

Scudder income funds

www.scudder.com

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To obtain a prospectus for any product, download one from Scudder.com, talk to your financial advisor or call Shareholder Services at (800) 621-1048. Prospectuses contain more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

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SCUDDER
INVESTMENTS

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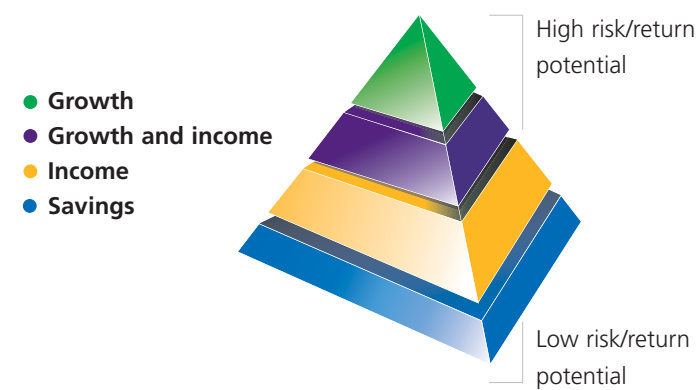
Investor guide to boost income potential



for more information
on Scudder income investing, please contact your financial representative
or call Scudder Investments Shareholder Services at (800) 621-1048.

Make your money work smarter with income investing

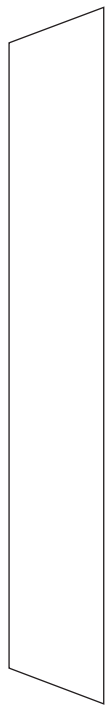
Do you consider your income-producing investments as a cornerstone to your entire portfolio? If you do, you're in good company. Many of the world's largest institutions — and most successful individual investors — prefer having conservative income investments at the base of a comprehensive program that also includes common stocks and other investments.



The right blend of income vehicles may:

- Provide an attractive level of income
- Temper risk to your overall portfolio
- Increase principal protection
- Reduce taxes
- Offer access to your money when you need it

Find out how your money might provide you with more dollars today — or help you meet your future needs.



Find more income potential in bonds

You may be expecting too much from your savings vehicles.

While money market funds pursue a constant \$1 dollar share price and certificates of deposit offer certain protections against loss of principal, they both provide significantly lower income streams than those typically available from bonds.

Safety, like insurance, has its costs. And, in the world of investing, the price for protection may result in lost earnings.

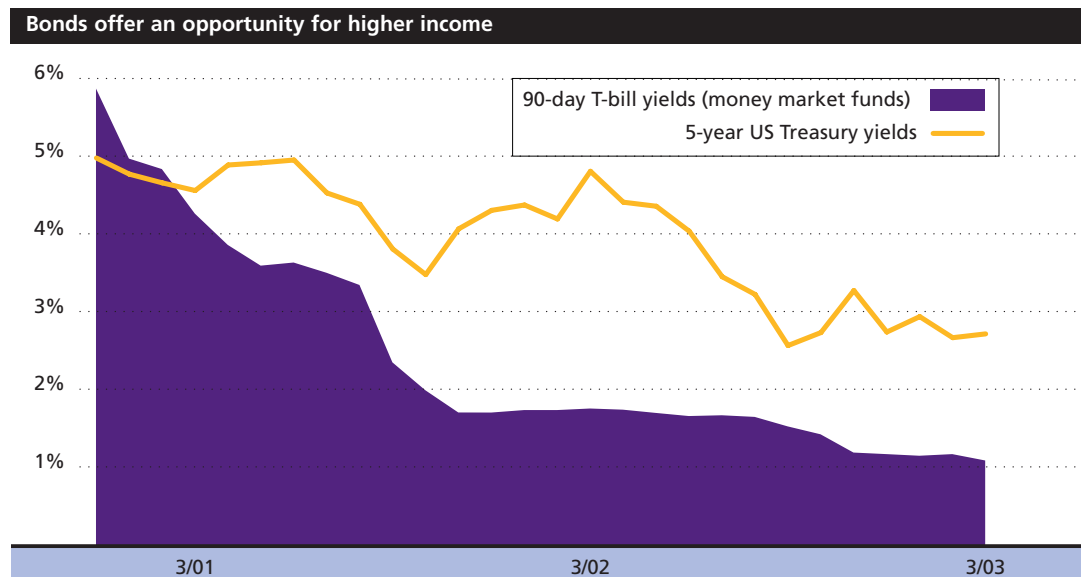
HAVE YOU RECEIVED A CUT IN PAY FROM YOUR MONEY MARKET ACCOUNT?

