

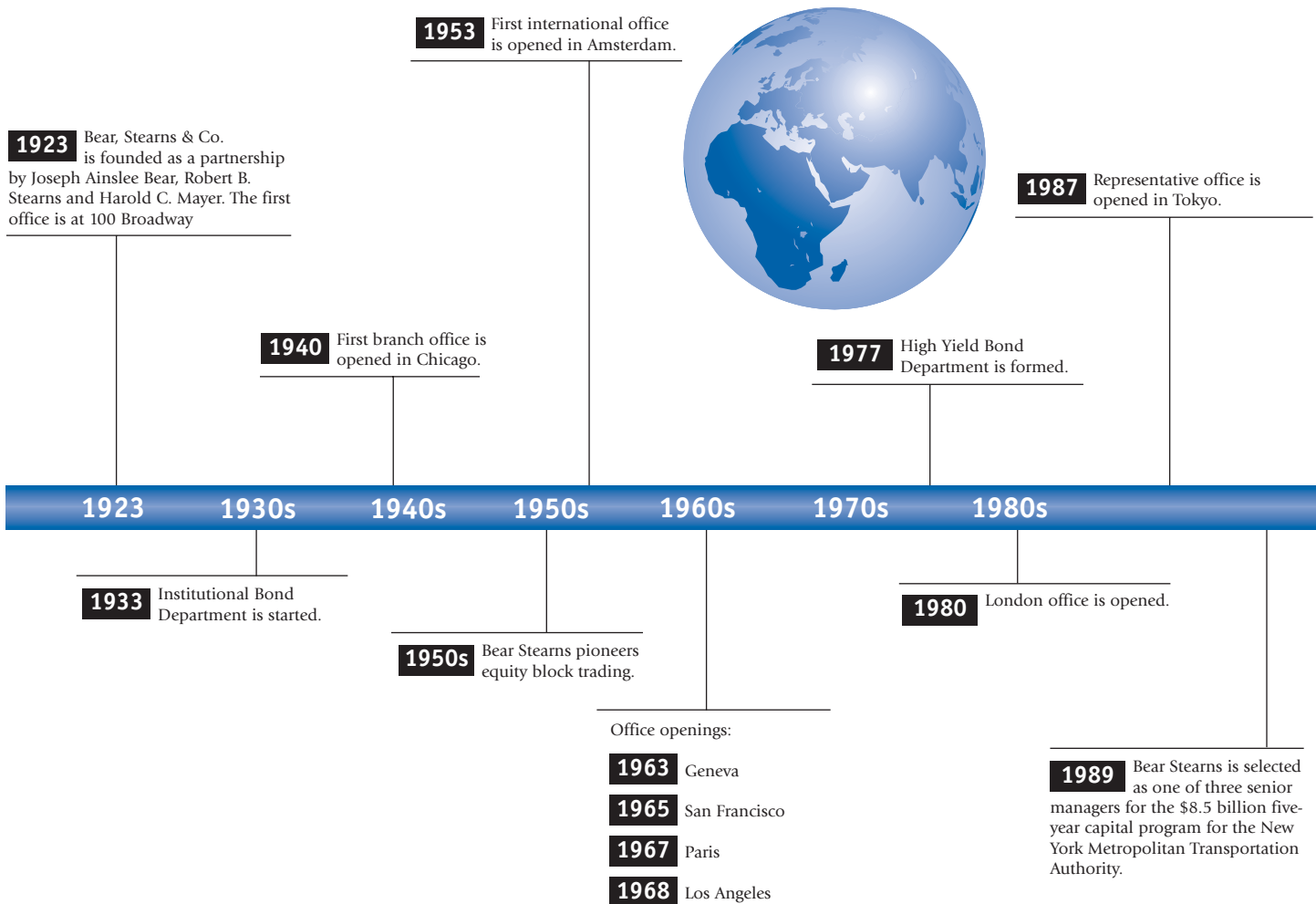
**The Bear Stearns Funds**



**March 2003**

# Bear Stearns Asset Management Inc.:

Since its founding in 1923, Bear, Stearns & Co. Inc. has become one of the largest financial services institutions in the United States. The consistency and success of the firm is evidenced by its unbroken record of profitability every year. As a result of its secure financial foundation, Bear Stearns has been able to attract and maintain a team of outstanding professionals and to provide the highest quality service and products to its clients. Today, with an extensive network of international and domestic offices and approximately 10,500 employees, the firm is a leader in investment research and financial analytics, with expertise in both domestic and international markets, including emerging markets and other specialty areas.



# Managing More Than \$20 Billion in Assets

In 1984, Bear Stearns Asset Management Inc. (BSAM®) was established to draw upon this wealth of resources in providing investment management services to institutional and high-net-worth investors. BSAM is the registered investment adviser for The Bear Stearns Funds and manages more than \$20 billion for a diverse client base, including corporations, public systems, multi-employer plans, endowments, foundations, insurance companies and high-net-worth individuals. We offer investment expertise across a wide spectrum of disciplines, including U.S. and international equities, fixed income, balanced accounts and alternative investments. We believe the keys to our success lie in the discipline of our process, the quality of our professionals, the consistency of our performance and our commitment to client service.

## DEAL of the YEAR

**1993** Bear Stearns serves as adviser to PNC Bank Corp. in its acquisition of Sears Mortgage Banking Group, the largest acquisition of a mortgage banking company to date. The transaction is selected as a "Deal of the Year" by *Institutional Investor*.

In April, a representative office is opened in Shanghai. Bear Stearns is the second US investment bank to be represented in the People's Republic of China.

**1998** On January 1, Bear Stearns launched three new funds: the International Equity, Alpha Growth and High Yield Total Return Portfolios.

**1997** In April, Bear Stearns receives a banking license to open Bear Stearns Bank plc in Dublin, which will engage primarily in non-US based capital markets activities.

**1999** In July, Bear Stearns acts as global coordinator and joint-bookrunning manager for Ford Motor Company's \$8.6 billion Global Landmark Securities™ offering, the largest corporate debt offering to date.



**2003** Bear Stearns named the Most Admired Financial Services Company by *Fortune Magazine*.

## 1990s



**1995** In March, Bear Stearns launches a family of mutual funds, The Bear Stearns Funds, which includes the S&P STARS Portfolio and *The Insiders Select Fund*.

**1996** On April 2, Bear Stearns joint lead manages a \$1.6 billion offering of high yield preferred stock for Time Warner Inc. This deal is recognized as a "Breakthrough Deal" by *Investment Dealers' Digest* and a "Deal of the Year" by *Institutional Investor*.

In April, Bear Stearns serves as financial adviser to NYNEX in its \$52 billion "merger-of-equals" with Bell Atlantic — the largest merger to date. The new entity is the second-largest telecommunications company. The deal is recognized as a "Breakthrough Deal" by *Investment Dealers' Digest* and a "Deal of the Year" by *Institutional Investor*.

BREAKTHROUGH  
DEAL

DEAL of the YEAR

## 2000s



**2001** Bear Stearns establishes the new world headquarters at 383 Madison Avenue. Sitting atop the tower is a crown constructed of glass panels that will now become part of the New York City skyline.

On October 1, Bear Stearns launches a new fund, S&P STARS Opportunities Portfolio.

## Symbols and CUSIP Numbers

Fund	Class	Symbol	CUSIP Numbers
S&P STARS Portfolio	A	BSPAX	073921702
	B	BSPBX	073921777
	C	BSPCX	073921801
S&P STARS Opportunities Portfolio	A	BSOAX	073921520
	B	BSOBX	073921512
	C	BSOCX	073921496
The Insiders Select Fund	A	BSIAX	073921876
	B	BSIBX	073921744
	C	BSICX	073921868
Intrinsic Value Portfolio	A	BLCAX	073921108
	B	BLCBX	073921769
	C	BLCCX	073921207
Small Cap Value Portfolio	A	BSVAX	073921306
	B	BSVBX	073921751
	C	BSVCX	073921405
Alpha Growth Portfolio	A	BSFAX	073921793
	B	BSFBX	073921587
	C	BSFCX	073921579
International Equity Portfolio	A	BIEAX	073921678
	B	BIEBX	073921660
	C	BIEQX	073921652
Income Portfolio	A	BTRAX	073921504
	B	BTRBX	073921736
	C	BTRCX	073921603
High Yield Total Return Portfolio	A	BSHAX	073921728
	B	BSHBX	073921710
	C	BSHCX	073921694
Money Market	A	BMAAZ	00099A307
	B	BMMBZ	00099A513
	C	BMMCZ	00099A208

### Sales Charges

#### A Shares

Minimum investment: \$1,000  
 Maximum up-front sales charge of 5.50%; reallowance: 5.25% (equity)  
 Maximum up-front sales charge of 4.50%; reallowance: 4.25% (fixed income)  
 Annual Trail: .25% paid quarterly — beginning in the 13th month

#### B Shares

Minimum investment: \$1,000  
 Maximum investment: \$499,999  
 CDSC: 6-year declining back-end sales charge: 5%, 4%, 3%, 3%, 2%, 1%, 0%. Converts to A shares in year 8.  
 Reallowance: 4.25%  
 Annual Trail: .25% paid quarterly — beginning in the 13th month  
 May redeem up to 12% annually with systematic withdrawal plan.

