



SM&R Investments, Inc.

**Fixed Income Funds
Equity Funds
“Class T Shares”**

SM&R EQUITY FUNDS:

Class T

*SM&R Growth Fund
SM&R Equity Income Fund
SM&R Balanced Fund*

SM&R FIXED INCOME FUNDS:

Class T

SM&R Government Bond Fund

Single Class Fund

SM&R Money Market Fund

Prospectus, December 31, 2009

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.

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

All funds and classes may not be available for purchase in all states.



PRIVACY NOTICE

Maintaining the privacy of current and former customers' nonpublic personal information is important to us. That's why we take every reasonable precaution to safeguard your personal information from unauthorized access. After all, we realize that your relationship with us is built on trust. Preserving that trust is our goal. So whether you visit our web site or call our service representatives, rest assured that we are keeping your personal information safe and secure.

This Notice has been prepared to help you understand what types of nonpublic personal information — *information about you that is not publicly available* — we may collect, how we use it and how we protect your privacy.

Privacy Policy Highlights

In the normal course of business, we collect, retain and use information about you to serve your financial needs, administer your account(s) and inform you of products and services that may be of interest. This information, which is commonly referred to as nonpublic personal information, may be collected from a number of sources. These sources include:

- Information you provide to us on applications and other forms such as your name, social security number, address, assets, income, etc.
- Information about transactions with us, our affiliates and third parties.
- Information from others such as credit reporting agencies, employers and federal and state agencies.
- Address information we receive from a third party when you have moved.

We limit the collection and use of your information to what is necessary to provide you with superior service.

Sharing of nonpublic personal information

We will not share nonpublic personal information about you or a former customer with anyone, including other affiliated companies or third parties, except as permitted by law.

We may disclose, as allowed by law, all types of nonpublic personal information we collect when needed to:

- affiliated companies, representatives, employees and third parties that market our services and products and administer and service customer accounts on our behalf.
- other financial institutions with whom we have servicing or joint marketing agreements. Each

agreement requires that service providers keep the information strictly confidential and use it only for the purpose for which it was intended.

Examples of the types of companies and individuals to whom we may disclose nonpublic personal information include banks, attorneys, trustees, third-party administrators, custodians, insurance agents, insurance companies, credit reporting agencies, registered broker-dealers, auditors, regulators, transfer agents and reinsurers.

Confidentiality, security, and integrity

We restrict access to nonpublic personal information about you to those employees, representatives, affiliates and third parties who need to know that information to provide products or services to you. We have policies and procedures that give direction to our employees and representatives acting on our behalf regarding the protection and use of customer nonpublic personal information. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Independent SM&R Representatives

SM&R's Privacy Policy applies, to the extent required by law, to its representatives when acting on behalf of SM&R. Because the representative has a unique business relationship with you, there may be instances when this same representative may not be acting on behalf of SM&R. In these instances the representative may collect nonpublic personal information on their own behalf or on behalf of another in which case SM&R's Privacy Policy would not apply. Contact your SM&R representative to learn more about his/her privacy practices.

Updating and Correcting Your Personal Account Information

The accuracy of your personal information is important to us. We encourage you to update your personal information anytime there is a change by writing or calling our Investor Service Representatives at 1-800-231-4639. Your call is recorded for your personal security.

Privacy Policy Changes

We reserve the right to change any of our privacy policies and related procedures at any time, in accordance with applicable federal and state laws. You will receive appropriate notice if our Privacy Policy changes.

THIS PRIVACY NOTICE IS PROVIDED TO YOU FOR INFORMATIONAL PURPOSES ONLY. YOU DO NOT NEED TO CALL OR TAKE ANY ACTION IN RESPONSE TO THIS NOTICE. WE RECOMMEND THAT YOU READ AND RETAIN THIS NOTICE FOR YOUR PERSONAL FILES.

THIS PRIVACY NOTICE IS PROVIDED ON BEHALF OF THE FOLLOWING: Securities Management and Research, Inc., SM&R Investments, Inc., American National Investment Accounts, Inc., American National Insurance Company and Comprehensive Investment Services, Inc.

NOT PART OF THE PROSPECTUS

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Why Reading This Prospectus is Important To You

This prospectus explains the investment objectives, risks and strategies of each of the SM&R funds. Reading the prospectus will help you to decide which SM&R fund, if any, is the right investment for you. We suggest that you keep this prospectus for future reference.

Fund Facts
You May Find
Helpful

Classes of Shares
 Offered in this
 Prospectus:
 Class T-Fund #0021
 Inception Date - 1/31/69

Investment Adviser:
 Securities
 Management and
 Research, Inc.

Portfolio Manager:
 Anne M. LeMire

Assistant Portfolio
 Manager:
 Darren W. King

Fund Portfolio
 Turnover:
 11.84%

NASDAQ Symbol:
 AMRNX Class T

Dividend Payment
 Schedule:
 Semi-Annually

Portfolio Holdings:
 A description of the
 Fund's policies and
 procedures with
 respect to the
 disclosure of the
 Fund's portfolio
 holdings is available in
 the Fund's SAI.

INVESTMENT OBJECTIVE

The SM&R Growth Fund (the "Growth Fund") seeks to achieve long-term capital appreciation.

PRINCIPAL INVESTMENT STRATEGIES

The Growth Fund normally invests at least 80% of its assets in common stock. In selecting stocks, Securities Management and Research, Inc. ("SM&R"), the Growth Fund's investment adviser:

- chooses stocks of financially sound companies that have a proven ability to make and sustain a profit over time
- places an emphasis on companies with growth potential.

SM&R identifies candidate stock investments based on (1) low equity valuation or low relative equity valuation and (2) improving earnings. SM&R evaluates each candidate stock on a fundamental basis by examining past and expected financial performance, managerial skill and foresight, and relative valuation to industry peers and the market as a whole.

The Growth Fund generally purchases a higher proportion of stocks (relative to their market weight) from those sectors of the market with higher growth prospects, referred to as "sector overweighting." Examples of sectors with higher growth prospects currently include technology, healthcare, and industrials. On the other hand, the portfolio generally purchases a smaller proportion of stocks (relative to their market weight) from sectors of the market with below average growth characteristics (for example, basic materials), referred to as "sector underweighting." SM&R generally believes in never having less than half or more than double the market weighting in any one sector. As a result of such strategic overweighting and underweighting, the Growth Fund's performance may differ substantially from broad market indexes like the S&P 500 and tend to incur more price volatility than these indexes.

PRINCIPAL RISK FACTORS

The Growth Fund is subject to the risks common to all mutual funds that invest in equity securities, and you could lose money investing in this fund. In addition, the Growth Fund could underperform other investments. The principal risks of investing in the Growth Fund are as follows:

- The market value of the fund's securities could decline (market risk).
- SM&R's investment decisions (such as sector overweighting and underweighting and individual stock selection) could fail to achieve the desired results (investment style or management risk).
- Growth stocks can have relatively wide price swings as a result of the high valuations they carry (growth stock risk).

WHO MAY WANT TO INVEST IN THE FUND

This fund may be appropriate if you:

- have long-term investment goals (ten years or more)
- are willing to accept higher short-term risk
- want to diversify your portfolio

WHO MAY NOT WANT TO INVEST IN THE FUND

This fund may **NOT** be appropriate:

- if you are investing with a shorter time horizon (less than ten years)
- if you are uncomfortable with an investment that will go up and down in value
- if you are investing in the Growth Fund as your complete portfolio

Fund Facts
You May Find
Helpful

Classes of Shares
 Offered in this
 Prospectus:
 Class T-Fund #0022
 Inception Date - 5/1/70

Investment Adviser:
 Securities
 Management and
 Research, Inc.

