

SECURITIES AND EXCHANGE COMMISSION

FORM N-14/A

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VAN KAMPEN EQUITY TRUST II

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SECURITIES ACT FILE NO. 333-117011

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-14
REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

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[X] Pre-Effective Amendment No. 1
[] Post-Effective Amendment No. ____
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(Check appropriate box or boxes)

VAN KAMPEN EQUITY TRUST II
(Exact Name of Registrant as Specified in Agreement and Declaration of Trust)

1221 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK 10020

(Address of Principal Executive Offices)

TELEPHONE NUMBER: (212) 762-7975

(Area Code and Telephone Number)

BARRY FINK, ESQ.
MANAGING DIRECTOR
VAN KAMPEN INVESTMENTS INC.
1221 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10020

(Name and Address of Agent for Service)

COPIES TO:

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333 WEST WACKER DRIVE
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The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Title of securities being registered: common shares of beneficial interest, par value \$0.01 per share. The Registrant has registered an indefinite number of its common shares of beneficial interest based on Section 24(f) of the Investment Company Act of 1940, as amended, and is in a continuous offering of such shares under an effective registration statement (File Nos. 33-75493 and 811-9279). No filing fee is due herewith because of reliance on Section 24(f) of the Investment Company Act of 1940, as amended.

EXPLANATORY NOTE

This Registration Statement is organized as follows:

- Questions and Answers to Shareholders of Van Kampen International Magnum Fund
- Notice of Special Meeting of Shareholders of Van Kampen International Magnum Fund
- Prospectus/Proxy Statement regarding the proposed Reorganization of Van Kampen International Magnum Fund into Van Kampen International Advantage Fund
- Prospectus of Van Kampen International Advantage Fund
- Statement of Additional Information regarding the proposed Reorganization of Van Kampen International Magnum Fund into Van Kampen International Advantage Fund
- Part C Information
- Exhibits

-- SEPTEMBER 2004 --

IMPORTANT NOTICE

TO VAN KAMPEN INTERNATIONAL MAGNUM FUND
SHAREHOLDERS

QUESTIONS & ANSWERS

We recommend that you read the complete Prospectus/Proxy Statement. For your convenience, we have provided a brief overview of the issue to be voted on.

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WHY IS A SHAREHOLDER MEETING BEING HELD?

A You are being asked to approve a reorganization (the "Reorganization") of Van Kampen International Magnum Fund (the "Target Fund") into Van Kampen International Advantage Fund (the "Acquiring Fund"), a fund with the same investment objective and similar investment strategies. If the proposed Reorganization is approved and completed, an account will be set up in your name and you will become a shareholder of the Acquiring Fund, and the Target Fund will be dissolved. Please refer to the Prospectus/Proxy Statement for a detailed explanation of the proposed Reorganization and for a more complete description of the Acquiring Fund.

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HOW DOES THE BOARD OF DIRECTORS SUGGEST THAT I VOTE?

A After careful consideration, the Board of Directors of the Target Fund has determined that the proposed Reorganization will benefit the Target Fund's shareholders and recommends that you cast your vote "FOR" the proposed Reorganization. The Board anticipates that shareholders of the Target Fund will benefit from (i) the elimination of the duplication of services and expenses that currently exists as a result of the separate operations of the funds and (ii) potentially greater portfolio diversity and potentially lower portfolio transaction costs.

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HOW WILL THE REORGANIZATION AFFECT ME?

A Assuming shareholders of the Target Fund approve the proposed Reorganization, the assets and liabilities of the Target Fund will be combined with those of the Acquiring Fund, an account will be set up in your name and you will receive shares of the Acquiring Fund. The value of the shares you receive in the Reorganization will equal the value of the shares you own immediately prior to the Reorganization.

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WILL I HAVE TO PAY ANY SALES LOAD, COMMISSION OR OTHER SIMILAR FEE IN CONNECTION WITH THE REORGANIZATION?

A You will pay no sales loads or commissions in connection with the Reorganization. As more fully discussed in the Prospectus/Proxy Statement, the holding period with respect to any contingent deferred sales charge applicable to shares of the Acquiring Fund acquired in the Reorganization will be measured from the earlier of the time (i) the holder purchased such shares from the Target Fund or (ii) the holder purchased shares of any other Van Kampen fund and subsequently exchanged them for shares of the Target Fund.

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HOW DO OPERATING EXPENSES PAID BY THE ACQUIRING FUND COMPARE TO THOSE PAYABLE BY THE TARGET FUND?

A The Target Fund and the Acquiring Fund are both advised by Van Kampen Asset Management. The advisory fee rate of the Acquiring Fund is higher than that of the Target Fund. The other operating expenses of the Acquiring Fund are also currently higher than those of the Target Fund, but it is anticipated that these other operating expenses would decline if the Reorganization were completed due to the economies of scale that would be achieved with the larger assets of the surviving combined fund. Because of the relatively small size of each Fund, the adviser is currently voluntarily waiving a portion of its fee on each Fund. If the Reorganization is completed, it is anticipated that the adviser voluntarily would continue to waive a portion of its fee for the surviving combined fund as necessary so that the net operating expenses (after waiver) are not higher than the current net operating expenses of the Target Fund. Management periodically reviews voluntary fee waivers for funds it advises and there can be no assurance that such waivers will continue indefinitely.

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WHAT WILL I HAVE TO DO TO OPEN AN ACCOUNT IN THE ACQUIRING FUND? WHAT HAPPENS TO MY ACCOUNT IF THE REORGANIZATION IS APPROVED?

A If the Reorganization is approved, an account will be set up in your name and your interest in shares of the Target Fund automatically will be converted into shares of the Acquiring Fund, and we will send you written confirmation that this change has taken place. You will receive the same class of shares of the Acquiring Fund equal in value to your class of shares of the Target Fund. Holders of Class A Shares of the Target Fund will receive Class A Shares of the Acquiring Fund; holders of Class B Shares of the Target Fund will receive Class B Shares of the Acquiring Fund; and holders of Class C Shares of the Target Fund will receive Class C Shares of the Acquiring Fund. No certificates for Acquiring Fund shares will be issued in connection with the Reorganization, although such certificates will be available upon request. If you currently hold certificates representing your shares of the Target Fund, it is not necessary to return such certificates; however, shareholders may want to present such certificates to receive certificates of the Acquiring Fund (to simplify substantiation of and to preserve the tax basis of separate lots of shares).

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WILL I HAVE TO PAY ANY FEDERAL TAXES AS A RESULT OF THE REORGANIZATION?

A The Reorganization is intended to qualify as a "reorganization" within the meaning of Section 368(a)(1) of the Internal Revenue Code of 1986, as amended. If

the Reorganization so qualifies, in general, a shareholder of the Target Fund will recognize no gain or loss upon the receipt solely of the shares of the Acquiring Fund in connection with the Reorganization. Additionally, the Target Fund would not recognize any gain or loss as a result of the transfer of all of its assets and liabilities solely in exchange for the shares of the Acquiring Fund or as a result of its liquidation.

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WHAT IF I REDEEM OR EXCHANGE MY SHARES OF THE TARGET FUND BEFORE THE REORGANIZATION TAKES PLACE?

A If you choose to redeem or exchange your shares of the Target Fund before the Reorganization takes place, the redemption or exchange will be treated as a normal redemption or exchange of shares and generally will be a taxable transaction, and any applicable contingent deferred sales charges will be applied.

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HOW DO I VOTE MY PROXY?

A You may cast your vote by mail, phone or internet. To vote by mail, please mark your vote on the enclosed proxy card and sign, date and return the card in the postage-paid envelope

provided. If you choose to vote via phone or internet, please follow the instructions found on the proxy card.

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WHOM DO I CONTACT FOR FURTHER INFORMATION?

A You can contact your financial adviser for further information. You may also call Van Kampen's Client Relations Department at 1-800-231-2808 (Telecommunication Device for the Deaf users may call 1-800-421-2833) or visit our website at www.vankampen.com where you can send us an e-mail message by selecting "Contact Us."

ABOUT THE PROXY CARD

Please vote on the proposed Reorganization using blue or black ink to mark an X in one of the boxes provided on the proxy card.

APPROVAL OF REORGANIZATION- mark "For," "Against" or "Abstain"

Sign, date and return the proxy card in the enclosed postage-paid envelope. All registered owners of an account, as shown in the address, must sign the card. When signing as attorney, trustee, executor, administrator, custodian, guardian or corporate officer, please indicate your full title.

PROXY

VAN KAMPEN INTERNATIONAL MAGNUM FUND
SPECIAL MEETING OF SHAREHOLDERS

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1.	The proposal to approve the Agreement and Plan of Reorganization.	<C>	<C>	<C>
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SAMPLE

VAN KAMPEN INTERNATIONAL MAGNUM FUND

1221 AVENUE OF THE AMERICAS

NEW YORK, NEW YORK 10020

(800) 231-2808

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON NOVEMBER 17, 2004

A special meeting of shareholders of Van Kampen International Magnum Fund, a series of Van Kampen Series Fund, Inc., will be held at the offices of Van Kampen Investments Inc., 1 Parkview Plaza, Oakbrook Terrace, Illinois 60181-5555, on November 17, 2004 at 3:30 p.m. (the "Special Meeting"), for the following purposes:

1. To approve an Agreement and Plan of Reorganization pursuant to which Van Kampen International Magnum Fund would (i) transfer all of its assets and liabilities to Van Kampen International Advantage Fund in exchange solely for Class A, B and C Shares of Van Kampen International Advantage Fund, (ii) distribute such shares to its shareholders and (iii) be dissolved.
2. To transact such other business as may properly be presented at the Special Meeting or any adjournment thereof.

Shareholders of record as of the close of business on August 25, 2004 are entitled to vote at the Special Meeting or any adjournment thereof.

THE BOARD OF DIRECTORS OF VAN KAMPEN INTERNATIONAL MAGNUM FUND REQUESTS THAT YOU VOTE YOUR SHARES BY INDICATING YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, DATING AND SIGNING SUCH PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED, WHICH IS ADDRESSED FOR YOUR CONVENIENCE AND NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES.

THE BOARD OF DIRECTORS OF VAN KAMPEN INTERNATIONAL MAGNUM FUND RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE PROPOSED REORGANIZATION AS DESCRIBED IN THE PROSPECTUS/PROXY STATEMENT.

IN ORDER TO AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION, WE ASK THAT YOU MAIL YOUR PROXY PROMPTLY.

For the Board of Directors,

Stefanie Chang Yu

Vice President and Secretary

September 1, 2004

YOUR VOTE IS IMPORTANT.

PLEASE VOTE PROMPTLY BY SIGNING AND RETURNING THE ENCLOSED PROXY CARD NO MATTER HOW MANY SHARES YOU OWN.

PROSPECTUS/PROXY STATEMENT

RELATING TO THE ACQUISITION OF THE ASSETS AND LIABILITIES OF

VAN KAMPEN INTERNATIONAL MAGNUM FUND

BY AND IN EXCHANGE FOR SHARES OF

VAN KAMPEN INTERNATIONAL ADVANTAGE FUND

1221 AVENUE OF THE AMERICAS

NEW YORK, NEW YORK 10020

(800) 231-2808

This Prospectus/Proxy Statement is furnished to you as a shareholder of Van Kampen International Magnum Fund (the "Target Fund"), a series of Van Kampen Series Fund, Inc. A special meeting of shareholders of the Target Fund (the "Special Meeting") will be held at the offices of Van Kampen Investments Inc., 1 Parkview Plaza, Oakbrook Terrace, Illinois 60181-5555 on November 17, 2004 at 3:30 p.m. to consider the items that are listed below and discussed in greater detail elsewhere in this Prospectus/Proxy Statement. If shareholders are unable to attend the Special Meeting or any adjournment thereof, the Board of Directors of the Target Fund requests that they vote their shares by completing and returning the enclosed proxy card.

The purposes of the Special Meeting are:

1. To approve an Agreement and Plan of Reorganization (the "Reorganization Agreement") pursuant to which the Target Fund would (i) transfer all of its assets and liabilities to Van Kampen International Advantage Fund (the "Acquiring Fund") in exchange solely for Class A, B and C Shares of the Acquiring Fund, (ii) distribute such shares to its shareholders and (iii) be dissolved; and
2. To transact such other business as may properly be presented at the Special Meeting or any adjournment thereof.

The Board of Directors of the Target Fund has approved a reorganization (the "Reorganization") by which the Target Fund, an open-end investment company, would be reorganized into the Acquiring Fund, an open-end investment company with the same investment objective and similar investment policies and practices. The Target Fund and the Acquiring Fund are sometimes referred to herein each as a "Fund" and collectively as the "Funds."

If Target Fund shareholders approve the Reorganization, the Target Fund will transfer all of its assets and liabilities to the Acquiring Fund. The Acquiring Fund will simultaneously issue Class A, B and C Shares to the Target Fund in an amount

equal to the value of the outstanding Class A, B and C Shares of the Target Fund. Immediately thereafter, the Target Fund will distribute these Class A, B and C Shares of the Acquiring Fund to its shareholders. After distributing these shares, the Target Fund will be dissolved. When the Reorganization is complete, Target Fund shareholders will hold Class A, B and C Shares of the Acquiring Fund. The value of the Acquiring Fund shares received in the Reorganization will equal the value of the Target Fund shares held immediately prior to the

Reorganization. After the Reorganization, the Acquiring Fund will continue to operate as a registered open-end investment company with the investment objective and investment policies and practices described in this Prospectus/Proxy Statement.

This Prospectus/Proxy Statement sets forth concisely the information shareholders of the Target Fund should know before voting on the Reorganization and constitutes an offering of Class A, B and C Shares, par value \$0.01 per share, of the Acquiring Fund only. Please read it carefully and retain it for future reference. A Statement of Additional Information dated September 1, 2004, relating to this Prospectus/Proxy Statement (the "Reorganization SAI") has been filed with the Securities and Exchange Commission (the "SEC") and is incorporated herein by reference. The Funds are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. A Prospectus (the "Acquiring Fund Prospectus") and Statement of Additional Information containing additional information about the Acquiring Fund, each dated December 30, 2003 (and as currently supplemented), have been filed with the SEC and are incorporated herein by reference. A copy of the Acquiring Fund Prospectus accompanies this Prospectus/Proxy Statement. A Prospectus and Statement of Additional Information containing additional information about the Target Fund, each dated October 31, 2003 (and as currently supplemented), have been filed with the SEC and are incorporated herein by reference. Copies of the foregoing may be obtained without charge by calling or writing the Target Fund or the Acquiring Fund at the telephone number or address shown above. If you wish to request the Reorganization SAI, please ask for the "Reorganization SAI." In addition, each Fund will furnish, without charge, a copy of its most recent annual report and semi-annual report to a shareholder upon request. Copies of each Fund's most recent prospectus, annual report and semi-annual report can be obtained on a website maintained by Van Kampen Investments Inc. at www.vankampen.com. Requests for documents can also be directed to the Van Kampen Client Relations Department by calling 1-800-231-2808 (TDD users may call 1-800-421-2833) or by writing to the respective Fund at 1 Parkview Plaza, P.O. Box 5555, Oakbrook Terrace, Illinois 60181-5555. Reports, other information and proxy statements filed by the Funds with the SEC can be reviewed and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549 or downloaded from the SEC's website at www.sec.gov. Information on the operation of the SEC's Public

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Reference Room may be obtained by calling the SEC at 1-202-942-8090. You can also request copies of these materials, upon payment at the prescribed rates of a duplicating fee, by electronic request to the SEC's e-mail address (publicinfo@sec.gov) or by writing the Public Reference Branch, Office of Consumer Affairs and Information Services, of the SEC, Washington, DC, 20549-0102.

The Board of Directors of the Target Fund knows of no business other than that discussed above that will be presented for consideration at the Special Meeting. If any other matter is properly presented, it is the intention of the persons named in the enclosed proxy to vote in accordance with their best judgment.

No person has been authorized to give any information or make any representation not contained in this Prospectus/Proxy Statement and, if so given or made, such information or representation must not be relied upon as having been authorized. This Prospectus/Proxy Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

NEITHER THE SEC NOR ANY STATE REGULATOR HAS APPROVED OR DISAPPROVED OF THESE SHARES OR PASSED UPON THE ADEQUACY OF THIS PROSPECTUS/PROXY STATEMENT. A REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus/Proxy Statement is September 1, 2004.

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SUMMARY

The following is a summary of certain information contained elsewhere in this Prospectus/Proxy Statement and is qualified in its entirety by reference to the more complete information contained herein. Shareholders should read the entire Prospectus/Proxy Statement carefully.

THE PROPOSED REORGANIZATION

The Board of Directors of the Target Fund (the "Target Fund Board"), including the directors who are not "interested persons" of the Target Fund (as defined in the Investment Company Act of 1940, as amended (the "1940 Act")), has unanimously approved the Reorganization Agreement. Subject to shareholder approval, the Reorganization Agreement provides for:

- the transfer of all the assets and liabilities of the Target Fund to the Acquiring Fund in exchange for Class A, B and C Shares of the Acquiring Fund;
- the distribution of such shares to Target Fund shareholders; and
- the dissolution of the Target Fund.

If the proposed Reorganization is completed, Target Fund shareholders would hold shares of the Acquiring Fund with an aggregate value equal to the aggregate value of Target Fund shares owned immediately prior to the Reorganization.

BACKGROUND AND REASONS FOR THE PROPOSED REORGANIZATION

The Reorganization seeks to combine two similar funds to achieve certain economies of scale and other operational efficiencies. The investment objective of each Fund is to seek to achieve long-term capital appreciation. Each Fund's investment adviser seeks to achieve this investment objective by investing primarily in a diversified portfolio of equity securities of foreign issuers.

The proposed Reorganization would combine the assets of these similar funds by reorganizing the Target Fund into the Acquiring Fund. The Target Fund Board, based upon its evaluation of all relevant information, anticipates that the Reorganization would benefit Target Fund shareholders by (i) eliminating the duplication of services and expenses that currently exists as a result of the separate operations of the Funds and (ii) obtaining potentially greater portfolio diversity and potentially lower portfolio transaction costs. The Target Fund Board has determined that the Reorganization is in the best interests of shareholders of each class of the Target Fund and that the interests of such shareholders will not be diluted as a result of the Reorganization. Similarly, the Board of Trustees of the Acquiring Fund has determined that the Reorganization is in the best interests of shareholders of

each class of the Acquiring Fund and that the interests of such shareholders will not be diluted as a result of the Reorganization. As a result of the Reorganization,

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however, a shareholder of either Fund will hold a reduced percentage of ownership in the larger combined fund than he or she did in either of the separate Funds.

In determining whether to recommend approval of the proposed Reorganization to shareholders of the Target Fund, the Target Fund Board considered a number of factors, including, but not limited to: (i) Van Kampen Asset Management currently manages the assets of each of the Target Fund and the Acquiring Fund; (ii) the expenses and advisory fees applicable to the Target Fund and the Acquiring Fund before the Reorganization and the estimated expense ratios of the combined fund after the Reorganization; (iii) the comparative investment performance of the Target Fund and the Acquiring Fund; (iv) the future growth and performance prospects of the Target Fund; (v) the terms and conditions of the Reorganization Agreement and whether the proposed Reorganization would result in dilution of Target Fund shareholder interests; (vi) the advantages of eliminating duplication of effort in marketing Funds having similar investment objectives and investment policies and practices in addition to the economies of scale potentially realized through the combination of the two Funds; (vii) the compatibility of the Funds' investment objectives, policies, risks and restrictions; (viii) the compatibility of the Funds' service features available to shareholders, including the retention of applicable holding periods and exchange privileges; and (ix) the anticipated tax consequences of the Reorganization.

The Target Fund Board requests that shareholders of the Target Fund approve the proposed Reorganization at the Special Meeting to be held on November 17, 2004. If shareholders of the Target Fund approve the Reorganization, it is expected that the closing date of the transaction (the "Closing Date") will be after the close of business on or about December 3, 2004, but it may be at a different time as described herein.

The Target Fund Board recommends that you vote "FOR" the proposed Reorganization.

COMPARISON OF THE TARGET FUND AND THE ACQUIRING FUND

INVESTMENT OBJECTIVES AND PRINCIPAL INVESTMENT STRATEGIES

INVESTMENT OBJECTIVES. Each Fund's investment objective is to seek to achieve long-term capital appreciation. The Target Fund's investment objective is a fundamental policy that may not be changed without shareholder approval of a majority of such Fund's outstanding voting securities, as defined in the 1940 Act. The Acquiring Fund's investment objective may be changed by its Board without shareholder approval, but no change is anticipated. If the Acquiring Fund's investment objective does change, the Acquiring Fund will notify shareholders and shareholders should consider whether the Acquiring Fund would remain an appropriate investment in light of their then current financial position and needs. There

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are risks inherent in all investments in securities; accordingly, there can be no assurance that either Fund will achieve its investment objective.

PRINCIPAL INVESTMENT STRATEGIES. Under normal market conditions, the Target Fund's portfolio management team seeks to achieve the Fund's investment objective by investing primarily in a portfolio of what it believes are attractively valued equity securities of non-U.S. issuers using a combination of strategic geographic asset allocation and fundamental stock selection. The Target Fund's portfolio management team makes regional allocation, purchase and sale decisions considering factors such as relative valuations, earnings expectations and macroeconomic factors. The Target Fund focuses primarily on issuers from countries comprising the Morgan Stanley Capital International Europe, Australasia and Far East Index ("MSCI EAFE Index"). The Fund may, however, invest up to 5% of its total assets in countries not included in the MSCI EAFE Index, including emerging market countries. Under normal market conditions, the Target Fund invests at least 65% of its total assets in securities of issuers located in at least three foreign countries. Equity securities include common and preferred stocks, convertible securities, rights and warrants to purchase common stock and depositary receipts.

Under normal market conditions, the Acquiring Fund's portfolio management team seeks to achieve the Fund's investment objective by investing primarily in a

diversified portfolio of equity securities of foreign issuers. The Acquiring Fund's portfolio management team uses a bottom-up investment approach to the stock selection process that utilizes the fundamental research performed by the portfolio management team's buy-side analysts from around the world in conjunction with screening models that are customized to evaluate different sectors on what the portfolio management team believes to be the most appropriate growth and value measures. Portfolio securities may be sold when, among other things, earnings estimates deteriorate, earnings or valuation measures become unfavorable or the Acquiring Fund's portfolio management team otherwise believes the security no longer has adequate capital appreciation potential. Under normal market conditions, the Acquiring Fund invests at least 80% of its total assets in securities of foreign issuers. The Acquiring Fund focuses primarily on issuers from countries comprising the Morgan Stanley Capital International All Country World Index Free ex-USA ("MSCI AC World Index Free ex-USA"). The Acquiring Fund's benchmark index has greater exposure to developing and emerging market countries than the Target Fund's benchmark. The Acquiring Fund generally may invest more of its portfolio in securities of issuers determined by the portfolio management team to be in developing or emerging market countries than the Target Fund. Equity securities include common and preferred stocks, convertible securities, rights and warrants to purchase common stock and depositary receipts.

OTHER INVESTMENT POLICIES, PRACTICES AND RESTRICTIONS. The Target Fund may invest up to 35% of its total assets in debt securities. The Acquiring Fund may

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invest up to 20% of its total assets in debt securities. Each Fund may purchase and sell certain derivative instruments, such as options, futures contracts, options on futures contracts, and currency-related transactions involving options, futures contracts, forward contracts and swaps, for various portfolio management purposes, including to facilitate portfolio management and to mitigate risks.

PRINCIPAL INVESTMENT RISKS

Because of their similarity, the Funds are subject to similar principal investment risks, including market risk, foreign securities risks, risks of using derivative instruments and manager risk. The Target Fund is classified as a non-diversified fund and is subject to risks associated therewith as described below.

MARKET RISK. Market risk is the possibility that the market values of securities owned by a fund will decline. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole. Investments in common stocks and other equity securities generally are affected by changes in the stock markets, which fluctuate substantially over time, sometimes suddenly and sharply. In general, the market values of equity securities (in which both Funds primarily invest) are more volatile than those of debt securities. Foreign markets may, but often do not, move in tandem with U.S. markets, and foreign markets, especially developing or emerging market countries, may be more volatile than U.S. markets. Additionally, stock prices of small- and medium-sized companies (in which both Funds may invest) often fluctuate more and may fall more than the stock prices of the larger companies during an overall stock market decline.

FOREIGN SECURITIES RISKS. Because the Funds own securities of foreign issuers, they may be subject to risks not usually associated with owning securities of U.S. issuers. These risks can include fluctuations in foreign currencies, foreign currency exchange controls, political and economic instability, differences in financial reporting, differences in securities regulation and trading and foreign taxation issues. The Funds may invest in securities of issuers determined by their portfolio management team to be in developing or emerging market countries. The risks of investing in developing or emerging market countries are greater than the risks generally associated with foreign investments, including investment and trading limitations, greater credit and liquidity concerns, greater political uncertainties, an economy's dependence on international trade or development assistance, greater foreign currency exchange risk and currency transfer restrictions and greater delays and disruptions in settlement transactions. Consistent with the benchmarks for each Fund, the Acquiring Fund generally may invest more of its portfolio in securities of issuers determined by the portfolio management team to be in developing or emerging market countries than the Target Fund. Thus, Target Fund shareholders should note that the Acquiring Fund may be subject to greater developing and emerging markets risk than the Target Fund.

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RISKS OF USING DERIVATIVE INSTRUMENTS. The Funds may invest in derivative instruments and are subject to the risks of such investments. In general terms,

a derivative instrument is one whose value depends on (or is derived from) the value of an underlying asset, interest rate or index. Options, futures contracts and forward contracts are examples of derivative instruments. Derivative instruments involve risks different from direct investments in underlying securities. These risks include imperfect correlation between the value of the instruments and the underlying assets, risks of default by the other party to certain transactions, risk that the transactions may result in losses that partially or completely offset gains in portfolio positions and risks that the transactions may not be liquid.

MANAGER RISK. As with any managed fund, the Funds' investment adviser may not be successful in selecting the best-performing securities or investment techniques, and the Funds' performance may lag behind that of other similar funds.

NON-DIVERSIFICATION RISKS. The Target Fund is classified as a non-diversified fund, which means the Fund may invest a greater portion of its assets in a more limited number of issuers than a diversified fund. As a result, the Target Fund may be subject to greater risk than a diversified fund because changes in the financial condition or market assessment of a single issuer may cause greater fluctuations in the value of the Fund's shares. The Acquiring Fund is classified as a diversified fund and so is not subject to this risk to the same extent as the Target Fund.

MANAGEMENT OF THE FUNDS

THE BOARDS. The Board of each Fund is each responsible for the overall supervision of the operations of each of the Funds and performs the various duties imposed on the directors/trustees of investment companies by the 1940 Act and under applicable state law.

THE ADVISER. Van Kampen Asset Management is each Fund's investment adviser (the "Adviser"). The Adviser is a wholly owned subsidiary of Van Kampen Investments Inc. ("Van Kampen Investments"). Van Kampen Investments is a diversified asset management company that administers more than three million retail investor accounts, has extensive capabilities for managing institutional portfolios and had more than \$88 billion under management or supervision as of June 30, 2004. Van Kampen Investments has more than 40 open-end funds, more than 30 closed-end funds and more than 2,700 unit investment trusts that are distributed by authorized dealers nationwide. Van Kampen Funds Inc., the distributor of each Fund (the "Distributor") and the sponsor of the funds mentioned above, is also a wholly owned subsidiary of Van Kampen Investments. Van Kampen Investments is an indirect wholly owned subsidiary of Morgan Stanley, a preeminent global financial services firm that maintains leading market positions in each of its three primary businesses: securities, asset management and credit services. Morgan Stanley is a full service securities firm engaged in securities trading and brokerage

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activities, investment banking, research and analysis, financing and financial advisory services. The Adviser, Distributor and Van Kampen Investments are each located at 1221 Avenue of the Americas, New York, New York 10020.

PORTFOLIO MANAGEMENT. The Target Fund's portfolio is managed within the Adviser's International Magnum Team. The team is made up of established investment professionals. Francine J. Bovich is a current member of the team. The composition of the team may change without notice from time to time.

The Acquiring Fund's portfolio is managed by the Global Core Team. The team is made up of established investment professionals. Current members of the Global Core Team include Sandra Yeager, Kate Cornish-Bowden, Simon Carter, Michael Allison, Mark Laskin and Jamie Wood. The composition of the team may change without notice from time to time.

LEGAL PROCEEDINGS. The Adviser, certain affiliates of the Adviser, and certain investment companies advised by the Adviser or its affiliates, including the Funds, are named as defendants in a number of similar class action complaints which were recently consolidated. The consolidated action also names as defendants certain individual trustees and directors of certain investment companies advised by affiliates of the Adviser; the complaint does not, however, name the individual trustees or directors of any Van Kampen funds. The consolidated amended complaint generally alleges that defendants violated their statutory disclosure obligations and fiduciary duties by failing properly to disclose (i) that the Adviser and certain affiliates of the Adviser allegedly offered economic incentives to brokers and others to steer investors to the funds advised by the Adviser or its affiliates rather than funds managed by other companies, and (ii) that the funds advised by the Adviser or its affiliates, including the Funds, allegedly paid excessive commissions to brokers in return for their alleged efforts to steer investors to these funds. The complaint seeks, among other things, unspecified compensatory damages, rescissionary damages, fees and costs.

The Adviser and certain affiliates of the Adviser are also named as defendants in a derivative suit which additionally names as defendants certain individual trustees of certain Van Kampen funds; the named investment companies are listed as nominal defendants. The complaint alleges that defendants caused the Van Kampen funds to pay economic incentives to a proprietary sales force to promote the sale of proprietary mutual funds. The complaint also alleges that the Van Kampen funds paid excessive commissions to Morgan Stanley and its affiliates in connection with the sales of the funds. The complaint seeks, among other things, the removal of the current trustees of the funds, recession of the management contracts for the funds, disgorgement of profits by Morgan Stanley and its affiliates and monetary damages. This complaint has been coordinated with the consolidated complaint described in the preceding paragraph.

The defendants have moved to dismiss each of the above actions and otherwise intend to defend them vigorously. While the defendants believe that they have meritorious defenses, the ultimate outcome of these matters is not presently determinable at this early stage of litigation, and no provision has been made in the Funds' financial statements for the effect, if any, of these matters.

The Adviser and Van Kampen Series Fund, Inc., of which the Target Fund is a series, are named as defendants in a recently filed class action complaint generally alleging that the defendants breached their duties of care to long-term shareholders of the Target Fund by valuing portfolio securities of the Target Fund at the closing prices of the foreign exchanges on which they trade without accounting for significant market information that became available after the close of the foreign exchanges but before calculation of net asset value. As a result, the complaint alleges, short-term traders were able to exploit stale pricing information to capture arbitrage profits that diluted the value of shares held by long-term investors. The complaint seeks unspecified compensatory damages, punitive damages, fees and costs. While the defendants believe that they have meritorious defenses, the ultimate outcome of this matter is not presently determinable at this early stage of litigation, and no provision has been made in the Target Fund's financial statements for the effect, if any, of this matter.

ADVISORY AND OTHER FEES

Each of the Funds is obligated to pay the Adviser a monthly contractual advisory fee based on its average daily net assets. The Target Fund's advisory fee schedule is as follows:

<Table>
<Caption>

AVERAGE DAILY NET ASSETS	% PER ANNUM
-----	-----
<S>	<C>
First \$500 million.....	0.80%
Next \$500 million.....	0.75%
Over \$1 billion.....	0.70%

</Table>

Applying this fee schedule, the Target Fund paid the Adviser an advisory fee at the effective rate of 0.80% (before voluntary fee waivers, and 0.65% after voluntary fee waivers) of the Fund's average daily net assets for the twelve months ended March 31, 2004.

The Acquiring Fund's advisory fee schedule is as follows:

<Table>
<Caption>

AVERAGE DAILY NET ASSETS	% PER ANNUM
-----	-----
<S>	<C>
First \$500 million.....	0.90%
Next \$500 million.....	0.85%
Over \$1 billion.....	0.80%

</Table>

Applying this fee schedule, the Acquiring Fund paid the Adviser an advisory

fee at the effective rate of 0.90% (before voluntary fee waivers, and 0.00% after voluntary fee waivers) of the Fund's average daily net assets for the twelve months ended March 31, 2004.

The Adviser retains the right from time to time to waive all or a portion of its management fee or to reimburse the respective Fund for all or a portion of its other expenses. For a complete description of each Fund's advisory services, see the section of each Fund's Prospectus entitled "Investment Advisory Services", the section of the Acquiring Fund's Statement of Additional Information entitled "Investment Advisory Agreement" and the section of the Target Fund's Statement of Additional Information entitled "Investment Advisory Agreements."

The total operating expenses of the Target Fund for the twelve months ended March 31, 2004 were 2.05% for Class A Shares and 2.80% for Class B Shares and Class C Shares. The Adviser is currently waiving or reimbursing a portion of the Target Fund's management fees or other expenses such that the actual total annual operating expenses paid by the Target Fund for the twelve months ended March 31, 2004 were 1.65% for Class A Shares, and 2.40% for Class B Shares and Class C Shares. The fee waivers or expense reimbursements can be terminated at any time.

The total operating expenses of the Acquiring Fund for the twelve months ended March 31, 2004 were 3.22% of the average daily net assets for Class A Shares and 3.97% of the average daily net assets for Class B Shares and Class C Shares. The Adviser is currently waiving or reimbursing a portion of the Acquiring Fund's management fees or other expenses and the Distributor made certain non-recurring payments to the Acquiring Fund such that the actual total annual operating expenses paid by the Acquiring Fund for the twelve months ended March 31, 2004 were 1.75% for Class A Shares and 2.50% for Class B Shares and Class C Shares. The fee waivers or expense reimbursements can be terminated at any time.

The total operating expenses of the combined fund after the Reorganization are expected to exceed the total operating expenses of the Target Fund on a gross basis due to the higher advisory fees of the Acquiring Fund. However, on a net basis, the total operating expenses of the combined fund are not expected to exceed the total operating expenses of the Target Fund due to an expected reduction in other expenses resulting from efficiencies realized in combining the Funds' separate operations as well as continued fee waivers or expense reimbursements. Target Fund shareholders should note that these fee waivers or expense reimbursements can be terminated at any time.

The Target Fund and the Acquiring Fund have adopted substantially similar distribution plans pursuant to Rule 12b-1 under the 1940 Act and substantially similar service plans. The amount of distribution fees and service fees charged under these plans varies among the classes offered by each Fund. With respect to

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Class A Shares, each Fund can pay up to 0.25% of its average daily net assets attributable to Class A Shares for distribution-related expenses and for the provision of ongoing services to holders of Class A Shares and the maintenance of shareholder accounts. With respect to Class B Shares and Class C Shares, each Fund can pay up to 0.75% of its average daily net assets attributable to Class B Shares and Class C Shares for reimbursement of certain distribution-related expenses, and each Fund can pay up to 0.25% of its average daily net assets attributable to Class B Shares and Class C Shares for the provision of ongoing services to holders of Class B Shares and Class C Shares and the maintenance of shareholder accounts. Because these fees are paid out of each Fund's assets on an on-going basis, over time these fees will increase the cost of a shareholder's investment and may cost a shareholder more than paying other types of sales charges. For a complete description of these arrangements with respect to each Fund, see the section of each Fund's Prospectus entitled "Purchase of Shares" and the section of each Fund's Statement of Additional Information entitled "Distribution and Service."

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EXPENSES

The table below sets forth the fees and expenses that investors may pay to buy and hold shares of each of the Target Fund and the Acquiring Fund, including (i) the fees and expenses paid by the Acquiring Fund for the 12-month period ended March 31, 2004, (ii) the fees and expenses paid by the Target Fund for the 12-month period ended March 31, 2004 and (iii) pro forma fees and expenses for the Acquiring Fund for the 12-month period ended March 31, 2004 assuming the Reorganization had been completed as of the beginning of such period.

<Table>
<Caption>

CLASS A SHARES

CLASS B SHARES

	Actual		Pro Forma	Actual		Pro Forma
	ACQUIRING FUND	TARGET FUND	ACQUIRING FUND	ACQUIRING FUND	TARGET FUND	ACQUIRING FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Shareholder Transaction Expenses (fees paid directly from your investment)						
Maximum sales charge (load) imposed on purchases (as a percentage of offering price)...	5.75% (1)	5.75% (1)	5.75% (1)	None	None	None
Maximum deferred sales charge (as a percentage of the lesser of the original purchase price or redemption proceeds).....	None (2)	None (2)	None (2)	5.00% (3)	5.00% (3)	5.00% (3)
Redemption fee.....	2.00% (5)	2.00% (5)	2.00% (5)	None	None	None
Exchange fee.....	2.00% (5)	2.00% (5)	2.00% (5)	None	None	None
Annual Fund Operating Expenses (expenses that are deducted from fund assets)						
Management fees(6).....	0.90%	0.80%	0.90%	0.90%	0.80%	0.90%
Distribution and/or service (12b-1 fees) (6,7).....	0.25%	0.25%	0.25%	1.00% (8)	1.00% (8)	1.00% (8)
Other expenses(6).....	2.07%	1.00%	0.98%	2.07%	1.00%	0.98%
Total annual fund operating expenses(6).....	3.22%	2.05%	2.13%	3.97%	2.80%	2.88%

<Caption>

	CLASS C SHARES		
	Actual		Pro Forma
	ACQUIRING FUND	TARGET FUND	ACQUIRING FUND
<S>	<C>	<C>	<C>
Shareholder Transaction Expenses (fees paid directly from your investment)			
Maximum sales charge (load) imposed on purchases (as a percentage of offering price)...	None	None	None
Maximum deferred sales charge (as a percentage of the lesser of the original purchase price or redemption proceeds).....	1.00% (4)	1.00% (4)	1.00% (4)
Redemption fee.....	None	None	None
Exchange fee.....	None	None	None
Annual Fund Operating Expenses (expenses that are deducted from fund assets)			
Management fees(6).....	0.90%	0.80%	0.90%
Distribution and/or service (12b-1 fees) (6,7).....	1.00% (8)	1.00% (8)	1.00% (8)
Other expenses(6).....	2.07%	1.00%	0.98%
Total annual fund operating expenses(6).....	3.97%	2.80%	2.88%

</Table>

- (1) Reduced for purchases of \$50,000 and over. Class A Shares of the Acquiring Fund received pursuant to the Reorganization will not be subject to a sales charge.
- (2) Investments of \$1 million or more are not subject to any sales charge at the time of purchase, but a deferred sales charge of 1.00% may be imposed on certain redemptions made within one year of the purchase.
- (3) Class B Shares of each Fund are subject to a deferred sales charge equal to 5.00% of the lesser of the then current net asset value or the original purchase price on Class B Shares redeemed during the first year after purchase, which charge is reduced to zero after a five year period as follows: Year 1 -- 5.00%; Year 2 -- 4.00%; Year 3 -- 3.00%; Year 4 -- 2.50%; Year 5 -- 1.50%; Year 6 and after -- 0.00%.
- (4) Class C Shares of each Fund are subject to a deferred sales charge equal to 1.00% of the lesser of the then current net asset value or the original purchase price on Class C Shares redeemed during the first year after purchase, which charge is reduced to 0.00% thereafter.
- (5) The redemption fee and the exchange fee apply to the proceeds of Class A Shares of the Fund that are redeemed or exchanged within 60 days of purchase.

- (6) Because of fee waivers or expense reimbursements made by the Adviser, the actual total annual fund operating expenses paid by the Target Fund for the twelve months ended March 31, 2004 were 1.65% for Class A Shares and 2.40% for Class B Shares and Class C Shares. Because of fee waivers or expense reimbursements made by the Adviser and certain non-recurring payments made by the Distributor, the actual total annual fund operating expenses paid by the Acquiring Fund for the twelve months ended March 31, 2004 were 1.75% for Class A Shares and 2.50% for Class B Shares and Class C Shares. The Adviser has agreed to waive a portion of its advisory fees and/or to reimburse a portion of expenses if the Reorganization is completed so that net operating expenses do not exceed the current net operating expenses of the Target Fund prior to the Reorganization. The Adviser in its discretion may terminate voluntary fee waivers and/or reimbursements at any time after the Acquiring Fund's current fiscal year. The fee waivers or expense reimbursements made by the Adviser can be terminated at any time.
- (7) Class A Shares are subject to a combined annual distribution and service fee of up to 0.25% of the average daily net assets attributable to such class of shares. Class B Shares and Class C Shares are each subject to a combined annual distribution and service fee of up to 1.00% of the average daily net assets attributable to such class of shares.
- (8) While Class B Shares and Class C Shares do not have any front-end sales charges, their higher ongoing annual expenses (due to higher 12b-1 and service fees) mean that over time you could end up paying more for these shares than if you were to pay front-end sales charges for Class A Shares.

EXAMPLES. The following examples are intended to help you compare the costs of investing in the Acquiring Fund, both before and pro forma after the Reorganization, with the costs of investing in the Target Fund. The examples assume that you invest \$10,000 in each Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The examples also assume that your investments each have a 5% return each year and that each Fund's operating expenses remain the same each year (except the ten-year amounts for Class B Shares, which reflect the conversion to Class A Shares eight years after the end of the calendar month in which the shares were purchased). Although your actual returns may be higher or lower, based on these assumptions your costs would be:

<Table>
<Caption>

	CLASS A SHARES			CLASS B SHARES		
	Actual		Pro Forma	Actual		Pro Forma
	ACQUIRING FUND	TARGET FUND	ACQUIRING FUND	ACQUIRING FUND	TARGET FUND	ACQUIRING FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total operating expenses assuming redemption at the end of the period						
One year.....	\$ 881	\$ 771	\$ 779	\$ 899	\$ 783	\$ 791
Three years.....	\$1,510	\$1,181	\$1,204	\$1,510	\$1,168	\$1,192
Five years.....	\$2,161	\$1,615	\$1,653	\$2,187	\$1,629	\$1,668
Ten years.....	\$3,894	\$2,817	\$2,895	\$4,021*	\$2,949*	\$3,027*
Total operating expenses assuming no redemption at the end of the period						
One year.....	\$ 881	\$ 771	\$ 779	\$ 399	\$ 283	\$ 291
Three years.....	\$1,510	\$1,181	\$1,204	\$1,210	\$ 686	\$ 892
Five years.....	\$2,161	\$1,615	\$1,653	\$2,037	\$1,479	\$1,518
Ten years.....	\$3,894	\$2,817	\$2,895	\$4,021*	\$2,949*	\$3,027*

<Caption>

	CLASS C SHARES		
	Actual		Pro Forma
	ACQUIRING FUND	TARGET FUND	ACQUIRING FUND
<S>	<C>	<C>	<C>
Total operating expenses assuming redemption at the end of the period			
One year.....	\$ 499	\$ 383	\$ 391
Three years.....	\$1,210	\$ 686	\$ 892
Five years.....	\$2,037	\$1,479	\$1,518
Ten years.....	\$4,181	\$3,128	\$3,204
Total operating expenses assuming no redemption at the end of the period			
One year.....	\$ 399	\$ 283	\$ 291
Three years.....	\$1,210	\$ 868	\$ 892

Five years.....	\$2,037	\$1,479	\$1,518
Ten years.....	\$4,181	\$3,128	\$3,204

* Based on conversion to Class A Shares eight years after the end of the calendar month in which the shares were purchased.

PURCHASE, VALUATION, REDEMPTION AND EXCHANGE OF SHARES

Each Fund offers three classes of shares designated as Class A Shares, Class B Shares and Class C Shares. Other classes of shares of a Fund may be offered through one or more separate prospectuses of such Fund. By offering multiple classes of shares, each Fund permits an investor to choose the class of shares that is most beneficial given the type of investor, the amount to be invested and the length of time the investor expects to hold the shares.

Each class of shares of a Fund represents an interest in the same portfolio of investments of such Fund and has the same rights except that (i) Class A Shares generally bear the sales charge expenses at the time of purchase while Class B Shares and Class C Shares generally bear the sales charge expenses at the time of redemption and any expenses (including higher distribution fees and transfer agency costs) resulting from such deferred sales charge arrangement, (ii) each class of shares has exclusive voting rights with respect to approvals of the Rule 12b-1 distribution plan and the service plan (each as described above) under which the class's distribution fee and/or service fee is paid, (iii) each class of shares has different exchange privileges, (iv) certain classes of shares are subject to a conversion feature and (v) certain classes of shares have different shareholder service options available.

The offering price of each Fund's shares is based upon the Fund's net asset value per share (plus sales charges, where applicable). The net asset values per share of the Class A Shares, Class B Shares and Class C Shares are generally expected to be substantially the same. The differences among the classes' per share net asset values reflect the daily expense accruals of the higher distribution fees and transfer agency costs applicable to the Class B Shares and Class C Shares and the differential in the dividends that may be paid on each class of shares.

The net asset value per share for each class of shares of each Fund is determined once daily as of the close of trading on the New York Stock Exchange (the "Exchange") (currently 4:00 p.m., New York time) each day when the Exchange is open for trading except on any day on which no purchase or redemption orders are received or there is not a sufficient degree of trading in that Fund's portfolio securities such that the Fund's net asset value per share might be materially affected. The Board of each Fund reserves the right to calculate the net asset value per share and adjust the offering price more frequently than once daily if deemed desirable. Net asset value per share for each class of a Fund is determined by dividing the value of the Fund's portfolio securities, cash and other assets (including accrued interest) attributable to such class, less all liabilities (including accrued expenses) attributable to such class, by the total number of shares of the class outstanding. Such computation is made by using prices as of the close of trading on the Exchange and (i) valuing securities listed or traded on a domestic securities exchange at the last reported sale price or, if there has been no sale that day, at the

mean between the last reported bid and asked prices and valuing securities listed or traded on a foreign securities exchange at the last reported sale price or the latest bid price, (ii) valuing over-the-counter securities at the NASDAQ Official Closing Price or, if there has been no sale that day, at the mean between the last reported bid and asked prices, (iii) valuing unlisted securities at the mean between the last reported bid and asked prices obtained from reputable brokers and (iv) valuing any securities for which market quotations are not readily available and any other assets at their fair value as determined in good faith by the Adviser in accordance with procedures established by each Fund's Board. In cases where a security is traded on more than one exchange, the security is valued on the exchange designated as the primary market. Securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market value.

Trading in securities on many foreign securities exchanges (including European and Far Eastern securities exchanges) and over-the-counter markets is normally completed before the close of business on each U.S. business day. In addition, securities trading in a particular country or countries may not take place on all U.S. business days or may take place on days which are not U.S. business days. Changes in valuations on certain securities may occur at times or on days on which each Fund's net asset value is not calculated and on which neither Fund effects sales, redemptions and exchanges of its shares.

Each Fund calculates net asset value per share, and therefore effects sales,

redemptions and exchanges of its shares, as of the close of trading on the Exchange each day the Exchange is open for trading. Such calculation does not take place contemporaneously with the determination of the prices of certain foreign portfolio securities used in such calculation.

If events materially affecting the value of foreign portfolio securities or other portfolio securities occur between the time when their price is determined and the time when each Fund's net asset value is calculated, such securities may be valued at their fair value as determined in good faith by the Adviser based in accordance with procedures established by each Fund's Board.

Class A Shares of each Fund are subject to an initial sales charge of up to 5.75%. The initial sales charge applicable to Class A Shares of the Acquiring Fund will be waived for Class A Shares acquired in the Reorganization. Any subsequent purchases of Class A Shares of the Acquiring Fund after the Reorganization will be subject to an initial maximum sales charge of up to 5.75% of the offering price, excluding Class A Shares purchased through the dividend reinvestment plan. The

initial sales charge on Class A Shares is reduced on investments of \$50,000 or more as follows:

<Table>
<Caption>

SIZE OF INVESTMENT <S>	INITIAL SALES CHARGE ----- <C>
Less than \$50,000.....	5.75%
\$50,000 but less than \$100,000.....	4.75%
\$100,000 but less than \$250,000.....	3.75%
\$250,000 but less than \$500,000.....	2.75%
\$500,000 but less than \$1,000,000.....	2.00%
\$1,000,000 or more.....	0.00%

Purchases of Class A Shares of each Fund in amounts of \$1 million or more are not subject to an initial sales charge, but a contingent deferred sales charge of up to 1.00% may be imposed on certain redemptions made within the first year of purchase. No contingent deferred sales charge will be imposed on Class A Shares of the Target Fund in connection with the Reorganization.

Class B Shares of each Fund do not incur a sales charge when purchased, but generally are subject to a contingent deferred sales charge of 5.00% of the lesser of the then current net asset value or the original purchase price on Class B Shares redeemed during the first year after purchase, which charge is reduced to zero after a five year period as follows: Year 2 -- 4.00%; Year 3 -- 3.00%; Year 4 -- 2.50%; Year 5 -- 1.50%; Year 6 and After -- 0.00%. Neither Fund will generally accept a purchase order for Class B Shares in the amount of \$100,000 or more.

Class C Shares of each Fund do not incur a sales charge when purchased, but generally are subject to a contingent deferred sales charge of 1.00% of the lesser of the then current net asset value or the original purchase price on Class C shares redeemed during the first year after purchase, which sales charge is reduced to zero thereafter. Neither Fund will accept a purchase order for Class C Shares in the amount of \$1 million or more.

No contingent deferred sales charge will be imposed on Class B Shares or Class C Shares of the Target Fund in connection with the Reorganization. The holding period and conversion schedule for Class B Shares or Class C Shares of the Acquiring Fund received in connection with the Reorganization will be measured from the earlier time (i) the holder purchased such shares from the Target Fund or (ii) the holder purchased such shares from any other Van Kampen fund advised by the Adviser or its affiliates and distributed by the Distributor and subsequently exchanged them for shares of the Target Fund.

Shares of each Fund may be purchased by check, by electronic transfer, by bank wire and by exchange from certain other Van Kampen funds advised by the Adviser or its affiliates and distributed by the Distributor. For a complete description regarding purchase of shares and exchange of shares of each Fund, see the sections

of each Fund's prospectus entitled "Purchase of Shares" and "Shareholder Services -- Exchange Privilege."

Shares of each Fund properly presented for redemption may be redeemed or exchanged at the next determined net asset value per share (other than any applicable sales charge and any redemption fee or exchange fee). No redemption

fee or exchange fee will be imposed on Class A Shares of the Target Fund in connection with the Reorganization. Shares of each Fund may be redeemed or exchanged by mail or by special redemption privileges (telephone exchange, telephone redemption, by check or electronic transfer). If a shareholder of either Fund attempts to redeem shares within a short time after they have been purchased by check, the respective Fund may delay payment of the redemption proceeds until such Fund can verify that payment for the purchase of the shares has been (or will be) received, usually a period of up to 15 days.

The Target Fund has been closed to new investors since July 12, 2004. No further purchase of shares by existing shareholders of the Target Fund may be made by existing shareholders after the date on which the shareholders of the Target Fund approve the Reorganization, and the share transfer books of the Target Fund will be permanently closed as of the Closing Date. Only redemption requests and transfer instructions received in proper form by the close of business on the day prior to the Closing Date will be fulfilled by the Target Fund. Redemption requests or transfer instructions received by the Target Fund after that date will be treated as a request for the redemption or instructions for the transfer of shares of the Acquiring Fund. Such requests will be forwarded to the Acquiring Fund and credited to the respective shareholder account resulting from the Reorganization. For a complete description of the redemption arrangements for each Fund, see the section of each Fund's prospectus entitled "Redemption of Shares".

CAPITALIZATION

The following table sets forth the capitalization of the Target Fund and the Acquiring Fund as of March 31, 2004, and the pro forma capitalization of the

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combined fund as if the Reorganization had occurred on that date. These numbers may differ as of the Closing Date.

CAPITALIZATION AS OF MARCH 31, 2004 (UNAUDITED)

<Table>
<Caption>

	Actual		Pro Forma
	TARGET FUND	ACQUIRING FUND	ACQUIRING FUND
	-----	-----	-----
<S>	<C>	<C>	<C>
Net assets (in thousands)			
Class A Shares.....	\$ 42,681	\$ 11,746	\$ 54,404
Class B Shares.....	25,443	2,525	27,963
Class C Shares.....	6,796	1,467	8,260
Total.....	74,920	15,738	90,627
Net asset value per share			
Class A Shares.....	\$ 12.23	\$ 11.77	\$ 11.77
Class B Shares.....	11.88	11.65	11.65
Class C Shares.....	11.94	11.74	11.74
Shares outstanding (in thousands)			
Class A Shares.....	3,491	998	4,624
Class B Shares.....	2,141	217	2,401
Class C Shares.....	569	125	704
Shares authorized			
Class A Shares.....	375,000,000	Unlimited	Unlimited
Class B Shares.....	375,000,000	Unlimited	Unlimited
Class C Shares.....	375,000,000	Unlimited	Unlimited

</Table>

The pro forma net assets and net asset value per share reflect the payment of approximately \$31,000 by the Acquiring Fund for its share of the Reorganization expenses, allocated among the classes as follows: \$23,000 for Class A Shares, \$5,000 for Class B Shares and \$3,000 for Class C Shares. The remaining Reorganization expenses are being paid by the Adviser. The pro forma shares outstanding reflect the issuance by the Acquiring Fund of approximately 3,626,000 Class A Shares, 2,184,000 Class B Shares and 579,000 Class C Shares reflecting the exchange of the assets and liabilities of the Target Fund for newly issued shares of the Acquiring Fund at the pro forma net asset value per share. The aggregate value of the shares of the Acquiring Fund that a Target Fund shareholder receives in the Reorganization will equal the aggregate value of the Target Fund shares owned immediately prior to the Reorganization. It is not anticipated that the Acquiring Fund will sell assets of the Target Fund acquired in the Reorganization other than in the ordinary course of business.

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ANNUAL PERFORMANCE INFORMATION

The following chart shows the annual returns of each Fund's Class A Shares for the calendar years indicated. Sales loads are not reflected in this chart. If these sales loads had been included, the returns shown below would have been lower.

[BAR GRAPH]

<Table>
<Caption>

	TARGET FUND -----	ACQUIRING FUND -----
<S>	<C>	<C>
1997	6.1	0
1998	5.6	0
1999	23.1	0
2000	-10.8	0
2001	-21.2	0
2002	-17.6	-15.8
2003	30.6	35.2

</Table>

The Target Fund's return for the six-month period ended June 30, 2004 for Class A Shares was 3.66%. The Acquiring Fund's return for the six-month period ended June 30, 2004 for Class A Shares was 1.14%. As a result of market activity, current performance may vary from the figures shown.

During its seven-year period shown in the bar chart, the Target Fund's highest quarterly return for Class A Shares was 18.40% (for the quarter ended June 30, 2003) and its lowest quarterly return for Class A Shares was -21.24% (for the quarter ended September 30, 2002). During its two-year period shown in the bar chart, the Acquiring Fund's highest quarterly return for Class A Shares was 21.10% (for the quarter ended June 30, 2003) and its lowest quarterly return for Class A Shares was -20.47% (for the quarter ended September 30, 2002).

The annual returns for each Fund's Class B Shares and Class C Shares would be substantially similar to those shown for Class A Shares because all of each Fund's shares are invested in the same respective portfolio of securities; however, the actual annual returns for Class B Shares and Class C Shares would be lower than the annual returns shown for each Fund's Class A Shares because of differences in expenses borne by each class of shares.

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COMPARATIVE PERFORMANCE INFORMATION

As a basis for evaluating each Fund's performance and risks, the tables below show how each Fund's performance compares with a broad-based market index that the Adviser believes is an appropriate benchmark for each Fund. Each Fund's performance figures listed below include the maximum sales charges paid by investors. The indices' performance figures do not include any commissions, sales charges or taxes that would be paid by investors purchasing the securities represented by either index. An investment cannot be made directly in either index. Average annual total returns are shown for the periods ended December 31, 2003. Remember that past performance of a Fund is not indicative of its future performance.

In addition to before-tax returns for each class of shares of each Fund, the tables also show after-tax returns for the Funds' Class A Shares in two ways: (i) after taxes on distributions and (ii) after taxes on distributions and sale of the Funds' shares. The after-tax returns for the Funds' Class B Shares and Class C Shares will vary from the Class A Shares' returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates during the periods shown and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. An after-tax return may be higher than the before-tax return due to an assumed benefit from any capital loss that would have been realized had Fund shares been sold at the end of the relevant period.

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AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED DECEMBER 31, 2003

<Table>
<Caption>

TARGET FUND -----			ACQUIRING FUND -----	
PAST 1 YEAR	PAST 5 YEARS	SINCE INCEPTION	PAST 1 YEAR	SINCE INCEPTION

<S>	<C>	<C>	<C>	<C>	<C>
CLASS A SHARES					
Return Before Taxes.....	23.01%	-2.57%	0.07%(1)	27.50%	7.58%(3)
Return After Taxes on Distributions.....	23.07%	-2.61%	-0.23%(1)	27.50%	5.83%(3)
Return After Taxes on Distributions and Sale of Fund Shares.....	15.45%	-2.13%	-0.07%(1)	17.87%	5.31%(3)
CLASS B SHARES					
Return Before Taxes.....	24.65%	-2.35%	0.16%(1)***	29.21%	8.37%(3)
CLASS C SHARES					
Return Before Taxes.....	28.62%	-2.07%	0.16%(1)	33.21%	9.56%(3)
MSCI AC WORLD INDEX FREE EX-USA*....	39.42%	0.45%	3.21%(2)	39.42%	12.02%(3)
MSCI EAFE INDEX**.....	38.59%	-0.05%	2.86%(2)	38.59%	11.57%(3)

</Table>

Inception dates: (1) 7/1/96, (2) 6/30/96, (3) 9/26/01

* The MSCI AC World Index Free ex-USA is representative of world stock markets excluding the United States.

** The MSCI EAFE Index is an unmanaged index of common stocks and includes Europe, Australasia and the Far East (assumes dividends are reinvested net of withholding taxes).

*** The "Since Inception" performance for Class B Shares of the Target Fund reflects the conversion of such shares into Class A Shares eight years after the end of the calendar month in which the shares were purchased.

OTHER SERVICE PROVIDERS

The transfer agent for each Fund is Van Kampen Investor Services Inc., a wholly owned subsidiary of Van Kampen Investments. The custodian for each Fund is State Street Bank and Trust Company. The independent registered public accounting firm for the Target Fund is Deloitte & Touche LLP. The independent registered public accounting firm for the Acquiring Fund is Ernst & Young LLP.

GOVERNING LAW

The Target Fund is a series of the Van Kampen Series Fund, Inc., a corporation organized under the laws of the State of Maryland. The Acquiring Fund is a series of the Van Kampen Equity Trust II, a statutory trust organized under the laws of the State of Delaware. While Maryland corporate law contains many provisions specifically applicable to management investment companies and Delaware statutory trust law is specifically drafted to accommodate some of the unique corporate governance needs of management investment companies, certain statutory differences do exist and the Funds' organizational documents contain certain differences summarized below. Each Fund is subject to federal securities laws, including the 1940 Act and the rules and regulations promulgated by SEC thereunder, and applicable state securities laws.

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Consistent with Maryland law, the Target Fund has authorized a specific number of shares, although the Target Fund organizational documents authorize the Target Fund Board to increase or decrease the authorized number of shares, from time to time, as it considers necessary. Consistent with Delaware law, the Acquiring Fund has authorized the issuance of an unlimited number of shares. The Target Fund's and the Acquiring Fund's organizational documents allow each Fund's Board to create one or more separate investment portfolios and to establish a separate series of shares for each portfolio and to further subdivide the shares of a series into one or more classes.

In general, the rights associated with common shares of beneficial interest of the Acquiring Fund are similar to the rights associated with shares of common stock of the Target Fund. An area of potential difference is that, although shareholders of a Delaware statutory trust generally are not personally liable for obligations of the trust under Delaware law (Delaware law provides that shareholders of a Delaware statutory trust should be entitled to the same limitation of liability as shareholders of private, for-profit corporations), similar statutory or other authority limiting statutory trust shareholder liability does not apply in many other states, and a shareholder subject to proceedings in courts in other states, which may not apply Delaware law, may be subject to liability. To guard against this risk, the Acquiring Fund's organizational documents (i) contain an express disclaimer of shareholder liability for acts or obligations of the Fund and require notice of such disclaimer in each agreement, obligation or instrument entered into by the trust and (ii) provide for shareholder indemnification out of the series or Fund if any shareholder is held personally liable for the obligations of the Fund. Management of the Acquiring Fund believes the risk of liability to a shareholder beyond his or her investment is remote.

Shareholders of a Maryland corporation currently have no personal liability

for the corporation's acts or obligations, except that a shareholder may be liable to the extent that (i) the dividends a shareholder receives exceed the amount which properly could have been paid under Maryland law, (ii) the consideration paid to a shareholder by the Maryland corporation for stock was paid in violation of Maryland law or (iii) a shareholder otherwise receives any distribution, payment or release which exceeds the amount which a shareholder could properly receive under Maryland law.

Neither Fund is required, and neither Fund anticipates, holding annual meetings of its shareholders. Each Fund has certain mechanics whereby shareholders can call a special meeting of their Fund. Shareholders generally have the right to approve investment advisory agreements, elect trustees/directors, change fundamental investment policies, ratify the selection of independent auditors and vote on other matters required by law or deemed desirable by their Boards.

The business of each of the Target Fund and the Acquiring Fund is supervised by the respective Board of such Fund. Each Board consists of the same members. The responsibilities, powers and fiduciary duties of directors under Maryland law are substantially the same as those for trustees under Delaware law. For the Target

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Fund and the Acquiring Fund, director/trustee vacancies may be filled by approval of a majority of the directors/trustees then in office subject to provisions of the 1940 Act. Directors/trustees terms are until the later of the election of such person's successor or resignation or removal. Each Fund has the same mandatory retirement age provisions for directors/trustees. Directors of the Target Fund may be removed with or without cause by vote of a majority of the shares present or in person at a meeting. Trustees of the Acquiring Fund may be removed with or without cause by vote of two-thirds of the shares then outstanding or by vote of two-third's of the number of trustees prior to such removal.

The foregoing is only a summary of certain differences between the Target Fund under Maryland law and the Acquiring Fund under Delaware law. It is not intended to be a complete list of differences and shareholders should refer to the provisions of each Fund's applicable organizational documents for a more thorough comparison. Such documents are filed as part of each Fund's registration statements with the SEC, and shareholders may obtain copies of such documents as described on page 2 of this Prospectus/Proxy Statement.

INFORMATION ABOUT THE REORGANIZATION

GENERAL

Under the Reorganization Agreement, the Target Fund will transfer all of its assets and liabilities to the Acquiring Fund in exchange for Class A, B and C Shares of the Acquiring Fund. The Class A, B and C Shares of the Acquiring Fund issued to the Target Fund will have an aggregate value equal to the aggregate value of the Target Fund shares immediately prior to the Reorganization. Upon receipt by the Target Fund of the Class A, B and C Shares of the Acquiring Fund, the Target Fund will distribute the shares to Target Fund shareholders. Then, as soon as practicable after the Closing Date, the Target Fund will be dissolved under applicable state law.

The Target Fund will distribute the Class A, B and C Shares of the Acquiring Fund received by it pro rata to Target Fund shareholders of record in exchange for their shares in the Target Fund. This distribution will be accomplished by opening new accounts on the books of the Acquiring Fund in the names of the Target Fund shareholders and transferring to those shareholder accounts the Class A, B and C Shares of the Acquiring Fund previously credited on those books to the accounts of the Target Fund shareholders. Each newly-opened account on the books of the Acquiring Fund for the previous Target Fund shareholders will represent the respective pro rata number of Class A, B and C Shares of the Acquiring Fund due such shareholder.

Accordingly, as a result of the Reorganization, each Target Fund shareholder would own Class A, B and C Shares of the Acquiring Fund that would have an

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aggregate value immediately after the Closing Date equal to the aggregate value of that shareholder's Target Fund shares immediately prior to the Closing Date. The Reorganization will not result in dilution of either Fund's shares. However, as a result of the Reorganization, a shareholder of either of the Target Fund or the Acquiring Fund will hold a reduced percentage of ownership in the larger combined fund than the shareholder did in either of the separate Funds.

No sales charge or fee of any kind will be assessed to the Target Fund shareholders in connection with their receipt of Class A, B and C Shares of the Acquiring Fund in the Reorganization.

TERMS OF THE AGREEMENT

Pursuant to the Agreement, the Acquiring Fund will acquire all of the assets and the liabilities of the Target Fund on the date of the Closing in consideration for Class A, B and C Shares of the Acquiring Fund.

Subject to the Target Fund's shareholders approving the Reorganization, the Closing Date will be within 15 business days after the later of the receipt of all necessary regulatory approvals and the final adjournment of the Special Meeting or such later date as soon as practicable thereafter as the Acquiring Fund and the Target Fund may mutually agree.

On the Closing Date, the Target Fund will transfer to the Acquiring Fund all of its assets and liabilities. The Acquiring Fund will in turn transfer to the Target Fund a number of its Class A, B and C Shares equal in value to the value of the net assets of the Target Fund transferred to the Acquiring Fund as of the Closing Date, as determined in accordance with the valuation method described in the Acquiring Fund's then current prospectus less the expenses of the Reorganization. In order to minimize any potential for undesirable federal income and excise tax consequences in connection with the Reorganization, the Target Fund will distribute on or before the Closing Date all or substantially all of their respective undistributed net investment income (including net capital gains) as of such date.

The Target Fund expects to distribute the Class A, B and C Shares of the Acquiring Fund to the shareholders of the Target Fund promptly after the Closing Date and then terminate its registration under the 1940 Act and dissolve pursuant to a plan of dissolution adopted by the Board.

The Acquiring Fund and the Target Fund have made certain standard representations and warranties to each other regarding their capitalization, status and conduct of business.

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Unless waived in accordance with the Agreement, the obligations of the parties to the Agreement are conditioned upon, among other things:

- the approval of the Reorganization by the Target Fund's shareholders;
- the absence of any rule, regulation, order, injunction or proceeding preventing or seeking to prevent the consummation of the transactions contemplated by the Agreement;
- the receipt of all necessary approvals, registrations and exemptions under federal and state laws;
- the truth in all material respects as of the Closing Date of the representations and warranties of the parties and performance and compliance in all material respects with the parties' agreements, obligations and covenants required by the Agreement;
- the effectiveness under applicable law of the registration statement of the Acquiring Fund of which this Prospectus/Proxy Statement forms a part and the absence of any stop orders under the Securities Act of 1933, as amended, pertaining thereto; and
- the receipt of opinions of counsel relating to, among other things, the tax free nature of the Reorganization.

The Agreement may be terminated or amended by the mutual consent of the parties either before or after approval thereof by the shareholders of the Target Fund, provided that no such amendment after such approval shall be made if it would have a material adverse effect on the interests of Target Fund shareholders. The Agreement also may be terminated by the non-breaching party if there has been a material misrepresentation, material breach of any representation or warranty, material breach of contract or failure of any condition to closing.

The Target Fund Board recommends that you vote to approve the Reorganization, as it believes the Reorganization is in the best interests of the Target Fund's shareholders (as described more fully in "Reasons for the Proposed Reorganization" below) and that the interests of the Target Fund's existing shareholders will not be diluted as a result of consummation of the proposed Reorganization.

REASONS FOR THE PROPOSED REORGANIZATION

In determining whether to recommend approval of the proposed Reorganization to shareholders of the Target Fund, the Target Fund Board considered a number of factors, including, but not limited to: (i) the Adviser currently manages the

assets of each of the Target Fund and the Acquiring Fund; (ii) the expenses and advisory fees applicable to the Target Fund and the Acquiring Fund before the Reorganization and

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the estimated expense ratios of the combined fund after the Reorganization; (iii) the comparative investment performance of the Target Fund and the Acquiring Fund; (iv) the future growth and performance prospects of the Target Fund; (v) the terms and conditions of the Reorganization Agreement and whether the proposed Reorganization would result in dilution of Target Fund shareholder interests; (vi) the advantages of eliminating duplication of effort in marketing funds having similar investment objectives and investment policies and practices in addition to the economies of scale potentially realized through the combination of the two funds; (vii) the compatibility of the funds' investment objectives, policies, risks and restrictions; (viii) the compatibility of the funds' service features available to shareholders, including the retention of applicable holding periods and exchange privileges; and (ix) the anticipated tax consequences of the Reorganization.

Based upon its evaluation of all relevant information, the Target Fund Board anticipates that the Reorganization would benefit Target Fund shareholders in the following ways:

- Elimination of Separate Operations. Consolidating the Target Fund and the Acquiring Fund should eliminate the duplication of services and expenses that currently exists as a result of their separate operations. Consolidating the separate operations of the Target Fund with those of the Acquiring Fund should promote more efficient operations on a more cost-effective basis.
- Benefits to the Portfolio Management Process. The larger net asset size of the combined fund should generally permit it to purchase larger individual portfolio investments that may result in reduced transaction costs or more favorable pricing and provide the opportunity for greater portfolio diversity.

The Target Fund Board has determined that the Reorganization is in the best interests of shareholders of each class of the Target Fund and that the interests of such shareholders will not be diluted as a result of the Reorganization. Similarly, the Board of Trustees of the Acquiring Fund has determined that the Reorganization is in the best interests of shareholders of each class of the Acquiring Fund and that the interests of such shareholders will not be diluted as a result of the Reorganization. As a result of the Reorganization, however, a shareholder of either Fund will hold a reduced percentage of ownership in the larger combined fund than he or she did in either of the separate Funds.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE REORGANIZATION

The following is a general summary of the material anticipated U.S. federal income tax consequences of the Reorganization. The discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, court decisions, published positions of the Internal Revenue Service ("IRS") and other applicable authorities, all as in effect on the date hereof and all of which are

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subject to change or differing interpretations (possibly with retroactive effect). The discussion is limited to U.S. persons who hold shares of the Target Fund as capital assets for federal income tax purposes. This summary does not address all of the federal income tax consequences that may be relevant to a particular shareholder or to shareholders who may be subject to special treatment under federal income tax laws. No ruling has been or will be obtained from the IRS regarding any matter relating to the Reorganization. No assurance can be given that the IRS would not assert a position contrary to any of the tax aspects described below. Shareholders must consult their own tax advisers as to the federal income tax consequences of the Reorganization, as well as the effects of state, local and non-U.S. tax laws.

It is a condition to closing the Reorganization that each of the Target Fund and the Acquiring Fund receives an opinion from Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to each Fund ("Skadden Arps"), dated as of the Closing Date, regarding the characterization of the Reorganization as a "reorganization" within the meaning of Section 368(a) of the Code. As such a reorganization, the federal income tax consequences of the Reorganization can be summarized as follows:

- No gain or loss will be recognized by the Target Fund or the Acquiring Fund upon the transfer of the assets of the Target Fund to the Acquiring Fund in exchange solely for the Class A, B or C Shares of the Acquiring Fund and the assumption by the Acquiring Fund of the liabilities of the

Target Fund and the subsequent liquidation of the Target Fund.

- No gain or loss will be recognized by a shareholder of the Target Fund who exchanges all of his, her or its Class A, B or C Shares of the Target Fund solely for, respectively, the Class A, B or C Shares of the Acquiring Fund pursuant to the Reorganization.
- The aggregate tax basis of the Class A, B or C Shares of the Acquiring Fund received by a shareholder of the Target Fund pursuant to the Reorganization will be the same as the aggregate tax basis of the Class A, B or C Shares of the Target Fund surrendered in exchange therefor.
- The holding period of the Class A, B or C Shares of the Acquiring Fund received by a shareholder of the Target Fund pursuant to the Reorganization will include the holding period of the Class A, B or C Shares of the Target Fund surrendered in exchange therefor.
- The Acquiring Fund's tax basis in the Target Fund's assets received by the Acquiring Fund pursuant to the Reorganization will, in each instance, equal the tax basis of such assets in the hands of the Target Fund immediately prior to the Reorganization, and the Acquiring Fund's holding period of such assets will, in each instance, include the period during which the assets were held by the Target Fund.

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The opinion of Skadden Arps will be based on federal income tax law in effect on the Closing Date. In rendering its opinion, Skadden Arps will also rely upon certain representations of the management of the Acquiring Fund and the Target Fund and assume, among other things, that the Reorganization will be consummated in accordance with the operative documents. An opinion of counsel is not binding on the IRS or any court.

The Acquiring Fund intends to continue to be taxed under the rules applicable to regulated investment companies as defined in Section 851 of the Code, which are the same rules currently applicable to the Target Fund and its shareholders.

Shareholders of the Target Fund may redeem their shares or exchange their shares for shares of certain other funds distributed by the Distributor at any time prior to the closing of the Reorganization. See "Comparison of the Target Fund and the Acquiring Fund -- Purchase, Valuation, Redemption and Exchange of Shares" above. Redemptions of shares and such exchanges of shares into such other funds (other than the Acquiring Fund) generally are taxable transactions. Shareholders should consult with their own tax advisers in this regard.

The Target Fund has capital loss carryforwards that, in the absence of this Reorganization, would generally be available to offset the Target Fund's capital gains. As a result of this Reorganization, however, the Acquiring Fund believes that the Target Fund will likely undergo an "ownership change" for tax purposes and that, accordingly, the use of such capital loss carryforwards (and certain "built-in losses") of the Target Fund will likely be limited by section 382 of the Code. Section 382 generally limits the amount of pre-ownership change losses that may be used to offset post-ownership change income to a specific annual amount (generally the product of the fair market value of the stock of the Target Fund (with certain adjustments) prior to the ownership change and a rate established by the IRS (4.62% for June, 2004)). Subject to certain limitations, any unused portion of these losses may be available in subsequent years. The Acquiring Fund's ability to utilize its own capital losses and losses attributable to any future decreases in value should not be affected. Capital loss carryforwards adversely affect the Acquiring Fund's ability to pay and designate capital gain dividends to its shareholders.

EXPENSES OF THE REORGANIZATION

The expenses of the Reorganization will be shared by the Adviser and the Acquiring Fund in the event the Reorganization is completed. Management believes that shareholders of the Acquiring Fund will benefit from the Reorganization due to anticipated decreases in operating expenses of such Fund and the Adviser will benefit from operational efficiencies of the combined fund. See the "Fee and Expense Comparison Table" above. Management of the Funds estimates total costs of the Reorganization to be approximately \$360,000. In the event the Reorganization is not completed, the Adviser will bear the costs associated with the

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Reorganization. The Target Fund Board has reviewed and approved the foregoing arrangements with respect to expenses and other charges relating to the Reorganization.

Expenses incurred in connection with the Reorganization include, but are not

limited to: all costs related to the preparation and distribution of materials distributed to each Fund's Board; all expenses incurred in connection with the preparation of the Reorganization Agreement and a registration statement on Form N-14; SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganization; the costs of printing and distributing this Prospectus/Proxy Statement; legal fees incurred preparing materials for the Board of each Fund, attending each Fund's Board meetings and preparing the minutes; auditing fees associated with each Fund's financial statements; portfolio transfer taxes (if any); and any similar expenses incurred in connection with the Reorganization. Neither the Funds nor the Adviser will pay any expenses of shareholders arising out of or in connection with the Reorganization.

CONTINUATION OF SHAREHOLDER ACCOUNTS AND PLANS; SHARE CERTIFICATES

If the Reorganization is approved, the Acquiring Fund will establish an account for each Target Fund shareholder containing the appropriate number of shares of the Acquiring Fund. The shareholder services and shareholder programs of the Target Fund and the Acquiring Fund are substantially identical. Shareholders of the Target Fund who are accumulating Target Fund shares under the dividend reinvestment plan, or who are receiving payment under the systematic withdrawal plan with respect to Target Fund shares, will retain the same rights and privileges after the Reorganization in connection with the Class A, B or C Shares of the Acquiring Fund received in the Reorganization through substantially identical plans maintained by the Acquiring Fund. Target Fund shareholders enrolled in the Target Fund's dividend reinvestment plan or systematic withdrawal plan will be automatically enrolled in the Acquiring Fund's corresponding plan after the Reorganization is completed.

It will not be necessary for shareholders of the Target Fund to whom certificates have been issued to surrender their certificates. Upon dissolution of the Target Fund, such certificates will become null and void. However, Target Fund shareholders holding such certificates may want to present such certificates to receive certificates of the Acquiring Fund (to simplify substantiation of and to preserve the tax basis of separate lots of shares).

LEGAL MATTERS

Certain legal matters concerning the federal income tax consequences of the Reorganization and issuance of Class A, B and C Shares of the Acquiring Fund will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, 333 West Wacker

Drive, Chicago, Illinois 60606, which serves as counsel to the Target Fund and the Acquiring Fund. Wayne W. Whalen, a partner of Skadden Arps, is a director of the Target Fund and a trustee of the Acquiring Fund.

SHAREHOLDER APPROVAL

The Target Fund Board has unanimously approved the Reorganization, subject to shareholder approval. Shareholder approval of the Reorganization requires the affirmative vote of Target Fund shareholders representing a majority of the outstanding shares of the Target Fund. The Target Fund Board recommends voting "FOR" the proposed Reorganization.

OTHER INFORMATION

SHAREHOLDER INFORMATION

At the close of business on August 25, 2004, the record date (the "Record Date") with respect to the Special Meeting, there were Class A Shares, Class B and Class C Shares of the Target Fund outstanding. As of the Record Date, the directors and officers of the Target Fund as a group owned less than 1% of the shares of the Target Fund. As of the Record Date, no person was known by the Target Fund to own beneficially or of record as much as 5% of the Class A, B or C Shares of the Target Fund except as follows:

<Table>
<Caption>

SHAREHOLDER AND ADDRESS	CLASS OF SHARES	APPROXIMATE PERCENTAGE OF OWNERSHIP
<S>	<C>	<C>

</Table>

As of the Record Date, there were Class A Shares, Class B Shares and Class C Shares of the Acquiring Fund outstanding. As of the Record Date, the trustees and officers of the Acquiring Fund as a group owned less than 1% of the outstanding shares of the Fund. As of the Record Date, no person was known by the Acquiring Fund to own beneficially or of record as much as 5% of the Class A, B or C Shares of the Fund except as follows:

<Table>
<Caption>

SHAREHOLDER AND ADDRESS -----	CLASS OF SHARES -----	APPROXIMATE
		PERCENTAGE OF OWNERSHIP -----
<S>	<C>	<C>

</Table>

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SHAREHOLDER PROPOSALS

The Funds do not hold regular annual meetings of shareholders. As a general matter, the Acquiring Fund does not intend to hold future regular annual or special meetings of its shareholders unless required by the 1940 Act. In the event the Reorganization is not completed, the Target Fund does not intend to hold future regular annual or special meetings of its shareholders unless required by the 1940 Act. Any shareholder who wishes to submit proposals for consideration at a meeting of shareholders of the Target Fund or the Acquiring Fund should send such proposal to the respective Fund at 1 Parkview Plaza, PO Box 5555, Oakbrook Terrace, Illinois 60181-5555. To be considered for presentation at a shareholders' meeting, rules promulgated by the SEC require that, among other things, a shareholder's proposal must be received at the offices of the Fund a reasonable time before a solicitation is made. Timely submission of a proposal does not necessarily mean that such proposal will be included.

SOLICITATION OF PROXIES

Solicitation of proxies is being made primarily by the mailing of this Notice and Prospectus/Proxy Statement with its enclosures on or about September 1, 2004. Target Fund shareholders whose shares are held by nominees such as brokers can vote their proxies by contacting their respective nominee. In addition to the solicitation of proxies by mail, employees of the Adviser and its affiliates as well as dealers or their representatives may, without additional compensation, solicit proxies in person or by mail, telephone, telegraph, facsimile or oral communication. The Target Fund has retained ALAMO Direct Mail Services, Inc. ("ALAMO") to make telephone calls to Target Fund Shareholders to remind them to vote. In addition, ALAMO and D.F. King & Co., Inc., ("D.F. King"), each a professional proxy solicitation firm, may also be retained to assist with any necessary solicitation of proxies. In the event of a solicitation by ALAMO and/or D.F. King, the solicitor would be paid a project management fee not to exceed \$3,000 as well as fees charged on a per call basis and certain other expenses. Management estimates that any such solicitation would cost approximately \$50,000. Proxy solicitation expenses are an expense of the Reorganization which will be borne by the Adviser and Acquiring Fund shareholders if the Reorganization is approved and completed.

OTHER MATTERS TO COME BEFORE THE MEETING

The Target Fund Board knows of no business other than that described in the Notice which will be presented for consideration at the Special Meeting. If any other matters are properly presented, it is the intention of the persons named on the enclosed proxy card to vote proxies in accordance with their best judgment.

In the event that a quorum is present at the Special Meeting but sufficient votes to approve the proposed Reorganization are not received, proxies (including

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abstentions and broker non-votes) will be voted in favor of one or more adjournments of the Special Meeting to permit further solicitation of proxies on the proposed Reorganization, provided that the Target Fund Board determines that such an adjournment and additional solicitation is reasonable and in the interest of shareholders based on a consideration of all relevant factors, including the nature of the particular proposals, the percentage of votes then cast, the percentage of negative votes cast, the nature of the proposed solicitation activities and the nature of the reasons for such further solicitation. Any such adjournment will require the affirmative vote of the holders of a majority of the outstanding shares voted at the session of the Special Meeting to be adjourned.

VOTING INFORMATION AND REQUIREMENTS

The affirmative vote of shareholders representing a majority of the outstanding shares of the Target Fund is required to approve the proposed Reorganization. The Target Fund Board has fixed the close of business on August 25, 2004 as the Record Date for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting. Target Fund shareholders on the Record Date are entitled to one vote for each share held, with no shares having cumulative voting rights.

Target Fund shareholders may vote by appearing in person at the Special Meeting, by returning the enclosed proxy card or by casting their vote via telephone or the internet using the instructions provided on the enclosed proxy card. Any person giving a proxy may revoke it at any time prior to its exercise by executing a superseding proxy, by giving written notice of the revocation to the secretary of the Target Fund or by voting in person at the Special Meeting.

All properly executed proxies received prior to the Special Meeting will be voted in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, proxies will be voted "FOR" the approval of the proposed Reorganization. Abstentions and broker non-votes (i.e., where a nominee such as a broker holding shares for beneficial owners votes on certain matters pursuant to discretionary authority or instructions from beneficial owners, but with respect to one or more proposals does not receive instructions from beneficial owners or does not exercise discretionary authority) have the same effect as votes "AGAINST" the proposed Reorganization since approval of the proposed Reorganization is based on the affirmative vote of a majority of the total shares outstanding. One-third of the outstanding shares entitled to vote on a proposal must be present in person or by proxy to have a quorum to conduct business at the Special Meeting. Abstentions and broker non-votes will be deemed present for quorum purposes.

Shareholders who execute proxies may revoke them at any time before they are voted by filing with the Target Fund a written notice of revocation, by delivering a

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duly executed proxy bearing a later date or by attending the Special Meeting and voting in person. The giving of a proxy will not affect your right to vote in person if you attend the Special Meeting and wish to do so.

If you cannot be present in person at the meeting, you are requested to fill in, sign and return the enclosed proxy card promptly. No postage is necessary if mailed in the United States.

Stefanie Chang Yu

Vice President and Secretary

September 1, 2004

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[VAN KAMPEN INVESTMENTS LOGO]

VAN KAMPEN EQUITY TRUST II,
ON BEHALF OF ITS SERIES,
VAN KAMPEN INTERNATIONAL ADVANTAGE FUND

SUPPLEMENT DATED JUNE 28, 2004 TO THE
CLASS A SHARES, CLASS B SHARES AND CLASS C SHARES
PROSPECTUS DATED DECEMBER 30, 2003

The Prospectus is hereby supplemented as follows:

The section entitled "INVESTMENT ADVISORY SERVICES--GENERAL--PORTFOLIO MANAGEMENT" is hereby deleted in its entirety and replaced with the following:

PORTFOLIO MANAGEMENT. The Fund's portfolio is managed by the Global Core Team. The team is made up of established investment professionals. Current members of the team include Sandra Yeager, Kate Cornish-Bowden, Simon Carter, Michael Allison, Mark Laskin and Jamie Wood. The composition of the team may change without notice from time to time.

RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE

Van Kampen International Advantage Fund

Van Kampen International Advantage Fund's investment objective is to seek long-term capital appreciation. The Fund's portfolio management team seeks to achieve the Fund's investment objective by investing primarily in a diversified portfolio of equity securities of foreign issuers.

Shares of the Fund have not been approved or disapproved by the Securities and Exchange Commission (SEC) or any state regulator, and neither the SEC nor any state regulator has passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

This Prospectus is dated DECEMBER 30, 2003

CLASS A SHARES
CLASS B SHARES
CLASS C SHARES

PROSPECTUS

[VAN KAMPEN INVESTMENTS LOGO]

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No dealer, salesperson or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained in this Prospectus and, if given or made, such other information or representations must not be relied upon as having been authorized by the Fund, the Fund's investment adviser, the Fund's investment subadviser or the Fund's distributor. This Prospectus does not constitute an offer by the Fund or by the Fund's distributor to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful for the Fund to make such an offer in such jurisdiction.

Risk/Return Summary

INVESTMENT OBJECTIVE

The Fund's investment objective is to seek long-term capital appreciation.