#### C Shares

Minimum investment: \$1,000  
 Maximum investment: \$999,999  
 CDSC: 1% for the first 12 months  
 Reallowance: 1.00%  
 Annual Trail: 1.00% paid quarterly — beginning in the 13th month  
 May redeem up to 12% annually with systematic withdrawal plan.

**For Marketing and Sales Information Please Call 1-800-766-4111**

# The Bear Stearns Funds

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*This literature is authorized for distribution only when preceded or accompanied by a prospectus, which should be read carefully before investing or sending money. It is important to bear in mind that the performance data quoted contained herein represents past performance, which is not a guarantee of future results, and the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*



## Market Review and Outlook

The first quarter brought to a close months of uncertainty regarding the potential for war with Iraq. During the quarter, a high level of investor anxiety gave way to a period of stock and bond market optimism as the war began, with mixed results thereafter.

As anxiety grew in the weeks leading up to the first attacks on Iraq, the markets experienced a flight to quality in which stock prices fell precipitously and Treasury yields declined to historical lows. The yield on the two-year Treasury note reached an all-time low of 1.34%, and both the five-year note and ten-year bond fell to 40-year lows. Oil, which had opened the quarter at \$32 per barrel, traded up to \$38 as concerns increased about the supply disruptions that might accompany a war. The economy was further strained by a series of winter storms, which slowed business and kept shoppers at home. Most retailers posted disappointing sales as a result.

### War Optimism Sparks a Rally...

President Bush's pronouncement of a final ultimatum to Iraq sparked a rally in the equity markets as it became apparent that the uncertainty about the potential for war would soon be resolved. With the onset of war, the swift success of coalition forces in securing the southern oil fields of Iraq, which account for roughly 60% of the country's oil production, contributed to the rally. Oil prices responded to this news, trading down to approximately \$30 by the quarter's end. In March, the Dow Jones Industrial Average experienced its best week of performance since 1982, gaining 574 points. The Treasury market witnessed a dramatic sell-off, bringing yields back to levels equal to those at the quarter's start. Spreads on corporate issues, which had begun to tighten in the fourth quarter of 2002, tightened further, providing evidence that much of the risk premium that had been built into the fixed income markets was being unwound. As expected, the Federal Reserve left rates unchanged at its January and March meetings.

During the quarter, growth stocks significantly outperformed value stocks, with most of the outperformance occurring among large cap companies in the technology sector. Investors appeared willing to bet on an economic recovery in technology, but not in other economically sensitive sectors that traditionally outperform during a recovery, such as consumer cyclicals. The technology-heavy Nasdaq 100 closed the quarter up 3.6%, versus -3.6% for the S&P 500.

### ...But the Economic Malaise Persists...

As the quarter drew to a close, symptoms of economic malaise continued. Uncertainties surrounding the war caused consumer confidence to plunge, putting a damper on spending. Auto sales slowed significantly as the effect of the prior year's 0% financing packages had largely run its course. Unemployment remained high, driving confidence down further. At the corporate level, historically low levels of capacity utilization have had a significant negative impact on profitability in recent quarters, leaving capital expenditures anemic as a result. As a result, GDP for the first quarter is currently estimated at below 2%—well below trend.

### ...With Reasons to Expect Improvement

Looking forward, there are a number of reasons to expect the picture to improve over the coming year. Powerful monetary and fiscal stimulus packages are in place to propel growth: the targeted federal funds rate is 1.25%—its lowest level in 44 years, and further tax cuts are pending in Washington. Importantly, lower oil prices have taken some pressure off the economy, leading to forecasts of higher growth. The fact that oil had been approaching \$40 per barrel was concerning since rising oil prices act as a tax to both consumers and corporations. In addition, since most prior recessions have been accompanied by oil shocks, the quarter's drop in prices bodes particularly well for the future. Finally, the quarter's rally in technology and telecommunications stocks underscores the belief among many investors that the underlying foundation of the economy is sound, and that once the war is behind us, the economy will be poised for a meaningful recovery.

### Steady as She Goes

Our outlook for the near term is for a somewhat muted recovery. Once demand picks up, however, we expect to see a trend of inventory replenishment as capacity utilization rates begin climbing back to historical averages, leading to improved corporate profitability and increases in capital expenditure. We believe the equity markets are modestly undervalued today. Earnings remain below average due to the difficult economy. Should today's geopolitical concerns be resolved in a positive fashion, we would expect earnings to move back to higher levels, with stock prices following suit. For the fixed income markets, we see room for the corporate sector to outperform, driven more by higher income than by further spread tightening.

# Index Definitions

## **S&P 500 Index**

A capitalization-weighted index covering utility, transportation and financial companies of the US markets (mostly NYSE issues). The index represents about 75% of NYSE market capitalization and 30% of NYSE issues.

## **S&P MidCap 400 Index**

Consists of 400 domestic stocks chosen for market size, liquidity and industry group representation. It is a market-weighted index, with each stock affecting the index in proportion to its market value.

## **Russell 2000 Index**

Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000. As of the latest reconstitution, the average market capitalization was approximately \$490 million. The largest company in the index had an approximate market capitalization of \$1.3 billion.

## **Lehman Brothers Intermediate Government/Credit Index**

Composed of all bonds covered by the Lehman Brothers Government/Credit Bond Index with maturities between one and 9.99 years. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

## **Lehman Brothers High Yield Index**

The Lehman Brothers High Yield Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

## **Morgan Stanley Capital International EAFE Index (MSCI EAFE)**

A market capitalization-weighted index composed of companies representative of the market structure of 20 developed countries in Europe, Australia and the Far East. The index is calculated without dividends, with net or with gross dividends reinvested, in both US dollars and local currencies. Countries include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

## S&P STARS Portfolio

### Investment Objectives

- capital appreciation
- total return that exceeds the return of the S&P 500

### Investment Strategy

Invests primarily in stocks of companies that:

- have the highest rating (5-STARS) from Standard & Poor's analysts at time of purchase
- have strong appreciation potential based on BSAM's in-depth fundamental analysis
- stand to benefit from near-term catalysts, such as new management or restructuring, that are expected to improve long-term earnings

Unlike an index fund, the Portfolio is actively managed and may:

- invest up to 15% of Portfolio assets in stocks outside the STARS universe that have capital appreciation potential
- sell short stocks in S&P's lowest-ranked (1-STARS) stocks in anticipation of price declines short selling is considered leverage and may involve substantial risks.
- continue to hold and buy additional shares of a stock believed to remain a good investment even when S&P downgrades it to 4-STARS

### Fund Information

Fund Information	Class A
Symbol	BSPAX
Total Fund Net Assets	\$1.2 Bil.
Net Asset Value	\$15.81

### Performance<sup>1</sup>

Share Class	Class A	Class B	Class C
Inception Date	4/5/95	1/5/98	4/5/95
Performance (%)	Without Load	Without CDSC	Without CDSC
Quarter Ended 3/31/03	-2.65	-2.79	-2.79
One Year 3/31/02 - 3/31/03	-37.06	-37.37	-37.38
3 Year Average Annualized 3/31/00 - 3/31/03	-23.90	-24.27	-24.28
5 Year Average Annualized 3/31/98 - 3/31/03	-3.26	-3.75	-3.75
Average Annual Return Since Inception	7.74	-1.08	7.19
Performance (%)	With Load <sup>2</sup>	With CDSC	With CDSC
Quarter Ended 3/31/03	-8.03	-7.65	-3.77
One Year 3/31/02 - 3/31/03	-40.52	-40.50	-38.01
3 Year Average Annualized 3/31/00 - 3/31/03	-25.32	-25.03	N/A
5 Year Average Annualized 3/31/98 - 3/31/03	-4.35	-4.11	N/A
Average Annual Return Since Inception	6.98	-1.26	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

### Top Ten Holdings

Company	% of Total Net Assets
1. Pfizer Inc.	4.44
2. Comcast Corp., Special Class A	4.02
3. Lehman Brothers Holdings Inc.	3.21
4. DoubleClick Inc.	2.95
5. MetLife, Inc.	2.77
6. Wendy's International, Inc.	2.70
7. Analog Devices, Inc.	2.70
8. Cisco Systems, Inc.	2.67
9. Eaton Vance Corp.	2.53
10. Constellation Brands, Inc., Class A	2.46

The Portfolio's holdings will change over time.

