

Prospectus and Statement of Additional Information Supplement

March 12, 2004*

Fund Name	Prospectus Form #	SAI Form #
AXP Partners Small Cap Value Fund (July 30, 2003)	S-6239-99 E	S-6239-20 E

For the prospectus

The “Principal Investment Strategies” section has been revised as follows:

PRINCIPAL INVESTMENT STRATEGIES

The Fund is a non-diversified mutual fund that invests primarily in equity securities. Under normal market conditions, at least 80% of the Fund’s net assets are invested in small cap companies. Small cap companies are those that have a market capitalization, at the time of investment, of up to \$2 billion or that fall within the range of the Russell 2000® Value Index. The Fund will provide shareholders with at least 60 days’ notice of any change in the 80% policy.

American Express Financial Corporation (AEFC) serves as the investment manager to the Fund and is responsible for the Fund’s overall administration, distribution and oversight of the subadvisers. AEFC has selected five independent asset managers, Royce & Associates, LLC (Royce), Goldman Sachs Asset Management, L.P. (GSAM), Donald Smith & Co., Inc. (Donald Smith), Franklin Portfolio Associates LLC (Franklin) and Barrow, Hanley, Mewhinney & Strauss, Inc. (BHMS) (the Subadvisers), to subadvise the Fund. Each of the Subadvisers acts independently of the other and uses its own methodology for selecting investments. Each of the Subadvisers employs an active investment strategy that focuses on small companies in an attempt to take advantage of what are believed to be undervalued securities.

In selecting investments for the Fund, each of the Subadvisers looks for well-capitalized small and micro capitalization companies that they believe are undervalued. Although this strategy seeks to identify companies with market capitalizations in the range of the Russell 2000 Value Index, the Fund may hold or buy stock in a company that is not included in the Russell 2000 Value Index if the stock remains attractive.

Royce

Royce uses a value methodology in managing its portion of the Fund. In selecting securities, Royce evaluates the quality of a company’s balance sheet, the level of its cash flows and various measures of a company’s profitability. Royce then uses these factors to assess the company’s current worth, basing this assessment on either what it believes a knowledgeable buyer might pay to acquire the entire company or what it thinks the value of the company should be in the stock market. This analysis takes a number of factors into consideration, including the company’s future growth prospects and current financial condition. Royce’s investments focus on small- and micro-cap securities that it believes are trading significantly below its estimate of their current

worth. In selecting securities for the Fund, Royce looks for companies in the upper end of the small-cap market that have:

- Excellent business strengths.
- High internal rates of return and low leverage.

In the micro-cap sector, Royce selects from a universe of more than 6,200 micro-cap companies that it believes are trading significantly below its estimate of their current worth.

GSAM

Business quality, attractive valuation and thoughtful portfolio construction are the key elements of GSAM's Value Equity approach. Through intensive, hands-on research the Value Equity team at Goldman Sachs seeks to identify well-positioned small-cap companies that have attractive returns on capital, strong or improving cash flow characteristics and run by shareholder-oriented managements. The team employs a disciplined valuation approach to invest in these companies when the market does not fully recognize their real economic value.

GSAM will sell a position if (1) the risk/reward profile becomes less attractive due to price appreciation; (2) its investment thesis for a particular holding is invalidated based on subsequent information; and (3) our confidence in management's ability to execute is compromised. Furthermore, GSAM mitigates the liquidity and company-specific risks associated with small-cap value investing by limiting their sector bets and investing in a large number of holdings.

Donald Smith

Donald Smith employs a strict bottom-up approach, investing in stocks of out-of-favor companies selling at discounts to book value. Donald Smith looks for companies in the bottom decile of price-to-tangible book ratios and a positive outlook for earnings potential over the next 2-4 years. Donald Smith screens about 10,000 companies from various databases. Those companies that meet the criteria are added to the proprietary Watch List, which contains a list of 300 names of low price/book value stocks. From this Watch List, Donald Smith chooses the most attractive 30-50 names after completing its in-depth research, investing in companies with market capitalization over \$100 million but less than \$1.5 billion.

Donald Smith will sell a stock when it appreciates rapidly, if a better idea is found, or if fundamentals deteriorate.

Franklin

Franklin's investment process is predicated on the belief that it can consistently differentiate between undervalued and overvalued securities. As a result, Franklin emphasizes stock selection in the process and limits the over or under exposure to sectors and other factors. Franklin uses over 40 measures, including relative value, future value, fundamental momentum, long-term growth, price action and management signals, to determine a stock's attractiveness.

In order to make legitimate comparisons between stocks that have different characteristics such as industry, style and capitalization, Franklin applies a process called Peer Group Relativization to remove certain industry and style effects that can distort a fair comparison across a wide universe of securities. The individual measures are then blended together using a proprietary approach to determine a single score of attractiveness. Using this single score, Franklin will rank a universe of over 3,500 stocks from most attractive down to least attractive and group them into deciles. Decile #1 are stocks Franklin believes are the most undervalued in the marketplace and most likely to appreciate at a higher rate.

Stocks that fall below the median ranking are automatic sell candidates and the proceeds are reinvested in stocks from the top deciles in the ranking system.

BHMS

BHMS small cap domestic equity strategy is designed to exploit inefficiencies in the small cap sector of the market by carefully employing high value-added proprietary research in a universe of small capitalization, low-expectation stocks. This process, known as the “value gap” is directed toward the discovery of companies in which the value of the underlying business is significantly greater than the market price. A value gap is typically indicated by below average P/E ratios (on normalized earnings), above average free cash flow yields, as well as better than market levels of internal growth and return on capital.

BHMS utilizes a proprietary graphical interface to screen the universe of roughly 1,400 companies with market capitalization between \$500 million and \$3 billion that possess characteristics desired by BHMS. The result is a “Prospect List” of approximately 150 companies on which BHMS small cap team undertakes primary, fundamental securities analysis. Firsthand fundamental research is the foundation of BHMS qualitative analysis. Once the quantitative analysis indicates that a company on the Prospect List appears attractive, the BHMS investment team will meet with senior management of the company, as well as business competitors, clients, and suppliers. All forecasts for profitability, earnings, and free cash flow growth are developed as a result of this firsthand research. Key issues, such as share ownership of senior management and the anticipated use of free cash flow, are also addressed through the qualitative research process. The assumptions and forecasts developed through BHMS quantitative and qualitative analyses are installed in two real-time models used to ensure consistency and discipline in the investment process — the Cash Flow Yield Model and the Relative Return Model. Stocks that appear undervalued on both models are candidates for purchase. New investment candidates are evaluated against existing holdings and those holdings with the smallest remaining value gap are considered for sale. BHMS will construct its portion of the Fund’s portfolio from the bottom up, one security at a time. Portfolio holdings will average 25 to 35 stocks with an average weighting of 3%-5%.

Unusual Market Conditions

During unusual market conditions, the Fund's policies permit investment of more of its assets in money market securities. Although investing in these securities would serve primarily to hedge risk, this type of investment could prevent the Fund from achieving its investment objective. During these times, trading in the Fund's portfolio securities could be more frequent, which could result in increased fees, expenses, and taxes.

The "Investment Manager" section has been revised as follows:

AEFC selects, contracts with and compensates the Subadvisers to manage the investment of the Fund's assets. AEFC monitors the compliance of the Subadvisers with the investment objectives and related policies of the Fund, reviews the performance of the Subadvisers, and reports periodically to the Board of Directors (the "Board"). The Subadvisers each manage a portion of the Fund's assets based upon their respective experience in managing a small capitalization value fund whose investment goals and strategies are substantially similar to those of the Fund.

Royce

Royce & Associates, LLC has been investing in small-cap securities with a value approach for more than 25 years. Charles M. Royce has been Royce's President and Chief Investment Officer since 1972. W. Whitney George, Managing Director, Vice President and Senior Portfolio Manager and Jay S. Kaplan, Portfolio Manager, co-manage the portion of the Fund's portfolio managed by Royce. Mr. George has been employed by Royce since 1991. Mr. Kaplan has been employed by Royce since 2000, having previously been a Managing Director and Portfolio Manager at Prudential Investments.

GSAM

A team of seasoned small-cap value investors is responsible for managing GSAM's portion of the Fund. Portfolio managers are organized along industry lines and are responsible for conducting research in their particular area of expertise. While the team debates investment ideas and overall portfolio structure, the buy/sell decision resides with the portfolio manager responsible for the industry. Key professionals include.

Eileen Rominger, Managing Director and Chief Investment Officer

Eileen is Chief Investment Officer and portfolio manager on the U.S. Value team where she oversees the portfolio construction and investment research for the firm's value accounts. Her prior experience spanned 18 years at Oppenheimer Capital, where she was a Managing Director and member of the Executive Committee. She was a senior portfolio manager for corporate pension fund and insurance company accounts, portfolio manager of Quest Value Fund since 1988, as well as a senior research analyst responsible for several industries. Eileen received an MBA from Wharton School of Business and a BA from Fairfield University

Chip Otness, CFA, Managing Director and Portfolio Manager

Chip is a portfolio manager on the U.S. Value team, where he oversees the portfolio construction and investment research for the firm's Small Cap Value accounts. Chip brings to Goldman Sachs 30 years of fundamental-driven research and investment management experience, 20 years of that managing small cap funds. Chip started his career at JP Morgan where he spent 28 years. When he left JP Morgan he was Managing Director and ran the J.P. Morgan's Small Cap Institutional group and was responsible for growing and managing \$3.6 billion in assets. Chip received a BA in Economics from Harvard University.

Lisa Parisi, CFA, Vice President and Portfolio Manager

Lisa is a portfolio manager on the U.S. Value team, where she has broad research responsibilities across the value strategies. Previously, Lisa started a small-cap value strategy for John A Levin & Co. Lisa also developed a small-cap value product and co-managed a mid-cap value product at Valenzuela Capital, where she was a managing director. Lisa started her career working at Lazard Freres on the small-cap value team and has also worked at Royce Associates and Trust Company of the West. Lisa received a BBA from Adelphi University and an MBA in Finance from the Stern School of Business at New York University.

J. Kelly Flynn, Vice President and Portfolio Manager

Kelly is a portfolio manager for the U.S. Value team, where he has broad research responsibilities across the value strategies. Prior to joining Goldman Sachs Kelly spent three years at Lazard Asset Management where he was a portfolio manager for Small Cap/SMID Cap Value products. Before Lazard, Kelly was a small-cap value portfolio manager at 1838 Investment Advisors. Kelly has also spent time working for Edgewater Private Equity Fund as a research analyst and at First Boston in the mergers and acquisitions department. Kelly received a BA from Harvard in 1990 and an MBA from Wharton School of Business.

Dolores Bamford, CFA, Vice President and Portfolio Manager

Dolores is a portfolio manager for the U.S. Value team, where she has broad research responsibility across the value portfolios. Prior to her arrival at Goldman Sachs, Dolores was a Portfolio Manager at Putnam Investments for various products since 1992. While at Putnam she was portfolio manager for a variety of funds including the Putnam Convertible Income-Growth Fund, the Global Resources Fund. Dolores received a BA from Wellesley College in 1988 and her MS from MIT Sloan School of Management.

Scott Carroll, CFA, Vice President and Portfolio Manager

Scott is a portfolio manager on the U.S. Value team, where he has broad research responsibilities across the value portfolios. Before joining Goldman Sachs, Scott spent over five years at Van Kampen Funds where he had portfolio management and analyst responsibilities for Growth and Income and Equity Income funds. Prior to Van Kampen, Scott spent three years at Lincoln Capital Management as an equity analyst. Scott also

spent two years as a Senior Auditor at Pittway Corporation. Scott received a BS in Accounting from Northern Illinois University in 1988, and an MBA from the University of Chicago Graduate School of Business.

Donald Smith

Donald G. Smith, Chief Investment Officer, has been with Donald Smith & Co., Inc. since 1980. He began his career as an analyst with Capital Research Company. He later became Director, Vice President and Portfolio Manager of Capital Guardian Trust Company. In 1980, Don accepted the responsibility of Chief Investment Officer of Home Insurance Company and President of Home Portfolio Advisors, Inc., which he bought in 1983 and changed the name to Donald Smith & Co., Inc. Don received a BS in finance and accounting from the University of Illinois, an MBA from Harvard University and a JD from UCLA Law School.

Richard L. Greenberg, CFA, is Senior Portfolio Manager and Director of Research. He has been with Donald Smith since 1980. Richard began his investment career at Home Insurance Company as an industry analyst, focusing primarily on the metals, banking and housing sectors. Richard graduated Phi Beta Kappa from SUNY (Binghamton) with a BA in psychology and received his MBA from Wharton Business School.

Franklin

John S. Cone, CFA, is Chief Executive Officer, President and Portfolio Manager. John received a BA in economics from Rice University and a MS from Krannert Graduate School of Management at Purdue University where he was honored as a Krannert Associates Fellow. John has an extensive background in computer modeling and quantitative methods. John is a member of the Boston Security Analyst Society, Chicago Quantitative Alliance, and the Q Group. Additionally, John is on the Advisory Board of the Center for Computational Finance and Economic Systems at Rice University.

Michael F. Dunn, CFA, received a BS in mathematics and linguistics from Yale University. Prior to joining Franklin, he was responsible for quantitative research and development at Wellington Management Company and previously managed domestic index and derivative portfolios internally for the IBM Retirement Fund.

