



Semiannual Report

JUNE 30, 2005

Asset Strategy Portfolio

Balanced Portfolio

Bond Portfolio

Core Equity Portfolio

Dividend Income Portfolio

Global Natural Resources Portfolio

Growth Portfolio

High Income Portfolio

International Growth Portfolio

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Money Market Portfolio

Mortgage Securities Portfolio

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Science and Technology Portfolio

Small Cap Growth Portfolio

Small Cap Value Portfolio

Value Portfolio



W&R
TARGET FUNDS

Waddell & Reed

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President's Letter

June 30, 2005



DEAR SHAREHOLDER:

Enclosed is our report on your Portfolio's operations for the six months ended June 30, 2005. The period enjoyed solid economic growth, although this performance was not manifest in the financial markets. We experienced subdued returns over the first half of 2005, as interest rates, energy prices and inflation worries restrained most major market indexes. The S&P 500 Index declined 0.81 percent, while the Dow Jones Industrial Average declined 3.65 percent over the period. Bonds fared a bit better, with the Citigroup Broad Investment Grade Index returning 2.61 percent over the last six months.

The Federal Reserve continued its campaign of steadily raising short-term interest rates. The Fed enacted four quarter-point rate increases between January and June, with rates ending the period at 3.25 percent. The Fed recently stated that it still believes monetary conditions remain "accommodative," indicating apparently that they intend to continue raising rates somewhat further.

Despite rising short-term interest rates and higher oil prices, the economy continues to do quite well. Real economic growth of around 3 percent for the remainder of the

year, with a nominal growth rate (after inflation) of approximately 6 percent, seems likely, in our view. History suggests that corporate profits tend to grow in line with growth in the economy, and stocks generally follow the growth in profits. It now appears that S&P 500 profits could potentially rise in the area of 10 percent for all of 2005. Equities have been sluggish in the first six months of 2005, actually down slightly. We believe that some catch-up with profit growth appears probable.

Regardless of short-term setbacks brought on by economic or geopolitical events – and although past performance is no guarantee of future results – stocks have historically continued to rise over time. And, through appropriate diversification, you can potentially provide more balance to your portfolio over time.

Your financial advisor can help you with these strategies and work with you to develop and maintain a customized investment plan based on your individual situation. We believe that focusing on that plan, despite the swings of the market, is important as you work toward a sound financial future.

Thank you for your partnership and your continued commitment to your investment program.

Respectfully,

A handwritten signature in black ink, reading "Henry J. Herrmann". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Henry J. Herrmann, CFA
President

The opinions expressed in this letter are those of the President of the W&R Target Funds, Inc., and are current only through the end of the period of the report, as stated on the cover. The President's views are subject to change at any time, based on market and other conditions, and no forecasts can be guaranteed.

Illustration of Portfolio Expenses

As a shareholder of a Portfolio, you incur ongoing costs, including management fees, distribution and service fees, and other Portfolio expenses. The following tables are intended to help you understand your ongoing costs (in dollars) of investing in a Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended June 30, 2005.

Actual Expenses

The first line in the following tables provides information about actual investment values and actual expenses. You may use the information in this line, together with your initial investment in Portfolio shares, to estimate the expenses that you paid over the period. Simply divide the value of that investment by \$1,000 (for example, a \$7,500 initial investment divided by \$1,000 = 7.5), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your investment during this period. In addition, there are fees and expenses imposed under the variable annuity or variable life insurance contract through which shares of the Portfolio are held. Additional fees have the effect of reducing investment returns.

Hypothetical Example for Comparison Purposes

The second line of the following tables provides information about hypothetical investment values and hypothetical expenses based on the Portfolio’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio’s actual return. The hypothetical investment values and expenses may not be used to estimate the actual investment value at the end of the period or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the tables are meant to highlight your ongoing costs as a shareholder of the Portfolio and do not reflect any fees and expenses imposed under the variable annuity or variable life insurance contract through which shares of the Portfolio are held.

Asset Strategy Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$ 1,000	\$ 1,033	1.04%	\$ 5.23
Based on 5% Return ⁽²⁾	\$ 1,000	\$ 1,020	1.04%	\$ 5.20

Balanced Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$ 1,000	\$ 1,007	1.02%	\$ 5.07
Based on 5% Return ⁽²⁾	\$ 1,000	\$ 1,020	1.02%	\$ 5.10

See footnotes on page 9.

Bond Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,020	0.86%	\$4.32
Based on 5% Return ⁽²⁾	\$1,000	\$1,021	0.86%	\$4.32

Core Equity Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,023	1.01%	\$5.09
Based on 5% Return ⁽²⁾	\$1,000	\$1,020	1.01%	\$5.08

Dividend Income Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,030	0.69%	\$3.47
Based on 5% Return ⁽²⁾	\$1,000	\$1,021	0.69%	\$3.46

Global Natural Resources Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	4-28-05**	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,046	2.19%	\$3.86
Based on 5% Return ⁽²⁾	\$1,000	\$1,005	2.19%	\$3.78

Growth Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,013	1.00%	\$4.99
Based on 5% Return ⁽²⁾	\$1,000	\$1,020	1.00%	\$5.01

High Income Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$ 998	0.96%	\$4.77
Based on 5% Return ⁽²⁾	\$1,000	\$1,020	0.96%	\$4.82

See footnotes on page 9.

International Growth Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$ 980	1.22%	\$5.99
Based on 5% Return ⁽²⁾	\$1,000	\$1,019	1.22%	\$6.11

International Value Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,013	1.19%	\$5.95
Based on 5% Return ⁽²⁾	\$1,000	\$1,019	1.19%	\$5.97

Limited-Term Bond Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,011	0.88%	\$4.38
Based on 5% Return ⁽²⁾	\$1,000	\$1,020	0.88%	\$4.40

Micro Cap Growth Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,028	1.38%	\$6.92
Based on 5% Return ⁽²⁾	\$1,000	\$1,018	1.38%	\$6.88

Mid Cap Growth Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	4-28-05**	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,083	0.84%	\$1.50
Based on 5% Return ⁽²⁾	\$1,000	\$1,007	0.84%	\$1.45

Money Market Portfolio Expenses

	Beginning Investment Value	Ending Investment Value	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005	12-31-04	6-30-05		
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,009	0.79%	\$3.94
Based on 5% Return ⁽²⁾	\$1,000	\$1,021	0.79%	\$3.96

See footnotes on page 9.

Mortgage Securities Portfolio Expenses

	Beginning Investment Value 12-31-04	Ending Investment Value 6-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005				
Based on Actual Portfolio Return ⁽¹⁾	\$ 1,000	\$ 1,019	1.07%	\$ 5.35
Based on 5% Return ⁽²⁾	\$ 1,000	\$ 1,019	1.07%	\$ 5.35

Real Estate Securities Portfolio Expenses

	Beginning Investment Value 12-31-04	Ending Investment Value 6-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005				
Based on Actual Portfolio Return ⁽¹⁾	\$ 1,000	\$ 1,052	1.47%	\$ 7.46
Based on 5% Return ⁽²⁾	\$ 1,000	\$ 1,018	1.47%	\$ 7.33

Science and Technology Portfolio Expenses

	Beginning Investment Value 12-31-04	Ending Investment Value 6-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005				
Based on Actual Portfolio Return ⁽¹⁾	\$ 1,000	\$ 1,039	1.18%	\$ 5.95
Based on 5% Return ⁽²⁾	\$ 1,000	\$ 1,019	1.18%	\$ 5.90

Small Cap Growth Portfolio Expenses

	Beginning Investment Value 12-31-04	Ending Investment Value 6-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005				
Based on Actual Portfolio Return ⁽¹⁾	\$ 1,000	\$ 1,055	1.17%	\$ 5.96
Based on 5% Return ⁽²⁾	\$ 1,000	\$ 1,019	1.17%	\$ 5.86

Small Cap Value Portfolio Expenses

	Beginning Investment Value 12-31-04	Ending Investment Value 6-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended June 30, 2005				
Based on Actual Portfolio Return ⁽¹⁾	\$ 1,000	\$ 1,007	1.24%	\$ 6.18
Based on 5% Return ⁽²⁾	\$ 1,000	\$ 1,019	1.24%	\$ 6.22

See footnotes on page 9.

Value Portfolio Expenses

For the Six Months Ended June 30, 2005	Beginning Investment Value 12-31-04	Ending Investment Value 6-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,016	1.02%	\$5.12
Based on 5% Return ⁽²⁾	\$1,000	\$1,020	1.02%	\$5.13

*Portfolio expenses are equal to the Portfolio's annualized expense ratio (provided in the table), multiplied by the average investment value over the period, multiplied by 181 days (63 days for Global Natural Resources Portfolio and Mid Cap Growth Portfolio) in the six-month period ended June 30, 2005, and divided by 365.

**The Portfolio commenced operations on April 28, 2005. The calculations are based on 63 days in the period ended June 30, 2005.

(1) This line uses the Portfolio's actual total return and actual Portfolio expenses. It is a guide to the actual expenses paid by the Portfolio in the period. The "Ending Investment Value" shown is computed using the Portfolio's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Portfolio. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the fourth column.

(2) This line uses a hypothetical 5% return and actual Portfolio expenses. It helps to compare the Portfolio's ongoing costs with other mutual funds. A shareholder can compare the Portfolio's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustration is based on ongoing costs only.

SHAREHOLDER SUMMARY OF ASSET STRATEGY PORTFOLIO

Portfolio Highlights

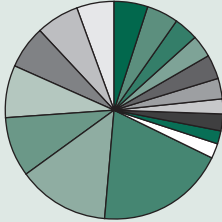
On June 30, 2005, W&R Target Asset Strategy Portfolio had net assets totaling \$316,327,310 invested in a diversified portfolio of:

79.40%	Common Stocks
6.40%	Bullion
4.87%	Corporate Debt Securities
3.49%	Cash and Cash Equivalents and Unrealized Gain on Open Forward Currency Contracts
3.46%	Other Government Securities
2.38%	U.S. Government and Government Agency Obligations

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



Raw Materials Stocks	\$ 19.34
Energy Stocks	\$ 13.47
Multi-Industry Stocks	\$ 9.07
Capital Goods Stocks	\$ 7.59
Bullion	\$ 6.40
Financial Services Stocks	\$ 6.36
Technology Stocks	\$ 5.54
Consumer Nondurables Stocks	\$ 5.02
Corporate Debt Securities	\$ 4.87
Miscellaneous Stocks	\$ 3.50
Cash and Cash Equivalents and Unrealized Gain on Open Forward Currency Contracts	\$ 3.49
Other Government Securities	\$ 3.46
Business Equipment and Services Stocks . .	\$ 3.08
Consumer Durables Stocks	\$ 2.41
U.S. Government and Government Agency Obligations	\$ 2.38
Health Care Stocks	\$ 2.01
Utilities Stocks	\$ 2.01

The Investments of Asset Strategy Portfolio

June 30, 2005

(Unaudited)

BULLION – 6.40%	Troy Ounces	Value
Gold (Cost: \$18,341,890)	46,514	\$ 20,254,427
<hr/>		
COMMON STOCKS	Shares	
<hr/>		
Aircraft – 2.60%		
BAE SYSTEMS plc (A)	608,180	3,127,370
Boeing Company (The)	37,600	2,481,600
United Technologies Corporation	50,600	2,598,310
		<u>8,207,280</u>
Aluminum – 0.79%		
Aluminum Corporation of China Limited, H Shares (A)	4,508,000	<u>2,508,956</u>
Banks – 1.38%		
Citigroup Inc.	67,250	3,108,967
Kabushiki Kaisha Mitsubishi Tokyo Financial Group (A)	146	1,238,716
		<u>4,347,683</u>
Business Equipment and Services – 3.08%		
Dentsu Inc. (A)*	505	1,247,588
Headwaters Incorporated*	111,950	3,848,841
Jacobs Engineering Group Inc.*	38,000	2,137,880
Mitsubishi Corporation (A)	138,200	1,879,051
Pacific Basin Shipping Limited (A)	1,326,000	631,347
		<u>9,744,707</u>
Capital Equipment – 3.16%		
Caterpillar Inc.	52,050	4,960,886
Chicago Bridge & Iron Company N.V., NY Shares	65,796	1,504,097
Deere & Company	34,341	2,248,992
SMC Corporation (A)	11,800	1,287,350
		<u>10,001,325</u>
Chemicals – Petroleum and Inorganic – 1.49%		
LG Chem, Ltd. (A)	41,080	1,501,038
Yara International ASA (A)	201,200	3,202,106
		<u>4,703,144</u>
Chemicals – Specialty – 0.51%		
Scotts Miracle-Gro Company (The)*	22,700	<u>1,616,467</u>

See Notes to Schedule of Investments on page 20.

The Investments of Asset Strategy Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Coal – 1.99%		
Foundation Coal Holdings, Inc.	59,700	\$ 1,548,618
Peabody Energy Corporation	91,400	4,756,456
		<u>6,305,074</u>
Computers – Micro – 0.46%		
Dell Inc.*	36,950	<u>1,457,493</u>
Construction Materials – 2.91%		
CRH public limited company (A)	70,940	1,868,131
Cemex, S.A. de C.V., ADR	172,613	7,322,243
		<u>9,190,374</u>
Electronic Components – 1.97%		
Samsung Electronics Co., Ltd. (A)	13,030	<u>6,222,156</u>
Electronic Instruments – 0.51%		
Nihon Densan Kabushiki Kaisha (A)	15,300	<u>1,619,529</u>
Finance Companies – 2.14%		
Rio Tinto plc (A)	220,870	<u>6,759,116</u>
Food and Related – 4.27%		
Archer Daniels Midland Company	274,300	5,864,534
Bunge Limited	92,173	5,843,768
J.M. Smucker Company (The)	38,150	1,790,761
		<u>13,499,063</u>
Forest and Paper Products – 0.55%		
Aracruz Celulose S.A., ADR	49,600	<u>1,723,600</u>
Gold and Precious Metals – 5.30%		
Agnico-Eagle Mines Limited	149,500	1,883,700
Barrick Gold Corporation	335,050	8,386,302
Placer Dome Inc.	204,650	3,147,517
Yanzhou Coal Mining Company Limited, Class H (A) ...	4,269,200	3,351,193
		<u>16,768,712</u>
Health Care – Drugs – 0.57%		
Gilead Sciences, Inc.*	40,950	<u>1,801,595</u>
Health Care – General – 0.48%		
Schein (Henry), Inc.*	36,900	<u>1,533,749</u>

See Notes to Schedule of Investments on page 20.

The Investments of Asset Strategy Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Hospital Supply and Management – 0.96%		
Cerner Corporation*	23,600	\$ 1,604,210
Stryker Corporation	30,200	1,436,312
		<u>3,040,522</u>
Household – General Products – 0.75%		
Colgate-Palmolive Company	47,700	<u>2,380,707</u>
Mining – 11.25%		
Alumina Limited (A)	561,390	2,380,228
BHP Billiton Plc (A)	523,100	7,227,035
Cameco Corporation (A)	38,100	1,699,449
Freeport-McMoRan Copper & Gold Inc., Class B	85,686	3,208,084
Inco Limited	108,450	4,093,988
Newmont Mining Corporation	195,500	7,630,365
Noranda Inc. (A)	155,850	2,673,822
Phelps Dodge Corporation	40,300	3,727,750
Southern Peru Copper Corporation	68,950	2,953,818
		<u>35,594,539</u>
Motor Vehicles – 2.41%		
Toyota Motor Corporation (A)	213,200	<u>7,631,449</u>
Multiple Industry – 9.07%		
Alpha Natural Resources, Inc.*	106,299	2,538,420
Bucyrus International, Inc., Class A	45,950	1,742,883
Companhia Vale do Rio Doce, ADR	314,250	9,201,240
General Electric Company	201,890	6,995,489
Hutchison Whampoa Limited, Ordinary Shares (A)	565,000	5,107,612
Smiths Group plc (A)	189,000	3,112,022
		<u>28,697,666</u>
Non-Residential Construction – 1.52%		
Fluor Corporation	42,265	2,434,041
Hyundai Heavy Industries Co., Ltd. (A)*	47,200	2,372,547
		<u>4,806,588</u>
Petroleum – International – 7.53%		
Anadarko Petroleum Corporation	75,623	6,212,429
BP p.l.c., ADR	92,050	5,742,079
Burlington Resources Inc.	78,670	4,345,731
Exxon Mobil Corporation	130,841	7,519,432
		<u>23,819,671</u>
Petroleum – Services – 3.95%		
Baker Hughes Incorporated	59,400	3,038,904
Schlumberger Limited	76,550	5,813,207
Transocean Inc.*	67,400	3,637,578
		<u>12,489,689</u>

See Notes to Schedule of Investments on page 20.

The Investments of Asset Strategy Portfolio

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(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Railroad – 0.56%		
Norfolk Southern Corporation	56,750	\$ 1,756,980
Real Estate Investment Trust – 0.47%		
Keppel Land Limited (A)	1,008,000	1,494,219
Retail – Food Stores – 1.92%		
CVS Corporation	104,150	3,027,640
Walgreen Co.	66,497	3,058,197
		6,085,837
Security and Commodity Brokers – 2.84%		
Chicago Mercantile Exchange Holdings Inc.	14,813	4,377,241
Franklin Resources, Inc.	19,900	1,531,902
Legg Mason, Inc.	29,600	3,081,656
		8,990,799
Utilities – Electric – 1.48%		
Southern Company	86,900	3,012,823
Veolia Environment (A)	44,550	1,675,121
		4,687,944
Utilities – Telephone – 0.53%		
China Mobile (Hong Kong) Limited (A)	447,500	1,667,112
TOTAL COMMON STOCKS – 79.40%		\$251,153,745
(Cost: \$207,309,198)		

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	
Aircraft – 0.04%		
Raytheon Company, 6.5%, 7–15–05	\$ 135	135,092
Beverages – 0.19%		
Companhia Brasileira de Bebidas, 10.5%, 12–15–11	500	617,500
Capital Equipment – 0.35%		
Hyundai Motor Company, 5.3%, 12–19–08 (B)	1,080	1,092,345

See Notes to Schedule of Investments on page 20.

The Investments of Asset Strategy Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Computers – Peripherals – 0.18%		
ASG Consolidated LLC and ASG Finance, Inc., 0.0%, 11–1–11 (C)	\$ 800	<u>\$ 574,000</u>
Construction Materials – 0.73%		
Hanson Overseas B.V., 6.75%, 9–15–05	650	653,631
Interface, Inc.: 7.3%, 4–1–08	520	530,400
9.5%, 2–1–14	550	561,000
Ply Gem Industries, Inc., 9.0%, 2–15–12	650	549,250
		<u>2,294,281</u>
Finance Companies – 0.86%		
ALROSA Finance S.A., 8.125%, 5–6–08	900	961,650
Exxon Capital Corporation, 6.0%, 7–1–05	750	750,000
Toyota Motor Credit Corporation, 5.01%, 1–18–15	1,050	1,016,988
		<u>2,728,638</u>
Food and Related – 0.16%		
Sara Lee Corporation, 6.45%, 9–26–05	500	<u>502,247</u>
Mining – 0.56%		
Vedanta Resources plc, 6.625%, 2–22–10 (B)	1,800	<u>1,776,154</u>
Multiple Industry – 0.40%		
National Rural Utilities Cooperative Finance Corporation, 3.0%, 2–15–06	750	746,564
Sino-Forest Corporation, 9.125%, 8–17–11 (B)	475	518,937
		<u>1,265,501</u>
Security and Commodity Brokers – 0.19%		
SLM Corporation, 4.0%, 7–25–14	600	<u>594,378</u>

See Notes to Schedule of Investments on page 20.

The Investments of Asset Strategy Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Utilities – Electric – 0.47%		
Dominion Resources, Inc., 7.625%, 7–15–05	\$ 750	\$ 750,674
Wisconsin Energy Corporation, 5.875%, 4–1–06	227	230,099
Wisconsin Power and Light Company, 7.6%, 7–1–05	500	500,000
		<u>1,480,773</u>
Utilities – Gas and Pipeline – 0.24%		
Wisconsin Gas Company, 6.375%, 11–1–05	750	<u>756,150</u>
Utilities – Telephone – 0.50%		
Open Joint Stock Company "Vimpel-Communications", 10.0%, 6–16–09 (B)	1,000	1,075,000
Verizon Global Funding Corp. and Verizon Communications Inc., 6.75%, 12–1–05	500	505,761
		<u>1,580,761</u>
TOTAL CORPORATE DEBT SECURITIES – 4.87%		\$ 15,397,820
(Cost: \$15,163,036)		
OTHER GOVERNMENT SECURITIES		
Japan – 2.28%		
Japanese Government 15 Year Floating Rate Bond, 0.64%, 1–20–18 (D)	JPY775,000	<u>7,204,265</u>
South Korea – 0.31%		
Korea Development Bank (The), 3.49%, 10–29–06	\$1,000	<u>987,140</u>
United Kingdom – 0.87%		
United Kingdom Treasury, 4.75%, 6–7–10 (D)	GBP1,500	<u>2,772,227</u>
TOTAL OTHER GOVERNMENT SECURITIES – 3.46%		\$ 10,963,632
(Cost: \$10,992,049)		

See Notes to Schedule of Investments on page 20.

The Investments of Asset Strategy Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS	Principal Amount in Thousands	Value
Mortgage-Backed Obligations		
Federal Home Loan Mortgage Corporation Agency		
REMIC/CMO (Interest Only):		
5.0%, 4-15-19	\$ 736	\$ 102,973
5.0%, 4-15-19	1,533	211,723
5.0%, 2-15-20	2,325	175,408
5.0%, 7-15-21	1,210	146,544
5.0%, 6-15-22	2,559	163,627
5.0%, 7-15-22	9,058	623,656
5.0%, 1-15-23	1,798	130,232
5.0%, 4-15-23	757	86,946
5.0%, 5-15-23	1,235	196,847
5.0%, 8-15-23	919	162,697
5.5%, 11-15-23	3,800	473,952
5.5%, 11-15-23	2,452	266,298
5.0%, 9-15-24	2,534	259,685
5.5%, 9-15-24	1,477	139,180
5.5%, 4-15-25	635	65,693
5.5%, 4-15-25	298	43,855
5.0%, 9-15-25	3,238	384,180
5.0%, 8-15-30	1,794	241,652
5.5%, 3-15-31	1,195	170,618
Federal National Mortgage Association Agency		
REMIC/CMO (Interest Only):		
5.5%, 11-25-17	1,618	174,009
5.0%, 5-25-22	1,071	160,412
5.5%, 9-25-25	914	106,538
5.5%, 11-25-25	3,409	320,058
Government National Mortgage Association		
Agency REMIC/CMO (Interest Only):		
5.0%, 7-20-33	705	131,372
5.5%, 11-20-33	2,548	453,518
Government National Mortgage Association Fixed		
Rate Pass-Through Certificates:		
5.5%, 11-15-16	394	407,039
5.5%, 11-15-16	114	117,379
5.5%, 12-15-16	1,262	1,303,453
5.5%, 12-15-16	301	311,328
TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 2.38%		\$ 7,530,872
(Cost: \$7,387,616)		

See Notes to Schedule of Investments on page 20.

The Investments of Asset Strategy Portfolio

June 30, 2005

(Unaudited)

UNREALIZED GAIN ON OPEN FORWARD CURRENCY CONTRACTS – 0.03%	Face Amount in Thousands	Value
British Pound, 3–8–06 (D)	GBP 3,230	\$ 77,461
Euro, 6–8–06 (D)	EUR 750	10,296
		\$ 87,757
<hr/>		
	Principal Amount in Thousands	
SHORT-TERM SECURITIES		
<hr/>		
Capital Equipment – 1.26%		
Caterpillar Inc., 3.25%, 7–8–05	\$4,000	3,997,472
Food and Related – 1.26%		
Heinz (H.J.) Finance Co. (Heinz (H.J.) Co.), 3.33%, 7–13–05	4,000	3,995,560
Household – General Products – 1.24%		
Procter & Gamble Company (The), 3.37%, 7–1–05	3,909	3,909,000
Publishing – 0.95%		
Tribune Co., 3.3%, 7–11–05	3,000	2,997,250
TOTAL SHORT-TERM SECURITIES – 4.71%		\$ 14,899,282
(Cost: \$14,899,282)		
TOTAL INVESTMENT SECURITIES – 101.25%		\$320,287,535
(Cost: \$274,093,071)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.25%)		(3,960,225)
NET ASSETS – 100.00%		\$316,327,310

See Notes to Schedule of Investments on page 20.

The Investments of Asset Strategy Portfolio

June 30, 2005

(Unaudited)

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of these securities amounted to \$4,462,436 or 1.41% of net assets.

(C) The security does not bear interest for an initial period of time and subsequently becomes interest bearing.

(D) Principal amounts are denominated in the indicated foreign currency, where applicable (EUR – Euro, GBP – British Pound, JPY – Japanese Yen).

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

ASSET STRATEGY PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investments – at value (Notes 1 and 3):	
Bullion (cost – \$18,342)	\$ 20,254
Securities (cost – \$255,751)	300,034
	<u>320,288</u>
Cash	2
Receivables:	
Dividends and interest	927
Portfolio shares sold	202
Swap premiums paid	31
Prepaid and other assets	4
Total assets	<u>\$ 321,454</u>

LIABILITIES

Payable for investment securities purchased	5,003
Swap premiums received	29
Accrued accounting services fee (Note 2)	8
Accrued management fee (Note 2)	6
Accrued shareholder servicing (Note 2)	3
Accrued service fee (Note 2)	2
Payable to Portfolio shareholders	2
Other	74
Total liabilities	<u>5,127</u>
Total net assets	<u>\$316,327</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 40
Additional paid-in capital	263,590
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	2,129
Accumulated undistributed net realized gain on investment transactions	4,484
Net unrealized appreciation in value of securities	46,107
Net unrealized depreciation in value of swaps	(115)
Net unrealized appreciation in value of forward currency contracts	88
Net unrealized appreciation in value of foreign currency exchange	4
Net assets applicable to outstanding units of capital	<u>\$316,327</u>
Net asset value, redemption and offering price per share	<u>\$ 7.9462</u>
Capital shares outstanding	39,809
Capital shares authorized	80,000

See Notes to Financial Statements.

Statement of Operations

ASSET STRATEGY PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$185)	\$2,825
Interest and amortization	853
Total income	<u>3,678</u>
Expenses (Note 2):	
Investment management fee	1,029
Service fee	368
Accounting services fee	46
Custodian fees	30
Audit fees	9
Shareholder servicing	5
Legal fees	3
Other	36
Total expenses	<u>1,526</u>
Net investment income	<u>2,152</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	4,405
Realized net gain on purchased options	347
Realized net loss on written options	(1,546)
Realized net loss on swap agreements	(35)
Realized net loss on foreign currency transactions	(23)
Realized net gain on investments	<u>3,148</u>
Unrealized appreciation in value of securities during the period	3,471
Unrealized appreciation in value of forward currency contracts during the period	1,101
Unrealized depreciation in value of swaps during the period	(115)
Unrealized appreciation in value of investments during the period	<u>4,457</u>
Net gain on investments	<u>7,605</u>
Net increase in net assets resulting from operations	<u>\$9,757</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

ASSET STRATEGY PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 2,152	\$ 2,493
Realized net gain on investments	3,148	3,673
Unrealized appreciation.	4,457	26,567
Net increase in net assets resulting from operations	9,757	32,733
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(3,562)
Realized gains on investment transactions.	(—)	(1,900)
Capital share transactions ⁽²⁾	24,204	28,150
Total increase	33,961	55,421
NET ASSETS		
Beginning of period.	282,366	226,945
End of period.	<u>\$316,327</u>	<u>\$282,366</u>
Undistributed net investment income	<u>\$ 2,129</u>	<u>\$ —*</u>

(1) See "Financial Highlights" on page 24.

(2) Shares issued from sale of shares	4,124	5,516
Shares issued from reinvestment of dividend and/or capital gains distribution	—	710
Shares redeemed.	(1,021)	(2,298)
Increase in outstanding capital shares	3,103	3,928
Value issued from sale of shares	\$ 32,151	\$ 38,917
Value issued from reinvestment of dividend and/or capital gains distribution	—	5,462
Value redeemed	(7,947)	(16,229)
Increase in outstanding capital	<u>\$ 24,204</u>	<u>\$ 28,150</u>

*Not shown due to rounding.

Financial Highlights

ASSET STRATEGY PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value,						
beginning of period . . .	\$7.6926	\$6.9237	\$6.3078	\$6.2046	\$7.0540	\$6.2625
Income (loss) from						
investment operations:						
Net investment						
income	0.0541	0.0699	0.0769	0.1005	0.1323	0.0908
Net realized and						
unrealized gain						
(loss) on						
investments	0.1995	0.8508	0.6469	0.1032	(0.8354)	1.3211
Total from investment						
operations	0.2536	0.9207	0.7238	0.2037	(0.7031)	1.4119
Less distributions from:						
Net investment						
income	(0.0000)	(0.0990)	(0.0769)	(0.1005)	(0.1334)	(0.0906)
Capital gains	(0.0000)	(0.0528)	(0.0310)	(0.0000)	(0.0129)	(0.5298)
Total distributions	(0.0000)	(0.1518)	(0.1079)	(0.1005)	(0.1463)	(0.6204)
Net asset value,						
end of period	\$7.9462	\$7.6926	\$6.9237	\$6.3078	\$6.2046	\$7.0540
Total return	3.30%	13.30%	11.47%	3.28%	-9.96%	22.53%
Net assets, end of period						
(in millions)	\$316	\$282	\$227	\$167	\$115	\$59
Ratio of expenses to						
average net assets . . .	1.04% ⁽¹⁾	1.06%	1.03%	1.04%	1.03%	0.97%
Ratio of net investment						
income to average						
net assets	1.46% ⁽¹⁾	1.02%	1.27%	1.90%	2.63%	1.97%
Portfolio turnover rate	36%	118%	224%	95%	188%	155%

(1)Annualized.

See Notes to Financial Statements.

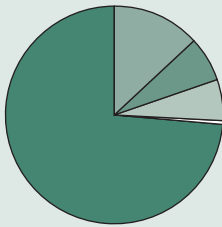
SHAREHOLDER SUMMARY OF BALANCED PORTFOLIO

Portfolio Highlights

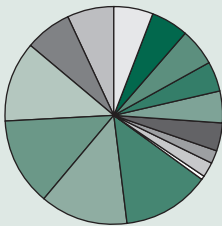
On June 30, 2005, W&R Target Balanced Portfolio had net assets totaling \$597,643,181 invested in a diversified portfolio of:

73.76%	Common Stocks
13.15%	U.S. Government and Government Agency Obligations
6.79%	Corporate Debt Securities
5.99%	Cash and Cash Equivalents
0.31%	Other Government Security

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



Common Stocks	\$73.76
U.S. Government and Government Agency Obligations	\$13.15
Corporate Debt Securities	\$ 6.79
Cash and Cash Equivalents	\$ 5.99
Other Government Security	\$ 0.31



Technology Stocks	\$13.38
U.S. Government and Government Agency Obligations	\$13.15
Financial Services Stocks	\$12.94
Health Care Stocks	\$12.02
Energy Stocks	\$ 6.91
Corporate Debt Securities	\$ 6.79
Cash and Cash Equivalents	\$ 5.99
Utilities Stocks	\$ 5.53
Miscellaneous Stocks	\$ 5.46
Consumer Nondurables Stocks	\$ 4.65
Retail Stocks	\$ 4.51
Consumer Services Stocks	\$ 4.18
Business Equipment and Services Stocks	\$ 2.10
Multi-Industry Stocks	\$ 2.08
Other Government Security	\$ 0.31

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Aircraft – 0.96%		
Boeing Company (The)	86,800	<u>\$ 5,728,800</u>
Banks – 3.25%		
Citigroup Inc.	254,600	11,770,158
Northern Trust Corporation	168,400	7,668,094
		<u>19,438,252</u>
Beverages – 0.96%		
Anheuser-Busch Companies, Inc.	29,000	1,326,750
Brown-Forman Corporation, Class B	73,400	4,437,764
		<u>5,764,514</u>
Business Equipment and Services – 1.31%		
Cintas Corporation	203,300	<u>7,852,463</u>
Capital Equipment – 1.04%		
Ingersoll-Rand Company Limited, Class A	87,000	<u>6,207,450</u>
Chemicals – Petroleum and Inorganic – 0.80%		
Dow Chemical Company (The)	106,800	<u>4,755,804</u>
Chemicals – Specialty – 0.93%		
Air Products and Chemicals, Inc.	92,200	<u>5,559,660</u>
Computers – Micro – 2.84%		
Apple Computer, Inc.*	109,800	4,037,895
Dell Inc.*	216,657	8,546,035
Sun Microsystems, Inc.*	1,188,000	4,401,540
		<u>16,985,470</u>
Computers – Peripherals – 6.21%		
Check Point Software Technologies Ltd.*	251,200	4,982,552
EMC Corporation*	512,900	7,031,859
Microsoft Corporation	457,800	11,364,885
Oracle Corporation*	508,500	6,714,743
Symantec Corporation*	322,200	7,006,239
		<u>37,100,278</u>
Defense – 1.21%		
General Dynamics Corporation	66,100	<u>7,240,594</u>

See Notes to Schedule of Investments on page 34.

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Electrical Equipment – 0.87%		
Emerson Electric Co.	81,200	\$ 5,085,556
Molex Incorporated, Class A	4,472	104,846
		<u>5,190,402</u>
Electronic Components – 1.26%		
Intel Corporation.....	290,000	<u>7,547,250</u>
Electronic Instruments – 0.90%		
Lam Research Corporation*	185,450	<u>5,365,996</u>
Finance Companies – 2.59%		
Fannie Mae.	87,500	5,110,000
SLM Corporation	204,100	10,368,280
		<u>15,478,280</u>
Food and Related – 2.23%		
Campbell Soup Company	228,400	7,027,868
Dean Foods Company*	178,200	6,279,768
		<u>13,307,636</u>
Furniture and Furnishings – 0.92%		
Masco Corporation.....	173,400	<u>5,507,184</u>
Health Care – Drugs – 5.25%		
Abbott Laboratories	133,600	6,547,736
Allergan, Inc.	80,500	6,861,820
Amgen Inc.*	95,500	5,773,452
Novartis AG, ADR	97,300	4,615,912
Pfizer Inc.	274,307	7,565,387
		<u>31,364,307</u>
Health Care – General – 3.42%		
Biomet, Inc.	167,100	5,785,837
Boston Scientific Corporation*	150,100	4,052,700
Johnson & Johnson	163,300	10,614,500
		<u>20,453,037</u>
Hospital Supply and Management – 3.35%		
HCA Inc.	112,700	6,386,709
Medtronic, Inc.	132,700	6,872,533
UnitedHealth Group Incorporated	130,200	6,788,628
		<u>20,047,870</u>

See Notes to Schedule of Investments on page 34.

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Household – General Products – 1.45%		
Colgate-Palmolive Company	173,100	\$ 8,639,421
Insurance – Life – 1.22%		
Lincoln National Corporation	155,600	7,300,752
Insurance – Property and Casualty – 3.59%		
Allstate Corporation (The)	135,300	8,084,175
Berkshire Hathaway Inc., Class B*	2,300	6,402,050
Chubb Corporation (The)	81,200	6,951,532
		21,437,757
Leisure Time Industry – 2.31%		
Royal Caribbean Cruises Ltd.	150,000	7,254,000
Walt Disney Company (The)	259,100	6,524,138
		13,778,138
Motion Pictures – 1.88%		
News Corporation Limited, Class A.	402,700	6,515,686
News Corporation Limited, Class B.	280,000	4,720,800
		11,236,486
Multiple Industry – 2.08%		
General Electric Company	328,756	11,391,395
TreeHouse Foods, Inc.*	35,640	1,016,096
		12,407,491
Petroleum – International – 4.50%		
BP p.l.c., ADR	115,500	7,204,890
Burlington Resources Inc.	81,500	4,502,060
ChevronTexaco Corporation	83,000	4,641,360
Exxon Mobil Corporation	184,046	10,577,124
		26,925,434
Petroleum – Services – 2.41%		
Nabors Industries Ltd.*	74,900	4,540,438
Schlumberger Limited	129,600	9,841,824
		14,382,262
Retail – Food Stores – 1.10%		
Walgreen Co.	142,600	6,558,174
Retail – General Merchandise – 3.41%		
Federated Department Stores, Inc.	71,100	5,210,208
Target Corporation	133,600	7,269,176
Wal-Mart Stores, Inc.	164,200	7,914,440
		20,393,824

See Notes to Schedule of Investments on page 34.

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Security and Commodity Brokers – 2.29%		
American Express Company	110,300	\$ 5,871,269
Chicago Mercantile Exchange Holdings Inc.	26,500	7,830,750
		<u>13,702,019</u>
Timesharing and Software – 0.79%		
Paychex, Inc.	145,200	<u>4,721,178</u>
Trucking and Shipping – 0.90%		
Expeditors International of Washington, Inc.	107,700	<u>5,363,999</u>
Utilities – Electric – 3.83%		
Dominion Resources, Inc.	109,200	8,014,188
Exelon Corporation	221,800	11,384,994
PPL Corporation	58,900	3,497,482
		<u>22,896,664</u>
Utilities – Telephone – 1.70%		
AT&T Corp.	182,000	3,465,280
Vodafone Group Plc, ADR	276,600	6,726,912
		<u>10,192,192</u>
TOTAL COMMON STOCKS – 73.76%		\$440,831,038
(Cost: \$374,762,748)		

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	
Air Transportation – 0.07%		
Southwest Airlines Co., 7.875%, 9–1–07	\$ 360	<u>385,193</u>
Aircraft – 0.11%		
Raytheon Company, 6.5%, 7–15–05	675	<u>675,458</u>
Banks – 0.24%		
Wells Fargo Bank, N.A., 7.55%, 6–21–10	1,250	<u>1,434,271</u>

See Notes to Schedule of Investments on page 34.

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Beverages – 0.29%		
Coca-Cola Enterprises Inc., 6.7%, 10–15–36	\$ 500	\$ 603,661
Diageo Capital plc, 3.5%, 11–19–07	1,150	1,134,454
		<u>1,738,115</u>
Business Equipment and Services – 0.19%		
PHH Corporation, 7.125%, 3–1–13	1,000	<u>1,109,250</u>
Chemicals – Specialty – 0.18%		
Vulcan Materials Company, 6.4%, 2–1–06	1,050	<u>1,061,870</u>
Finance Companies – 1.82%		
277 Park Avenue Finance Corporation, 7.58%, 5–12–12 (A)	2,648	2,764,626
American International Group, 3.85%, 11–26–07 (A)	1,400	1,383,113
Banco Hipotecario Nacional: 7.916%, 7–25–09 (A)	16	413
8.0%, 3–31–11 (A)	1,231	184,724
First Union-Lehman Brothers-Bank of America Commercial Mortgage Trust, 6.56%, 11–18–35	996	1,048,628
First Union-Lehman Brothers Company, 6.65%, 11–18–29	879	919,341
General Motors Acceptance Corporation, 6.125%, 8–28–07	1,200	1,187,662
Mellon Residential Funding, 6.75%, 6–26–28	195	194,879
Prudential Insurance Company of America, 6.6%, 5–15–08 (A)	1,500	1,599,255
Unilever Capital Corporation, 5.9%, 11–15–32	1,450	1,615,619
		<u>10,898,260</u>
Food and Related – 0.28%		
Archer-Daniels-Midland Company, 7.0%, 2–1–31	1,350	<u>1,698,219</u>

See Notes to Schedule of Investments on page 34.

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Insurance – Life – 0.25%		
StanCorp Financial Group, Inc., 6.875%, 10–1–12	\$1,375	<u>\$ 1,515,388</u>
Insurance – Property and Casualty – 0.28%		
Principal Life Global, 6.25%, 2–15–12 (A)	1,500	<u>1,654,713</u>
Leisure Time Industry – 0.17%		
Cendant Corporation, 6.875%, 8–15–06	1,000	<u>1,028,068</u>
Multiple Industry – 2.06%		
Cargill, Inc., 6.375%, 6–1–12 (A)	1,150	1,281,279
General Electric Capital Corporation, 2.85%, 1–30–06	6,000	5,969,880
Georgia Power Company, 5.5%, 12–1–05	2,500	2,517,260
Household Finance Corporation, 6.5%, 1–24–06	2,500	<u>2,536,147</u>
		<u>12,304,566</u>
Real Estate Investment Trust – 0.30%		
Vornado Realty L.P., 5.625%, 6–15–07	1,750	<u>1,783,712</u>
Utilities – Electric – 0.55%		
Dominion Resources, Inc., 7.625%, 7–15–05	3,300	<u>3,302,967</u>
TOTAL CORPORATE DEBT SECURITIES – 6.79%		<u>\$ 40,590,050</u>
(Cost: \$39,883,428)		
OTHER GOVERNMENT SECURITY – 0.31%		
Canada		
Hydro-Quebec, 8.0%, 2–1–13	1,500	<u>\$ 1,849,394</u>
(Cost: \$1,674,807)		

See Notes to Schedule of Investments on page 34.

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS	Principal Amount in Thousands	Value
Agency Obligations – 0.19%		
Federal National Mortgage Association, 7.25%, 1–15–10	\$1,000	\$ 1,133,941
Mortgage-Backed Obligations – 3.98%		
Federal National Mortgage Association Fixed Rate		
Pass-Through Certificates:		
6.23%, 1–1–08	1,617	1,673,791
6.0%, 9–1–17	846	877,188
5.0%, 1–1–18	665	672,899
5.5%, 4–1–18	389	399,380
5.0%, 5–1–18	329	333,066
4.5%, 7–1–18	3,984	3,968,479
7.0%, 9–1–25	91	96,708
6.5%, 10–1–28	507	530,294
6.5%, 2–1–29	426	446,303
7.5%, 4–1–31	271	292,267
7.0%, 7–1–31	530	564,040
7.0%, 9–1–31	488	516,635
7.0%, 9–1–31	399	424,789
7.0%, 11–1–31	117	123,447
6.5%, 2–1–32	1,656	1,724,295
7.0%, 2–1–32	674	713,945
7.0%, 2–1–32	585	619,948
7.0%, 3–1–32	384	407,440
7.0%, 7–1–32	959	1,016,284
6.0%, 9–1–32	3,046	3,124,969
6.0%, 2–1–33	820	840,957
5.5%, 5–1–33	2,238	2,270,251
5.5%, 5–1–33	647	656,098
5.5%, 6–1–33	1,073	1,088,493
Government National Mortgage Association Fixed Rate		
Pass-Through Certificates:		
6.0%, 8–15–28	56	58,207
6.5%, 8–15–28	122	127,618
United States Department of Veterans Affairs, Guaranteed REMIC Pass-Through Certificates, Vendee Mortgage Trust, 1997-A Class 3-A, 8.293%, 12–15–26		
	225	235,850
		<u>23,803,641</u>

See Notes to Schedule of Investments on page 34.

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
---------------------------------------------------------------------------	-------------------------------------	-------

Treasury Inflation Protected Obligation – 0.20%

United States Treasury Note, 3.0%, 7–15–12 (B)	\$1,000	<u>\$1,188,765</u>
---------------------------------------------------------	---------	--------------------

Treasury Obligations – 8.78%

United States Treasury Bonds:		
7.5%, 11–15–16	1,500	1,965,996
7.25%, 8–15–22	4,000	5,443,124
6.25%, 8–15–23	5,250	6,542,608
United States Treasury Notes:		
6.5%, 8–15–05	4,000	4,016,248
3.25%, 8–15–07	5,000	4,959,570
3.0%, 11–15–07	4,000	3,941,876
3.0%, 2–15–08	3,000	2,951,367
2.625%, 5–15–08	4,000	3,887,032
4.75%, 11–15–08	4,000	4,132,500
4.0%, 3–15–10	3,200	3,234,874
3.875%, 2–15–13	3,000	3,003,633
3.625%, 5–15–13	3,000	2,961,798
4.25%, 8–15–13	4,000	4,100,000
5.25%, 2–15–29	1,150	1,315,268
		<u>52,455,894</u>

TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 13.15%		\$ 78,582,241
(Cost: \$76,415,847)		

SHORT-TERM SECURITIES

Capital Equipment – 0.84%

Caterpillar Inc., 3.25%, 7–8–05	5,000	<u>4,996,840</u>
------------------------------------------	-------	------------------

Finance Companies – 3.13%

Ciesco, LLC, 3.26%, 7–22–05	5,000	4,990,492
IBM Capital Inc. (International Business Machines Corporation), 3.27%, 7–25–05	3,000	2,993,460
River Fuel Trust #1 (Bank of New York (The)), 3.27%, 7–18–05	4,757	4,749,654
USAA Capital Corp., 3.15%, 7–6–05	6,000	5,997,375
		<u>18,730,981</u>

See Notes to Schedule of Investments on page 34.