Portfolio Manager:
 John S. Maidlow

Assistant Portfolio
 Manager:
 Darren W. King

Fund Portfolio
 Turnover:
 6.07%

NASDAQ Symbol:
 AMNIX Class T

Dividend Payment
 Schedule:
 Quarterly

Portfolio Holdings:
 A description of the
 Fund's policies and
 procedures with
 respect to the
 disclosure of the
 Fund's portfolio
 holdings is available in
 the Fund's SAI.

INVESTMENT OBJECTIVE

The SM&R Equity Income Fund (the "Equity Income Fund") seeks current income with a secondary objective of long-term capital appreciation.

PRINCIPAL INVESTMENT STRATEGIES

Pursuant to a policy adopted by the Fund, Securities Management and Research, Inc. ("SM&R"), the fund's investment adviser, normally invests at least 80% of the Equity Income Fund's assets in common stocks (primarily income producing). This policy may not be changed without providing shareholders with at least sixty (60) days prior notice. This fund may also invest in preferred stocks and investment grade debt securities (such as publicly traded corporate bonds, debentures, notes, commercial paper, repurchase agreements, and certificates of deposit in domestic banks and savings institutions having at least \$1 billion of total assets). Corporate debt obligations purchased by the Equity Income Fund will consist only of obligations rated either Baa or better by Moody's or BBB or better by S&P. Commercial paper and notes will consist only of direct obligations of corporations whose bonds and/or debentures are rated as set forth above.

The fixed income portion of the fund will generally invest in medium and long-term securities. The average maturity for the fixed income portion generally is expected to be in the six to fifteen year range (some securities may have a longer or shorter maturity). The average portfolio maturity may be shorter when management anticipates that interest rates will increase, and longer when management anticipates interest rates will decrease.

In selecting common and preferred stocks, the fund focuses on companies with consistent and increasing dividend payment histories and future earnings potential sufficient to continue such dividend payments. This fund's goal is to maintain a portfolio dividend yield (before fees and expenses) greater than that of the S&P 500 Index.

SM&R identifies candidate stock investments based on (1) low equity valuation and (2) improving earnings. SM&R evaluates each candidate stock on a fundamental basis by examining past and expected financial performance, managerial skill and foresight, and relative valuation to industry peers and the market as a whole.

The Equity Income Fund generally purchases a higher proportion of stocks (relative to their market weight) from those sectors of the market with greater dividend prospects, referred to as "sector overweighting." On the other hand, the fund generally purchases a smaller proportion of stocks (relative to their market weight) from sectors of the market with below average dividend yields, referred to as "sector underweighting." As a result of such strategic overweighting and

underweighting, the Equity Income Fund's performance may differ substantially from broad market indexes like the S&P 500.

PRINCIPAL RISK FACTORS

The Equity Income Fund is subject to the risks common to all mutual funds that invest in equity securities, and you could lose money investing in this fund. In addition, the Equity Income Fund could underperform other investments. The principal risks of investing in the Equity Income Fund are as follows:

- The market value of the fund's securities could decline (market risk).
- SM&R's investment decisions (such as sector overweighting and underweighting and individual stock selection) could fail to achieve the desired results (investment style or management risk).
- Growth stocks can have relatively wide price swings as a result of the high valuations they carry (growth stock risk).
- Interest rates could rise, causing a decline in the market value of debt securities (interest rate risk). This risk will increase as average portfolio securities maturities increase (maturity risk).
- Issuers of debt obligations could default or be unable to pay amounts due (credit risk).

WHO MAY WANT TO INVEST IN THE FUND

This fund may be appropriate if you:

- have medium-term investment goals (five years or more)
- are comfortable with moderate to aggressive risk
- are looking for a fund with both growth and income components
- are seeking to participate in the equity market
- are willing to accept higher short-term risk

WHO MAY NOT WANT TO INVEST IN THE FUND

This fund may **NOT** be appropriate if you:

- are investing with a shorter-time horizon (less than five years)
- are investing for maximum return
- require a high degree of stability of your principal

Fund Facts
You May Find
Helpful

Classes of Shares
 Offered in this
 Prospectus:
 Class T-Fund #0023
 Inception Date - 11/20/87

Investment Adviser:
 Securities
 Management and
 Research, Inc.

Co-Portfolio Managers:
 John S. Maidlow
 Anne M. LeMire

Assistant Portfolio
 Manager:
 Darren W. King

Fund Portfolio
 Turnover:
 10.71%

NASDAQ Symbol:
 ANTRX Class T

Dividend Payment
 Schedule:
 Quarterly

Portfolio Holdings:
 A description of the
 Fund's policies and
 procedures with
 respect to the
 disclosure of the
 Fund's portfolio
 holdings is available
 in the Fund's SAI.

INVESTMENT OBJECTIVE

The SM&R Balanced Fund (the "Balanced Fund") seeks to conserve principal, produce current income, and achieve long-term capital appreciation.

PRINCIPAL INVESTMENT STRATEGIES

Securities Management and Research, Inc. ("SM&R"), the Balanced Fund's investment adviser, uses a "balanced" approach by investing part of the assets in common stocks and the remainder in a combination of U.S. Government bonds, investment-grade corporate bonds, collateralized mortgage obligations, mortgage-backed securities, convertible bonds, cash, and money market instruments. The proportion invested in stocks, bonds and money market instruments changes in response to changing economic conditions. This flexibility may help to reduce price volatility.

SM&R will generally select stocks based on certain growth and value considerations. A growth stock would include the stock of a company whose underlying earnings growth rate is greater than the market. An example of a value stock would be one whose stock price appears undervalued in relation to earnings, projected cash flow, or asset value per share. The stocks in this fund are diversified and are selected based upon two models. One model is based on profitability measurements, and the other model is based on the corporation's return on invested cash. SM&R then evaluates each candidate stock on a fundamental basis by examining past and expected financial performance, managerial skill and foresight, and relative valuation to industry peers and the market as a whole.

The bonds, meanwhile, may serve as a stabilizing force during times of eroding stock market value, as well as provide a fixed income payment stream. The fund invests at least 25% of its assets in fixed income securities, all of which are rated BBB or better (investment grade). The fixed income portion of the fund will generally invest in medium and long-term securities. The average maturity for the fixed income portion generally is expected to be in the six to fifteen year range (some securities may have a longer or shorter maturity). The average portfolio maturity may be shorter when management anticipates that interest rates will increase, and longer when management anticipates interest rates will decrease. Corporate debt obligations purchased by the Balanced Fund will consist only of obligations rated either Baa or better by Moody's or BBB or better by S&P. Commercial paper and notes will consist only of direct obligations of corporations whose bonds and/or debentures are rated as set forth above. The Balanced Fund may also invest in repurchase agreements.

The Balanced Fund will sometimes be more heavily invested in equity securities, and at other times it will be more heavily invested in fixed-income securities. SM&R, through an ongoing program of asset allocation, will determine the appropriate level of equity and debt holdings consistent with SM&R's outlook and evaluation of trends in the economy and the financial markets.