PRINCIPAL INVESTMENT STRATEGIES

Under normal market conditions, the Fund's portfolio management team seeks to achieve the Fund's investment objective by investing primarily in a diversified portfolio of equity securities of foreign issuers. The Fund's portfolio management team uses a bottom-up investment approach to the stock selection process that utilizes the fundamental research performed by the portfolio management team's buy-side analysts from around the world in conjunction with screening models that are customized to evaluate different sectors on what the portfolio management team believes to be the most appropriate growth and value measures. Portfolio securities may be sold when, among other things, earnings estimates deteriorate, earnings or valuation measures become unfavorable or the Fund's portfolio management team otherwise believes the security no longer has adequate capital appreciation potential. Under normal market conditions, the Fund invests at least 80% of its total assets in securities of foreign issuers. The Fund may invest in securities of issuers determined by the portfolio management team to be in developing or emerging market countries. The Fund focuses primarily on issuers from countries comprising the Morgan Stanley Capital International All Country World Index Free ex-USA ("MSCI AC World Index"). Equity securities include common and preferred stocks, convertible securities, rights and warrants to purchase common stock and depositary

receipts. The Fund may purchase and sell certain derivative instruments, such as options, futures contracts, options on futures contracts and currency-related transactions involving options, futures contracts, forward contracts and swaps, for various portfolio management purposes, including to earn income, facilitate portfolio management and mitigate risks.

PRINCIPAL INVESTMENT RISKS

An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund will achieve its investment objective.

MARKET RISK. Market risk is the possibility that the market values of securities owned by the Fund will decline. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole. Investments in common stocks and other equity securities generally are affected by changes in the stock markets which fluctuate substantially over time, sometimes suddenly and sharply. Foreign markets may, but often do not, move in tandem with U.S. markets, and foreign markets, especially developing or emerging market countries, may be more volatile than U.S. markets.

The Fund's investments may include securities in both growth and value style investing. The market prices of growth securities may be more volatile than other types of investments. The returns on such securities may or may not move in tandem with the returns on other styles of investing or the overall securities markets. The value style of investing is subject to the risk that the valuations never improve or that the returns on value securities are less than returns on other styles of investing or the overall securities market. Different types of securities tend to shift in and out of favor depending on market and economic conditions.

The Fund may invest in companies of any size. Securities prices of small- and medium-sized companies (in which the Fund may invest) often fluctuate more and may fall more than the securities prices of the larger-sized, more established companies during an overall securities market decline.

FOREIGN RISKS. Because the Fund owns securities of foreign issuers, it is subject to risks not usually associated with owning securities of U.S. issuers. These risks include fluctuations in foreign currencies, foreign currency exchange controls, political and economic instability, differences in financial reporting, differences in securities regulation and trading and foreign taxation issues. The Fund may invest in securities of issuers determined by the portfolio management team to be in developing or emerging market countries. The risks of investing in developing or emerging market countries are greater than the risks generally associated with foreign investments, including investment and trading limitations, greater credit and liquidity concerns, greater

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political uncertainties, an economy's dependence on international trade or development assistance, greater foreign currency exchange risk and currency transfer restrictions and greater delays and disruptions in settlement transactions.

RISKS OF USING DERIVATIVE INSTRUMENTS. In general terms, a derivative instrument is one whose value depends on (or is derived from) the value of an underlying asset, interest rate or index. Options, futures contracts, options on futures contracts and currency-related transactions involving options, futures contracts, forward contracts and swaps are examples of derivative instruments. Derivative instruments involve risks different from direct investments in underlying securities. These risks include imperfect correlation between the value of the instruments and the underlying assets; risks of default by the other party to certain transactions; risks that the transactions may result in losses that partially or completely offset gains in portfolio positions; and risks that the transactions may not be liquid.

MANAGER RISK. As with any managed fund, the Fund's portfolio management team may not be successful in selecting the best-performing securities or investment techniques, and the Fund's performance may lag behind that of similar funds.

INVESTOR PROFILE

In light of the Fund's investment objective and strategies, the Fund may be appropriate for investors who:

- Seek capital appreciation over the long-term
- Do not seek current income from their investment
- Are willing to take on the increased risks associated with investing in foreign securities
- Can withstand volatility in the value of their Fund shares

An investment in the Fund is not a deposit of any bank or other insured depository institution. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

An investment in the Fund may not be appropriate for all investors. The Fund is not intended to be a complete investment program, and investors should consider their long-term investment goals and financial needs when making an investment decision about the Fund. An investment in the Fund is intended to be a long-term investment, and the Fund should not be used as a trading vehicle.

ANNUAL PERFORMANCE

One way to measure the risks of investing in the Fund is to look at how its performance has varied from year to year. The following chart shows the annual return of the Fund's Class A Shares over the one calendar year prior to the date of this Prospectus. Sales loads are not reflected in this chart. If these sales loads had been included, the return shown below would have been lower. Remember that past performance of the Fund is not indicative of its future performance.

[BAR GRAPH]

<Table>		
<Caption>		
		ANNUAL RETURN

<S>	<C>	
2002		-15.77
</Table>		

The Fund's return for the nine-month period ended September 30, 2003 for Class A Shares was 18.21%. As a result of market activity, current performance may vary from the figures shown.

The annual returns of the Fund's Class B Shares and Class C Shares would be substantially similar to that shown for the Class A Shares because all of the Fund's shares are invested in the same portfolio of securities; however, the actual annual returns of the Class B Shares and Class C Shares would be lower than the annual returns shown for the Fund's Class A Shares because of differences in the expenses borne by each class of shares.

During the one-year period shown in the bar chart, the highest quarterly return for Class A Shares was 6.41% (for the quarter ended December 31, 2002) and the lowest quarterly return for Class A Shares was -20.47% (for the quarter ended September 30, 2002).

COMPARATIVE PERFORMANCE

As a basis for evaluating the Fund's performance and risks, the table below shows how the Fund's performance compares with the Morgan Stanley Capital International ("MSCI") All Country World Free Index ex-USA*, a broad-based market index that the Fund's investment adviser believes is an appropriate benchmark for the Fund. The Fund's performance figures include the maximum sales charges paid by investors. The index's performance figures do not include any commissions, sales charges or taxes that would be paid by investors purchasing the securities represented by the index. An investment cannot be made directly in the index.

In addition to before tax returns for each class of shares, the table shows after tax returns for the Fund's Class A Shares in two ways: (i) after taxes on distributions and (ii) after taxes on distributions and sale of Fund shares. The after tax returns for the Fund's Class B Shares and Class C Shares will vary from the Class A Shares' returns. After tax returns are calculated using the historical highest individual federal marginal income tax rates during the periods shown and do not reflect the impact of state and local taxes. Actual after tax returns depend on an investor's tax situation and may differ from those shown, and after tax returns are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. An after tax return may be higher than the before tax return due to an assumed benefit from any capital loss that would have been realized had Fund shares been sold at the end of the relevant period.

Average annual total returns (before and after taxes) are shown for the periods ended December 31, 2002 (the most recently completed calendar year prior to the date of this Prospectus). Remember that past performance (before and after taxes) of the Fund is not indicative of its future performance.

<Table>		
<Caption>		
AVERAGE ANNUAL		
TOTAL RETURNS		
FOR THE		
PERIODS ENDED	PAST	SINCE

DECEMBER 31, 2002	1 YEAR	INCEPTION
<S> <C>	<C>	<C> <C>
Van Kampen International Advantage Fund -- Class A Shares		
Return Before Taxes	-20.62%	-12.77%(1)
Return After Taxes on Distributions	-22.56%	-12.84%(1)
Return After Taxes on Distributions and Sale of Fund Shares	-12.67%	-9.38%(1)
MSCI All Country World Free Index ex-USA	-14.95%	-3.92%(1)
Van Kampen International Advantage Fund -- Class B Shares		
Return Before Taxes	-20.37%	-11.75%(1)
MSCI All Country World Free Index ex-USA	-14.95%	-3.92%(1)
Van Kampen International Advantage Fund -- Class C Shares		
Return Before Taxes	-17.21%	-8.39%(1)
MSCI All Country World Free Index ex-USA	-14.95%	-3.92%(1)

Inception date: (1) 9/26/01.

* MSCI All Country World Free Index ex-USA is representative of world stock markets excluding the United States.

Fees and Expenses of the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

	CLASS A SHARES	CLASS B SHARES	CLASS C SHARES
<S>	<C>	<C>	<C> <C>
SHAREHOLDER FEES (fees paid directly from your investment)			
Maximum sales charge (load) imposed on purchases (as a percentage of offering price)	5.75% (1)	None	None
Maximum deferred sales charge (load) (as a percentage of the lesser of original purchase price or redemption proceeds)	None (2)	5.00% (3)	1.00% (4)
Maximum sales charge (load) imposed on reinvested dividends	None	None	None
Redemption fee	2.00% (5)	None	None
Exchange fee	2.00% (5)	None	None

	CLASS A SHARES	CLASS B SHARES	CLASS C SHARES
<S>	<C>	<C>	<C> <C>

ANNUAL FUND OPERATING EXPENSES

(expenses that are deducted from Fund assets and are based on expenses incurred during the Fund's fiscal year ended August 31, 2003)

	0.90%	0.90%	0.90%
Management fees(6)	0.90%	0.90%	0.90%
Distribution and/or service (12b-1) fees(7)	0.25%	1.00%(8)	1.00%(8)
Other expenses(6)	3.70%	3.70%	3.70%
Total annual fund operating expenses(6)	4.85%	5.60%	5.60%

(1) Reduced for purchases of \$50,000 and over. See "Purchase of Shares -- Class A Shares."

(2) Investments of \$1 million or more are not subject to any sales charge at the time of purchase, but a deferred sales charge of 1.00% may be imposed on certain redemptions made within one year of the purchase. See "Purchase of Shares -- Class A Shares."

(3) The maximum deferred sales charge is 5.00% in the first year after purchase and declines thereafter as follows:

- Year 1-5.00%
- Year 2-4.00%
- Year 3-3.00%
- Year 4-2.50%
- Year 5-1.50%
- After-None

See "Purchase of Shares -- Class B Shares."

(4) The maximum deferred sales charge is 1.00% in the first year after purchase and 0.00% thereafter. See "Purchase of Shares -- Class C Shares."

(5) The redemption fee and the exchange fee apply to the proceeds of Class A Shares of the Fund that are redeemed or exchanged within 60 days of purchase. See "Redemption of Shares."

(6) The Fund's investment adviser is currently waiving or reimbursing a portion of the Fund's management fees or other expenses such that the actual total annual fund operating expenses paid for the Fund's fiscal year ended August 31, 2003 were 1.75% for Class A Shares, 2.50% for Class B Shares and 2.50% for Class C Shares. The fee waivers or expense reimbursements can be terminated at any time.

(7) Class A Shares are subject to a combined annual distribution and service fee of up to 0.25% of the average daily net assets attributable to such class of shares. Class B Shares and Class C Shares are each subject to a combined annual distribution and service fee of up to 1.00% of the average daily net assets attributable to such class of shares. See "Purchase of Shares."

(8) While Class B Shares and Class C Shares do not have any front-end sales charges, their higher ongoing annual expenses (due to higher 12b-1 and service fees) mean that over time you could end up paying more for these shares than if you were to pay front-end sales charges for Class A Shares.

Example:

The following example is intended to help you compare the cost of investing in the Fund with the costs of investing in other mutual funds.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same each year (except for the ten-year amounts for Class B Shares which reflect the conversion of Class B Shares to Class A Shares eight years after the end of the calendar month in which the shares were purchased). Although your actual costs may be higher

or lower, based on these assumptions your costs would be:

<Table>
<Caption>

	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS
<S>	<C>	<C>	<C>	<C>

Class A Shares	\$1,032	\$1,949	\$2,869	\$5,181
Class B Shares	\$1,058	\$1,965	\$2,908	\$5,300*
Class C Shares	\$ 658	\$1,665	\$2,758	\$5,435

You would pay the following expenses if you did not redeem your shares:

	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS
Class A Shares	\$1,032	\$1,949	\$2,869	\$5,181
Class B Shares	\$ 558	\$1,665	\$2,758	\$5,300*
Class C Shares	\$ 558	\$1,665	\$2,758	\$5,435

* Based on conversion to Class A Shares eight years after the end of the calendar month in which the shares were purchased.

Investment Objective,
Strategies and Risks

INVESTMENT OBJECTIVE

The Fund's investment objective is to seek long-term capital appreciation. The Fund's investment objective may be changed by the Fund's Board of Trustees without shareholder approval, but no change is anticipated. If the Fund's investment objective changes, the Fund will notify shareholders and shareholders should consider whether the Fund remains an appropriate investment in light of the changes. There are risks inherent in all investments in securities; accordingly, there can be no assurance that the Fund will achieve its investment objective.

INVESTMENT STRATEGIES AND RISKS

Under normal market conditions, the Fund's portfolio management team seeks to achieve the Fund's investment objective by investing primarily in a diversified portfolio of equity securities of foreign issuers. The Fund's portfolio management team uses a bottom-up investment approach to the stock selection process that utilizes the fundamental research performed by the portfolio management team's buy-side analysts from around the world in conjunction with screening models that are customized to evaluate different sectors on what the portfolio management team believes to be the most appropriate growth and value measures.

Under normal market conditions, the Fund invests at least 80% of its total assets in securities of foreign issuers. The Fund focuses primarily on issuers from countries comprising the MSCI AC World Index. As of December 1, 2003, the MSCI AC World Index was comprised of securities from 49 developed and emerging market countries. Investments in foreign issuers may offer greater opportunities for capital appreciation than investments in domestic issuers, but also are subject to special risks not typically associated with investing in domestic issuers. As a result, the Fund's portfolio may experience greater price volatility than a fund investing in securities of domestic issuers.

The Fund employs an investment process in which the portfolio managers identify potential investments through the use of screening models and fundamental research, construct a conviction-weighted portfolio with input from global investment analysts and adjust holdings for sector and risk considerations to arrive at a final portfolio.

An important goal of the screening models and fundamental research is to facilitate accurate comparisons between companies domiciled in different countries and to evaluate companies in various sectors using appropriate measures. Companies in aggressive and stable growth sectors generally are evaluated on earnings growth measures, while companies in cyclical value sectors generally are evaluated on valuation measures and companies in defensive value and financial sectors are evaluated on a combination of both growth and value criteria.

Upon completing the initial stock screens, the portfolio management team works in an integrated manner with the portfolio management team's buy-side investment analysts from around the world. Potential investments identified through the screening process or through the analysts' fundamental research are evaluated to determine which securities are believed by the portfolio management team to

provide the most attractive opportunities.

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The belief of the Fund's portfolio management team that sector trends rather than geographic trends drive global equity markets is central to the Fund's philosophy. Sectors are analyzed based on their sensitivity to macro-economic factors including the stage of the business cycle and interest rate analysis. An assessment of the sector's present valuation relative to its historical valuation and relative to the broad market's valuation is also performed. Based on the results of this analysis, the Fund's portfolio may be tilted towards sectors that exhibit favorable characteristics. A dedicated risk analysis team reviews the Fund's portfolio to seek to achieve an acceptable risk profile.

The Fund's portfolio is regularly re-evaluated to determine candidates for sale. Growth companies may become candidates for sale when earnings estimates deteriorate. Stable growth, financial and defensive value companies may become candidates for sale when a combination of earnings and valuation measures become unfavorable. Cyclical value companies may become candidates for sale when valuations increase to levels at which the Fund's portfolio management team no longer believes that the securities offer adequate capital appreciation potential. In addition to earnings and valuation measures, companies may become candidates for sale for reasons that are uncovered through fundamental research such as, among other things, mergers and acquisitions, capital restructuring and strategic or management changes.

COMMON STOCKS. The Fund invests primarily in common stocks. Common stocks are shares of a corporation or other entity that entitle the holder to a pro rata share of the profits of the corporation, if any, without preference over any other class of securities, including such entity's debt securities, preferred stock and other senior equity securities. Common stock usually carries with it the right to vote and frequently an exclusive right to do so.

While the Fund invests primarily in common stocks, the Fund also may invest in other equity securities including preferred stocks, convertible securities, warrants or rights to purchase common stock and depositary receipts.

PREFERRED STOCK. Preferred stock generally has a preference as to dividends and liquidation over an issuer's common stock but ranks junior to debt securities in an issuer's capital structure. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

CONVERTIBLE SECURITIES. A convertible security is a bond, debenture, note, preferred stock, or other security that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or into cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive interest paid or accrued on debt securities or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities generally have characteristics similar to both debt and equity securities. The value of convertible securities tends to decline as interest rates rise and, because of the conversion feature, tends to vary with fluctuations in the market value of the underlying securities. Convertible securities generally rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities generally do not participate directly in any dividend increases or decreases of the underlying securities although the market prices of convertible securities may be affected by any dividend changes or other changes in the underlying securities.

Rights and warrants entitle the holder to buy equity securities at a specific price for a specific period of time. Rights typically have a substantially shorter term than do warrants. Rights and warrants may be considered more speculative and less liquid than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities nor do they represent any rights in the assets of the issuing company. Rights and warrants may lack a secondary market.

DEBT SECURITIES. Under normal market conditions, the Fund may invest up to 20% of its total assets in debt securities including certain short- and medium-term debt securities as well as money-market instruments. Money-market instruments include obligations of the United States or foreign governments, high-quality short-term debt securities (including Eurodollar certificates of deposit), prime commercial paper, certificates

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of deposit, bankers' acceptances and other obligations of banks and repurchase agreements. The market prices of debt securities generally fluctuate inversely with changes in interest rates so that the value of investments in such securities can be expected to decrease as interest rates rise and increase as

interest rates fall. Debt securities with longer maturities may increase or decrease in value more than debt securities of shorter maturities. The credit risks and market prices of lower-grade securities generally are more sensitive to negative issuer developments, such as reduced revenues or increased expenditures, or adverse economic conditions, such as a recession, than are higher-grade securities.

INVESTMENT COMPANIES. The Fund may invest in securities of certain issuers indirectly through investments in other investment companies. Such investments are commonly used when direct investments in certain countries are not permitted by foreign investors. Investments in other investment companies may involve duplication of management fees and certain other expenses.

SMALL, MEDIUM AND LARGE-SIZED COMPANIES. The Fund may invest in companies of any size. The securities of smaller or medium-sized companies may be subject to more abrupt or erratic market movements than securities of larger-sized companies or the market averages in general. In addition, such companies typically are subject to a greater degree of change in earnings and business prospects than are larger companies. Thus, to the extent the Fund invests in smaller or medium-sized companies, the Fund may be subject to greater investment risk than that assumed through investment in the equity securities of larger-sized companies.

RISKS OF INVESTING IN SECURITIES OF FOREIGN ISSUERS

The Fund invests in securities of foreign issuers. Securities of foreign issuers may be denominated in U.S. dollars or in currencies other than U.S. dollars. The percentage of assets invested in securities of a particular country or denominated in a particular currency will vary in accordance with the portfolio management team's assessment of the relative yield, appreciation potential and the relationship of a country's currency to the U.S. dollar, which is based upon such factors as fundamental economic strength, credit quality and interest rate trends. Investments in foreign securities present certain risks not ordinarily associated with investments in securities of U.S. issuers. These risks include fluctuations in foreign currency exchange rates, political, economic or legal developments (including war or other instability, expropriation of assets, nationalization and confiscatory taxation), the imposition of foreign exchange limitations (including currency blockage), withholding taxes on income or capital transactions or other restrictions, higher transaction costs (including higher brokerage, custodial and settlement costs and currency conversion costs) and possible difficulty in enforcing contractual obligations or taking judicial action. Securities of foreign issuers may not be as liquid and may be more volatile than comparable securities of domestic issuers.

In addition, there often is less publicly available information about many foreign issuers, and issuers of foreign securities are subject to different, often less comprehensive, auditing, accounting and financial reporting disclosure requirements than domestic issuers. There is generally less government regulation of stock exchanges, brokers and listed companies abroad than in the United States and, with respect to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, or diplomatic developments which could affect investment in those countries. Because there is usually less supervision and governmental regulation of foreign exchanges, brokers and dealers than there is in the United States, the Fund may experience settlement difficulties or delays not usually encountered in the United States.

Delays in making trades in foreign securities relating to volume constraints, limitations or restrictions, clearance or settlement procedures, or otherwise could impact returns and result in temporary periods when assets of the Fund are not fully invested or attractive investment opportunities are foregone.

The Fund may invest in securities of issuers determined by the portfolio management team to be in developing or emerging market countries. Investments in securities of issuers in developing or emerging market countries are subject to greater risks than investments in securities of developed countries since emerging market countries tend to have economic structures that are less diverse and mature and political systems that are less stable than developed countries.

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The Fund may invest in securities of foreign issuers in the form of depositary receipts. Depositary receipts involve substantially identical risks to those associated with direct investment in securities of foreign issuers. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities.

Since the Fund invests in securities denominated or quoted in currencies other than the U.S. dollar, the Fund will be affected by changes in foreign currency exchange rates (and exchange control regulations) which affect the value of investments in the Fund and the accrued income and appreciation or depreciation of the investments. Changes in foreign currency exchange rates relative to the

U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and the Fund's return on such assets as well as any temporary uninvested reserves in bank deposits in foreign currencies. In addition, the Fund will incur costs in connection with conversions between various currencies.

The Fund may purchase and sell foreign currency on a spot (i.e., cash) basis in connection with the settlement of transactions in securities traded in such foreign currency. The Fund also may enter into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future date ("forward contracts"). A foreign currency forward contract is a negotiated agreement between the contracting parties to exchange a specified amount of currency at a specified future time at a specified rate. The rate can be higher or lower than the spot rate between the currencies that are the subject of the contract.

The Fund may attempt to protect against adverse changes in the value of the U.S. dollar in relation to a foreign currency by entering into a forward contract for the purchase or sale of the amount of foreign currency invested or to be invested, or by buying or selling a foreign currency option or futures contract for such amount. Such strategies may be employed before the Fund purchases a foreign security traded in the currency which the Fund anticipates acquiring or between the date the foreign security is purchased or sold and the date on which payment therefor is made or received. Seeking to protect against a change in the value of a foreign currency in the foregoing manner does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Furthermore, such transactions reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. Unanticipated changes in currency prices may result in poorer overall performance for the Fund than if it had not entered into such contracts.

Investors should consider carefully the risks of foreign investments before investing in the Fund.

STRATEGIC TRANSACTIONS

The Fund may, but is not required to, use various investment strategic transactions described below to earn income, to facilitate portfolio management and to seek to mitigate risks. Although the Fund's portfolio management team seeks to use these transactions to achieve the Fund's investment objective, no assurance can be given that the use of these transactions will achieve this result.

The Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, financial futures, equity, fixed-income and other interest rate indices, and other financial instruments, futures contracts and options on futures contracts (including but not limited to securities index futures contracts, foreign currency exchange futures contracts, interest rate futures contracts and other financial futures contracts), structured notes, swaps, caps, floors or collars and enter into various currency transactions such as currency forward contracts, currency futures contracts, currency swaps or options on currencies or currency futures contracts. In addition, the Fund may invest in other derivative instruments that are developed over time if their use would be consistent with the objective of the Fund. Collectively, all of the above are referred to as "Strategic Transactions."

The Fund generally seeks to use Strategic Transactions as a portfolio management or hedging technique to seek to protect against possible adverse changes in the market value of securities held in or to be purchased for the Fund's portfolio, protect the Fund's unrealized gains, facilitate the sale of securities for investment

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purposes, protect against changes in currency exchange rates or adjust the exposure to a particular currency, manage the effective maturity of the Fund's portfolio, or establish positions in the derivatives markets as a temporary substitute for purchasing or selling particular securities. The Fund may use Strategic Transactions when the Fund seeks to adjust its exposure to a market in response to changes in investment strategy, when doing so provides more liquidity than the direct purchase of the securities underlying such derivatives, when the Fund is restricted from directly owning the underlying securities due to foreign investment restrictions or other reasons, or when doing so provides a price advantage over purchasing the underlying securities directly, either because of a pricing differential between the derivatives and securities markets or because of lower transaction costs associated with the derivatives transaction.

Strategic Transactions have risks including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to successfully use Strategic Transactions depends on the ability of the Fund's portfolio management team to predict pertinent market

movements, which cannot be assured. Thus, the use of Strategic Transactions may result in losses greater than if they had not been used, may require the Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can otherwise realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. The use of currency transactions can result in the Fund incurring losses because of the imposition of exchange controls, suspension of settlements or the inability of the Fund to deliver or receive a specified currency. In addition, amounts paid as premiums and cash or other assets held in margin accounts with respect to Strategic Transactions are not otherwise available to the Fund for investment purposes.

When conducted outside the United States, Strategic Transactions may not be regulated as rigorously as in the United States, may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies and other instruments. The value of such positions also could be adversely affected by: (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the United States of data on which to make trading decisions, (iii) delays in the Fund's ability to act upon economic events occurring in foreign markets during non-business hours in the United States, (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States and (v) lower trading volume and liquidity.

A more complete discussion of Strategic Transactions and their risks is contained in the Fund's Statement of Additional Information. The Fund's Statement of Additional Information can be obtained by investors free of charge as described on the back cover of this Prospectus.

OTHER INVESTMENTS AND RISK FACTORS

For cash management purposes, the Fund may engage in repurchase agreements with broker-dealers, banks and other financial institutions to earn a return on temporarily available cash. Such transactions are subject to the risk of default by the other party.

The Fund may invest up to 15% of its net assets in illiquid securities and certain restricted securities. Such securities may be difficult or impossible to sell at the time and the price that the Fund would like. Thus, the Fund may have to sell such securities at a lower price, sell other securities instead to obtain cash or forego other investment opportunities.

Further information about these types of investments and other investment practices that may be used by the Fund is contained in the Fund's Statement of Additional Information.

The Fund may sell securities without regard to the length of time they have been held to take advantage of new investment opportunities, or when the Fund's portfolio management team believes the potential for capital appreciation has lessened, or for other reasons. The Fund's portfolio turnover rate may vary from year to year. A high portfolio turnover rate (100% or more) increases a fund's transaction costs (including brokerage commissions or dealer costs) which would adversely impact a fund's performance. Higher portfolio turnover may result in the realization of more

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short-term capital gains than if a fund had lower portfolio turnover. The turnover rate will not be a limiting factor, however, if the Fund's portfolio management team considers portfolio changes appropriate.

TEMPORARY DEFENSIVE STRATEGY. When market conditions dictate a more defensive investment strategy, the Fund may, on a temporary basis, hold cash or invest a portion or all of its assets in money-market instruments including obligations of the U.S. government, its agencies or instrumentalities, obligations of foreign sovereignties, other high-quality debt securities, including prime commercial paper, repurchase agreements and bank obligations, such as bankers' acceptances and certificates of deposit (including Eurodollar certificates of deposit). Under normal market conditions, the potential for capital appreciation on these securities will tend to be lower than the potential for capital appreciation on other securities that may be owned by the Fund. In taking such a defensive position, the Fund would temporarily not be pursuing and may not achieve its investment objective.

Investment
Advisory Services

INVESTMENT ADVISER

Van Kampen Asset Management is the Fund's investment adviser (the "Adviser" or "Asset Management"). The Adviser is a wholly owned subsidiary of Van Kampen

Investments Inc. ("Van Kampen Investments"). Van Kampen Investments is a diversified asset management company that administers more than three million retail investor accounts, has extensive capabilities for managing institutional portfolios and has more than \$76 billion under management or supervision as of September 30, 2003. Van Kampen Investments has more than 50 open-end funds, more than 30 closed-end funds and more than 2,700 unit investment trusts that are distributed by authorized dealers nationwide. Van Kampen Funds Inc., the distributor of the Fund (the "Distributor") and the sponsor of the funds mentioned above, is also a wholly owned subsidiary of Van Kampen Investments. Van Kampen Investments is an indirect wholly owned subsidiary of Morgan Stanley, a preeminent global financial services firm that maintains leading market positions in each of its three primary businesses: securities, asset management and credit services. Morgan Stanley is a full service securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services. The Adviser's principal office is located at 1221 Avenue of the Americas, New York, NY 10020.

ADVISORY AGREEMENT. The Fund retains the Adviser to manage the investment of its assets and to place orders for the purchase and sale of its portfolio securities. Under an investment advisory agreement between the Adviser and the Fund (the "Advisory Agreement"), the Fund pays the Adviser a monthly fee computed based upon an annual rate applied to the average daily net assets of the Fund as follows:

<Table>
<Caption>

AVERAGE DAILY NET ASSETS		% PER ANNUM	
<S>	<C>	<C>	<C>
First \$500 million		0.90%	
Next \$500 million		0.85%	
Over \$1 billion		0.80%	

</Table>

Applying this fee schedule, the effective advisory fee rate was 0.90% (before waivers and 0.00% after waivers) of the Fund's average daily net assets for the Fund's fiscal year ended August 31, 2003. The Fund's average daily net assets are determined by taking the average of all of the determinations of the net assets during a given calendar month. Such fee is payable for each calendar month as soon as practicable after the end of that month.

The Adviser furnishes offices, necessary facilities and equipment, and provides administrative services to the Fund. The Fund pays all charges and expenses of its day-to-day operations, including service fees, distribution fees, custodian fees, legal and independent accountant fees, the costs of reports and proxies to shareholders, compensation of trustees of the Fund (other than those who are affiliated persons of the Adviser, Distributor or Van Kampen Investments) and all other ordinary business expenses not specifically assumed by the Adviser.

INVESTMENT SUBADVISER

Morgan Stanley Investment Management Limited is the Fund's investment subadviser (the "Subadviser"). The Subadviser, together with its investment management affiliates, managed assets of approximately \$394 billion as of September 30, 2003. The Subadviser, a wholly owned subsidiary of Morgan Stanley, provides a broad range of portfolio management services to its clients. Its main office is located at 25 Cabot Square, Canary Wharf, London, United Kingdom E14 4QA.

SUBADVISORY AGREEMENT. The Adviser has entered into a subadvisory agreement with the Subadviser to assist the Adviser in performing its investment advisory functions. The Adviser pays the Subadviser on a monthly basis a portion of the net advisory fees the Adviser receives from the Fund.

GENERAL

From time to time, the Adviser, the Subadviser or the Distributor may voluntarily undertake to reduce the Fund's expenses by reducing the fees payable to them or by reducing other expenses of the Fund in accordance with such limitations as the Adviser, Subadviser or Distributor may establish.

PORTFOLIO MANAGEMENT. The Fund's portfolio is managed by the Global Core Team. The team is made up of established investment professionals. Current members of the Global Core Team include Kate Cornish-Bowden, Simon Carter, Michael Allison, Mark Laskin and Jamie Wood. The composition of the team may change without notice from time to time.

Purchase of Shares

GENERAL

This Prospectus offers three classes of shares of the Fund designated as Class A Shares, Class B Shares and Class C Shares. Other classes of shares of the Fund may be offered through one or more separate prospectuses of the Fund. By offering multiple classes of shares, the Fund permits each investor to choose the class of shares that is most beneficial given the type of investor, the amount to be invested and the length of time the investor expects to hold the shares. As described more fully below, each class of shares offers a distinct structure of sales charges, distribution and service fees and other features that are designed to address a variety of needs.

Each class of shares of the Fund represents an interest in the same portfolio of investments of the Fund and has the same rights except that (i) Class A Shares generally bear the sales charge expenses at the time of purchase while Class B Shares and Class C Shares generally bear the sales charge expenses at the time of redemption and any expenses (including higher distribution fees and transfer agency costs) resulting from such deferred sales charge arrangement, (ii) each class of shares has exclusive voting rights with respect to approvals of the Rule 12b-1 distribution plan and the service plan (each as described below) under which the class's distribution fee and/or the service fee is paid, (iii) each class of shares has different exchange privileges, (iv) certain classes of shares are subject to a conversion feature and (v) certain classes of shares have different shareholder service options available.

PRICING FUND SHARES

The offering price of the Fund's shares is based upon the Fund's net asset value per share (plus sales charges, where applicable). The net asset values per share of the Class A Shares, Class B Shares and Class C Shares are generally expected to be substantially the same. The differences among the classes' per share net asset values reflect the daily expense accruals of the higher distribution fees and transfer agency costs applicable to the Class B Shares and Class C Shares and the differential in the dividends that may be paid on each class of shares.

The net asset value per share for each class of shares of the Fund is determined once daily as of the close of trading on the New York Stock Exchange (the "Exchange") (currently 4:00 p.m., New York time) each day the Exchange is open for trading except on any day on which no purchase or redemption orders are received or there is not a sufficient degree of trading in the Fund's portfolio securities such that the Fund's net asset value per share might be materially affected. The Fund's Board of Trustees reserves the right to calculate the net asset value per share and adjust the offering price more frequently than once daily if deemed desirable. Net asset value per share for each class is determined by dividing the value of the Fund's

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portfolio securities, cash and other assets (including accrued interest) attributable to such class, less all liabilities (including accrued expenses) attributable to such class, by the total number of shares of the class outstanding.

Such computation is made by using prices as of the close of trading on the Exchange and (i) valuing securities listed or traded on a domestic securities exchange at the last reported sale price or, if there has been no sale that day, at the mean between the last reported bid and asked prices and valuing securities listed or traded on a foreign securities exchange at the last reported sale price or the latest bid price, (ii) valuing over-the-counter securities at the NASDAQ Official Closing Price or, if there has been no sale that day, at the mean between the last reported bid and asked prices, (iii) valuing unlisted securities at the mean between the last reported bid and asked prices obtained from reputable brokers and (iv) valuing any securities for which market quotations are not readily available and any other assets at their fair value as determined in good faith by the Adviser in accordance with procedures established by the Fund's Board of Trustees. In cases where a security is traded on more than one exchange, the security is valued on the exchange designated as the primary market. Securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market value. See the financial statements and notes thereto in the Fund's Statement of Additional Information.

Trading in securities on many foreign securities exchanges (including European and Far Eastern securities exchanges) and over-the-counter markets is normally completed before the close of business on each U.S. business day. In addition, securities trading in a particular country or countries may not take place on all U.S. business days or may take place on days which are not U.S. business days. Changes in valuations on certain securities may occur at times or on days on which the Fund's net asset value is not calculated and on which the Fund does not effect sales, redemptions and exchanges of its shares.

The Fund calculates net asset value per share, and therefore effects sales, redemptions and exchanges of its shares, as of the close of trading on the Exchange each day the Exchange is open for trading. Such calculation does not

take place contemporaneously with the determination of the prices of certain foreign portfolio securities used in such calculation.

If events materially affecting the value of foreign portfolio securities or other portfolio securities occur between the time when their price is determined and the time when the Fund's net asset value is calculated, such securities may be valued at their fair value as determined in good faith by the Adviser based in accordance with procedures established by the Fund's Board of Trustees.

DISTRIBUTION PLAN AND SERVICE PLAN

The Fund has adopted a distribution plan (the "Distribution Plan") with respect to each of its Class A Shares, Class B Shares and Class C Shares pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund also has adopted a service plan (the "Service Plan") with respect to each such class of its shares. Under the Distribution Plan and the Service Plan, the Fund pays distribution fees in connection with the sale and distribution of its shares and service fees in connection with the provision of ongoing services to shareholders of each such class and the maintenance of shareholder accounts.

The amount of distribution fees and service fees varies among the classes offered by the Fund. Because these fees are paid out of the Fund's assets on an ongoing basis, these fees will increase the cost of your investment in the Fund. By purchasing a class of shares subject to higher distribution fees and service fees, you may pay more over time than on a class of shares with other types of sales charge arrangements. Long-term shareholders may pay more than the economic equivalent of the maximum front-end sales charges permitted by the rules of the NASD. The net income attributable to a class of shares will be reduced by the amount of the distribution fees and service fees and other expenses of the Fund associated with that class of shares. To assist investors in comparing classes of shares, the tables under the Prospectus heading "Fees and Expenses of the Fund" provide a summary of sales charges and expenses and an example of the sales charges and expenses of the Fund applicable to each class of shares offered herein.

HOW TO BUY SHARES

The shares are offered on a continuous basis through the Distributor as principal underwriter, which is

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located at 1221 Avenue of the Americas, New York, NY 10020. Shares may be purchased through members of the NASD who are acting as securities dealers ("dealers") and NASD members or eligible non-NASD members who are acting as brokers or agents for investors ("brokers"). Dealers and brokers are sometimes referred to herein as authorized dealers.

Shares may be purchased on any business day by completing the account application form and forwarding the account application form, directly or through an authorized dealer, to the Fund's shareholder service agent, Van Kampen Investor Services Inc. ("Investor Services"), a wholly owned subsidiary of Van Kampen Investments. When purchasing shares of the Fund, investors must specify whether the purchase is for Class A Shares, Class B Shares or Class C Shares by selecting the correct Fund number on the account application form. Sales personnel of authorized dealers distributing the Fund's shares are entitled to receive compensation for selling such shares and may receive differing compensation for selling Class A Shares, Class B Shares or Class C Shares.

The offering price for shares is based upon the next calculation of net asset value per share (plus sales charges, where applicable) after an order is received timely by Investor Services. Purchases completed through an authorized dealer, a custodian, trustee or record keeper of a retirement plan account may involve additional fees charged by the authorized dealer, custodian, trustee or record keeper. Orders received by Investor Services prior to the close of the Exchange, and orders received by authorized dealers prior to the close of the Exchange that are properly transmitted to Investor Services by the time designated by Investor Services, are priced based on the date of receipt. Orders received by Investor Services after the close of the Exchange, and orders received by authorized dealers after the close of the Exchange or orders received by authorized dealers that are not transmitted to Investor Services until after the time designated by Investor Services, are priced based on the date of the next determined net asset value per share provided they are received timely by Investor Services on such date. It is the responsibility of authorized dealers to transmit orders received by them to Investor Services so they will be received in a timely manner.

The Fund and the Distributor reserve the right to refuse any order for the purchase of shares. The Fund also reserves the right to suspend the sale of the Fund's shares in response to conditions in the securities markets or for other reasons.

Investor accounts will automatically be credited with additional shares of the Fund after any Fund distributions, such as dividends and capital gain dividends, unless the investor instructs the Fund otherwise. Investors wishing to receive cash instead of additional shares should contact the Fund by visiting our web site at www.vankampen.com, by writing to the Fund, c/o Van Kampen Investor Services Inc., PO Box 947, Jersey City, NJ 07303-0947 or by telephone at (800) 847-2424.

There is no minimum investment amount when establishing an account with the Fund. However, the Fund may redeem any shareholder account (other than retirement accounts and accounts established through a broker for which the transfer agent does not have discretion to initiate transactions) that has been open for one year or more and has a balance of less than \$1,000. Shareholders will receive written notice at least 60 days in advance of any involuntary redemption and will be given the opportunity to purchase at net asset value without sales charge the number of additional shares needed to bring the account value to \$1,000. There will be no involuntary redemption if the value of the account is less than \$1,000 due to market depreciation.

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means to you: when you open an account, you will be asked to provide your name, address, date of birth, and other information that will allow us to identify you. The Fund and the Distributor reserve the right to not open your account if this information is not provided. If the Fund or the Distributor is unable to verify your identity, the Fund and the Distributor reserve the right to restrict additional transactions and/or liquidate your account at the next calculated net asset value after the account is closed (minus any applicable sales or other charges) or take any other action required by law.

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CLASS A SHARES

Class A Shares of the Fund are sold at the offering price, which is net asset value plus an initial maximum sales charge of up to 5.75% (or 6.10% of the net amount invested), reduced on investments of \$50,000 or more as follows:

CLASS A SHARES
SALES CHARGE SCHEDULE

<Table>
<Caption>

SIZE OF INVESTMENT	AS % OF OFFERING PRICE	AS % OF NET AMOUNT INVESTED
Less than \$50,000	5.75%	6.10%
\$50,000 but less than \$100,000	4.75%	4.99%
\$100,000 but less than \$250,000	3.75%	3.90%
\$250,000 but less than \$500,000	2.75%	2.83%
\$500,000 but less than \$1,000,000	2.00%	2.04%
\$1,000,000 or more	*	*

</Table>

* No sales charge is payable at the time of purchase on investments of \$1 million or more, although for such investments the Fund may impose a contingent deferred sales charge of 1.00% on certain redemptions made within one year of the purchase. The contingent deferred sales charge is assessed on an amount equal to the lesser of the then current market value or the cost of the shares being redeemed. Accordingly, no sales charge is imposed on increases in net asset value above the initial purchase price.

No sales charge is imposed on Class A Shares received from reinvestment of dividends or capital gain dividends.

Under the Distribution Plan and the Service Plan, the Fund may spend up to a total of 0.25% per year of the Fund's average daily net assets with respect to Class A Shares of the Fund.

CLASS B SHARES

Class B Shares of the Fund are sold at net asset value and are subject to a contingent deferred sales charge if redeemed within five years of purchase as shown in the following table:

CLASS B SHARES
SALES CHARGE SCHEDULE

<Table>
<Caption>

YEAR SINCE PURCHASE	DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLAR AMOUNT SUBJECT TO CHARGE
First	5.00%
Second	4.00%
Third	3.00%
Fourth	2.50%
Fifth	1.50%
Sixth and After	None

The contingent deferred sales charge is assessed on an amount equal to the lesser of the then current market value or the cost of the shares being redeemed. Accordingly, no sales charge is imposed on increases in net asset value above the initial purchase price. In addition, no sales charge is assessed on shares derived from reinvestment of dividends or capital gain dividends. The Fund will generally not accept a purchase order for Class B Shares in the amount of \$100,000 or more.

The amount of the contingent deferred sales charge, if any, varies depending on the number of years from the time of each purchase of Class B Shares until the time of redemption of such shares.

In determining whether a contingent deferred sales charge applies to a redemption, it is assumed that the shares being redeemed first are any shares in the shareholder's Fund account that are not subject to a contingent deferred sales charge, followed by shares held the longest in the shareholder's account.

Under the Distribution Plan, the Fund may spend up to 0.75% per year of the Fund's average daily net assets with respect to Class B Shares of the Fund. In addition, under the Service Plan, the Fund may spend up to

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0.25% per year of the Fund's average daily net assets with respect to Class B Shares of the Fund.

CLASS C SHARES

Class C Shares of the Fund are sold at net asset value and are subject to a contingent deferred sales charge of 1.00% of the dollar amount subject to charge if redeemed within one year of purchase.

The contingent deferred sales charge is assessed on an amount equal to the lesser of the then current market value or the cost of the shares being redeemed. Accordingly, no sales charge is imposed on increases in net asset value above the initial purchase price. In addition, no sales charge is assessed on shares derived from reinvestment of dividends or capital gain dividends. The Fund will not accept a purchase order for Class C Shares in the amount of \$1 million or more.

In determining whether a contingent deferred sales charge applies to a redemption, it is assumed that the shares being redeemed first are any shares in the shareholder's Fund account that are not subject to a contingent deferred sales charge, followed by shares held the longest in the shareholder's account.

Under the Distribution Plan, the Fund may spend up to 0.75% per year of the Fund's average daily net assets with respect to Class C Shares of the Fund. In addition, under the Service Plan, the Fund may spend up to 0.25% per year of the Fund's average daily net assets with respect to Class C Shares of the Fund.

CONVERSION FEATURE

Class B Shares, including Class B Shares received from reinvestment of distributions through the dividend reinvestment plan on such shares,

automatically convert to Class A Shares eight years after the end of the calendar month in which the shares were purchased. Such conversion will be on the basis of the relative net asset values per share, without the imposition of any sales load, fee or other charge. The conversion schedule applicable to a share of the Fund acquired through the exchange privilege from another Van Kampen fund participating in the exchange program is determined by reference to the Van Kampen fund from which such share was originally purchased.

The conversion of such shares to Class A Shares is subject to the continuing availability of an opinion of counsel to the effect that (i) the assessment of the higher distribution fee and transfer agency costs with respect to such shares does not result in the Fund's dividends or capital gain dividends constituting "preferential dividends" under the federal income tax law and (ii) the conversion of shares does not constitute a taxable event under federal income tax law. The conversion may be suspended if such an opinion is no longer available and such shares might continue to be subject to the higher aggregate fees applicable to such shares for an indefinite period.

WAIVER OF CONTINGENT DEFERRED SALES CHARGE

The contingent deferred sales charge is waived on redemptions of Class B Shares and Class C Shares (i) within one year following the death or disability (as disability is defined by federal income tax law) of a shareholder, (ii) for required minimum distributions from an individual retirement account ("IRA") or certain other retirement plan distributions, (iii) for withdrawals under the Fund's systematic withdrawal plan but limited to 12% annually of the initial value of the account, (iv) if no commission or transaction fee is paid by the Distributor to authorized dealers at the time of purchase of such shares or (v) if made by the Fund's involuntary liquidation of a shareholder's account as described herein. Subject to certain limitations, a shareholder who has redeemed Class C Shares of the Fund may reinvest in Class C Shares at net asset value with credit for any contingent deferred sales charge if the reinvestment is made within 180 days after the redemption, provided that shares of the Fund are available for sale at the time of reinvestment. For a more complete description of contingent deferred sales charge waivers, please refer to the Statement of Additional Information or contact your authorized dealer.

QUANTITY DISCOUNTS

Investors purchasing Class A Shares may, under certain circumstances described below, be entitled to pay reduced or no sales charges. Investors, or their authorized dealers, must notify the Fund at the time of the purchase order whenever a quantity discount is applicable to purchases. Upon such notification, an investor will pay the lowest applicable sales charge. Quantity discounts may be modified or terminated at any time. For more information about quantity

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discounts, investors should contact their authorized dealer or the Distributor.

A person eligible for a reduced sales charge includes an individual, his or her spouse and children under 21 years of age and any corporation, partnership or sole proprietorship which is 100% owned, either alone or in combination, by any of the foregoing; a trustee or other fiduciary purchasing for a single trust or for a single fiduciary account, or a "company" as defined in Section 2(a)(8) of the 1940 Act.

As used herein, "Participating Funds" refers to certain open-end investment companies advised by Asset Management and distributed by the Distributor as determined from time to time by the Fund's Board of Trustees.

VOLUME DISCOUNTS. The size of investment shown in the Class A Shares sales charge table applies to the total dollar amount being invested by any person in shares of the Fund, or in any combination of shares of the Fund and shares of other Participating Funds, although other Participating Funds may have different sales charges.

CUMULATIVE PURCHASE DISCOUNT. The size of investment shown in the Class A Shares sales charge table may also be determined by combining the amount being invested in shares of the Participating Funds plus the current offering price of all shares of the Participating Funds currently owned.

LETTER OF INTENT. A Letter of Intent provides an opportunity for an investor to obtain a reduced sales charge by aggregating investments over a 13-month period to determine the sales charge as outlined in the Class A Shares sales charge table. The size of investment shown in the Class A Shares sales charge table includes purchases of shares of the Participating Funds in Class A Shares over a 13-month period based on the total amount of intended purchases plus the value of all shares of the Participating Funds previously purchased and still owned. An investor may elect to compute the 13-month period starting up to 90 days before the date of execution of a Letter of Intent. Each investment made during the period receives the reduced sales charge applicable to the total amount of the investment goal. The Letter of Intent does not preclude the Fund (or any

other Participating Fund) from discontinuing the sale of its shares. The initial purchase must be for an amount equal to at least 5% of the minimum total purchase amount of the level selected. If trades not initially made under a Letter of Intent subsequently qualify for a lower sales charge through the 90-day backdating provisions, an adjustment will be made at the expiration of the Letter of Intent to give effect to the lower sales charge. Such adjustment in sales charge will be used to purchase additional shares. The Fund initially will escrow shares totaling 5% of the dollar amount of the Letter of Intent to be held by Investor Services in the name of the shareholder. In the event the Letter of Intent goal is not achieved within the specified period, the investor must pay the difference between the sales charge applicable to the purchases made and the reduced sales charges previously paid. Such payments may be made directly to the Distributor or, if not paid, the Distributor will liquidate sufficient escrowed shares to obtain the difference.

OTHER PURCHASE PROGRAMS

Purchasers of Class A Shares may be entitled to reduced or no initial sales charges in connection with the unit investment trust reinvestment program and purchases by registered representatives of selling firms or purchases by persons affiliated with the Fund or the Distributor. The Fund reserves the right to modify or terminate these arrangements at any time.

UNIT INVESTMENT TRUST REINVESTMENT PROGRAM. The Fund permits unitholders of unit investment trusts to reinvest distributions from such trusts in Class A Shares of the Fund at net asset value without a sales charge if the administrator of an investor's unit investment trust program meets certain uniform criteria relating to cost savings by the Fund and the Distributor. The offering price for all other investments made from unit investment trust distributions will be net asset value plus an initial maximum sales charge of up to 1.00% (1.01% of the net amount invested). Of this amount, the Distributor will pay to the authorized dealer, if any, through which such participation in the qualifying program was initiated 0.50% of the offering price as a dealer concession or agency commission. Persons desiring more information with respect to this program, including the terms and conditions that apply to the program, should contact their authorized dealer or the Distributor.

The administrator of such a unit investment trust must have an agreement with the Distributor pursuant to

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which the administrator will (1) submit a single bulk order and make payment with a single remittance for all investments in the Fund during each distribution period by all investors who choose to invest in the Fund through the program and (2) provide Investor Services with appropriate backup data for each investor participating in the program in a computerized format fully compatible with Investor Services' processing system.

To obtain these special benefits, all dividends and other distributions from the Fund must be reinvested in additional shares and there cannot be any systematic withdrawal program. The Fund will send account activity statements to such participants on a quarterly basis only, even if their investments are made more frequently. The Fund reserves the right to modify or terminate this program at any time.

NET ASSET VALUE PURCHASE OPTIONS. Class A Shares of the Fund may be purchased at net asset value without a sales charge, generally upon written assurance that the purchase is made for investment purposes and that the shares will not be resold except through redemption by the Fund, by:

- (1) Current or retired trustees or directors of funds advised by Morgan Stanley and any of its subsidiaries and such persons' families and their beneficial accounts.
- (2) Current or retired directors, officers and employees of Morgan Stanley and any of its subsidiaries; employees of an investment subadviser to any fund described in (1) above or an affiliate of such subadviser; and such persons' families and their beneficial accounts.
- (3) Directors, officers, employees and, when permitted, registered representatives, of financial institutions that have a selling group agreement with the Distributor and their spouses and children under 21 years of age when purchasing for any accounts they beneficially own, or, in the case of any such financial institution, when purchasing for retirement plans for such institution's employees; provided that such purchases are otherwise permitted by such institutions.
- (4) Registered investment advisers or financial planners who charge a fee for their services, trust companies and bank trust departments investing on their own behalf or on behalf of their clients. The Distributor may pay authorized dealers through which purchases are made an amount up to 0.50% of the amount invested, over a 12-month period.

- (5) Trustees and other fiduciaries purchasing shares for retirement plans which invest in multiple fund families through broker-dealer retirement plan alliance programs that have entered into agreements with the Distributor and which are subject to certain minimum size and operational requirements. Trustees and other fiduciaries should refer to the Statement of Additional Information for further details with respect to such alliance programs.
- (6) Beneficial owners of shares of Participating Funds held by a retirement plan or held in a tax-advantaged retirement account who purchase shares of the Fund with proceeds from distributions from such a plan or retirement account other than distributions taken to correct an excess contribution.
- (7) Accounts as to which a bank or broker-dealer charges an account management fee ("wrap accounts"), provided the bank or broker-dealer has a separate agreement with the Distributor.
- (8) Trusts created under pension, profit sharing or other employee benefit plans, or custodial accounts held by a bank created pursuant to Section 403(b) of the Internal Revenue Code of 1986, as amended (the "Code"), and sponsored by nonprofit organizations defined under Section 501(c)(3) of the Code and assets held by an employer or trustee in connection with an eligible deferred compensation plan under Section 457 of the Code or in a "rabbi trust" that meets certain uniform criteria established by the Distributor from time to time. Such plans will qualify for purchases at net asset value provided, for plans initially establishing accounts with the Distributor in the Participating Funds after January 1, 2000, that (a) the total plan assets are at least \$1 million or (b) such shares are purchased by an employer sponsored plan with more than 100 eligible employees. Such plans that have been

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established with a Participating Fund based on net asset value purchase privileges previously in effect will be qualified to purchase shares of the Participating Funds at net asset value. Retirement plans distributed by the Distributor will not be eligible for net asset value purchases based on the aggregate investment made by the plan or the number of eligible employees, except under certain uniform criteria established by the Distributor from time to time. A commission will be paid to authorized dealers who initiate and are responsible for such purchases within a rolling twelve-month period as follows: 1.00% on sales to \$2 million, plus 0.80% on the next \$1 million, plus 0.50% on the next \$47 million, plus 0.25% on the excess over \$50 million.

- (9) Individuals who are members of a "qualified group." For this purpose, a qualified group is one which (i) has been in existence for more than six months, (ii) has a purpose other than to acquire shares of the Fund or similar investments, (iii) has given and continues to give its endorsement or authorization, on behalf of the group, for purchase of shares of the Fund and Participating Funds, (iv) has a membership that the authorized dealer can certify as to the group's members and (v) satisfies other uniform criteria established by the Distributor for the purpose of realizing economies of scale in distributing such shares. A qualified group does not include one whose sole organizational nexus, for example, is that its participants are credit card holders of the same institution, policy holders of an insurance company, customers of a bank or broker-dealer, clients of an investment adviser or other similar groups. Shares purchased in each group's participants account in connection with this privilege will be subject to a contingent deferred sales charge of 1.00% in the event of redemption within one year of purchase, and a commission will be paid to authorized dealers who initiate and are responsible for such sales to each individual as follows: 1.00% on sales to \$2 million, plus 0.80% on the next \$1 million and 0.50% on the excess over \$3 million.
- (10) Certain qualified state tuition plans qualifying pursuant to Section 529 of the Code ("Section 529 Plans") that are approved by the Fund's Distributor. There is no minimum investment amount for purchases made under this option (10).
- (11) Unit investment trusts sponsored by the Distributor or its affiliates.

The term "families" includes a person's spouse, children and grandchildren under 21 years of age, parents, and the parents of the person's spouse.

Purchase orders made pursuant to clause (4) may be placed either through authorized dealers as described above or directly with Investor Services by the investment adviser, financial planner, trust company or bank trust department, provided that Investor Services receives federal funds for the purchase by the close of business on the next business day following acceptance of the order. An authorized dealer may charge a transaction fee for placing an order to purchase shares pursuant to this provision or for placing a redemption order with respect to such shares. Authorized dealers will be paid a service fee as described above on purchases made under options (3) through (10) above. The Fund may terminate, or amend the terms of, offering shares of the Fund at net asset value to such groups at any time.

Generally shareholders may redeem for cash some or all of their shares without charge by the Fund (other than any applicable sales charge and any redemption fee or exchange fee) at any time.

As described under the Prospectus heading "Purchase of Shares," redemptions of Class B Shares and Class C Shares may be subject to a contingent deferred sales charge. In addition, certain redemptions of Class A Shares for shareholder accounts of \$1 million or more may be subject to a contingent deferred sales charge. Redemptions completed through an authorized dealer, custodian, trustee or record keeper of a retirement plan account may involve additional fees charged by the authorized dealer, custodian, trustee or record keeper.

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The Fund will assess a 2% redemption fee on the proceeds of Class A Shares of the Fund that are redeemed (either by sale or exchange) within 60 days of purchase. The redemption fee is paid directly to the Fund. For purposes of determining whether the redemption fee applies, the Class A Shares that were held the longest will be redeemed first. For Class A Shares of the Fund acquired by exchange, the holding period prior to the exchange is not considered in determining whether the redemption fee is applied. The redemption fee is not imposed on the following transaction and/or account types: redemptions due to the death or disability of the shareholder, redemptions to fulfill a required mandatory distribution under Internal Revenue Service ("IRS") guidelines, redemptions made through systematic withdrawal plans, exchanges made through systematic exchange plans, redemptions and exchanges for shares held in certain omnibus accounts, or redemptions and exchanges by participants in (i) employer sponsored defined contribution programs and (ii) certain approved asset allocation programs. No redemption fee is imposed on Class A Shares received from reinvestment of dividends or capital gain dividends.

Except as specified below under "Telephone Redemption Requests," payment for shares redeemed generally will be made by check mailed within seven days after receipt by Investor Services of the redemption request and any other necessary documents in proper form as described below. Such payment may be postponed or the right of redemption suspended as provided by the rules of the SEC. Such payment may, under certain circumstances, be paid wholly or in part by a distribution-in-kind of portfolio securities. A distribution-in-kind may result in recognition by the shareholder of a gain or loss for federal income tax purposes when such securities are distributed and the shareholder may have brokerage costs and a gain or loss for federal income tax purposes upon the shareholder's disposition of such securities. If the shares to be redeemed have been recently purchased by check, Investor Services may delay the payment of redemption proceeds until it confirms that the purchase check has cleared, which may take up to 15 calendar days from the date of purchase. A taxable gain or loss may be recognized by the shareholder upon redemption of shares.

WRITTEN REDEMPTION REQUESTS. Shareholders may request a redemption of shares by written request in proper form sent directly to Van Kampen Investor Services Inc., PO Box 947, Jersey City, NJ 07303-0947. The request for redemption should indicate the number of shares or dollar amount to be redeemed, the Fund name and class designation of such shares and the shareholder's account number. The redemption request must be signed by all persons in whose names the shares are registered. Signatures must conform exactly to the account registration. If the proceeds of the redemption exceed \$100,000, or if the proceeds are not to be paid to the record owner at the record address, or if the record address has changed within the previous 15 calendar days, signature(s) must be guaranteed by one of the following: a bank or trust company; a broker-dealer; a credit union; a national securities exchange, a registered securities association or a clearing agency; a savings and loan association; or a federal savings bank.

Generally, a properly signed written request with any required signature guarantee is all that is required for a redemption request to be in proper form. In some cases, however, additional documents may be necessary. Certificated shares may be redeemed only by written request. The certificates for the shares being redeemed must be properly endorsed for transfer. Generally, in the event a redemption is requested by and registered to a corporation, partnership, trust, fiduciary, estate or other legal entity owning shares of the Fund, a copy of the corporate resolution or other legal documentation appointing the authorized signer and certified within the prior 120 calendar days must accompany the redemption request. Retirement plan distribution requests should be sent to the plan custodian/trustee to be forwarded to Investor Services. Contact the plan custodian/trustee for further information.

In the case of written redemption requests sent directly to Investor Services, the redemption price is the net asset value per share next determined after the request in proper form is received by Investor Services.

AUTHORIZED DEALER REDEMPTION REQUESTS. Shareholders may place redemption

requests through an authorized dealer following procedures specified by such authorized dealer. The redemption price for such shares is the net asset value per share next calculated after an order in proper form is received by an authorized dealer

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provided such order is transmitted to the Distributor by the time designated by the Distributor. It is the responsibility of authorized dealers to transmit redemption requests received by them to the Distributor so they will be received prior to such time. Redemptions completed through an authorized dealer may involve additional fees charged by the dealer.

TELEPHONE REDEMPTION REQUESTS. The Fund permits redemption of shares by telephone and for redemption proceeds to be sent to the address of record for the account or to the bank account of record as described below. A shareholder automatically has telephone redemption privileges unless the shareholder indicates otherwise by checking the applicable box on the account application form. For accounts that are not established with telephone redemption privileges, a shareholder may call the Fund at (800) 847-2424 to request that a copy of the Telephone Redemption Authorization form be sent to the shareholder for completion or visit our web site at www.vankampen.com to download this form. Shares may be redeemed by calling (800) 847-2424, our automated telephone system, which is generally accessible 24 hours a day, seven days a week. Van Kampen Investments and its subsidiaries, including Investor Services, and the Fund employ procedures considered by them to be reasonable to confirm that instructions communicated by telephone are genuine. Such procedures include requiring certain personal identification information prior to acting upon telephone instructions, tape-recording telephone communications and providing written confirmation of instructions communicated by telephone. If reasonable procedures are employed, none of Van Kampen Investments, Investor Services or the Fund will be liable for following telephone instructions which it reasonably believes to be genuine. Telephone redemptions may not be available if the shareholder cannot reach Investor Services by telephone, whether because all telephone lines are busy or for any other reason; in such case, a shareholder would have to use the Fund's other redemption procedures previously described. Requests received by Investor Services prior to 4:00 p.m., New York time, will be processed at the next determined net asset value per share. These privileges are available for most accounts other than retirement accounts or accounts with shares represented by certificates. If an account has multiple owners, Investor Services may rely on the instructions of any one owner.

For redemptions authorized by telephone, amounts of \$50,000 or less may be redeemed daily if the proceeds are to be paid by check and amounts of at least \$1,000 up to \$1 million may be redeemed daily if the proceeds are to be paid by wire. The proceeds must be payable to the shareholder(s) of record and sent to the address of record for the account or wired directly to their predesignated bank account for this account. This privilege is not available if the address of record has been changed within 15 calendar days prior to a telephone redemption request. Proceeds from redemptions payable by wire transfer are expected to be wired on the next business day following the date of redemption. The Fund reserves the right at any time to terminate, limit or otherwise modify this redemption privilege.

Distributions from
the Fund

In addition to any increase in the value of shares which the Fund may achieve, shareholders may receive distributions from the Fund of dividends and capital gain dividends.

DIVIDENDS. Dividends from stocks and interest earned from other investments are the Fund's main sources of net investment income. The Fund's present policy, which may be changed at any time by the Fund's Board of Trustees, is to distribute at least annually all, or substantially all, of this net investment income as dividends to shareholders. Dividends are automatically applied to purchase additional shares of the Fund at the next determined net asset value unless the shareholder instructs otherwise.

The per share dividends on Class B Shares and Class C Shares may be lower than the per share dividends on Class A Shares as a result of the higher distribution fees and transfer agency costs applicable to such classes of shares.

CAPITAL GAIN DIVIDENDS. The Fund may realize capital gains or losses when it sells securities, depending on whether the sales prices for the securities are higher or lower than purchase prices. The Fund distributes

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any net capital gains to shareholders as capital gain dividends at least annually. As in the case of dividends, capital gain dividends are automatically

reinvested in additional shares of the Fund at the next determined net asset value unless the shareholder instructs otherwise.

Shareholder Services

Listed below are some of the shareholder services the Fund offers to investors. For a more complete description of the Fund's shareholder services, such as investment accounts, share certificates, retirement plans, automated clearing house deposits, dividend diversification and the systematic withdrawal plan, please refer to the Statement of Additional Information or contact your authorized dealer.

INTERNET TRANSACTIONS. In addition to performing transactions on your account through written instruction or by telephone, you may also perform certain transactions through the internet. Please refer to our web site at www.vankampen.com for further instructions regarding internet transactions. Van Kampen Investments and its subsidiaries, including Investor Services, and the Fund employ procedures considered by them to be reasonable to confirm that instructions communicated through the internet are genuine. Such procedures include requiring use of a personal identification number prior to acting upon internet instructions and providing written confirmation of instructions communicated through the internet. If reasonable procedures are employed, none of Van Kampen Investments, Investor Services or the Fund will be liable for following instructions received through the internet which it reasonably believes to be genuine. If an account has multiple owners, Investor Services may rely on the instructions of any one owner.

REINVESTMENT PLAN. A convenient way for investors to accumulate additional shares is by accepting dividends and capital gain dividends in shares of the Fund. Such shares are acquired at net asset value per share (without a sales charge) on the applicable payable date of the dividend or capital gain dividend. Unless the shareholder instructs otherwise, the reinvestment plan is automatic. This instruction may be made by visiting our web site at www.vankampen.com, by writing to Investor Services or by telephone by calling (800) 847-2424 ((800) 421-2833 for the hearing impaired). The investor may, on the account application form or prior to any declaration, instruct that dividends and/or capital gain dividends be paid in cash, be reinvested in the Fund at the next determined net asset value, or be reinvested in another Participating Fund at the next determined net asset value.

AUTOMATIC INVESTMENT PLAN. An automatic investment plan is available under which a shareholder can authorize Investor Services to debit the shareholder's bank account on a regular basis to invest predetermined amounts in the Fund. Additional information is available from the Distributor or your authorized dealer.

EXCHANGE PRIVILEGE. Shares of the Fund may be exchanged for shares of the same class of any Participating Fund based on the next determined net asset value per share of each fund after requesting the exchange without any sales charge, subject to certain limitations. Shares of the Fund may be exchanged for shares of any Participating Fund only if shares of that Participating Fund are available for sale. Shareholders seeking an exchange into a Participating Fund should obtain and read the current prospectus for such fund prior to implementing an exchange. A prospectus of any of the Participating Funds may be obtained from an authorized dealer or the Distributor or by visiting our web site at www.vankampen.com.

To be eligible for exchange, shares of the Fund must have been registered in the shareholder's name for at least 60 days prior to an exchange. Shares of the Fund registered in a shareholder's name for less than that amount of time may only be exchanged upon receipt of prior approval of the Adviser. It is the policy of the Adviser, under normal circumstances, not to approve such requests. Class A Shares of the Fund will be assessed an exchange fee of 2% on the proceeds of the exchanged Class A Shares held for less than 60 days. See "Redemption of Shares" for more information about when the exchange fee will apply.

When shares that are subject to a contingent deferred sales charge are exchanged among Participating Funds, the holding period for purposes of computing the contingent deferred sales charge is based upon the date

of the initial purchase of such shares from a Participating Fund. When such shares are redeemed and not exchanged for shares of another Participating Fund, the shares are subject to the contingent deferred sales charge schedule imposed by the Participating Fund from which such shares were originally purchased.

Exchanges of shares are sales of shares of one Participating Fund and purchases of shares of another Participating Fund. The sale may result in a gain or loss for federal income tax purposes. If the shares sold have been held for less than 91 days, the sales charge paid on such shares is carried over and included in the tax basis of the shares acquired.

A shareholder wishing to make an exchange may do so by sending a written request to Investor Services, by calling (800) 847-2424, our automated telephone system, which is generally accessible 24 hours a day, seven days a week, or by visiting our web site at www.vankampen.com. A shareholder automatically has these exchange privileges unless the shareholder indicates otherwise by checking the applicable box on the account application form. Van Kampen Investments and its subsidiaries, including Investor Services, and the Fund employ procedures considered by them to be reasonable to confirm that instructions communicated by telephone are genuine. Such procedures include requiring certain personal identification information prior to acting upon telephone instructions, tape-recording telephone communications, and providing written confirmation of instructions communicated by telephone. If reasonable procedures are employed, none of Van Kampen Investments, Investor Services or the Fund will be liable for following telephone instructions which it reasonably believes to be genuine. If the exchanging shareholder does not have an account in the fund whose shares are being acquired, a new account will be established with the same registration, dividend and capital gain dividend options (except dividend diversification) and authorized dealer of record as the account from which shares are exchanged, unless otherwise specified by the shareholder. In order to establish a systematic withdrawal plan for the new account or reinvest dividends from the new account into another fund, however, an exchanging shareholder must submit a specific request.

The Fund reserves the right to reject any order to purchase its shares through exchange or otherwise. Certain patterns of past exchanges and/or purchase or sale transactions involving the Fund or other Participating Funds may result in the Fund limiting or prohibiting, in the Fund's discretion, additional purchases and/or exchanges. Determinations in this regard may be made based on the frequency or dollar amount of the previous exchanges or purchases or sale transactions. Generally, all shareholders are limited to a maximum of six exchanges out of the Fund during a rolling 365-day period. Exchange privileges will be suspended on the Fund if more than six exchanges out of the Fund are made by a shareholder during a rolling 365-day period. If exchange privileges are suspended, subsequent exchange requests during the stated period will not be processed. Exchange privileges will be restored when the account history shows fewer than six exchanges in the rolling 365-day period. This six exchange policy does not apply to systematic exchange plans or employer-sponsored retirement plans. The Fund may modify, restrict or terminate the exchange privilege at any time. Shareholders will receive 60 days' notice of any termination or material amendment.

For purposes of determining the sales charge rate previously paid on Class A Shares, all sales charges paid on the exchanged shares and on any shares previously exchanged for such shares or for any of their predecessors shall be included. If the exchanged shares were acquired through reinvestment, those shares are deemed to have been sold with a sales charge rate equal to the rate previously paid on the shares on which the dividend or distribution was paid. If a shareholder exchanges less than all of such shareholder's shares, the shares upon which the highest sales charge rate was previously paid are deemed exchanged first.

Exchange requests received on a business day prior to the time shares of the funds involved in the request are priced will be processed on the date of receipt. "Processing" a request means that shares of the fund which the shareholder is redeeming will be redeemed at the net asset value per share next determined on the date of receipt. Shares of the fund that the shareholder is purchasing will also normally be purchased at the net asset value per share, plus any applicable sales charge, next determined on the date of receipt. Exchange requests received on a business day after the time that shares of the funds involved in the request are priced will be processed on the next business day in the manner described herein.

Federal Income Taxation

Distributions of the Fund's investment company taxable income (generally ordinary income and net short-term capital gain) are taxable to shareholders as ordinary income to the extent of the Fund's earnings and profits, whether paid in cash or reinvested in additional shares. Distributions of the Fund's net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) designated as capital gain dividends, if any, are taxable to shareholders as long-term capital gain, whether paid in cash or reinvested in additional shares, and regardless of how long the shares of the Fund have been held by such shareholders. The Fund expects that its distributions will consist primarily of ordinary income and capital gain dividends. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a shareholder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gain to such shareholder (assuming such shares are held as a capital asset).

Although distributions generally are treated as taxable in the year they are paid, distributions declared in October, November or December, payable to shareholders of record on a specified date in such month and paid during January of the following year will be treated as having been distributed by the Fund and received by the shareholders on the December 31st prior to the date of payment. The Fund will inform shareholders of the source and tax status of all distributions promptly after the close of each calendar year.

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "2003 Tax Act") contains provisions that reduce the U.S. federal income tax rates on (1) long-term capital gains received by individuals and (2) "qualified dividend income" received by individuals from certain domestic and foreign corporations. The reduced rate for capital gains generally applies to long-term capital gains from sales or exchanges recognized on or after May 6, 2003, and ceases to apply for taxable years beginning after December 31, 2008. The reduced rate for dividends generally applies to "qualified dividend income" received in taxable years beginning after December 31, 2002, and ceases to apply for taxable years beginning after December 31, 2008. Because the Fund intends to invest primarily in common stocks and other equity securities of foreign corporations, a portion of the ordinary income dividends paid by the Fund may be eligible for the reduced rate applicable to "qualified dividend income." Distributions from the Fund designated as capital gain dividends may be eligible for the reduced rate applicable to long-term capital gains.

The sale or exchange of shares may be a taxable transaction for federal income tax purposes. Shareholders who sell their shares will generally recognize a gain or loss in an amount equal to the difference between their adjusted tax basis in the shares sold and the amount received. If the shares are held by the shareholder as a capital asset, the gain or loss will be a capital gain or loss. As a consequence of the 2003 Tax Act, the maximum tax rate applicable to net capital gains recognized by individuals and other non-corporate taxpayers on the sale or exchange of shares is (i) the same as the maximum ordinary income tax rate for capital assets held for one year or less or (ii) for net capital gains recognized on or after May 6, 2003, 15% for capital assets held for more than one year (20% for net capital gains recognized in taxable years beginning after December 31, 2008).

Backup withholding rules require the Fund, in certain circumstances, to withhold 28% of dividends and certain other payments, including redemption proceeds, paid to shareholders who do not furnish to the Fund their correct taxpayer identification number (in the case of individuals, their social security number) and make certain required certifications (including certifications as to foreign status, if applicable), or who are otherwise subject to backup withholding.

Foreign shareholders, including shareholders who are non-resident aliens, may be subject to U.S. withholding tax on certain distributions (whether received in cash or in shares) at a rate of 30% or such lower rate as prescribed by an applicable treaty. Prospective foreign investors should consult their advisers concerning the tax consequences to them of an investment in shares of the Fund.

The Fund has elected and qualified, and intends to continue to qualify, as a regulated investment company under federal income tax law. If the Fund so qualifies and distributes each year to its shareholders at least

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90% of its investment company taxable income, the Fund will not be required to pay federal income taxes on any income it distributes to shareholders. If the Fund distributes less than an amount equal to the sum of 98% of its ordinary income and 98% of its capital gain net income, then the Fund will be subject to a 4% excise tax on the undistributed amounts.

The federal income tax discussion set forth above is for general information only. Shareholders and prospective investors should consult their own advisers regarding the specific federal tax consequences of purchasing, holding and disposing of shares of the Fund, as well as the effects of state, local and foreign tax laws and any proposed tax law changes.

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Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the periods indicated. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all distributions and not including payment of the maximum sales charge or taxes on Fund distributions or redemptions). The information for the fiscal year ended August 31, 2003 and the fiscal period ended August 31, 2002 has been audited by Ernst & Young LLP, independent auditors, whose report, along with the Fund's most recent financial statements, is included in the Statement of Additional Information and may be

obtained without charge by calling the telephone number on the back cover of this Prospectus. The financial highlights table should be read in conjunction with the financial statements and notes thereto included in the Statement of Additional Information.

<Table>

<Caption>

	CLASS A SHARES		CLASS B SHARES		CLASS C SHARES
	YEAR ENDED AUGUST 31, 2003	SEPTEMBER 26, 2001 (COMMENCEMENT OF INVESTMENT OPERATIONS) TO AUGUST 31, 2002	YEAR ENDED AUGUST 31, 2003	SEPTEMBER 26, 2001 (COMMENCEMENT OF INVESTMENT OPERATIONS) TO AUGUST 31, 2002	YEAR ENDED AUGUST 31, 2003
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$9.43	\$10.00	\$9.38	\$10.00	\$9.38
Net Investment Income/Loss (g).....	.09	.03	-0- (d)	(.04)	-0- (d)
Net Realized and Unrealized Gain/Loss...	.88	(.28)	.89	(.27)	.89
Total from Investment Operations.....	.97	(.25)	.89	(.31)	.89
Less:					
Distributions from Net Investment Income.....	.57	.31	.50	.30	.50
Distributions from Net Realized Gain.....	-0-	.01	-0-	.01	-0-
Total Distributions.....	.57	.32	.50	.31	.50
Net Asset Value, End of the Period.....	\$9.83	\$9.43	\$9.77	\$9.38	\$9.77
Total Return*	11.20% (a)	-2.60%** (a)	10.40% (b)	-3.37%** (b)	10.40% (c)
Net Assets at End of the Period (In millions)....	\$5.6	\$1.6	\$1.2	\$.9	\$.8
Ratio of Expenses to Average Net Assets* (f).....	1.75%	1.78%	2.50%	2.53%	2.50% (e)
Ratio of Net Investment Income to Average Net Assets*.....	.98%	.33%	(.02%)	(.45%)	.00% (e)
Portfolio Turnover.....	43%	62%**	43%	62%**	43%
* If certain expenses had not been voluntarily assumed by the Adviser, total return would have been lower and the ratios would have been as follows:					
Ratio of Expenses to Average Net Assets (f)...	4.85%	15.81%	5.60%	16.56%	5.60% (e)
Ratio of Net Investment Loss to Average Net Assets.....	(2.11%)	(13.70%)	(3.12%)	(14.48%)	(3.09%) (e)

<Caption>

	CLASS C SHARES	
	SEPTEMBER 26, 2001 (COMMENCEMENT OF INVESTMENT OPERATIONS) TO AUGUST 31, 2002	
<S>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$10.00	
Net Investment Income/Loss (g).....	(.04)	
Net Realized and Unrealized Gain/Loss...	(.27)	
Total from Investment Operations.....	(.31)	
Less:		
Distributions from Net Investment Income.....	.30	
Distributions from Net Realized Gain.....	.01	
Total Distributions.....	.31	
Net Asset Value, End of the Period.....	\$9.38	

Total Return*	-3.37%** (c)
Net Assets at End of the Period (In millions).....	\$.6
Ratio of Expenses to Average Net Assets* (f).....	2.53%
Ratio of Net Investment Income to Average Net Assets*.....	(.44%)
Portfolio Turnover.....	62%**
* If certain expenses had n would have been as follow	
Ratio of Expenses to Average Net Assets (f)...	16.56%
Ratio of Net Investment Loss to Average Net Assets.....	(14.47%)

** Non-Annualized.

- (a) Assumes reinvestment of all distributions for the period and does not include payment of the maximum sales charge of 5.75% or contingent deferred sales charge ("CDSC"). On purchases of \$1 million or more, a CDSC of 1% may be imposed on certain redemptions made within one year of purchase. If the sales charges were included, total returns would be lower. These returns include combined Rule 12b-1 fees and service fees of up to .25% and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.
- (b) Assumes reinvestment of all distributions for the period and does not include payment of the maximum CDSC of 5%, charged on certain redemptions made within one year of purchase and declining to 0% after the fifth year. If the sales charges were included, total returns would be lower. These returns include combined Rule 12b-1 fees and service fees of up to 1% and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.
- (c) Assumes reinvestment of all distributions for the period and does not include payment of the maximum CDSC of 1%, charged on certain redemptions made within one year of purchase. If the sales charge was included, total returns would be lower. These returns include combined Rule 12b-1 fees and service fees of up to 1% and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.
- (d) Amount is less than \$.01.
- (e) The Total Return, Ratio of Expenses to Average Net Assets and Ratio of Net Investment Income to Average Net Assets reflect the refund of certain 12b-1 fees during the period.
- (f) The Ratio of Expenses to Average Net Assets does not reflect credits earned on cash balances. If these credits were reflected as a reduction of expenses, the ratios would decrease by .03% for the period ended August 31, 2002.
- (g) Based on average shares outstanding.

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For More Information

EXISTING SHAREHOLDERS OR PROSPECTIVE INVESTORS

- Call your broker
- WEB SITE
www.vankampen.com
- FUNDINFO (R)
Automated Telephone System 800-847-2424

DEALERS

- WEB SITE
www.vankampen.com
- FUNDINFO (R)
Automated Telephone System 800-847-2424
- Van Kampen Investments 800-421-5666

TELECOMMUNICATIONS DEVICE FOR THE DEAF (TDD)

- For shareholder and dealer inquiries through TDD,
call 800-421-2833

VAN KAMPEN INTERNATIONAL ADVANTAGE FUND
1 Parkview Plaza

PO Box 5555
Oakbrook Terrace, IL 60181-5555

Investment Adviser
VAN KAMPEN ASSET MANAGEMENT
1221 Avenue of the Americas
New York, NY 10020

Distributor
VAN KAMPEN FUNDS INC.
1221 Avenue of the Americas
New York, NY 10020

Transfer Agent
VAN KAMPEN INVESTOR SERVICES INC.
PO Box 947
Jersey City, NJ 07303-0947
Attn: Van Kampen International Advantage Fund

Custodian
STATE STREET BANK AND TRUST COMPANY
225 West Franklin Street, P.O. Box 1713
Boston, MA 02110-1713
Attn: Van Kampen International Advantage Fund

Legal Counsel
SKADDEN, ARPS, SLATE, MEAGHER & FLOM (ILLINOIS)
333 West Wacker Drive
Chicago, IL 60606

Independent Auditors
ERNST & YOUNG LLP
233 South Wacker Drive
Chicago, IL 60606

A Statement of Additional Information, which contains more details about the Fund, is incorporated by reference in its entirety into this Prospectus.

You will find additional information about the Fund in its annual and semiannual reports to shareholders. The annual report explains the market conditions and investment strategies affecting the Fund's performance during its last fiscal year.

You can ask questions or obtain a free copy of the Fund's reports or its Statement of Additional Information by calling (800) 847-2424. Telecommunications Device for the Deaf users may call (800) 421-2833. A free copy of the Fund's reports can also be ordered from our web site at www.vankampen.com.

Information about the Fund, including its reports and Statement of Additional Information, has been filed with the Securities and Exchange Commission (SEC). It can be reviewed and copied at the SEC's Public Reference Room in Washington, DC or on the EDGAR database on the SEC's internet site (<http://www.sec.gov>). Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at 1-202-942-8090. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address (publicinfo@sec.gov) or by writing the Public Reference section of the SEC, Washington, DC 20549-0102.

DECEMBER 30, 2003

CLASS A SHARES
CLASS B SHARES
CLASS C SHARES

PROSPECTUS

Van Kampen
International
Advantage Fund

[VAN KAMPEN INVESTMENTS LOGO]

IA PRO 12/03
65207PRO-00
The Fund's Investment Company
Act File No. is 811-9279.

STATEMENT OF ADDITIONAL INFORMATION

VAN KAMPEN INTERNATIONAL MAGNUM FUND

BY AND IN EXCHANGE FOR SHARES OF

VAN KAMPEN INTERNATIONAL ADVANTAGE FUND

DATED SEPTEMBER 1, 2004

This Statement of Additional Information is available to the shareholders of Van Kampen International Magnum Fund (the "Target Fund") in connection with a proposed transaction whereby all of the assets and liabilities of the Target Fund would be transferred to Van Kampen International Advantage Fund (the "Acquiring Fund") in exchange for Class A, B and C Shares of the Acquiring Fund. Unless otherwise defined herein, capitalized terms have the meanings given to them in the Prospectus/Proxy Statement.

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Prospectus/Proxy Statement dated September 1, 2004 relating to the reorganization of the Target Fund. A copy of the Prospectus/Proxy Statement may be obtained, without charge, by writing to the Van Kampen Client Relations Department at 1 Parkview Plaza, P.O. Box 5555, Oakbrook Terrace, Illinois 60181-5555 or by calling 1-800-231-2808 (TDD users may call 1-800-421-2833).

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The Acquiring Fund will provide, without charge, upon request of any person to whom this Statement of Additional Information is delivered, a copy of any and all documents that have been incorporated by reference in the registration statement of which this Statement of Additional Information is a part.

PROPOSED REORGANIZATION

The shareholders of the Target Fund are being asked to approve an acquisition by the Acquiring Fund of all the assets and liabilities of the Target Fund solely in exchange for Class A, B and C Shares of the Acquiring Fund (the "Reorganization") pursuant to an Agreement and Plan of Reorganization by and between the Target Fund and the Acquiring Fund (the "Reorganization Agreement"). A copy of a form of the Reorganization Agreement is attached hereto as Appendix A.

ADDITIONAL INFORMATION ABOUT THE TARGET FUND

Included herein in its entirety is the Statement of Additional Information for the Target Fund dated October 31, 2003, as supplemented, which has been filed with the Securities and Exchange Commission (the "SEC") and is attached hereto as Appendix B.

ADDITIONAL INFORMATION ABOUT THE ACQUIRING FUND

Included herein in its entirety is the Statement of Additional Information of the Acquiring Fund, dated December 30, 2003, as supplemented, which has been filed with the SEC and is attached as hereto Appendix C.

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FINANCIAL STATEMENTS

Incorporated herein by reference in their respective entireties are (i) the audited annual financial statements, including the opinion of independent registered public accounting firm, of the Target Fund, dated June 30, 2003, included as part of the Van Kampen Series Fund, Inc. Form N-CSR as filed with the SEC on August 29, 2003, (ii) the unaudited semi-annual financial statements of the Target Fund, dated December 31, 2003, included as part of the Van Kampen Series Fund, Inc. Form N-CSRS as filed with the SEC on February 27, 2004, (iii) the audited annual financial statements of the Acquiring Fund, dated August 31, 2003, included as part of the Van Kampen Equity Trust II Form N-CSR as filed

with the SEC on October 29, 2003, and (iv) the unaudited semi-annual financial statements of the Acquiring Fund, dated February 29, 2004, included as part of the Van Kampen Equity Trust II Form N-CSRS as filed with the SEC on April 28, 2004. Annual and semi-annual reports referenced as part of a Fund's filing on Form N-CSR or Form N-CSRS may be obtained by following the instructions on the cover of this Statement of Additional Information and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC or on the EDGAR database on the SEC's internet site (<http://www.sec.gov>). Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at 1-202-942-8090. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address (publicinfo@sec.gov) or by writing the Public Reference section of the SEC, Washington, DC 20549-0102.

PRO FORMA FINANCIAL STATEMENTS

Attached hereto as Appendix D are unaudited pro forma financial statements of the Acquiring Fund giving effect to the Reorganization as of March 31, 2004.

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APPENDIX A

FORM OF AGREEMENT AND PLAN OF REORGANIZATION

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FORM OF AGREEMENT AND PLAN OF REORGANIZATION

This Agreement and Plan of Reorganization (the "Agreement") is made as of _____, 2004, by Van Kampen Equity Trust II (the "Equity Trust"), a registered open-end investment company, SEC File No. 811-9279, on behalf of its series, Van Kampen International Advantage Fund (the "Acquiring Fund"), and Van Kampen Series Fund, Inc. (the "Series Fund"), a registered open-end investment company, SEC File No. 811-7140, on behalf of its series, Van Kampen International Magnum Fund (the "Target Fund").

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Series Fund, on behalf of the Target Fund (the "Target Fund Board"), and the Board of Trustees of the Equity Trust, on behalf of the Acquiring Fund (the "Acquiring Fund Board" and, together with the Target Fund Board, the "Boards"), have determined that this Agreement, whereby the Target Fund would transfer all of its assets and liabilities to the Acquiring Fund in exchange for shares of the Acquiring Fund, is in the best interests of the shareholders of their respective funds; and

WHEREAS, the parties intend that this transaction qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code");

NOW, THEREFORE, in consideration of the mutual promises contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. PLAN OF TRANSACTION.

A. TRANSFER OF ASSETS. Upon satisfaction of the conditions precedent set forth in Sections 7 and 8 hereof, the Target Fund will convey, transfer and deliver to the Acquiring Fund at the closing provided for in Section 2 hereof, all of the existing assets of the Target Fund (including accrued interest to the Closing Date (as defined below)), free and clear of all liens, encumbrances and claims whatsoever (the assets so transferred collectively being referred to as the "Assets").

B. CONSIDERATION. In consideration thereof, the Acquiring Fund agrees that the Acquiring Fund at the closing will (i) deliver to the Target Fund full and fractional Class A, Class B and Class C common shares of beneficial interest, par value \$0.01 per share, of the Acquiring Fund with an aggregate net asset value equal to the aggregate dollar value of the Assets net of any liabilities of the Target Fund described in Section 3.E. hereof (the "Liabilities") determined pursuant to Section 3.A. of this Agreement (collectively, the "Acquiring Fund Shares") and (ii) assume all of the Liabilities of the Target Fund. The calculation of Acquiring Fund Shares to be exchanged shall be carried out to no less than two (2) decimal places. All Acquiring Fund Shares delivered to the Target Fund in exchange for such Assets shall be delivered at net asset value without sales load, commission or other transactional fees being imposed.