Oliver E. Buckley received a BS degree in mathematical sciences and an MS in engineering-economic systems both from Stanford University. He received an MBA from the University of California at Berkeley. Prior to joining Franklin, Oliver was responsible for research in the Structured Products Group at INVESCO. He also previously served as a portfolio manager at Martingale Asset Management and spent five years at BARRA as the manager of Equity Consulting Services.

Kristin J. Crawford received a BA in computer science and mathematics from Smith College and an Executive MBA from Suffolk University. Before joining Franklin, Kristin was Project Leader for equity development at Standish, Ayer & Wood, and was previously a software developer at The Boston Company Asset Management.

Ian Arvin, CFA, received a BS in applied physics from Cornell University and an MBA in financial engineering from MIT Sloan School of Management. Prior to joining Franklin, Ian was a Senior Vice President, US Equities Portfolio Manager, and Director of product development at Independence Investment LLC. Ian is an Associate of Society of Actuaries and a member of American Academy of Actuaries.

BHMS

James S. McClure, CFA, joined BHMS as a Principal in 1995. Mr. McClure joined BHMS from Goldman Sachs Asset Management, where he had been a Vice President and Senior Portfolio Manager, managing the Capital Growth Fund, as well as separate accounts. During his 32-year investment career, he has served as the Chief Investment Officer, and then President and COO at National Securities and Research Corporation. He also served as the Chief Investment Officer and Executive Vice President at Oppenheimer & Co., Inc. He managed mutual funds at American Capital Management and Research and was initially a securities analyst at American National Insurance Company. Mr. McClure has a BA and an MBA from the University of Texas.

John P. Harloe, CFA, joined BHMS as a Principal in 1995. Mr. Harloe joined BHMS from Sterling Capital Management, where he served as a Vice President and Equity Portfolio Manager/Analyst for nine years. During the remainder of his 28-year investment career, Mr. Harloe worked with James McClure at American National Insurance Company, American Capital Management and Research, and Oppenheimer & Co., Inc. Mr. Harloe has a BA and MBA from the University of South Carolina.

The Fund pays AEFC a fee for managing its assets. AEFC, in turn, pays a portion of this fee to each of the Subadvisers. Under the Investment Management Services Agreement, the fee for the most recent fiscal year was 0.91% of the Fund's average daily net assets, including an adjustment under the terms of a performance incentive arrangement. The maximum monthly adjustment (increase or decrease) will be 0.12% of the Fund's average net assets on an annual basis. Under the agreement, the Fund also pays taxes, brokerage commissions and nonadvisory expenses. AEFC or an affiliate may make payments from its own resources, which include profits from management fees paid by the Fund, to compensate broker-dealers or other persons for providing distribution assistance. AEFC, located at 200 AXP Financial Center, Minneapolis, Minnesota 55474, is a wholly-owned subsidiary of American Express Company, a financial services company with headquarters at American Express Tower, World Financial Center, New York, New York 10285.

Royce is located at 1414 Avenue of the Americas, New York, New York. Royce, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information under a Subadvisory Agreement with AEFC. Royce is a direct wholly-owned subsidiary of Legg Mason, Inc. located at 100 Light Street, Baltimore, Maryland.

GSAM is located at 32 Old Slip, 17th Floor, New York, New York. GSAM, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. GSAM is a division of The Goldman Sachs Group, Inc., a publicly traded financial services company, located at 85 Broad Street, New York, New York.

Donald Smith is located at East 80 Route 4, Suite 360, Paramus, New Jersey. Donald Smith, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC.

Franklin is located at Two International Place, 22nd Floor, Boston, Massachusetts. Franklin, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. Franklin is an indirect wholly-owned subsidiary of Mellon Financial Corporation.

BHMS is located at 3232 McKinney Avenue, 15th Floor, Dallas, Texas. BHMS, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. BMHS is an independent-operated subsidiary of Old Mutual Asset Management (US) group of companies.

The Fund operates under an order from the Securities and Exchange Commission that permits AEFC, subject to the approval of the Board of Directors, to appoint a subadviser or change the terms of a subadvisory agreement for the Fund without first obtaining shareholder approval. The order permits the Fund to add or change unaffiliated subadvisers or the fees paid to subadvisers from time to time without the expense and delays associated with obtaining shareholder approval of the change.

For the Statement of Additional Information

Under the “Investment Management Services Agreement,” the section regarding the Subadvisory Agreements has been revised as follows.

Subadvisory Agreements

The assets of the Fund are managed by five Subadvisers that have been selected by AEFC, subject to the review and approval of the board. AEFC has recommended the Subadvisers for the Fund based upon its assessment of the skills of the Subadvisers in managing other assets with goals and investment strategies substantially similar to those of the Fund. Short-term investment performance is not the only factor in selecting or terminating a Subadviser, and AEFC does not expect to make frequent changes of Subadvisers.

AEFC allocates the assets of the Fund among the Subadvisers. Each Subadviser has discretion, subject to oversight by the board and AEFC, to purchase and sell portfolio assets, consistent with the Fund’s investment objectives, policies, and restriction. Generally, the services that the Subadviser provides to the Fund are limited to asset management and related recordkeeping services. A Subadviser may also serve as a discretionary or non-discretionary investment advisor to management or advisory accounts that are unrelated in any manner to AEFC or its affiliates.

Royce: Royce & Associates, LLC (Royce), located at 1414 Avenue of the Americas, New York, New York, subadvises the Fund’s assets. Royce, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund’s portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. Royce is a direct wholly-owned subsidiary of Legg Mason, Inc. located at 100 Light Street, Baltimore, Maryland. Under the Subadvisory Agreement, the fee is equal to .80% on the first \$100 million, reducing to .60% as assets increase.

GSAM: Goldman Sachs Asset Management, L.P. (GSAM), located at 32 Old Slip, 17th Floor, New York, New York, subadvises the Fund’s assets. GSAM, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund’s portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. GSAM is a division of Goldman Sachs Group, Inc., a publicly traded financial services company, located at 85 Broad Street, New York, New York. Under the Subadvisory Agreement, the fee is equal to .60% on the first \$100 million, reducing to .55% as assets increase.

Donald Smith: Donald Smith & Co., Inc. (Donald Smith), located at East 80 Route 4, Suite 360, Paramus, New Jersey, subadvises the Fund’s assets. Donald Smith, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund’s portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. Under the Subadvisory Agreement, the fee is equal to .60% on the first \$175 million reducing to .55% as assets increase.

Franklin: Franklin Portfolio Associates LLC (Franklin), located at Two International Place, 22nd Floor, Boston, Massachusetts, subadvises the Fund's assets. Franklin, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. Franklin is an indirect wholly-owned subsidiary of Mellon Financial Corporation, located at One Mellon Center, Pittsburgh, Pennsylvania. Under the Subadvisory Agreement, the fee is equal to .60% on the first \$100 million reducing to .55% as assets increase.

BHMS: Barrow, Hanley, Mewhinney & Strauss, Inc. (BHMS), located at 3232 McKinney Avenue, 15th Floor, Dallas, Texas, subadvises the Fund's assets. BHMS, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. BHMS is an independent-operated subsidiary of Old Mutual Asset Management (US) group of companies. Under the Subadvisory Agreement, the fee is equal to .100% on the first \$10 million reducing to .30% as assets increase.

This page left blank intentionally

Fund Name (Date)	Prospectus Form #	Fund Name (Date)	Prospectus Form #
AXP Blue Chip Advantage Fund (April 1, 2003)	S-6025-99 V	AXP Mutual (Nov. 28, 2003)	S-6326-99 X
AXP Diversified Bond Fund (Oct. 30, 2003)	S-6495-99 W	AXP New Dimensions Fund (Sept. 29, 2003)	S-6440-99 W
AXP California Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X	AXP New York Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X
AXP Core Bond Fund (Sept. 29, 2003)	S-6267-99 C	AXP Ohio Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X
AXP Discovery Fund (Sept. 29, 2003)	S-6457-99 Y	AXP Partners Aggressive Growth Fund (July 30, 2003)	S-6260-99 C
AXP Diversified Equity Income Fund (Nov. 28, 2003)	S-6475-99 W	AXP Partners Fundamental Value Fund (July 30, 2003)	S-6236-99 E
AXP Emerging Markets Fund (Dec. 30, 2003)	S-6354-99 L	AXP Partners Growth Fund (July 30, 2003)	S-6261-99 C
AXP Equity Select Fund (Jan. 29, 2003)	S-6426-99 W	AXP Partners International Aggressive Growth Fund (Dec. 30, 2003)	S-6243-99 F
AXP Equity Select Fund (Jan. 29, 2004)	S-6426-99 X	AXP Partners International Core Fund (Dec. 30, 2003)	S-6259-99 D
AXP Equity Value Fund (May 30, 2003)	S-6382-99 N	AXP Partners International Select Value Fund (Dec. 30, 2003)	S-6242-99 F
AXP European Equity Fund (Dec. 30, 2003)	S-6006-99 F	AXP Partners International Small Cap Fund (Dec. 30, 2003)	S-6258-99 D
AXP Focused Growth Fund (May 30, 2003)	S-6003-99 E	AXP Partners Select Value Fund (July 30, 2003)	S-6240-99 D
AXP Global Balanced Fund (Dec. 30, 2003)	S-6352-99 J	AXP Partners Small Cap Core Fund (July 30, 2003)	S-6237-99 E
AXP Global Bond Fund (Dec. 30, 2003)	S-6309-99 X	AXP Partners Small Cap Growth Fund (May 30, 2003)	S-6301-99 E
AXP Global Equity Fund (Dec. 30, 2003)	S-6334-99 W	AXP Partners Small Cap Value Fund (July 30, 2003)	S-6239-99 E
AXP Global Technology Fund (Dec. 30, 2003)	S-6395-99 G	AXP Partners Value Fund (July 30, 2003)	S-6238-99 E
AXP Growth Dimensions Fund (Sept. 29, 2003)	S-6004-99 F	AXP Precious Metals Fund (May 30, 2003)	S-6142-99 X
AXP Growth Fund (Sept. 29, 2003)	S-6455-99 X	AXP Progressive Fund (Nov. 28, 2003)	S-6449-99 X
AXP High Yield Bond Fund (July 30, 2003)	S-6370-99 W	AXP Quantitative Large Cap Equity Fund (Sept. 29, 2003)	S-6263-99 C
AXP High Yield Tax-Exempt Fund (Jan. 29, 2003)	S-6430-99 X	AXP Real Estate Fund (Jan. 6, 2004)	S-6281-99 A
AXP High Yield Tax-Exempt Fund (Jan. 29, 2004)	S-6430-99 Y	AXP Research Opportunities Fund (Sept. 29, 2003)	S-6356-99LK
AXP Income Opportunities Fund (Sept. 29, 2003)	S-6266-99 C	AXP Selective Fund (July 30, 2003)	S-6376-99 X
AXP Inflation Protected Securities Fund (Jan. 12, 2004)	S-6280-99 A	AXP Short Duration U.S. Government Fund (July 30, 2003)	S-6042-99 X
AXP Insured Tax-Exempt Fund (Aug. 29, 2003)	S-6327-99 Y	AXP Small Cap Advantage Fund (May 30, 2003)	S-6427-99 G
AXP Intermediate Tax-Exempt Fund (Jan. 29, 2003)	S-6355-99 K	AXP Small Company Index Fund (April 1, 2003)	S-6357-99 L
AXP Intermediate Tax-Exempt Fund (Jan. 29, 2004)	S-6355-99 L	AXP Stock Fund (Nov. 28, 2003)	S-6351-99 X
AXP International Fund (Dec. 30, 2003)	S-6140-99 Y	AXP Strategy Aggressive Fund (May 30, 2003)	S-6381-99 N
AXP Large Cap Equity Fund (Sept. 29, 2003)	S-6244-99 D	AXP Tax-Exempt Bond Fund (Jan. 29, 2003)	S-6310-99 X
AXP Large Cap Value Fund (Sept. 29, 2003)	S-6246-99 D	AXP Tax-Exempt Bond Fund (Jan. 29, 2004)	S-6310-99 Y
AXP Limited Duration Bond Fund (Sept. 29, 2003)	S-6265-99 C	AXP U.S. Government Mortgage Fund (July 30, 2003)	S-6245-99 D
AXP Managed Allocation Fund (Nov. 28, 2003)	S-6141-99 X	AXP Utilities Fund (Aug. 29, 2003)	S-6341-99 X
AXP Massachusetts Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X		
AXP Michigan Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X		
AXP Mid Cap Value Fund (Nov. 28, 2003)	S-6241-99 D		
AXP Minnesota Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X		

For the prospectus

Under the heading “Buying and Selling Shares,” the section titled “Should you purchase Class A, Class B or Class C shares” has been revised to read as follows:

Should you purchase Class A, Class B or Class C shares?

If your investments in American Express mutual funds total \$100,000 or more, Class A shares may be the better option because the sales charge is reduced for larger purchases. If you qualify for a waiver of the sales charge, Class A shares will be the best option.

If you invest less than \$100,000, consider how long you plan to hold your shares. Class B shares have a higher annual distribution fee than Class A shares and a CDSC for six years. Class B shares convert to Class A shares in the ninth calendar year of ownership. Class B shares purchased through reinvested dividends and distributions also will convert to Class A shares in the same proportion as the other Class B shares.

Class C shares also have a higher annual distribution fee than Class A shares. Class C shares have no sales charge if you hold the shares for one year or longer. Unlike Class B shares, Class C shares do not convert to Class A. As a result, you will pay a 1% distribution fee for as long as you hold Class C shares. If you choose a deferred sales charge option (Class B or Class C), generally you should consider Class B shares if you intend to hold your shares for more than six years. Consider Class C shares if you intend to hold your shares less than six years. To help you determine what investment is best for you, consult your financial advisor.