### Portfolio Allocation

	% of Total Net Assets
Equities	100.00

### Sector Weightings

	% of Total Net Assets
Information Technology	18.45
Financials	18.33
Health Care	18.02
Consumer Discretionary	16.22
Consumer Staples	8.57
Energy	8.14
Industrials	6.92
Telecommunications	2.99
Materials	2.03
Utilities	0.35

### Calendar Year Performance

Time Period	Class A Total Return at NAV
April 5, 1995 - December 31, 1995	22.27%
1996	27.77%
1997	17.99%
1998	39.69%
1999	37.53%
2000	2.89%
2001	-13.92%
2002	-40.58%
December 31, 2002 - March 31, 2003	-2.65%

### Key Benefits

- a two-tiered stock selection process that capitalizes on the investment expertise of BSAM and the research strengths of Standard & Poor's
- first-hand, in-depth knowledge of companies through on-site visits and ongoing communication with management

### Designed for Investors Who

- are investing for the long term
- are willing to accept the price volatility associated with stocks in exchange for their relatively higher return potential compared to other asset classes
- want to add a growth component to diversify an income-oriented portfolio

*5-STARs stocks are those expected by S&P to be the best performers over the next 6-to-12-month period, based on fundamental analysis of such factors as the strength of a company's management, balance sheet and competitiveness. Of roughly 1,100 stocks evaluated, approximately 100 stocks are rated 5-STARs at any given time.*

CDSC - Contingent Deferred Sales Charge

†The investment adviser has waived a portion of its advisory fee and reimbursed some expenses, without which performance would have been lower.

‡Total return figures for Class A shares reflect the current maximum sales load of 5.50%. Prior to December 24, 1997, the maximum sales load was 4.75%.

Top ten holdings are provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned. The portfolio is actively managed, therefore holdings may not be current. Bear, Stearns & Co. Inc. or its affiliates may hold positions in or may seek to perform investment banking services for the companies listed.

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### S&P STARS - Commentary

We began the first quarter with expectations that escalating tensions with Iraq and a slowing economy would have a negative impact on the equity markets. Consequently, we positioned the Portfolio conservatively—a strategy that helped the Portfolio outperform the S&P 500 benchmark for the quarter.

During the quarter, our decision to overweight healthcare helped performance. Stock selection among healthcare also contributed to strong results: our investment in a medical diagnostics company that had suffered in 2002 on concerns about its competitive position experienced a rebound, and our investment in the nation's largest biotechnology firm performed well on news that it had made significant progress with several new products.

Within the financial sector, our decision to underweight regional banks also helped performance. Based on our belief that financial markets are stabilizing, we focused on capital markets and market-sensitive companies, which outperformed. While regional banks typically perform poorly in environments of rising interest rates, capital markets and market-sensitive companies tend to outperform in times of accelerated economic activity, which we expect to occur as the year progresses. Stock selection among real estate investment trusts also helped performance during the quarter.

By contrast, stock selection within the industrial and energy sectors detracted from performance. Within industrials, one of our holdings became subject to renewed accounting concerns. Our decision to underweight the sector as a whole, which underperformed for the quarter, counterbalanced this loss somewhat. Within energy, our focus on drilling-related service companies has not yet paid off. We would have expected drilling-related service companies to have benefited from the recent rise in oil prices, but capital expenditures have been delayed until exploration and production companies gain a better fix on the level of oil and gas prices once the war with Iraq concludes.

In the months ahead, we plan to keep a close watch on employment levels and consumer sentiment as barometers of the economy's health. As the war draws to a close, we expect improvements in consumer confidence to lead to increased household spending, and for employment levels to steadily improve. These trends should have the secondary effect of improving business investment, which had shown signs of modest growth in the second half of 2002, but which stagnated in the first quarter due to war anxieties. For the Portfolio, we plan to focus on the consumer discretionary and technology sectors, which have historically outperformed during times of economic expansion. Historically, the Portfolio has performed well in rising equity markets. As the clouds clear, we believe our focus on growth at a reasonable price will prove quite rewarding to investors who have stayed the course.

## S&P STARS Opportunities Portfolio

### Investment Objectives

- total return that exceeds the return of the S&P MidCap 400
- long term capital appreciation

### Investment Strategy

Invests primarily in small- and mid- cap stocks of companies that:

- have the highest rating (5-STARS) from Standard & Poor's analysts
- stand to benefit from near-term catalysts, such as new management or restructuring, that are expected to improve long-term earnings
- BSAM believes offer the best potential for growth at a reasonable price

Unlike an index fund, the Portfolio is actively managed and may:

- invest up to 25% of Portfolio assets in stocks without regard to the STARS ranking that have capital appreciation potential
- sell short stocks in S&P's lowest-ranked (1-STARS) stocks in anticipation of price declines (short-selling is considered leverage and may involve substantial risk.)

### Fund Information<sup>1</sup>

Fund Information	Class A
Symbol	BSOAX
Total Fund Net Assets	\$47.7 mil.
Net Asset Value	\$10.49

### Performance<sup>2</sup>

Share Class	Class A	Class B	Class C
<b>Inception Date</b>	<b>10/1/01</b>	<b>10/1/01</b>	<b>10/1/01</b>
<b>Performance (%)</b>	<b>Without Load</b>	<b>Without CDSC</b>	<b>Without CDSC</b>
Quarter Ended 3/31/03	-2.42	-2.53	-2.62
One Year 3/31/02 - 3/31/03	-25.36	-25.79	-25.79
3 Year Average Annualized 3/31/99 - 3/31/03	N/A	N/A	N/A
5 Year Average Annualized 3/31/97 - 3/31/03	N/A	N/A	N/A
Average Annual Return Since Inception	-7.67	-8.19	-8.19
<b>Performance (%)</b>	<b>With Load<sup>2</sup></b>	<b>With CDSC</b>	<b>With CDSC</b>
Quarter Ended 3/31/03	-7.82	-7.40	-3.60
One Year 3/31/02 - 3/31/03	-29.47	-29.44	-26.52
3 Year Average Annualized 3/31/99 - 3/31/03	N/A	N/A	N/A
5 Year Average Annualized 3/31/97 - 3/31/03	N/A	N/A	N/A
Average Annual Return Since Inception	-11.10	-10.62	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

### Top Ten Holdings

Company	% of Total Net Assets
1. Laboratory Corp. of America Holdings	2.98
2. FTI Consulting, Inc.	2.42
3. Regis Corp.	2.02
4. Praxair, Inc.	1.77
5. Constellation Brands, Inc., Class A	1.76
6. American Standard Cos., Inc.	1.73
7. National Commerce Financial Corp.	1.72
8. Alltel Corp.	1.69
9. Lehman Brothers Holdings Inc.	1.68
10. Banknorth Group, Inc.	1.65

The Portfolio's holdings will change over time.

### Portfolio Allocation

	% of Total Net Assets
Equities	97.60
Cash & Cash Equivalents	2.40

### Sector Weightings

	% of Total Net Assets
Consumer Discretionary	19.71
Information Technology	17.50
Financials	16.71
Industrials	13.98
Health Care	13.71
Energy	7.44
Materials	5.30
Consumer Staples	2.31
Telecommunications	1.73
Utilities	1.62

### Calendar Year Performance

Time Period	Class A Total Return at NAV
October 1, 2001 - December 31, 2001	17.50%
2002	-22.59%
December 31, 2002 - March 31, 2003	-2.42%

### Key Benefits

- the *only* mid- to small-capitalization mutual fund with a two-tiered stock selection process that capitalizes on the investment expertise of BSAM and the research strengths of Standard & Poor's
- first-hand, in-depth knowledge of companies through on-site visits and ongoing communication with management

### Designed for Investors Who

- are investing for the long term
- are willing to accept the price volatility associated with small- and mid- cap stocks in exchange for their relatively higher return potential compared to other asset classes
- want to add an equity growth component to their portfolio
- want to diversify a large cap portfolio with small- to mid- cap stocks

*5-STARs stocks are expected to be the best performers over the next 6-to-12-month period, based on fundamental analysis of such factors as the strength of a company's management, balance sheet and competitiveness. Of roughly 1,100 stocks evaluated, approximately 100 stocks are rated 5-STARs at any given time.*

CDSC - Contingent Deferred Sales Charge

1The S&P STARS Opportunities Portfolio commenced operations on 10/1/01.

2The investment adviser has waived a portion of its advisory fee and reimbursed some expenses, without which performance would have been lower.

Top ten holdings are provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned. The portfolio is actively managed, therefore holdings may not be current. Bear, Stearns & Co. Inc. or its affiliates may hold positions in or may seek to perform investment banking services for the companies listed.

A small or middle capitalization company's stock may be subject to wider price swings or be less liquid because they trade less frequently and in smaller volume than large companies.

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### S&P STARS Opportunities - Commentary

The Portfolio entered the first quarter with a well diversified selection of stocks exhibiting strong fundamentals and reasonable valuations. In a quarter characterized by high levels of volatility, this diversification strategy helped performance, leading the Portfolio to outperform the S&P MidCap 400 benchmark.

The main driver of outperformance for the quarter was strong stock selection within the industrials sector. Specifically, our investment in a bankruptcy consulting firm—the Portfolio's largest holding—performed especially well. This company has benefited from the weak economic environment of the past three years, which resulted in higher demand for its services. In addition, our exposure to a well diversified engineering and construction company contributed positively to performance.

Our decision to underweight certain parts of the financial services sector also helped performance. While regional banks have exhibited strong relative performance versus the market over the past few years due to declining interest rates, we are less enthusiastic about their medium-term prospects as rates stabilize and eventually rise going forward. Our focus has been instead on capital market-sensitive companies which, due to a combination of attractive valuations and an expectation for an improving economy, have begun to outperform. Our investment in a leading rating agency performed well. Over the past two years, falling interest rates have allowed many companies to refinance their balance sheets, a decision that requires the services of rating agencies. Finally, good stock selection in several real estate investment trusts with solid fundamentals added to performance.