2. CLOSING OF THE TRANSACTION.

CLOSING DATE. The closing shall occur within fifteen (15) business days after the later of the receipt of all necessary regulatory approvals and the final adjournment of the meeting of shareholders of the Target Fund at which

this Agreement will be considered and approved, or such later date as soon as practicable thereafter as the parties may mutually agree (the "Closing Date"). On the Closing Date, the Acquiring Fund shall deliver to the Target Fund the Acquiring Fund Shares in the amount determined pursuant to Section 1.B. hereof, and the Target Fund thereafter shall, in order to effect the distribution of such shares to Target Fund shareholders, instruct the Acquiring Fund to register the pro rata interest in the Acquiring Fund Shares (in full and fractional shares) of each of the holders of record of shares of the Target Fund in accordance with their holdings of Class A, Class B or Class C shares of the Target Fund and shall provide as part of such instruction a complete and updated list of such holders (including addresses and taxpayer identification numbers), and the Acquiring Fund agrees promptly to comply with said instruction. The Acquiring Fund shall have no obligation to inquire as to the validity, propriety or correctness of such instruction, but shall assume that such instruction is valid, proper and correct.

3. PROCEDURE FOR REORGANIZATION.

A. VALUATION. The value of the Assets and Liabilities of the Target Fund to be transferred and assumed, respectively, by the Acquiring Fund shall be computed as of the Closing Date, in the manner set forth in the most recent Prospectus and Statement of Additional Information of the Acquiring Fund (collectively, the "Acquiring Fund Prospectus"), copies of which have been delivered to the Target Fund.

B. DELIVERY OF FUND ASSETS. The Assets shall be delivered to State Street Bank and Trust Company or other custodian as designated by the Acquiring Fund (collectively the "Custodian") for the benefit of the Acquiring Fund, duly endorsed in proper form for transfer in such condition as to constitute a good delivery thereof, free and clear of all liens, encumbrances and claims whatsoever, in accordance with the custom of brokers, and shall be accompanied by all necessary state stock transfer stamps, if any, the cost of which shall be borne by the Target Fund.

C. FAILURE TO DELIVER SECURITIES. If the Target Fund is unable to make delivery pursuant to Section 3.B. hereof to the Custodian of any of the securities of the Target Fund, then, in lieu of such delivery, the Target Fund shall deliver to the Custodian, with respect to said securities, executed copies of an agreement of assignment and due bills, together with such other documents as may be required by the Acquiring Fund or Custodian.

D. SHAREHOLDER ACCOUNTS. The Acquiring Fund, in order to assist the Target Fund in the distribution of the Acquiring Fund Shares to Target Fund shareholders after delivery of the Acquiring Fund Shares to the Target Fund, will establish, pursuant to the request of the Target Fund, an open account with the Acquiring Fund for each shareholder of the Target Fund and, upon request by the Target Fund, shall transfer to such accounts the exact number of Acquiring Fund Shares then held by the Target Fund specified in the instruction provided pursuant to Section 2 hereof. The Acquiring Fund is not required to issue certificates representing Acquiring Fund Shares unless requested to do so by a shareholder. Upon liquidation or dissolution of the Target Fund, certificates representing shares of the Target Fund shall become null and void.

E. LIABILITIES. The Liabilities shall include all of the Target Fund's liabilities, debts, obligations, and duties of whatever kind or nature, whether absolute, accrued, contingent, or otherwise, whether or not arising in the ordinary course of business, whether or not determinable at the Closing Date, and whether or not specifically referred to in this Agreement.

F. EXPENSES. In the event that the transactions contemplated herein are consummated, Van Kampen Asset Management (or a subsidiary or affiliate thereof) and the Acquiring Fund will pay the expenses of the Reorganization, including the costs of the special meeting of shareholders of the Target Fund. In addition, as part of the Reorganization, the Target Fund will write off its remaining unamortized organizational expenses, which shall be reimbursed by Van Kampen Asset Management (or a subsidiary or affiliate thereof). In the event that the transactions contemplated herein are not consummated for any reason, then all reasonable outside expenses incurred to the date of termination of this Agreement shall be borne by Van Kampen Asset Management (or a subsidiary or affiliate thereof).

G. DISSOLUTION. As soon as practicable after the Closing Date, but in no event later than one year after the Closing Date, the Target Fund shall voluntarily dissolve and completely liquidate by taking, in accordance with the law in the state of its organization and federal securities laws, all steps as shall be necessary and proper to effect a complete liquidation and dissolution of the Target Fund. Immediately after the Closing Date, the share transfer books relating to the Target Fund shall be closed and no transfer of shares shall thereafter be made on such books.

4. REPRESENTATIONS AND WARRANTIES OF THE TARGET FUND.

The Target Fund hereby represents and warrants to the Acquiring Fund, which representations and warranties are true and correct on the date hereof, and

agrees with the Acquiring Fund that:

A. ORGANIZATION. The Target Fund is duly formed and in good standing under the laws of the state of its organization and is duly authorized to transact business in the state of its organization. The Target

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Fund is qualified to do business in all jurisdictions in which it is required to be so qualified, except jurisdictions in which the failure to so qualify would not have a material adverse effect on the Target Fund. The Target Fund has all material federal, state and local authorizations necessary to own all of its properties and assets and to carry on its business as now being conducted, except authorizations which the failure to so obtain would not have a material adverse effect on the Target Fund.

B. REGISTRATION. The Series Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and such registration has not been revoked or rescinded. The Target Fund is in compliance in all material respects with the 1940 Act and the rules and regulations thereunder with respect to its activities. All of the outstanding shares of common stock of the Target Fund have been duly authorized and are validly issued, fully paid and nonassessable and not subject to pre-emptive or dissenters' rights.

C. AUDITED FINANCIAL STATEMENTS. The statement of assets and liabilities and the portfolio of investments and the related statements of operations and changes in net assets of the Target Fund audited as of and for the year ended June 30, 2003, true and complete copies of which have been heretofore furnished to the Acquiring Fund, fairly represent the financial condition and the results of operations of the Target Fund as of and for their respective dates and periods in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved.

D. FINANCIAL STATEMENTS. The Target Fund shall furnish to the Acquiring Fund within five (5) business days after the Closing Date an unaudited statement of assets and liabilities and the portfolio of investments and the related statements of operations and changes in net assets as of and for the interim period ending on the Closing Date; such financial statements will represent fairly the financial position and portfolio of investments and the results of the Target Fund's operations as of, and for the periods ending on, the dates of such statements in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved and the results of its operations and changes in financial position for the period then ended; and such financial statements shall be certified by the Treasurer of the Target Fund as complying with the requirements hereof.

E. CONTINGENT LIABILITIES. There are, and as of the Closing Date will be, no contingent Liabilities of the Target Fund not disclosed in the financial statements delivered pursuant to Sections 4.C. and 4.D. which would materially affect the Target Fund's financial condition, and there are no legal, administrative or other proceedings pending or, to its knowledge, threatened against the Target Fund which would, if adversely determined, materially affect the Target Fund's financial condition. All Liabilities were incurred by the Target Fund in the ordinary course of its business.

F. MATERIAL AGREEMENTS. The Target Fund is in compliance with all material agreements, rules, laws, statutes, regulations and administrative orders affecting its operations or its assets; and, except as referred to in the most recent Prospectus and Statement of Additional Information of the Target Fund (collectively, the "Target Fund Prospectus"), there are no material agreements outstanding relating to the Target Fund to which the Target Fund is a party.

G. STATEMENT OF EARNINGS. As promptly as practicable, but in any case no later than 30 calendar days after the Closing Date, the Target Fund shall furnish the Acquiring Fund with a statement of the earnings and profits of the Target Fund within the meaning of the Code as of the Closing Date.

H. TAX RETURNS. At the date hereof and on the Closing Date, all federal and other material tax returns and reports of the Target Fund required by law to have been filed by such dates shall have been filed, and all federal and other taxes shown thereon shall have been paid so far as due, or provision shall have been made for the payment thereof, and to the best of the Target Fund's knowledge no such return is currently under audit and no assessment has been asserted with respect to any such return.

I. CORPORATE AUTHORITY. The Target Fund has the necessary power to enter into this Agreement and to consummate the transactions contemplated herein. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by the Target Fund Board, and except for obtaining approval of the Target Fund shareholders, no

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other corporate acts or proceedings by the Target Fund are necessary to authorize this Agreement and the transactions contemplated herein. This Agreement has been duly executed and delivered by the Target Fund and constitutes a valid and binding obligation of the Target Fund enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws affecting creditors' rights generally, or by general principles of equity (regardless of whether enforcement is sought in a proceeding at equity or law).

J. NO VIOLATION; CONSENTS AND APPROVALS. The execution, delivery and performance of this Agreement by the Target Fund does not and will not (i) result in a material violation of any provision of the Target Fund's organizational documents, (ii) violate any statute, law, judgment, writ, decree, order, regulation or rule of any court or governmental authority applicable to the Target Fund, (iii) result in a material violation or breach of or constitute a default under any material contract, indenture, mortgage, loan agreement, note, lease or other instrument or obligation to which the Target Fund is subject or (iv) result in the creation or imposition of any lien, charge or encumbrance upon any property or asset of the Target Fund. Except as have been obtained, (i) no consent, approval, authorization, order or filing with or notice to any court or governmental authority or agency is required for the consummation by the Target Fund of the transactions contemplated by this Agreement and (ii) no consent of or notice to any third party or entity is required for the consummation by the Target Fund of the transactions contemplated by this Agreement.

K. ABSENCE OF CHANGES. From the date of this Agreement through the Closing Date, there shall not have been:

(1) any change in the business, results of operations, assets, financial condition or manner of conducting the business of the Target Fund, other than changes in the ordinary course of its business, or any pending or threatened litigation, which has had or may have a material adverse effect on such business, results of operations, assets, financial condition or manner of conducting business;

(2) issued by the Target Fund any option to purchase or other right to acquire shares of the Target Fund to any person other than subscriptions to purchase shares at net asset value in accordance with terms in the Target Fund Prospectus;

(3) any entering into, amendment or termination of any contract or agreement by the Target Fund, except as otherwise contemplated by this Agreement;

(4) any indebtedness incurred, other than in the ordinary course of business, by the Target Fund for borrowed money, or any commitment to borrow money entered into by the Target Fund;

(5) any amendment of the Target Fund's organizational documents; or

(6) any grant or imposition of any lien, claim, charge or encumbrance (other than encumbrances arising in the ordinary course of business with respect to covered options) upon any asset of the Target Fund other than a lien for taxes not yet due and payable.

L. TITLE. On the Closing Date, the Target Fund will have good and marketable title to the Assets, free and clear of all liens, mortgages, pledges, encumbrances, charges, claims and equities whatsoever, other than a lien for taxes not yet due and payable, and full right, power and authority to sell, assign, transfer and deliver such Assets; upon delivery of such Assets, the Acquiring Fund will receive good and marketable title to such Assets, free and clear of all liens, mortgages, pledges, encumbrances, charges, claims and equities whatsoever, other than a lien for taxes not yet due and payable.

M. PROSPECTUS/PROXY STATEMENT. The Registration Statement and the Prospectus/Proxy Statement contained therein, as of the effective date of the Registration Statement, and at all times subsequent thereto up to and including the Closing Date, as amended or as supplemented if it shall have been amended or supplemented, conform and will conform as they relate to the Target Fund, in all material respects, to the applicable requirements of the applicable federal and state securities laws and the rules and regulations of the Securities and Exchange Commission (the "SEC") thereunder, and do not and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not

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misleading, except that no representations or warranties in this Section 4.M. apply to statements or omissions made in reliance upon and in conformity with written information concerning the Acquiring Fund furnished to the Target Fund by the Acquiring Fund.

N. TAX QUALIFICATION. The Target Fund has qualified as a regulated investment company within the meaning of Section 851 of the Code for each of its taxable years and has satisfied the distribution requirements imposed by Section 852 of the Code for each of its taxable years.

O. FAIR MARKET VALUE. The fair market value on a going concern basis of the Assets will equal or exceed the Liabilities to be assumed by the Acquiring Fund and those to which the Assets are subject.

P. TARGET FUND LIABILITIES. Except as otherwise provided for herein, the Target Fund shall use reasonable efforts, consistent with its ordinary operating procedures, to repay in full any indebtedness for borrowed money and have discharged or reserved against all of the Target Fund's known debts, liabilities and obligations including expenses, costs and charges whether absolute or contingent, accrued or unaccrued.

5. REPRESENTATIONS AND WARRANTIES OF THE ACQUIRING FUND.

The Acquiring Fund hereby represents and warrants to the Target Fund, which representations and warranties are true and correct on the date hereof, and agrees with the Target Fund that:

A. ORGANIZATION. The Acquiring Fund is duly formed and in good standing under the laws of the state of its organization and is duly authorized to transact business in the state of its organization. The Acquiring Fund is qualified to do business in all jurisdictions in which it is required to be so qualified, except jurisdictions in which the failure to so qualify would not have a material adverse effect on the Acquiring Fund. The Acquiring Fund has all material federal, state and local authorizations necessary to own all of its properties and assets and to carry on its business and the business thereof as now being conducted, except authorizations which the failure to so obtain would not have a material adverse effect on the Acquiring Fund.

B. REGISTRATION. The Equity Trust is registered under the 1940 Act as an open-end management investment company and such registration has not been revoked or rescinded. The Acquiring Fund is in compliance in all material respects with the 1940 Act and the rules and regulations thereunder with respect to its activities. All of the outstanding common shares of beneficial interest of the Acquiring Fund have been duly authorized and are validly issued, fully paid and nonassessable and not subject to pre-emptive or dissenters' rights.

C. AUDITED FINANCIAL STATEMENTS. The statement of assets and liabilities and the portfolio of investments and the related statements of operations and changes in net assets of the Acquiring Fund audited as of and for the year ended August 30, 2003, true and complete copies of which have been heretofore furnished to the Target Fund, fairly represent the financial condition and the results of operations of the Acquiring Fund as of and for their respective dates and periods in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved.

D. FINANCIAL STATEMENTS. The Acquiring Fund shall furnish to the Target Fund within five (5) business days after the Closing Date an unaudited statement of assets and liabilities and the portfolio of investments and the related statements of operations and changes in net assets as of and for the interim period ending on the Closing Date; such financial statements will represent fairly the financial position and portfolio of investments and the results of its operations as of, and for the period ending on, the dates of such statements in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved and the results of its operations and changes in financial position for the periods then ended; and such financial statements shall be certified by the Treasurer of the Acquiring Fund as complying with the requirements hereof.

E. CONTINGENT LIABILITIES. There are, and as of the Closing Date will be, no contingent Liabilities of the Acquiring Fund not disclosed in the financial statements delivered pursuant to Sections 5.C. and 5.D. which would materially affect the Acquiring Fund's financial condition, and there are no legal, administrative, or other proceedings pending or, to its knowledge, threatened against the Acquiring Fund

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which would, if adversely determined, materially affect the Acquiring Fund's financial condition. All Liabilities were incurred by the Acquiring Fund in the ordinary course of its business.

F. MATERIAL AGREEMENTS. The Acquiring Fund is in compliance with all material agreements, rules, laws, statutes, regulations and administrative orders affecting its operations or its assets; and, except as referred to in the Acquiring Fund Prospectus, there are no material agreements outstanding relating to the Acquiring Fund to which the Acquiring Fund is a party.

G. TAX RETURNS. At the date hereof and on the Closing Date, all federal and

other material tax returns and reports of the Acquiring Fund required by law to have been filed by such dates shall have been filed, and all federal and other taxes shown thereon shall have been paid so far as due, or provision shall have been made for the payment thereof, and to the best of the Acquiring Fund's knowledge no such return is currently under audit and no assessment has been asserted with respect to any such return.

H. CORPORATE AUTHORITY. The Acquiring Fund has the necessary power to enter into this Agreement and to consummate the transactions contemplated herein. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by the Acquiring Fund Board, no other corporate acts or proceedings by the Acquiring Fund are necessary to authorize this Agreement and the transactions contemplated herein. This Agreement has been duly executed and delivered by the Acquiring Fund and constitutes a valid and binding obligation of the Acquiring Fund enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws affecting creditors' rights generally, or by general principles of equity (regardless of whether enforcement is sought in a proceeding at equity or law).

I. NO VIOLATION; CONSENTS AND APPROVALS. The execution, delivery and performance of this Agreement by the Acquiring Fund does not and will not (i) result in a material violation of any provision of the Acquiring Fund's organizational documents, (ii) violate any statute, law, judgment, writ, decree, order, regulation or rule of any court or governmental authority applicable to the Acquiring Fund, (iii) result in a material violation or breach of or constitute a default under any material contract, indenture, mortgage, loan agreement, note, lease or other instrument or obligation to which the Acquiring Fund is subject or (iv) result in the creation or imposition of any lien, charge or encumbrance upon any property or asset of the Acquiring Fund. Except as have been obtained, (i) no consent, approval, authorization, order or filing with or notice to any court or governmental authority or agency is required for the consummation by the Acquiring Fund of the transactions contemplated by this Agreement and (ii) no consent of or notice to any third party or entity is required for the consummation by the Acquiring Fund of the transactions contemplated by this Agreement.

J. ABSENCE OF PROCEEDINGS. There are no legal, administrative or other proceedings pending or, to its knowledge, threatened against the Acquiring Fund which would materially affect its financial condition.

K. SHARES OF THE ACQUIRING FUND: REGISTRATION. The Acquiring Fund Shares to be issued pursuant to Section 1 hereof will be duly registered under the Securities Act of 1933, as amended (the "Securities Act"), and all applicable state securities laws.

L. SHARES OF THE ACQUIRING FUND: AUTHORIZATION. The Acquiring Fund Shares to be issued pursuant to Section 1 hereof have been duly authorized and, when issued in accordance with this Agreement, will be validly issued, fully paid and nonassessable, will not be subject to pre-emptive or dissenters' rights and will conform in all material respects to the description thereof contained in the Acquiring Fund Prospectus furnished to the Target Fund.

M. ABSENCE OF CHANGES. From the date hereof through the Closing Date, there shall not have been any change in the business, results of operations, assets, financial condition or manner of conducting the business of the Acquiring Fund, other than changes in the ordinary course of its business, which has had a material adverse effect on such business, results of operations, assets, financial condition or manner of conducting business.

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N. REGISTRATION STATEMENT. The Registration Statement and the Prospectus/Proxy Statement contained therein, as of the effective date of the Registration Statement, and at all times subsequent thereto up to and including the Closing Date, as amended or as supplemented if they shall have been amended or supplemented, conforms and will conform, as they relate to the Acquiring Fund, in all material respects, to the applicable requirements of the applicable federal securities laws and the rules and regulations of the SEC thereunder, and do not and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representations or warranties in this Section 5 apply to statements or omissions made in reliance upon and in conformity with written information concerning the Target Fund furnished to the Acquiring Fund by the Target Fund.

O. TAX QUALIFICATION. The Acquiring Fund has qualified as a regulated investment company within the meaning of Section 851 of the Code for each of its taxable years and has satisfied the distribution requirements imposed by Section 852 of the Code for each of its taxable years.

6. COVENANTS.

During the period from the date of this Agreement and continuing until the Closing Date, the Target Fund and Acquiring Fund each agree as follows (except as expressly contemplated or permitted by this Agreement):

A. OTHER ACTIONS. The Target Fund and Acquiring Fund shall operate only in the ordinary course of business consistent with prior practice. No party shall take any action that would, or reasonably would be expected to, result in any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect.

B. GOVERNMENT FILINGS; CONSENTS. The Target Fund and Acquiring Fund shall file all reports required to be filed by the Target Fund and Acquiring Fund with the SEC between the date of this Agreement and the Closing Date and shall deliver to the other party copies of all such reports promptly after the same are filed. Except where prohibited by applicable statutes and regulations, each party shall promptly provide the other (or its counsel) with copies of all other filings made by such party with any state, local or federal government agency or entity in connection with this Agreement or the transactions contemplated hereby. Each of the Target Fund and the Acquiring Fund shall use all reasonable efforts to obtain all consents, approvals and authorizations required in connection with the consummation of the transactions contemplated by this Agreement and to make all necessary filings with the appropriate federal and state officials.

C. PREPARATION OF THE REGISTRATION STATEMENT AND THE PROSPECTUS/ PROXY STATEMENT. In connection with the Registration Statement and the Prospectus/Proxy Statement, each party hereto will cooperate with the other and furnish to the other the information relating to the Target Fund or Acquiring Fund, as the case may be, required by the Securities Act or the Securities Exchange Act of 1934 and the rules and regulations thereunder, as the case may be, to be set forth in the Registration Statement or the Prospectus/Proxy Statement, as the case may be. The Target Fund shall promptly prepare for filing with the SEC the Prospectus/Proxy Statement and the Acquiring Fund shall promptly prepare and file with the SEC the Registration Statement, in which the Prospectus/Proxy Statement will be included as a prospectus. In connection with the Registration Statement, insofar as it relates to the Target Fund and its affiliated persons, the Acquiring Fund shall only include such information as is approved by the Target Fund for use in the Registration Statement. The Acquiring Fund shall not amend or supplement any such information regarding the Target Fund and such affiliates without the prior written consent of the Target Fund which consent shall not be unreasonably withheld or delayed. The Acquiring Fund shall promptly notify and provide the Target Fund with copies of all amendments or supplements filed with respect to the Registration Statement. The Acquiring Fund shall use all reasonable efforts to have the Registration Statement declared effective under the Securities Act as promptly as practicable after such filing. The Acquiring Fund shall also take any action (other than qualifying to do business in any jurisdiction in which it is now not so qualified) required to be taken under any applicable state securities laws in connection with the issuance of the Acquiring Fund Shares in the transactions contemplated by this Agreement, and the Target Fund shall furnish

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all information concerning the Target Fund and the holders of the Target Fund's shares as may be reasonably requested in connection with any such action.

D. ACCESS TO INFORMATION. During the period prior to the Closing Date, the Target Fund shall make available to the Acquiring Fund a copy of each report, schedule, registration statement and other document (the "Documents") filed or received by it during such period pursuant to the requirements of federal or state securities laws or federal or state banking laws (other than Documents which such party is not permitted to disclose under applicable law). During the period prior to the Closing Date, the Acquiring Fund shall make available to the Target Fund each Document pertaining to the transactions contemplated hereby filed or received by it during such period pursuant to federal or state securities laws or federal or state banking laws (other than Documents which such party is not permitted to disclose under applicable law).

E. SHAREHOLDERS MEETING. The Target Fund shall call a meeting of the Target Fund shareholders to be held as promptly as practicable for the purpose of voting upon the approval of this Agreement and the transactions contemplated herein, and shall furnish a copy of the Prospectus/Proxy Statement and form of proxy to each shareholder of the Target Fund as of the record date for such meeting. The Target Fund Board shall recommend to the Target Fund shareholders approval of this Agreement and the transactions contemplated herein, subject to fiduciary obligations under applicable law.

F. COORDINATION OF PORTFOLIOS. The Target Fund and Acquiring Fund covenant and agree to coordinate the respective portfolios of the Target Fund and Acquiring Fund from the date of the Agreement up to and including the Closing Date in order that at closing, when the Assets are added to the Acquiring Fund's portfolio, the resulting portfolio will meet the Acquiring Fund's investment objective, policies and restrictions as set forth in the Acquiring Fund

Prospectus, a copy of which has been delivered to the Target Fund.

G. DISTRIBUTION OF THE SHARES. At closing the Target Fund covenants that it shall cause to be distributed the Acquiring Fund Shares in the proper pro rata amount for the benefit of Target Fund shareholders and such that the Target Fund shall not continue to hold amounts of said shares so as to cause a violation of Section 12(d)(1) of the 1940 Act. The Target Fund covenants further that, pursuant to Section 3.G., it shall liquidate and dissolve as promptly as practicable after the Closing Date. The Target Fund covenants to use all reasonable efforts to cooperate with the Acquiring Fund and the Acquiring Fund's transfer agent in the distribution of said shares.

H. BROKERS OR FINDERS. Except as disclosed in writing to the other party prior to the date hereof, each of the Target Fund and the Acquiring Fund represents that no agent, broker, investment banker, financial advisor or other firm or person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement, and each party shall hold the other harmless from and against any and all claims, liabilities or obligations with respect to any such fees, commissions or expenses asserted by any person to be due or payable in connection with any of the transactions contemplated by this Agreement on the basis of any act or statement alleged to have been made by such first party or its affiliate.

I. ADDITIONAL AGREEMENT. In case at any time after the Closing Date any further action is necessary or desirable in order to carry out the purposes of this Agreement, the proper directors, trustees and officers of each party to this Agreement shall take all such necessary action.

J. PUBLIC ANNOUNCEMENTS. For a period of time from the date of this Agreement to the Closing Date, the Target Fund and the Acquiring Fund will consult with each other before issuing any press releases or otherwise making any public statements with respect to this Agreement or the transactions contemplated herein and shall not issue any press release or make any public statement prior to such consultation, except as may be required by law.

K. TAX STATUS OF REORGANIZATION. The intention of the parties is that the transaction will qualify as a reorganization within the meaning of Section 368(a) of the Code. Neither the Acquiring Fund nor the Target Fund shall take any action or cause any action to be taken (including, without limitation, the filing of any tax return) that is inconsistent with such treatment or results in the failure of the transaction to qualify

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as a reorganization within the meaning of Section 368(a) of the Code. At or prior to the Closing Date, the Acquiring Fund and the Target Fund will take such action, or cause such action to be taken, as is reasonably necessary to enable Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), counsel to the Acquiring Fund and the Target Fund, to render the tax opinion required herein.

L. DECLARATION OF DIVIDEND. At or immediately prior to the Closing Date, the Target Fund shall declare and pay to its stockholders a dividend or other distribution in an amount large enough so that it will have distributed substantially all (and in any event not less than 98%) of its investment company taxable income (computed without regard to any deduction for dividends paid) and realized net capital gain, if any, for the current taxable year through the Closing Date.

7. CONDITIONS TO OBLIGATIONS OF THE TARGET FUND.

The obligations of the Target Fund hereunder with respect to the consummation of the Reorganization are subject to the satisfaction of the following conditions, unless waived in writing by the Target Fund:

A. SHAREHOLDER APPROVAL. This Agreement and the transactions contemplated herein shall have been approved by the affirmative vote of the holders of a majority of the outstanding shares of the Target Fund.

B. REPRESENTATIONS, WARRANTIES AND AGREEMENTS. Each of the representations and warranties of the Acquiring Fund contained herein shall be true in all material respects as of the Closing Date, and there shall have been no material adverse change in the financial condition, results of operations, business properties or assets of the Acquiring Fund as of the Closing Date, and the Target Fund shall have received a certificate of the President or Vice President of the Acquiring Fund satisfactory in form and substance to the Target Fund so stating. The Acquiring Fund shall have performed and complied in all material respects with all agreements, obligations and covenants required by this Agreement to be so performed or complied with by it on or prior to the Closing Date.

C. REGISTRATION STATEMENT EFFECTIVE. The Registration Statement shall have become effective and no stop orders under the Securities Act pertaining thereto shall have been issued.

D. REGULATORY APPROVAL. All necessary approvals, registrations and exemptions under federal and state securities laws shall have been obtained.

E. NO INJUNCTIONS OR RESTRAINTS; ILLEGALITY. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition (an "Injunction") preventing the consummation of the transactions contemplated by this Agreement shall be in effect, nor shall any proceeding by any state, local or federal government agency or entity seeking any of the foregoing be pending. There shall not have been any action taken or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the transactions contemplated by this Agreement which makes the consummation of the transactions contemplated by this Agreement illegal or which has a material adverse effect on business operations of the Acquiring Fund.

F. TAX OPINION. The Target Fund shall have obtained an opinion from Skadden, counsel for the Target Fund, dated as of the Closing Date, addressed to the Target Fund, that the consummation of the transactions set forth in this Agreement comply with the requirements of a reorganization as described in Section 368(a) of the Code.

G. OPINION OF COUNSEL.

(1) The Target Fund shall have received the opinion of Skadden, counsel for the Acquiring Fund, dated as of the Closing Date, addressed to the Target Fund substantially in the form and to the effect that:

(a) The Equity Trust is registered as an open-end, management investment company under the 1940 Act.

(b) The Equity Trust is validly existing in good standing under the laws of the State of Delaware.

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(c) The Acquiring Fund has the power and authority to execute, deliver and perform all of its obligations under the Agreement under the laws of the State of Delaware. The execution and delivery of the Agreement and the consummation by the Acquiring Fund of the transactions contemplated thereby have been duly authorized by all requisite statutory trust action on the part of the Acquiring Fund under the laws of the State of Delaware. The Agreement has been duly executed and delivered by the Acquiring Fund under the laws of the State of Delaware.

(d) The Agreement constitutes the valid and binding obligation of the Acquiring Fund, enforceable against the Acquiring Fund in accordance with its terms under the applicable laws of the State of Delaware.

(e) The execution and delivery by the Acquiring Fund of the Agreement and the performance by the Acquiring Fund of its obligations under the Agreement do not conflict with the Agreement and Declaration of Trust or By-laws of the Equity Trust.

(f) Neither the execution, delivery or performance by the Acquiring Fund of the Agreement nor the compliance by the Acquiring Fund with the terms and provisions thereof will contravene any provision of any applicable law of the State of Illinois, the State of Delaware or the United States of America.

(g) No approval by any court, regulatory body, administrative agency or governmental body of the State of Illinois, the State of Delaware or the United States of America, which has not been obtained or taken and is not in full force and effect, is required to authorize, or is required in connection with, the execution or delivery of the Agreement by the Acquiring Fund or the enforceability of the Agreement against the Acquiring Fund.

(h) The Acquiring Fund Shares have been duly authorized by the Equity Trust and, when delivered to the Target Fund in accordance with the terms of the Agreement, will be validly issued, fully paid and nonassessable and free and clear of any preemptive rights or any similar rights arising under Delaware law or the Equity Trust's Agreement and Declaration of Trust or its By-laws.

H. OFFICER CERTIFICATES. The Target Fund shall have received a certificate of an authorized officer of the Acquiring Fund, dated as of the Closing Date, certifying that the representations and warranties set forth in Section 5 are true and correct on the Closing Date, together with certified copies of the resolutions adopted by the Acquiring Fund Board.

8. CONDITIONS TO OBLIGATIONS OF ACQUIRING FUND.

The obligations of the Acquiring Fund hereunder with respect to the consummation of the Reorganization are subject to the satisfaction of the

following conditions, unless waived in writing by the Acquiring Fund:

A. REPRESENTATIONS, WARRANTIES AND AGREEMENTS. Each of the representations and warranties of the Target Fund contained herein shall be true in all material respects as of the Closing Date, and there shall have been no material adverse change in the financial condition, results of operations, business, properties or assets of the Target Fund as of the Closing Date, and the Acquiring Fund shall have received a certificate of an authorized officer of the Target Fund satisfactory in form and substance to the Acquiring Fund so stating. The Target Fund shall have performed and complied in all material respects with all agreements, obligations and covenants required by this Agreement to be so performed or complied with by them on or prior to the Closing Date.

B. REGISTRATION STATEMENT EFFECTIVE. The Registration Statement shall have become effective and no stop orders under the Securities Act pertaining thereto shall have been issued.

C. REGULATORY APPROVAL. All necessary approvals, registrations and exemptions under federal and state securities laws shall have been obtained.

D. NO INJUNCTIONS OR RESTRAINTS: ILLEGALITY. No Injunction preventing the consummation of the transactions contemplated by this Agreement shall be in effect, nor shall any proceeding by any state, local or federal government agency or entity seeking any of the foregoing be pending. There shall not

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have been any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the transactions contemplated by this Agreement, which makes the consummation of the transactions contemplated by this Agreement illegal.

E. TAX OPINION. The Acquiring Fund shall have obtained an opinion from Skadden, counsel for the Acquiring Fund, dated as of the Closing Date, addressed to the Acquiring Fund, that the consummation of the transactions set forth in this Agreement comply with the requirements of a reorganization as described in Section 368(a) of the Code.

F. OPINION OF COUNSEL.

(1) The Acquiring Fund shall have received the opinion of Skadden, counsel for the Target Fund, dated as of the Closing Date, addressed to the Acquiring Fund, substantially in the form and to the effect that:

(a) The Series Fund is registered as an open-end, management investment company under the 1940 Act.

(b) Neither the execution, delivery or performance by the Target Fund of the Agreement nor the compliance by the Target Fund with the terms and provisions thereof will contravene any provision of any applicable law of the State of Illinois or the United States of America.

(c) No approval by any court, regulatory body, administrative agency or governmental body of the State of Illinois or the United States of America, which has not been obtained or taken and is not in full force and effect, is required to authorize, or is required in connection with, the execution or delivery of the Agreement by the Target Fund or the enforceability of the Agreement against the Target Fund.

(2) The Acquiring Fund shall have received the opinion of Miles & Stockbridge P.C. ("Miles & Stockbridge"), Maryland counsel for the Target Fund, dated as of the Closing Date, addressed to the Acquiring Fund substantially in the form and to the effect that:

(a) The Series Fund is validly existing in good standing under the laws of the State of Maryland.

(b) The Target Fund has the corporate power and authority to execute, deliver and perform all of its obligations under the Agreement under the laws of the State of Maryland. The execution and delivery of the Agreement and the consummation by the Target Fund of the transactions contemplated thereby have been duly authorized by all requisite corporate action on the part of the Target Fund under the laws of the State of Maryland. The Agreement has been duly executed and delivered by the Target Fund under the laws of the State of Maryland.

(c) The Agreement constitutes the valid and binding obligation of the Target Fund, enforceable against the Target Fund in accordance with its terms under the applicable laws of the State of Maryland.

(d) The execution and delivery by the Target Fund of the Agreement and the performance by the Target Fund of its obligations under the Agreement do not conflict with the Articles of Incorporation or By-laws of the Series Fund.

(e) Neither the execution, delivery or performance by the Target Fund of the Agreement nor the compliance by the Target Fund with the terms and provisions thereof will contravene any provision of any applicable law of the State of Maryland.

(f) No approval by any court, regulatory body, administrative agency or governmental body of the State of Maryland, which has not been obtained or taken and is not in full force and effect, is required to authorize, or is required in connection with, the execution or delivery of the Agreement by the Target Fund or the consummation by the Target Fund of the transactions contemplated thereby.

G. SHAREHOLDER LIST. The Target Fund shall have delivered to the Acquiring Fund an updated list of all shareholders of the Target Fund, as reported by the Target Fund's transfer agent, as of one (1) business day prior to the Closing Date, with each shareholder's respective holdings in the Target Fund, taxpayer identification numbers, Form W9 and last known address.

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H. OFFICER CERTIFICATES. The Acquiring Fund shall have received a certificate of an authorized officer of the Target Fund, dated as of the Closing Date, certifying that the representations and warranties set forth in Section 4 are true and correct on the Closing Date, together with certified copies of the resolutions adopted by the Target Fund Board and Target Fund shareholders.

9. AMENDMENT, WAIVER AND TERMINATION.

A. The parties hereto may, by agreement in writing authorized by the their respective Boards, amend this Agreement at any time before or after approval thereof by the shareholders of the Target Fund; provided, however, that after receipt of Target Fund shareholder approval, no amendment shall be made by the parties hereto which substantially changes the terms of Sections 1, 2 and 3 hereof without obtaining Target Fund shareholder approval thereof.

B. At any time prior to the Closing Date, either of the parties may by written instrument signed by it (i) waive any inaccuracies in the representations and warranties made to it contained herein and (ii) waive compliance with any of the covenants or conditions made for its benefit contained herein. No delay on the part of either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

C. This Agreement may be terminated and the transactions contemplated herein may be abandoned at any time prior to the Closing Date:

(1) by the consent of the Target Fund Board and the Acquiring Fund Board;

(2) by the Target Fund, if the Acquiring Fund breaches in any material respect any of its representations, warranties, covenants or agreements contained in this Agreement;

(3) by the Acquiring Fund, if the Target Fund breaches in any material respect any of its representations, warranties, covenants or agreements contained in this Agreement;

(4) by either the Target Fund or the Acquiring Fund, if the closing has not occurred on or prior to December 31, 2004 (provided that the right to terminate this Agreement pursuant to this subsection C.(4) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been the cause of or resulted in the failure of the closing to occur on or before such date);

(5) by the Acquiring Fund in the event that: (a) all the conditions precedent to the Acquiring Fund's obligation to close, as set forth in Section 8 of this Agreement, have been fully satisfied (or can be fully satisfied at the closing); (b) the Acquiring Fund gives the Target Fund written assurance of its intent to close irrespective of the satisfaction or nonsatisfaction of all conditions precedent to the Target Fund's obligation to close, as set forth in Section 7 of this Agreement; and (c) the Target Fund then fails or refuses to close within the earlier of five (5) business days or December 31, 2004; or

(6) by the Target Fund in the event that: (a) all the conditions precedent to the Target Fund's obligation to close, as set forth in Section 7 of this Agreement, have been fully satisfied (or can be fully satisfied at the closing); (b) the Target Fund gives the Acquiring Fund written assurance of its intent to close irrespective of the satisfaction or nonsatisfaction of all the conditions precedent to the Acquiring Fund's obligation to close, as set forth in Section 8 of this Agreement; and (c) the Acquiring Fund then fails or refuses to close within the earlier of five (5) business days or December 31, 2004.

10. REMEDIES.

In the event of termination of this Agreement by either or both of the Target Fund and Acquiring Fund pursuant to Section 9.C., written notice thereof shall forthwith be given by the terminating party to the other party hereto, and this Agreement shall therefore terminate and become void and have no effect, and the transactions contemplated herein and thereby shall be abandoned without further action by the parties hereto.

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11. SURVIVAL OF WARRANTIES AND INDEMNIFICATION.

A. SURVIVAL. The representations and warranties included or provided for herein, or in the schedules or other instruments delivered or to be delivered pursuant hereto, shall survive the Closing Date for a three (3) year period, except that any representation or warranty with respect to taxes shall survive for the expiration of the statutory period of limitations for assessments of tax deficiencies as the same may be extended from time to time by the taxpayer. The covenants and agreements included or provided for herein shall survive and be continuing obligations in accordance with their terms. The period for which a representation, warranty, covenant or agreement survives shall be referred to hereinafter as the "Survival Period." Notwithstanding anything set forth in the immediately preceding sentence, the right of the Acquiring Fund and the Target Fund to seek indemnity pursuant to this Agreement shall survive for a period of ninety (90) days beyond the expiration of the Survival Period of the representation, warranty, covenant or agreement upon which indemnity is sought. In no event shall the Acquiring Fund or the Target Fund be obligated to indemnify the other if indemnity is not sought within ninety (90) days of the expiration of the applicable Survival Period.

B. INDEMNIFICATION. Each party (an "Indemnitor") shall indemnify and hold the other and its directors, trustees, officers, agents and persons controlled by or controlling any of them (each an "Indemnified Party") harmless from and against any and all losses, damages, liabilities, claims, demands, judgments, settlements, deficiencies, taxes, assessments, charges, costs and expenses of any nature whatsoever (including reasonable attorneys' fees), including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees reasonably incurred by such Indemnified Party in connection with the defense or disposition of any claim, action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which such Indemnified Party may be or may have been involved as a party or otherwise or with which such Indemnified Party may be or may have been threatened (collectively, the "Losses") arising out of or related to any claim of a breach of any representation, warranty or covenant made herein by the Indemnitor, provided, however, that no Indemnified Party shall be indemnified hereunder against any Losses arising directly from such Indemnified Party's (i) willful misfeasance, (ii) bad faith, (iii) gross negligence or (iv) reckless disregard of the duties involved in the conduct of such Indemnified Party's position.

C. INDEMNIFICATION PROCEDURE. The Indemnified Party shall use its best efforts to minimize any liabilities, damages, deficiencies, claims, judgments, assessments, costs and expenses in respect of which indemnity may be sought hereunder. The Indemnified Party shall give written notice to the Indemnitor within the earlier of ten (10) days of receipt of written notice to the Indemnified Party or thirty (30) days from discovery by the Indemnified Party of any matters which may give rise to a claim for indemnification or reimbursement under this Agreement. The failure to give such notice shall not affect the right of the Indemnified Party to indemnify hereunder unless such failure has materially and adversely affected the rights of the Indemnitor; provided that in any event such notice shall have been given prior to the expiration of the Survival Period. At any time after ten (10) days from the giving of such notice, the Indemnified Party may, at its option, resist, settle or otherwise compromise, or pay such claim unless it shall have received notice from the Indemnitor that the Indemnitor intends, at the Indemnitor's sole cost and expense, to assume the defense of any such matter, in which case the Indemnified Party shall have the right, at no cost or expense to the Indemnitor, to participate in such defense. If the Indemnitor does not assume the defense of such matter, and in any event until the Indemnitor states in writing that it will assume the defense, the Indemnitor shall pay all costs of the Indemnified Party arising out of the defense until the defense is assumed; provided, however, that the Indemnified Party shall consult with the Indemnitor and obtain the Indemnitor's prior written consent to any payment or settlement of any such claim. The Indemnitor shall keep the Indemnified Party fully apprised at all times as to the status of the defense. If the Indemnitor does not assume the defense, the Indemnified Party shall keep the Indemnitor apprised at all times as to the status of the defense. Following indemnification as provided for hereunder, the Indemnitor shall be subrogated to all rights of the Indemnified Party with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made.

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12. SURVIVAL.

The provisions set forth in Sections 10, 11 and 16 hereof shall survive the termination of this Agreement for any cause whatsoever.

13. NOTICES.

All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally or sent by registered mail or certified mail, postage prepaid. Notice to the Target Fund shall be addressed to the Target Fund c/o Van Kampen Asset Management, 1221 Avenue of the Americas, New York, New York 10020, Attention: General Counsel, or at such other address as the Target Fund may designate by written notice to the Acquiring Fund. Notice to the Acquiring Fund shall be addressed to the Acquiring Fund c/o Van Kampen Asset Management, 1221 Avenue of the Americas, New York, New York 10020, Attention: General Counsel, or at such other address and to the attention of such other person as the Acquiring Fund may designate by written notice to the Target Fund. Any notice shall be deemed to have been served or given as of the date such notice is delivered personally or mailed.

14. SUCCESSORS AND ASSIGNS.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns. This Agreement shall not be assigned by any party without the prior written consent of the other party hereto.

15. BOOKS AND RECORDS.

The Target Fund and the Acquiring Fund agree that copies of the books and records of the Target Fund relating to the Assets including, but not limited to, all files, records, written materials (e.g., closing transcripts, surveillance files and credit reports) shall be delivered by the Target Fund to the Acquiring Fund on or prior to the Closing Date. In addition to, and without limiting the foregoing, the Target Fund and the Acquiring Fund agree to take such action as may be necessary in order that the Acquiring Fund shall have reasonable access to such other books and records as may be reasonably requested, all for three (3) complete fiscal and tax years after the Closing Date; namely, general ledgers, journal entries, voucher registers, distribution journals, payroll registers, monthly balance owing reports, income tax returns, tax depreciation schedules and investment tax credit basis schedules.

16. GENERAL.

This Agreement supersedes all prior agreements between the parties (written or oral), is intended as a complete and exclusive statement of the terms of the Agreement between the parties and may not be amended, modified or changed or terminated orally. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been executed by the Target Fund and Acquiring Fund and delivered to each of the parties hereto. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement is for the sole benefit of the parties hereto, and nothing in this Agreement, expressed or implied, is intended to confer upon any other person any rights or remedies under or by reason of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to principles of conflicts or choice of law.

IN WITNESS WHEREOF, the parties have hereunto caused this Agreement to be executed and delivered by their duly authorized officers as of the day and year first written above.

VAN KAMPEN EQUITY TRUST II
On Behalf of Its Series,
Van Kampen International Advantage
Fund

James M. Dykas

Chief Financial Officer and Treasurer

Attest:

Stefanie Chang Yu

Secretary

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VAN KAMPEN SERIES FUND, INC.
On Behalf of Its Series,
Van Kampen International Magnum Fund

James M. Dykas

Chief Financial Officer and Treasurer

Attest:

Stefanie Chang Yu

Secretary

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APPENDIX B

STATEMENT OF ADDITIONAL INFORMATION
OF VAN KAMPEN INTERNATIONAL MAGNUM FUND

Dated October 31, 2003

AS SUPPLEMENTED

ON NOVEMBER 30, 2003 AND APRIL 5, 2004

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SUPPLEMENT DATED NOVEMBER 30, 2003

TO THE

STATEMENT OF ADDITIONAL INFORMATION DATED JANUARY 30, 2003
VAN KAMPEN TAX FREE TRUST, ON BEHALF OF EACH OF ITS SERIES,
VAN KAMPEN CALIFORNIA INSURED TAX FREE FUND
VAN KAMPEN INSURED TAX FREE INCOME FUND
VAN KAMPEN INTERMEDIATE TERM MUNICIPAL INCOME FUND
VAN KAMPEN MUNICIPAL INCOME FUND
VAN KAMPEN NEW YORK TAX FREE INCOME FUND
VAN KAMPEN STRATEGIC MUNICIPAL INCOME FUND

STATEMENT OF ADDITIONAL INFORMATION DATED JANUARY 30, 2003,
VAN KAMPEN PENNSYLVANIA TAX FREE INCOME FUND

STATEMENT OF ADDITIONAL INFORMATION DATED APRIL 30, 2003,
VAN KAMPEN U.S. GOVERNMENT TRUST, ON BEHALF OF ITS SERIES,
VAN KAMPEN U. S. GOVERNMENT FUND

STATEMENT OF ADDITIONAL INFORMATION DATED OCTOBER 31, 2003
VAN KAMPEN SERIES FUND, INC., ON BEHALF OF EACH OF ITS SERIES,
VAN KAMPEN AMERICAN VALUE FUND
VAN KAMPEN EMERGING MARKETS FUND
VAN KAMPEN EMERGING MARKETS INCOME FUND
VAN KAMPEN EQUITY GROWTH FUND
VAN KAMPEN EUROPEAN VALUE EQUITY FUND
VAN KAMPEN FOCUS EQUITY FUND
VAN KAMPEN GLOBAL EQUITY ALLOCATION FUND
VAN KAMPEN GLOBAL FRANCHISE FUND
VAN KAMPEN GLOBAL VALUE EQUITY FUND
VAN KAMPEN INTERNATIONAL MAGNUM FUND
VAN KAMPEN MID CAP GROWTH FUND
VAN KAMPEN VALUE FUND

STATEMENT OF ADDITIONAL INFORMATION DATED OCTOBER 31, 2003

VAN KAMPEN TAX FREE MONEY FUND

STATEMENT OF ADDITIONAL INFORMATION DATED JULY 31, 2003
VAN KAMPEN EQUITY TRUST, ON BEHALF OF EACH OF ITS SERIES,
VAN KAMPEN AGGRESSIVE GROWTH FUND
VAN KAMPEN GROWTH FUND
VAN KAMPEN SELECT GROWTH FUND
VAN KAMPEN SMALL CAP GROWTH FUND
VAN KAMPEN SMALL CAP VALUE FUND
VAN KAMPEN UTILITY FUND

STATEMENT OF ADDITIONAL INFORMATION DATED JULY 31, 2003
VAN KAMPEN TRUST, ON BEHALF OF EACH OF ITS SERIES,
VAN KAMPEN HIGH YIELD FUND

Effective November 30, 2003, the Fund's investment adviser, Van Kampen Investment Advisory Corp. merged into its affiliate, Van Kampen Asset Management. In all instances, references to Van Kampen Investment Advisory Corp. are hereby deleted and replaced with Van Kampen Asset Management.

RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE

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SUPPLEMENT DATED APRIL 5, 2004
TO THE
STATEMENT OF ADDITIONAL INFORMATION DATED APRIL 30, 2003,
AS PREVIOUSLY SUPPLEMENTED ON JULY 25, 2003,
VAN KAMPEN COMSTOCK FUND
VAN KAMPEN ENTERPRISE FUND
VAN KAMPEN EQUITY AND INCOME FUND
VAN KAMPEN GROWTH AND INCOME FUND
VAN KAMPEN HARBOR FUND
VAN KAMPEN LIMITED MATURITY GOVERNMENT FUND

STATEMENT OF ADDITIONAL INFORMATION DATED APRIL 30, 2003,
AS PREVIOUSLY SUPPLEMENTED ON JULY 25, 2003 AND SEPTEMBER 2, 2003,
VAN KAMPEN REAL ESTATE SECURITIES FUND

STATEMENT OF ADDITIONAL INFORMATION DATED APRIL 30, 2003,
AS PREVIOUSLY SUPPLEMENTED ON JULY 25, 2003 AND NOVEMBER 30, 2003,
VAN KAMPEN U.S. GOVERNMENT TRUST,
ON BEHALF OF ITS SERIES,
VAN KAMPEN U.S. GOVERNMENT FUND

STATEMENT OF ADDITIONAL INFORMATION DATED JULY 31, 2003,
AS PREVIOUSLY SUPPLEMENTED ON NOVEMBER 30, 2003,
VAN KAMPEN EQUITY TRUST,
ON BEHALF OF EACH OF ITS SERIES,
VAN KAMPEN AGGRESSIVE GROWTH FUND
VAN KAMPEN GROWTH FUND
VAN KAMPEN SELECT GROWTH FUND
VAN KAMPEN SMALL CAP GROWTH FUND
VAN KAMPEN SMALL CAP VALUE FUND
VAN KAMPEN UTILITY FUND
VAN KAMPEN VALUE OPPORTUNITIES FUND

STATEMENT OF ADDITIONAL INFORMATION DATED JULY 31, 2003,
AS PREVIOUSLY SUPPLEMENTED ON NOVEMBER 30, 2003,
VAN KAMPEN TRUST
ON BEHALF OF ITS SERIES,
VAN KAMPEN HIGH YIELD FUND

STATEMENT OF ADDITIONAL INFORMATION DATED SEPTEMBER 30, 2003
VAN KAMPEN RESERVE FUND

STATEMENT OF ADDITIONAL INFORMATION DATED OCTOBER 31, 2003
VAN KAMPEN PACE FUND

STATEMENT OF ADDITIONAL INFORMATION DATED OCTOBER 31, 2003,
AS PREVIOUSLY SUPPLEMENTED NOVEMBER 30, 2003,
VAN KAMPEN SERIES FUND, INC.,
ON BEHALF OF EACH OF ITS SERIES,
VAN KAMPEN AMERICAN VALUE FUND
VAN KAMPEN EMERGING MARKETS FUND
VAN KAMPEN EMERGING MARKETS INCOME FUND
VAN KAMPEN EQUITY GROWTH FUND
VAN KAMPEN EUROPEAN VALUE EQUITY FUND
VAN KAMPEN FOCUS EQUITY FUND
VAN KAMPEN GLOBAL EQUITY ALLOCATION FUND
VAN KAMPEN GLOBAL FRANCHISE FUND
VAN KAMPEN GLOBAL VALUE EQUITY FUND
VAN KAMPEN INTERNATIONAL MAGNUM FUND
VAN KAMPEN MID CAP GROWTH FUND

STATEMENT OF ADDITIONAL INFORMATION DATED OCTOBER 31, 2003,
AS PREVIOUSLY SUPPLEMENTED NOVEMBER 30, 2003,
VAN KAMPEN TAX FREE MONEY FUND

The Statement of Additional Information is hereby supplemented as follows:

The section entitled "GENERAL INFORMATION" is hereby amended by adding the following sentence to the end of the fourth paragraph:

Transactions including purchases, exchanges and redemptions completed through an authorized dealer, custodian, trustee or record keeper of a retirement plan account may involve additional fees charged by the authorized dealer, custodian, trustee or record keeper.

The section entitled "REDEMPTION OF SHARES" is amended by adding the following sentence as the last sentence of the second paragraph:

Redemptions completed through an authorized dealer, custodian, trustee or record keeper of a retirement plan account may involve additional fees charged by the authorized dealer, custodian, trustee or record keeper.

RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE

MS SPT SAI 4/04

STATEMENT OF ADDITIONAL INFORMATION

VAN KAMPEN SERIES FUND, INC.

Van Kampen Series Fund, Inc. (the "Company") is an open-end management investment company. The Company currently consists of the following seventeen investment portfolios designed to offer a range of investment choices (each, a "Fund" and collectively, the "Funds"): Van Kampen American Value Fund, Van Kampen Asian Equity Fund (formerly known as Van Kampen Asian Growth Fund), Van Kampen Emerging Markets Debt Fund, Van Kampen Emerging Markets Fund, Van Kampen Emerging Markets Income Fund (formerly known as Van Kampen Worldwide High Income Fund), Van Kampen Equity Growth Fund, Van Kampen European Value Equity Fund (formerly known as Van Kampen European Equity Fund), Van Kampen Focus Equity Fund (formerly known as Van Kampen Aggressive Equity Fund), Van Kampen Global Equity Allocation Fund, Van Kampen Global Value Equity Fund (formerly known as Van Kampen Global Equity Fund), Van Kampen Growth and Income Fund II, Van Kampen International Magnum Fund, Van Kampen Japanese Equity Fund, Van Kampen Latin American Fund, Van Kampen Mid Cap Growth Fund, Van Kampen Global Franchise Fund (formerly known as Van Kampen Tax Managed Global Franchise Fund) and Van Kampen Value Fund. For ease of reference, the words "Van Kampen" which begin the name of each Fund, are not used hereinafter. Each Fund is organized as a diversified series of the Company, except for Emerging Markets Debt Fund, Emerging Markets Fund, Emerging Markets Income Fund, Focus Equity Fund, Global Franchise Fund, International Magnum Fund and Latin American Fund, each of which is organized as a non-diversified series of the Company.

This Statement of Additional Information is not a prospectus. This Statement of Additional Information should be read in conjunction with each Fund's prospectus (the "Prospectus") dated as of the same date as this Statement of Additional Information for all Funds except for those Funds not currently offering shares to the public including: Emerging Markets Debt Fund, Growth and Income Fund II, Japanese Equity Fund. This Statement of Additional Information does not include all the information that a prospective investor should consider before purchasing shares of a Fund. Investors should obtain and read a Prospectus of a Fund prior to purchasing shares of such Fund. A Prospectus for each of the Funds may be obtained without charge from our web site at www.vankampen.com or by writing or calling Van Kampen Funds Inc. at 1 Parkview Plaza, PO Box 5555, Oakbrook Terrace, Illinois 60181-5555 or (800) 847-2424 (or (800) 421-2833 for the hearing impaired).

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THIS STATEMENT OF ADDITIONAL INFORMATION IS DATED OCTOBER 31, 2003.

MS SAI 10/03

GENERAL INFORMATION

The Company is a corporation organized in 1992 under the laws of the state of Maryland. The Company's Articles of Incorporation, as amended (the "Articles"), permit the Board of Directors to create one or more separate investment portfolios and issue a series of shares for each portfolio. The Articles also permit the Board of Directors to create multiple classes of shares for each series. The Company's name at the time of its organization was Morgan Stanley Series Fund, Inc. The Company changed its name to Van Kampen Series Fund, Inc. in July 1998. Similarly, each Fund described herein at the time of its organization began its name with the words "Morgan Stanley" and each Fund changed its name to begin with the words "Van Kampen" in July 1998 (except for the Equity Growth Fund which made this name change in June 1998 and the Global Franchise Fund which has always had Van Kampen in its name since its organization in June 1998).

Van Kampen Investment Advisory Corp. ("Advisory Corp.") is the investment adviser (the "Adviser") for the Funds. Morgan Stanley Investment Management Limited ("MSIM Limited") is a sub-adviser (a "Sub-Adviser") to European Value Equity Fund, Global Franchise Fund, Global Value Equity and International Magnum Fund. Morgan Stanley Investment Management Company ("MSIM Company") is a sub-adviser (a "Sub-Adviser") to Asian Equity Fund and International Magnum Fund. Morgan Stanley Asset & Investment Trust Co., Limited ("MSAITM") is a sub-adviser (a "Sub-Adviser") to International Magnum Fund. The Funds are distributed by Van Kampen Funds Inc. (the "Distributor") and the Funds receive certain transfer agency and shareholder services from Van Kampen Investor Services Inc. ("Investor Services"). Other service providers for the Funds are described herein under "Other Agreements" or "Other Information."

Advisory Corp., the Distributor and Investor Services are wholly owned subsidiaries of Van Kampen Investments Inc. ("Van Kampen Investments"), which is an indirect wholly owned subsidiary of Morgan Stanley. MSIM Limited, MSIM Company and MSAITM are wholly owned subsidiaries of Morgan Stanley. The principal office of the Company, each Fund, the Adviser, the Distributor and Van Kampen Investments is located at 1 Parkview Plaza, Oakbrook Terrace, Illinois 60181-5555. The principal office of Investor Services is located at Harborside Financial Center, Plaza 2, Jersey City, NJ 07303-0947. The principal office of MSIM Limited is located at 25 Cabot Square, Canary Wharf, London, United Kingdom E14 4QA. The principal office of MSIM Company is located at 23 Church Street, 16-01 Capital Square, Singapore 049481. The principal office of MSAITM is located at Yebisu Garden Place Tower, 20-3, Ebisu 4-chome, Shibuya-Ku, Tokyo, Japan 150-6009.

As of the date of this Statement of Additional Information, the authorized capitalization of the Company consists of 19,125,000,000 shares of common stock, par value \$0.001 per share, which can be divided into series, such as the Funds, and further subdivided into classes of each series. Each share represents an equal proportionate interest in the assets of the series with each other share in such series and no interest in any other series. No series is subject to the liabilities of any other series.

Each Fund currently offers three classes of shares, designated as Class A Shares, Class B Shares and Class C Shares. Other classes may be established from time to time in accordance with the provisions of the Articles. Each class of shares of a Fund generally is identical in all respects except that each class of shares is subject to its own sales charge schedule and its own distribution and service expenses. Each class of shares also has exclusive voting rights with respect to its distribution and service fees.

Shares of the Company entitle their holders to one vote per share; however, separate votes are taken by each series on matters affecting an individual series and separate votes are taken by each class of a series on matters affecting an individual class of such series. For example, a change in investment policy for a series would be voted upon by shareholders of only the series involved and a change in the distribution or service fee for a class of a series would be voted upon by shareholders of only the class of such series involved. Except as otherwise described in the Prospectus or herein, shares do

not have cumulative voting rights, preemptive rights or any conversion, subscription or exchange rights.

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The Company does not contemplate holding regular meetings of shareholders to elect Directors or otherwise. Each Fund will assist shareholders in communicating with other shareholders of such Fund to the extent required by the Investment Company Act of 1940, as amended (the "1940 Act"), or rules or regulations promulgated by the Securities and Exchange Commission ("SEC").

In the event of liquidation, each of the shares of each Fund is entitled to its portion of all of such Fund's net assets after all debts and expenses of the Fund have been paid. The liquidation proceeds to holders of classes of shares with higher distribution fees and transfer agency costs are likely to be less than the liquidation proceeds to holders of classes of shares with lower distribution fees and transfer agency costs.

Statements contained in this Statement of Additional Information as to the contents of any contract or other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which this Statement of Additional Information forms a part, each such statement being qualified in all respects by such reference.

As of October 1, 2003, no person was known by the Company to own beneficially or to hold of record 5% or more of the outstanding Class A Shares, Class B Shares or Class C Shares of any Fund, except as follows:

<Table>
<Caption>

NAME & ADDRESS OF HOLDER -----	CLASS OF SHARES -----	PERCENTAGE OWNERSHIP -----
<S>	<C>	<C>
AMERICAN VALUE FUND		
MLPF&S for the Sole Benefit of its Customers..... Attn: Fund Administration 97B64 4800 Deer Lake Drive East, 2nd Floor Jacksonville, FL 32246-6484	A	30.87%
Edward Jones & CO..... Attn: Mutual Fund Shareholder Accounting 201 Progress Pkwy Maryland Hts., MO 63043-3009	A	9.72%
MLPF&S for the Sole Benefit of its Customers..... Attn: Fund Administration 97B65 4800 Deer Lake Drive East, 2nd Floor Jacksonville, FL 32246-6484	B	12.93%
Citigroup Global Markets Inc..... 00109801250 Attn: Cindy Tempesta, 7th Floor 333 West 34th Street New York, NY 10001-2402	B C	6.15% 21.78%
MLPF&S for the Sole Benefit of its Customers..... Attn: Fund Administration 97CS8 4800 Deer Lake Drive East, 2nd Floor Jacksonville, FL 32246-6484	C	18.26%
Morgan Stanley DW Inc. 875 3rd Avenue New York, NY 10022	B C	20.65% 9.31%
ASIAN EQUITY FUND		
Citigroup Global Markets Inc..... 00109801250 Attn: Cindy Tempesta, 7th Floor 333 West 34th Street New York, NY 10001-2402	A B C	11.50% 7.14% 9.24%

</Table>

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<Table>
<Caption>

NAME & ADDRESS OF HOLDER -----	CLASS OF SHARES -----	PERCENTAGE OWNERSHIP -----
<S>	<C>	<C>
FFPC Brokerage Services..... FBO Primerica Financial Services 760 Moore Road King of Prussia, PA 19406-1212	B	6.46%
Morgan Stanley DW Inc. 875 3rd Avenue	B C	20.27% 5.19%

New York, NY 10022		
EMERGING MARKETS FUND		
MLPF&S for the Sole Benefit of its Customers.....	A	26.52%
Attn: Fund Administration 97FK6		
4800 Deer Lake Drive East, 2nd Floor		
Jacksonville FL 32246-6484		
Charles Schwab & Co Inc.....	A	8.02%
Onesource Omnibus		
Exclusive Benefit of its Customers		
101 Montgomery Street		
San Francisco, CA 94104-4122		
Morgan Stanley DW Inc.	A	5.59%
875 3rd Avenue	B	26.72%
New York, NY 10022	C	8.71%
PFPC Brokerage Services.....	B	5.61%
FBO Primerica Financial Services		
760 Moore Road		
King of Prussia, PA 19406-1212		
Citigroup Global Markets Inc.	B	5.05%
00109801250	C	10.40%
Attn: Cindy Tempesta, 7th Floor		
333 West 34th Street		
New York, NY 10001-2402		
MLPF&S for the Sole Benefit of its Customers.....	C	20.39%
Attn: Fund Administration 97N71		
4800 Deer Lake Drive East, 2nd Floor		
Jacksonville, FL 32246-6484		
EMERGING MARKETS INCOME FUND		
Trust Co. of America.....	A	5.35%
FBO #120		
PO Box 6503		
Englewood, CO 80155-6503		
Charles Schwab & Co Inc.....	A	5.19%
Onesource Omnibus		
Exclusive Benefit of its Customers		
101 Montgomery Street		
San Francisco, CA 94104-4122		
Edward Jones & CO.....	A	9.27%
Attn: Mutual Fund		
Shareholder Accounting		
201 Progress Pkwy		
Maryland Hts., MO 63043-3009		
Morgan Stanley DW Inc.	A	6.93%
375 3rd Avenue	B	36.54%
New York, NY 10022	C	9.03%

</Table>

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<Table>
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NAME & ADDRESS OF HOLDER	CLASS OF SHARES	PERCENTAGE OWNERSHIP
-----	-----	-----
<S>	<C>	<C>
Citigroup Global Markets Inc.	A	7.28%
00109801250	B	5.18%
Attn: Cindy Tempesta, 7th Floor	C	26.29%
333 West 34th Street		
New York, NY 10001-2402		
EQUITY GROWTH FUND		
Edward Jones & CO.....	A	47.32%
Attn: Mutual Fund	B	8.10%
Shareholder Accounting	C	8.49%
201 Progress Pkwy		
Maryland Hts., MO 63043-3009		
Morgan Stanley DW Inc.	B	12.93%
875 3rd Avenue	C	9.94%
New York, NY 10022		
MLPF&S for the Sole Benefit of its Customers.....	B	5.71%
Attn: Fund Administration 97238		
4800 Deer Lake Drive East, 2nd Floor		
Jacksonville, FL 32246-6484		
PFPC Brokerage Services.....	B	6.04%
FBO Primerica Financial Services		
760 Moore Road		
King of Prussia, PA 19406-1212		
Citigroup Global Markets Inc.	C	36.18%
00109801250		
Attn: Cindy Tempesta, 7th Floor		
333 West 34th Street		
New York, NY 10001-2402		
EUROPEAN VALUE EQUITY FUND		
Van Kampen Funds Inc.	A	15.39%

Seed Capital/Discretionary	B	14.68%
Attn: Eric Marmoll	C	36.11%
1 Parkview Plaza		
PO Box 5555		
Oakbrook Terrace, IL 60181-5305		
Edward Jones & Co.	A	12.82%
Attn: Mutual Fund		
Shareholder Accounting		
201 Progress Pkwy		
Maryland Heights, MO 63043-3009		
MLPF&S for the Sole Benefit of its Customers.....	A	10.19%
Attn: Fund Administration 97FW6	B	8.34%
4800 Deer Lake Drive East, 2nd Floor		
Jacksonville, FL 32246-6484		
Morgan Stanley DW Inc.	A	8.15%
875 3rd Avenue	B	21.57%
New York, NY 10022	C	17.32%
FOCUS EQUITY FUND		
Edward Jones & CO.....	A	19.91%
Attn: Mutual Fund		
Shareholder Accounting		
201 Progress Pkwy		
Maryland Hts., MO 63043-3009		

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<Table>
<Caption>

NAME & ADDRESS OF HOLDER	CLASS OF SHARES	PERCENTAGE OWNERSHIP
-----	-----	-----
<S>	<C>	<C>
Morgan Stanley DW Inc.	A	16.17%
875 3rd Avenue	B	26.37%
New York, NY 10022	C	17.45%
MLPF&S for the Sole Benefit of its Customers.....	C	5.93%
Attn: Fund Administration 97B63		
4800 Deer Lake Drive East, 2nd Floor		
Jacksonville, FL 32246-6484		
Citigroup Global Markets Inc.	C	6.14%
00109801250		
Attn: Cindy Tempesta, 7th Floor		
333 West 34th Street		
New York, NY 10001-2402		
PFPC Brokerage Services.....	A	6.00%
FBO Primerica Financial Services	B	9.51%
760 Moore Road		
King of Prussia, PA 19406-1212		
GLOBAL EQUITY ALLOCATION FUND		
Edward Jones & CO.....	A	13.45%
Attn: Mutual Fund		
Shareholder Accounting		
201 Progress Pkwy		
Maryland Hts., MO 63043-3009		
Morgan Stanley DW Inc.....	B	11.36%
875 3rd Avenue	C	6.45%
New York, NY 10022		
PFPC Brokerage Services.....	A	8.74%
FBO Primerica Financial Services	B	11.69%
760 Moore Road		
King of Prussia, PA 19406-1212		
Citigroup Global Markets Inc.	C	8.30%
00109801250		
Attn: Cindy Tempesta, 7th Floor		
333 West 34th Street		
New York, NY 10001-2402		
GLOBAL FRANCHISE FUND		
Charles Schwab & Co. Inc.	A	21.32%
Onesource Omnibus		
Exclusive Benefit of its Customers		
101 Montgomery Street		
San Francisco, CA 94104-4122		
Morgan Stanley DW Inc.	A	7.31%
875 3rd Avenue	B	22.12%
New York, NY 10020	C	14.51%
Edward Jones & CO.....	A	14.54%
Attn: Mutual Fund		
Shareholder Accounting		
201 Progress Pkwy		
Maryland Hts., MO 63043-3009		
PFPC Brokerage Services.....	B	5.01%
FBO Primerica Financial Services		
760 Moore Road		

<Table>

<Caption>

NAME & ADDRESS OF HOLDER -----	CLASS OF SHARES -----	PERCENTAGE OWNERSHIP -----
<S>	<C>	<C>
MLPF&S for the Sole Benefit of its Customers..... Attn: Fund Administration 97FW6 4800 Deer Lake Dr. East, 2nd Floor Jacksonville, FL 32246-6484	C	14.64%
Citigroup Global Markets Inc. 00109801250 Attn: Cindy Tempesta, 7th Floor 333 West 34th Street New York, NY 10001-2402	C	5.42%
GLOBAL VALUE EQUITY FUND Edward Jones & CO..... Attn: Mutual Fund Shareholder Accounting 201 Progress Pkwy Maryland Hts., MO 63043-3009	A	30.72%
MLPFS for the Sole Benefit of its Customers..... Attn: Fund Administration 97R83 4800 Deer Lake Drive East, 2nd Floor Jacksonville, FL 32246-6484	A	5.28%
Morgan Stanley DW Inc. 875 3rd Avenue New York, NY 10022	A B C	25.97% 76.82% 67.06%
Citigroup Global Markets Inc. 00109801250 Attn: Cindy Tempesta, 7th Floor 333 West 34th Street New York, NY 10001-2402	C	7.25%
INTERNATIONAL MAGNUM FUND Edward Jones & CO..... Attn: Mutual Fund Shareholder Accounting 201 Progress Pkwy Maryland Hts., MO 63043-3009	A B	20.50% 6.09%
Morgan Stanley DW Inc. 375 3rd Avenue New York, NY 10022	A B C	29.43% 18.65% 11.56%
Citigroup Global Markets Inc. 00109801250 Attn: Cindy Tempesta, 7th Floor 333 West 34th Street New York, NY 10001-2402	C	18.30%
LATIN AMERICAN FUND Morgan Stanley DW Inc. 375 3rd Avenue New York, NY 10022	A B C	5.71% 24.91% 6.84%
The Private Bank & Trust Co. Cust Daniel R Lee 08-0127 10 Dearborn Street, Suite 900 Chicago, IL 60602-4209	A	6.13%

</Table>

<Table>

<Caption>

NAME & ADDRESS OF HOLDER -----	CLASS OF SHARES -----	PERCENTAGE OWNERSHIP -----
<S>	<C>	<C>
Charles Schwab & Co Inc..... Onesource Omnibus Exclusive Benefit of its Customers 101 Montgomery Street San Francisco, CA 94104-4122	A	9.83%
MLPF&S for the Sole Benefit of its Customers..... Attn: Fund Administration 97NB9 4800 Deer Lake Drive East, 2nd Floor Jacksonville, FL 32246-6484	A	7.54%
UBS Financial Services Inc. FBO Irwin B. Nathanson and Sally Nathanson, Joint Tenants	B	5.37%

2 the Crossing Purchase, NY 10577-2210		
Citigroup Global Markets Inc.	B	7.98%
00109801250	C	10.08%
Attn: Cindy Tempesta, 7th Floor 333 West 34th Street New York, NY 10001-2402		
MLPF&S for the Sole Benefit of its Customers.....	C	6.75%
Attn: Fund Administration 97N91 4800 Deer Lake East, 2nd Floor Jacksonville, FL 32246-6484		
MID CAP GROWTH FUND		
MLPF&S for the Sole Benefit of its Customers.....	C	6.66%
Attn: Fund Administration 97238 4800 Deer Lake Drive East, 2nd Floor Jacksonville, FL 32246-6484		
Morgan Stanley DW Inc.	A	5.73%
375 3rd Avenue	B	17.50%
New York, NY 10022	C	19.50%
Edward Jones & CO.....	A	26.17%
Attn: Mutual Fund Shareholder Accounting 201 Progress Pkwy Maryland Hts., MO 63043-3009		
Trustmark National Bank.....	A	5.47%
FBO Various Trust Accounts -- RR ATTN: Mutual Funds Trust RM 1030 248 E. Capitol St. Jackson MS 39201-2503		
PFPC Brokerage Services.....	A	10.26%
FBO Financial Services	B	18.46%
760 Moore Road King of Prussia, PA 19406-3101		
VALUE FUND		
State Street Bank & Trust Co.	A	18.57%
FBO ADF/MSDW Alliance 105 Rosemont Road Westwood, MA 02090-2318		

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<Table>
<Caption>

NAME & ADDRESS OF HOLDER -----	CLASS OF SHARES -----	PERCENTAGE OWNERSHIP -----
<S>	<C>	<C>
Edward Jones & CO.....	A	28.82%
Attn: Mutual Fund	B	6.12%
Shareholder Accounting 201 Progress Pkwy Maryland Hts., MO 63043-3009		
Morgan Stanley DW Inc.	A	7.21%
375 3rd Avenue	B	18.67%
New York, NY 10022	C	18.27%
MLPF&S for the Sole Benefit of its Customers.....	B	6.40%
Attn: Fund Administration 97P52 4800 Deer Lake Drive East, 2nd Floor Jacksonville, FL 32246-6484		
Citigroup Global Markets Inc.....	C	13.69%
00109801250		
Attn: Cindy Tempesta, 7th Floor 333 West 34th Street New York, NY 10001-2402		
MLPF&S for the Sole Benefit of its Customers.....	C	6.13%
Attn: Fund Administration 97P53 4800 Deer Lake Drive East, 2nd Floor Jacksonville, FL 32246-6484		

INVESTMENT OBJECTIVES, STRATEGIES AND RISKS

The following disclosure supplements the disclosure set forth under the same caption in the "Investment Objective(s), Strategies and Risks" sections in each Fund's Prospectus and does not, standing alone, present a complete or accurate explanation of the matters disclosed. Readers must refer also to this caption in each Fund's Prospectus for a complete presentation of the matters disclosed below.

BORROWING AND LEVERAGE

To the extent allowed by the Funds' investment restrictions described herein, certain Funds may engage in borrowing for temporary or emergency

purposes. To the extent allowed by the Funds' investment restrictions described herein, certain Funds may engage in borrowing for investment purposes, also known as leverage. Leveraging will magnify declines as well as increases in the net asset value of a Fund's shares and in the return on a Fund's investments. The extent to which a Fund may borrow will depend upon the availability of credit. No assurance can be given that a Fund will be able to borrow on terms acceptable to the Fund. Borrowing by a Fund will create the opportunity for increased net income but, at the same time, will involve special risk considerations. Borrowing will create interest expenses for a Fund which can exceed the income from the assets obtained with the proceeds. To the extent the income derived from securities purchased with funds obtained through borrowing exceeds the interest and other expenses that a Fund will have to pay in connection with such borrowing, such Fund's net income will be greater than if the Fund did not borrow. Conversely, if the income from the assets obtained through borrowing is not sufficient to cover the cost of borrowing, the net income of the Fund will be less than if the Fund did not borrow, and therefore the amount available for distribution to shareholders will be reduced. A Fund's use of leverage may impair the ability of the Fund to maintain its qualification for federal income tax purposes as a regulated investment company. The rights of any lenders to a Fund to receive payments of interest on and repayments of principal of borrowings will be senior to the rights of such Fund's shareholders, and the terms of a Fund's borrowings may contain provisions that limit certain activities of such Fund and could result in precluding the purchase of securities and instruments that the Fund would otherwise purchase.

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CONVERTIBLE SECURITIES, RIGHTS OR WARRANTS AND EQUITY-LINKED SECURITIES

Certain Funds may invest in convertible securities, rights or warrants to purchase common stocks and other equity-linked securities. A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or into cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive interest paid or accrued on debt securities or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities generally have characteristics similar to both debt and equity securities. The value of convertible securities tends to decline as interest rates rise and, because of the conversion feature, tends to vary with fluctuations in the market value of the underlying securities. Convertible securities ordinarily provide a stream of income with generally higher yields than those of common stock of the same or similar issuers. Convertible securities generally rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities generally do not participate directly in any dividend increases or decreases of the underlying security although the market prices of convertible securities may be affected by any such dividend changes or other changes in the underlying securities. With respect to each of the Funds, except Emerging Markets Debt Fund and Emerging Markets Income Fund, up to 5% of the Fund's net assets may be invested in convertible securities that are below investment grade. Debt securities rated below investment grade are commonly known as junk bonds. Although the Fund selects these securities primarily on the basis of their equity characteristics, investors should be aware that convertible securities rated in these categories are considered high risk securities; the rating agencies consider them speculative with respect to the issuer's continuing ability to make timely payments of interest and principal. Thus, to the extent that such convertible securities are acquired by the Fund, there is a greater risk as to the timely repayment of the principal of, and timely payment of interest or dividends on, such securities than in the case of higher-rated convertible securities.

Rights and warrants are instruments giving holders the right, but not the obligation, to buy shares of a company at a given price during a specified period. Rights typically have a substantially shorter term than do warrants. Rights and warrants may be considered more speculative and less liquid than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities nor do they represent any rights in the assets of the issuing company. Rights and warrants may lack a secondary market.

Equity-linked securities are instruments whose value is based upon the value of one or more underlying equity securities, a reference rate or an index. Equity-linked securities come in many forms and may include features, among others, such as the following: (i) may be issued by the issuer of the underlying equity security or by a company other than the one to which the instrument is linked (usually an investment bank), (ii) may convert into equity securities, such as common stock, within a stated period from the issue date or may be redeemed for cash or some combination of cash and the linked security at a value based upon the value of the underlying equity security within a stated period from the issue date, (iii) may have various conversion features prior to maturity at the option of the holder or the issuer or both, (iv) may limit the appreciation value with caps or collars of the value of underlying equity security and (v) may have fixed, variable or no interest payments during the

life of the security which reflect the actual or a structured return relative to the underlying dividends of the linked equity security. Investments in equity-linked securities may subject the Fund to additional risks not ordinarily associated with investments in other equity securities. Because equity-linked securities are sometimes issued by a third party other than the issuer of the linked security, the Fund is subject to risks if the underlying equity security, reference rate or index underperforms and if the issuer defaults on the payment of the dividend or the common stock at maturity. In addition, the trading market for particular equity-linked securities may be less liquid, making it difficult for the Fund to dispose of a particular security when necessary and reduced liquidity in the secondary market for any such securities may make it more difficult to obtain market quotations for valuing the Fund's portfolio.

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DEPOSITARY RECEIPTS

Certain Funds may invest in American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), European Depositary Receipts ("EDRs") and other depositary receipts, to the extent that such depositary receipts become available. ADRs are securities, typically issued by a U.S. financial institution (a "depository"), that evidence ownership interests in a security or a pool of securities issued by a foreign issuer (the "underlying issuer") and deposited with the depository. ADRs include American Depositary Shares and New York Shares and may be "sponsored" or "unsponsored." Sponsored ADRs are established jointly by a depository and the underlying issuer, whereas unsponsored ADRs may be established by a depository without participation by the underlying issuer. GDRs, EDRs and other types of depositary receipts are typically issued by foreign depositories, although they may also be issued by U.S. depositories, and evidence ownership interests in a security or pool of securities issued by either a foreign or a U.S. corporation.

Holders of unsponsored depositary receipts generally bear all the costs associated with establishing the unsponsored depositary receipt. The depository of an unsponsored depositary receipt is under no obligation to distribute shareholder communications received from the underlying issuer or to pass through to the holders of the unsponsored depositary receipt voting rights with respect to the deposited securities or pool of securities. Depositary receipts are not necessarily denominated in the same currency as the underlying securities to which they may be connected. Generally, depositary receipts in registered form are designed for use in the U.S. securities market and depositary receipts in bearer form are designed for use in securities markets outside the United States. For purposes of the Funds' investment policies, a Fund's investments in depositary receipts will be deemed to be investments in the underlying securities.

EURODOLLAR AND YANKEE OBLIGATIONS

Eurodollar bank obligations are dollar-denominated certificates of deposit and time deposits issued outside the U.S. capital markets by foreign branches of banks and by foreign banks. Yankee bank obligations are dollar-denominated obligations issued in the U.S. capital markets by foreign banks.

Eurodollar and Yankee obligations are subject to the same risks that pertain to domestic issues, notably credit risk, market risk and liquidity risk. Additionally, Eurodollar (and to a limited extent, Yankee) obligations are subject to certain sovereign risks. One such risk is the possibility that a sovereign country might prevent capital, in the form of dollars, from flowing across its borders. Other risks include: adverse political and economic developments; the extent and quality of government regulation of financial markets and institutions; the imposition of foreign withholding taxes; and the expropriation or nationalization of foreign issuers.

FOREIGN INVESTING

Certain Funds may or will invest in securities of foreign issuers. Unless otherwise described in the Fund's prospectus, the Fund considers an issuer to be from a particular country if (i) its principal securities trading market is in that country; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from either goods produced, sales made or services performed in that country; or (iii) it is organized under the laws of, or has a principal office in that country. By applying these tests, it is possible that a particular company could be deemed to be from more than one country. Securities of foreign issuers may be denominated in U.S. dollars or in currencies other than U.S. dollars. The percentage of assets invested in securities of a particular country or denominated in a particular currency will vary in accordance with the portfolio management team's assessment of the relative yield, appreciation potential and the relationship of a country's currency to the U.S. dollar, which is based upon such factors as fundamental economic strength, credit quality and interest rate trends. Investments in securities of foreign issuers present certain risks not ordinarily associated with investments in securities of U.S. issuers. These risks include fluctuations in foreign currency exchange rates, political, economic or legal developments (including war or other instability, expropriation of assets,

nationalization and confiscatory taxation), the imposition of foreign exchange limitations (including currency blockage), withholding taxes on income or capital transactions or other restrictions, higher transaction costs (including higher brokerage, custodial and settlement costs and currency conversion costs) and possible difficulty in enforcing contractual obligations or taking judicial action. Also, securities of foreign issuers may not be as liquid and may be more volatile than comparable securities of domestic issuers.

In addition, there often is less publicly available information about many foreign issuers, and issuers of foreign securities are subject to different, often less comprehensive, auditing, accounting and financial reporting disclosure requirements than domestic issuers. There is generally less government regulation of exchanges, brokers and listed companies abroad than in the United States, and, with respect to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, or diplomatic developments which could affect investment in those countries. Because there is usually less supervision and governmental regulation of foreign exchanges, brokers and dealers than there is in the United States, a Fund may experience settlement difficulties or delays not usually encountered in the United States.

Delays in making trades in securities of foreign issuers relating to volume constraints, limitations or restrictions, clearance or settlement procedures, or otherwise could impact yields and result in temporary periods when assets are not fully invested or attractive investment opportunities are foregone.

Ratings of a non-U.S. debt instrument, to the extent that those ratings are undertaken, are related to evaluations of the country in which the issuer of the instrument is located. Ratings generally take into account the currency in which a non-U.S. debt instrument is denominated. Instruments issued by a foreign government in other than the local currency, for example, typically have a lower rating than local currency instruments due to the existence of an additional risk that the government will be unable to obtain the required foreign currency to service its foreign currency-denominated debt. In general, the ratings of debt securities or obligations issued by a non-U.S. public or private entity will not be higher than the rating of the currency or the foreign currency debt of the central government of the country in which the issuer is located, regardless of the intrinsic creditworthiness of the issuer.

The governments of some countries have been engaged in programs of selling part or all of their stakes in government owned or controlled enterprises ("privatization"). The Adviser believes that privatization may offer investors opportunities for significant capital appreciation and intends to invest assets of the Funds in privatization in appropriate circumstances. In certain countries, the ability of foreign entities, such as the Funds, to participate in privatization may be limited by local law, or the terms on which the Funds may be permitted to participate may be less advantageous than those for local investors. There can be no assurance that governments will continue to sell companies currently owned or controlled by them or that any privatization programs in which the Funds participates will be successful.

FOREIGN CURRENCY EXCHANGE RISKS. To the extent a Fund invests in securities denominated or quoted in currencies other than the U.S. dollar, such Fund will be affected by changes in foreign currency exchange rates (and exchange control regulations) which affect the value of investments in the Fund and the accrued income and appreciation or depreciation of the investments. Changes in foreign currency exchange ratios relative to the U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and the Fund's yield on such assets as well as any temporary uninvested reserves in bank deposits in foreign currencies. In addition, the Fund will incur costs in connection with conversions between various currencies. The Funds do not intend to invest in any security in a country where the currency is not freely convertible to U.S. dollars, unless the Fund has obtained the necessary governmental licensing to convert such currency or other appropriately licensed or sanctioned contractual guarantee to protect such investment against loss of that currency's external value, or the Fund has a reasonable expectation at the time the investment is made that such governmental licensing or other appropriately licensed or sanctioned guarantee would be obtained or that the currency in which the security is quoted would be freely convertible at the time of any proposed sale of the security by the Fund.

A Fund's foreign currency exchange transactions may be conducted on a spot (i.e., cash) basis at the spot rate for purchasing or selling currency prevailing in the foreign currency exchange market. A Fund also may enter into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future

date ("forward contracts"). A foreign currency forward contract is a negotiated agreement between the contracting parties to exchange a specified amount of

currency at a specified future time at a specified rate. The rate can be higher or lower than the spot rate between the currencies that are the subject of the contract. These contracts are traded in the interbank market conducted directly between currency traders (usually large commercial banks) and their customers. A forward contract generally has no deposit requirement, and no commissions are charged at any stage for such trades.

A Fund may attempt to protect against adverse changes in the value of the U.S. dollar in relation to a foreign currency by entering into a forward contract for the purchase or sale of the amount of foreign currency invested or to be invested, or by buying or selling a foreign currency option or futures contract for such amount. Such strategies may be employed before the Fund purchases a foreign security traded in the currency which the Fund anticipates acquiring or between the date the foreign security is purchased or sold and the date on which payment therefor is made or received. Seeking to protect against a change in the value of a foreign currency in the foregoing manner does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Furthermore, such transactions reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. Unanticipated changes in currency prices may result in poorer overall performance for the Fund than if it had not entered into such contracts. The Funds generally will not enter into a forward contract with a term of greater than one year. At the maturity of a forward contract, a Fund may either accept or make delivery of the currency specified in the contract or, prior to maturity, enter into a closing purchase transaction involving the purchase or sale of an offsetting contract. Closing purchase transactions with respect to forward contracts are usually effected with the currency trader who is a party to the original forward contract. A Fund will only enter into such a forward contract if it is expected that there will be a liquid market in which to close out such contract. There can, however, be no assurance that such a liquid market will exist in which to close a forward contract, in which case the Fund may suffer a loss.