Under the heading “Sales Charges,” the first bullet in the section titled “Other Class A sales charge policies” has been revised to read as follows:

- IRA purchases or other employee benefit plan purchases made through a payroll deduction plan or through a plan sponsored by an employer, association of employers, employee organization or other similar group, may be added together to reduce sales charges for all shares purchased through that plan, provided that the plan uses the Distributor’s group billing services, and

AXP Partners Small Cap Value Fund (July 30, 2003)

**Prospectus Form #
S-6239-99 E**

**SAI Form #
S-6239-20 E**

Third Avenue Management LLC has informed American Express Financial Corporation of its intent to resign as subadviser to the Fund, effective on or before Feb. 20, 2004. Third Avenue will continue to manage a portion of the Fund's portfolio in the interim. Subject to the approval of the Fund's Board of Directors, and pursuant to the terms of exemptive relief the Fund has obtained which permits the Board to add new subadvisers, AEFC expects to recommend one or more subadvisers before Third Avenue's resignation is effective. In the interim, net flows into the Fund are being allocated to the two other subadvisers, Royce & Associates, LLC and Goldman Sachs Asset Management, L.P.

Prospectus Supplement — Sept. 4, 2003*

Fund Name (Date)	Prospectus Form #
AXP Blue Chip Advantage Fund (April 1, 2003)	S-6025-99 V
AXP California Tax-Exempt Fund (Aug. 29, 2002)	S-6328-99 W
AXP Core Bond Fund (May 28, 2003)	S-6267-99 A
AXP Discovery Fund (Sept. 27, 2002)	S-6457-99 X
AXP Diversified Bond Fund (Oct. 30, 2002)	S-6495-99 V
AXP Diversified Equity Income Fund (Nov. 29, 2002)	S-6475-99 V
AXP Emerging Markets Fund (Dec. 30, 2002)	S-6354-99 K
AXP Equity Select Fund (Jan. 29, 2003)	S-6426-99 W
AXP Equity Value Fund (May 30, 2003)	S-6382-99 N
AXP European Equity Fund (Dec. 30, 2002)	S-6006-99 E
AXP Focused Growth Fund (May 30, 2003)	S-6003-99 E
AXP Global Balanced Fund (Dec. 30, 2002)	S-6352-99 J
AXP Global Bond Fund (Dec. 30, 2002)	S-6309-99 W
AXP Global Growth Fund (Dec. 30, 2002)	S-6334-99 V
AXP Global Technology Fund (Dec. 30, 2002)	S-6395-99 F
AXP Growth Dimensions Fund (Sept. 27, 2002)	S-6004-99 E
AXP Growth Fund (Sept. 27, 2002)	S-6455-99 W
AXP High Yield Bond Fund (July 30, 2003)	S-6370-99 W
AXP High Yield Tax-Exempt Fund (Jan. 29, 2003)	S-6430-99 X
AXP Income Opportunities Fund (May 28, 2003)	S-6266-99 A
AXP Insured Tax-Exempt Fund (Aug. 29, 2003)	S-6327-99 Y
AXP Intermediate Tax-Exempt Fund (Jan. 29, 2003)	S-6355-99 K
AXP International Fund (Dec. 30, 2002)	S-6140-99 X
AXP Large Cap Equity Fund (Sept. 27, 2002)	S-6244-99 C
AXP Large Cap Value Fund (Sept. 27, 2002)	S-6246-99 C
AXP Limited Duration Bond Fund (May 28, 2003)	S-6265-99 A
AXP Managed Allocation Fund (Nov. 29, 2002)	S-6141-99 W
AXP Massachusetts Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X
AXP Michigan Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X
AXP Mid Cap Value Fund (Nov. 29, 2002)	S-6241-99 C
AXP Minnesota Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X
AXP Mutual (Nov. 29, 2002)	S-6326-99 W
AXP New Dimensions Fund (Sept. 27, 2002)	S-6440-99 V
AXP New York Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X
AXP Ohio Tax-Exempt Fund (Aug. 29, 2003)	S-6328-99 X
AXP Partners Aggressive Growth Fund (July 30, 2003)	S-6260-99 C
AXP Partners Fundamental Value Fund (July 30, 2003)	S-6236-99 E
AXP Partners Growth Fund (July 30, 2003)	S-6261-99 C
AXP Partners International	
Aggressive Growth Fund (Dec. 30, 2002)	S-6243-99 E

Prospectus Supplement — Sept. 4, 2003* (continued)

Fund Name (Date)	Prospectus Form #
AXP Partners International Core Fund (Dec. 30, 2002)	S-6259-99 C
AXP Partners International Select Value Fund (Dec. 30, 2002)	S-6242-99 E
AXP Partners International Small Cap Fund (Dec. 30, 2002)	S-6258-99 C
AXP Partners Select Value Fund (July 30, 2003)	S-6240-99 D
AXP Partners Small Cap Core Fund (July 30, 2003)	S-6237-99 E
AXP Partners Small Cap Growth Fund (May 30, 2003)	S-6301-99 E
AXP Partners Small Cap Value Fund (July 30, 2003)	S-6239-99 E
AXP Partners Value Fund (July 30, 2003)	S-6238-99 E
AXP Precious Metals Fund (May 30, 2003)	S-6142-99 X
AXP Progressive Fund (Nov. 29, 2002)	S-6449-99 W
AXP Quantitative Large Cap Equity Fund (March 5, 2003)	S-6263-99 A
AXP Research Opportunities Fund (Sept. 27, 2002)	S-6356-99 K
AXP Selective Fund (July 30, 2003)	S-6376-99 X
AXP Short Duration U.S. Government Fund (July 30, 2003)	S-6042-99 X
AXP Small Cap Advantage Fund (May 30, 2003)	S-6427-99 G
AXP Small Company Index Fund (April 1, 2003)	S-6357-99 L
AXP Stock Fund (Nov. 29, 2002)	S-6351-99 W
AXP Strategy Aggressive Fund (May 30, 2003)	S-6381-99 N
AXP Tax-Exempt Bond Fund (Jan. 29, 2003)	S-6310-99 X
AXP U.S. Government Mortgage Fund (July 30, 2003)	S-6245-99 D
AXP Utilities Fund (Aug. 29, 2003)	S-6341-99 X

The section titled “Purchasing Shares” is revised to read as follows:

PURCHASING SHARES

To purchase shares through entities other than American Express Financial Advisors Inc. (the Distributor), please consult your selling agent. The following section explains how you can purchase shares from the Distributor.

If you do not have an existing American Express mutual fund account, you will need to establish a brokerage account. Your financial advisor will help you fill out and submit an application. Once your account is set up, you can choose among several convenient ways to invest.

When you purchase, your order will be priced at the next NAV calculated after your order is accepted by the Fund. If your application does not specify which class of shares you are purchasing, we will assume you are investing in Class A shares.

Important: When you open an account, you must provide your correct Taxpayer Identification Number (TIN), which is either your Social Security or Employer Identification number.

If you do not provide and certify the correct TIN, you could be subject to backup withholding of 28% of taxable distributions and proceeds from certain sales and exchanges. You also could be subject to further penalties, such as:

- a \$50 penalty for each failure to supply your correct TIN,
- a civil penalty of \$500 if you make a false statement that results in no backup withholding, and
- criminal penalties for falsifying information.

You also could be subject to backup withholding, if the IRS notifies us to do so, because you failed to report required interest or dividends on your tax return.

How to determine the correct TIN

For this type of account:

Use the Social Security or Employer Identification number of:

Individual or joint account	The individual or one of the owners listed on the joint account
Custodian account of a minor (Uniform Gifts/Transfers to Minors Act)	The minor
A revocable living trust	The grantor-trustee (the person who puts the money into the trust)
An irrevocable trust, pension trust or estate	The legal entity (not the personal representative or trustee, unless no legal entity is designated in the account title)
Sole proprietorship or single-owner LLC	The owner
Partnership or multi-member LLC	The partnership
Corporate or LLC electing corporate status on Form 8837	The corporation
Association, club or tax-exempt organization	The organization

For details on TIN requirements, contact your financial advisor to obtain a copy of federal Form W-9, “Request for Taxpayer Identification Number and Certification.” You also may obtain the form on the Internet at (www.irs.gov).

The section “Three ways to invest” has been revised to read as follows:

Methods of purchasing shares

By mail

Once your account has been established, send your check to:

American Express Funds
70200 AXP Financial Center
Minneapolis, MN 55474

Minimum amounts

Initial investment:	\$2,000*
Additional investments:	\$500**
Fund minimum balances:	\$300
Qualified minimum account balances:	none

If your Fund balance falls below \$300, you will be asked to increase it to \$300 or establish a scheduled investment plan. If you do not do so within 30 days, your shares can be sold and the proceeds mailed to you.

* \$1,000 for tax qualified accounts.

** \$100 minimum add-on for existing mutual fund accounts outside of a brokerage account (direct at fund accounts).

By scheduled investment plan

Minimum amounts

Initial investment:	\$2,000*
Additional investments:	\$100**
Account balances:	none (on a scheduled investment plan with monthly payments)

If your account balance is below \$2,000, you must make payments at least monthly.

* \$100 for direct at fund accounts.

** \$50 minimum per payment for qualified accounts in a direct at fund account.

By wire or electronic funds transfer

Please contact your financial advisor or selling agent for specific instructions.

Minimum wire purchase amount: \$1,000 or new account minimum, as applicable.

By telephone

If you have a brokerage account, you may use the money in your account to make initial and subsequent purchases.

To place your order, call:

(800) 872-4377 for brokerage accounts

(800) 967-4377 for wrap accounts

TRANSACTIONS THROUGH THIRD PARTIES

You may buy or sell shares through certain 401(k) plans, banks, broker-dealers, financial advisors or other investment professionals. These organizations may charge you a fee for this service and may have different policies. Some policy differences may include different minimum investment amounts, exchange privileges, fund choices and cutoff times for investments. The Fund and the Distributor are not responsible for the failure of one of these organizations to carry out its obligations to its customers. Some organizations may receive compensation from the Distributor or its affiliates for shareholder recordkeeping and similar services. Where authorized by the Fund, some organizations may designate selected agents to accept purchase or sale orders on the Fund's behalf. To buy or sell shares through third parties or to determine if there are policy differences, please consult your selling agent. For other pertinent information related to buying or selling shares, please refer to the appropriate section in the prospectus.

The section titled "Exchanging/Selling Shares" is revised to read as follows:

EXCHANGING/SELLING SHARES

Exchanges

You may exchange your Fund shares at no charge for shares of the same class of any other publicly offered American Express mutual fund. Exchanges into AXP Tax-Free Money Fund may only be made from Class A shares. For complete information on the other fund, including fees and expenses, read that fund's prospectus carefully. Your exchange will be priced at the next NAV calculated after we receive your transaction request in good order.

The Fund does not permit market-timing. Do not invest in the Fund if you are a market timer.

Excessive trading (market-timing) or other abusive short-term trading practices may disrupt portfolio management strategies, harm performance and increase fund expenses.

To prevent abuse or adverse effects on the Fund and its shareholders, the Distributor and the Fund reserve the right to reject any purchase orders, including exchanges, limit the amount, modify or discontinue the exchange privilege, or charge a fee to any investor we believe has a history of abusive trading or whose

trading, in our judgment has been disruptive to the Fund. For example, we may exercise these rights if exchanges are too numerous or too large.

Other exchange policies:

- Exchanges must be made into the same class of shares of the new fund.
- If your exchange creates a new account, it must satisfy the minimum investment amount for new purchases.
- Once we receive your exchange request, you cannot cancel it.
- Shares of the new fund may not be used on the same day for another exchange.
- If your shares are pledged as collateral, the exchange will be delayed until written approval is received from the secured party.

Selling Shares

You may sell your shares at any time. The payment will be mailed within seven days after your request is received in good order.

When you sell shares, the amount you receive may be more or less than the amount you invested. Your sale price will be the next NAV calculated after your request is received in good order by the Fund, minus any applicable CDSC.

You can change your mind after requesting a sale and use all or part of the proceeds to purchase new shares in the same account from which you sold. If you reinvest in Class A, you will purchase the new shares at NAV rather than the offering price on the date of a new purchase. If you reinvest in Class B or Class C, any CDSC you paid on the amount you are reinvesting also will be reinvested. To take advantage of this option, send a written request within 90 days of the date your sale request was received and include your account number. This privilege may be limited or withdrawn at any time and use of this option may have tax consequences.

The Fund reserves the right to redeem in kind.

For more details and a description of other sales policies, please see the SAI.

To sell or exchange shares held with entities other than the Distributor, please consult your selling agent. The following section explains how you can exchange or sell shares held with the Distributor.

If you decide to sell your shares within 30 days of a telephoned-in address change, a written request is required.

Important: If you request a sale of shares you recently purchased by a check or money order that is not guaranteed, the Fund will wait for your check to clear. It may take up to 10 days from the date of purchase before payment is made. Payment may be made earlier if your bank provides evidence satisfactory to the Fund and the Distributor that your check has cleared.