Counterbalancing this outperformance somewhat was our investment in a commodity food company within the consumer staples sector. This company's stock price fell sharply during the quarter due to unfavorable supply imbalances.

Our outlook for the U.S. economy remains cautiously optimistic. Powerful monetary and fiscal stimulus packages are now in place to propel growth, while lower oil prices should begin to take some pressure off the economy. Going forward, we expect the equity markets to benefit from historically low fixed income yields, which will likely move investors to eventually look to the equity markets for higher return potential. Should today's geopolitical circumstances continue to be resolved in a positive fashion, we would expect corporate earnings to move back to higher levels, with stock prices following suit. In the months ahead, we believe mid cap stocks will continue to provide above-average growth opportunities for investors, as these companies have grown beyond the small cap threshold, but have not yet reached full maturity as large caps.

# The Insiders Select Fund

## Investment Objective

- capital appreciation

## Investment Strategy

Invests primarily in stocks of companies:

- whose "insiders" — managers and directors — are buying the stock
- that have relatively low P/E ratios, price/book ratios and lower than average price/cash flow ratios
- that BSAM believes have strong underlying fundamentals

The Fund may sell short the stocks of companies whose insiders are selling shares, which, combined with additional analysis, may indicate a possible price decline.

## Fund Information

Fund Information	Class A
Symbol	BSIAX
Total Fund Net Assets	\$27.4 Mil.
Net Asset Value	\$12.33

## Performance<sup>1</sup>

Share Class	Class A	Class B	Class C
Inception Date	6/16/95	1/6/98	6/16/95
Performance (%)	Without Load	Without CDSC	Without CDSC
Quarter Ended 3/31/03	-4.93	-4.98	-5.07
One Year 3/31/02 - 3/31/03	-26.80	-27.10	-27.22
3 Year Average Annualized 3/31/00 - 3/31/03	-3.34	-3.79	-3.85
5 Year Average Annualized 3/31/98 - 3/31/03	-1.88	-2.35	-2.37
Average Annual Total Return Since Inception	8.10	-0.02	7.55
Performance (%)	With Load <sup>2</sup>	With CDSC	With CDSC
Quarter Ended 3/31/03	-10.13	-9.73	-6.02
One Year 3/31/02 - 3/31/03	-30.82	-30.74	-27.95
3 Year Average Annualized 3/31/00 - 3/31/03	-5.14	-4.57	N/A
5 Year Average Annualized 3/31/98 - 3/31/03	-2.98	-2.65	N/A
Average Annual Total Return Since Inception	7.31	-0.16	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

## Top Ten Holdings

Company	% of Total Net Assets
1. Liberty Media Corp.	3.99
2. Lincoln National Corp.	3.51
3. Washington Mutual, Inc.	3.48
4. PNC Financial Services Group, Inc. (The)	3.42
5. HCA Inc.	3.34
6. FPL Group, Inc.	3.32
7. Pentair, Inc.	3.31
8. AFLAC Inc.	3.26
9. National Semiconductor Corp.	3.20
10. Sunoco, Inc.	3.19

The Fund's holdings will change over time.

## Portfolio Allocation

	% of Total Net Assets
Equities	95.68
Cash & Cash Equivalents	4.32

## Sector Weightings

	% of Total Net Assets
Financials	30.71
Consumer Discretionary	23.67
Industrials	14.59
Energy	8.63
Consumer Staples	5.92
Information Technology	4.69
Health Care	3.49
Utilities	3.47
Materials	3.31
Telecommunications	1.54

### Calendar Year Performance

Time Period	Class A
	Total Return at NAV
June 16, 1995 - December 31, 1995	13.41%
1996	21.38%
1997	29.64%
1998	9.29%
1999	9.12%
2000	17.32%
2001	-6.02%
2002	-17.78%
December 31, 2002 - March 31, 2003	-4.93%

### Key Benefits

- a fund that focuses on the investment decisions of corporate insiders
- a stock selection process based on BSAM's in-depth fundamental analysis augmented by a focus on positive catalysts for change, such as corporate restructuring
- first-hand knowledge of companies through ongoing communication with management

### Designed for Investors Who

- are investing for the long term
- are willing to accept the relatively higher price volatility associated with stocks in exchange for their relatively higher return potential compared to other asset classes
- believe that insider buying patterns may be a good indicator of the future direction of a company's stock price

### Insiders Select - Commentary

The equity markets fell precipitously in the first quarter as anxiety grew in the days leading up to the war with Iraq. After an initial rally at the start of the war, markets fell again as hopes for a swift victory by coalition forces began to diminish. The Portfolio performed in line with the S&P MidCap 400 benchmark for the quarter.

During the quarter, the Portfolio's performance benefited from our investments in the energy, financial and consumer discretionary sectors. While our allocation to energy was roughly equal to that of the benchmark, stock selection caused the Portfolio's return for the sector to exceed that of the benchmark by a wide margin. Specifically, our investments in an oil refining & marketing company and an exploration & production company performed particularly well due to the recent spike in oil prices. In addition, oil inventories have stayed at below-average levels for the past two years as drillers have slowed production in the face of global uncertainty and price instability. This has created an environment of pent-up demand that should prove beneficial to both exploration & production companies and refiners in the months ahead.

Within consumer discretionary, heightened insider buying activity led us to focus on two cable companies that outperformed for the quarter. Cable companies tend to do well during times of economic sluggishness since consumers are typically reluctant to give up cable, even as they seek to cut expenses. In addition, both of our holdings have made successful forays into new areas such as high-speed internet access and digital technology.

Within financials, we maintained or increased our holdings in several insurance and regional bank stocks that exhibited increased levels of insider buying, good dividend yields and strong fundamentals. While not all insurance and regional bank stocks performed well for the quarter, these stocks posted above-average returns.

Counterbalancing these effects, our decision to slightly overweight the industrials sector detracted from performance. Specifically, our investments in multi-industry companies within the sector languished. We continue to hold the stocks on the belief that they are poised to outperform once the economy returns to normal.

As the quarter began, we saw the close of the third consecutive year of global economic slowdown. In the months ahead, we expect global economic activity to increase, propelled by powerful monetary and fiscal stimulus packages, as well as by lower oil prices. Should today's geopolitical concerns be resolved in a positive fashion, we would expect earnings to move back to higher levels, with stock prices following suit.

CDSC - Contingent Deferred Sales Charge

<sup>1</sup>The investment adviser has waived its advisory fee and reimbursed some expenses, without which performance would have been lower.

<sup>2</sup>Total return figures for Class A shares reflect the current maximum sales load of 5.50%. Prior to December 24, 1997, the maximum sales load was 4.75%.

Top ten holdings are provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned. The portfolio is actively managed, therefore holdings may not be current. Bear, Stearns & Co. Inc. or its affiliates may hold positions in or may seek to perform investment banking services for the companies listed.

# Intrinsic Value Portfolio<sup>†</sup>

## Investment Objective

- capital appreciation

## Investment Strategy

Invests primarily in stocks of companies that:

- have market capitalizations greater than \$10 billion
- meet the portfolio managers' criteria as undervalued companies, which include low P/E multiples, relatively low price/book ratios and lower than average price/cash flow ratios
- stand to benefit from a near-term catalyst, such as new management or restructuring

## Fund Information

Fund Information	Class A
Symbol	BLCAX
Total Fund Net Assets	\$60.3 Mil.
Net Asset Value	\$14.81

## Performance<sup>1</sup>

Share Class	Class A	Class B	Class C
Inception Date	4/4/95	1/28/98	4/4/95
Performance (%)	Without Load	Without CDSC	Without CDSC
Quarter Ended 3/31/03	-5.91	-5.97	-6.00
One Year 3/31/02 - 3/31/03	-25.60	-26.02	-25.95
3 Year Average Annualized 3/31/00 - 3/31/03	-1.20	-1.72	-1.69
5 Year Average Annualized 3/31/98 - 3/31/03	-1.00	-1.51	-1.48
Average Annual Total Return Since Inception	9.10	1.02	8.55
Performance (%)	With Load <sup>2</sup>	With CDSC	With CDSC
Quarter Ended 3/31/03	-11.10	-10.67	-6.94
One Year 3/31/02 - 3/31/03	-29.70	-29.71	-26.69
3 Year Average Annualized 3/31/00 - 3/31/03	-3.04	-2.64	N/A
5 Year Average Annualized 3/31/98 - 3/31/03	-2.11	-1.81	N/A
Average Annual Total Return Since Inception	8.33	0.87	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

## Top Ten Holdings

Company	% of Total Net Assets
1. Citigroup Inc.	3.98
2. Liberty Media Corp.	3.62
3. Fannie Mae	3.10
4. Bank of America Corp.	2.96
5. General Electric Co.	2.95
6. Interpublic Group of Cos., Inc. (The)	2.91
7. American International Group, Inc.	2.63
8. J. P. Morgan Chase & Co.	2.62
9. McDonald's Corp.	2.60
10. MGIC Investment Corp.	2.58

The Portfolio's holdings will change over time.

