asserted by a borrower as a result of improper conduct by the issuing bank. The secondary market, if any, for these loan participation interests is limited, and any such participation purchased by a Portfolio will be treated as illiquid, until the Board of Directors determines that a liquid market exists for such participations. Loan participations will be valued at their fair market value, as determined by procedures approved by the Board of Directors.

SUPPLEMENTAL TECHNIQUES TO HEDGE INTEREST RATE AND FOREIGN CURRENCY RISKS AND OTHER FOREIGN CURRENCY STRATEGIES

Each of the Portfolios may enter into forward foreign currency contracts (a "forward contract") and may purchase and write (on a covered basis) exchange-traded or over-the-counter ("OTC") options on currencies, foreign currency futures contracts and options on foreign currency futures contracts primarily to protect against a decrease in the U.S. Dollar equivalent value of its foreign currency portfolio securities or the payments thereon that may result from an adverse change in foreign currency exchange rates. Under normal circumstances, each of Worldwide-Hedged and International-Hedged intends to hedge its currency exchange risk to the fullest extent feasible, but there can be no assurance that all of the assets of either Portfolio denominated in foreign currencies will be hedged at any time, or that any such hedge will be effective. Each of the other Portfolios may at times, at the discretion of the Investment Adviser and the Sub-Adviser, hedge all or some portion of its currency exchange risk.

Conditions in the securities, futures, options and foreign currency markets will determine whether and under what circumstances the Fund will employ any of the techniques or strategies described below. The Fund's ability to pursue certain of these strategies may be limited by applicable regulations of the Commodity Futures Trading Commission ("CFTC") and the federal tax requirements applicable to regulated investment companies. See "Restrictions on the Use of Futures Transactions" under "Investment Techniques - Hedging Strategies" in the Prospectus, and "Tax Considerations" below.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS AND ASSOCIATED RISKS

Each Portfolio may, but generally the Global Portfolios will, purchase forward contracts. A forward contract obligates one party to purchase and the other party to sell a definite amount of a given foreign currency at some specified future date.

In some circumstances the purchase or sale of appropriate forward contracts may help offset declines in the U.S.

dollar-equivalent value of a Portfolio's foreign currency denominated assets and income available for distribution to such Portfolio's shareholders that result from adverse changes in the exchange rate between the U.S. dollar and the various foreign currencies in which a Portfolio's assets or income may be denominated. The U.S. dollar-equivalent value of the principal of and rate of return on foreign currency denominated securities will decline if the exchange rate of the U.S. dollar rises in relation to that currency. Such declines could be partially or completely offset by an increase in the value of a forward contract on that foreign currency.

In addition to entering into forward contracts with respect to assets that a Portfolio holds (a "position hedge"), the Investment Adviser or the Sub-Adviser may purchase or sell forward contracts or foreign currency options in a particular currency with respect to specific anticipated transactions (a "transaction hedge"). By purchasing forward contracts, the Investment Adviser or Sub-Adviser can establish the rate at which a Portfolio will be contractually entitled to exchange U.S. dollars for a foreign currency or a foreign currency for U.S. dollars at some point in the future and thereby lock in the U.S. dollar cost of purchasing foreign currency denominated portfolio securities or set the U.S. dollar value of the income from securities it owns or the proceeds from securities it intends to sell.

While the use of foreign currency forward contracts may protect a Portfolio against declines in the U.S. dollar-equivalent value of the Portfolio's assets, such use will reduce the possible gain from advantageous changes in the value of the U.S. dollar against particular currencies in which their assets are denominated. Moreover, the use of foreign currency forward contracts will not eliminate fluctuations in the underlying U.S. dollar-equivalent value of the prices of or rates of return on the assets held in the portfolio and the use of such techniques will subject the Portfolio to certain risks.

The foreign exchange markets can be highly volatile, subject to sharp price fluctuations. In addition, trading forward contracts can involve a degree of leverage. As a result, relatively small movements in the rates of exchange between the currencies underlying a contract could result in immediate and substantial losses to the investor. Trading losses that are not offset by corresponding gains in assets being hedged could reduce the value of assets held by a Portfolio.

Moreover, the precise matching of the forward contract amounts and the value of the hedged portfolio securities involved will not generally be possible because the future value of such foreign currency denominated portfolio securities will change as a consequence of market movements in the value of those securities unrelated to changes in exchange rates and the U.S. dollar-equivalent value of such assets between the date the forward contract is entered into and the date that it is sold. Accordingly, it may be necessary for a Portfolio to purchase additional foreign currency in the cash market (and to bear the expense of such purchase) if the market value of the security is less than the amount of the foreign currency it may be obligated to deliver pursuant to the forward contract.

The success of any currency hedging technique will depend on the ability of the Investment Adviser or Sub-Adviser correctly to predict movements in foreign currency exchange rates. If the Investment Adviser or Sub-Adviser incorrectly predicts the direction of such movements or if unanticipated changes in foreign currency exchange rates occur, a Portfolio's performance will be poorer than if they had not entered into such contracts. The accurate projection of currency market movements is extremely difficult, and the successful execution of a hedging strategy is highly uncertain.

The cost to a Portfolio of engaging in foreign currency forward contracts will vary with factors such as the foreign currency involved, the length of the contract period and the market conditions then prevailing, including general market expectations as to the direction of the movement of various foreign currencies against the U.S. dollar. Furthermore, the Investment Adviser or Sub-Adviser may not be able to purchase forward contracts with respect to all of the foreign currencies in which the Portfolio's portfolio securities may be denominated. In those circumstances the correlation between the movements in the exchange rates of the subject currency and the currency in which the portfolio security is denominated may not be precise. Moreover, if the forward contract is entered into in an over-the-counter transaction, the Portfolio generally will be exposed to the credit risk of its counterparty. If a Portfolio enters into such contracts on a foreign exchange, the contract will be subject to the rules of that foreign exchange. Foreign exchanges may impose significant restrictions on the purchase, sale or trading of such contracts, including the imposition of limits on price moves. Such limits may significantly affect the ability to trade such a contract or otherwise to close out the position and could create potentially significant discrepancies between the cash and market value of the position in the forward contract. Finally, the cost of purchasing forward contracts in a particular currency will reflect, in part, the rate of return available on instruments denominated in that currency. The cost of purchasing forward contracts to hedge portfolio securities that are denominated in currencies that in general yield high rates of return may thus tend to reduce that rate of return toward the rate of return that would be earned on assets denominated in U.S. dollars.

Other Strategies of Worldwide Short-Term, Worldwide and International. The Global and International Portfolios may use forward contracts to hedge the value of portfolio securities against changes in exchange rates; however, unlike the other Global and International Portfolios, Worldwide-Hedged and International-Hedged will not use forward contracts to seek to enhance the rate of return on its portfolio. Each of Worldwide Short-Term, Worldwide and International may also attempt to enhance the return on its portfolio by entering into forward contracts and currency options, as discussed below, in a particular currency in an amount in excess of the value of its assets denominated in that currency or when it does not own assets denominated in that currency. If the Investment Adviser or Sub-Adviser is not able correctly to predict the direction and extent of movements in foreign currency exchange rates, entering into such forward or option contracts may decrease rather than enhance the return on such Portfolio.