The Investments of Balanced Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
Food and Related – 0.84%		
Wm. Wrigley Jr. Company, 3.19%, 7–14–05	\$5,000	<u>\$ 4,994,240</u>
Household – General Products – 0.66%		
Procter & Gamble Company (The), 3.37%, 7–1–05	3,928	<u>3,928,000</u>
Multiple Industry – 0.67%		
Detroit Edison Co., 3.34%, 7–1–05	4,000	<u>4,000,000</u>
Publishing – 0.33%		
Tribune Co., 3.3%, 7–11–05	2,000	<u>1,998,167</u>
TOTAL SHORT-TERM SECURITIES – 6.47%		<u>\$ 38,648,228</u>
(Cost: \$38,648,228)		
TOTAL INVESTMENT SECURITIES – 100.48%		<u>\$600,500,951</u>
(Cost: \$531,385,058)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.48%)		<u>(2,857,770)</u>
NET ASSETS – 100.00%		<u>\$597,643,181</u>

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of these securities amounted to \$8,868,123 or 1.48% of net assets.

(B) The interest rate for this security is a stated rate, but the interest payments are determined by multiplying the inflation-adjusted principal by one half of the stated rate for each semiannual interest payment date.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

BALANCED PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$531,385) (Notes 1 and 3)	\$600,501
Cash	1
Receivables:	
Dividends and interest	1,972
Portfolio shares sold	268
Prepaid and other assets	10
Total assets	<u>602,752</u>

LIABILITIES

Payable for investment securities purchased	4,792
Payable to Portfolio shareholders	255
Accrued accounting services fee (Note 2)	13
Accrued management fee (Note 2)	12
Accrued shareholder servicing (Note 2)	5
Accrued service fee (Note 2)	4
Other	28
Total liabilities	<u>5,109</u>
Total net assets	<u>\$597,643</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 77
Additional paid-in capital	586,177
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	3,560
Accumulated undistributed net realized loss	
on investment transactions	(61,287)
Net unrealized appreciation in value of investments	69,116
Net assets applicable to outstanding units of capital	<u>\$597,643</u>
Net asset value, redemption and offering price per share	<u>\$ 7.7322</u>
Capital shares outstanding	77,293
Capital shares authorized	180,000

See Notes to Financial Statements.

Statement of Operations

BALANCED PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization	\$ 3,355
Dividends (net of foreign withholding taxes of \$8)	3,270
Total income	<u>6,625</u>
Expenses (Note 2):	
Investment management fee	2,107
Service fee	753
Accounting services fee	78
Audit fees	16
Custodian fees	14
Legal fees	8
Shareholder servicing	8
Other	81
Total expenses	<u>3,065</u>
Net investment income	<u>3,560</u>

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments	26,932
Unrealized depreciation in value of investments during the period	<u>(26,576)</u>
Net gain on investments	356
Net increase in net assets resulting from operations	<u>\$ 3,916</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

BALANCED PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 3,560	\$ 8,830
Realized net gain on investments	26,932	19,423
Unrealized appreciation (depreciation)	(26,576)	24,058
Net increase in net assets resulting from operations	<u>3,916</u>	<u>52,311</u>
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(8,830)
Realized gains on investment transactions	(—)	(—)
	<u>(—)</u>	<u>(8,830)</u>
Capital share transactions ⁽²⁾	(34,035)	(30,525)
Total increase (decrease)	<u>(30,119)</u>	<u>12,956</u>
NET ASSETS		
Beginning of period	627,762	614,806
End of period	<u>\$597,643</u>	<u>\$627,762</u>
Undistributed net investment income (loss)	<u>\$ 3,560</u>	<u>\$ (—)*</u>

(1) See "Financial Highlights" on page 38.

(2) Shares issued from sale of shares	1,561	5,882
Shares issued from reinvestment of dividend and/or capital gains distribution	—	1,150
Shares redeemed	(6,026)	(11,271)
Decrease in outstanding capital shares	<u>(4,465)</u>	<u>(4,239)</u>
Value issued from sale of shares	\$ 11,905	\$ 42,641
Value issued from reinvestment of dividend and/or capital gains distribution	—	8,830
Value redeemed	(45,940)	(81,996)
Decrease in outstanding capital	<u>\$ (34,035)</u>	<u>\$ (30,525)</u>

*Not shown due to rounding.

FINANCIAL HIGHLIGHTS

BALANCED PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the	For the fiscal year ended December 31,				
	six months ended	2004	2003	2002	2001	2000
	6-30-05					
Net asset value,						
beginning of period . . .	\$7.6783	\$7.1491	\$6.0423	\$6.7224	\$7.3258	\$7.3120
Income (loss) from						
investment operations:						
Net investment						
income	0.0461	0.1096	0.0467	0.1145	0.1593	0.1873
Net realized and						
unrealized gain						
(loss) on						
investments	0.0078	0.5292	1.1068	(0.6801)	(0.5955)	0.3361
Total from investment						
operations	0.0539	0.6388	1.1535	(0.5656)	(0.4362)	0.5234
Less distributions from:						
Net investment						
income	(0.0000)	(0.1096)	(0.0467)	(0.1145)	(0.1593)	(0.1873)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0079)	(0.3223)
Total distributions	(0.0000)	(0.1096)	(0.0467)	(0.1145)	(0.1672)	(0.5096)
Net asset value,						
end of period	\$7.7322	\$7.6783	\$7.1491	\$6.0423	\$6.7224	\$7.3258
Total return	0.70%	8.93%	19.09%	-8.41%	-5.94%	7.14%
Net assets, end of period						
(in millions)	\$598	\$628	\$615	\$168	\$178	\$158
Ratio of expenses to						
average net assets . . .	1.02% ⁽¹⁾	1.02%	1.00%	1.01%	1.00%	1.01%
Ratio of net investment						
income to average						
net assets	1.18% ⁽¹⁾	1.45%	1.37%	1.79%	2.44%	2.81%
Portfolio turnover rate . . .	19%	39%	43%	58%	39%	42%

(1) Annualized.

See Notes to Financial Statements.

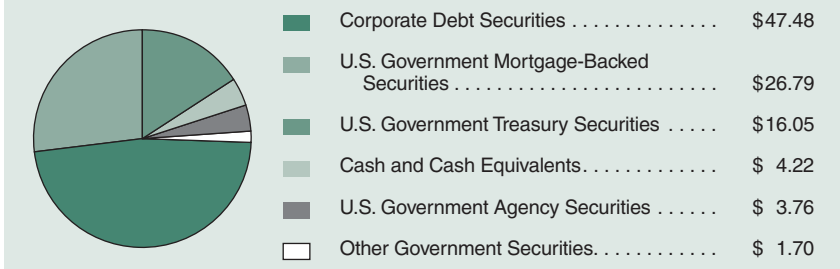
SHAREHOLDER SUMMARY OF BOND PORTFOLIO

Portfolio Highlights

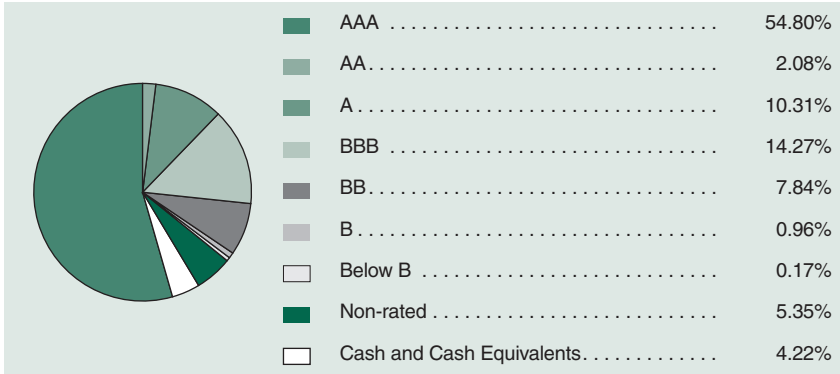
On June 30, 2005, W&R Target Bond Portfolio had net assets totaling \$217,526,661 invested in a diversified portfolio of:

95.78%	Bonds
4.22%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



At June 30, 2005, the breakdown of bonds (by ratings) held by the Portfolio was as follows:



The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	Value
Banks – 1.84%		
First Union Corporation, 6.824%, 8–1–26	\$2,632	\$ 3,438,195
SouthTrust Bank, National Association, 6.125%, 1–9–28	500	568,053
		<u>4,006,248</u>
Broadcasting – 1.15%		
British Sky Broadcasting Group plc, 8.2%, 7–15–09	1,250	1,414,984
TCA Cable TV, Inc., 6.53%, 2–1–28	1,000	1,086,561
		<u>2,501,545</u>
Business Equipment and Services – 0.19%		
Quebecor World Capital Corporation, 4.875%, 11–15–08	425	<u>409,098</u>
Chemicals – Petroleum and Inorganic – 0.59%		
NOVA Chemicals Corporation, 7.0%, 5–15–06	1,250	<u>1,271,875</u>
Chemicals – Specialty – 0.65%		
FMC Corporation, 10.25%, 11–1–09	1,250	<u>1,407,813</u>
Coal – 0.49%		
Peabody Energy Corporation, 6.875%, 3–15–13	1,000	<u>1,060,000</u>
Computers – Main and Mini – 0.12%		
Unisys Corporation, 8.125%, 6–1–06	250	<u>255,625</u>
Finance Companies – 22.55%		
Asset Securitization Corporation, 7.49%, 4–14–29	1,132	1,187,703
Barton Springs CDO SPC, Series 2005–1 Segregated Portfolio and Barton Springs CDO Series 2005–1 LLC, 6.85%, 12–20–10	1,750	1,750,000

See Notes to Schedule of Investments on page 48.

The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Finance Companies (Continued)		
Bear Stearns Commercial Mortgage Securities Inc., 7.32%, 10–15–32	\$3,315	\$ 3,738,049
CHL Pass-Through Trust 2003–20, 5.5%, 7–25–33	3,256	3,244,989
Chase Manhattan – First Union Commercial Mortgage Trust, 7.439%, 7–15–09	1,500	1,668,965
Diversified REIT Owner Trust 1999–1, 6.78%, 3–18–11 (A)	750	790,137
First Union National Bank Commercial Mortgage, 7.841%, 3–15–10	2,500	2,853,707
Ford Motor Credit Company, 6.5%, 1–25–07	2,000	2,014,356
GMAC Commercial Mortgage Securities, Inc., Mortgage Pass-Through Certificates, Series 1997-C1, 6.869%, 7–15–29	2,503	2,613,905
GMAC Commercial Mortgage Securities, Inc.: Series 2001-C1 Trust, 6.465%, 4–15–34	2,500	2,751,290
Series 2004-C1 Trust, 4.1%, 3–10–38	1,500	1,491,771
GSR Mortgage Loan Trust 2004–2F, 7.0%, 1–25–34	2,019	2,095,094
General Motors Acceptance Corporation, 5.625%, 5–15–09	3,500	3,277,726
IndyMac INDX Mortgage Loan Trust 2004-AR4, 4.9%, 8–25–34	981	974,158
SocGen Real Estate Company L.L.C., 7.64%, 12–29–49 (A)	2,000	2,140,172
Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates: Series 2004–3AC, 4.9%, 3–25–34	2,081	2,123,348
Series 2004–5, 4.6%, 5–25–34	2,024	1,950,566
Series 2004–6, 4.7273%, 6–25–34	997	963,645
Series 2004–12, 5.1%, 9–25–34	2,993	2,915,135
Series 2004-A, 4.6%, 2–25–34	1,745	1,741,829

See Notes to Schedule of Investments on page 48.

The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Finance Companies (Continued)		
Structured Asset Securities Corporation:		
4.8%, 10-25-33	\$ 989	\$ 977,727
4.8004%, 1-25-34	1,540	1,544,229
Structured Asset Securities Corporation, Mortgage Pass-Through Certificates, Series 2003-40A,		
4.8004%, 1-25-34	1,186	1,159,680
Wells Fargo Mortgage Pass-Through Certificates, Series 2003-10,		
4.5%, 9-25-18	2,500	2,471,442
Westinghouse Electric Corporation,		
8.875%, 6-14-14	500	614,139
		<u>49,053,762</u>
Food and Related – 1.31%		
Cadbury Schweppes US Finance LLC,		
3.875%, 10-1-08 (A)	750	739,518
ConAgra, Inc.,		
7.125%, 10-1-26	1,750	2,117,211
		<u>2,856,729</u>
Forest and Paper Products – 4.24%		
Abitibi-Consolidated Company of Canada,		
6.95%, 12-15-06	1,250	1,265,625
Bowater Canada Finance Corporation,		
7.95%, 11-15-11	1,000	1,058,750
Champion International Corporation:		
6.4%, 2-15-26	1,500	1,608,546
6.65%, 12-15-37	1,500	1,674,680
Georgia-Pacific Corporation,		
7.375%, 7-15-08	3,000	3,191,250
Westvaco Corporation,		
7.5%, 6-15-27	364	430,266
		<u>9,229,117</u>
Homebuilders, Mobile Homes – 0.70%		
D.R. Horton, Inc.,		
8.0%, 2-1-09	864	946,431
Pulte Corporation,		
8.125%, 3-1-11	500	581,227
		<u>1,527,658</u>

See Notes to Schedule of Investments on page 48.

The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Hospital Supply and Management – 0.99%		
HCA – The Healthcare Company:		
7.125%, 6–1–06	\$1,000	\$ 1,021,438
8.75%, 9–1–10	1,000	1,136,510
		<u>2,157,948</u>
Household – General Products – 1.27%		
Procter & Gamble Company (The),		
8.0%, 9–1–24	2,000	<u>2,768,888</u>
Multiple Industry – 2.49%		
CHYPS CBO 1997–1 Ltd.,		
6.72%, 1–15–10 (A)	576	374,741
Comcast Cable Communications, Inc.,		
8.5%, 5–1–27	1,250	1,676,224
Preferred Term Securities XVI, Ltd. and Preferred Term Securities XVI, Inc.,		
6.0%, 3–23–35 (A)	1,250	1,257,812
Preferred Term Securities XVII, Ltd. and Preferred Term Securities XVII, Inc.,		
5.62063%, 6–23–35 (A)	1,000	998,750
Tyco International Group S.A.,		
6.375%, 10–15–11	1,000	1,098,305
		<u>5,405,832</u>
Petroleum – International – 0.52%		
Petrobras International Finance Company,		
9.875%, 5–9–08	1,000	<u>1,130,000</u>
Petroleum – Services – 1.40%		
Halliburton Company,		
6.75%, 2–1–27	2,000	2,445,700
Pemex Project Funding Master Trust,		
9.125%, 10–13–10	500	585,500
		<u>3,031,200</u>

See Notes to Schedule of Investments on page 48.

The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Utilities – Electric – 2.16%		
Dominion Resources, Inc., 5.25%, 8–1–33	\$2,500	\$ 2,560,013
HQI Transelec Chile S.A., 7.875%, 4–15–11	750	865,284
Oncor Electric Delivery Company, 6.375%, 5–1–12	500	547,914
Peppco Holdings, Inc., 4.0%, 5–15–10	750	731,783
		<u>4,704,994</u>
Utilities – Gas and Pipeline – 0.96%		
Tennessee Gas Pipeline Company, 7.0%, 3–15–27	2,000	<u>2,087,998</u>
Utilities – Telephone – 3.86%		
British Telecommunications Public Limited Company, 8.375%, 12–15–10	2,000	2,367,972
Deutsche Telekom International Finance B.V., 8.5%, 6–15–10	2,500	2,897,337
Pacific Bell, 7.25%, 11–1–27	750	812,591
Sprint Capital Corporation, 6.125%, 11–15–08	1,500	1,580,250
Telefonos de Mexico, S.A. de C.V., 4.5%, 11–19–08	750	744,375
		<u>8,402,525</u>
TOTAL CORPORATE DEBT SECURITIES – 47.48%		\$103,268,855
(Cost: \$100,155,875)		
OTHER GOVERNMENT SECURITIES		
Brazil – 0.25%		
Federative Republic of Brazil (The), 9.25%, 10–22–10	500	<u>556,250</u>
Canada – 0.91%		
Province de Quebec, 7.14%, 2–27–26	1,500	<u>1,982,741</u>
Supranational – 0.54%		
Inter-American Development Bank, 8.4%, 9–1–09	1,000	<u>1,166,035</u>
TOTAL OTHER GOVERNMENT SECURITIES – 1.70%		\$ 3,705,026
(Cost: \$3,122,498)		

See Notes to Schedule of Investments on page 48.

The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS	Principal Amount in Thousands	Value
Agency Obligations – 3.76%		
Federal Home Loan Bank, 5.375%, 5–15–19	\$3,000	\$ 3,276,669
Tennessee Valley Authority: 4.875%, 12–15–16	3,500	3,693,732
5.88%, 4–1–36	1,000	1,201,611
		<u>8,172,012</u>
Mortgage-Backed Obligations – 26.79%		
Federal Home Loan Mortgage Corporation		
Agency REMIC/CMO:		
5.5%, 3–15–14	1,860	1,908,680
4.0%, 5–15–16	1,172	1,163,050
4.0%, 10–15–16	1,581	1,566,210
5.0%, 7–15–19	1,442	1,445,737
6.5%, 11–25–21	138	138,262
5.0%, 5–15–23	1,500	1,529,327
5.5%, 4–15–24 (Interest Only)	4,431	391,632
5.5%, 4–15–24 (Interest Only)	2,295	163,467
6.0%, 3–15–29	522	538,559
5.0%, 7–15–29 (Interest Only)	2,345	287,016
7.5%, 9–15–29	769	829,566
4.0%, 2–15–30	500	489,655
4.25%, 3–15–31	1,281	1,269,877
5.0%, 9–15–31 (Interest Only)	3,649	578,735
5.0%, 9–15–32	1,500	1,498,327
Federal Home Loan Mortgage Corporation		
Fixed Rate Participation Certificates:		
4.0%, 12–1–08	1,976	1,965,773
6.0%, 11–1–28	886	911,066
7.0%, 5–1–31	158	166,897
6.5%, 10–1–31	189	196,031
6.5%, 11–1–31	310	321,752
6.0%, 2–1–32	480	492,942
6.5%, 6–1–32	305	316,553
5.0%, 3–1–35	1,981	1,983,376

See Notes to Schedule of Investments on page 48.

The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
Mortgage-Backed Obligations (Continued)		
Federal Home Loan Mortgage Corporation		
Non-Agency REMIC/CMO (Interest Only), 5.5%, 12-15-13	\$ 664	\$ 136,588
Federal National Mortgage Association		
Adjustable Rate Pass-Through Certificates, 4.978%, 5-1-35	1,994	2,011,945
Federal National Mortgage Association		
Agency REMIC/CMO:		
5.0%, 3-25-18	3,500	3,577,674
5.0%, 3-25-18 (Interest Only)	1,626	147,442
5.0%, 6-25-18	2,173	2,258,073
4.5%, 8-25-18	2,500	2,516,425
5.5%, 2-25-32	1,500	1,544,153
4.0%, 11-25-32	1,196	1,180,295
4.0%, 3-25-33	926	913,862
3.5%, 8-25-33	2,263	2,133,700
Federal National Mortgage Association		
Fixed Rate Pass-Through Certificates:		
4.0%, 1-1-11	2,267	2,240,735
5.5%, 1-1-17	1,318	1,353,687
6.0%, 1-1-17	674	697,534
4.0%, 11-1-18	1,453	1,424,940
5.5%, 10-1-23	1,071	1,084,912
5.0%, 4-1-24	3,436	3,463,623
7.0%, 6-1-24	188	199,463
5.0%, 2-1-25	1,460	1,471,353
6.0%, 12-1-28	243	249,363
6.5%, 3-1-33	708	733,756
Federal National Mortgage Association		
Non-Agency REMIC/CMO, 4.5%, 7-25-24	1,000	961,780
Government National Mortgage Association		
Agency REMIC/CMO:		
5.5%, 6-20-28 (Interest Only)	4,691	472,999
5.0%, 1-20-32	955	961,616

See Notes to Schedule of Investments on page 48.

The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
Mortgage-Backed Obligations (Continued)		
Government National Mortgage Association		
Fixed Rate Pass-Through Certificates:		
7.5%, 7-15-23	\$ 77	\$ 82,975
7.5%, 12-15-23	212	228,598
8.0%, 9-15-25	93	100,276
7.0%, 7-20-27	30	32,040
7.0%, 8-20-27	82	86,756
6.5%, 7-15-28	379	397,198
6.5%, 5-15-29	152	159,424
7.5%, 7-15-29	34	35,940
7.75%, 10-15-31	300	316,362
Government National Mortgage Association		
Non-Agency REMIC/CMO,		
4.0%, 1-16-30	570	562,769
United States Department of Veterans Affairs,		
Guaranteed REMIC Pass-Through Certificates,		
Vendee Mortgage Trust:		
2001-3 Class G,		
6.5%, 4-15-27	472	479,276
2002-1 Class 2-G,		
6.5%, 10-15-25	1,382	1,395,557
2003-2 Class D,		
5.0%, 11-15-23	1,000	1,011,045
2003-2 Class E,		
5.0%, 12-15-25	1,500	1,504,980
		58,281,604
Treasury Obligations – 16.05%		
United States Treasury Bonds:		
3.75%, 5-15-08	1,000	1,002,188
6.125%, 11-15-27	1,500	1,894,336
United States Treasury Notes:		
3.5%, 11-15-06	9,000	8,989,803
5.5%, 2-15-08	6,500	6,800,879
5.0%, 2-15-11	11,500	12,218,302
4.0%, 2-15-15	4,000	4,014,220
		34,919,728
TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 46.60%		\$101,373,344
(Cost: \$100,566,236)		

See Notes to Schedule of Investments on page 48.

The Investments of Bond Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
Finance Companies – 1.38%		
USAA Capital Corp., 3.15%, 7–6–05	\$3,000	\$ 2,998,687
Household – General Products – 1.94%		
Fortune Brands Inc., 3.41%, 7–1–05	1,082	1,082,000
Procter & Gamble Company (The), 3.37%, 7–1–05	3,141	<u>3,141,000</u> 4,223,000
TOTAL SHORT-TERM SECURITIES – 3.32%		\$ 7,221,687
(Cost: \$7,221,687)		
TOTAL INVESTMENT SECURITIES – 99.10%		\$215,568,912
(Cost: \$211,066,296)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.90%		1,957,749
NET ASSETS – 100.00%		\$217,526,661

Notes to Schedule of Investments

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of these securities amounted to \$6,301,130 or 2.90% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

BOND PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$211,066) (Notes 1 and 3)	\$215,569
Cash	1
Receivables:	
Interest	2,033
Portfolio shares sold	92
Prepaid and other assets	4
Total assets	<u>217,699</u>

LIABILITIES

Payable to Portfolio shareholders	143
Accrued accounting services fee (Note 2)	5
Accrued management fee (Note 2)	3
Accrued service fee (Note 2)	2
Accrued shareholder servicing (Note 2)	2
Other	17
Total liabilities	<u>172</u>
Total net assets	<u>\$217,527</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 39
Additional paid-in capital	207,544
Accumulated undistributed income:	
Accumulated undistributed net investment income	4,802
Accumulated undistributed net realized gain	
on investment transactions	639
Net unrealized appreciation in value of investments	4,503
Net assets applicable to outstanding units of capital	<u>\$217,527</u>
Net asset value, redemption and offering price per share	<u>\$ 5.5857</u>
Capital shares outstanding	38,943
Capital shares authorized	90,000

See Notes to Financial Statements.

Statement of Operations

BOND PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization	\$5,325
Expenses (Note 2):	
Investment management fee	561
Service fee	267
Accounting services fee	32
Audit fees	9
Custodian fees	7
Legal fees	3
Shareholder servicing	3
Other	42
Total expenses	<u>924</u>
Net investment income	<u>4,401</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	639
Realized net gain on foreign currency transactions	401
Realized net gain on investments	<u>1,040</u>
Unrealized depreciation in value of investments during the period	<u>(1,175)</u>
Net loss on investments	<u>(135)</u>
Net increase in net assets resulting from operations	<u>\$4,266</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

BOND PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
DECREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 4,401	\$ 8,995
Realized net gain on investments	1,040	2,878
Unrealized depreciation.	(1,175)	(3,449)
Net increase in net assets resulting from operations	4,266	8,424
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income.	(—)	(9,286)
Realized gains on investment transactions.	(—)	(2,436)
Capital share transactions ⁽²⁾	(4,895)	(13,851)
Total decrease	(629)	(17,149)
NET ASSETS		
Beginning of period.	218,156	235,305
End of period.	<u>\$217,527</u>	<u>\$218,156</u>
Undistributed net investment income	<u>\$ 4,802</u>	<u>\$ —*</u>

(1) See "Financial Highlights" on page 52.

(2) Shares issued from sale of shares	1,792	2,644
Shares issued from reinvestment of dividend and/or capital gains distribution	—	2,141
Shares redeemed.	(2,686)	(7,186)
Decrease in outstanding capital shares.	(894)	(2,401)
Value issued from sale of shares.	\$ 9,872	\$ 14,987
Value issued from reinvestment of dividend and/or capital gains distribution	—	11,722
Value redeemed	(14,767)	(40,560)
Decrease in outstanding capital.	<u>\$ (4,895)</u>	<u>\$ (13,851)</u>

*Not shown due to rounding.

Financial Highlights

BOND PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period: (Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value,						
beginning of period . . .	\$5.4762	\$5.5710	\$5.6032	\$5.3615	\$5.2308	\$5.0497
Income (loss) from						
investment operations:						
Net investment						
income	0.1233	0.2463	0.2667	0.2396	0.2585	0.3172
Net realized and						
unrealized gain						
(loss) on						
investments	(0.0138)	(0.0302)	(0.0322)	0.2417	0.1306	0.1811
Total from investment						
operations	0.1095	0.2161	0.2345	0.4813	0.3891	0.4983
Less distributions from:						
Net investment						
income	(0.0000)	(0.2463)	(0.2667)	(0.2396)	(0.2584)	(0.3172)
Capital gains	(0.0000)	(0.0646)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Total distributions	(0.0000)	(0.3109)	(0.2667)	(0.2396)	(0.2584)	(0.3172)
Net asset value,						
end of period	\$5.5857	\$5.4762	\$5.5710	\$5.6032	\$5.3615	\$5.2308
Total return	2.00%	3.88%	4.18%	8.98%	7.47%	9.83%
Net assets, end of period						
(in millions)	\$218	\$218	\$235	\$247	\$171	\$117
Ratio of expenses to						
average net assets . . .	0.86% ⁽¹⁾	0.85%	0.84%	0.83%	0.83%	0.84%
Ratio of net investment						
income to average						
net assets	4.12% ⁽¹⁾	4.16%	4.26%	4.92%	5.49%	6.08%
Portfolio turnover rate	17%	47%	53%	34%	29%	33%

(1)Annualized.

See Notes to Financial Statements.

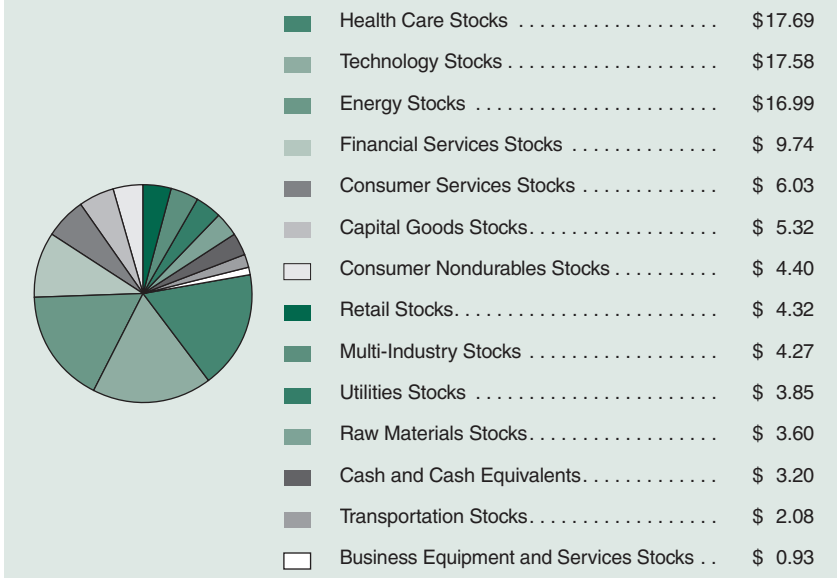
SHAREHOLDER SUMMARY OF CORE EQUITY PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Core Equity Portfolio had net assets totaling \$715,163,162 invested in a diversified portfolio of:

96.80%	Common Stocks
3.20%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Core Equity Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Aircraft – 4.82%		
Boeing Company (The)	253,100	\$ 16,704,600
Lockheed Martin Corporation	111,750	7,249,223
United Technologies Corporation	205,300	10,542,155
		<u>34,495,978</u>
Aluminum – 0.44%		
Alcoa Incorporated	119,600	<u>3,125,148</u>
Banks – 1.56%		
Citigroup Inc.	158,900	7,345,947
U.S. Bancorp	129,550	3,782,860
		<u>11,128,807</u>
Beverages – 1.56%		
PepsiCo, Inc.	207,300	<u>11,179,689</u>
Broadcasting – 1.33%		
Liberty Media Corporation, Class A*	936,200	<u>9,539,878</u>
Capital Equipment – 4.35%		
Caterpillar Inc.	100,550	9,583,420
Deere & Company	233,600	15,298,464
Illinois Tool Works Inc.	78,250	6,234,960
		<u>31,116,844</u>
Chemicals – Petroleum and Inorganic – 0.62%		
du Pont (E.I.) de Nemours and Company	102,400	<u>4,404,224</u>
Chemicals – Specialty – 2.54%		
Air Products and Chemicals, Inc.	301,350	<u>18,171,405</u>
Computers – Micro – 2.44%		
Dell Inc.*	442,700	<u>17,462,302</u>
Computers – Peripherals – 3.48%		
Microsoft Corporation	294,640	7,314,438
SAP Aktiengesellschaft, ADR	405,500	17,558,150
		<u>24,872,588</u>

See Notes to Schedule of Investments on page 58.

The Investments of Core Equity Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Defense – 2.05%		
General Dynamics Corporation	133,900	\$ 14,667,406
Electronic Components – 4.79%		
Analog Devices, Inc.	107,450	4,008,959
Intel Corporation	378,290	9,844,997
Maxim Integrated Products, Inc.	134,000	5,116,790
Microchip Technology Incorporated	25,800	765,228
Texas Instruments Incorporated	517,300	14,520,611
		34,256,585
Finance Companies – 1.80%		
SLM Corporation	253,600	12,882,880
Food and Related – 2.06%		
Campbell Soup Company	122,100	3,757,017
Kellogg Company	246,400	10,950,016
		14,707,033
Health Care – Drugs – 7.55%		
Amgen Inc.*	119,690	7,235,859
Genentech, Inc.*	62,400	5,009,472
Gilead Sciences, Inc.*	220,400	9,696,498
Novartis AG, Registered Shares	208,650	9,939,203
Pfizer Inc.	801,935	22,117,367
		53,998,399
Health Care – General – 4.26%		
Boston Scientific Corporation*	250,100	6,752,700
Johnson & Johnson	103,800	6,747,000
Wyeth	381,450	16,974,525
		30,474,225
Hospital Supply and Management – 5.88%		
Aetna Inc.	75,260	6,233,033
Caremark Rx, Inc.*	61,100	2,720,172
Guidant Corporation	86,000	5,787,800
Medtronic, Inc.	207,950	10,769,731
Stryker Corporation	72,600	3,452,856
UnitedHealth Group Incorporated	90,400	4,713,456
WellPoint, Inc.*	120,400	8,384,656
		42,061,704

See Notes to Schedule of Investments on page 58.

The Investments of Core Equity Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Hotels and Gaming – 2.66%		
Marriott International, Inc., Class A	188,950	\$ 12,890,169
Starwood Hotels & Resorts Worldwide, Inc.	104,800	6,138,136
		<u>19,028,305</u>
Household – General Products – 0.78%		
Colgate-Palmolive Company	112,100	5,594,911
Insurance – Property and Casualty – 2.20%		
Berkshire Hathaway Inc., Class B*	5,655	15,740,692
Leisure Time Industry – 2.04%		
Carnival Corporation	267,100	14,570,305
Multiple Industry – 4.27%		
General Electric Company	718,800	24,906,420
Las Vegas Sands, Inc.*	156,800	5,605,600
		<u>30,512,020</u>
Non-Residential Construction – 0.97%		
Fluor Corporation	119,900	6,905,041
Petroleum – Canada – 0.53%		
Canadian Natural Resources Limited	54,800	1,993,624
Suncor Energy Inc.	38,400	1,817,088
		<u>3,810,712</u>
Petroleum – International – 4.95%		
Burlington Resources Inc.	238,100	13,152,644
Exxon Mobil Corporation	387,476	22,268,246
		<u>35,420,890</u>
Petroleum – Services – 11.51%		
Baker Hughes Incorporated	549,250	28,099,630
Nabors Industries Ltd.*	155,300	9,414,286
Schlumberger Limited	265,850	20,188,649
Smith International, Inc.	57,700	3,675,490
Transocean Inc.*	104,700	5,650,659
Weatherford International Ltd.*	263,300	15,266,134
		<u>82,294,848</u>

See Notes to Schedule of Investments on page 58.

The Investments of Core Equity Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Retail – Food Stores – 0.89%		
Walgreen Co.	138,600	<u>\$ 6,374,214</u>
Retail – General Merchandise – 2.85%		
Family Dollar Stores, Inc.	320,000	8,352,000
Kohl's Corporation*	215,000	12,020,650
		<u>20,372,650</u>
Retail – Specialty Stores – 0.58%		
Best Buy Co., Inc.	60,800	<u>4,167,840</u>
Security and Commodity Brokers – 4.18%		
Goldman Sachs Group, Inc. (The)	212,150	21,643,543
Legg Mason, Inc.	42,700	4,445,497
Lehman Brothers Holdings Inc.	38,400	3,812,352
		<u>29,901,392</u>
Timesharing and Software – 0.93%		
Yahoo! Inc.*	192,700	<u>6,676,092</u>
Trucking and Shipping – 2.08%		
United Parcel Service, Inc., Class B	215,100	<u>14,876,316</u>
Utilities – Electric – 1.01%		
Dominion Resources, Inc.	97,900	<u>7,184,881</u>
Utilities – Telephone – 2.84%		
Sprint Corporation	169,000	4,240,210
Vodafone Group Plc, ADR	659,850	16,047,552
		<u>20,287,762</u>
TOTAL COMMON STOCKS – 96.80%		<u>\$692,263,966</u>
(Cost: \$536,287,232)		

See Notes to Schedule of Investments on page 58.

The Investments of Core Equity Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
Capital Equipment – 1.25%		
Caterpillar Inc., 3.25%, 7–8–05	\$6,000	\$ 5,996,208
Deere (John) Capital Corporation, 3.33%, 7–26–05	3,000	<u>2,993,063</u>
		8,989,271
Food and Related – 0.56%		
Wm. Wrigley Jr. Company, 3.25%, 7–14–05	4,000	<u>3,995,306</u>
Household – General Products – 0.43%		
Fortune Brands Inc., 3.41%, 7–1–05	3,066	<u>3,066,000</u>
Publishing – 0.98%		
Tribune Co., 3.28%, 7–11–05	7,000	<u>6,993,622</u>
TOTAL SHORT-TERM SECURITIES – 3.22%		\$ 23,044,199
(Cost: \$23,044,199)		
TOTAL INVESTMENT SECURITIES – 100.02%		\$715,308,165
(Cost: \$559,331,431)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.02%)		(145,003)
NET ASSETS – 100.00%		\$715,163,162

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

CORE EQUITY PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$559,331) (Notes 1 and 3)	\$715,308
Cash	1
Receivables:	
Dividends and interest	953
Portfolio shares sold	28
Prepaid and other assets	11
Total assets	<u>716,301</u>

LIABILITIES

Payable for investment securities purchased	765
Payable to Portfolio shareholders	287
Accrued accounting services fee (Note 2)	14
Accrued management fee (Note 2)	14
Accrued shareholder servicing (Note 2)	6
Accrued service fee (Note 2)	5
Other	47
Total liabilities	<u>1,138</u>
Total net assets	<u>\$715,163</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 68
Additional paid-in capital	689,939
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	1,414
Accumulated undistributed net realized loss	
on investment transactions	(132,231)
Net unrealized appreciation in value of investments	155,973
Net assets applicable to outstanding units of capital	<u>\$715,163</u>
Net asset value, redemption and offering price per share	<u>\$10.4721</u>
Capital shares outstanding	68,292
Capital shares authorized	170,000

See Notes to Financial Statements.

Statement of Operations

CORE EQUITY PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$25)	\$ 4,560
Interest and amortization	470
Total income	<u>5,030</u>
Expenses (Note 2):	
Investment management fee	2,496
Service fee	891
Accounting services fee	84
Custodian fees	16
Audit fees	14
Shareholder servicing	10
Legal fees	6
Other	99
Total expenses	<u>3,616</u>
Net investment income	<u>1,414</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	42,612
Realized net gain on foreign currency transactions	—*
Realized net gain on investments	<u>42,612</u>
Unrealized depreciation in value of investments during the period	<u>(27,881)</u>
Net gain on investments	<u>14,731</u>
Net increase in net assets resulting from operations	<u>\$16,145</u>

*Not shown due to rounding.

Statement of Changes in Net Assets

CORE EQUITY PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 1,414	\$ 4,410
Realized net gain on investments	42,612	30,748
Unrealized appreciation (depreciation)	(27,881)	29,667
Net increase in net assets resulting from operations	<u>16,145</u>	<u>64,825</u>
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(4,448)
Realized gains on investment transactions	(—)	(—)
	<u>(—)</u>	<u>(4,448)</u>
Capital share transactions ⁽²⁾	(38,074)	(59,470)
Total increase (decrease)	<u>(21,929)</u>	<u>907</u>
NET ASSETS		
Beginning of period	737,092	736,185
End of period	<u>\$715,163</u>	<u>\$737,092</u>
Undistributed net investment income (loss)	<u>\$ 1,414</u>	<u>\$ (—)*</u>

(1) See "Financial Highlights" on page 62.

(2) Shares issued from sale of shares	1,216	2,968
Shares issued from reinvestment of dividend and/or capital gains distribution	—	434
Shares redeemed	(4,928)	(9,719)
Decrease in outstanding capital shares	<u>(3,712)</u>	<u>(6,317)</u>
Value issued from sale of shares	\$ 12,470	\$ 28,125
Value issued from reinvestment of dividend and/or capital gains distribution	—	4,448
Value redeemed	(50,544)	(92,043)
Decrease in outstanding capital	<u>\$ (38,074)</u>	<u>\$ (59,470)</u>

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

CORE EQUITY PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period: (Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value, beginning of period	\$10.2369	\$ 9.3996	\$8.0720	\$10.3608	\$12.2027	\$12.9609
Income (loss) from investment operations:						
Net investment income	0.0207	0.0622	0.0662	0.0476	0.0231	0.0376
Net realized and unrealized gain (loss) on investments . .	0.2145	0.8373	1.3276	(2.2888)	(1.8418)	1.1650
Total from investment operations	0.2352	0.8995	1.3938	(2.2412)	(1.8187)	1.2026
Less distributions from:						
Net investment income	(0.0000)	(0.0622)	(0.0662)	(0.0476)	(0.0229)	(0.0360)
Capital gains . . .	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0003)	(1.9248)
Total distributions . .	(0.0000)	(0.0622)	(0.0662)	(0.0476)	(0.0232)	(1.9608)
Net asset value, end of period . . .	\$10.4721	\$10.2369	\$9.3996	\$ 8.0720	\$10.3608	\$12.2027
Total return	2.30%	9.57%	17.27%	-21.63%	-14.91%	9.28%
Net assets, end of period (in millions)	\$715	\$737	\$736	\$650	\$913	\$1,084
Ratio of expenses to average net assets	1.01% ⁽¹⁾	1.01%	1.00%	0.99%	0.98%	0.98%
Ratio of net investment income to average net assets	0.40% ⁽¹⁾	0.62%	0.78%	0.50%	0.21%	0.28%
Portfolio turnover rate	30%	54%	49%	38%	31%	49%

(1)Annualized.

See Notes to Financial Statements.

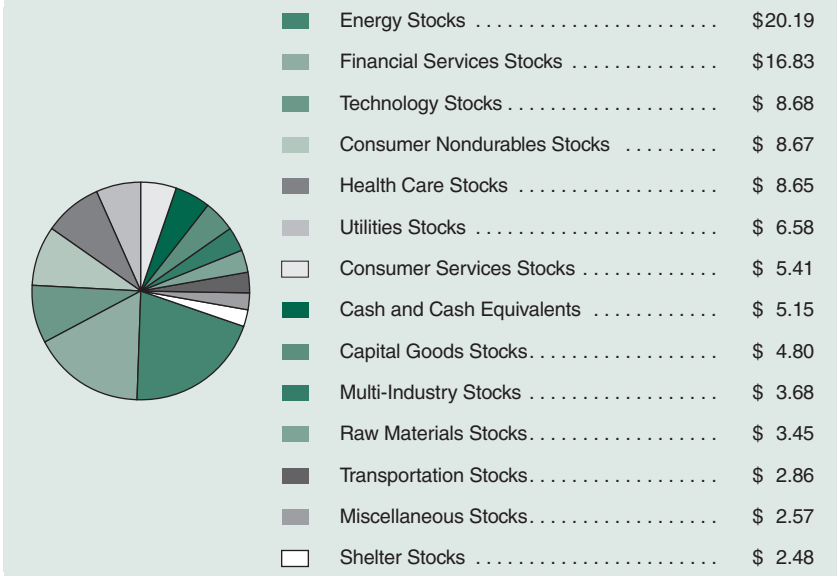
SHAREHOLDER SUMMARY OF DIVIDEND INCOME PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Dividend Income Portfolio had net assets totaling \$28,842,596 invested in a diversified portfolio of:

94.85%	Common Stocks
5.15%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Dividend Income Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Aircraft – 3.40%		
Boeing Company (The)	6,897	\$ 455,202
Goodrich Corporation.	6,978	285,819
Lockheed Martin Corporation	3,681	238,786
		<u>979,807</u>
Aluminum – 0.73%		
Alcoa Incorporated	8,090	<u>211,392</u>
Banks – 2.55%		
Bank of America Corporation.	8,446	385,222
Citigroup Inc.	7,584	350,608
		<u>735,830</u>
Beverages – 1.48%		
Diageo plc, ADR.	7,221	<u>428,205</u>
Business Equipment and Services – 1.20%		
Genuine Parts Company	8,445	<u>347,005</u>
Capital Equipment – 2.15%		
Deere & Company	9,455	<u>619,208</u>
Chemicals – Petroleum and Inorganic – 1.51%		
Dow Chemical Company (The)	4,896	218,019
du Pont (E.I.) de Nemours and Company	5,074	218,233
		<u>436,252</u>
Computers – Peripherals – 3.53%		
Microsoft Corporation.	22,121	549,154
SAP Aktiengesellschaft, ADR	10,823	468,636
		<u>1,017,790</u>
Electrical Equipment – 0.59%		
Emerson Electric Co.	2,709	<u>169,665</u>
Electronic Components – 1.75%		
Microchip Technology Incorporated.	10,827	321,129
Texas Instruments Incorporated.	6,551	183,887
		<u>505,016</u>
Finance Companies – 4.80%		
Caterpillar Inc.	5,099	485,986
SLM Corporation	17,668	897,534
		<u>1,383,520</u>
Food and Related – 0.48%		
Campbell Soup Company	4,539	<u>139,665</u>

See Notes to Schedule of Investments on page 67.