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

If a Fund engages in an offsetting transaction, that Fund will incur a gain or a loss to the extent that there has been movement in forward contract prices. Should forward prices decline during the period between a Fund entering into a forward contract for the sale of a foreign currency and the date it enters into an offsetting contract for the purchase of the foreign currency, such Fund will realize a gain to the extent that the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward prices increase, such Fund would suffer a loss to the extent that the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell.

The Funds are not required to enter into such transactions with regard to their foreign currency-denominated securities. It also should be realized that this method of protecting the value of portfolio securities against a decline in the value of a currency does not eliminate fluctuations in the underlying prices of the securities. It simply establishes a rate of exchange which one can achieve at some future point in time. Additionally, although such contracts tend to minimize the risk of loss due to a decline in the value of the hedged currency, at the same time, they tend to limit any potential gain which might result should the value of such currency increase.

In addition, Funds may cross-hedge currencies by entering into a transaction to purchase or sell one or more currencies that are expected to fluctuate in value relative to other currencies to which a portfolio has or expects to have portfolio exposure. These Funds may also engage in proxy hedging, which is defined as entering into positions in one currency to hedge investments denominated in another currency, where two currencies are economically linked. A Fund's entry into forward contracts, as well as any use of proxy or cross hedging techniques, will generally require the Fund to segregate cash or liquid securities in an amount at least equal to the Fund's obligations throughout the duration of the contract. Funds may combine forward contracts

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with investments in securities denominated in other currencies to achieve desired security and currency exposures. Such combinations are generally referred to as synthetic securities. For example, in lieu of purchasing a foreign bond, a Fund may purchase a U.S. dollar-denominated security and at the same time enter into a forward contract to exchange U.S. dollars for the contract's underlying currency at a future date. By matching the amount of U.S. dollars to be exchanged with the anticipated value of the U.S. dollar-denominated security, the Fund may be able to lock in the foreign currency value

of the security and adopt a synthetic position reflecting the credit quality of the U.S. dollar-denominated security.

To the extent required by the rules and regulations of the SEC, the Fund will segregate cash or liquid securities in an amount at least equal to the value of such Fund's total assets committed to the consummation of forward foreign currency exchange contracts. See also "Strategic Transactions".

FOREIGN CURRENCY EXCHANGE-RELATED SECURITIES. Foreign currency warrants 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. Foreign currency warrants may attempt to reduce the foreign exchange risk assumed by purchasers of a security by, for example, providing for a supplemental payment in the event that the U.S. dollar depreciates against the value of a major foreign currency. 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). Foreign currency warrants are severable from the debt obligations with which they may be offered, and may be listed on exchanges. Foreign currency warrants may be exercisable only in certain minimum amounts, and an investor wishing to exercise warrants who possesses less than the minimum number required for exercise may be required either to sell the warrants or to purchase additional warrants, thereby incurring additional transaction costs. In the case of any exercise of warrants, there may be a time delay between the time a holder of warrants gives instructions to exercise and the time the exchange rate relating to exercise is determined, during which time the exchange rate could change significantly, thereby affecting both the market and cash settlement values of the warrants being exercised. The expiration date of the warrants may be accelerated if the warrants should be delisted from an exchange or if their trading should be suspended permanently, which would result in the loss of any remaining "time value" of the warrants (i.e., the difference between the current market value and the exercise value of the warrants), and, in the case where the warrants were "out-of-the-money," in a total loss of the purchase price of the warrants. Warrants are generally unsecured obligations of their issuers and are not standardized foreign currency options issued by the Options Clearing Corporation ("OCC"). Unlike foreign currency options issued by the OCC, the terms of foreign exchange warrants generally will not be amended in the event of governmental or regulatory actions affecting exchange rates or in the event of the imposition of other regulatory controls affecting the international currency markets. The initial public offering price of foreign currency warrants is generally considerably in excess of the price that a commercial user of foreign currencies might pay in the interbank market for a comparable option involving significantly larger amounts of foreign currencies. Foreign currency warrants are subject to complex political or economic factors.

Principal exchange rate linked securities 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 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

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given up by the purchaser of the notes (i.e., at relatively higher interest rates if the purchaser has assumed some of the foreign exchange risk, or relatively lower interest rates if the issuer has assumed some of the foreign exchange risk, based on the expectations of the current market). Principal exchange rate linked securities may, in limited cases, be subject to acceleration of maturity (generally, not without the consent of the holders of the securities), which may have an adverse impact on the value of the principal payment to be made at maturity.

Performance indexed paper 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 between the U.S. dollar and a designated currency as of or about that time (generally, the index maturity two days prior to maturity). 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.

INVESTING IN EMERGING MARKET COUNTRIES. The risks of foreign investment are heightened when the issuer is from an emerging market country. The extent of economic development, political stability and market depth of such countries varies widely and investments in the securities of issuers in such countries typically involve greater potential gain or loss than investments in securities of issuers in more developed countries. Emerging market countries tend to have economic structures that are less diverse and mature and political systems that are less stable than those of developed markets. Emerging market countries may be more likely to experience political turmoil or rapid changes in economic conditions than more developed markets, and the financial condition of issuers in emerging market countries may be more precarious than in other countries. Certain countries depend to a larger degree upon international trade or development assistance and, therefore, are vulnerable to changes in trade or assistance which, in turn, may be affected by a variety of factors. A Fund may be particularly sensitive to changes in the economies of certain countries resulting from any reversal of economic liberalization, political unrest or the imposition of sanctions by the United States or other countries.

A Fund's purchase and sale of portfolio securities of issuers determined by the portfolio management team to be in emerging market countries may be constrained by limitations as to daily changes in the prices of listed securities, periodic or sporadic trading or settlement or limitations on aggregate holdings by foreign investors. Such limitations may be computed based on the aggregate trading volume by or holdings of such Fund, the Adviser, its affiliates or their respective clients or other service providers. The Fund may not be able to sell securities in circumstances where price, trading or settlement volume limitations have been reached. Foreign investment in the securities markets of certain emerging market countries is restricted or controlled to varying degrees which may limit investment in such countries or increase the administrative costs of such investments. For example, certain countries may require governmental approval prior to investment by foreign persons or limit investment by foreign persons to only a specified percentage of an issuer's outstanding securities or a specific class of securities which may have less advantageous terms (including price) than securities of the issuer available for purchase by nationals. In addition, certain countries may restrict or prohibit investment opportunities in issuers or industries deemed important to national interests. Such restrictions may affect the market price, liquidity and rights of securities that may be purchased by the Fund. The repatriation of both investment income and capital from certain emerging market countries is subject to restrictions such as the need for governmental consents. Due to restrictions on direct investment in securities in certain countries, it is anticipated that the Fund may invest in such countries through other investment funds in such countries.

Many emerging market countries have experienced currency devaluations and substantial (and, in some cases, extremely high) rates of inflation, which have had a negative effect on the economies and securities markets of such countries. Economies in emerging market countries generally are dependent heavily upon commodity prices and international trade and, accordingly, have been and may continue to be affected adversely by the economies of their trading partners, trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures negotiated by the countries with which they trade.

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Many emerging market countries are subject to a substantial degree of economic, political and social instability. Governments of some emerging countries are authoritarian in nature or have been installed or removed as a result of military coups, while governments in other emerging market countries have periodically used force to suppress civil dissent. Disparities of wealth, the pace and success of political reforms, and ethnic, religious and racial disaffection, among other factors, have also led to social unrest, violence and/or labor unrest in some emerging markets countries. Unanticipated political or social developments may result in sudden and significant investment losses.

Settlement procedures in emerging market countries are frequently less developed and reliable than those in developed markets. In addition, significant delays are common in certain markets in registering the transfer of securities. Settlement or registration problems may make it more difficult for a Fund to value its portfolio securities and could cause such Fund to miss attractive investment opportunities, to have a portion of its assets uninvested or to incur losses due to the failure of a counterparty to pay for securities the Fund has delivered or the Fund's inability to complete its contractual obligations. The creditworthiness of the local securities firms used by the Fund in emerging market countries may not be as sound as the creditworthiness of firms used in more developed countries. As a result, the Fund may be subject to a greater risk of loss if a securities firm defaults in the performance of its

responsibilities.

The small size and inexperience of the securities markets in certain emerging market countries and the limited volume of trading in securities in those countries may make a Fund's investments in such countries less liquid and more volatile than investments in countries with more developed securities markets. A Fund's investments in emerging market countries are subject to the risk that the liquidity of a particular investment, or investments generally, in such countries will shrink or disappear suddenly and without warning as a result of adverse economic, market or political conditions or adverse investor perceptions, whether or not accurate. Because of the lack of sufficient market liquidity, the Fund may incur losses because it will be required to effect sales at a disadvantageous time and only then at a substantial drop in price. Investments in emerging market countries may be more difficult to price precisely because of the characteristics discussed above and lower trading volumes.

A Fund's use of foreign currency management techniques in emerging market countries may be limited. Due to the limited market for these instruments in emerging market countries, the Adviser does not currently anticipate that a significant portion of the Funds' currency exposure in emerging market countries, if any, will be covered by such instruments.

Investments in emerging market country government debt securities involve special risks. Certain emerging market countries have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. The issuer or governmental authority that controls the repayment of an emerging market country's debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. As a result of the foregoing, a government obligor may default on its obligations. If such an event occurs, a Fund may have limited legal recourse against the issuer and/or guarantor. Remedies must, in some cases, be pursued in the courts of the defaulting party itself, and the ability of the holder of foreign government debt securities to obtain recourse may be subject to the political climate in the relevant country. In addition, no assurance can be given that the holders of commercial bank debt will not contest payments to the holders of other foreign government debt obligations in the event of default under their commercial bank loan agreements.

Debt securities of corporate issuers in emerging market countries may include debt securities or obligations issued (i) by banks located in emerging market countries or by branches of emerging market country banks located outside the country or (ii) by companies organized under the laws of an emerging market country.

RUSSIAN INVESTING. The registration, clearing and settlement of securities transactions in Russia are subject to significant risks not normally associated with securities transactions in the United States and other more developed markets. Ownership of shares in Russian issuers is evidenced by entries in an issuer's share register (except where shares are held through depositories that meet the requirements of the 1940 Act) and

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the issuance of extracts from the register or, in certain limited cases, by formal share certificates. However, Russian share registers are frequently unreliable and the Funds could possibly lose their registration through oversight, negligence or fraud. Moreover, Russia lacks a centralized registry to record securities transactions and registrars located throughout Russia or the companies themselves maintain share registers. Registrars are under no obligation to provide extracts to potential purchasers in a timely manner or at all and are not necessarily subject to effective state supervision. In addition, while registrars are liable under law for losses resulting from their errors, it may be difficult for the Funds to enforce any rights they may have against the registrar or issuer of the securities in the event of loss of share registration. Although Russian issuers with more than 1,000 shareholders are required by law to employ an independent company to maintain share registers, in practice, such issuers have not always followed this law. Because of this lack of independence of registrars, management of a Russian issuer may be able to exert considerable influence over who can purchase and sell the issuer's shares by illegally instructing the registrar to refuse to record transactions on the share register. Furthermore, these practices may prevent the Funds from investing in the securities of certain Russian issuers and could cause a delay in the sale of Russian securities by the Funds if the issuer deems a purchaser unsuitable, which may expose the Funds to potential loss on their investment.

In light of the risks described above, the Board of Directors has approved certain procedures concerning the Funds' investments in Russian securities. Among these procedures is a requirement that the Funds not invest in the securities of a Russian issuer unless that issuer's registrar has entered into a contract with the Funds' sub-custodian containing certain protective conditions, including, among other things, the sub-custodian's right to conduct regular

share confirmations on behalf of the Funds. This requirement will likely have the effect of precluding investments in certain Russian issuers that the Funds might otherwise make.

BRADY BONDS. Funds that invest in foreign debt securities may invest in debt obligations customarily referred to as "Brady Bonds." Brady Bonds are created through the exchange of existing commercial bank loans to foreign entities for new obligations in connection with debt restructuring under a plan introduced by former U.S. Secretary of the Treasury Nicholas F. Brady (the "Brady Plan"). Brady Bonds may be collateralized or uncollateralized and issued in various currencies (although most are U.S. dollar-denominated) and they are actively traded in the over-the-counter secondary market. A Fund may purchase Brady Bonds either in the primary or secondary markets. The price and yield of Brady Bonds purchased in the secondary market will reflect the market conditions at the time of purchase, regardless of the stated face amount and the stated interest rate. With respect to Brady Bonds with no or limited collateralization, a Fund will rely for payment of interest and principal primarily on the willingness and ability of the issuing government to make payment in accordance with the terms of the bonds.

U.S. dollar-denominated, collateralized Brady Bonds, which may be fixed rate par bonds or floating rate discount bonds, are generally collateralized in full as to principal due at maturity by U.S. Treasury zero coupon obligations which have the same maturity as the Brady Bonds. Interest payments on these Brady Bonds generally are collateralized by cash or securities in an amount that, in the case of fixed rate bonds, is equal to at least one year of rolling interest payments or, in the case of floating rate bonds, initially is equal to at least one year's rolling interest payments based on the applicable interest rate at that time and is adjusted at regular intervals thereafter. Certain Brady Bonds are entitled to "value recovery payments" in certain circumstances, which in effect constitute supplemental interest payments but generally are not collateralized. Brady Bonds are often viewed as having three or four valuation components: (i) the collateralized repayment of principal at final maturity; (ii) the collateralized interest payments; (iii) the uncollateralized interest payments; and (iv) any uncollateralized repayment of principal at maturity (these uncollateralized amounts constitute the "residual risk"). In the event of a default with respect to collateralized Brady Bonds as a result of which the payment obligations of the issuer are accelerated, the U.S. Treasury zero coupon obligations held as collateral for the payment of principal will not be distributed to investors, nor will such obligations be sold and the proceeds distributed. The collateral will be held to the scheduled maturity of the defaulted Brady Bonds by the collateral agent, at which time the face amount of the collateral will equal the principal payments which would have then been due on the Brady Bonds in the normal course. In addition, in light of the residual risk of the Brady Bonds and, among other factors, the history of defaults with respect to

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commercial bank loans by public and private entities of countries issuing Brady Bonds, investments in Brady Bonds should be viewed as speculative.

ILLIQUID SECURITIES

Each Fund may invest a portion of its assets in illiquid securities, which includes securities that are not readily marketable, repurchase agreements which have a maturity of longer than seven days and generally includes securities that are restricted from sale to the public without registration under the Securities Act of 1933, as amended (the "1933 Act"). The sale of such securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of liquid securities trading on national securities exchanges or in the over-the-counter markets. Restricted securities are often purchased at a discount from the market price of unrestricted securities of the same issuer reflecting the fact that such securities may not be readily marketable without some time delay. Investments in securities for which market quotations are not readily available are valued at their fair value as determined in good faith by the Adviser in accordance with procedures approved by the Company's Board of Directors. Ordinarily, a Fund would invest in restricted securities only when it receives the issuer's commitment to register the securities without expense to that Fund. However, registration and underwriting expenses (which typically range from 7% to 15% of the gross proceeds of the securities sold) may be paid by a Fund. Restricted securities which can be offered and sold to qualified institutional buyers under Rule 144A under the 1933 Act ("144A Securities") and are determined to be liquid under guidelines adopted by and subject to the supervision of the Company's Board of Directors are not subject to the limitation on illiquid securities; however, such securities are still subject to any Fund limitation on the securities subject to legal or contractual restrictions on resale as described in that Fund's investment restrictions. Such 144A Securities are subject to monitoring and may become illiquid to the extent qualified institutional buyers become, for a time, uninterested in purchasing such securities. Factors used to determine whether 144A Securities are liquid include, among other things, a security's trading history, the availability of reliable pricing information, the number of dealers making quotes or making a market in such security and the

number of potential purchasers in the market for such security.

INVESTMENT COMPANY SECURITIES

Each Fund may invest in securities of other open-end or closed-end investment companies, by purchase in the open market involving only customary brokers' commissions or in connection with mergers, acquisitions of assets or consolidations or as may otherwise be permitted by the 1940 Act.

Some emerging market countries have laws and regulations that currently preclude direct foreign investments in the securities of their companies. However, indirect foreign investments in the securities of companies listed and traded on the stock exchanges in these countries are permitted by certain emerging market countries through investment funds which have been specifically authorized. Certain Funds may invest in these investment funds, including those advised by Adviser or its affiliates, subject to applicable provisions of the 1940 Act, and other applicable laws.

If a Fund invests in such investment companies or investment funds, that Fund's shareholders will bear not only their proportionate share of the expenses of that Fund (including operating expenses and the fees of the Adviser), but also will indirectly bear similar expenses of the underlying investment companies or investment funds.

LOAN PARTICIPATIONS AND ASSIGNMENTS

Certain Funds may invest in fixed and floating rate loans ("Loans") arranged through private negotiations between an issuer of sovereign or corporate debt obligations and one or more financial institutions ("Lenders"). Such Funds' investments in Loans are expected in most instances to be in the form of participations in Loans ("Participations") and assignments of all or a portion of Loans ("Assignments") from third parties.

In the case of Participations, a Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the Lender selling the Participations and only upon receipt by the Lender

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of the payments from the borrower. In the event of the insolvency of the Lender selling a Participation, a Fund may be treated as a general creditor of the Lender and may not benefit from any set-off between the Lender and the borrower. A Fund will acquire Participations only if the Fund determines that the Lender interpositioned between the Fund and the borrower is creditworthy.

When a Fund purchases Assignments from Lenders it will acquire direct rights against the borrower on the Loan. Because Assignments are arranged through private negotiations between potential assignees and potential assignors, however, the rights and obligations acquired by a Fund as the purchaser of an Assignment may differ from, and be more limited than, those held by the assigning Lender.

The Funds anticipate that such loan interests may be sold only to a limited number of institutional investors. The lack of a broad secondary market may have an adverse impact on the value of such securities and a Fund's ability to dispose of particular Assignments or Participations when necessary to meet the Fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the borrower. The lack of a broad secondary market for Assignments and Participations also may make it more difficult for a Fund to value these securities for purposes of valuing the Fund's portfolio and calculating its net asset value.

LOWER-GRADE SECURITIES

Certain Funds may invest in lower-grade income securities. Securities that are in the lower-grade categories generally offer higher yields than are offered by higher-grade securities of similar maturities, but they also generally involve greater risks, such as greater credit risk, greater market risk and volatility, greater liquidity concerns and potentially greater manager risk. Investors should carefully consider the risks of owning shares of a Fund that invests in lower-grade securities.

Credit risk relates to the issuer's ability to make timely payment of interest and principal when due. Lower-grade securities are considered more susceptible to nonpayment of interest and principal or default than higher-grade securities. Increases in interest rates or changes in the economy may significantly affect the ability of issuers of lower-grade securities to pay interest and to repay principal, to meet projected financial goals or to obtain additional financing. In the event that an issuer of securities held by a Fund experiences difficulties in the timely payment of principal and interest and such issuer seeks to restructure the terms of its borrowings, such Fund may incur additional expenses and may determine to invest additional assets with respect to such issuer or the project or projects to which the Fund's securities relate. Further, the Fund may incur additional expenses to the extent that it is

required to seek recovery upon a default in the payment of interest or the repayment of principal on its portfolio holdings, and the Fund may be unable to obtain full recovery on such amounts.

Market risk relates to changes in market value of a security that occur as a result of variation in the level of prevailing interest rates and yield relationships in the income securities market and as a result of real or perceived changes in credit risk. The value of such a Fund's investments can be expected to fluctuate over time. When interest rates decline, the value of a portfolio invested in fixed income securities generally can be expected to rise. Conversely, when interest rates rise, the value of a portfolio invested in fixed income securities generally can be expected to decline. Income securities with longer maturities, which may have higher yields, may increase or decrease in value more than income securities with shorter maturities. However, the secondary market prices of lower-grade securities generally are less sensitive to changes in interest rates and are more sensitive to general adverse economic changes or specific developments with respect to the particular issuers than are the secondary market prices of higher-grade securities. A significant increase in interest rates or a general economic downturn could severely disrupt the market for lower-grade securities and adversely affect the market value of such securities. Such events also could lead to a higher incidence of default by issuers of lower-grade securities as compared with higher-grade securities. In addition, changes in credit risks, interest rates, the credit markets or periods of general economic uncertainty can be expected to result in increased volatility in the market price of the lower-grade securities in such a Fund and thus in the net asset value of that Fund. Adverse publicity and investor perceptions, whether or not based on rational analysis, may affect the value, volatility and liquidity of lower-grade securities.

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The markets for lower-grade securities may be less liquid than the markets for higher-grade securities. Liquidity relates to the ability of a Fund to sell a security in a timely manner at a price which reflects the value of that security. To the extent that there is no established retail market for some of the lower-grade securities in which a Fund may invest, trading in such securities may be relatively inactive. Prices of lower-grade securities may decline rapidly in the event a significant number of holders decide to sell. Changes in expectations regarding an individual issuer of lower-grade securities generally could reduce market liquidity for such securities and make their sale by the Fund more difficult, at least in the absence of price concessions. The effects of adverse publicity and investor perceptions may be more pronounced for securities for which no established retail market exists as compared with the effects on securities for which such a market does exist. An economic downturn or an increase in interest rates could severely disrupt the market for such securities and adversely affect the value of outstanding securities or the ability of the issuers to repay principal and interest. Further, a Fund may have more difficulty selling such securities in a timely manner and at their stated value than would be the case for securities for which an established retail market does exist.

The Adviser is responsible for determining the net asset values of the Funds' securities, subject to the supervision of the Company's Board of Directors. During periods of reduced market liquidity or in the absence of readily available market quotations for lower-grade securities, the ability to value the securities becomes more difficult and the judgment of the Adviser may play a greater role in the valuation of such securities due to the reduced availability of reliable objective data.

A Fund may invest in securities not producing immediate cash income, including securities in default, zero-coupon securities or pay-in-kind securities, when their effective yield over comparable instruments producing cash income make these investments attractive. Prices on non-cash-paying instruments may be more sensitive to changes in the issuer's financial condition, fluctuation in interest rates and market demand/supply imbalances than cash-paying securities with similar credit ratings and thus may be more speculative. Special tax considerations are associated with investing in certain lower-grade securities, such as zero-coupon or pay-in-kind securities. See "Taxation" below. The Fund's portfolio management team will weigh these concerns against the expected total returns from such instruments.

A Fund's investments may include securities with the lowest-grade assigned by the recognized rating organizations and unrated securities of comparable quality. Securities assigned such ratings include those of companies that are in default or are in bankruptcy or reorganization. Such a Fund may invest in or own securities of companies in various stages of financial restructuring, bankruptcy or reorganization which are not currently paying interest or dividends. A Fund may have limited recourse in the event of default on such securities. Securities of such companies are regarded by the rating agencies as having extremely poor prospects of ever attaining any real investment standing and are usually available at deep discounts from the face values of the instruments. A security purchased at a deep discount may currently pay a very high effective yield. In addition, if the financial condition of the issuer improves, the underlying value of the security may increase, resulting in capital appreciation. If the

company defaults on its obligations or remains in default, or if the plan of reorganization does not provide sufficient payments for debtholders, the deep discount securities may stop generating income and lose value or become worthless. The portfolio management team will balance the benefits of deep discount securities with their risks. While a broad portfolio of investments may reduce the overall impact of a deep discount security that is in default or loses its value, the risk cannot be eliminated.

Many lower-grade securities are not listed for trading on any national securities exchange, and many issuers of lower-grade securities choose not to have a rating assigned to their obligations by any recognized rating organization. As a result, a Fund's portfolio may consist of a higher portion of unlisted or unrated securities as compared with an investment company that invests primarily in higher-grade securities. Unrated securities are usually not as attractive to as many buyers as are rated securities, a factor which may make unrated securities less marketable. These factors may have the effect of limiting the availability of the securities for purchase by a Fund and may also limit the ability of a Fund to sell such securities at their fair value either to meet redemption requests or in response to changes in the economy or the financial markets. Further, to the extent a Fund owns or may acquire illiquid or restricted lower-grade securities, these securities may involve special registration responsibilities, liabilities and costs, and liquidity and valuation difficulties.

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The Funds will rely on judgment, analysis and experience of their portfolio management teams in evaluating the creditworthiness of an issuer. The amount of available information about the financial condition of certain lower-grade issuers may be less extensive than other issuers. In its analysis, a portfolio management team may consider the credit ratings of recognized rating organizations in evaluating securities although the portfolio management team does not rely primarily on these ratings. Credit ratings of securities rating organizations evaluate only the safety of principal and interest payments, not the market risk. Additionally, ratings are general and not absolute standards of quality, and credit ratings are subject to the risk that the creditworthiness of an issuer may change and the rating agencies may fail to change such ratings in a timely fashion. A rating downgrade does not require a Fund to dispose of a security. The portfolio management team continuously monitors the issuers of securities held in a Fund. Additionally, since most foreign securities are not rated, a Fund will invest in such securities based on the portfolio management team's analysis without any guidance from published ratings. Because of the number of investment considerations involved in investing in lower-grade securities and foreign securities, achievement of such Fund's investment objectives may be more dependent upon the portfolio management team's credit analysis than is the case with investing in higher-grade securities.

New or proposed laws may have an impact on the market for lower-grade securities. The Adviser is unable at this time to predict what effect, if any, legislation may have on the market for lower-grade securities.

MORTGAGE-RELATED DEBT SECURITIES

Mortgage-related debt securities represent ownership interests in individual pools of residential mortgage loans. These securities are designed to provide monthly payments of interest and principal to the investor. Each mortgagor's monthly payment to his lending institution on his residential mortgage is "passed-through" to investors. Mortgage pools consist of whole mortgage loans or participations in loans. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. Lending institutions which originate mortgages for the pools are subject to certain standards, including credit and underwriting criteria for individual mortgages included in the pools.

The coupon rate of interest on mortgage-related securities is lower than the interest rates paid on the mortgages included in the underlying pool, but only by the amount of the fees paid to the mortgage pooler, issuer, and/or guarantor of payment of the securities for the guarantee of the services of passing through monthly payments to investors. Actual yield may vary from the coupon rate, however, if mortgage-related securities are purchased at a premium or discount, traded in the secondary market at a premium or discount, or to the extent that mortgages in the underlying pool are prepaid as noted above. In addition, interest on mortgage-related securities is earned monthly, rather than semi-annually as is the case for traditional bonds, and monthly compounding may tend to raise the effective yield earned on such securities.

STRIPPED MORTGAGE-BACKED SECURITIES. Stripped mortgage-backed securities ("SMBS") are derivative multiclass mortgage securities. SMBS may be issued by agencies or instrumentalities of the U.S. government or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose entities of the foregoing.

SMBS are usually structured with two or more classes that receive different

proportions of the interest and principal distributions on a pool of mortgage assets. A common type of SMBS will have one class receiving some of the interest and most of the principal from the mortgage assets, while the other class will receive most of the interest and the remainder of the principal. In the most extreme case, one class will receive all of the interest (the interest-only or "IO" class), while the other class will receive all of the principal (the principal-only or "PO" class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on a Fund's yield to maturity from these securities. If the underlying mortgage assets experience greater than anticipated prepayments of principal, a Fund may fail to fully recoup its initial investment in these securities even if the security is in one of the highest rating categories.

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Although SMBS are purchased and sold by institutional investors through several investment banking firms acting as brokers or dealers, these securities were only recently developed. As a result, established trading markets have not yet developed and, accordingly, certain of these securities may be deemed "illiquid" and are subject to a Fund's limitations on investment in illiquid securities.

OBLIGATIONS OF DOMESTIC BANKS, FOREIGN BANKS AND FOREIGN BRANCHES OF U.S. BANKS

For purposes of the Funds' investment policies with respect to bank obligations, the assets of a bank or savings institution will be deemed to include the assets of its domestic and foreign branches. Investments in bank obligations will include obligations of domestic branches of foreign banks and foreign branches of domestic banks. Such investments may involve risks that are different from investments in securities of domestic branches of U.S. banks. See "Foreign Investing" above for a discussion of the risks of foreign investments. These institutions may be subject to less stringent reserve requirements and to different accounting, auditing, reporting and record keeping requirements than those applicable to domestic branches of U.S. banks.

REPURCHASE AGREEMENTS

The Funds may engage in repurchase agreements with broker-dealers, banks and other financial institutions to earn a return on temporarily available cash. A repurchase agreement is a short-term investment in which the purchaser (i.e., the Fund) acquires ownership of a security and the seller agrees to repurchase the obligation at a future time and set price, thereby determining the yield during the holding period. Repurchase agreements involve certain risks in the event of default by the other party. A Fund may enter into repurchase agreements with broker-dealers, banks or other financial institutions deemed to be creditworthy by the Adviser under guidelines approved by the Company's Board of Directors. A Fund will not invest in repurchase agreements maturing in more than seven days if any such investment, together with any other illiquid securities held by the Fund, would exceed the Fund's limitation on illiquid securities described herein. A Fund does not bear the risk of a decline in the value of the underlying security unless the seller defaults under its repurchase obligation. In the event of the bankruptcy or other default of a seller of a repurchase agreement, a Fund could experience both delays in liquidating the underlying securities and losses including: (a) possible decline in the value of the underlying security during the period while the Fund seeks to enforce its rights thereto; (b) possible lack of access to income on the underlying security during this period; and (c) expenses of enforcing its rights.

For the purpose of investing in repurchase agreements, the Adviser may aggregate the cash that certain funds advised or subadvised by the Adviser or certain of its affiliates would otherwise invest separately into a joint account. The cash in the joint account is then invested in repurchase agreements and the funds that contributed to the joint account share pro rata in the net revenue generated. The Adviser believes that the joint account produces efficiencies and economies of scale that may contribute to reduced transaction costs, higher returns, higher quality investments and greater diversity of investments for the Funds than would be available to the Funds investing separately. The manner in which the joint account is managed is subject to conditions set forth in an exemptive order from the SEC permitting this practice, which conditions are designed to ensure the fair administration of the joint account and to protect the amounts in that account.

Repurchase agreements are fully collateralized by the underlying securities and are considered to be loans under the 1940 Act. A Fund pays for such securities only upon physical delivery or evidence of book entry transfer to the account of a custodian or bank acting as agent. The seller under a repurchase agreement will be required to maintain the value of the underlying securities marked-to-market daily at not less than the repurchase price. The underlying securities (normally securities of the U.S. government, its agencies or instrumentalities) may have maturity dates exceeding one year.

REVERSE REPURCHASE AGREEMENTS

To the extent allowed by the Fund's investment restrictions, certain Funds may enter into reverse repurchase agreements with broker-dealers, banks and other financial institutions that meet the credit

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guidelines set by the Company's Board of Directors. In a reverse repurchase agreement, a Fund sells a security and agrees to repurchase it at a mutually agreed upon date and price, reflecting the interest rate effective for the term of the agreement. It may also be viewed as the borrowing of money by a Fund. A Fund's investment of the proceeds of a reverse repurchase agreement is the speculative factor known as leverage. A Fund will enter into a reverse repurchase agreement only if the interest income from investment of the proceeds is expected to be greater than the interest expense of the transaction and the proceeds are invested for a period no longer than the term of the agreement. A Fund will segregate cash or liquid securities in an amount at least equal to its purchase obligations under these agreements (including accrued interest). If interest rates rise during a reverse repurchase agreement, it may adversely affect a Fund's net asset value. In the event that the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Fund's repurchase obligation, and the Fund's use of proceeds of the agreement may effectively be restricted pending such decision.

SECURITIES LENDING

Certain Funds may lend investment securities to qualified broker-dealers, banks and other institutional borrowers who need to borrow securities to complete certain transactions, such as covering short sales, avoiding failures to deliver securities or completing arbitrage operations. By lending its investment securities, a Fund attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur during the term of the loan would be for the account of the Fund. Each Fund may lend its investment securities to qualified brokers-dealers, domestic and foreign banks and other institutional borrowers, so long as the terms, structure and the aggregate amount of such loans are not inconsistent with the 1940 Act, or the rules and regulations or interpretations of the SEC thereunder, which currently require that (a) the borrower pledge and maintain with the Fund collateral consisting of cash, an irrevocable letter of credit issued by a domestic U.S. bank, or liquid securities having a value at all times not less than 100% of the value of the securities loaned, including accrued interest, (b) the borrower add to such collateral whenever the price of the securities loaned rises (i.e., the borrower "marks to the market" on a daily basis), (c) the loan be made subject to termination by the Fund at any time, and (d) the Fund receive reasonable interest on the loan (which may include the Fund investing any cash collateral in interest bearing short-term investments), any distributions on the loaned securities and any increase in their market value. If the borrower fails to return the borrowed securities or maintain the requisite amount of collateral, the loan terminates, and the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. As with any extensions of credit, there are risks of delay in recovering and in some cases even loss of rights in the collateral should the borrower of the securities fail financially. However, these loans of portfolio securities will only be made to borrowers deemed by the Adviser to be creditworthy and when the consideration which can be earned from such loans is believed to justify the attendant risks. On termination of the loan, the borrower is required to return the securities to the Fund; any gain or loss in the market price during the loan would inure to the Fund. All relevant facts and circumstances, including the creditworthiness of the broker-dealer, bank or institution, will be considered in making decisions with respect to the lending of securities, subject to review by the Company's Board of Directors.

At the present time, the staff of the SEC does not object if an investment company pays reasonable negotiated fees in connection with loaned securities, so long as such fees are set forth in a written contract and approved by the investment company's Board of Directors. In addition, voting rights may pass with the loaned securities, but if a material event will occur affecting an investment on loan, the loan must be called and the securities voted by the Fund.

SHORT SALES

Unless limited by a Fund's fundamental investment restrictions described herein, each Fund may from time to time sell securities short. A short sale is a transaction in which a Fund sells a security in anticipation that the market price of such security will decline. Unless limited by a Fund's fundamental investment

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restrictions described herein, each Fund may sell securities it owns or has the

right to acquire at no added cost (i.e., "against the box") or it does not own. When the Fund makes a short sale, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale in order to satisfy its obligation to deliver the security upon conclusion of the sale. The Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities.

The Fund's obligation to replace the borrowed security will be secured by collateral of cash or liquid securities. Depending on arrangements made with the broker-dealer, bank or other financial institution from which it borrowed the security regarding payment over of any payments received by the Fund on such security, the Fund may not receive any payments (including interest) on its collateral deposited with such entity.

If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a capital gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Although the Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

STRATEGIC TRANSACTIONS

Each Fund may, but is not required to, use various Strategic Transactions (as defined in the Prospectuses) to earn income, facilitate portfolio management and mitigate risks. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur. Although the portfolio management team seeks to use such transactions to further the Fund's investment objective(s), no assurance can be given that the use of these transactions will achieve this result.

FUTURES CONTRACTS. Futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security or a specific currency at a specified future time and at a specified price. Futures contracts that are traded in the United States and that are standardized as to maturity date and underlying financial instrument, index or currency, are traded on national futures contract exchanges. Futures contract exchanges and trading are regulated under the Commodity Exchange Act by the Commodity Futures Trading Commission ("CFTC"), a U.S. government agency.

Although futures contracts by their terms call for actual delivery or acceptance of the underlying securities or currencies, in most cases the contracts are closed out before the settlement date without the making or taking of delivery. Closing out an open futures contract position is done by taking an opposite position ("buying" a contract which has previously been "sold" or "selling" a contract previously "purchased") in an identical contract to terminate the position. Brokerage commissions are incurred when a futures contract is bought or sold.

Unless otherwise limited in a Fund's Prospectus or herein, each Fund may sell indexed financial futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of securities in its portfolio that might otherwise result. An index futures contract is an agreement to take or make delivery of an amount of cash equal to the difference between the value of the index at the beginning and at the end of the contract period. Successful use of index futures contracts will be subject to the portfolio management team's ability to predict correctly movements in the direction of the relevant securities market. No assurance can be given that the portfolio management team's judgment in this respect will be correct.

Unless otherwise limited in a Fund's Prospectus or herein, each Fund may buy indexed financial futures contracts in anticipation of or during a market advance to attempt to capture the increase in market value of securities. For example, if the Fund's portfolio management team believes that a portion of a Fund's assets should be invested in emerging market country securities but such investments have not been fully made and the portfolio management team anticipates a significant market advance, the Fund may purchase index futures contracts to gain rapid market exposure that may, in part or entirely, offset increases in the cost of securities that it intends to purchase. In a substantial majority of these transactions, the Fund will purchase such securities upon termination of the futures contract position but, under unusual market conditions, a futures position may be terminated without the corresponding purchase of such securities.

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Futures contract traders are required to make a good faith margin deposit in cash or liquid securities to initiate and maintain open positions in futures contracts. A margin deposit is intended to assure completion of the contract (delivery or acceptance of the underlying security) if it is not terminated prior to the specified delivery date. Minimal initial margin requirements are established by the futures contract exchange and may be changed. Brokers may establish deposit requirements which are higher than the exchange minimums.

After a futures contract position is opened, the value of the contract is marked-to-market daily. If the futures contract price changes to the extent that the margin on deposit does not satisfy margin requirements, payment of an additional "variation" margin will be required. Conversely, a change in the contract value may reduce the required margin, resulting in a repayment of excess margin to the contract holder. Variation margin payments are made for as long as the contract remains open. The Funds expect to earn interest income on their margin deposits.

Traders in futures contracts may be broadly classified as either "hedgers" or "speculators." Hedgers use the futures contract markets primarily to offset unfavorable changes in the value of securities otherwise held for investment purposes or expected to be acquired by them. Speculators are less inclined to own the underlying securities with futures contracts that they trade, and use futures contracts with the expectation of realizing profits from market fluctuations. The Funds intend to use futures contracts only for hedging purposes.

Regulations of the CFTC applicable to the Funds require generally that all futures contract transactions constitute bona fide hedging transactions. A Fund may engage in futures contract transactions for other purposes so long as the aggregate initial margin and premiums required for such transaction will not exceed 5% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and unrealized losses on any such contracts it has entered into. The Funds generally will only sell futures contracts to protect securities owned against declines in price or purchase contracts to protect against an increase in the price of securities intended for purchase. As evidence of this hedging interest, the Funds expect that approximately 75% of their respective futures contracts will be "completed"; that is, equivalent amounts of related securities will have been purchased or are being purchased by the Fund upon sale of open futures contracts.

Although techniques other than the sale and purchase of futures contracts could be used to control a Fund's exposure to market fluctuations, the use of futures contracts may be a more effective means of hedging this exposure. While the Funds will incur commission expenses in both opening and closing out futures contracts positions, these costs are lower than transaction costs incurred in the purchase and sale of the underlying securities.

Risk Factors in Futures Contract Transactions. Positions in futures contracts may be closed out only on an exchange which provides a secondary market for such futures contracts. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures contract position. In the event of adverse price movements, a Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if a Fund has insufficient cash, it may have to sell portfolio securities to meet its daily margin requirement at a time when it may be disadvantageous to do so. In addition, the Fund may be required to make delivery of the instruments underlying the futures contracts it holds. The inability to close options and futures contracts positions also could have an adverse impact on the Fund's ability to effectively hedge.

The Funds will minimize the risk that they will be unable to close out a futures contract by generally entering into futures contracts which are traded on recognized international or national futures contract exchanges and for which there appears to be a liquid secondary market, however, the Funds may enter into over-the-counter futures contracts transactions to the extent permitted by applicable law.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required and the extremely high degree of leverage involved in futures contract pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. For example, if, at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total

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loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit if the contract were closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount invested in the contract. However, because the Funds engage in futures contract strategies only for hedging purposes, the Adviser does not believe that the Funds are subject to the risks of loss frequently associated with futures contract transactions. The Fund would presumably have sustained comparable losses if, instead of the futures contract, the Fund had invested in the underlying security or currency and sold it after the decline.

Utilization of futures contracts transactions by a Fund does involve the risk of imperfect or no correlation where the securities underlying futures

contracts have different maturities than the portfolio securities or currencies being hedged. It is also possible that a Fund could both lose money on futures contracts and also experience a decline in value of its portfolio securities. There is also the risk that the Fund will lose margin deposits in the event of bankruptcy of a broker with whom the Fund has an open position in a futures contract or related option.

Most futures contract exchanges limit the amount of fluctuation in futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary, either up or down, from the previous day's settlement price. Once the daily limit has been reached in a particular type of contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavorable positions. Futures contract prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures contract positions and subjecting some futures contract traders to substantial losses.

OPTIONS TRANSACTIONS. Unless otherwise limited in a Fund's Prospectus or herein, each Fund may write (i.e., sell) covered call options which give the purchaser the right to buy the underlying security covered by the option from the Fund at the stated exercise price. A "covered" call option means that, so long as a Fund is obligated as the writer of the option, it will own (i) the underlying securities subject to the option, or (ii) securities convertible or exchangeable without the payment of any consideration into the securities subject to the option.

A Fund will receive a premium from writing call options, which increases the Fund's return on the underlying security in the event the option expires unexercised or is closed out at a profit. By writing a call, a Fund will limit its opportunity to profit from an increase in the market value of the underlying security above the exercise price of the option for as long as the Fund's obligation as writer of the option continues. Thus, in some periods a Fund will receive less total return and in other periods a Fund will receive greater total return from writing covered call options than it would have received from its underlying securities had it not written call options.

A Fund may sell put options to receive the premiums paid by purchasers and to close out a long put option position. In addition, when the Fund wishes to purchase a security at a price lower than its current market price, a Fund may write a covered put at an exercise price reflecting the lower purchase price sought.

A Fund may purchase call options to close out a covered call position or to protect against an increase in the price of a security it anticipates purchasing. A Fund may purchase put options on securities which it holds in its portfolio to protect itself against a decline in the value of the security. If the value of the underlying security were to fall below the exercise price of the put option purchased in an amount greater than the premium paid for the option, the Fund would incur no additional loss. A Fund may also purchase put options to close out written put positions in a manner similar to call option closing purchase transactions. There are no other limits on a Fund's ability to purchase call and put options.

Unless the parties provide for it, there is no central clearing or guaranty function in an over-the-counter option ("OTC Option"). As a result, if the counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC Option it has entered into with a Fund or fails to make a cash settlement payment due in accordance with the terms of that option, the Fund will lose any premium it paid

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for the option as well as any anticipated benefit of the transaction. Accordingly, the Fund must assess the creditworthiness of each such counterparty or any guarantor of credit enhancement of the counterparty's credit to determine the likelihood that the terms of the OTC Options will be satisfied. The staff of the SEC currently takes the position that, in general, OTC Options on securities purchased by the Fund and portfolio securities "covering" the amount of the Fund's obligation pursuant to an OTC option sold by it are illiquid, and are subject to the Fund's limitation on illiquid securities described herein.

Investments in options involve some of the same considerations that are involved in connection with investments in futures contracts (e.g., the existence of a liquid secondary market). In addition, the purchase of an option also entails the risk that changes in the value of the underlying security or contract will not be fully reflected in the value of the option purchased. Depending on the pricing of the option compared to either the futures contract or underlying securities, an option may or may not be less risky than ownership of the futures contract or actual securities. In general, the market prices of options can be expected to be more volatile than the market prices on the underlying futures contract or securities. In the opinion of the Adviser, the

risk that a Fund will be unable to close out an options contract will be minimized by only entering into options transactions for which there appears to be a liquid secondary market.

OPTIONS ON FOREIGN CURRENCIES. Unless otherwise limited in a Fund's Prospectus or herein, each Fund may attempt to accomplish objectives similar to those described herein with respect to foreign currency forward contracts and futures contracts for currency by means of purchasing put or call options on foreign currencies on exchanges. A put option gives a Fund the right to sell a currency at the exercise price until the expiration of the option. A call option gives a Fund the right to purchase a currency at the exercise price until the expiration of the option.

The Funds may purchase and write options on foreign currencies in a manner similar to that in which a Fund may utilize futures contracts on foreign currencies or forward contracts. For example, a decline in the dollar value of a foreign currency in which portfolio securities are denominated will reduce the dollar value of such securities, even if their value in the foreign currency remains constant. To protect against such diminution in the value of portfolio securities, the Funds may purchase put options on the foreign currency. If the value of the currency declines, the Funds will have the right to sell such currency for a fixed amount in dollars and will thereby offset, in whole or in part, the adverse effect on their portfolios which otherwise would have resulted. Conversely, the Funds may purchase call options on currencies whose value is projected to increase, causing an increase in the cost of securities denominated in that currency. The purchase of such options could offset, at least partially, the effects of the adverse movements in exchange rates. As in the case of other types of options, however, the benefit to the Funds derived from purchases 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 Funds 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.

Funds may write options on foreign currencies for the same purposes. For example, where a Fund 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 anticipated decline occurs, the option will most likely not be exercised, and the diminution 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 cost of securities to be acquired, the Fund 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 cost 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 does not occur, the option may be exercised and the Fund would be required to purchase or sell the underlying currency at a loss which may not be offset by the amount of the premium. Through the writing of options on foreign currencies, the Fund also may be required to forego all or a portion of the benefits which might otherwise have been obtained from favorable movements in exchange rates.

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Funds may only write covered call options on foreign currencies. A call option on a foreign currency written by the portfolio is "covered" if the Fund owns the underlying foreign currency covered by the call, has an absolute and immediate right to acquire that foreign currency without additional cash consideration (or for additional cash consideration held in a segregated account) or can obtain that foreign currency upon conversion or exchange of another foreign currency(ies) held in its portfolio. A written call option is also covered if the Fund has a call on the same foreign currency and in the same principal amount as the call written where the exercise price of the call held (a) is equal to or less than the exercise price of the call written, or (b) is greater than the exercise price of the call written if the Fund segregates cash or liquid securities in an amount at least equal to the difference.

Funds may also write call options on foreign currencies for cross-hedging purposes. A call option on a foreign currency is for cross-hedging purposes if it is designed to provide a hedge against a decline in the U.S. dollar value of a security which the portfolio owns or has the right to acquire due to an adverse change in the exchange rate and which is denominated in the currency underlying the option. In such circumstances, the Fund will either "cover" the transaction as described above or collateralize the option by segregating cash or liquid securities in an amount not less than the value of the underlying foreign currency in U.S. dollars marked-to-market daily.

CAPS, FLOORS AND COLLARS. Unless otherwise limited by a Fund's Prospectus or herein, each Fund may invest in caps, floors and collars, which are instruments analogous to options transactions described above. In particular, a cap is the right to receive the excess of a reference rate over a given rate and

is analogous to a put option. A floor is the right to receive the excess of a given rate over a reference rate and is analogous to a call option. Finally, a collar is an instrument that combines a cap and a floor. That is, the buyer of a collar buys a cap and writes a floor, and the writer of a collar writes a cap and buys a floor. The risks associated with caps, floors and collars are similar to those associated with options. In addition, caps, floors and collars are subject to risk of default by the counterparty because they are privately negotiated instruments.

COMBINED TRANSACTIONS. Unless otherwise limited by a Fund's Prospectus or herein, each Fund may enter into multiples of the forwards, futures contracts and options transactions described above, including multiple options transactions, multiple futures contract transactions, multiple foreign currency transactions (including forward foreign currency exchange contracts) and any combination of futures contracts, options and foreign currency transactions. The Funds may enter into any of the foregoing, instead of a single transaction, as part of a single portfolio management or hedging strategy when, in the opinion of the Adviser, it is in the best interest of the Fund to do so. A combined transaction, while part of a single strategy, may contain elements of risk that are present in each of its component transactions and will be structured in accordance with applicable SEC regulations and SEC staff guidelines.

RISKS OF OPTIONS ON FUTURES CONTRACTS, FORWARD CONTRACTS AND OPTIONS ON FOREIGN CURRENCIES. Options on foreign currencies and forward contracts are not traded on contract markets regulated by the CFTC or (with the exception of certain foreign currency options) by the SEC. To the contrary, such instruments are traded through financial institutions acting as market-makers, although foreign currency options are also traded on certain national securities exchanges, such as the Philadelphia Stock Exchange and the Chicago Board Options Exchange, subject to SEC regulation. Similarly, options on currencies may be traded over-the-counter. In an over-the-counter trading environment, many of the protections afforded to exchange participants will not be available. For example, there are no daily price fluctuation limits, and adverse market movements could therefore continue to an unlimited extent over a period of time. Although the purchase of an option cannot lose more than the amount of the premium plus related transaction costs, this entire amount could be lost. Moreover, a writer of options and a trader of forward contracts could lose amounts substantially in excess of their initial investments.

Options on foreign currencies traded on national securities exchanges are within the jurisdiction of the SEC, as are other securities traded on such exchanges. As a result, many of the protections provided to traders on organized exchanges will be available with respect to such transactions. In particular, all foreign currency option positions entered into on a national securities exchange are cleared and guaranteed by the OCC, thereby reducing the risk of counterparty default. Furthermore, a liquid secondary market in options traded on

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a national securities exchange may be more readily available than in the over-the-counter market, potentially permitting a Fund to liquidate open positions at a profit prior to exercise or expiration, or to limit losses in the event of adverse market movements.

The purchase and sale of exchange-traded foreign currency options, however, is subject to the risks of the availability of a liquid secondary market described above, as well as the risks regarding adverse market movements, margining of options written, the nature of the foreign currency market, possible intervention by governmental authorities and the effect of other political and economic events. In addition, exchange-traded options of foreign currencies involve certain risks not presented by the over-the-counter market. For example, exercise and settlement of such options must be made exclusively through the OCC, which has established banking relationships in applicable foreign countries for this purpose. As a result, the OCC may, if it determines that foreign governmental restrictions or taxes would prevent the orderly settlement of foreign currency option exercises or would result in undue burdens on the OCC or its clearing member, impose special procedures on exercise and settlement. These special procedures may include technical changes in the mechanics of delivery of currency, the fixing of dollar settlement prices or prohibitions on exercise.

In addition, futures contracts, options on futures contracts, forward contracts and options on foreign currencies may be traded on foreign exchanges. When conducted outside the United States, such transactions may not be regulated as rigorously as in the United States, may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in or the prices of such transactions, securities, and other instruments. The value of such positions also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the United States of data on which to make trading decisions, (iii) delays in the Fund's ability to act upon economic events occurring in foreign markets during non-business hours in the United States, (iv) the imposition of different exercise and settlement terms and procedures

and margin requirements than in the United States, and (v) lower trading volume and liquidity.

STRUCTURED NOTES. Structured Notes are derivatives, the amount of principal repayment and/or interest payments of which is based upon the movement of one or more factors. These factors may include, but are not limited to, currency exchange rates, interest rates (such as the prime lending rate and the London Interbank Offered Rate) and stock indices such as the S&P 500 Index. In some cases, the impact of the movements of these factors may increase or decrease through the use of multipliers or deflators. The Funds may use structured notes to tailor their investments to the specific risks and returns that the Fund is willing to accept, while avoiding or reducing certain other risks.

SWAP CONTRACTS. A swap contract is an agreement to exchange the return generated by one instrument for the return generated by another instrument. The payment streams are calculated by reference to a specified index and an agreed upon notional amount. The term "specified index" may include, but is not limited to, currencies, fixed interest rates, prices, total return on interest rate indices, fixed income indices, stock indices and commodity indices (as well as amounts derived from arithmetic operations on these indices). For example, a Fund may agree to swap the return generated by a fixed-income index for the return generated by a second fixed-income index. The currency swaps in which a Fund may enter will generally involve an agreement to pay interest streams in one currency based on a specified index in exchange for receiving interest streams denominated in another currency. Such swaps may involve initial and final exchanges that correspond to the agreed upon notional amount.

The swaps in which the noted Funds may engage also include rate caps, floors and collars under which one party pays a single or periodic fixed amount(s) (or premium), and the other party pays periodic amounts based on the movement of a specified index. Swaps do not involve the delivery of securities, other underlying assets or principal. Accordingly, the risk of loss with respect to swaps is limited to the net amount of payments that the Fund is contractually obligated to make. If the other party to a swap defaults, the Fund's risk of loss consists of the net amount of payments that the Fund is contractually entitled to receive. Currency swaps usually involve the delivery of the entire principal value of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the

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counterparty, the Fund may have contractual remedies pursuant to the agreements related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid. Caps, floors, and collars are more recent innovations for which standardized documentation has not yet been fully developed and, accordingly, they are less liquid than swaps.

Funds will usually enter into swaps on a net basis, i.e., the two payment streams are netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund's obligations under a swap agreement will be accrued daily (offset against any amounts owing to the portfolio) and, to avoid any potential leveraging of the Fund, the Fund will segregate cash or liquid securities in an amount at least equal to any accrued but unpaid net amounts owed to the swap counterparty. To the extent that these swaps, caps, floors, and collars are entered into for hedging purposes, the Fund believes such obligations do not constitute "senior securities" under the 1940 Act and, accordingly, will not treat them as being subject to the Fund's borrowing restrictions. Funds may enter into over-the-counter derivatives transactions (swaps, caps, floors, puts, etc., but excluding foreign exchange contracts) with counterparties that are approved by the Adviser in accordance with guidelines established by the Company's Board of Directors. These guidelines provide for a minimum credit rating for each counterparty and various credit enhancement techniques (for example, collateralization of amounts due from counterparties) to limit exposure to counterparties with ratings below AA.

The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Fund's portfolio management team is incorrect in its forecasts of market values, interest rates and currency exchange rates, the investment performance of the portfolio would be less favorable than it would have been if this investment technique were not used.

USE OF SEGREGATED AND OTHER SPECIAL ACCOUNTS. Many Strategic Transactions, in addition to other requirements, require that a Fund segregate cash and/or liquid securities to the extent such Fund's obligations are not otherwise "covered" through ownership of the underlying security, financial instrument or currency. In general, either the full amount of any obligation by the Fund to pay or deliver securities or assets must be covered at all times by the securities, instruments or currency required to be delivered (or securities

convertible into the needed securities without additional consideration), or subject to any regulatory restrictions, the Fund must segregate an amount of cash and/or liquid securities at least equal to the current amount of the obligation. In the case of a futures contract or an option on a futures contract, the Fund must deposit initial margin and possible daily variation margin in addition to segregating cash and/or liquid securities sufficient to meet its obligation to purchase or provide securities or currencies, or to pay the amount owed at the expiration of an index-based futures contract. With respect to swaps, the Fund will accrue the net amount of the excess, if any, of its obligations over its entitlements with respect to each swap on a daily basis and will segregate an amount of cash and/or liquid securities having a value equal to the accrued excess. Caps, floors and collars require segregation of cash and/or liquid securities with a value equal to the Fund's net obligation, if any. Strategic Transactions may be covered by other means when consistent with applicable regulatory policies. The Fund may also enter into offsetting transactions so that its combined position, coupled with any segregated cash and/or liquid securities, equals its net outstanding obligation.

U.S. GOVERNMENT OBLIGATIONS

Examples of types of U.S. Government obligations include U.S. Treasury Bills, Treasury Notes and Treasury Bonds and the obligations of Federal Home Loan Banks, Federal Farm Credit Banks, Federal Land Banks, the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, Federal National Mortgage Association, Government National Mortgage Association, General Services Administration, Student Loan Marketing Association, Central Bank for Cooperatives, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Maritime Administration, International Bank for Reconstruction and Development (the "World Bank"), the Asian-American Development Bank and the Inter-American Development Bank.

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"WHEN-ISSUED" AND "DELAYED DELIVERY" TRANSACTIONS

The Funds may purchase securities on a "when-issued" or "delayed delivery" basis. In such transactions, instruments are bought with payment and delivery taking place in the future to secure what is considered to be an advantageous yield or price at the time of the transaction. The payment obligation and the interest rates that will be received are each fixed at the time a Fund enters into the commitment, and no interest accrues to the Fund until settlement. Thus, it is possible that the market value at the time of settlement could be higher or lower than the purchase price if the general level of interest rates has changed. Because the Fund relies on the buyer or seller, as the case may be, to consummate the transaction, failure by the other party to complete the transaction may result in the Fund missing the opportunity of obtaining a price or yield considered to be advantageous. When the Fund is the buyer in such a transaction, however, it will segregate cash or liquid securities having an aggregate value at least equal to the amount of such purchase commitments until payment is made.

ZERO COUPON BONDS

Zero coupon bonds is a term used to describe notes and bonds that have been stripped of their unmatured interest coupons or the coupons themselves, and also receipts or certificates representing interest in such stripped debt obligations and coupons. The timely payment of coupon interest and principal on zero coupon bonds issued by the U.S. Treasury remains guaranteed by the "full faith and credit" of the United States government.

A zero coupon bond does not pay interest. Instead, it is issued at a substantial discount to its "face value" -- what it will be worth at maturity. The difference between a security's issue or purchase price and its face value represents the imputed interest that an investor will earn if the security is held until maturity. Special tax considerations are associated with investing in zero-coupon bonds. See "Taxation" below.

Zero coupon bonds may offer investors the opportunity to earn higher yields than those available on U.S. Treasury Bonds of similar maturity. However, zero coupon bond prices may also exhibit greater price volatility than ordinary debt securities because of the manner in which their principal and interest is returned to the investor.

Zero Coupon Treasury Bonds are sold under a variety of different names, such as: Certificate of Accrual on Treasury Securities ("CATS"), Treasury Receipts ("TRs"), Separate Trading of Registered Interest and Principal of Securities ("STRIPS") and Treasury Investment Growth Receipts ("TIGERS").

INVESTMENT RESTRICTIONS

Each Fund has adopted certain investment policies that are either fundamental investment limitations or non-fundamental investment limitations. Fundamental investment limitations may not be changed without shareholder

approval by the vote of a majority of its outstanding voting securities, which is defined by the 1940 Act as the lesser of: (1) 67% or more of the voting securities of the Fund present at a meeting, if the holders of more than 50% of the Fund's outstanding voting securities are present or represented by proxy, or (2) more than 50% of the outstanding voting securities of the Fund.

Non-fundamental investment limitations may be changed by the Board of Directors of the Company without shareholder approval.

Each Fund is designated as either a diversified fund or a non-diversified fund as those terms are defined under the 1940 Act. Like fundamental investment restrictions, a fund which is designated as a diversified fund may not change its status to a non-diversified fund without approval by the vote of a majority of its outstanding voting securities. The following Funds are diversified funds: American Value Fund, Asian Equity Fund, Equity Growth Fund, European Value Equity Fund, Global Equity Allocation Fund, Global Value Equity Fund, Growth and Income Fund II, Japanese Equity Fund, Mid Cap Growth Fund and Value Fund. The following Funds are non-diversified funds: Emerging Markets Debt Fund, Emerging Markets Fund, Emerging Markets Income Fund, Focus Equity Fund, Global Franchise Fund, International Magnum Fund and Latin American Fund. As described in the Prospectuses for the non-diversified funds, such funds may invest a greater portion of their assets in a more limited number of issuers than diversified funds, and therefore, non-diversified funds

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are subject to greater risk because the changes in the financial condition of a single issuer may cause greater fluctuation in the value of such funds' shares.

The percentage limitations contained in the restrictions and policies set forth herein apply at the time of purchase of securities. With respect to the limitation on borrowings and illiquid securities, the percentage limitations apply at the time of purchase and on an ongoing basis.

For the purpose of describing fundamental investment limitations, the Funds have been divided into two separate groups, which limitations apply only to the Funds that form a part of that group. The groups are comprised as follows:

Category I Funds: American Value Fund, Asian Equity Fund, Emerging Markets Fund, Emerging Markets Income Fund, European Value Equity Fund, Focus Equity Fund, Global Equity Allocation Fund, Growth and Income Fund II, International Magnum Fund, Japanese Equity Fund and Latin American Fund.

Category II Funds: Emerging Markets Debt Fund, Equity Growth Fund, Global Franchise Fund, Global Value Equity Fund, Mid Cap Growth Fund and Value Fund.

CATEGORY I FUNDS

The following are fundamental investment limitations with respect to the Category I Funds. No Category I Fund will:

(1) invest in commodities, except that each of the American Value Fund, Emerging Markets Fund, Emerging Markets Income Fund, European Value Equity Fund, Focus Equity Fund, Growth and Income Fund II and Latin American Fund may invest in futures contracts and options to the extent that not more than 5% of its total assets are required as deposits to secure obligations under futures contracts and not more than 20% of its total assets are invested in futures contracts and options at any time.

(2) purchase or sell real estate or real estate limited partnerships, although it may purchase and sell securities of companies which deal in real estate and may purchase and sell securities which are secured by interests in real estate.

(3) underwrite the securities of other issuers.

(4) invest for the purpose of exercising control over management of any company.

(5) invest more than 5% of its total assets in securities of companies which have (with predecessors) a record of less than three years' continuous operation.

(6) except with respect to the Latin American Fund, acquire any securities of companies within one industry if, as a result of such acquisition, more than 25% of the value of the Fund's total assets would be invested in securities of companies within such industry; provided, however, that there shall be no limitation on the purchase of obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities.

(7) write or acquire options or interests in oil, gas or other mineral exploration or development programs or leases.

(8) purchase on margin or sell short except as specified above in (1) and except that the Emerging Markets Fund, Emerging Markets Income Fund, European Value Equity Fund, Focus Equity Fund and Latin American Fund may enter into short sales in accordance with its investment objective and policies.

(9) purchase or retain securities of an issuer if those officers and directors of the Company or its investment adviser owning more than 1/2 of 1% of such securities together own more than 5% of such securities.

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(10) borrow, except from banks and as a temporary measure for extraordinary or emergency purposes and then, in no event, in excess of 10% of the Fund's total assets valued at the lower of market or cost and a Fund may not purchase additional securities when borrowings exceed 5% of total assets, except that the Emerging Markets Income Fund, Growth and Income Fund II and Latin American Fund may enter into reverse repurchase agreements in accordance with its investment objective and policies and except that each of the Emerging Markets Income Fund, Focus Equity Fund and Latin American Fund may borrow amounts up to 33 1/3% of its total assets (including the amount borrowed), less all liabilities and indebtedness other than the borrowing.

(11) pledge, mortgage, or hypothecate any of its assets to an extent greater than 10% of its total assets at Emerging Markets Income Fund fair market value, except that each of the Focus Equity Fund and Latin American Fund may pledge, mortgage or hypothecate its assets to secure borrowings in amounts up to 33 1/3% of its assets (including the amount borrowed).

(12) invest more than an aggregate of 15% of the total assets of the Fund, determined at the time of investment, in illiquid assets, including repurchase agreements having maturities of more than seven days or invest in fixed time deposits with a duration of from two business days to seven calendar days if more than 10% of the Fund's total assets would be invested in these time deposits; provided, however, that no Fund shall invest (i) more than 10% of its total assets in securities subject to legal or contractual restrictions on resale, and (ii) in fixed time deposits with a duration of over seven calendar days.

(13) invest its assets in securities of any investment company, except by purchase in the open market involving only customary brokers' commissions or in connection with mergers, acquisitions of assets or consolidations and except as may otherwise be permitted by the 1940 Act.

(14) issue senior securities.

(15) make loans except (i) by purchasing bonds, debentures or similar obligations (including repurchase agreements, subject to the limitation described in (12) above) which are publicly distributed, and (ii) by lending its portfolio securities to banks, brokers, dealers and other financial institutions so long as such loans are not inconsistent with the 1940 Act or the rules and regulations or interpretations of the SEC thereunder.

(16) except for the Emerging Markets Fund, Emerging Markets Income Fund, Focus Equity Fund, International Magnum Fund and Latin American Fund, purchase more than 10% of any class of the outstanding securities of any issuer.

(17) except for the Emerging Markets Fund, Emerging Markets Income Fund, Focus Equity Fund, International Magnum Fund and Latin American Fund, purchase securities of an issuer (except obligations of the U.S. government and its instrumentalities) if as the result, with respect to 75% of its total assets, more than 5% of the Fund's total assets, at market value, would be invested in the securities of such issuer.

The following are non-fundamental investment limitations with respect to the Category I Funds. As a matter of non-fundamental policy, no Category I Fund will:

(1) purchase warrants if, by reason of such purchase, more than 5% of the value of the Fund's net assets would be invested in warrants valued at the lower of cost or market. Included in this amount, but not to exceed 2% of the value of the Fund's net assets, may be warrants that are not listed on a nationally recognized stock exchange.

(2) invest in oil, gas or other mineral leases; invest up to 25% of its total assets in privately placed securities; or invest more than 15% of its net assets in illiquid securities.

(3) except with respect to the Latin American Fund, acquire any securities of companies within one industry if, as a result of such acquisition, 25% or more of the value of the Fund's total assets would be invested in securities of companies within such industry; provided, however, that there shall be no limitation on the purchase of obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities.

The percentage limitations contained in these restrictions apply at the time of purchase of securities, except for limitations on borrowings and illiquid securities which apply on an ongoing basis.

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CATEGORY II FUNDS

The following are fundamental investment limitations with respect to the Category II Funds. No Category II Fund will:

(1) invest in physical commodities or contracts on physical commodities, except that any Fund may acquire physical commodities as a result of ownership of securities or other instruments and may purchase or sell options or futures contracts or invest in securities or other instruments backed by physical commodities.

(2) purchase or sell real estate, although each Fund may purchase and sell securities of companies which deal in real estate, other than real estate limited partnerships, and may purchase and sell marketable securities which are secured by interests in real estate.

(3) make loans except: (i) by purchasing debt securities in accordance with their respective investment objectives and policies, or entering into repurchase agreements, subject to the limitations described in non-fundamental investment limitation (9) below, (ii) by lending their portfolio securities, and (iii) by lending portfolio assets to other Funds, banks, brokers, dealers and other financial institutions, so long as such loans are not inconsistent with the 1940 Act, the rules, regulations, interpretations or orders of the SEC and its staff thereunder.

(4) except for the Emerging Markets Debt Fund and the Global Franchise Fund, with respect to 75% of each Fund's assets, purchase a security if, as a result, the Fund would hold more than 10% (taken at the time of such investment) of the outstanding voting securities of any issuer.

(5) except for the Emerging Markets Debt Fund and the Global Franchise Fund, with respect to 75% of each Fund's assets, purchase securities of any issuer if, as a result, more than 5% of the Fund's total assets, taken at market value at the time of such investment, would be invested in the securities of such issuer except that this restriction does not apply to securities issued or guaranteed by the U.S. government or its agencies or instrumentalities.

(6) issue any class of senior security or sell any senior security of which it is the issuer, except that each Fund may borrow money as a temporary measure for extraordinary or emergency purposes, provided that such borrowings do not exceed 33 1/3% of the Fund's total assets (including the amount borrowed) less liabilities (exclusive of borrowings) and except that the Emerging Markets Debt Fund may borrow from banks in an amount not in excess of 33 1/3% of its total assets (including the amount borrowed) less liabilities in accordance with its investment objective and policies. The term "senior security" shall not include any temporary borrowings that do not exceed 5% of the value of a Fund's total assets at the time the Fund makes such temporary borrowing. Notwithstanding the foregoing limitations on issuing or selling senior securities and borrowing, a Fund may engage in investment strategies that obligate it either to purchase securities or segregate assets, or enter into reverse repurchase agreements, provided that it will segregate assets to cover its obligations pursuant to such transactions in accordance with applicable rules, orders, or interpretations of the SEC or its staff. This investment limitation shall not preclude a Fund from issuing multiple classes of shares in reliance on SEC rules or orders.

(7) underwrite the securities of other issuers (except to the extent that a Fund may be deemed to be an underwriter within the meaning of the 1933 Act in connection with the disposition of restricted securities).

(8) acquire any securities of companies within one industry, if as a result of such acquisition, more than 25% of the value of the Fund's total assets would be invested in securities of companies within such industry; provided, however, that there shall be no limitation on the purchase of obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities, when any such Fund adopts a temporary defensive position.

The following are non-fundamental investment limitations with respect to the Category II Funds. As a matter of non-fundamental policy, no Category II Fund will:

(1) purchase on margin, except for use of short-term credit as may be necessary for the clearance of purchases and sales of securities, provided that each Fund may make margin deposits in connection with transactions in options, futures contracts, and options on futures contracts.

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(2) sell short unless the Fund (i) owns the securities sold short, (ii) by virtue of its ownership of other securities, has the right to obtain securities equivalent in kind and amount to the securities sold and, if the right is conditional, the sale is made upon the same conditions, or (iii) segregates cash or liquid securities an amount that, when combined with the amount of collateral deposited with the broker in connection with the short sale, at least equals the current market value of the security sold short or such other amount as the SEC or its staff may permit by rule, regulation, order, or interpretation, except that the Emerging Markets Debt Fund may from time to time sell securities short without limitation but consistent with applicable legal requirements as stated in its Prospectus; provided that transactions in futures contracts and options are not deemed to constitute selling securities short.

(3) purchase or retain securities of an issuer if those officers and directors of the Company or any of its investment advisers owning more than 1/2 of 1% of such securities together own more than 5% of such securities.

(4) borrow money other than from banks or other Funds of the Company, provided that a Fund may borrow from banks or other Funds of the Company so long as such borrowing is not inconsistent with the 1940 Act or the rules, regulations, interpretations or orders of the SEC and its staff thereunder; or, except for the Emerging Markets Debt Fund, purchase additional securities when borrowings exceed 5% of total assets.

(5) pledge, mortgage or hypothecate assets in an amount greater than 10% of its total assets in the case of the Emerging Markets Debt Fund, Equity Growth Fund and Global Value Equity Funds or 50% of its total assets in the case of the Mid Cap Growth Fund and Value Fund, provided that each Fund may segregate cash or liquid securities without limit in order to comply with the requirements of Section 18(f) of the 1940 Act and applicable rules, regulations or interpretations of the SEC and its staff.

(6) invest more than an aggregate of 15% of the net assets of the Fund in illiquid securities provided that this limitation shall not apply to any investment in securities that are not registered under the 1933 Act but that can be sold to qualified institutional investors in accordance with Rule 144A under the 1933 Act and are determined to be liquid securities under guidelines or procedures adopted by the Company's Board of Directors.

(7) invest for the purpose of exercising control over management of any company.

(8) invest its assets in securities of any investment company, except by purchase in the open market involving only customary brokers' commissions or in connection with mergers, acquisitions of assets or consolidations and except as may otherwise be permitted by the 1940 Act.

(9) in the case of the Emerging Markets Debt Fund, Equity Growth Fund and Global Value Equity Fund, make loans as described in fundamental investment limitations 3(ii) and 3(iii), above, in an amount exceeding 33 1/3% of its total assets.

If a percentage limitation on investment or utilization of assets as set forth above is adhered to at the time an investment is made, a later change in percentage resulting from changes in the value or total cost of the Fund's assets will not be considered a violation of the restriction, and the sale of securities will not be required, except for the limitation on borrowings and illiquid securities which apply on an ongoing basis.

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DIRECTORS AND OFFICERS

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors and the Fund's officers appointed by the Board of Directors. The tables below list the directors and executive officers of the Fund and their principal occupations during the last five years, other directorships held by directors and their affiliations, if any, with Van Kampen Investments Inc. ("Van Kampen Investments"), Van Kampen Investment Advisory Corp. ("Advisory Corp."), Van Kampen Asset Management Inc. ("Asset Management"), Van Kampen Funds Inc. (the "Distributor"), Van Kampen Advisors Inc., Van Kampen Exchange Corp. and Van Kampen Investor Services Inc. ("Investor Services"). Advisory Corp. and Asset Management sometimes are referred to herein collectively as the "Advisers." The term "Fund Complex" includes each of the investment companies advised by the Advisers or their affiliates as of the date of this Statement of Additional Information. Directors serve until reaching their retirement age or until their successors are duly elected and qualified. Officers are annually elected by the directors.

INDEPENDENT DIRECTORS

<Table>
<Caption>

NUMBER OF

NAME, AGE AND ADDRESS OF INDEPENDENT DIRECTOR <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR <C>
David C. Arch (58) Blistex Inc. 1800 Swift Drive Oak Brook, IL 60523	Director	+	Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer. Former Director of the World Presidents Organization-Chicago Chapter. Director of the Heartland Alliance, a nonprofit organization serving human needs based in Chicago.	90
J. Miles Branagan (71) 1632 Morning Mountain Road Raleigh, NC 27614	Director	+	Private investor. Co-founder, and prior to August 1996, Chairman, Chief Executive Officer and President, MDT Corporation (now known as Getinge/Castle, Inc., a subsidiary of Getinge Industrier AB), a company which develops, manufactures, markets and services medical and scientific equipment.	88
Jerry D. Choate (65) 33971 Selva Road Suite 130 Dana Point, CA 92629	Director	+	Prior to January 1999, Chairman and Chief Executive Officer of the Allstate Corporation ("Allstate") and Allstate Insurance Company. Prior to January 1995, President and Chief Executive Officer of Allstate. Prior to August 1994, various management positions at Allstate.	88

<Caption>

NAME, AGE AND ADDRESS OF INDEPENDENT DIRECTOR <S>	OTHER DIRECTORSHIPS HELD BY DIRECTOR <C>
David C. Arch (58) Blistex Inc. 1800 Swift Drive Oak Brook, IL 60523	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
J. Miles Branagan (71) 1632 Morning Mountain Road Raleigh, NC 27614	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
Jerry D. Choate (65) 33971 Selva Road Suite 130 Dana Point, CA 92629	Trustee/Director/ Managing General Partner of funds in the Fund Complex. Director of Amgen Inc., a biotechnological company, and Director of Valero Energy Corporation, an independent refining company.

</Table>

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<Table>
<Caption>

NAME, AGE AND ADDRESS OF INDEPENDENT DIRECTOR <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR <C>
Rod Dammeyer (62) CAC, llc. 4350 LaJolla Village Drive Suite 980 San Diego, CA 92122-6223	Director	+	President of CAC, llc., a private company offering capital investment and management advisory services. Prior to July 2000, Managing Partner of Equity Group Corporate Investment (EGI), a company that makes private investments in other companies.	90
Linda Hutton Heagy (55) Heidrick & Struggles 233 South Wacker Drive Suite 7000 Chicago, IL 60606	Director	+	Managing Partner of Heidrick & Struggles, an executive search firm. Trustee on the University of Chicago Hospitals Board, Vice Chair of the Board of the YMCA of Metropolitan Chicago and a member of the Women's Board of the University of Chicago. Prior to 1997, Partner of Ray & Berndtson, Inc., an executive	88

recruiting firm. Prior to 1996, Trustee of The International House Board, a fellowship and housing organization for international graduate students. Prior to 1995, Executive Vice President of ABN AMRO, N.A., a bank holding company. Prior to 1992, Executive Vice President of La Salle National Bank.

R. Craig Kennedy (51)
11 DuPont Circle, N.W.
Washington, D.C. 20016

Director +

Director and President of the German Marshall Fund of the United States, an independent U.S. foundation created to deepen understanding, promote collaboration and stimulate exchanges of practical experience between Americans and Europeans. Formerly, advisor to the Dennis Trading Group Inc., a managed futures and option company that invests money for individuals and institutions. Prior to 1992, President and Chief Executive Officer, Director and member of the Investment Committee of the Joyce Foundation, a private foundation.

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<Caption>

NAME, AGE AND ADDRESS OF INDEPENDENT DIRECTOR <S>	OTHER DIRECTORSHIPS HELD BY DIRECTOR <C>
Rod Dammeyer (62) CAC, llc. 4350 LaJolla Village Drive Suite 980 San Diego, CA 92122-6223	Trustee/Director/ Managing General Partner of funds in the Fund Complex. Director of TeleTech Holdings Inc., Stericycle, Inc., TheraSense, Inc., GATX Corporation, Arris Group, Inc. and Trustee of the University of Chicago Hospitals and Health Systems. Prior to May 2002, Director of Peregrine Systems Inc. Prior to February 2001, Vice Chairman and Director of Anixter International, Inc. and IMC Global Inc. Prior to July 2000, Director of Allied Riser Communications Corp., Matria Healthcare Inc., Transmedia Networks, Inc., CNA Surety, Corp. and Grupo Azcarero Mexico (GAM). Prior to April 1999, Director of Metal Management, Inc.
Linda Hutton Heagy (55) Heidrick & Struggles 233 South Wacker Drive Suite 7000 Chicago, IL 60606	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
R. Craig Kennedy (51) 11 DuPont Circle, N.W. Washington, D.C. 20016	Trustee/Director/ Managing General Partner of funds in the Fund Complex.

</Table>

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<Table>
<Caption>

NAME, AGE AND ADDRESS OF INDEPENDENT DIRECTOR <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR <C>
---	---	---	---	--

Howard J Kerr (67) 736 North Western Avenue P.O. Box 317 Lake Forest, IL 60045	Director	+	Prior to 1998, President and Chief Executive Officer of Pocklington Corporation, Inc., an investment holding company. Director of the Marrow Foundation	90
Jack E. Nelson (67) 423 Country Club Drive Winter Park, FL 32789	Director	+	President of Nelson Investment Planning Services, Inc., a financial planning company and registered investment adviser in the State of Florida. President of Nelson Invest Brokerage Services Inc., a member of the NASD, Securities Investors Protection Corp. and the Municipal Securities Rulemaking Board. President of Nelson Sales and Services Corporation, a marketing and services company to support affiliated companies.	88
Hugo F. Sonnenschein (62) 1126 E. 59th Street Chicago, IL 60637	Director	+	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago. Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences.	90
Suzanne H. Woolsey (61) 2101 Constitution Ave., N.W. Room 285 Washington, D.C. 20418	Director	+	Chief Communications Officer of the National Academy of Sciences/National Research Council, an independent, federally chartered policy institution, since 2001 and previously Chief Operating Officer from 1993 to 2001. Director of the Institute for Defense Analyses, a federally funded research and development center, Director of the German Marshall Fund of the United States, and Trustee of Colorado College. Prior to 1993, Executive Director of the Commission on Behavioral and Social Sciences and Education at the National Academy of Sciences/ National Research Council. From 1980 through 1989, Partner of Coopers & Lybrand.	88

<Caption>

NAME, AGE AND ADDRESS OF INDEPENDENT DIRECTOR <S>	OTHER DIRECTORSHIPS HELD BY DIRECTOR <C>
Howard J Kerr (67) 736 North Western Avenue P.O. Box 317 Lake Forest, IL 60045	Trustee/Director/ Managing General Partner of funds in the Fund Complex. Director of the Lake Forest Bank & Trust.
Jack E. Nelson (67) 423 Country Club Drive Winter Park, FL 32789	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
Hugo F. Sonnenschein (62) 1126 E. 59th Street Chicago, IL 60637	Trustee/Director/ Managing General Partner of funds in the Fund Complex. Director of Winston Laboratories, Inc.
Suzanne H. Woolsey (61) 2101 Constitution Ave., N.W. Room 285 Washington, D.C. 20418	Trustee/Director/ Managing General Partner of funds in the Fund Complex. Director of Neurogen Corporation, a pharmaceutical company, since January 1998.

</Table>

<Table>
<Caption>

NAME, AGE AND ADDRESS OF INTERESTED DIRECTOR <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR <C>
Mitchell M. Merin* (50) 1221 Avenue of the Americas New York, NY 10020	Director, President and Chief Executive Officer	+	President and Chief Executive Officer of funds in the Fund Complex. Chairman, President, Chief Executive Officer and Director of the Advisers and VK Advisors Inc. since December 2002. Chairman, President and Chief Executive Officer of Van Kampen Investments since December 2002. Director of Van Kampen Investments since December 1999. Chairman and Director of Van Kampen Funds Inc. since December 2002. President, Director and Chief Operating Officer of Morgan Stanley Investment Management since December 1998. President and Director since April 1997 and Chief Executive Officer since June 1998 of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. Chairman, Chief Executive Officer and Director of Morgan Stanley Distributors Inc. since June 1998. Chairman since June 1998, and Director since January 1998 of Morgan Stanley Trust. Director of various Morgan Stanley subsidiaries. President of the Morgan Stanley Funds since May 1999. Previously Chief Executive Officer of Van Kampen Funds Inc. from December 2002 to July 2003, Chief Strategic Officer of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. and Executive Vice President of Morgan Stanley Distributors Inc. from April 1997 to June 1998. Chief Executive Officer from September 2002 to April 2003 and Vice President from May 1997 to April 1999 of the Morgan Stanley Funds.	88
Richard F. Powers, III* (57) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181	Director	+	Advisory Director of Morgan Stanley. Prior to December 2002, Chairman, Director, President, Chief Executive Officer and Managing Director of Van Kampen Investments and its investment advisory, distribution and other subsidiaries. Prior to December 2002, President and Chief Executive Officer of funds in the Fund Complex. Prior to May 1998, Executive Vice President and Director of Marketing at Morgan Stanley and Director of Dean Witter, Discover & Co. and Dean Witter Realty. Prior to 1996, Director of Dean Witter Reynolds Inc.	90
Wayne W. Whalen* (64) 333 West Wacker Drive Chicago, IL 60606	Director	+	Partner in the law firm of Skadden, Arps, Slate, Meagher & Flom (Illinois), legal counsel to funds in the Fund Complex.	90

<Caption>

NAME, AGE AND ADDRESS OF INTERESTED DIRECTOR <S>	OTHER DIRECTORSHIPS HELD BY DIRECTOR <C>
Mitchell M. Merin* (50) 1221 Avenue of the Americas New York, NY 10020	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
Richard F. Powers, III* (57) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
Wayne W. Whalen* (64) 333 West Wacker Drive Chicago, IL 60606	Trustee/Director/ Managing General Partner of funds in the Fund Complex.

</Table>

* Such director is an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act). Mr. Whalen is an interested person of certain funds in the Fund Complex by reason of his firm currently acting as legal counsel to

such funds in the Fund Complex. Messrs. Merin and Powers are interested persons of funds in the Fund Complex and the Advisers by reason of their current or former positions with Morgan Stanley or its affiliates.

+ See Table D below.

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OFFICERS

<Table>

<Caption>

NAME, AGE AND ADDRESS OF OFFICER <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>
Stephen L. Boyd (62) 2800 Post Oak Blvd. 45th Floor Houston, TX 77056	Vice President	++	Managing Director of Global Research Investment Management. Vice President of funds in the Fund Complex. Prior to December 2002, Chief Investment Officer of Van Kampen Investments and President and Chief Operations Officer of the Advisers and Van Kampen Advisors Inc. Prior to May 2002, Executive Vice President and Chief Investment Officer of funds in the Fund Complex. Prior to May 2001, Managing Director and Chief Investment Officer of Van Kampen Investments, and Managing Director and President of the Advisers and Van Kampen Advisors Inc. Prior to December 2000, Executive Vice President and Chief Investment Officer of Van Kampen Investments, and President and Chief Operating Officer of the Advisers. Prior to April 2000, Executive Vice President and Chief Investment Officer for Equity Investments of the Advisers. Prior to October 1998, Vice President and Senior Portfolio Manager with AIM Capital Management, Inc. Prior to February 1998, Senior Vice President and Portfolio Manager of Van Kampen American Capital Asset Management, Inc., Van Kampen American Capital Investment Advisory Corp. and Van Kampen American Capital Management, Inc.
Stefanie V. Chang (36) 1221 Avenue of the Americas New York, NY 10020	Vice President	++	Executive Director of Morgan Stanley Investment Management. Vice President of funds in the Fund Complex.
Joseph J. McAlinden (60) 1221 Avenue of the Americas New York, NY 10020	Executive Vice President and Chief Investment Officer	++	Managing Director and Chief Investment Officer of Morgan Stanley Investment Advisors Inc., Morgan Stanley Investment Management Inc. and Morgan Stanley Investments LP and Director of Morgan Stanley Trust for over 5 years. Executive Vice President and Chief Investment Officer of funds in the Fund Complex. Managing Director and Chief Investment Officer of Van Kampen Investments, the Advisers and Van Kampen Advisors Inc. since December 2002.
John R. Reynoldson (50) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181	Vice President	++	Executive Director and Portfolio Specialist of the Advisers and Van Kampen Advisors Inc. Vice President of funds in the Fund Complex. Prior to July 2001, Principal and Co-head of the Fixed Income Department of the Advisers and Van Kampen Advisors Inc. Prior to December 2000, Senior Vice President of the Advisers and Van Kampen Advisors Inc. Prior to May 2000, Senior Vice President of the investment grade taxable group for the Advisers. Prior to June 1999, Senior Vice President of the government securities bond group for Asset Management.
Ronald E. Robison (64) 1221 Avenue of the Americas New York, NY 10020	Executive Vice President and Principal Executive Officer	++	Chief Executive Officer and Chairman of Investor Services. Executive Vice President and Principal Executive Officer of funds in the Fund Complex. Chief Global Operations Officer and Managing Director of Morgan Stanley Investment Management Inc. Managing Director of Morgan Stanley. Managing Director and Director of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. Chief Executive Officer and Director of Morgan Stanley Trust. Vice President of the Morgan Stanley Funds.
A. Thomas Smith III (46) 1221 Avenue of the Americas New York, NY 10020	Vice President and Secretary	++	Managing Director of Morgan Stanley, Managing Director and Director of Van Kampen Investments, Director of the Advisers, Van Kampen Advisors Inc., the Distributor, Investor Services and certain other subsidiaries of Van Kampen Investments. Managing Director and General Counsel-Mutual Funds of Morgan Stanley Investment Advisors, Inc. Vice President and Secretary of funds in the Fund Complex. Prior to July 2001, Managing Director, General Counsel, Secretary and Director of Van Kampen Investments, the Advisers, the Distributor, Investor Services, and

certain other subsidiaries of Van Kampen Investments. Prior to December 2000, Executive Vice President, General Counsel, Secretary and Director of Van Kampen Investments, the Advisers, Van Kampen Advisors Inc., the Distributor, Investor Services and certain other subsidiaries of Van Kampen Investments. Prior to January 1999, Vice President and Associate General Counsel to New York Life Insurance Company ("New York Life"), and prior to March 1997, Associate General Counsel of New York Life. Prior to December 1993, Assistant General Counsel of The Dreyfus Corporation. Prior to August 1991, Senior Associate, Willkie Farr & Gallagher. Prior to January 1989, Staff Attorney at the Securities and Exchange Commission, Division of Investment Management, Office of Chief Counsel.