In just over two years, \$1,000 in earned interest from a typical money market account would have declined to \$170 today — *that's like taking an 83% cut in pay.*

As the chart below illustrates, while the yield on money market funds has declined precipitously in just over two years, alternative investments such as five-year Treasuries have maintained their distinct yield advantage.

If you can accept a reasonable amount of principal fluctuation in exchange for giving yourself “a raise in pay,” you may want to pursue intermediate- to longer-term income alternatives.

Money market yields have declined some 83% in just over two years.



Source: Bloomberg News, 2002. The chart is for illustrative purposes only and incorporates historical performance with no guarantee future investments will provide similar results. It does not represent the performance of any Scudder fund. Past performance is no guarantee of future results. Please see the last page for important disclosure and definitions.

Where can you go to replace lost income?
Bonds may offer an answer.

The power of bonds can be dramatic

Some individuals invest for the short term in savings vehicles when they really have a longer-term perspective. They tend to roll over CDs and grow their money market assets — even if they don't need the money right away.

Such individuals may be better off in longer-term income alternatives like bonds.

ENJOY THE LONGER-TERM REWARD OF BOND INVESTING

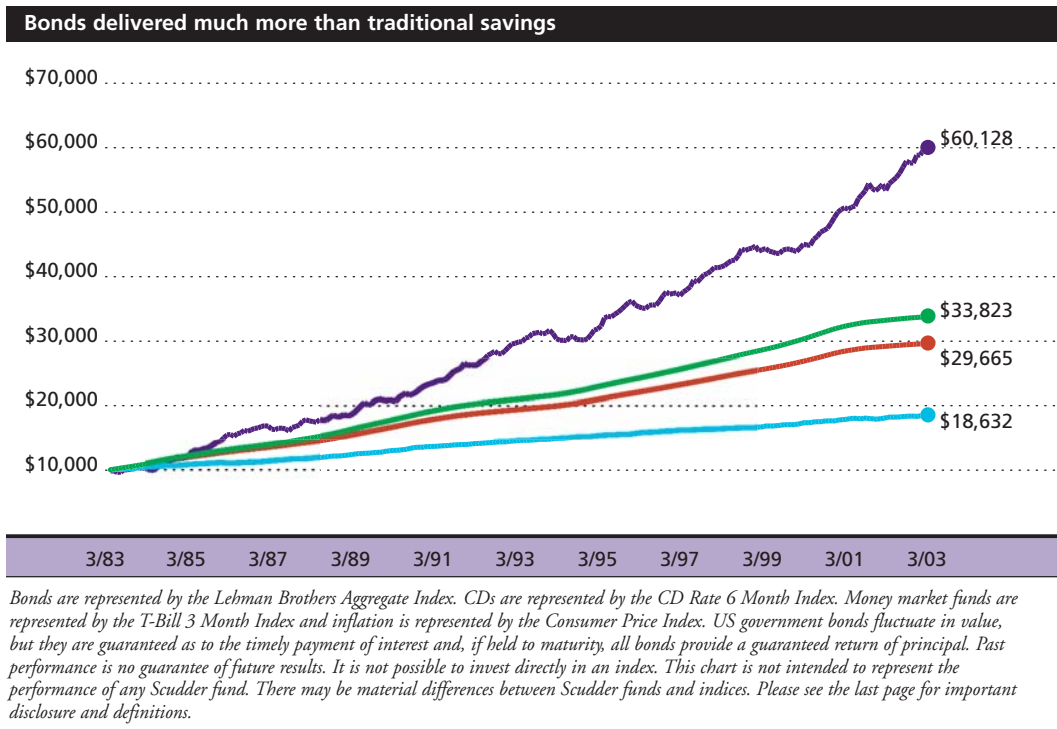
Over the long term, through up-and-down market conditions, bond investors have earned substantially more than savers — as the chart below forcefully demonstrates.