The Investments of Dividend Income Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Health Care – Drugs – 3.33%		
Abbott Laboratories	8,947	\$ 438,492
Pfizer Inc.	18,973	523,275
		<u>961,767</u>
Health Care – General – 1.49%		
Boston Scientific Corporation*	9,026	243,702
Johnson & Johnson	2,852	185,380
		<u>429,082</u>
Hospital Supply and Management – 3.83%		
HCA Inc.	4,624	262,042
Medtronic, Inc.	11,919	617,285
PacifiCare Health Systems, Inc.*	3,150	225,067
		<u>1,104,394</u>
Hotels and Gaming – 4.68%		
Harrah's Entertainment, Inc.	7,312	526,976
Starwood Hotels & Resorts Worldwide, Inc.	14,063	823,670
		<u>1,350,646</u>
Household – General Products – 2.69%		
Colgate-Palmolive Company	9,074	452,883
Procter & Gamble Company (The)	6,118	322,724
		<u>775,607</u>
Insurance – Property and Casualty – 2.49%		
Allstate Corporation (The)	7,341	438,625
St. Paul Companies, Inc. (The)	7,105	280,861
		<u>719,486</u>
Leisure Time Industry – 0.73%		
Carnival Corporation	3,860	210,563
		<u>210,563</u>
Mining – 1.21%		
Freeport-McMoRan Copper & Gold Inc., Class B	9,282	347,518
		<u>347,518</u>
Multiple Industry – 3.68%		
General Electric Company	23,385	810,290
Valor Communications Group, Inc.	18,260	251,988
		<u>1,062,278</u>
Non-Residential Construction – 2.06%		
Fluor Corporation	10,310	593,753
		<u>593,753</u>
Petroleum – International – 9.02%		
Anadarko Petroleum Corporation	8,344	685,460
BP p.l.c., ADR	5,151	321,319
Burlington Resources Inc.	11,128	614,711
Exxon Mobil Corporation	14,400	827,568
Marathon Oil Corporation	2,866	152,958
		<u>2,602,016</u>

See Notes to Schedule of Investments on page 67.

The Investments of Dividend Income Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Petroleum – Services – 11.17%		
BJ Services Company	5,735	\$ 300,973
Baker Hughes Incorporated	14,289	731,025
National-Oilwell, Inc.*	6,273	298,218
Patterson-UTI Energy, Inc.	20,632	574,292
Schlumberger Limited	9,220	700,167
Transocean Inc.*	6,582	355,231
Weatherford International Ltd.*	4,512	261,606
		<u>3,221,512</u>
Railroad – 0.86%		
Union Pacific Corporation	3,825	<u>247,860</u>
Real Estate Investment Trust – 2.48%		
ProLogis	7,016	282,324
Simon Property Group, Inc.	5,991	434,288
		<u>716,612</u>
Retail – General Merchandise – 1.37%		
May Department Stores Company (The)	9,852	<u>395,656</u>
Savings and Loans – 0.56%		
Capitol Federal Financial	4,657	<u>160,783</u>
Security and Commodity Brokers – 6.43%		
Chicago Mercantile Exchange Holdings Inc.	1,886	557,313
Franklin Resources, Inc.	1,952	150,265
Marsh & McLennan Companies, Inc.	12,179	337,358
Merrill Lynch & Co., Inc.	4,872	268,009
Morgan (J.P.) Chase & Co.	10,715	378,454
New York Community Bancorp, Inc.	8,930	161,812
		<u>1,853,211</u>
Tobacco – 4.02%		
Altria Group, Inc.	11,790	762,341
Reynolds American Inc.	5,036	396,837
		<u>1,159,178</u>
Trucking and Shipping – 2.00%		
United Parcel Service, Inc., Class B	8,325	<u>575,757</u>
Utilities – Electric – 1.06%		
Dominion Resources, Inc.	4,166	<u>305,743</u>
Utilities – Gas and Pipeline – 2.74%		
Enbridge Inc.	8,290	236,265
Kinder Morgan, Inc.	6,658	553,946
		<u>790,211</u>

See Notes to Schedule of Investments on page 67.

The Investments of Dividend Income Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Utilities – Telephone – 2.78%		
BellSouth Corporation	10,304	\$ 273,777
Iowa Telecommunications Services, Inc.	12,595	236,156
Vodafone Group Plc, ADR	11,989	291,572
		<u>801,505</u>
TOTAL COMMON STOCKS – 94.85%		\$27,358,493
(Cost: \$25,436,073)		
	Principal Amount in Thousands	
SHORT-TERM SECURITIES		
Commercial Paper		
Household – General Products – 2.69%		
Fortune Brands Inc., 3.41%, 7–1–05	\$ 776	<u>776,000</u>
Security and Commodity Brokers – 1.57%		
Greenwich Capital Holdings Inc. (Royal Bank of Scotland PLC (The)), 3.4%, 7–1–05	451	<u>451,000</u>
Total Commercial Paper – 4.26%		1,227,000
United States Government Security – 4.85%		
Federal Home Loan Bank, 2.55%, 7–1–05	1,400	<u>1,400,000</u>
TOTAL SHORT-TERM SECURITIES – 9.11%		\$ 2,627,000
(Cost: \$2,627,000)		
TOTAL INVESTMENT SECURITIES – 103.96%		\$29,985,493
(Cost: \$28,063,073)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (3.96%)		(1,142,897)
NET ASSETS – 100.00%		\$28,842,596

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

DIVIDEND INCOME PORTFOLIO

June 30, 2005

(Unaudited)

ASSETS

Investment securities – at value (cost – \$28,063,073)	\$29,985,493
Cash	116
Receivables:	
Portfolio shares sold	106,748
Dividends and interest	50,874
Prepaid and other assets	123
Total assets	<u>30,143,354</u>

LIABILITIES

Payable for investment securities purchased	1,292,754
Accrued accounting services fee (Note 2)	2,165
Accrued management fee (Note 2)	551
Accrued shareholder servicing (Note 2)	200
Accrued service fee (Note 2)	197
Payable to Portfolio shareholders	167
Other	4,724
Total liabilities	<u>1,300,758</u>
Total net assets	<u>\$28,842,596</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 5,126
Additional paid-in capital	26,783,916
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	186,165
Accumulated undistributed net realized loss	
on investment transactions	(55,031)
Net unrealized appreciation in value of investments	1,922,420
Net assets applicable to outstanding units of capital	<u>\$28,842,596</u>
Net asset value, redemption and offering price per share	<u>\$ 5.6268</u>
Capital shares outstanding	5,125,927
Capital shares authorized	60,000,000

See Notes to Financial Statements.

Statement of Operations

DIVIDEND INCOME PORTFOLIO

For the Six Months Ended June 30, 2005

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$633)	\$232,019
Interest and amortization	31,207
Total income	<u>263,226</u>
Expenses (Note 2):	
Investment management fee	78,243
Service fee	27,900
Accounting services fee	8,812
Audit fees	7,220
Custodian fees	5,846
Shareholder servicing	625
Other	3,086
Total	<u>131,732</u>
Less voluntary waiver of investment management fee (Note 2)	(54,659)
Total expenses	<u>77,073</u>
Net investment income	<u>186,153</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net loss on investments	(42,610)
Unrealized appreciation in value of investments during the period	688,439
Net gain on investments	<u>645,829</u>
Net increase in net assets resulting from operations	<u>\$831,982</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

DIVIDEND INCOME PORTFOLIO

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 186,153	\$ 104,019
Realized net loss on investments	(42,610)	(12,421)
Unrealized appreciation	688,439	1,233,981
Net increase in net assets resulting from operations	831,982	1,325,579
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(104,007)
Realized gains on investment transactions	(—)	(—)
	(—)	(104,007)
Capital share transactions ⁽²⁾	10,908,012	15,880,986
Total increase	11,739,994	17,102,558
NET ASSETS		
Beginning of period	17,102,602	44
End of period	<u>\$28,842,596</u>	<u>\$17,102,602</u>
Undistributed net investment income	<u>\$ 186,165</u>	<u>\$ 12</u>

(1) See "Financial Highlights" on page 71.

(2) Shares issued from sale of shares	2,049,963	3,162,328
Shares issued from reinvestment of dividend and/or capital gains distribution	—	19,033
Shares redeemed	(53,807)	(51,599)
Increase in outstanding capital shares	1,996,156	3,129,762
Value issued from sale of shares	\$11,201,564	\$16,041,117
Value issued from reinvestment of dividend and/or capital gains distribution	—	104,007
Value redeemed	(293,552)	(264,138)
Increase in outstanding capital	<u>\$10,908,012</u>	<u>\$15,880,986</u>

See Notes to Financial Statements.

Financial Highlights

DIVIDEND INCOME PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04	For the fiscal period from 12-30-03 ⁽¹⁾ through 12-31-03
Net asset value, beginning of period	\$5.4645	\$5.0000	\$5.0000
Income from investment operations:			
Net investment income	0.0363	0.0337	0.0000
Net realized and unrealized gain on investments.	0.1260	0.4645	0.0000
Total from investment operations	0.1623	0.4982	0.0000
Less distributions from:			
Net investment income	(0.0000)	(0.0337)	(0.0000)
Capital gains	(0.0000)	(0.0000)	(0.0000)
Total distributions	(0.0000)	(0.0337)	(0.0000)
Net asset value, end of period	\$5.6268	\$5.4645	\$5.0000
Total return	2.97%	9.96%	0.00%
Net assets, end of period	\$28,842,596	\$17,102,602	\$44
Ratio of expenses to average net assets including voluntary expense waiver	0.69% ⁽²⁾	0.76%	0.00%
Ratio of net investment income to average net assets including voluntary expense waiver	1.67% ⁽²⁾	2.08%	0.00%
Ratio of expenses to average net assets excluding voluntary expense waiver	1.18% ⁽²⁾	1.46%	0.00%
Ratio of net investment income to average net assets excluding voluntary expense waiver	1.18% ⁽²⁾	1.38%	0.00%
Portfolio turnover rate	15%	22%	0%

(1) Commencement of operations.

(2) Annualized.

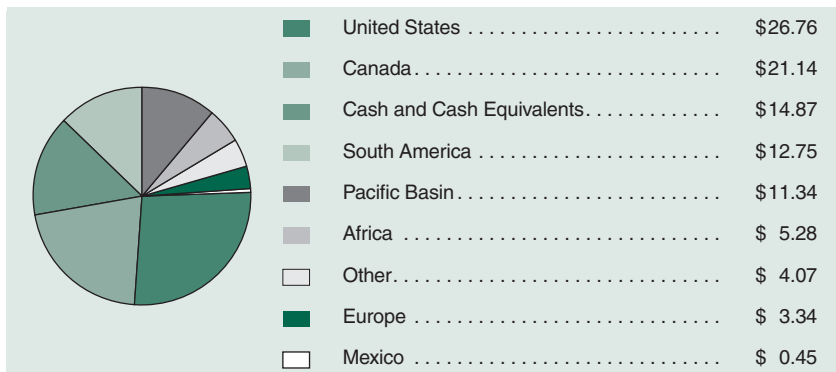
SHAREHOLDER SUMMARY OF GLOBAL NATURAL RESOURCES PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Global Natural Resources Portfolio had net assets totaling \$5,706,256 invested in a diversified portfolio of:

85.13%	Common Stocks
14.87%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio was invested by geographic region and by industry, respectively, as follows:



The Investments of Global Natural Resources Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Bermuda – 2.89%		
China Gas Holdings Limited (A)*	372,000	\$ 64,625
Golar LNG Limited*	3,700	44,307
Tsakos Energy Navigation Limited	1,300	50,401
Weatherford International Ltd.*	100	5,798
		165,131
Brazil – 10.13%		
Aracruz Celulose S.A., ADR	4,600	159,850
Companhia Siderurgica Nacional, ADR	2,700	43,605
Companhia Vale do Rio Doce, ADR	5,300	155,184
Petroleo Brasileiro S.A. – Petrobras, ADR	2,700	140,751
Votorantim Celulose e Papel S.A., ADR	6,500	78,650
		578,040
Canada – 21.14%		
Alcan Inc. (A)	1,300	39,025
Barrick Gold Corporation (A)	3,700	92,409
Bema Gold Corporation (A)*	13,600	32,302
Calfrac Well Services Ltd. (A)	800	20,242
Cambior Inc. (A)*	32,700	70,193
Canfor Corporation (A)*	2,700	32,395
Dundee Precious Metals Inc. (A)*	2,300	15,112
Eldorado Gold Corporation (A)*	6,000	15,916
Flint Energy Services Ltd. (A)*	1,400	29,138
Glamis Gold Ltd. (A)*	4,400	75,344
Goldcorp Inc. (A)*	2,700	42,951
Golden Star Resources Ltd. (A)*	8,500	26,363
Guinor Gold Corporation (A)*	65,000	50,400
Hydrogenics Corporation (A)*	5,600	19,928
IAMGOLD Corporation (A)	6,800	45,899
Inco Limited (A)	1,600	60,268
Kinross Gold Corporation (A)*	17,100	104,677
Placer Dome Inc. (A)	5,200	79,579
Precision Drilling Corporation (A)*	2,700	106,418
Rio Narcea Gold Mines, Ltd. (A)*	8,500	13,667
Savanna Energy Services Corp. (A)*	2,000	31,587
Trican Well Service Ltd. (A)*	2,800	68,834
Western Oil Sands Inc., Class A (A)*	3,800	73,785
zed.i solutions inc. (A)*	13,600	19,647
ZENON Environmental Inc. (A)*	2,000	40,353
		1,206,432

See Notes to Schedule of Investments on page 76.

The Investments of Global Natural Resources Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Cayman Islands – 1.18%		
Noble Corporation	1,100	<u>\$ 67,661</u>
China – 7.64%		
Aluminum Corporation of China Limited, ADR	1,900	104,443
China Petroleum & Chemical Corporation, ADR.	3,300	128,766
China Shenhua Energy Company Limited, H shares (A)*	51,000	49,221
China Shenhua Energy Company Limited, H shares (A)(B)*	14,000	13,512
Sino-Forest Corporation, Class A (A)*	19,000	42,801
Sinopec Zhenhai Refining & Chemical Company Limited, H Shares (A)	96,000	90,799
Yanzhou Coal Mining Company Limited, Class H (A) ..	8,400	6,594
		<u>436,136</u>
France – 1.02%		
Total S.A., ADR	500	<u>58,425</u>
India – 0.82%		
Reliance Industries Limited, GDR (B)	1,600	<u>46,576</u>
Mexico – 0.45%		
Cemex, S.A. de C.V., ADR.	600	<u>25,452</u>
Peru – 2.62%		
Compania de Minas Buenaventura S.A.A., ADR	6,500	<u>149,435</u>
Russia – 0.26%		
OAO LUKOIL, ADR	400	<u>14,780</u>
South Africa – 5.28%		
AngloGold Ashanti Limited, ADR.	3,100	110,763
Gold Fields Limited, ADR.	2,400	27,240
Impala Platinum Holdings Limited (A)	1,300	116,680
Mvelaphanda Resources Limited (A)*	20,300	46,542
		<u>301,225</u>
South Korea – 0.51%		
Honam Petrochemical Corp. (A)*	700	<u>29,265</u>
Thailand – 2.37%		
Thai Oil Public Company Limited (A)	87,900	<u>135,067</u>

See Notes to Schedule of Investments on page 76.

The Investments of Global Natural Resources Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
United Kingdom – 2.06%		
Highland Gold Mining Limited (A)	12,400	\$ 35,992
Randgold Resources Limited, ADR*	5,800	81,461
		<u>117,453</u>
United States – 26.76%		
Air Products and Chemicals, Inc.	600	36,180
Arch Coal, Inc.	2,700	147,069
Atwood Oceanics, Inc.*	800	49,248
Century Aluminum Company*	4,700	95,810
Dow Chemical Company (The)	1,100	48,983
du Pont (E.I.) de Nemours and Company	1,600	68,816
Exxon Mobil Corporation	700	40,229
FMC Technologies, Inc.*	1,800	57,546
Huntsman Corporation*	5,100	103,377
KFx Inc.*	700	10,003
Massey Energy Company	3,200	120,704
Maverick Tube Corporation*	800	23,840
Nalco Holdings LLC*	1,300	25,519
National-Oilwell, Inc.*	300	14,262
Offshore Logistics, Inc.*	2,600	85,384
Patterson-UTI Energy, Inc.	5,100	141,959
Peabody Energy Corporation	2,700	140,508
Plug Power Inc.*	1,500	10,283
Praxair, Inc.	1,400	65,240
Premcor Inc.	700	51,926
Smith International, Inc.	2,100	133,770
streetTRACKS Gold Trust*	300	13,026
Transocean Inc.*	800	43,176
		<u>1,526,858</u>
TOTAL COMMON STOCKS – 85.13%		\$4,857,936
(Cost: \$4,764,630)		

See Notes to Schedule of Investments on page 76.

The Investments of Global Natural Resources Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITY – 22.08%	Principal Amount in Thousands	Value
Repurchase Agreement		
J.P. Morgan Securities Inc., 2.4% Repurchase Agreement dated 6–30–05 to be repurchased at \$1,260,084 on 7–1–05 (C)	\$1,260	<u>\$1,260,000</u>
(Cost: \$1,260,000)		
TOTAL INVESTMENT SECURITIES – 107.21%		\$6,117,936
(Cost: \$6,024,630)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (7.21%)		(411,680)
NET ASSETS – 100.00%		\$5,706,256

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of these securities amounted to \$60,088 or 1.05% of net assets.

(C) Collateralized by \$1,278,193 United States Treasury Note, 3.375% due 2–15–07; market value and accrued interest aggregate \$1,294,462.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

GLOBAL NATURAL RESOURCES PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (Notes 1 and 3):	
Securities (cost – \$4,765)	\$ 4,858
Repurchase Agreement (cost – \$1,260)	1,260
	<u>6,118</u>
Cash	1
Receivables:	
Portfolio shares sold	241
Investment securities sold	51
Dividends and interest	3
Prepaid and other assets	24
Total assets	<u>6,438</u>

LIABILITIES

Payable for investment securities purchased	730
Accrued shareholder servicing (Note 2)	1
Accrued management fee (Note 2)	—*
Accrued service fee (Note 2)	—*
Payable to Portfolio shareholders	—*
Other	1
Total liabilities	<u>732</u>
Total net assets	<u>\$ 5,706</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 1
Additional paid-in capital	5,616
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	—*
Accumulated undistributed net realized loss on investment transactions	(3)
Net unrealized appreciation in value of investments	92
Net assets applicable to outstanding units of capital	<u>\$ 5,706</u>
Net asset value, redemption and offering price per share	<u>\$5.2318</u>
Capital shares outstanding	1,091
Capital shares authorized	60,000

*Not shown due to rounding.

See Notes to Financial Statements.

Statement of Operations

GLOBAL NATURAL RESOURCES PORTFOLIO

For the Period from April 28, 2005⁽¹⁾ through June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT LOSS

Income (Note 1B):	
Dividends	\$ 4
Interest and amortization	2
Total income	<u>6</u>
Expenses (Note 2):	
Investment management fee	4
Legal fees	3
Service fee	1
Shareholder servicing	—*
Custodian fees	—*
Total expenses	<u>8</u>
Net investment loss	<u>(2)</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net loss on securities	(3)
Realized net gain on foreign currency transactions	2
Realized net loss on investments	<u>(1)</u>
Unrealized appreciation in value of investments during the period	92
Net gain on investments	<u>91</u>
Net increase in net assets resulting from operations	<u>\$89</u>

*Not shown due to rounding.

(1)Commencement of operations.

See Notes to Financial Statements.

Statement of Changes in Net Assets

GLOBAL NATURAL RESOURCES PORTFOLIO

For the Period from April 28, 2005⁽¹⁾ through June 30, 2005

(In Thousands)

(Unaudited)

INCREASE IN NET ASSETS

Operations:	
Net investment loss	\$ (2)
Realized net loss on investments	(1)
Unrealized appreciation	92
Net increase in net assets resulting from operations	<u>89</u>
Distributions to shareholders from (Note 1E): ⁽²⁾	
Net investment income	(—)
Realized gains on investment transactions	(—)
	<u>(—)</u>
Capital share transactions ⁽³⁾	5,617
Total increase	<u>5,706</u>

NET ASSETS

Beginning of period	—
End of period	<u>\$5,706</u>
Undistributed net investment income	<u>\$ —*</u>

(1)Commencement of operations.

(2)See "Financial Highlights" on page 80.

(3)Shares issued from sale of shares	1,096
Shares issued from reinvestment of dividend and/or capital gains distribution	—
Shares redeemed	(5)
Increase in outstanding capital shares	<u>1,091</u>
Value issued from sale of shares	\$5,643
Value issued from reinvestment of dividend and/or capital gains distribution	—
Value redeemed	(26)
Increase in outstanding capital	<u>\$5,617</u>

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

GLOBAL NATURAL RESOURCES PORTFOLIO

For a Share of Capital Stock Outstanding Throughout the Period:

(Unaudited)

	For the period from 4-28-05 ⁽¹⁾ through 6-30-05
Net asset value, beginning of period	\$5.0000
Income (loss) from investment operations:	
Net investment loss	(0.0014)
Net realized and unrealized gain on investments	0.2332
Total from investment operations	<u>0.2318</u>
Less distributions from:	
Net investment income	(0.0000)
Capital gains	(0.0000)
Total distributions	<u>(0.0000)</u>
Net asset value, end of period	<u>\$5.2318</u>
Total return	4.64%
Net assets, end of period (in millions)	\$6
Ratio of expenses to average net assets	2.19% ⁽²⁾
Ratio of net investment loss to average net assets	-0.40% ⁽²⁾
Portfolio turnover rate	12%

(1) Commencement of operations.

(2) Annualized.

See Notes to Financial Statements.

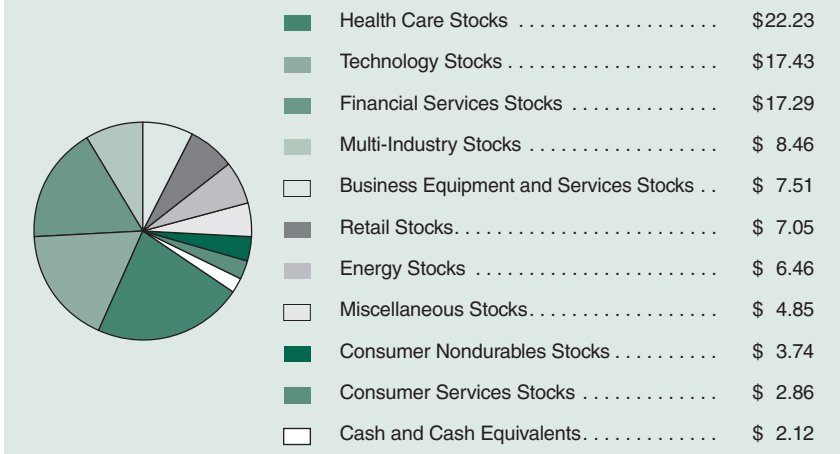
SHAREHOLDER SUMMARY OF GROWTH PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Growth Portfolio had net assets totaling \$1,195,640,434 invested in a diversified portfolio of:

97.88%	Common Stocks
2.12%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Aircraft – 1.07%		
United Technologies Corporation	250,000	<u>\$ 12,837,500</u>
Business Equipment and Services – 2.02%		
Robert Half International Inc.	470,000	11,735,900
Staples, Inc.	584,400	12,444,798
		<u>24,180,698</u>
Chemicals – Petroleum and Inorganic – 1.97%		
Monsanto Company	375,000	<u>23,576,250</u>
Communications Equipment – 1.46%		
Cisco Systems, Inc.*	910,584	<u>17,387,602</u>
Computers – Micro – 2.88%		
Dell Inc.*	871,740	<u>34,385,784</u>
Computers – Peripherals – 6.13%		
EMC Corporation*	850,000	11,653,500
Microsoft Corporation	1,891,900	46,966,418
Oracle Corporation*	1,115,000	14,723,575
		<u>73,343,493</u>
Consumer Electronics – 0.72%		
Harman International Industries, Incorporated	105,600	<u>8,591,616</u>
Defense – 2.45%		
General Dynamics Corporation	267,300	<u>29,280,042</u>
Electronic Components – 3.44%		
Linear Technology Corporation	302,200	11,086,207
Maxim Integrated Products, Inc.	228,172	8,712,748
Microchip Technology Incorporated	718,600	21,313,676
		<u>41,112,631</u>
Finance Companies – 3.97%		
SLM Corporation	934,400	<u>47,467,520</u>

See Notes to Schedule of Investments on page 85.

The Investments of Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Health Care – Drugs – 8.37%		
Alcon, Inc.	172,100	\$ 18,819,135
Allergan, Inc.	115,500	9,845,220
Genentech, Inc.*	330,000	26,492,400
Gilead Sciences, Inc.*	369,400	16,251,753
Pfizer Inc.	1,040,835	28,706,229
		<u>100,114,737</u>
Health Care – General – 6.79%		
DENTSPLY International Inc.	190,000	10,260,950
Johnson & Johnson	723,300	47,014,500
Zimmer Holdings, Inc.*	313,400	23,871,678
		<u>81,147,128</u>
Hospital Supply and Management – 7.07%		
Medtronic, Inc.	476,900	24,698,651
Stryker Corporation	295,000	14,030,200
UnitedHealth Group Incorporated	877,600	45,758,064
		<u>84,486,915</u>
Hotels and Gaming – 1.79%		
Starwood Hotels & Resorts Worldwide, Inc.	365,000	<u>21,378,050</u>
Household – General Products – 3.74%		
Colgate-Palmolive Company	225,000	11,229,750
Procter & Gamble Company (The)	635,000	33,496,250
		<u>44,726,000</u>
Leisure Time Industry – 1.07%		
Carnival Corporation	235,000	<u>12,819,250</u>
Motor Vehicle Parts – 1.22%		
Danaher Corporation	278,900	<u>14,597,626</u>
Multiple Industry – 8.46%		
General Electric Company	1,206,400	41,801,760
Google Inc., Class A*	139,200	40,944,984
Las Vegas Sands, Inc.*	175,300	6,266,975
Research In Motion Limited*	165,000	12,171,225
		<u>101,184,944</u>

See Notes to Schedule of Investments on page 85.

The Investments of Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Petroleum – Services – 6.46%		
Baker Hughes Incorporated	363,900	\$ 18,617,124
Schlumberger Limited	385,000	29,236,900
Smith International, Inc.	461,400	29,391,180
		<u>77,245,204</u>
Retail – Food Stores – 3.49%		
Walgreen Co.	906,400	<u>41,685,336</u>
Retail – General Merchandise – 0.77%		
Kohl's Corporation*	165,000	<u>9,225,150</u>
Retail – Specialty Stores – 2.79%		
Advance Auto Parts, Inc.*	230,000	14,846,500
Home Depot, Inc. (The)	474,997	18,477,383
		<u>33,323,883</u>
Security and Commodity Brokers – 13.32%		
American Express Company	211,500	11,258,145
Chicago Mercantile Exchange Holdings Inc.	128,000	37,824,000
Franklin Resources, Inc.	410,500	31,600,290
Goldman Sachs Group, Inc. (The)	232,600	23,729,852
Legg Mason, Inc.	352,600	36,709,186
Moody's Corporation	200,000	8,992,000
T. Rowe Price Group, Inc.	146,000	9,143,250
		<u>159,256,723</u>
Timesharing and Software – 5.49%		
Automatic Data Processing, Inc.	640,000	26,860,800
eBay Inc.*	298,100	9,847,734
Paychex, Inc.	545,000	17,720,675
Yahoo! Inc.*	325,000	11,259,625
		<u>65,688,834</u>
Trucking and Shipping – 0.94%		
Expeditors International of Washington, Inc.	225,600	<u>11,236,008</u>
TOTAL COMMON STOCKS – 97.88%		\$ 1,170,278,924
(Cost: \$948,047,606)		

See Notes to Schedule of Investments on page 85.

The Investments of Growth Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
Capital Equipment – 0.50%		
Caterpillar Inc., 3.25%, 7–8–05	\$6,000	<u>\$ 5,996,208</u>
Chemicals – Specialty – 0.68%		
Air Products and Chemicals, Inc., 3.38%, 7–1–05	8,100	<u>8,100,000</u>
Food and Related – 0.33%		
Wm. Wrigley Jr. Company, 3.25%, 7–14–05	4,000	<u>3,995,306</u>
Household – General Products – 0.31%		
Fortune Brands Inc., 3.41%, 7–1–05	3,755	<u>3,755,000</u>
Multiple Industry – 0.54%		
Detroit Edison Co., 3.33%, 7–5–05	6,407	<u>6,404,629</u>
TOTAL SHORT-TERM SECURITIES – 2.36%		<u>\$ 28,251,143</u>
(Cost: \$28,251,143)		
TOTAL INVESTMENT SECURITIES – 100.24%		<u>\$ 1,198,530,067</u>
(Cost: \$976,298,749)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.24%)		<u>(2,889,633)</u>
NET ASSETS – 100.00%		<u>\$ 1,195,640,434</u>

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

GROWTH PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$976,299) (Notes 1 and 3)	\$1,198,530
Cash	—*
Receivables:	
Investment securities sold	1,494
Dividends and interest	851
Portfolio shares sold	677
Prepaid and other assets	19
Total assets	<u>\$1,201,571</u>

LIABILITIES

Payable for investment securities purchased	4,871
Payable to Portfolio shareholders	933
Accrued management fee (Note 2)	23
Accrued accounting services fee (Note 2)	21
Accrued shareholder servicing (Note 2)	10
Accrued service fee (Note 2)	8
Other	65
Total liabilities	<u>5,931</u>
Total net assets	<u>\$1,195,640</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 141
Additional paid-in capital	1,230,126
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	477
Accumulated undistributed net realized loss	
on investment transactions	(257,335)
Net unrealized appreciation in value of investments	222,231
Net assets applicable to outstanding units of capital	<u>\$1,195,640</u>
Net asset value, redemption and offering price per share	<u>\$ 8.4818</u>
Capital shares outstanding	140,965
Capital shares authorized	300,000

*Not shown due to rounding.

See Notes to Financial Statements.

Statement of Operations

GROWTH PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):

Dividends (net of foreign withholding taxes of \$25)	\$ 5,997
Interest and amortization	402
Total income	<u>6,399</u>

Expenses (Note 2):

Investment management fee	4,094
Service fee	1,479
Accounting services fee	124
Custodian fees	19
Audit fees	16
Legal fees	15
Shareholder servicing	14
Other	161
Total expenses	<u>5,922</u>
Net investment income	<u>477</u>

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments	46,146
Unrealized depreciation in value of investments during the period	<u>(32,641)</u>
Net gain on investments	<u>13,505</u>
Net increase in net assets resulting from operations	<u>\$13,982</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

GROWTH PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
DECREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 477	\$ 3,406
Realized net gain on investments	46,146	48,990
Unrealized depreciation.	(32,641)	(13,798)
Net increase in net assets resulting from operations	13,982	38,598
Dividends to shareholders from (Note 1E):(1)		
Net investment income	(—)	(3,383)
Realized gains on investment transactions.	(—)	(—)
Capital share transactions(2)	(70,484)	(66,016)
Total decrease.	(56,502)	(30,801)
NET ASSETS		
Beginning of period.	1,252,142	1,282,943
End of period.	<u>\$1,195,640</u>	<u>\$1,252,142</u>
Undistributed net investment income	<u>\$ 477</u>	<u>\$ —*</u>

(1) See "Financial Highlights" on page 89.

(2) Shares issued from sale of shares	2,933	9,948
Shares issued from reinvestment of dividend and/or capital gains distribution	—	404
Shares redeemed.	(11,517)	(18,672)
Decrease in outstanding capital shares.	(8,584)	(8,320)
Value issued from sale of shares.	\$ 24,108	\$ 80,227
Value issued from reinvestment of dividend and/or capital gains distribution	—	3,383
Value redeemed	(94,592)	(149,626)
Decrease in outstanding capital.	<u>\$ (70,484)</u>	<u>\$ (66,016)</u>

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

GROWTH PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period: (Unaudited)

	For the	For the fiscal year ended December 31,				
	six months ended 6-30-05	2004	2003	2002	2001	2000
Net asset value,						
beginning of period . . .	\$8.3728	\$8.1267	\$6.6041	\$8.3923	\$9.8831	\$10.8751
Income (loss) from investment operations:						
Net investment income (loss)	0.0034	0.0228	(0.0048)	0.0009	0.0246	0.0163
Net realized and unrealized gain (loss) on investments	0.1056	0.2460	1.5275	(1.7882)	(1.4417)	0.1375
Total from investment operations	0.1090	0.2688	1.5227	(1.7873)	(1.4171)	0.1538
Less distributions from:						
Net investment income	(0.0000)	(0.0227)	(0.0001)	(0.0009)	(0.0246)	(0.0163)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0491)	(1.1295)
Total distributions	(0.0000)	(0.0227)	(0.0001)	(0.0009)	(0.0737)	(1.1458)
Net asset value, end of period	\$8.4818	\$8.3728	\$8.1267	\$6.6041	\$8.3923	\$ 9.8831
Total return	1.30%	3.31%	23.06%	-21.30%	-14.34%	1.41%
Net assets, end of period (in millions)	\$1,196	\$1,252	\$1,283	\$705	\$995	\$1,256
Ratio of expenses to average net assets . .	1.00% ⁽¹⁾	1.00%	0.99%	0.99%	0.97%	0.96%
Ratio of net investment income (loss) to average net assets . .	0.08% ⁽¹⁾	0.27%	-0.09%	0.01%	0.27%	0.14%
Portfolio turnover rate . . .	29%	81%	59%	41%	51%	57%

(1) Annualized.

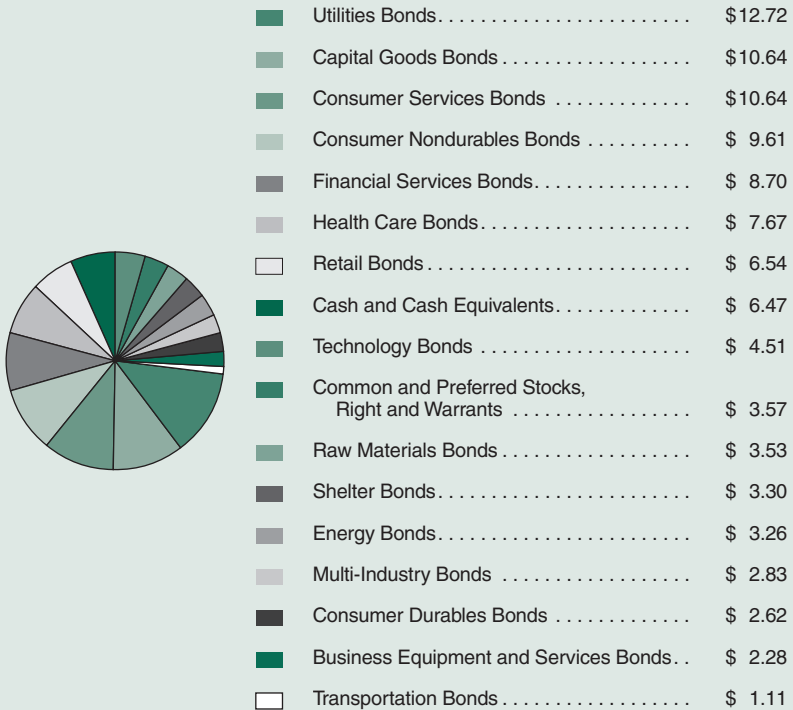
SHAREHOLDER SUMMARY OF HIGH INCOME PORTFOLIO

Portfolio Highlights

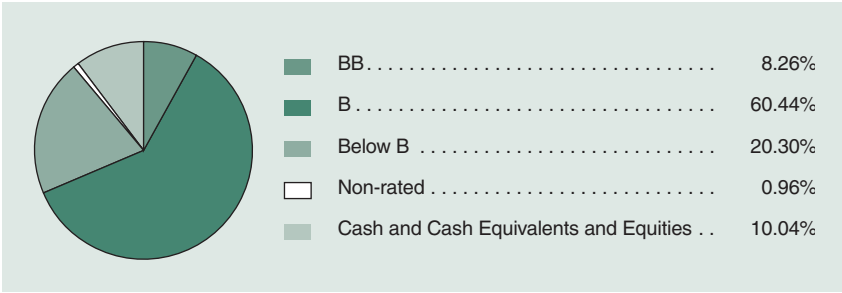
On June 30, 2005, W&R Target High Income Portfolio had net assets totaling \$188,869,474 invested in a diversified portfolio of:

89.96%	Corporate Debt Securities
6.47%	Cash and Cash Equivalents
3.57%	Common and Preferred Stocks, Right and Warrants

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



On June 30, 2005, the breakdown of bonds (by ratings) held by the Portfolio was as follows:



The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS, RIGHT AND WARRANTS	Shares	Value
Broadcasting – 0.09%		
Citadel Broadcasting Corporation*	15,000	\$ 171,750
Chemicals – Petroleum and Inorganic – 0.27%		
UAP Holding Corp.	30,425	503,534
Finance Companies – 0.00%		
ONO Finance Plc, Rights (A)*	250	5,000
Health Care – General – 0.07%		
Encore Medical Corporation*	25,000	139,500
Hospital Supply and Management – 0.82%		
Psychiatric Solutions, Inc.*	15,000	729,825
Triad Hospitals, Inc.*	15,000	819,600
		<u>1,549,425</u>
Multiple Industry – 0.99%		
Dollar Financial Corp.*	37,500	402,563
Huntsman Corporation*	37,500	760,125
Mueller Holdings (N.A.), Inc., Warrants (A)*	2,000	700,500
		<u>1,863,188</u>
Petroleum – International – 0.11%		
Forest Oil Corporation*	5,000	210,000
Petroleum – Services – 0.31%		
BJ Services Company	2,500	131,200
Baker Hughes Incorporated	5,000	255,800
Schlumberger Limited	2,500	189,850
		<u>576,850</u>
Timesharing and Software – 0.32%		
Alliance Data Systems Corporation*	15,000	608,400
Utilities – Gas and Pipeline – 0.25%		
Williams Companies, Inc. (The)	25,000	475,000
Utilities – Telephone – 0.08%		
GT Group Telecom, Inc., Warrants (A)(B)*	300	—**
US Unwired Inc.*	25,280	146,624
		<u>146,624</u>
TOTAL COMMON STOCKS, RIGHT AND WARRANTS – 3.31%		\$ 6,249,271
(Cost: \$5,459,282)		

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

PREFERRED STOCKS	Shares	Value
Apparel – 0.25%		
Anvil Holdings, Inc., 13.0%*	65,627	\$ 475,793
Broadcasting – 0.01%		
Adelphia Communications Corporation, 13.0%	12,500	9,375
TOTAL PREFERRED STOCKS – 0.26%		\$ 485,168
(Cost: \$1,942,028)		

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	
Aircraft – 1.21%		
Argo-Tech Corporation, 9.25%, 6–1–11	\$ 200	217,000
BE Aerospace, Inc., 8.5%, 10–1–10	50	55,250
Bombardier Recreational Products Inc., 8.375%, 12–15–13	200	213,000
Esterline Technologies Corporation, 7.75%, 6–15–13	750	795,000
L–3 Communications Corporation, 6.125%, 1–15–14	1,000	1,000,000
		2,280,250
Aluminum – 0.16%		
Century Aluminum Company, 7.5%, 8–15–14	300	296,250
Beverages – 0.57%		
Cott Beverages Inc., 8.0%, 12–15–11	1,000	1,072,500
Broadcasting – 4.50%		
CCH II and CCH II Capital, 10.25%, 9–15–10	1,000	1,011,250
Cablevision Systems Corporation, 7.88%, 4–1–09	1,000	1,002,500

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Broadcasting (Continued)		
Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation:		
0.0%, 5-15-11 (C)	\$1,000	\$ 662,500
0.0%, 1-15-12 (C)	500	288,750
Charter Communications Operating, LLC and Charter Communications Operating Capital Corp.,		
8.0%, 4-30-12 (A)	1,000	995,000
Gray Communications Systems, Inc.,		
9.25%, 12-15-11	500	542,500
Insight Communications Company, Inc.,		
0.0%, 2-15-11 (C)	1,500	1,503,750
NTL Cable PLC,		
8.75%, 4-15-14	375	390,469
Spanish Broadcasting System, Inc.,		
9.625%, 11-1-09	2,015	2,113,231
		<u>8,509,950</u>
Business Equipment and Services – 2.28%		
Alderwoods Group, Inc.,		
7.75%, 9-15-12 (A)	600	636,750
Allied Waste North America, Inc.,		
8.5%, 12-1-08	1,000	1,048,750
Carriage Services, Inc.,		
7.875%, 1-15-15 (A)	150	158,250
MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company:		
6.66%, 12-15-11 (A)	150	148,500
8.0%, 12-15-14 (A)	150	144,000
Service Corporation International,		
7.0%, 6-15-17 (A)	300	308,250
Vertis, Inc.:		
9.75%, 4-1-09	150	156,000
10.875%, 6-15-09	1,000	955,000
13.5%, 12-7-09 (A)	1,000	746,250
		<u>4,301,750</u>

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Capital Equipment – 2.34%		
Case New Holland Inc., 9.25%, 8–1–11 (A)	\$2,000	\$ 2,100,000
IMCO Recycling Inc., 10.375%, 10–15–10	775	850,563
Mueller Group, Inc.: 7.96%, 11–1–11	300	307,500
10.0%, 5–1–12	900	945,000
Simmons Company, 0.0%, 12–15–14 (A)(C)	500	225,000
		<u>4,428,063</u>
Chemicals – Petroleum and Inorganic – 1.09%		
Compression Polymers Holding Corporation, 10.5%, 7–1–13 (A)	300	300,000
PolyOne Corporation, 10.625%, 5–15–10	500	528,750
Resolution Performance Products LLC and RPP Capital Corporation, 13.5%, 11–15–10	575	618,125
UAP Holding Corp., 0.0%, 7–15–12 (C)	750	615,000
		<u>2,061,875</u>
Chemicals – Specialty – 1.81%		
Compass Minerals International, Inc.: 0.0%, 12–15–12 (C)	1,600	1,400,000
0.0%, 6–1–13 (C)	1,750	1,461,250
Ethyl Corporation, 8.875%, 5–1–10	250	259,062
PQ Corporation, 7.5%, 2–15–13 (A)	300	294,750
		<u>3,415,062</u>
Coal – 0.71%		
James River Coal Company, 9.375%, 6–1–12	550	563,750
Southern Star Central Corp., 8.5%, 8–1–10	750	787,500
		<u>1,351,250</u>

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Computers – Peripherals – 2.02%		
ASG Consolidated LLC and ASG Finance, Inc., 0.0%, 11–1–11 (C)	\$2,325	\$ 1,668,188
Activant Solutions Inc.:		
9.09%, 4–1–10 (A)	500	517,500
10.5%, 6–15–11	1,500	1,627,500
		<u>3,813,188</u>
Construction Materials – 7.17%		
Ames True Temper, Inc.:		
7.14063%, 1–15–12	2,500	2,375,000
10.0%, 7–15–12	1,175	945,875
Associated Materials Incorporated, 9.75%, 4–15–12	525	543,375
Brand Services, Inc., 12.0%, 10–15–12	650	695,500
Builders FirstSource, Inc., 7.68708%, 2–15–12 (A)	1,200	1,194,000
Interface, Inc.:		
7.3%, 4–1–08	1,000	1,020,000
10.375%, 2–1–10	445	489,500
9.5%, 2–1–14	1,250	1,275,000
Jacuzzi Brands, Inc., 9.625%, 7–1–10	1,750	1,916,250
MAAX Corporation, 9.75%, 6–15–12	500	441,250
Nortek, Inc., 8.5%, 9–1–14	900	837,000
Ply Gem Industries, Inc., 9.0%, 2–15–12	1,750	1,478,750
Texas Industries, Inc., 7.25%, 7–15–13 (A)	75	76,875
WII Components, Inc., 10.0%, 2–15–12	250	246,250
		<u>13,534,625</u>
Containers – 3.70%		
Alltrista Corporation, 9.75%, 5–1–12	250	263,437
Constar International Inc., 6.64313%, 2–15–12 (A)	400	382,000
Crown European Holdings:		
9.5%, 3–1–11	1,000	1,105,000
10.875%, 3–1–13	50	58,750