PRINCIPAL RISK FACTORS

The Balanced Fund is subject to the risks common to all mutual funds that invest in equity securities, and you could lose money investing in this fund. In addition, the Balanced Fund could underperform other investments. The principal risks of investing in the Balanced Fund are as follows:

- The market value of the fund's securities could decline (market risk).
- SM&R's investment decisions (such as determining the ratio of stock to bonds and individual stock selection) could fail to achieve the desired results (investment style or management risk).
- Growth stocks can have relatively wide price swings as a result of the high valuations they carry (growth stock risk).
- Interest rates could increase which can cause the value of debt securities to decline (interest rate risk).
- Issuers of debt obligations could default or be unable to pay amounts due (credit risk).
- The fund could be unable to find a buyer for its securities (liquidity risk).
- The income you receive from the portfolio is based primarily on interest rates, which can vary widely over the short- and long-term. If interest rates drop, your income from the portfolio may drop as well (income risk).
- Interest rates could fall enough to prompt an unexpected number of people to refinance (or prepay) their mortgages before their maturity (call risk).

WHO MAY WANT TO INVEST IN THE FUND

This fund may be appropriate if you:

- are seeking current income, but also want to participate in equity investments
- are looking for a less aggressive alternative to a growth-oriented portfolio
- want a well-diversified and relatively stable investment allocation
- need a core investment

WHO MAY NOT WANT TO INVEST IN THE FUND

This fund may **NOT** be appropriate if you:

- are investing for a maximum return over a long time horizon
- require a high degree of stability of your principal

Fund Facts
You May Find
Helpful

Classes of Shares
 Offered in this
 Prospectus:
 Class T-Fund #0026
 Inception Date - 3/16/92

Investment Adviser:
 Securities
 Management and
 Research, Inc.

Portfolio Manager:
 Anne M. LeMire

Asst. Portfolio
 Manager:
 Gordon D. Dixon

Fund Portfolio
 Turnover:
 0.00%

NASDAQ Symbol:
 SMRGX Class T

Dividend Payment
 Schedule:
 Monthly

Portfolio Holdings:
 A description of the
 Fund's policies and
 procedures with
 respect to the
 disclosure of the
 Fund's portfolio
 holdings is available in
 the Fund's SAI.

INVESTMENT OBJECTIVE

The SM&R Government Bond Fund (the "Government Bond Fund") seeks to provide as high a level of current income, liquidity, and safety of principal as is consistent with prudent investment risks.

PRINCIPAL INVESTMENT STRATEGIES

Pursuant to a policy adopted by the Fund, Securities Management and Research, Inc. ("SM&R"), the Fund's investment adviser, normally invests at least 80% of the Government Bond Fund's assets in bonds issued or guaranteed by the U.S. Government, its agencies, or instrumentalities. These may include Treasuries and mortgage-backed securities, such as Ginnie Maes (issued by the Government National Mortgage Association), Freddie Macs (issued by the Federal Home Loan Mortgage Corporation), and Fannie Maes (issued by the Federal National Mortgage Association). This policy may not be changed without providing shareholders with at least sixty (60) days prior notice.

The Government Bond Fund generally invests primarily in medium and long term securities. The weighted average portfolio maturity generally is expected to be in the six to fifteen year range (some securities may have longer or shorter maturities). The average portfolio maturity may be shorter when management anticipates that interest rates will increase, and longer when management anticipates that interest rates will decrease.

Securities issued by most U.S. Government agencies and instrumentalities are neither guaranteed by the United States Treasury nor supported by the full faith and credit of the U.S. Government. These include securities issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. In most cases, these kinds of securities are supported only by the credit of the issuing agency, standing alone. Securities issued by the U.S. Treasury and a small number of U.S. Government agencies, such as the Government National Mortgage Association, are supported by the full faith and credit of the U.S. Government.

PRINCIPAL RISK FACTORS

The Government Bond Fund is subject to certain investment risks, and you could lose money investing in this fund. In addition, the Government Bond Fund could underperform other investments. The principal risks of investing in the Government Bond Fund are as follows:

- The market value of the fund's securities could decline (market risk).
- Interest rates may rise which can cause the value of debt securities to decline (interest rate risk). This risk will increase as average maturities increase (maturity risk).

- SM&R's investment decisions (such as determining average portfolio maturity and selecting the best performing securities) could fail to achieve the desired results (investment style or management risk).
- Interest rates could fall enough to prompt an unexpected number of people to refinance (or prepay) their mortgages before their maturity (call risk).
- Interest rates could rise enough to cause fewer people than expected to repay their mortgages early (extension risk).
- Debt obligations not issued or guaranteed by the U.S. Government, its agencies or instrumentalities could be downgraded in credit rating or go into default (credit risk).
- The income you receive from the fund is based primarily on interest rates, which can vary widely over the short- and long-term. If interest rates drop, your income from the fund may drop as well (income risk).
- The worldwide demand for U.S. Government securities could fall (global demand risk).

WHO MAY WANT TO INVEST IN THE FUND

This fund may be appropriate if you:

- are seeking income to meet current needs
- are willing to accept moderate risk of volatility
- are retired or nearing retirement

WHO MAY NOT WANT TO INVEST IN THE FUND

This fund may **NOT** be appropriate if you:

- are investing for maximum return over a long time horizon
- require absolute stability of your principal

**Fund Facts
You May Find
Helpful**

Single Class:
Fund #0620
Inception Date - 1/1/99

Investment Adviser:
Securities
Management and
Research, Inc.

Portfolio Manager:
Anne M. LeMire

Asst. Portfolio
Manager:
Gordon D. Dixon

NASDAQ Symbol:
SRMXX

Dividend Payment
Schedule:
Monthly

Portfolio Holdings:
A description of the
Fund's policies and
procedures with
respect to the
disclosure of the
Fund's portfolio
holdings is available in
the Fund's SAI.

INVESTMENT OBJECTIVE

The SM&R Money Market Fund (the "Money Market Fund") seeks the highest current income consistent with the stability of principal and maintenance of liquidity.

PRINCIPAL INVESTMENT STRATEGIES

The Money Market Fund seeks to achieve its objective by investing in high-quality short-term money market instruments, including the following types of debt obligations: (1) U.S. Government obligations, which are securities issued or guaranteed by the U.S. Government or by its agencies and instrumentalities; (2) certificates of deposit, which are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return; (3) banker's acceptances, which are short-term instruments issued by banks, generally for the purpose of financing imports or exports; (4) commercial paper, which is short-term unsecured promissory notes issued by corporations to finance short-term credit needs; (5) collateralized mortgage obligations, which are debt obligations collateralized by a portfolio of mortgages, mortgage-backed securities, or U.S. Government securities; and (6) corporate bonds and notes. This fund limits its investments to those short-term securities that it determines present minimal credit risk and that are rated in the two highest short-term rating categories by one or more of the nationally recognized statistical rating organizations.

PRINCIPAL RISK FACTORS

You could lose money on your investment in the Money Market Fund if any of the following occurs:

- interest rates rise (thus causing a decline in the market value of debt securities). This risk will increase as average maturities increase.
- if any of the fund's investments are downgraded in credit rating or go into default.

By limiting its investments as described above, this fund may not achieve as high a level of current income as a fund investing in lower-rated securities. You should keep in mind that an investment in the Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Money Market Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Money Market Fund.