## Portfolio Allocation

	% of Total Net Assets
Equities	100.00

## Sector Weightings

	% of Total Net Assets
Financials	38.36
Consumer Discretionary	25.16
Industrials	9.48
Energy	8.34
Health Care	4.87
Telecommunications	4.51
Consumer Staples	4.24
Information Technology	3.72
Utilities	1.32
Materials	0.00

<sup>†</sup>As of August 1, 2002 the Large Cap Value Portfolio was renamed the Intrinsic Value Portfolio.

### Calendar Year Performance

Time Period	Class A Total Return at NAV
April 4, 1995 - December 31, 1995	25.09%
1996	14.37%
1997	31.07%
1998	15.61%
1999	0.23%
2000	20.95%
2001	-1.57%
2002	-17.59%
December 31, 2002 - March 31, 2003	-5.91%

### Key Benefits

- BSAM's disciplined fundamental analysis augmented by identifying catalysts for improved financial results
- first-hand knowledge of company management
- focus on long-term market efficiency and timeliness, not market timing
- active portfolio management with a disciplined sell strategy

### Designed for Investors Who

- are investing for the long-term
- are willing to accept the price volatility associated with stocks in exchange for their relatively higher return potential compared to other asset classes
- want a large-cap equity component to diversify their portfolio

### Intrinsic Value - Commentary

For most of the first quarter leading up to the war with Iraq, the equity markets faltered as anxiety about the potential for war increased. With President Bush's pronouncement of a final ultimatum to Iraq, stocks rallied as it became clear that the uncertainty regarding the decision of whether the U.S. would go to war would soon be resolved. The rally was short-lived, however; markets weakened again as hopes for a swift victory by coalition forces began to diminish.

During the quarter, growth stocks significantly outperformed value stocks, creating an environment that was disadvantageous to the Portfolio, which maintains a value bias. As a result, the Portfolio underperformed the S&P 500 benchmark. More than half of the Portfolio's underperformance was attributable to our stock selection within the consumer discretionary sector, in which we focused on media-related companies. Because they typically perform in line with the economy, media stocks suffered as concerns about the possibility of war escalated. The decline made our media holdings more attractively valued; we believe they are poised to benefit from economic growth going forward. In addition, our underweighted positions in healthcare and technology—two of the quarter's strongest sectors—detracted from performance.

By contrast, our decision to move away from regional banks and insurance companies within the financial sector helped performance. Due to attractive valuations and an expectation for an improving economy, we focused instead on capital markets and credit-sensitive companies, which outperformed. While regional banks and life insurance companies typically perform poorly in environments of rising interest rates, capital markets and credit-sensitive companies tend to outperform when the economic activity that typically accompanies an environment of rising interest rates picks up.

In the near-term, the equity markets face some significant difficulties. Anxiety about the war and relatively high unemployment have caused a sharp decline in consumer confidence, putting a damper on spending. In addition, a host of industries face downward earnings pressure due to weak profitability, leaving capital expenditures anemic as a result. Yet, there are reasons to expect equity returns to pick up as the year progresses. Powerful monetary and fiscal stimulus packages are in place to propel growth, and lower oil prices have taken some pressure off the economy. In addition, the quarter's rally in technology stocks supports the belief among many investors that the underlying foundation of the economy is sound, and that once the war is behind us, the economy will be poised for a meaningful recovery. Should today's geopolitical concerns be resolved in a positive fashion, we would expect corporate earnings to show considerable improvement over the next 12 months, with stock prices following suit.

CDSC - Contingent Deferred Sales Charge

<sup>1</sup>The investment adviser has waived its advisory fee and reimbursed some expenses, without which performance would have been lower.

<sup>2</sup>Total return figures for Class A shares reflect the current maximum sales load of 5.50%. Prior to December 24, 1997, the maximum sales load was 4.75%.

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## Small Cap Value Portfolio

### Investment Objective

- capital appreciation

### Investment Strategy

Invests primarily in stocks of companies that:

- have market capitalizations of \$2 billion or less
- meet the portfolio managers' criteria as undervalued companies, which includes low P/E multiples, price/book ratios and lower than average price/cash flow ratios
- stand to benefit from a near-term catalyst, such as new management or restructuring

### Fund Information

Fund Information	Class A
Symbol	BSVAX
Total Fund Net Assets	\$47.7 Mil.
Net Asset Value	\$12.90

### Performance<sup>1</sup>

Share Class	Class A	Class B	Class C
<b>Inception Date</b>	<b>4/3/95</b>	<b>1/21/98</b>	<b>4/3/95</b>
<b>Performance (%)</b>	<b>Without Load</b>	<b>Without CDSC</b>	<b>Without CDSC</b>
Quarter Ended 3/31/03	-5.01	-5.05	-5.05
One Year 3/31/02 - 3/31/03	-31.94	-32.52	-32.45
3 Year Average Annualized 3/31/00 - 3/31/03	-10.68	-11.28	-11.24
5 Year Average Annualized 3/31/98 - 3/31/03	-4.72	-5.28	-5.25
Average Annual Total Return Since Inception	7.11	-2.07	6.51
<b>Performance (%)</b>	<b>With Load<sup>2</sup></b>	<b>With CDSC</b>	<b>With CDSC</b>
Quarter Ended 3/31/03	-10.23	-9.80	-6.00
One Year 3/31/02 - 3/31/03	-35.70	-35.65	-33.08
3 Year Average Annualized 3/31/00 - 3/31/03	-12.34	-11.98	N/A
5 Year Average Annualized 3/31/98 - 3/31/03	-5.79	-5.55	N/A
Average Annual Total Return Since Inception	6.35	-2.20	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

### Top Ten Holdings

Company	% of Total Net Assets
1. FactSet Research Systems Inc.	3.16
2. Olin Corp.	3.08
3. Key Energy Services, Inc.	3.06
4. Tupperware Corp.	2.69
5. Glenborough Realty Trust Inc.	2.63
6. First BanCorp.	2.63
7. Adaptec, Inc.	2.62
8. Electronics for Imaging, Inc.	2.55
9. Mueller Industries, Inc.	2.55
10. Renal Care Group, Inc.	2.55

The Portfolio's holdings will change over time.

### Portfolio Allocation

	% of Total Net Assets
Equity Securities	91.29
Cash & Cash Equivalents	8.71

### Sector Weightings

	% of Total Net Assets
Financial Services	28.42
Consumer Discretionary	15.31
Technology	14.38
Health Care	9.56
Materials and Processing	8.20
Producer Durables	7.44
Utilities	7.23
Autos & Transportation	5.02
Energy	3.35
Consumer Staples	1.10

### Calendar Year Performance

Time Period	Class A Total Return at NAV
April 3, 1995 - December 31, 1995	27.33%
1996	15.45%
1997	32.64%
1998	-1.41%
1999	14.11%
2000	-0.59%
2001	12.30%
2002	-25.58%
December 31, 2002 - March 31, 2003	-5.01%

### Key Benefits

- BSAM's disciplined fundamental analysis augmented by identifying catalysts for improved financial results
- first-hand knowledge of company management
- focus on long-term market efficiency and timeliness, not market timing
- active portfolio management with a disciplined sell strategy

### Designed for Investors Who

- are investing for the long term
- are willing to accept the relatively higher price volatility associated with smaller-company stocks in exchange for their relatively higher return potential compared to larger-company stocks
- want to add a small-cap value component to diversify their portfolio

#### CDSC - Contingent Deferred Sales Charge

The investment adviser has waived a portion of its advisory fee and reimbursed some expenses, without which performance would have been lower.

Total return figures for Class A shares reflect the current maximum sales load of 5.50%. Prior to December 24, 1997, the maximum sales load was 4.75%.

Small-cap funds typically carry additional risks, since smaller companies generally have a higher risk of failure than well-established larger companies. Historically, stocks of smaller companies have experienced a greater degree of market volatility than stocks on average.

Top ten holdings are provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned. The portfolio is actively managed, therefore holdings may not be current. Bear, Stearns & Co. Inc. or its affiliates may hold positions in or may seek to perform investment banking services for the companies listed.

### Small Cap Value - Commentary

For most of the first quarter, the equity markets faltered as anxiety about the potential for war with Iraq increased. With the onset of war, stocks rallied. The rally was short-lived, however; markets weakened again as hopes for a swift victory by coalition forces began to diminish. During the quarter, growth stocks significantly outperformed value stocks, with most of the outperformance occurring among large cap companies in the technology sector.

The Portfolio slightly underperformed the Russell 2000 benchmark for the quarter, primarily due to our overweighted position in the consumer discretionary sector—a sector that performed strongly in the fourth quarter of 2002. With the exception of technology, stocks in economically sensitive sectors were driven down during the quarter as anxiety about the conflict with Iraq led investors to move money into more defensive sectors of the market. The consumer discretionary sector was also hurt by a series of winter storms that kept shoppers at home. The Portfolio's retail stocks posted disappointing sales as a result.