The section “Two ways to request an exchange or sale of shares” has been revised to read as follows:

Ways to request an exchange or sale of shares

By regular or express mail

**American Express Funds
70100 AXP Financial Center
Minneapolis, MN 55474**

Include in your letter:

- your account number
- the name of the fund(s)
- the class of shares to be exchanged or sold
- your Social Security number or Employer Identification number
- the dollar amount or number of shares you want to exchange or sell
- specific instructions regarding delivery or exchange destination
- signature(s) of registered account owner(s) (All signatures may be required. Contact your financial advisor for more information.)
- delivery instructions, if applicable
- any paper certificates of shares you hold

Payment will be mailed to the address of record and made payable to the names listed on the account, unless specified differently and signed by all owners.

The express mail delivery charges you pay will vary depending on domestic or international delivery instructions.

By telephone

(800) 872-4377 for brokerage accounts

(800) 437-3133 for direct at fund accounts

(800) 967-4377 for wrap accounts

- The Fund and the Distributor will use reasonable procedures to confirm authenticity of telephone exchange or sale requests.
- Telephone exchange and sale privileges automatically apply to all accounts except custodial, corporate or qualified retirement accounts. You may request that these privileges NOT apply by writing the Distributor. Each registered owner must sign the request.
- Acting on your instructions, your financial advisor may conduct telephone transactions on your behalf.
- Telephone privileges may be modified or discontinued at any time.

Minimum sale amount: \$100

Maximum sale amount: \$100,000

By wire

Money can be wired from your account to your bank account. Contact your financial advisor or the Distributor at the above numbers for additional information.

- Minimum amount: \$1,000
- Pre-authorization is required.
- A service fee may be charged against your account for each wire sent.

By scheduled payout plan

- Minimum payment: \$100*.
- Contact your financial advisor or the Distributor to set up regular payments.
- Purchasing new shares while under a payout plan may be disadvantageous because of the sales charges.

* Minimum is \$50 in a direct at fund account.

Electronic transactions

The ability to initiate transactions via the internet may be unavailable or delayed at certain times (for example, during periods of unusual market activity). The Fund and the Distributor are not responsible for any losses associated with unexecuted transactions. In addition, the Fund and the Distributor are not responsible for any losses resulting from unauthorized transactions if reasonable security measures are followed to validate the investor's identity. The Fund may modify or discontinue electronic privileges at any time.

Fund Name	Prospectus Form #	SAI Form #
AXP® Partners Small Cap Value Fund (July 30, 2003)	S-6239-99 E	S-6239-20 E

For the prospectus

The “Principal Investment Strategies” section has been revised as follows:

PRINCIPAL INVESTMENT STRATEGIES

The Fund is a non-diversified mutual fund that invests primarily in equity securities. Under normal market conditions, at least 80% of the Fund’s net assets are invested in companies with market capitalization of less than \$2 billion, which also includes micro capitalization companies with market capitalization of less than \$400 million, at the time of investment. The Fund will provide shareholders with at least 60 days’ notice of any change in the 80% policy.

American Express Financial Corporation (AEFC) serves as the investment manager to the Fund and is responsible for the Fund’s overall administration, distribution and oversight of the subadvisers. AEFC has selected three independent asset managers, Royce & Associates, LLC (Royce), Third Avenue Management LLC (Third Avenue), and Goldman Sachs Asset Management, L.P. (GSAM) (the Subadvisers), to subadvise the Fund. Each of the Subadvisers acts independently of the other and uses its own methodology for selecting investments. Each of the Subadvisers employs an active investment strategy that focuses on small companies in an attempt to take advantage of what are believed to be undervalued securities.

In selecting investments for the Fund, each of the Subadvisers looks for well-capitalized small and micro capitalization companies that they believe are undervalued. Although this strategy seeks to identify companies with market capitalizations in the range of the Russell 2000® Value Index, the Fund may hold or buy stock in a company that is not included in the Russell 2000 Value Index if the stock remains attractive.

Royce

Royce uses a value methodology in managing its portion of the Fund. In selecting securities, Royce evaluates the quality of a company’s balance sheet, the level of its cash flows and various measures of a company’s profitability. Royce then uses these factors to assess the company’s current worth, basing this assessment on either what it believes a knowledgeable buyer might pay to acquire the entire company or what it thinks the value of the company should be in the stock market. This analysis takes a number of factors into consideration, including the company’s future growth prospects and current financial condition. Royce’s investments focus on small- and micro-cap securities that it believes are trading significantly below its estimate of their current worth. In selecting securities for the Fund, Royce looks for companies in the upper end of the small-cap market that have:

- Excellent business strengths.
- High internal rates of return and low leverage.

In the micro-cap sector, Royce selects from a universe of more than 6,200 micro-cap companies that it believes are trading significantly below its estimate of their current worth.

Third Avenue

Third Avenue uses a value investment style through a disciplined bottom-up approach to identify securities of well-financed companies which are trading at a substantial discount. Focusing on a company’s fundamentals rather than macro-economic trends, Third Avenue investigates publicly available information about a company to understand its dynamics and gathers information about its management, its customers, and its competitors. In selecting securities for the Fund, Third Avenue identifies attractive investments that exhibit the following four essential characteristics:

- High quality resources, measured by the presence of high quality assets, the absence of liabilities both on and off the balance sheet and strong cash flows.
- Competent management with a strong record as an owner and operator of the business, and shares a common interest with outside, passive minority shareholders.
- Understandable business, based on company’s published financials, Securities and Exchange Commission (SEC) filings and other public documents.
- Selling at a discount to the value of business were it a private company or a takeover candidate.

Third Avenue will generally sell a security when there has been a fundamental change in the business or capital structure of the company, which significantly affects the investment’s inherent value, or when Third Avenue believes that the market value of an investment is over-priced relative to its intrinsic value.

GSAM

Business quality, attractive valuation and thoughtful portfolio construction are the key elements of GSAM’s Value Equity approach. Through intensive, hands-on research the Value Equity team at Goldman Sachs seeks to identify well-positioned small-cap companies that have attractive returns on capital, strong or improving cash flow characteristics and run by shareholder-oriented managements. The team employs a disciplined valuation approach to invest in these companies when the market does not fully recognize their real economic value.

GSAM will sell a position if (1) the risk/reward profile becomes less attractive due to price appreciation; (2) our investment thesis for a particular holding is invalidated based on subsequent information; and (3) our confidence in management's ability to execute is compromised. Furthermore, GSAM mitigates the liquidity and company-specific risks associated with small-cap value investing by limiting their sector bets and investing in a large number of holdings.

Unusual Market Conditions

During unusual market conditions, the Fund's policies permit investment of more of its assets in money market securities. Although investing in these securities would serve primarily to hedge risk, this type of investment could prevent the Fund from achieving its investment objective. During these times, trading in the Fund's portfolio securities could be more frequent, which could result in increased fees, expenses, and taxes.

The "Investment Manager" section has been revised as follows:

AEFC selects, contracts with and compensates the Subadvisers to manage the investment of the Fund's assets. AEFC monitors the compliance of the Subadvisers with the investment objectives and related policies of the Fund, reviews the performance of the Subadvisers, and reports periodically to the Board of Directors (the "Board"). The Subadvisers each manage a portion of the Fund's assets based upon their respective experience in managing a small capitalization value fund whose investment goals and strategies are substantially similar to those of the Fund.

Royce

Royce & Associates, LLC has been investing in small-cap securities with a value approach for more than 25 years. Charles M. Royce has been Royce's President and Chief Investment Officer since 1972. W. Whitney George, Managing Director, Vice President and Senior Portfolio Manager and Jay S. Kaplan, Portfolio Manager, co-manage the portion of the Fund's portfolio managed by Royce. Mr. George has been employed by Royce since 1991. Mr. Kaplan has been employed by Royce since 2000, having previously been a Managing Director and Portfolio Manager at Prudential Investments.

Third Avenue

Curtis R. Jensen and Ian Lapey have primary responsibility for managing the portion of the Fund's portfolio managed by Third Avenue. Mr. Jensen, Co-Chief Investment Officer and Portfolio Manager of the Third Avenue Small-Cap Value Fund, oversees the management of those assets managed by Third Avenue, and Mr. Lapey, Portfolio Manager, handles the day-to-day management of those assets. Mr. Jensen has been employed by Third Avenue since 1995, having previously held various corporate finance positions with Manufacturers Hanover Trust Company and Enright and Company, a private investment banking firm. Mr. Jensen received a BA from Williams College and an MBA from the Yale School of Management, where he studied under Mr. Whitman. Mr. Lapey has been employed by Third Avenue since 2001, having previously been an Equity Research Analyst with Credit Suisse First Boston for three years. Mr. Lapey received a BA from Williams College, an MS from Northeastern University Graduate School of Professional Accounting, and an MBA from New York University Stern School of Business. Martin J. Whitman, CFA, is founder and Co-Chief Investment Officer of Third Avenue Management LLC.

GSAM

A team of seasoned small-cap value investors is responsible for managing GSAM's portion of the Fund. Portfolio managers are organized along industry lines and are responsible for conducting research in their particular area of expertise. While the team debates investment ideas and overall portfolio structure, the buy/sell decision resides with the portfolio manager responsible for the industry. Key professionals include.

Eileen Rominger, Managing Director and Chief Investment Officer

Eileen is Chief Investment Officer and portfolio manager on the U.S. Value team where she oversees the portfolio construction and investment research for the firm's value accounts. Her prior experience spanned 18 years at Oppenheimer Capital, where she was a Managing Director and member of the Executive Committee. She was a senior portfolio manager for corporate pension fund and insurance company accounts, portfolio manager of Quest Value Fund since 1988, as well as a senior research analyst responsible for several industries. Eileen received an M.B.A. from Wharton School of Business and a B.A. from Fairfield University.

Chip Otness, CFA, Managing Director and Portfolio Manager

Chip is a portfolio manager on the U.S. Value team, where he oversees the portfolio construction and investment research for the firm's Small Cap Value accounts. Chip brings to Goldman Sachs 30 years of fundamental-driven research and investment management experience, 20 years of that managing small cap funds. Chip started his career at JP Morgan where he spent 28 years. When he left JP Morgan he was Managing Director and ran the J.P. Morgan's Small Cap Institutional group and was responsible for growing and managing \$3.6 billion in assets. Chip received a B.A. in Economics from Harvard University.

Lisa Parisi, CFA, Vice President and Portfolio Manager

Lisa is a portfolio manager on the U.S. Value team, where she has broad research responsibilities across the value strategies. Previously, Lisa started a small-cap value strategy for John A Levin & Co. Lisa also developed a small-cap value product and co-managed a mid-cap value product at Valenzuela Capital, where she was a managing director. Lisa started her career working at Lazard Freres on the small-cap value team and has also worked at Royce Associates and Trust Company of the West. Lisa received a B.B.A. from Adelphi University and an M.B.A. in Finance from the Stern School of Business at New York University.

J. Kelly Flynn, Vice President and Portfolio Manager

Kelly is a portfolio manager for the U.S. Value team, where he has broad research responsibilities across the value strategies. Prior to joining Goldman Sachs Kelly spent three years at Lazard Asset Management where he was a portfolio manager for Small Cap/SMID Cap Value products. Before Lazard, Kelly was a small-cap value portfolio manager at 1838 Investment Advisors. Kelly has also spent time working for Edgewater Private Equity Fund as a research analyst and at First Boston in the mergers and acquisitions department. Kelly received a B.A. from Harvard in 1990 and an M.B.A from Wharton School of Business.

Dolores Bamford, CFA, Vice President and Portfolio Manager

Dolores is a portfolio manager for the U.S. Value team, where she has broad research responsibility across the value portfolios. Prior to her arrival at Goldman Sachs, Dolores was a Portfolio Manager at Putnam Investments for various products since 1992. While at Putnam she was portfolio manager for a variety of funds including the Putnam Convertible Income-Growth Fund, the Global Resources Fund. Dolores received a B.A. from Wellesley College in 1988 and her M.S. from MIT Sloan School of Management.

Scott Carroll, CFA, Vice President and Portfolio Manager

Scott is a portfolio manager on the U.S. Value team, where he has broad research responsibilities across the value portfolios. Before joining Goldman Sachs, Scott spent over five years at Van Kampen Funds where he had portfolio management and analyst responsibilities for Growth and Income and Equity Income funds. Prior to Van Kampen, Scott spent three years at Lincoln Capital Management as an equity analyst. Scott also spent two years as a Senior Auditor at Pittway Corporation. Scott received a B.S. in Accounting from Northern Illinois University in 1988, and an MBA from the University of Chicago Graduate School of Business.

The Fund pays AEFC a fee for managing its assets. AEFC, in turn, pays a portion of this fee to each of the Subadvisers. Under the Investment Management Services Agreement, the fee for the most recent fiscal year was 0.91% of the Fund's average daily net assets, including an adjustment under the terms of a performance incentive arrangement. The maximum monthly adjustment (increase or decrease) will be 0.12% of the Fund's average net assets on an annual basis. Under the agreement, the Fund also pays taxes, brokerage commissions and nonadvisory expenses. AEFC or an affiliate may make payments from its own resources, which include profits from management fees paid by the Fund, to compensate broker-dealers or other persons for providing distribution assistance. AEFC, located at 200 AXP Financial Center, Minneapolis, Minnesota 55474, is a wholly-owned subsidiary of American Express Company, a financial services company with headquarters at American Express Tower, World Financial Center, New York, New York 10285.

Royce is located at 1414 Avenue of the Americas, New York, New York. Royce, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information under a Subadvisory Agreement with AEFC. Royce is a direct wholly-owned subsidiary of Legg Mason, Inc. located at 100 Light Street, Baltimore, Maryland.