In addition, if such a Portfolio enters into forward contracts when it does not own assets denominated in that currency, the Portfolio's volatility may increase and losses on such contracts will not be offset by increases in the value of Portfolio assets.

OPTIONS

Options on Foreign Currencies. Each Portfolio may purchase and sell (or write) put and call options on foreign currencies to protect against a decline in the U.S. dollar-equivalent value of its portfolio securities or payments due thereon or a rise in the U.S. dollar-equivalent cost of securities that it intends to purchase. A foreign currency put option grants the holder the right, but not the obligation, at a future date to sell a specified amount of a foreign currency to its counterparty at a predetermined price. Conversely, a foreign currency call option grants the holder the right, but not the obligation, to purchase at a future date a specified amount of a foreign currency at a predetermined price.

As in the case of other types of options, the benefit to a Portfolio deriving from the purchase of foreign currency options will be reduced by the amount of the premium and related transaction costs. In addition, where currency exchange rates do not move in the direction or to the extent anticipated, the Portfolio could sustain losses on transactions in foreign currency options which would require them to forego a portion or all of the benefits of advantageous changes in such rates.

Each Portfolio may write options on foreign currencies for hedging purposes. For example, where a Portfolio anticipates a decline in the dollar value of foreign currency denominated securities due to adverse fluctuations in exchange rates it could, instead of purchasing a put option, write a call option on the relevant currency. If the expected decline occurs, the option will most likely not be exercised, and the decrease in value of portfolio securities will be offset by the amount of the premium received.

Similarly, instead of purchasing a call option to hedge against an anticipated increase in the dollar costs of securities to be acquired, a Portfolio could write a put option on the relevant currency which, if rates move in the manner projected, will expire unexercised and allow the Portfolio to hedge such increased costs up to the amount of the premium. As in the case of other types of options, however, the writing of a foreign currency option will constitute only a partial hedge up to the amount of the premium, and only if rates move in the expected direction. If this movement does not occur, the option may be exercised and the Portfolio would be required to purchase or sell the underlying currency at a loss which may not be fully offset by the amount of the premium. Through the writing of options on foreign currencies, a Portfolio also may be required to forego all or a portion of the benefits that might otherwise have been obtained from favorable movements in exchange rates.

Options on Securities. Each Portfolio may also enter into closing sale transactions with respect to options it has purchased. A put option on a security grants the holder the right, but not the obligation, at a future date to sell the security to its counterparty at a predetermined price. Conversely, a call option on a security grants the holder the right, but not the obligation, to purchase at a future date the security underlying the option at a predetermined price.

A Portfolio would normally purchase put options in anticipation of a decline in the market value of securities in its portfolio or securities it intends to purchase. If such Portfolio purchased a put option and the value of the security in fact declined below the strike price of the option, such Portfolio would have the right to sell that security to its counterparty for the strike price (or realize the value of the option by entering into a closing transaction), and consequently would protect itself against any further decrease in the value of the security during the term of the option.

Conversely, if the Investment Adviser or Sub-Adviser anticipates that a security that it intends to acquire will increase in value, it might cause a Portfolio to purchase a call option on that security or securities similar to that security. If the value of the security does rise, the call option may wholly or partially offset the increased price of the security. As in the case of other types of options, however, the benefit to the Portfolio will be reduced by the amount of the premium paid to purchase the option and any related transaction costs. If, however, the value of the security fell instead of rose, the Portfolio would have foregone a portion of the benefit of the decreased price of the security in the amount of the option premium and the related transaction costs.

A Portfolio would purchase put and call options on securities indices for the same purposes as it would purchase options on securities. Options on securities indices are similar to options on securities except that the options reflect the change in price of a group of securities rather than an individual security and the exercise of options on securities indices are settled in cash rather than by delivery of the securities comprising the index underlying the option.

Transactions by a Portfolio in options on securities and securities indices will be governed by the rules and regulations of the respective exchanges, boards of trade or other trading facilities on which the options are traded.

Considerations Concerning Options. The writer of an option receives a premium which it retains regardless of whether the option is exercised. The purchaser of a call option has the right, for a specified period of time, to purchase the securities or currency subject to the option at a specified price (the "exercise price"). By writing a call option, the writer becomes obligated during the term of the option, upon exercise of the option, to sell the underlying securities or currency to the purchaser against receipt of the exercise price. The writer of a call option also loses the potential for gain on the underlying securities or currency in excess of the exercise price of the option during the period that the option is open.

Conversely, the purchaser of a put option has the right, for a specified period of time, to sell the securities or currency subject to the option to the writer of the put at the specified exercise price. The writer of a put option is obligated during the term of the option, upon exercise of the option, to purchase securities or currency underlying the option at the exercise price. A writer might, therefore, be obligated to purchase the underlying securities or currency for more than their current market price or U.S. dollar value, respectively.

Each Portfolio may purchase and sell both exchange-traded and OTC options. Currently, although many options on equity securities and options on currencies are exchange-traded, options on debt securities are primarily traded in the over-the-counter market. The writer of an exchange-traded option that wishes to terminate its obligation may effect a "closing purchase transaction". This is accomplished by buying an option of the same series as the option previously written. Options of the same series are options with respect to the same underlying security or currency, having the same expiration date and the same exercise price. Likewise, an investor who is the holder of an option may liquidate a position by effecting a "closing sale transaction". This is accomplished by selling an option of the same series as the option previously purchased. There is no guarantee that either a closing purchase or a closing sale transaction can be effected.

An exchange-traded option position may be closed out only where there exists a secondary market for an option of the same series. For a number of reasons, a secondary market may not exist for options held by a Portfolio, or trading in such options might be limited or halted by the exchange on which the option is trading, in which case it might not be possible to effect closing transactions in particular options the Portfolio has purchased with the result that the Portfolio would have to exercise the options in order to realize any profit. If the Portfolio is unable to effect a closing purchase transaction in a secondary market in an option the Portfolio has written, it will not be able to sell the underlying security or currency until the option expires or deliver the underlying security or currency upon exercise or otherwise cover its position.

Exchange-traded options in the United States are issued by a clearing organization affiliated with the exchange on which the option is listed which, in effect, guarantees every exchange-traded option transaction. In contrast, OTC options are contracts between a Portfolio and its counterparty with no clearing organization guarantee. Thus, when the Portfolio purchases OTC options, it relies on the dealer from which it purchased the OTC option to make or take delivery of the securities underlying the option. Failure by the dealer to do so would result in the loss of the premium paid by the Portfolio as well as the loss of the expected benefit of the transaction. The Investment Adviser or Sub-Adviser will only purchase options from dealers determined by the Investment Adviser to be creditworthy.

Exchange-traded options generally have a continuous liquid market whereas OTC options may not. Consequently, a Portfolio will generally be able to realize the value of an OTC option it has purchased only by exercising it or reselling it to the dealer who issued it. Similarly, when the Portfolio writes an OTC option, it generally will be able to close out the OTC option prior to its expiration only by entering into a closing purchase transaction with the dealer to which the Portfolio originally wrote the OTC option. Although a Portfolio will enter into OTC options only with dealers that agree to enter into, and that are expected to be capable of entering into, closing transactions with the Portfolio, there can be no assurance that the Portfolio will be able to liquidate an OTC option at a favorable price at any time prior to expiration. Until the Portfolio is able to effect a closing purchase transaction in a covered OTC call option the Portfolio has written, it will not be able to liquidate securities used as cover until the option expires or is exercised or different cover is substituted. In the event of insolvency of the counterparty, the Portfolio may be unable to liquidate an OTC option. In the case of options written by a Portfolio, the inability to enter into a closing purchase transaction may result in material losses to the Portfolio. For example, since the Portfolio must maintain a covered position with respect to any call option on a security it writes, the Portfolio may be limited in its ability to sell the underlying security while the option is outstanding. This may impair the Portfolio's ability to sell a portfolio security at a time when such a sale might be advantageous.