WHO MAY WANT TO INVEST IN THE FUND

This fund may be appropriate if you:

- require stability of principal
- are seeking a mutual fund for the cash portion of an asset allocation program
- need to “park” your money temporarily
- are more concerned with safety of principal than with investment returns
- are investing emergency reserves

WHO MAY NOT WANT TO INVEST IN THE FUND

This fund may **NOT** be appropriate if you:

- want federal deposit insurance
- are seeking an investment that is likely to outpace inflation
- are investing for retirement or other goals that are many years in the future
- are investing for growth or maximum current income

PERFORMANCE

The bar charts and average annual total return tables shown below provide some indication of the risks of investing in the funds and the difference in returns for such funds by:

- showing changes in performance from year to year,
- showing how average annual returns compare to those of a broad measure of market performance, and
- showing how average annual returns compare to the returns of indexes of funds with similar investment objectives.

Special Matter Affecting The Growth Fund, Equity Income Fund and Balanced Fund

Such funds, which commenced operations on December 31, 2000, are “clones” of and successors

to the SM&R Growth Fund, Inc., SM&R Equity Income Fund, Inc., and SM&R Balanced Fund, Inc. (the “Predecessor Funds”). Accordingly, performance information for periods prior to December 31, 2000 is given for such Predecessor Funds.

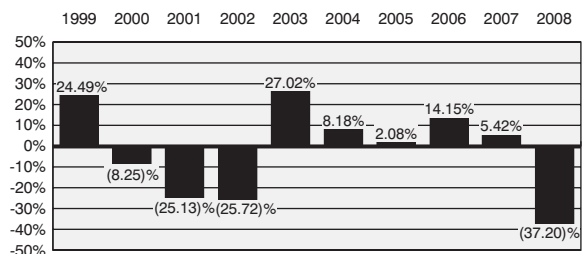
These bar charts include the effects of fund expenses, but not sales charges and account fees. Account fees include fees such as new account set-up fees, wire redemption fees and overnight delivery fees. The returns shown would be lower if such sales charges and account fees were included.

Past performance (before and after taxes) is not necessarily an indication of how the funds will perform in the future.

PERFORMANCE

Growth Fund

The following bar chart shows the annual total returns (%) for Class T of the Growth Fund or, as noted above, of the SM&R Growth Fund, Inc., for each of the last 10 calendar years. The returns shown in the bar chart do not include the effect of sales charges and account fees. If such charges and fees were included, the returns shown would be lower.



The Growth Fund's fiscal year ends on August 31st. The Growth Fund's Class T unannualized return for the period from January 1, 2009 through September 30, 2009 is 19.20%.

	Quarter Ended	Total Return
Best Quarter:	December 31, 1999	18.40%
Worst Quarter:	December 31, 2008	(21.21)%

The next table lists the Growth Fund's Class T average annual total returns for the past one, five and ten calendar years, and the returns of the S&P 500® index and Lipper Large-Cap Core Index for the same periods. This table is intended to provide you with some indication of the risks of investing in the Growth Fund. The S&P 500® is the Standard & Poor's Composite Index of 500 Stocks, a widely recognized, unmanaged index of common stock prices. Standard & Poor's, S&P, and S&P 500® are registered trademarks of Standard & Poor's Corporation. The Lipper Large-Cap Core Index tracks the performance of the 30 largest large-cap core mutual funds, as categorized by Lipper, Inc. Large-cap core funds have more latitude in the companies in which they invest. These funds typically have an average price-to-earnings ratio,

price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P Index.

Average Annual Total Returns

(for the period ended 12/31/08)

	Past One Year	Past 5 Years	Past 10 Years
Growth Fund			
Return Before Taxes	(40.82)%	(4.70)%	(4.45)%
Return After Taxes on Distributions	(41.80)%	(5.40)%	(5.21)%
Return After Taxes on Distributions and Sale Of Fund Shares	(25.76)%	(4.03)%	(3.76)%
S&P 500 (reflects no deduction for fees, expenses, or taxes)	(37.00)%	(2.19)%	(1.38)%
Lipper Large-Cap Core Index (reflects no deduction for fees, expenses, or taxes)	(37.07)%	(2.73)%	(1.90)%

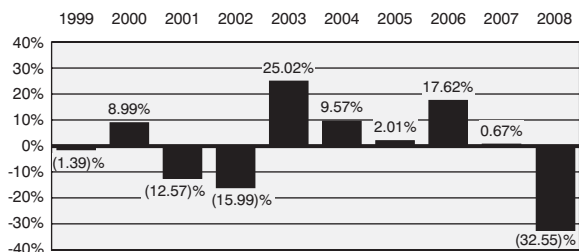
The returns in the table above include the effect of Class T's maximum applicable sales charge. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your individual tax situation and may differ from those shown in the preceding table. The after-tax return information shown above does not apply to Fund shares held through a tax-deferred account, such as a 401(k) plan or IRA.

The Fund's past performance (before and after taxes) does not necessarily indicate how it will perform in the future.

Prior to the Growth Fund's succession to the business of SM&R Growth Fund, Inc., SM&R Growth Fund, Inc.'s shareholders approved a new investment advisory agreement eliminating a performance fee adjustment component by which the advisory fee varied with fund performance. Accordingly, keep in mind when reviewing the performance information for the Growth Fund for years 1999 and 2000 that such performance would have been less if the performance fee adjustment had not been in effect.

Equity Income Fund

The following bar chart shows the annual total returns (%) for Class T of the Equity Income Fund or, as noted above, of the SM&R Equity Income Fund, Inc., for each of the last 10 calendar years. The returns shown in the bar chart do not include the effect of sales charges and account fees. If such charges and fees were included, the returns shown would be lower.



The Equity Income Fund's fiscal year end is August 31st. The Equity Income Fund's Class T unannualized return for the period from January 1, 2009 through September 30, 2009 is 13.67%.

	Quarter Ended	Total Return
Best Quarter:	September 30, 2009	16.78%
Worst Quarter:	December 31, 2008	(21.85)%

The next table lists the Equity Income Fund's Class T average annual total returns for the past one, five and ten calendar years, and the returns of the S&P 500® and the Lipper Equity Income Index for the same periods. This table is intended to provide you with some indication of the risks of investing in the Equity Income Fund. The S&P 500® is the Standard & Poor's Composite Index of 500 Stocks, a widely recognized, unmanaged index of common stock prices. Standard & Poor's, S&P, and S&P 500® are registered trademarks of Standard & Poor's Corporation. The Lipper Equity Income Index is a widely recognized, equally weighted performance index (adjusted for capital gains distributions and income dividends) of the 10 largest open-end funds which seek relatively high

current income and growth of income through investing 60% or more of their portfolio in equities.

Average Annual Total Returns

(for the period ended 12/31/08)

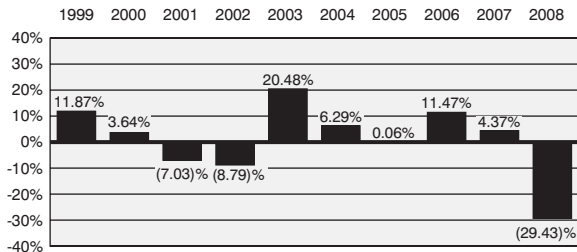
	Past One Year	Past 5 Years	Past 10 Years
Equity Income Fund			
Return Before Taxes	(36.44)%	(3.40)%	(1.84)%
Return After Taxes on Distributions	(37.85)%	(4.23)%	(3.19)%
Return After Taxes on Distributions and Sale Of Fund Shares	(22.63)%	(2.29)%	(1.85)%
S&P 500 (reflects no deduction for fees, expenses, or taxes)	(37.00)%	(2.19)%	(1.38)%
Lipper Equity Income Index (reflects no deduction for fees, expenses, or taxes)	(35.40)%	(1.19)%	0.50%

The returns in the table above include the effect of Class T's maximum applicable sales charge. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your individual tax situation and may differ from those shown in the preceding table. The after-tax return information shown above does not apply to Fund shares held through a tax-deferred account, such as a 401(k) plan or IRA.