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Containers (Continued)		
Graham Packaging Company, L.P. and GPC Capital Corp. I:		
8.5%, 10-15-12 (A)	\$ 150	\$ 151,500
9.875%, 10-15-14 (A)	300	300,750
MDP Acquisitions plc,		
9.625%, 10-1-12	900	900,000
Owens-Brockway Glass Container Inc.,		
8.75%, 11-15-12	750	826,875
Owens-Illinois, Inc.,		
7.35%, 5-15-08	2,500	2,593,750
Pliant Corporation,		
11.625%, 6-15-09 (A)	383	409,749
		<u>6,991,811</u>
Defense – 0.72%		
Armor Holdings, Inc.,		
8.25%, 8-15-13	1,250	<u>1,351,562</u>
Electrical Equipment – 0.83%		
Coleman Cable Inc.,		
9.875%, 10-1-12 (A)	1,150	1,023,500
Rexnord Corporation,		
10.125%, 12-15-12	500	547,500
		<u>1,571,000</u>
Electronic Instruments – 0.56%		
Aavid Thermal Technologies, Inc.,		
12.75%, 2-1-07	1,000	<u>1,058,750</u>
Finance Companies – 8.70%		
CCO Holdings, LLC and CCO Holdings Capital Corp.,		
7.535%, 12-15-10 (A)	1,500	1,458,750
DIRECTV Holdings LLC and DIRECTV Financing Co., Inc.,		
8.375%, 3-15-13	699	774,142
Ferrellgas Partners, L.P. and Ferrellgas Partners Finance Corp.,		
8.75%, 6-15-12	2,500	2,500,000
Goodman Global Holdings, Inc.:		
6.62125%, 6-15-12 (A)	150	147,750
7.875%, 12-15-12 (A)	1,100	1,017,500

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Finance Companies (Continued)		
IWO Escrow Company:		
6.89063%, 1-15-12 (A)	\$ 150	\$ 148,875
0.0%, 1-15-15 (A)(C)	600	393,000
MSW Energy Holdings LLC and MSW Energy Finance Co., Inc.,		
8.5%, 9-1-10	300	317,250
NMHG Holding Co.,		
10.0%, 5-15-09	1,000	1,050,000
NTK Holdings, Inc.,		
0.0%, 3-1-14 (A)(C)	1,529	718,630
Norcraft Companies, L.P. and Norcraft Finance Corp.,		
0.0%, 9-1-12 (C)	1,500	1,035,000
Refco Finance Holdings LLC and Refco Finance Inc.,		
9.0%, 8-1-12	1,500	1,590,000
Standard Aero Holdings, Inc.,		
8.25%, 9-1-14 (A)	750	791,250
Tabletop Holdings, Inc.,		
0.0%, 5-15-14 (A)(C)	2,000	700,000
Toll Corp.,		
8.25%, 12-1-11	890	956,750
Vanguard Health Holding Company I, LLC and Vanguard Holding Company I, Inc.,		
0.0%, 10-1-15 (C)	1,000	710,000
Vanguard Health Holding Company II, LLC and Vanguard Holding Company II, Inc.,		
9.0%, 10-1-14	1,000	1,080,000
Xerox Capital Trust I,		
8.0%, 2-1-27	1,000	1,035,000
		<u>16,423,897</u>
Food and Related – 3.98%		
American Seafoods Group LLC and American Seafoods, Inc.,		
10.125%, 4-15-10	860	922,350
Doane Pet Care Company:		
9.75%, 5-15-07	1,000	972,500
10.75%, 3-1-10	700	740,250
Gold Kist Inc.,		
10.25%, 3-15-14	650	734,500

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Food and Related (Continued)		
Merisant Company, 10.25%, 7-15-13 (A)	\$ 450	\$ 319,500
Pierre Merger Corp., 9.875%, 7-15-12	1,750	1,806,875
Pinnacle Foods Holding Corporation, 8.25%, 12-1-13	2,250	2,013,750
		<u>7,509,725</u>
Forest and Paper Products – 3.15%		
Buckeye Technologies Inc.:		
8.0%, 10-15-10	1,250	1,200,000
8.5%, 10-1-13	1,250	1,275,000
Cellu Tissue Holdings, Inc., 9.75%, 3-15-10	300	304,500
Georgia-Pacific Corporation, 8.875%, 5-15-31	940	1,163,250
Mercer International Inc., 9.25%, 2-15-13	1,500	1,200,000
Tembec Industries Inc., 8.625%, 6-30-09	1,000	815,000
		<u>5,957,750</u>
Health Care – General – 3.59%		
Ardent Health Services, Inc., 10.0%, 8-15-13	1,750	2,115,312
Encore Medical IHC, Inc., 9.75%, 10-1-12	1,500	1,455,000
Eye Care Centers of America, Inc., 10.75%, 2-15-15 (A)	1,000	895,000
MQ Associates, Inc., 0.0%, 8-15-12 (C)	1,875	975,000
Medical Device Manufacturing, Inc., 10.0%, 7-15-12	300	322,500
Universal Hospital Services, Inc., 10.125%, 11-1-11	1,000	1,010,000
		<u>6,772,812</u>
Homebuilders, Mobile Homes – 0.15%		
Technical Olympic USA, Inc., 7.5%, 3-15-11	300	279,000

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Hospital Supply and Management – 4.08%		
EGL Acquisition Corp., 7.625%, 2–1–15 (A)	\$ 600	\$ 594,000
Psychiatric Solutions, Inc.: 10.625%, 6–15–13	1,467	1,628,370
7.75%, 7–15–15 (A)	1,575	1,575,000
Rural/Metro Corporation, 0.0%, 3–15–16 (A)(C)	1,700	850,000
Rural/Metro Operating Company, LLC and Rural/Metro (Delaware) Inc., 9.875%, 3–15–15 (A)	375	371,250
US Oncology Holdings, Inc., 8.62%, 3–15–15 (A)	1,250	1,165,625
US Oncology, Inc.: 9.0%, 8–15–12	250	267,500
10.75%, 8–15–14	150	163,500
United Surgical Partners Holdings, Inc., 10.0%, 12–15–11	1,000	1,100,000
		<u>7,715,245</u>
Hotels and Gaming – 1.50%		
Inn of the Mountain Gods Resort and Casino, 12.0%, 11–15–10	1,250	1,443,750
Pinnacle Entertainment, Inc., 8.25%, 3–15–12	850	884,000
Station Casinos, Inc., 6.875%, 3–1–16 (A)	500	513,750
		<u>2,841,500</u>
Household – General Products – 1.36%		
JohnsonDiversey, Inc., 9.625%, 5–15–12	1,060	1,075,900
Southern States Cooperative, Inc., 10.5%, 11–1–10 (A)	1,500	1,492,500
		<u>2,568,400</u>
Leisure Time Industry – 0.36%		
Equinox Holdings, Inc., 9.0%, 12–15–09	650	671,125
Mining – 0.47%		
Compass Minerals Group, Inc., 10.0%, 8–15–11	818	891,620

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Motion Pictures – 2.49%		
AMC Entertainment Inc.:		
7.51813%, 8–15–10	\$ 350	\$ 361,812
9.5%, 2–1–11	1,000	981,250
Carmike Cinemas, Inc.,		
7.5%, 2–15–14	500	453,125
Cinemark USA, Inc.,		
9.0%, 2–1–13	352	361,680
Cinemark, Inc.,		
0.0%, 3–15–14 (C)	2,000	1,330,000
LCE Acquisition Corporation,		
9.0%, 8–1–14 (A)	1,250	1,209,375
		<u>4,697,242</u>
Motor Vehicle Parts – 0.68%		
Collins & Aikman Floorcoverings, Inc.,		
9.75%, 2–15–10	1,250	<u>1,293,750</u>
Motor Vehicles – 1.94%		
ADESA, Inc.,		
7.625%, 6–15–12	300	304,500
Group 1 Automotive, Inc.,		
8.25%, 8–15–13	500	505,000
Sonic Automotive, Inc.,		
8.625%, 8–15–13	1,250	1,262,500
United Auto Group, Inc.,		
9.625%, 3–15–12	1,500	1,601,250
		<u>3,673,250</u>
Multiple Industry – 2.83%		
AMR HoldCo, Inc. and EmCare HoldCo, Inc.,		
10.0%, 2–15–15 (A)	150	159,750
CBD Media Holdings LLC and CBD Holdings Finance, Inc.,		
9.25%, 7–15–12	600	607,500
CBD Media LLC and CBD Finance, Inc.,		
8.625%, 6–1–11	1,000	1,030,000
CSC Holdings, Inc.,		
6.75%, 4–15–12 (A)	425	399,500
Commercial Vehicle Group, Inc.,		
8.0%, 7–1–13 (A)	150	153,000
Dollar Financial Group, Inc.,		
9.75%, 11–15–11 (A)	400	412,500

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Multiple Industry (Continued)		
K&F Acquisition, Inc., 7.75%, 11-15-14	\$ 300	\$ 306,750
Mueller Holdings (N.A.), Inc., 0.0%, 4-15-14 (C)	2,500	1,825,000
Viasystems, Inc., 10.5%, 1-15-11	500	460,000
		<u>5,354,000</u>
Non-Residential Construction – 0.30%		
National Waterworks, Inc., 10.5%, 12-1-12	500	<u>562,500</u>
Petroleum – Domestic – 1.15%		
Delta Petroleum Corporation, 7.0%, 4-1-15 (A)	150	141,000
EXCO Resources, Inc., 7.25%, 1-15-11	900	900,000
Frontier Oil Corporation, 6.625%, 10-1-11	150	154,500
KCS Energy, Inc., 7.125%, 4-1-12	150	153,000
Stone Energy Corporation, 6.75%, 12-15-14	375	364,688
Whiting Petroleum Corporation, 7.25%, 5-1-12	450	461,250
		<u>2,174,438</u>
Petroleum – Services – 1.40%		
Hanover Compressor Company: 0.0%, 3-31-07	1,000	880,000
8.625%, 12-15-10	500	528,750
9.0%, 6-1-14	150	159,750
Parker Drilling Company, 9.625%, 10-1-13	250	281,875
SESI, L.L.C., 8.875%, 5-15-11	750	800,625
		<u>2,651,000</u>
Publishing – 1.79%		
Dex Media, Inc.: 0.0%, 11-15-13 (C)	1,500	1,207,500
8.0%, 11-15-13	1,000	1,062,500
Dex Media West LLC and Dex Media West Finance Co., 9.875%, 8-15-13	977	1,113,780
		<u>3,383,780</u>

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Railroad – 1.11%		
Kansas City Southern Railway Company (The), 7.5%, 6–15–09	\$ 900	\$ 929,250
TFM, S.A. de C.V., 9.375%, 5–1–12 (A)	1,125	1,170,000
		<u>2,099,250</u>
Restaurants – 0.98%		
Carrols Corporation, 9.0%, 1–15–13 (A)	150	151,875
Friendly Ice Cream Corporation, 8.375%, 6–15–12	750	727,500
Landry's Restaurants, Inc., 7.5%, 12–15–14	1,000	967,500
		<u>1,846,875</u>
Retail – Food Stores – 3.06%		
Couche-Tard U.S. L.P. and Couche-Tard Financing Corp., 7.5%, 12–15–13	945	992,250
Rite Aid Corporation: 7.125%, 1–15–07	1,500	1,503,750
8.125%, 5–1–10	1,000	1,030,000
Roundy's, Inc., 8.875%, 6–15–12	1,000	1,030,000
Stater Bros. Holdings Inc.: 6.91%, 6–15–10	500	495,000
8.125%, 6–15–12	750	731,250
		<u>5,782,250</u>
Retail – General Merchandise – 0.42%		
Interline Brands, Inc., 11.5%, 5–15–11	325	357,500
NBC Acquisition Corp., 0.0%, 3–15–13 (C)	600	429,000
		<u>786,500</u>
Retail – Specialty Stores – 2.08%		
CSK Auto, Inc., 7.0%, 1–15–14	350	334,250
FTD, Inc., 7.75%, 2–15–14	487	477,260
General Nutrition Centers, Inc., 8.5%, 12–1–10	200	160,000

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Retail – Specialty Stores (Continued)		
Jean Coutu Group (PJC) Inc. (The), 7.625%, 8–1–12	\$1,000	\$ 1,032,500
Jo-Ann Stores, Inc., 7.5%, 3–1–12	1,000	985,000
Nebraska Book Company, Inc., 8.625%, 3–15–12	1,000	932,500
		<u>3,921,510</u>
Utilities – Electric – 0.08%		
Texas Genco LLC and Texas Genco Financing Corp., 6.875%, 12–15–14 (A)	150	<u>157,875</u>
Utilities – Gas and Pipeline – 1.94%		
ANR Pipeline Company, 8.875%, 3–15–10	500	548,464
Northwest Pipeline Corporation, 8.125%, 3–1–10	750	813,750
Southern Natural Gas Company, 8.875%, 3–15–10	1,000	1,096,928
Williams Companies, Inc. (The), 7.5%, 1–15–31	1,110	1,201,575
		<u>3,660,717</u>
Utilities – Telephone – 10.70%		
Alamosa (Delaware), Inc.: 0.0%, 7–31–09 (C)	1,000	1,102,500
8.5%, 1–31–12	750	786,562
American Tower Corporation, 9.375%, 2–1–09	1,085	1,137,894
Centennial Communications Corp., Centennial Cellular Operating Co. LLC and Centennial Puerto Rico Operations Corp., 8.125%, 2–1–14	300	319,500
MCI, Inc.: 6.908%, 5–1–07	281	284,864
7.688%, 5–1–09	314	326,953
8.735%, 5–1–14	240	269,100
Nextel Communications, Inc.: 6.875%, 10–31–13	1,500	1,603,125
7.375%, 8–1–15	750	810,000
Nextel Partners, Inc., 8.125%, 7–1–11	1,750	1,898,750

See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Utilities – Telephone (Continued)		
Qwest Capital Funding, Inc., 7.75%, 8–15–06	\$1,000	\$ 1,022,500
Qwest Services Corporation and Qwest Communications International Inc.: 13.5%, 12–15–10	1,500	1,732,500
14.0%, 12–15–14	1,500	1,818,750
SBA Communications Corporation, 8.5%, 12–1–12	1,100	1,185,250
SBA Communications Corporation and SBA Telecommunications, Inc., 0.0%, 12–15–11 (C)	783	720,360
SpectraSite, Inc., 8.25%, 5–15–10	2,000	2,120,000
Tenaska Alabama Partners, L.P., 7.0%, 6–30–21 (A)	450	455,625
Triton PCS, Inc.: 8.75%, 11–15–11	950	672,125
8.5%, 6–1–13	600	553,500
US Unwired Inc.: 7.66%, 6–15–10	400	411,000
10.0%, 6–15–12	575	639,688
Ubiquitel Operating Company, 9.875%, 3–1–11	300	329,250
		<u>20,199,796</u>
TOTAL CORPORATE DEBT SECURITIES – 89.96%		\$169,913,693
(Cost: \$168,034,084)		

SHORT-TERM SECURITIES

Capital Equipment – 1.05%

Deere (John) Capital Corporation, 3.32%, 7–27–05	2,000	<u>1,995,204</u>
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Food and Related – 1.06%

Heinz (H.J.) Finance Co. (Heinz (H.J.) Co.), 3.33%, 7–13–05	2,000	<u>1,997,780</u>
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See Notes to Schedule of Investments on page 106.

The Investments of High Income Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
Forest and Paper Products – 1.35%		
Sonoco Products Co., 3.44%, 7–1–05	\$2,559	\$ 2,559,000
Health Care – General – 2.29%		
Baxter International Inc.: 3.3%, 7–5–05	3,000	2,998,900
3.32%, 7–5–05	1,323	1,322,512
		4,321,412
Railroad – 1.59%		
Union Pacific Corporation, 3.17%, 7–8–05	3,000	2,998,151
TOTAL SHORT-TERM SECURITIES – 7.34%		\$ 13,871,547
(Cost: \$13,871,547)		
TOTAL INVESTMENT SECURITIES – 100.87%		\$190,519,679
(Cost: \$189,306,941)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.87%)		(1,650,205)
NET ASSETS – 100.00%		\$188,869,474

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

**Not shown due to rounding.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of these securities amounted to \$28,381,004 or 15.03% of net assets.

(B) Security valued in good faith by the Valuation Committee of the Board of Directors. See Note 1 to financial statements.

(C) The security does not bear interest for an initial period of time and subsequently becomes interest bearing.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

HIGH INCOME PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$189,307) (Notes 1 and 3)	\$190,520
Receivables:	
Dividends and interest	2,963
Portfolio shares sold	7
Prepaid and other assets	3
Total assets	<u>193,493</u>

LIABILITIES

Payable for investment securities purchased	4,500
Payable to Portfolio shareholders	70
Accrued accounting services fee (Note 2)	6
Due to custodian	4
Accrued management fee (Note 2)	3
Accrued shareholder servicing (Note 2)	2
Accrued service fee (Note 2)	1
Other	38
Total liabilities	<u>4,624</u>
Total net assets	<u>\$188,869</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 55
Additional paid-in capital	215,725
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	6,816
Accumulated undistributed net realized loss	
on investment transactions	(34,940)
Net unrealized appreciation in value of investments	1,213
Net assets applicable to outstanding units of capital	<u>\$188,869</u>
Net asset value, redemption and offering price per share	<u>\$ 3.4207</u>
Capital shares outstanding	55,213
Capital shares authorized	120,000

See Notes to Financial Statements.

Statement of Operations

HIGH INCOME PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):

Interest and amortization	\$7,712
Dividends	8
Total income	<u>7,720</u>

Expenses (Note 2):

Investment management fee	587
Service fee	235
Accounting services fee	34
Audit fees	9
Custodian fees	7
Legal fees	3
Shareholder servicing	3
Other	26
Total expenses	<u>904</u>
Net investment income	<u>6,816</u>

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments	1,518
Unrealized depreciation in value of investments during the period	<u>(8,781)</u>
Net loss on investments	<u>(7,263)</u>
Net decrease in net assets resulting from operations	<u>\$ (447)</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

HIGH INCOME PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 6,816	\$ 12,355
Realized net gain on investments	1,518	3,691
Unrealized appreciation (depreciation)	(8,781)	555
Net increase (decrease) in net assets resulting from operations	(447)	16,601
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(12,355)
Realized gains on investment transactions	(—)	(—)
Capital share transactions ⁽²⁾	(292)	20,894
Total increase (decrease)	(739)	25,140
NET ASSETS		
Beginning of period	189,608	164,468
End of period	<u>\$188,869</u>	<u>\$189,608</u>
Undistributed net investment income (loss)	<u>\$ 6,816</u>	<u>\$ (—)*</u>

(1) See "Financial Highlights" on page 110.

Shares issued from sale of shares	3,297	8,091
Shares issued from reinvestment of dividend and/or capital gains distribution	—	3,605
Shares redeemed	(3,402)	(5,656)
Increase (decrease) in outstanding capital shares	(105)	6,040
Value issued from sale of shares	\$ 11,248	\$ 27,927
Value issued from reinvestment of dividend and/or capital gains distribution	—	12,355
Value redeemed	(11,540)	(19,388)
Increase (decrease) in outstanding capital	<u>\$ (292)</u>	<u>\$ 20,894</u>

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

HIGH INCOME PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value, beginning of period	\$3.4276	\$3.3375	\$2.9986	\$3.3261	\$3.3542	\$4.1691
Income (loss) from investment operations:						
Net investment income	0.1235	0.2391	0.2529	0.2602	0.3346	0.4107
Net realized and unrealized gain (loss) on investments	(0.1304)	0.0901	0.3389	(0.3275)	(0.0281)	(0.8149)
Total from investment operations	(0.0069)	0.3292	0.5918	(0.0673)	0.3065	(0.4042)
Less distributions from:						
Net investment income	(0.0000)	(0.2391)	(0.2529)	(0.2602)	(0.3346)	(0.4107)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Total distributions	(0.0000)	(0.2391)	(0.2529)	(0.2602)	(0.3346)	(0.4107)
Net asset value, end of period	\$3.4207	\$3.4276	\$3.3375	\$2.9986	\$3.3261	\$3.3542
Total return	-0.20%	9.86%	19.74%	-2.02%	9.18%	-9.73%
Net assets, end of period (in millions)	\$189	\$190	\$164	\$128	\$116	\$102
Ratio of expenses to average net assets	0.96% ⁽¹⁾	0.96%	0.95%	0.95%	0.93%	0.96%
Ratio of net investment income to average net assets	7.25% ⁽¹⁾	7.13%	7.99%	8.42%	9.60%	10.02%
Portfolio turnover rate	24%	83%	119%	85%	194%	119%

(1) Annualized.

See Notes to Financial Statements.

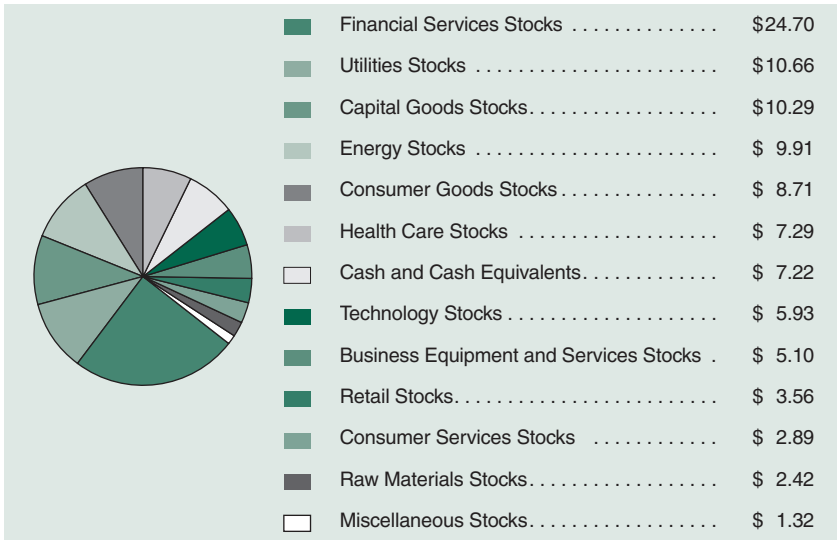
SHAREHOLDER SUMMARY OF INTERNATIONAL GROWTH PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target International Growth Portfolio had net assets totaling \$179,430,248 invested in a diversified portfolio of:

92.78%	Common Stocks
7.22%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio was invested by geographic region and by industry, respectively, as follows:



The Investments of International Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Austria – 4.04%		
Australia and New Zealand Banking Group Limited (A) . . .	62,500	\$ 1,034,756
Erste Bank der oesterreichischen Sparkassen AG (A) . . .	44,100	2,207,909
Raiffeisen International Bank-Holding AG (A)*	34,500	2,204,918
Westpac Banking Corporation (A)	118,600	1,801,052
		<u>7,248,635</u>
Belgium – 1.16%		
KBC Group NV (A)	26,300	<u>2,078,385</u>
Brazil – 0.29%		
Gol Linhas Aereas Inteligentes S.A.	17,500	<u>526,050</u>
Canada – 2.17%		
EnCana Corporation (A)	63,600	2,508,805
Shoppers Drug Mart Corporation (A)(B)	39,700	1,377,122
		<u>3,885,927</u>
France – 8.75%		
BNP Paribas (A)	25,000	1,715,458
France Telecom (A)	60,700	1,774,773
Lafarge (A)	13,000	1,185,451
Pernod Ricard (A)	6,500	1,038,352
Sanofi-Aventis (A)	24,400	2,005,011
Sanofi-Aventis (A)(B)	7,000	575,208
Total S.A. (A)	17,300	4,067,954
VINCI (A)	40,000	3,330,470
		<u>15,692,677</u>
Germany – 9.72%		
Allianz Aktiengesellschaft, Registered Shares (A)	20,900	2,407,911
BASF Aktiengesellschaft (A)	26,700	1,777,179
Bayerische Hypo- und Vereinsbank AG (A)*	104,800	2,726,823
Continental Aktiengesellschaft (A)	15,600	1,125,196
Deutsche Telekom AG, Registered Shares (A)	125,000	2,314,507
E.ON AG (A)	21,100	1,881,435
Fresenius AG (A)	4,700	538,648
SAP Aktiengesellschaft (A)	9,800	1,711,392
Siemens AG (A)	40,470	2,958,198
		<u>17,441,289</u>
Greece – 1.16%		
Alpha Bank (A)(B)	78,000	<u>2,080,479</u>
Ireland – 4.24%		
Anglo Irish Bank Corporation plc (Great Britian) (A)	276,546	3,430,429
Anglo Irish Bank Corporation plc (Ireland) (A)	200,000	2,480,910
CRH public limited company (A)	64,600	1,701,173
		<u>7,612,512</u>

See Notes to Schedule of Investments on page 116.

The Investments of International Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Israel – 0.21%		
VIZRT Ltd. (A)(B)*	60,000	\$ 384,844
Italy – 3.76%		
Assicurazioni Generali SpA (A)	35,200	1,099,055
Banco Popolare di Verona e Novara S.c. a r.l. (A)	85,000	1,448,367
Eni S.p.A. (A)	124,500	3,210,776
Saipem S.p.A. (A)	72,800	981,462
		6,739,660
Japan – 19.09%		
ACOM CO., LTD. (A)	18,900	1,211,604
Canon Inc. (A)	50,000	2,632,765
CREDIT SAISON CO., LTD. (A)	54,000	1,796,592
Dentsu Inc. (A)*	365	901,722
Honda Motor Co., Ltd. (A)	21,100	1,040,637
Hoya Corporation (A)	15,600	1,800,379
INPEX Corporation (A)(B)	106	600,198
Japan Tobacco Inc. (A)	145	1,934,902
Kabushiki Kaisha Mitsubishi Tokyo Financial Group (A)	200	1,696,871
Mitsubishi Corporation (A)	182,000	2,474,583
Mizuho Financial Group, Inc. (A)	195	882,608
Nihon Densan Kabushiki Kaisha (A)	17,600	1,862,988
Nomura Holdings, Inc. (A)	68,000	813,597
ORIX Corporation (A)	14,500	2,175,458
SMC Corporation (A)	17,100	1,865,567
Sega Sammy Holdings Inc. (A)	35,000	2,145,884
Shinsei Bank, Limited (A)(B)	257,000	1,385,682
TDK Corporation (A)*	13,000	886,124
Taisei Corporation (A)	240,000	809,305
Tokyo Electric Power Company, Incorporated (The) (A)	37,400	891,921
Tokyo Gas Co., Ltd. (A)	441,000	1,650,122
Toyota Motor Corporation (A)	77,900	2,788,414
		34,247,923
Mexico – 1.68%		
Cemex, S.A. de C.V., ADR	47,695	2,023,222
Grupo Televisa, S.A., GDR	16,000	993,440
		3,016,662
Norway – 0.65%		
Statoil ASA (A)	57,200	1,168,562
Russia – 0.99%		
OAO LUKOIL, ADR	48,000	1,773,600

See Notes to Schedule of Investments on page 116.

The Investments of International Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Singapore – 0.48%		
DBS Group Holdings Ltd (A)	102,500	\$ 869,108
South Korea – 0.81%		
LG Chem, Ltd. (A)*	40,000	1,461,576
Spain – 2.65%		
Enagas, S.A. (A)	114,400	2,028,247
Fadesa Inmobiliaria, S.A. (A)	32,000	915,879
Gestevisión Telecinco, S.A. (A)	39,000	913,749
Telefonica, S.A. (A)	54,600	894,681
		4,752,556
Switzerland – 11.54%		
Baloise-Holding, Registered Shares (A)	17,300	863,920
Compagnie Financiere Richemont SA (A)	41,000	1,378,823
Holcim Ltd, Registered Shares (A)	40,500	2,464,888
Nestle S.A., Registered Shares (A)	10,900	2,789,638
Novartis AG, Registered Shares (A)	104,000	4,954,120
Roche Holdings AG, Genussschein (A)	22,000	2,784,332
Swatch Group Ltd (The), Bearer Shares (A)*	7,800	1,095,506
UBS AG (A)	44,450	3,468,321
Zurich Financial Services, Registered Shares (A)	5,300	913,109
		20,712,657
Turkey – 0.37%		
Turkiye Garanti Bankasi Anonim Sirketi (A)	155,000	669,861
United Kingdom – 18.41%		
ARM Holdings plc (A)*	437,000	886,717
BAE SYSTEMS plc (A)	185,000	951,303
BP p.l.c. (A)	428,000	4,455,385
British American Tobacco p.l.c. (A)	46,000	886,820
Capita Group Plc (The) (A)(B)	215,610	1,421,615
Carnival plc (A)	57,800	3,279,753
HBOS plc (A)*	40,000	616,703
IG Group Holdings plc (A)(B)*	194,000	509,219
NEXT plc (A)	64,500	1,743,871
Reckitt Benckiser plc (A)	91,322	2,691,576
Royal Bank of Scotland Group plc (The) (A)	106,659	3,221,962
Smith & Nephew plc (A)	226,000	2,231,132
Smiths Group plc (A)	56,000	922,080
tesco plc (A)	572,000	3,266,717
Vodafone Group Plc (A)	1,732,000	4,220,385
WPP Group plc (A)	167,700	1,726,189
		33,031,427

See Notes to Schedule of Investments on page 116.

The Investments of International Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
United States – 0.61%		
Inco Limited	29,000	<u>\$ 1,094,750</u>
TOTAL COMMON STOCKS – 92.78%		\$166,489,140
(Cost: \$140,531,175)		
SHORT-TERM SECURITIES	Principal Amount in Thousands	
Banks – 3.23%		
Royal Bank of Scotland PLC (The), 3.285%, 7–12–05	\$5,800	<u>5,794,178</u>
Finance Companies – 1.12%		
Unilever Capital Corporation, 3.27%, 7–8–05	2,000	<u>1,998,729</u>
Household – General Products – 1.37%		
Fortune Brands Inc., 3.41%, 7–1–05	2,462	<u>2,462,000</u>
Security and Commodity Brokers – 1.14%		
UBS Finance Delaware LLC, 3.39%, 7–1–05	2,045	<u>2,045,000</u>
TOTAL SHORT-TERM SECURITIES – 6.86%		\$ 12,299,907
(Cost: \$12,299,907)		
TOTAL INVESTMENT SECURITIES – 99.64%		\$178,789,047
(Cost: \$152,831,082)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.36%		641,201
NET ASSETS – 100.00%		\$179,430,248

See Notes to Schedule of Investments on page 116.

The Investments of International Growth Portfolio

June 30, 2005

(Unaudited)

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of these securities amounted to \$8,334,367 or 4.64% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

INTERNATIONAL GROWTH PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$152,831) (Notes 1 and 3)	\$178,789
Cash	15
Receivables:	
Dividends and interest	597
Investment securities sold	201
Portfolio shares sold	17
Prepaid and other assets	3
Total assets	<u>179,622</u>

LIABILITIES

Payable to Portfolio shareholders	136
Payable for investment securities purchased	14
Accrued accounting services fee (Note 2)	6
Accrued management fee (Note 2)	4
Accrued shareholder servicing (Note 2)	2
Accrued service fee (Note 2)	1
Other	29
Total liabilities	<u>192</u>
Total net assets	<u>\$179,430</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 28
Additional paid-in capital	213,100
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	1,694
Accumulated undistributed net realized loss on investment transactions	(61,340)
Net unrealized appreciation in value of investments	25,948
Net assets applicable to outstanding units of capital	<u>\$179,430</u>
Net asset value, redemption and offering price per share	<u>\$ 6.5228</u>
Capital shares outstanding	27,508
Capital shares authorized	60,000

See Notes to Financial Statements.

Statement of Operations

INTERNATIONAL GROWTH PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$243)	\$ 2,314
Interest and amortization	148
Total income	<u>2,462</u>
Expenses (Note 2):	
Investment management fee	766
Service fee	225
Accounting services fee	33
Custodian fees	32
Audit fees	11
Shareholder servicing	3
Legal fees	2
Other	27
Total expenses	<u>1,099</u>
Net investment income	<u>1,363</u>

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	9,040
Realized net gain on foreign currency transactions	331
Realized net gain on investments	<u>9,371</u>
Unrealized depreciation in value of investments during the period	(14,424)
Net loss on investments	<u>(5,053)</u>
Net decrease in net assets resulting from operations	<u><u>\$ (3,690)</u></u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

INTERNATIONAL GROWTH PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 1,363	\$ 878
Realized net gain on investments	9,371	10,714
Unrealized appreciation (depreciation)	(14,424)	11,550
Net increase (decrease) in net assets resulting from operations	(3,690)	23,142
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(1,138)
Realized gains on investment transactions	(—)	(—)
	(—)	(1,138)
Capital share transactions ⁽²⁾	(3,610)	(4,902)
Total increase (decrease)	(7,300)	17,102
NET ASSETS		
Beginning of period	186,730	169,628
End of period	<u>\$ 179,430</u>	<u>\$ 186,730</u>
Undistributed net investment income (loss)	<u>\$ 1,694</u>	<u>\$ (—)*</u>

(1) See "Financial Highlights" on page 120.

(2) Shares issued from sale of shares	1,643	3,185
Shares issued from reinvestment of dividend and/or capital gains distribution	—	171
Shares redeemed	(2,200)	(4,178)
Decrease in outstanding capital shares	(557)	(822)
Value issued from sale of shares	\$ 10,739	\$ 19,125
Value issued from reinvestment of dividend and/or capital gains distribution	—	1,138
Value redeemed	(14,349)	(25,165)
Decrease in outstanding capital	<u>\$ (3,610)</u>	<u>\$ (4,902)</u>

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

INTERNATIONAL GROWTH PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period: (Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value,						
beginning of period . . .	\$6.6534	\$5.8722	\$4.7683	\$5.8536	\$7.8610	\$11.9354
Income (loss) from						
investment operations:						
Net investment						
income	0.0616	0.0367	0.0833	0.0227	0.0498	0.0298
Net realized and						
unrealized gain						
(loss) on						
investments	(0.1922)	0.7853	1.1039	(1.0853)	(1.7977)	(2.8531)
Total from investment						
operations	(0.1306)	0.8220	1.1872	(1.0626)	(1.7479)	(2.8233)
Less distributions from:						
Net investment						
income	(0.0000)	(0.0408)	(0.0833)	(0.0227)	(0.0419)	(0.0186)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.2176)	(1.2325)
Total distributions	(0.0000)	(0.0408)	(0.0833)	(0.0227)	(0.2595)	(1.2511)
Net asset value,						
end of period	6.5228	6.6534	5.8722	4.7683	5.8536	7.8610
Total return	-1.96%	14.00%	24.90%	-18.15%	-22.23%	-23.66%
Net assets, end of period						
(in millions)	\$179	\$187	\$170	\$139	\$187	\$266
Ratio of expenses to						
average net assets . . .	1.22% ⁽¹⁾	1.20%	1.24%	1.30%	1.25%	1.23%
Ratio of net investment						
income to average						
net assets	1.51% ⁽¹⁾	0.59%	1.70%	0.41%	0.71%	0.31%
Portfolio turnover rate	39%	81%	131%	116%	100%	117%

(1) Annualized.

See Notes to Financial Statements.

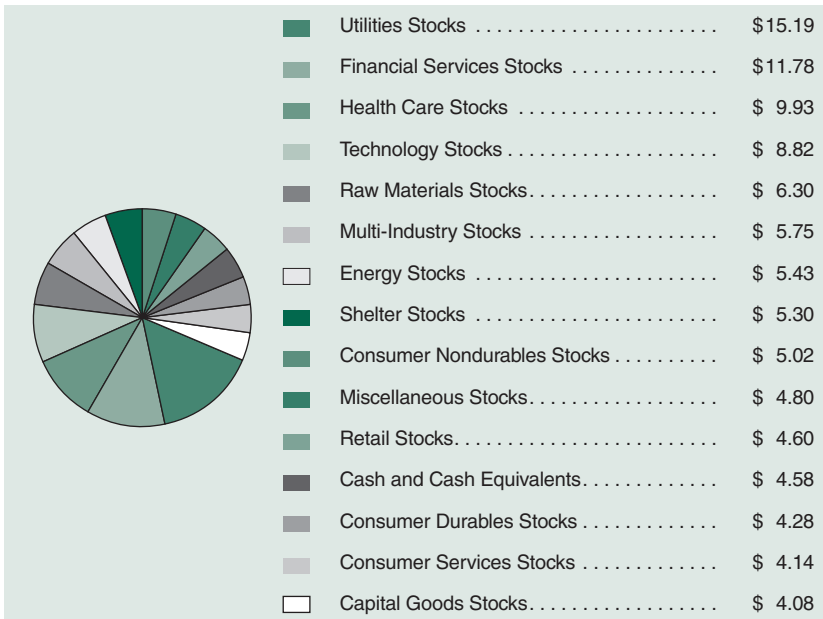
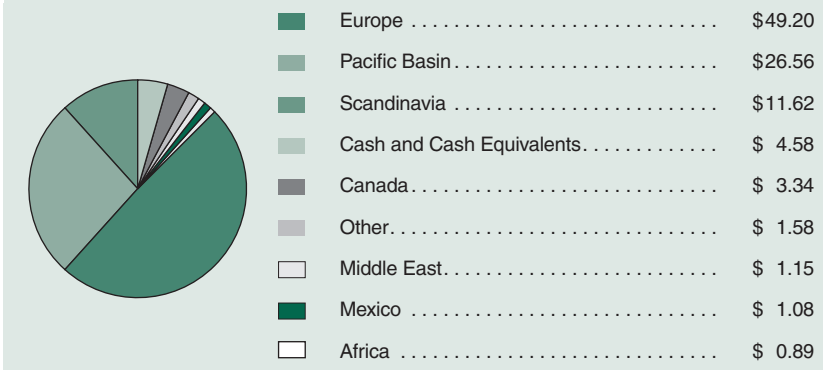
SUMMARY OF INTERNATIONAL VALUE PORTFOLIO

Portfolio Highlights

On June 30, 2005 W&R Target International Value Portfolio had net assets totaling \$417,705,845 invested in a diversified portfolio of:

95.42%	Common Stocks
4.58%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio was invested by geographic region and by industry, respectively, as follows:



The Investments of International Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Australia – 3.42%		
Iluka Resources Limited (A)	911,455	\$ 5,224,311
National Australia Bank Limited (A)	233,800	5,474,313
Qantas Airways Limited (A)	857,600	2,199,953
Qantas Airways Limited (A)(B)	545,600	1,399,597
		14,298,174
Bermuda – 1.58%		
ACE Limited	68,900	3,090,165
XL Capital Ltd, Class A	47,300	3,520,066
		6,610,231
Canada – 3.34%		
BCE Inc. (A)	138,000	3,266,405
Barrick Gold Corporation (A)	276,200	6,898,237
Domtar Inc. (A)	510,680	3,776,331
		13,940,973
China – 1.05%		
China Telecom Corporation Limited (A)	8,936,000	3,219,766
China Telecom Corporation Limited (A)(B)	3,240,000	1,167,417
		4,387,183
Denmark – 2.82%		
Vestas Wind Systems A/S (A)*	709,667	11,785,132
Finland – 2.83%		
Metso Corporation (A)	34,830	759,566
Stora Enso Oyj, Class R (A)	374,700	4,797,627
Stora Enso Oyj, Class R (A)	71,073	905,220
UPM-Kymmene Corporation (A)	279,540	5,368,810
		11,831,223
France – 4.66%		
AXA (A)	227,853	5,699,705
SUEZ (A)	82,200	2,231,301
Sanofi-Aventis (A)	78,000	6,409,461
Total S.A. (A)	21,717	5,106,576
		19,447,043
Germany – 5.01%		
Bayer Aktiengesellschaft (A)	125,900	4,208,299
Deutsche Post AG (A)	241,000	5,629,003
E.ON AG (A)	52,900	4,716,963
Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft, Registered Shares (A)	30,570	3,259,331
Volkswagen Aktiengesellschaft (A)	88,735	3,103,487
		20,917,083

See Notes to Schedule of Investments on page 126.

The Investments of International Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Hong Kong – 2.97%		
Bank of East Asia, Limited (The) (A)	896,000	\$ 2,646,146
Cheung Kong (Holdings) Limited (A)	485,000	4,727,673
Hutchison Whampoa Limited, Ordinary Shares (A)	556,100	5,027,155
		<u>12,400,974</u>
Israel – 1.15%		
Check Point Software Technologies Ltd.*	241,410	<u>4,788,367</u>
Italy – 1.49%		
Eni S.p.A. (A)	241,500	<u>6,228,131</u>
Japan – 7.67%		
Hitachi, Ltd. (A)	702,000	4,266,054
KDDI CORPORATION (A)	1,067	4,935,272
Konica Minolta Holdings, Inc. (A)	251,000	2,344,568
Nintendo Co., Ltd. (A)	35,400	3,702,461
Nippon Telegraph and Telephone Corporation (A)	1,179	5,049,364
Nomura Holdings, Inc. (A)	69,500	831,544
Ono Pharmaceutical Co., Ltd. (A)	16,300	773,041
Sony Corporation (A)	175,700	6,051,519
Takeda Chemical Industries, Ltd. (A)	82,200	4,076,278
		<u>32,030,101</u>
Mexico – 1.08%		
Telefonos de Mexico, S.A. de C.V., ADR	238,840	<u>4,511,688</u>
Netherlands – 6.44%		
Akzo Nobel N.V. (A)	183,880	7,250,079
ING Groep N.V., Certicaaten Van Aandelen (A)	251,394	7,110,019
Koninklijke Philips Electronics N.V., Ordinary Shares (A)	199,110	5,036,125
Reed Elsevier NV (A)	398,600	5,557,084
Wolters Kluwer nv, Certicaaten Van Aandelen (A)	101,000	1,933,682
		<u>26,886,989</u>
Norway – 2.09%		
Norske Skogindustrier ASA (A)	159,666	2,632,716
Telenor ASA (A)	746,700	5,970,446
Telenor ASA (A)(B)	13,700	109,542
		<u>8,712,704</u>
Portugal – 0.77%		
Portugal Telecom, SGPS, S.A., Ordinary Shares (A)	337,470	<u>3,201,905</u>

See Notes to Schedule of Investments on page 126.

The Investments of International Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Singapore – 1.66%		
DBS Group Holdings Ltd (A)	300,000	\$ 2,543,730
Venture Corporation Limited (A)	465,000	4,411,503
		<u>6,955,233</u>
South Africa – 0.89%		
Sappi Limited (A)*	333,681	<u>3,702,271</u>
South Korea – 6.73%		
KT Corporation, ADR	329,160	7,076,940
Kookmin Bank, ADR*	99,010	4,512,876
POSCO, ADR	62,140	2,732,296
SK Telecom Co., Ltd., ADR	184,530	3,764,412
Samsung Electronics Co., Ltd., GDR (B)	41,990	10,046,107
		<u>28,132,631</u>
Spain – 3.06%		
Gamesa Corporacion Tecnologica, S.A. (A)*	54,800	743,436
Iberdrola, S.A. (A)	116,700	3,081,646
Repsol YPF, S.A. (A)	202,000	5,172,782
Telefonica, S.A., ADR	77,855	3,807,131
		<u>12,804,995</u>
Sweden – 3.88%		
ForeningsSparbanken AB (A)	207,200	4,548,629
Nordea Bank AB, Finnish Depositary Receipts (A)	698,900	6,301,275
Securitas AB, Class B (A)	320,000	5,345,485
		<u>16,195,389</u>
Switzerland – 3.48%		
Nestle S.A., Registered Shares (A)	31,100	7,959,426
Swiss Reinsurance Company, Registered Shares (A)	50,480	3,103,795
UBS AG (A)	44,400	3,464,419
		<u>14,527,640</u>
Taiwan – 3.06%		
Chunghwa Telecom Co., Ltd., ADR	202,400	4,337,432
Compal Electronics Inc., GDR	422,600	2,101,928
Compal Electronics Inc., GDR (B)	376,611	1,873,188
Lite-On Technology Corporation, GDR	390,000	4,490,187
		<u>12,802,735</u>
United Kingdom – 24.29%		
AMVESCAP PLC (A)	340,700	2,032,739
BAE SYSTEMS plc (A)	1,338,200	6,881,264
BP p.l.c. (A)	591,000	6,152,178
Boots Group PLC (A)	415,800	4,536,982
British Sky Broadcasting Group plc (A)	579,500	5,476,981
Cadbury Schweppes plc (A)	407,800	3,894,393
Compass Group PLC (A)	2,448,000	10,285,361

See Notes to Schedule of Investments on page 126.