There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Quotation information available is generally representative of very large transactions in the interbank market and thus may not reflect relatively smaller transactions (i.e., less than $1 million) where rates may be less favorable. The interbank market in foreign currencies is a global, around-the-clock market. To the extent that the U.S. options markets are closed while the markets for the underlying currencies remain open, significant price and rate movements may take place in the underlying markets that cannot be reflected in the options market until they reopen. Because foreign currency transactions occurring in the interbank market involve substantially larger amounts than those that may be involved in the use of foreign currency options, investors may be disadvantaged by having to deal in an odd lot market (generally consisting of transactions of less than $1 million) for the underlying foreign currencies at prices that are less favorable than for round lots.

The use of options to hedge a Portfolio's foreign currency-denominated portfolio, or to enhance Worldwide Short-Term's, Worldwide's or International's return raises additional considerations. As described above, a Portfolio may, among other things, purchase call options on securities it intends to acquire in order to hedge against anticipated market appreciation in the price of the underlying security or currency. If the market price does increase as anticipated, the Portfolio will benefit from that increase but only to the extent that the increase exceeds the premium paid and related transaction costs. If the anticipated rise does not occur or if it does not exceed the amount of the premium and related transaction costs, the Portfolio will bear the expense of the options without gaining an offsetting benefit. If the market price of the underlying currency or securities should fall instead of rise, the benefit the Portfolio obtains from purchasing the currency or securities at a lower price will be reduced by the amount of the premium paid for the call options and by transaction costs.

Each Portfolio also may purchase put options on currencies or portfolio securities when it believes a defensive posture is warranted. Protection is provided during the life of a put option because the put gives the Portfolio the right to sell the underlying currency or security at the put exercise price, regardless of a decline in the underlying currency's or security's market price below the exercise price. This right limits the Portfolio's losses from the currency's or security's possible decline in value below the exercise price of the option to the premium paid for the option and related transaction costs. If the market price of the currency or the Portfolio's securities should increase, however, the profit that the Portfolio might otherwise have realized will be reduced by the amount of the premium paid for the put option and by transaction costs.

The value of an option position will reflect, among other things, the current market price of the underlying currency or security, the time remaining until expiration, the relationship of the exercise price to the market price, the historical price volatility of the underlying currency or security and general market conditions. For this reason, the successful use of options as a hedging strategy depends upon the ability of the Investment Adviser or the Sub-Adviser to forecast the direction of price fluctuations in the underlying currency or securities market.

Options normally have expiration dates of up to nine months. The exercise price of the options may be below, equal to or above the current market values of the underlying securities or currency at the time the options are written. Options purchased by a Portfolio that expire unexercised have no value, and therefore a loss will be realized in the amount of the premium paid (and related transaction costs). If an option purchased by any Portfolio is in-the-money prior to its expiration date, unless the Portfolio exercises the option or enters into a closing transaction with respect to that position, the Portfolio will not realize any gain on its option position.

A Portfolio's activities in the options market may result in a higher portfolio turnover rates and additional brokerage costs. Nevertheless, the Portfolio may also save on commissions and transaction costs by hedging through such activities rather than buying or selling securities or foreign currencies in anticipation of market moves or foreign exchange rate fluctuations.

FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

Futures Contracts. Each Portfolio may enter into contracts for the purchase or sale for future delivery (a "futures contract") of fixed-income securities or foreign currencies, or contracts based on financial indices including any index of U.S. Government

Securities, foreign government securities or corporate debt securities. U.S. futures contracts have been designed by exchanges which have been designated as "contracts markets" by the CFTC, and must be executed through a futures commission merchant, or brokerage firm, which is a member of the relevant contract market. Futures contracts trade on a number of exchange markets and, through their clearing corporations, the exchanges guarantee performance of the contracts as between the clearing members of the exchange. A Portfolio will enter into futures contracts that are based on debt securities that are backed by the full faith and credit of the U.S. Government, such as long-term U.S. Treasury Bonds, Treasury Notes, GNMA-modified pass-through mortgage-backed securities and three-month U.S. Treasury Bills. Each Portfolio may also enter into futures contracts that are based on securities that would be eligible investments for such Portfolio and that are denominated in currencies other than the U.S. dollar, including, without limitation, futures contracts based on government bonds issued in the United Kingdom, Japan, the Federal Republic of Germany, France and Australia and futures contracts based on three-month Euro-deposit contracts in the major currencies.

A Portfolio would purchase or sell futures contracts to attempt to protect the U.S. dollar-equivalent value of its securities from fluctuations in interest or foreign exchange rates without actually buying or selling securities or foreign currency. For example, if a Portfolio expected the value of a foreign currency to increase against the U.S. dollar, the Portfolio might enter into futures contracts for the sale of that currency. Such a sale would have much the same effect as selling an equivalent value of foreign currency. If the currency did increase, the value of the securities in the portfolio would decline, but the value of the futures contracts to the Portfolio would increase at approximately the same rate, thereby keeping the net asset value of the Portfolio from declining as much as it otherwise would have.

Although futures contracts by their terms call for the actual delivery or acquisition of securities or currency, in most cases the contractual obligation is fulfilled before the date of the contract without having to make or take delivery of the securities or currency. The offsetting of a contractual obligation is accomplished by buying (or selling, as the case may be) on a commodities exchange an identical futures contract calling for delivery in the same month. Such a transaction, which is effected through a member of an exchange, cancels the obligation to make or take delivery of the securities or currency. Since all transactions in the futures market are made, offset or fulfilled through a clearinghouse associated with the exchange on which the contracts are traded, a Portfolio will incur brokerage fees when it purchases or sells futures contracts.

At the time a futures contract is purchased or sold, the Portfolio must allocate cash or securities as a deposit payment ("initial margin"). It is expected that the initial margin on U.S. exchanges may range from approximately 3% to approximately 15% of the value of the securities or commodities underlying the contract. Under certain circumstances, however, such as periods of high volatility, the Portfolio may be required by an exchange to increase the level of its initial margin payment. Additionally, initial margin requirements may be increased generally in the future by regulatory action. An outstanding futures contract is valued daily and the payment in cash of "variation margin" may be required, a process known as "marking to the market". Each day the Portfolio will be required to provide (or will be entitled to receive) variation margin in an amount equal to any decline (in the case of a long futures position) or increase (in the case of a short futures position) in the contract's value since the preceding day.

Futures contracts entail special risks. Among other things, the ordinary spreads between values in the cash and futures markets, due to differences in the character of these markets, are subject to distortions relating to (1) investors' obligations to meet additional variation margin requirements, (2) decisions to make or take delivery, rather than entering into offsetting transactions and (3) the difference between margin requirements in the securities markets and margin deposit requirements in the futures market. The possibility of such distortion means that a correct forecast of general market, foreign exchange rate or interest rate trends by the Investment Adviser or Sub-Adviser may still not result in a successful transaction.