</Table>

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<Table>
<Caption>

NAME, AGE AND ADDRESS OF OFFICER <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>
		<C>	
John L. Sullivan (48) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181	Vice President, Chief Financial Officer and Treasurer	++	Director and Managing Director of Van Kampen Investments, the Advisers, Van Kampen Advisors Inc. and certain other subsidiaries of Van Kampen Investments. Vice President, Chief Financial Officer and Treasurer of funds in the Fund Complex. Head of Fund Accounting for Morgan Stanley Investment Management. Prior to December 2002, Executive Director of Van Kampen Investments, the Advisers and Van Kampen Advisors Inc.

</Table>

++ See Table E below.

Each trustee/director who is not an affiliated person (as defined in the 1940 Act) of Van Kampen Investments, the Advisers or the Distributor (each a "Non-Affiliated Trustee") is compensated by an annual retainer and meeting fees for services to funds in the Fund Complex. Each fund in the Fund Complex (except Van Kampen Exchange Fund) provides a deferred compensation plan to its Non-Affiliated Trustees that allows trustees/directors to defer receipt of their compensation until retirement and earn a return on such deferred amounts. Amounts deferred are retained by the Fund and earn a rate of return determined by reference to the return on the common shares of the Fund or other funds in the Fund Complex as selected by the respective Non-Affiliated Trustee. To the extent permitted by the 1940 Act, the Fund may invest in securities of those funds selected by the Non-Affiliated Trustees in order to match the deferred compensation obligation. The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Fund. Deferring compensation has the same economic effect as if the Non-Affiliated Trustee reinvested his or her compensation into the funds. Each fund in the Fund Complex (except Van Kampen Exchange Fund) provides a retirement plan to its Non-Affiliated Trustees that provides Non-Affiliated Trustees with compensation after retirement, provided that certain eligibility requirements are met. Under the retirement plan, a Non-Affiliated Trustee who is receiving compensation from the Fund prior to such Non-Affiliated Trustee's retirement, has at least 10 years of service (including years of service prior to adoption of the retirement plan) and retires at or after attaining the age of 60, is eligible to receive a retirement benefit per year for each of the ten years following such retirement from the Fund. Non-Affiliated Trustees retiring prior to the age of 60 or with fewer than 10 years but more than 5 years of service may receive reduced retirement benefits from the Fund.

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Additional information regarding compensation and benefits for trustees/directors is set forth below for the periods described in the notes accompanying the table.

COMPENSATION TABLE

<Table>
<Caption>

Fund Complex	

Aggregate	Aggregate Estimated

Name (1)	Aggregate Compensation from the Company (2)	Pension or Retirement Benefits Accrued as Part of Expenses (3)	Maximum Annual Benefits from the Fund Complex Upon Retirement (4)	Total Compensation before Deferral from Fund Complex (5)
<S>	<C>	<C>	<C>	<C>
David C. Arch	(2)	\$14,694	\$147,500	\$138,750
J. Miles Branagan	\$19,435	64,907	60,000	107,000
Jerry D. Choate	19,435	24,774	130,000	107,000
Rod Dammeyer	(2)	26,231	147,500	138,750
Linda Hutton Heagy	19,435	6,858	147,500	107,000
R. Craig Kennedy	19,435	4,617	147,500	107,000
Howard J Kerr	(2)	50,408	147,500	138,750
Jack E. Nelson	19,435	33,020	112,500	107,000
Hugo F. Sonnenschein	(2)	26,282	147,500	138,750
Wayne W. Whalen	19,435	51,855	147,500	245,750
Suzanne H. Woolsey	19,435	15,533	147,500	107,000

(1) Directors not eligible for compensation are not included in the Compensation Table.

(2) The amounts shown in this column represent the aggregate compensation before deferral from all operating series of the Company with respect to the Company's fiscal year ended June 30, 2003. Messrs. Arch, Dammeyer, Kerr and Sonnenschein were appointed to the Board of the Company on July 23, 2003, and thus have no compensation from the Company to report during the fiscal year ended June 30, 2003. The details of aggregate compensation before deferral for the Company and each Fund during the fiscal year ended June 30, 2003 are shown in Table A below. The details of compensation deferred for each series during the fiscal year ended June 30, 2003 are shown in Table B below. The details of cumulative deferred compensation (including interest) for each series of the Company as of June 30, 2003 are shown in Table C below. The deferred compensation plan is described above the Compensation Table.

(3) The amounts shown in this column represent the sum of the retirement benefits accrued by the operating funds in the Fund Complex for each of the trustees for the funds' respective fiscal years ended in 2002. The retirement plan is described above the Compensation Table. In 2003, efforts have been under way to combine the trustees/directors/managing general partners of the boards of the various Van Kampen-related funds in the Fund Complex. Prior to 2003, only Messrs. Whalen and Powers served as trustees/directors/managing general partners of all of the various Van Kampen-related funds in the Fund Complex; and during 2003, other trustees/directors/managing general partners are being elected or appointed, as appropriate, to most of the respective boards of the underlying Van Kampen-related funds. The amounts in this column represent amounts for each trustee based on funds he/she oversaw for the period mentioned above; and thus it is anticipated that the amounts will increase in future compensation tables based on the increased number of funds overseen by such trustees going forward.

(4) For each trustee, this is the sum of the estimated maximum annual benefits payable by the funds in the Fund Complex for each year of the 10-year period commencing in the year of such trustee's anticipated retirement. The retirement plan is described above the Compensation Table.

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(5) The amounts shown in this column represent the aggregate compensation paid by all of the funds in the Fund Complex as of December 31, 2002 before deferral by the trustees under the deferred compensation plan. Because the funds in the Fund Complex have different fiscal year ends, the amounts shown in this column are presented on a calendar year basis. In 2003, efforts have been under way to combine the trustees/directors/managing general partners of the boards of the various Van Kampen-related funds in the Fund Complex. Prior to 2003, only Messrs. Whalen and Powers served as trustees/directors/managing general partners of all of the various Van Kampen-related funds in the Fund Complex; and during 2003, other trustees/directors/managing general partners are being elected or appointed, as appropriate, to most of the respective boards of the underlying Van Kampen-related funds. The amounts in this column represent amounts for each trustee based on funds he/she oversaw for the period mentioned above; and thus it is anticipated that the amounts will increase in future compensation tables based on the increased number of funds overseen by such trustees going forward.

As of the date of this Statement of Additional Information, the following Funds had not yet commenced investment operations and therefore are not reported

in tables A-E below: Van Kampen Emerging Markets Debt Fund, Van Kampen Growth and Income Fund II and Van Kampen Japanese Equity Fund.

TABLE A

FISCAL YEAR 2003 AGGREGATE COMPENSATION FROM THE COMPANY AND EACH FUND

<Table>

<Caption>

FUND NAME	FISCAL YEAR-END	ARCH	BRANAGAN	CHOATE	DAMMEYER	HEAGY	KENNEDY	KERR	NELSON
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
American Value Fund.....	6/30	\$0	\$ 1,626	\$ 1,626	\$0	\$ 1,626	\$ 1,626	\$0	\$ 1,626
Asian Equity Fund.....	6/30	0	1,265	1,265	0	1,265	1,265	0	1,265
Emerging Markets Fund.....	6/30	0	1,319	1,319	0	1,319	1,319	0	1,319
Emerging Markets Income Fund...	6/30	0	1,293	1,293	0	1,293	1,293	0	1,293
Equity Growth Fund.....	6/30	0	1,280	1,280	0	1,280	1,280	0	1,280
European Value Equity Fund.....	6/30	0	1,212	1,212	0	1,212	1,212	0	1,212
Focus Equity Fund.....	6/30	0	1,475	1,475	0	1,475	1,475	0	1,475
Global Equity Allocation Fund.....	6/30	0	1,596	1,596	0	1,596	1,596	0	1,596
Global Franchise Fund.....	6/30	0	1,691	1,691	0	1,691	1,691	0	1,691
Global Value Equity Fund.....	6/30	0	1,553	1,553	0	1,553	1,553	0	1,553
International Magnum Fund.....	6/30	0	1,286	1,286	0	1,286	1,286	0	1,286
Latin American Fund.....	6/30	0	1,227	1,227	0	1,227	1,227	0	1,227
Mid Cap Growth Fund.....	6/30	0	1,264	1,264	0	1,264	1,264	0	1,264
Value Fund.....	6/30	0	1,348	1,348	0	1,348	1,348	0	1,348
Company Total.....		\$0	\$19,435	\$19,435	\$0	\$19,435	\$19,435	\$0	\$19,435

<Caption>

FUND NAME	SONNENSCHWEIN	WHALEN	WOOLSEY
<S>	<C>	<C>	<C>
American Value Fund.....	\$0	\$ 1,626	\$ 1,626
Asian Equity Fund.....	0	1,265	1,265
Emerging Markets Fund.....	0	1,319	1,319
Emerging Markets Income Fund...	0	1,293	1,293
Equity Growth Fund.....	0	1,280	1,280
European Value Equity Fund.....	0	1,212	1,212
Focus Equity Fund.....	0	1,475	1,475
Global Equity Allocation Fund.....	0	1,596	1,596
Global Franchise Fund.....	0	1,691	1,691
Global Value Equity Fund.....	0	1,553	1,553
International Magnum Fund.....	0	1,286	1,286
Latin American Fund.....	0	1,227	1,227
Mid Cap Growth Fund.....	0	1,264	1,264
Value Fund.....	0	1,348	1,348
Company Total.....	\$0	\$19,435	\$19,435

</Table>

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TABLE B

2003 AGGREGATE COMPENSATION DEFERRED FROM THE COMPANY AND EACH FUND

<Table>

<Caption>

FUND NAME	FISCAL YEAR-END	BRANAGAN	CHOATE	HEAGY	NELSON	WHALEN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
American Value Fund.....	6/30	\$ 837	\$ 1,626	\$ 1,626	\$ 1,626	\$ 1,626
Asian Equity Fund.....	6/30	636	1,265	1,265	1,265	1,265
Emerging Markets Fund.....	6/30	664	1,319	1,319	1,319	1,319
Emerging Markets Income Fund.....	6/30	645	1,293	1,293	1,293	1,293
Equity Growth Fund.....	6/30	639	1,280	1,280	1,280	1,280
European Value Equity Fund.....	6/30	606	1,212	1,212	1,212	1,212
Focus Equity Fund.....	6/30	747	1,475	1,475	1,475	1,475
Global Equity Allocation Fund.....	6/30	811	1,596	1,596	1,596	1,596
Global Franchise Fund.....	6/30	794	1,691	1,691	1,691	1,691
Global Value Equity Fund.....	6/30	797	1,553	1,553	1,553	1,553
International Magnum Fund.....	6/30	646	1,286	1,286	1,286	1,286
Latin American Fund.....	6/30	614	1,227	1,227	1,227	1,227
Mid Cap Growth Fund.....	6/30	635	1,264	1,264	1,264	1,264
Value Fund.....	6/30	679	1,348	1,348	1,348	1,348
Company Total.....		\$9,750	\$19,435	\$19,435	\$19,435	\$19,435

</Table>

TABLE C

2003 CUMULATIVE COMPENSATION DEFERRED (PLUS INTEREST)
FROM THE COMPANY AND EACH FUND
CURRENT DIRECTORS

<Table>
<Caption>

FUND NAME	FISCAL YEAR-END	FORMER DIRECTORS								
		BRANAGAN	CHOATE	HEAGY	KENNEDY	NELSON	WHALEN	MILLER	REES	ROBINSON
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
American Value Fund.....	6/30	\$ 9,397	\$ 5,671	\$ 5,867	\$ 3,575	\$ 8,504	\$ 7,489	\$ 0	\$ 0	\$ 0
Asian Equity Fund.....	6/30	6,297	3,827	3,999	2,376	5,865	5,154	0	0	0
Emerging Markets Fund.....	6/30	6,440	3,943	4,133	2,427	6,032	5,302	0	0	0
Emerging Markets Income Fund...	6/30	6,699	3,921	4,198	2,535	6,243	5,438	0	0	0
Equity Growth Fund.....	6/30	5,251	3,772	3,712	1,967	4,909	4,532	0	0	0
European Value Equity Fund.....	6/30	4,755	3,540	3,413	1,779	4,452	4,147	0	0	0
Focus Equity Fund.....	6/30	7,398	4,696	4,818	2,803	6,855	6,098	0	0	0
Global Equity Allocation Fund.....	6/30	11,490	5,137	6,870	5,209	12,574	9,825	613	173	1,226
Global Franchise Fund.....	6/30	4,978	4,083	3,950	1,779	4,996	4,688	0	0	0
Global Value Equity Fund.....	6/30	9,181	5,123	5,597	3,473	8,415	7,256	0	0	0
International Magnum Fund.....	6/30	6,267	3,839	4,020	2,369	5,862	5,164	0	0	0
Latin American Fund.....	6/30	5,996	3,644	3,826	2,267	5,618	4,934	0	0	0
Mid Cap Growth Fund.....	6/30	3,294	3,290	2,948	1,240	3,332	3,334	0	0	0
Value Fund.....	6/30	6,877	4,068	4,349	2,585	6,427	5,610	0	0	0
Company Total.....		\$94,320	\$58,554	\$61,700	\$36,384	\$90,084	\$78,971	\$613	\$173	\$1,226

<Caption>

FUND NAME	FORMER DIRECTORS	
	ROONEY	SISTO
<S>	<C>	<C>
American Value Fund.....	\$ 3,242	\$ 3,234
Asian Equity Fund.....	2,129	2,138
Emerging Markets Fund.....	2,169	2,157
Emerging Markets Income Fund...	2,304	2,325
Equity Growth Fund.....	1,646	1,581
European Value Equity Fund.....	1,459	1,394
Focus Equity Fund.....	2,475	2,401
Global Equity Allocation Fund.....	3,690	11,054
Global Franchise Fund.....	1,458	1,387
Global Value Equity Fund.....	3,238	3,284
International Magnum Fund.....	2,114	2,099
Latin American Fund.....	2,023	2,019
Mid Cap Growth Fund.....	872	492
Value Fund.....	2,352	2,356
Company Total.....	\$31,171	\$37,921

</Table>

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TABLE D

YEAR OF DIRECTOR ELECTION OR APPOINTMENT TO EACH FUND OF THE COMPANY

<Table>
<Caption>

FUND NAME	ARCH	BRANAGAN	CHOATE	DAMMEYER	HEAGY	KENNEDY	KERR	MERIN	NELSON	POWERS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
American Value Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Asian Equity Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Emerging Markets Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Emerging Markets Income Fund...	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Equity Growth Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
European Value Equity Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Focus Equity Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Global Equity Allocation Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Global Franchise Fund.....	2003	1998	1999	2003	1998	1998	2003	1999	1998	1999
Global Value Equity Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
International Magnum Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Latin American Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999
Mid Cap Growth Fund.....	2003	1999	1999	2003	1999	1999	2003	1999	1999	1999
Value Fund.....	2003	1997	1999	2003	1997	1997	2003	1999	1997	1999

<Caption>	FUND NAME	SONNENSCHHEIN	WHALEN	WOOLSEY
	-----	-----	-----	-----
<S>		<C>	<C>	<C>
American Value Fund.....		2003	1997	1999
Asian Equity Fund.....		2003	1997	1999
Emerging Markets Fund.....		2003	1997	1999
Emerging Markets Income Fund...		2003	1997	1999
Equity Growth Fund.....		2003	1997	1999
European Value Equity Fund.....		2003	1997	1999
Focus Equity Fund.....		2003	1997	1999
Global Equity Allocation Fund.....		2003	1997	1999
Global Franchise Fund.....		2003	1998	1999
Global Value Equity Fund.....		2003	1997	1999
International Magnum Fund.....		2003	1997	1999
Latin American Fund.....		2003	1997	1999
Mid Cap Growth Fund.....		2003	1999	1999
Value Fund.....		2003	1997	1999

TABLE E
YEAR OF OFFICER APPOINTMENT TO EACH FUND OF THE COMPANY

<Caption>	FUND NAME	BOYD	CHANG	MCALINDEN	REYNOLDSON	ROBISON	SMITH	SULLIVAN
	-----	---	---	-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
American Value Fund.....		1998	2003	2002	2000	2003	1999	1997
Asian Equity Fund.....		1998	2003	2002	2000	2003	1999	1997
Emerging Markets Fund.....		1998	2003	2002	2000	2003	1999	1997
Emerging Markets Income Fund.....		1998	2003	2002	2000	2003	1999	1997
Equity Growth Fund.....		1998	2003	2002	2000	2003	1999	1997
European Value Equity Fund.....		1998	2003	2002	2000	2003	1999	1997
Focus Equity Fund.....		1998	2003	2002	2000	2003	1999	1997
Global Equity Allocation Fund.....		1998	2003	2002	2000	2003	1999	1997
Global Franchise Fund.....		1998	2003	2002	2000	2003	1999	1998
Global Value Equity Fund.....		1998	2003	2002	2000	2003	1999	1997
International Magnum Fund.....		1998	2003	2002	2000	2003	1999	1997
Latin American Fund.....		1998	2003	2002	2000	2003	1999	1997
Mid Cap Growth Fund.....		1999	2003	2002	2000	2003	1999	1999
Value Fund.....		1998	2003	2002	2000	2003	1999	1997

The Board of Directors has three standing committees (an audit committee, a brokerage and services committee and a governance committee). Each committee is comprised of directors who are not "interested persons" of the Fund (as defined by the 1940 Act) (referred to herein as "Independent Directors" or "non-interested directors").

The Board's audit committee consists of J. Miles Branagan, Jerry D. Choate and R. Craig Kennedy. The audit committee makes recommendations to the Board of Directors concerning the selection of the Fund's independent public auditors, reviews with such auditors the scope and results of the Fund's annual audit and considers any comments which the auditors may have regarding the Fund's financial statements, books of account or internal controls.

The Board's brokerage and services committee consists of Linda Hutton Heagy, Hugo F. Sonnenschein and Suzanne H. Woolsey. The brokerage and services committee reviews the Fund's allocation of brokerage transactions and soft-dollar practices and reviews the transfer agency and shareholder servicing arrangements with Investor Services.

The Board's governance committee consists of David C. Arch, Rod Dammeyer, Howard J Kerr and Jack E. Nelson. The governance committee identifies individuals qualified to serve on the Board that are

independent as defined in the 1940 Act and on committees of the Board, advises the Board with respect to Board composition, procedures and committees, develops and recommends to the Board a set of corporate governance principles applicable to the Fund, monitors corporate governance matters and makes recommendations to the Board, and acts as the administrative committee with respect to Board policies and procedures, committee policies and procedures and codes of ethics.

During the Fund's last fiscal year, the audit committee of the Board held 5 meetings and the brokerage and services committee of the Board held 5 meetings. The governance committee was recently organized and thus, did not have any meetings during the Fund's last fiscal year.

The non-interested directors of the Fund select and nominate any other

non-interested directors of the Fund. While the non-interested directors of the Fund expect to be able to continue to identify from their own resources an ample number of qualified candidates for the Board of Directors as they deem appropriate, they will review nominations from shareholders to fill any vacancies. Nominations from shareholders should be in writing and addressed to the non-interested directors at the Fund's office.

In addition to deferred compensation balances as described in the Compensation Table, as of December 31, 2002, the most recently completed calendar year prior to the date of this Statement of Additional Information, each director of the Fund beneficially owned equity securities of the Fund and of all of the funds in the Fund Complex overseen by the director in the dollar range amounts specified below.

2002 DIRECTOR BENEFICIAL OWNERSHIP OF SECURITIES

INDEPENDENT DIRECTORS

<Table>

<Caption>

DOLLAR RANGE OF EQUITY SECURITIES IN THE FUNDS

	ARCH	BRANAGAN	CHOATE	DAMMEYER	HEAGY	KENNEDY	KERR	NELSON
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
American Value Fund.....	none	\$1-\$10,000	none	none	none	\$1-\$10,000	none	none
Asian Equity Fund.....	none	\$1-\$10,000	none	none	none	\$1-\$10,000	none	none
Emerging Markets Fund.....	none	\$1-\$10,000	none	none	none	\$1-\$10,000	none	none
Emerging Markets Income Fund...	none	\$1-\$10,000	none	none	none	\$1-\$10,000	none	none
Equity Growth Fund.....	none	\$1-\$10,000	none	none	none	\$1-\$10,000	none	none
European Value Equity Fund.....	none	\$1-\$10,000	none	none	none	\$1-\$10,000	none	none
Focus Equity Fund.....	none	\$1-\$10,000	none	none	none	\$1-\$10,000	none	none
Global Equity Allocation Fund...	none	none	none	none	\$1-\$10,000	\$1-\$10,000	none	none
						\$ 10,001-		
Global Franchise Fund.....	none	\$1-\$10,000	none	none	none	\$ 50,000	none	none
Global Value Equity Fund.....	none	none	none	none	none	\$1-\$10,000	none	none
International Magnum Fund.....	none	none	none	none	none	\$1-\$10,000	none	none
						\$ 10,001-		
Latin American Fund.....	none	\$1-\$10,000	none	none	none	\$ 50,000	none	none
Mid Cap Growth Fund.....	none	none	none	none	none	none	none	none
						\$ 10,001-		
Value Fund.....	none	\$1-\$10,000	none	none	none	\$ 50,000	none	none
Aggregate dollar range of equity securities in all registered investment companies overseen by director in the Fund Complex.....	\$ 50,001-\$100,000	over \$ 100,000	\$10,001-\$50,000	over \$100,000	\$ 10,001-\$50,000	over \$ 100,000	\$1-\$10,000	none

<Caption>

DOLLAR RANGE OF EQUITY SECURITIES IN THE FUNDS

	SONNENSCHN	WOOLSEY
<S>	<C>	<C>
American Value Fund.....	none	none
Asian Equity Fund.....	none	none
Emerging Markets Fund.....	none	none
Emerging Markets Income Fund...	none	none
Equity Growth Fund.....	none	none
European Value Equity Fund.....	none	none
Focus Equity Fund.....	none	none
Global Equity Allocation Fund...	none	none
Global Franchise Fund.....	none	none
Global Value Equity Fund.....	none	none
International Magnum Fund.....	none	none
Latin American Fund.....	none	none
Mid Cap Growth Fund.....	none	none
Value Fund.....	none	none
Aggregate dollar range of equity securities in all registered investment companies overseen by director in the Fund Complex.....	over \$100,000	\$10,001-\$50,000

</Table>

INTERESTED DIRECTORS

<Table>

<Caption>

DOLLAR RANGE OF EQUITY SECURITIES IN THE FUNDS

	MERIN	POWERS	WHALEN

<S>	<C>	<C>	<C>
American Value Fund.....	none	none	\$1-\$10,000
Asian Equity Fund.....	none	none	\$1-\$10,000
Emerging Markets Fund.....	none	none	\$1-\$10,000
Emerging Markets Income Fund.....	none	none	none
Equity Growth Fund.....	none	none	none
European Value Equity Fund.....	none	none	none
			\$ 10,001-
Focus Equity Fund.....	none	none	\$ 50,000
Global Equity Allocation Fund.....	none	none	\$1-\$10,000
			over
Global Franchise Fund.....	\$100,000	none	\$1-\$10,000
			\$ 10,001-
Global Value Equity Fund.....	none	none	\$ 50,000
International Magnum Fund.....	none	none	none
Latin American Fund.....	none	none	\$1-\$10,000
Mid Cap Growth Fund.....	none	none	none
			\$ 10,001-
Value Fund.....	none	none	\$ 50,000
	-----	-----	-----
Aggregate dollar range of equity securities in all registered investment companies overseen by director in the Fund Complex.....	over \$100,000 =====	over \$100,000 =====	over \$ 100,000 =====

</Table>

As of October 1, 2003, the directors and officers of the Funds owned as a group less than 1% of the shares of each of the Funds.

The Fund, the Adviser, each Sub-Adviser, and the Distributor have adopted a Code of Ethics (the "Code of Ethics") that sets forth general and specific standards relating to the securities trading activities of their employees. The Code of Ethics does not prohibit employees from acquiring securities that may be purchased or held by the Fund, but is intended to ensure that all employees conduct their personal transactions in a manner that does not interfere with the portfolio transactions of the Fund or other Van Kampen funds, or that such employees take unfair advantage of their relationship with the Fund. Among other things, the Code of Ethics prohibits certain types of transactions absent prior approval, imposes various trading restrictions (such as time periods during which personal transactions may or may not be made) and requires quarterly reporting of securities transactions and other reporting matters. All reportable securities transactions and other required reports are to be reviewed by appropriate personnel for compliance with the Code of Ethics. Additional restrictions apply to portfolio managers, traders, research analysts and others who may have access to nonpublic information about the trading activities of the Fund or other Van Kampen funds or who otherwise are involved in the investment advisory process. Exceptions to these and other provisions of the Code of Ethics may be granted in particular circumstances after review by appropriate personnel.

INVESTMENT ADVISORY AGREEMENTS

Each Fund and the Adviser are parties to an investment advisory agreement (the "Advisory Agreement"). Under the Advisory Agreement, each Fund retains the Adviser to manage the investment of its assets, including the placing of orders for the purchase and sale of portfolio securities. The Adviser obtains and evaluates economic, statistical and financial information to formulate strategy and implement the Fund's investment objective(s). The Adviser also furnishes offices, necessary facilities and equipment, provides administrative services to the Fund, renders periodic reports to the Board of Directors and permits its officers

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and employees to serve without compensation as directors of the Company or officers of the Fund if elected to such positions. The Funds, however, bear the costs of its day-to-day operations, including service fees, distribution fees, custodian fees, legal and independent accountant fees, the costs of providing reports and proxies to shareholders, compensation of directors of the Company (other than those who are affiliated persons of the Adviser, Distributor or Van Kampen Investments) and all other ordinary business expenses not specifically assumed by the Adviser. The Advisory Agreement also provides that the Adviser shall not be liable to a Fund for any error of judgment or of law, or for any loss suffered by the Funds in connection with the matters to which the Advisory Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its obligations and duties, or by reason of its reckless disregard of its obligations and duties under the Advisory Agreement.

The Advisory Agreement also provides that, in the event the expenses of a Fund for any fiscal year exceed the most restrictive expense limitation applicable in any jurisdiction in which the Fund's shares are qualified for offer and sale (excluding any expenses permitted to be excluded from the computation under applicable law or regulation), the compensation due the

Adviser will be reduced by the amount of such excess and that, if a reduction in and refund of the advisory fee is insufficient, the Adviser will pay the Fund monthly an amount sufficient to make up the deficiency, subject to readjustment during the fiscal year.

During the fiscal years ended June 30, 2003, 2002 and 2001, the Adviser received the approximate advisory fees (net of fee waivers) from the Funds as set forth in the table below.

<Table>
<Caption>

FUND NAME	FISCAL YEAR ENDED JUNE 30, 2003	FISCAL YEAR ENDED JUNE 30, 2002	FISCAL YEAR ENDED JUNE 30, 2001
American Value Fund.....	\$2,957,800	\$4,810,600	\$6,834,800
Asian Equity Fund.....	86,500	460,900	949,300
Emerging Markets Debt Fund(1).....	--	--	--
Emerging Markets Fund.....	899,300	1,269,800	1,860,400
Emerging Markets Income Fund.....	593,300	760,500	1,082,300
Equity Growth Fund.....	516,900	620,700	754,000
European Value Equity Fund.....	--	--	27,700
Focus Equity Fund.....	1,854,300	3,157,700	4,458,200
Global Equity Allocation Fund.....	3,241,900	4,578,200	5,958,900
Global Franchise Fund.....	4,683,200	809,800	--
Global Value Equity Fund.....	2,953,100	4,319,500	5,211,200
Growth and Income Fund II(1).....	--	--	--
International Magnum Fund.....	400,900	645,100	993,200
Japanese Equity Fund(1).....	--	--	--
Latin American Fund.....	152,000	295,500	704,700
Mid Cap Growth Fund.....	409,100	677,100	870,200
Value Fund.....	875,400	1,425,100	1,237,100

</Table>

(1) Not operational as of June 30, 2003.

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During the fiscal years ended June 30, 2003, 2002 and 2001, the Adviser waived approximate advisory fees from the Funds as set forth in the table below.

<Table>
<Caption>

FUND NAME	FISCAL YEAR ENDED JUNE 30, 2003	FISCAL YEAR ENDED JUNE 30, 2002	FISCAL YEAR ENDED JUNE 30, 2001
American Value Fund.....	\$ --	\$ --	\$ --
Asian Equity Fund.....	464,400	251,700	143,900
Emerging Markets Debt Fund(1).....	--	--	--
Emerging Markets Fund.....	376,100	323,400	113,900
Emerging Markets Income Fund.....	21,500	--	--
Equity Growth Fund.....	41,800	81,700	82,100
European Value Equity Fund.....	95,500	113,800	121,500
Focus Equity Fund.....	211,800	198,500	116,800
Global Equity Allocation Fund.....	137,700	--	--
Global Franchise Fund.....	--	1,700	151,000
Global Value Equity Fund.....	117,000	--	--
Growth and Income Fund II(1).....	--	--	--
International Magnum Fund.....	151,100	86,200	--
Japanese Equity Fund(1).....	--	--	--
Latin American Fund.....	138,100	164,200	15,800
Mid Cap Growth Fund.....	--	--	--
Value Fund.....	125,100	8,100	20,700

</Table>

(1) Not operational as of June 30, 2003.

MSIM Limited is the investment subadviser to European Value Equity Fund, Global Franchise Fund, Global Value Equity Fund and International Magnum Fund. MSIM Company is the investment sub-adviser to Asian Equity Fund and International Fund. MSAITM is sub-adviser to International Magnum Fund. The sub-advisers provide investment advice and portfolio management services pursuant to investment sub-advisory agreements and, subject to the supervision of the Adviser and the Company's Board of Directors, make the Funds' investment decisions, arrange for the execution of portfolio transactions and generally manage the Funds' investments. The sub-advisers are entitled to receive sub-advisory fees paid by the Adviser in an amount to be determined from time to time by the Adviser and Subadviser but in no event is excess of the amount that the Adviser actually receives from the Fund pursuant to its Advisory Agreement.

Each Advisory Agreement and each sub-advisory agreement may be continued from year to year if specifically approved at least annually (a) (i) by a Fund's Board of Directors or (ii) by a vote of a majority of such Fund's outstanding voting securities and (b) by a vote of a majority of the Directors who are not parties to the agreement or interested persons of any such party by votes cast in person at a meeting called for such purpose. Each Advisory Agreement and each sub-advisory agreement provides that it shall terminate automatically if assigned and that it may be terminated without penalty by either party on 60 days' written notice.

In approving each Advisory Agreement and each subadvisory agreement, the Board of Directors, including the non-interested Directors, considered the nature, quality and scope of the services provided by the Adviser and subadviser, the performance, fees and expenses of each Fund compared to other similar investment companies, the Adviser's and subadviser's expenses in providing the services and the profitability of the Adviser, the subadviser and their affiliated companies. The Board of Directors also reviewed the benefit to the Adviser and subadviser of receiving third party research paid for by Fund assets and the propriety of such an arrangement and evaluated other benefits the Adviser and subadviser derive from their relationship with the Funds. The Board of Directors considered the extent to which any economies of scale experienced by the Adviser or subadviser are shared with the respective Fund's shareholders, and the propriety of existing and

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alternative breakpoints in the respective Fund's advisory fee schedule. The Board of Directors considered comparative advisory fees of the Funds and other investment companies at different asset levels, and considered the trends in the industry versus historical and projected sales and redemptions of the Funds. The Board of Directors reviewed reports from third parties about the foregoing factors and considered changes, if any, in such items since its previous approval. The Board of Directors discussed the financial strength of the Adviser, the subadviser and their affiliated companies and the capability of the personnel of the Adviser and subadviser. The Board of Directors reviewed the statutory and regulatory requirements for approval of advisory agreements. The Board of Directors, including the non-interested Directors, evaluated all of the foregoing and determined, in the exercise of its business judgment, that approval of each Advisory Agreement and each subadvisory agreement was in the best interests of each Fund and its shareholders.

OTHER AGREEMENTS

Accounting Services Agreement. The Fund has entered into an accounting services agreement pursuant to which Advisory Corp. provides accounting services to the Fund supplementary to those provided by the custodian. Such services are expected to enable the Fund to more closely monitor and maintain its accounts and records. The Fund pays all costs and expenses related to such services, including all salary and related benefits of accounting personnel, as well as the overhead and expenses of office space and the equipment necessary to render such services. The Fund shares together with the other Van Kampen funds in the cost of providing such services with 25% of such costs shared proportionately based on the respective number of classes of securities issued per fund and the remaining 75% of such costs based proportionately on the respective net assets per fund.

<Table>
<Caption>

FUND NAME -----	FISCAL YEAR ENDED JUNE 30, 2003 -----
<S>	<C>
American Value Fund.....	\$ 603,200
Asian Equity Fund.....	99,800
Emerging Markets Debt Fund(1).....	--
Emerging Markets Fund.....	179,100
Emerging Markets Income Fund.....	130,400
Equity Growth Fund.....	113,800
European Value Equity Fund.....	15,900
Focus Equity Fund.....	387,300
Global Equity Allocation Fund.....	580,400
Global Franchise Fund.....	683,300
Global Value Equity Fund.....	517,800
Growth and Income Fund II(1).....	--
International Magnum Fund.....	119,300
Japanese Equity Fund(1).....	--
Latin American Fund.....	39,000
Mid Cap Growth Fund.....	91,800
Value Fund.....	214,800

</Table>

(1) Not operational as of June 30, 2003.

Administration Agreement. Until March 1, 2003, the Adviser provided certain administrative services to the Company pursuant to an administration agreement between the Adviser and the Company. The services provided under the Administration Agreement were subject to the supervision of the officers of the Fund and Board of Directors of the Company and included day-to-day administration of matters related to the corporate existence of the Company, maintenance of its records, preparation of reports, supervision of the Company's arrangements with its custodian and assistance in the preparation of the Company's registration statements

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under federal and state laws. The Administration Agreement also provided that the Administrator through its agents would provide the Company dividend disbursing and transfer agent services. The Administration Agreement also provided that the Administrator would not be liable to the Company for any actions or omissions if it or its agents or any of their employees acted without gross negligence or willful misfeasance.

Under a sub-administration agreement between the Administrator and JPMorgan Chase Bank ("Chase"), Chase Global Funds Services Company ("CGFSC"), a corporate affiliate of Chase, provides certain administrative services to the Company. The Administrator supervises and monitors such administrative services provided by CGFSC. The services provided under the sub-administration agreement are subject to the supervision of the Board of Directors of the Company. The Board of Directors of the Company has approved the provision of services described above pursuant to the sub-administration agreement as being in the best interests of the Company. CGFSC's business address is 73 Tremont Street, Boston, Massachusetts 02108-3913.

During the fiscal years ended June 30, 2003, 2002 and 2001, the Adviser received the approximate administrative fees from the Funds as set forth in the table below.

<Table>

<Caption>

FUND NAME -----	FISCAL YEAR ENDED JUNE 30, 2003 -----	FISCAL YEAR ENDED JUNE 30, 2002 -----	FISCAL YEAR ENDED JUNE 30, 2001 -----
<S>	<C>	<C>	<C>
American Value Fund.....	\$ 603,200	\$1,451,300	\$2,033,300
Asian Equity Fund.....	99,800	181,200	279,300
Emerging Markets Debt Fund(1).....	--	--	--
Emerging Markets Fund.....	179,100	323,300	401,800
Emerging Markets Income Fund.....	130,400	258,300	365,900
Equity Growth Fund.....	113,800	223,900	265,700
European Value Equity Fund.....	15,900	28,900	41,900
Focus Equity Fund.....	387,300	957,600	1,286,400
Global Equity Allocation Fund.....	580,400	1,162,700	1,527,100
Global Franchise Fund.....	683,300	203,600	35,600
Global Value Equity Fund.....	517,800	1,103,100	1,320,200
Growth and Income Fund II(1).....	--	--	--
International Magnum Fund.....	119,300	230,400	320,900
Japanese Equity Fund(1).....	--	--	--
Latin American Fund.....	39,000	93,400	147,300
Mid Cap Growth Fund.....	91,800	227,900	293,800
Value Fund.....	214,800	456,900	397,900

</Table>

(1) Not operational as of June 30, 2003.

Legal Services Agreement. The Funds and certain other Van Kampen funds have entered into legal services agreements pursuant to which Van Kampen Investments provides legal services, including without limitation: accurate maintenance of each fund's minute books and records, preparation and oversight of each fund's regulatory reports and other information provided to shareholders, as well as responding to day-to-day legal issues on behalf of the funds. Payment by the Funds for such services is made on a cost basis for the salary and salary-related benefits, including but not limited to bonuses, group insurance and other regular wages for the employment of personnel. Other funds distributed by the Distributor also receive legal services from Van Kampen Investments. Of the total costs for such legal services provided to funds, one half of such costs are allocated equally to each fund and the remaining one half of such costs are allocated to specific funds based on monthly time records.

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During the fiscal years ended June 30, 2003, 2002 and 2001, Van Kampen Investments received the following approximate fees from the Funds pursuant to

the legal services agreement:

<Table>

<Caption>

FUND NAME	FISCAL YEAR ENDED JUNE 30, 2003	FISCAL YEAR ENDED JUNE 30, 2002	FISCAL YEAR ENDED JUNE 30, 2001
American Value Fund.....	\$26,800	\$33,100	\$52,400
Asian Equity Fund.....	17,500	14,700	20,700
Emerging Markets Debt Fund(1).....	--	--	--
Emerging Markets Fund.....	20,100	16,300	24,700
Emerging Markets Income Fund.....	17,500	16,100	21,900
Equity Growth Fund.....	18,500	14,400	20,200
European Value Equity Fund.....	12,900	12,600	15,500
Focus Equity Fund.....	21,100	28,100	35,300
Global Equity Allocation Fund.....	28,000	33,600	40,500
Global Franchise Fund.....	39,500	25,500	17,900
Global Value Equity Fund.....	26,100	32,900	38,700
Growth and Income Fund II(1).....	--	--	--
International Magnum Fund.....	16,800	15,900	21,400
Japanese Equity Fund(1).....	--	--	--
Latin American Fund.....	14,200	14,200	18,700
Mid Cap Growth Fund.....	15,500	14,900	16,600
Value Fund.....	19,900	19,800	22,200

</Table>

(1) Not operational as of June 30, 2003.

DISTRIBUTION AND SERVICE

The Distributor acts as the principal underwriter of the Funds' shares pursuant to a written agreement (the "Distribution and Service Agreement"). The Distributor has the exclusive right to distribute shares of the Funds through authorized dealers on a continuous basis. The Distributor's obligation is an agency or "best efforts" arrangement under which the Distributor is required to take and pay for only such shares of a Fund as may be sold to the public. The Distributor is not obligated to sell any stated number of shares. The Distributor bears the cost of printing (but not typesetting) prospectuses used in connection with this offering and certain other costs including the cost of supplemental sales literature and advertising. The Distribution and Service Agreement is renewable from year to year if approved (a) (i) by a Fund's Board of Directors or (ii) by a vote of a majority of such Fund's outstanding voting securities and (b) by a vote of a majority of Directors who are not parties to the Distribution and Service Agreement or interested persons of any party, by votes cast in person at a meeting called for such purpose. The Distribution and Service Agreement provides that it will terminate if assigned, and that it may be terminated without penalty by either party on 90 days' written notice.

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Total underwriting commissions on the sale of shares of the Funds for the last three fiscal years are shown in the chart below.

<Table>

<Caption>

FUND NAME	FISCAL YEAR ENDED JUNE 30, 2003		FISCAL YEAR ENDED JUNE 30, 2002		FISCAL YEAR ENDED JUNE 30, 2001	
	TOTAL UNDERWRITING COMMISSIONS	AMOUNTS RETAINED BY DISTRIBUTOR	TOTAL UNDERWRITING COMMISSIONS	AMOUNTS RETAINED BY DISTRIBUTOR	TOTAL UNDERWRITING COMMISSIONS	AMOUNTS RETAINED BY DISTRIBUTOR
American Value Fund.....	\$ 146,858	\$16,100	\$ 138,409	\$ 14,704	\$ 221,543	\$ 9,925
Asian Equity Fund.....	93,089	8,200	74,597	3,543	311,535	2,934
Emerging Markets Debt Fund(1).....	--	--	--	--	--	--
Emerging Markets Fund.....	68,294	4,806	135,535	14,887	356,398	33,733
Emerging Markets Income Fund.....	56,964	6,630	32,978	4,088	107,568	10,751
Equity Growth Fund.....	329,751	50,694	280,746	42,748	443,441	62,287
European Value Equity Fund.....	14,159	1,993	36,502	5,331	35,058	4,987
Focus Equity Fund.....	224,006	27,850	613,403	90,488	1,420,890	207,349
Global Equity Allocation Fund.....	298,912	40,900	581,585	75,160	1,315,763	161,017
Global Franchise Fund.....	4,386,457	614,000	2,191,796	322,412	168,421	27,571
Global Value Equity Fund.....	232,006	36,500	133,607	13,682	244,542	30,645
Growth and Income Fund II(1).....	--	--	--	--	--	--
International Magnum Fund.....	327,735	17,410	214,245	13,179	437,666	9,923
Japanese Equity Fund(1).....	--	--	--	--	--	--
Latin American Fund.....	17,318	873	13,370	1,845	44,954	4,219
Mid Cap Growth Fund.....	90,100	13,300	254,534	37,103	705,625	81,498
Value Fund.....	167,766	25,193	290,608	41,116	289,483	40,926

</Table>

(1) Not operational as of June 30, 2003.

With respect to sales of Class A Shares of the Funds, the total sales charges and concessions reallocated to authorized dealers at the time of purchase are as follows:

CLASS A SHARES SALES CHARGE TABLES

With respect to Emerging Markets Debt Fund and Emerging Markets Income Fund:

SIZE OF INVESTMENT	TOTAL SALES CHARGE		REALLOWED TO DEALERS AS A % OF OFFERING PRICE
	AS % OF OFFERING PRICE	AS % OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than \$100,000.....	4.75%	4.99%	4.25%
\$100,000 but less than \$250,000.....	3.75%	3.90%	3.25%
\$250,000 but less than \$500,000.....	2.75%	2.83%	2.25%
\$500,000 but less than \$1,000,000.....	2.00%	2.04%	1.75%
\$1,000,000 or more.....	*	*	*

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With respect to all of the remaining Funds:

SIZE OF INVESTMENT	TOTAL SALES CHARGE		REALLOWED TO DEALERS AS A % OF OFFERING PRICE
	AS % OF OFFERING PRICE	AS % OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than \$50,000.....	5.75%	6.10%	5.00%
\$50,000 but less than \$100,000.....	4.75%	4.99%	4.00%
\$100,000 but less than \$250,000.....	3.75%	3.90%	3.00%
\$250,000 but less than \$500,000.....	2.75%	2.83%	2.25%
\$500,000 but less than \$1,000,000.....	2.00%	2.04%	1.75%
\$1,000,000 or more.....	*	*	*

* No sales charge is payable at the time of purchase on investments of \$1 million or more, although the Fund may impose a contingent deferred sales charge of 1.00% on certain redemptions made within one year of the purchase. The one-year period ends on the first business day of the thirteenth month after the purchase date. A commission or transaction fee will be paid by the Distributor at the time of purchase directly out of the Distributor's assets (and not out of the Fund's assets) to authorized dealers who initiate and are responsible for purchases of \$1 million or more computed on a percentage of the dollar value of such shares sold as follows: 1.00% on sales to \$2 million, plus 0.80% on the next \$1 million and 0.50% on the excess over \$3 million. For single purchases of \$20 million or more by an individual retail investor, the Distributor will pay, at the time of purchase and directly out of the Distributor's assets (and not out of the Fund's assets), a commission or transaction fee of 1.00% to authorized dealers who initiate and are responsible for such purchases. The commission or transaction fee of 1.00% will be computed on a percentage of the dollar value of such shares sold.

With respect to sales of Class B Shares and Class C Shares, a commission or transaction fee generally will be paid by the Distributor at the time of purchase directly out of the Distributor's assets (and not out of the Fund's assets) to authorized dealers who initiate and are responsible for such purchases computed based on a percentage of the dollar value of such shares sold of 4.00% on Class B Shares and 1.00% on Class C Shares.

Proceeds from any contingent deferred sales charge and any distribution fees on Class B Shares and Class C Shares are paid to the Distributor and are used by the Distributor to defray its distribution related expenses in connection with the sale of the Fund's shares, such as the payment to authorized dealers for selling such shares. With respect to Class C Shares, the authorized dealers generally receive from the Distributor ongoing distribution of up to 0.75% of the average daily net assets of a Fund's Class C Shares annually

commencing in the second year after purchase.

In addition to reallowances or commissions described above, the Distributor may from time to time implement programs under which an authorized dealer's sales force may be eligible to win nominal awards for certain sales efforts or under which the Distributor will reallow to any authorized dealer that sponsors sales contests or recognition programs conforming to criteria established by the Distributor, or participates in sales programs sponsored by the Distributor, an amount not exceeding the total applicable sales charges on the sales generated by the authorized dealer at the public offering price during such programs. Also, the Distributor in its discretion may from time to time, pursuant to objective criteria established by the Distributor, pay fees to, and sponsor business seminars for, qualifying authorized dealers for certain services or activities which are primarily intended to result in sales of shares of the Fund or other Van Kampen funds. Fees may include payment for travel expenses, including lodging, incurred in connection with trips taken by invited registered representatives for meetings or seminars of a business nature. In some instances additional compensation or promotional incentives may be offered to brokers, dealers or financial intermediaries that have sold or may sell significant amounts of shares during specified periods of time. The Distributor may provide additional compensation to Edward D. Jones & Co. or an affiliate thereof based on a combination of its quarterly sales of shares of the Funds and other Van Kampen funds and increases in net assets of the Funds and other

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Van Kampen funds over specified thresholds. All of the foregoing payments are made by the Distributor out of its own assets. Such fees paid for such services and activities with respect to a Fund will not exceed in the aggregate 1.25% of the average total daily net assets of such Fund on an annual basis. These programs will not change the price an investor will pay for shares or the amount that a Fund will receive from such sale.

Each of the Funds have each adopted a distribution plan (the "Distribution Plan") with respect to each of its Class A Shares, Class B Shares and Class C Shares pursuant to Rule 12b-1 under the 1940 Act. Each of the Funds also adopted a service plan (the "Service Plan") with respect to each of its Class A Shares, Class B Shares and Class C Shares. The Distribution Plan and the Service Plan sometimes are referred to herein as the "Plans". The Plans provide that a Fund may spend a portion of the Fund's average daily net assets attributable to each class of shares in connection with distribution of the respective class of shares and in connection with the provision of ongoing services to shareholders of such class, respectively. The Distribution Plan and the Service Plan are being implemented through the Distribution and Service Agreement with the Distributor of each such class of the Fund's shares, sub-agreements between the Distributor and members of the NASD who are acting as securities dealers and NASD members or eligible non-members who are acting as brokers or agents and similar agreements between a Fund and financial intermediaries who are acting as brokers (collectively, "Selling Agreements") that may provide for their customers or clients certain services or assistance, which may include, but not be limited to, processing purchase and redemption transactions, establishing and maintaining shareholder accounts regarding the Fund, and such other services as may be agreed to from time to time and as may be permitted by applicable statute, rule or regulation. Brokers, dealers and financial intermediaries that have entered into sub-agreements with the Distributor and sell shares of the Fund are referred to herein as "financial intermediaries."

Certain financial intermediaries may be prohibited under law from providing certain underwriting or distribution services. If a financial intermediary was prohibited from acting in any capacity or providing any of the described services, the Distributor would consider what action, if any, would be appropriate. The Distributor does not believe that termination of a relationship with a financial intermediary would result in any material adverse consequences to the Funds.

The Distributor must submit quarterly reports to the Fund's Board of Directors setting forth separately by class of shares all amounts paid under the Distribution Plan and the purposes for which such expenditures were made, together with such other information as from time to time is reasonably requested by the Board of Directors. The Plans provide that they will continue in full force and effect from year to year so long as such continuance is specifically approved by a vote of the Board of Directors, and also by a vote of the disinterested Directors, cast in person at a meeting called for the purpose of voting on the Plans. Each of the Plans may not be amended to increase materially the amount to be spent for the services described therein with respect to any class of shares without approval by a vote of a majority of the outstanding voting shares of such class, and all material amendments to either of the Plans must be approved by the Board of Directors and also by the disinterested Directors. Each of the Plans may be terminated with respect to any class of shares at any time by a vote of a majority of the disinterested Directors or by a vote of a majority of the outstanding voting shares of such class.

The Plans obligate the Funds to accrue and pay to the Distributor the

compensation fee agreed to under its Distribution Agreement. The Plans do not obligate the Funds to reimburse the Distributor for the actual expenses the Distributor may incur in fulfilling its obligations under the Plan.

Because each Fund is a series of the Company, amounts paid to the Distributor for expenses of one series of the Company may indirectly benefit the other series of the Company. The Distributor will endeavor to allocate such expenses among such series in an equitable manner. The Distributor will not use the proceeds from the contingent deferred sales charge applicable to a particular class of shares to defray distribution-related expenses attributable to any other class of shares.

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As of June 30, 2003, the unreimbursed distribution-related expenses with respect to Class B Shares and Class C shares, and the percentage of the Fund's net assets attributable to Class B Shares and Class C Shares are represented below.

<Table>

<Caption>

FUND NAME	B SHARES		C SHARES	
	APPROXIMATE UNREIMBURSED DISTRIBUTION	APPROXIMATE PERCENTAGE OF FUND'S NET ASSETS	APPROXIMATE UNREIMBURSED DISTRIBUTION	APPROXIMATE PERCENTAGE OF FUND'S NET ASSETS
American Value Fund.....	\$1,892,200	1%	\$ 0	0.00%
Asian Equity Fund.....	2,331,300	21%	1,879,700	17%
Emerging Markets Fund.....	1,648,100	6%	375,400	3%
Emerging Markets Income Fund....	3,139,900	8%	286,900	2%
Equity Growth Fund.....	875,500	3%	13,900	less than 1%
European Value Equity Fund.....	7,900	less than 1%	0	0.00%
Focus Equity Fund.....	2,004,400	2%	41,200	less than 1%
Global Equity Allocation Fund....	0	0.00%	353,500	less than 1%
Global Franchise Fund.....	6,238,100	3%	362,600	less than 1%
Global Value Equity Fund.....	5,321,200	3%	0	0.00%
International Magnum Fund.....	606,800	3%	34,400	less than 1%
Latin American Fund.....	616,200	8%	52,900	1%
Mid Cap Growth Fund.....	1,407,300	5%	200	less than 1%
Value Fund.....	1,659,600	3%	0	0.00%

</Table>

If the Distribution Plans are terminated or not continued, the Fund would not be contractually obligated to pay the Distributor for any expenses not previously reimbursed by the Fund or recovered through contingent deferred sales charges.

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For the fiscal year ended June 30, 2003, the Distributor received aggregate fees under the Plans as follows:

<Table>

<Caption>

FUND NAME	FISCAL YEAR ENDED JUNE 30, 2003	PERCENTAGE OF AVERAGE DAILY NET ASSETS
American Value Fund -- Class A.....	\$ 374,379	.25%
American Value Fund -- Class B.....	1,523,837	1.00%
American Value Fund -- Class C.....	662,555	1.00%
Asian Equity Fund -- Class A.....	80,744	.25%
Asian Equity Fund -- Class B.....	138,859	1.00%
Asian Equity Fund -- Class C.....	119,159	1.00%
Emerging Markets Debt Fund -- Class A(1).....	--	--%
Emerging Markets Debt Fund -- Class B(1).....	--	--%
Emerging Markets Debt Fund -- Class C(1).....	--	--%
Emerging Markets Fund -- Class A.....	156,005	.25%
Emerging Markets Fund -- Class B.....	314,957	1.00%
Emerging Markets Fund -- Class C.....	139,024	1.00%
Emerging Markets Income Fund -- Class A.....	62,359	.25%
Emerging Markets Income Fund -- Class B.....	396,104	1.00%
Emerging Markets Income Fund -- Class C.....	164,995	1.00%
Equity Growth Fund -- Class A.....	70,753	.25%
Equity Growth Fund -- Class B.....	272,525	1.00%
Equity Growth Fund -- Class C.....	144,645	1.00%
European Value Equity Fund -- Class A.....	8,553	.25%
European Value Equity Fund -- Class B.....	32,057	.84%
European Value Equity Fund -- Class C.....	12,238	.89%

Focus Equity Fund -- Class A.....	225,717	.25%
Focus Equity Fund -- Class B.....	1,191,630	1.00%
Focus Equity Fund -- Class C.....	247,660	1.00%
Global Equity Allocation Fund -- Class A.....	460,687	.25%
Global Equity Allocation Fund -- Class B.....	917,765	.77%
Global Equity Allocation Fund -- Class C.....	440,215	1.00%
Global Franchise Fund -- Class A.....	547,715	.25%
Global Franchise Fund -- Class B.....	1,363,829	1.00%
Global Franchise Fund -- Class C.....	828,011	1.00%
Global Value Equity Fund -- Class A.....	125,862	.25%
Global Value Equity Fund -- Class B.....	2,273,968	1.00%
Global Value Equity Fund -- Class C.....	234,321	.97%
Growth and Income Fund II -- Class A(1).....	--	--%
Growth and Income Fund II -- Class B(1).....	--	--%
Growth and Income Fund II -- Class C(1).....	--	--%
International Magnum Fund -- Class A.....	100,542	.25%
International Magnum Fund -- Class B.....	229,430	1.00%
International Magnum Fund -- Class C.....	63,686	1.00%
Japanese Equity Fund -- Class A(1).....	--	--%
Japanese Equity Fund -- Class B(1).....	--	--%
Japanese Equity Fund -- Class C(1).....	--	--%
Latin American Fund -- Class A.....	31,152	.25%
Latin American Fund -- Class B.....	79,552	1.00%
Latin American Fund -- Class C.....	37,145	1.00%
Mid Cap Growth Fund -- Class A.....	56,330	.25%
Mid Cap Growth Fund -- Class B.....	250,076	1.00%
Mid Cap Growth Fund -- Class C.....	73,782	.90%
Value Fund -- Class A.....	134,335	.25%
Value Fund -- Class B.....	602,441	1.00%
Value Fund -- Class C.....	135,432	.94%

</Table>

(1) Not operational as of June 30, 2003.

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With respect to the following funds, the Distributor has entered into agreements with the following firms whereby certain shares of these Funds will be offered pursuant to such firm's retirement plan alliance program(s):

AMERICAN VALUE FUND

Hewitt Associates, LLC
Huntington Bank
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
The Prudential Insurance Company of America
Charles Schwab & Co., Inc.
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services, Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

ASIAN EQUITY FUND

American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
First Union National Bank
Franklin Templeton
Great West Life & Annuity Insurance Company/Benefits Corp Equities, Inc.
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Charles Schwab & Co., Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group, Inc.)
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services, Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

EMERGING MARKETS FUND

American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
First Union National Bank

Franklin Templeton
Great West Life & Annuity Insurance Company/Benefits Corp Equities, Inc.
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks

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Delaware Charter Guarantee & Trust under the trade name of Trustar(SM)
Retirement Services
Charles Schwab & Co., Inc.
Smith Barney, Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, NA
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group, Inc.)
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services, Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

EMERGING MARKETS INCOME FUND
American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
Fidelity Brokerage Services, Inc. & National Financial Services Corporation
First Union National Bank
Franklin Templeton
Great West Life & Annuity Insurance Company/Benefits Corp Equities, Inc.
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
The Prudential Insurance Company of America
Delaware Charter Guarantee & Trust under the trade name of Trustar(SM)
Retirement Services
Charles Schwab & Co., Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group, Inc.)
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services, Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

EQUITY GROWTH FUND
American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
First Union National Bank
Franklin Templeton
Great West Life Insurance Company/Benefits Corp Equities, Inc.
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Nationwide Investment Services Corporation
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
Delaware Charter Guarantee & Trust under the trade name of Trustar(SM)
Retirement Services

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Charles Schwab & Co., Inc.
Smith Barney, Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group, Inc.)

ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services,
Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

EUROPEAN VALUE EQUITY FUND
American Century Retirement Plan Services Inc.
GoldK Investment Services, Inc.
SunGard Institutional Brokerage Inc.
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services,
Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

FOCUS EQUITY FUND
American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
Fidelity Brokerage Services, Inc. & National Financial Services Corporation
First Union National Bank
Franklin Templeton
Great West Life & Annuity Insurance Company/Benefits Corp Equities
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Nationwide Investment Services Corporation
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
The Prudential Insurance Company of America
Delaware Charter Guarantee & Trust under the trade name of Trustar(SM)
Retirement Services
Charles Schwab & Co., Inc.
Smith Barney, Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group,
Inc.)
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services,
Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

GLOBAL EQUITY ALLOCATION FUND
American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
Fidelity Brokerage Services, Inc. & National Financial Services Corporation
First Union National Bank
Franklin Templeton

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Great West Life & Annuity Insurance Company/Benefits Corp Equities, Inc.
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Nationwide Investment Services Corporation
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
The Prudential Insurance Company of America
Delaware Charter Guarantee & Trust under the trade name of Trustar(SM)
Retirement Services
Charles Schwab & Co., Inc.
Smith Barney, Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group,
Inc.)
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services,
Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

GLOBAL FRANCHISE FUND
American Century Retirement Services Inc.
GoldK Investment Services, Inc.

Merrill Lynch Pierce, Fenner & Smith, Incorporated
The Prudential Insurance Company of America
Smith Barney, Inc.
SunGard Institutional Brokerage Inc.
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services,
Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

GLOBAL VALUE EQUITY FUND
American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
Fidelity Investments Institutional Operations Company, Inc.
Fidelity Brokerage Services, Inc. & National Financial Services Corporation
First Union National Bank
Franklin Templeton
Great West Life & Annuity Insurance Company/Benefits Corp Equities
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Nationwide Investment Services Corporation
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
The Prudential Insurance Company of America
Delaware Charter Guarantee & Trust under the trade name of Trustar(SM)
Retirement Services

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Charles Schwab & Co., Inc.
Smith Barney, Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group,
Inc.)
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services,
Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

INTERNATIONAL MAGNUM FUND
American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
Fidelity Brokerage Services, Inc. & National Financial Services Corporation
First Union National Bank
Franklin Templeton
Great West Life & Annuity Insurance Company/Benefits Corp Equities, Inc.
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith Incorporated
Morgan Stanley DW Inc.
National Deferred Compensations, Inc.
Nationwide Investment Services Corporation
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
The Prudential Insurance Company of America
Delaware Charter Guarantee & Trust under the trade name of Trustar(SM)
Retirement Services
Charles Schwab & Co., Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group,
Inc.)
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services,
Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

LATIN AMERICAN FUND
American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
Fidelity Brokerage Services, Inc. & National Financial Services Corporation
First Union National Bank
Franklin Templeton
Great West Life & Annuity Insurance Company/Benefits Corp Equities, Inc.
GoldK Investment Services, Inc.
Hewitt Associates, LLC

Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
The Prudential Insurance Company of America
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Delaware Charter Guarantee & Trust under the trade name of Trustar(SM)
Retirement Services
Charles Schwab & Co., Inc.
Smith Barney, Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group, Inc.)

MID CAP GROWTH FUND
American Century Retirement Plan Services Inc.
GoldK Investment Services, Inc.
SunGard Institutional Brokerage Inc.
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services, Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

VALUE FUND
American Century Retirement Plan Services Inc.
Buck Consultants, Inc.
Fidelity Brokerage Services, Inc. & National Financial Services Corporation
First Union National Bank
Franklin Templeton
Great West Life & Annuity Insurance Company/Benefits Corp Equities, Inc.
GoldK Investment Services, Inc.
Hewitt Associates, LLC
Huntington Bank
Lincoln National Life Insurance Company
Merrill Lynch Pierce, Fenner & Smith, Incorporated
Morgan Stanley DW Inc.
National Deferred Compensation, Inc.
Nationwide Investment Services Corporation
Wells Fargo Bank, N.A. on behalf of itself and its Affiliated Banks
Smith Barney, Inc.
SunGard Institutional Brokerage Inc.
Union Bank of California, N.A.
Vanguard Marketing Corporation (a wholly-owned subsidiary of The Vanguard Group, Inc.)
ABN Amro Trust Services Co.
AMVESCAP Retirement, Inc. (Formerly Invesco Retirement and Benefit Services, Inc.)
ING Financial Advisers, LLC
Northern Trust Retirement Consulting, LLC

Trustees and other fiduciaries of retirement plans seeking to invest in multiple fund families through a broker-dealer retirement plan alliance program should contact the firms mentioned above for further information concerning the program(s) including, but not limited to, minimum investment and operational requirements.

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TRANSFER AGENT

The Funds' transfer agent, shareholder service agent and dividend disbursing agent is Van Kampen Investor Services Inc. The transfer agency fees are determined through negotiations with the Fund and are approved by the Fund's Board of Directors. The transfer agency fees are based on competitive benchmarks.

PORTFOLIO TRANSACTIONS AND BROKERAGE ALLOCATION

The Adviser is responsible for decisions to buy and sell securities for the Funds, the selection of brokers and dealers to effect the transactions and the negotiation of prices and any brokerage commissions on such transactions. While the Adviser will be primarily responsible for the placement of each Fund's portfolio business, the policies and practices in this regard are subject to review by the Fund's Board of Directors.

With respect to the Emerging Markets Debt Fund and the Emerging Markets Income Fund, most transactions made by such Funds are principal transactions at net prices and the Funds generally incur little or no brokerage costs. The

portfolio securities in which these Funds invest are normally purchased directly from the issuer or in the over-the-counter market from an underwriter or market maker for the securities. Purchases from underwriters of portfolio securities include a commission or concession paid by the issuer to the underwriter and purchases from dealers serving as market makers include a spread or markup to the dealer between the bid and asked price. Sales to dealers are effected at bid prices. These Funds may also purchase certain money market instruments directly from an issuer, in which case no commissions or discounts are paid, or may purchase and sell listed securities on an exchange, which are effected through brokers who charge a commission for their services.

The Adviser is responsible for placing portfolio transactions and does so in a manner deemed fair and reasonable to the Funds and not according to any formula. The primary consideration in all portfolio transactions is prompt execution of orders in an effective manner at the most favorable price. In selecting broker-dealers and in negotiating prices and any brokerage commissions on such transactions, the Adviser considers the firm's reliability, integrity and financial condition and the firm's execution capability, the size and breadth of the market for the security, the size of and difficulty in executing the order, and the best net price. There are many instances when, in the judgment of the Adviser, more than one firm can offer comparable execution services. In selecting among such firms, consideration may be given to those firms which supply research and other services in addition to execution services. The Adviser is authorized to pay higher commissions to brokerage firms that provide it with investment and research information than to firms which do not provide such services if the Adviser determines that such commissions are reasonable in relation to the overall services provided. No specific value can be assigned to such research services which are furnished without cost to the Adviser. Since statistical and other research information is only supplementary to the research efforts of the Adviser to the Fund and still must be analyzed and reviewed by its staff, the receipt of research information is not expected to reduce its expenses materially. The investment advisory fee is not reduced as a result of the Adviser's receipt of such research services. Services provided may include (a) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (b) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (c) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement and custody). Research services furnished by firms through which the Fund effects its securities transactions may be used by the Adviser in servicing all of its advisory accounts; not all of such services may be used by the Adviser in connection with the Funds.

The Adviser also may place portfolio transactions, to the extent permitted by law, with brokerage firms affiliated with the Funds, the Adviser or the Distributor and with brokerage firms participating in the distribution of the Funds' shares if it reasonably believes that the quality of execution and the commission are comparable to that available from other qualified firms. Similarly, to the extent permitted by law and subject to the same considerations on quality of execution and comparable commission rates, the Adviser may direct an executing broker to pay a portion or all of any commissions, concessions or discounts to a firm supplying research or other services.

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The Adviser may place portfolio transactions at or about the same time for other advisory accounts, including other investment companies. The Adviser seeks to allocate portfolio transactions equitably whenever concurrent decisions are made to purchase or sell securities for a Fund and another advisory account. In some cases, this procedure could have an adverse effect on the price or the amount of securities available to such Fund. In making such allocations among a Fund and other advisory accounts, the main factors considered by the Adviser are the respective sizes of the Fund and other advisory accounts, the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment, the size of investment commitments generally held and opinions of the persons responsible for recommending the investment.

Certain broker-dealers, through which the Funds may effect securities transactions, are affiliated persons (as defined in the 1940 Act) of the Funds or affiliated persons of such affiliates, including Morgan Stanley or its subsidiaries. The Board of Directors has adopted certain policies incorporating the standards of Rule 17e-1 issued by the SEC under the 1940 Act which require that the commissions paid to affiliates of the Funds must be reasonable and fair compared to the commissions, fees or other remuneration received or to be received by other brokers in connection with comparable transactions involving similar securities during a comparable period of time. The rule and procedures also contain review requirements and require the Adviser to furnish reports to the Board of Directors and to maintain records in connection with such reviews. After consideration of all factors deemed relevant, the Board of Directors will consider from time to time whether the advisory fee for each Fund will be

reduced by all or a portion of the brokerage commission paid to affiliated brokers.

Unless otherwise disclosed below, the Fund paid no commissions to affiliated brokers during the last three fiscal years. The Funds paid the following commissions to brokers during the fiscal years shown:

<Table>

<Caption>

FISCAL YEAR ENDED JUNE 30, 2003	AMERICAN VALUE FUND	ASIAN EQUITY FUND	EMERGING MARKETS DEBT FUND (1)	EMERGING MARKETS FUND	EMERGING MARKETS INCOME FUND	EQUITY GROWTH FUND	EUROPEAN VALUE EQUITY FUND	FOCUS EQUITY FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total brokerage commissions.....	\$ 2,658,527	\$ 337,594	\$--	\$ 473,255	\$ 0	\$ 393,178	\$27,158	\$ 1,390,962
Commissions with Morgan Stanley & Co. Incorporated.....	\$ 0	\$ 72,598	\$--	\$ 13,188	\$ 0	\$ 10,967	\$ 184	\$ 22,527
Percentage of total commissions.....	0%	21.50%	--	2.79%	0%	2.79%	0.68%	1.62%
Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	0%	35.79%	--	1.78%	0%	2.59%	0.17%	1.24%
Commissions for research services.....	\$ 2,359,902	\$ 294,777	\$--	\$ 413,557	\$--	\$ 381,339	\$26,724	\$ 1,348,541
Value of research transactions.....	\$809,136,918	\$195,578,751	\$--	\$91,581,343	\$--	\$306,682,283	\$907,169	\$1,054,110,199

<Caption>

FISCAL YEAR ENDED JUNE 30, 2003	GLOBAL EQUITY ALLOCATION FUND	GLOBAL FRANCHISE FUND
<S>	<C>	<C>
Total brokerage commissions.....	\$ 286,351	\$ 544,061
Commissions with Morgan Stanley & Co. Incorporated.....	\$ 0	\$ 1,503
Percentage of total commissions.....	0%	0.28%
Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	0%	0.02%
Commissions for research services.....	\$ 248,970	\$ 543,008
Value of research transactions.....	\$686,744,491	\$22,050,403

<Table>

<Caption>

FISCAL YEAR ENDED JUNE 30, 2003	GLOBAL VALUE EQUITY FUND	GROWTH AND INCOME FUND II (1)	INTER- NATIONAL MAGNUM FUND	JAPANESE EQUITY FUND (1)	LATIN AMERICAN FUND	MID CAP GROWTH FUND	VALUE FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total brokerage commissions.....	\$ 248,105	\$--	\$ 137,776	\$--	\$ 106,670	\$ 506,465	\$ 367,352
Commissions with Morgan Stanley & Co. Incorporated.....	\$ 16,612	\$--	\$ 524	\$--	\$ 42	\$ 4,774	\$ 6,801
Percentage of total commissions.....	6.70%	--	0.38%	--	0.04%	0.94%	1.85%
Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	0.82%	--	0.03%	--	0.05%	0.79%	1.62%
Commissions for research services.....	\$ 234,353	\$--	\$ 111,449	\$--	\$ 93,288	\$ 506,465	\$ 296,577
Value of research transactions.....	\$1,492,477,804	\$--	\$9,412,193	\$--	\$41,015,213	\$256,025,537	\$337,175,524

(1) Not operational as of June 30, 2003.

<Table>

<Caption>

FISCAL YEAR ENDED JUNE 30, 2002	AMERICAN VALUE FUND	ASIAN EQUITY FUND	EMERGING MARKETS DEBT FUND (1)	EMERGING MARKETS FUND	EMERGING MARKETS INCOME FUND	EQUITY GROWTH FUND	EUROPEAN VALUE EQUITY FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total brokerage commissions.....	\$ 2,322,090	\$504,235	\$--	\$ 566,477	\$ 0	\$ 229,250	\$ 35,325
Commissions with Morgan Stanley & Co. Incorporated.....	\$ --	\$ 88,666	\$--	\$ 33,524	\$--	\$ 20,413	\$ --
Percentage of total commissions.....	0%	17.58%	--	5.92%	0%	8.90%	0%
Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	0%	17.70%	--	1.93%	0%	10.64%	0%
Percentage of total value of brokerage transactions with Dean Witter.....	0%	0%	--	0%	0%	0%	0%

<Caption>

FISCAL YEAR ENDED JUNE 30, 2002	FOCUS EQUITY FUND	GLOBAL EQUITY ALLOCATION FUND	GLOBAL FRANCHISE FUND
<S>	<C>	<C>	<C>
Total brokerage commissions.....	\$ 890,226	\$ 204,743	\$ 153,492
Commissions with Morgan Stanley & Co. Incorporated.....	\$ 43,669	\$ --	\$ 163
Percentage of total commissions.....	4.91%	0%	0.11%
Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	5.60%	0%	0.04%
Percentage of total value of brokerage transactions with Dean Witter.....	0%	0%	0%

</Table>

<Table>

<Caption>

FISCAL YEAR ENDED JUNE 30, 2002	GLOBAL VALUE EQUITY FUND	GROWTH AND INCOME FUND II (1)	INTER- NATIONAL MAGNUM FUND	JAPANESE EQUITY FUND (1)	LATIN AMERICAN FUND	MID CAP GROWTH FUND	VALUE FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total brokerage commissions.....	\$ 522,842	\$--	\$ 152,525	\$--	\$ 105,741	\$ 419,825	\$ 280,454
Commissions with Morgan Stanley & Co. Incorporated.....	\$ 14,547	\$--	\$ 70	\$--	\$ 1,925	\$ 1,386	\$ --
Percentage of total commissions.....	2.78%	--	0.05%	--	1.82%	0.33%	0%
Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	2.30%	--	0.04%	--	0.23%	0.44%	0%

</Table>

(1) Not operational as of June 30, 2002.

<Table>

<Caption>

FISCAL YEAR ENDED JUNE 30, 2001	AMERICAN VALUE FUND	ASIAN EQUITY FUND	EMERGING MARKETS DEBT FUND (1)	EMERGING MARKETS FUND	EMERGING MARKETS INCOME FUND	EQUITY GROWTH FUND	EUROPEAN VALUE EQUITY FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total brokerage commissions.....	\$ 2,628,442	\$ 787,894	\$--	\$ 815,320	\$ 862	\$ 135,132	\$ 25,128
Commissions with Morgan Stanley & Co. Incorporated.....	\$ 0	\$ 182,300	\$--	\$ 49,400	\$ 0	\$ 1,300	\$ 0
Percentage of total commissions.....	0%	23.14%	--	6.06%	0%	0.96%	0%
Percentage of total commissions.....	0%	0%	--	0%	0%	0%	0%

Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	0%	22.04%	--	6.13%	0%	1.01%	0%
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<Caption>

FISCAL YEAR ENDED JUNE 30, 2001	FOCUS EQUITY FUND	GLOBAL EQUITY ALLOCATION FUND	GLOBAL FRANCHISE FUND
<S>	<C>	<C>	<C>
Total brokerage commissions.....	\$ 678,542	\$ 335,416	\$ 37,793
Commissions with Morgan Stanley & Co. Incorporated.....	\$ 1,800	\$ 0	\$ 1,200
Percentage of total commissions.....	0.27%	0%	3.18%
Percentage of total commissions.....	0%	0%	0%
Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	0.25%	0%	3.97%

</Table>

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<Table>

<Caption>

FISCAL YEAR ENDED JUNE 30, 2001	GLOBAL VALUE EQUITY FUND	GROWTH AND INCOME FUND II (1)	INTER- NATIONAL MAGNUM FUND	JAPANESE EQUITY FUND (1)	LATIN AMERICAN FUND	MID CAP GROWTH FUND	VALUE FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total brokerage commissions.....	\$ 679,701	\$--	\$ 161,602	\$--	\$ 185,435	\$ 274,871	\$ 480,961
Commissions with Morgan Stanley & Co. Incorporated.....	\$ 27,200	\$--	\$ --	\$--	\$ 1,600	\$ 0	\$ 800
Percentage of total commissions.....	4.00%	--	0%	--	0.86%	0%	0.17%
Percentage of total value of brokerage transactions with Morgan Stanley & Co. Incorporated.....	4.80%	--	0%	--	2.45%	0%	0.47%

</Table>

(1) Not operational as of June 30, 2001.

SHAREHOLDER SERVICES

The Funds offer a number of shareholder services designed to facilitate investment in their respective shares at little or no extra cost to the investor. Below is a description of such services. The following information supplements the section in each Fund's Prospectus captioned "Shareholder Services."

INVESTMENT ACCOUNT

Each shareholder of each Fund has an investment account under which the investor's shares of the Fund are held by Investor Services, the Funds' transfer agent. Investor Services performs bookkeeping, data processing and administrative services related to the maintenance of shareholder accounts. Except as described in the Prospectus and this Statement of Additional Information, after each share transaction in an account, the shareholder receives a statement showing the activity in the account. Each shareholder who has an account in any of the Van Kampen funds will receive statements quarterly from Investor Services showing any reinvestments of dividends and capital gain dividends and any other activity in the account since the preceding statement. Such shareholders also will receive separate confirmations for each purchase or sale transaction other than reinvestment of dividends and capital gain dividends and systematic purchases or redemptions. Additional shares may be purchased at any time through authorized dealers or by mailing a check and detailed instructions directly to Investor Services.

SHARE CERTIFICATES

Generally, the Funds will not issue share certificates. However, upon written or telephone request to a Fund, a share certificate will be issued representing shares (with the exception of fractional shares) of that Fund. A

shareholder will be required to surrender such certificates upon an exchange or redemption of the shares represented by the certificate. In addition, if such certificates are lost the shareholder must write to Van Kampen Funds Inc. c/o Investor Services, PO Box 947, Jersey City, NJ 07303-0947, requesting an "Affidavit of Loss" and obtain a Surety Bond in a form acceptable to Investor Services. On the date the letter is received, Investor Services will calculate the fee for replacing the lost certificate equal to no more than 1.50% of the net asset value of the issued shares, and bill the party to whom the replacement certificate was mailed.

RETIREMENT PLANS

Eligible investors may establish individual retirement accounts ("IRAs"); SEP; 401(k) plans; 403(b)(7) plans in the case of employees of public school systems and certain non-profit organizations; or other pension or profit sharing plans. Documents and forms containing detailed information regarding these plans are available from the Distributor.

AUTOMATED CLEARING HOUSE ("ACH") DEPOSITS

Shareholders can use ACH to have redemption proceeds deposited electronically into their bank accounts. Redemption proceeds transferred to a bank account via the ACH plan are available to be credited to

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the account on the second business day following normal payment. To utilize this option, the shareholder's bank must be a member of ACH. In addition, the shareholder must fill out the appropriate section of the account application form. The shareholder must also include a voided check or deposit slip from the bank account into which redemption proceeds are to be deposited together with the completed application. Once Investor Services has received the application and the voided check or deposit slip, such shareholder's designated bank account, following any redemption, will be credited with the proceeds of such redemption. Once enrolled in the ACH plan, a shareholder may terminate participation at any time by writing Investor Services or by calling (800) 847-2424 ((800) 421-2833 for the hearing impaired).

DIVIDEND DIVERSIFICATION

A shareholder may elect, by completing the appropriate section of the account application form or by calling (800) 847-2424 ((800) 421-2833 for the hearing impaired), to have all dividends and capital gain dividends paid on a class of shares of a Fund invested into shares of the same class of any of the Participating Funds (as defined in each Prospectus) so long as the investor has a pre-existing account for such class of shares of the other fund. Both accounts must be of the same type, either non-retirement or retirement. If the accounts are retirement accounts, they must both be for the same class and of the same type of retirement plan (e.g. IRA, 403(b)(7), 401(k), Money Purchase and Profit Sharing Keogh plans) and for the benefit of the same individual. If a qualified, pre-existing account does not exist, the shareholder must establish a new account subject to any requirements of the Participating Fund into which distributions will be invested. Distributions are invested into the selected Participating Fund, provided that shares of such Participating Fund are available for sale, at its net asset value per share as of the payable date of the distribution from the Fund.

SYSTEMATIC WITHDRAWAL PLAN

A shareholder may establish a monthly, quarterly, semiannual or annual withdrawal plan if the shareholder owns shares in a single account valued at \$10,000 or more at the next determined net asset value per share at the time the plan is established. If a shareholder owns shares in a single account valued at \$5,000 or more at the next determined net asset value per share at the time the plan is established, the shareholder may establish a quarterly, semiannual or annual withdrawal plan. This plan provides for the orderly use of the entire account, not only the income but also the capital, if necessary. Each payment represents the proceeds of a redemption of shares on which any capital gain or loss will be recognized. The planholder may arrange for periodic checks in any amount not less than \$25. Such a systematic withdrawal plan may also be maintained by an investor purchasing shares for a retirement plan and may be established on a form made available by the Fund. See "Shareholder Services -- Retirement Plans."

Class B Shareholders and Class C Shareholders who establish a systematic withdrawal plan may redeem up to 12% annually of the shareholder's initial account balance without incurring a contingent deferred sales charge. Initial account balance means the amount of the shareholder's investment at the time the election to participate in the plan is made.

Under the plan, sufficient shares of the applicable Fund are redeemed to provide the amount of the periodic withdrawal payment. Dividends and capital gain dividends on shares held in accounts with systematic withdrawal plans are reinvested in additional shares at the next determined net asset value per

share. If periodic withdrawals continuously exceed reinvested dividends and capital gain dividends, the shareholder's original investment will be correspondingly reduced and ultimately exhausted. Redemptions made concurrently with the purchase of additional shares ordinarily will be disadvantageous to the shareholder because of the duplication of sales charges. Any gain or loss realized by the shareholder upon redemption of shares is a taxable event. Each Fund reserves the right to amend or terminate the systematic withdrawal program upon 30 days' notice to its shareholders.

REINSTATEMENT PRIVILEGE

A Class A Shareholder or Class B Shareholder who has redeemed shares of a Fund may reinstate any portion or all of the net proceeds of such redemption (and may include that amount necessary to acquire a

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fractional share to round off his or her purchase to the next full share) in Class A Shares of such Fund. A Class C Shareholder who has redeemed shares of the Fund may reinstate any portion or all of the net proceeds of such redemption (and may include that amount necessary to acquire a fractional share to round off his or her purchase to the next full share) in Class C Shares of the Fund with credit given for any contingent deferred sales charge paid upon such redemption, provided that such shareholder has not previously exercised this reinstatement privilege with respect to Class C Shares of the Fund. Shares acquired in this manner will be deemed to have the original cost and purchase date of the redeemed shares for purposes of applying the CDSC-Class C (defined below) to subsequent redemptions. Reinstatements are made at the net asset value per share (without sales charge) next determined after the order is received, which must be made within 180 days after the date of the redemption, provided that shares of the Fund are available for sale. Reinstatement at net asset value per share is also offered to participants in eligible retirement plans for repayment of principal (and interest) on their borrowings on such plans, provided that shares of the Funds are available for sale.

REDEMPTION OF SHARES

Redemptions are not made on days during which the New York Stock Exchange (the "Exchange") is closed. The right of redemption may be suspended and the payment therefor may be postponed for more than seven days during any period when (a) the Exchange is closed for other than customary weekends or holidays; (b) the SEC determines trading on the Exchange is restricted; (c) the SEC determines an emergency exists as a result of which disposal by a Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for such Fund to fairly determine the value of its net assets; or (d) the SEC, by order, so permits.

In addition, if the Company's Board of Directors determines that payment wholly or partly in cash would be detrimental to the best interests of the remaining shareholders of a Fund, such Fund may pay the redemption proceeds in whole or in part by a distribution-in-kind of portfolio securities held by the Fund in lieu of cash in conformity with applicable rules of the SEC. A distribution-in-kind may result in recognition by the shareholder of a gain or loss for federal income tax purposes when such securities are distributed, and the shareholder may have brokerage costs and a gain or loss for federal income tax purposes upon the shareholder's disposition of such securities.

CONTINGENT DEFERRED SALES CHARGE -- CLASS A

As described in the Funds' Prospectuses under "Purchase of Shares -- Class A Shares," there is no sales charge payable on Class A Shares at the time of purchase on investments of \$1 million or more, but a contingent deferred sales charge ("CDSC -- Class A") may be imposed on certain redemptions made within one year of purchase. For purposes of the CDSC-Class A, when shares of a Participating Fund are exchanged for shares of another Participating Fund, the purchase date for the shares acquired by exchange will be assumed to be the date on which shares were purchased in the fund from which the exchange was made. If the exchanged shares themselves are acquired through an exchange, the purchase date is assumed to carry over from the date of the original election to purchase shares subject to a CDSC-Class A rather than a front-end load sales charge. In determining whether a CDSC-Class A is payable, it is assumed that shares being redeemed first are any shares in the shareholder's account not subject to a contingent deferred sales charge, followed by shares held the longest in the shareholder's account. The contingent deferred sales charge is assessed on an amount equal to the lesser of the then current market value or the cost of the shares being redeemed. Accordingly, no sales charge is imposed on increases in net asset value above the initial purchase price. In addition, no sales charge is assessed on shares derived from reinvestment of dividends or capital gain dividends.

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WAIVER OF CLASS B AND CLASS C CONTINGENT DEFERRED SALES CHARGES

As described in the Funds' Prospectuses under "Redemption of Shares," redemptions of Class B Shares and Class C Shares will be subject to a contingent deferred sales charge ("CDSC-Class B and C"). The CDSC-Class B and C is waived on redemptions of Class B Shares and Class C Shares in the circumstances described below:

REDEMPTION UPON DEATH OR DISABILITY

A Fund will waive the CDSC-Class B and C on redemptions following the death or disability of a Class B shareholder and Class C shareholder. An individual will be considered disabled for this purpose if he or she meets the definition thereof in Section 72(m)(7) of the Code, which in pertinent part defines a person as disabled if such person "is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration." While the Funds do not specifically adopt the balance of the Code's definition which pertains to furnishing the Secretary of Treasury with such proof as he or she may require, the Distributor will require satisfactory proof of death or disability before it determines to waive the CDSC-Class B and C.

In cases of death or disability, the CDSC-Class B and C will be waived where the decedent or disabled person is either an individual shareholder or owns the shares as a joint tenant with right of survivorship or is the beneficial owner of a custodial or fiduciary account, and where the redemption is made within one year of the death or initial determination of disability. This waiver of the CDSC-Class B and C applies to a total or partial redemption, but only to redemptions of shares held at the time of the death or initial determination of disability.

REDEMPTION IN CONNECTION WITH CERTAIN DISTRIBUTIONS FROM RETIREMENT PLANS

A Fund will waive the CDSC-Class B and C when a total or partial redemption is made in connection with certain distributions from retirement plans. The CDSC-Class B and C will be waived upon the tax-free rollover or transfer of assets to another retirement plan invested in one or more Participating Funds; in such event, as described below, the Fund will "tack" the period for which the original shares were held on to the holding period of the shares acquired in the transfer or rollover for purposes of determining what, if any, CDSC-Class B and C is applicable in the event that such acquired shares are redeemed following the transfer or rollover. The charge also will be waived on any redemption which results from the return of an excess contribution or other contribution pursuant to Code Section 408(d)(4) or (5), the return of excess contributions or deferral amounts pursuant to Code Section 401(k)(8) or 402(g)(2), the financial hardship of the employee pursuant to U.S. Treasury regulation Section 1.401(k)-1(d)(2) or the death or disability of the employee (see Code Section 72(m)(7) and 72(t)(2)(A)(ii)). In addition, the charge will be waived on any minimum distribution required to be distributed in accordance with Code Section 401(a)(9).

The Funds do not intend to waive the CDSC-Class B and C for any distributions from IRAs or other retirement plans not specifically described above.

REDEMPTION PURSUANT TO THE FUND'S SYSTEMATIC WITHDRAWAL PLAN

A shareholder may elect to participate in a systematic withdrawal plan with respect to the shareholder's investment in a Fund. Under the systematic withdrawal plan, a dollar amount of a participating shareholder's investment in the Fund will be redeemed systematically by the Fund on a periodic basis, and the proceeds sent to the designated payee of record. The amount to be redeemed and frequency of the systematic withdrawals will be specified by the shareholder upon his or her election to participate in the systematic withdrawal plan.