Weakness in the producer durables sector also detracted from performance during the quarter. While the Portfolio's allocation to the sector was in line with that of the benchmark, one of our holdings, a mini-conglomerate with exposure to the troubled airlines industry and to other industrial businesses that remained weak, made a negative earnings preannouncement. The stock's price sank on this news. We continue to hold the company on the belief that its current weakness is temporary and that, as the economy recovers, it will be positioned to outperform.

Helping to offset some of these losses, our investments in technology contributed positively to performance during the quarter. Our best performing holdings were in the semiconductor and software industries—both of which experienced buoyant stock prices due to improving outlooks by Wall Street analysts. Our investments in the materials processing sector also helped performance: specifically, all three of our chemicals stocks announced price increases—an indicator of strength and of increased earnings potential.

Our outlook for the remainder of the year is for a slow but steady economic recovery. Historically, small caps have tended to outperform other asset classes coming out of economic downturns. Given the current level of small cap valuations and the lack of small cap coverage relative to mid and large cap stocks, we see ample opportunity for above-average performance from this asset class in the months ahead.

# International Equity Portfolio

## Investment Objective

- long-term capital appreciation

## Investment Strategy

Invests first:

- in countries believed to have the most favorable stock market trends whose markets have higher-than-average potential for capital appreciation

Invests second:

- in companies believed to have strong fundamental characteristics including solid management, sound balance sheets and the potential for positive earnings growth

*Currency hedging:* Foreign currency contracts may be used to help protect the value of the Portfolio, which is dollar denominated.

## Fund Information

Fund Information	Class A
Symbol	BIEAX
Total Fund Net Assets	\$54.5 Mil.
Net Asset Value	\$10.31

## Performance<sup>1</sup>

Share Class	Class A	Class B	Class C
<b>Inception Date</b>	<b>12/29/97</b>	<b>12/29/97</b>	<b>12/29/97</b>
<b>Performance (%)</b>	<b>Without Load</b>	<b>Without CDSC</b>	<b>Without CDSC</b>
Quarter Ended 3/31/03	-7.78	-7.99	-7.90
One Year 3/31/02 - 3/31/03	-29.58	-30.03	-29.96
3 Year Average Annualized 3/31/00 - 3/31/03	-27.82	-28.22	-28.20
5 Year Average Annualized 3/31/98 - 3/31/03	-5.15	-5.65	-5.63
Average Annual Total Return Since Inception	-2.38	-2.91	-2.89
<b>Performance (%)</b>	<b>With Load<sup>2</sup></b>	<b>With CDSC</b>	<b>With CDSC</b>
Quarter Ended 3/31/03	-12.85	-12.59	-8.82
One Year 3/31/02 - 3/31/03	-33.44	-33.53	-30.66
3 Year Average Annualized 3/31/00 - 3/31/03	-29.17	-28.94	N/A
5 Year Average Annualized 3/31/98 - 3/31/03	-6.21	-6.02	N/A
Average Annual Total Return Since Inception	-3.43	-3.09	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

## Portfolio Allocation

	% of Total Net Assets
Equities	97.08
Cash & Cash Equivalents	2.92

## Country Breakdown

% of Total Net Assets		% of Total Net Assets	
United Kingdom	26.03	South Korea	2.35
Japan	22.71	Singapore	1.79
Australia	7.21	Israel	1.68
Canada	4.84	Italy	1.43
Spain	4.73	Thailand	1.24
France	4.02	Portugal	1.10
China	3.73	Netherlands	0.68
Hong Kong	3.43	Ireland	0.54
Switzerland	2.86	Denmark	0.53
Sweden	2.77	Belgium	0.49
Finland	2.44	South Africa	0.48

## Top Ten Holdings

Company	% of Total Net Assets
1. Vodafone Group plc	4.21
2. BHP Billiton Ltd.	4.19
3. Canon Inc.	4.04
4. Rio Tinto plc	3.93
5. British Sky Broadcasting Group plc	3.85
6. Standard Chartered plc	3.84
7. HSBC Holdings plc	3.83
8. Nokia Oyj	2.44
9. News Corporation Ltd. (The)	2.41
10. Telefonica, S.A.	2.34

The Portfolio's holdings will change over time.

### Calendar Year Performance

Time Period	Class A Total Return at NAV
1998	25.86%
1999	81.89%
2000	-21.27%
2001	-29.92%
2002	-24.36%
December 31, 2002 - March 31, 2003	-7.78%

### Sector Distribution

	% of Total Net Assets
Financials	19.2
Consumer Discretionary	18.6
Information Technology	13.3
Materials	10.8
Telecommunications	9.5
Consumer Staples	7.9
Health Care	7.7
Energy	4.5
Utilities	4.3
Cash and Forwards	3.0
Industrials	1.1

### Key Benefits

- a concentrated focus on countries whose markets are believed to have the most favorable earnings characteristics
- a disciplined approach to stock selection based on thorough evaluation of a company's fundamental strengths
- potential risk reduction when combined with a US equity fund
- first-hand, in-depth knowledge of companies through on-site visits and ongoing communication with management

### Designed for Investors Who

- are investing for the long term
- are willing to accept the potentially greater price volatility associated with investing in foreign stocks in exchange for their relatively high return potential
- want to diversify an existing portfolio by adding an international component

CDSC - Contingent Deferred Sales Charge

<sup>1</sup>The investment adviser has waived its advisory fee and reimbursed some expenses, without which performance would have been lower.

<sup>2</sup>Total return figures for Class A shares reflect the maximum sales load of 5.50%.

There are special risks associated with international investing including currency exchange-rate volatility, possible political instability and differences in financial standards and taxation.

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<sup>3</sup>This portfolio is sub-advised by Marvin & Palmer.

### International Equity<sup>3</sup> - Commentary

Global equity markets were focused on tensions between the U.S. and Iraq during the quarter. Escalating anxiety in the weeks leading up to the war made for a difficult quarter characterized by high levels of volatility. Countries that were geographically removed from the conflict, such as Australia and countries in the Asia ex-Japan region, fared better than most.

Our outperformance of the MSCI EAFE benchmark for the quarter is largely attributable to our over-weighted position in the Asia ex-Japan region. Asia ex-Japan experienced stronger growth than the rest of the world—much of it centered on China and the transformation taking place there. In spite of the global economic slowdown of the past three years, China has been growing at a rate of approximately 8% per year. The country's growth is predominantly export driven as China has become increasingly competitive in manufacturing. As a result, about \$50 billion of direct foreign investment has been flowing into China per year. Many multinational companies are now building plants in China from which to export goods. Steadily improving employment rates and income levels have led to increases in domestic demand, which has been further supported by the trends of urbanization and private housing. China's success has stimulated growth around the region.

To take advantage of this trend, we invested in several companies that operate solely in China during the quarter, such as utilities and energy companies. We also held a financial services company in Hong Kong that will likely be among the first to take advantage of financial services liberalization in China.

By contrast, our investments in South Korea, which is not part of the benchmark, detracted from performance during the quarter due to the country's rising political tensions with the U.S. We sold all of the Portfolio's holdings in South Korea shortly after the quarter's end.

In the months ahead, given a reasonable resolution to the Iraqi situation, we believe investors will shift their attention once again to economic conditions. We expect to see moderate economic growth going forward. Global markets are currently highly liquid due to historically low levels of interest rates. For the Portfolio, we plan to maintain our focus on Asia ex-Japan, which has the most dynamic growth prospects and most attractive valuation profile of anywhere in the world, in our opinion. Although Europe saw some improvement during the quarter, we continue to be cautious on the region due to its high tax rates, restrictive monetary and fiscal policies, and its tight immigration policies and relatively low birth rates, which have brought the region's population growth to close to 0%.

# Alpha Growth Portfolio<sup>†</sup>

## Investment Objective

- capital appreciation

## Investment Strategy

Invests primarily in stocks of companies with:

- High projected earnings over the next three to five years
- Positive earnings momentum
- Positive price momentum
- Reasonable valuation metrics

## Fund Information

Fund Information	Class A
Symbol	BSFAX
Total Fund Net Assets	\$69.1 Mil.
Net Asset Value	\$15.57

## Performance<sup>1</sup>

Share Class	Class A	Class B	Class C
Inception Date	12/29/97	12/29/97	12/29/97
Performance (%)	Without Load	Without CDSC	Without CDSC
Quarter Ended 3/31/03	-3.29	-3.25	-3.19
One Year 3/31/02 - 3/31/03	-17.36	-17.60	-17.54
3 Year Average Annualized 3/31/00 - 3/31/03	-9.79	-10.17	-10.15
5 Year Average Annualized 3/31/98 - 3/31/03	3.08	2.58	2.60
Average Annual Total Return Since Inception	5.12	4.60	4.62
Performance (%)	With Load <sup>2</sup>	With CDSC	With CDSC
Quarter Ended 3/31/03	-8.63	-8.09	-4.15
One Year 3/31/02 - 3/31/03	-21.92	-21.72	-18.36
3 Year Average Annualized 3/31/00 - 3/31/03	-11.47	-11.08	N/A
5 Year Average Annualized 3/31/98 - 3/31/03	1.92	2.21	N/A
Average Annual Total Return Since Inception	3.99	4.44	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

## Top Ten Holdings<sup>3</sup>

Company	% of Total Net Assets
1. Starbucks Corp.	2.46
2. eBay Inc.	2.46
3. Genzyme Corp.	2.44
4. Apollo Group, Inc.	2.21
5. Burlington Resources, Inc.	2.21
6. Expeditors International of Washington, Inc.	2.17
7. Lexmark International, Inc.	2.16
8. PACCAR Inc.	2.12
9. International Game Technology	2.12
10. Avon Products, Inc.	2.10

The Portfolio's holdings will change over time.