Although the Investment Adviser believes that use of such contracts and options thereon will benefit the Portfolios, if the Investment Adviser's judgment about the general direction of securities market movements, foreign exchange rates or interest rates is incorrect, a Portfolio's overall performance would be poorer than if it had not entered into any such contracts or purchased or written options thereon. For example, if a Portfolio had hedged against the possibility of an increase in interest rates which would adversely affect the price of debt securities held in its portfolio and interest rates decreased instead, the Portfolio would lose part or all of the benefit of the increased value of its assets which it had hedged because it would have offsetting losses in its futures positions. In addition, particularly in such situations, if the Portfolio has insufficient cash, it may have to sell assets from its portfolio to meet daily variation margin requirements. Any such sale of assets may, but will not necessarily, be at increased prices which reflect the rising market. Consequently, the Portfolio may have to sell assets at a time when it may be disadvantageous to do so.

A Portfolio's ability to establish and close out positions in futures contracts and options on futures contracts will be subject to the development and maintenance of a liquid market. Although a Portfolio generally will purchase or sell only those futures contracts and options thereon for which there appears to be a liquid market, there is no assurance that a liquid market on an exchange will exist for any particular futures contract or option thereon at any particular time. Where it is not possible to effect a closing transaction in a contract to do so at a satisfactory price, the Portfolio would have to make or take delivery under the futures contract or, in the case of a purchased option, exercise the option. In the case of a futures contract that a Portfolio has sold and is unable to close out, the Portfolio would be required to maintain margin deposits on the futures contract and to make variation margin payments until the contract is closed.

Under certain circumstances, exchanges may establish daily limits in the amount that the price of a futures contract or related option contract may vary either up or down from the previous day's settlement price. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. The daily limit governs only price movements during a particular trading day and therefore does not limit potential losses because the limit may prevent the liquidation of unfavorable positions. Futures or options contract prices could move to the daily limit for several consecutive trading days with little or no trading and thereby prevent prompt liquidation of positions and subject some traders to substantial losses.

Buyers and sellers of foreign currency futures contracts are subject to the same risks that apply to the use of futures generally. In addition, there are risks associated with foreign currency futures contracts and their use as hedging devices similar to those associated with options on foreign currencies described above. Further, settlement of a foreign currency futures contract must occur within the country issuing the underlying currency. Thus, a Portfolio must accept or make delivery of the underlying foreign currency in accordance with any U.S. or foreign restrictions or regulations regarding the maintenance of foreign banking arrangements by U.S. residents and may be required to pay any fees, taxes or charges associated with such delivery that are assessed in the country of the underlying currency.

Options on Futures Contracts. The purchase of a call option on a futures contract is similar in some respects to the purchase of a call option on an individual security or currency. Depending on the pricing of the option compared to either the price of the futures contract upon which it is based or the price of the underlying securities or currency, it may or may not be less risky than ownership of the futures contract or the underlying securities or currency. As with the purchase of futures contracts, when a Portfolio is not fully invested it may purchase a call option on a futures contract to hedge against a market advance due to declining interest rates or a change in foreign exchange rates.

The writing of a call option on a futures contract constitutes a partial hedge against declining prices of the security or foreign currency which is deliverable upon exercise of the futures contract. If the futures price at expiration of the option is below the exercise price, a Portfolio will retain the full amount of the option premium which provides a partial hedge against any decline that may have occurred in the Portfolio's portfolio holdings. The writing of a put option on a futures contract constitutes a partial hedge against increasing prices of the security or foreign currency which is deliverable upon exercise of the futures contract. If the futures price at expiration of the option is higher than the exercise price, the Portfolio will retain the full amount of the option premium which provides a partial hedge against any increase in the price of securities which a Portfolio intends to purchase. If a put or call option a Portfolio has written is exercised, the Portfolio will incur a loss that will be reduced by the amount of the premium it receives. Depending on the degree of correlation between changes in the value of its portfolio securities and changes in the value of its futures positions, a Portfolio's losses from existing options on futures may to some extent be reduced or increased by changes in the value of portfolio securities.

The purchase of a put option on a futures contract is similar in some respects to the purchase of protective put options on portfolio securities. For example, a Portfolio may purchase a put option on a futures contract to hedge its portfolio against the risk of rising interest rates.

The amount of risk a Portfolio assumes when it purchases an option on a futures contract is the premium paid for the option plus related transaction costs. In addition to the correlation risks discussed above, the purchase of an option also entails the risk that changes in the value of the underlying futures contract will not be fully reflected in the value of the option purchased.

Options on foreign currency futures contracts may involve certain additional risks. Trading options on foreign currency futures contracts is relatively new. The ability to establish and close out positions in such options is subject to the maintenance of a liquid secondary market. To mitigate this problem, a Portfolio will not purchase or write options on foreign currency futures contracts unless and until, in the Investment Adviser's or Sub-Adviser's opinion, the market for such options has developed sufficiently that the risks in connection with such options are not greater than the risks in connection with transactions in the underlying foreign currency futures contracts. Compared to the purchase or sale of foreign currency futures contracts, the purchase of call or put options thereon involves less potential risk to the Portfolio because the maximum amount at risk is the premium paid for the option (plus transaction costs). However, there may be circumstances when the purchase of a call or put option on a foreign currency futures contract would result in a loss, such as when there is no movement in the price of the underlying currency or futures contract, when use of the underlying futures contract would not.

OTHER HEDGING TECHNIQUES

Among the other hedging techniques that a Portfolio may use are interest rate, currency and index swaps and the purchase or sale of related caps, floors and collars. Each Portfolio may enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio, to protect against currency fluctuations, as a duration management technique or to protect against any increase in the price of securities the Portfolio anticipates purchasing at a later date. Each Portfolio intends to use these transactions as hedges and not as speculative investments and will not sell interest rate caps or floors where it does not own securities or other instruments providing the income stream the Portfolio may be obligated to pay. Interest rate swaps involve the exchange by a Portfolio with another party of their respective commitments to pay or receive interest, for example, an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. A currency swap is an agreement to exchange cash flows on a notional amount of two or more currencies based on the relative value differential among them and an index swap is an agreement to swap cash flows on a notional amount based on changes in the values of the referenced indices. The purchase of a cap entitles the purchaser to receive payments on a notional principal amount from the party selling such cap to the extent that a specified index exceeds a predetermined interest rate or amount. The purchase of a floor entitles the purchaser to receive payments on a notional principal amount from the party selling such floor to the extent that a specified index falls below a predetermined interest rate or amount. A collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates or values. Segregated accounts may be required when using such techniques.