Third Avenue is located at 622 Third Avenue 32nd Floor, New York, New York. Third Avenue, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. On August 8, 2002, Affiliated Managers Group, Inc. acquired an indirect majority equity interest in Third Avenue. The investment professionals and management team serving Third Avenue remain unchanged.

GSAM is located at 32 Old Slip, 17th Floor, New York, New York. GSAM, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. GSAM is a division of The Goldman Sachs Group, Inc., a publicly traded financial services company, located at 85 Broad Street, New York, New York.

The Fund operates under an order from the Securities and Exchange Commission that permits AEFC, subject to the approval of the Board of Directors, to appoint a subadviser or change the terms of a subadvisory agreement for the Fund without first obtaining shareholder approval. The order permits the Fund to add or change unaffiliated subadvisers or the fees paid to subadvisers from time to time without the expense and delays associated with obtaining shareholder approval of the change.

For the Statement of Additional Information

Under the "Investment Management Services Agreement," the section regarding the Subadvisory Agreements has been revised as follows.

Subadvisory Agreements

The assets of the Fund are managed by three Subadvisers that have been selected by AEFC, subject to the review and approval of the board. AEFC has recommended the Subadvisers for the Fund based upon its assessment of the skills of the Subadvisers in managing other assets with goals and investment strategies substantially similar to those of the Fund. Short-term investment performance is not the only factor in selecting or terminating a Subadviser, and AEFC does not expect to make frequent changes of Subadvisers.

AEFC allocates the assets of the Fund among the Subadvisers. Each Subadviser has discretion, subject to oversight by the board and AEFC, to purchase and sell portfolio assets, consistent with the Fund's investment objectives, policies, and restriction. Generally, the services that the Subadviser provides to the Fund are limited to asset management and related recordkeeping services. A Subadviser may also serve as a discretionary or non-discretionary investment advisor to management or advisory accounts that are unrelated in any manner to AEFC or its affiliates.

Royce: Royce & Associates, LLC (Royce), located at 1414 Avenue of the Americas, New York, New York, subadvises the Fund's assets. Royce, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. Royce is a direct wholly-owned subsidiary of Legg Mason, Inc. located at 100 Light Street, Baltimore, Maryland. Under the Subadvisory Agreement, the fee is equal to .80% on the first \$50 million, reducing to .50% as assets increase.

Third Avenue: Third Avenue Management LLC (Third Avenue), located at 622 Third Avenue 32nd Floor, New York, New York, subadvises the Fund's assets. Third Avenue, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. Third Avenue is an indirect subsidiary of Affiliated Managers Group, Inc. located at 600 Hale Street, Prides Crossings, Massachusetts 01965. Under the Subadvisory Agreement, the fee is equal to .50% on the first \$100 million, reducing to .40% as assets increase.

GSAM: Goldman Sachs Asset Management, L.P. (GSAM), located at 32 Old Slip, 17th Floor, New York, New York, subadvises the Fund's assets. GSAM, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. GSAM is a division of Goldman Sachs Group, Inc., a publicly traded financial services company, located at 85 Broad Street, New York, New York. Under the Subadvisory Agreement, the fee is equal to .60% on the first \$100 million, reducing to .55% as assets increase.

AXP® Partners Small Cap Value Fund

**AXP Partners Small Cap Value Fund
seeks to provide shareholders with
long-term capital appreciation.**

PROSPECTUS JULY 30, 2003

Please note that this Fund:

- is not a bank deposit
- is not federally insured
- is not endorsed by any bank or government agency
- is not guaranteed to achieve its goal

Like all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Table of Contents

TAKE A CLOSER LOOK AT:

The Fund	.3p
Goal	.3p
Principal Investment Strategies	.3p
Principal Risks	.6p
Past Performance	.7p
Fees and Expenses	.9p
Investment Manager	.10p
Other Securities and Investment Strategies	.13p
Buying and Selling Shares	.14p
Valuing Fund Shares	.14p
Investment Options	.14p
Purchasing Shares	.16p
Transactions Through American Express Brokerage or Third Parties	.18p
Sales Charges	.19p
Exchanging/Selling Shares	.22p
Distributions and Taxes	.26p
Financial Highlights	.28p

The Fund

GOAL

AXP Partners Small Cap Value Fund (the Fund) seeks to provide shareholders with long-term capital appreciation. Because any investment involves risk, achieving this goal cannot be guaranteed.

PRINCIPAL INVESTMENT STRATEGIES

The Fund is a non-diversified mutual fund that invests primarily in equity securities. Under normal market conditions, at least 80% of the Fund's net assets are invested in companies with market capitalization of less than \$2 billion, which also includes micro capitalization companies with market capitalization of less than \$400 million, at the time of investment. The Fund will provide shareholders with at least 60 days' notice of any change in the 80% policy.

American Express Financial Corporation (AEFC) serves as the investment manager to the Fund and is responsible for the Fund's overall administration, distribution and oversight of the subadvisers. AEFC has selected three independent asset managers, Royce & Associates, LLC (Royce), Third Avenue Management LLC (Third Avenue), and National City Investment Management Company (National City) (the Subadvisers), to subadvise the Fund. Each of the Subadvisers acts independently of the other and uses its own methodology for selecting investments. Each of the Subadvisers employs an active investment strategy that focuses on small companies in an attempt to take advantage of what are believed to be undervalued securities.

In selecting investments for the Fund, each of the Subadvisers looks for well-capitalized small and micro capitalization companies that they believe are undervalued. Although this strategy seeks to identify companies with market capitalizations in the range of the Russell 2000® Value Index, the Fund may hold or buy stock in a company that is not included in the Russell 2000 Value Index if the stock remains attractive.

Royce

Royce uses a value methodology in managing its portion of the Fund. In selecting securities, Royce evaluates the quality of a company's balance sheet, the level of its cash flows and various measures of a company's profitability. Royce then uses these factors to assess the company's current worth, basing this assessment on either what it believes a knowledgeable buyer might pay to acquire the entire company or what it thinks the value of the company should be in the stock market. This analysis takes a number of factors into consideration, including the company's future growth prospects and current financial condition. Royce's investments focus on small- and micro-cap securities that it believes are trading significantly below its estimate of their current worth. In selecting securities for the Fund, Royce looks for companies in the upper end of the small-cap market that have:

- Excellent business strengths.
- High internal rates of return and low leverage.

In the micro-cap sector, Royce selects from a universe of more than 6,200 micro-cap companies that it believes are trading significantly below its estimate of their current worth.

Third Avenue

Third Avenue uses a value investment style through a disciplined bottom-up approach to identify securities of well-financed companies which are trading at a substantial discount. Focusing on a company's fundamentals rather than macro-economic trends, Third Avenue investigates publicly available information about a company to understand its dynamics and gathers information about its management, its customers, and its competitors. In selecting securities for the Fund, Third Avenue identifies attractive investments that exhibit the following four essential characteristics:

- High quality resources, measured by the presence of high quality assets, the absence of liabilities both on and off the balance sheet and strong cash flows.
- Competent management with a strong record as an owner and operator of the business, and shares a common interest with outside, passive minority shareholders.
- Understandable business, based on company's published financials, Securities and Exchange Commission (SEC) filings and other public documents.
- Selling at a discount to the value of the business were it a private company or a takeover candidate.

Third Avenue will generally sell a security when there has been a fundamental change in the business or capital structure of the company, which significantly affects the investment's inherent value, or when Third Avenue believes that the market value of an investment is over-priced relative to its intrinsic value.

National City

National City uses a value-oriented approach in managing its portion of the Fund. National City believes that statistically cheap, low multiple (low price/earnings ratio, low price/book ratio, low price/cash flow ratio) stocks can deliver a superior total return over time. To identify stocks that are truly undervalued, National City utilizes a risk-adjusted framework to determine a stock's intrinsic value.

National City believes that being correct with respect to the value, yet being too early and having to wait too long for the market to recognize the value inherent in the company is the chief pitfall of value investing. To avoid this pitfall, National City employs a timing tool, positive revisions of earnings estimates, as an indicator of when investor sentiment is beginning to improve. National City uses this tool to distinguish between value stocks that it believes are poised to outperform and those that are not. National City will generally sell a stock based upon the following possibilities:

- Stock hits its predetermined valuation target.
- More attractive alternatives are available at better valuation levels.
- Secular or cyclical changes in the industry outlook.
- Fundamental picture for the company or industry deteriorates.
- Change in a catalyst.
- Stock exceeds its maximum allowable percent of the total portfolio.

During unusual market conditions, the Fund's policies permit investment of more of its assets in money market securities. Although investing in these securities would serve primarily to hedge risk, this type of investment could prevent the Fund from achieving its investment objective. During these times, trading in the Fund's portfolio securities could be more frequent, which could result in increased fees, expenses, and taxes.

PRINCIPAL RISKS

Please remember that with any mutual fund investment you may lose money. In addition, since the Fund is a non-diversified mutual fund, it may invest more of its assets in fewer issuers than if it were a diversified fund. Accordingly, the Fund may have more risk than mutual funds that have broader diversification. This Fund is designed for investors with above-average risk tolerance. Principal risks associated with an investment in the Fund include:

Market Risk

Small Company Risk

Style Risk

Issuer Risk

Market Risk

The market may drop and you may lose money. Market risk may affect a single issuer, sector of the economy, industry, or the market as a whole. The market value of all securities may move up and down, sometimes rapidly and unpredictably.

Small Company Risk

Investments in small companies often involve greater risks than investments in larger, more established companies because small companies may lack the management experience, financial resources, product diversification, and competitive strengths of larger companies. In addition, in many instances the securities of small companies are traded only over-the-counter or on regional securities exchanges and the frequency and volume of their trading are substantially less and may be more volatile than is typical of larger companies.

Style Risk

The Fund purchases stocks it believes are undervalued, but have potential for long-term growth. These stocks may trade at a discount to the market. Growth cannot be guaranteed and the markets may not be willing to reevaluate out-of-favor stocks.

Issuer Risk

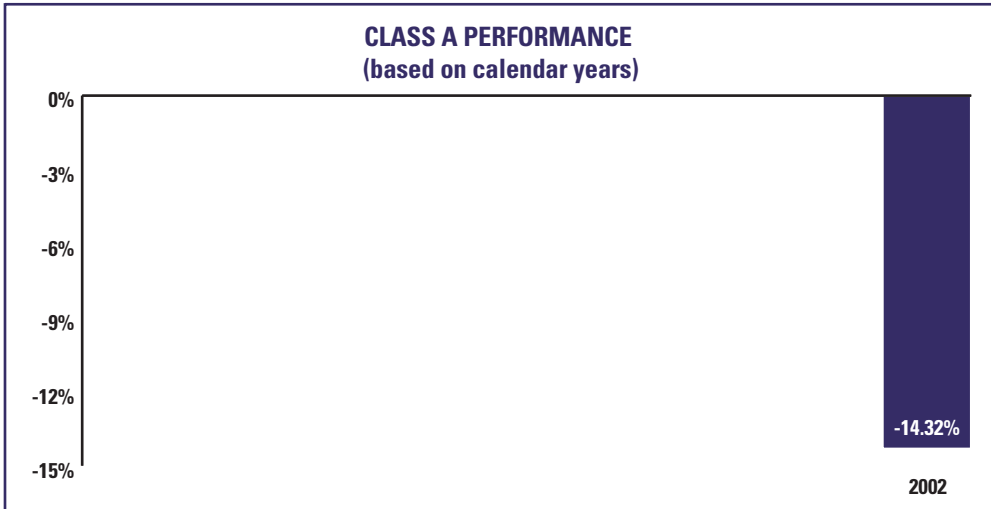
The risk that an issuer, or the value of its stocks or bonds, will perform poorly. Poor performance may be caused by poor management decisions, competitive pressures, breakthroughs in technology, reliance on suppliers, labor problems or shortages, corporate restructurings, fraudulent disclosures or other factors.

PAST PERFORMANCE

The following bar chart and table indicate the risks and variability of investing in the Fund by showing:

- how the Fund’s performance has varied for each full calendar year that the Fund has existed, and
- how the Fund’s average annual total returns compare to recognized indexes.

How the Fund has performed in the past does not indicate how the Fund will perform in the future.



During the period shown in the bar chart, the highest return for a calendar quarter was +8.36% (quarter ending December 2002) and the lowest return for a calendar quarter was -22.65% (quarter ending September 2002).

The 5.75% sales charge applicable to Class A shares of the Fund is not reflected in the bar chart; if reflected, returns would be lower than those shown. The performance of Class B, Class C and Class Y may vary from that shown above because of differences in expenses.

The Fund’s Class A year to date return as of March 31, 2003 was -6.30%.

Average Annual Total Returns (as of Dec. 31, 2002)

	1 year	Since inception
Partners Small Cap Value:		
Class A		
Return before taxes	-19.24%	-7.18% ^(a)
Return after taxes on distributions	-19.42%	-7.31% ^(a)
Return after taxes on distributions and sale of fund shares	-11.81%	-5.78% ^(a)
Class B		
Return before taxes	-18.49%	-6.84% ^(a)
Class C		
Return before taxes	-14.90%	-4.08% ^(a)
Class Y		
Return before taxes	-14.13%	-3.40% ^(a)
Russell 2000® Value Index	-11.43%	-7.06% ^(b)
Lipper Small-Cap Value Funds Index	-11.20%	-6.71% ^(b)
Russell 2000® Index	-20.48%	-16.52%

^(a) Inception date was June 18, 2001.

^(b) Measurement period started July 1, 2001.