The Investments of International Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
United Kingdom (Continued)		
GlaxoSmithKline plc (A)	273,900	\$ 6,629,987
Lloyds TSB Group plc (A)	457,600	3,878,041
Pearson plc (A)	366,900	4,322,239
Rentokil Initial plc (A)	1,912,660	5,474,493
Rolls-Royce plc (A)*	1,244,600	6,405,531
Royal Bank of Scotland Group plc (The) (A)	159,450	4,816,676
"Shell" Transport and Trading Company p.l.c. (The) (A)	632,900	6,154,606
Shire Pharmaceuticals Group plc (A)	446,700	4,898,157
Smiths Group plc (A)	275,300	4,533,014
Unilever PLC (A)	703,800	6,790,477
Vodafone Group Plc (A)	1,591,700	3,878,515
Wm MORRISON SUPERMARKETS PLC (A)	1,325,310	4,416,678
		<u>101,458,312</u>
TOTAL COMMON STOCKS – 95.42%		\$398,557,107
(Cost: \$325,469,931)		
	Principal Amount in Thousands	
SHORT-TERM SECURITIES		
Finance Companies – 0.96%		
Unilever Capital Corporation, 3.27%, 7–8–05	\$ 4,000	<u>3,997,457</u>
Food and Related – 1.19%		
Wm. Wrigley Jr. Company, 3.25%, 7–14–05	5,000	<u>4,994,132</u>
Security and Commodity Brokers – 2.09%		
UBS Finance Delaware LLC, 3.39%, 7–1–05	8,732	<u>8,732,000</u>
TOTAL SHORT-TERM SECURITIES – 4.24%		\$ 17,723,589
(Cost: \$17,723,589)		
TOTAL INVESTMENT SECURITIES – 99.66%		\$416,280,696
(Cost: \$343,193,520)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.34%		1,425,149
NET ASSETS – 100.00%		\$417,705,845

See Notes to Schedule of Investments on page 126.

The Investments of International Value Portfolio

June 30, 2005

(Unaudited)

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of these securities amounted to \$14,595,851 or 3.49% of total investments.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

INTERNATIONAL VALUE PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$343,194) (Notes 1 and 3)	\$416,281
Cash	241
Receivables:	
Investment securities sold	2,718
Dividends and interest	1,380
Portfolio shares sold	206
Prepaid and other assets	5
Total assets	<u>420,831</u>

LIABILITIES

Payable for investment securities purchased	2,742
Payable to Portfolio shareholders	321
Accrued accounting services fee (Note 2)	10
Accrued management fee (Note 2)	10
Accrued service fee (Note 2)	3
Accrued shareholder servicing (Note 2)	3
Other	36
Total liabilities	<u>3,125</u>
Total net assets	<u>\$417,706</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 22
Additional paid-in capital	318,060
Accumulated undistributed income:	
Accumulated undistributed net investment income	6,681
Accumulated undistributed net realized gain	
on investment transactions	19,867
Net unrealized appreciation in value of investments	73,076
Net assets applicable to outstanding units of capital	<u>\$417,706</u>
Net asset value, redemption and offering price per share	<u>\$19.4076</u>
Capital shares outstanding	21,523
Capital shares authorized	60,000

See Notes to Financial Statements.

Statement of Operations

INTERNATIONAL VALUE PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$768)	\$ 7,399
Interest and amortization	248
Total income	<u>7,647</u>
Expenses (Note 2):	
Investment management fee	1,723
Service fee	507
Accounting services fee	62
Custodian fees	47
Audit fees	15
Shareholder servicing	6
Legal fees	5
Other	50
Total expenses	<u>2,415</u>
Net investment income	<u>5,232</u>

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	19,343
Realized net loss on foreign currency transactions	(102)
Realized net gain on investments	<u>19,241</u>
Unrealized depreciation in value of investments during the period	<u>(19,435)</u>
Net loss on investments	<u>(194)</u>
Net increase in net assets resulting from operations	<u>\$ 5,038</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

INTERNATIONAL VALUE PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 5,232	\$ 5,685
Realized net gain on investments	19,241	23,560
Unrealized appreciation (depreciation)	(19,435)	44,612
Net increase in net assets resulting from operations	5,038	73,857
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(3,800)
Realized gains on investment transactions	(—)	(3,000)
	(—)	(6,800)
Capital share transactions ⁽²⁾	11,907	9,580
Total increase	16,945	76,637
NET ASSETS		
Beginning of period	400,761	324,124
End of period	\$417,706	\$400,761
Undistributed net investment income	\$ 6,681	\$ 1,551

(1) See "Financial Highlights" on page 130.

(2) Shares issued from sale of shares	1,802	2,549
Shares issued from reinvestment of dividend and/or capital gains distribution	—	355
Shares redeemed	(1,187)	(2,388)
Increase in outstanding capital shares	615	516
Value issued from sale of shares	\$ 34,775	\$ 43,700
Value issued from reinvestment of dividend and/or capital gains distribution	—	6,800
Value redeemed	(22,868)	(40,920)
Increase in outstanding capital	\$ 11,907	\$ 9,580

See Notes to Financial Statements.

Financial Highlights

INTERNATIONAL VALUE PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period: (Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value, beginning of period	\$19.1681	\$15.8947	\$11.0000	\$13.4000	\$17.6000	\$19.4000
Income (loss) from investment operations:						
Net investment income	0.2410	0.2759	0.2558	0.2000	0.3000	0.3000
Net realized and unrealized gain (loss) on investments . . .	(0.0015)	3.3285	4.8829	(2.6000)	(2.3000)	(0.2000)
Total from investment operations	0.2395	3.6044	5.1387	(2.4000)	(2.0000)	0.1000
Less distributions from:						
Net investment income	(0.0000)	(0.1850)	(0.2440)	(0.0000)	(0.6000)	(0.3000)
Capital gains	(0.0000)	(0.1460)	(0.0000)	(0.0000)	(1.6000)	(1.6000)
Total distributions . . .	(0.0000)	(0.3310)	(0.2440)	(0.0000)	(2.2000)	(1.9000)
Net asset value, end of period	\$19.4076	\$19.1681	\$15.8947	\$11.0000	\$13.4000	\$17.6000
Total return	1.25%	22.68%	46.85%	-17.82%	-11.21%	0.81%
Net assets, end of period (in millions)	\$418	\$401	\$324	\$223	\$279	\$343
Ratio of expenses to average net assets	1.19% ⁽¹⁾	1.19%	1.07%	0.99%	0.97%	1.07%
Ratio of net investment income to average net assets	2.58% ⁽¹⁾	1.65%	2.03%	1.87%	1.60%	2.10%
Portfolio turnover rate	12%	31%	35%	33%	39%	47%

(1) Annualized.

See Notes to Financial Statements.

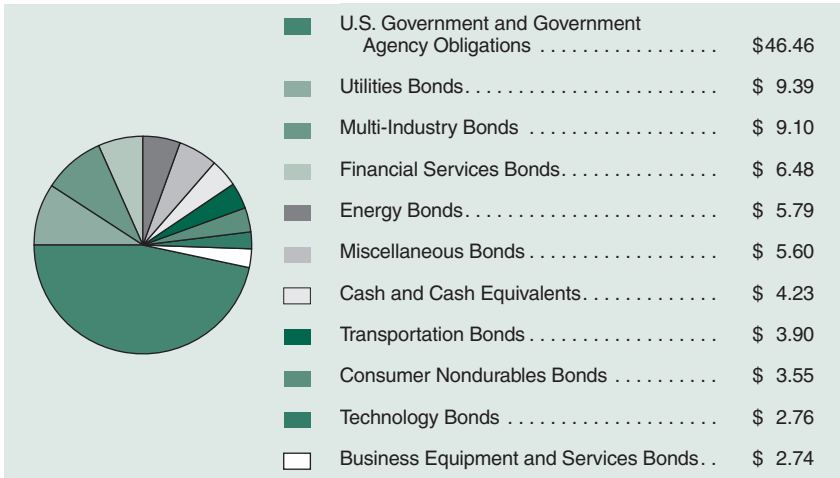
SHAREHOLDER SUMMARY OF LIMITED-TERM BOND PORTFOLIO

Portfolio Highlights

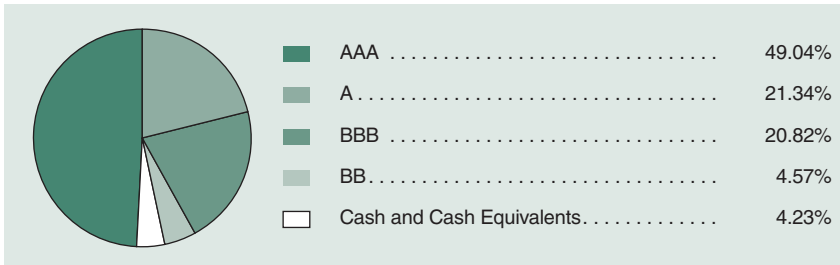
On June 30, 2005, W&R Target Limited-Term Bond Portfolio had net assets totaling \$77,106,834 invested in a diversified portfolio of:

49.31%	Corporate Debt Securities
46.46%	U.S. Government and Government Agency Obligations
4.23%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



On June 30, 2005, the breakdown of bonds (by ratings) held by the Portfolio was as follows:



The Investments of Limited-Term Bond Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	Value
Aircraft – 2.76%		
Raytheon Company, 6.75%, 8–15–07	\$2,030	<u>\$ 2,129,628</u>
Banks – 1.91%		
First Union Corporation, 6.875%, 9–15–05	1,460	<u>1,468,783</u>
Business Equipment and Services – 2.74%		
USA Waste Services, Inc., 7.125%, 10–1–07	2,000	<u>2,115,770</u>
Capital Equipment – 2.32%		
John Deere Capital Corporation, 5.125%, 10–19–06	1,766	<u>1,791,301</u>
Chemicals – Petroleum and Inorganic – 1.94%		
Monsanto Company, 4.0%, 5–15–08	1,500	<u>1,493,033</u>
Finance Companies – 4.57%		
Ford Motor Credit Company, 6.875%, 2–1–06	2,000	2,019,990
General Motors Acceptance Corporation, 6.625%, 10–15–05	1,500	<u>1,507,175</u> <u>3,527,165</u>
Food and Related – 1.95%		
Kellogg Company, 4.875%, 10–15–05	1,500	<u>1,504,794</u>
Household – General Products – 1.60%		
CPC International Inc., 6.15%, 1–15–06	1,218	<u>1,230,023</u>
Leisure Time Industry – 1.34%		
Brunswick Corporation, 6.75%, 12–15–06	1,000	<u>1,034,433</u>

See Notes to Schedule of Investments on page 136.

The Investments of Limited-Term Bond Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Multiple Industry – 9.10%		
General Electric Capital Corporation, 2.85%, 1–30–06	\$2,000	\$ 1,989,960
Honeywell International Inc., 6.875%, 10–3–05	400	402,874
Household Finance Corporation, 6.5%, 1–24–06	1,850	1,876,749
Kansas City Power & Light Company, 7.125%, 12–15–05	700	710,397
National Rural Utilities Cooperative Finance Corporation, 6.0%, 5–15–06	2,000	2,035,934
		<u>7,015,914</u>
Petroleum – International – 3.15%		
Anadarko Petroleum Corporation, 5.375%, 3–1–07	2,385	<u>2,428,646</u>
Petroleum – Services – 2.64%		
Conoco Funding Company, 5.45%, 10–15–06	2,000	<u>2,036,074</u>
Railroad – 3.90%		
Norfolk Southern Corporation, 7.35%, 5–15–07	1,850	1,952,662
Union Pacific Corporation, 6.625%, 2–1–08	1,000	1,056,671
		<u>3,009,333</u>
Utilities – Electric – 6.75%		
Dominion Resources, Inc., 7.625%, 7–15–05	2,200	2,201,978
FPL Group Capital Inc., 7.625%, 9–15–06	2,000	2,081,832
Wisconsin Energy Corporation, 5.875%, 4–1–06	910	922,422
		<u>5,206,232</u>
Utilities – Telephone – 2.64%		
GTE Corporation, 6.36%, 4–15–06	2,000	<u>2,034,206</u>
TOTAL CORPORATE DEBT SECURITIES – 49.31%		\$38,025,335
(Cost: \$38,129,352)		

See Notes to Schedule of Investments on page 136.

The Investments of Limited-Term Bond Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS	Principal Amount in Thousands	Value
Agency Obligations – 5.19%		
Federal Home Loan Mortgage Corporation, 3.625%, 9–15–08	\$2,000	\$ 1,982,738
Federal National Mortgage Association, 4.25%, 7–15–07	2,000	2,017,736
		<u>4,000,474</u>
Mortgage-Backed Obligations – 25.37%		
Federal Home Loan Mortgage Corporation		
Agency REMIC/CMO:		
4.0%, 5–15–16	2,001	1,985,317
3.5%, 12–15–16	1,137	1,107,060
5.5%, 7–15–17 (Interest Only)	1,250	91,615
5.5%, 10–15–23 (Interest Only)	5,656	439,664
5.5%, 4–15–24 (Interest Only)	1,811	160,040
5.0%, 6–15–24 (Interest Only)	2,000	260,078
Federal Home Loan Mortgage Corporation		
Fixed Rate Participation Certificates:		
7.0%, 8–1–07	2	1,909
4.5%, 5–1–10	1,199	1,201,360
4.0%, 6–1–14	1,730	1,703,075
5.5%, 1–1–17	139	142,406
5.5%, 5–1–17	146	149,486
4.5%, 1–1–18	1,390	1,385,045
4.5%, 4–1–18	1,407	1,402,169
4.5%, 3–1–19	1,747	1,740,441
Federal National Mortgage Association		
Agency REMIC/CMO (Interest Only),		
5.0%, 3–25–16	1,829	125,628
Federal National Mortgage Association		
Fixed Rate Pass-Through Certificates:		
6.0%, 11–1–13	18	18,150
7.0%, 10–1–14	20	20,750
6.0%, 3–1–16	64	66,340
6.0%, 3–1–16	55	56,480
5.5%, 2–1–17	511	525,454
5.5%, 1–1–18	899	923,640
5.0%, 3–1–18	1,391	1,408,115
5.0%, 6–1–20	1,478	1,495,760

See Notes to Schedule of Investments on page 136.

The Investments of Limited-Term Bond Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
Mortgage-Backed Obligations (Continued)		
Government National Mortgage Association		
Fixed Rate Pass-Through Certificates:		
6.5%, 1-15-14	\$ 24	\$ 24,682
7.5%, 3-15-15	26	27,632
6.0%, 8-15-16	85	88,829
6.0%, 12-15-16	171	177,724
5.5%, 1-15-17	228	235,212
6.0%, 1-15-17	149	154,656
5.5%, 7-15-17	360	371,843
5.5%, 10-15-17	246	253,621
5.0%, 12-15-17	884	900,231
7.0%, 6-15-28	32	34,445
7.0%, 7-15-29	33	35,502
3.75%, 1-20-34	855	846,248
		<u>19,560,607</u>
Treasury Inflation Protected Obligation – 0.77%		
United States Treasury Note,		
3.0%, 7-15-12 (A)	500	<u>594,382</u>
Treasury Obligations – 15.13%		
United States Treasury Notes:		
3.5%, 11-15-06	2,000	1,997,734
4.75%, 11-15-08	2,000	2,066,250
3.125%, 4-15-09	2,000	1,959,922
4.0%, 3-15-10	2,500	2,527,245
5.0%, 8-15-11	1,000	1,066,133
4.25%, 8-15-14	2,000	2,047,812
		<u>11,665,096</u>
TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 46.46%		
		<u>\$35,820,559</u>
(Cost: \$35,834,245)		

See Notes to Schedule of Investments on page 136.

The Investments of Limited-Term Bond Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
Finance Companies – 2.07%		
USAA Capital Corp., 3.15%, 7–6–05	\$1,600	<u>\$ 1,599,300</u>
Forest and Paper Products – 3.07%		
Sonoco Products Co., 3.44%, 7–1–05	2,363	<u>2,363,000</u>
TOTAL SHORT-TERM SECURITIES – 5.14%		\$ 3,962,300
(Cost: \$3,962,300)		
TOTAL INVESTMENT SECURITIES – 100.91%		\$77,808,194
(Cost: \$77,925,897)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.91%)		(701,360)
NET ASSETS – 100.00%		\$77,106,834

Notes to Schedule of Investments

(A) The interest rate for this security is a stated rate, but the interest payments are determined by multiplying the inflation-adjusted principal by one half of the stated rate for each semiannual interest payment date.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

LIMITED-TERM BOND PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$77,926) (Notes 1 and 3)	\$77,808
Cash	—*
Receivables:	
Interest	955
Portfolio shares sold	11
Prepaid and other assets	2
Total assets	<u>78,776</u>

LIABILITIES

Payable for investment securities purchased	1,492
Payable to Portfolio shareholders	158
Accrued accounting services fee (Note 2)	3
Accrued management fee (Note 2)	1
Accrued service fee (Note 2)	1
Accrued shareholder servicing (Note 2)	1
Other	13
Total liabilities	<u>1,669</u>
Total net assets	<u>\$77,107</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 14
Additional paid-in capital	76,439
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	1,156
Accumulated undistributed net realized loss	
on investment transactions	(384)
Net unrealized depreciation in value of investments	(118)
Net assets applicable to outstanding units of capital	<u>\$77,107</u>
Net asset value, redemption and offering price per share	<u>\$5.6189</u>
Capital shares outstanding	13,723
Capital shares authorized	30,000

*Not shown due to rounding.

Statement of Operations

LIMITED-TERM BOND PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization	\$1,494
Expenses (Note 2):	
Investment management fee	192
Service fee	96
Accounting services fee	22
Audit fees	8
Custodian fees	4
Legal fees	1
Shareholder servicing	1
Other	14
Total expenses	<u>338</u>
Net investment income	<u>1,156</u>

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS (NOTES 1 AND 3)

Realized net loss on investments	(51)
Unrealized depreciation in value of investments during the period	<u>(281)</u>
Net loss on investments	<u>(332)</u>
Net increase in net assets resulting from operations	<u>\$ 824</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

LIMITED-TERM BOND PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 1,156	\$ 2,158
Realized net loss on investments	(51)	(83)
Unrealized depreciation.	(281)	(828)
Net increase in net assets resulting from operations	824	1,247
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(2,159)
Realized gains on investment transactions.	(—)	(—)
	(—)	(2,159)
Capital share transactions ⁽²⁾	(2,877)	6,479
Total increase (decrease).	(2,053)	5,567
NET ASSETS		
Beginning of period.	79,160	73,593
End of period.	\$77,107	\$79,160
Undistributed net investment income (loss)	\$ 1,156	\$ (—)*

(1) See "Financial Highlights" on page 140.

(2) Shares issued from sale of shares	837	3,238
Shares issued from reinvestment of dividend and/or capital gains distribution	—	388
Shares redeemed.	(1,353)	(2,471)
Increase (decrease) in outstanding capital shares	(516)	1,155
Value issued from sale of shares.	\$ 4,668	\$18,327
Value issued from reinvestment of dividend and/or capital gains distribution	—	2,159
Value redeemed	(7,545)	(14,007)
Increase (decrease) in outstanding capital	\$ (2,877)	\$ 6,479

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

LIMITED-TERM BOND PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value, beginning of period	\$5.5593	\$5.6245	\$5.6068	\$5.4437	\$5.1666	\$5.0405
Income (loss) from investment operations:						
Net investment income	0.0843	0.1559	0.1594	0.1327	0.1971	0.3155
Net realized and unrealized gain (loss) on investments	(0.0247)	(0.0651)	0.0176	0.1631	0.2771	0.1261
Total from investment operations	0.0596	0.0908	0.1770	0.2958	0.4742	0.4416
Less distributions from:						
Net investment income	(0.0000)	(0.1560)	(0.1593)	(0.1327)	(0.1971)	(0.3155)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Total distributions	(0.0000)	(0.1560)	(0.1593)	(0.1327)	(0.1971)	(0.3155)
Net asset value, end of period	\$5.6189	\$5.5593	\$5.6245	\$5.6068	\$5.4437	\$5.1666
Total return	1.07%	1.61%	3.16%	5.43%	9.21%	8.73%
Net assets, end of period (in millions)	\$77	\$79	\$74	\$47	\$16	\$6
Ratio of expenses to average net assets including voluntary expense waiver	0.88% ⁽²⁾	0.87%	0.84%	0.69%	0.38%	0.40%
Ratio of net investment income to average net assets including voluntary expense waiver	3.01% ⁽²⁾	2.85%	2.91%	3.97%	5.52%	6.33%
Ratio of expenses to average net assets excluding voluntary expense waiver	— ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾	0.87%	0.88%	0.90%
Ratio of net investment income to average net assets excluding voluntary expense waiver	— ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾	3.79%	5.02%	5.83%
Portfolio turnover rate	14%	39%	41%	27%	22%	47%

(1) Because the Portfolio's net assets exceeded \$25 million for the entire period, there was no waiver of expenses. Therefore, no ratio is provided.

(2) Annualized.

See Notes to Financial Statements.

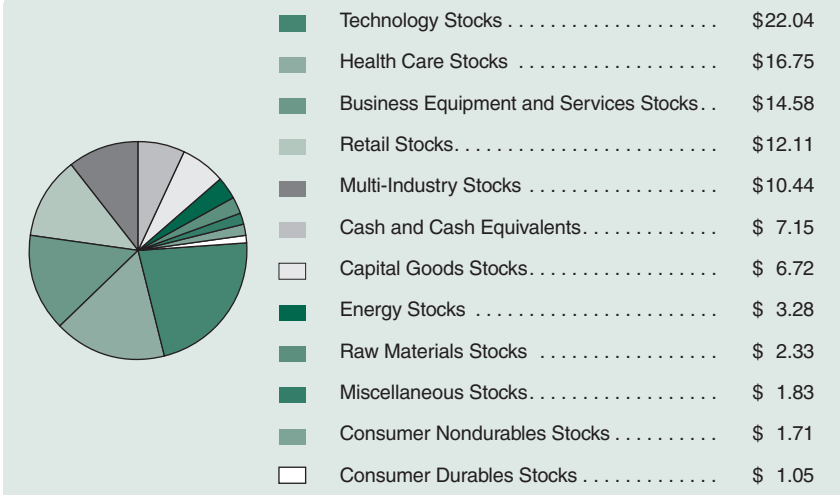
SHAREHOLDER SUMMARY OF MICRO CAP GROWTH PORTFOLIO

Portfolio Highlights

On June 30, 2005, the W&R Target Micro Cap Growth Portfolio had net assets totaling \$43,180,703 invested in a diversified portfolio of:

92.85%	Common Stocks
7.15%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Micro Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Air Transportation – 0.54%		
Pinnacle Airlines Corp.*	27,200	<u>\$ 233,512</u>
Aircraft – 0.38%		
Innovative Solutions and Support, Inc.*	4,900	<u>164,076</u>
Apparel – 0.77%		
Ashworth, Inc.*	37,000	<u>332,630</u>
Beverages – 0.94%		
Boston Beer Company, Inc. (The), Class A*	18,100	<u>406,164</u>
Broadcasting – 0.00%		
Cumulus Media Inc., Class A*	33	<u>388</u>
Business Equipment and Services – 6.03%		
Encore Capital Group, Inc.*	19,900	338,399
First Advantage Corporation, Class A*	10,400	242,632
Labor Ready, Inc.*	37,500	874,125
Marlin Business Services, Inc.*	37,100	748,864
TRM Corporation*	23,800	399,602
		<u>2,603,622</u>
Capital Equipment – 4.45%		
NATCO Group Inc.*	32,500	432,575
Somanetics Corporation*	43,800	979,806
Warnaco Group, Inc. (The)*	21,800	506,959
		<u>1,919,340</u>
Communications Equipment – 4.96%		
Blue Coat Systems, Inc.*	16,900	505,732
Intervice, Inc.*	45,800	395,025
NICE Systems Ltd.*	13,800	544,203
Redback Networks, Inc.*	109,100	694,422
		<u>2,139,382</u>
Computers – Peripherals – 5.99%		
Allscripts Healthcare Solutions, Inc.*	37,900	628,571
Applix, Inc.*	32,700	154,181
Sigma Designs, Inc.*	47,700	361,566
Stratasys, Inc.*	15,300	499,545
WebSideStory, Inc.*	29,700	433,769
Xyratex Ltd*	32,700	507,995
		<u>2,585,627</u>

See Notes to Schedule of Investments on page 145.

The Investments of Micro Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Electrical Equipment – 2.27%		
Power-One, Inc.*	46,200	\$ 291,291
Ultralife Batteries, Inc.*	42,800	690,792
		982,083
Electronic Components – 3.18%		
ARM Holdings plc, ADR	61,167	374,342
PLX Technology, Inc.*	38,400	388,992
Trident Microsystems, Inc.*	26,800	608,762
		1,372,096
Electronic Instruments – 7.54%		
Artesyn Technologies, Inc.*	63,400	549,995
Asyst Technologies, Inc.*	48,100	213,564
Energy Conversion Devices, Inc.*	21,400	479,681
LTX Corporation*	35,600	176,398
Mattson Technology, Inc.*	33,300	237,429
Mikohn Gaming Corporation*	30,600	450,585
Photronics, Inc.*	25,300	590,249
Rudolph Technologies, Inc.*	11,700	167,193
Ultratech, Inc.*	13,500	247,388
Xenogen Corporation*	37,800	143,451
		3,255,933
Health Care – Drugs – 9.43%		
Bentley Pharmaceuticals, Inc.*	17,900	196,005
Bioenvision, Inc.*	54,100	392,766
BioMarin Pharmaceutical Inc.*	66,500	497,752
Bone Care International, Inc.*	16,300	537,737
Corautus Genetics Inc.*	101,100	426,642
Cubist Pharmaceuticals Inc.*	30,100	396,568
First Horizon Pharmaceutical Corporation*	21,600	411,372
Hollis-Eden Pharmaceuticals, Inc.*	20,100	149,243
POZEN Inc.*	59,700	487,749
Serologicals Corporation*	27,000	573,885
		4,069,719
Health Care – General – 7.32%		
Bruker BioSciences Corporation*	51,300	203,148
Candela Corporation*	56,700	595,633
IRIS International, Inc.*	27,800	494,284
PolyMedica Corporation	22,300	795,441
SeraCare Life Sciences, Inc.*	29,400	410,718
Spectranetics Corporation (The)*	60,300	403,407
Wilson Greatbatch Technologies, Inc.*	10,800	258,120
		3,160,751

See Notes to Schedule of Investments on page 145.

The Investments of Micro Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Motor Vehicle Parts – 1.05%		
LKQ Corporation*	16,700	<u>\$ 452,820</u>
Multiple Industry – 10.44%		
Cutera, Inc.*	30,700	534,026
DSW Inc., Class A*	3,100	77,345
Educate, Inc.*	31,500	446,513
JAMDAT Mobile Inc.*	15,200	420,660
Kenexa Corporation*	16,900	221,982
NetLogic Microsystems, Inc.*	51,300	905,958
NuVasive, Inc.*	23,600	391,170
PortalPlayer, Inc.*	18,500	385,910
PowerDsine Ltd.*	8,700	87,087
SIRF Technology Holdings, Inc.*	17,400	307,371
Vitran Corporation Inc., Class A*	19,700	313,230
Volcom, Inc.*	3,800	102,334
WCA Waste Corporation*	35,900	314,843
		<u>4,508,429</u>
Petroleum – Services – 3.28%		
Brigham Exploration Company*	48,300	440,254
Hydril Company*	18,000	977,490
		<u>1,417,744</u>
Restaurants – 5.72%		
BUCA, Inc.*	34,600	179,228
McCormick & Schmick's Seafood Restaurants, Inc.*	43,400	684,635
Red Robin Gourmet Burgers, Inc.*	16,600	1,027,457
Steak n Shake Company (The)*	31,100	579,082
		<u>2,470,402</u>
Retail – Specialty Stores – 6.39%		
Children's Place Retail Stores, Inc. (The)*	24,400	1,136,186
Goody's Family Clothing, Inc.	33,600	247,800
Jos. A. Bank Clothiers, Inc.*	18,387	795,422
Provide Commerce, Inc.*	23,600	508,226
Tweeter Home Entertainment Group, Inc.*	29,300	72,518
		<u>2,760,152</u>
Security and Commodity Brokers – 0.68%		
Harris & Harris Group, Inc.*	24,700	<u>294,547</u>
Steel – 2.33%		
NS Group, Inc.*	31,000	<u>1,007,810</u>

See Notes to Schedule of Investments on page 145.

The Investments of Micro Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Timesharing and Software – 8.55%		
Bottomline Technologies (de), Inc.*	15,100	\$ 225,518
Concur Technologies, Inc.*	50,200	527,351
Covansys Corporation*	49,100	626,516
CyberSource Corporation*	4,800	35,160
Jupitermedia Corporation*	27,800	475,797
NutriSystem, Inc.*	44,500	655,930
Online Resources Corporation*	37,700	425,068
Ultimate Software Group, Inc. (The)*	44,000	722,480
		<u>3,693,820</u>
Trucking and Shipping – 0.61%		
U.S. Xpress Enterprises, Inc., Class A*	22,000	<u>262,350</u>
TOTAL COMMON STOCKS – 92.85%		\$40,093,397
(Cost: \$32,493,992)		

SHORT-TERM SECURITY – 4.99%	Principal Amount in Thousands	
Household – General Products		
Fortune Brands Inc., 3.41%, 7-1-05	\$2,154	<u>\$ 2,154,000</u>
(Cost: \$2,154,000)		
TOTAL INVESTMENT SECURITIES – 97.84%		\$42,247,397
(Cost: \$34,647,992)		

CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.16%	933,306
NET ASSETS – 100.00%	\$43,180,703

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

MICRO CAP GROWTH PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$34,648) (Notes 1 and 3)	\$ 42,247
Cash	—*
Receivables:	
Investment securities sold	1,219
Portfolio shares sold	15
Prepaid and other assets	1
Total assets	<u>43,482</u>

LIABILITIES

Payable for investment securities purchased	281
Payable to Portfolio shareholders	12
Accrued accounting services fee (Note 2)	2
Accrued management fee (Note 2)	1
Accrued shareholder servicing (Note 2)	1
Accrued service fee (Note 2)	—*
Other	4
Total liabilities	<u>301</u>
Total net assets	<u>\$ 43,181</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 3
Additional paid-in capital	51,865
Accumulated undistributed income (loss):	
Accumulated undistributed net investment loss	(251)
Accumulated undistributed net realized loss on investment transactions	(16,035)
Net unrealized appreciation in value of investments	7,599
Net assets applicable to outstanding units of capital	<u>\$ 43,181</u>
Net asset value, redemption and offering price per share	<u>\$15.2184</u>
Capital shares outstanding	2,837
Capital shares authorized	60,000

*Not shown due to rounding.

See Notes to Financial Statements.

Statement of Operations

MICRO CAP GROWTH PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT LOSS

Income (Note 1B):

Interest and amortization	\$ 13
Dividends	10
Total income	<u>23</u>

Expenses (Note 2):

Investment management fee	189
Service fee	50
Accounting services fee	14
Audit fees	7
Custodian fees	4
Shareholder servicing	1
Legal fees	—*
Other	9
Total expenses	<u>274</u>
Net investment loss	<u>(251)</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments	2,151
Unrealized depreciation in value of investments during the period	(688)
Net gain on investments	<u>1,463</u>
Net increase in net assets resulting from operations	<u>\$1,212</u>

*Not shown due to rounding.

Statement of Changes in Net Assets

MICRO CAP GROWTH PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment loss	\$ (251)	\$ (501)
Realized net gain (loss) on investments	2,151	(23)
Unrealized appreciation (depreciation)	(688)	3,929
Net increase in net assets resulting from operations	1,212	3,405
Dividends to shareholders from (Note 1E):(1)		
Net investment income	(—)	(—)
Realized gains on investment transactions	(—)	(—)
	(—)	(—)
Capital share transactions(2)	624	(3,079)
Total increase	1,836	326
NET ASSETS		
Beginning of period	41,345	41,019
End of period	\$43,181	\$41,345
Undistributed net investment loss	\$ (251)	\$ (—)*

(1) See "Financial Highlights" on page 149.

(2) Shares issued from sale of shares	311	797
Shares issued from reinvestment of dividend and/or capital gains distribution	—	—
Shares redeemed	(268)	(1,053)
Increase (decrease) in outstanding capital shares	43	(256)
Value issued from sale of shares	\$ 4,422	\$10,454
Value issued from reinvestment of dividend and/or capital gains distribution	—	—
Value redeemed	(3,798)	(13,533)
Increase (decrease) in outstanding capital	\$ 624	\$ (3,079)

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

MICRO CAP GROWTH PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value, beginning of period . . .	\$ 14.7992	\$ 13.4476	\$ 8.7000	\$ 15.5000	\$ 17.5000	\$ 25.1000
Income (loss) from investment operations:						
Net investment loss . . .	(0.0883)	(0.1794)	(0.1178)	(0.1000)	(0.1000)	(0.1000)
Net realized and unrealized gain (loss) on investments	0.5075	1.5310	4.8654	(6.7000)	(1.9000)	(4.4000)
Total from investment operations	0.4192	1.3516	4.7476	(6.8000)	(2.0000)	(4.5000)
Less distributions from:						
Net investment income	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(3.1000)
Total distributions	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(3.1000)
Net asset value, end of period	\$ 15.2184	\$ 14.7992	\$ 13.4476	\$ 8.7000	\$ 15.5000	\$ 17.5000
Total return	2.83%	10.05%	54.41%	-43.64%	-11.33%	-21.05%
Net assets, end of period (in millions)	\$43	\$41	\$41	\$25	\$45	\$52
Ratio of expenses to average net assets including voluntary expense waiver	1.38% ⁽¹⁾	1.35%	1.37%	1.34%	1.35%	1.30%
Ratio of net investment loss to average net assets including voluntary expense waiver	-1.26% ⁽¹⁾	-1.26%	-1.17%	-1.10%	-1.00%	-0.46%
Ratio of expenses to average net assets excluding voluntary expense waiver	NA	NA	1.51%	1.45%	1.40%	1.35%
Ratio of net investment loss to average net assets excluding voluntary expense waiver	NA	NA	-1.31%	-1.21%	-1.05%	-0.50%
Portfolio turnover rate	25%	65%	74%	68%	71%	103%

(1) Annualized.

See Notes to Financial Statements.

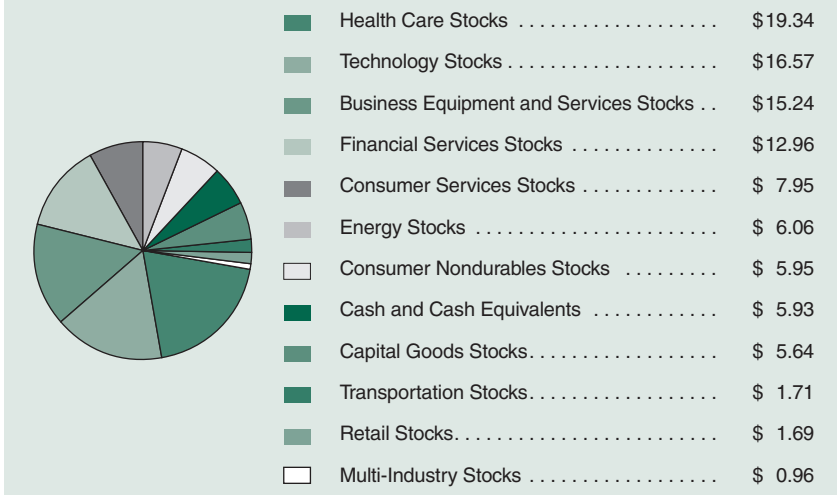
SHAREHOLDER SUMMARY OF MID CAP GROWTH PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Mid Cap Growth Portfolio had net assets totaling \$3,229,284 invested in a diversified portfolio of:

94.07%	Common Stocks
5.93%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Mid Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Aircraft – 1.66%		
L–3 Communications Holdings, Inc.	700	\$ 53,606
Banks – 5.72%		
Amegy Bancorporation, Inc.	2,050	45,899
Northern Trust Corporation	1,350	61,472
Synovus Financial Corp.	2,700	77,409
		<u>184,780</u>
Beverages – 3.22%		
Brown-Forman Corporation, Class B	900	54,414
Coca-Cola Enterprises Inc.	2,250	49,522
		<u>103,936</u>
Broadcasting – 2.02%		
Cox Radio, Inc., Class A*	1,800	28,350
XM Satellite Radio Holdings Inc., Class A*	1,100	37,021
		<u>65,371</u>
Business Equipment and Services – 5.97%		
Cintas Corporation	1,100	42,487
Lamar Advertising Company, Class A*	2,100	89,849
Stericycle, Inc.*	1,200	60,390
		<u>192,726</u>
Capital Equipment – 1.97%		
IDEX Corporation	1,650	63,706
Communications Equipment – 1.56%		
Juniper Networks, Inc.*	2,000	50,370
Computers – Micro – 3.15%		
Apple Computer, Inc.*	2,350	86,421
Sun Microsystems, Inc.*	4,100	15,191
		<u>101,612</u>
Computers – Peripherals – 0.83%		
Mercury Interactive Corporation*	700	26,824
Electrical Equipment – 1.20%		
Molex Incorporated, Class A	1,650	38,684

See Notes to Schedule of Investments on page 154.

The Investments of Mid Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Electronic Components – 7.89%		
Analog Devices, Inc.	950	\$ 35,444
Broadcom Corporation, Class A*	1,450	51,519
Maxim Integrated Products, Inc.	1,100	42,004
Microchip Technology Incorporated	2,150	63,769
Network Appliance, Inc.*	2,200	62,205
		<u>254,941</u>
Electronic Instruments – 1.48%		
Lam Research Corporation*	1,650	<u>47,743</u>
Food and Related – 2.73%		
Campbell Soup Company	1,550	47,693
Hershey Foods Corporation	650	40,365
		<u>88,058</u>
Health Care – Drugs – 5.02%		
Allergan, Inc.	1,050	89,502
Gilead Sciences, Inc.*	1,650	72,592
		<u>162,094</u>
Health Care – General – 8.57%		
Biomet, Inc.	2,000	69,250
DENTSPLY International Inc.	975	52,655
Gen-Probe Incorporated*	700	25,371
Kyphon Inc.*	1,150	40,020
Schein (Henry), Inc.*	2,150	89,365
		<u>276,661</u>
Hospital Supply and Management – 5.75%		
Bard (C. R.), Inc.	1,200	79,812
Health Management Associates, Inc., Class A	1,850	48,433
Laboratory Corporation of America Holdings*	1,150	57,385
		<u>185,630</u>
Hotels and Gaming – 1.54%		
Starwood Hotels & Resorts Worldwide, Inc.	850	<u>49,785</u>
Metal Fabrication – 2.47%		
Fastenal Company	1,300	<u>79,631</u>

See Notes to Schedule of Investments on page 154.

The Investments of Mid Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Multiple Industry – 0.96%		
AXIS Capital Holdings Limited	1,100	<u>\$ 31,130</u>
Petroleum – Domestic – 1.37%		
XTO Energy Inc.	1,300	<u>44,187</u>
Petroleum – International – 4.00%		
Burlington Resources Inc.	1,450	80,098
Noble Energy, Inc.	650	49,173
		<u>129,271</u>
Petroleum – Services – 0.69%		
Smith International, Inc.	350	<u>22,295</u>
Publishing – 4.39%		
Getty Images, Inc.*	1,050	77,973
Meredith Corporation	1,300	63,778
		<u>141,751</u>
Retail – Food Stores – 0.53%		
Longs Drug Stores Corporation	400	<u>17,220</u>
Retail – General Merchandise – 1.16%		
Nordstrom, Inc.	550	<u>37,384</u>
Security and Commodity Brokers – 7.24%		
Ameritrade Holding Corporation*	2,350	43,722
Chicago Mercantile Exchange Holdings Inc.	420	124,110
Legg Mason, Inc.	350	36,438
Prudential Financial, Inc.	450	29,547
		<u>233,817</u>
Timesharing and Software – 9.27%		
Alliance Data Systems Corporation*	1,850	75,036
eBay Inc.*	2,300	75,980
Global Payments Inc.	700	47,460
Paychex, Inc.	2,250	73,159
Total System Services, Inc.	1,150	27,715
		<u>299,350</u>
Trucking and Shipping – 1.71%		
C.H. Robinson Worldwide, Inc.	950	<u>55,290</u>
TOTAL COMMON STOCKS – 94.07%		<u>\$3,037,853</u>
(Cost: \$2,861,026)		

See Notes to Schedule of Investments on page 154.

The Investments of Mid Cap Growth Portfolio

June 30, 2005

	Principal Amount in Thousands	Value
SHORT-TERM SECURITY – 13.97%		
Repurchase Agreement		
J.P. Morgan Securities Inc., 2.4% Repurchase Agreement dated 6–30–05 to be repurchased at \$451,030 on 7–1–05 (A)	\$451	\$ 451,000
(Cost: \$451,000)		
TOTAL INVESTMENT SECURITIES – 108.04%		\$3,488,853
(Cost: \$3,312,026)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (8.04%)		(259,569)
NET ASSETS – 100.00%		\$3,229,284

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

(A) Collateralized by \$457,785 United States Treasury Note, 3.375% due 2–15–07; market value and accrued interest aggregate \$463,612.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

MID CAP GROWTH PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (Notes 1 and 3):	
Securities (cost – \$2,861)	\$ 3,038
Repurchase agreement (cost – \$451)	451
	<u>3,489</u>
Cash	1
Receivables:	
Portfolio shares sold	23
Dividends and interest	2
Prepaid and other assets	7
Total assets	<u>\$ 3,522</u>

LIABILITIES

Payable for investment securities purchased	291
Accrued service fee (Note 2)	—*
Accrued shareholder servicing (Note 2)	—*
Payable to Portfolio shareholders	—*
Other	2
Total liabilities	<u>293</u>
Total net assets	<u>\$ 3,229</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 1
Additional paid-in capital	3,050
Accumulated undistributed income:	
Accumulated undistributed net investment income	—*
Accumulated undistributed net realized gain	
on investment transactions	1
Net unrealized appreciation in value of investments	177
Net assets applicable to outstanding units of capital	<u>\$ 3,229</u>
Net asset value, redemption and offering price per share	<u>\$5.4134</u>
Capital shares outstanding	597
Capital shares authorized	60,000

*Not shown due to rounding.

See Notes to Financial Statements.

Statement of Operations

MID CAP GROWTH PORTFOLIO

For the Period from April 28, 2005⁽¹⁾ through June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Dividends	\$ 2
Interest and amortization	1
Total income	<u>3</u>
Expenses (Note 2):	
Investment management fee	3
Legal fees	2
Service fee	1
Custodian fees	—*
Shareholder servicing	—*
Total	<u>6</u>
Less voluntary waiver of investment management fee (Note 2)	(3)
Total expenses	<u>3</u>
Net investment income	<u>—*</u>

REALIZED AND UNREALIZED GAIN

ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments	1
Unrealized appreciation in value of investments during the period	<u>177</u>
Net gain on investments	<u>178</u>
Net increase in net assets resulting from operations	<u>\$178</u>

*Not shown due to rounding.

(1)Commencement of operations.

Statement of Changes in Net Assets

MID CAP GROWTH PORTFOLIO

For the Period from April 28, 2005⁽¹⁾ through June 30, 2005

(In Thousands)

(Unaudited)

INCREASE IN NET ASSETS

Operations:	
Net investment income	\$ —*
Realized net gain on investments	1
Unrealized appreciation	177
Net increase in net assets resulting from operations	<u>178</u>
Distributions to shareholders from (Note 1E): ⁽²⁾	
Net investment income	(—)
Realized gains on investment transactions	(—)
	<u>(—)</u>
Capital share transactions ⁽³⁾	3,051
Total increase	<u>3,229</u>

NET ASSETS

Beginning of period	—
End of period	<u>\$3,229</u>
Undistributed net investment income	<u>\$ —*</u>

(1) Commencement of operations.

(2) See "Financial Highlights" on page 158.

(3) Shares issued from sale of shares	598
Shares issued from reinvestment of dividend and/or capital gains distribution ...	—
Shares redeemed	(1)
Increase in outstanding capital shares	<u>597</u>
Value issued from sale of shares	\$3,056
Value issued from reinvestment of dividend and/or capital gains distribution ...	—
Value redeemed	(5)
Increase in outstanding capital	<u>\$3,051</u>

*Not shown due to rounding.

Financial Highlights

MID CAP GROWTH PORTFOLIO

For a Share of Capital Stock Outstanding Throughout the Period:

(Unaudited)

	For the period from 4-28-05 ⁽¹⁾ through 6-30-05
Net asset value, beginning of period	\$5.0000
Income from investment operations:	
Net investment income	0.0005
Net realized and unrealized gain on investments	0.4129
Total from investment operations	<u>0.4134</u>
Less distributions from:	
Net investment income	(0.0000)
Capital gains	(0.0000)
Total distributions	<u>(0.0000)</u>
Net asset value, end of period	<u>\$5.4134</u>
Total return	8.27%
Net assets, end of period (in millions)	\$3
Ratio of expenses to average net assets including voluntary expense waiver	0.84% ⁽²⁾
Ratio of net investment income to average net assets including voluntary expense waiver	0.08% ⁽²⁾
Ratio of expenses to average net assets excluding voluntary expense waiver	1.65% ⁽²⁾
Ratio of net investment loss to average net assets excluding voluntary expense waiver	-0.73% ⁽²⁾
Portfolio turnover rate	0%

(1)Commencement of operations.