The amount of the shareholder's investment in the Fund at the time the election to participate in the systematic withdrawal plan is made with respect to the Fund is hereinafter referred to as the "initial account balance." The amount to be systematically redeemed from the Fund without the imposition of a CDSC-Class B and C may not exceed a maximum of 12% annually of the shareholder's initial account balance. The

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Fund reserves the right to change the terms and conditions of the systematic withdrawal plan and the ability to offer the systematic withdrawal plan.

NO INITIAL COMMISSION OR TRANSACTION FEE

A Fund will waive the CDSC-Class B and C in circumstances under which no commission or transaction fee is paid to authorized dealers at the time of purchase of shares. See "Purchase of Shares -- Waiver of Contingent Deferred Sales Charge" in the Prospectuses.

Each Fund reserves the right to redeem shareholder accounts with balances of less than a specified dollar amount as set forth in the Funds' Prospectuses. Prior to such redemptions, shareholders will be notified in writing and allowed a specified period of time to purchase additional shares to bring the value of the account up to the required minimum balance. Each Fund will waive the CDSC-Class B and C upon such involuntary redemption.

REDEMPTION BY ADVISER

A Fund may waive the CDSC-Class B and C when a total or partial redemption is made by the Adviser with respect to its investments in such Fund.

TAXATION

FEDERAL INCOME TAXATION OF THE FUNDS

The Company and each of the Funds will be treated as separate corporations for federal income tax purposes. The Funds have elected and qualified and intend to continue to qualify each year, to be treated as regulated investment companies under Subchapter M of the Code. To qualify as a regulated investment company, each Fund must comply with certain requirements of the Code relating to, among other things, the sources of its income and diversification of its assets.

If a Fund so qualifies and distributes each year to its shareholders at least 90% of its investment company taxable income (generally including ordinary income and net short-term capital gain, but not net capital gain, which is the excess of net long-term capital gain over net short-term capital loss) and meets certain other requirements, it will not be required to pay federal income taxes on any income it distributes to shareholders. Each Fund intends to distribute at least the minimum amount necessary to satisfy the 90% distribution requirement. A Fund will not be subject to federal income tax on any net capital gain distributed to shareholders and designated as capital gain dividends.

To avoid a 4% excise tax, each Fund will be required to distribute, by December 31st of each year, at least an amount equal to the sum of (i) 98% of its ordinary income for such year and (ii) 98% of its capital gain net income (the latter of which generally is computed on the basis of the one-year period ending on October 31st of such year), plus any amounts that were not distributed in previous taxable years. For purposes of the excise tax, any ordinary income or capital gain net income retained by, and subject to federal income tax in the hands of, a Fund will be treated as having been distributed.

If a Fund failed to qualify as a regulated investment company or failed to satisfy the 90% distribution requirement in any taxable year, that Fund would be taxed as an ordinary corporation on its taxable income (even if such income were distributed to its shareholders) and all distributions out of earnings and profits would be taxed to shareholders as ordinary income. In addition, the Fund could be required to recognize unrealized gains, pay taxes and make distributions (which could be subject to interest charges) before requalifying for taxation as a regulated investment company.

Some of the Funds' investment practices are subject to special provisions of the Code that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited) and/or (iv) cause the Fund to

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recognize income or gain without a corresponding receipt of cash with which to make distributions in amounts necessary to satisfy the 90% distribution requirement and the distribution requirements for avoiding income and excise taxes. Each Fund will monitor its transactions and may make certain tax elections to mitigate the effect of these rules and prevent its disqualification as a regulated investment company.

Investments of a Fund in securities issued at a discount or providing for deferred interest or payment of interest in kind are subject to special tax rules that will affect the amount, timing and character of distributions to shareholders. For example, with respect to securities issued at a discount, a Fund will be required to accrue as income each year a portion of the discount and to distribute such income each year to maintain its qualification as a regulated investment company and to avoid income and excise taxes. To generate sufficient cash to make distributions necessary to satisfy the 90% distribution requirement and to avoid income and excise taxes, such Fund may have to dispose of securities that it would otherwise have continued to hold.

A Fund may invest in or own debt securities of companies in various stages of financial restructuring, bankruptcy or reorganization which are not currently

paying interest or are in default. Investments in debt securities that are at risk of or in default present special tax issues for such a Fund. Federal income tax rules are not entirely clear about issues such as when the Fund may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless securities, how payments received on obligations in default should be allocated between principal and income and whether exchanges of debt obligations in a bankruptcy or workout context are taxable. These and other issues will be addressed by the Fund, in the event it invests in such securities, in order to seek to ensure that it distributes sufficient income to preserve its status as a regulated investment company and does not become subject to U.S. federal income or excise tax.

PASSIVE FOREIGN INVESTMENT COMPANIES

The Funds may invest in non-U.S. corporations that could be classified as "passive foreign investment companies" as defined for federal income tax purposes. For federal income tax purposes, such an investment may, among other things, cause the Funds to recognize income or gain without a corresponding receipt of cash, to incur an interest charge on taxable income that is deemed to have been deferred and/or to recognize ordinary income that would otherwise have been treated as capital gain.

DISTRIBUTIONS TO SHAREHOLDERS

Distributions of a Fund's investment company taxable income are taxable to shareholders as ordinary income to the extent of such Fund's earnings and profits, whether paid in cash or reinvested in additional shares. Distributions of a Fund's net capital gains designated as capital gain dividends, if any, are taxable to shareholders as long-term capital gains regardless of the length of time shares of such Fund have been held by such shareholders. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a shareholder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gains to such shareholder (assuming such shares are held as a capital asset). The Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "2003 Tax Act") contains provisions that reduce the U.S. federal income tax rates on (1) long-term capital gains received by individuals and (2) "qualified dividend income" received by individuals from certain domestic and foreign corporations. The reduced rate for capital gains generally applies to long-term capital gains from sales or exchanges recognized on or after May 6, 2003, and ceases to apply for taxable years beginning after December 31, 2008. The reduced rate for dividends generally applies to "qualified dividend income" received in taxable years beginning after December 31, 2002, and ceases to apply for taxable years beginning after December 31, 2008. In the case of a Fund intending to invest primarily in common stocks and other equity securities, a portion of the ordinary income dividends paid by such Fund should be eligible for the reduced rate applicable to "qualified dividend income." In the case of a Fund that intends to invest primarily in debt securities, ordinary income dividends paid by such Fund generally will not be eligible for the reduced rate applicable to "qualified dividend income." Distributions from the Funds designated as capital gain dividends will be eligible for the reduced rate applicable to long-term capital gains. For a summary of the maximum tax rates applicable to capital gains (including capital gain dividends), see

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"Capital Gains Rates" below. Tax-exempt shareholders not subject to federal income tax on their income generally will not be taxed on distributions from a Fund.

Shareholders receiving distributions in the form of additional shares issued by a Fund will be treated for federal income tax purposes as receiving a distribution in an amount equal to the fair market value of the shares received, determined as of the distribution date. The basis of such shares will equal their fair market value on the distribution date.

Each Fund will inform shareholders of the source and tax status of all distributions promptly after the close of each calendar year. Some portion of the distributions from a Fund may be eligible for the corporate dividends received deduction if such Fund receives qualifying dividends during the year and if certain requirements of the Code are satisfied.

Although dividends generally will be treated as distributed when paid, dividends declared in October, November or December, payable to shareholders of record on a specified date in such month and paid during January of the following year will be treated as having been distributed by a Fund and received by the shareholders on the December 31st prior to the date of payment. In addition, certain other distributions made after the close of a taxable year of a Fund may be "spilled back" and treated as paid by such Fund (except for purposes of the 4% excise tax) during such taxable year. In such case, shareholders will be treated as having received such dividends in the taxable year in which the distribution was actually made.

Income from investments in foreign securities received by a Fund may be

subject to income, withholding or other taxes imposed by foreign countries and U.S. possessions. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. Shareholders of a Fund may be entitled to claim United States foreign tax credits with respect to such taxes, subject to certain provisions and limitations contained in the Code. If more than 50% of the value of a Fund's total assets at the close of its taxable year consists of stock or securities of foreign corporations and such Fund meets certain holding period requirements, the Fund will be eligible to file, and may file, an election with the Internal Revenue Service ("IRS") pursuant to which shareholders of such Fund will be required (i) to include their respective pro rata portions of such taxes in their United States income tax returns as gross income and (ii) to treat such respective pro rata portions as taxes paid by them. Each shareholder will be entitled, subject to certain limitations, either to deduct his pro rata portion of such foreign taxes in computing his taxable income or to credit them against his United States federal income taxes. No deduction for such foreign taxes may be claimed by a shareholder who does not itemize deductions. Each shareholder of a Fund that may be eligible to file the election described in this paragraph will be notified annually whether the foreign taxes paid by such Fund will "pass through" for that year and, if so, such notification will designate (i) the shareholder's portion of the foreign taxes paid to each country and (ii) the portion of dividends that represent income derived from sources within each country. The amount of foreign taxes for which a shareholder may claim a credit in any year will be subject to an overall limitation such that the credit may not exceed the shareholder's United States federal income tax attributable to the shareholder's foreign source taxable income. This limitation generally applies separately to certain specific categories of foreign source income including "passive income," which includes dividends and interest. Because the application of the foregoing rules depends on the particular circumstances of each shareholder, shareholders are urged to consult their tax advisers.

Certain foreign currency gains or losses attributable to currency exchange rate fluctuations are treated as ordinary income or loss. Such income or loss may increase or decrease (or possibly eliminate) a Fund's income available for distribution. If, under the rules governing the tax treatment of foreign currency gains and losses, such Fund's income available for distribution is decreased or eliminated, all or a portion of the dividends declared by the Fund may be treated for federal income tax purposes as a return of capital or, in some circumstances, as capital gains. Generally, a shareholder's tax basis in Fund shares will be reduced to the extent that an amount distributed to such shareholder is treated as a return of capital.

SALE OF SHARES

The sale of shares (including transfers in connection with a redemption or repurchase of shares) may be a taxable transaction for federal income tax purposes. Selling shareholders will generally recognize gain or loss

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in an amount equal to the difference between their adjusted tax basis in the shares sold and the amount received. If the shares are held as a capital asset, the gain or loss will be a capital gain or loss. For a summary of the maximum tax rates applicable to capital gains, see "Capital Gains Rates" below. Any loss recognized upon a taxable disposition of shares held for six months or less will be treated as a long-term capital loss to the extent of any capital gain dividends received with respect to such shares. For purposes of determining whether shares have been held for six months or less, the holding period is suspended for any periods during which the shareholder's risk of loss is diminished as a result of holding one or more other positions in substantially similar or related property or through certain options or short sales.

CAPITAL GAINS RATES

As a consequence of the 2003 Tax Act, the maximum tax rate applicable to net capital gains recognized by individuals and other non-corporate taxpayers investing in a Fund is (i) the same as the maximum ordinary income tax rate for capital assets held for one year or less or (ii) for net capital gains recognized on or after May 6, 2003, 15% for capital assets held for more than one year (20% for net capital gains recognized in taxable years beginning after December 31, 2008). The maximum long-term capital gains rate for corporations is 35%.

WITHHOLDING ON PAYMENTS TO NON-U.S. SHAREHOLDERS

For purposes of this and the following paragraphs, a "Non-U.S. Shareholder" shall include any shareholder who is not

- an individual who is a citizen or resident of the United States;
- a corporation or partnership created or organized under the laws of the United States or any state or political subdivision thereof;

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a U.S. court and which has one or more U.S. fiduciaries who have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A Non-U.S. Shareholder generally will be subject to withholding of U.S. federal income tax at a 30% rate (or lower applicable treaty rate), rather than backup withholding (discussed below), on dividends from the Fund (other than capital gain dividends) that are not "effectively connected" with a U.S. trade or business carried on by such shareholder, provided that the shareholder furnishes to the Fund a properly completed Internal Revenue Service ("IRS") Form W-8BEN certifying the shareholder's non-United States status.

Non-effectively connected capital gain dividends and gains realized from the sale of shares will not be subject to U.S. federal income tax in the case of (i) a Non-U.S. Shareholder that is a corporation and (ii) an individual Non-U.S. Shareholder who is not present in the United States for more than 182 days during the taxable year (assuming that certain other conditions are met). However, certain Non-U.S. Shareholders may nonetheless be subject to backup withholding and information reporting on capital gain dividends and redemption proceeds paid to them upon the sale of their shares. See "Backup Withholding" and "Information Reporting" below.

If income from a Fund or gains realized from the sale of shares are effectively connected with a Non-U.S. Shareholder's U.S. trade or business, then such amounts will not be subject to the 30% withholding described above, but rather will be subject to U.S. federal income tax on a net basis at the tax rates applicable to U.S. citizens and residents or domestic corporations. To establish that income from a Fund or gains realized from the sale of shares are effectively connected with a U.S. trade or business, a Non-U.S. Shareholder must provide such Fund with a properly completed IRS Form W-8ECI certifying that such amounts are effectively connected with the Non-U.S. Shareholder's U.S. trade or business. Non-U.S. Shareholders that are corporations may also be subject to an additional "branch profits tax" with respect to income from the Fund that is effectively connected with a U.S. trade or business.

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The tax consequences to a Non-U.S. Shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described in this section. To claim tax treaty benefits, Non-U.S. Shareholders will be required to provide a Fund with a properly completed IRS Form W-8BEN certifying their entitlement to the benefits. In addition, in certain cases where payments are made to a Non-U.S. Shareholder that is a partnership or other pass-through entity, both the entity and the persons holding an interest in the entity will need to provide certification. For example, an individual Non-U.S. Shareholder who holds shares in a Fund through a non-U.S. partnership must provide an IRS Form W-8BEN to claim the benefits of an applicable tax treaty. Non-U.S. Shareholders are advised to consult their advisers with respect to the tax implications of purchasing, holding and disposing of shares of a Fund.

BACKUP WITHHOLDING

A Fund may be required to withhold federal income tax ("backup withholding") at a rate of 28% from dividends and redemption proceeds paid to non-corporate shareholders. This tax may be withheld from dividends paid to a shareholder if (i) the shareholder fails to properly furnish such Fund with its correct taxpayer identification number, (ii) the IRS notifies the Fund that the shareholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect or (iii) when required to do so, the shareholder fails to certify that the taxpayer identification number provided is correct, that the shareholder is not subject to backup withholding and that the shareholder is a U.S. person (as defined for U.S. federal income tax purposes). Redemption proceeds may be subject to backup withholding under the circumstances described in (i) above.

Generally, dividends paid to Non-U.S. Shareholders that are subject to the 30% federal income tax withholding described above under "Withholding on Payments to Non-U.S. Shareholders" are not subject to backup withholding. To avoid backup withholding on capital gain dividends and redemption proceeds from the sale of shares, Non-U.S. Shareholders must provide a properly completed IRS Form W-8BEN certifying their non-United States status.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from payments made to a shareholder may be refunded or credited against such shareholder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

INFORMATION REPORTING

Each Fund must report annually to the IRS and to each shareholder (other than a Non-U.S. Shareholder) the amount of dividends, capital gain dividends or redemption proceeds paid to such shareholder and the amount, if any, of tax withheld pursuant to backup withholding rules with respect to such amounts. In the case of a Non-U.S. Shareholder, the Fund must report to the IRS and such shareholder the amount of dividends, capital gain dividends or redemption proceeds paid that are subject to withholding (including backup withholding, if any) and the amount of tax withheld with respect to such amounts. This information may also be made available to the tax authorities in a Non-U.S. Shareholder's country of residence.

GENERAL

The federal income tax discussion set forth above is for general information only. Shareholders and prospective investors should consult their tax advisers regarding the specific federal tax consequences of purchasing, holding and disposing of shares of a Fund as well as the effects of state, local and foreign tax laws and any proposed tax law changes.

PERFORMANCE INFORMATION

The Company may from time to time quote various performance figures to illustrate the Funds' past performance.

Performance quotations by investment companies are subject to rules adopted by the SEC, which require the use of standardized performance quotations. In the case of total return, non-standardized performance

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quotations may be furnished by the Company but must be accompanied by certain standardized performance information computed as required by the SEC. Current yield and average annual compounded total return quotations used by the Company are based on the standardized methods of computing performance mandated by the SEC. An explanation of those and other methods used by the Company to compute or express performance follows.

TOTAL RETURN

From time to time the Funds may advertise total return for prior periods. Total return figures are based on historical earnings and are not intended to indicate future performance. The average annual total return is determined by finding the average annual compounded rates of return over one-year, five-year and ten-year periods (or over the life of the Fund, if shorter) that would equate an initial hypothetical investment to its ending redeemable value. The calculation assumes: the maximum sales load is deducted from the initial payment; all dividends and distributions are reinvested when paid at the price stated in the Prospectuses; the deduction of all applicable Company expenses on an annual basis; and the amount was completely redeemed at the end of each one-, five- and ten-year period (or over the life of the Fund) including deduction of the applicable maximum deferred sales load at the time, in the amount and under the terms disclosed in the Prospectus. The Adviser may waive or reimburse fees and/or expenses from time to time; the Fund's returns calculated without waivers or reimbursements would be lower than returns reflecting any waivers or reimbursements.

Total return figures are calculated according to the following formula:

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

where:

<Table>			
<C>	<C>	<S>	
P	=	a hypothetical initial payment	
T	=	average annual total return	
n	=	number of years	
ERV	=	ending redeemable value of hypothetical payment made at the beginning of the 1-, 5-, or 10-year periods at the end of the 1-, 5-, or 10-year periods (or fractional portion thereof).	
</Table>			

Calculated using the formula above, the average annualized total return, for each of the Funds that commenced operations prior to June 30, 2003 for the one and five year periods ended June 30, 2003 and for the period from the inception of each Fund through June 30, 2003 are as follows:

<Table>				
<Caption>				
	INCEPTION	ONE-YEAR	FIVE-YEAR	INCEPTION
	DATE	PERIOD ENDED	PERIOD ENDED	THROUGH
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>

American Value Fund				
Class A Shares.....	10/18/93	-7.67%	-1.16%	8.01%
Class B Shares(1).....	08/01/95	-7.63	-0.99	7.68
Class C Shares(1).....	10/18/93	-3.16	-0.62	7.91
Asian Equity Fund				
Class A Shares.....	06/23/93	-15.75	1.54	-4.63
Class B Shares(1).....	08/01/95	-15.57	1.91	-9.92
Class C Shares(1).....	06/23/93	-12.17	2.13	-4.70
Emerging Markets Debt Fund				
Class A Shares.....	N/A	--	--	--
Class B Shares.....	N/A	--	--	--
Class C Shares.....	N/A	--	--	--

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<Table>
<Caption>

	INCEPTION DATE	ONE-YEAR PERIOD ENDED JUNE 30, 2003	FIVE-YEAR PERIOD ENDED JUNE 30, 2003	INCEPTION THROUGH JUNE 30, 2003
<S>	<C>	<C>	<C>	<C>
Emerging Markets Fund				
Class A Shares.....	07/06/94	-4.21	0.46	-2.86
Class B Shares(1).....	08/01/95	-4.01	0.68	-2.03
Class C Shares(1).....	07/06/94	-0.01	1.02	-2.88
Emerging Markets Income Fund				
Class A Shares.....	04/21/94	16.70	-0.27	6.25
Class B Shares(1).....	08/01/95	17.52	-0.23	5.76
Class C Shares(1).....	04/21/94	20.49	-0.03	6.02
Equity Growth Fund				
Class A Shares.....	05/28/98	-9.34	-4.16	-3.54
Class B Shares.....	05/28/98	-9.32	-3.97	-3.11
Class C Shares.....	05/28/98	-5.02	-3.62	-3.04
European Value Equity Fund				
Class A Shares.....	09/25/98	-12.59	N/A	-0.82
Class B Shares.....	09/25/98	-12.25	N/A	-0.35
Class C Shares.....	09/25/98	-8.12	N/A	-0.02
Focus Equity Fund				
Class A Shares.....	01/02/96	-9.17	-4.11	6.91
Class B Shares.....	01/02/96	-9.25	-3.95	7.00
Class C Shares.....	01/02/96	-5.43	-3.69	6.95
Global Equity Allocation Fund				
Class A Shares.....	01/04/93	-11.42	-4.05	5.94
Class B Shares(1).....	08/01/95	-11.40	-3.85	3.99
Class C Shares(1).....	01/04/93	-7.66	-3.60	5.77
Global Franchise Fund				
Class A Shares.....	09/25/98	-7.15	N/A	13.25
Class B Shares.....	09/25/98	-7.14	N/A	13.57
Class C Shares.....	09/25/98	-3.21	N/A	13.95
Global Value Equity Fund				
Class A Shares.....	10/29/97	-18.10	-2.84	-0.64
Class B Shares.....	10/29/97	-18.11	-2.64	-0.31
Class C Shares.....	10/29/97	-14.36	-2.30	-0.25
Growth and Income Fund II				
Class A Shares.....	N/A	--	--	--
Class B Shares.....	N/A	--	--	--
Class C Shares.....	N/A	--	--	--
International Magnum Fund				
Class A Shares.....	07/01/96	-18.33	-8.58	-2.94
Class B Shares.....	07/01/96	-18.72	-8.39	-2.80
Class C Shares.....	07/01/96	-15.32	-8.12	-2.81

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<Table>
<Caption>

	INCEPTION DATE	ONE-YEAR PERIOD ENDED JUNE 30, 2003	FIVE-YEAR PERIOD ENDED JUNE 30, 2003	INCEPTION THROUGH JUNE 30, 2003
<S>	<C>	<C>	<C>	<C>
Japanese Equity Fund				
Class A Shares.....	N/A	--	--	--
Class B Shares.....	N/A	--	--	--
Class C Shares.....	N/A	--	--	--
Latin American Fund				
Class A Shares.....	07/06/94	1.20	-1.46	2.92
Class B Shares(1).....	08/01/95	1.67	-1.25	6.12
Class C Shares(1).....	07/06/94	5.56	-0.99	2.83
Mid Cap Growth Fund				

Class A Shares.....	10/25/99	-5.64	N/A	-12.02
Class B Shares.....	10/25/99	-5.59	N/A	-11.83
Class C Shares.....	10/25/99	-1.31	N/A	-11.19
Value Fund				
Class A Shares.....	07/07/97	-9.56	-2.00	-0.60
Class B Shares.....	07/07/97	-9.39	-1.94	-0.41
Class C Shares.....	07/07/97	-5.17	-1.52	-0.34

</Table>

The Emerging Markets Debt, Growth and Income II, and Japanese Equity Funds had not commenced operations in the fiscal year ended June 30, 2003.

- (1) The Class B shares listed above were created on May 1, 1995. The original Class B shares were renamed Class C shares, as listed above, on May 1, 1995. The Class B shares commenced operations on August 1, 1995.

YIELD FOR CERTAIN FUNDS

From time to time certain of the Funds may advertise yield.

Current yield reflects the income per share earned by a Fund's investments.

Current yield is determined by dividing the net investment income per share earned during a 30-day base period by the maximum offering price per share on the last day of the period and annualizing the result. Expenses accrued for the period include any fees charged to all shareholders during the base period.

Current yield figures are obtained using the following formula:

<Table>
<S> <C> <C>

$$\text{Yield} = 2 \left[\frac{a - b}{cd} + 1 \right] (6) - 1$$

</Table>

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 outstanding during the period that were entitled to receive income distributions

d = the maximum offering price per share on the last day of the period

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The respective current yields for the following Funds 30-day period ended June 30, 2003 were as follows:

<Table>
<Caption>

FUND NAME	CLASS A SHARES	CLASS B SHARES	CLASS C SHARES
Emerging Markets Income Fund.....	5.76%	5.32%	5.31%

</Table>

COMPARISONS

To help investors better evaluate how an investment in a Fund might satisfy their investment objective, advertisements regarding the Company may discuss various measures of Fund performance as reported by various financial publications. Advertisements may also compare performance (as calculated above) to performance as reported by other investments, indices and averages.

In assessing such comparisons of performance an investor should keep in mind that the composition of the investments in the reported indices and averages is not identical to the composition of investments in the Company's Funds, that the averages are generally unmanaged, and that the items included in the calculations of such averages may not be identical to the formula used by the Company to calculate its performance. In addition, there can be no assurance that the Company will continue this performance as compared to such other averages.

GENERAL PERFORMANCE INFORMATION

Each Fund's performance will fluctuate. Past performance is not necessarily

indicative of future return. Actual performance will depend on such variables as portfolio quality, average portfolio maturity, the type of portfolio instruments acquired, changes in interest rates, portfolio expenses and other factors. Performance is one basis investors may use to analyze a Fund as compared to other funds and other investment vehicles. However, performance of other funds and other investment vehicles may not be comparable because of the foregoing variables, and differences in the methods used in valuing their portfolio instruments, computing net asset value and determining performance.

From time to time, a Fund's performance may be compared to other mutual funds tracked by financial or business publications and periodicals. For example, a Fund may quote Morningstar, Inc. in its advertising materials. Morningstar, Inc. is a mutual fund rating service that rates mutual funds on the basis of risk-adjusted performance. Rankings that compare the performance of the Funds to one another in appropriate categories over specific periods of time may also be quoted in advertising.

Fund advertising may include data on historical returns of the capital markets in the United States compiled or published by research firms, including returns on common stocks, small capitalization stocks, long-term corporate bonds, intermediate-term government bonds, long-term government bonds, Treasury bills, the U.S. rate of inflation (based on the Consumer Price Index), and combinations of various capital markets. The performance of these capital markets is based on the returns of different indices. The Funds may use the performance of these capital markets in order to demonstrate general risk-versus-reward investment scenarios. Performance comparisons may also include the value of a hypothetical investment in any of these capital markets. The risks associated with the security types in any capital market may or may not correspond directly to those of the Funds. The Funds may also compare their performance to that of other compilations or indices that may be developed and made available in the future.

The Funds may include in advertisements, charts, graphs or drawings which illustrate the potential risks and rewards of investment in various investment vehicles, including but not limited to, foreign securities, stocks, bonds, treasury bills and shares of a Fund. In addition, advertisements may include a discussion of certain attributes or benefits to be derived by an investment in a Fund and/or other mutual funds, shareholder profiles and hypothetical investor scenarios, timely information on financial management, tax and retirement planning and various investment alternatives. The Funds may also from time to time include discussions or illustrations of the effects of compounding in advertisements. "Compounding" refers to the fact that, if dividends or other distributions on a Fund investment are reinvested by being paid in additional Fund shares,

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any future income or capital appreciation of a Fund would increase the value, not only of the original investment in the Fund, but also of the additional Fund shares received through reinvestment.

The Funds may include in its advertisements, discussions or illustrations of the potential investment goals of a prospective investor (including materials that describe general principles of investing, such as asset allocation, diversification, risk tolerance, goal setting, questionnaires designed to help create a personal financial profile, worksheets used to project savings needs based on assumed rates of inflation and hypothetical rates of return and action plans offering investment alternatives), investment management techniques, policies or investment suitability of a Fund (such as value investing, market timing, dollar cost averaging, asset allocation, constant ratio transfer, automatic account rebalancing, the advantages and disadvantages of investing in tax-deferred and taxable investments). Advertisements and sales materials relating to a Fund may include information regarding the background and experience of its portfolio managers; the resources, expertise and support made available to the portfolio managers and the portfolio managers' goals, strategies and investment techniques.

The Funds' advertisements may discuss economic and political conditions of the United States and foreign countries, the relationship between sectors of the U.S., a foreign, or the global economy and the U.S., a foreign, or the global economy as a whole and the effects of inflation. The Funds may include discussions and illustrations of the growth potential of various global markets including, but not limited to, Africa, Asia, Europe, Latin America, North America, South America, Emerging Markets and individual countries. These discussions may include the past performance of the various markets or market sectors; forecasts of population, gross national product and market performance; and the underlying data which supports such forecasts. From time to time, advertisements, sales literature, communications to shareholders or other materials may summarize the substance of information contained in the Funds' shareholder reports (including the investment composition of a Fund), as well as views as to current market, economic, trade and interest rate trends, legislative, regulatory and monetary developments, investment strategies and related matters believed to be of relevance to a Fund.

The Funds may quote various measures of volatility and benchmark correlation in advertising. The Funds may compare these measures to those of other funds. Measures of volatility seek to compare the historical share price fluctuations or total returns to those of a benchmark. Measures of benchmark correlation indicate how valid a comparative benchmark may be. Measures of volatility and correlation may be calculated using averages of historical data. A Fund may also advertise its current interest rate sensitivity, duration, weighted average maturity or similar maturity characteristics.

The Funds may advertise examples of the effects of periodic investment plans, including the principle of dollar cost averaging. In such a program, an investor invests a fixed dollar amount in a Fund at periodic intervals, thereby purchasing fewer shares when prices are high and more shares when prices are low. While such a strategy does not assure a profit or guard against loss in a declining market, the investor's average cost per share can be lower than if fixed numbers of shares are purchased at the same intervals. In evaluating such a plan, investors should consider their ability to continue purchasing shares during periods of low price levels.

From time to time marketing materials may provide a portfolio manager update, an Adviser update and discuss general economic conditions and outlooks. The Funds' marketing materials may also show each Fund's asset class diversification, top sector holdings and largest holdings. Materials may also mention how the Distributor believes a Fund compares relative to other Van Kampen funds. Materials may also discuss the Dalbar Financial Services study from 1984 to 1994 which studied investor cash flow into and out of all types of mutual funds. The ten-year study found that investors who bought mutual fund shares and held such shares outperformed investors who bought and sold. The Dalbar study conclusions were consistent regardless of whether shareholders purchased their funds in direct or sales force distribution channels. The study showed that investors working with a professional representative have tended over time to earn higher returns than those who invested directly. The performance of the funds purchased by the investors in the Dalbar study and the conclusions based thereon are not necessarily indicative of future performance of such funds or conclusions that may result from similar studies in the future. The Funds may also be marketed on the internet.

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OTHER INFORMATION

CUSTODY OF ASSETS

Except for segregated assets held by a futures commission merchant pursuant to rules and regulations promulgated under the 1940 Act, all securities owned by each of the Funds and all cash, including proceeds from the sale of shares of the Funds and of securities in each Fund's investment portfolio, are held by State Street Bank and Trust Company, 225 West Franklin Street, Boston, Massachusetts 02110, as custodian. The custodian also provides accounting services to each of the Funds.

SHAREHOLDER REPORTS

Semiannual statements are furnished to shareholders, and annually such statements are audited by the independent auditors.

INDEPENDENT AUDITORS

Independent auditors for the Company perform an annual audit of the Funds' financial statements. The Company's Board of Directors has engaged Deloitte & Touche LLP, located at Two Prudential Plaza, 180 North Stetson Avenue, Chicago, Illinois 60601, to be the Company's independent auditors.

LEGAL COUNSEL

Counsel to the Funds is Skadden, Arps, Slate, Meagher & Flom (Illinois).

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APPENDIX A

DESCRIPTION OF SECURITIES RATINGS

STANDARD & POOR'S -- A brief description of the applicable Standard & Poor's (S&P) rating symbols and their meanings (as published by S&P) follows:

A S&P issue credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated.

The issue credit rating is not a recommendation to purchase, sell, or hold a financial obligation, inasmuch as it does not comment as to market price or suitability for a particular investor.

Issue credit ratings are based on current information furnished by the obligors or obtained by S&P from other sources it considers reliable. S&P does not perform an audit in connection with any credit rating and may, on occasion, rely on unaudited financial information. Credit ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Issue credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term rating addresses the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings.

LONG-TERM ISSUE CREDIT RATINGS

Issue credit ratings are based in varying degrees, on the following considerations:

1. Likelihood of payment -- capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation:
2. Nature of and provisions of the obligation: and
3. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

The issue rating definitions are expressed in terms of default risk. As such, they pertain to senior obligations of an entity. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above.

AAA: An obligation rated "AAA" has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA: An obligation rated "AA" differs from the highest-rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A: An obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB: An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

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SPECULATIVE GRADE

BB, B, CCC, CC, C: Obligations rated "BB", "B", "CCC", "CC" and "C" are regarded as having significant speculative characteristics. "BB" indicates the least degree of speculation and "C" the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB: An obligation rated "BB" is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B: An obligation rated "B" is more vulnerable to nonpayment than obligations rated "BB", but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC: An obligation rated "CCC" is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of

adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC: An obligation rated "CC" is currently highly vulnerable to nonpayment.

C: The "C" rating may be used to cover a situation where a bankruptcy petition has been filed or similar action has been taken, but payments on this obligation are being continued.

D: An obligation rated "D" is in payment default. The "D" rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The "D" rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

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

c: The "c" subscript is used to provide additional information to investors that the bank may terminate its obligation to purchase tendered bonds if the long-term credit rating of the issuer is below an investment-grade level and/or the issuer's bonds are deemed taxable.

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

*: Continuance of the ratings is contingent upon S&P's receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flows.

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

N.R.: Not rated.

Debt obligations of issuers outside the United States and its territories are rated on the same basis as domestic corporate and municipal issues. The ratings measure the creditworthiness of the obligor but do not take into account currency exchange and related uncertainties.

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BOND INVESTMENT QUALITY STANDARDS

Under present commercial bank regulations issued by the Comptroller of the Currency, bonds rated in the top four categories ("AAA", "AA", "A", "BBB", commonly known as investment-grade ratings) generally are regarded as eligible for bank investment. Also, the laws of various states governing legal investments impose certain rating or other standards for obligations eligible for investment by savings banks, trust companies, insurance companies, and fiduciaries in general.

MUNICIPAL NOTES

A S&P's note rating reflects the liquidity factors and market access risks unique to notes. Notes due in three years or less will likely receive a note rating. Notes maturing beyond three years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment.

-- Amortization schedule -- the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and

-- Source of payment -- the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Note rating symbols are as follows:

SP-1: Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+)

designation.

SP-2: Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

SP-3: Speculative capacity to pay principal and interest.

COMMERCIAL PAPER

A S&P commercial paper rating is a current assessment of the likelihood of timely payment of debt considered short-term in the relevant market.

Ratings are graded into several categories, ranging from "A-1" for the highest quality obligations to "D" for the lowest. These categories are as follows:

A-1: A short-term obligation rated "A-1" is rated in the highest category by S&P's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2: A short-term obligation rated "A-2" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

A-3: A short-term obligation rated "A-3" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B: A short-term obligation rated "B" is regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

C: A short-term obligation rated "C" is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

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D: A short-term obligation rated "D" is in payment default. The "D" rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless S&P's believes that such payments will be made during such grace period. The "D" rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

A commercial paper rating is not a recommendation to purchase, sell or hold a financial obligation inasmuch as it does not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to S&P by the issuer or obtained from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

TAX-EXEMPT DUAL RATINGS

S&P assigns "dual" ratings to all debt issues that have a put option or demand feature as part of their structure. The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term debt rating symbols are used for bonds to denote the long-term maturity and the commercial paper rating symbols for the put option (for example, "AAA/A-1+"). With short-term demand debt, S&P's note rating symbols are used with the commercial paper rating symbols (for example, "SP-1+/A-1+").

MOODY'S INVESTORS SERVICE INC. -- A brief description of the applicable Moody's Investors Service, Inc. (Moody's) rating symbols and their meanings (as published by Moody's) follows:

Aaa: Bonds and preferred stock 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 edged." 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 and preferred stock which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation 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 and preferred stock which are rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

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

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

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

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

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

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

Moody's assigns ratings to individual debt securities issued from medium-term note (MTN) programs, in addition to indicating ratings to MTN programs themselves. Notes issued under MTN programs with such indicated ratings are rated at issuance at the rating applicable to all pari passu notes issued under the same program, at the program's relevant indicated rating, provided such notes do not exhibit any of the characteristics listed below. For notes with any of the following characteristics, the rating of the individual note may differ from the indicated rating of the program:

- 1) Notes containing features which link the cash flow and/or market value to the credit performance of any third party or parties.
- 2) Notes allowing for negative coupons, or negative principal.
- 3) Notes containing any provision which could obligate the investor to make any additional payments.

Market participants must determine whether any particular note is rated, and if so, at what rating level. Moody's encourages market participants to contact Moody's Ratings Desks directly if they have questions regarding ratings for specific notes issued under a medium-term note program.

Note: Moody's applies numerical modifiers, 1, 2, and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

SHORT-TERM EXEMPT NOTES

In municipal debt issuance, there are three rating categories for short-term obligations that are considered investment grade. These ratings are designated as Moody's Investment Grade (MIG) and are divided into three levels -- MIG 1 through MIG 3.

In addition, those short-term obligations that are of speculative quality are designated SG, or speculative grade.

In the case of variable rate demand obligations (VRDOs), a two-component rating is assigned. The first element represents Moody's evaluation of the degree of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of the degree of risk associated with the demand feature, using the MIG rating scale.

The short-term rating assigned to the demand feature of VRDOs is designated as VMIG. When either the long- or short-term aspect of a VRDO is not rated, that piece is designated NR, e.g., Aaa/NR or NR/VMIG 1.

MIG ratings expire at note maturity. By contrast, VMIG rating expirations will be a function of each issue's specific structural or credit features.

MIG 1/VMIG 1. This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

MIG 2/VMIG 2. This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

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MIG 3/VMIG 3. This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

SG. This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

TAX-EXEMPT COMMERCIAL PAPER

Moody's short-term ratings are opinions of the ability of issuers to honor senior financial obligations and contracts. Such obligations generally have an original maturity not exceeding one year, unless explicitly noted.

Moody's employs the following designations, all judged to be investment grade, to indicate the relative repayment ability of rated issuers:

PRIME-1

Issuers (or supporting institutions) rated Prime-1 have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics:

- Leading market positions in well established industries.
- High rates of return on funds employed.
- Conservative capitalization structure with moderate reliance on debt and ample asset protection.
- Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- Well-established access to a range of financial markets and assured sources of alternate liquidity.

PRIME-2

Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation than is the case for Prime-1 securities. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

PRIME-3

Issuers (or supporting institutions) rated Prime-3 have an acceptable ability for repayment of senior short-term debt obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt-protection measurements and may require relatively high financial leverage. Adequate alternate liquidity is maintained.

NOT PRIME

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

In addition, in certain countries the prime rating may be modified by the issuer's or guarantor's senior unsecured long-term debt rating.

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

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

1. An application for rating was not received or accepted.
2. The issue or issuer belongs to a group of securities that are not rated as a matter of policy.
3. There is a lack of essential data pertaining to the issue or issuer.

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

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

PREFERRED STOCK

Preferred stock rating symbols and their definitions are as follows:

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

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

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

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

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

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

caa: An issue which is rated "caa" is likely to be in arrears on dividend payments. This rating designation does not purport to indicate the future status of payments.

ca: An issue which is rated "ca" is speculative in a high degree and is likely to be in arrears on dividends with little likelihood of eventual payment.

c: This is the lowest rated class of preferred or preference stock. Issues so rated can thus be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers 1, 2 and 3 in each rating classifications "aa" through "b". 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.

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APPENDIX B

MORGAN STANLEY INVESTMENT MANAGEMENT PROXY VOTING POLICY AND PROCEDURES

I. POLICY STATEMENT

Introduction -- Morgan Stanley Investment Management's ("MSIM") policies

and procedures for voting proxies with respect to securities held in the accounts of clients applies to those MSIM entities that provide discretionary Investment Management services and for which a MSIM entity has the authority to vote their proxies. The policies and procedures and general guidelines in this section will be reviewed and, as necessary, updated periodically to address new or revised proxy voting issues. The MSIM entities covered by these policies and procedures currently include the following: Morgan Stanley Investment Advisors Inc., Morgan Stanley Alternative Investment Partners, L.P., Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc., Morgan Stanley Investment Group Inc., Morgan Stanley Investment Management Limited, Morgan Stanley Investment Management Company, Morgan Stanley Asset & Investment Trust Management Co., Limited, Morgan Stanley Investment Management Private Limited, Morgan Stanley Investments LP, Morgan Stanley Hedge Fund Partners GP LP, Morgan Stanley Hedge Fund Partners LP, Van Kampen Investment Advisory Corp., Van Kampen Asset Management Inc., and Van Kampen Advisors Inc. (each a "MSIM Affiliate" and collectively referred to as the "MSIM Affiliates").

Each MSIM Affiliate will vote proxies as part of its authority to manage, acquire and dispose of account assets. With respect to the MSIM registered management investment companies (Van Kampen, Institutional and Advisor Funds) (collectively referred to as the "MSIM Funds"), each MSIM Fund will vote proxies pursuant to authority granted under its applicable investment advisory agreement or, in the absence of such authority, as authorized by its Board of Directors or Trustees. A MSIM Affiliate will not vote proxies if the "named fiduciary" for an ERISA account has reserved the authority for itself, or in the case of an account not governed by ERISA, the Investment Management Agreement does not authorize the MSIM Affiliate to vote proxies. MSIM Affiliates will, in a prudent and diligent manner, vote proxies in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which we manage assets, consistent with the objective of maximizing long-term investment returns ("Client Proxy Standard"). In certain situations, a client or its fiduciary may provide a MSIM Affiliate with a statement of proxy voting policy. In these situations, the MSIM Affiliate will comply with the client's policy unless to do so would be inconsistent with applicable laws or regulations or the MSIM Affiliate's fiduciary responsibility.

Proxy Research Services -- To assist the MSIM Affiliates in their responsibility for voting proxies and the overall global proxy voting process, Institutional Shareholder Services ("ISS") and the Investor Responsibility Research Center ("IRRC") have been retained as experts in the proxy voting and corporate governance area. ISS and IRRC are independent advisers that specialize in providing a variety of fiduciary-level proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to MSIM Affiliates include in-depth research, global issuer analysis, and voting recommendations. In addition to research, ISS provides vote execution, reporting, and recordkeeping. MSIM's Proxy Review Committee (see Section IV.A. below) will carefully monitor and supervise the services provided by the proxy research services.

Voting Proxies for certain Non-US Companies -- While the proxy voting process is well established in the United States and other developed markets with a number of tools and services available to assist an investment manager, voting proxies of non-US companies located in certain jurisdictions, particularly emerging markets, may involve a number of problems that may restrict or prevent a MSIM Affiliate's ability to vote such proxies. These problems include, but are not limited to: (i) proxy statements and ballots being written in a language other than English; (ii) untimely and/or inadequate notice of shareholder meetings; (iii) restrictions on the ability of holders outside the issuer's jurisdiction of organization to exercise votes; (iv) requirements to vote proxies in person, (v) the imposition of restrictions on the sale of the securities for a period of time in proximity to the shareholder meeting; and (vi) requirements to provide local agents with power of attorney to facilitate the MSIM Affiliate's voting instructions. As a result, clients' non-U.S. proxies

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will be voted on a best efforts basis only, consistent with the Client Proxy Standard. ISS has been retained to provide assistance to the MSIM Affiliates in connection with voting their clients' non-US proxies.

II. GENERAL PROXY VOTING GUIDELINES

To ensure consistency in voting proxies on behalf of its clients, MSIM Affiliates will follow (subject to any exception set forth herein) these Proxy Voting Policies and Procedures, including the guidelines set forth below. These guidelines address a broad range of issues, including board size and composition, executive compensation, antitakeover proposals, capital structure proposals and social responsibility issues and are meant to be general voting parameters on issues that arise most frequently. The MSIM Affiliates, however, may vote in a manner that is contrary to the following general guidelines, pursuant to the procedures set forth in Section IV. below, provided the vote is consistent with the Client Proxy Standard.

III. GUIDELINES

A. MANAGEMENT PROPOSALS

1. When voting on routine ballot items the following proposals are generally voted in support of management, subject to the review and approval of the Proxy Review Committee, as appropriate.
 - Selection or ratification of auditors.
 - Approval of financial statements, director and auditor reports.
 - Election of Directors.
 - Limiting Directors' liability and broadening indemnification of Directors.
 - Requirement that a certain percentage (up to 66 2/3%) of its Board's members be comprised of independent and unaffiliated Directors.
 - Requirement that members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated Directors.
 - Recommendations to set retirement ages or require specific levels of stock ownership by Directors.
 - General updating/corrective amendments to the charter.
 - Elimination of cumulative voting.
 - Elimination of preemptive rights.
 - Provisions for confidential voting and independent tabulation of voting results.
 - Proposals related to the conduct of the annual meeting except those proposals that relate to the "transaction of such other business which may come before the meeting."
2. The following non-routine proposals, which potentially may have a substantive financial or best interest impact on a shareholder, are generally voted in support of management, subject to the review and approval of the Proxy Review Committee, as appropriate.

CAPITALIZATION CHANGES

- Capitalization changes that eliminate other classes of stock and voting rights.
- Proposals to increase the authorization of existing classes of common stock (or securities convertible into common stock) if: (i) a clear and legitimate business purpose is stated; (ii) the number of shares requested is reasonable in relation to the purpose for which authorization is requested; and (iii) the authorization does not exceed 100% of shares currently authorized and at least 30% of the new authorization will be outstanding.

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- Proposals to create a new class of preferred stock or for issuances of preferred stock up to 50% of issued capital.
- Proposals for share repurchase plans.
- Proposals to reduce the number of authorized shares of common or preferred stock, or to eliminate classes of preferred stock.
- Proposals to effect stock splits.
- Proposals to effect reverse stock splits if management proportionately reduces the authorized share amount set forth in the corporate charter. Reverse stock splits that do not adjust proportionately to the authorized share amount will generally be approved if the resulting increase in authorized shares coincides with the proxy guidelines set forth above for common stock increases.

COMPENSATION

- Director fees, provided the amounts are not excessive relative to other companies in the country or industry.
- Employee stock purchase plans that permit discounts up to 15%, but only for grants that are part of a broad based employee plan, including all non-executive employees.

- Establishment of Employee Stock Option Plans and other employee ownership plans.

ANTI-TAKEOVER MATTERS

- Modify or rescind existing supermajority vote requirements to amend the charters or bylaws.
 - Adoption of anti-greenmail provisions provided that the proposal: (i) defines greenmail; (ii) prohibits buyback offers to large block holders not made to all shareholders or not approved by disinterested shareholders; and (iii) contains no anti-takeover measures or other provisions restricting the rights of shareholders.
3. The following non-routine proposals, which potentially may have a substantive financial or best interest impact on the shareholder, are generally voted against (notwithstanding management support), subject to the review and approval of the Proxy Review Committee, as appropriate.
- Capitalization changes that add classes of stock that which substantially dilute the voting interests of existing shareholders.
 - Proposals to increase the authorized number of shares of existing classes of stock that carry preemptive rights or supervoting rights.
 - Creation of "blank check" preferred stock.
 - Changes in capitalization by 100% or more.
 - Compensation proposals that allow for discounted stock options that have not been offered to employees in general.
 - Amendments to bylaws that would require a supermajority shareholder vote to pass or repeal certain provisions.
 - Proposals to indemnify auditors.
4. The following types of non-routine proposals, which potentially may have a potential financial or best interest impact on an issuer, are voted as determined by the Proxy Review Committee.

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CORPORATE TRANSACTIONS

- Mergers, acquisitions and other special corporate transactions (i.e., takeovers, spin-offs, sales of assets, reorganizations, restructurings and recapitalizations) will be examined on a case-by-case basis. In all cases, ISS and IRRC research and analysis will be used along with MSIM Affiliates' research and analysis, based on, among other things, MSIM internal company-specific knowledge.
- Change-in-control provisions in non-salary compensation plans, employment contracts, and severance agreements that benefit management and would be costly to shareholders if triggered.
- Shareholders rights plans that allow appropriate offers to shareholders to be blocked by the board or trigger provisions that prevent legitimate offers from proceeding.
- Executive/Director stock option plans. Generally, stock option plans should meet the following criteria:
 - (i) Whether the stock option plan is incentive based;
 - (ii) For mature companies, should be no more than 5% of the issued capital at the time of approval;
 - (iii) For growth companies, should be no more than 10% of the issued capital at the time of approval.

ANTI-TAKEOVER PROVISIONS

- Proposals requiring shareholder ratification of poison pills.
- Anti-takeover and related provisions that serve to prevent the majority of shareholders from exercising their rights or effectively deter the appropriate tender offers and other offers.

B. SHAREHOLDER PROPOSALS

1. The following shareholder proposals are generally supported, subject

to the review and approval of the Proxy Review Committee, as appropriate:

- Requiring auditors to attend the annual meeting of shareholders.
 - Requirement that members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated Directors.
 - Requirement that a certain percentage of its Board's members be comprised of independent and unaffiliated Directors.
 - Confidential voting.
 - Reduction or elimination of supermajority vote requirements.
2. The following shareholder proposals will be voted as determined by the Proxy Review Committee.
- Proposals that limit tenure of directors.
 - Proposals to limit golden parachutes.
 - Proposals requiring directors to own large amounts of stock to be eligible for election.
 - Restoring cumulative voting in the election of directors.
 - Proposals that request or require disclosure of executive compensation in addition to the disclosure required by the Securities and Exchange Commission ("SEC") regulations.
 - Proposals that limit retirement benefits or executive compensation.
 - Requiring shareholder approval for bylaw or charter amendments.

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- Requiring shareholder approval for shareholder rights plan or poison pill.
 - Requiring shareholder approval of golden parachutes.
 - Elimination of certain anti-takeover related provisions.
 - Prohibit payment of greenmail.
3. The following shareholder proposals are generally not supported, subject to the review and approval of the Committee, as appropriate.
- Requirements that the issuer prepare reports that are costly to provide or that would require duplicative efforts or expenditures that are of a non-business nature or would provide no pertinent information from the perspective of institutional shareholders.
 - Restrictions related to social, political or special interest issues that impact the ability of the company to do business or be competitive and that have a significant financial or best interest impact to the shareholders.
 - Proposals that require inappropriate endorsements or corporate actions.

IV. ADMINISTRATION OF PROXY POLICIES AND PROCEDURES

A. PROXY REVIEW COMMITTEE

1. The MSIM Proxy Review Committee ("Committee") is responsible for creating and implementing MSIM's Proxy Voting Policy and Procedures and, in this regard, has expressly adopted them. Following are some of the functions and responsibilities of the Committee.
- (a) The Committee, which will consist of members designated by MSIM's Chief Investment Officer, is responsible for establishing MSIM's proxy voting policies and guidelines and determining how MSIM will vote proxies on an ongoing basis.
 - (b) The Committee will periodically review and have the authority to amend as necessary MSIM's proxy voting policies and guidelines (as expressed in these Proxy Voting Policy and Procedures) and establish and direct voting positions consistent with the Client Proxy Standard.
 - (c) The Committee will meet at least monthly to (among other matters):

(1) address any outstanding issues relating to MSIM's Proxy Voting Policy and Procedures; and (2) generally review proposals at upcoming shareholder meetings of MSIM portfolio companies in accordance with this Policy and Procedures including, as appropriate, the voting results of prior shareholder meetings of the same issuer where a similar proposal was presented to shareholders. The Committee, or its designee, will timely communicate to ISS MSIM's Proxy Voting Policy and Procedures (and any amendments to them and/or any additional guidelines or procedures it may adopt).

- (d) The Committee will meet on an ad hoc basis to (among other matters): (1) authorize "split voting" (i.e., allowing certain shares of the same issuer that are the subject of the same proxy solicitation and held by one or more MSIM portfolios to be voted differently than other shares) and/or "override voting" (i.e., voting all MSIM portfolio shares in a manner contrary to the Procedures); (2) review and approve upcoming votes, as appropriate, for matters for which specific direction has been provided in Sections I, II, and III above; and (3) determine how to vote matters for which specific direction has not been provided in Sections I, II and III above. Split votes will generally not be approved within a single Global Investor Group team. The Committee may take into account ISS recommendations and the research provided by IRRC as well as any other relevant information they may request or receive.
- (e) In addition to the procedures discussed above, if the Committee determines that an issue raises a potential material conflict of interest, or gives rise to the appearance of a potential material conflict of interest, the Committee will designate a special committee to review, and recommend a course of

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action with respect to, the conflict(s) in question ("Special Committee"). The Special Committee may request the assistance of the Law and Compliance Departments and will have sole discretion to cast a vote. In addition to the research provided by ISS and IRRC, the Special Committee may request analysis from MSIM Affiliate investment professionals and outside sources to the extent it deems appropriate.

- (f) The Committee and the Special Committee, or their designee(s), will document in writing all of their decisions and actions, which documentation will be maintained by the Committee and the Special Committee, or their designee(s) for a period of at least 6 years. To the extent these decisions relate to a security held by a MSIM U.S. registered investment company, the Committee and Special Committee, or their designee(s), will report their decisions to each applicable Board of Trustees/Directors of those investment companies at each Board's next regularly Scheduled Board meeting. The report will contain information concerning decisions made by the Committee and Special Committee during the most recently ended calendar quarter immediately preceding the Board meeting.
- (g) The Committee and Special Committee, or their designee(s), will timely communicate to applicable PMs, the Compliance Departments and, as necessary to ISS, decisions of the Committee and Special Committee so that, among other things, ISS will vote proxies consistent with their decisions.

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APPENDIX C

STATEMENT OF ADDITIONAL INFORMATION OF VAN KAMPEN INTERNATIONAL ADVANTAGE FUND

Dated December 30, 2003

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STATEMENT OF ADDITIONAL INFORMATION

VAN KAMPEN INTERNATIONAL ADVANTAGE FUND

Van Kampen International Advantage Fund's (the "Fund") investment objective is to seek long-term capital appreciation. The Fund's portfolio management team seeks to achieve the Fund's investment objective by investing primarily in a diversified portfolio of equity securities of foreign issuers.

The Fund is organized as a diversified series of Van Kampen Equity Trust II, an open-end, management investment company (the "Trust").

This Statement of Additional Information is not a prospectus. This Statement of Additional Information should be read in conjunction with the Fund's prospectus (the "Prospectus") dated as of the same date as this Statement of Additional Information. This Statement of Additional Information does not include all the information that a prospective investor should consider before purchasing shares of the Fund. Investors should obtain and read the Prospectus prior to purchasing shares of the Fund. A Prospectus may be obtained without charge from our web site at www.vankampen.com or by writing or calling Van Kampen Funds Inc. at 1 Parkview Plaza, PO Box 5555, Oakbrook Terrace, Illinois 60181-5555 or (800) 847-2424 (or (800) 421-2833 for the hearing impaired).

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THIS STATEMENT OF ADDITIONAL INFORMATION IS DATED DECEMBER 30, 2003.

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GENERAL INFORMATION

The Trust is a statutory trust organized under the laws of the State of Delaware by an Agreement and Declaration of Trust (the "Declaration of Trust") dated April 1, 1999. The Fund is organized as a series of the Trust.

Van Kampen Asset Management (the "Adviser" or "Asset Management"), Van Kampen Funds Inc. (the "Distributor"), and Van Kampen Investor Services Inc. ("Investor Services") are wholly owned subsidiaries of Van Kampen Investments Inc. ("Van Kampen Investments"), which is an indirect wholly owned subsidiary of Morgan Stanley. The principal office of the Trust and Fund is located at 1 Parkview Plaza, Oakbrook Terrace, IL 60181-5555. The principal office of the Adviser, the Distributor and Van Kampen Investments is located at 1221 Avenue of the Americas, New York, NY 10020. The principal office of Investor Services is located at Harborside Financial Center, Plaza 2, Jersey City, NJ 07303-0947.

The authorized capitalization of the Trust consists of an unlimited number of shares of beneficial interest, par value \$0.01 per share, which can be divided into series, such as the Fund, and further subdivided into classes of each series. Each share represents an equal proportionate interest in the assets of the series with each other share in such series and no interest in any other series. No series is subject to the liabilities of any other series. The Declaration of Trust provides that shareholders are not liable for any liabilities of the Trust or any of its series, requires inclusion of a clause to that effect in every agreement entered into by the Trust or any of its series and indemnifies shareholders against any such liability.

The Fund currently offers three classes of shares, designated as Class A Shares, Class B Shares and Class C Shares. Other classes may be established from time to time in accordance with the provisions of the Declaration of Trust. Each class of shares of the Fund generally is identical in all respects except that each class of shares is subject to its own sales charge schedule and its own distribution and service expenses. Each class of shares also has exclusive voting rights with respect to its distribution and service fees.

Shares of the Trust entitle their holders to one vote per share; however, separate votes are taken by each series on matters affecting an individual series and separate votes are taken by each class of a series on matters affecting an individual class of such series. For example, a change in investment policy for a series would be voted upon by shareholders of only the series involved and a change in the distribution or service fee for a class of a series would be voted upon by shareholders of only the class of such series involved. Except as otherwise described in the Prospectus or herein, shares do not have cumulative voting rights, preemptive rights or any conversion, subscription or exchange rights.

The Trust does not contemplate holding regular meetings of shareholders to elect Trustees or otherwise. However, the holders of 10% or more of the outstanding shares may by written request require a meeting to consider the removal of Trustees by a vote of two-thirds of the shares then outstanding cast in person or by proxy at such meeting. The Fund will assist such holders in communicating with other shareholders of the Fund to the extent required by the Investment Company Act of 1940, as amended (the "1940 Act"), or rules or regulations promulgated by the Securities and Exchange Commission ("SEC").

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In the event of liquidation, each of the shares of the Fund is entitled to its portion of all of the Fund's net assets after all debts and expenses of the Fund have been paid. The liquidation proceeds to holders of classes of shares with higher distribution fees and transfer agency costs are likely to be less than the liquidation proceeds to holders of classes of shares with lower distribution fees and transfer agency costs.

The Trustees may amend the Declaration of Trust (including with respect to any series) in any manner without shareholder approval, except that the Trustees may not adopt any amendment adversely affecting the rights of shareholders of any series without approval by a majority of the shares of each affected series outstanding and entitled to vote (or such higher vote as may be required by the 1940 Act or other applicable law) and except that the Trustees cannot amend the Declaration of Trust to impose any liability on shareholders, make any assessment on shares or impose liabilities on the Trustees without approval from each affected shareholder or Trustee, as the case may be.

Statements contained in this Statement of Additional Information as to the contents of any contract or other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which this Statement of Additional Information forms a part, each such statement being qualified in all respects by such reference.

As of December 1, 2003, no person was known by the Fund to own beneficially or to hold of record 5% or more of the outstanding Class A Shares, Class B Shares or Class C Shares of the Fund, except as follows:

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NAME AND ADDRESS OF HOLDER	CLASS OF SHARES	PERCENTAGE OF OWNERSHIP
-----	-----	-----
<S>	<C>	<C>
Morgan Stanley Investment Mgmt Inc. Attn: Tom Papa 1221 Avenue of Americas 3rd Floor New York, NY 10020	A B C	9.21% 6.84% 6.84%
Aces Trust Fund HEF Aggressive Portfolio-1 Attn: C.J. Glover State Capitol Building Suite S-106 600 Dexter Avenue Montgomery, AL 36130-3024	A	18.86%
Aces Trust Fund HEF Equity Portfolio Attn: C.J. Glover State Capitol Building Suite S-106 600 Dexter Avenue Montgomery, AL 36130-3024	A	9.90%
Aces Trust Fund HEF Moderate Portfolio-1 Attn: C.J. Glover State Capitol Building Suite S-106 600 Dexter Avenue Montgomery, AL 36130-3024	A	10.52%

</Table>

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<Table>
<Caption>

NAME AND ADDRESS OF HOLDER -----	CLASS OF SHARES -----	PERCENTAGE OF OWNERSHIP -----
<S>	<C>	<C>
Aces Trust Fund HEF Moderate Portfolio-3 Attn: C.J. Glover State Capitol Building Suite S-106 600 Dexter Avenue Montgomery, AL 36130-3024	A	6.86%

INVESTMENT OBJECTIVE, STRATEGIES AND RISKS

The following disclosure supplements the disclosure set forth under the same caption in the Prospectus and does not, standing alone, present a complete or accurate explanation of the matters disclosed. Readers must refer also to this caption in the Prospectus for a complete presentation of the matters disclosed below.

REPURCHASE AGREEMENTS

The Fund may engage in repurchase agreements with broker-dealers, banks and other financial institutions to earn a return on temporarily available cash. A repurchase agreement is a short-term investment in which the purchaser (i.e., the Fund) acquires ownership of a security and the seller agrees to repurchase the obligation at a future time and set price, thereby determining the yield during the holding period. Repurchase agreements involve certain risks in the event of default by the other party. The Fund may enter into repurchase agreements with broker-dealers, banks and other financial institutions deemed to be creditworthy by the Adviser under guidelines approved by the Fund's Board of Trustees. The Fund will not invest in repurchase agreements maturing in more than seven days if any such investment, together with any other illiquid securities held by the Fund, would exceed the Fund's limitation on illiquid securities described herein. The Fund does not bear the risk of a decline in the value of the underlying security unless the seller defaults under its repurchase obligation. In the event of the bankruptcy or other default of a seller of a repurchase agreement, the Fund could experience both delays in liquidating the underlying securities and losses including: (a) possible decline in the value of the underlying security during the period while the Fund seeks to enforce its rights thereto; (b) possible lack of access to income on the underlying security during this period; and (c) expenses of enforcing its rights.

For the purpose of investing in repurchase agreements, the Adviser may aggregate the cash that certain funds advised or subadvised by the Adviser or certain of its affiliates would otherwise invest separately into a joint account. The cash in the joint account is then invested in repurchase agreements and the funds that contributed to the joint account share pro rata in the net revenue generated. The Adviser believes that the joint account produces efficiencies and economies of scale that may contribute to reduced transaction costs, higher returns, higher quality investments and greater diversity of investments for the Fund than would be available to the Fund investing separately. The manner in which the joint account is managed is subject to conditions set forth in an exemptive order from the SEC permitting this practice, which conditions are designed to ensure the fair administration of the joint account and to protect the amounts in that account.

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Repurchase agreements are fully collateralized by the underlying securities and are considered to be loans under the 1940 Act. The Fund pays for such securities only upon physical delivery or evidence of book entry transfer to the account of a custodian or bank acting as agent. The seller under a repurchase agreement will be required to maintain the value of the underlying securities marked-to-market daily at not less than the repurchase price. The underlying securities (normally securities of the U.S. government, its agencies or instrumentalities) may have maturity dates exceeding one year.

ILLIQUID SECURITIES

The Fund may invest up to 15% of its net assets in illiquid securities, which includes securities that are not readily marketable, repurchase agreements which have a maturity of longer than seven days and generally includes securities that are restricted from sale to the public without registration under the Securities Act of 1933, as amended (the "1933 Act"). The sale of such securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of liquid securities trading on national securities exchanges or in the over-the-counter markets. Restricted securities are often purchased at a discount from the market price of unrestricted securities of the same issuer reflecting the fact that

such securities may not be readily marketable without some time delay. Investments in securities for which market quotations are not readily available are valued at their fair value as determined in good faith by the Adviser in accordance with procedures approved by the Fund's Board of Trustees. Ordinarily, the Fund would invest in restricted securities only when it receives the issuer's commitment to register the securities without expense to the Fund. However, registration and underwriting expenses (which typically range from 7% to 15% of the gross proceeds of the securities sold) may be paid by the Fund. Restricted securities which can be offered and sold to qualified institutional buyers under Rule 144A under the 1933 Act ("144A Securities") and are determined to be liquid under guidelines adopted by and subject to the supervision of the Fund's Board of Trustees are not subject to the limitation on illiquid securities. Such 144A Securities are subject to monitoring and may become illiquid to the extent qualified institutional buyers become, for a time, uninterested in purchasing such securities. Factors used to determine whether 144A Securities are liquid include, among other things, a security's trading history, the availability of reliable pricing information, the number of dealers making quotes or making a market in such security and the number of potential purchasers in the market for such security. For purposes hereof, investments by the Fund in securities of other investment companies will not be considered investments in restricted securities to the extent permitted by (i) the 1940 Act, as amended from time to time, (ii) the rules and regulations promulgated by the SEC under the 1940 Act, as amended from time to time, or (iii) an exemption or other relief (such as "no action" letters issued by the staff of the SEC interpreting or providing guidance on the 1940 Act or regulations thereunder) from the provisions of the 1940 Act, as amended from time to time.

CONVERTIBLE SECURITIES

The Fund's investments in convertible securities may include securities with enhanced convertible features or "equity-linked" features. These securities come in many forms and may include features, among others, such as the following: (i) may be issued by the issuer of the underlying equity security on its own securities or securities it holds of another

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company or be issued by a third party (typically a brokerage firm or other financial entity) on a security of another company, (ii) may convert into equity securities, such as common stock, or may be redeemed for cash or some combination of cash and the linked security at a value based upon the value of the underlying equity security, (iii) may have various conversion features prior to maturity at the option of the holder or the issuer or both, (iv) may limit the appreciation value with caps or collars of the value of underlying equity security and (v) may have fixed, variable or no interest payments during the life of the security which reflect the actual or a structured return relative to the underlying dividends of the linked equity security. Generally these securities are designed to give investors enhanced yield opportunities to the equity securities of an issuer, but these securities may involve a limited appreciation potential, downside exposure, or a finite time in which to capture the yield advantage. For example, certain securities may provide a higher current dividend income than the dividend income on the underlying security while capping participation in the capital appreciation of such security. Other securities may involve arrangements with no interest or dividend payments made until maturity of the security or an enhanced principal amount received at maturity based on the yield and value of the underlying equity security during the security's term or at maturity. Besides enhanced yield opportunities, another advantage of using such securities is that they may be used for portfolio management or hedging purposes to reduce the risk of investing in a more volatile underlying equity security. There may be additional types of convertible securities with features not specifically referred to herein in which the Fund may invest consistent with its investment objective and policies.

Investments in enhanced convertible or equity-linked securities may subject the Fund to additional risks not ordinarily associated with investments in traditional convertible securities. Particularly when such securities are issued by a third party on an underlying linked security of another company, the Fund is subject to risks if the underlying security underperforms or the issuer defaults on the payment of the dividend or the underlying security at maturity. In addition, the trading market for certain securities may be less liquid than for other convertible securities making it difficult for the Fund to dispose of a particular security in a timely manner, and reduced liquidity in the secondary market for any such securities may make it more difficult to obtain market quotations for valuing the Fund's portfolio.

Up to 5% of the Fund's net assets may be invested in convertible securities that are below investment grade. Debt securities rated below investment grade are commonly known as junk bonds. Although the Fund selects these securities primarily on the basis of their equity characteristics, investors should be aware that convertible securities rated in these categories are considered high risk securities; the rating agencies consider them speculative with respect to the issuer's continuing ability to make timely payments of interest and principal. Thus, to the extent that such convertible securities are acquired by the Fund, there is a greater risk as to the timely repayment of the principal

of, and timely payment of interest or dividends on, such securities than in the case of higher-rated convertible securities.

LENDING OF PORTFOLIO SECURITIES

Consistent with applicable legal and regulatory requirements, the Fund may lend its portfolio securities to broker-dealers, banks and other institutional borrowers of securities

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provided that such loans are at all times secured by collateral that is at least equal to the market value, determined daily, of the loaned securities and are callable at any time by the Fund. The advantage of such loans is that the Fund continues to receive the interest or dividends on the loaned securities, while at the same time the Fund earns interest on the collateral which is invested in short-term obligations or the Fund receives an agreed-upon amount of interest from the borrower of the security. The Fund may pay reasonable finders', administrative and custodial fees in connection with loans of its securities. There is no assurance as to the extent to which securities loans can be effected.

If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates, and the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. As with any extensions of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower of the securities fail financially. However, these loans of portfolio securities will only be made to firms deemed by the Adviser to be creditworthy and when the consideration which can be earned from such loans is believed to justify the attendant risks. On termination of the loan, the borrower is required to return the securities to the Fund; any gain or loss in the market price during the loan would inure to the Fund.

When voting or consent rights which accompany loaned securities pass to the borrower, the Fund will follow the policy of calling the loan, in whole or in part as may be appropriate, to permit the exercise of such rights if the matters involved would have a material effect on the Fund's investment in the securities which are the subject of the loan.

FOREIGN SECURITIES

The Fund will invest in securities of foreign issuers. The Fund considers an issuer to be from a particular country if (i) its principal securities trading market is in that country; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from either goods produced, sales made or services performed in that country; or (iii) it is organized under the laws of, or has a principal office in that country. By applying these tests, it is possible that a particular issuer could be deemed to be from more than one country.

The Fund also may purchase foreign securities in the form of American Depositary Receipts ("ADRs") and European Depositary Receipts ("EDRs") or other securities representing underlying shares of foreign companies. These securities may not necessarily be denominated in the same currency as the underlying securities but generally are denominated in the currency of the market in which they are traded. ADRs are receipts typically issued by an American bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. ADRs are publicly traded on exchanges or over-the-counter in the United States and are issued through "sponsored" or "unsponsored" arrangements. In a sponsored ADR arrangement, the foreign issuer assumes the obligation to pay some or all of the depositary's transaction fees, whereas under an unsponsored arrangement, the foreign issuer assumes no obligations and the depositary's transaction fees are paid by the ADR holders. In addition, less information generally is available for an unsponsored ADR than about a sponsored ADR and financial information about a company may not be as reliable for an unsponsored ADR as it is for a sponsored

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ADR. The Fund may invest in ADRs through both sponsored and unsponsored arrangements. EDRs are receipts issued in Europe by banks or depositaries which evidence similar ownership arrangements.

Foreign Currency Exchange Risks. To the extent the Fund invests in securities denominated or quoted in currencies other than the U.S. dollar, the Fund will be affected by changes in foreign currency exchange rates (and exchange control regulations) which affect the value of investments in the Fund and the income and appreciation or depreciation of the investments. Changes in foreign currency exchange ratios relative to the U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and the Fund's yield on such assets. In addition, the Fund will incur costs in connection with conversions between various currencies.

The Fund's foreign currency exchange transactions may be conducted on a spot basis (that is, cash basis) at the spot rate for purchasing or selling currency prevailing in the foreign currency exchange market. The Fund also may enter into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future date ("forward contracts"). A foreign currency forward contract is a negotiated agreement between the contracting parties to exchange a specified amount of currency at a specified future time at a specified rate. The rate can be higher or lower than the spot rate between the currencies that are the subject of the contract.

The Fund may attempt to protect against adverse changes in the value of the U.S. dollar in relation to a foreign currency by entering into a forward contract for the purchase or sale of the amount of foreign currency invested or to be invested or by buying or selling a foreign currency option or futures contract for such amount. Such strategies may be employed before the Fund purchases a foreign security traded in the currency which the Fund anticipates acquiring or between the date the foreign security is purchased or sold and the date on which payment therefor is made or received. Seeking to protect against a change in the value of a foreign currency in the foregoing manner does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Furthermore, such transactions reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. Unanticipated changes in currency prices may result in poorer overall performance for the Fund than if it had not entered into such contracts.

The Fund is not required to enter into such transactions with regard to its foreign currency-denominated securities. It also should be realized that this method of protecting the value of portfolio securities against a decline in the value of a currency does not eliminate fluctuations in the underlying prices of the securities. It simply establishes a rate of exchange which one can achieve at some future point in time. In addition, although such contracts tend to minimize the risk of loss due to a decline in the value of the hedged currency, at the same time, they tend to limit any potential gain which might result should the value of such currency increase.

The Fund may cross-hedge currencies by entering into a transaction to purchase or sell one or more currencies that are expected to decline in value relative to other currencies to which a portfolio has or expects to have portfolio exposure. The Fund may also engage in proxy hedging, which is defined as entering into positions in one currency to hedge investments denominated in another currency, where two currencies are economi-

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cally linked. The Fund's entry into forward contracts, as well as any use of proxy or cross hedging techniques, will generally require the Fund to segregate cash and/or liquid securities at least equal to the Fund's obligations throughout the duration of the contract. The Fund may combine forward contracts with investments in securities denominated in other currencies to achieve desired security and currency exposures. Such combinations are generally referred to as synthetic securities. For example, in lieu of purchasing a foreign bond, the Fund may purchase a U.S. dollar-denominated security and at the same time enter into a forward contract to exchange U.S. dollars for the contract's underlying currency at a future date. By matching the amount of U.S. dollars to be exchanged with the anticipated value of the U.S. dollar-denominated security, the Fund may be able to lock in the foreign currency value of the security and adopt a synthetic position reflecting the credit quality of the U.S. dollar-denominated security.

To the extent required by the rules and regulations of the SEC, the Fund will segregate cash and/or liquid securities in an amount at least equal to the value of the Fund's total assets committed to the consummation of forward foreign currency exchange contracts. If the value of the segregated assets declines, additional cash and/or liquid securities will be segregated on a daily basis so that the value of the segregated assets will be at least equal to the amount of the Fund's commitments with respect to such contracts. See also "Strategic Transactions".

Investing in Emerging Market Countries. The risks of foreign investment are heightened when the issuer is from an emerging market country. The extent of economic development, political stability and market depth of such countries varies widely and investments in the securities of issuers in such countries typically involve greater potential gain or loss than investments in securities of issuers in more developed countries. Emerging market countries tend to have economic structures that are less diverse and mature and political systems that are less stable than developed markets. Emerging market countries may be more likely to experience political turmoil or rapid changes in economic conditions than more developed markets and the financial condition of issuers in emerging market countries may be more precarious than in other countries. Certain countries depend to a larger degree upon international trade or development assistance and, therefore, are vulnerable to changes in trade or assistance which, in turn, may be affected by a variety of factors. The Fund may be

particularly sensitive to changes in the economies of certain countries resulting from any reversal of economic liberalization, political unrest or the imposition of sanctions by the U.S. or other countries.

The Fund's purchase and sale of portfolio securities in emerging market countries may be constrained by limitations as to daily changes in the prices of listed securities, periodic or sporadic trading or settlement or limitations on aggregate holdings by foreign investors. Such limitations may be computed based on the aggregate trading volume by or holdings of the Fund, the Fund's Adviser, its affiliates or their respective clients or other service providers. The Fund may not be able to sell securities in circumstances where price, trading or settlement volume limitations have been reached. Foreign investment in the securities markets of certain emerging market countries is restricted or controlled to varying degrees which may limit investment in such countries or increase the administrative costs of such investments. For example, certain countries may require governmental approval prior to investments by foreign persons or limit investment by foreign persons to only a specified percentage of an issuer's outstanding securities or a specific class of

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securities which may have less advantageous terms (including price) than securities of the issuer available for purchase by nationals. In addition, certain countries may restrict or prohibit investment opportunities in issuers or industries deemed important to national interests. Such restrictions may affect the market price, liquidity and rights of securities that may be purchased by the Fund. The repatriation of both investment income and capital from certain emerging market countries is subject to restrictions such as the need for governmental consents. Due to restrictions on direct investment in securities in certain countries, it is anticipated that the Fund may invest in such countries through other investment funds in such countries.

Many emerging market countries have experienced currency devaluations and substantial (and, in some cases, extremely high) rates of inflation, which have had a negative effect on the economics and securities markets of such countries. Economies in emerging market countries generally are dependent heavily upon commodity prices and international trade and, accordingly, have been and may continue to be affected adversely by the economies of their trading partners, trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures or negotiated by the countries with which they trade.

Many emerging market countries are subject to a substantial degree of economic, political and social instability. Governments of some emerging countries are authoritarian in nature or have been installed or removed as a result of military coups, while governments in other emerging market countries have periodically used force to suppress civil dissent. Disparities of wealth, the pace and success of political reforms, and ethnic, religious and racial disaffection, among other factors, have also led to social unrest, violence and/or labor unrest in some emerging market countries. Unanticipated political or social developments may result in sudden and significant investment losses.

Settlement procedures in emerging market countries are frequently less developed and reliable than those in developed markets. In addition, significant delays are common in certain markets in registering the transfer of securities. Settlement or registration problems may make it more difficult for the Fund to value its portfolio securities and could cause the Fund to miss attractive investment opportunities, to have a portion of its assets uninvested or to incur losses due to the failure of a counterparty to pay for securities the Fund has delivered or the Fund's inability to complete its contractual obligations. The creditworthiness of the local securities firms used by the Fund in emerging market countries may not be as sound as the creditworthiness of firms used in more developed countries. As a result, the Fund may be subject to a greater risk of loss if a securities firm defaults in the performance of its responsibilities.

The small size and inexperience of the securities markets in certain emerging market countries and the limited volume of trading in securities in those countries may make the Fund's investments in such countries less liquid and more volatile than investments in countries with more developed securities markets. The Fund's investments in emerging market countries are subject to the risk that the liquidity of a particular investment, or investments generally, in such countries will shrink or disappear suddenly and without warning as a result of adverse economic, market or political conditions or adverse investor perceptions, whether or not accurate. Because of the lack of sufficient market liquidity, the Fund may incur losses because it will be required to effect sales at a disadvantageous time and only then at a substantial drop in price. Investments in emerging market countries

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may be more difficult to price precisely because of the characteristics discussed above and lower trading volumes.

The Fund's use of foreign currency management techniques in emerging market countries may be limited. Due to the limited market for these instruments in emerging market countries, the Adviser does not currently anticipate that a significant portion of the Fund's currency exposure in emerging market countries, if any, will be covered by such instruments.

WHEN-ISSUED AND DELAYED DELIVERY

The Fund may purchase or sell debt securities on a "when-issued" or "delayed delivery" basis. These transactions occur when securities are purchased or sold by the Fund with payment and delivery taking place in the future, frequently a month or more after such transaction. This price is fixed on the date of the commitment, and the seller continues to accrue interest on the securities covered until delivery and payment take place. No income accrues to the Fund on securities in connection with such transactions prior to the date the Fund actually takes delivery of such securities. These transactions are subject to market fluctuation; the value of the securities at delivery may be more or less than their purchase price, and yields generally available on securities when delivery occurs may be higher or lower than yields on the securities obtained pursuant to such transactions. The Fund may either settle a commitment by taking delivery of the securities or may either resell or repurchase a commitment on or before the settlement date in which event the Fund may reinvest the proceeds in another when-issued commitment. The Fund's use of when-issued and delayed delivery transactions may increase its overall investment exposure and thus its potential for gain or loss. When engaging in such transactions, the Fund relies on the other party to complete the transaction; should the other party fail to do so, the Fund might lose a purchase or sale opportunity that could be more advantageous than alternative opportunities at the time of the failure. The Fund maintains segregated assets (which is marked to market daily) of cash, liquid securities or the security covered by the commitment (in the case of a sale) with the Fund's custodian in an aggregate amount at least equal to the amount of its commitment as long as the obligation to purchase or sell continues.

Since the market value of both the securities or currency subject to the commitment and the securities or currency held as segregated assets may fluctuate, the use of commitments may magnify the impact of interest rate changes on the Fund's net asset value.

A commitment sale is covered if the Fund owns or has the right to acquire the underlying securities or currency subject to the commitment. A commitment sale is for cross-hedging purposes if it is not covered, but is designed to provide a hedge against a decline in value of a security or currency which the Fund owns or has the right to acquire. By entering into a commitment sale transaction, the Fund foregoes or reduces the potential for both gain and loss in the security which is being hedged by the commitment sale.

SHORT SALES AGAINST THE BOX

The Fund may from time to time make short sales of securities it owns or has the right to acquire. A short sale is "against the box" to the extent that the Fund contemporaneously owns or has the right to obtain at no added cost securities identical to

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those sold short. In a short sale, the Fund does not immediately deliver the securities sold and does not receive the proceeds from the sale. The Fund is required to recognize gain from the short sale for federal income tax purposes at the time it enters into the short sale, even though it does not receive the sales proceeds until it delivers the securities. The Fund is said to have a short position in the securities sold until it delivers such securities at which time it receives the proceeds of the sale. The Fund may not make short sales or maintain a short position if to do so would cause more than 25% of its total assets, taken at market value, to be involved in such sales. The Fund may close out a short position by purchasing and delivering an equal amount of the securities sold short, rather than by delivering securities already held by the Fund, because the Fund may want to continue to receive interest and dividend payments on securities in its portfolio.

STRATEGIC TRANSACTIONS

The Fund may, but is not required to, use various investment strategies as described below to earn income, facilitate portfolio management and mitigate risks. Techniques and instruments may change over time as new instruments and strategies are developed or as regulatory changes occur. Although the Adviser seeks to use such transactions to further the Fund's investment objective, no assurance can be given that the use of these transactions will achieve this result.

SELLING CALL AND PUT OPTIONS

Purpose. The principal reason for selling options is to obtain, through

receipt of premiums, a greater current return than would be realized on the underlying securities alone. Such current return could be expected to fluctuate because premiums earned from an option selling program and dividend or interest income yields on portfolio securities vary as economic and market conditions change. Selling options on portfolio securities is likely to result in a higher portfolio turnover rate.

Selling Options. The purchaser of a call option pays a premium to the seller (i.e., the writer) for the right to buy the underlying security from the seller at a specified price during a certain period. The Fund would write call options only on a covered basis or for cross-hedging purposes. A call option is covered if, at all times during the option period, the Fund owns or has the right to acquire securities of the type that it would be obligated to deliver if any outstanding option were exercised. An option is for cross-hedging purposes if it is not covered by the security subject to the option, but is designed to provide a hedge against another security which the Fund owns or has the right to acquire. In such circumstances, the Fund collateralizes the option by segregating cash and/or liquid securities in an amount at least equal to the market value of the underlying security, marked to market daily, while the option is outstanding.

The purchaser of a put option pays a premium to the seller (i.e., the writer) for the right to sell the underlying security to the writer at a specified price during a certain period. The Fund would sell put options only on a secured basis, which means that, at all times during the option period, the Fund would segregate cash and/or liquid securities in an amount at least equal to the exercise price of the option, or would hold a put on the same underlying security at an equal or greater exercise price.

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Closing Purchase Transactions and Offsetting Transactions. To terminate its position as a writer of a call or put option, the Fund could enter into a "closing purchase transaction," which is the purchase of a call (put) on the same underlying security and having the same exercise price and expiration date as the call (put) previously sold by the Fund. The Fund would realize a gain (loss) if the premium plus commission paid in the closing purchase transaction is lesser (greater) than the premium it received on the sale of the option. The Fund would also realize a gain if an option it has written lapses unexercised.

The Fund could sell options that are listed on an exchange as well as options which are privately negotiated in over-the-counter transactions. The Fund could close out its position as a seller of an option only if a liquid secondary market exists for options of that series, but there is no assurance that such a market will exist, particularly in the case of over-the-counter options, since they can be closed out only with the other party to the transaction. Alternatively, the Fund could purchase an offsetting option, which would not close out its position as a seller, but would provide an asset of equal value to its obligation under the option sold. If the Fund is not able to enter into a closing purchase transaction or to purchase an offsetting option with respect to an option it has sold, it will be required to maintain the securities subject to the call or the collateral securing the option until a closing purchase transaction can be entered into (or the option is exercised or expires) even though it might not be advantageous to do so. The staff of the SEC currently takes the position that, in general, over-the-counter options on securities purchased by the Fund, and portfolio securities "covering" the amount of the Fund's obligation pursuant to an over-the-counter option sold by it (the cost of the sell-back plus the in-the-money amount, if any) are illiquid, and are subject to the Fund's limitation on illiquid securities described herein.

Risks of Writing Options. By selling a call option, the Fund loses the potential for gain on the underlying security above the exercise price while the option is outstanding; by selling a put option the Fund might become obligated to purchase the underlying security at an exercise price that exceeds the then current market price.

PURCHASING CALL AND PUT OPTIONS

The Fund could purchase call options to protect against anticipated increases in the prices of securities it wishes to acquire. Alternatively, call options could be purchased for capital appreciation. Since the premium paid for a call option is typically a small fraction of the price of the underlying security, a given amount of funds will purchase call options covering a much larger quantity of such security than could be purchased directly. By purchasing call options, the Fund could benefit from any significant increase in the price of the underlying security to a greater extent than had it invested the same amount in the security directly. However, because of the very high volatility of option premiums, the Fund would bear a significant risk of losing the entire premium if the price of the underlying security did not rise sufficiently, or if it did not do so before the option expired.

Put options may be purchased to protect against anticipated declines in the market value of either specific portfolio securities or of the Fund's assets generally. Alternatively, put options may be purchased for capital appreciation

in anticipation of a price decline in the underlying security and a corresponding increase in the value of the put option. The purchase of put options for capital appreciation involves the same significant risk of loss as described above for call options.

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In any case, the purchase of options for capital appreciation would increase the Fund's volatility by increasing the impact of changes in the market price of the underlying securities on the Fund's net asset value.

OPTIONS ON STOCK INDICES

Options on stock indices are similar to options on stock, but the delivery requirements are different. Instead of giving the right to take or make delivery of stock at a specified price, an option on a stock index gives the holder the right to receive an amount of cash which amount will depend upon the closing level of the stock index upon which the option is based being greater than (in the case of a call) or less than (in the case of a put) the exercise price of the option. The amount of cash received will be the difference between the closing price of the index and the exercise price of the option, multiplied by a specified dollar multiple. The writer of the option is obligated, in return for the premium received, to make delivery of this amount.

Some stock index options are based on a broad market index such as the Standard & Poor's 500 or the New York Stock Exchange Composite Index, or a narrower index such as the Standard & Poor's 100. Indices are also based on an industry or market segment such as the AMEX Oil and Gas Index or the Computer and Business Equipment Index. A stock index fluctuates with changes in the market values of the stocks included in the index. Options are currently traded on several exchanges.

Gain or loss to the Fund on transactions in stock index options will depend on price movements in the stock market generally (or in a particular industry or segment of the market) rather than price movements of individual securities. As with stock options, the Fund may offset its position in stock index options prior to expiration by entering into a closing transaction, or it may let the option expire unexercised.

OPTIONS ON FOREIGN CURRENCIES

The Fund may purchase and write options on foreign currencies in a manner similar to that in which forward contracts or futures contracts on foreign currencies will be utilized. For example, a decline in the dollar value of a foreign currency in which portfolio securities are denominated will reduce the dollar value of such securities, even if their value in the foreign currency remains constant. To protect against such diminutions in the value of portfolio securities, the Fund may purchase put options on the foreign currency. If the value of the currency does decline, the Fund will have the right to sell such currency for a fixed amount in dollars and will thereby offset, in whole or in part, the adverse effect on its portfolio which otherwise would have resulted.