INVESTMENT RESTRICTIONS

The Fund has adopted the investment restrictions listed below relating to the investment of each Portfolio's assets and its activities. These are fundamental policies that may not be changed without the approval of the holders of a majority of the outstanding voting securities of a Portfolio (which for this purpose and under the 1940 Act means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). None of the Portfolios may: (1) borrow money except by engaging in reverse repurchase agreements or dollar roll transactions or from a bank as a temporary measure for the reasons enumerated in "Supplemental Investment Techniques - Borrowing", provided that a Portfolio will not borrow, more than an amount equal to one-third of the value of its assets, nor will it borrow for leveraging purposes (i.e., a Portfolio will not purchase securities while temporary bank borrowings in excess of 5% of its total assets are outstanding); (2) issue senior securities (other than as specified in clause (1)); (3) purchase securities on margin (although deposits referred to as "margin" will be made in connection with investments in futures contracts, as explained above, and a Portfolio may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities); (4) make short sales of securities; (5) underwrite securities of other issuers; (6) invest in companies for the purpose of exercising control or management; (7) purchase or sell real estate (other than marketable securities representing interests in, or backed by, real estate); or (8) purchase or sell physical commodities or related commodity contracts.

For the purposes of restriction (1), reverse repurchase agreements and dollar roll transactions that are covered pursuant to SEC regulations or staff positions, will not be considered borrowing. For the purposes of restriction (4), the word "securities" does not include options, futures, options on futures or forward currency contracts.

In addition, each Portfolio is prohibited from: 1) the purchase or retention of the securities of any issuer if the officers, directors or trustees of the Fund, its advisors, or managers owning beneficially more than one half of one percent of the securities of an issuer together own beneficially more than five percent of the securities of that issuer; 2) the purchase of securities of any issuer if, as to seventy-five percent (75%) of the assets of the company at the time of the purchase, more than ten percent of the voting securities of any issuer would be held by the company; 3) the investment in the securities of other investment companies, except by purchase in the open market where no commission or profit to a sponsor or dealer results from the purchase other than the customary broker's commission, or except when the purchase is part of a plan of merger, consolidation, reorganization or acquisition; and 4) the investment of more than fifteen percent (15%) of the Fund's total assets in the securities of issuers which together with any predecessors have a record of less than three years continuous operation or securities of issuers which are restricted as to disposition.

Whenever an investment policy or limitation states a maximum percentage of a Portfolio's assets that may be invested in any security or other asset or sets forth a policy regarding quality standards, such standard or percentage limitation shall be determined immediately after and as a result of the Portfolio's acquisition of such security or other asset. Accordingly, any later increase or decrease in a percentage resulting from a change in values, net assets or other circumstances will not be considered when determining whether that investment complies with the Portfolio's investment policies and limitations.

Each Portfolio's investment objectives and other investment policies not designated as fundamental in this Statement of Additional Information are non-fundamental and may be changed at any time by action of the Board of Directors.

U.S. Short-Term Fixed Income Portfolio

U.S. Short-Term has adopted five additional fundamental policies that may not be changed without the approval of the holders of a majority of the shares of the Portfolio. The Portfolio may not: (1) invest more than 5% of its total assets in the securities of any issuer (other than U.S. Government Securities and repurchase agreements); (2) invest more than 25% of its total assets in the securities of issuers in any industry (other than U.S. Government Securities and the banking industry); (3) enter into repurchase agreements if, as a result thereof, more than 25% of its assets would be subject to repurchase agreements; (4) make loans to other persons, except by (i) the purchase of a portion of an issue of debt obligations in which a Portfolio is authorized to invest in accordance with its investment objectives and (ii) engaging in repurchase agreements; or (5) purchase or sell commodities or commodity contracts, except that the Portfolio may utilize up to 5% of its assets as margin and premiums to purchase and sell futures and options contracts on CFTC-regulated exchanges.

Worldwide Fixed Income and Worldwide Fixed Income-Hedged Portfolios

Worldwide and Worldwide-Hedged each have adopted two additional fundamental policies that may not be changed without the approval of the holders of a majority of the shares of either Portfolio. Each Portfolio may not: (1) enter into repurchase agreements if, as a result thereof, more than 25% of its assets would be subject to repurchase agreements; or (2) purchase or sell commodities or commodity contracts, except that each Portfolio may utilize up to 5% of its assets as margin and premiums to purchase and sell futures and options contracts on CFTC-regulated exchanges.

Illiquid Securities

The staff of the Commission has taken the position that purchased OTC options and the assets used as cover for written OTC options are illiquid securities. Therefore, each Portfolio has adopted an investment policy pursuant to which it generally will not purchase or sell OTC options if, as a result of such transaction, the sum of the market value of OTC options currently outstanding that are held by such Portfolio, the market value of the underlying securities covered by OTC call options currently outstanding that were sold by such Portfolio and margin deposits on such Portfolio's existing OTC options on futures contracts exceed 15% of the net assets of such Portfolio, taken at market value, together with all other assets of the Portfolio that are illiquid or are not otherwise readily marketable. This policy as to OTC options is not a fundamental policy of the Portfolios and may be amended by the Directors of the Fund without the approval of the Fund's or a Portfolio's shareholders. However, the Fund will not change or modify this policy prior to a change or modification by the Commission staff of its position.

PORTFOLIO TRANSACTIONS

The debt securities in which the Fund invests are traded primarily in the over-the-counter market by dealers who are usually acting as principal for their own account. On occasion, securities may be purchased directly from the issuer. Such securities are generally traded on a net basis and do not normally involve either brokerage commissions or transfer taxes. For the periods ending December 31, 1993, U.S. Short-Term, Stable Return, AAA Asset-Backed, Worldwide, Worldwide-Hedged, International-Hedged and Worldwide Short-Term paid brokerage commissions of $68,793, $13, $13, $0, $106,448, $32,026 and $141, respectively. For the periods ending December 31, 1992, U.S. Short-Term, Worldwide and Worldwide-Hedged paid brokerage commissions of $8,050, $6,633 and $2,191, respectively (all involving futures transactions). For the three months ending December 31, 1991, and the fiscal year ending September 30, 1991, U.S. Short-Term did not pay any brokerage commissions. The cost of executing transactions will consist primarily of dealer spreads. In the markets in which a Portfolio buys and sells its assets and for the size of the transactions it will execute, the spread between the bid and asked price of a security is typically below 1/32 of 1% of the value of the transaction, and often much less. The spread is not included in the expenses of a Portfolio and therefore is not subject to the expenses cap;

nevertheless, the incurrence of this spread, ignoring the other intended positive effects of each such transaction, will decrease the total return of the Portfolio. However, a Portfolio will buy one asset and sell another only if the Investment Adviser and/or the Sub-Adviser believes it is advantageous to do so after considering the effect of the additional custodial charges and the spread on the Portfolio's total return.

All purchases and sales will be executed with major dealers and banks on a best net price basis. No trades will be executed with the Investment Adviser, the Sub-Adviser, their affiliates, officers or employees acting as principal or agent for others, although such entities and persons may be trading contemporaneously in the same or similar securities. To the extent an investment that may be appropriate for one of the Portfolios is considered for purchase by the Investment Adviser and/or Sub-Adviser for the account of another Portfolio, client or fund, the investment opportunity, as well as the expenses incurred in the transaction, will be allocated in a manner deemed equitable by the Investment Adviser.

The Global and International Portfolios are expected to invest substantial portions of their assets in foreign securities. Since costs associated with transactions in foreign securities are generally higher than costs associated with transactions in domestic securities, the operating expense ratios of these Portfolios can be expected to be higher than that of an investment company investing exclusively in domestic securities.