Before-Tax Returns

This table shows total returns from hypothetical investments in Class A, Class B, Class C and Class Y shares of the Fund. These returns are compared to the indexes shown for the same periods. The performance of different classes varies because of differences in sales charges and fees.

After-Tax Returns

After-tax returns are shown only for Class A shares. After-tax returns for the other classes will vary. After-tax returns are calculated using the highest historical individual federal marginal income tax rate and do not reflect the impact of state and local taxes. Actual after-tax returns will depend on your tax situation and most likely will differ from the returns shown in the table. If you hold your shares in a tax-deferred account, such as a 401(k) plan or an IRA, the after-tax returns do not apply to you since you will not incur taxes until you begin to withdraw from your account.

For purposes of this calculation we assumed:

- the maximum sales charge for Class A shares,
- sales at the end of the period and deduction of the applicable contingent deferred sales charge (CDSC) for Class B shares,
- no sales charge for Class C shares,
- no sales charge for Class Y shares, and
- no adjustments for taxes paid by an investor on the reinvested income and capital gains.

The Russell 2000® Value Index, an unmanaged index, measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The Lipper Small-Cap Value Funds Index, published by Lipper Inc., includes the 30 largest funds that are generally similar to the Fund, although some funds in the index may have somewhat different investment policies or objectives.

The Russell 2000® Index, an unmanaged index, measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 2000® Index.

Recently, the Fund's investment manager recommended to the Fund that the Fund change its comparative index from the Russell 2000® Index to the Russell 2000® Value Index. The investment manager made this recommendation because the new index more closely represents the Fund's holdings. We will include both indexes in this transition year. In the future, however, only the Russell 2000® Value Index will be included.

FEES AND EXPENSES

Fund investors pay various expenses. The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees (fees paid directly from your investment)				
	Class A	Class B	Class C	Class Y
Maximum sales charge (load) imposed on purchases ^(a) (as a percentage of offering price)	5.75% ^(b)	none	none	none
Maximum deferred sales charge (load) imposed on sales (as a percentage of offering price at time of purchase)	none	5%	1% ^(c)	none
Annual Fund operating expenses^(d) (expenses that are deducted from Fund assets)				
As a percentage of average daily net assets:	Class A	Class B	Class C	Class Y
Management fees ^(e)	0.91%	0.91%	0.91%	0.91%
Distribution (12b-1) fees	0.25%	1.00%	1.00%	0.00%
Other expenses ^(f)	0.57%	0.58%	0.58%	0.64%
Total	1.73%	2.49%	2.49%	1.55%
Fee waiver/expense reimbursement	0.13%	0.13%	0.13%	0.13%
Net expenses	1.60%	2.36%	2.36%	1.42%

^(a) This charge may be reduced depending on the value of your total investments in American Express mutual funds.

See "Sales Charges."

^(b) For Class A purchases over \$1,000,000 on which no sales charge is assessed, a 1% sales charge applies if you sell your shares less than one year after purchase.

^(c) For Class C purchases, a 1% sales charge applies if you sell your shares less than one year after purchase.

^(d) Other expenses are based on estimated amounts for the current fiscal year. AEFC has contractually agreed to waive certain fees and to absorb certain expenses until May 31, 2004. Under this agreement, total expenses will not exceed 1.60% for Class A; 2.36% for Class B; 2.36% for Class C and 1.42% for Class Y.

^(e) Includes the impact of a performance incentive adjustment fee that decreased the management fee by 0.04% for the most recent fiscal year.

^(f) Other expenses include an administrative services fee, a shareholder services fee for Class Y, a transfer agency fee and other nonadvisory expenses. Effective May 2003, the Fund's transfer agency fee increased. The percentages above reflect the increase.

Examples

These examples are intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

Assume you invest \$10,000 and the Fund earns a 5% annual return each year. The operating expenses remain the same each year. You would pay the following expenses if you redeem all of your shares at the end of the time periods indicated:

	1 year	3 years	5 years	10 years
Class A ^(a)	\$728	\$1,077	\$1,449	\$2,493
Class B	\$639	\$1,063	\$1,415	\$2,633 ^(b)
Class C	\$239	\$ 763	\$1,315	\$2,820
Class Y	\$145	\$ 477	\$ 833	\$1,840

^(a) Includes a 5.75% sales charge.

^(b) Based on conversion of Class B shares to Class A shares in the ninth year of ownership.

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

	1 year	3 years	5 years	10 years
Class A ^(a)	\$728	\$1,077	\$1,449	\$2,493
Class B	\$239	\$ 763	\$1,315	\$2,633 ^(b)
Class C	\$239	\$ 763	\$1,315	\$2,820
Class Y	\$145	\$ 477	\$ 833	\$1,840

^(a) Includes a 5.75% sales charge.

^(b) Based on conversion of Class B shares to Class A shares in the ninth year of ownership.

These examples do not represent actual expenses, past or future. Actual expenses may be higher or lower than those shown.

INVESTMENT MANAGER

AEFC selects, contracts with and compensates the Subadvisers to manage the investment of the Fund's assets. AEFC monitors the compliance of the Subadvisers with the investment objectives and related policies of the Fund, reviews the performance of the Subadvisers, and reports periodically to the Board of Directors. The Subadvisers each manage a portion of the Fund's assets based upon their respective experience in managing a small capitalization value fund whose investment goals and strategies are substantially similar to those of the Fund.

On May 31, 2003, approximately 58% of the Fund's assets were managed by Royce, approximately 34% by Third Avenue and approximately 8% by National City. Effective Aug. 1, 2002, new investments in the Fund are allocated 50% to National City, 25% to Royce and 25% to Third Avenue. Over time, AEFC intends to have each of the Subadvisers manage approximately one-third of the Fund's assets. However, subject to Board review, AEFC may, at its discretion, allocate new investments differently if it believes reallocation would be in the best interest of the Fund's shareholders.

Royce

Royce & Associates, LLC has been investing in small-cap securities with a value approach for more than 25 years. Charles M. Royce has been Royce's President and Chief Investment Officer since 1972. W. Whitney George, Managing Director, Vice President and Senior Portfolio Manager and Jay S. Kaplan, Portfolio Manager, co-manage the portion of the Fund's portfolio managed by Royce. Mr. George has been employed by Royce since 1991. Mr. Kaplan has been employed by Royce since 2000, having previously been a Managing Director and Portfolio Manager at Prudential Investments.

Third Avenue

Curtis R. Jensen and Ian Lapey have primary responsibility for managing the portion of the Fund's portfolio managed by Third Avenue. Mr. Jensen, Co-Chief Investment Officer and Portfolio Manager of the Third Avenue Small-Cap Value Fund, oversees the management of those assets managed by Third Avenue, and Mr. Lapey, Portfolio Manager, handles the day-to-day management of those assets. Mr. Jensen has been employed by Third Avenue since 1995, having previously held various corporate finance positions with Manufacturers Hanover Trust Company and Enright and Company, a private investment banking firm. Mr. Jensen received a BA from Williams College and an MBA from the Yale School of Management, where he studied under Mr. Whitman. Mr. Lapey has been employed by Third Avenue since 2001, having previously been an Equity Research Analyst with Credit Suisse First Boston for three years. Mr. Lapey received a BA from Williams College, an MS from Northeastern University Graduate School of Professional Accounting, and an MBA from New York University Stern School of Business. Martin J. Whitman, CFA, is founder and Co-Chief Investment Officer of Third Avenue Management LLC.

National City

Mary Jane Matts, CFA

Director of Value Equity Investment

Ms. Matts is a member of the equity management team with leadership responsibilities for the value equity style offerings. Mary Jane has 16 years of investment experience including positions in equity research, portfolio management, and performance measurement. She originally joined the firm in 1996, leaving in 2000 to accept a position as Director of Research for National City's Wealth Management subsidiary. Mary Jane returned in 2003 to assist in the firm's transition to a new value equity management team. A Chartered Financial Analyst, Ms. Matts received a BA from Kenyon College and a MBA from Case Western Reserve University.

Five-Year Employment History

2000 – 2003:	National City Wealth Management Director of Equity Research
1998 – 2000:	National City Investment Management Company Director of Value Equity Investment

Michael E. Santelli, CFA, CPA
Director of Value Equity Investment

Mr. Santelli is a member of the equity management team with responsibility for the value equity management styles. Michael has 13 years of investment experience including positions in research and portfolio management. Prior to joining the National City Investment Management Company, he was with Donaldson, Lufkin, and Jenrette's mortgage research department. Michael has been with the firm nine years, serving as portfolio manager and most recently as Director of the firm's value oriented Core Equity management discipline. A Chartered Financial Analyst and a Certified Public Accountant, Mr. Santelli received a BS degree from George Washington University and an MBA from the University of Chicago.

Five-Year Employment History

1998 – 2003: National City Investment Management Company
 Director/Senior Portfolio Manager

Alex L. Vallecillo, CFA
Senior Portfolio Manager

Mr. Vallecillo is a member of the equity team with responsibility for the value equity styles. Alex has nine years of investment experience including positions in equity research and portfolio management. Alex joined the firm in 1996. A Chartered Financial Analyst, Mr. Vallecillo received a BS degree from George Mason University and an MBA from the University of Michigan.

Five-Year Employment History

1998 – 2003: National City Investment Management Company
 Senior Portfolio Manager

The Fund pays AEFC a fee for managing its assets. AEFC, in turn, pays a portion of this fee to each of the Subadvisers. Under the Investment Management Services Agreement, the fee for the most recent fiscal year was 0.91% of the Fund's average daily net assets, including an adjustment under the terms of a performance incentive arrangement. The maximum monthly adjustment (increase or decrease) will be 0.12% of the Fund's average net assets on an annual basis. Under the agreement, the Fund also pays taxes, brokerage commissions, and nonadvisory expenses. AEFC or an affiliate may make payments from its own resources, which include profits from management fees paid by the Fund, to compensate broker-dealers or other persons for providing distribution assistance. AEFC, located at 200 AXP Financial Center, Minneapolis, Minnesota 55474, is a wholly-owned subsidiary of American Express Company, a financial services company with headquarters at American Express Tower, World Financial Center, New York, New York 10285.

Royce is located at 1414 Avenue of the Americas, New York, New York. Royce, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information under a Subadvisory Agreement with AEFC. Royce is a direct wholly-owned subsidiary of Legg Mason, Inc. located at 100 Light Street, Baltimore, Maryland.

Third Avenue is located at 622 Third Avenue 32nd Floor, New York, New York. Third Avenue, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information, under a Subadvisory Agreement with AEFC. On Aug. 8, 2002, Affiliated Managers Group, Inc. acquired an indirect majority equity interest in Third Avenue. The investment professionals and management team serving Third Avenue remain unchanged.

National City is located at 1900 East Ninth Street, Cleveland, Ohio. National City, subject to the supervision and approval of AEFC, provides investment advisory assistance and day-to-day management of a portion of the Fund's portfolio, as well as investment research and statistical information under a Subadvisory Agreement with AEFC. National City is an indirect subsidiary of National City Corporation.

The Fund operates under an order from the Securities and Exchange Commission that permits AEFC, subject to the approval of the Board of Directors, to appoint a subadviser or change the terms of a subadvisory agreement for the Fund without first obtaining shareholder approval. The order permits the Fund to add or change unaffiliated subadvisers or the fees paid to subadvisers from time to time without the expense and delays associated with obtaining shareholder approval of the change.

OTHER SECURITIES AND INVESTMENT STRATEGIES

The Fund may invest in other securities and may employ other investment strategies that are not principal investment strategies. The Fund's policies permit investment in other instruments, such as money market securities, investment grade debt securities, and foreign securities. Additionally, the Fund's policies permit a manager, in managing its portion of the Fund, to use derivative instruments such as options and futures contracts to produce incremental earnings, to hedge existing positions, and to increase flexibility. Even though the Fund's policies permit the use of derivatives in this manner, a manager is not required to use derivatives.

For more information on strategies and holdings, see the Fund's Statement of Additional Information (SAI) and its annual and semiannual reports.

Buying and Selling Shares

The public offering price for Class A shares of the Fund is the net asset value (NAV) plus a sales charge, and for Class B, C, and Y shares, the NAV. In addition to buying and selling shares through the Fund's distributor, American Express Financial Advisors Inc., you may buy or sell shares through third parties, including 401(k) plans, banks, brokers, and investment advisers. Where authorized by the Fund, orders in good form are priced at the NAV next determined after your order is placed with the third party. If you buy or redeem shares through a third party, consult that firm to determine whether your order will be priced at the time it is placed with the third party or at the time it is placed with the Fund. The third party may charge a fee for its services.

VALUING FUND SHARES

The NAV is the value of a single share of the Fund. The NAV is determined by dividing the value of the Fund's assets, minus any liabilities, by the number of shares outstanding. AEFC calculates the NAV as of the close of business on the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern time, on each day that the NYSE is open.

The Fund's assets are valued primarily on the basis of market quotations. Certain short-term securities are valued at amortized cost. Foreign investments are valued in U.S. dollars.

AEFC will price a security at fair value in accordance with procedures adopted by the Fund's Board of Directors if a reliable market quotation is not readily available. AEFC also may use fair value if a security's value has been materially affected by events after the close of the primary exchanges or markets on which the security is traded and before the NAV is calculated. This occurs most commonly with foreign securities, but may occur in other cases. The fair value of a security is different from the quoted or published price.