The Fund's past performance (before and after taxes) does not necessarily indicate how it will perform in the future.

Balanced Fund

The following bar chart shows the annual total returns (%) for Class T of the Balanced Fund or, as noted above, of the SM&R Balanced Fund, Inc., for each of the last 10 calendar years. The returns shown in the bar chart do not include the effect of sales charges and account fees. If such charges and fees were included, the returns shown would be lower.



The Balanced Fund's fiscal year ends on August 31st. The Balanced Fund's Class T unannualized return for the period from January 1, 2009 through September 30, 2009 is 17.31%.

	Quarter Ended	Total Return
Best Quarter:	June 30, 2009	13.23%
Worst Quarter:	December 31, 2008	(17.02)%

The next table lists the Balanced Fund's Class T average annual total returns for the past one, five and ten calendar years, and the returns of the S&P 500® and the Lipper Balanced Fund Index for the same periods. This table is intended to provide you with some indication of the risks of investing in the Balanced Fund. The S&P 500® is the Standard & Poor's Composite Index of 500 Stocks, a widely recognized, unmanaged index of common stock prices. Standard & Poor's, S&P, and S&P 500® are registered trademarks of Standard & Poor's Corporation. The Lipper Balanced Fund Index tracks the performance of the 30 largest open-end funds whose primary objective is to conserve principal by maintaining a balanced portfolio of

stocks and bonds. The stock/bond ratio of such funds typically ranges around 60%/40%.

Average Annual Total Returns

(for the period ended 12/31/08)

	Past One Year	Past 5 Years	Past 10 Years
Balanced Fund			
Return Before Taxes	(33.49)%	(3.82)%	(0.25)%
Return After Taxes on Distributions	(34.59)%	(5.00)%	(1.62)%
Return After Taxes on Distributions and Sale Of Fund Shares	(21.01)%	(3.46)%	(0.73)%
S&P 500 (reflects no deduction for fees, expenses, or taxes)			
	(37.00)%	(2.19)%	(1.38)%
Lipper Balanced Fund Index (reflects no deduction for fees, expenses, or taxes)			
	(26.18)%	0.12%	1.53%

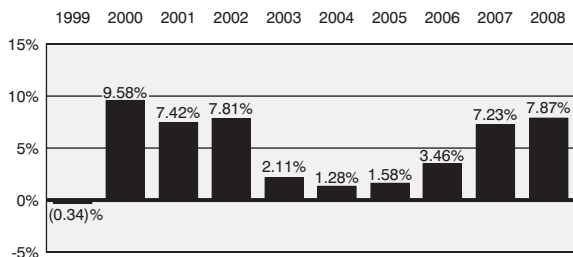
The returns in the table above include the effect of Class T's maximum applicable sales charge. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your individual tax situation and may differ from those shown in the preceding table. The after-tax return information shown above does not apply to Fund shares held through a tax-deferred account, such as a 401(k) plan or IRA.

The Fund's past performance (before and after taxes) does not necessarily indicate how it will perform in the future.

PERFORMANCE

Government Bond Fund

The following bar chart shows the annual total returns (%) for Class T of the Government Bond Fund for each of the last ten calendar years. The returns shown in the bar chart do not include the effect of sales charges and account fees. If such charges and fees were included, the returns shown would be lower.



The Government Bond Fund's fiscal year ends on August 31st. The Government Bond Fund's unannualized Class T return for the period from January 1, 2009 through September 30, 2009 is (0.14)%.

	Quarter Ended	Total Return
Best Quarter:	December 31, 2008	4.51%
Worst Quarter:	June 30, 2004	(2.36)%

The next table lists the Government Bond Fund's Class T average annual total returns for the past one, five and ten calendar years and the returns of the Lipper General U.S. Government Fund Index for the same periods. This table is intended to provide you with some indication of the risks of investing in the Government Bond Fund.

The Lipper General U.S. Government Fund Index is a widely recognized, equally-weighted performance index (adjusted for capital gains and income dividends) of the 30 largest open-end funds whose investment strategy consists of investing at least 65% of fund assets in U.S. Government and Agency issues.

Average Annual Total Returns

(for the period ended 12/31/08)

	Past One Year	Past 5 Years	Past 10 Years
Government Bond Fund			
Return Before Taxes	3.06%	3.30%	4.27%
Return After Taxes on Distributions	1.95%	2.17%	2.66%
Return After Taxes on Distributions and Sale Of Fund Shares	1.94%	2.14%	2.60%
Lipper General U.S. Government Fund Index (reflects no deduction for fees, expenses, or taxes)	5.80%	4.29%	4.83%

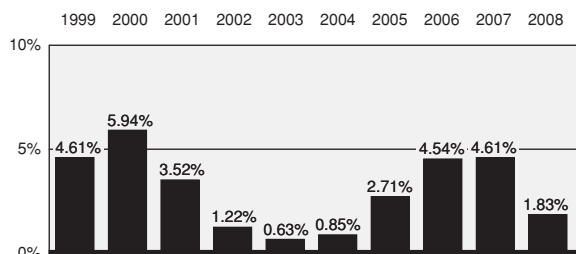
The returns in the table above include the effect of Class T's maximum applicable sales charge. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your individual tax situation and may differ from those shown in the preceding table. The after-tax return information shown above does not apply to Fund shares held through a tax-deferred account, such as a 401(k) plan or IRA.

The Fund's past performance (before and after taxes) does not necessarily indicate how it will perform in the future.

PERFORMANCE

Money Market Fund

The following bar chart for the Money Market Fund (inception date 1/1/99) shows the annual total returns (%) for the past ten calendar years.



The Money Market Fund's fiscal year ends on August 31st. The Money Market Fund's unannualized return for the period from January 1, 2009 through September 30, 2009 is 0.01%.

	Quarter Ended	Total Return
Best Quarter:	Sept. 30, 2000	1.52%
Worst Quarter:	June. 30, 2009	0.00%*

**The Money Market Fund's worst quarter return of 0.00% also occurred for the quarter ended September 30, 2009.*

The next table lists the Money Market Fund's average annual total return for the past one, five and ten calendar years, and the returns of the Lipper Money Market Fund Index for the same periods. This table is intended to provide you with some indication of the risks of investing in the Money Market Fund. To obtain the Money Market Fund's current 7-day yield, call toll-free 1-800-231-4639. At the bottom of the table you can compare this performance of the Money Market Fund with the Lipper Money Market Fund Index.

The Lipper Money Market Fund Index is an index comprised of 30 component funds (component funds are derived based on the year-end total net assets, with the largest funds making up the index) that invest in high quality financial instruments rated in the top two grades with dollar-weighted average maturities of less than 90 days.