(2)Annualized.

See Notes to Financial Statements.

SHAREHOLDER SUMMARY OF MONEY MARKET PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Money Market Portfolio had net assets totaling \$52,535,627.

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Money Market Portfolio

June 30, 2005

(Unaudited)

CORPORATE OBLIGATIONS	Principal Amount in Thousands	Value
Certificate of Deposit – 2.09%		
Banks		
Citibank, N.A.,		
3.21%, 8–22–05	\$1,100	\$ 1,100,000
Commercial Paper		
Banks – 5.18%		
Rabobank USA Financial Corp.:		
3.14%, 7–25–05	452	451,054
3.14%, 7–26–05	500	498,910
3.415%, 9–30–05	500	495,684
3.3%, 10–20–05	1,100	1,088,808
Royal Bank of Scotland PLC (The),		
3.285%, 7–12–05	185	184,814
		2,719,270
Finance Companies – 9.39%		
Ciesco, LLC:		
3.26%, 7–22–05	550	548,954
3.14%, 8–3–05	800	797,697
PACCAR Financial Corp.,		
3.49%, 1–19–06	740	725,509
Preferred Receivables Funding Corp.,		
3.22%, 7–20–05	850	848,555
River Fuel Trust #1 (Bank of New York (The)),		
3.14%, 7–18–05	773	771,854
Vehicle Services of America Ltd.		
(Bank of America, N.A.),		
3.35%, 9–13–05	1,250	1,241,392
		4,933,961
Food and Related – 5.64%		
McCormick & Co. Inc.:		
2.95%, 8–16–05	750	747,173
3.27%, 11–15–05	1,000	987,556
Nestle Capital Corp.,		
3.19%, 7–6–05	1,228	1,227,456
		2,962,185
Household – General Products – 1.87%		
Fortune Brands Inc.,		
3.41%, 7–1–05	982	982,000

See Notes to Schedule of Investments on page 165.

The Investments of Money Market Portfolio

June 30, 2005

(Unaudited)

CORPORATE OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
Commercial Paper (Continued)		
Multiple Industry – 2.32%		
General Electric Capital Corporation, 3.04%, 8–8–05	\$1,225	\$ 1,221,069
Security and Commodity Brokers – 5.23%		
UBS Finance Delaware LLC:		
3.26%, 7–11–05	2,400	2,397,827
3.14%, 7–25–05	350	349,267
		2,747,094
Utilities – Telephone – 5.04%		
SBC Communications Inc.,		
3.23%, 7–13–05	2,200	2,197,631
Verizon Network Funding Corporation, 3.3%, 7–19–05	450	449,258
		2,646,889
Total Commercial Paper – 34.67%		18,212,468
Notes		
Banks – 5.22%		
Bank of New York Company Inc. (The), 2.2%, 5–12–06	750	740,429
Wells Fargo & Company:		
3.18%, 7–5–05	1,500	1,500,000
3.19%, 7–15–05	500	500,000
		2,740,429
Beverages – 1.14%		
Diageo Capital plc, 6.125%, 8–15–05	600	601,969
Business Equipment and Services – 2.40%		
Playworld Systems Incorporated, Taxable Variable Rate Demand/Fixed Rate Revenue Bonds, Series A of 1998 (Wachovia Bank, N.A.), 3.41%, 7–6–05	1,260	1,260,000
Computers – Main and Mini – 2.38%		
International Business Machines Corporation, 3.14%, 7–8–05	1,250	1,250,000

See Notes to Schedule of Investments on page 165.

The Investments of Money Market Portfolio

June 30, 2005

(Unaudited)

CORPORATE OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
Notes (Continued)		
Finance Companies – 4.55%		
Caterpillar Financial Services Corp., 2.65%, 1–30–06	\$1,005	\$ 999,487
Lowell Family, LLC, Variable Rate Taxable Demand Bonds (LaSalle Bank National Association), 3.4%, 7–7–05	150	150,000
Unilever Capital Corporation, 6.875%, 11–1–05	1,225	<u>1,240,470</u>
		<u>2,389,957</u>
Food and Related – 2.07%		
Watts Brothers Frozen Foods, L.L.C., Variable Rate Demand Taxable Revenue Bonds, 1997 (U.S. Bank of Washington, National Association), 3.38%, 7–7–05	1,089	<u>1,089,000</u>
Furniture and Furnishings – 0.77%		
Capo & Sons Corporation, Taxable Variable Rate Demand Bonds, Series 1998 (Wachovia Bank, N.A.), 3.41%, 7–7–05	405	<u>405,000</u>
Hospital Supply and Management – 3.93%		
Autumn House at Powder Mill, Inc., Taxable Variable Rate Demand Bonds, Series of 2003 (Suntrust Bank), 3.3%, 7–7–05	500	500,000
Meriter Management Services, Inc., Taxable Variable Rate Demand Notes, Series 1996 (U.S. Bank Milwaukee, N.A.), 3.25%, 7–6–05	1,565	<u>1,565,000</u>
		<u>2,065,000</u>
Household – General Products – 2.38%		
Procter & Gamble Company (The), 3.34%, 7–7–05	1,250	<u>1,250,000</u>
Insurance – Property and Casualty – 2.09%		
MBIA Global Funding, LLC (MBIA Insurance Corporation), 3.28563%, 7–29–05	1,100	<u>1,100,000</u>

See Notes to Schedule of Investments on page 165.

The Investments of Money Market Portfolio

June 30, 2005

(Unaudited)

CORPORATE OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
Notes (Continued)		
Leisure Time Industry – 2.59%		
Ansley Golf Club, Inc., Incremental Taxable		
Variable Rate Demand Bonds, Series 1998		
(Wachovia Bank, N.A.),		
3.41%, 7-7-05	\$1,360	<u>\$ 1,360,000</u>
Multiple Industry – 6.13%		
Heller Financial, Inc.,		
6.375%, 3-15-06	1,000	1,020,825
The Salvation Army, Taxable Multi-Modal Revenue		
Bonds, Series 2005A (The Bank of New York),		
3.32%, 7-7-05	2,200	<u>2,200,000</u>
		<u>3,220,825</u>
Restaurants – 1.44%		
McDonald's Corporation,		
4.488%, 3-7-06 (A)	750	<u>754,613</u>
Retail – General Merchandise – 4.75%		
Service Oil, Inc., Taxable Variable Rate Demand		
Bonds (Service Oil, Inc.), Series 2002		
(U.S. Bank, National Association),		
3.45%, 7-5-05	770	770,000
Wal-Mart Stores, Inc.,		
5.586%, 6-1-06	1,700	<u>1,728,280</u>
		<u>2,498,280</u>
Trucking and Shipping – 2.65%		
Volpe Family Partnership, L.P., Taxable Variable		
Rate Demand Revenue Bonds, Series of 2001		
(Wachovia Bank, N.A.),		
3.39%, 7-7-05	1,390	<u>1,390,000</u>
Total Notes – 44.49%		<u>23,375,073</u>
TOTAL CORPORATE OBLIGATIONS – 81.25%		<u>\$42,687,541</u>
(Cost: \$42,687,541)		

See Notes to Schedule of Investments on page 165.

The Investments of Money Market Portfolio

June 30, 2005

(Unaudited)

MUNICIPAL OBLIGATIONS	Principal Amount in Thousands	Value
California – 5.95%		
California Pollution Control Financing Authority, Environmental Improvement Revenue Bonds (Air Products and Chemicals, Inc./Wilmington Facility), Taxable Series 1997A, 3.11%, 7–6–05	\$2,300	\$ 2,300,000
County of Sacramento, Taxable Pension Funding Bonds, Series 1995B (Bayerische Landesbank Girozentrale, New York Branch), 3.31%, 7–6–05	825	825,000
		3,125,000
Florida – 2.86%		
University of South Florida Research Foundation, Incorporated, Variable Rate Demand Revenue Bonds (Interdisciplinary Research Building Project), Taxable Series 2004B (Bank of America, N.A.), 3.25%, 7–6–05	1,500	1,500,000
Maryland – 1.87%		
Mayor and City Council of Baltimore (City of Baltimore, Maryland), General Obligation Bonds, Consolidated Public Improvement Refunding Bonds, Series 2003C (Variable Rate Demand/Taxable), (Financial Security Assurance Inc.), 3.28%, 7–7–05	985	985,000
New York – 2.79%		
City of New York (The), General Obligation Bonds, Fiscal 1995 Series B (Westdeutsche Landesbank Gironzentrale), 3.25%, 7–26–05	865	865,000
Nassau County Industrial Development Agency, Taxable Variable Rate Demand Revenue Bonds (57 Seaview Realty Associates, LLC 2004 Project), (Wachovia Bank, N.A.), 3.34%, 7–7–05	600	600,000
		1,465,000

See Notes to Schedule of Investments on page 165.

The Investments of Money Market Portfolio

June 30, 2005

(Unaudited)

MUNICIPAL OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
Texas – 1.71%		
Gulf Coast Waste Disposal Authority, Pollution Control Revenue Bonds (Amoco Oil Company Project), Taxable Series 1995, 3.11%, 7–6–05	\$900	\$ 900,000
Washington – 1.12%		
Washington State Housing Finance Commission, Taxable Variable Rate Demand Multifamily Revenue Bonds (Mill Pointe Apartments Project), Series 1999B (U. S. Bank, National Association), 3.45%, 7–5–05	590	590,000
TOTAL MUNICIPAL OBLIGATIONS – 16.30%		\$ 8,565,000
(Cost: \$8,565,000)		
UNITED STATES GOVERNMENT AGENCY OBLIGATIONS		
Overseas Private Investment Corporation:		
3.21%, 7–6–05	495	495,000
3.31%, 7–6–05	791	790,698
TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 2.45%		\$ 1,285,698
(Cost: \$1,285,698)		
TOTAL INVESTMENT SECURITIES – 100.00%		\$52,538,239
(Cost: \$52,538,239)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.00%)		(2,612)
NET ASSETS – 100.00%		\$52,535,627

Notes to Schedule of Investments

(A) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of this security amounted to 1.44% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

MONEY MARKET PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$52,538) (Notes 1 and 3)	\$52,538
Cash	2
Receivables:	
Interest	147
Portfolio shares sold	107
Prepaid and other assets	2
Total assets	<u>52,796</u>

LIABILITIES

Payable to Portfolio shareholders	242
Dividends payable	10
Accrued accounting services fee (Note 2)	2
Accrued management fee (Note 2)	1
Accrued service fee (Note 2)	—*
Accrued shareholder servicing (Note 2)	—*
Other	5
Total liabilities	<u>260</u>
Total net assets	<u>\$52,536</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 53
Additional paid-in capital	<u>52,483</u>
Net assets applicable to outstanding units of capital	<u>\$52,536</u>
Net asset value, redemption and offering price per share	<u>\$1.0000</u>
Capital shares outstanding	52,536
Capital shares authorized	120,000

*Not shown due to rounding.

See Notes to Financial Statements.

Statement of Operations

MONEY MARKET PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization	\$684
Expenses (Note 2):	
Investment management fee	101
Service fee	63
Accounting services fee	17
Audit fees	6
Custodian fees	3
Legal fees	—*
Shareholder servicing	—*
Other	9
Total expenses	199
Net investment income	485
Net increase in net assets resulting from operations	<u>\$485</u>

*Not shown due to rounding.

Statement of Changes in Net Assets

MONEY MARKET PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended, 12-31-04
DECREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 485	\$ 388
Net increase in net assets resulting from operations	485	388
Dividends to shareholders from net investment income (Note 1E) ⁽¹⁾	(485)	(388)
Capital share transactions ⁽²⁾	(2,281)	(9,513)
Total decrease	(2,281)	(9,513)
NET ASSETS		
Beginning of period	54,817	64,330
End of period	<u>\$52,536</u>	<u>\$54,817</u>
Undistributed net investment income	<u>\$ —</u>	<u>\$ —</u>
(1) See "Financial Highlights" on page 169.		
(2) Shares issued from sale of shares	17,056	41,821
Shares issued from reinvestment of dividends	474	388
Shares redeemed	(19,811)	(51,722)
Decrease in outstanding capital shares	<u>(2,281)</u>	<u>(9,513)</u>
Value issued from sale of shares	\$17,056	\$41,821
Value issued from reinvestment of dividends	474	388
Value redeemed	(19,811)	(51,722)
Decrease in outstanding capital	<u>\$ (2,281)</u>	<u>\$ (9,513)</u>

See Notes to Financial Statements.

Financial Highlights

MONEY MARKET PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value,						
beginning of period . . .	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Net investment income . . .	0.9524	0.0070	0.0051	0.0113	0.0356	0.0571
Less dividends						
declared	(0.9524)	(0.0070)	(0.0051)	(0.0113)	(0.0356)	(0.0571)
Net asset value,						
end of period	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Total return	0.94%	0.70%	0.52%	1.12%	3.62%	5.87%
Net assets,						
end of period						
(in millions)	\$53	\$55	\$64	\$103	\$99	\$52
Ratio of expenses to						
average net assets . . .	0.79% ⁽¹⁾	0.76%	0.75%	0.75%	0.73%	0.75%
Ratio of net investment						
income to average						
net assets	1.92% ⁽¹⁾	0.69%	0.53%	1.13%	3.31%	5.67%

(1)Annualized.

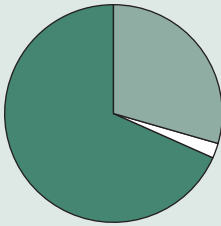
SHAREHOLDER SUMMARY OF MORTGAGE SECURITIES PORTFOLIO




Portfolio Highlights

On June 30, 2005, W&R Target Mortgage Securities Portfolio had net assets totaling \$26,792,150 invested in a diversified portfolio of:

68.06%	United States Government and Government Agency Obligations
29.57%	Corporate Bonds
2.37%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



	United States Government and Government Agency Obligations	\$68.06
	Corporate Bonds – Finance Companies . . .	\$29.57
	Cash and Cash Equivalents	\$ 2.37

The Investments of Mortgage Securities Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	Value
Finance Companies		
ABFS Mortgage Loan Trust 2002-4, 7.423%, 12-15-33	\$170	\$ 172,706
Banc of America Alternative Loan Trust 2004-11, 6.0%, 12-25-34	467	475,694
Banc of America Funding 2004-2 Trust, 6.5%, 7-20-32	148	155,833
Banc of America Funding Corporation, 5.0269%, 9-20-34	125	125,866
Banc of America Mortgage Trust 2004-3, 4.875%, 4-25-19	94	93,692
Banc of America Structured Securities Trust 2002-X1 F, 6.274%, 10-11-33 (A)	250	267,389
Bank of America Mortgage Securities, Inc., 5.75%, 8-25-34	153	155,020
Bear Stearns Commercial Mortgage Securities Inc., 5.064%, 5-14-16 (A)	150	152,956
C-Bass Mortgage Loan Asset-Backed Certificates: Series 2005-CB1, 4.974%, 1-25-35	200	200,232
Series 2005-CB3, 5.2793%, 6-25-35	200	201,735
CHL Mortgage Pass-Through Trust 2003-28, 4.15%, 8-25-33	150	142,686
Centex Home Equity Loan Trust 2005-C, 5.048%, 6-25-35	210	210,394
Charlie Mac Trust 2004-2, 5.0%, 10-25-34	274	272,368
Chase Mortgage Finance Trust, Series 2003-S11, 5.5%, 10-25-33	377	378,857
Citigroup Mortgage Loan Trust Inc., Mortgage Pass-Through Certificates, Series 2004-2, 6.5%, 8-25-33 (A)	127	129,012
CountryPlace Manufactured Housing Contract Trust 2005-1: 4.42%, 7-1-35 (A)	120	120,263
4.8%, 7-1-35 (A)	145	146,110
Credit Suisse First Boston Mortgage Securities Corp., 6.0%, 11-25-18	85	87,484

See Notes to Schedule of Investments on page 175.

The Investments of Mortgage Securities Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Finance Companies (Continued)		
FIRSTPLUS Home Loan Owner Trust 1998-5, 7.42%, 12-10-24	\$ 69	\$ 69,343
Global Mortgage Securitization 2005-A Ltd. and Global Mortgage Securitization 2005-A LLC, 5.25%, 4-25-32	99	98,714
Global Mortgage Securitization Ltd. and Global Mortgage Securitization, LLC, 5.25%, 11-25-32 (A)	194	194,404
Green Tree Financial Corporation, 7.95%, 8-15-25	150	159,729
Hilton Hotel Pool Trust, 3.61125%, 10-3-15 (A)	100	100,625
Home Equity Loan Trust 2003-HS2, 5.09%, 7-25-33	200	199,182
J.P. Morgan Chase Commercial Mortgage Securities Corp., 6.2207%, 10-12-37 (A)	200	216,500
Lehman ABS Manufactured Housing Contract Trust 2001-B: 3.01%, 3-15-10	183	171,552
5.873%, 5-15-22	150	153,993
MASTR Asset Securitization Trust 2003-10, 5.5%, 11-25-33	88	88,719
MMCA Automobile Trust 2002-1, 5.37%, 1-15-10	162	162,295
Mid-State Capital Corporation 2004-1 Trust, 6.005%, 8-15-37	107	111,221
Money Store Trust 1998-B (The), 3.37%, 8-15-29	220	219,576
NationsLink Funding Corporation, Commercial Mortgage Pass-Through Certificates, Series 1998-2, 5.0%, 8-20-30 (A)	100	97,435
Nomura Asset Securities Corporation, Commercial Mortgage Pass-Through Certificates, Series 1998-D6, 6.0%, 3-15-30 (A)	100	106,941
Oakwood Mortgage Investors, Inc., 6.6%, 5-15-21	65	65,098

See Notes to Schedule of Investments on page 175.

The Investments of Mortgage Securities Portfolio

June 30, 2005

(Unaudited)

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
Finance Companies (Continued)		
Origen Manufactured Housing Contract Trust:		
2004-A:		
5.7%, 1-15-35	\$100	\$ 103,814
5.91%, 1-15-35	200	206,909
2004-B,		
4.75%, 8-15-21	100	99,811
2005-A,		
4.97%, 10-15-21	105	106,602
RALI Series 2003-QS11 Trust,		
5.75%, 6-25-33	220	226,571
RAMP Series 2003-RS11 Trust,		
6.092%, 12-25-33	500	510,741
RAMP Series 2005-RS1 Trust,		
5.145%, 1-25-35	225	225,405
RFMSI Series 2004-S5 Trust,		
4.5%, 5-25-19	95	92,979
Structured Asset Securities Corporation:		
5.63%, 5-25-34	100	101,069
6.0%, 6-25-34	250	256,419
Wells Fargo Mortgage Backed Securities:		
2003-K Trust (The),		
4.52026%, 11-25-33	140	139,034
2004-1 Trust (The),		
5.5%, 2-25-34	147	150,281
TOTAL CORPORATE DEBT SECURITIES – 29.57%		\$ 7,923,259
(Cost: \$7,887,201)		

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS

Mortgage-Backed Obligations

Federal Home Loan Mortgage Corporation Fixed Rate

Participation Certificates:

5.0%, 5-1-18	848	858,692
5.5%, 6-1-19	297	305,332
5.5%, 9-1-19	452	464,094
5.5%, 5-1-20	297	305,205
6.0%, 10-1-33	804	825,431
5.5%, 2-1-35	247	250,429
5.5%, 7-1-35	450	456,188

See Notes to Schedule of Investments on page 175.

The Investments of Mortgage Securities Portfolio

June 30, 2005

(Unaudited)

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
Mortgage-Backed Obligations (Continued)		
Federal National Mortgage Association Fixed Rate		
Pass-Through Certificates:		
5.5%, 7-1-19	\$ 135	\$ 138,544
4.5%, 7-1-20	250	248,828
3.951%, 12-26-31	127	127,023
7.0%, 11-1-32	332	351,798
5.5%, 5-1-33	400	405,375
6.0%, 12-1-33	381	391,679
5.0%, 2-1-34	931	932,115
6.0%, 4-1-34	305	312,634
6.5%, 4-1-34	582	602,824
5.0%, 7-1-34	300	300,000
5.5%, 7-1-34	422	429,287
6.0%, 8-1-34	236	242,054
5.5%, 9-1-34	145	146,703
6.5%, 9-1-34	213	220,227
5.5%, 10-1-34	2,598	2,634,861
5.5%, 10-1-34	374	379,789
5.5%, 11-1-34	377	382,816
6.0%, 11-1-34	195	199,474
6.5%, 11-1-34	416	431,154
6.5%, 11-1-34	283	293,304
6.0%, 12-1-34	779	798,470
5.5%, 2-1-35	739	750,536
6.5%, 3-1-35	235	243,610
6.0%, 4-1-35	290	297,805
5.0%, 5-1-35	100	100,005
Government National Mortgage Association Agency REMIC/CMO (Interest Only), 0.9939%, 6-17-45	1,595	100,917
Government National Mortgage Association Fixed Rate Pass-Through Certificates:		
6.25%, 7-15-24	137	144,028
5.0%, 11-15-33	1,305	1,316,582
5.0%, 7-1-34	250	251,875
5.5%, 12-15-34	535	546,420
5.5%, 7-1-35	525	535,992
Government National Mortgage Association Non-Agency REMIC/CMO, 5.008%, 12-16-25	500	512,995
TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 68.06%		\$ 18,235,095
(Cost: \$18,166,885)		

See Notes to Schedule of Investments on page 175.

The Investments of Mortgage Securities Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
Commercial Paper		
Finance Companies – 1.87%		
USAA Capital Corp., 3.15%, 7–6–05	\$ 500	<u>\$ 499,781</u>
Household – General Products – 4.56%		
Fortune Brands Inc., 3.41%, 7–1–05	1,223	<u>1,223,000</u>
Total Commercial Paper – 6.43%		<u>1,722,781</u>
United States Government Agency Obligation – 5.23%		
Federal Home Loan Bank, 2.55%, 7–1–05	1,400	<u>1,400,000</u>
TOTAL SHORT-TERM SECURITIES – 11.66%		<u>\$ 3,122,781</u>
(Cost: \$3,122,781)		
TOTAL INVESTMENT SECURITIES – 109.29%		<u>\$29,281,135</u>
(Cost: \$29,176,867)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (9.29%)		<u>(2,488,985)</u>
NET ASSETS – 100.00%		<u>\$26,792,150</u>

Notes to Schedule of Investments

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2005, the total value of these securities amounted to \$1,531,635 or 5.72% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

MORTGAGE SECURITIES PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$29,177) (Notes 1 and 3)	\$29,281
Cash	1
Receivables:	
Investment securities sold	222
Interest	112
Portfolio shares sold	7
Prepaid and other assets	1
Total assets	<u>29,624</u>

LIABILITIES

Payable for investment securities purchased	2,816
Accrued accounting services fee (Note 2)	2
Accrued management fee (Note 2)	1
Payable to Portfolio shareholders	1
Accrued service fee (Note 2)	—*
Accrued shareholder servicing (Note 2)	—*
Other	12
Total liabilities	<u>2,832</u>
Total net assets	<u>\$26,792</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 5
Additional paid-in capital	26,233
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income	474
Accumulated undistributed net realized loss on investment transactions	(24)
Net unrealized appreciation in value of investments	104
Net assets applicable to outstanding units of capital	<u>\$26,792</u>
Net asset value, redemption and offering price per share	<u>\$5.1728</u>
Capital shares outstanding	5,179
Capital shares authorized	80,000

*Not shown due to rounding.

See Notes to Financial Statements.

Statement of Operations

MORTGAGE SECURITIES PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization	\$600
Expenses (Note 2):	
Investment management fee	59
Service fee	30
Audit fees	12
Custodian fees	11
Accounting services fee	9
Legal fees	1
Shareholder servicing	1
Other	3
Total expenses	<u>126</u>
Net investment income	<u>474</u>

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS (NOTES 1 AND 3)

Realized net loss on investments	(24)
Unrealized depreciation in value of investments	<u>(1)</u>
Net loss on investments	<u>(25)</u>
Net increase in net assets resulting from operations	<u>\$449</u>

Statement of Changes in Net Assets

MORTGAGE SECURITIES PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the period from 5-27-04 ⁽¹⁾ through 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 474	\$ 401
Realized net gain (loss) on investments	(24)	272
Unrealized appreciation (depreciation)	(1)	105
Net increase in net assets resulting from operations	449	778
Distributions to shareholders from (Note 1E): ⁽²⁾		
Net investment income	(—)	(401)
Realized gains on investment transactions	(—)	(272)
	(—)	(673)
Capital share transactions ⁽³⁾	5,443	20,795
Total increase	5,892	20,900
NET ASSETS		
Beginning of period	20,900	—
End of period	\$26,792	\$20,900
Undistributed net investment income	\$ 474	\$ —*

(1) Commencement of operations.

(2) See "Financial Highlights" on page 179.

(3) Shares issued from sale of shares	1,186	4,019
Shares issued from reinvestment of dividend and/or capital gains distribution	—	132
Shares redeemed	(122)	(36)
Increase in outstanding capital shares	1,064	4,115
Value issued from sale of shares	\$ 6,066	\$20,309
Value issued from reinvestment of dividend and/or capital gains distribution	—	673
Value redeemed	(623)	(187)
Increase in outstanding capital	\$ 5,443	\$20,795

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

MORTGAGE SECURITIES PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the period from 5-27-04 ⁽¹⁾ through 12-31-04
Net asset value, beginning of period	\$5.0791	\$5.0000
Income from investment operations:		
Net investment income	0.0915	0.1009
Net realized and unrealized gain on investments.	0.0022	0.1476
Total from investment operations	0.0937	0.2485
Less distributions from:		
Net investment income	(0.0000)	(0.1009)
Capital gains	(0.0000)	(0.0685)
Total distributions	(0.0000)	(0.1694)
Net asset value, end of period	\$5.1728	\$5.0791
Total return	1.85%	4.97%
Net assets, end of period (in millions)	\$27	\$21
Ratio of expenses to average net assets including voluntary expense waiver	1.07% ⁽²⁾	0.71% ⁽²⁾
Ratio of net investment income to average net assets including voluntary expense waiver	4.01% ⁽²⁾	4.02% ⁽²⁾
Ratio of expenses to average net assets excluding voluntary expense waiver	NA	0.97% ⁽²⁾
Ratio of net investment income to average net assets excluding voluntary expense waiver	NA	3.76% ⁽²⁾
Portfolio turnover rate	103%	184%

(1) Commencement of operations.

(2) Annualized.

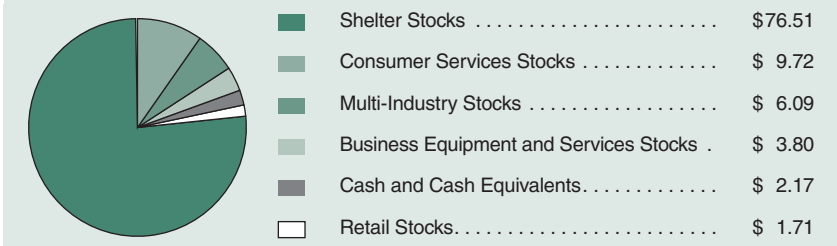
SHAREHOLDER SUMMARY OF REAL ESTATE SECURITIES PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Real Estate Securities Portfolio had net assets totaling \$31,538,790 invested in a diversified portfolio of:

97.83%	Common Stocks
2.17%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Real Estate Securities Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Business Equipment and Services – 3.80%		
Brookfield Properties Corporation	41,550	<u>\$ 1,196,640</u>
Hotels and Gaming – 9.72%		
Hilton Hotels Corporation	51,700	1,233,045
Marriott International, Inc., Class A	5,500	375,210
Starwood Hotels & Resorts Worldwide, Inc.	24,900	1,458,393
		<u>3,066,648</u>
Multiple Industry – 6.09%		
DiamondRock Hospitality Company	30,500	344,650
Education Realty Trust, Inc.	30,400	556,320
Great Wolf Resorts, Inc.*	800	16,336
NorthStar Realty Finance Corp.	33,700	353,513
Spirit Finance Corporation	38,500	452,375
Thomas Properties Group, Inc.	15,700	196,328
		<u>1,919,522</u>
Real Estate Investment Trust – 76.51%		
Alexandria Real Estate Equities, Inc.	6,100	448,045
American Campus Communities, Inc.	27,100	614,628
Archstone-Smith Trust	14,700	567,714
Arden Realty, Inc.	5,900	212,282
AvalonBay Communities, Inc.	8,500	686,800
BRE Properties, Inc., Class A	2,600	108,810
BioMed Realty Trust, Inc.	30,643	730,836
Boston Properties, Inc.	10,200	714,000
Brandywine Realty Trust	25,100	769,315
Camden Property Trust	17,700	951,375
Capital Automotive REIT	3,100	118,219
Catellus Development Corporation	11,800	387,040
Columbia Equity Trust, Inc.*	10,200	156,570
Cousins Properties Incorporated	13,900	411,162
Developers Diversified Realty Corporation	26,000	1,194,960
Equity One, Inc.	23,800	540,260
Equity Residential	24,700	909,454
Essex Property Trust, Inc.	3,900	323,934
Extra Space Storage Inc.	10,942	156,799
First Potomac Realty Trust	12,600	312,480
General Growth Properties, Inc.	32,480	1,334,603
Gramercy Capital Corp.	13,400	327,764
Hersha Hospitality Trust	28,100	268,074
Host Marriott Corporation	25,600	448,000
Kimco Realty Corporation	16,100	948,451
Kite Realty Group Trust	35,200	528,000
Liberty Property Trust	7,700	341,187
Maguire Properties, Inc.	12,200	345,748

See Notes to Schedule of Investments on page 183.

The Investments of Real Estate Securities Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Real Estate Investment Trust (Continued)		
Mills Corporation (The)	20,200	\$ 1,227,958
Newcastle Investment Corp.	8,800	265,320
PS Business Parks, Inc.	3,500	155,575
Pan Pacific Retail Properties, Inc.	2,200	146,036
Prentiss Properties Trust	15,500	564,820
ProLogis	42,900	1,726,296
Public Storage, Inc.	6,000	379,500
Regency Centers Corporation	5,700	326,040
Simon Property Group, Inc.	24,400	1,768,756
Sovran Self Storage, Inc.	800	36,368
Strategic Hotel Capital, L.L.C.	24,800	446,400
Trizec Properties, Inc.	20,600	423,742
United Dominion Realty Trust, Inc.	31,300	752,765
Ventas, Inc.	17,600	531,520
Vornado Realty Trust	3,900	313,560
Winston Hotels, Inc.	18,500	208,310
		<u>24,129,476</u>
Retail – Specialty Stores – 1.71%		
Forest City Enterprises, Inc., Class A	7,613	<u>540,523</u>
TOTAL COMMON STOCKS – 97.83%		\$30,852,809
(Cost: \$27,066,819)		
SHORT-TERM SECURITIES	Principal Amount in Thousands	
Finance Companies – 1.58%		
USAA Capital Corp., 3.15%, 7–6–05	\$500	<u>499,781</u>
Security and Commodity Brokers – 1.11%		
Greenwich Capital Holdings Inc. (Royal Bank of Scotland PLC (The)), 3.4%, 7–1–05	349	<u>349,000</u>
TOTAL SHORT-TERM SECURITIES – 2.69%		\$ 848,781
(Cost: \$848,781)		
TOTAL INVESTMENT SECURITIES – 100.52%		\$31,701,590
(Cost: \$27,915,600)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.52%)		(162,800)
NET ASSETS – 100.00%		\$31,538,790

See Notes to Schedule of Investments on page 183.

The Investments of Real Estate Securities Portfolio

June 30, 2005

(Unaudited)

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

REAL ESTATE SECURITIES PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$27,916) (Notes 1 and 3)	\$31,702
Cash	1
Receivables:	
Dividends and interest	130
Investment securities sold	40
Portfolio shares sold	13
Prepaid and other assets	—*
Total assets	<u>31,886</u>

LIABILITIES

Payable for investment securities purchased	316
Payable to Portfolio shareholders	21
Accrued accounting services fee (Note 2)	2
Accrued management fee (Note 2)	1
Accrued service fee (Note 2)	—*
Accrued shareholder servicing (Note 2)	—*
Other	7
Total liabilities	<u>347</u>
Total net assets	<u>\$31,539</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 5
Additional paid-in capital	27,053
Accumulated undistributed income:	
Accumulated undistributed net investment income	349
Accumulated undistributed net realized gain	
on investment transactions	346
Net unrealized appreciation in value of investments	3,786
Net assets applicable to outstanding units of capital	<u>\$31,539</u>
Net asset value, redemption and offering price per share	<u>\$6.8586</u>
Capital shares outstanding	4,598
Capital shares authorized	80,000

*Not shown due to rounding.

See Notes to Financial Statements.

Statement of Operations

REAL ESTATE SECURITIES PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$2)	\$ 506
Interest and amortization	10
Total income	<u>516</u>
Expenses (Note 2):	
Investment management fee	111
Service fee	31
Audit fees	12
Custodian fees	12
Accounting services fee	10
Legal fees	1
Shareholder servicing	1
Other	2
Total expenses	<u>180</u>
Net investment income	<u>336</u>

REALIZED AND UNREALIZED GAIN

ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	273
Realized net gain on foreign currency transactions	—*
Realized net gain on investments	<u>273</u>
Unrealized appreciation in value of investments during the period	1,340
Net gain on investments	<u>1,613</u>
Net increase in net assets resulting from operations	<u>\$1,949</u>

*Not shown due to rounding.

Statement of Changes in Net Assets

REAL ESTATE SECURITIES PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the period from 5-27-04 ⁽¹⁾ through 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 336	\$ 114
Realized net gain on investments	273	303
Unrealized appreciation	1,340	2,446
Net increase in net assets resulting from operations	1,949	2,863
Distributions to shareholders from (Note 1E): ⁽²⁾		
Net investment income	(—)	(100)
Realized gains on investment transactions	(—)	(231)
	(—)	(331)
Capital share transactions ⁽³⁾	10,418	16,640
Total increase	12,367	19,172
NET ASSETS		
Beginning of period	19,172	—
End of period	\$31,539	\$19,172
Undistributed net investment income	\$ 349	\$ 13
(1)Commencement of operations.		
(2)See “Financial Highlights” on page 187.		
(3)Shares issued from sale of shares	1,762	2,922
Shares issued from reinvestment of dividend and/or capital gains distribution	—	51
Shares redeemed	(106)	(31)
Increase in outstanding capital shares	1,656	2,942
Value issued from sale of shares	\$11,086	\$16,498
Value issued from reinvestment of dividend and/or capital gains distribution	—	331
Value redeemed	(668)	(189)
Increase in outstanding capital	\$10,418	\$16,640

See Notes to Financial Statements.

Financial Highlights

REAL ESTATE SECURITIES PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the period from 5-27-04 ⁽¹⁾ through 12-31-04
Net asset value, beginning of period	\$6.5176	\$5.0000
Income from investment operations:		
Net investment income	0.0758	0.0396
Net realized and unrealized gain on investments	0.2652	1.5935
Total from investment operations	0.3410	1.6331
Less distributions from:		
Net investment income	(0.0000)	(0.0349)
Capital gains	(0.0000)	(0.0806)
Total distributions	(0.0000)	(0.1155)
Net asset value, end of period	<u>\$6.8586</u>	<u>\$6.5176</u>
Total return	5.21%	32.66%
Net assets, end of period (in millions)	\$32	\$19
Ratio of expenses to average net assets including voluntary expense waiver	1.47% ⁽²⁾	1.21% ⁽²⁾
Ratio of net investment income to average net assets including voluntary expense waiver	2.72% ⁽²⁾	2.14% ⁽²⁾
Ratio of expenses to average net assets excluding voluntary expense waiver	NA	1.55% ⁽²⁾
Ratio of net investment income to average net assets excluding voluntary expense waiver	NA	1.80% ⁽²⁾
Portfolio turnover rate	14%	53%

(1) Commencement of operations.

(2) Annualized.

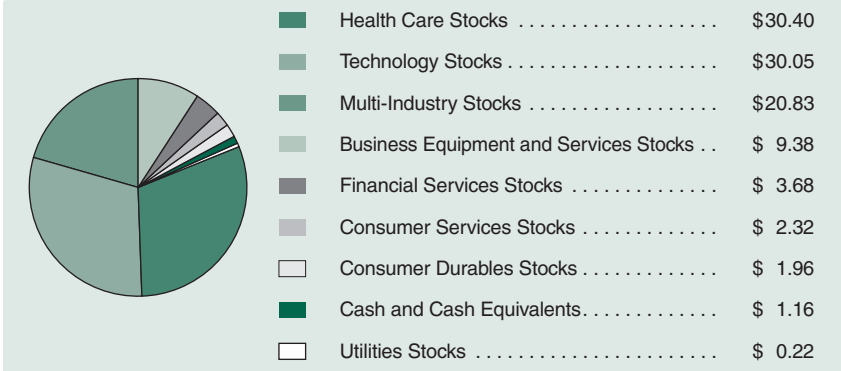
SHAREHOLDER SUMMARY OF SCIENCE AND TECHNOLOGY PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Science and Technology Portfolio had net assets totaling \$327,426,840 invested in a diversified portfolio of:

98.84%	Common Stocks
1.16%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Science and Technology Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Broadcasting – 2.32%		
XM Satellite Radio Holdings Inc., Class A*	225,500	\$ <u>7,589,203</u>
Business Equipment and Services – 5.80%		
CheckFree Corporation*	171,200	5,830,216
Euronet Worldwide, Inc.*	257,950	7,503,765
Headwaters Incorporated*	164,500	5,655,510
		<u>18,989,491</u>
Computers – Micro – 1.50%		
Dell Inc.*	124,200	<u>4,899,069</u>
Computers – Peripherals – 11.68%		
BEA Systems, Inc.*	356,800	3,130,920
Check Point Software Technologies Ltd.*	39,300	779,516
Microsoft Corporation	294,600	7,313,445
Oracle Corporation*	461,400	6,092,787
Red Hat, Inc.*	426,600	5,586,327
SAP Aktiengesellschaft, ADR	76,000	3,290,800
Symantec Corporation*	250,100	5,438,424
Symbol Technologies, Inc.	668,440	6,597,503
		<u>38,229,722</u>
Consumer Electronics – 1.96%		
Garmin Ltd.	150,100	<u>6,419,777</u>
Electronic Components – 15.39%		
Advanced Micro Devices, Inc.*	185,800	3,221,772
Broadcom Corporation, Class A*	193,100	6,860,843
Intel Corporation	183,000	4,762,575
Maxim Integrated Products, Inc.	85,200	3,253,362
MediaTek Incorporation (A)	390,006	3,386,257
Microchip Technology Incorporated	316,600	9,390,356
Micron Technology, Inc.*	448,400	4,578,164
Samsung Electronics Co., Ltd. (A)	24,600	11,747,124
Texas Instruments Incorporated	113,400	3,183,138
		<u>50,383,591</u>
Electronic Instruments – 1.48%		
ASML Holding N.V., Ordinary Shares*	189,000	2,960,685
Mattson Technology, Inc.*	265,100	1,890,163
		<u>4,850,848</u>

See Notes to Schedule of Investments on page 191.

The Investments of Science and Technology Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Health Care – Drugs – 6.93%		
Amgen Inc.*	86,800	\$ 5,247,494
Genzyme Corporation*	155,400	9,335,655
IVAX Corporation*	377,500	8,116,250
		<u>22,699,399</u>
Health Care – General – 2.16%		
Advanced Medical Optics, Inc.*	178,100	<u>7,079,475</u>
Hospital Supply and Management – 21.31%		
Cerner Corporation*	329,500	22,397,762
Guidant Corporation	71,600	4,818,680
PacificCare Health Systems, Inc.*	73,800	5,273,010
Triad Hospitals, Inc.*	213,200	11,649,248
UnitedHealth Group Incorporated	131,800	6,872,052
WellCare Health Plans, Inc.*	311,700	11,068,467
WellPoint, Inc.*	110,400	7,688,256
		<u>69,767,475</u>
Multiple Industry – 20.83%		
Cogent, Inc.*	94,700	2,701,791
Dolby Laboratories, Inc., Class A*	169,700	3,743,582
Google Inc., Class A*	56,300	16,560,363
Infosys Technologies Limited	92,100	7,140,974
NAVTEQ Corporation*	92,600	3,442,868
PRA International*	133,700	3,575,138
PortalPlayer, Inc.*	164,300	3,427,298
Research In Motion Limited*	221,300	16,324,195
Telvent GIT, S.A.*	160,300	1,663,914
UbiquiTel Inc.*	346,300	2,827,540
VeriFone Holdings, Inc.*	267,000	4,338,750
Volterra Semiconductor Corporation*	166,000	2,466,760
		<u>68,213,173</u>
Security and Commodity Brokers – 3.68%		
Chicago Mercantile Exchange Holdings Inc.	40,800	<u>12,056,400</u>
Timesharing and Software – 3.58%		
Alliance Data Systems Corporation*	288,500	<u>11,701,560</u>
Utilities – Telephone – 0.22%		
Silicon Motion Technology Corporation, ADR*	69,500	<u>729,750</u>
TOTAL COMMON STOCKS – 98.84%		\$323,608,933
(Cost: \$261,493,205)		

See Notes to Schedule of Investments on page 191.

The Investments of Science and Technology Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
Aluminum – 0.36%		
Alcoa Incorporated, 3.4%, 7–1–05	\$1,188	<u>\$ 1,188,000</u>
Finance Companies – 1.22%		
USAA Capital Corp., 3.15%, 7–6–05	4,000	<u>3,998,250</u>
TOTAL SHORT-TERM SECURITIES – 1.58%		<u>\$ 5,186,250</u>
(Cost: \$5,186,250)		
TOTAL INVESTMENT SECURITIES – 100.42%		<u>\$328,795,183</u>
(Cost: \$266,679,455)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.42%)		<u>(1,368,343)</u>
NET ASSETS – 100.00%		<u>\$327,426,840</u>

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

SCIENCE AND TECHNOLOGY PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$266,679) (Notes 1 and 3)	\$328,795
Cash	346
Receivables:	
Investment securities sold	497
Portfolio shares sold	41
Prepaid and other assets	5
Total assets	<u>329,684</u>

LIABILITIES

Payable for investment securities purchased	2,165
Payable to Portfolio shareholders	48
Accrued accounting services fee (Note 2)	8
Accrued management fee (Note 2)	8
Accrued shareholder servicing (Note 2)	3
Accrued service fee (Note 2)	2
Other	23
Total liabilities	<u>2,257</u>
Total net assets	<u>\$327,427</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 22
Additional paid-in capital	306,314
Accumulated undistributed income (loss):	
Accumulated undistributed net investment loss	(1,393)
Accumulated undistributed net realized loss on investment transactions	(39,632)
Net unrealized appreciation in value of investments	62,116
Net assets applicable to outstanding units of capital	<u>\$327,427</u>
Net asset value, redemption and offering price per share	<u>\$14.9620</u>
Capital shares outstanding	21,884
Capital shares authorized	60,000

See Notes to Financial Statements.

Statement of Operations

SCIENCE AND TECHNOLOGY PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT LOSS

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$13)	\$ 342
Interest and amortization	101
Total income	<u>443</u>
Expenses (Note 2):	
Investment management fee	1,319
Service fee	388
Accounting services fee	47
Custodian fees	15
Audit fees	9
Shareholder servicing	5
Legal fees	4
Other	41
Total expenses	<u>1,828</u>
Net investment loss	<u>(1,385)</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	20,235
Realized net loss on purchased options	(36)
Realized net gain on foreign currency transactions	1
Realized net gain on investments	<u>20,200</u>
Unrealized depreciation in value of investments during the period	(6,662)
Net gain on investments	<u>13,538</u>
Net increase in net assets resulting from operations	<u>\$12,153</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

SCIENCE AND TECHNOLOGY PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment loss	\$ (1,385)	\$ (1,678)
Realized net gain on investments	20,200	20,904
Unrealized appreciation (depreciation)	(6,662)	25,077
Net increase in net assets resulting from operations	12,153	44,303
Dividends to shareholders from (Note 1E):(1)		
Net investment income	(—)	(—)
Realized gains on investment transactions	(—)	(—)
	(—)	(—)
Capital share transactions(2)	(6,249)	8,761
Total increase	5,904	53,064
NET ASSETS		
Beginning of period	321,523	268,459
End of period	<u>\$327,427</u>	<u>\$321,523</u>
Undistributed net investment loss	<u>\$ (1,393)</u>	<u>\$(9)</u>

(1) See "Financial Highlights" on page 195.