## Portfolio Allocation<sup>3</sup>

	% of Total Net Assets
Equities	99.38
Cash & Cash Equivalents	0.62

## Sector Weightings<sup>3</sup>

	% of Total Net Assets
Consumer Discretionary	21.37
Information Technology	15.60
Consumer Staples	14.69
Industrials	11.57
Financials	10.95
Health Care	8.44
Materials	7.70
Utilities	7.46
Energy	2.22
Telecommunications	0.00

<sup>†</sup>As of August 1, 2002 the Focus List Portfolio was renamed Alpha Growth Portfolio.

### Calendar Year Performance

Time Period	Class A Total Return at NAV
1998	33.64%
1999	26.30%
2000	-13.80%
2001	2.93%
2002	-10.26%
December 31, 2002 - March 31, 2003	-3.29%

### Key Benefits

- A disciplined and consistent investment strategy
- A portfolio that seeks to hold those stocks with the greatest near-term growth potential
- A proven research-intensive process

### Designed for Investors Who

- are investing for the long term
- are seeking an equity component for their portfolio

### Alpha Growth - Commentary

Equity markets during the first quarter were driven almost entirely by headlines surrounding the war with Iraq. As anxiety grew in the weeks leading up to the war, investors moved assets away from economically sensitive sectors of the economy, seeking instead the relative safety of defensive sectors. A notable exception to this trend was technology, which performed strongly during the quarter.

As always, security selection for the Portfolio was driven by our proprietary systematic screening process. The Portfolio's performance slightly trailed that of the S&P 500 benchmark, due in part to our overweighted position in the consumer discretionary sector. As an economically sensitive sector, consumer discretionary fared poorly due to heightened uncertainty about the war and evidence of slowing GDP growth. The sector was further strained by a series of severe winter storms, which kept shoppers at home. Finally, given that consumer discretionary stocks had performed so strongly over the past several years, many stocks that had become overvalued traded down to more reasonable levels during the quarter.

The Portfolio's overweighted position in utilities also hurt performance. Utilities tend to underperform when investors begin to anticipate a change to an environment of rising interest rates. As the U.S. economy continues to grow, albeit at a very slow pace, there is an increasing possibility that the Federal Reserve's next move will be to raise rates. During the quarter, utility stocks appeared to discount an eventual increase in the cost of borrowing, as well as a decrease in demand for defensive sectors in the months ahead.

Counterbalancing these losses somewhat, the Portfolio's best performing stocks were highly diversified, including an education and training services company, a leading coffee house chain, an online personal auction house, and an oil exploration and production company. Our overweighted position in technology with a focus on software companies also contributed positively to performance. Technology's outperformance was a continuation of a trend that began in November 2002 in which investors, believing that technology stocks had been oversold, began to bid up prices.

Now that the war has reached a conclusion, we expect to see greater clarity emerge in the stock market. After three consecutive years of negative returns, large cap growth stocks are due for a rebound, in our view. We therefore believe that now is a good time for investors to maintain or add to large cap growth as part of a well diversified investment strategy. In the months ahead, we expect the Portfolio to continue to add value over the benchmark by maintaining a disciplined approach to investing, which is the hallmark of our investment strategy.

CDSC - Contingent Deferred Sales Charge

<sup>1</sup>The investment adviser has waived its advisory fee and reimbursed some expenses, without which performance would have been lower.

<sup>2</sup>Total return figures for Class A shares reflect the maximum sales load of 5.50%.

<sup>3</sup>As of January 3rd, the portfolio's most recent re-allocation date, all holdings in the Portfolio were equally weighted. Differences in percentage holdings of each security after the re-allocation date are due to market movement. Holdings will change over time.

Top ten holdings are provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned. Bear, Stearns & Co. Inc. or its affiliates may hold positions in or may seek to perform investment banking services for the companies listed.

# Income Portfolio

## Fund Information

Fund Information	Class A
Symbol	BTRAX
Total Fund Net Assets	\$82.5 Mil.
Net Asset Value	\$12.50

## Investment Objective

- high current income consistent with preservation of capital

## Investment Strategy

Invests primarily in:

- a variety of fixed income securities including US Government issues, corporate debt and mortgage-backed securities
- investment-grade issues — at least 80% of the Portfolio must consist of securities rated Baa or higher by Moody's, or BBB or higher by Standard & Poor's

To take advantage of opportunities in various sectors of the fixed income market, the Portfolio may invest (up to 25% of total assets) in securities rated B or BB by Moody's and S&P.

## Performance<sup>1</sup>

Share Class	Class A	Class B	Class C
<b>Inception Date</b>	4/5/95	2/2/98	4/5/95
<b>Performance (%)</b>	<b>Without Load</b>	<b>Without CDSC</b>	<b>Without CDSC</b>
Quarter Ended 3/31/03	1.55	1.39	1.39
One Year 3/31/02 - 3/31/03	10.05	9.34	9.34
3 Year Average Annualized 3/31/00 - 3/31/03	8.14	7.45	7.44
5 Year Average Annualized 3/31/98 - 3/31/03	6.16	5.48	5.48
Average Annual Total Return Since Inception	6.64	5.29	6.04
<b>Performance (%)</b>	<b>With Load<sup>2</sup></b>	<b>With CDSC</b>	<b>With CDSC</b>
Quarter Ended 3/31/03	-3.06	-3.61	0.39
One Year 3/31/02 - 3/31/03	5.08	4.34	8.34
3 Year Average Annualized 3/31/00 - 3/31/03	6.51	6.58	N/A
5 Year Average Annualized 3/31/98 - 3/31/03	5.19	5.15	N/A
Average Annual Total Return Since Inception	6.02	5.14	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

## Top Ten Issuers

Issuer	% of Total Net Assets
1. Fannie Mae	22.50
2. Freddie Mac	14.22
3. U.S. Treasuries	7.98
4. Federal Home Loan Bank	2.63
5. Americredit Automobile Receivables Trust	1.61
6. AOL Time Warner Inc.	1.29
7. Nomura Asset Securities Corp.	1.24
8. Comm 2000-C1	1.18
9. Viacom, Inc.	1.17
10. CIT Group Home Equity Loan Trust	1.15

The Portfolio's holdings will change over time.

## Top Ten Industry Weightings

	% of Total Net Assets
U.S. Government Agency Obligations	40.45
U.S. Government Obligations	7.98
Bank Holding Companies	6.12
Miscellaneous Business Credit Institutions	3.78
Asset-Backed	3.70
Crude Petroleum & Natural Gas	3.14
Motion Picture & Video Production	2.46
Personal Credit Institutions	2.37
Grocery Stores	1.89
Mortgage-Backed	1.83

### Calendar Year Performance

Time Period	Class A Total Return at NAV
4/5/95 - 12/31/95	10.95%
1996	2.74%
1997	7.58%
1998	7.29%
1999	-1.24%
2000	9.72%
2001	7.20%
2002	7.73%
December 31, 2002 - March 31, 2003	1.55%

### Monthly Dividends - Class A Shares

April-02	0.0513	October-02	0.0348
May-02	0.0453	November-02	0.0386
June-02	0.0432	December-02	0.0511
July-02	0.0411	January-03	0.0260
August-02	0.0348	February-03	0.0377
September-02	0.0435	March-03	0.0340

### Credit Analysis<sup>3</sup>

Rating	% of Ratable Securities	Rating	% of Ratable Securities
AAA	58.54%	BBB	5.86%
AAA-	0.64	BBB-	2.60
AA+	0.93	BB+	0.68
AA	2.21	BB	0.93
AA-	0.93	BB-	0.92
A+	7.25	B+	0.64
A	7.34	B	2.17
A-	3.76	B-	0.25
BBB+	3.54	NR	0.81

### Characteristics

Average Maturity	4.40 Years	Average Credit Quality <sup>3</sup>	AA
Average Duration	3.68 Years	SEC Yield	3.03%

### Key Benefits

- investment-grade portfolio
- diversification across market sectors to help reduce volatility
- strategic positioning that responds quickly to changing economic conditions

### Designed for Investors Who

- seek relatively high current income
- want to diversify an equity portfolio

CDSC - Contingent Deferred Sales Charge

<sup>1</sup>The investment adviser has waived its advisory fee and reimbursed some expenses, without which performance would have been lower.

<sup>2</sup>Total return figures for Class A shares reflect the current maximum sales load of 4.50%. Prior to December 24, 1997, the maximum sales load was 3.75%.