TAX CONSIDERATIONS

The following summary of tax consequences, which does not purport to be complete, is based on U.S. federal tax laws and regulations in effect on the date of this Statement of Additional Information, which are subject to change by legislative or administrative action.

Qualification as a Regulated Investment Company. Each Portfolio is qualified and intends to qualify for and to elect to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"). To qualify as a RIC, a Portfolio must, among other things, (a) derive at least 90% of its gross income each taxable year from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of securities or foreign currencies, or other income (including gains from options, futures or forward contracts) derived from its business of investing in securities or foreign currencies (the "Qualifying Income Requirement"); (b) derive less than 30% of its gross income each taxable year from sales or other dispositions of certain assets (namely, (i) securities; (ii) options, futures and forward contracts (other than those on foreign currencies); and (iii) foreign currencies (including options, futures and forward contracts on such currencies) not directly related to the Portfolio's principal business of investing in stocks or securities (or options and futures with respect to stocks or securities) held less than three months (the "30% Limitation"); (c) diversify its holdings so that, at the end of each quarter of the Portfolio's taxable year, (i) at least 50% of the market value of the Portfolio's assets is represented by cash and cash items (including receivables), U.S. Government Securities, securities of other RICs and other securities, with such other securities of any one issuer limited to an amount not greater than 5% of the value of the Portfolio's total assets and not greater than 10% of the outstanding voting securities of such issuer and (ii) not more than 25% of the value of the Portfolio's total assets is invested in the securities of any one issuer (other than U.S. Government Securities or the securities of other RICs); and (d) distribute at least 90% of its investment company taxable income (which includes, among other items, interest and net short-term capital gains in excess of net long-term capital losses). The U.S. Treasury Department has authority to promulgate regulations pursuant to which gains from foreign currency (and options, futures and forward contracts on foreign currency) not directly related to a RIC's principal business of investing in stocks and securities would not be treated as qualifying income for purposes of the Qualifying Income Requirement. To date, such regulations have not been promulgated.

If for any taxable year a Portfolio does not qualify as a RIC, all of its taxable income will be taxed to the Portfolio at corporate rates. For each taxable year that the Portfolio qualifies as a RIC, it will not be subject to federal income tax on that part of its investment company taxable income and net capital gains (the excess of net long-term capital gain over net short-term capital loss) that it distributes to its shareholders. In addition, to avoid a nondeductible 4% federal excise tax, the Portfolio must distribute during each calendar year an amount at least equal to the sum of 98% of its ordinary income (not taking into account any capital gains or losses), determined on a calendar year basis, 98% of its capital gains in excess of capital losses, determined in general on an October 31 year-end basis, and any undistributed amounts from previous years. Each Portfolio intends to distribute all of its net income and gains by automatically reinvesting such income and gains in additional shares of the Portfolio. The 30% Limitation may require that a Portfolio defer closing out certain positions beyond the time when it otherwise would be advantageous to do so, in order not to be disqualified as a RIC. Each Portfolio will monitor its compliance with all of the rules set forth in the preceding paragraph.

Distributions. Each Portfolio's automatic reinvestment of its ordinary income, net short-term capital gains and net long-term capital gains in additional shares of the Portfolio and distribution of such shares to shareholders will be taxable to the Portfolio's shareholders. In general, such shareholders will be treated as if such income and gains had been distributed to them by the Portfolio and then reinvested by them in shares of the Portfolio, even though no cash distributions have been made to shareholders. The automatic reinvestment of ordinary income and net realized short-term capital gains of the Portfolio will be taxable to the Portfolio's shareholders as ordinary income. Each Portfolio's automatic reinvestment of any net long-term capital gains designated by the Portfolio as capital gain dividends will be taxable to the shareholders as long-term capital gain, regardless of how long they have held their Portfolio shares. None of the amounts treated as distributed to a Portfolio's shareholders will be eligible for the corporate dividends received deduction. A distribution will be treated as paid on December 31 of the current calendar year if it is declared by a Portfolio in October, November or December with a record date in such a month and paid by the Portfolio during January of the following calendar year. Such distributions will be taxable to shareholders in the calendar year in which the distributions are declared, rather than in the calendar year in which the distributions are received. Each Portfolio will inform shareholders of the amount and tax status of all amounts treated as distributed to them not later than 60 days after the close of each calendar year.

Sale of Shares. Upon the sale or other disposition of shares of a Portfolio, or upon receipt of a distribution in complete liquidation of a Portfolio, a shareholder generally will realize a capital gain or loss which will be long-term or short-term, generally depending upon the shareholder's holding period for the shares. Any loss realized on the sale or exchange will be disallowed to the extent the shares disposed of are replaced (including shares acquired pursuant to a dividend reinvestment plan) within a period of 61 days beginning 30 days before and ending 30 days after disposition of the shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized by the shareholder on a disposition of Portfolio shares held by the shareholder for six months or less will be treated as a long-term capital loss to the extent of any distributions of net capital gains deemed received by the shareholder with respect to such shares.

Zero Coupon Securities. Investments by a Portfolio in zero coupon securities will result in income to the Portfolio equal to a portion of the excess of the face value of the securities over their issue price (the "original issue discount") each year that the securities are held, even though the Portfolio receives no cash interest payments. This income is included in determining the amount of income which the Portfolio must distribute to maintain its status as a RIC and to avoid the payment of Federal income tax and the 4% excise tax.

Hedging Transactions. Certain options, futures and forward contracts in which a Portfolio may invest are "section 1256 contracts." Gains and losses on section 1256 contracts are generally treated as 60 percent long-term and 40 percent short-term capital gains or losses ("60/40 treatment"), regardless of the Portfolio's actual holding period for the contract. Also, a section 1256 contract held by a Portfolio at the end of each taxable year (and generally, for the purposes of the 4% excise tax, on October 31 of each year) must be treated as if the contract had been sold at its fair market value on that day ("mark to market treatment"), and any deemed gain or loss on the contract is subject to 60/40 treatment. Foreign currency gain or loss (discussed below) arising from section 1256 contracts may, however, be treated as ordinary income or loss.

The hedging transactions undertaken by a Portfolio may result in "straddles" for federal income tax purposes. The straddle rules may affect the character of gains or losses realized by the Portfolio. In addition, losses realized by a Portfolio on positions that are part of a straddle may be deferred under the straddle rules rather than being taken into account in calculating the taxable income for the taxable year in which such losses are realized. Further, a Portfolio may be required to capitalize, rather than deduct currently, any interest expense on indebtedness incurred or continued to purchase or carry any positions that are part of a straddle. Because only a few regulations implementing the straddle rules have been implemented, the tax consequences to the Portfolios of engaging in hedging transactions are not entirely clear. Hedging transactions may increase the amount of short-term capital gain realized by the Portfolios which is taxed as ordinary income when distributed to shareholders.

A Portfolio may make one or more of the elections available under the Code that are applicable to straddles. If a Portfolio makes any of the elections, the amount, character and timing of the recognition of gains or losses from the affected straddle positions will be determined under rules that vary according to the election(s) made. The rules applicable under certain of the elections may accelerate the recognition of gains or losses from the affected straddle positions.

Because the straddle rules may affect the amount, character and timing of gains or losses from the positions that are part of a straddle, the amount of Portfolio income that is distributed to shareholders and that is taxed to them as ordinary income or long-term capital gain may be increased or decreased as compared to a fund that did not engage in such hedging transactions.