Average Annual Total Returns

(for the period ending 12/31/08)

	Past One Year	Past 5 Years	Past 10 Years
Money Market Fund	1.83%	2.90%	3.03%
Lipper Money Market Fund Index	2.41%	3.01%	3.14%

EXPENSES OF THE FUNDS

FEES AND EXPENSES OF THE FUNDS

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

Shareholder Fees

(fees paid directly from your investment)

SM&R Equity Funds

	Growth Fund Class T	Equity Income Fund Class T	Balanced Fund Class T
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price)	5.75% ⁽¹⁾	5.75% ⁽¹⁾	5.75% ⁽¹⁾
Maximum Account Fees (custodian fee applicable to tax deferred accounts only)	\$10.00	\$10.00	\$10.00
Wire Redemption Fees on Redemptions less than \$10,000	\$20.00	\$20.00	\$20.00

SM&R Fixed Income Funds

	Government Bond Fund Class T	SM&R Money Market Fund
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price)	4.50% ⁽²⁾	None
Maximum Account Fees (custodian fee applicable to tax deferred accounts only)	\$10.00	\$10.00
Wire Redemption Fees on Redemptions less than \$10,000	\$20.00	\$20.00

Annual Fund Operating Expenses⁽³⁾

(expenses that are deducted from fund assets)

SM&R Equity Funds

	Growth Fund Class T	Equity Income Fund Class T	Balanced Fund Class T
Management Fees	0.75%	0.75%	0.75%
Distribution and/or Service (12b-1) Fees	—	—	—
Other Expenses ⁽⁴⁾	0.51%	0.49%	0.60%
Total Annual Fund Operating Expenses ⁽⁵⁾	1.26%	1.24%	1.35%

SM&R Fixed Income Funds

	Government Bond Fund Class T	SM&R Money Market Fund
Management Fees	0.50%	0.25%
Distribution and/or Service (12b-1) Fees	—	—
Other Expenses ⁽⁴⁾	0.45%	0.39%
Total Annual Fund Operating Expenses ⁽⁵⁾	0.95%	0.64%

Footnotes to Fees and Expenses

⁽¹⁾ You pay a sales charge of 5.75% on initial investments in shares of less than \$50,000. You pay a reduced sales charge at certain breakpoints, as follows: 4.50% on initial investments of at least \$50,000 but less than \$100,000; 3.50% on initial investments of at least \$100,000 but less than \$250,000; 2.50% on initial investments of at least \$250,000 but less than \$500,000; and zero on initial investments of \$500,000 or more.

⁽²⁾ You pay a sales charge of 4.5% on initial investments in shares of less than \$100,000. You pay a reduced sales charge at certain breakpoints, as follows: 3.50% on initial investments of at least \$100,000 but less than \$250,000; 2.50% on initial investments of at least \$250,000 but less than \$500,000; and zero on initial investments of \$500,000 or more.

⁽³⁾ The "Management Fees" and "Other Expenses" shown for the funds are for the fiscal year ended August 31, 2009. No Distribution and Service (12b-1 fees) are imposed on any shares offered in this prospectus.

⁽⁴⁾ These expenses include administrative services fees, audit fees, directors fees, shareholder reporting and miscellaneous expenses.

⁽⁵⁾ The Fund's manager, Securities Management and Research, Inc. ("SM&R"), has voluntarily agreed to reimburse the funds to the extent that total annual fund operating expenses, as a percentage of average daily net assets, exceed the amounts shown in the following table. This arrangement extends until December 31, 2010 and may be terminated at any time thereafter by SM&R. Refer to "Reimbursements and Waivers" on page 27 of this prospectus for more information.

Voluntary Expense Reimbursement of the Funds

Annual Fund Operating Expenses

	Total Annual Fund Operating Expenses ⁽⁶⁾
Government Bond Fund Class T	0.73%

SM&R is waiving or reimbursing all or a portion of its fees due from the Money Market Fund to prevent such fund's net yields from decreasing below zero. Including such current voluntary fee waivers and/or expense reimbursements, total annual operating expenses were 0.31% for the Money Market Fund. *SM&R may cease these voluntary waivers and/or reimbursements for the Money Market Fund at any time.*

EXAMPLE OF FUND EXPENSES

Expenses

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Your expenses would be the same at the end of these periods whether or not you redeemed your shares. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

SM&R EQUITY FUNDS⁽¹⁾

Growth Fund	
1 Year	\$ 696
3 Years	952
5 Years	1,227
10 Years	2,010
Equity Income Fund	
1 Year	694
3 Years	946
5 Years	1,217
10 Years	1,989
Balanced Fund	
1 Year	705
3 Years	978
5 Years	1,272
10 Years	2,105

SM&R FIXED INCOME FUNDS⁽¹⁾

Government Bond Fund	
1 Year	543
3 Years	739
5 Years	952
10 Years	1,564
Money Market Fund	
1 Year	65
3 Years	205
5 Years	357
10 Years	798

⁽¹⁾ The expenses shown do not reflect fees waived or expenses assumed by SM&R on a voluntary basis. Refer to "Reimbursements and Waivers" on page 27 of this prospectus for more details about fees waived or expenses assumed by SM&R on a voluntary basis.

Common Risk Factors for All of SM&R's Funds

Please remember that mutual fund shares are:

- Not guaranteed to achieve their investment goal
- Not insured, endorsed or guaranteed by the FDIC, a bank or any government agency
- Subject to investment risks, including possible loss of your original investment

Like most investments, your investment in an SM&R fund could fluctuate in value over time and could result in a loss of money.

Risk Factors Specific to One or More of the SM&R Funds

IMPORTANT

The following factors may affect the value of your investment in one or more of the SM&R funds.

Market Risk

Market risk is the risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. The fluctuations may cause a security to be worth less than the price originally paid for it, or less than it was worth at an earlier time. This market risk will affect a fund's net asset value per share, which will fluctuate as the values of such fund's portfolio securities change. You can lose money by investing in the funds, especially if you sell your shares during a period of market volatility. Market risk may affect a single issuer, industry, sector of the economy, or the market as a whole. A security's market value may fluctuate in response to events affecting an issuer's profitability or viability. The SM&R funds cannot always predict the factors that will affect a stock's price. The funds, however, do attempt to limit market risk by diversifying their investments.

Market risk is common to all stocks and bonds and the mutual funds that invest in them and applies to all of the SM&R funds.

Investment Style or Management Risk

Investment style or management risk is the risk that the investment strategy of the SM&R funds' investment adviser may not produce the intended results or that securities that fit the desired investment style do worse than securities that fit other investment manager's investment styles. This risk also involves the possibility that the investment adviser will fail to execute an investment strategy effectively. Portfolio managers may decide to overweight or underweight certain industry sectors and to purchase individual stocks based on their assessments of the future growth prospects of an industry sector or particular stock. If certain industries or investments do not perform as a fund expects (i.e., do not grow in value), that fund could underperform its peers or lose money. ***Investment style or management risk is common to all mutual funds and applies to all of the SM&R funds.***

Credit Risk

Credit risk is the risk that the issuer of a security, or a party to a contract, will default or otherwise not honor a financial obligation. ***This risk applies to all of the funds, but may have a greater impact on the Balanced Fund, Equity Income Fund and Money Market Fund.*** The Growth Fund is permitted to invest in “junk” bonds. Junk bonds have additional risks, including limitations on the Growth Fund’s ability to resell the lower-rated debt securities and less readily available market quotations for such securities.