<sup>3</sup>S&P ratings. Excludes short-term investments

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### Income Portfolio - Commentary

The fixed income markets were characterized by continued volatility during the quarter as the looming threat of war became a reality. In the weeks leading up to the war with Iraq, a flight to quality drove Treasury yields lower: the yield on the two-year Treasury note reached an all-time low of 1.34%, and both the five-year note and ten-year bond fell to 40-year lows. With the onset of war, however, Treasuries witnessed a dramatic sell-off, bringing yields back to levels equal to those at the quarter's start.

The Portfolio outperformed the Lehman Brothers Intermediate Government/Credit benchmark for the quarter, largely due to our allocations to investment grade and high yield corporate bonds. Both sectors began the quarter with attractive valuations: yield spreads over Treasuries were at recession-like levels, and were priced with an expectation for negative GDP growth going forward. As the quarter progressed, demand for both sectors increased as it became apparent that GDP growth would remain positive. In addition, because Treasury yields had been driven so low, there was a marked increase in demand for higher yielding sectors. As a result, high yield outperformed all other sectors of the fixed income market as investors sought higher returns than Treasuries and the equity markets were likely to offer. Corporate spreads also tightened throughout the quarter.

Within the mortgage backed sector, durations have become very short due to the high level of refinancings taking place. Mortgage refinancing activity reached a record high during the quarter as homeowners took advantage of lower interest rates. We positioned the Portfolio defensively with respect to our mortgage backed holdings, both by allocating less money to the sector and by focusing on securities with lower coupons, as well as on well-structured collateralized mortgage obligations. This strategy helped insulate the Portfolio from the quarter's record level of prepayment activity.

In the months ahead, we expect the economy to continue to grow at a slow but steady pace. We plan to maintain an underweighted position in mortgage backed securities, with a focus on areas that are least vulnerable to an increase in interest rates. When interest rates begin to rise again, the average duration of mortgage backed securities will lengthen dramatically as refinancing activity drops off, leading to the potential for significant underperformance. We intend to continue to overweight the corporate sector, which should benefit from a growing economy; as well as asset backed securities, which are not subject to prepayment uncertainty.

# High Yield Total Return Portfolio

## Investment Objective

- total return through high current income and capital appreciation

## Investment Strategy

Invests primarily in high yield securities believed to offer the greatest relative value through a process involving intensive fundamental credit research and continuous relative value analysis that:

- seeks to avoid potential problems by screening out troubled issuers and securities in weak industries
- seeks to identify securities with the most attractive risk/reward profile based on peer analysis, cross sector analysis and capital structure analysis
- includes evaluating management and equity sponsors through in-person meetings, canvassing key customers and evaluating the management teams of competitors

## Fund Information

Fund Information	Class A
Symbol	BSHAX
Total Fund Net Assets	\$198.3 Mil.
Net Asset Value	\$8.10

## Performance<sup>1</sup>

Share Class	Class A	Class B	Class C
Inception Date	12/29/97	12/29/97	12/29/97
Performance (%)	Without Load	Without CDSC	Without CDSC
Quarter Ended 3/31/03	4.17	4.13	4.00
One Year 3/31/02 - 3/31/03	5.18	4.63	4.50
3 Year Average Annualized 3/31/00 - 3/31/03	2.70	2.08	2.03
5 Year Average Annualized 3/31/98 - 3/31/03	0.32	-0.30	-0.33
Average Annual Total Return Since Inception	1.84	1.21	1.18
Performance (%)	With Load <sup>2</sup>	With CDSC	With CDSC
Quarter Ended 3/31/03	-0.48	-0.87	3.00
One Year 3/31/02 - 3/31/03	0.49	-0.22	3.53
3 Year Average Annualized 3/31/00 - 3/31/03	1.13	1.28	N/A
5 Year Average Annualized 3/31/98 - 3/31/03	-0.60	-0.56	N/A
Average Annual Total Return Since Inception	0.94	1.08	N/A

Past performance is not a guarantee of future results. Share prices and returns will fluctuate, which may result in a gain or loss when shares are sold.

## Top Ten Issuers

Issuer	% of Total Net Assets
1. Ameristar Casinos, Inc.	1.98
2. William Carter Co. (The)	1.83
3. Nextel Communications, Inc.	1.70
4. ALARIS Medical, Inc.	1.68
5. DIRECTV Holdings/Finance	1.68
6. Simmons Co.	1.64
7. Amkor Technology, Inc.	1.63
8. R.H. Donnelley Finance Corp.	1.59
9. United Rentals (N.A.), Inc.	1.58
10. Dex Media East LLC and Dex Media Finance, Inc.	1.54

The Portfolio's holdings will change over time.

## Top Ten Industry Weightings

	% of Total Net Assets
Health Care	8.95
Hotels/Motels/Casinos	8.45
Electronic Components	7.61
Oil & Gas	6.72
Building/Development	5.67
Retailers	4.88
Publishing	4.36
Radio/Television	3.55
Leisure	3.37
Ecological Services/Equipment	3.34

### Calendar Year Performance

Time Period	Class A Total Return at NAV
1998	4.28%
1999	0.07%
2000	-8.81%
2001	9.70%
2002	1.30%
December 31, 2002 - March 31, 2003	4.17%

### Monthly Dividends - Class A Shares

April-02	0.061	October-02	0.050
May-02	0.054	November-02	0.053
June-02	0.058	December-02	0.072
July-02	0.059	January-03	0.035
August-02	0.055	February-03	0.054
September-02	0.059	March-03	0.049

### Credit Analysis<sup>3</sup>

Rating	% of Rated Securities	Rating	% of Rated Securities
BBB	1.22	B+	13.52
BBB-	3.21	B	28.73
BB+	2.69	B-	26.93
BB	4.12	CCC+	1.33
BB-	14.27	NR	3.98

### Characteristics

Average Maturity	5.16 Years	Average Credit Quality <sup>3</sup>	B+
Average Duration	4.53 Years	SEC Yield	7.35%

### Key Benefits

- a strong value orientation that focuses on companies poised for credit improvement
- potential risk reduction since high yield bonds have historically experienced less volatility than stocks and 30-year Treasury bonds<sup>4</sup>
- diversification potential, since high yield securities often behave independently from other asset classes

### Designed for Investors Who

- seek high current income coupled with investment growth
- are willing to accept the greater risks associated with high yield issues in exchange for their higher yield and total return potential when compared to higher-rated corporate and US Government bonds
- want diversification potential, since high yield securities have historically behaved independently from other asset classes

CDSC - Contingent Deferred Sales Charge

<sup>1</sup>The investment adviser has waived a portion of its advisory fee and reimbursed some expenses, without which performance would have been lower.

<sup>2</sup>Total return figures for Class A shares reflect the maximum sales load of 4.50%.

<sup>3</sup>S&P ratings. Excludes short-term investments.

<sup>4</sup>Of course, past performance cannot guarantee future results, and treasury bonds are guaranteed by the U.S. government.

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Investing in High Yield debt securities generally involves greater risks than investing in more highly rated debt securities such as the risk of greater price fluctuation and the possible loss of principal and income.

### High Yield Total Return - Commentary

Despite a troubling economic environment and the war with Iraq, the high yield market performed well in the first quarter. With the federal funds rate holding steady at an historically low 1.25%, supply and demand fundamentals were so compelling that the high yield market posted large returns. Investors kept demand strong throughout the quarter amid continued confidence in a market characterized by lower default rates, improving credit profiles, and positive progress on the war. In total, there were \$9.2 billion of inflows into high yield funds during the quarter, compared to \$10.2 billion for the entire year of 2002. Supply was also robust, as issuers continued to take advantage of low interest rates; 77 new issues valued at \$23.8 billion were priced during the quarter.

All of this occurred despite weak signals from the economy: the number of jobless claims increased, consumer confidence decreased, and the manufacturing index declined. Weakened economic factors were also exacerbated by the war. The equity markets, among others, were volatile and highly correlated to the progress of the war. Although victory seemed imminent by the quarter's end, we expect most markets to remain volatile as progress unfolds.

In this environment, the high yield market posted positive returns. Default rates headed to multi-year lows, credit profiles continued to improve, and the market benefited greatly from asset class rotation. In particular, lower-quality credits outperformed as investors sought yield. Caa bonds returned 19.03% during the quarter, outperforming B and Ba bonds, which returned 4.87% and 7.28%, respectively. Several volatile sectors rebounded during the quarter, including wireless and wireline telecommunications, technology, and utilities.

The Portfolio underperformed the Lehman Brothers High Yield benchmark for the quarter, largely because of our bias against lower-quality issues in volatile sectors. Specifically, we were underexposed to the utilities sector, which contributed strongly to the benchmark's total return for the quarter. In addition, the Portfolio's exposure to Caa credits was limited. By contrast, we were overweighted in healthcare, homebuilding, energy, and gaming—defensive sectors with favorable fundamentals that experienced below-average returns.

In the months ahead, we expect to see continued strength in high yield as technical factors continue to drive the market. We believe positive inflows into high yield will continue, although perhaps at a less robust pace than in the first quarter. In addition, as the conflict with Iraq unfolds, investor focus will likely return to the state of the economy. For the Portfolio, we intend to continue to invest in higher-quality names in sectors with sound fundamentals as we await a broader economic recovery that should lead to stable and improving earnings trends.

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