INVESTMENT OPTIONS

- 1. Class A** shares are sold to the public with a sales charge at the time of purchase and an annual distribution (12b-1) fee of 0.25%.
- 2. Class B** shares are sold to the public with a contingent deferred sales charge (CDSC) and an annual distribution fee of 1.00%.
- 3. Class C** shares are sold to the public without a sales charge at the time of purchase and with an annual distribution fee of 1.00% (may be subject to a CDSC).
- 4. Class Y** shares are sold to qualifying institutional investors without a sales charge or distribution fee. Please see the SAI for information on eligibility to purchase Class Y shares.

Investment options summary

The Fund offers four different classes of shares. There are differences among the fees and expenses for each class. Not everyone is eligible to buy every class. After determining which classes you are eligible to buy, decide which class best suits your needs. Your financial advisor can help you with this decision.

The following table shows the key features of each class:

	Class A	Class B	Class C	Class Y
Availability	Available to all investors.	Available to all investors.	Available to all investors.	Limited to qualifying institutional investors.
Initial Sales Charge	Yes. Payable at time of purchase. Lower sales charge for larger investments.	No. Entire purchase price is invested in shares of the Fund.	No. Entire purchase price is invested in shares of the Fund.	No. Entire purchase price is invested in shares of the Fund.
Deferred Sales Charge	On purchases over \$1,000,000, 1% CDSC applies if you sell your shares less than one year after purchase.	Maximum 5% CDSC during the first year decreasing to 0% after six years.	1% CDSC applies if you sell your shares less than one year after purchase.	None.
Distribution and/or Shareholder Service Fee	Yes.* 0.25%	Yes.* 1.00%	Yes.* 1.00%	Yes. 0.10%
Conversion to Class A	N/A	Yes, automatically in ninth calendar year of ownership.	No.	No.

* The Fund has adopted a plan under Rule 12b-1 of the Investment Company Act of 1940 that allows it to pay distribution and servicing-related expenses for the sale of Class A, Class B and Class C shares. Because these fees are paid out of the Fund's assets on an on-going basis, the fees may cost long-term shareholders more than paying other types of sales charges imposed by some mutual funds.

Should you purchase Class A, Class B or Class C shares?

If your investments in American Express mutual funds total \$250,000 or more, Class A shares may be the better option because the sales charge is reduced for larger purchases. If you qualify for a waiver of the sales charge, Class A shares will be the best option.

If you invest less than \$250,000, consider how long you plan to hold your shares. Class B shares have a higher annual distribution fee than Class A shares and a CDSC for six years. Class B shares convert to Class A shares in the ninth calendar year of ownership. Class B shares purchased through reinvested dividends and distributions also will convert to Class A shares in the same proportion as the other Class B shares.

Class C shares also have a higher annual distribution fee than Class A shares. Class C shares have no sales charge if you hold the shares for one year or longer. Unlike Class B shares, Class C shares do not convert to Class A. As a result, you will pay a 1% distribution fee for as long as you hold Class C shares. If you choose a deferred sales charge option (Class B or Class C), generally you should consider Class B shares if you intend to hold your shares for more than six years. Consider Class C shares if you intend to hold your shares less than six years. To help you determine what investment is best for you, consult your financial advisor.

PURCHASING SHARES

To purchase shares through an American Express Brokerage Account or entities other than American Express Financial Advisors Inc., please refer to the American Express Brokerage Web site or consult your selling agent. The following section explains how you can purchase shares from American Express Financial Advisors (the Distributor).

If you do not have a mutual fund account, you need to establish one. Your financial advisor will help you fill out and submit an application. Once your account is set up, you can choose among several convenient ways to invest.

When you purchase shares for a new or existing account, your order will be priced at the next NAV calculated after your order is accepted by the Fund. If your application does not specify which class of shares you are purchasing, we will assume you are investing in Class A shares.

Important: When you open an account, you must provide your correct Taxpayer Identification Number (TIN), which is either your Social Security or Employer Identification number.

If you do not provide and certify the correct TIN, you could be subject to backup withholding of 28% of taxable distributions and proceeds from certain sales and exchanges. You also could be subject to further penalties, such as:

- a \$50 penalty for each failure to supply your correct TIN,
- a civil penalty of \$500 if you make a false statement that results in no backup withholding, and
- criminal penalties for falsifying information.

You also could be subject to backup withholding, if the IRS notifies us to do so, because you failed to report required interest or dividends on your tax return.

How to determine the correct TIN

For this type of account:	Use the Social Security or Employer Identification number of:
Individual or joint account	The individual or one of the owners listed on the joint account
Custodian account of a minor (Uniform Gifts/Transfers to Minors Act)	The minor
A revocable living trust	The grantor-trustee (the person who puts the money into the trust)
An irrevocable trust, pension trust or estate	The legal entity (not the personal representative or trustee, unless no legal entity is designated in the account title)
Sole proprietorship or single-owner LLC	The owner
Partnership or multi-member LLC	The partnership
Corporate or LLC electing corporate status on Form 8837	The corporation
Association, club or tax-exempt organization	The organization

For details on TIN requirements, contact your financial advisor to obtain a copy of federal Form W-9, “Request for Taxpayer Identification Number and Certification.” You also may obtain the form on the Internet at (www.irs.gov).

Three ways to invest

1 By mail

Once your account has been established, send your check with the account number on it to:

American Express Funds
70200 AXP Financial Center
Minneapolis, MN 55474

Minimum amounts

Initial investment: \$2,000

Additional investments: \$100

Account balances: \$300

Qualified accounts: none

If your account balance falls below \$300, you will be asked to increase it to \$300 or establish a scheduled investment plan. If you do not do so within 30 days, your shares can be sold and the proceeds mailed to you.

2 By scheduled investment plan

Contact your financial advisor for assistance in setting up one of the following scheduled plans:

- automatic payroll deduction,
- bank authorization,
- direct deposit of Social Security check, or
- other plan approved by the Fund.

Minimum amounts

Initial investment: \$100

Additional investments: \$50 per payment for qualified accounts;
\$100 per payment for nonqualified accounts

Account balances: none (on a scheduled investment plan with monthly payments)

If your account balance is below \$2,000, you must make payments at least monthly.

3 By wire or electronic funds transfer

If you have an established account, you may wire money to:

Wells Fargo Bank Minnesota, N.A.

Minneapolis, MN 55479

Routing Transit No. 091000019

Give these instructions:

Credit American Express Financial Advisors Account #0000030015 for personal account # (your account number) for (your name). Please be sure to include all 10 digits of the American Express Financial Advisors account number, including the zeros.

If this information is not included, the order may be rejected, and all money received by the Fund, less any costs the Fund or American Express Client Service Corporation (AECSC) incurs, will be returned promptly.

Minimum amounts

Each wire investment: \$1,000

TRANSACTIONS THROUGH AMERICAN EXPRESS BROKERAGE OR THIRD PARTIES

You may buy or sell shares through American Express Brokerage, certain 401(k) plans, banks, broker-dealers, financial advisors or other investment professionals. These organizations may charge you a fee for this service and may have different policies. Some policy differences may include different minimum investment amounts, exchange privileges, fund choices and cutoff times for investments. The Fund and the Distributor are not responsible for the failure of one of these organizations to carry out its obligations to its customers. Some organizations may receive compensation from the Distributor or its affiliates for shareholder recordkeeping and similar services. Where authorized by the Fund, some organizations may designate selected agents to accept purchase or sale orders on the Fund's behalf. To buy or sell shares through American Express Brokerage or third parties or to determine if there are policy differences, please consult the American Express Brokerage Web site or your selling agent. For other pertinent information related to buying or selling shares, please refer to the appropriate section in the prospectus.

SALES CHARGES

Class A — initial sales charge alternative

When you purchase Class A shares, you pay a sales charge as shown in the following table:

Total market value	Sales charge as percentage of:	
	Public offering price*	Net amount invested
Up to \$49,999	5.75%	6.10%
\$50,000–\$99,999	4.75	4.99
\$100,000–\$249,999	3.50	3.63
\$250,000–\$499,999	2.50	2.56
\$500,000–\$999,999	2.00	2.04
\$1,000,000 or more	0.00	0.00

* Offering price includes the sales charge.

The sales charge on Class A shares may be lower than 5.75%, based on the combined market value of:

- your current investment in this Fund,
- your previous investment in this Fund, and
- investments you and your primary household group have made in other American Express mutual funds that have a sales charge. (The primary household group consists of accounts in any ownership for spouses or domestic partners and their unmarried children under 21. For purposes of this policy, domestic partners are individuals who maintain a shared primary residence and have joint property or other insurable interests.) AXP Tax-Free Money Fund and Class A shares of AXP Cash Management Fund do not have sales charges.

Other Class A sales charge policies

- IRA purchases or other employee benefit plan purchases made through a payroll deduction plan or through a plan sponsored by an employer, association of employers, employee organization or other similar group, may be added together to reduce sales charges for all shares purchased through that plan, and
- if you intend to invest more than \$50,000 over a period of 13 months, you can reduce the sales charges in Class A by filing a letter of intent. If purchasing shares in a brokerage account or through a third party, you must request the reduced sales charge when you buy shares. For more details, please contact your financial advisor or see the SAI.

Waivers of the sales charge for Class A shares

Sales charges do not apply to:

- current or retired board members, officers or employees of the Fund or AEFC or its subsidiaries, their spouses or domestic partners, children and parents.
- current or retired American Express financial advisors, employees of financial advisors, their spouses or domestic partners, children and parents.
- registered representatives and other employees of brokers, dealers or other financial institutions having a sales agreement with the Distributor, including their spouses, domestic partners, children and parents.
- investors who have a business relationship with a newly associated financial advisor who joined the Distributor from another investment firm provided that (1) the purchase is made within six months of the advisor's appointment date with the Distributor, (2) the purchase is made with proceeds of shares sold that were sponsored by the financial advisor's previous broker-dealer, and (3) the proceeds are the result of a sale of an equal or greater value where a sales load was assessed.
- qualified employee benefit plans offering participants daily access to American Express mutual funds. Eligibility must be determined in advance. For assistance, please contact your financial advisor. Participants in certain qualified plans where the initial sales charge is waived may be subject to a deferred sales charge of up to 4%.
- shareholders who have at least \$1 million in American Express mutual funds. If the investment is sold less than one year after purchase, a CDSC of 1% will be charged. During that year, the CDSC will be waived only in the circumstances described for waivers for Class B and Class C shares.
- purchases made within 90 days after a sale of American Express Fund shares (up to the amount sold). Send the Fund a written request along with your payment, indicating the date and the amount of the sale.
- purchases made:
 - with dividend or capital gain distributions from this Fund or from the same class of another American Express mutual fund,
 - through or under a wrap fee product or other investment product sponsored by the Distributor or another authorized broker-dealer, investment advisor, bank or investment professional,
 - within the University of Texas System ORP,
 - within a segregated separate account offered by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company,
 - within the University of Massachusetts After-Tax Savings Program, or
 - through or under a subsidiary of AEFC offering Personal Trust Services' Asset-Based pricing alternative.
- shareholders whose original purchase was in a Strategist fund merged into an American Express fund in 2000.

Class B and Class C — contingent deferred sales charge (CDSC) alternative

For Class B, the CDSC is based on the sale amount and the number of calendar years — including the year of purchase — between purchase and sale. The following table shows how CDSC percentages on sales decline after a purchase:

If the sale is made during the:

The CDSC percentage rate is:

First year	5%
Second year	4%
Third year	4%
Fourth year	3%
Fifth year	2%
Sixth year	1%
Seventh year	0%

For Class C, a 1% CDSC is charged if you sell your shares less than one year after purchase.

For both Class B and Class C, if the amount you are selling causes the value of your investment to fall below the cost of the shares you have purchased, the CDSC is based on the lower of the cost of those shares purchased or market value. Because the CDSC is imposed only on sales that reduce your total purchase payments, you never have to pay a CDSC on any amount that represents appreciation in the value of your shares, income earned by your shares, or capital gains.

In addition, the CDSC on your sale, if any, will be based on your oldest purchase payment. The CDSC on the next amount sold will be based on the next oldest purchase payment.

Example

Assume you had invested \$10,000 in Class B shares and that your investment had appreciated in value to \$12,000 after 3½ years, including reinvested dividends and capital gain distributions. You could sell up to \$2,000 worth of shares without paying a CDSC (\$12,000 current value less \$10,000 purchase amount). If you sold \$2,500 worth of shares, the CDSC would apply to the \$500 representing part of your original purchase price. The CDSC rate would be 3% because the sale was made during the fourth year after the purchase.

Waivers of the sales charge for Class B and Class C shares

The CDSC will be waived on sales of shares:

- in the event of the shareholder's death,
- held in trust for an employee benefit plan, or
- held in IRAs or certain qualified plans if American Express Trust Company is the custodian, such as Keogh plans, tax-sheltered custodial accounts or corporate pension plans, provided that the shareholder is:
 - at least 59½ years old **AND**
 - taking a retirement distribution (if the sale is part of a transfer to an IRA or qualified plan, or a custodian-to-custodian transfer, the CDSC will not be waived) **OR**
 - selling under an approved substantially equal periodic payment arrangement.

EXCHANGING/SELLING SHARES

Exchanges

You can exchange your Fund shares at no charge for shares of the same class of any other publicly offered American Express mutual fund. Exchanges into AXP Tax-Free Money Fund may only be made from Class A shares. For complete information on the other fund, including fees and expenses, read that fund's prospectus carefully. Your exchange will be priced at the next NAV calculated after we receive your transaction request in good order.

The Fund does not permit market-timing. Do not invest in the Fund if you are a market timer.

Excessive trading (market-timing) or other abusive short-term trading practices may disrupt portfolio management strategies, harm performance and increase fund expenses.