ASSUMPTIONS

Investments: \$10,000 in each index, all dividends and capital gains reinvested

- Bonds
- Money market funds
- Six-month CDs
- Inflation

Time period: 20 years ended 3/31/03



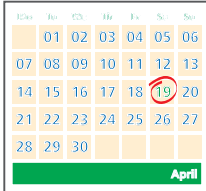
Corporate bonds provided almost double the return of CDs.

Are you right for tax-free income?

HOW TO INVEST FOR INCOME AND GIVE YOURSELF A TAX BREAK, TOO

Taxes can take a big bite of your income earnings. Through investments in municipal bonds, you ease your tax bite by receiving income that is exempt from federal taxes — as well as state and sometimes local taxes in the case of state-issued bonds.*

One way to view the huge impact taxes have on earnings has been developed by the nonprofit Tax Foundation.



- **Tax Freedom Day** is the date on which it's estimated that the average worker would have earned enough to pay his/her taxes for the year.
- **It takes 109 days** On average, the average American must work 109 days out of the year just to pay for federal, state and local taxes. Tax freedom days fell on April 19 in 2003.

WHAT'S A "MUNI"?

- **An IOU** A municipal bond is an IOU issued by a state, city or local government to fund public projects, such as hospitals, schools, recreational facilities and much more.
- **Support your community** So, while you're investing for tax-free income, you're also helping to finance and support many important public works.

SEE THE DIFFERENCE TAX-FREE COMPOUNDING CAN MAKE

By reinvesting your tax-free dividends, you may grow your investment faster than a taxable income alternative.

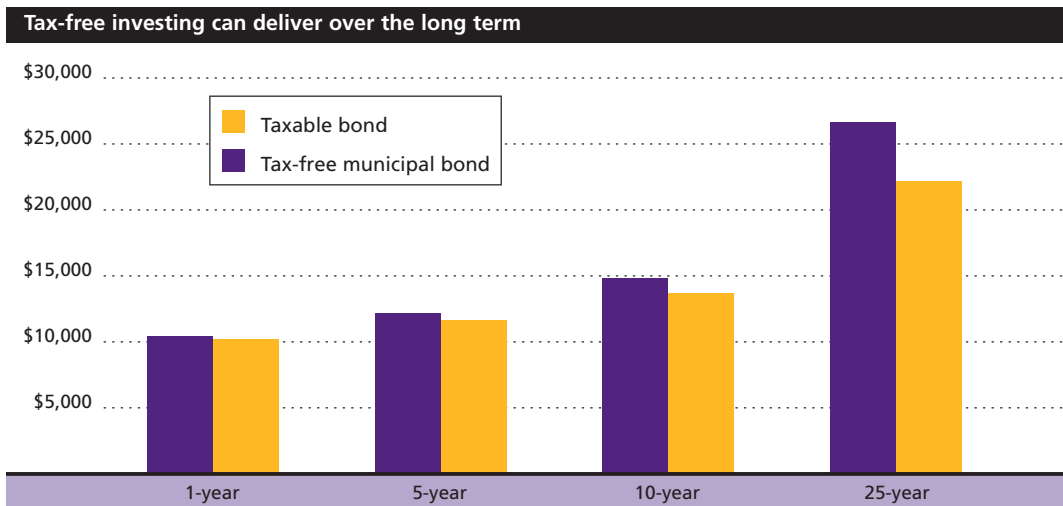


Chart performance is illustrative in nature, and does not reflect the performance of any Scudder investment. Depending on state and local taxes and your tax status, a portion of your income may be subject to the federal alternative minimum tax. Please consult your tax advisor for guidance.

Past performance is no guarantee of future results.