Interest Rate Risk

Interest rate risk is the risk that the market value of an income-bearing investment will decline due to changes in prevailing interest rates. With fixed-rate securities, a rise in interest rates typically causes a decline in market values. ***This risk applies to all of the funds, but may have a greater impact on the Government Bond Fund and Money Market Fund (together the “SM&R Fixed Income Funds”), Balanced Fund, and Equity Income Fund.***

Growth Stock Risk

The returns of a fund concentrating on growth stocks tend to vary more widely over time than those of funds that focus on value stocks. Prices of growth stocks tend to be higher in relation to their companies’ earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile. ***Growth stock risk applies primarily to the Growth Fund, Equity Income Fund, and Balanced Fund (collectively the “SM&R Equity Funds”).***

Liquidity Risk

Liquidity risk is the risk that certain securities or other investments may be difficult or impossible to sell at the time the fund would like to sell them or at the price the fund values them. The fund may have to sell at a lower price, sell other securities instead, or forego an investment opportunity, any of which could have a negative effect on fund management or performance.

This risk applies primarily to the SM&R Equity Funds and Money Market Fund.

Call Risk

Call risk is the risk that an unexpected fall in prevailing interest rates will shorten the life of an outstanding obligation by increasing the actual or expected number of prepayments, thereby reducing the obligation’s value. ***This risk applies primarily to the Balanced Fund.***

Maturity Risk

Maturity risk is the risk that if the general level of interest rates rises subsequent to the time an investment commitment is made in a fixed-income security or portfolio, the market price of that security or portfolio will decline until its yield becomes competitive with new, higher interest rate securities. It is virtually certain that fluctuations in the general level of interest rates cause long-term maturity bonds to fluctuate more in price than shorter-term bonds. As the maturity increases, the price discount is being amortized over an increasing number of years. Therefore, in order for the discount to produce, say, an extra 1 percent per annum, it must be progressively larger in dollar amounts as maturity increases. Long maturity increases risk not only because of the interest rate factor but also because it increases the time available for unexpected occurrences. ***This risk applies primarily to the Balanced Fund, the Government Bond Fund, the Money Market Fund and the Equity Income Fund.***

Convertible Securities

Convertible securities may include corporate notes or preferred stock, but ordinarily are a long-term debt obligation of the issuer convertible at a stated exchange rate into common stock of the issuer. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, to increase as interest rates decline.

Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. ***Risks associated with convertible securities apply to the Growth Fund, Equity Income Fund and Balanced Fund.***

Preferred Stocks

Because preferred stocks come with a promise to pay a stated dividend, their price depends more on the size of the dividend than on the company's performance. But if a company fails to pay the dividend, its preferred stock is likely to drop in price. Changes in interest rates can also affect their price. Some companies issue preferred stocks that are convertible into their common stocks. Linked to the common stock in this way, convertible preferred stocks go up and down in price as the common stock does, adding to their market risk. ***Risks associated with preferred stocks apply primarily to the Growth Fund and Equity Income Fund.***

Extension Risk

Extension risk is the risk that an unexpected rise in prevailing interest rates will extend the life of an outstanding mortgage-backed security by reducing the actual or expected number of mortgage prepayments, thereby reducing the security's value. ***This risk applies primarily to the Government Bond Fund.***

Other Risks

Each investor will be subject to all the risks normally attendant to business operations, changes in general economic conditions, governmental rules and fiscal policies, acts of God, terrorism and other factors beyond the control of the funds management.

Recent Events

Recently, the financial markets have experienced a period of extreme stress which has resulted in unusual and extreme volatility in the equity markets and in the prices of individual stocks. In some cases, the prices of stocks of individual companies have been negatively impacted even though there may be little or no apparent degradation in the financial conditions or prospects of that company. ***These market conditions add significantly to the risk of short-term volatility of the SM&R Equity Funds.***

In addition, the fixed-income markets are experiencing a period of extreme volatility which has negatively impacted market liquidity conditions. Initially, the concerns on the part of market participants were focused on the subprime segment of the mortgage-backed securities market. These concerns have since expanded to include a broad range of mortgage- and asset-backed and other fixed-income securities, including those rated investment grade, the U.S. and international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, and sectors. As a result, fixed-income instruments are experiencing liquidity issues, increased price volatility, credit downgrades, and increased likelihood of default. These market conditions may have an adverse effect on a fund's investments and hamper a fund's ability to sell the debt securities in which it invests or to find and purchase suitable debt instruments.

This risk applies to all of the funds, but may have a greater impact on the SM&R Fixed Income Funds, the Balanced Fund, and the Equity Income Fund.

SM&R Equity Funds' Temporary Defensive Measures

During unfavorable market conditions, each of the SM&R Equity Funds may, but are not required to, make temporary investments that are not consistent with such funds' investment objectives and principal strategies.

Such defensive measures may include increasing cash, investing more assets in bonds, repurchase agreements, or money market instruments, and where permitted by this prospectus or the statement of additional information, investing in derivatives or other instruments. If a fund takes such defensive measures, it may not achieve its investment objectives.

Other securities that each of such funds may invest in are discussed in the Fund's Statement of Additional Information (see back cover).

SM&R Investments, Inc. (the “Fund”) offers five separate investment portfolios in this prospectus. The Money Market Fund consists of a single class of shares offered at net asset value and does not impose any sales charges or distribution and service (12b-1) fees. The Growth Fund, Equity Income Fund, Balanced Fund and Government Bond Fund offers in this prospectus Class T shares at net asset value plus an initial sales charge. Class T shares do not impose any distribution and service (12b-1) fees.

Through a separate prospectus, the Fund also offers Class A (front-end load) and Class B (back-end load) shares of the following funds:

- SM&R Growth Fund
- SM&R Equity Income Fund
- SM&R Balanced Fund
- SM&R Government Bond Fund

Class A and Class B shares are subject to different sales charges and other expenses, and, accordingly, may have expense ratios and performance that differs from those of Class T shares. You are encouraged to consider all of the Fund’s class alternatives and choose the one that fits your individual circumstances at the lowest level of fees. *For more information on the other classes of shares or to request a prospectus for another class, investors may contact Investor Services at (800) 231-4639.*

ELIGIBLE PURCHASERS OF CLASS T SHARES

In general, Class T shares may only be purchased by existing shareholders that owned shares of the Growth Fund, Equity Income Fund, Balanced Fund or Government Bond Fund on December 31, 1998 and certain other designated persons. The other

designated persons that can purchase Class T shares include:

- (a) Present and retired directors, officers, and full-time employees of the Fund;
- (b) Present and retired directors, officers, registered representatives, and full-time employees of SM&R and their spouses;
- (c) Present and retired officers, directors, insurance agents and full-time employees (and their spouses) of: (1) American National Insurance Company (“American National”), (2) American National subsidiaries, and (3) any corporation or partnership for which any of American National’s present directors serve as a director or partner;
- (d) Present and retired partners and full-time employees of legal counsel to SM&R (and officers and directors of any professional corporations which are partners of such legal counsel) and their spouses;
- (e) Members of the immediate family (any parent, spouse of a parent, child, spouse of a child, spouse, brother, or sister, including step and adoptive relationships), grandchildren, grandparents and in-laws of any person named in (a), (b), (c), or (d);
- (f) Any trust, pension, profit-sharing, IRA, or other benefit plan for any of such persons mentioned in (a), (b), (c) or (d);
- (g) Custodial accounts for minor children of such persons mentioned in (a), (b), (c), (d) or (e) pursuant to the Uniform Gifts to Minors or Uniform Transfers to Minors Acts;
- (h) Persons who have received a distribution from a pension, profit-sharing, or other benefit plan, to the extent such distribution represents the proceeds of a redemption of shares of any fund

managed by SM&R other than the SM&R Money Market Fund (the “Money Market Fund”); and,

- (i) Persons purchasing shares for a federal or state sponsored post-secondary education funding program.