Conversely, where a rise in the dollar value of a foreign currency in which securities to be acquired are denominated is projected, thereby increasing the cost of such securities, the Fund may purchase call options thereon. The purchase of such options could offset, at least partially, the effects of the adverse movements in exchange rates. As in the case of other types of options, however, the benefit to the Fund deriving from purchases 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 Fund could sustain losses on transactions in foreign currency options which would require it to forego a portion or all of the benefits of advantageous changes in such rates.

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The Fund may write options on foreign currencies for the same types of purposes. For example, where the Fund 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 diminution in value of portfolio securities will be offset by the amount of the premium received.

Similarly, instead of purchasing a call option to protect against an anticipated increase in the dollar cost of securities to be acquired, the Fund could write a put option on the relevant currency which, if rates move in the manner projected, will expire unexercised and allow the Fund to protect against such increased cost 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 does not occur, the option may be exercised and the Fund would be required to purchase or sell the underlying

currency at a loss which may not be offset by the amount of the premium. Through the writing of options on foreign currencies, the Fund also may be required to forego all or a portion of the benefits which might otherwise have been obtained from favorable movements in exchange rates.

The Fund intends to write covered call options on foreign currencies. A call option written on a foreign currency by the Fund is "covered" if the Fund owns the underlying foreign currency covered by the call or has an absolute and immediate right to acquire that foreign currency without additional cash consideration (or for additional cash consideration as segregated by its custodian) upon conversion or exchange of other foreign currency held in its portfolio. A call option is also covered if the Fund has a call on the same foreign currency and in the same principal amount as the call written where the exercise price of the call held (a) is equal to or less than the exercise price of the call written or (b) is greater than the exercise price of the call written if the difference is segregated by the Fund in cash and/or liquid securities.

The value of a foreign currency option is dependent upon the value of the underlying foreign currency relative to the U.S. dollar. As a result, the price of the option position may vary with changes in the value of either or both currencies and has no relationship to the investment merits of a foreign security. Because foreign currency transactions occurring in the interbank market (conducted directly between currency traders, usually large commercial banks, and their customers) 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.

There is no systematic reporting of last sale information for foreign currencies and there is no 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 markets.

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The Fund may write call options on foreign currencies for cross-hedging purposes. A call option on a foreign currency is for cross-hedging purposes if it is not covered, but is designed to protect against a decline in the U.S. dollar value of a security which the Fund owns or has the right to acquire and which is denominated in the currency underlying the option due to an adverse change in the exchange rate. In such circumstances, the Fund collateralizes the option by segregating cash and/or liquid securities in an amount not less than the value of the underlying foreign currency in U.S. dollars marked to market daily.

FUTURES CONTRACTS

The Fund may engage in transactions involving futures contracts and options on futures contracts in accordance with the rules and interpretations of the Commodity Futures Trading Commission ("CFTC") under which the Fund would be exempt from registration as a "commodity pool."

The Fund may enter into contracts for the purchase or sale for future delivery of securities or foreign currencies, or contracts based on financial indices including any stock index or index of U.S. government securities, foreign government securities or corporate debt securities. An index futures contract is an agreement pursuant to which a party agrees to take or make delivery of an amount of cash equal to a specified dollar amount multiplied by the difference between the index value at a specified time and the price at which the futures contract originally was struck. No physical delivery of the underlying securities in the index is made.

Currently, securities index futures contracts can be purchased with respect to several indices on various exchanges. Differences in the securities included in the indices may result in differences in correlation of the futures contracts with movements in the value of the securities being hedged. The Fund also may invest in foreign stock index futures contracts traded outside the United States which involve additional risks including fluctuations in foreign exchange rates, foreign currency exchange controls, political and economic instability, differences in financial reporting and securities regulation and trading, and foreign taxation issues.

Initial and Variation Margin. In contrast to the purchase or sale of a security, no price is paid or received upon the purchase or sale of a futures contract. Initially, the Fund is required to deposit an amount of cash and/or liquid securities equal to a percentage (which will normally range between 1%

and 10%) of the contract amount with either a futures commission merchant pursuant to rules and regulations promulgated under the 1940 Act or with its custodian in an account in the broker's name. This amount is known as initial margin. The nature of initial margin in futures contracts transactions is different from that of margin in securities transactions in that futures contract margin does not involve the borrowing of funds by the customer to finance the transaction. Rather, the initial margin is in the nature of a performance bond or good faith deposit on the contract, which is returned to the Fund upon termination of the futures contract and satisfaction of its contractual obligations. Subsequent payments to and from the initial margin account, called variation margin, are made on a daily basis as the price of the underlying securities or index fluctuates, making the long and short positions in the futures contract more or less valuable, a process known as marking to market.

For example, when the Fund purchases a futures contract and the price of the underlying security or index rises, that position increases in value, and the Fund receives a

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variation margin payment equal to that increase in value. Conversely, where the Fund purchases a futures contract and the value of the underlying security or index declines, the position is less valuable, and the Fund is required to make a variation margin payment.

At any time prior to expiration of the futures contract, the Fund may elect to terminate the position by taking an opposite position. A final determination of variation margin is then made, additional cash is required to be paid by or released to the Fund, and the Fund realizes a loss or a gain.

Futures Contracts Strategies. When the Fund anticipates a significant market or market sector advance, the purchase of a futures contract affords a hedge against not participating in the advance at a time when the Fund is otherwise fully invested ("anticipatory hedge"). Such purchase of a futures contract would serve as a temporary substitute for the purchase of individual securities, which may be purchased in an orderly fashion once the market has stabilized. As individual securities are purchased, an equivalent amount of futures contracts could be terminated by offsetting sales. The Fund may sell futures contracts in anticipation of or in a general market or market sector decline that may adversely affect the market value of the Fund's securities ("defensive hedge"). To the extent that the Fund's portfolio of securities changes in value in correlation with the underlying security or index, the sale of futures contracts would substantially reduce the risk to the Fund of a market decline and, by so doing, provides an alternative to the liquidation of securities positions in the Fund. Ordinarily transaction costs associated with futures contracts transactions are lower than transaction costs that would be incurred in the purchase and sale of the underlying securities.

Special Risks Associated with Futures Contract Transactions. There are several risks connected with the use of futures contracts. These include the risk of imperfect correlation between movements in the price of the futures contracts and of the underlying securities or index; the risk of market distortion; the risk of illiquidity; and the risk of error in anticipating price movement.

There may be an imperfect correlation (or no correlation) between movements in the price of the futures contracts and of the securities being hedged. The risk of imperfect correlation increases as the composition of the securities being hedged diverges from the securities upon which the futures contract is based. If the price of the futures contract moves less than the price of the securities being hedged, the hedge will not be fully effective. To compensate for the imperfect correlation, the Fund could buy or sell futures contracts in a greater dollar amount than the dollar amount of securities being hedged if the historical volatility of the securities being hedged is greater than the historical volatility of the securities underlying the futures contract. Conversely, the Fund could buy or sell futures contracts in a lesser dollar amount than the dollar amount of securities being hedged if the historical volatility of the securities being hedged is less than the historical volatility of the securities underlying the futures contracts. It is also possible that the value of futures contracts held by the Fund could decline at the same time as portfolio securities being hedged; if this occurred, the Fund would lose money on the futures contract in addition to suffering a decline in value in the portfolio securities being hedged.

There is also the risk that the price of futures contracts may not correlate perfectly with movements in the securities or index underlying the futures contract due to certain market distortions. First, all participants in the futures market are subject to margin depository and maintenance requirements. Rather than meet additional margin depository

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requirements, investors may close futures contracts through offsetting transactions, which could distort the normal relationship between the futures contract market and the securities or index underlying the futures contract. Second, from the point of view of speculators, the deposit requirements in the futures contract market are less onerous than margin requirements in the securities markets. Therefore, increased participation by speculators in the futures contract markets may cause temporary price distortions. Due to the possibility of price distortion in the futures contract markets and because of the imperfect correlation between movements in futures contracts and movements in the securities underlying them, a correct forecast of general market trends by the Adviser may still not result in a successful hedging transaction.

There is also the risk that futures contracts markets may not be sufficiently liquid. Futures contracts may be closed out only on an exchange or board of trade that provides a market for such futures contracts. Although the Fund intends to purchase or sell futures contracts only on exchanges and boards of trade where there appears to be an active secondary market, there can be no assurance that an active secondary market will exist for any particular contract or at any particular time. In the event of such illiquidity, it might not be possible to close a futures contract position and, in the event of adverse price movement, the Fund would continue to be required to make daily payments of variation margin. Since the securities being hedged would not be sold until the related futures contract is sold, an increase, if any, in the price of the securities may to some extent offset losses on the related futures contract. In such event, the Fund would lose the benefit of the appreciation in value of the securities.

Successful use of futures contracts is also subject to the Adviser's ability to correctly predict the direction of movements in the market. For example, if the Fund hedges against a decline in the market, and market prices instead advance, the Fund will lose part or all of the benefit of the increase in value of its securities holdings because it will have offsetting losses in futures contracts. In such cases, if the Fund has insufficient cash, it may have to sell portfolio securities at a time when it is disadvantageous to do so in order to meet the daily variation margin.

Although the Fund intends to enter into futures contracts only if there is an active market for such contracts, there is no assurance that an active market will exist for the contracts at any particular time. Most U.S. futures contract exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. It is possible that futures contract prices would move to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures contract positions and subjecting some futures contract traders to substantial losses. In such event, and in the event of adverse price movements, the Fund would be required to make daily cash payments of variation margin. In such circumstances, an increase in the value of the portion of the portfolio being hedged, if any, may partially or completely offset losses on the futures contract. However, there is no guarantee that the price of the securities being hedged will, in fact, correlate with the price movements in a futures contract and thus provide an offset to losses on the futures contract.

The Fund will not enter into futures contracts or options transactions (except for closing transactions) other than for bona fide hedging purposes if, immediately thereafter,

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the sum of its initial margin and premiums on open futures contracts and options exceed 5% of the fair market value of the Fund's assets; however, in the case of an option that is in-the-money at the time of purchase, the in-the-money amount may be excluded in calculating the 5% limitation. To prevent leverage in connection with the purchase of futures contracts by the Fund, the Fund segregates cash and/or liquid securities in an amount at least equal to the market value of the obligation under the futures contracts (less any related margin deposits).

OPTIONS ON FUTURES CONTRACTS

The Fund could also purchase and write options on futures contracts. An option on a futures contract gives the purchaser the right, in return for the premium paid, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put) at a specified exercise price at any time during the option period. As a writer of an option on a futures contract, the Fund would be subject to initial margin and maintenance requirements similar to those applicable to futures contracts. In addition, net option premiums received by the Fund are required to be included as initial margin deposits. When an option on a futures contract is exercised, delivery of the futures contract position is accompanied by cash representing the difference between the current market price of the futures contract and the exercise price of the option. The Fund could purchase put options on futures contracts in lieu

of, and for the same purposes as, the sale of a futures contract; at the same time, it could write put options at a lower strike price (a "put bear spread") to offset part of the cost of the strategy to the Fund. The purchase of call options on futures contracts is intended to serve the same purpose as the actual purchase of the futures contracts.

Risks of Transactions in Options on Futures Contracts. In addition to the risks described above which apply to all options transactions, there are several special risks relating to options on futures contracts. The Adviser will not purchase options on futures contracts on any exchange unless in the Adviser's opinion, a liquid secondary exchange market for such options exists. Compared to the use of futures contracts, the purchase of options on futures contracts involves less potential risk to the Fund because the maximum amount at risk is the premium paid for the options (plus transaction costs). However, there may be circumstances, such as when there is no movement in the price of the underlying security or index, when the use of an option on a future contract would result in a loss to the Fund when the use of a future contract would not.

ADDITIONAL RISKS OF OPTIONS, FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

Each of the exchanges has established limitations governing the maximum number of call or put options on the same underlying security or futures contract (whether or not covered) which may be written by a single investor, whether acting alone or in concert with others (regardless of whether such options are written on the same or different exchanges or are held or written on one or more accounts or through one or more brokers). Option positions of all investment companies advised by the Adviser are combined for purposes of these limits. An exchange may order the liquidation of positions found to be in violation of these limits and it may impose other sanctions or restrictions. These position limits may restrict the number of listed options which the Fund may write.

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In the event of the bankruptcy of a broker through which the Fund engages in transactions in options, futures contracts or options on futures contracts, the Fund could experience delays or losses in liquidating open positions purchased or incur a loss of all or part of its margin deposits. Transactions are entered into by the Fund only with brokers or financial institutions deemed creditworthy by the Adviser.

Unlike transactions entered into by the Fund in futures contracts, options on foreign currencies and forward contracts are not traded on contract markets regulated by the CFTC or (with the exception of certain foreign currency options) by the SEC. To the contrary, such instruments are traded through financial institutions acting as market-makers, although foreign currency options are also traded on certain national securities exchanges, subject to SEC regulation. Similarly, options on currencies may be traded OTC. In an OTC trading environment, many of the protections afforded to exchange participants will not be available. For example, there are no daily price fluctuation limits, and adverse market movements could, therefore, continue to an unlimited extent over a period of time. Although the purchaser of an option cannot lose more than the amount of the premium plus related transaction costs, this entire amount could be lost. Moreover, the option writer and a trader of forward contracts could lose amounts substantially in excess of their initial investments, due to the margin and collateral requirements associated with such positions.

Options on foreign currencies traded on national securities exchanges are within the jurisdiction of the SEC, as are other securities traded on such exchanges. As a result, many of the protections provided to traders on organized exchanges will be available with respect to such transactions. In particular, all foreign currency option positions entered into on a national securities exchange are cleared and guaranteed by the Options Clearing Corporation ("OCC"), thereby reducing the risk of counterparty default. Further, a liquid secondary market in options traded on a national securities exchange may be more readily available than in the over-the-counter market, potentially permitting the Fund to liquidate open positions at a profit prior to exercise or expiration, or to limit losses in the event of adverse market movements.

The purchase and sale of exchange-traded foreign currency options, however, is subject to the risks of the availability of a liquid secondary market described above, as well as the risks regarding adverse market movements, margining of options written, the nature of the foreign currency market, possible intervention by governmental authorities and the effects of other political and economic events. In addition, exchange-traded options on foreign currencies involve certain risks not presented by the OTC market. For example, exercise and settlement of such options must be made exclusively through the OCC, which has established banking relationships in applicable foreign countries for this purpose. As a result, the OCC may, if it determines that foreign governmental restrictions or taxes would prevent the orderly settlement of foreign currency option exercises, or would result in undue burdens on the OCC or its clearing member, impose special procedures on exercise and settlement, such as technical changes in the mechanics of delivery of currency, the fixing of dollar settlement prices or prohibitions, on exercise.

In addition, futures contracts, options on futures contracts, forward contracts and options on foreign currencies may be traded on foreign exchanges. Such transactions are subject to the risk of governmental actions affecting trading in or the prices of foreign currencies or securities. The value of such positions also could be adversely affected by

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(i) other complex foreign political and economic factors, (ii) lesser availability than in the United States of data on which to make trading decisions, (iii) delays in the Fund's ability to act upon economic events occurring in foreign markets during nonbusiness hours in the United States, (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States and (v) lesser trading volume.

USE OF SEGREGATED AND OTHER SPECIAL ACCOUNTS

Many derivative transactions, in addition to other requirements, require that the Fund segregate cash and/or liquid securities to the extent the Fund's obligations are not otherwise "covered" as described above. In general, either the full amount of any obligation by the Fund to pay or deliver securities or assets must be covered at all times by the securities, instruments or currency required to be delivered (or securities convertible into the needed securities without additional consideration), or, subject to applicable regulatory restrictions, the Fund must segregate cash and/or liquid securities in an amount at least equal to the current amount of the obligation. In the case of a futures contract or an option on a futures contract, the Fund must deposit initial margin and possible daily variation margin in addition to segregating cash and/or liquid securities sufficient to meet its obligation to purchase or provide securities or currencies, or to pay the amount owed at the expiration of an index-based futures contract. Derivative transactions may be covered by other means when consistent with applicable regulatory policies. The Fund may also enter into offsetting transactions so that its combined position, coupled with any segregated cash and/or liquid securities, equals its net outstanding obligation.

INVESTMENT RESTRICTIONS

The Fund has adopted the following fundamental investment restrictions which may not be changed without shareholder approval by the vote of a majority of its outstanding voting securities, which is defined by the 1940 Act as the lesser of (i) 67% or more of the Fund's voting securities present at a meeting, if the holders of more than 50% of the Fund's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the Fund's outstanding voting securities. The percentage limitations contained in the restrictions and policies set forth herein apply at the time of purchase of securities. With respect to the limitations on illiquid securities and borrowings, the percentage limitations apply at the time of purchase and on an ongoing basis. These restrictions provide that the Fund shall not:

1. Invest in a manner inconsistent with its classification as a "diversified company" as provided by (i) the 1940 Act, as amended from time to time, (ii) the rules and regulations promulgated by the SEC under the 1940 Act, as amended from time to time, or (iii) an exemption or other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.
2. Issue senior securities nor borrow money, except the Fund may issue senior securities or borrow money to the extent permitted by (i) the 1940 Act, as amended from time to time, (ii) the rules and regulations promulgated by the SEC under the 1940 Act, as amended from time to time, or (iii) an exemption or

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other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.

3. Act as an underwriter of securities issued by others, except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under applicable securities laws.
4. Invest in any security if, as a result, 25% or more of the value of the Fund's total assets, taken at market value at the time of each investment, are in the securities of issuers in any particular industry except (a) excluding securities issued or guaranteed by the U.S. government and its agencies and instrumentalities or securities of state and municipal governments or their political subdivisions, (b) when the Fund has taken a temporary defensive position, or (c) as otherwise provided by (i) the 1940 Act, as amended from time to time, (ii) the rules and regulations promulgated by the SEC under the 1940 Act, as amended from time to time, or (iii) an exemption or other relief

applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.

5. Purchase or sell real estate except that the Fund may: (a) acquire or lease office space for its own use, (b) invest in securities of issuers that invest in real estate or interests therein or that are engaged in or operate in the real estate industry, (c) invest in securities that are secured by real estate or interests therein, (d) purchase and sell mortgage-related securities, (e) hold and sell real estate acquired by the Fund as a result of the ownership of securities and (f) as otherwise permitted by (i) the 1940 Act, as amended from time to time, (ii) the rules and regulations promulgated by the SEC under the 1940 Act, as amended from time to time, or (iii) an exemption or other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.
6. Purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments; provided that this restriction shall not prohibit the Fund from purchasing or selling options, futures contracts and related options thereon, forward contracts, swaps, caps, floors, collars and any other financial instruments or from investing in securities or other instruments backed by physical commodities or as otherwise permitted by (i) the 1940 Act, as amended from time to time, (ii) the rules and regulations promulgated by the SEC under the 1940 Act, as amended from time to time, or (iii) an exemption or other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.
7. Make loans of money or property to any person, except (a) to the extent that securities or interests in which the Fund may invest are considered to be loans, (b) through the loan of portfolio securities, (c) by engaging in repurchase agreements or (d) as may otherwise be permitted by (i) the 1940 Act, as amended from time to time, (ii) the rules and regulations promulgated by the SEC under the 1940 Act, as amended from time to time, or (iii) an exemption or other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.

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The Fund has an operating policy not to borrow money except for temporary purposes and then in an amount not in excess of 5% of the value of the total assets of the Fund at the time the borrowing is made.

TRUSTEES AND OFFICERS

The business and affairs of the Fund are managed under the direction of the Fund's Board of Trustees and the Fund's officers appointed by the Board of Trustees. The tables below list the trustees and executive officers of the Fund and their principal occupations during the last five years, other directorships held by trustees and their affiliations, if any, with Van Kampen Investments Inc. ("Van Kampen Investments"), Van Kampen Asset Management ("Asset Management" or the "Adviser"), Van Kampen Funds Inc. (the "Distributor"), Van Kampen Advisors Inc., Van Kampen Exchange Corp. and Van Kampen Investor Services Inc. ("Investor Services"). The term "Fund Complex" includes each of the investment companies advised by the Adviser or its affiliates as of the date of this Statement of Additional Information. Trustees serve until reaching their retirement age or until their successors are duly elected and qualified. Officers are annually elected by the trustees.

INDEPENDENT TRUSTEES

<Table>
<Caption>

NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE <C>	OTHER DIRECTORSHIPS HELD BY TRUSTEE <C>
David C. Arch (58) Blistex Inc. 1800 Swift Drive Oak Brook, IL 60523	Trustee	+	Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer. Former Director of the World Presidents Organization-Chicago Chapter. Director of the Heartland Alliance, a nonprofit organization serving human needs based in Chicago.	88	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
J. Miles Branagan (71) 1632 Morning Mountain Road Raleigh, NC 27614	Trustee	+	Private investor. Co-founder, and prior to August 1996, Chairman, Chief Executive Officer and	86	Trustee/Director/ Managing General Partner of funds in

President, MDT Corporation (now known as Getinge/ Castle, Inc., a subsidiary of Getinge Industrier AB), a company which develops, manufactures, markets and services medical and scientific equipment.

the Fund Complex.

Jerry D. Choate (65)
33971 Selva Road
Suite 130
Dana Point, CA 92629

Trustee +

Prior to January 1999, Chairman and Chief Executive Officer of the Allstate Corporation ("Allstate") and Allstate Insurance Company. Prior to January 1995, President and Chief Executive Officer of Allstate. Prior to August 1994, various management positions at Allstate.

86

Trustee/Director/Managing General Partner of funds in the Fund Complex. Director of Amgen Inc., a biotechnological company, and Director of Valero Energy Corporation, an independent refining company.

</Table>

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<Table>
<Caption>

NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE <C>	OTHER DIRECTORSHIPS HELD BY TRUSTEE <C>
Rod Dammeyer (63) CAC, llc. 4350 LaJolla Village Drive Suite 980 San Diego, CA 92122-6223	Trustee +		President of CAC, llc., a private company offering capital investment and management advisory services. Prior to July 2000, Managing Partner of Equity Group Corporate Investment (EGI), a company that makes private investments in other companies.	88	Trustee/Director/Managing General Partner of funds in the Fund Complex. Director of TeleTech Holdings Inc., Stericycle, Inc., TheraSense, Inc., GATX Corporation, Arris Group, Inc. and Trustee of the University of Chicago Hospitals and Health Systems. Prior to May 2002, Director of Peregrine Systems Inc. Prior to February 2001, Vice Chairman and Director of Anixter International, Inc. and IMC Global Inc. Prior to July 2000, Director of Allied Riser Communications Corp., Matria Healthcare Inc., Transmedia Networks, Inc., CNA Surety, Corp. and Grupo Azcarero Mexico (GAM). Prior to April 1999, Director of Metal Management, Inc.
Linda Hutton Heagy (55) Heidrick & Struggles 233 South Wacker Drive Suite 7000 Chicago, IL 60606	Trustee +		Managing Partner of Heidrick & Struggles, an executive search firm. Trustee on the University of Chicago Hospitals Board, Vice Chair of the Board of the YMCA of Metropolitan Chicago and a member of the Women's Board of the University of Chicago. Prior to 1997, Partner of Ray & Berndtson, Inc., an executive recruiting firm. Prior to 1996, Trustee of The International House Board, a fellowship and housing organization for international	86	Trustee/Director/Managing General Partner of funds in the Fund Complex.

graduate students. Prior to 1995, Executive Vice President of ABN AMRO, N.A., a bank holding company. Prior to 1992, Executive Vice President of La Salle National Bank.

</Table>

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<Table>
<Caption>

NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE <C>	OTHER DIRECTORSHIPS HELD BY TRUSTEE <C>
R. Craig Kennedy (51) 11 DuPont Circle, N.W. Washington, D.C. 20016	Trustee	+	Director and President of the German Marshall Fund of the United States, an independent U.S. foundation created to deepen understanding, promote collaboration and stimulate exchanges of practical experience between Americans and Europeans. Formerly, advisor to the Dennis Trading Group Inc., a managed futures and option company that invests money for individuals and institutions. Prior to 1992, President and Chief Executive Officer, Director and member of the Investment Committee of the Joyce Foundation, a private foundation.	86	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
Howard J Kerr (68) 736 North Western Avenue P.O. Box 317 Lake Forest, IL 60045	Trustee	+	Prior to 1998, President and Chief Executive Officer of Pocklington Corporation, Inc., an investment holding company. Director of the Marrow Foundation	88	Trustee/Director/ Managing General Partner of funds in the Fund Complex. Director of the Lake Forest Bank & Trust.
Jack E. Nelson (67) 423 Country Club Drive Winter Park, FL 32789	Trustee	+	President of Nelson Investment Planning Services, Inc., a financial planning company and registered investment adviser in the State of Florida. President of Nelson Invest Brokerage Services Inc., a member of the NASD, Securities Investors Protection Corp. and the Municipal Securities Rulemaking Board. President of Nelson Sales and Services Corporation, a marketing and services company to support affiliated companies.	86	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
Hugo F. Sonnenschein (63) 1126 E. 59th Street Chicago, IL 60637	Trustee	+	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago. Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences.	88	Trustee/Director/ Managing General Partner of funds in the Fund Complex. Director of Winston Laboratories, Inc.

</Table>

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<Table>
<Caption>

NUMBER OF

NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE <C>	OTHER DIRECTORSHIPS HELD BY TRUSTEE <C>
Suzanne H. Woolsey, P.H.D. (62) 2001 Pennsylvania Ave., N.W. Suite 400 Washington, D.C. 20006	Trustee	+	Currently with Paladin Capital Group -- Paladin Homeland Security Fund since November 2003. Previously, Chief Communications Officer of the National Academy of Sciences/National Research Council, an independent, federally chartered policy institution, since 2001 and previously Chief Operating Officer from 1993 to 2001. Director of the Institute for Defense Analyses, a federally funded research and development center, Director of the German Marshall Fund of the United States, and Trustee of Colorado College. Prior to 1993, Executive Director of the Commission on Behavioral and Social Sciences and Education at the National Academy of Sciences/National Research Council. From 1980 through 1989, Partner of Coopers & Lybrand.	86	Trustee/Director/ Managing General Partner of funds in the Fund Complex. Director of Neurogen Corporation, a pharmaceutical company, since January 1998.

</Table>

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INTERESTED TRUSTEES*

<Table>
<Caption>

NAME, AGE AND ADDRESS OF INTERESTED TRUSTEE <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE <C>	OTHER DIRECTORSHIPS HELD BY TRUSTEE <C>
Mitchell M. Merin* (50) 1221 Avenue of the Americas New York, NY 10020	Trustee, President and Chief Executive Officer	+; President and Chief Executive Officer since 2002	President and Chief Executive Officer of funds in the Fund Complex. Chairman, President, Chief Executive Officer and Director of Asset Management and Van Kampen Advisors Inc. since December 2002. Chairman, President and Chief Executive Officer of Van Kampen Investments since December 2002. Director of Van Kampen Investments since December 1999. Chairman and Director of Van Kampen Funds Inc. since December 2002. President, Director and Chief Operating Officer of Morgan Stanley Investment Management since December 1998. President and Director since April 1997 and Chief Executive Officer since June 1998 of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. Chairman, Chief Executive Officer and Director of Morgan Stanley Distributors Inc. since June 1998. Chairman since June 1998, and Director since January 1998 of Morgan Stanley Trust. Director of various Morgan Stanley subsidiaries. President of the Morgan Stanley Funds since May 1999. Previously Chief Executive Officer of Van Kampen Funds Inc. from December 2002 to July 2003, Chief Strategic	86	Trustee/Director/ Managing General Partner of funds in the Fund Complex.

Officer of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. and Executive Vice President of Morgan Stanley Distributors Inc. from April 1997 to June 1998. Chief Executive Officer from September 2002 to April 2003 and Vice President from May 1997 to April 1999 of the Morgan Stanley Funds.

Richard F. Powers, III* (57) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181	Trustee	+	Advisory Director of Morgan Stanley. Prior to December 2002, Chairman, Director, President, Chief Executive Officer and Managing Director of Van Kampen Investments and its investment advisory, distribution and other subsidiaries. Prior to December 2002, President and Chief Executive Officer of funds in the Fund Complex. Prior to May 1998, Executive Vice President and Director of Marketing at Morgan Stanley and Director of Dean Witter, Discover & Co. and Dean Witter Realty. Prior to 1996, Director of Dean Witter Reynolds Inc.	88	Trustee/Director/ Managing General Partner of funds in the Fund Complex.
---	---------	---	--	----	---

</Table>

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<Table>
<Caption>

NAME, AGE AND ADDRESS OF INTERESTED TRUSTEE <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE <C>	OTHER DIRECTORSHIPS HELD BY TRUSTEE <C>
Wayne W. Whalen* (64) 333 West Wacker Drive Chicago, IL 60606	Trustee	+	Partner in the law firm of Skadden, Arps, Slate, Meagher & Flom (Illinois), legal counsel to funds in the Fund Complex.	88	Trustee/Director/ Managing General Partner of funds in the Fund Complex.

</Table>

+ See Table D below.

* Such trustee is an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act). Mr. Whalen is an interested person of certain funds in the Fund Complex by reason of his firm currently acting as legal counsel to such funds in the Fund Complex. Messrs. Merin and Powers are interested persons of funds in the Fund Complex and the Adviser by reason of their current or former positions with Morgan Stanley or its affiliates.

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OFFICERS

<Table>
<Caption>

NAME, AGE AND ADDRESS OF OFFICER <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>
Stephen L. Boyd (63) 2800 Post Oak Blvd. 45th Floor Houston, TX 77056	Vice President	++	Managing Director of Global Research Investment Management. Vice President of funds in the Fund Complex. Prior to December 2002, Chief Investment Officer of Van Kampen Investments and President and Chief Operations Officer of the Adviser and Van Kampen Advisors Inc. Prior to May 2002, Executive Vice President and Chief Investment Officer of funds in the Fund Complex. Prior to May 2001, Managing Director and Chief Investment Officer of Van Kampen Investments, and Managing Director and President of the Adviser and Van Kampen Advisors Inc. Prior to December 2000, Executive Vice President and Chief Investment Officer of Van

Kampen Investments, and President and Chief Operating Officer of the Adviser. Prior to April 2000, Executive Vice President and Chief Investment Officer for Equity Investments of the Adviser. Prior to October 1998, Vice President and Senior Portfolio Manager with AIM Capital Management, Inc. Prior to February 1998, Senior Vice President and Portfolio Manager of Van Kampen American Capital Asset Management, Inc., Van Kampen American Capital Investment Advisory Corp. and Van Kampen American Capital Management, Inc.

Stefanie V. Chang (37) 1221 Avenue of the Americas New York, NY 10020	Vice President	++	Executive Director of Morgan Stanley Investment Management. Vice President of funds in the Fund Complex.
Joseph J. McAlinden (60) 1221 Avenue of the Americas New York, NY 10020	Executive Vice President and Chief Investment Officer	++	Managing Director and Chief Investment Officer of Morgan Stanley Investment Advisors Inc., Morgan Stanley Investment Management Inc. and Morgan Stanley Investments LP and Director of Morgan Stanley Trust for over 5 years. Executive Vice President and Chief Investment Officer of funds in the Fund Complex. Managing Director and Chief Investment Officer of Van Kampen Investments, the Adviser and Van Kampen Advisors Inc. since December 2002.
John R. Reynoldson (50) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181	Vice President	++	Executive Director and Portfolio Specialist of the Adviser and Van Kampen Advisors Inc. Vice President of funds in the Fund Complex. Prior to July 2001, Principal and Co-head of the Fixed Income Department of the Adviser and Van Kampen Advisors Inc. Prior to December 2000, Senior Vice President of the Adviser and Van Kampen Advisors Inc. Prior to May 2000, Senior Vice President of the investment grade taxable group for the Adviser. Prior to June 1999, Senior Vice President of the government securities bond group for Asset Management.
Ronald E. Robison (64) 1221 Avenue of the Americas New York, NY 10020	Executive Vice President and Principal Executive Officer	++	Chief Executive Officer and Chairman of Investor Services. Executive Vice President and Principal Executive Officer of funds in the Fund Complex. Chief Global Operations Officer and Managing Director of Morgan Stanley Investment Management Inc. Managing Director of Morgan Stanley. Managing Director and Director of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. Chief Executive Officer and Director of Morgan Stanley Trust. Vice President of the Morgan Stanley Funds.

</Table>

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<Table>
<Caption>

NAME, AGE AND ADDRESS OF OFFICER <S>	POSITION(S) HELD WITH FUND <C>	TERM OF OFFICE AND LENGTH OF TIME SERVED <C>	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS <C>
A. Thomas Smith III (47) 1221 Avenue of the Americas New York, NY 10020	Vice President and Secretary	++	Managing Director of Morgan Stanley, Managing Director and Director of Van Kampen Investments, Director of the Adviser, Van Kampen Advisors Inc., the Distributor, Investor Services and certain other subsidiaries of Van Kampen Investments. Managing Director and General Counsel-Mutual Funds of Morgan Stanley Investment Advisors, Inc. Vice President and Secretary of funds in the Fund Complex. Prior to July 2001, Managing Director, General Counsel, Secretary and Director of Van Kampen Investments, the Adviser, the Distributor, Investor Services, and certain other subsidiaries of Van Kampen Investments. Prior to December 2000, Executive Vice President, General Counsel, Secretary and Director of Van Kampen Investments, the Adviser, Van Kampen Advisors Inc., the Distributor, Investor Services and certain other subsidiaries of Van Kampen Investments. Prior to January 1999, Vice President and Associate General Counsel to New York Life Insurance Company ("New York Life"), and prior to March 1997, Associate General Counsel of New York Life. Prior to December 1993, Assistant General Counsel of The Dreyfus Corporation. Prior to August 1991, Senior Associate, Willkie Farr & Gallagher. Prior to January 1989, Staff Attorney at the Securities and Exchange Commission, Division of Investment Management, Office of Chief Counsel.
John L. Sullivan (48) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181	Vice President, Chief Financial Officer and Treasurer	++	Director and Managing Director of Van Kampen Investments, the Adviser, Van Kampen Advisors Inc. and certain other subsidiaries of Van Kampen Investments. Vice President, Chief Financial Officer and Treasurer of funds in the Fund

</Table>

++ See Table E below.

Each trustee/director who is not an affiliated person (as defined in the 1940 Act) of Van Kampen Investments, the Adviser or the Distributor (each a "Non-Affiliated Trustee") is compensated by an annual retainer and meeting fees for services to funds in the Fund Complex. Each fund in the Fund Complex (except Van Kampen Exchange Fund) provides a deferred compensation plan to its Non-Affiliated Trustees that allows trustees/directors to defer receipt of their compensation until retirement and earn a return on such deferred amounts. Amounts deferred are retained by the Fund and earn a rate of return determined by reference to the return on the common shares of the Fund or other funds in the Fund Complex as selected by the respective Non-Affiliated Trustee. To the extent permitted by the 1940 Act, the Fund may invest in securities of those funds selected by the Non-Affiliated Trustees in order to match the deferred compensation obligation. The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Fund. Deferring compensation has the same economic effect as if the Non-Affiliated Trustee reinvested his or her compensation into the funds. Each fund in the Fund Complex (except Van Kampen Exchange Fund) provides a retirement plan to its Non-Affiliated Trustees that provides Non-Affiliated Trustees with compensation after retirement, provided that certain eligibility requirements are met. Under the retirement plan, a Non-Affiliated Trustee who is receiving compensation from the Fund prior to such Non-Affiliated Trustee's retirement, has at least 10 years of service (including years of service prior to adoption of the

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retirement plan) and retires at or after attaining the age of 60, is eligible to receive a retirement benefit per year for each of the ten years following such retirement from the Fund. Non-Affiliated Trustees retiring prior to the age of 60 or with fewer than 10 years but more than 5 years of service may receive reduced retirement benefits from the Fund.

Additional information regarding compensation and benefits for trustees is set forth below for the periods described in the notes accompanying the table.

COMPENSATION TABLE

<Table>
<Caption>

Name (1)	Fund Complex			
	Aggregate Compensation from the Trust (2)	Aggregate Pension or Retirement Benefits Accrued as Part of Expenses (3)	Aggregate Estimated Maximum Annual Benefits from the Fund Complex Upon Retirement (4)	Total Compensation before Deferral from Fund Complex (5)
<S>	<C>	<C>	<C>	<C>
David C. Arch	\$ 383	\$14,694	\$147,500	\$138,750
J. Miles Branagan	2,599	64,907	60,000	107,000
Jerry D. Choate	2,599	24,774	130,000	107,000
Rod Dammeyer	383	26,231	147,500	138,750
Linda Hutton Heagy	2,599	6,858	147,500	107,000
R. Craig Kennedy	2,599	4,617	147,500	107,000
Howard J Kerr	383	50,408	147,500	138,750
Jack E. Nelson	2,599	33,020	112,500	107,000
Hugo F. Sonnenschein	383	26,282	147,500	138,750
Wayne W. Whalen	2,603	51,855	147,500	245,750
Suzanne H. Woolsey	2,599	15,533	147,500	107,000

(1) Trustees not eligible for compensation are not included in the Compensation Table.

(2) The amounts shown in this column represent the aggregate compensation before deferral from all operating series of the Trust during the fiscal year ended August 31, 2003. Messrs. Arch, Dammeyer, Kerr and Sonnenschein were appointed to the Board of the Trust on July 23, 2003, and thus the amounts above reflect compensation from the Trust for the period July 23, 2003 until the end of the fiscal year ended August 31, 2003. The details of aggregate

compensation before deferral for each operating series of the Trust during the fiscal year ended August 31, 2003 are shown in Table A below. The details of compensation deferred for each operating series of the Trust during the fiscal year ended August 31, 2003 are shown in Table B below. The details of cumulative deferred compensation (including interest) for each operating series of the Trust as of August 31, 2003 are shown in Table C below. The deferred compensation plan is described above the Compensation Table.

- (3) The amounts shown in this column represent the sum of the retirement benefits accrued by the operating funds in the Fund Complex for each of the trustees for the funds' respective fiscal years ended in 2002. The retirement plan is described above the Compensation Table. In 2003, efforts have been under way to combine the trustees/directors/managing general partners of the boards of the various Van Kampen-related funds in the Fund Complex. Prior to 2003, only Messrs. Whalen

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and Powers served as trustees/directors/managing general partners of all of the various Van Kampen-related funds in the Fund Complex; and during 2003, other trustees/directors/managing general partners are being elected or appointed, as appropriate, to most of the respective boards of the underlying Van Kampen-related funds. The amounts in this column represent amounts for each trustee based on funds he/she oversaw for the period mentioned above; and thus it is anticipated that the amounts will increase in future compensation tables based on the increased number of funds overseen by such trustees going forward.

- (4) For each trustee, this is the sum of the estimated maximum annual benefits payable by the funds in the Fund Complex for each year of the 10-year period commencing in the year of such trustee's anticipated retirement. The retirement plan is described above the Compensation Table.

- (5) The amounts shown in this column represent the aggregate compensation paid by all of the funds in the Fund Complex as of December 31, 2002 before deferral by the trustees under the deferred compensation plan. Because the funds in the Fund Complex have different fiscal year ends, the amounts shown in this column are presented on a calendar year basis. In 2003, efforts have been under way to combine the trustees/directors/managing general partners of the boards of the various Van Kampen-related funds in the Fund Complex. Prior to 2003, only Messrs. Whalen and Powers served as trustees/directors/managing general partners of all of the various Van Kampen-related funds in the Fund Complex; and during 2003, other trustees/directors/managing general partners are being elected or appointed, as appropriate, to most of the respective boards of the underlying Van Kampen-related funds. The amounts in this column represent amounts for each trustee based on funds he/she oversaw for the period mentioned above; and thus it is anticipated that the amounts will increase in future compensation tables based on the increased number of funds overseen by such trustees going forward.

TABLE A

2003 AGGREGATE COMPENSATION FROM
THE TRUST AND EACH SERIES

<Table>
<Caption>

FUND NAME	FISCAL YEAR-END	TRUSTEE								
		ARCH	BRANAGAN	CHOATE	DAMMEYER	HEAGY	KENNEDY	KERR	NELSON	SONNENSCHIN
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
International Advantage Fund.....	8/31	\$161	\$1,162	\$1,162	\$161	\$1,162	\$1,162	\$161	\$1,162	\$161
Technology Fund.....	8/31	\$222	\$1,437	\$1,437	\$222	\$1,437	\$1,437	\$222	\$1,437	\$222
Trust Total.....		\$383	\$2,599	\$2,599	\$383	\$2,599	\$2,599	\$383	\$2,599	\$383

<Caption>

FUND NAME	TRUSTEE	
	WHALEN	WOOLSEY
<S>	<C>	<C>
International Advantage Fund.....	\$1,163	\$1,162
Technology Fund.....	\$1,440	\$1,440
Trust Total.....	\$2,603	\$2,599

</Table>

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TABLE B

2003 AGGREGATE COMPENSATION DEFERRED FROM
THE TRUST AND EACH SERIES<Table>
<Caption>

FUND NAME	FISCAL YEAR-END	TRUSTEE						
		BRANAGAN	CHOATE	DAMMEYER	HEAGY	NELSON	SONNENSCHNEIN	WHALEN
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
International Advantage Fund.....	8/31	\$401	\$1,162	\$161	\$1,162	\$1,162	\$161	\$1,163
Technology Fund.....	8/31	\$471	\$1,437	\$222	\$1,437	\$1,437	\$222	\$1,440
Trust Total.....		\$872	\$2,599	\$383	\$2,599	\$2,599	\$383	\$2,603

TABLE C

2003 CUMULATIVE COMPENSATION DEFERRED
(PLUS INTEREST) FROM THE TRUST AND EACH SERIES<Table>
<Caption>

FUND NAME	FISCAL YEAR-END	TRUSTEE									
		BRANAGAN	CHOATE	DAMMEYER	HEAGY	KENNEDY	NELSON	SONNENSCHNEIN	ROONEY	SISTO	WHALEN
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
International Advantage Fund.....	8/31	\$1,248	\$2,076	\$161	\$1,982	\$ 137	\$2,079	\$161	\$ 97	\$ 0	\$2,065
Technology Fund.....	8/31	6,736	6,347	222	5,313	2,740	6,282	222	2,076	1,561	6,171
Trust Total.....		\$7,984	\$8,423	\$383	\$7,295	\$2,877	\$8,361	\$383	\$2,173	\$1,561	\$8,236

TABLE D

YEAR OF ELECTION OR APPOINTMENT TO EACH SERIES OF THE TRUST

<Table>
<Caption>

FUND NAME	TRUSTEE										
	ARCH	BRANAGAN	CHOATE	DAMMEYER	HEAGY	KENNEDY	KERR	MERIN	NELSON	SONNENSCHNEIN	POWERS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
International Advantage Fund.....	2003	2001	2001	2003	2001	2001	2003	2001	2001	2003	2001
Technology Fund.....	2003	1999	1999	2003	1999	1999	2003	1999	1999	2003	1999

<Caption>

FUND NAME	TRUSTEE	
	WHALEN	WOOLSEY
<S>	<C>	<C>
International Advantage Fund.....	2001	2001
Technology Fund.....	1999	1999

</Table>

TABLE E

YEAR OF ELECTION OR APPOINTMENT TO EACH SERIES OF THE TRUST

<Table>
<Caption>

FUND NAME	OFFICER									
	BOYD	CHANG	MCALINDEN	MERIN	REYNOLDSON	ROBISON	SMITH	SULLIVAN	ZIMMERMANN	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
International Advantage Fund.....	2001	2003	2002	2002	2001	2003	2001	2001	2001	
Technology Fund.....	1999	2003	2002	2002	1999	2003	1999	1999	1999	

</Table>

The Board of Trustees has three standing committees (an audit committee, a brokerage and services committee and a governance committee). Each committee is comprised of trustees who are not "interested persons" of the Fund (as defined by the 1940 Act) (referred to herein as "Independent Trustees" or "non-interested trustees").

The Board's audit committee consists of J. Miles Branagan, Jerry D. Choate and R. Craig Kennedy. The audit committee makes recommendations to the Board of Trustees concerning the selection of the Fund's independent public auditors, reviews with such auditors the scope and results of the Fund's annual audit and considers any comments which the auditors may have regarding the Fund's financial statements, books of account or internal controls.

The Board's brokerage and services committee consists of Linda Hutton Heagy, Hugo F. Sonnenschein and Suzanne H. Woolsey. The brokerage and services committee reviews the Fund's allocation of brokerage transactions and soft-dollar practices and reviews the transfer agency and shareholder servicing arrangements with Investor Services.

The Board's governance committee consists of David C. Arch, Rod Dammeyer, Howard J Kerr and Jack E. Nelson. The governance committee identifies individuals qualified to serve on the Board that are independent as defined in the 1940 Act and on committees of the Board, advises the Board with respect to Board composition, procedures and committees, develops and recommends to the Board a set of corporate governance principles applicable to the Fund, monitors corporate governance matters and makes recommendations to the Board, and act as the administrative committee with respect to Board policies and procedures, committee policies and procedures and code of ethics.

During the Fund's last fiscal year, the audit committee of the Board held five meetings and the brokerage and services committee of the Board held five meetings. The governance committee was recently organized and had only one meeting during the Fund's last fiscal year.

The non-interested trustees of the Fund select and nominate any other non-interested trustees of the Fund. While the non-interested trustees of the Fund expect to be able to continue to identify from their own resources an ample number of qualified candidates for the Board of Trustees as they deem appropriate, they will review nominations from shareholders to fill any vacancies. Nominations from shareholders should be in writing and addressed to the non-interested trustees at the Fund's office.

In addition to deferred compensation balances as described in the Compensation Table, as of December 31, 2002, the most recently completed calendar year prior to the date of this Statement of Additional Information, each trustee of each series of the Trust beneficially owned equity securities of each series of the Trust, including the Fund, and of all of the funds in the Open-End Fund Complex overseen by the trustee in the dollar range amounts specified below.

2002 TRUSTEE BENEFICIAL OWNERSHIP OF SECURITIES

INDEPENDENT TRUSTEES

<Table>

<Caption>

	ARCH ----	BRANAGAN -----	CHOATE -----	DAMMEYER -----	HEAGY -----
<S>	<C>	<C>	<C>	<C>	<C>
DOLLAR RANGE OF EQUITY SECURITIES IN THE TRUST:					
INTERNATIONAL ADVANTAGE FUND....	none	none	none	none	none
TECHNOLOGY FUND.....	none	none	none	none	none
AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN ALL REGISTERED INVESTMENT COMPANIES OVERSEEN BY TRUSTEE IN THE OPEN-END FUND COMPLEX.....					
	\$50,001- \$100,000	over \$100,000	\$10,001- \$50,000	over \$100,000	\$10,001- \$50,000

<Caption>

	KENNEDY -----	KERR -----	NELSON -----	SONNENSCHN -----	WOOLSEY -----
<S>	<C>	<C>	<C>	<C>	<C>
DOLLAR RANGE OF EQUITY SECURITIES IN THE TRUST:					
INTERNATIONAL ADVANTAGE FUND....	none	none	none	none	none
TECHNOLOGY FUND.....	\$1-\$10,000	none	none	none	none
AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN ALL REGISTERED INVESTMENT COMPANIES OVERSEEN BY TRUSTEE IN THE OPEN-END FUND COMPLEX.....					
	over \$100,000	\$1-\$10,000	none	over \$100,000	\$10,001- \$50,000

</Table>

INTERESTED TRUSTEES

	MERIN -----	POWERS -----	WHALEN -----
<S>	<C>	<C>	<C>
DOLLAR RANGE OF EQUITY SECURITIES IN THE TRUST:			
INTERNATIONAL ADVANTAGE FUND.....	none	none	none
TECHNOLOGY FUND.....	\$50,000- \$100,000	none	\$1-\$10,000
AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN ALL REGISTERED INVESTMENT COMPANIES OVERSEEN BY TRUSTEE IN THE OPEN-END FUND COMPLEX.....	over \$100,000	over \$100,000	over \$100,000

As of December 1, 2003, the trustees and officers of the Trust, as a group owned less than 1% of the shares of the Fund.

The Fund, the Adviser and the Distributor have adopted a Code of Ethics (the "Code of Ethics") that sets forth general and specific standards relating to the securities trading activities of their employees. The Code of Ethics does not prohibit employees from acquiring securities that may be purchased or held by the Fund, but is intended to ensure that all employees conduct their personal transactions in a manner that does not interfere with the portfolio transactions of the Fund or other Van Kampen funds, or that such employees take unfair advantage of their relationship with the Fund. Among other things, the Code of Ethics prohibits certain types of transactions absent prior approval, imposes various trading restrictions (such as time periods during which personal transactions may or may not be made) and requires quarterly reporting of securities transactions and other reporting matters. All reportable securities transactions and other required reports are to be reviewed by appropriate personnel for compliance with the Code of Ethics. Additional restrictions apply to portfolio managers, traders, research analysts and others who may have

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access to nonpublic information about the trading activities of the Fund or other Van Kampen funds or who otherwise are involved in the investment advisory process. Exceptions to these and other provisions of the Code of Ethics may be granted in particular circumstances after review by appropriate personnel.

INVESTMENT ADVISORY AGREEMENT

The Fund and the Adviser are parties to an investment advisory agreement (the "Advisory Agreement"). Under the Advisory Agreement, the Fund retains the Adviser to manage the investment of the Fund's assets, including the placing of orders for the purchase and sale of portfolio securities. The Adviser obtains and evaluates economic, statistical and financial information to formulate strategy and implement the Fund's investment objective. The Adviser also furnishes offices, necessary facilities and equipment, provides administrative services to the Fund, renders periodic reports to the Fund's Board of Trustees and permits its officers and employees to serve without compensation as trustees of the Trust or officers of the Fund if elected to such positions. The Fund, however, bears the costs of its day-to-day operations, including distribution fees, service fees, custodian fees, legal and independent accountant fees, the costs of reports and proxies to shareholders, compensation of trustees of the Trust (other than those who are affiliated persons of the Adviser, Distributor or Van Kampen Investments) and all other ordinary business expenses not specifically assumed by the Adviser. The Advisory Agreement also provides that the Adviser shall not be liable to the Fund for any error of judgment or of law, or for any loss suffered by the Fund in connection with the matters to which the Advisory Agreement relates, except a loss resulting from willful misfeasance, bad faith, gross negligence on the part of the Adviser in the performance of its obligations and duties or by reason of its reckless disregard of its obligations and duties under the Advisory Agreement.

The Advisory Agreement also provides that, in the event the expenses of the Fund for any fiscal year exceed the most restrictive expense limitation applicable in any jurisdiction in which the Fund's shares are qualified for offer and sale (excluding any expenses permitted to be excluded from the computation under applicable law or regulation), the compensation due the Adviser will be reduced by the amount of such excess and that, if a reduction in and refund of the advisory fee is insufficient, the Adviser will pay the Fund monthly an amount sufficient to make up the deficiency, subject to readjustment during the fiscal year.

The Advisory Agreement may be continued from year to year if specifically approved at least annually (a) (i) by the Fund's Board of Trustees or (ii) by a vote of a majority of the Fund's outstanding voting securities and (b) by a vote of a majority of the Trustees who are not parties to the agreement or interested persons of any such party by votes cast in person at a meeting called for such purpose. The Advisory Agreement provides that it shall terminate automatically

if assigned and that it may be terminated without penalty by either party on 60 days' written notice.

In approving the Advisory Agreement, the Board of Trustees, including the non-interested Trustees, considered the nature, quality and scope of the services provided by the Adviser, the performance, fees and expenses of the Fund compared to other similar investment companies, the Adviser's expenses in providing the services and the profitability of the Adviser and its affiliated companies. The Board of Trustees also reviewed the benefit to the Adviser of receiving third party research paid for by Fund assets and the propriety of such an arrangement and evaluated other benefits the Adviser derives from its

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relationship with the Fund. The Board of Trustees considered the extent to which any economies of scale experienced by the Adviser are shared with the Fund's shareholders, and the propriety of existing and alternative breakpoints in the Fund's advisory fee schedule. The Board of Trustees considered comparative advisory fees of the Fund and other investment companies at different asset levels, and considered the trends in the industry versus historical and projected sales and redemptions of the Fund. The Board of Trustees reviewed reports from third parties about the foregoing factors and considered changes, if any, in such items since its previous approval. The Board of Trustees discussed the financial strength of the Adviser and its affiliated companies and the capability of the personnel of the Adviser. The Board of Trustees reviewed the statutory and regulatory requirements for approval of advisory agreements. The Board of Trustees, including the non-interested Trustees, evaluated all of the foregoing and determined, in the exercise of its business judgment, that approval of the Advisory Agreement was in the best interests of the Fund and its shareholders.

ADVISORY FEES

<Table>
<Caption>

	Fiscal Year Ended August 31, 2003	Fiscal Period Ended August 31, 2002
	-----	-----
<S>	<C>	<C>
The Adviser received the approximate advisory fee of....	\$43,500	\$20,600

</Table>

OTHER AGREEMENTS

Accounting Services Agreement. The Fund has entered into an accounting services agreement pursuant to which Asset Management provides accounting services to the Fund supplementary to those provided by the custodian. Such services are expected to enable the Fund to more closely monitor and maintain its accounts and records. The Fund pays all costs and expenses related to such services, including all salary and related benefits of accounting personnel, as well as the overhead and expenses of office space and the equipment necessary to render such services. The Fund shares together with the other Van Kampen funds in the cost of providing such services with 25% of such costs shared proportionately based on the respective number of classes of securities issued per fund and the remaining 75% of such costs based proportionately on the respective net assets per fund.

ACCOUNTING SERVICES FEES

<Table>
<Caption>

	Fiscal Year Ended August 31, 2003	Fiscal Period Ended August 31, 2002
	-----	-----
<S>	<C>	<C>
The Adviser received the approximate accounting services fees of.....	\$ 0	\$ 0

</Table>

Legal Services Agreement. The Fund and certain other Van Kampen funds have entered into legal services agreements pursuant to which Van Kampen Investments provides legal services, including without limitation: accurate maintenance of each fund's minute books and records, preparation and oversight of each fund's regulatory reports, and

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other information provided to shareholders, as well as responding to day-to-day legal issues on behalf of the funds. Payment by the funds for such services is

made on a cost basis for the salary and salary-related benefits, including but not limited to bonuses, group insurance and other regular wages for the employment of personnel. Other funds distributed by the Distributor also receive legal services from Van Kampen Investments. Of the total costs for legal services provided to the funds distributed by the Distributor, one half of such costs are allocated equally to each fund and the remaining one half of such costs are allocated to specific funds based on monthly time records.

LEGAL SERVICES FEES

<Table>
<Caption>

	Fiscal Year Ended August 31, 2003	Fiscal Period Ended August 31, 2002
	-----	-----
<S>	<C>	<C>
Van Kampen Investments received the approximate legal services fees of.....	\$18,300	\$10,900

</Table>

DISTRIBUTION AND SERVICE

The Distributor acts as the principal underwriter of the Fund's shares pursuant to a written agreement (the "Distribution and Service Agreement"). The Distributor has the exclusive right to distribute shares of the Fund through authorized dealers on a continuous basis. The Distributor's obligation is an agency or "best efforts" arrangement under which the Distributor is required to take and pay for only such shares of the Fund as may be sold to the public. The Distributor is not obligated to sell any stated number of shares. The Distributor bears the cost of printing (but not typesetting) prospectuses used in connection with this offering and certain other costs including the cost of supplemental sales literature and advertising. The Distribution and Service Agreement is renewable from year to year if approved (a) (i) by the Fund's Board of Trustees or (ii) by a vote of a majority of the Fund's outstanding voting securities and (b) by a vote of a majority of Trustees who are not parties to the Distribution and Service Agreement or interested persons of any party, by votes cast in person at a meeting called for such purpose. The Distribution and Service Agreement provides that it will terminate if assigned, and that it may be terminated without penalty by either party on 90 days' written notice. Total underwriting commissions on the sale of shares of the Fund for the fiscal periods shown in the chart below.

<Table>
<Caption>

	Total Underwriting Commissions	Amounts Retained by Distributor
	-----	-----
<S>	<C>	<C>
Fiscal year ended August 31, 2003.....	\$7,700	\$ 400
Fiscal period ended August 31, 2002.....	\$8,500	\$1,300

</Table>

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With respect to sales of Class A Shares of the Fund, the total sales charges and concessions reallocated to authorized dealers at the time of purchase are as follows:

CLASS A SHARES SALES CHARGE TABLE

<Table>
<Caption>

Size of Investment	Total Sales Charge		Reallowed To Dealers As a % of Offering Price
	As % of Offering Price	As % of Net Amount Invested	
	-----	-----	-----
<S>	<C>	<C>	<C>
Less than \$50,000.....	5.75%	6.10%	5.00%
\$50,000 but less than \$100,000.....	4.75%	4.99%	4.00%
\$100,000 but less than \$250,000.....	3.75%	3.90%	3.00%
\$250,000 but less than \$500,000.....	2.75%	2.83%	2.25%
\$500,000 but less than \$1,000,000.....	2.00%	2.04%	1.75%
\$1,000,000 or more.....	*	*	*

</Table>

* No sales charge is payable at the time of purchase on investments of \$1 million or more, although the Fund may impose a contingent deferred sales charge of 1.00% on certain redemptions made within one year of the purchase.

The one-year period ends on the first business day of the thirteenth month after the purchase date. A commission or transaction fee will be paid by the Distributor at the time of purchase directly out of the Distributor's assets (and not out of the Fund's assets) to authorized dealers who initiate and are responsible for purchases of \$1 million or more computed on a percentage of the dollar value of such shares sold as follows: 1.00% on sales to \$2 million, plus 0.80% on the next \$1 million and 0.50% on the excess over \$3 million.

With respect to sales of Class B Shares and Class C Shares of the Fund, a commission or transaction fee generally will be paid by the Distributor at the time of purchase directly out of the Distributor's assets (and not out of the Fund's assets) to authorized dealers who initiate and are responsible for such purchases computed based on a percentage of the dollar value of such shares sold of 4.00% on Class B Shares and 1.00% on Class C Shares.

Proceeds from any contingent deferred sales charge and any distribution fees on Class B Shares and Class C Shares of the Fund are paid to the Distributor and are used by the Distributor to defray its distribution related expenses in connection with the sale of the Fund's shares, such as the payment to authorized dealers for selling such shares. With respect to Class C Shares, the authorized dealers generally receive from the Distributor the ongoing distribution fees of up to 0.75% of the average daily net assets of the Fund's Class C Shares annually commencing in the second year after purchase.

In addition to reallowances or commissions described above, the Distributor may from time to time implement programs under which an authorized dealer's sales force may be eligible to win nominal awards for certain sales efforts or under which the Distributor will reallow to any authorized dealer that sponsors sales contests or recognition programs conforming to criteria established by the Distributor, or participates in sales programs sponsored by the Distributor, an amount not exceeding the total applicable sales charges on the sales generated by the authorized dealer at the public offering price during such programs. Also, the Distributor in its discretion may from time to time, pursuant to objective criteria established by the Distributor, pay fees to, and sponsor business seminars for, qualifying authorized dealers for certain services or activities which are primarily

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intended to result in sales of shares of the Fund or other Van Kampen funds. Fees may include payment for travel expenses, including lodging, incurred in connection with trips taken by invited registered representatives for meetings or seminars of a business nature. In some instances additional compensation or promotional incentives may be offered to brokers, dealers or financial intermediaries that have sold or may sell significant amounts of shares during specified periods of time. The Distributor may provide additional compensation to Edward D. Jones & Co. or an affiliate thereof based on a combination of its quarterly sales of shares of the Fund and other Van Kampen funds and increases in net assets of the Fund and other Van Kampen funds over specified thresholds. All of the foregoing payments are made by the Distributor out of its own assets. Such fees paid for such services and activities with respect to the Fund will not exceed in the aggregate 1.25% of the average total daily net assets of the Fund on an annual basis. These programs will not change the price an investor will pay for shares or the amount that a Fund will receive from such sale.

The Fund has adopted a distribution plan (the "Distribution Plan") with respect to each of its Class A Shares, Class B Shares and Class C Shares pursuant to Rule 12b-1 under the 1940 Act. The Fund also adopted a service plan (the "Service Plan") with respect to each of its Class A Shares, Class B Shares and Class C Shares. The Distribution Plan and the Service Plan sometimes are referred to herein as the "Plans." The Plans provide that the Fund may spend a portion of the Fund's average daily net assets attributable to each class of shares in connection with the distribution of the respective class of shares and in connection with the provision of ongoing services to shareholders of such class, respectively. The Distribution Plan and the Service Plan are being implemented through the Distribution and Service Agreement with the Distributor of each such class of the Fund's shares, sub-agreements between the Distributor and members of the NASD who are acting as securities dealers and NASD members or eligible non-members who are acting as brokers or agents and similar agreements between the Fund and financial intermediaries who are acting as brokers (collectively, "Selling Agreements") that may provide for their customers or clients certain services or assistance, which may include, but not be limited to, processing purchase and redemption transactions, establishing and maintaining shareholder accounts regarding the Fund, and such other services as may be agreed to from time to time and as may be permitted by applicable statute, rule or regulation. Brokers, dealers and financial intermediaries that have entered into sub-agreements with the Distributor and sell shares of the Fund are referred to herein as "financial intermediaries."

Certain financial intermediaries may be prohibited under law from providing certain underwriting or distribution services. If a financial intermediary was prohibited from acting in any capacity or providing any of the described services, the Distributor would consider what action, if any, would be appropriate. The Distributor does not believe that termination of a relationship

with a financial intermediary would result in any material adverse consequences to the Fund.

The Distributor must submit quarterly reports to the Fund's Board of Trustees setting forth separately by class of shares all amounts paid under the Distribution Plan and the purposes for which such expenditures were made, together with such other information as from time to time is reasonably requested by the Trustees. The Plans provide that they will continue in full force and effect from year to year so long as such continuance is

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specifically approved by a vote of the Trustees, and also by a vote of the disinterested Trustees, cast in person at a meeting called for the purpose of voting on the Plans. Each of the Plans may not be amended to increase materially the amount to be spent for the services described therein with respect to any class of shares without approval by a vote of a majority of the outstanding voting shares of such class, and all material amendments to either of the Plans must be approved by the Trustees and also by the disinterested Trustees. Each of the Plans may be terminated with respect to any class of shares at any time by a vote of a majority of the disinterested Trustees or by a vote of a majority of the outstanding voting shares of such class.

For Class A Shares in any given year in which the Plans are in effect, the Plans generally provide for the Fund to pay the Distributor the lesser of (i) the amount of the Distributor's actual expenses incurred during such year less any deferred sales charges (if any) it received during such year (the "actual net expenses") or (ii) the distribution and service fees at the rates specified in the Prospectus (the "plan fees"). Therefore, to the extent the Distributor's actual net expenses in a given year are less than the plan fees for such year, the Fund only pays the actual net expenses. Alternatively, to the extent the Distributor's actual net expenses in a given year exceed the plan fees for such year, the Fund only pays the plan fees for such year. For Class A Shares, there is no carryover of any unreimbursed actual net expenses to succeeding years.

The Plans for Class B Shares and Class C Shares are similar to the Plans for Class A Shares, except that any actual net expenses which exceed plan fees for a given year are carried forward and are eligible for payment in future years by the Fund so long as the Plans remain in effect. Thus, for each of the Class B Shares and Class C Shares, in any given year in which the Plans are in effect, the Plans generally provide for the Fund to pay the Distributor the lesser of (i) the applicable amount of the Distributor's actual net expenses incurred during such year for such class of shares plus any actual net expenses from prior years that are still unpaid by the Fund for such class of shares or (ii) the applicable plan fees for such class of shares. Except as may be mandated by applicable law, the Fund does not impose any limit with respect to the number of years into the future that such unreimbursed actual net expenses may be carried forward (on a Fund level basis). These unreimbursed actual net expenses may or may not be recovered through plan fees or contingent deferred sales charges in future years.

Because of fluctuations in net asset value, the plan fees with respect to a particular Class B Share or Class C Share may be greater or less than the amount of the initial commission (including carrying cost) paid by the Distributor with respect to such share. In such circumstances, a shareholder of a share may be deemed to incur expenses attributable to other shareholders of such class.

As of August 31, 2003, there were approximately \$15,300 and \$0 of unreimbursed distribution-related expenses with respect to Class B Shares and Class C Shares, respectively, representing approximately 1% and 0% of the Fund's net assets attributable to Class B Shares and Class C Shares, respectively. If the Plans are terminated or not continued, the Fund would not be contractually obligated to pay the Distributor for any expenses not previously reimbursed by the Fund or recovered through contingent deferred sales charges.

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Because the Fund is a series of the Trust, amounts paid to the Distributor as reimbursement for expenses of one series of the Trust may indirectly benefit the other funds which are series of the Trust. The Distributor will endeavor to allocate such expenses among such funds in an equitable manner. The Distributor will not use the proceeds from the contingent deferred sales charge applicable to a particular class of shares to defray distribution-related expenses attributable to any other class of shares.

For the fiscal year ended August 31, 2003, the Fund's aggregate expenses paid under the Plans for Class A Shares were \$9,993 or 0.25% of the Class A Shares' average daily net assets. Such expenses were paid to reimburse the Distributor for payments made to financial intermediaries for servicing Class A shareholders and for administering the Class A Share Plans. For the fiscal year ended August 31, 2003, the Fund's aggregate expenses paid under the Plans for Class B Shares were \$4,096 or 1.00% of the Class B Shares' average daily net assets. Such expenses were paid to reimburse the Distributor for the following

payments: \$2,978 for commissions and transaction fees paid to financial intermediaries in respect of sales of Class B Shares of the Fund and \$1,118 for fees paid to financial intermediaries for servicing Class B shareholders and administering the Class B Share Plans. For the fiscal year ended August 31, 2003, the Fund's aggregate expenses paid under the Plans for Class C Shares were \$6,276 or 1.00% of the Class C Shares' average daily net assets. Such expenses were paid to reimburse the Distributor for the following payments: \$6,190 for commissions and transaction fees paid to financial intermediaries in respect of sales of Class C Shares of the Fund and \$86 for fees paid to financial intermediaries for servicing Class C shareholders and administering the Class C Share Plans.

The Distributor has entered into agreements whereby shares of the Fund will be offered pursuant to such firm's retirement plan alliance programs with the following firms: (i) ABN Amro Trust Services Co.; (ii) AMVESCAP Retirement, Inc.; (iii) ING Financial Advisers, LLC; and (iv) Northern Trust Retirement Consulting, LLC. Trustees and other fiduciaries of retirement plans seeking to invest in multiple fund families through a broker-dealer retirement plan alliance program should contact the firms mentioned above for further information concerning the program(s) including, but not limited to, minimum size and operational requirements.

TRANSFER AGENT

The Fund's transfer agent, shareholder service agent and dividend disbursing agent is Van Kampen Investor Services Inc. The transfer agency fees are determined through negotiations with the Fund and are approved by the Fund's Board of Trustees. The transfer agency fees are based on competitive benchmarks.

PORTFOLIO TRANSACTIONS AND BROKERAGE ALLOCATION

The Adviser is responsible for decisions to buy and sell securities for the Fund, the selection of brokers and dealers to effect the transactions and the negotiation of prices and any brokerage commissions on such transactions. While the Adviser will be primarily responsible for the placement of the Fund's portfolio business, the policies and practices in this regard are subject to review by the Fund's Board of Trustees.

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The Adviser is responsible for placing portfolio transactions and does so in a manner deemed fair and reasonable to the Fund and not according to any formula. The primary consideration in all portfolio transactions is prompt execution of orders in an effective manner at the most favorable price. In selecting broker-dealers and in negotiating prices and any brokerage commissions on such transactions, the Adviser considers the firm's reliability, integrity and financial condition and the firm's execution capability, the size and breadth of the market for the security, the size of and difficulty in executing the order, and the best net price. There are many instances when, in the judgment of the Adviser, more than one firm can offer comparable execution services. In selecting among such firms, consideration may be given to those firms which supply research and other services in addition to execution services. The Adviser is authorized to pay higher commissions to brokerage firms that provide it with investment and research information than to firms which do not provide such services if the Adviser determines that such commissions are reasonable in relation to the overall services provided. No specific value can be assigned to such research services which are furnished without cost to the Adviser. Since statistical and other research information is only supplementary to the research efforts of the Adviser to the Fund and still must be analyzed and reviewed by its staff, the receipt of research information is not expected to reduce its expenses materially. The investment advisory fee is not reduced as a result of the Adviser's receipt of such research services. Services provided may include (a) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (b) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (c) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement and custody). Research services furnished by firms through which the Fund effects its securities transactions may be used by the Adviser in servicing all of its advisory accounts; not all of such services may be used by the Adviser in connection with the Fund.

The Adviser also may place portfolio transactions, to the extent permitted by law, with brokerage firms affiliated with the Fund, the Adviser or the Distributor and with brokerage firms participating in the distribution of the Fund's shares if it reasonably believes that the quality of execution and the commission are comparable to that available from other qualified firms. Similarly, to the extent permitted by law and subject to the same considerations on quality of execution and comparable commission rates, the Adviser may direct an executing broker to pay a portion or all of any commissions, concessions or discounts to a firm supplying research or other services.

The Adviser may place portfolio transactions at or about the same time for other advisory accounts, including other investment companies. The Adviser seeks to allocate portfolio transactions equitably whenever concurrent decisions are made to purchase or sell securities for the Fund and another advisory account. In some cases, this procedure could have an adverse effect on the price or the amount of securities available to the Fund. In making such allocations among the Fund and other advisory accounts, the main factors considered by the Adviser are the respective sizes of the Fund and other advisory accounts, the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment, the size of investment commitments generally held and opinions of the persons responsible for recommending the investment.

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Certain broker-dealers, through which the Fund may effect securities transactions, are affiliated persons (as defined in the 1940 Act) of the Fund or affiliated persons of such affiliates, including Morgan Stanley or its subsidiaries. The Fund's Board of Trustees has adopted certain policies incorporating the standards of Rule 17e-1 issued by the SEC under the 1940 Act which require that the commissions paid to affiliates of the Fund must be reasonable and fair compared to the commissions, fees or other remuneration received or to be received by other brokers in connection with comparable transactions involving similar securities during a comparable period of time. The rule and procedures also contain review requirements and require the Adviser to furnish reports to the trustees and to maintain records in connection with such reviews. After consideration of all factors deemed relevant, the trustees will consider from time to time whether the advisory fee for the Fund will be reduced by all or a portion of the brokerage commission paid to affiliated brokers.

Unless otherwise disclosed below, the Fund paid no commissions to affiliated brokers during the last fiscal year or the previous fiscal period. The Fund paid the following commissions to all brokers and affiliated brokers during the fiscal year/period shown:

Commissions Paid:

	All Brokers -----	Affiliated Brokers ----- Morgan Stanley DW Inc. -----
<S>	<C>	<C>
Fiscal year ended August 31, 2003.....	\$14,349	\$608
Fiscal period ended August 31, 2002.....	\$ 8,616	\$374
Fiscal year 2003 Percentages:		
Commissions with affiliate to total commissions....		4.24%
Value of brokerage transactions with affiliate to total transactions.....		0.84%

During the fiscal year ended August 31, 2003, the Fund paid \$0 in brokerage commissions on transactions totaling \$0 to brokers selected primarily on the basis of research services provided to the Adviser.

SHAREHOLDER SERVICES

The Fund offers a number of shareholder services designed to facilitate investment in its shares at little or no extra cost to the investor. Below is a description of such services. The following information supplements the section in the Fund's Prospectus captioned "Shareholder Services."

INVESTMENT ACCOUNT

Each shareholder has an investment account under which the investor's shares of the Fund are held by Investor Services, the Fund's transfer agent. Investor Services performs bookkeeping, data processing and administrative services related to the maintenance of shareholder accounts. Except as described in the Prospectus and this Statement of Additional Information, after each share transaction in an account, the shareholder receives a statement showing the activity in the account. Each shareholder who has an account in

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any of the Van Kampen funds will receive statements quarterly from Investor Services showing any reinvestments of dividends and capital gain dividends and any other activity in the account since the preceding statement. Such shareholders also will receive separate confirmations for each purchase or sale transaction other than reinvestment of dividends and capital gain dividends and

systematic purchases or redemptions. Additional shares may be purchased at any time through authorized dealers or by mailing a check and detailed instructions directly to Investor Services.

SHARE CERTIFICATES

Generally, the Fund will not issue share certificates. However, upon written or telephone request to the Fund, a share certificate will be issued representing shares (with the exception of fractional shares) of the Fund. A shareholder will be required to surrender such certificates upon an exchange or redemption of the shares represented by the certificate. In addition, if such certificates are lost the shareholder must write to Van Kampen Funds Inc., c/o Investor Services, PO Box 947, Jersey City, NJ 07303-0947, requesting an "Affidavit of Loss" and obtain a Surety Bond in a form acceptable to Investor Services. On the date the letter is received, Investor Services will calculate the fee for replacing the lost certificate equal to no more than 1.50% of the net asset value of the issued shares, and bill the party to whom the replacement certificate was mailed.

RETIREMENT PLANS

Eligible investors may establish individual retirement accounts ("IRAs"); SEP-IRAs; Simple IRAs; 401(k) plans; 403(b)(7) plans in the case of employees of public school systems and certain non-profit organizations; or other pension or profit sharing plans. Documents and forms containing detailed information regarding these plans are available from the Distributor.

AUTOMATED CLEARING HOUSE("ACH") DEPOSITS

Shareholders can use ACH to have redemption proceeds deposited electronically into their bank accounts. Redemption proceeds transferred to a bank account via the ACH plan are available to be credited to the account on the second business day following normal payment. To utilize this option, the shareholder's bank must be a member of ACH. In addition, the shareholder must fill out the appropriate section of the account application form. The shareholder must also include a voided check or deposit slip from the bank account into which redemption proceeds are to be deposited together with the completed application. Once Investor Services has received the application and the voided check or deposit slip, such shareholder's designated bank account, following any redemption, will be credited with the proceeds of such redemption. Once enrolled in the ACH plan, a shareholder may terminate participation at any time by writing Investor Services or by calling (800) 847-2424 ((800) 421-2833 for the hearing impaired).

DIVIDEND DIVERSIFICATION

A shareholder may elect, by completing the appropriate section of the account application form or by calling (800) 847-2424 ((800) 421-2833 for the hearing impaired), to have all dividends and capital gain dividends paid on a class of shares of the Fund

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invested into shares of the same class of any of the Participating Funds (as defined in the Prospectus) so long as the investor has a pre-existing account for such class of shares of the other fund. Both accounts must be of the same type, either non-retirement or retirement. If the accounts are retirement accounts, they must both be for the same class and of the same type of retirement plan (e.g. IRA, 403(b)(7), 401(k), Money Purchase and Profit Sharing Keogh plans) and for the benefit of the same individual. If a qualified, pre-existing account does not exist, the shareholder must establish a new account subject to any requirements of the Participating Fund into which distributions will be invested. Distributions are invested into the selected Participating Fund, provided that shares of such Participating Fund are available for sale, at its net asset value per share as of the payable date of the distribution from the Fund.

SYSTEMATIC WITHDRAWAL PLAN

A shareholder may establish a monthly, quarterly, semiannual or annual withdrawal plan if the shareholder owns shares in a single account valued at \$10,000 or more at the next determined net asset value per share at the time the plan is established. If a shareholder owns shares in a single account valued at \$5,000 or more at the next determined net asset value per share at the time the plan is established, the shareholder may establish a quarterly, semiannual or annual withdrawal plan. This plan provides for the orderly use of the entire account, not only the income but also the capital, if necessary. Each payment represents the proceeds of a redemption of shares on which any capital gain or loss will be recognized. The planholder may arrange for periodic checks in any amount not less than \$25. Such a systematic withdrawal plan may also be maintained by an investor purchasing shares for a retirement plan and may be established on a form made available by the Fund. See "Shareholder Services -- Retirement Plans."

Class B Shareholders and Class C Shareholders who establish a systematic withdrawal plan may redeem up to 12% annually of the shareholder's initial account balance without incurring a contingent deferred sales charge. Initial account balance means the amount of the shareholder's investment at the time the election to participate in the plan is made.

Under the plan, sufficient shares of the Fund are redeemed to provide the amount of the periodic withdrawal payment. Dividends and capital gain dividends on shares held in accounts with systematic withdrawal plans are reinvested in additional shares at the next determined net asset value per share. If periodic withdrawals continuously exceed reinvested dividends and capital gain dividends, the shareholder's original investment will be correspondingly reduced and ultimately exhausted. Redemptions made concurrently with the purchase of additional shares ordinarily will be disadvantageous to the shareholder because of the duplication of sales charges. Any gain or loss realized by the shareholder upon redemption of shares is a taxable event. The Fund reserves the right to amend or terminate the systematic withdrawal program upon 30 days' notice to its shareholders.

REINSTATEMENT PRIVILEGE

A Class A Shareholder or Class B Shareholder who has redeemed shares of the Fund may reinstate any portion or all of the net proceeds of such redemption (and may include that amount necessary to acquire a fractional share to round off his or her purchase to the next full share) in Class A Shares of the Fund. A Class C Shareholder who has redeemed

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shares of the Fund may reinstate any portion or all of the net proceeds of such redemption (and may include that amount necessary to acquire a fractional share to round off his or her purchase to the next full share) in Class C Shares of the Fund with credit given for any contingent deferred sales charge paid upon such redemption, provided that such shareholder has not previously exercised this reinstatement privilege with respect to Class C Shares of the Fund. Shares acquired in this manner will be deemed to have the original cost and purchase date of the redeemed shares for purposes of applying the CDSC-Class C (defined below) to subsequent redemptions. Reinstatements are made at the net asset value per share (without a sales charge) next determined after the order is received, which must be made within 180 days after the date of the redemption, provided that shares of the Fund are available for sale. Reinstatement at net asset value per share is also offered to participants in eligible retirement plans for repayment of principal (and interest) on their borrowings on such plans, provided that shares of the Fund are available for sale.

REDEMPTION OF SHARES

Redemptions are not made on days during which the New York Stock Exchange (the "Exchange") is closed. The right of redemption may be suspended and the payment therefor may be postponed for more than seven days during any period when (a) the Exchange is closed for other than customary weekends or holidays; (b) the SEC determines trading on the Exchange is restricted; (c) the SEC determines an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund to fairly determine the value of its net assets; or (d) the SEC, by order, so permits.

In addition, if the Fund's Board of Trustees determines that payment wholly or partly in cash would be detrimental to the best interests of the remaining shareholders of the Fund, the Fund may pay the redemption proceeds in whole or in part by a distribution-in-kind of portfolio securities held by the Fund in lieu of cash in conformity with applicable rules of the SEC. A distribution-in-kind may result in recognition by the shareholder of a gain or loss for federal income tax purposes when such securities are distributed, and the shareholder may have brokerage costs and a gain or loss for federal income tax purposes upon the shareholder's disposition of such securities.

CONTINGENT DEFERRED SALES CHARGE-CLASS A

As described in the Fund's Prospectus under "Purchase of Shares -- Class A Shares," there is no sales charge payable on Class A Shares at the time of purchase on investments of \$1 million or more, but a contingent deferred sales charge ("CDSC-Class A") may be imposed on certain redemptions made within one year of purchase. For purposes of the CDSC-Class A, when shares of a Participating Fund are exchanged for shares of another Participating Fund, the purchase date for the shares acquired by exchange will be assumed to be the date on which shares were purchased in the fund from which the exchange was made. If the exchanged shares themselves are acquired through an exchange, the purchase date is assumed to carry over from the date of the original election to purchase shares subject to a CDSC-Class A rather than a front-end load sales charge. In determining whether a CDSC-Class A is payable, it is assumed that shares being redeemed first are any shares in the shareholder's account not subject to a contingent deferred sales charge

followed by shares held the longest in the shareholder's account. The contingent deferred sales charge is assessed on an amount equal to the lesser of the then current market value or the cost of the shares being redeemed. Accordingly, no sales charge is imposed on increases in net asset value above the initial purchase price. In addition, no sales charge is assessed on shares derived from reinvestment of dividends or capital gain dividends.

WAIVER OF CLASS B AND CLASS C
CONTINGENT DEFERRED SALES CHARGES

As described in the Fund's Prospectus under "Redemption of Shares," redemptions of Class B Shares and Class C Shares will be subject to a contingent deferred sales charge ("CDSC-Class B and C"). The CDSC-Class B and C is waived on redemptions of Class B Shares and Class C Shares in the circumstances described below:

REDEMPTION UPON DEATH OR DISABILITY

The Fund will waive the CDSC-Class B and C on redemptions following the death or disability of a Class B shareholder and Class C shareholder. An individual will be considered disabled for this purpose if he or she meets the definition thereof in Section 72(m)(7) of the Internal Revenue Code (the "Code"), which in pertinent part defines a person as disabled if such person "is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration." While the Fund does not specifically adopt the balance of the Code's definition which pertains to furnishing the Secretary of Treasury with such proof as he or she may require, the Distributor will require satisfactory proof of death or disability before it determines to waive the CDSC-Class B and C.

In cases of death or disability, the CDSC-Class B and C will be waived where the decedent or disabled person is either an individual shareholder or owns the shares as a joint tenant with right of survivorship or is the beneficial owner of a custodial or fiduciary account, and where the redemption is made within one year of the death or initial determination of disability. This waiver of the CDSC-Class B and C applies to a total or partial redemption, but only to redemptions of shares held at the time of the death or initial determination of disability.

REDEMPTION IN CONNECTION WITH CERTAIN DISTRIBUTIONS FROM RETIREMENT PLANS

The Fund will waive the CDSC-Class B and C when a total or partial redemption is made in connection with certain distributions from retirement plans. The CDSC Class B and C will be waived upon the tax-free rollover or transfer of assets to another retirement plan invested in one or more Participating Funds; in such event, as described below, the Fund will "tack" the period for which the original shares were held on to the holding period of the shares acquired in the transfer or rollover for purposes of determining what, if any, CDSC-Class B and C is applicable in the event that such acquired shares are redeemed following the transfer or rollover. The charge also will be waived on any redemption which results from the return of an excess contribution or other contribution pursuant to Code Section 408(d)(4) or (5), the return of excess contributions or excess deferral amounts pursuant to Code Section 401(k)(8) or 402(g)(2), the financial hardship

of the employee pursuant to U.S. Treasury regulation Section 1.401(k)-(1)(d)(2) or the death or disability of the employee (see Code Section 72(m)(7) and 72(t)(2)(A)(ii)). In addition, the charge will be waived on any minimum distribution required to be distributed in accordance with Code Section 401(a)(9).

The Fund does not intend to waive the CDSC-Class B and C for any distributions from IRAs or other retirement plans not specifically described above.

REDEMPTION PURSUANT TO THE FUND'S SYSTEMATIC WITHDRAWAL PLAN

A shareholder may elect to participate in a systematic withdrawal plan with respect to the shareholder's investment in the Fund. Under the systematic withdrawal plan, a dollar amount of a participating shareholder's investment in the Fund will be redeemed systematically by the Fund on a periodic basis, and the proceeds sent to the designated payee of record. The amount to be redeemed and frequency of the systematic withdrawals will be specified by the shareholder upon his or her election to participate in the systematic withdrawal plan.

The amount of the shareholder's investment in the Fund at the time the election to participate in the systematic withdrawal plan is made with respect

to the Fund is hereinafter referred to as the "initial account balance." The amount to be systematically redeemed from the Fund without the imposition of a CDSC-Class B and C may not exceed a maximum of 12% annually of the shareholder's initial account balance. The Fund reserves the right to change the terms and conditions of the systematic withdrawal plan and the ability to offer the systematic withdrawal plan.

NO INITIAL COMMISSION OR TRANSACTION FEE

The Fund will waive the CDSC-Class B and C in circumstances under which no commission or transaction fee is paid to authorized dealers at the time of purchase of shares. See "Purchase of Shares -- Waiver of Contingent Deferred Sales Charge" in the Prospectus.

INVOLUNTARY REDEMPTIONS OF SHARES

The Fund reserves the right to redeem shareholder accounts with balances of less than a specified dollar amount as set forth in the Prospectus. Prior to such redemptions, shareholders will be notified in writing and allowed a specified period of time to purchase additional shares to bring the value of the account up to the required minimum balance. The Fund will waive the CDSC-Class B and C upon such involuntary redemption.

REDEMPTION BY ADVISER

The Fund may waive the CDSC-Class B and C when a total or partial redemption is made by the Adviser with respect to its investments in the Fund.

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TAXATION

FEDERAL INCOME TAXATION OF THE FUND

The Trust and each of its series, including the Fund, will be treated as separate corporations for federal income tax purposes. The Fund has elected and qualified, and intends to continue to qualify, as a regulated investment company under Subchapter M of the Code. To qualify as a regulated investment company, the Fund must comply with certain requirements of the Code relating to, among other things, the sources of its income and diversification of its assets.

If the Fund so qualifies and distributes each year to its shareholders at least 90% of its investment company taxable income (generally including ordinary income and net short-term capital gain, but not net capital gain, which is the excess of net long-term capital gain over net short-term capital loss) and meets certain other requirements, it will not be required to pay federal income taxes on any income it distributes to shareholders. The Fund intends to distribute at least the minimum amount necessary to satisfy the 90% distribution requirement. The Fund will not be subject to federal income tax on any net capital gain distributed to shareholders and designated as capital gain dividends.