**Although the fund seeks income that is federally tax-free, a portion of the fund's distributions may be subject to federal, state and local tax, and the alternative minimum tax.*

Potential freedom from taxes — with municipal bonds

Bond funds are not just for income investors

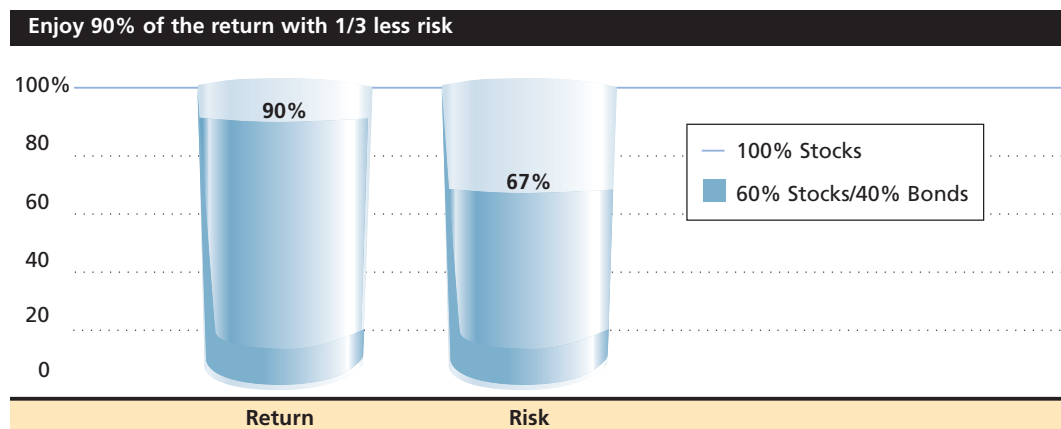
They're for prudent, moderate investors, too — people who might prefer a bit more share price stability than the equity markets have offered.

- **Is your portfolio underweighted in bonds?** Many financial professionals consider that 40% bonds to 60% equities is about the right blend for a moderate portfolio. How much do you have?
- **Income buffer to an equity portfolio** Bonds may provide a cushion of income to temper portfolio volatility — just like a shock absorber.

A STRONG STRATEGY FOR DIVERSIFICATION

This chart compares the average annual returns of selected blends of bonds and stocks, represented by the Standard & Poor's 500 index and the Lehman Brothers Aggregate Bond Index. Much the way the S&P 500 is a benchmark for many widely known stocks, the LB Aggregate represents a wide selection of investment-grade bonds, including Treasuries, mortgage and corporate.

A portfolio of 60% stocks and 40% bonds has provided 90% of the return and one-third less risk than an investment in a single asset class.



Past performance is no guarantee of future results. Stocks are represented by the S&P 500 index, and bonds are represented by the Lehman Brothers Aggregate Bond Index. The 60/40 mix of the portfolio assumes annual rebalancing. Risk is represented by the annualized monthly standard deviation of the 20-year period ended 12/31/02. See back page for standard deviation definition. It is not possible to invest directly in an index.

Add an income buffer to your portfolio.

Scudder bond funds offer more

Bond funds can simplify building and using your investment.

Whether you are thinking about bonds for income today or in the future, you and your financial advisor need to decide whether you should invest in individual bonds or in a professionally managed bond portfolio.

A lot depends on whether you and your advisor have the time and expertise to pay close attention to how the market affects your portfolio. If you're not inclined to monitor interest rate changes, or undertake a company's credit analysis, you could be a candidate for one of Scudder's professionally managed bond mutual funds.

ABOUT SCUDDER

Scudder bond funds are part of Scudder Investments, the domestic brand name for Deutsche Asset Management. With more than 75 years of investment management experience and over \$661 billion assets under management globally (as of 3/31/03), the firm is one of the world's leading investment management organizations.

Some of the world's largest institutions rely on Scudder's fixed-income expertise to manage their charitable endowment, retirement plan and pension fund assets.

Take advantage of the same disciplined process yourself to seek consistent performance designed to exceed benchmarks and peer groups.

BOND MUTUAL FUNDS OFFER COMPELLING ADVANTAGES

In contrast to savings vehicles, such as certificates of deposit or other bond investment options, like individual bonds, a fixed-income mutual fund offers more than just attractive current income potential. Bond funds can provide ease of access (liquidity), professional management, portfolio diversification, among other advantages.