The 30% limitation and the distribution requirements applicable to each Portfolio's assets may limit the extent to which each Portfolio will be able to engage in transactions in options, futures and forward contracts.

Foreign Currency-Related Transactions. Gains or losses attributable to fluctuations in exchange rates that occur between the time a Portfolio accrues interest or other receivables, or accrues expenses or other liabilities, denominated in a foreign currency and the time the Portfolio actually collects such receivables, or pays such liabilities, generally are treated as ordinary income or ordinary loss. Similarly, gains or losses on disposition of certain options, futures and forward contracts and, on disposition of debt securities denominated in a foreign currency, gains or losses attributable to fluctuations in the value of foreign currency between the date of acquisition of the security or contract and the date of disposition also are treated as ordinary gain or loss. These gains or losses, referred to under the Code as "section 988" gains or losses, may increase or decrease the amount of a Portfolio's investment company taxable income to be distributed to shareholders as ordinary income.

Backup Withholding. A Portfolio may be required to withhold U.S. federal income tax at the rate of 31% of all amounts deemed to be distributed as a result of the automatic reinvestment by the Portfolio of its income and gains in additional shares of the Portfolio and all redemption payments made to shareholders who fail to provide the Portfolio with their correct taxpayer identification number or to make required certifications, or who have been notified by the Internal Revenue Service that they are subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld will be credited against a shareholder's U.S. federal income tax liability. Corporate shareholders and certain other shareholders are exempt from such backup withholding.

Foreign Shareholders. U.S. taxation of a shareholder who, as to the United States, is a non-resident alien individual, a foreign trust or estate, foreign corporation, or foreign partnership ("foreign shareholder") depends on whether the income from the Portfolio is "effectively connected" with a U.S. trade or business carried on by such shareholder.

If the income from a Portfolio is not "effectively connected" with a U.S. trade or business carried on by the foreign shareholder, deemed distributions by the Portfolio of investment company taxable income will be subject to a U.S. tax of 30% (or lower treaty rate), which tax is generally withheld from such distributions. Deemed distributions of capital gain dividends and any gain realized upon redemption, sale or exchange of shares will not be subject to U.S. tax at the rate of 30% (or lower treaty rate) unless the foreign shareholder is a nonresident alien individual who is physically present in the U.S. for more than 182 days during the taxable year and meets certain other requirements. However, this 30% tax on capital gains of non-resident alien individuals who are physically present in the United States for more than the 182-day period only applies in exceptional cases because any individual present in the United States for more than 182 days during the taxable year is generally treated as a resident for U.S. federal income tax purposes. In that case, he or she would be subject to U.S. federal income tax on his or her worldwide income at the graduated rates applicable to U.S. citizens, rather than the 30% U.S. tax. In the case of a foreign shareholder who is a non-resident alien individual, the Portfolio may be required to withhold U.S. federal income tax at a rate of 31% of deemed distributions of net capital gains unless the foreign shareholder certifies his or her non-U.S. status under penalties of perjury or otherwise establishes an exemption. See "Backup Withholding" above.

If the income from a Portfolio is effectively connected with a U.S. trade or business carried on by a foreign shareholder, then deemed distributions of investment company taxable income and capital gain dividends and any gain realized upon the redemption, sale or exchange of shares of the Portfolio will be subject to U.S. Federal income tax at the graduated rates applicable to U.S. citizens or domestic corporations. Such shareholders may also be subject to the branch profits tax at a 30% rate.

The tax consequences to a foreign shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described herein. Foreign shareholders are advised to consult their own advisers with respect to the particular tax consequences to them of an investment in a Portfolio.

U.S. Short-Term Fixed Income Portfolio

As a result of its expected high portfolio turnover rate, U.S. Short-Term may recognize more short-term capital gains which must be distributed to shareholders than mutual funds with turnover rates that are lower than that of U.S. Short-Term. In addition, U.S. Short-Term may realize a greater amount of gains subject to the 30% Limitation described above than it would realize if its portfolio turnover rate were lower.

U.S. Short-Term has adopted the Full Payout Method for paying dividends. Under the full payout method it is possible that shareholders may receive distributions in excess of their ratable share of U.S. Short-Term's earnings and profits from time to time. Such distributions might result, for example, if U.S. Short-Term had substantial unrealized capital gains. Such distributions will be first applied to reduce shareholders' tax basis in their shares, and then will be treated as gain from the sale or exchange of such shares. To the extent a distribution reduces basis, it is a non-taxable return of capital; however, a reduction in basis will generally increase capital gain or decrease capital loss realized when the shares are sold.

It is also possible that Full Payout Income may be negative if realized and unrealized capital losses plus expenses exceed realized and unrealized capital gains plus investment income. See "Dividends" in the Prospectus. In such a case, the number of shares held by a shareholder will be reduced through a contribution of capital, and the shareholder may have greater taxable income than the net increase in shares in the shareholder's account at the end of the month in which the contribution to capital occurred. A shareholder's basis in shares of U.S. Short-Term may be adjusted to reflect the contribution to capital, which would affect the amount of capital gain or loss realized when the shares are sold.

Global and International Portfolios

Income received by a Portfolio from sources within foreign countries may be subject to withholding and other taxes imposed by such countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. The amount of foreign tax cannot be predicted in advance because the amount of a Portfolio's assets that may be invested in a particular country is subject to change.

If more than 50% of the value of the total assets of a Portfolio at the end of its taxable year consists of securities of foreign corporations, as the Global and International Portfolios more than likely may be, such Portfolio will be eligible and may elect to "pass through" to such Portfolio's shareholders the amount of foreign income and similar taxes paid by such Portfolio. Pursuant to this election, a shareholder will be required to include in gross income (in addition to taxable dividends actually received) a pro rata share of the foreign taxes paid by such Portfolio, and will be entitled either to deduct (as an itemized deduction) that amount in computing taxable income or to use that amount as a foreign tax credit against U.S. federal income tax liability. The amount of foreign taxes for which a shareholder can claim a credit in any year will be subject to limitations set forth in the Code, including a separate limitation for "passive income," which includes, among other items, dividends, interest and certain foreign currency gains. Shareholders not subject to U.S. federal income tax on income from a Portfolio may not claim such a deduction or credit. Each shareholder of the Global and International Portfolios will be notified within 60 days after the close of such Portfolio's taxable year whether the foreign taxes paid by such Portfolio will "pass through" for the year.

Other Taxes

A Portfolio may be subject to state, local or foreign taxes in any jurisdiction in which the Portfolio may be deemed to be doing business. In addition, shareholders of a Portfolio may be subject to state, local or foreign taxes on distributions from the Portfolio. In many states, Portfolio distributions which are derived from interest on certain U.S. Government obligations may be exempt from taxation. Shareholders should consult their own tax advisers concerning these matters.

SHAREHOLDER INFORMATION

Certificates representing shares of a particular Portfolio will not be issued to shareholders. Investors Bank & Trust Company, the Fund's Transfer Agent, will maintain an account for each shareholder upon which the registration and transfer of shares are recorded, and any transfers shall be reflected by bookkeeping entry, without physical delivery. Detailed confirmations of each purchase or redemption are sent to each shareholder. Monthly statements of account are sent which include shares purchased as a result of a reinvestment of Portfolio distributions.