To avoid a 4% excise tax, the Fund will be required to distribute, by December 31st of each year, at least an amount equal to the sum of (i) 98% of its ordinary income for such year and (ii) 98% of its capital gain net income (the latter of which generally is computed on the basis of the one-year period ending on October 31st of such year) plus any amounts that were not distributed in previous taxable years. For purposes of the excise tax, any ordinary income or capital gain net income retained by, and subject to federal income tax in the hands of, the Fund will be treated as having been distributed.

If the Fund failed to qualify as a regulated investment company or failed to satisfy the 90% distribution requirement in any taxable year, the Fund would be taxed as an ordinary corporation on its taxable income (even if such income were distributed to its shareholders) and all distributions out of earnings and profits would be taxed to shareholders as ordinary income. In addition, the Fund could be required to recognize unrealized gains, pay taxes and make distributions (which could be subject to interest charges) before requalifying for taxation as a regulated investment company.

Some of the Fund's investment practices are subject to special provisions of the Code that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited) and/or (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash with which to make distributions in amounts necessary to satisfy the 90% distribution requirement and the distribution requirements for avoiding income and excise taxes. The Fund will monitor its transactions and may make certain tax elections to mitigate the effect of these rules and prevent disqualification of the Fund as a regulated investment company.

PASSIVE FOREIGN INVESTMENT COMPANIES

The Fund may invest in non-U.S. corporations that could be classified as "passive foreign investment companies" as defined for federal income tax purposes. For federal

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income tax purposes, such an investment may, among other things, cause the Fund to recognize income or gain without a corresponding receipt of cash, to incur an interest charge on taxable income that is deemed to have been deferred and/or to recognize ordinary income that would otherwise have been treated as capital gain.

DISTRIBUTIONS TO SHAREHOLDERS

Distributions of the Fund's investment company taxable income are taxable to shareholders as ordinary income to the extent of the Fund's earnings and profits, whether paid in cash or reinvested in additional shares. Distributions of the Fund's net capital gains designated as capital gain dividends, if any, are taxable to shareholders as long-term capital gains regardless of the length of time shares of the Fund have been held by such shareholders. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a shareholder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gain to such shareholder (assuming such shares are held as a capital asset). The Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "2003 Tax Act") contains provisions that reduce the U.S. federal income tax rates on (1) long-term capital gains received by individuals and (2) "qualified dividend income" received by individuals from certain domestic and foreign corporations. The reduced rate for capital gains generally applies to long-term capital gains from sales or exchanges recognized on or after May 6, 2003, and ceases to apply for taxable years beginning after December 31, 2008. The reduced rate for dividends generally applies to "qualified dividend income" received in taxable years beginning after December 31, 2002, and ceases to apply for taxable years beginning after December 31, 2008. Because the Fund intends to invest primarily in common stocks and other equity securities of foreign corporations, a portion of the ordinary income dividends paid by the Fund may be eligible for the reduced rate applicable to "qualified dividend income." Distributions from the Fund designated as capital gains dividends will be eligible for the reduced rate applicable to long-term capital gains. For a summary of the maximum tax rates applicable to capital gains (including capital gain dividends), see "Capital Gains Rates" below. Tax-exempt shareholders not subject to federal income tax on their income generally will not be taxed on distributions from the Fund.

Shareholders receiving distributions in the form of additional shares issued by the Fund will be treated for federal income tax purposes as receiving a distribution in an amount equal to the fair market value of the shares received, determined as of the distribution date. The basis of such shares will equal their fair market value on the distribution date.

The Fund will inform shareholders of the source and tax status of all distributions promptly after the close of each calendar year. Distributions from the Fund generally will not be eligible for the corporate dividends received deduction.

Although dividends generally will be treated as distributed when paid, dividends declared in October, November or December, payable to shareholders of record on a specified date in such month and paid during January of the following year will be treated as having been distributed by the Fund and received by the shareholders on the December 31st prior to the date of payment. In addition, certain other distributions made after the close of a taxable year of the Fund may be "spilled back" and treated as paid by the Fund (except for purposes of the 4% excise tax) during such taxable year. In such

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case, shareholders will be treated as having received such dividends in the taxable year in which the distribution was actually made.

Income from investments in foreign securities received by the Fund may be subject to income, withholding or other taxes imposed by foreign countries and U.S. possessions. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. Shareholders of the Fund may be entitled to claim U.S. foreign tax credits with respect to such taxes, subject to certain provisions and limitations contained in the Code. If more than 50% of the value of the Fund's total assets at the close of its taxable year consists of stock or securities of foreign corporations and the Fund meets certain holding period requirements, the Fund will be eligible to file, and may file, an election with the Internal Revenue Service ("IRS") pursuant to which shareholders of the Fund will be required (i) to include their respective pro rata portions of such taxes in their U.S. income tax returns as gross income and (ii) to treat such respective pro rata portions as taxes paid by them. Each shareholder will be entitled, subject to certain limitations, either to deduct his pro rata portion of such foreign taxes in computing his taxable income or to

credit them against his U.S. federal income taxes. No deduction for such foreign taxes may be claimed by a shareholder who does not itemize deductions. Each shareholder of the Fund will be notified annually regarding whether the foreign taxes paid by the Fund will "pass through" for that year and, if so, such notification will designate (i) the shareholder's portion of the foreign taxes paid to each country and (ii) the portion of the dividends that represent income derived from sources within each country. The amount of foreign taxes for which a shareholder may claim a credit in any year will be subject to an overall limitation such that the credit may not exceed the shareholder's U.S. federal income tax attributable to the shareholder's foreign source taxable income. This limitation generally applies separately to certain specific categories of foreign source income including "passive income," which includes dividends and interest. Because the application of the foregoing rules depends on the particular circumstances of each shareholder, shareholders are urged to consult their tax advisers.

Certain foreign currency gains or losses attributable to currency exchange rate fluctuations are treated as ordinary income or loss. Such income or loss may increase or decrease (or possibly eliminate) the Fund's income available for distribution. If, under the rules governing the tax treatment of foreign currency gains and losses, the Fund's income available for distribution is decreased or eliminated, all or a portion of the dividends declared by the Fund may be treated for federal income tax purposes as a return of capital or, in some circumstances, as capital gains. Generally, a shareholder's tax basis in Fund shares will be reduced to the extent that an amount distributed to such shareholder is treated as a return of capital.

SALE OF SHARES

The sale of shares (including transfers in connection with a redemption or repurchase of shares) may be a taxable transaction for federal income tax purposes. Selling shareholders will generally recognize a gain or loss in an amount equal to the difference between their adjusted tax basis in the shares sold and the amount received. If the shares are held as a capital asset, the gain or loss will be a capital gain or loss. For a summary of the maximum tax rates applicable to capital gains, see "Capital Gains Rates" below. Any loss recognized upon a taxable disposition of shares held for six months or less will be

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treated as a long-term capital loss to the extent of any capital gain dividends received with respect to such shares. For purposes of determining whether shares have been held for six months or less, the holding period is suspended for any periods during which the shareholder's risk of loss is diminished as a result of holding one or more other positions in substantially similar or related property or through certain options or short sales.

CAPITAL GAINS RATES

As a consequence of the 2003 Tax Act, the maximum tax rate applicable to net capital gains recognized by individuals and other non-corporate taxpayers investing in the Fund is (i) the same as the maximum ordinary income tax rate for capital assets held for one year or less or (ii) for net capital gains recognized on or after May 6, 2003, 15% for capital assets held for more than one year (20% for net capital gains recognized in taxable years beginning after December 31, 2008). The maximum long-term capital gains rate for corporations is 35%.

WITHHOLDING ON PAYMENTS TO NON-U.S. SHAREHOLDERS

For purposes of this and the following paragraphs, a "Non-U.S. Shareholder" shall include any shareholder who is not:

- an individual who is a citizen or resident of the United States;
- a corporation or partnership created or organized under the laws of the United States or any state or political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a U.S. court and which has one or more U.S. fiduciaries who have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A Non-U.S. Shareholder generally will be subject to withholding of U.S. federal income tax at a 30% rate (or lower applicable treaty rate), rather than backup withholding (discussed below), on dividends from the Fund (other than capital gain dividends) that are not "effectively connected" with a U.S. trade or business carried on by such shareholder, provided that the shareholder furnishes to the Fund a properly completed IRS Form W-8 BEN certifying the

shareholder's non-United States status.

Non-effectively connected capital gain dividends and gains realized from the sale of shares will not be subject to U.S. federal income tax in the case of (i) a Non-U.S. Shareholder that is a corporation and (ii) an individual Non-U.S. Shareholder who is not present in the United States for more than 182 days during the taxable year (assuming that certain other conditions are met). However, certain Non-U.S. Shareholders may nonetheless be subject to backup withholding and information reporting on capital gain dividends and redemption proceeds paid to them upon the sale of their shares. See "Backup Withholding" and "Information Reporting" below.

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If income from the Fund or gains realized from the sale of shares are effectively connected with a Non-U.S. Shareholder's U.S. trade or business, then such amounts will not be subject to the 30% withholding described above, but rather will be subject to U.S. federal income tax on a net basis at the tax rates applicable to U.S. citizens and residents or domestic corporations. To establish that income from the Fund or gains realized from the sale of shares are effectively connected with a U.S. trade or business, a Non-U.S. Shareholder must provide the Fund with a properly completed IRS Form W-8ECI certifying that such amounts are effectively connected with the Non-U.S. Shareholder's U.S. trade or business. Non-U.S. Shareholders that are corporations may also be subject to an additional "branch profits tax" with respect to income from the Fund that is effectively connected with a U.S. trade or business.

The tax consequences to a Non-U.S. Shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described in this section. To claim tax treaty benefits, Non-U.S. Shareholders will be required to provide the Fund with a properly completed IRS Form W-8BEN certifying their entitlement to the benefits. In addition, in certain cases where payments are made to a Non-U.S. Shareholder that is a partnership or other pass-through entity, both the entity and the persons holding an interest in the entity will need to provide certification. For example, an individual Non-U.S. Shareholder who holds shares in the Fund through a non-U.S. partnership must provide an IRS Form W-8BEN to claim the benefits of an applicable tax treaty. Non-U.S. Shareholders are advised to consult their advisers with respect to the tax implications of purchasing, holding and disposing of shares of the Fund.

BACKUP WITHHOLDING

The Fund may be required to withhold federal income tax ("backup withholding") at a rate of 28% from dividends and redemption proceeds paid to non-corporate shareholders. This tax may be withheld from dividends paid to a shareholder (other than a Non-U.S. Shareholder) if (i) the shareholder fails to properly furnish the Fund with its correct taxpayer identification number, (ii) the IRS notifies the Fund that the shareholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect or (iii) when required to do so, the shareholder fails to certify that the taxpayer identification number provided is correct, that the shareholder is not subject to backup withholding and that the shareholder is a U.S. person (as defined for U.S. federal income tax purposes). Redemption proceeds may be subject to backup withholding under the circumstances described in (i) above.

Generally, dividends paid to Non-U.S. Shareholders that are subject to the 30% federal income tax withholding described above under "Withholding on Payments to Non-U.S. Shareholders" are not subject to backup withholding. To avoid backup withholding on capital gain dividends and redemption proceeds from the sale of shares, Non-U.S. Shareholders must provide a properly completed IRS Form W-8BEN certifying their non-United States status.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from payments made to a shareholder may be refunded or credited against such shareholder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

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INFORMATION REPORTING

The Fund must report annually to the IRS and to each shareholder (other than a Non-U.S. Shareholder) the amount of dividends, capital gain dividends or redemption proceeds paid to such shareholder and the amount, if any, of tax withheld pursuant to backup withholding rules with respect to such amounts. In the case of a Non-U.S. Shareholder, the Fund must report to the IRS and such shareholder the amount of dividends, capital gain dividends or redemption proceeds paid that are subject to withholding (including backup withholding, if any) and the amount of tax withheld with respect to such amounts. This information may also be made available to the tax authorities in the Non-U.S. Shareholder's country of residence.

The federal income tax discussion set forth above is for general information only. Shareholders and prospective investors should consult their advisers regarding the specific federal tax consequences of purchasing, holding and disposing of shares of the Fund, as well as the effects of state, local and foreign tax laws and any proposed tax law changes.

FUND PERFORMANCE

From time to time the Fund may advertise its total return for prior periods. Any such advertisement would include at least average annual total return quotations for one-year, five-year and ten-year periods (or life of the Fund, if shorter). Other total return quotations, aggregate or average, over other time periods may also be included.

The total return of the Fund for a particular period represents the increase (or decrease) in the value of a hypothetical investment in the Fund from the beginning to the end of the period. Total return is calculated by subtracting the value of the initial investment from the ending value and showing the difference as a percentage of the initial investment; the calculation assumes the initial investment is made at the current maximum public offering price (which includes the maximum sales charge for Class A Shares); that all income dividends or capital gain dividends during the period are reinvested in Fund shares at net asset value; and that any applicable contingent deferred sales charge has been paid. The Fund's total return will vary depending on market conditions, the securities comprising the Fund's portfolio, the Fund's operating expenses and unrealized net capital gains or losses during the period. Total return is based on historical earnings and asset value fluctuations and is not intended to indicate future performance. No adjustments are made to reflect any income taxes payable by shareholders on dividends or capital gain dividends paid by the Fund or to reflect that 12b-1 fees may have changed over time.

Average annual total return quotations are computed by finding the average annual compounded rate of return over the period that would equate the initial amount invested to the ending redeemable value.

Total return is calculated separately for Class A Shares, Class B Shares and Class C Shares of the Fund. Total return figures for Class A Shares include the maximum sales charge. Total return figures for Class B Shares and Class C Shares include any applicable contingent deferred sales charge. Because of the differences in sales charges and distribution fees, the total returns for each class of shares will differ.

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The Fund may, in supplemental sales literature, advertise non-standardized total return figures representing the cumulative, non-annualized total return of each class of shares of the Fund from a given date to a subsequent given date. Cumulative non-standardized total return is calculated by measuring the value of an initial investment in a given class of shares of the Fund at a given time, deducting the maximum initial sales charge, if any, determining the value of all subsequent reinvested distributions, and dividing the net change in the value of the investment as of the end of the period by the amount of the initial investment and expressing the result as a percentage. Non-standardized total return will be calculated separately for each class of shares.

Non-standardized total return calculations do not reflect the imposition of a contingent deferred sales charge, and if any contingent deferred sales charge imposed at the time of redemption were reflected, it would reduce the performance quoted.

The after-tax returns of the Fund may also be advertised or otherwise reported. This is generally calculated in a manner similar to the computation of average annual total returns discussed above, except that the calculation also reflects the effect of taxes on returns.

From time to time, the Fund may include in its sales literature and shareholder reports a quotation of the current "distribution rate" for each class of shares of the Fund. Distribution rate is a measure of the level of income and short-term capital gain dividends, if any, distributed for a specified period. Distribution rate differs from yield, which is a measure of the income actually earned by the Fund's investments, and from total return which is a measure of the income actually earned by the Fund's investments plus the effect of any realized and unrealized appreciation or depreciation of such investments during a stated period. Distribution rate is, therefore, not intended to be a complete measure of the Fund's performance. Distribution rate may sometimes be greater than yield since, for instance, it may not include the effect of amortization of bond premiums, and may include non-recurring short-term capital gains and premiums from futures transactions engaged in by the Fund. Distribution rates will be computed separately for each class of the Fund's shares.

From time to time, marketing materials may provide a portfolio manager

update, an Adviser update and discuss general economic conditions and outlooks. The Fund's marketing materials may also show the Fund's asset class diversification, top sector holdings and largest holdings. Materials may also mention how the Distributor believes the Fund compares relative to other Van Kampen funds. Materials may also discuss the Dalbar Financial Services study from 1984 to 1994 which studied investor cash flow into and out of all types of mutual funds. The ten-year study found that investors who bought mutual fund shares and held such shares outperformed investors who bought and sold. The Dalbar study conclusions were consistent regardless of whether shareholders purchased their funds' shares in direct or sales force distribution channels. The study showed that investors working with a professional representative have tended over time to earn higher returns than those who invested directly. The performance of the funds purchased by the investors in the Dalbar study and the conclusions based thereon are not necessarily indicative of future performance of such funds or conclusions that may result from similar studies in the future. The Fund may also be marketed on the internet.

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In reports or other communications to shareholders or in advertising material, the Fund may compare its performance with that of other mutual funds as listed in the rankings or ratings prepared by Lipper Analytical Services, Inc., CDA, Morningstar Mutual Funds or similar independent services which monitor the performance of mutual funds with the Consumer Price Index, the Dow Jones Industrial Average, Standard & Poor's indices, NASDAQ Composite Index, other appropriate indices of investment securities, or with investment or savings vehicles. The performance information may also include evaluations of the Fund published by nationally recognized ranking or rating services and by nationally recognized financial publications. Such comparative performance information will be stated in the same terms in which the comparative data or indices are stated. Such advertisements and sales material may also include a yield quotation as of a current period. In each case, such total return and yield information, if any, will be calculated pursuant to rules established by the SEC and will be computed separately for each class of the Fund's shares. For these purposes, the performance of the Fund, as well as the performance of other mutual funds or indices, do not reflect sales charges, the inclusion of which would reduce the Fund's performance. The Fund will include performance data for each class of shares of the Fund in any advertisement or information including performance data of the Fund.

The Fund may also utilize performance information in hypothetical illustrations. For example, the Fund may, from time to time: (1) illustrate the benefits of tax-deferral by comparing taxable investments to investments made through tax-deferred retirement plans; (2) illustrate in graph or chart form, or otherwise, the benefits of dollar cost averaging by comparing investments made pursuant to a systematic investment plan to investments made in a rising market; (3) illustrate allocations among different types of mutual funds for investors at different stages of their lives; and (4) in reports or other communications to shareholders or in advertising material, illustrate the benefits of compounding at various assumed rates of return.

The Fund's Annual Report and Semiannual Report contain additional performance information. A copy of the Annual Report or Semiannual Report may be obtained without charge by calling or writing the Fund at the telephone number and address printed on the cover of this Statement of Additional Information.

CLASS A SHARES

The Fund's average annual total return, assuming payment of the maximum sales charge, for Class A Shares of the Fund for (i) the one-year period ended August 31, 2003 was 4.77%, and (ii) the approximately one-year, eleven month period from September 26, 2001 (commencement of distribution of Class A Shares of the Fund) to August 31, 2003 was 1.08%.

The Fund's cumulative non-standardized total return, including payment of the maximum sales charge, with respect to the Class A Shares from September 26, 2001 (commencement of distribution of Class A Shares of the Fund) to August 31, 2003 was 2.08%.

The Fund's cumulative non-standardized total return, excluding payment of the maximum sales charge, with respect to the Class A Shares from September 26, 2001

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(commencement of distribution of Class A Shares of the Fund) to August 31, 2003 was 8.31%.

CLASS B SHARES

The Fund's average annual total return, assuming payment of the contingent deferred sales charge, for Class B Shares of the Fund for (i) the one-year period ended August 31, 2003 was 5.40%, and (ii) the approximately one-year,

eleven month period from September 26, 2001 (commencement of distribution of Class A Shares of the Fund) to August 31, 2003 was 1.42%.

The Fund's cumulative non-standardized total return, including payment of the contingent deferred sales charge, with respect to the Class B Shares from September 26, 2001 (commencement of distribution of Class B Shares of the Fund) to August 31, 2003 was 2.77%.

The Fund's cumulative non-standardized total return, excluding payment of the contingent deferred sales charge, with respect to the Class B Shares from September 26, 2001 (commencement of distribution of Class B Shares of the Fund) to August 31, 2003 was 6.67%.

CLASS C SHARES

The Fund's average annual total return, assuming payment of the contingent deferred sales charge, for Class C Shares of the Fund for (i) the one-year period ended August 31, 2003 was 9.40%, and (ii) the approximately one year, eleven month period from September 26, 2001 (commencement of distribution of Class A Shares of the Fund) to August 31, 2003 was 3.41%.

The Fund's cumulative non-standardized total return, including payment of the contingent deferred sales charge, with respect to the Class C Shares from September 26, 2001 (commencement of distribution of Class C Shares of the Fund) to August 31, 2003 was 6.67%.

The Fund's cumulative non-standardized total return, excluding payment of the contingent deferred sales charge, with respect to the Class C Shares from September 26, 2001 (commencement of distribution of Class C Shares of the Fund) to August 31, 2003 was 6.67%.

These results are based on historical earnings and asset value fluctuations and are not intended to indicate future performance. Such information should be considered in light of the Fund's investment objective and policies as well as the risks incurred in the Fund's investment practices.

OTHER INFORMATION

CUSTODY OF ASSETS

Except for segregated assets held by a futures commission merchant pursuant to rules and regulations promulgated under the 1940 Act, all securities owned by the Fund and all cash, including proceeds from the sale of shares of the Fund and of securities in the Fund's investment portfolio, are held by State Street Bank and Trust Company, 225 West

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Franklin Street, Boston, Massachusetts 02110, as custodian. The custodian also provides accounting services to the Fund.

SHAREHOLDER REPORTS

Semiannual statements are furnished to shareholders, and annually such statements are audited by the independent auditors.

INDEPENDENT AUDITORS

Independent auditors for the Fund perform an annual audit of the Fund's financial statements. The Fund's Board of Trustees has engaged Ernst & Young LLP, located at 233 South Wacker Drive, Chicago, Illinois 60606, to be the Fund's independent auditors.

LEGAL COUNSEL

Counsel to the Fund is Skadden, Arps, Slate, Meagher & Flom (Illinois).

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APPENDIX A

MORGAN STANLEY INVESTMENT MANAGEMENT PROXY VOTING POLICY AND PROCEDURES

I. POLICY STATEMENT

Introduction -- Morgan Stanley Investment Management's ("MSIM") policies and procedures for voting proxies with respect to securities held in the accounts of clients applies to those MSIM entities that provide discretionary Investment Management services and for which a MSIM entity has the authority to vote their proxies. The policies and procedures and general guidelines in this section will be reviewed and, as necessary, updated periodically to address new or revised proxy voting issues. The MSIM entities covered by these policies and

procedures currently include the following: Morgan Stanley Investment Advisors Inc., Morgan Stanley Alternative Investment Partners, L.P., Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc., Morgan Stanley Investment Group Inc., Morgan Stanley Investment Management Limited, Morgan Stanley Investment Management Company, Morgan Stanley Asset & Investment Trust Management Co., Limited, Morgan Stanley Investment Management Private Limited, Morgan Stanley Investments LP, Morgan Stanley Hedge Fund Partners GP LP, Morgan Stanley Hedge Fund Partners LP, Van Kampen Investment Advisory Corp., Van Kampen Asset Management Inc., and Van Kampen Advisors Inc. (each a "MSIM Affiliate" and collectively referred to as the "MSIM Affiliates").

Each MSIM Affiliate will vote proxies as part of its authority to manage, acquire and dispose of account assets. With respect to the MSIM registered management investment companies (Van Kampen, Institutional and Advisor Funds) (collectively referred to as the "MSIM Funds"), each MSIM Fund will vote proxies pursuant to authority granted under its applicable investment advisory agreement or, in the absence of such authority, as authorized by its Board of Directors or Trustees. A MSIM Affiliate will not vote proxies if the "named fiduciary" for an ERISA account has reserved the authority for itself, or in the case of an account not governed by ERISA, the Investment Management Agreement does not authorize the MSIM Affiliate to vote proxies. MSIM Affiliates will, in a prudent and diligent manner, vote proxies in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which we manage assets, consistent with the objective of maximizing long-term investment returns ("Client Proxy Standard"). In certain situations, a client or its fiduciary may provide a MSIM Affiliate with a statement of proxy voting policy. In these situations, the MSIM Affiliate will comply with the client's policy unless to do so would be inconsistent with applicable laws or regulations or the MSIM Affiliate's fiduciary responsibility.

Proxy Research Services -- To assist the MSIM Affiliates in their responsibility for voting proxies and the overall global proxy voting process, Institutional Shareholder Services ("ISS") and the Investor Responsibility Research Center ("IRRC") have been retained as experts in the proxy voting and corporate governance area. ISS and IRRC are independent advisers that specialize in providing a variety of fiduciary-level proxy related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to MSIM Affiliates include in-depth research, global issuer analysis, and voting recommendations. In addition to research, ISS provides vote execution, reporting, and recordkeeping. MSIM's Proxy Review Committee

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(see Section IV.A. below) will carefully monitor and supervise the services provided by the proxy research services.

Voting Proxies for certain Non-US Companies -- While the proxy voting process is well established in the United States and other developed markets with a number of tools and services available to assist an investment manager, voting proxies of non-US companies located in certain jurisdictions, particularly emerging markets, may involve a number of problems that may restrict or prevent a MSIM Affiliate's ability to vote such proxies. These problems include, but are not limited to: (i) proxy statements and ballots being written in a language other than English; (ii) untimely and/or inadequate notice of shareholder meetings; (iii) restrictions on the ability of holders outside the issuer's jurisdiction of organization to exercise votes; (iv) requirements to vote proxies in person, (v) the imposition of restrictions on the sale of the securities for a period of time in proximity to the shareholder meeting; and (vi) requirements to provide local agents with power of attorney to facilitate the MSIM Affiliate's voting instructions. As a result, clients' non-U.S. proxies will be voted on a best efforts basis only, consistent with the Client Proxy Standard. ISS has been retained to provide assistance to the MSIM Affiliates in connection with voting their clients' non-US proxies.

II. GENERAL PROXY VOTING GUIDELINES

To ensure consistency in voting proxies on behalf of its clients, MSIM Affiliates will follow (subject to any exception set forth herein) these Proxy Voting Policies and Procedures, including the guidelines set forth below. These guidelines address a broad range of issues, including board size and composition, executive compensation, antitakeover proposals, capital structure proposals and social responsibility issues and are meant to be general voting parameters on issues that arise most frequently. The MSIM Affiliates, however, may vote in a manner that is contrary to the following general guidelines, pursuant to the procedures set forth in Section IV. below, provided the vote is consistent with the Client Proxy Standard.

III. GUIDELINES

A. MANAGEMENT PROPOSALS

1. When voting on routine ballot items the following proposals are generally voted in support of management, subject to the review and

approval of the Proxy Review Committee, as appropriate.

- Selection or ratification of auditors.
- Approval of financial statements, director and auditor reports.
- Election of Directors.
- Limiting Directors' liability and broadening indemnification of Directors.
- Requirement that a certain percentage (up to 66 2/3%) of its Board's members be comprised of independent and unaffiliated Directors.
- Requirement that members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated Directors.

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- Recommendations to set retirement ages or require specific levels of stock ownership by Directors.
- General updating/corrective amendments to the charter.
- Elimination of cumulative voting.
- Elimination of preemptive rights.
- Provisions for confidential voting and independent tabulation of voting results.
- Proposals related to the conduct of the annual meeting except those proposals that relate to the "transaction of such other business which may come before the meeting."

2. The following non-routine proposals, which potentially may have a substantive financial or best interest impact on a shareholder, are generally voted in support of management, subject to the review and approval of the Proxy Review Committee, as appropriate.

CAPITALIZATION CHANGES

- Capitalization changes that eliminate other classes of stock and voting rights.
- Proposals to increase the authorization of existing classes of common stock (or securities convertible into common stock) if: (i) a clear and legitimate business purpose is stated; (ii) the number of shares requested is reasonable in relation to the purpose for which authorization is requested; and (iii) the authorization does not exceed 100% of shares currently authorized and at least 30% of the new authorization will be outstanding.
- Proposals to create a new class of preferred stock or for issuances of preferred stock up to 50% of issued capital.
- Proposals for share repurchase plans.
- Proposals to reduce the number of authorized shares of common or preferred stock, or to eliminate classes of preferred stock.
- Proposals to effect stock splits.
- Proposals to effect reverse stock splits if management proportionately reduces the authorized share amount set forth in the corporate charter. Reverse stock splits that do not adjust proportionately to the authorized share amount will generally be approved if the resulting increase in authorized shares coincides with the proxy guidelines set forth above for common stock increases.

COMPENSATION

- Director fees, provided the amounts are not excessive relative to other companies in the country or industry.

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- Employee stock purchase plans that permit discounts up to 15%, but only for grants that are part of a broad based employee plan, including all non-executive employees.

- Establishment of Employee Stock Option Plans and other employee ownership plans.

ANTI-TAKEOVER MATTERS

- Modify or rescind existing supermajority vote requirements to amend the charters or bylaws.
 - Adoption of anti-greenmail provisions provided that the proposal: (i) defines greenmail; (ii) prohibits buyback offers to large block holders not made to all shareholders or not approved by disinterested shareholders; and (iii) contains no anti-takeover measures or other provisions restricting the rights of shareholders.
3. The following non-routine proposals, which potentially may have a substantive financial or best interest impact on the shareholder, are generally voted against (notwithstanding management support), subject to the review and approval of the Proxy Review Committee, as appropriate.
- Capitalization changes that add classes of stock that which substantially dilute the voting interests of existing shareholders.
 - Proposals to increase the authorized number of shares of existing classes of stock that carry preemptive rights or supervoting rights.
 - Creation of "blank check" preferred stock.
 - Changes in capitalization by 100% or more.
 - Compensation proposals that allow for discounted stock options that have not been offered to employees in general.
 - Amendments to bylaws that would require a supermajority shareholder vote to pass or repeal certain provisions.
 - Proposals to indemnify auditors.
4. The following types of non-routine proposals, which potentially may have a potential financial or best interest impact on an issuer, are voted as determined by the Proxy Review Committee.

CORPORATE TRANSACTIONS

- Mergers, acquisitions and other special corporate transactions (i.e., takeovers, spin-offs, sales of assets, reorganizations, restructurings and recapitalizations) will be examined on a case-by-case basis. In all cases, ISS and IRRC research and analysis will be used along with MSIM Affiliates' research and analysis, based on, among other things, MSIM internal company-specific knowledge.

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- Change-in-control provisions in non-salary compensation plans, employment contracts, and severance agreements that benefit management and would be costly to shareholders if triggered.
- Shareholders rights plans that allow appropriate offers to shareholders to be blocked by the board or trigger provisions that prevent legitimate offers from proceeding.
- Executive/Director stock option plans. Generally, stock option plans should meet the following criteria:
 - (i) Whether the stock option plan is incentive based;
 - (ii) For mature companies, should be no more than 5% of the issued capital at the time of approval;
 - (iii) For growth companies, should be no more than 10% of the issued capital at the time of approval.

ANTI-TAKEOVER PROVISIONS

- Proposals requiring shareholder ratification of poison pills.
- Anti-takeover and related provisions that serve to prevent the majority of shareholders from exercising their rights or effectively deter the appropriate tender offers and other offers.

B. SHAREHOLDER PROPOSALS

1. The following shareholder proposals are generally supported, subject to the review and approval of the Proxy Review Committee, as appropriate:
 - Requiring auditors to attend the annual meeting of shareholders.
 - Requirement that members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated Directors.
 - Requirement that a certain percentage of its Board's members be comprised of independent and unaffiliated Directors.
 - Confidential voting.
 - Reduction or elimination of supermajority vote requirements.
2. The following shareholder proposals will be voted as determined by the Proxy Review Committee.
 - Proposals that limit tenure of directors.
 - Proposals to limit golden parachutes.
 - Proposals requiring directors to own large amounts of stock to be eligible for election.
 - Restoring cumulative voting in the election of directors.

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- Proposals that request or require disclosure of executive compensation in addition to the disclosure required by the Securities and Exchange Commission ("SEC") regulations.
 - Proposals that limit retirement benefits or executive compensation.
 - Requiring shareholder approval for bylaw or charter amendments.
 - Requiring shareholder approval for shareholder rights plan or poison pill.
 - Requiring shareholder approval of golden parachutes.
 - Elimination of certain anti-takeover related provisions.
 - Prohibit payment of greenmail.
3. The following shareholder proposals are generally not supported, subject to the review and approval of the Committee, as appropriate.
 - Requirements that the issuer prepare reports that are costly to provide or that would require duplicative efforts or expenditures that are of a non-business nature or would provide no pertinent information from the perspective of institutional shareholders.
 - Restrictions related to social, political or special interest issues that impact the ability of the company to do business or be competitive and that have a significant financial or best interest impact to the shareholders.
 - Proposals that require inappropriate endorsements or corporate actions.

IV. ADMINISTRATION OF PROXY POLICIES AND PROCEDURES

A. PROXY REVIEW COMMITTEE

1. The MSIM Proxy Review Committee ("Committee") is responsible for creating and implementing MSIM's Proxy Voting Policy and Procedures and, in this regard, has expressly adopted them. Following are some of the functions and responsibilities of the Committee.
 - (a) The Committee, which will consist of members designated by MSIM's Chief Investment Officer, is responsible for establishing MSIM's proxy voting policies and guidelines and determining how MSIM will vote proxies on an ongoing basis.
 - (b) The Committee will periodically review and have the authority to amend as necessary MSIM's proxy voting policies and guidelines (as expressed in these Proxy Voting Policy and Procedures) and establish and direct voting positions consistent with the Client

- (c) The Committee will meet at least monthly to (among other matters): (1) address any outstanding issues relating to MSIM's Proxy Voting Policy and Procedures; and (2) generally review proposals at upcoming shareholder meetings of MSIM portfolio companies in accordance with this Policy and Procedures including, as appropriate, the voting results of prior shareholder

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meetings of the same issuer where a similar proposal was presented to shareholders. The Committee, or its designee, will timely communicate to ISS MSIM's Proxy Voting Policy and Procedures (and any amendments to them and/or any additional guidelines or procedures it may adopt).

- (d) The Committee will meet on an ad hoc basis to (among other matters): (1) authorize "split voting" (i.e., allowing certain shares of the same issuer that are the subject of the same proxy solicitation and held by one or more MSIM portfolios to be voted differently than other shares) and/or "override voting" (i.e., voting all MSIM portfolio shares in a manner contrary to the Procedures); (2) review and approve upcoming votes, as appropriate, for matters for which specific direction has been provided in Sections I, II, and III above; and (3) determine how to vote matters for which specific direction has not been provided in Sections I, II and III above. Split votes will generally not be approved within a single Global Investor Group team. The Committee may take into account ISS recommendations and the research provided by IRRC as well as any other relevant information they may request or receive.
- (e) In addition to the procedures discussed above, if the Committee determines that an issue raises a potential material conflict of interest, or gives rise to the appearance of a potential material conflict of interest, the Committee will designate a special committee to review, and recommend a course of action with respect to, the conflict(s) in question ("Special Committee"). The Special Committee may request the assistance of the Law and Compliance Departments and will have sole discretion to cast a vote. In addition to the research provided by ISS and IRRC, the Special Committee may request analysis from MSIM Affiliate investment professionals and outside sources to the extent it deems appropriate.
- (f) The Committee and the Special Committee, or their designee(s), will document in writing all of their decisions and actions, which documentation will be maintained by the Committee and the Special Committee, or their designee(s) for a period of at least 6 years. To the extent these decisions relate to a security held by a MSIM U.S. registered investment company, the Committee and Special Committee, or their designee(s), will report their decisions to each applicable Board of Trustees/Directors of those investment companies at each Board's next regularly Scheduled Board meeting. The report will contain information concerning decisions made by the Committee and Special Committee during the most recently ended calendar quarter immediately preceding the Board meeting.
- (g) The Committee and Special Committee, or their designee(s), will timely communicate to applicable PMs, the Compliance Departments and, as necessary to ISS, decisions of the Committee and Special Committee so that, among other things, ISS will vote proxies consistent with their decisions.

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APPENDIX D

PRO FORMA FINANCIAL STATEMENTS

The following presents the pro forma financial statements for the combination of Van Kampen International Advantage Fund and Van Kampen International Magnum Fund. The statements are presented as of March 31, 2004, the most recent interim period for which financial information is currently available.

The unaudited Pro Forma Portfolio of Investments and Pro Forma Condensed Statement of Assets and Liabilities reflect the financial position as if the transaction occurred on March 31, 2004. The Pro Forma Condensed Statement of Operations reflects the expenses for the twelve months ended March 31, 2004. The

pro forma statements give effect to the proposed exchange of Van Kampen International Advantage Fund shares for the assets and liabilities of Van Kampen International Magnum Fund, with Van Kampen International Advantage Fund being the surviving entity. The proposed transaction will be accounted for as a tax-free reorganization in accordance with accounting principles generally accepted in the United States. The historical cost basis of the investments is carried over to the surviving entity. It is not anticipated that Van Kampen International Advantage Fund will sell any securities of Van Kampen International Magnum Fund acquired in the reorganization other than in the ordinary course of business.

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VAN KAMPEN INTERNATIONAL ADVANTAGE FUND
VAN KAMPEN INTERNATIONAL MAGNUM FUND
PROFORMA PORTFOLIO OF INVESTMENTS
March 31, 2004
(Unaudited)

<TABLE>
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DESCRIPTION	INTERNATIONAL ADVANTAGE FUND SHARES	INTERNATIONAL MAGNUM FUND SHARES	PROFORMA SHARES	INTERNATIONAL ADVANTAGE MARKET VALUE	INTERNATIONAL MAGNUM MARKET VALUE	PROFORMA MARKET VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
COMMON AND PREFERRED STOCKS 94.3%						
AUSTRALIA 2.9%						
Ampcor, Ltd.		9,150	9,150	\$ --	\$ 56,016.00	\$56,016.00
AMP, Ltd.		71,900	71,900		309,771	309,771
Australia and New Zealand Banking Group, Ltd.		9,572	9,572		138,882	138,882
BHP Billiton, Ltd.		40,978	40,978		384,454	384,454
Coles Myer, Ltd.		10,650	10,650		66,177	66,177
Commonwealth Bank of Australia		7,750	7,750		197,492	197,492
Foster's Brewing, Ltd.		40,100	40,100		134,714	134,714
National Australia Bank, Ltd.	6,325	7,700	14,025	150,046	182,665	332,711
News Corp., Ltd.		29,940	29,940		269,899	269,899
Qantas Airways, Ltd.	36,568	26,963	63,531	95,424	70,360	165,784
Rio Tinto, Ltd.	3,767	11,200	14,967	99,194	294,921	394,115
Westpac Banking Corp., Ltd.		13,400	13,400		179,964	179,964
				344,664	2,285,315	2,629,979
BRAZIL 0.1%						
Petroleo Brasileiro, SA - ADR	1,934		1,934	64,789		64,789
BELGIUM 0.9%						
AGFA-Gevaert, NV		8,696	8,696		213,277	213,277
Fortis		14,748	14,748		314,157	314,157
Solvay, SA		3,626	3,626		291,825	291,825
					819,259	819,259
BERMUDA 0.5%						
Esprit Holdings, Ltd.		66,000	66,000		276,099	276,099
Li & Fung, Ltd.		94,400	94,400		144,153	144,153
					420,252	420,252
CANADA 0.1%						
Inco, Ltd.	2,127		2,127	73,145		73,145
DENMARK 0.5%						
Danske Bank A/S		7,519	7,519		170,273	170,273
Novo-Nordisk A/S		6,119	6,119		284,219	284,219
					454,492	454,492
FINLAND 2.7%						
Nokia Oyj	7,999	72,839	80,838	164,191	1,495,123	1,659,314
Pohjola Group Plc, Series D		2,734	2,734		80,747	80,747
Sampo Oyj, Series A		26,145	26,145		305,653	305,653
Stora Enso Oyj	9,240		9,240	116,437		116,437
TietoEnator Oyj		8,466	8,466		258,269	258,269

				280,628	2,139,792	2,420,420
FRANCE 9.2%						
Atos Origin		2,760	2,760		180,182	180,182
Aventis, SA	1,076	6,065	7,141	82,824	466,847	549,671
Axa		35,718	35,718		746,348	746,348
BNP Paribas, SA	2,290	17,251	19,541	182,981	1,055,722	1,238,703
Cap, Gemini SA (a)	3,339	3,888	7,227	127,501	148,465	275,966
Carrefour, SA (a)		5,996	5,996		296,180	296,180
France Telecom, SA (a)		26,989	26,989		691,487	691,487
Groupe Danone		1,673	1,673		274,643	274,643
L'Oreal, SA		2,612	2,612		200,253	200,253
M6 - Metropole Television	3,111	6,526	9,637	93,413	195,954	289,367
Neopost, SA (a)		3,143	3,143		169,486	169,486
Peugeot, SA		4,731	4,731		241,379	241,379
Schneider Electric, SA	2,301	13,617	15,918	150,075	888,125	1,038,200
Societe Generale		4,334	4,334		370,673	370,673
Technip, SA		1,215	1,215		164,470	164,470
Total, SA, Class B	1,164	6,442	7,606	214,003	1,184,372	1,398,375
Vinci, SA		2,643	2,643		254,018	254,018
				850,797	7,528,604	8,379,401

</TABLE>

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<TABLE>
<CAPTION>

DESCRIPTION	INTERNATIONAL ADVANTAGE FUND SHARES	INTERNATIONAL MAGNUM FUND SHARES	PROFORMA SHARES	INTERNATIONAL ADVANTAGE MARKET VALUE	INTERNATIONAL MAGNUM MARKET VALUE	PROFORMA MARKET VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
GERMANY 6.0%						
Adidas-Salomon, AG		2,528	2,528		294,421	294,421
Allianz, AG	2,646	4,653	7,299	288,420	507,379	795,799
BASF, AG	2,575		2,575	130,966		130,966
Bayerische Motoren Werke AG		5,219	5,219		212,520	212,520
Duetsche Bank, AG	1,842		1,842	153,347		153,347
Deutsche Boerse, AG		9,886	9,886		561,691	561,691
Deutsche Telekom, AG (a)	8,195	10,492	18,687	147,439	188,765	336,204
E.On, AG	2,481	2,647	5,128	163,647	174,596	338,243
Fresenius Medical Care, AG		4,047	4,047		267,239	267,239
Infineon Technologies, AG		14,923	14,923		218,534	218,534
Munchener Ruckversicherungs		693	693		77,068	77,068
Porsche AG - Preferred Stock	201	389	590	121,454	235,053	356,507
SAP, AG	1,094	1,746	2,840	173,198	276,421	449,619
Siemens, AG	2,252	11,568	13,820	166,473	855,131	1,021,604
Volkswagen, AG	5,022		5,022	219,640		219,640
				1,564,584	3,868,818	5,433,402
HONG KONG 1.6%						
Cathay Pacific Airways, Ltd.		104,000	104,000		212,194	212,194
Cheung Kong Holdings, Ltd.		22,100	22,100		185,045	185,045
Great Eagle Holding Co.		50,000	50,000		88,543	88,543
Henderson Land Development Co., Ltd.		95,000	95,000		454,712	454,712
Hong Kong & China Gas Co., Ltd.		59,000	59,000		100,695	100,695
Hysan Development Co., Ltd.		97,000	97,000		168,039	168,039
Sun Hung Kai Properties, Ltd.	11,000		11,000	100,573		100,573
Television Broadcasts, Ltd.		26,000	26,000		122,112	122,112
				100,573	1,331,340	1,431,913
INDIA 0.1%						
Ranbaxy Laboratories, Ltd. - GDR	3,913		3,913	89,216		89,216
INDONESIA 0.1%						
PT Telekomunikasi Indonesia - ADR	3,184		3,184	53,650		53,650
IRELAND 0.8%						
Allied Irish Banks Plc (a)		18,321	18,321		273,706	273,706
Bank of Ireland		35,002	35,002		437,622	437,622

				711,328	711,328
ISRAEL 0.1%					
Teva Pharmaceutical Industries, Ltd. - ADR	1,034	1,034	65,566	65,566	65,566
ITALY 3.0%					
ENI S.p.A.	3,727	35,843	39,570	75,034	721,613
Telecom Italia S.p.A. (a)		200,535	200,535		629,285
Telecom Italia S.p.A.-RNC (a)	45,278	200,277	245,555	142,084	455,952
UniCredito Italiano S.p.A.	25,874	115,679	141,553	123,541	552,336
			340,659	2,359,186	2,699,845
JAPAN 22.3%					
Amada Co., Ltd.		43,000	43,000		276,262
Canon, Inc.	3,000	8,000	11,000	155,056	413,482
Casio Computer Co., Ltd.		27,000	27,000		320,525
Dai Nippon Printing Co., Ltd.	9,000	16,000	25,000	148,526	264,046
Daiwa Securities Group, Inc.	23,000		23,000	187,467	187,467
Daicel Chemical Industries, Ltd.		47,000	47,000		214,077
Daifuku Co., Ltd.		37,000	37,000		207,556
Daikin Industries, Ltd.		16,000	16,000		401,975
Denki Kagaku Kogyo KK		63,000	63,000		223,522
Denso Corp.	6,500		6,500	147,720	147,720
East Japan Railway Co.		49	49		257,017
FamilyMart Co., Ltd.		11,100	11,100		340,605
Fanuc, Ltd.	2,100		2,100	131,495	131,495
Fuji Machine Manufacturing Co.		8,900	8,900		116,152
Fuji Photo Film Co., Ltd.		10,000	10,000		317,399
Fujitec Co., Ltd.		15,000	15,000		80,980
Fujitsu, Ltd. (a)		52,000	52,000		331,591
Furukawa Electric Co., Ltd.		32,000	32,000		124,275
Hitachi Capital Corp.		17,100	17,100		321,880
Hitachi High-Technologies Corp.		5,000	5,000		79,494
Hitachi, Ltd.		53,000	53,000		410,136
Honda Motor Co.	3,400		3,400	156,494	156,494
House Foods Corp.		9,800	9,800		133,442
Kaneka Corp.		38,000	38,000		380,419
Kao Corp.	7,000		7,000	159,755	159,755
Kurita Water Industries, Ltd.		17,100	17,100		225,464
Kyocera Corp.		4,400	4,400		368,759

</TABLE>

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<TABLE>

<CAPTION>

DESCRIPTION	INTERNATIONAL ADVANTAGE FUND SHARES	INTERNATIONAL MAGNUM FUND SHARES	PROFORMA SHARES	INTERNATIONAL ADVANTAGE MARKET VALUE	INTERNATIONAL MAGNUM MARKET VALUE	PROFORMA MARKET VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Kyudenko Co., Ltd.		14,000	14,000		64,036	64,036
Lintec Corp.		11,000	11,000		184,063	184,063
Matsushita Electric Industrial Co., Ltd.	12,000	31,000	43,000	185,031	477,998	663,029
Millea Holdings, Inc.	8		8	124,275		124,275
Minebea Co., Ltd.		38,000	38,000		190,938	190,938
Mitsubishi Chemical Corp.		85,000	85,000		259,194	259,194
Mitsubishi Corp.		35,000	35,000		412,811	412,811
Mitsubishi Estate Co., Ltd.	13,000	22,000	35,000	175,893	297,665	473,558
Mitsubishi Heavy Industries, Ltd.		82,000	82,000		265,772	265,772
Mitsubishi Logistics Corp.		11,000	11,000		117,294	117,294
Mitsui Sumitomo Insurance Co., Ltd.	7,000		7,000	74,373		74,373
Mitsumi Electric Co., Ltd.		16,200	16,200		188,121	188,121
Nagase & Co., Ltd.		14,000	14,000		127,267	127,267
NEC Corp.		49,000	49,000		402,205	402,205
Nifco, Inc.		12,000	12,000		179,278	179,278
Nintendo Co., Ltd.		3,700	3,700		372,892	372,892
Nippon Meat Packers, Inc.		14,000	14,000		164,185	164,185
Nippon Telegraph & Telephone Corp.		58	58		328,139	328,139
Nissan Motor Co., Ltd.		41,900	41,900		468,078	468,078
Nissha Printing Co., Ltd.		6,000	6,000		97,234	97,234
Nisshinbo Industries, Inc.		21,000	21,000		146,196	146,196
NTT DoCoMo, Inc.	92		92	202,906		202,906
Obayashi Corp.		43,000	43,000		234,617	234,617
Ono Pharmaceutical Co., Ltd.		7,000	7,000		318,167	318,167
Promise Co., Ltd.	1,300		1,300	89,131		89,131
Ricoh Co., Ltd.		21,000	21,000		430,934	430,934

Rinnai Corp.		4,600	4,600		123,287	123,287
Rohm Co., Ltd.		1,500	1,500		193,748	193,748
Ryosan Co., Ltd.		8,800	8,800		192,396	192,396
Sangetsu Co., Ltd.		1,300	1,300		30,978	30,978
Sanki Engineering Co., Ltd.		6,000	6,000		39,124	39,124
Sankyo Co., Ltd.		17,100	17,100		371,400	371,400
Sanwa Shutter Corp.		31,000	31,000		178,357	178,357
Sekisui Chemical Co., Ltd.		38,000	38,000		259,078	259,078
Sekisui House, Ltd.		23,000	23,000		258,705	258,705
Shin-Etsu Chemical Co., Ltd.	4,900		4,900	205,801		205,801
Shin-Etsu Polymer Co., Ltd.		22,000	22,000		134,804	134,804
SMC Corp.	1,200		1,200	142,801		142,801
Sony Corp.	4,300	8,400	12,700	179,777	351,191	530,968
Sumitomo Chemical, Ltd.	36,000		36,000	169,152		169,152
Sumitomo Electric Industries, Ltd.	12,000		12,000	108,971		108,971
Sumitomo Trust and Banking Co., Ltd.	24,000		24,000	159,486		159,486
Suzuki Motor Co., Ltd.		18,000	18,000		279,446	279,446
Takeda Chemical Industries, Ltd.	3,300		3,300	146,828		146,828
TDK Corp.	2,200	5,100	7,300	167,713	388,790	556,503
Toho Co., Ltd.		5,400	5,400		88,546	88,546
Tokyo Electric Power Co., Inc.	3,300	10,400	13,700	74,522	234,856	309,378
Toshiba Corp. (a)	27,000	93,000	120,000	122,204	420,923	543,127
Toyo Ink Mfg Co, Ltd.		22,000	22,000		101,894	101,894
Toyota Motor Corp.		13,900	13,900		517,160	517,160
Tsubakimoto Chain Co.		40,000	40,000		153,426	153,426
Yamaha Corp.		20,100	20,100		374,881	374,881
Yamaha Motor Co.		13,000	13,000		178,386	178,386
Yamanouchi Pharmaceutical Co., Ltd.		11,300	11,300		387,918	387,918
					-----	-----
					3,415,377	16,795,436
					-----	-----
						20,210,813
					-----	-----

NETHERLANDS 6.2%						
Aegon, NV		21,012	21,012		268,917	268,917
ASML Holdings, NV	8,920		8,920	163,666		163,666
EADS (a)	7,706	9,986	17,692	166,427	215,668	382,095
Koninklijke (Ahold), NV (a)	14,616		14,616	119,790		119,790
Koninklijke (Royal) Philips Electronics, NV (a)	8,193	13,616	21,809	237,237	394,265	631,502
Koninklijke Numico, NV (a)	3,523	10,738	14,261	104,050	317,140	421,190
Royal Dutch Petroleum Co.	7,460	18,755	26,215	354,818	892,038	1,246,856
STMicroelectronics, NV	10,380	16,478	26,858	244,998	388,929	633,927
Unilever, NV CVA	3,339	9,322	12,661	230,719	644,133	874,852
VNU, NV	6,043		6,043	173,271		173,271
Wolters Kluwer, NV	12,427	27,441	39,868	212,721	469,725	682,446
					-----	-----
					2,007,697	3,590,815
					-----	-----
						5,598,512
					-----	-----

</TABLE>

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DESCRIPTION	INTERNATIONAL	INTERNATIONAL	PROFORMA	INTERNATIONAL	INTERNATIONAL	PROFORMA
	ADVANTAGE	MAGNUM		ADVANTAGE	MAGNUM	
	FUND	FUND	SHARES	MARKET	MARKET	MARKET
	SHARES	SHARES		VALUE	VALUE	VALUE

<S>	<C>	<C>	<C>	<C>	<C>	<C>

MEXICO 0.1%						
Fomento Economico Mexicano SA de C.V.	15,371		15,371	75,681		75,681
Wal-Mart de Mexico SA de C.V.	24,142		24,142	73,772		73,772
					-----	-----
				149,453		149,453
				-----	-----	-----

NORWAY 0.6%						
DnB Holding, ASA (a)		48,056	48,056		315,323	315,323
Telenor, ASA	18,834	15,822	34,656	130,721	109,816	240,537
					-----	-----
				130,721	425,139	555,860
				-----	-----	-----

REPUBLIC OF KOREA 0.1%						
Kookmin Bank (a)	2,698		2,698	109,761		109,761
					-----	-----

RUSSIA 0.1%						
YUKOS Corp. - ADR	1,507		1,507	91,023		91,023
					-----	-----
						91,023
					-----	-----

SINGAPORE 1.4%						
CapitaLand, Ltd.		161,000	161,000		161,558	161,558
City Developments, Ltd.		31,000	31,000		112,949	112,949
Neptune Orient Lines Ltd. (a)		119,000	119,000		155,662	155,662
Oversea-Chinese Banking Corp., Ltd.		24,000	24,000		176,323	176,323
Sembcorp Industries, Ltd.		111,000	111,000		102,102	102,102
Singapore Airlines, Ltd.		45,000	45,000		295,664	295,664
United Overseas Bank, Ltd.	13,000		13,000	104,050		104,050
Venture Corp., Ltd.		18,000	18,000		207,502	207,502
				104,050	1,211,760	1,315,810
SPAIN 1.8%						
ACS Actividades Cons y Serv		4,329	4,329		212,025	212,025
Amadeus Global Travel Distribution, SA	20,047		20,047	113,728		113,728
Banco Bilbao Vizcaya, SA (a)		34,818	34,818		461,462	461,462
Grupo Ferrovial, SA		3,638	3,638		147,962	147,962
Telefonica, SA (a)		47,463	47,463		719,002	719,002
				113,728	1,540,451	1,654,179
SWEDEN 1.0%						
Assa Abloy AB		18,122	18,122		221,088	221,088
Autoliv, Inc. - SDR		5,354	5,354		217,966	217,966
Electrolux AB, Class B		5,453	5,453		111,359	111,359
Securitas AB, Class B (a)		12,419	12,419		179,508	179,508
SKF AB, Class B		5,867	5,867		212,398	212,398
					942,319	942,319
SWITZERLAND 8.7%						
ABB, Ltd. (a)		44,190	44,190		260,732	260,732
CIBA Specialty Chemicals AG		3,734	3,734		254,970	254,970
Compagnie Financiere Richemont, AG	6,441		6,441	173,229		173,229
Converium Holdings, AG	2,409		4,090	6,499	117,972	200,292
Credit Suisse Group (a)	4,248		11,550	15,798	147,298	400,494
Holcim, Ltd.	1,760		6,126	7,886	94,183	327,820
Nestle, SA	675		2,321	2,996	172,209	592,143
Novartis AG	5,797		31,296	37,093	246,340	1,329,904
Roche Holding AG			3,326	3,326		325,100
Schindler Holding, AG (Registered)			666	666		212,259
Swiss Reinsurance (a)			4,424	4,424		305,055
Swisscom AG			628	628		206,349
Syngenta AG	1,703		11,339	13,042	124,290	827,553
UBS AG (a)	3,904		17,584	21,488	290,167	1,306,942
					1,365,688	6,549,613
TAIWAN-REPUBLIC OF CHINA 0.4%						
Hon Hai Precision Industry Co., Ltd. - GDR	16,874			16,874	165,365	165,365
Taiwan Semiconductor Manufacturing Co., Ltd. - ADR (a)	21,657			21,657	226,099	226,099
					391,464	391,464
UNITED KINGDOM 23.0%						
3i Group Plc	9,823			9,823	113,919	113,919
Allied Domecq Plc			55,186	55,186		459,652
Amvescap Plc	28,120		4,838	32,958	207,644	35,725
AstraZeneca Group Plc			16,076	16,076		747,820
Barclays Plc	20,593		88,610	109,203	181,963	782,973
BOC Group Plc			24,617	24,617		408,715
BP Plc	9,844		56,392	66,236	82,763	474,116
British American Tobacco Plc			22,144	22,144		334,177
British Sky Broadcasting Plc (a)	10,360		15,867	26,227	129,602	198,494
						328,096

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<TABLE>
<CAPTION>

DESCRIPTION	INTERNATIONAL	INTERNATIONAL	PROFORMA	INTERNATIONAL	INTERNATIONAL	PROFORMA
	ADVANTAGE	MAGNUM		ADVANTAGE	MAGNUM	
	FUND	FUND	SHARES	MARKET	MARKET	MARKET
	SHARES	SHARES		VALUE	VALUE	VALUE

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Cadbury Schweppes Plc	12,865	21,777	34,642	101,758	172,249	274,007	
Celltech Group Plc (a)		5,924	5,924		50,844	50,844	
Compass Group Plc		35,283	35,283		233,215	233,215	
Corus Group Plc (a)	174,144		174,144	132,445		132,445	
Diageo Plc		31,785	31,785		415,499	415,499	
EMAP Plc		5,842	5,842		93,386	93,386	
GlaxoSmithKline Plc	19,599	74,611	94,210	385,929	1,469,184	1,855,113	
GUS Plc		11,779	11,779		162,664	162,664	
Hays Plc		226,609	226,609		520,174	520,174	
HBOS Plc		11,503	11,503		156,520	156,520	
HSBC Holdings Plc	16,651	56,049	72,700	248,365	836,023	1,084,388	
Intercontinental Hotels Group	8,787		8,787	80,519		80,519	
ITV Plc		100,300	100,300		246,417	246,417	
Jarvis Plc		38,895	38,895		129,083	129,083	
Lloyds TSB Group Plc	8,479	77,034	85,513	64,643	587,300	651,943	
MFI Furniture Group Plc	47,811	75,008	122,819	129,583	203,295	332,878	
Misys Plc	30,120		30,120	114,261		114,261	
National Grid Transco Plc	15,470	36,366	51,836	122,648	288,314	410,962	
Pearson Plc		12,494	12,494		142,476	142,476	
Prudential Plc	23,755	94,359	118,114	195,997	778,535	974,532	
Reed Elsevier Plc		76,454	76,454		678,732	678,732	
Rentokil Initial Plc		150,220	150,220		504,774	504,774	
Rolls-Royce Group Plc		47,693	47,693		197,851	197,851	
Royal Bank of Scotland Group Plc	10,247	47,696	57,943	313,244	1,458,037	1,771,281	
Scottish & Southern Energy Plc		13,059	13,059		165,533	165,533	
Shell Transport & Trading Co. Plc		131,485	131,485		861,822	861,822	
Smith & Nephew Plc (a)		26,503	26,503		261,672	261,672	
Smiths Group Plc	13,501	39,807	53,308	159,561	470,456	630,017	
Standard Chartered Plc	7,136		7,136	119,860		119,860	
Tesco Plc		59,523	59,523		269,700	269,700	
Vedanta Resources Plc (a)	18,290	24,783	43,073	111,283	150,789	262,072	
Vodafone Group Plc	87,124	823,621	910,745	206,817	1,955,134	2,161,951	
WPP Group Plc		27,428	27,428		278,390	278,390	
Yell Group Plc		75,412	75,412		448,059	448,059	
				3,202,804	17,627,799	20,830,603	
TOTAL COMMON AND PREFERRED STOCKS 94.3%				14,910,037	70,601,718	85,511,755	
INVESTMENT COMPANY 0.8%							
UNITED KINGDOM 0.2%							
Templeton Emerging Markets Investment Trust Plc	56,195		56,195	151,528		151,528	
UNITED STATES 0.6%							
iShares MSCI Emerging Markets Index	2,967		2,967	520,708		520,708	
TOTAL INVESTMENT COMPANY 0.8%				672,236		672,236	
TOTAL LONG-TERM INVESTMENTS 95.1%							
(Cost \$68,857,764)				15,582,273	70,601,718	86,183,991	
SHORT-TERM INVESTMENTS 2.7%							
REPURCHASE AGREEMENT 2.5%							
State Street Bank & Trust Co. (\$2,258,000 par collateralized by U.S. Government obligations in a pooled cash account, interest rate of 0.65%, dated 03/31/04, to be sold on 04/01/04 at \$2,258,041)					2,258,000	2,258,000	
(Cost \$2,258,000)							
EURODOLLAR TIME DEPOSIT 0.2%							
State Street Bank & Trust Corp. (\$210,000 par collateralized by U.S. Government Obligations in a pooled cash account, 0.00% coupon, dated 03/31/04, to be sold on 04/01/04 at \$210,000)					210,000	210,000	
(Cost \$210,000)							
TOTAL SHORT-TERM INVESTMENTS				210,000	2,258,000	2,468,000	
(Cost \$2,468,000)							

</TABLE>

DESCRIPTION	INTERNATIONAL ADVANTAGE FUND SHARES	INTERNATIONAL MAGNUM FUND SHARES	PROFORMA SHARES	INTERNATIONAL ADVANTAGE MARKET VALUE	INTERNATIONAL MAGNUM MARKET VALUE	PROFORMA MARKET VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
TOTAL INVESTMENTS 97.8% (Cost \$71,325,764)				15,792,273	72,859,718	88,651,991
FOREIGN CURRENCY 0.3% (Cost \$258,251)				44,548	216,874	261,422
OTHER ASSETS IN EXCESS OF LIABILITIES 1.9%				(99,121)	1,843,832	1,744,711
NET ASSETS 100.0%				\$ 15,737,700	\$ 74,920,424	\$90,658,124

</TABLE>

(a) Non-income producing security as this stock currently does not declare dividends.

ADR - American Depositary Receipt
GDR - Global Depositary Receipt
SDR - Stockholm Depositary Receipt

VAN KAMPEN INTERNATIONAL ADVANTAGE FUND - VAN KAMPEN INTERNATIONAL MAGNUM FUND
PRO FORMA CONDENSED STATEMENT OF ASSETS AND LIABILITIES
March 31, 2004
(Unaudited)
Amounts in Thousands

	International Advantage Fund	International Magnum Fund	Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>
Total Investments (Cost of \$13,879, \$57,447 and \$71,326, respectively)...	\$ 15,792	\$ 72,860		\$ 88,652
Foreign Currency (Cost of \$44, \$214 and \$258, respectively)	45	217		262
Other Assets Less Liabilities	(99)	1,843	\$ (31) (1)	1,713
NET ASSETS	\$ 15,738	\$ 74,920	\$ (31)	\$ 90,627
NET ASSETS CONSIST OF:				
Capital (Par value of \$.01 per share)	\$ 13,260	\$ 83,217		\$ 96,477
Net Unrealized Appreciation	1,907	15,779		17,686
Accumulated Undistributed Net Investment Loss	(36)	(172)	(31) (1)	(239)
Accumulated Net Realized Gain/Loss	607	(23,904)		(23,297)
NET ASSETS	\$ 15,738	\$ 74,920	\$ (31)	\$ 90,627
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PRICE PER SHARE:				
CLASS A				
Net Assets	\$ 11,746	\$ 42,681	\$ (23) (1)	\$ 54,404
Shares Outstanding	998	3,491	135 (2)	4,624
Net Asset Value and Redemption Price Per Share	11.77	12.23		11.77
Maximum Sales Charge (5.75%* of offering price)	0.72	0.75		0.72
Maximum Offering Price to Public	\$ 12.49	\$ 12.98		\$ 12.49
CLASS B				
Net Assets	\$ 2,525	\$ 25,443	\$ (5) (1)	\$ 27,963

Shares Outstanding	217	2,141	43 (2)	2,401
Net Asset Value and Offering Price Per Share	\$ 11.65	\$ 11.88		\$ 11.65
CLASS C				
Net Assets	\$ 1,467	\$ 6,796	\$ (3) (1)	\$ 8,260
Shares Outstanding	125	569	10 (2)	704
Net Asset Value and Offering Price Per Share	\$ 11.74	\$ 11.94		\$ 11.74

</TABLE>

* ON SALES OF \$50,000 OR MORE, THE SALES CHARGE WILL BE REDUCED.

- (1) A non-recurring cost associated with this transaction of approximately \$359,000 will be incurred. Of this cost approximately \$328,000 will be borne by Van Kampen Asset Management and approximately \$31,000 by Van Kampen International Advantage Fund.
- (2) The pro forma statements presume the issuance by Van Kampen International Advantage Fund of approximately 3,626,000 Class A shares, 2,184,000 Class B shares, and 579,000 Class C shares in exchange for the assets and liabilities of the Van Kampen International Magnum Fund.

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VAN KAMPEN INTERNATIONAL ADVANTAGE FUND - VAN KAMPEN INTERNATIONAL MAGNUM FUND
PRO FORMA CONDENSED STATEMENT OF OPERATIONS
For the Twelve Months Ended March 31, 2004
(Unaudited)
Amounts in Thousands

<TABLE>
<CAPTION>

	International Advantage Fund	International Magnum Fund	Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:				
Dividends	\$ 189	\$ 1,492		\$ 1,681
Interest	1	41		42
Total Income	190	1,533		1,723
EXPENSES:				
Investment Advisory Fee	83	534	\$ 65 (1)	682
Distribution (12b-1) and Service Fees	23	390		413
All Other Expenses	190	666	(110) (2)	746
Total Expense	296	1,590	(45)	1,841
Investment Advisory Fee Reduction	83	104	398	585
Other Expenses Reduction	37	156	(193)	0
Less Credits Earned on Cash Balances	0	5		5
Net Expenses	176	1,325	(250)	1,251
NET INVESTMENT INCOME	\$ 14	\$ 208	\$ 250	\$ 472
REALIZED AND UNREALIZED GAIN/LOSS :				
Net Realized Gain	\$ 870	\$ 3,652		\$ 4,522
Net Unrealized Appreciation During the Period	2,416	23,539		25,955
NET REALIZED AND UNREALIZED GAIN	\$ 3,286	\$ 27,191		\$ 30,477
NET INCREASE IN NET ASSETS FROM OPERATIONS	\$ 3,300	\$ 27,399	\$ 250	\$ 30,949

</TABLE>

- (1) Reflects the difference in the investment advisory fee of the two funds.

(2) Reflects the reduction in other operating expenses as a result of the elimination of certain duplicative expenses and the result of operating a larger, more efficient fund.

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PART C:

OTHER INFORMATION

ITEM 15. INDEMNIFICATION

Pursuant to Del. Code Ann. Title 12 Section 3817, a Delaware statutory trust may provide in its governing instrument for the indemnification of its officers and trustees from and against any and all claims and demands whatsoever.

Reference is made to Article 8, Section 8.4 of the Registrant's Agreement and Declaration of Trust. Article 8, Section 8.4 of the Agreement and Declaration of Trust provides that each officer and trustee of the Registrant shall be indemnified by the Registrant against all liabilities incurred in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, in which the officer or trustee may be or may have been involved by reason of being or having been an officer or trustee, except that such indemnity shall not protect any such person against a liability to the Registrant or any shareholder thereof to which such person would otherwise be subject by reason of (i) not acting in good faith in the reasonable belief that such person's actions were not in the best interests of the Fund, (ii) having acted with willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office or (iii) for a criminal proceeding had reasonable cause to believe the conduct was unlawful (collectively, "Disabling Conduct"). Absent a court determination that an officer or trustee seeking indemnification was not liable on the merits or guilty of Disabling Conduct in the conduct of his or her office, the decision by the Registrant to indemnify such person must be based upon the reasonable determination of independent counsel or non-party independent trustees, after review of the facts, that such officer or trustee is not guilty of Disabling Conduct in the conduct of his or her office.

The Registrant has purchased insurance on behalf of its officers and trustees protecting such persons from liability arising from their activities as officers or trustees of the Registrant. The insurance does not protect or purport to protect such persons from liability to the Registrant or to its shareholders to which such officers or trustee would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of their office.

Conditional advancing of indemnification monies may be made if the trustee or officer undertakes to repay the advance unless it is ultimately determined that he or she is entitled to the indemnification and only if the following conditions are met: (1) the trustee or officer provides security for the undertaking; (2) the Registrant is insured against losses arising from lawful advances; or (3) a majority of a quorum of the Registrant's disinterested, non-party trustees, or an independent legal counsel in a written opinion, shall determine, based upon a review of readily available facts, that a recipient of the advance ultimately will be found entitled to indemnification.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to trustees, officers and controlling persons of the Registrant pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by the trustee, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person in connection with the shares being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Pursuant to Section 7 of the Distribution and Service Agreement, the Registrant agrees to indemnify and hold harmless Van Kampen Funds Inc. (the "Distributor") and each of its trustees and officers and each person if any, who controls the Distributor within the meaning of Section 15 of the 1933 Act against any loss, liability, claim damages or expense (including the reasonable cost of investing or defending any alleged loss, liability, claim, damages, or expense and reasonable counsel fees) arising by reason of any person acquiring

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any shares, based upon the ground that the Registration Statement, prospectus,

shareholder reports or other information filed or made public by the Registrant (as from time to time amended) included an untrue statement of a material fact or omitted to state a material fact required to be stated or necessary in order to make the statements not misleading under the 1933 Act, or any other statute or the common law. The Registrant does not agree to indemnify the Distributor or hold it harmless to the extent that the statement or omission was made in reliance upon, and in conformity with, information furnished to the Registrant by or on behalf of the Distributor. In no case is the indemnity of the Registrant in favor of the Distributor or any person indemnified to be deemed to protect the Distributor or any person against any liability to the Fund or its security holders to which the Distributor or such person would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of its reckless disregard of its obligations and duties under the agreement.

Pursuant to the agreement by which Van Kampen Investor Services Inc. ("Investor Services") is appointed transfer agent of the Fund, the Registrant agrees to indemnify and hold Investor Services harmless against any losses, damages, costs, charges, payments, liabilities and expenses (including reasonable counsel fees) arising out of or attributable to:

(1) the performance of Investor Services under the agreement provided that Investor Services acted in good faith with due diligence and without negligence or willful misconduct.

(2) reliance by Investor Services on, or reasonable use by, Investor Services of information, records and documents which have been prepared on behalf of, or have been furnished by, the Fund, or the carrying out by Investor Services of any instructions or requests of the Fund.

(3) the offer or sale of the Fund's shares in violation of any federal or state law or regulation or ruling by any federal agency unless such violation results from any failure by Investor Services to comply with written instructions from the Fund that such offers or sales were not permitted under such law, rule or regulation.

(4) the refusal of the Fund to comply with terms of the agreement, or the Fund's lack of good faith, negligence or willful misconduct or breach of any representation or warranty made by the Fund under the agreement provided that if the reason for such failure is attributable to any action of the Fund's investment adviser or distributor or any person providing accounting or legal services to the Fund, Investor Services only will be entitled to indemnification if such entity is otherwise entitled to the indemnification from the Fund.

ITEM 16. EXHIBITS

<Table>		
<S>	<C>	<C>
(1)	(a)	Agreement and Declaration of Trust(1)
	(b)	Certificate of Designation(5)
(2)		Bylaws(1)
(3)		Not Applicable
(4)		Form of Agreement and Plan of Reorganization (included as Appendix A to the Reorganization SAI)(9)
(5)		Specimen Share Certificates(5)
(6)		Investment Advisory Agreement(5)
(7)	(a)	Distribution and Service Agreement(5)
	(b)	Form of Dealer Agreement(8)
	(c)	Form of Broker Fully Disclosed Selling Agreement(2)
	(d)	Form of Bank Fully Disclosed Selling Agreement(2)
(8)	(a)	Form of Trustee Deferred Compensation Plan(3)
	(b)	Form of the Trustee Retirement Plan(3)

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<Table>		
<S>	<C>	<C>
(9)	(a) (i)	Custodian Contract(2)
	(ii)	Amendment to Custodian Contract(6)
	(b)	Transfer Agency and Service Agreement(2)
(10)	(a)	Plan of Distribution Pursuant to 12b-1(5)
	(b)	Form of Shareholder Assistance Agreement(2)
	(c)	Form of Administrative Service Agreement(2)
	(d)	Form of Shareholder Servicing Agreement(7)
	(e)	Amended and Restated Service Plan(7)
	(f)	Second Amended and Restated Multi-Class Plan(9)
(11)	(a)	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP(9)
(12)	(b)	Consent of Skadden, Arps, Slate, Meagher & Flom LLP & Tax Opinion of Skadden, Arps, Slate, Meagher & Flom LLP relating to the Reorganization++

(13)	(a) (i)	Fund Accounting Agreement(2)
	(ii)	Amendments to Fund Accounting Agreement(4) (8)
	(b)	Amended and Restated Legal Services Agreement(7)
(14)	(a)	Consent of Deloitte & Touche LLP+
	(b)	Consent of Ernst & Young LLP+
(15)		Not Applicable
(16)		Power of Attorney+
(17)	(a)	Form of Proxy Card for Target Fund(9)
	(b)	Prospectus of Target Fund(9)

</Table>

- (1) Incorporated herein by reference to Registrant's Registration Statement on Form N-1A, File No. 333-75493, filed April 1, 1999.
- (2) Incorporated herein by reference to Pre-Effective Amendment No. 1 to Registrant's Registration Statement on Form N-1A, File No. 333-75493, filed June 4, 1999.
- (3) Incorporated herein by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form N-1A, File No. 333-75493, filed December 23, 1999.
- (4) Incorporated herein by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form N-1A, File No. 333-75493, filed March 7, 2000.
- (5) Incorporated herein by reference to Post-Effective Amendment No. 6 to Registrant's Registration Statement on Form N-1A, File No. 333-75493, filed September 25, 2001.
- (6) Incorporated herein by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form N-1A, File No. 333-75493, filed December 20, 2001.
- (7) Incorporated herein by reference to Post-Effective Amendment No. 8 to Registrant's Registration Statement on Form N-1A, File No. 333-75493, filed December 20, 2002.
- (8) Incorporated herein by reference to Post-Effective Amendment No. 9 to Registrant's Registration Statement on Form N-1A, File No. 333-75493, filed December 19, 2003.
- (9) Incorporated herein by reference to Registrant's Registration Statement on Form N-14, File No. 333-117011, filed June 30, 2004.

+ Filed herewith.

++ To be filed by further amendment.

ITEM 17. UNDERTAKINGS.

(1) The undersigned registrant agrees that prior to any public re-offering of the securities registered through the use of a prospectus which is a part of this registration statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c) of the Securities Act, the re-offering

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prospectus will contain the information called for by the applicable registration form for re-offerings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) The undersigned registrant agrees that every prospectus that is filed under paragraph (1) above will be filed as a part of an amendment to the registration statement and will not be used until the amendment is effective, and that, in determining any liability under the 1933 Act, each post-effective amendment shall be deemed to be a new registration statement for the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering of them.

(3) The undersigned registrant agrees that, if the Reorganization discussed in the registration statement closes, the Registrant shall file with the Securities and Exchange Commission by post-effective amendment an opinion of counsel supporting the tax matters discussed in the registration statement.

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SIGNATURES

As required by the Securities Act of 1933, this Registration Statement has been signed on behalf of the Registrant in the City of New York and State of New York, on the 12th day of August, 2004.

VAN KAMPEN EQUITY TRUST II

By: /s/ STEFANIE CHANG YU

 Stefanie Chang Yu
 Vice President and Secretary

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on August 12, 2004.

<Table>
 <Caption>

<S>	SIGNATURE -----	<C>	TITLE -----
Principal Executive Officer:	/s/ RONALD E. ROBISON* ----- Ronald E. Robison		Executive Vice President and Principal Executive Officer
Principal Financial Officer:	/s/ JAMES M. DYKAS ----- James M. Dykas		Chief Financial Officer and Treasurer
Trustees:	/s/ DAVID C. ARCH* ----- David C. Arch		Trustee
	/s/ J. MILES BRANAGAN* ----- J. Miles Branagan		Trustee
	/s/ JERRY D. CHOATE* ----- Jerry D. Choate		Trustee
	/s/ ROD DAMMEYER* ----- Rod Dammeyer		Trustee
	/s/ LINDA HUTTON HEAGY* ----- Linda Hutton Heagy		Trustee
	/s/ R. CRAIG KENNEDY* ----- R. Craig Kennedy		Trustee
	/s/ HOWARD J KERR* ----- Howard J Kerr		Trustee
	/s/ MITCHELL M. MERIN* ----- Mitchell M. Merin		Trustee and President

/s/ JACK E. NELSON*

Trustee

Jack E. Nelson

</Table>

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<Table>

<Caption>

SIGNATURE

TITLE

<S> <C>

<C>

/s/ RICHARD F. POWERS, III*

Trustee

Richard F. Powers, III

/s/ HUGO F. SONNENSCHNEIN*

Trustee

Hugo F. Sonnenschein

/s/ WAYNE W. WHALEN*

Trustee and Chairman

Wayne W. Whalen

/s/ SUZANNE H. WOOLSEY*

Trustee

Suzanne H. Woolsey

* Signed by Stefanie Chang Yu pursuant to a Power of Attorney, filed herewith.

/s/ STEFANIE CHANG YU

Stefanie Chang Yu
Attorney-in-Fact

August 12, 2004

</Table>

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SCHEDULE OF EXHIBITS TO FORM N-14
VAN KAMPEN EQUITY TRUST II

<Table>

<Caption>

EXHIBIT

<C> <S> <C>

11 (b) Consent of Skadden, Arps, Slate, Meagher & Flom LLP

14 (a) Consent of Deloitte & Touche LLP

(b) Consent of Ernst & Young LLP

16 Power of Attorney

</Table>

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement of Van Kampen Equity Trust II on Form N-14 under the Securities Act of 1933, of our report dated August 8, 2003 for the Van Kampen International Magnum Fund, for the year ended June 30, 2003, included as part of the Van Kampen Series Fund, Inc. Form N-CSR as filed with the Securities and Exchange Commission on August 29, 2003, included in the Statement of Additional Information which is part of this Registration Statement. We also consent to the reference to us under the heading of "Independent Auditors" included in such Statement of Additional Information. We also consent to the reference to us under the heading "Other Service Providers" in the Prospectus/Proxy Statement, which is also part of this Registration Statement.

DELOITTE & TOUCHE LLP

Chicago, Illinois
August 10, 2004

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Other Service Providers" and to the incorporation by reference of our report dated October 8, 2003 for the Van Kampen International Advantage Fund in the Registration Statement (Form N-14) of the Van Kampen Equity Trust II filed with the Securities and Exchange Commission in this Pre-Effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933 (Registration No. 333-117011).

ERNST & YOUNG LLP

Chicago, Illinois
August 9, 2004

POWER OF ATTORNEY

The undersigned,

- 1) being officers and trustees/directors of:
 - a) each of the Van Kampen Open-End Trusts (the "Delaware Open-End Trusts") as indicated on Schedule 1 attached hereto and incorporated by reference, each a Delaware statutory trust,
 - b) the Van Kampen Pennsylvania Tax Free Income Fund (the "Pennsylvania Open-End Trust"), a Pennsylvania trust, and
 - c) the Van Kampen Series Fund, Inc. (the "Corporation"), a Maryland corporation, (collectively, the Delaware Open-End Trusts, Pennsylvania Open-End Trust, and the Corporation are referred to herein as the "Open-End Funds");
 - d) each of the Van Kampen Closed-End Trusts (the "Massachusetts Closed-End Trusts") as indicated on Schedule 2 attached hereto and incorporated by reference, each a Massachusetts business trust,
 - e) each of the Van Kampen Income Trust and Van Kampen Bond Fund (the "Delaware Closed-End Trusts"), each a Delaware statutory trust,
 - f) each of the Van Kampen Pennsylvania Quality Municipal Trust, Van Kampen Trust for Investment Grade Pennsylvania Municipals, Van Kampen Advantage Pennsylvania Municipal Income Trust and Van Kampen Pennsylvania Value Municipal Income Trust (the "Pennsylvania Closed-End Trusts"), each a Pennsylvania trust (collectively, the Massachusetts Closed-End Trusts, Delaware Closed-End Trusts and Pennsylvania Closed-End Trusts are referred to herein as the "Closed-End Funds");
- 2) being officers and trustees, with the exception of J. Miles Branagan, Jerry D. Choate, Linda Hutton Heagy, R. Craig Kennedy, Mitchell M. Merin (Mr. Merin is president but not a trustee), Jack E. Nelson and Suzanne H. Woolsey, of:
 - a) each of the Van Kampen Senior Income Trust and Van Kampen Senior Loan Fund (the "Senior Loan Funds"), each a Massachusetts business trust;
- 3) being officers and managing general partners of:
 - a) the Van Kampen Exchange Fund (the "Exchange Fund"), a California Limited Partnership (collectively, the Open-End Funds, Closed-End Funds, Senior Loan Funds and Exchange Fund are referred to herein as the "Funds")

do hereby, in the capacities shown below, appoint Stefanie Chang Yu, Amy Doberman and Lou Anne McInnis each of New York, New York, as agents and attorneys-in-fact with full power of substitution and resubstitution, for each of the undersigned, as fully to all intents as he or she might or could do in person, for the purposes to execute and deliver, for and on behalf of the undersigned, any Registration Statement on Form N-1A of the Open-End Funds or Exchange Fund (including any and all amendments thereto), any Registration

Statement on Form N-2 of the Closed-End Funds or Senior Loan Funds (including any and all amendments thereto), any Registration Statement on Form N-14 of the Funds (including any and all amendments thereto) and any other document, upon the advice of counsel, filed by each Fund with the Securities and Exchange Commission pursuant to the provisions of the Securities Act of 1933, the Securities Exchange Act of 1934 and the Investment Company Act of 1940.

This Power of Attorney may be executed in multiple counterparts, each of which shall be deemed an original, but which taken together shall constitute one instrument.

Dated: August 11, 2004

<TABLE>
<CAPTION>

<S> Signature	<C> Title
_____ Mitchell M. Merin	President and Trustee/Director/Managing General Partner
_____ Ronald E. Robison	Executive Vice President and Principal Executive Officer
_____ James M. Dykas	Chief Financial Officer and Treasurer
_____ David C. Arch	Trustee/Director/Managing General Partner
_____ J. Miles Branagan	Trustee/Director/Managing General Partner
_____ Jerry D. Choate	Trustee/Director/Managing General Partner
_____ Rod Dammeyer	Trustee/Director/Managing General Partner
_____ Linda Hutton Heagy	Trustee/Director/Managing General Partner
_____ R. Craig Kennedy	Trustee/Director/Managing General Partner
_____ Howard J Kerr	Trustee/Director/Managing General Partner
_____ Jack E. Nelson	Trustee/Director/Managing General Partner
_____ Richard F. Powers, III	Trustee/Director/Managing General Partner
_____ Hugo F. Sonnenschein	Trustee/Director/Managing General Partner
_____ Wayne W. Whalen	Trustee/Director/Managing General Partner
_____ Suzanne H. Woolsey	Trustee/Director/Managing General Partner

</TABLE>

SCHEDULE 1

VAN KAMPEN U.S. GOVERNMENT TRUST
VAN KAMPEN TAX FREE TRUST
VAN KAMPEN TRUST
VAN KAMPEN EQUITY TRUST
VAN KAMPEN EQUITY TRUST II
VAN KAMPEN TAX FREE MONEY FUND
VAN KAMPEN COMSTOCK FUND
VAN KAMPEN CORPORATE BOND FUND
VAN KAMPEN EMERGING GROWTH FUND
VAN KAMPEN ENTERPRISE FUND
VAN KAMPEN EQUITY AND INCOME FUND
VAN KAMPEN GOVERNMENT SECURITIES FUND
VAN KAMPEN GROWTH AND INCOME FUND
VAN KAMPEN HARBOR FUND
VAN KAMPEN HIGH INCOME CORPORATE BOND FUND
VAN KAMPEN LIFE INVESTMENT TRUST
VAN KAMPEN LIMITED DURATION FUND
VAN KAMPEN PACE FUND
VAN KAMPEN REAL ESTATE SECURITIES FUND
VAN KAMPEN RESERVE FUND
VAN KAMPEN TAX-EXEMPT TRUST

SCHEDULE 2

VAN KAMPEN MUNICIPAL INCOME TRUST
VAN KAMPEN CALIFORNIA MUNICIPAL TRUST
VAN KAMPEN HIGH INCOME TRUST
VAN KAMPEN HIGH INCOME TRUST II
VAN KAMPEN INVESTMENT GRADE MUNICIPAL TRUST
VAN KAMPEN MUNICIPAL TRUST
VAN KAMPEN CALIFORNIA QUALITY MUNICIPAL TRUST
VAN KAMPEN FLORIDA QUALITY MUNICIPAL TRUST
VAN KAMPEN NEW YORK QUALITY MUNICIPAL TRUST
VAN KAMPEN OHIO QUALITY MUNICIPAL TRUST
VAN KAMPEN TRUST FOR INSURED MUNICIPALS
VAN KAMPEN TRUST FOR INVESTMENT GRADE MUNICIPALS
VAN KAMPEN TRUST FOR INVESTMENT GRADE CALIFORNIA MUNICIPALS
VAN KAMPEN TRUST FOR INVESTMENT GRADE FLORIDA MUNICIPALS
VAN KAMPEN TRUST FOR INVESTMENT GRADE NEW JERSEY MUNICIPALS
VAN KAMPEN TRUST FOR INVESTMENT GRADE NEW YORK MUNICIPALS
VAN KAMPEN MUNICIPAL OPPORTUNITY TRUST
VAN KAMPEN ADVANTAGE MUNICIPAL INCOME TRUST
VAN KAMPEN STRATEGIC SECTOR MUNICIPAL TRUST
VAN KAMPEN VALUE MUNICIPAL INCOME TRUST
VAN KAMPEN CALIFORNIA VALUE MUNICIPAL INCOME TRUST
VAN KAMPEN MASSACHUSETTS VALUE MUNICIPAL INCOME TRUST
VAN KAMPEN NEW YORK VALUE MUNICIPAL INCOME TRUST
VAN KAMPEN OHIO VALUE MUNICIPAL INCOME TRUST
VAN KAMPEN MUNICIPAL OPPORTUNITY TRUST II
VAN KAMPEN ADVANTAGE MUNICIPAL INCOME TRUST II
VAN KAMPEN SELECT SECTOR MUNICIPAL TRUST