To prevent abuse or adverse effects on the Fund and its shareholders, AECSC and the Fund reserve the right to reject any purchase orders, including exchanges, limit the amount, modify or discontinue the exchange privilege, or charge a fee to any investor we believe has a history of abusive trading or whose trading, in our judgement has been disruptive to the Fund. For example, we may exercise these rights if exchanges are too numerous or too large.

Other exchange policies:

- Exchanges must be made into the same class of shares of the new fund.
- If your exchange creates a new account, it must satisfy the minimum investment amount for new purchases.
- Once we receive your exchange request, you cannot cancel it.
- Shares of the new fund may not be used on the same day for another exchange.
- If your shares are pledged as collateral, the exchange will be delayed until AECSC receives written approval from the secured party.

Selling Shares

You can sell your shares at any time. The payment will be mailed within seven days after accepting your request.

When you sell shares, the amount you receive may be more or less than the amount you invested. Your sale price will be the next NAV calculated after your request is received in good form by the Fund, minus any applicable CDSC.

You can change your mind after requesting a sale and use all or part of the proceeds to purchase new shares in the same account from which you sold. If you reinvest in Class A, you will purchase the new shares at NAV rather than the offering price on the date of a new purchase. If you reinvest in Class B or Class C, any CDSC you paid on the amount you are reinvesting also will be reinvested. To take advantage of this option, send a written request within 90 days of the date your sale request was received and include your account number. This privilege may be limited or withdrawn at any time and may have tax consequences.

The Fund reserves the right to redeem in kind.

For more details and a description of other sales policies, please see the SAI.

To sell or exchange shares held through an American Express Brokerage Account or with entities other than American Express Financial Advisors, please consult your selling agent. The following section explains how you can exchange or sell shares held with American Express Financial Advisors.

If you decide to sell your shares within 30 days of a telephoned-in address change, a written request is required.

Important: If you request a sale of shares you recently purchased by a check or money order that is not guaranteed, the Fund will wait for your check to clear. It may take up to 10 days from the date of purchase before payment is made. Payment may be made earlier if your bank provides evidence satisfactory to the Fund and AECSC that your check has cleared.

Two ways to request an exchange or sale of shares

1 By letter

Include in your letter:

- the name of the fund(s),
- the class of shares to be exchanged or sold,
- your mutual fund account number(s) (for exchanges, both funds must be registered in the same ownership),
- your Social Security number or Employer Identification number,
- the dollar amount or number of shares you want to exchange or sell,
- signature(s) of registered account owner(s) (All signatures may be required. Contact AECSC for more information.),
- for sales, indicate how you want your money delivered to you, and
- any paper certificates of shares you hold.

Regular or express mail:

American Express Funds

70100 AXP Financial Center

Minneapolis, MN 55474

2 By telephone

American Express Client Service Corporation

Telephone Transaction Service

(800) 437-3133

- The Fund and AECSC will use reasonable procedures to confirm authenticity of telephone exchange or sale requests.
- Telephone exchange and sale privileges automatically apply to all accounts except custodial, corporate or qualified retirement accounts. You may request that these privileges NOT apply by writing AECSC. Each registered owner must sign the request.
- Acting on your instructions, your financial advisor may conduct telephone transactions on your behalf.
- Telephone privileges may be modified or discontinued at any time.

Minimum sale amount: \$100

Maximum sale amount: \$100,000

Four ways to receive payment when you sell shares

1 By regular or express mail

- Mailed to the address on record.
- Payable to names listed on the account.
- The express mail delivery charges you pay will vary depending on the courier you select.

2 By electronic funds transfer (EFT or ACH)

- Minimum redemption: \$100.
- Funds are deposited electronically into your bank account.
- No charge.
- Bank account must be in the same ownership as the American Express mutual fund account.
- Allow two to five business days from request to deposit.
- Pre-authorization required. For instructions, contact your financial advisor or AECSC.

3 By wire

- Minimum redemption: \$1,000.
- Funds are wired electronically into your bank account.
- Applicable wire charges will vary depending on service provided.
- Bank account must be in the same ownership as the American Express mutual fund account.
- Allow one to two business days from request to deposit for domestic wires.
- Pre-authorization required. For instructions, contact your financial advisor or AECSC.

4 By scheduled payout plan

- Minimum payment: \$50.
- Contact your financial advisor or AECSC to set up regular payments on a monthly, bimonthly, quarterly, semiannual or annual basis.
- Purchasing new shares while under a payout plan may be disadvantageous because of the sales charges.

Distributions and Taxes

As a shareholder you are entitled to your share of the Fund's net income and net gains. The Fund distributes dividends and capital gains to qualify as a regulated investment company and to avoid paying corporate income and excise taxes.

DIVIDENDS AND CAPITAL GAIN DISTRIBUTIONS

The Fund's net investment income is distributed to you as **dividends**. Capital gains are realized when a security is sold for a higher price than was paid for it. Each realized capital gain or loss is long-term or short-term depending on the length of time the Fund held the security. Realized capital gains and losses offset each other. The Fund offsets any net realized capital gains by any available capital loss carryovers. Net short-term capital gains are included in net investment income. Net realized long-term capital gains, if any, are distributed by the end of the calendar year as **capital gain distributions**.

REINVESTMENTS

Dividends and capital gain distributions are automatically reinvested in additional shares in the same class of the Fund, unless:

- you request distributions in cash, or
- you direct the Fund to invest your distributions in the same class of any publicly offered American Express mutual fund for which you have previously opened an account.

We reinvest the distributions for you at the next calculated NAV after the distribution is paid.

If you choose cash distributions, you will receive cash only for distributions declared after your request has been processed.

TAXES

Distributions are subject to federal income tax and may be subject to state and local taxes in the year they are declared. You must report distributions on your tax returns, even if they are reinvested in additional shares.

If you buy shares shortly before the record date of a distribution, you may pay taxes on money earned by the Fund before you were a shareholder. You will pay the full pre-distribution price for the shares, then receive a portion of your investment back as a distribution, which may be taxable.

For tax purposes, an exchange is considered a sale and purchase, and may result in a gain or loss. A sale is a taxable transaction. If you sell shares for less than their cost, the difference is a capital loss. If you sell shares for more than their cost, the difference is a capital gain. Your gain may be short term (for shares held for one year or less) or long term (for shares held for more than one year).

If you buy Class A shares and within 91 days exchange into another fund, you may not include the sales charge in your calculation of tax gain or loss on the sale of the first fund you purchased. The sales charge may be included in the calculation of your tax gain or loss on a subsequent sale of the second fund you purchased.

Selling shares held in an IRA or qualified retirement account may subject you to federal taxes, penalties and reporting requirements. Please consult your tax advisor.

Important: This information is a brief and selective summary of some of the tax rules that apply to this Fund. Because tax matters are highly individual and complex, you should consult a qualified tax advisor.

Financial Highlights

The financial highlights tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single Fund share. The total returns in the tables represent the rate that an investor would have earned or lost on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by KPMG LLP, whose report, along with the Fund's financial statements, is included in the annual report which, if not included with this prospectus, is available upon request.

Class A

Per share income and capital changes^(a)

<i>Fiscal period ended May 31,</i>	2003	2002^(b)
Net asset value, beginning of period	\$5.79	\$4.89
Income from investment operations:		
Net investment income (loss)	(.03)	(.01)
Net gains (losses) (both realized and unrealized)	(.69)	.91
Total from investment operations	(.72)	.90
Less distributions:		
Distributions from realized gains	(.03)	—
Net asset value, end of period	\$5.04	\$5.79

Ratios/supplemental data

Net assets, end of period (in millions)	\$434	\$381
Ratio of expenses to average daily net assets ^{(c),(e)}	1.60%	1.59% ^(d)
Ratio of net investment income (loss) to average daily net assets	(.63%)	(.61%) ^(d)
Portfolio turnover rate (excluding short-term securities)	50%	12%
Total return ⁽ⁱ⁾	(12.45%)	18.40% ⁽ⁱ⁾

See accompanying notes to financial highlights.

Class B

Per share income and capital changes^(a)

<i>Fiscal period ended May 31,</i>	2003	2002^(b)
Net asset value, beginning of period	\$5.75	\$4.89
Income from investment operations:		
Net investment income (loss)	(.06)	(.03)
Net gains (losses) (both realized and unrealized)	(.69)	.89
Total from investment operations	(.75)	.86
Less distributions:		
Distributions from realized gains	(.03)	—
Net asset value, end of period	\$4.97	\$5.75

Ratios/supplemental data

Net assets, end of period (in millions)	\$255	\$227
Ratio of expenses to average daily net assets ^{(c),(f)}	2.36%	2.36% ^(d)
Ratio of net investment income (loss) to average daily net assets	(1.38%)	(1.39%) ^(d)
Portfolio turnover rate (excluding short-term securities)	50%	12%
Total return ⁽ⁱ⁾	(13.06%)	17.59% ^(j)

See accompanying notes to financial highlights.

Class C

Per share income and capital changes^(a)

<i>Fiscal period ended May 31,</i>	2003	2002^(b)
Net asset value, beginning of period	\$5.76	\$4.89
Income from investment operations:		
Net investment income (loss)	(.06)	(.03)
Net gains (losses) (both realized and unrealized)	(.68)	.90
Total from investment operations	(.74)	.87
Less distributions:		
Distributions from realized gains	(.03)	—
Net asset value, end of period	\$4.99	\$5.76

Ratios/supplemental data

Net assets, end of period (in millions)	\$16	\$11
Ratio of expenses to average daily net assets ^{(c),(g)}	2.36%	2.36% ^(d)
Ratio of net investment income (loss) to average daily net assets	(1.38%)	(1.41%) ^(d)
Portfolio turnover rate (excluding short-term securities)	50%	12%
Total return ⁽ⁱ⁾	(12.86%)	17.79% ^(j)

See accompanying notes to financial highlights.

Class Y

Per share income and capital changes^(a)

<i>Fiscal period ended May 31,</i>	2003	2002^(b)
Net asset value, beginning of period	\$5.79	\$4.89
Income from investment operations:		
Net investment income (loss)	(.02)	(.01)
Net gains (losses) (both realized and unrealized)	(.68)	.91
Total from investment operations	(.70)	.90
Less distributions:		
Distributions from realized gains	(.03)	—
Net asset value, end of period	\$5.06	\$5.79

Ratios/supplemental data

Net assets, end of period (in millions)	\$—	\$—
Ratio of expenses to average daily net assets ^{(c),(h)}	1.40%	1.42% ^(d)
Ratio of net investment income (loss) to average daily net assets	(.46%)	(.47%) ^(d)
Portfolio turnover rate (excluding short-term securities)	50%	12%
Total return ⁽ⁱ⁾	(12.10%)	18.40% ^(j)

Notes to financial highlights

^(a) For a share outstanding throughout the period. Rounded to the nearest cent.

^(b) For the period from June 18, 2001 (when shares became publicly available) to May 31, 2002.

^(c) Expense ratio is based on total expenses of the Fund before reduction of earnings credits on cash balances.

^(d) Adjusted to an annual basis.

^(e) AEFC waived/reimbursed the Fund for certain expenses. Had AEFC not done so, the annual ratios of expenses for Class A would have been 1.72% and 1.78% for the periods ended May 31, 2003 and 2002, respectively.

^(f) AEFC waived/reimbursed the Fund for certain expenses. Had AEFC not done so, the annual ratios of expenses for Class B would have been 2.48% and 2.54% for the periods ended May 31, 2003 and 2002, respectively.

^(g) AEFC waived/reimbursed the Fund for certain expenses. Had AEFC not done so, the annual ratios of expenses for Class C would have been 2.48% and 2.54% for the periods ended May 31, 2003 and 2002, respectively.

^(h) AEFC waived/reimbursed the Fund for certain expenses. Had AEFC not done so, the annual ratios of expenses for Class Y would have been 1.54% and 1.60% for the periods ended May 31, 2003 and 2002, respectively.

⁽ⁱ⁾ Total return does not reflect payment of a sales charge.

^(j) Not annualized.

This Fund, along with the other American Express mutual funds, is distributed by American Express Financial Advisors Inc. and can be purchased from an American Express financial advisor or from other authorized broker-dealers or third parties. The Funds can be found under the “Amer Express” banner in most mutual fund quotations.

Additional information about the Fund and its investments is available in the Fund’s Statement of Additional Information (SAI), annual and semiannual reports to shareholders. In the Fund’s annual report, you will find a discussion of market conditions and investment strategies that significantly affected the Fund during its last fiscal year. The SAI is incorporated by reference in this prospectus. For a free copy of the SAI, the annual report or the semiannual report, contact your selling agent or American Express Client Service Corporation.

American Express Funds
70100 AXP Financial Center
Minneapolis, MN 55474
(800) 862-7919
TTY: (800) 846-4852
Web site address:
americanexpress.com

You may review and copy information about the Fund, including the SAI, at the Securities and Exchange Commission’s (Commission) Public Reference Room in Washington, D.C. (for information about the public reference room call 1-202-942-8090). Reports and other information about the Fund are available on the EDGAR Database on the Commission’s Internet site at (<http://www.sec.gov>). Copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing to the Public Reference Section of the Commission, Washington, D.C. 20549-0102.

Investment Company Act File #811-10321

Ticker Symbol

Class A: ASVAX Class B: ASVBX
Class C: APVCX Class Y: —



American Express Partners Funds
70100 AXP Financial Center
Minneapolis, MN 55474