The Transfer Agent will require that a shareholder provide requests in writing, accompanied by a valid signature guarantee form, when changing certain information in an account (i.e., wiring instructions, telephone privileges, etc.). None of the Fund, AMT Capital or the Transfer Agent will be responsible for the validity of written or telephonic requests.

The Fund reserves the right, if conditions exist which make cash payments undesirable, to honor any request for redemption of a Portfolio by making payment in whole or in part in readily marketable securities chosen by the Fund and valued as they are for purposes of computing the Portfolio's net asset value (redemption-in-kind). If payment is made in securities, a shareholder may incur transaction expenses in converting theses securities to cash. The Fund has elected, however, to be governed by Rule 18f-1 under the Investment Company Act of 1940 as a result of which the Fund is obligated to redeem shares, with respect to any one shareholder during any 90-day period, solely in cash up to the lesser of $250,000 or 1% of the net asset value of a Portfolio at the beginning of the period.

CALCULATION OF PERFORMANCE DATA

The Fund may, from time to time, include the yield and total return of a Portfolio in reports to shareholders or prospective investors. Quotations of yield for a Portfolio of the Fund will be based on all investment income per share during a particular 30-day (or one month) period (including dividends and interest), less expenses accrued during the period ("net investment income"), and are computed by dividing net investment income by the maximum, offering price per share on the last day of the period, according to the following formula which is prescribed by the Commission:

$$YIELD = 2[(\frac{a - b}{cd} + 1)^6 - 1]$$

Where a = dividends and interest earned during the period,
b = expenses accrued for the period (net of reimbursements),
c = the average daily number of Shares of a Portfolio outstanding during the period that were entitled to receive dividends, and
d = the maximum offering price per share on the last day of the period.

The yield as defined above for the Fund's Portfolios for the 30-day period ended December 31, 1994 were as follows:

U.S. Portfolios

U.S. Short-Term Fixed In	5.29%
Stable Return	6.55%
AAA Asset-Backed	-

Global and International Portfolios

Worldwide Short-Term Fix	5.52%
Worldwide Fixed Income	6.52%
Worldwide Fixed Income-H	-
International Fixed Inco	-

Quotations of average annual total return will be expressed in terms of the average annual compounded rate of return of a hypothetical investment in a Portfolio of the Fund over periods of 1, 5 and 10 years (up to the life of the Portfolio), calculated pursuant to the following formula which is prescribed by the SEC:

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

Where P = a hypothetical initial payment of $1,000,
T = the average annual total return,

n = the number of years, and
ERV = the ending redeemable value of a hypothetical $1,000 payment made at the beginning of the period.

All total return figures assume that all dividends are reinvested when paid.

The total return as defined above for the Fund's Portfolios for the 1 year and 5 year periods ended December 31, 1994 and since the commencement of operations of each Portfolio to December 31, 1994 are as follows:

	One Year	Five Yea	Life of Portfolio
U.S. Portfolios			
U.S. Short-Term Fixed Income	3.71%	4.99%	5.02%*
Stable Return	0.29%	n/a	1.49%*
AAA Asset-Backed	n/a	n/a	n/a
Global and International Portfolios			
Worldwide Short-Term Fixed Incom	2.72%	n/a	2.80%*
Worldwide Fixed Income	-2.25%	n/a	8.29%*
Worldwide Fixed Income-Hedged	7.84%	n/a	10.36%*
International Fixed Income-Hedge	n/a	n/a	n/a

* Annualized

FINANCIAL STATEMENTS

The Fund's audited Financial Statements for the year ended December 31, 1994 and the Financial Highlights for each of the periods appearing in the Annual Report to Shareholders and the report thereon of Ernst & Young LLP, independent auditors, appearing therein are hereby incorporated by reference in this Statement of Additional Information. The Annual Report to Shareholders is delivered with this Statement of Additional Information to shareholders requesting this Statement.

APPENDIX

MERRILL LYNCH 1-2.99 YEAR TREASURY INDEX1
Quarterly Returns: December 1983 - December 1994

Quarter-End	Return	Quarter-End	Return
Mar-84	1.81%	Mar-89	1.24%
Jun-84	0.62	Jun-89	4.98
Sep-84	4.86	Sep-89	1.46
Dec-84	5.92	Dec-89	2.82
Mar-85	2.17	Mar-90	0.89
Jun-85	5.41	Jun-90	2.8
Sep-85	2.09	Sep-90	2.38
Dec-85	3.65	Dec-90	3.32
Mar-86	3.62	Mar-91	2.2
Jun-86	1.99	Jun-91	1.97
Sep-86	2.6	Sep-91	3.36
Dec-86	1.77	Dec-91	3.68
Mar-87	1.25	Mar-92	0.16
Jun-87	0.65	Jun-92	2.88
Sep-87	0.18	Sep-92	2.98
Dec-87	3.48	Dec-92	0.18
Mar-88	2.64	Mar-93	2.21
Jun-88	1.04	Jun-93	1.08
Sep-88	1.45	Sep-93	1.43
Dec-88	0.96	Dec-93	0.59
		Mar-94	-0.5
		Jun-94	0.08
		Sep-94	0.99
		Dec-94	0.01

1Time-weighted rates of return, unannualized.

QUALITY RATING DESCRIPTIONS

Standard & Poors Corporation

AAA. Bonds rated AAA are highest grade debt obligations. This rating indicates an extremely strong capacity to pay principal and interest.

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

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

The ratings AA and A may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Municipal notes issued since July 29, 1984 are designated "SP-1", "SP-2", and "SP-3". The designation SP-1 indicates a very strong capacity to pay principal and interest. A "+" is added to those issues determined to possess overwhelming safety characteristics.

A-1. Standard & Poor's Commercial Paper ratings are current assessments of the likelihood of timely payments of debts having original maturity of no more than 365 days. The A-1 designation indicates the degree of safety regarding timely payment is very strong.

Moody's Investors Service, Inc.

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 fluctuations of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than the Aaa securities.

A. Bonds which are rated A possess many favorable investment attributes and may 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.

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

Moody's ratings for state and municipal and other short-term obligations will be designated Moody's Investment Grade ("MIG"). This distinction is in recognition of the differences between short-term credit risk and long-term risk. Factors affecting the liquidity of the borrower are uppermost in importance in short-term borrowing, while various factors of the first importance in long-term borrowing risk are of lesser importance in the short run.

MIG-1. Notes bearing this designation are of the best quality enjoying strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for refinancing, or both.

P-1. Moody's Commercial Paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months. The designation "Prime-1" or "P-1" indicates the highest quality repayment capacity of the rated issue.

Thomson Bankwatch, Inc.

A. Company possess an exceptionally strong balance sheet and earnings record, translating into an excellent reputation and unquestioned access to its natural money markets. If weakness or vulnerability exists in any aspect of the company's business, it isis entirely mitigated by the strengths of the organization.

A/B. Company is financially very solid with a favorable track record and no readily apparent weakness. Its overall risk profile, while low, is not quite as favorable as companies in the highest rating category.

IBCA Limited

A1. Short-term obligations rated A1 are supported by a very strong capacity for timely repayment. A plus sign is added to those issues determined to possess the highest capacity for timely payment.