(2) Shares issued from sale of shares	783	2,648
Shares issued from reinvestment of dividend and/or capital gains distribution	—	—
Shares redeemed	(1,225)	(1,992)
Increase (decrease) in outstanding capital shares	(442)	656
Value issued from sale of shares	\$ 11,054	\$ 34,217
Value issued from reinvestment of dividend and/or capital gains distribution	—	—
Value redeemed	(17,303)	(25,456)
Increase (decrease) in outstanding capital	<u>\$ (6,249)</u>	<u>\$ 8,761</u>

See Notes to Financial Statements.

Financial Highlights

SCIENCE AND TECHNOLOGY PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value, beginning of period . . .	\$14.4014	\$12.3883	\$ 9.4961	\$12.4927	\$14.2542	\$22.4087
Income (loss) from investment operations:						
Net investment income (loss)	(0.0633)	(0.0751)	(0.0521)	(0.0245)	0.0584	0.1151
Net realized and unrealized gain (loss) on investments	0.6239	2.0882	2.9443	(2.9720)	(1.7571)	(4.8532)
Total from investment operations	0.5606	2.0131	2.8922	(2.9965)	(1.6987)	(4.7381)
Less distributions from:						
Net investment income	(0.0000)	(0.0000)	(0.0000)	(0.0001)	(0.0589)	(0.1151)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0039)	(3.3013)
Total distributions	(0.0000)	(0.0000)	(0.0000)	(0.0001)	(0.0628)	(3.4164)
Net asset value, end of period	\$14.9620	\$14.4014	\$12.3883	\$ 9.4961	\$12.4927	\$14.2542
Total return	3.89%	16.25%	30.46%	-23.99%	-11.91%	-21.15%
Net assets, end of period (in millions)	\$327	\$322	\$268	\$195	\$267	\$295
Ratio of expenses to average net assets . . .	1.18% ⁽¹⁾	1.17%	1.16%	1.17%	1.15%	1.14%
Ratio of net investment income (loss) to average net assets . . .	-0.89% ⁽¹⁾	-0.59%	-0.52%	-0.23%	0.47%	0.64%
Portfolio turnover rate . .	51%	107%	116%	92%	93%	94%

(1) Annualized.

See Notes to Financial Statements.

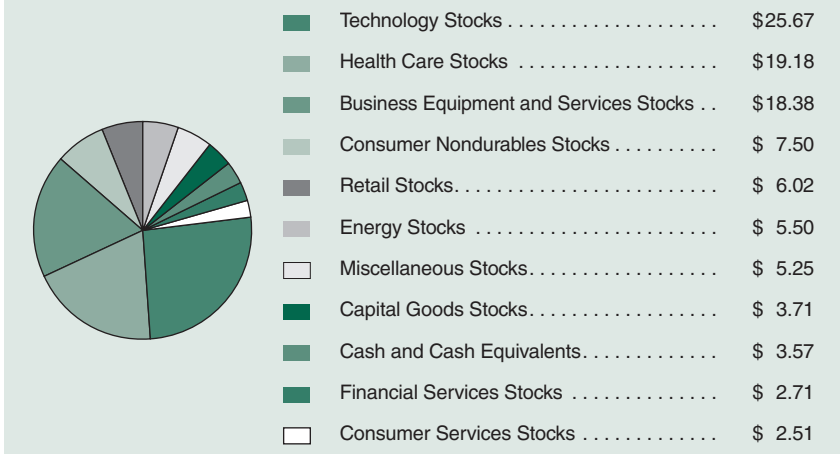
SHAREHOLDER SUMMARY OF SMALL CAP GROWTH PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Small Cap Growth Portfolio had net assets totaling \$592,752,470 invested in a diversified portfolio of:

96.43%	Common Stocks
3.57%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Small Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Apparel – 3.73%		
Oxford Industries, Inc.	303,500	\$ 13,065,675
Quiksilver, Inc.*	564,200	9,015,916
		<u>22,081,591</u>
Banks – 1.33%		
City National Corporation	110,100	<u>7,895,271</u>
Business Equipment and Services – 10.70%		
CheckFree Corporation*	374,855	12,765,687
DiamondCluster International, Inc.*	24,000	270,360
Headwaters Incorporated*	238,800	8,209,944
Jacobs Engineering Group Inc.*	137,100	7,713,246
Macrovision Corporation*	507,200	11,434,824
Resources Connection, Inc.*	656,064	15,217,404
Strayer Education, Inc.	90,300	7,791,987
		<u>63,403,452</u>
Capital Equipment – 2.77%		
Chicago Bridge & Iron Company N.V., NY Shares	382,500	8,743,950
Cooper Cameron Corporation*	123,600	7,669,380
		<u>16,413,330</u>
Chemicals – Specialty – 1.13%		
Minerals Technologies Inc.	109,200	<u>6,726,720</u>
Communications Equipment – 6.55%		
ADC Telecommunications, Inc.*	197,242	4,294,945
ADTRAN, Inc.	352,150	8,728,038
Andrew Corporation*	462,100	5,894,085
Plantronics, Inc.	380,400	13,831,344
Tekelec*	360,400	6,056,522
		<u>38,804,934</u>
Computers – Peripherals – 13.34%		
Allscripts Healthcare Solutions, Inc.*	329,200	5,459,782
Avid Technology, Inc.*	218,300	11,638,664
Cognex Corporation	404,500	10,585,765
Epicor Software Corporation*	366,100	4,823,367
Kronos Incorporated*	208,500	8,417,145
MICROS Systems, Inc.*	226,400	10,103,100
Nautilus Group, Inc. (The)	529,900	15,102,150
Red Hat, Inc.*	479,200	6,275,124
Take-Two Interactive Software, Inc.*	261,900	6,666,665
		<u>79,071,762</u>

See Notes to Schedule of Investments on page 200.

The Investments of Small Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Cosmetics and Toiletries – 2.01%		
Nu Skin Enterprises, Inc., Class A.....	510,500	<u>\$ 11,894,650</u>
Electrical Equipment – 0.94%		
Microsemi Corporation*.....	296,600	<u>5,574,597</u>
Electronic Components – 1.40%		
FormFactor, Inc.*.....	314,300	<u>8,292,805</u>
Electronic Instruments – 4.38%		
FLIR Systems, Inc.*.....	436,000	13,032,040
WMS Industries Inc.*.....	383,450	12,941,437
		<u>25,973,477</u>
Finance Companies – 1.38%		
Financial Federal Corporation.....	212,450	<u>8,209,068</u>
Food and Related – 1.76%		
J.M. Smucker Company (The).....	221,900	<u>10,415,986</u>
Health Care – Drugs – 3.59%		
Angiotech Pharmaceuticals, Inc.*.....	333,200	4,613,154
Encysive Pharmaceuticals Inc.*.....	237,500	2,568,562
MGI PHARMA, INC.*.....	115,800	2,519,229
Martek Biosciences Corporation*.....	268,824	10,205,903
NPS Pharmaceuticals, Inc.*.....	122,400	1,389,852
		<u>21,296,700</u>
Health Care – General – 9.43%		
Advanced Neuromodulation Systems, Inc.*.....	230,550	9,144,766
American Medical Systems Holdings, Inc.*.....	285,400	5,889,229
Digene Corporation*.....	321,400	8,888,317
Hologic, Inc.*.....	181,600	7,231,312
ResMed Inc.*.....	133,250	8,793,168
Schein (Henry), Inc.*.....	220,900	9,181,709
Wright Medical Group, Inc.*.....	254,150	6,797,242
		<u>55,925,743</u>
Hospital Supply and Management – 6.16%		
Advisory Board Company (The)*.....	154,703	7,547,959
Cerner Corporation*.....	246,856	16,780,037
VCA Antech, Inc.*.....	256,500	6,221,408
WellCare Health Plans, Inc.*.....	167,300	5,940,823
		<u>36,490,227</u>
Leisure Time Industry – 1.30%		
THQ Inc.*.....	264,200	<u>7,730,492</u>

See Notes to Schedule of Investments on page 200.

The Investments of Small Cap Growth Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Motor Vehicle Parts – 0.85%		
Genlex Corporation	275,700	<u>\$ 5,019,118</u>
Multiple Industry – 1.55%		
FoxHollow Technologies, Inc.*	208,100	7,941,096
PortalPlayer, Inc.*	47,600	992,936
Volcom, Inc.*	8,500	228,905
		<u>9,162,937</u>
Petroleum – Domestic – 1.40%		
Western Gas Resources, Inc.	238,100	<u>8,309,690</u>
Petroleum – International – 2.29%		
Newfield Exploration Company*	340,800	<u>13,594,512</u>
Petroleum – Services – 1.81%		
Patterson-UTI Energy, Inc.	384,950	<u>10,715,083</u>
Publishing – 1.21%		
Getty Images, Inc.*	96,962	<u>7,200,398</u>
Railroad – 1.47%		
Kansas City Southern*	431,850	<u>8,714,733</u>
Restaurants – 1.04%		
Red Robin Gourmet Burgers, Inc.*	99,900	<u>6,183,311</u>
Retail – Specialty Stores – 4.98%		
Guitar Center, Inc.*	137,300	8,014,888
O'Reilly Automotive, Inc.*	384,400	11,468,574
Tractor Supply Company*	203,900	10,009,451
		<u>29,492,913</u>
Timesharing and Software – 7.68%		
Audible, Inc.*	162,300	2,815,093
CoStar Group, Inc.*	11,500	501,860
Digitas Inc.*	841,350	9,595,597
FactSet Research Systems, Inc.	416,525	14,928,256
MicroStrategy Incorporated, Class A*	145,550	7,709,784
Zebra Technologies Corporation, Class A*	227,000	9,953,950
		<u>45,504,540</u>
Utilities – Telephone – 0.25%		
NeuStar, Inc., Class A*	57,700	<u>1,477,120</u>
TOTAL COMMON STOCKS – 96.43%		<u>\$571,575,160</u>
(Cost: \$443,466,985)		

See Notes to Schedule of Investments on page 200.

The Investments of Small Cap Growth Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
Aluminum – 0.41%		
Alcoa Incorporated, 3.4%, 7–1–05	\$2,448	<u>\$ 2,448,000</u>
Capital Equipment – 0.67%		
Caterpillar Inc., 3.25%, 7–8–05	4,000	<u>3,997,472</u>
Finance Companies – 0.84%		
USAA Capital Corp., 3.15%, 7–6–05	5,000	<u>4,997,813</u>
Food and Related – 1.35%		
General Mills, Inc., 3.31%, 7–7–05	4,000	3,997,793
Heinz (H.J.) Finance Co. (Heinz (H.J.) Co.), 3.3%, 7–8–05	4,000	<u>3,997,433</u> <u>7,995,226</u>
Health Care – General – 0.85%		
Baxter International Inc., 3.3%, 7–5–05	5,000	<u>4,998,167</u>
Household – General Products – 0.57%		
Procter & Gamble Company (The), 3.37%, 7–1–05	3,351	<u>3,351,000</u>
Multiple Industry – 0.37%		
Detroit Edison Co., 3.34%, 7–1–05	2,200	<u>2,200,000</u>
TOTAL SHORT-TERM SECURITIES – 5.06%		\$ 29,987,678
(Cost: \$29,987,678)		
TOTAL INVESTMENT SECURITIES – 101.49%		\$601,562,838
(Cost: \$473,454,663)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.49%)		(8,810,368)
NET ASSETS – 100.00%		\$592,752,470

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

SMALL CAP GROWTH PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$473,455) (Notes 1 and 3)	\$601,563
Cash	9
Receivables:	
Investment securities sold	817
Dividends and interest	11
Portfolio shares sold	9
Prepaid and other assets	8
Total assets	<u>602,417</u>

LIABILITIES

Payable for investment securities purchased	9,364
Payable to Portfolio shareholders	233
Accrued management fee (Note 2)	14
Accrued accounting services fee (Note 2)	13
Accrued shareholder servicing (Note 2)	5
Accrued service fee (Note 2)	4
Other	32
Total liabilities	<u>9,665</u>
Total net assets	<u>\$592,752</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 58
Additional paid-in capital	537,699
Accumulated undistributed income (loss):	
Accumulated undistributed net investment loss	(1,876)
Accumulated undistributed net realized loss	
on investment transactions	(71,237)
Net unrealized appreciation in value of securities	128,108
Net assets applicable to outstanding units of capital	<u>\$592,752</u>
Net asset value, redemption and offering price per share	<u>\$10.2168</u>
Capital shares outstanding	58,017
Capital shares authorized	140,000

See Notes to Financial Statements.

Statement of Operations

SMALL CAP GROWTH PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT LOSS

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$3)	\$ 1,032
Interest and amortization	447
Total income	<u>1,479</u>
Expenses (Note 2):	
Investment management fee	2,428
Service fee	714
Accounting services fee	77
Custodian fees	16
Audit fees	14
Legal fees	8
Shareholder servicing	8
Other	77
Total expenses	<u>3,342</u>
Net investment loss	<u>(1,863)</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	37,107
Realized net loss on purchased options	(334)
Realized net gain on investments	<u>36,773</u>
Unrealized depreciation in value of investments during the period	(3,654)
Net gain on investments	<u>33,119</u>
Net increase in net assets resulting from operations	<u>\$31,256</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

SMALL CAP GROWTH PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment loss	\$ (1,863)	\$ (4,510)
Realized net gain on investments	36,773	57,799
Unrealized appreciation (depreciation)	(3,654)	20,383
Net increase in net assets resulting from operations	31,256	73,672
Dividends to shareholders from (Note 1E): ⁽¹⁾		
Net investment income	(—)	(—)
Realized gains on investment transactions	(—)	(—)
	(—)	(—)
Capital share transactions ⁽²⁾	(27,588)	(28,909)
Total increase	3,668	44,763
NET ASSETS		
Beginning of period	589,084	544,321
End of period	\$592,752	\$589,084
Undistributed net investment loss	\$ (1,876)	\$ (13)

(1) See "Financial Highlights" on page 204.

(2) Shares issued from sale of shares	1,713	4,981
Shares issued from reinvestment of dividend and/or capital gains distribution	—	—
Shares redeemed	(4,545)	(8,394)
Decrease in outstanding capital shares	(2,832)	(3,413)
Value issued from sale of shares	\$ 16,369	\$ 43,643
Value issued from reinvestment of dividend and/or capital gains distribution	—	—
Value redeemed	(43,957)	(72,552)
Decrease in outstanding capital	\$ (27,588)	\$ (28,909)

See Notes to Financial Statements.

Financial Highlights

SMALL CAP GROWTH PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value, beginning of period	\$ 9.6810	\$8.4703	\$6.2388	\$7.9770	\$8.1345	\$11.6130
Income (loss) from investment operations:						
Net investment income (loss) . . .	(0.0321)	(0.0741)	(0.0485)	(0.0458)	(0.0103)	0.0717
Net realized and unrealized gain (loss) on investments	0.5679	1.2848	2.2800	(1.6924)	(0.1471)	(1.5051)
Total from investment operations	0.5358	1.2107	2.2315	(1.7382)	(0.1574)	(1.4334)
Less distributions from:						
Net investment income	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)*	(0.0717)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0001)	(1.9734)
Total distributions	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0001)	(2.0451)
Net asset value, end of period	\$10.2168	\$9.6810	\$8.4703	\$6.2388	\$7.9770	\$ 8.1345
Total return	5.53%	14.29%	35.77%	-21.79%	-1.93%	-12.35%
Net assets, end of period (in millions)	\$593	\$589	\$544	\$279	\$359	\$345
Ratio of expenses to average net assets . . .	1.17% ⁽¹⁾	1.17%	1.15%	1.15%	1.14%	1.13%
Ratio of net investment income (loss) to average net assets	-0.65% ⁽¹⁾	-0.82%	-0.88%	-0.66%	-0.14%	0.68%
Portfolio turnover rate . .	36%	96%	86%	35%	30%	58%

*Not shown due to rounding.

(1)Annualized.

See Notes to Financial Statements.

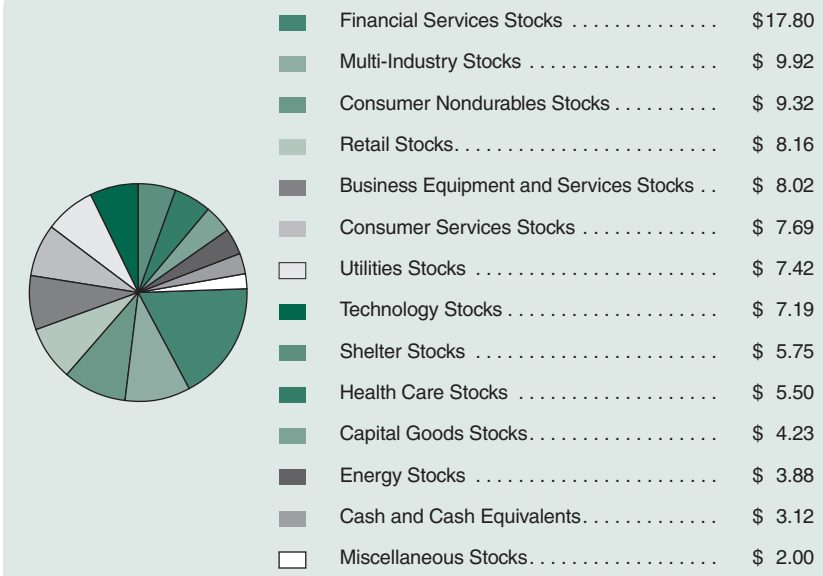
SHAREHOLDER SUMMARY OF SMALL CAP VALUE PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Small Cap Value Portfolio had net assets totaling \$147,869,265 invested in a diversified portfolio of:

96.88%	Common Stocks
3.12%	Cash and Cash Equivalents

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Small Cap Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Apparel – 0.57%		
Reebok International Ltd.	20,100	\$ <u>840,783</u>
Banks – 6.42%		
Central Pacific Financial Corp.	31,700	1,128,520
First Niagara Financial Group, Inc.	140,400	2,046,330
Gold Banc Corporation, Inc.	150,700	2,193,438
Irwin Financial Corporation	60,400	1,340,276
Trustmark Corporation	73,000	2,135,615
Wintrust Financial Corporation	12,400	649,078
		<u>9,493,257</u>
Business Equipment and Services – 6.26%		
Brink's Company (The)	80,800	2,908,800
Heidrick & Struggles International, Inc.*	45,200	1,181,076
Laidlaw International, Inc.*	152,600	3,677,660
Lennox International Inc.	34,300	726,131
ProQuest Company*	23,300	764,007
		<u>9,257,674</u>
Capital Equipment – 1.20%		
Actuant Corporation, Class A*	22,200	1,064,268
Manitowoc Company, Inc. (The)	17,400	713,748
		<u>1,778,016</u>
Chemicals – Petroleum and Inorganic – 0.48%		
NuCO2 Inc.*	27,800	<u>711,541</u>
Coal – 1.95%		
Foundation Coal Holdings, Inc.	69,100	1,792,454
Massey Energy Company	28,900	1,090,108
		<u>2,882,562</u>
Communications Equipment – 1.13%		
ADTRAN, Inc.	42,000	1,040,970
Polycom, Inc.*	41,900	624,938
		<u>1,665,908</u>
Computers – Micro – 0.92%		
Tech Data Corporation*	37,053	<u>1,356,325</u>
Computers – Peripherals – 1.99%		
Borland Software Corporation*	165,100	1,133,412
Novatel Wireless, Inc.*	64,000	796,800
TIBCO Software Inc.*	155,365	1,013,757
		<u>2,943,969</u>

See Notes to Schedule of Investments on page 211.

The Investments of Small Cap Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Construction Materials – 1.11%		
Walter Industries, Inc.	40,700	\$ 1,636,140
Containers – 3.90%		
AptarGroup, Inc.	24,200	1,229,360
Crown Holdings, Inc.*	92,700	1,319,121
Jarden Corporation*	48,100	2,593,552
Packaging Corporation of America	29,800	627,290
		5,769,323
Cosmetics and Toiletries – 0.87%		
Nu Skin Enterprises, Inc., Class A.	55,100	1,283,830
Defense – 0.47%		
Alliant Techsystems Inc.*	9,800	691,880
Electronic Components – 2.18%		
Axcelis Technologies, Inc.*	129,600	889,704
Brooks Automation, Inc.*	42,100	625,606
Integrated Device Technology, Inc.*	62,200	668,339
Thomas & Betts Corporation*	36,600	1,033,584
		3,217,233
Electronic Instruments – 0.50%		
AMETEK, Inc.	17,800	744,930
Finance Companies – 1.89%		
Allmerica Financial Corporation*	69,900	2,592,591
CompuCredit Corporation*	5,800	199,027
		2,791,618
Food and Related – 3.34%		
Chiquita Brands International Inc.	53,000	1,455,380
Hain Celestial Group, Inc. (The)*	75,100	1,464,074
John B. Sanfilippo & Son, Inc.*	23,600	541,856
Lance, Inc.	43,300	742,812
Ralcorp Holdings, Inc.	17,900	736,585
		4,940,707
Forest and Paper Products – 1.79%		
Bowater Incorporated.	24,900	806,013
Owens-Illinois, Inc.*	47,100	1,179,855
Smurfit-Stone Container Corporation	65,700	665,869
		2,651,737

See Notes to Schedule of Investments on page 211.

The Investments of Small Cap Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Health Care – General – 3.75%		
Amedisys, Inc.*	44,900	\$ 1,653,892
dj Orthopedics, Inc.*	54,747	1,501,710
Sybron Dental Specialties, Inc.*	63,600	2,392,632
		<u>5,548,234</u>
Homebuilders, Mobile Homes – 1.03%		
Fleetwood Enterprises, Inc.*	150,500	<u>1,527,575</u>
Hospital Supply and Management – 1.75%		
LifePoint Hospitals, Inc.*	51,159	<u>2,586,343</u>
Hotels and Gaming – 2.89%		
Gaylord Entertainment Company*	65,900	3,063,691
Kerzner International Limited*	21,300	1,213,035
		<u>4,276,726</u>
Household – General Products – 0.64%		
Church & Dwight Co., Inc.	26,200	<u>948,440</u>
Household – Major Appliances – 0.82%		
Briggs & Stratton Corporation	35,000	<u>1,211,700</u>
Insurance – Life – 1.26%		
Universal American Financial Corp.*	82,500	<u>1,867,387</u>
Insurance – Property and Casualty – 2.79%		
Max Re Capital Ltd.	112,700	2,582,521
PXRE Group Ltd.	61,200	1,543,464
		<u>4,125,985</u>
Leisure Time Industry – 2.29%		
Brunswick Corporation	23,200	1,005,024
K2 Inc.*	54,200	687,256
RC2 Corporation*	31,400	1,181,425
Steiner Leisure Limited*	13,700	507,174
		<u>3,380,879</u>
Motor Vehicle Parts – 0.70%		
Tenneco Automotive Inc.*	62,400	<u>1,038,336</u>

See Notes to Schedule of Investments on page 211.

The Investments of Small Cap Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Multiple Industry – 9.92%		
Alpha Natural Resources, Inc.*	49,600	\$ 1,184,448
Aspen Insurance Holdings Limited	53,300	1,468,948
DSW Inc., Class A*	3,900	97,305
FreightCar America, Inc.*	39,600	783,288
Montpelier Re Holdings Ltd.	43,316	1,497,867
NorthWestern Corporation	70,600	2,222,488
PHH Corporation*	25,700	661,004
Platinum Underwriters Holdings, Ltd.	17,600	560,032
Prestige Brands Holdings, Inc.*	101,100	1,971,450
Sunstone Hotel Investors, Inc.	30,900	749,634
Symmetry Medical Inc.*	43,800	1,031,052
TreeHouse Foods, Inc.*	46,100	1,314,311
U-Store-It Trust	58,800	1,120,140
		<u>14,661,967</u>
Non-Residential Construction – 1.92%		
Washington Group International, Inc.*	55,500	<u>2,838,825</u>
Petroleum – Domestic – 0.75%		
Whiting Petroleum Corporation*	30,600	<u>1,111,086</u>
Petroleum – International – 1.18%		
Forest Oil Corporation*	17,100	718,200
Vintage Petroleum, Inc.	33,900	1,032,933
		<u>1,751,133</u>
Publishing – 2.51%		
Banta Corporation	63,500	2,880,360
PRIMEDIA Inc.*	205,000	830,250
		<u>3,710,610</u>
Real Estate Investment Trust – 2.93%		
Accredited Home Lenders Holding Co.*	48,200	2,119,595
Heritage Property Investment Trust, Inc.	15,100	528,802
Highland Hospitality Corporation	22,300	233,035
HomeBanc Corp.	108,700	988,083
Rayonier Inc.	8,665	459,505
		<u>4,329,020</u>
Restaurants – 1.75%		
Landry's Restaurants, Inc.	49,300	1,483,437
Triarc Companies, Inc.	68,100	1,096,410
		<u>2,579,847</u>

See Notes to Schedule of Investments on page 211.

The Investments of Small Cap Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Retail – General Merchandise – 2.93%		
BJ's Wholesale Club, Inc.*	46,300	\$ 1,504,287
Saks Incorporated*	79,400	1,506,218
Stage Stores, Inc.*	30,300	1,319,111
		<u>4,329,616</u>
Retail – Specialty Stores – 3.48%		
AnnTaylor Stores Corporation*	68,200	1,655,896
Handleman Company	38,100	629,031
Regis Corporation	18,700	730,796
Sports Authority, Inc. (The)*	67,200	2,136,960
		<u>5,152,683</u>
Savings and Loans – 3.53%		
Flagstar Bancorp, Inc.	78,000	1,476,540
Sterling Financial Corporation*	57,100	2,134,113
Washington Federal, Inc.	68,600	1,612,443
		<u>5,223,096</u>
Security and Commodity Brokers – 1.91%		
Affiliated Managers Group, Inc.*	41,300	<u>2,822,029</u>
Timesharing and Software – 1.76%		
Digitas Inc.*	67,200	766,416
Hyperion Solutions Corporation*	20,500	824,100
Manhattan Associates, Inc.*	52,700	1,011,576
		<u>2,602,092</u>
Utilities – Electric – 4.35%		
CMS Energy Corporation*	97,800	1,472,868
DPL Inc.	26,900	738,405
PNM Resources, Inc.	84,000	2,420,040
Reliant Energy, Inc.*	85,800	1,062,204
Wisconsin Energy Corporation	18,900	737,100
		<u>6,430,617</u>
Utilities – Gas and Pipeline – 1.60%		
Energen Corporation	43,800	1,535,190
UGI Corporation	30,000	837,000
		<u>2,372,190</u>
Utilities – Telephone – 1.47%		
Dobson Communications Corporation, Class A*	211,500	904,163
US Unwired Inc.*	218,500	1,267,300
		<u>2,171,463</u>
TOTAL COMMON STOCKS – 96.88%		\$143,255,312
(Cost: \$133,215,980)		

See Notes to Schedule of Investments on page 211.

The Investments of Small Cap Value Portfolio

June 30, 2005

(Unaudited)

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
Finance Companies – 2.03%		
USAA Capital Corp., 3.15%, 7–6–05	\$3,000	<u>\$ 2,998,687</u>
Food and Related – 1.35%		
Wm. Wrigley Jr. Company, 3.25%, 7–14–05	2,000	<u>1,997,653</u>
Multiple Industry – 1.35%		
Detroit Edison Co., 3.29%, 7–1–05	2,000	<u>2,000,000</u>
Security and Commodity Brokers – 1.91%		
Greenwich Capital Holdings Inc. (Royal Bank of Scotland PLC (The)), 3.4%, 7–1–05	2,827	<u>2,827,000</u>
TOTAL SHORT-TERM SECURITIES – 6.64%		<u>\$ 9,823,340</u>
(Cost: \$9,823,340)		
TOTAL INVESTMENT SECURITIES – 103.52%		<u>\$153,078,652</u>
(Cost: \$143,039,320)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (3.52%)		<u>(5,209,387)</u>
NET ASSETS – 100.00%		<u>\$147,869,265</u>

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

SMALL CAP VALUE PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$143,039) (Notes 1 and 3)	\$153,079
Cash	1
Receivables:	
Portfolio shares sold	96
Dividends and interest	73
Investment securities sold	40
Prepaid and other assets	2
Total assets	<u>153,291</u>

LIABILITIES

Payable for investment securities purchased	5,389
Payable to Portfolio shareholders	7
Accrued accounting services fee (Note 2)	5
Accrued management fee (Note 2)	4
Accrued service fee (Note 2)	1
Accrued shareholder servicing (Note 2)	1
Other	15
Total liabilities	<u>5,422</u>
Total net assets	<u>\$147,869</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 9
Additional paid-in capital	116,129
Accumulated undistributed income (loss):	
Accumulated undistributed net investment loss	(13)
Accumulated undistributed net realized gain	
on investment transactions	21,705
Net unrealized appreciation in value of investments	10,039
Net assets applicable to outstanding units of capital	<u>\$147,869</u>
Net asset value, redemption and offering price per share	<u>\$16.7558</u>
Capital shares outstanding	8,825
Capital shares authorized	80,000

See Notes to Financial Statements.

Statement of Operations

SMALL CAP VALUE PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT LOSS

Income (Note 1B):	
Dividends	\$ 742
Interest and amortization	84
Total income	<u>826</u>
Expenses (Note 2):	
Investment management fee	573
Service fee	169
Accounting services fee	31
Custodian fees	22
Legal fees	12
Audit fees	10
Shareholder servicing	2
Other	19
Total expenses	<u>838</u>
Net investment loss	<u>(12)</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments	20,672
Unrealized depreciation in value of investments during the period	<u>(19,074)</u>
Net gain on investments	<u>1,598</u>
Net increase in net assets resulting from operations	<u>\$1,586</u>

Statement of Changes in Net Assets

SMALL CAP VALUE PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment loss	\$ (12)	\$ (451)
Realized net gain on investments	20,672	10,254
Unrealized appreciation (depreciation)	(19,074)	6,636
Net increase in net assets resulting from operations	1,586	16,439
Dividends to shareholders from (Note 1E):(1)		
Net investment income	(—)	(—)
Realized gains on investment transactions	(—)	(6,400)
	(—)	(6,400)
Capital share transactions(2)	14,652	25,692
Total increase	16,238	35,731
NET ASSETS		
Beginning of period	131,631	95,900
End of period	\$147,869	\$131,631
Undistributed net investment loss	\$ (13)	\$ (1)

(1) See "Financial Highlights" on page 215.

(2) Shares issued from sale of shares	1,244	2,044
Shares issued from reinvestment of dividend and/or capital gains distribution	—	385
Shares redeemed	(333)	(824)
Increase in outstanding capital shares	911	1,605
Value issued from sale of shares	\$ 20,030	\$ 32,292
Value issued from reinvestment of dividend and/or capital gains distribution	—	6,400
Value redeemed	(5,378)	(13,000)
Increase in outstanding capital	\$ 14,652	\$ 25,692

See Notes to Financial Statements.

Financial Highlights

SMALL CAP VALUE PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period: (Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,				
		2004	2003	2002	2001	2000
Net asset value, beginning of period . . .	\$16.6329	\$15.2013	\$10.2000	\$12.7000	\$11.6000	\$ 9.1000
Income (loss) from investment operations:						
Net investment income (loss)	(0.0014)	(0.0569)	(0.0364)	0.0000	0.0000	0.0000
Net realized and unrealized gain (loss) on investments	0.1243	2.3402	5.0377	(2.5000)	1.8000	2.5000
Total from investment operations	0.1229	2.2833	5.0013	(2.5000)	1.8000	2.5000
Less distributions from:						
Net investment income	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.6000)	(0.0000)
Capital gains	(0.0000)	(0.8517)	(0.0000)	(0.0000)	(0.1000)	(0.0000)
Total distributions	(0.0000)	(0.8517)	(0.0000)	(0.0000)	(0.7000)	(0.0000)
Net asset value, end of period	\$16.7558	\$16.6329	\$15.2013	\$10.2000	\$12.7000	\$11.6000
Total return	0.74%	15.02%	49.48%	-19.98%	15.59%	28.00%
Net assets, end of period (in millions)	\$148	\$132	\$96	\$55	\$41	\$23
Ratio of expenses to average net assets including voluntary expense waiver	1.24% ⁽¹⁾	1.23%	1.15%	1.10%	1.10%	1.05%
Ratio of net investment income (loss) to average net assets including voluntary expense waiver	-0.02% ⁽¹⁾	-0.43%	-0.34%	-0.43%	-0.16%	0.29%
Ratio of expenses to average net assets excluding voluntary expense waiver	NA	NA	1.19%	1.17%	1.22%	1.58%
Ratio of net investment loss to average net assets excluding voluntary expense waiver	NA	NA	-0.38%	-0.50%	-0.28%	-0.24%
Portfolio turnover rate . . .	107%	32%	51%	39%	23%	122%

(1) Annualized.

See Notes to Financial Statements.

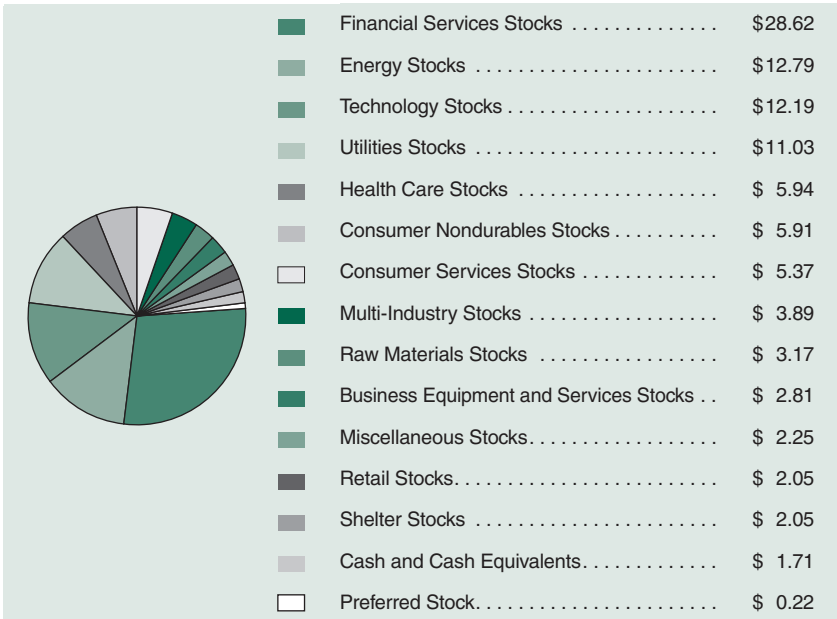
SHAREHOLDER SUMMARY OF VALUE PORTFOLIO

Portfolio Highlights

On June 30, 2005, W&R Target Value Portfolio had net assets totaling \$354,318,191 invested in a diversified portfolio of:

98.07%	Common Stocks
1.71%	Cash and Cash Equivalents
0.22%	Preferred Stock

As a shareholder of the Portfolio, for every \$100 you had invested on June 30, 2005, your Portfolio owned:



The Investments of Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS	Shares	Value
Aircraft – 2.41%		
Lockheed Martin Corporation	131,500	<u>\$ 8,530,405</u>
Aluminum – 0.54%		
Alcoa Incorporated	72,800	<u>1,902,264</u>
Banks – 10.46%		
Bank of America Corporation	255,600	11,657,916
Citigroup Inc.	225,506	10,425,142
MBNA Corporation	49,700	1,300,152
Mellon Financial Corporation	228,400	6,552,796
Wachovia Corporation	56,500	2,802,400
Wells Fargo & Company	70,000	4,310,600
		<u>37,049,006</u>
Beverages – 1.80%		
Diageo plc, ADR (A)	59,300	3,516,490
Molson Coors Brewing Company, Class B (A)	46,000	2,852,000
		<u>6,368,490</u>
Broadcasting – 1.52%		
Viacom Inc., Class B	168,500	<u>5,395,370</u>
Business Equipment and Services – 2.81%		
ARAMARK Corporation, Class B	199,500	5,266,800
Waste Management, Inc.	165,400	4,687,436
		<u>9,954,236</u>
Capital Equipment – 1.19%		
Illinois Tool Works Inc.	52,900	<u>4,215,072</u>
Chemicals – Petroleum and Inorganic – 1.63%		
Dow Chemical Company (The)	66,900	2,979,057
du Pont (E.I.) de Nemours and Company (A)	65,300	2,808,553
		<u>5,787,610</u>
Chemicals – Specialty – 1.00%		
Air Products and Chemicals, Inc.	29,400	1,772,820
Scotts Miracle-Gro Company (The)*	25,100	1,787,371
		<u>3,560,191</u>
Communications Equipment – 1.07%		
Cisco Systems, Inc.*	199,000	<u>3,799,905</u>
Computers – Main and Mini – 0.66%		
International Business Machines Corporation	31,700	<u>2,352,140</u>

See Notes to Schedule of Investments on page 221.

The Investments of Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Computers – Peripherals – 6.21%		
Amdocs Limited*	119,700	\$ 3,163,671
Lexmark International, Inc., Class A (A)*	43,400	2,813,622
Microsoft Corporation	176,800	4,389,060
Oracle Corporation*	434,900	5,742,855
Symantec Corporation (A)*	270,400	5,879,848
		<u>21,989,056</u>
Cosmetics and Toiletries – 0.89%		
NBTY, Inc.*	121,100	<u>3,141,334</u>
Electronic Components – 1.84%		
Intel Corporation (A)	150,900	3,927,172
Texas Instruments Incorporated	92,400	2,593,668
		<u>6,520,840</u>
Finance Companies – 5.41%		
Fannie Mae	126,000	7,358,400
Freddie Mac (A)	181,300	11,826,199
		<u>19,184,599</u>
Food and Related – 1.17%		
J.M. Smucker Company (The)	88,400	<u>4,149,496</u>
Furniture and Furnishings – 2.05%		
Masco Corporation	229,200	<u>7,279,392</u>
Health Care – Drugs – 0.44%		
Pfizer Inc.	56,100	<u>1,547,238</u>
Health Care – General – 2.93%		
Da Vita Inc.*	97,700	4,443,396
Renal Care Group, Inc.*	75,500	3,480,550
Wyeth	55,200	2,456,400
		<u>10,380,346</u>
Hospital Supply and Management – 2.57%		
PacifiCare Health Systems, Inc.*	127,600	<u>9,117,020</u>
Insurance – Property and Casualty – 5.87%		
Allstate Corporation (The)	136,300	8,143,925
Assurant, Inc.	162,000	5,848,200
St. Paul Companies, Inc. (The)	172,101	6,803,153
		<u>20,795,278</u>

See Notes to Schedule of Investments on page 221.

The Investments of Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Leisure Time Industry – 1.97%		
Brunswick Corporation	69,600	\$ 3,015,072
Cendant Corporation	176,800	3,955,016
		<u>6,970,088</u>
Motion Pictures – 1.26%		
News Corporation Limited, Class A	276,400	<u>4,472,152</u>
Multiple Industry – 3.89%		
General Electric Company	398,100	<u>13,794,165</u>
Petroleum – International – 12.79%		
Burlington Resources Inc.	35,000	1,933,400
ChevronTexaco Corporation	218,600	12,224,112
ConocoPhillips	98,000	5,634,020
Devon Energy Corporation	133,500	6,765,780
Exxon Mobil Corporation	326,304	18,752,691
		<u>45,310,003</u>
Publishing – 0.62%		
Gannett Co., Inc.	30,800	<u>2,190,804</u>
Railroad – 1.06%		
Union Pacific Corporation (A)	58,200	<u>3,771,360</u>
Retail – General Merchandise – 2.05%		
Dollar General Corporation	71,900	1,463,884
Family Dollar Stores, Inc.	222,500	5,807,250
		<u>7,271,134</u>
Security and Commodity Brokers – 6.88%		
Marsh & McLennan Companies, Inc.	130,500	3,614,850
Merrill Lynch & Co., Inc.	31,400	1,727,314
Morgan (J.P.) Chase & Co.	299,088	10,563,788
Morgan Stanley	65,410	3,432,063
Prudential Financial, Inc. (A)	76,600	5,029,556
		<u>24,367,571</u>
Tobacco – 2.05%		
Altria Group, Inc.	112,100	<u>7,248,386</u>
Utilities – Electric – 4.54%		
Dominion Resources, Inc. (A)	60,200	4,418,078
Exelon Corporation	108,800	5,584,704
PPL Corporation	102,700	6,098,326
		<u>16,101,108</u>
Utilities – Gas and Pipeline – 1.05%		
Enbridge Inc.	129,900	<u>3,702,150</u>

See Notes to Schedule of Investments on page 221.

The Investments of Value Portfolio

June 30, 2005

(Unaudited)

COMMON STOCKS (Continued)	Shares	Value
Utilities – Telephone – 5.44%		
Iowa Telecommunications Services, Inc.	210,300	\$ 3,943,125
SBC Communications Inc.	130,100	3,089,875
Sprint Corporation	213,200	5,349,188
Verizon Communications Inc.	108,300	3,741,765
Vodafone Group Plc, ADR (A)	129,700	3,154,304
		<u>19,278,257</u>
TOTAL COMMON STOCKS – 98.07%		\$347,496,466
(Cost: \$297,479,131)		
PREFERRED STOCK – 0.22%		
Finance Companies		
Federal National Mortgage Association, 5.375% Convertible.	8	<u>\$ 774,836</u>
(Cost: \$800,000)		
	Principal Amount in Thousands	
SHORT-TERM SECURITIES		
Aluminum – 0.31%		
Alcoa Incorporated, 3.4%, 7–1–05	\$1,085	<u>1,085,000</u>
Finance Companies – 0.85%		
USAA Capital Corp., 3.15%, 7–6–05	3,000	<u>2,998,687</u>
Multiple Industry – 0.56%		
Detroit Edison Co., 3.29%, 7–1–05	2,000	<u>2,000,000</u>
TOTAL SHORT-TERM SECURITIES – 1.72%		\$ 6,083,687
(Cost: \$6,083,687)		
TOTAL INVESTMENT SECURITIES – 100.01%		\$354,354,989
(Cost: \$304,362,818)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.01%)		(36,798)
NET ASSETS – 100.00%		\$354,318,191

See Notes to Schedule of Investments on page 221.

The Investments of Value Portfolio

June 30, 2005

(Unaudited)

Notes to Schedule of Investments

*No dividends were paid during the preceding 12 months.

(A) Securities serve as cover for the following written call options outstanding at June 30, 2005. (See Note 5 to financial statements):

Underlying Security	Contracts Subject to Call	Expiration Month/ Exercise Price	Premium Received	Market Value
Dominion Resources, Inc.	301	July/80	\$ 23,792	\$ 1,505
du Pont (E.I.) de Nemours and Company	327	July/50	16,513	1,635
Prudential Financial, Inc.	134	September/70	17,509	14,740
Union Pacific Corporation	582	September/70	39,262	40,402
			<u>\$ 97,076</u>	<u>\$58,282</u>

In addition to the above written call options, the following written put options were outstanding as of June 30, 2005. (See Note 5 to financial statements):

Underlying Security	Contracts Subject to Put	Expiration Month/ Exercise Price	Premium Received	Market Value
Diageo plc, ADR	142	July/55	\$ 8,946	\$ 1,775
Freddie Mac	137	July/50	7,946	343
Intel Corporation	379	July/20	15,159	947
Lexmark International, Inc., Class A	112	July/65	9,143	16,240
Molson Coors Brewing Company, Class B	69	July/55	4,859	518
Symantec Corporation	887	July/17.5	39,026	2,217
Vodafone Group Plc, ADR	322	July/25	17,065	19,320
			<u>\$102,144</u>	<u>\$41,360</u>

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

Statement of Assets and Liabilities

VALUE PORTFOLIO

June 30, 2005

(In Thousands, Except for Per Share Amounts)

(Unaudited)

ASSETS

Investment securities – at value (cost – \$304,363) (Notes 1 and 3)	\$354,355
Cash	1
Cash denominated in foreign currencies (cost – \$1)	1
Receivables:	
Portfolio shares sold	687
Dividends and interest	510
Prepaid and other assets	5
Total assets	<u>\$355,559</u>

LIABILITIES

Payable for investment securities purchased	1,040
Outstanding written options – at value (premium received – \$199) (Note 5)	100
Payable to Portfolio shareholders	66
Accrued accounting services fee (Note 2)	10
Accrued management fee (Note 2)	7
Accrued shareholder servicing (Note 2)	3
Accrued service fee (Note 2)	2
Other	13
Total liabilities	<u>1,241</u>
Total net assets	<u>\$354,318</u>

NET ASSETS

\$0.001 par value capital stock:	
Capital stock	\$ 56
Additional paid-in capital	300,048
Accumulated undistributed income:	
Accumulated undistributed net investment income	2,709
Accumulated undistributed net realized gain on investment transactions	1,413
Net unrealized appreciation in value of securities	49,992
Net unrealized appreciation in value of written options	100
Net assets applicable to outstanding units of capital	<u>\$354,318</u>
Net asset value, redemption and offering price per share	<u>\$ 6.3207</u>
Capital shares outstanding	56,057
Capital shares authorized	110,000

See Notes to Financial Statements.