Benefits of bond funds adds up

	Certificates of deposit	Individual bonds	Bond mutual funds
Income	■	■	■
Liquidity No withdrawal penalties		■	■ ¹
May take advantage of changing rates			■
Professionally managed			■
Portfolio diversification	■	■	■
Systematic investment plans			■

■ = Provides the benefit

¹Can be payable monthly, too

Scudder bond funds: a proven method for money management

Which Scudder bond fund is right for you?

75 YEARS OF INCOME EXPERTISE

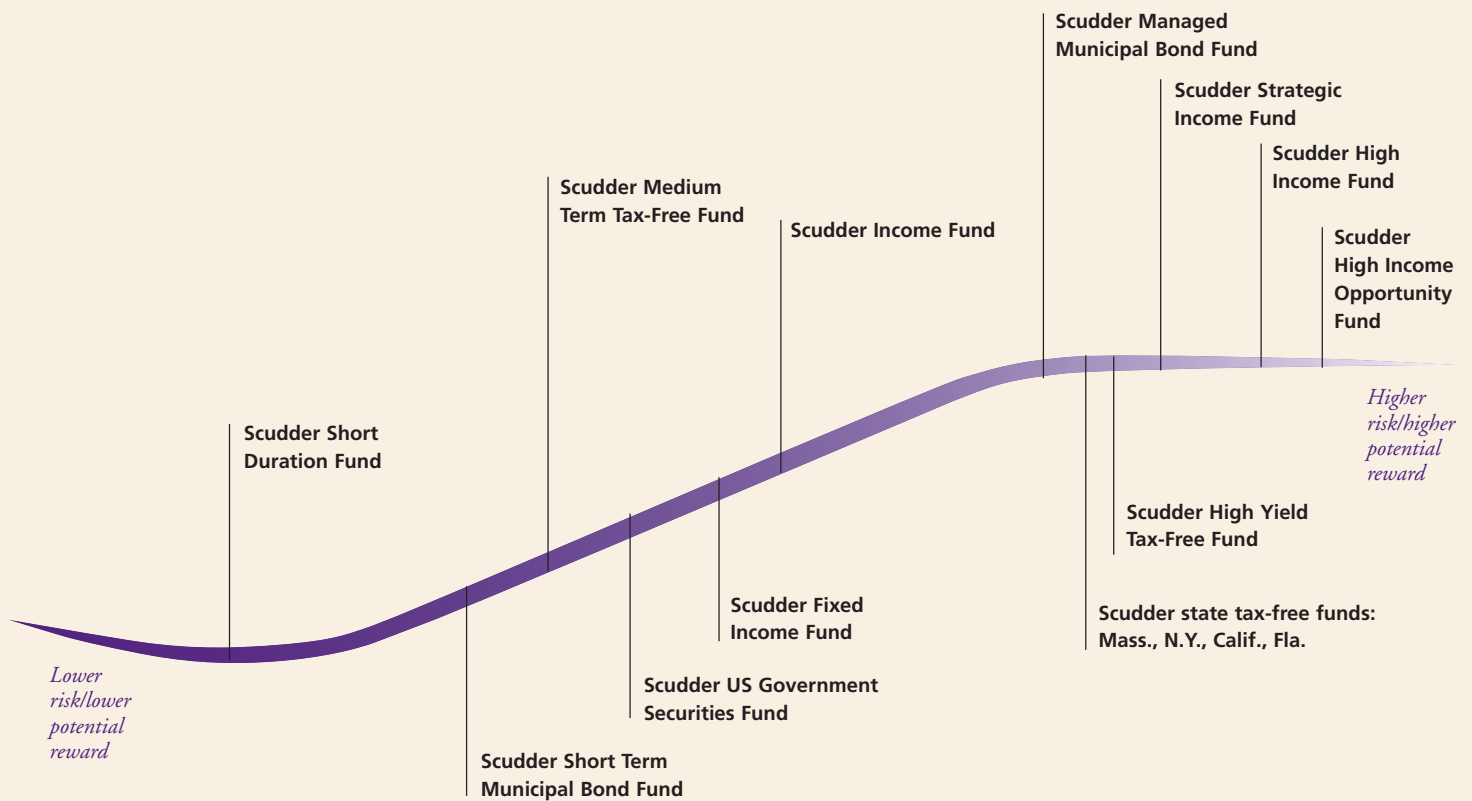
Our fixed-income portfolios take full advantage of our resources, including the combined insights of more than 600 portfolio managers and analysts who work throughout the world's major investment centers.