Statement of Operations

VALUE PORTFOLIO

For the Six Months Ended June 30, 2005

(In Thousands)

(Unaudited)

INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$135)	\$4,400
Interest and amortization	76
Total income	<u>4,476</u>
Expenses (Note 2):	
Investment management fee	1,199
Service fee	428
Accounting services fee	50
Audit fees	14
Custodian fees	9
Legal fees	5
Shareholder servicing	5
Other	42
Total expenses	<u>1,752</u>
Net investment income	<u>2,724</u>

REALIZED AND UNREALIZED GAIN

(LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities	7,343
Realized net loss on foreign currency transactions	(15)
Realized net gain on written options	428
Realized net loss on purchased options	(156)
Realized net gain on investments	<u>7,600</u>
Unrealized depreciation in value of securities during the period	(5,044)
Unrealized appreciation in value of written options during the period	177
Unrealized depreciation in value of investments during the period	(4,867)
Net gain on investments	<u>2,733</u>
Net increase in net assets resulting from operations	<u>\$5,457</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets

VALUE PORTFOLIO

(In Thousands)

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended 12-31-04
INCREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 2,724	\$ 3,350
Realized net gain on investments	7,600	23,945
Unrealized appreciation (depreciation)	(4,867)	15,208
Net increase in net assets resulting from operations	5,457	42,503
Dividends to shareholders from (Note 1E):(1)		
Net investment income	(—)	(3,356)
Realized gains on investment transactions	(—)	(—)
Capital share transactions(2)	8,509	31,860
Total increase	13,966	71,007
NET ASSETS		
Beginning of period	340,352	269,345
End of period	<u>\$354,318</u>	<u>\$340,352</u>
Undistributed net investment income	<u>\$ 2,709</u>	<u>\$ —*</u>

(1) See "Financial Highlights" on page 225.

(2) Shares issued from sale of shares	3,774	8,918
Shares issued from reinvestment of dividend and/or capital gains distribution	—	540
Shares redeemed	(2,414)	(3,920)
Increase in outstanding capital shares	1,360	5,538
Value issued from sale of shares	\$ 23,564	\$ 50,940
Value issued from reinvestment of dividend and/or capital gains distribution	—	3,356
Value redeemed	(15,055)	(22,436)
Increase in outstanding capital	<u>\$ 8,509</u>	<u>\$ 31,860</u>

*Not shown due to rounding.

See Notes to Financial Statements.

Financial Highlights

VALUE PORTFOLIO

For a Share of Capital Stock Outstanding Throughout Each Period:

(Unaudited)

	For the six months ended 6-30-05	For the fiscal year ended December 31,			For the period from 5-1-01 ⁽¹⁾ through 12-31-01
		2004	2003	2002	
Net asset value, beginning of period	\$6.2226	\$5.4790	\$4.4016	\$5.0815	\$5.0000
Income (loss) from investment operations:					
Net investment income	0.0486	0.0619	0.0279	0.0348	0.0198
Net realized and unrealized gain (loss) on investments	0.0495	0.7437	1.0774	(0.6799)	0.0815
Total from investment operations	0.0981	0.8056	1.1053	(0.6451)	0.1013
Less distributions from:					
Net investment income	(0.0000)	(0.0620)	(0.0279)	(0.0348)	(0.0198)
Capital gains	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Total distributions	(0.0000)	(0.0620)	(0.0279)	(0.0348)	(0.0198)
Net asset value, end of period	\$6.3207	\$6.2226	\$5.4790	\$4.4016	\$5.0815
Total return	1.58%	14.70%	25.11%	-12.70%	2.03%
Net assets, end of period (in millions)	\$354	\$340	\$269	\$75	\$44
Ratio of expenses to average net assets including voluntary expense waiver	1.02% ⁽²⁾	1.03%	1.02%	1.04%	0.84% ⁽²⁾
Ratio of net investment income to average net assets including voluntary expense waiver	1.59% ⁽²⁾	1.13%	1.06%	0.92%	1.39% ⁽²⁾
Ratio of expenses to average net assets excluding voluntary expense waiver	___ ⁽³⁾	___ ⁽³⁾	___ ⁽³⁾	___ ⁽³⁾	1.07% ⁽²⁾
Ratio of net investment income to average net assets excluding voluntary expense waiver	___ ⁽³⁾	___ ⁽³⁾	___ ⁽³⁾	___ ⁽³⁾	1.16% ⁽²⁾
Portfolio turnover rate	15%	78%	97%	96%	11%

(1) Commencement of operations.

(2) Annualized.

(3) Because the Portfolio's net assets exceeded \$25 million for the entire period, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.

Notes to Financial Statements

June 30, 2005

(Unaudited)

NOTE 1 – Significant Accounting Policies

W&R Target Funds, Inc. (the Fund) is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. Capital stock is divided into the twenty classes that are designated the Asset Strategy Portfolio, the Balanced Portfolio, the Bond Portfolio, the Core Equity Portfolio, the Dividend Income Portfolio, the Global Natural Resources Portfolio, the Growth Portfolio, the High Income Portfolio, the International Growth Portfolio (formerly, International Portfolio), the International Value Portfolio (formerly, International II Portfolio), the Limited-Term Bond Portfolio, the Micro Cap Growth Portfolio, the Mid Cap Growth Portfolio, the Money Market Portfolio, the Mortgage Securities Portfolio, the Real Estate Securities Portfolio, the Science and Technology Portfolio, the Small Cap Growth Portfolio, the Small Cap Value Portfolio and the Value Portfolio. The assets belonging to each Portfolio are held separately by the custodian. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America.

- A. Security valuation** – Each stock and convertible bond is valued at the latest sale price thereof on each business day of the fiscal period as reported by the principal securities exchange on which the issue is traded or, if no sale is reported for a stock, the average of the latest bid and asked prices. Bonds, other than convertible bonds, are valued using a pricing system provided by a pricing service or dealer in bonds. Convertible bonds are valued using this pricing system only on days when there is no sale reported. Stocks which are traded over-the-counter are priced using the Nasdaq Stock Market, which provides information on bid and asked prices quoted by major dealers in such stocks. Gold bullion is valued at the last settlement price for current delivery as calculated by the Commodity Exchange, Inc. as of the close of that exchange. Restricted securities and securities for which quotations are not readily available or are deemed not to be reliable because of significant events or circumstances identified between the closing of their principal markets and the closing of the New York Stock Exchange are valued at fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors. Short-term debt securities are valued at amortized cost, which approximates market value.
- B. Security transactions and related investment income** – Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Securities gains and losses are calculated on the identified cost basis. Premium and discount on the purchase of bonds are amortized for both financial and tax reporting purposes. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date. Interest income is recorded on the accrual basis. See Note 3 – Investment Securities Transactions.
- C. Foreign currency translations** – All assets and liabilities denominated in foreign currencies are translated into U.S. dollars daily. Purchases and sales of investment securities and accruals of income and expenses are translated at the rate of exchange prevailing on the date of the transaction. For assets and liabilities other than investments in securities, net realized and unrealized gains and losses from foreign currency translations arise from changes in currency exchange rates. The Fund combines fluctuations from currency exchange rates and fluctuations in market value when computing net realized and unrealized gain or loss from investments.

D. Federal income taxes – It is the Fund's policy to distribute all of its taxable income and capital gains to its shareholders and otherwise qualify as a regulated investment company under the Internal Revenue Code. Accordingly, provision has not been made for Federal income taxes. See Note 4 – Federal Income Tax Matters.

E. Dividends and distributions – Dividends and distributions to shareholders are recorded by each Portfolio on the record date. Net investment income distributions and capital gains distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as deferral of wash sales and post-October losses, foreign currency transactions, net operating losses and expiring capital loss carryovers.

F. Repurchase agreements – Repurchase agreements are collateralized by the value of the resold securities which, during the entire period of the agreement, remains at least equal to the value of the loan, including accrued interest thereon. The collateral for the repurchase agreement is held by the Fund's custodian bank.

G. Forward foreign currency exchange contracts – A forward foreign currency exchange contract (Forward Contract) is an obligation to purchase or sell a specific currency at a future date at a fixed price. Forward Contracts are "marked-to-market" daily at the applicable translation rates and the resulting unrealized gains or losses are reflected in the Fund's financial statements. Gains or losses are realized by the Fund at the time the forward contract is extinguished. Contracts may be extinguished either by entry into a closing transaction or by delivery of the currency. Risks may arise from the possibility that the other party will not complete the obligations of the Contract and from unanticipated movements in the value of the foreign currency relative to the United States dollar. The Fund uses Forward Contracts to attempt to reduce the overall risk of its investments.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 – Investment Management And Payments To Affiliated Persons

Waddell & Reed Investment Management Company (WRIMCO), a wholly owned subsidiary of Waddell & Reed, Inc. (W&R), serves as the Fund's investment manager. The Fund pays a fee for investment management services. The fee is computed and paid daily based on the net asset value at the close of business. The fee is payable by each Portfolio at the following annual rates:

Portfolio	Net Asset Breakpoints	Annual Rate
Asset Strategy Portfolio	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
Balanced Portfolio	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%

Portfolio	Net Asset Breakpoints	Annual Rate
Bond Portfolio	Up to \$500 Million	0.525%
	Over \$500 Million up to \$1 Billion	0.500%
	Over \$1 Billion up to \$1.5 Billion	0.450%
	Over \$1.5 Billion	0.400%
Core Equity Portfolio	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
Dividend Income Portfolio	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
Global Natural Resources Portfolio	Up to \$500 Million	1.000%
	Over \$500 Million up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Growth Portfolio	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
High Income Portfolio	Up to \$500 Million	0.625%
	Over \$500 Million up to \$1 Billion	0.600%
	Over \$1 Billion up to \$1.5 Billion	0.550%
	Over \$1.5 Billion	0.500%
International Growth Portfolio	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
International Value Portfolio	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Limited-Term Bond Portfolio	Up to \$500 Million	0.500%
	Over \$500 Million up to \$1 Billion	0.450%
	Over \$1 Billion up to \$1.5 Billion	0.400%
	Over \$1.5 Billion	0.350%
Micro Cap Growth Portfolio	Up to \$1 Billion	0.950%
	Over \$1 Billion up to \$2 Billion	0.930%
	Over \$2 Billion up to \$3 Billion	0.900%
	Over \$3 Billion	0.860%

Portfolio	Net Asset Breakpoints	Annual Rate
Mid Cap Growth Portfolio	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Money Market Portfolio	All Net Assets	0.400%
Mortgage Securities Portfolio	Up to \$500 Million	0.500%
	Over \$500 Million up to \$1 Billion	0.450%
	Over \$1 Billion up to \$1.5 Billion	0.400%
	Over \$1.5 Billion	0.350%
Real Estate Securities Portfolio	Up to \$1 Billion	0.900%
	Over \$1 Billion up to \$2 Billion	0.870%
	Over \$2 Billion up to \$3 Billion	0.840%
	Over \$3 Billion	0.800%
Science and Technology Portfolio	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Small Cap Growth Portfolio	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Small Cap Value Portfolio	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Value Portfolio	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%

WRIMCO has agreed to waive a Portfolio's investment management fee on any Portfolio that is not sub-advised on any day that the Portfolio's net assets are less than \$25 million, subject to its right to change or modify this waiver. During the period ended June 30, 2005, WRIMCO voluntarily waived investment management fees as shown in the following table (in thousands):

Dividend Income Portfolio	\$ 55
Mid Cap Growth Portfolio	3

Advantus Capital Management, Inc. serves as subadvisor to Mortgage Securities Portfolio and Real Estate Securities Portfolio pursuant to an agreement with WRIMCO and receives a fee that is equal to, on an annual basis, 0.30% and 0.55% of the respective Portfolio's average net assets.

Makenzie Financial Corporation (MFC) serves as subadvisor to Global Natural Resources Portfolio pursuant to an agreement with WRIMCO and receives a fee that is shown in the following table:

Net Asset Breakpoints	Annual Rate
Up to \$500 Million	0.500%
Over \$500 Million and up to \$1 Billion	0.425%
Over \$1 Billion and up to \$2 Billion	0.415%
Over \$2 Billion and up to \$3 Billion	0.400%
Over \$3 Billion	0.380%

State Street Research & Management Company (SSRM) served as subadvisor to Small Cap Value Portfolio pursuant to an agreement with WRIMCO and received a fee that was equal to, on an annual basis, 0.50% of the Portfolio's average net assets. Effective January 31, 2005, the Portfolio's subadvisor changed from SSRM to BlackRock Financial Management, Inc. (BlackRock) as a result of BlackRock's acquisition of SSRM from MetLife, Inc. The shareholders approved BlackRock as the Portfolio's subadvisor at a shareholder meeting held on January 20, 2005. BlackRock receives a fee that is equal to, on an annual basis, 0.50% of the Portfolio's average net assets.

Templeton Investment Counsel, LLC serves as subadvisor to International Value Portfolio pursuant to an agreement with WRIMCO and receives a fee that is shown in the following table:

Net Asset Breakpoints	Annual Rate
On the first \$100 Million	0.50%
On the next \$100 Million	0.35%
On the next \$250 Million	0.30%
On all assets exceeding \$450 Million.	0.25%

Wall Street Associates serves as subadvisor to Micro Cap Growth Portfolio pursuant to an agreement with WRIMCO and receives a fee that is equal to, on an annual basis, 0.50% of the Portfolio's average net assets.

The Fund has an Accounting Services Agreement with Waddell & Reed Services Company (WRSCO), a wholly owned subsidiary of W&R. Under the agreement, WRSCO acts as the agent in providing accounting services and assistance to the Fund and pricing daily the value of shares of each Portfolio. For these services, each Portfolio pays WRSCO a monthly fee of one-twelfth of the annual fee shown in the following table:

Accounting Services Fee	
Average Net Asset Level (in millions)	Annual Fee Rate for Each Level
From \$ 0 to \$ 10	\$ 0
From \$ 10 to \$ 25	\$ 11,500
From \$ 25 to \$ 50	\$ 23,100
From \$ 50 to \$ 100	\$ 35,500
From \$ 100 to \$ 200	\$ 48,400
From \$ 200 to \$ 350	\$ 63,200
From \$ 350 to \$ 550	\$ 82,500
From \$ 550 to \$ 750	\$ 96,300
From \$ 750 to \$1,000	\$121,600
\$1,000 and Over	\$148,500

Each Portfolio also pays monthly a fee at the annual rate of 0.01% or one basis point for the first \$1 billion of net assets with no fee charged for net assets in excess of \$1 billion.

The Fund has adopted a Service Plan pursuant to Rule 12b-1 of the 1940 Act. Under the Plan, each Portfolio may pay a fee to W&R in an amount not to exceed 0.25% of the Portfolio's average annual net assets. The fee is to be paid to compensate W&R for amounts it expends in connection with the provision of personal services to Policyowners and/or maintenance of Policyowner accounts.

The Fund paid Directors' regular compensation of \$129,545, which are included in other expenses. The Fund pays Frederick Vogel III additional compensation for his service as lead independent director. For the six months ended June 30, 2005, that amount was \$3,635.

W&R is a subsidiary of Waddell & Reed Financial, Inc., a public holding company, and a direct subsidiary of Waddell & Reed Financial Services, Inc., a holding company.

The Fund has a Transfer Agency Agreement with WRSCO. For transfer agency services provided under the agreement, the Fund reimburses WRSCO for certain out-of-pocket costs.

NOTE 3 – Investment Securities Transactions

Investment securities transactions for the six months ended June 30, 2005 are summarized as follows:

	Asset Strategy Portfolio	Balanced Portfolio	Bond Portfolio
Purchases of investment securities, excluding short-term and U.S. government obligations	\$113,696,372	\$ 109,167,659	\$ 17,687,001
Purchases of U.S. government obligations	3,612,699	3,182,000	18,715,631
Purchases of short-term securities	596,971,016	1,086,711,673	552,899,497
Purchases of options	47,917	—	—
Purchases of bullion	170,420	—	—
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government obligations.	96,104,876	142,648,467	22,474,370
Proceeds from maturities and sales of U.S. government obligations	1,959,900	6,591,469	18,318,183
Proceeds from maturities and sales of short-term securities	593,311,166	1,073,013,749	547,940,000
Proceeds from bullion	—	—	—
Proceeds from options	395,570	—	—

	Core Equity Portfolio	Dividend Income Portfolio	Global Natural Resources Portfolio
Purchases of investment securities, excluding short-term and U.S. government obligations.	\$ 208,821,259	\$ 13,918,326	\$ 4,997,970
Purchases of U.S. government obligations.	—	—	—
Purchases of short-term securities	1,281,799,798	238,178,395	25,867,000
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government obligations.	238,698,585	3,055,925	236,747
Proceeds from maturities and sales of U.S. government obligations.	—	—	—
Proceeds from maturities and sales of short-term securities	1,292,152,580	238,922,824	24,607,000
	Growth Portfolio	High Income Portfolio	International Growth Portfolio
Purchases of investment securities, excluding short-term and U.S. government obligations.	\$ 342,793,809	\$ 44,008,648	\$ 66,642,580
Purchases of U.S. government obligations.	—	—	—
Purchases of short-term securities	1,199,260,831	849,159,681	715,702,255
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government obligations.	397,140,869	42,413,170	73,696,443
Proceeds from maturities and sales of U.S. government obligations.	—	—	—
Proceeds from maturities and sales of short-term securities.	1,208,205,743	841,311,000	711,200,044

	International Value Portfolio	Limited-Term Bond Portfolio	Micro Cap Growth Portfolio
Purchases of investment securities, excluding short-term and U.S. government obligations	\$ 61,246,072	\$ 6,627,353	\$ 9,753,524
Purchases of U.S. government obligations	—	9,005,767	—
Purchases of short-term securities	1,042,025,677	263,541,056	111,410,472
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government obligations . .	47,581,811	5,142,607	11,935,559
Proceeds from maturities and sales of U.S. government obligations	—	4,586,576	—
Proceeds from maturities and sales of short-term securities	1,039,184,965	268,758,150	109,789,965
	Mid Cap Growth Portfolio	Mortgage Securities Portfolio	Real Estate Securities Portfolio
Purchases of investment securities, excluding short-term and U.S. government obligations	\$ 2,866,232	\$ 4,491,830	\$14,304,272
Purchases of U.S. government obligations	—	25,075,832	—
Purchases of short-term securities . .	16,185,000	285,022,196	90,961,201
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government obligations	6,128	747,555	3,394,078
Proceeds from maturities and sales of U.S. government obligations . .	—	22,791,796	—
Proceeds from maturities and sales of short-term securities	15,734,000	284,079,000	91,146,000

	Science and Technology Portfolio	Small Cap Growth Portfolio	Small Cap Value Portfolio
Purchases of investment securities, excluding short-term and U.S. government obligations	\$156,374,139	\$ 195,984,943	\$155,965,288
Purchases of U.S. government obligations	—	—	—
Purchases of short-term securities	535,093,923	1,249,226,718	448,393,229
Purchases of options	36,314	—	—
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government obligations . .	156,563,460	197,510,690	139,700,410
Proceeds from maturities and sales of U.S. government obligations	—	—	—
Proceeds from maturities and sales of short-term securities	543,578,277	1,268,343,917	444,011,911
Proceeds from options	—	—	—
			Value Portfolio
Purchases of investment securities, excluding short-term and U.S. government obligations			\$ 64,503,715
Purchases of U.S. government obligations			—
Purchases of short-term securities			432,972,745
Purchases of options			549,550
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government obligations			51,419,373
Proceeds from maturities and sales of U.S. government obligations			—
Proceeds from maturities and sales of short-term securities			437,099,143
Proceeds from options			393,189

For Federal income tax purposes, cost of investments owned at June 30, 2005 and the related unrealized appreciation (depreciation) were as follows:

	Cost	Appreciation	Depreciation	Aggregate Appreciation (Depreciation)
Asset Strategy Portfolio . . .	\$274,671,135	\$ 48,848,742	\$ 3,232,342	\$ 45,616,400
Balanced Portfolio	531,962,275	79,789,449	11,250,773	68,538,676
Bond Portfolio	211,090,702	6,128,367	1,650,157	4,478,210
Core Equity Portfolio	559,473,536	161,241,110	5,406,481	155,834,629
Dividend Income				
Portfolio	28,063,073	2,381,833	459,413	1,922,420
Global Natural				
Resources Portfolio . . .	6,024,630	141,693	48,387	93,306
Growth Portfolio	977,451,968	233,269,123	12,191,024	221,078,099
High Income Portfolio	189,306,941	7,483,467	6,270,729	1,212,738
International Growth				
Portfolio	153,993,657	27,550,298	2,754,908	24,795,390
International Value				
Portfolio	344,222,338	79,760,735	7,702,377	72,058,358
Limited-Term Bond				
Portfolio	77,925,897	302,857	420,560	(117,703)
Micro Cap Growth				
Portfolio	34,717,290	10,677,600	3,147,493	7,530,107
Mid Cap Growth				
Portfolio	3,312,026	198,724	21,897	176,827
Money Market Portfolio . .	52,538,239	—	—	—
Mortgage Securities				
Portfolio	29,176,867	164,037	59,769	104,268
Real Estate Securities				
Portfolio	27,915,600	3,799,199	13,209	3,785,990
Science and Technology				
Portfolio	266,718,313	66,013,339	3,936,469	62,076,870
Small Cap Growth				
Portfolio	473,463,680	137,160,727	9,061,569	128,099,158
Small Cap Value				
Portfolio	143,078,988	12,631,321	2,631,657	9,999,664
Value Portfolio	304,712,542	56,604,489	6,962,042	49,642,447

NOTE 4 – Federal Income Tax Matters

For Federal income tax purposes, the Portfolios' distributed and undistributed earnings and profit for the fiscal year ended December 31, 2004 and the related Capital Loss Carryover and Post-October activity were as follows:

	Asset Strategy Portfolio	Balanced Portfolio	Bond Portfolio
Net ordinary income	\$5,248,181	\$8,835,010	\$9,288,731
Distributed ordinary income	4,561,928	8,830,472	9,286,361
Undistributed ordinary income	686,252	9,611	28,466
Realized long-term capital gains	1,009,698	—	2,415,827
Distributed long-term capital gains	900,082	—	2,436,379
Undistributed long-term capital gains	109,616	—	25,525
Capital loss carryover	—	—	—
Post-October losses deferred	—	—	1,057
	Core Equity Portfolio	Dividend Income Portfolio	Growth Portfolio
Net ordinary income	\$4,455,494	\$104,019	\$3,418,498
Distributed ordinary income	4,447,648	104,007	3,382,896
Undistributed ordinary income	27,800	12	35,601
Realized long-term capital gains	—	—	—
Distributed long-term capital gains	—	—	—
Undistributed long-term capital gains	—	—	—
Capital loss carryover	—	12,421	—
Post-October losses deferred	—	—	—
	High Income Portfolio	International Growth Portfolio	International Value Portfolio
Net ordinary income	\$12,356,322	\$1,939,838	\$5,676,490
Distributed ordinary income	12,355,110	1,138,240	3,800,037
Undistributed ordinary income	34,545	1,057,584	2,334,819
Realized long-term capital gains	—	—	3,770,712
Distributed long-term capital gains	—	—	3,000,007
Undistributed long-term capital gains	—	—	770,705
Capital loss carryover	—	—	—
Post-October losses deferred	—	—	—

	Limited-Term Bond Portfolio	Micro Cap Growth Portfolio	Money Market Portfolio
Net ordinary income	\$2,158,287	\$ —	\$388,244
Distributed ordinary income	2,159,009	—	387,755
Undistributed ordinary income	1,518	—	2,913
Realized long-term capital gains	—	—	—
Distributed long-term capital gains	—	—	—
Undistributed long-term capital gains	—	—	—
Capital loss carryover	73,128	—	—
Post-October losses deferred	8,743	580,010	—
	Mortgage Securities Portfolio	Real Estate Securities Portfolio	Science and Technology Portfolio
Net ordinary income	\$672,808	\$344,269	\$ —
Distributed ordinary income	672,808	331,195	—
Undistributed ordinary income	—	13,074	—
Realized long-term capital gains	—	72,557	—
Distributed long-term capital gains	—	—	—
Undistributed long-term capital gains	—	72,557	—
Capital loss carryover	—	—	—
Post-October losses deferred	—	—	—
	Small Cap Growth Portfolio	Small Cap Value Portfolio	Value Portfolio
Net ordinary income	\$ —	\$ 506,974	\$ 3,358,429
Distributed ordinary income	—	—	3,356,145
Undistributed ordinary income	—	506,974	3,647
Realized long-term capital gains	—	7,589,485	2,517,384
Distributed long-term capital gains	—	6,400,012	—
Undistributed long-term capital gains	—	1,189,473	2,517,384
Capital loss carryover	—	—	—
Post-October losses deferred	—	—	—

Internal Revenue Code regulations permit each Portfolio to defer into its next fiscal year net capital losses or net long-term capital losses incurred between each November 1 and the end of its fiscal year (post-October losses).

Capital loss carryovers are available to offset future realized capital gain net income for Federal income tax purposes. The following shows the totals by year in which the capital loss carryovers will expire if not utilized:

	Asset Strategy Portfolio	Balanced Portfolio	Bond Portfolio	Core Equity Portfolio
December 31, 2008	\$ —	\$63,195,533	\$ —	\$ 112,139
December 31, 2009	—	20,192,432	—	47,771,158
December 31, 2010	—	4,253,866	—	120,325,174
December 31, 2011	—	—	—	6,217,841
Total carryover	\$ —	\$87,641,831	\$ —	\$174,426,312

	Dividend Income Portfolio	Growth Portfolio	High Income Portfolio	International Growth Portfolio
December 31, 2008	\$ —	\$116,510,259	\$12,908,559	\$ —
December 31, 2009	—	91,121,060	9,637,801	26,069,621
December 31, 2010	—	88,955,941	13,911,720	33,377,007
December 31, 2011	—	5,483,923	—	10,822,424
December 31, 2012	12,421	—	—	—
Total carryover	\$12,421	\$302,071,183	\$36,458,080	\$70,269,052

	International Value Portfolio	Limited-Term Bond Portfolio	Micro Cap Growth Portfolio	Mortgage Securities Portfolio
December 31, 2009	\$ —	\$ —	\$ 8,743,847	\$ —
December 31, 2010	—	247,280	8,788,671	—
December 31, 2012	—	73,128	—	—
Total carryover	\$ —	\$320,408	\$17,532,518	\$ —

	Real Estate Securities Portfolio	Science and Technology Portfolio	Small Cap Growth Portfolio	Small Cap Value Portfolio
December 31, 2008	\$ —	\$ —	\$ 19,374,578	\$ —
December 31, 2009	—	21,197,207	29,874,592	—
December 31, 2010	—	28,805,115	26,461,513	—
December 31, 2011	—	9,199,437	32,025,096	—
Total carryover	\$ —	\$59,201,759	\$107,735,779	\$ —

	Value Portfolio
December 31, 2009	\$8,369,509

Advantus Asset Allocation Portfolio was merged into Target Balanced Portfolio as of September 22, 2003. At the time of the merger, Target Balanced Portfolio had capital loss carryovers available to offset future gains of the Advantus Asset Allocation Portfolio. These carryovers amount to \$4,253,866 as of December 31, 2004 and will expire if not utilized by December 31, 2010.

Advantus Core Equity Portfolio was merged into Target Core Equity Portfolio as of September 22, 2003. At the time of the merger, Advantus Core Equity Portfolio had capital loss carryovers available to offset future gains of the Target Core Equity Portfolio. These carryovers are limited to \$987,765 for the period ending December 31, 2005 and \$987,765 for each period ending from December 31, 2006 through 2010 plus any unused limitations from prior years.

Advantus Growth Portfolio and Advantus Capital Appreciation Portfolio were merged into Target Growth Portfolio as of September 22, 2003. At the time of the merger, Advantus Growth Portfolio and Advantus Capital Appreciation Portfolio had capital loss carryovers available to offset future gains of the Target Growth Portfolio. These carryovers are limited to \$21,734,628 and \$17,485,994, respectively, for the period ending December 31, 2005 and \$10,461,247 and \$7,747,159, respectively, for each period ending from December 31, 2006 through 2009 and \$2,114,422 and \$7,747,159, respectively, for the period ending December 31, 2010 plus any unused limitations from prior years and the amount of certain built-in gains realized, if any.

Advantus Small Company Growth Portfolio was merged into Target Small Cap Growth Portfolio as of September 22, 2003. At the time of the merger, Advantus Small Company Growth Portfolio had capital loss carryovers available to offset future gains of the Target Small Cap Growth Portfolio. These carryovers are limited to \$21,224,897 for the period ending December 31, 2005 and \$7,647,902 for each period ending from December 31, 2006 through 2010.

Advantus Value Stock Portfolio was merged into Target Value Portfolio as of September 22, 2003. At the time of the merger, Target Value Portfolio had capital loss carryovers available to offset future gains of the Advantus Value Stock Portfolio. These carryovers amount to \$8,369,509 as of December 31, 2004 and will expire if not utilized by December 31, 2009.

NOTE 5 – Options

Options purchased by a Portfolio are accounted for in the same manner as marketable portfolio securities. The cost of portfolio securities acquired through the exercise of call options is increased by the premium paid to purchase the call. The proceeds from securities sold through the exercise of put options are decreased by the premium paid to purchase the put.

When the Portfolio writes (sells) an option, an amount equal to the premium received by the Portfolio is recorded as a liability. The amount of the liability is subsequently adjusted to reflect the current market value of the option written. The current market value of an option is the last sales price on the principal exchange on which the option is traded or, in the absence of transactions, the mean between the bid and asked prices or a value supplied by a broker-dealer. When an option expires on its stipulated expiration date or the Portfolio enters into a closing purchase transaction, the Portfolio realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the call option was sold) and the liability related to such option is extinguished. When a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Portfolio has realized a gain or loss. For the Portfolio, when a written put option is exercised, the cost basis of the securities purchased by the Portfolio is reduced by the amount of the premium received.

For Asset Strategy Portfolio, transactions in call options written were as follows:

	Number of Contracts	Premiums Received
Outstanding at December 31, 2004	450	\$ 48,138
Options written	3,560	304,180
Options terminated in closing purchase transactions	(3,256)	(280,512)
Options exercised	(574)	(58,306)
Options expired	(180)	(13,500)
Outstanding at June 30, 2005	—	\$ —

For Value Portfolio, transactions in call options written were as follows:

	Number of Contracts	Premiums Received
Outstanding at December 31, 2004	2,017	\$ 140,280
Options written	7,060	475,481
Options terminated in closing purchase transactions	(1,495)	(70,504)
Options exercised	(1,502)	(118,380)
Options expired	(4,736)	(329,801)
Outstanding at June 30, 2005	<u>1,344</u>	<u>\$ 97,076</u>

For Value Portfolio, transactions in put options written were as follows:

	Number of Contracts	Premiums Received
Outstanding at December 31, 2004	502	\$ 17,570
Options written	5,509	307,209
Options terminated in closing purchase transactions	(110)	(4,290)
Options exercised	(537)	(60,059)
Options expired	(3,316)	(158,286)
Outstanding at June 30, 2005	<u>2,048</u>	<u>\$ 102,144</u>

NOTE 6 – Futures

No price is paid upon entering into a futures contract. Instead, upon entering into a futures contract, the Portfolio is required to deposit, in a segregated account, an amount of cash or United States Treasury Bills equal to a varying specified percentage of the contract amount. This amount is known as the initial margin. Subsequent payments (variation margins) are made or received by the Portfolio each day, dependent on the daily fluctuations in the value of the underlying debt security or index. These changes in the variation margins are recorded by the Portfolio as unrealized gains or losses. Upon the closing of the contracts, the cumulative net change in the variation margin is recorded as realized gain or loss. The Portfolio uses futures to attempt to reduce the overall risk of its investments.

NOTE 7 – Credit Default Swaps

A Fund may enter into credit default swaps to: 1) preserve a return or a spread on a particular investment or portion of its portfolio; 2) protect against any increase in the price of securities a Fund anticipates purchasing at a later date; or 3) attempt to enhance yield. Credit default swaps involve the exchange of a fixed rate premium for protection against the loss in value of an underlying debt instrument in the event of a defined credit event, such as payment default or bankruptcy. Under a credit default swap one party acts as a ‘guarantor’ by receiving the fixed periodic payment in exchange for the commitment to purchase the underlying security at par if the credit event occurs. A Fund may enter into credit default swaps in which either it or its counterparty act as the guarantor.

The creditworthiness of firms with which a Fund enters into credit default swaps are monitored by WRIMCO. If a firm’s creditworthiness declines, the value of the agreement would likely decline, potentially resulting in losses. If a default occurs by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction.

Swaps are marked-to-market daily based on dealer-supplied valuations and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses may be realized upon termination of the swap agreement. At June 30, 2005, Asset Strategy Portfolio owned the following swap agreements:

Contract Description	Expiration Date	Notional Amount	Unrealized Appreciation (Depreciation)
During the life of the contract pay Merrill Lynch International a fixed rate of 2.1% of the notional amount. Upon each credit event of one of the issues of the Dow Jones CDX Emerging Markets Series 3 receive par value of the proportional notional amount from Merrill Lynch International. (Dow Jones CDX Emerging Markets Series 3 is a tradable index of credit default swaps on debt composed of sovereign issuers (each an issuer) from the following regions: Latin America; Eastern Europe, the Middle East and Africa; Asia.)	6-20-10	\$2,900,000	\$(29,411)
During the life of the contract pay Merrill Lynch International a fixed rate of 3.6% of the notional amount. Upon each credit event of one of the issues of the Dow Jones CDX North America High Yield Series 4 receive par value of the proportional notional amount from Merrill Lynch International. (Dow Jones CDX North America High Yield Series 4 is a tradable index of credit default swaps on non-investment grade debt of companies domiciled in North America.) . .	6-20-10	2,871,000	30,576
			<u>\$ 1,165</u>

NOTE 8 – Name Changes

On December 1, 2004, International Portfolio and International II Portfolio changed their names to International Growth Portfolio and International Value Portfolio, respectively.

NOTE 9 – Other Tax Information

Internal Revenue Code regulations permit each qualifying Portfolio to elect to pass through a foreign tax credit to shareholders with respect to foreign taxes paid by the Portfolio. At December 31, 2004, International Growth Portfolio and International Value Portfolio elected to pass through \$311,458 and \$1,128,730, respectively, of creditable foreign taxes to their shareholders.

Shareholder Meeting Results

On January 20, 2005, a special shareholder meeting (the Meeting) for W&R Target Small Cap Value Portfolio, a series of W&R Target Funds, Inc., was held at the offices of Waddell & Reed Financial, Inc., 6300 Lamar Avenue, Overland Park, Kansas, 66202. The Meeting was held for the following purpose (and with the following results):

Proposal 1: To approve a subadvisory agreement between Waddell & Reed Investment Management Company and BlackRock Financial Management, Inc. with respect to W&R Target Small Cap Value Portfolio.

For	Against	Abstain
6,829,230.012	110,582.412	351,853.979

Consideration of Investment Management Subadvisory Agreement for Small Cap Value Portfolio

In late 2004, MetLife, Inc. (MetLife), the parent company of State Street Research & Management Company (State Street), Small Cap Value Portfolio's then-current investment subadvisor, had entered into an agreement to sell SSRM Holding, Inc., and its subsidiary, State Street, to BlackRock, Inc. The sale was completed in January 2005, and resulted in the automatic termination of the investment subadvisory agreement with State Street for the Small Cap Value Portfolio. In preparation of this pending transaction and subsequent termination of the subadvisory agreement for Small Cap Value Portfolio, Waddell & Reed Investment Management Company (WRIMCO) proposed a new subadvisory agreement with BlackRock Financial Management, Inc. (BlackRock), an indirect wholly-owned subsidiary of BlackRock, Inc. At a meeting held on November 10, 2004, the Board of Directors, including the Directors who are not "interested persons" of W&R Target Funds, Inc. (Disinterested Directors), voted unanimously to approve an investment subadvisory agreement between WRIMCO, the investment advisor for Small Cap Value Portfolio (Portfolio), and BlackRock (Proposed Agreement) and to recommend that shareholders of the Portfolio vote to approve the Proposed Agreement.

In connection with that approval and recommendation, the Directors met with representatives of BlackRock who provided the Directors with extensive information on BlackRock and its plans on how it proposes to manage the Portfolio. As part of their deliberations, the Directors first considered the general reputation, financial resources and business activities of BlackRock and its parent organization. They further considered the scope and quality of the services that BlackRock proposes to provide the Portfolio, including the fee rate for providing those services. BlackRock advised the Directors that it does not offer lower fees than the fees proposed under the Proposed Agreement for any other small cap value client. After considering information provided to them by BlackRock on those issues, the Directors concluded that BlackRock and its parent organization (including BlackRock's parent after completion of the merger with State Street), had sufficient resources and expertise to capably manage the Portfolio. The Directors also concluded that BlackRock's proposed fee was reasonable, particularly because the proposed fee is identical to the fee that the Portfolio currently pays State Street.

The Directors discussed with BlackRock how BlackRock would manage the Portfolio on a day-to-day basis. BlackRock provided extensive information to the Directors on its investment philosophy, selection process and investment process. BlackRock further described to the Directors the risk profile and portfolio characteristics of accounts currently under BlackRock's management that have substantially the same investment objectives and restrictions as the Portfolio. BlackRock also described what they believed would be the total amount of assets that BlackRock could capably manage in the small capitalization value asset class, which would include the Portfolio's assets as well as the assets in another fund for which it is proposed that BlackRock would serve as subadvisor and which is managed by Ivy Investment Management Company. BlackRock noted that they likely would recommend to the Directors that the Portfolio close to new investors once the aggregated assets in both of the funds proposed to be subadvised by BlackRock reached approximately \$400 million. BlackRock noted that they believe that permitting assets in excess of that amount to be invested in the Portfolio could be harmful to existing shareholders. As of November 30, 2004, the Portfolio's assets were approximately \$127 million. As of November 30, 2004, the aggregated assets of both funds proposed to be managed by BlackRock were approximately \$221 million.

With respect to the nature and quality of the services to be provided, the Directors considered the performance of a small cap value equity composite comprised of all fully discretionary total return accounts managed by BlackRock, which generally invest in companies with market capitalization between the largest and smallest member of the Russell 2000 Index. The Directors considered that the composite outperformed the Russell 2000 Index for the last one- and two-year periods ended September 30, 2004 and since the inception date of the composite on January 1, 2002 through the period ended September 30, 2004.

In addition, the Directors considered information provided by BlackRock regarding its use of brokers or dealers in Portfolio transactions that would provide research and other services to BlackRock, and the benefits that would be derived by the Portfolio and by other clients of BlackRock from such services. The Directors considered the extent of the services to be provided by BlackRock, described in the Proposed Agreement, including that BlackRock would be responsible for formulating and implementing a continuous investment program for the Portfolio consistent with the Portfolio's investment objective and policies.

Although WRIMCO discussed in general with the Directors how economies of scale could be achieved as the Portfolio's assets grow, the Directors did not expressly consider whether economies of scale would be realized with respect to the Proposed Agreement because the subadvisory fee is at a fixed rate that WRIMCO is required to pay to BlackRock. The Board understood that, because the proposed subadvisory fee is based upon a fixed percentage of the Portfolio's average daily value of the net assets, the subadvisory fee will increase proportionately to the increase in Portfolio assets.

The Directors did not take into account the projected profits of BlackRock for managing the Portfolio, because the proposed relationship had not yet commenced and it would be difficult to project those profits. However, the Directors noted that, should shareholders approve the relationship, this issue would be closely monitored in the future. Likewise, the Directors did not consider comparisons of the proposed services with those of other contracts, except to the extent that the proposed arrangement with BlackRock would be virtually identical to the current relationship with State Street.

The Directors also considered the terms of the current advisory agreement between the Corporation and the WRIMCO, with respect to the Portfolio, including the services that WRIMCO provides and the rate of advisory fee payable to WRIMCO. They also considered that: (a) WRIMCO was responsible for the selection, subject to Board and shareholder approval, of any subadvisor to the Portfolio, as well as monitoring its performance; (b) WRIMCO would be responsible for BlackRock's compliance with the Portfolio's investment objective and policies and restrictions as well as compliance with the federal securities laws; and (c) WRIMCO was responsible for the overall success or failure of the Portfolio.

In addition, the Disinterested Directors received advice from independent legal counsel and met separately from the full Board with their counsel. Based on the Directors' deliberations and their evaluation of the information described above, the Board of Directors, including all of the Disinterested Directors, unanimously approved the Proposed Agreement and concluded that the fees under the Proposed Agreement are fair and reasonable in light of such services and such other matters as the Directors considered to be relevant in the exercise of their reasonable judgment and that approval of the Proposed Agreement is in the best interests of the Portfolio. In addition, the Directors noted that BlackRock's proposed fee is identical to the fee that the Portfolio currently pays State Street and is the same fee paid by a similar fund managed by Ivy Investment Management Company.

After carefully considering the information described above, the Board of Directors, including the Disinterested Directors, unanimously voted to approve the Proposed Agreement for the Portfolio and to recommend that the Portfolio's shareholders vote to approve the Proposed Agreement. The shareholders of the Portfolio voted in favor of the Proposed Agreement and it was executed as of January 31, 2005, in conjunction with the sale of State Street to BlackRock.

Proxy Voting Information

Proxy Voting Guidelines

A description of the policies and procedures W&R Target Funds, Inc. uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 1.888.WADDELL or (ii) on the SEC's website at www.sec.gov.

Proxy Voting Records

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ending June 30 on Form N-PX is available through Waddell & Reed's website at www.waddell.com and on the SEC's website at www.sec.gov.

Quarterly Portfolio Schedule Information

A complete schedule of portfolio holdings for the first and third quarters of each fiscal year will be filed with the Securities and Exchange Commission (SEC) on the Fund's Form N-Q. This form may be obtained in the following ways:

- On the SEC's website at www.sec.gov.
- For review and copy at the SEC's Public Reference Room in Washington, DC. Information on the operations of the Public Reference Room may be obtained by calling 1.800.SEC.0330.
- On Waddell & Reed's website at www.waddell.com.

This page is for your notes and calculations.

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THE W&R TARGET FUNDS FAMILY

Global/International Funds

- International Growth Portfolio
- International Value Portfolio

Domestic Equity Funds

- Core Equity Portfolio
- Dividend Income Portfolio
- Growth Portfolio
- Micro Cap Growth Portfolio
- Small Cap Growth Portfolio
- Small Cap Value Portfolio
- Value Portfolio

Fixed Income Funds

- Bond Portfolio
- High Income Portfolio
- Limited-Term Bond Portfolio
- Mortgage Securities Portfolio

Money Market Funds

- Money Market Portfolio

Specialty Funds

- Science and Technology Portfolio
- Real Estate Securities Portfolio
- Asset Strategy Portfolio
- Balanced Portfolio

FOR MORE INFORMATION:

Contact your financial advisor, or your local office as listed on your Account Statement, or contact:

United Investors Life
Variable Products Division
P.O. Box 156
Birmingham, AL 35201-0156
205.325.4300

or

Securian Financial Services, Inc.
400 Robert Street North
St. Paul, MN 55101-2098
1.888.237.1838
or
Call 1.888.WADDELL

or
Nationwide Financial, Inc.
P.O. Box 182449
One Nationwide Plaza
Columbus, OH 43218-2449
1.888.867.5175

The underlying portfolios discussed in this report are only available as investment options in variable annuity and variable life insurance contracts issued by life insurance companies. They are not offered or made available directly to the general public.

This report is submitted for the general information of the shareholders of W&R Target Funds, Inc. It is not authorized for distribution to prospective investors in a Portfolio unless accompanied with or preceded by the W&R Target Funds, Inc. current prospectus as well as the variable product prospectus.

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