YOU'LL BE COMFORTABLE WITH OUR TIME-TESTED APPROACH

Scudder bond funds can provide a strong foundation to your investment portfolio. Our straightforward, prudent investment policies are the kind that can help you sleep well at night.

A FULL MENU OF BOND FUND CHOICES

We offer a broad range of taxable and tax-exempt income choices across the risk/reward spectrum for investors like you.



Scudder's investment managers can help meet your need for more income with relative share price stability.

Scudder's bond fund lineup

TAXABLE BOND FUNDS

Scudder Short Duration Fund

Prefers a reasonable yield, characterized by consistency and minimum share price fluctuations, through short-term instruments.

Scudder US Government Securities Fund

Seeks high current income, liquidity and security of principal by investing in a portfolio of US government securities, focusing on Government National Mortgage Association (GNMA) securities.

Scudder Fixed Income Fund

Looks for a high level of income consistent with the preservation of capital, primarily through investment-grade bonds.

Scudder Income Fund

Seeks a high level of income consistent with preservation of capital by investing primarily in investment-grade debt securities.

Scudder Strategic Income Fund

Offers high current return, primarily through bonds issued by US and foreign corporations and governments.

Scudder High Income Fund

Seeks high current income and, as a secondary objective, capital appreciation by investing primarily in high-yield bonds of domestic and foreign issuers.

Scudder High Income Opportunity Fund

Pursues total return through high current income and capital appreciation.

TAX-FREE BOND FUNDS

Scudder Short Term Municipal Bond Fund

Seeks a high level of income exempt from regular federal income tax, consistent with the preservation of capital, by investing primarily in investment-grade, short-term, fixed-income securities that pay interest exempt from federal income tax.

Scudder Medium Term Tax-Free Fund

Seeks as high a level of current income that is exempt from federal income taxes as is consistent with preservation of capital, primarily through intermediate-term municipal securities.

Scudder Managed Municipal Bond Fund

Pursues as high a level of current tax-free income as is consistent with capital preservation, through high-grade, long-term municipal securities.

Scudder state tax-free funds: Mass., N.Y., Calif., Fla.

Wants to take advantage of double, and perhaps triple, tax exemption in pursuit of attractive income, consistent with preservation of capital, through high-grade, long-term state municipal securities.

Scudder High Yield Tax-Free Fund

Looks for a high level of tax-free income exempt from regular federal income taxes, with up to 50% of assets invested in high-yielding municipal debt.

Take the next step

With Scudder, it's simple to build your investment program and convenient to use when you need it. Take a closer look at these other valuable benefits that go with fund share ownership.

- **Ease of investing** Low initial minimums
- **Reinvest distributions at net asset value** with no sales charge
- **Statement of intention** Qualify for a reduced sales charge by signing an agreement to invest between \$50,000 and \$1 million over a 13-month period
- **Ready access to your money** Sell shares on any business day at the then-current net asset value, which may be more or less than original cost
- **Free reference material and account information** Simply call (800) 621-1048

ASK YOUR FINANCIAL ADVISOR MORE INFORMATION

This trained expert can help evaluate your income needs — and your tolerance for risk — as well as explore questions like these:

	Yes	No
1. Am I more concerned with income or future growth of income?	<input type="checkbox"/>	<input type="checkbox"/>
2. What is my investment horizon?	<input type="checkbox"/>	<input type="checkbox"/>
3. How much of an “emergency fund” do I need to keep in savings?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is my investment portfolio adequately diversified across fixed-income sectors?	<input type="checkbox"/>	<input type="checkbox"/>
5. Could my current portfolio benefit from a tax-advantaged investment?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do I have downside protection to balance out my equity holdings?	<input type="checkbox"/>	<input type="checkbox"/>

WANT MORE INFORMATION?

Ask your financial professional for more information about any of our bond mutual funds. Or call us at (800) 621-1048.

Boost your
income potential
with Scudder today.