You have the sole responsibility of notifying the Fund that you intend to qualify under one of these categories.

Opening an Account. Your ability to open a new account depends on the basis of your eligibility to purchase Class T shares, as follows:

- If you are eligible to purchase Class T shares because you are an existing shareholder of a fund (and owned shares on December 31, 1998) you can purchase additional Class T shares of the fund in which you are invested, but cannot open a new account in another fund. For example, if you own shares of the Growth Fund only (and you owned shares of that fund on December 31, 1998), you may purchase additional Class T shares of that fund. However, you cannot purchase Class T shares of the Equity Income Fund.
- If you are a designated person listed in (a)-(i) above, you can open a new account in Class T shares and may purchase Class T shares of any fund managed by SM&R. *You are also eligible for waiver of the initial sales charge as described below.*

CLASS T SALES CHARGES

The offering price of Class T shares is the net asset value plus a “front-end” sales charge. The sales charge is a percentage of the offering price, which includes the sales charge, as shown in the following tables:

SM&R Government Bond Fund

Amount Invested	Sales Charge as a % of Offering Price	Sales Charges as a % of Net Amount Invested
Less than \$100,000	4.50%	4.7%
\$100,000 but less than \$250,000	3.5%	3.6%
\$250,000 but less than \$500,000	2.5%	2.6%
\$500,000 and over	None	None

SM&R Equity Funds

Amount Invested	Sales Charge as a % of Offering Price	Sales Charges as a % of Net Amount Invested
Less than \$50,000	5.75%	6.1%
\$50,000 but less than \$100,000	4.5%	4.7%
\$100,000 but less than \$250,000	3.5%	3.6%
\$250,000 but less than \$500,000	2.5%	2.6%
\$500,000 and over	None	None

SALES CHARGE REDUCTIONS AND WAIVERS

Discounts Through Concurrent Purchases. To qualify for a reduced sales charge on Class T shares, you may combine concurrent purchases of Class T and Class A (not offered in this prospectus) shares of funds managed by SM&R that impose a front-end sales charge. Investors that are eligible to combine concurrent purchases to qualify for a reduced sales charge include:

- (1) Any individual, his or her spouse, and trusts or custodial accounts for their minor children;
- (2) A trustee or fiduciary of a single trust estate or single fiduciary account;

- (3) Tax-exempt organizations specified in Sections 501(c)(3) or (13) of the Internal Revenue Code, or employees' trusts, pension, profit-sharing, or other employee benefit plans qualified under Section 401 of the Internal Revenue Code; and
- (4) Employees (or employers on behalf of employees) under any employee benefit plan not qualified under Section 401 of the Internal Revenue Code.

Purchases in connection with employee benefit plans not qualified under Section 401 of the Internal Revenue Code will qualify for the above quantity discounts only if the fund will realize economies of scale in sales effort and sales related expenses as a result of the employer's or the plan's bearing the expense of any payroll deduction plan, making the fund's prospectus available to individual investors or employees, forwarding investments by such employees to the funds, and the like.

Discounts Through A Right of Accumulation. If you already own Class A or Class T shares of a fund managed by SM&R on which you paid a front-end sales charge, you may be able to receive a discount when you buy additional shares. The current net asset value for the shares you already own may be "accumulated" — i.e., combined together with the dollar amount being invested — to achieve quantities eligible for discount.

Letter of Intent. You may qualify for a reduced sales charge on purchases of Class T shares of funds managed by SM&R by completing the Letter of Intent section of the account application. Under a Letter of Intent, an investor expresses an intention to purchase, within 13 months of the initial investment, a specified amount of Class T

and Class A shares of funds managed by SM&R which, if made concurrently, would qualify for a reduced sales charge. Upon execution of a Letter of Intent, the investor must make a minimum initial investment equal to ten percent (10%) of the amount necessary to qualify for the applicable reduced sales charge. To assure that the full applicable sales charge will be paid if the intended purchase is not completed, five percent (5%) of the total intended purchase amount will be held in escrow in shares registered in the investor's name. Shares held in escrow under a Letter of Intent are not eligible for the exchange privilege until the Letter of Intent is completed or canceled. A Letter of Intent does not represent a binding obligation of the part of the investor to purchase or the funds to sell the full amount of shares specified.

Waiver of Initial Sales Charge for Certain Purchasers. After SM&R receives a written request, those designated persons listed in (a)-(i) on pages 23-24 may purchase Class T shares of the funds at net asset value per share without the imposition of any sales charge.

You may access the above information regarding sales charges, breakpoint discounts and purchases of fund shares free of charge and in a clear and prominent format on our website at www.smrinvest.com/FundInformation/default.asp#ChooseClass, and by following the appropriate hyperlink to the specific share class applicable to your investment.

Contact your registered representative or SM&R at 1-800-231-4639 if you think you may qualify for these services.

THE SM&R FUNDS AND THEIR MANAGEMENT

INVESTMENT ADVISER

The Fund's Board of Directors has delegated to Securities Management and Research, Inc. ("SM&R"), 2450 South Shore Boulevard, League City, Texas 77573, the funds' investment adviser, the management of the funds' day-to-day business and affairs. In addition, SM&R invests the funds' assets, provides administrative services, and serves as transfer agent, custodian, dividend paying agent, and underwriter.

SM&R is a wholly-owned subsidiary of American National Insurance Company ("American National"). SM&R was incorporated in 1964 and has managed mutual funds since 1966. SM&R does and may, from time to time, serve as investment adviser to other clients including banks, employee benefit plans, other investment companies, foundations and endowment funds.

The funds pay SM&R an investment advisory fee, which is calculated daily for each fund and paid monthly. The advisory agreements between SM&R and the funds spell out the management fee and other expenses that the funds must pay.

The Growth Fund, Equity Income Fund and Balanced Fund each pay an advisory fee to SM&R calculated as follows:

On the Portion of Such Funds' Average Daily Net Assets	Advisory Fee Annual Rate
Not exceeding \$100,000,000	0.750%
Exceeding \$100,000,000 but not exceeding \$200,000,000	0.625%
Exceeding \$200,000,000 but not exceeding \$300,000,000	0.500%
Exceeding \$300,000,000	0.400%

The Government Bond Fund pays an advisory fee to SM&R calculated as follows:

Average Daily Net Assets of Each Fund	Annual Percentage Rate
Not exceeding \$100,000,000	0.50%
Exceeding \$100,000,000 but not exceeding \$300,000,000	0.45%
Exceeding \$300,000,000	0.40%

The Money Market Fund pays an advisory fee to SM&R at annual rate of 0.25% of its average daily net assets.

After applicable fee waivers, SM&R received total advisory fees during the past fiscal year as follows:

Fund	Advisory Fees as a % of Average Daily Net Assets
SM&R EQUITY FUNDS:	
Growth Fund	
Class T	0.75%
Equity Income Fund	
Class T	0.75%
Balanced Fund	
Class T	0.65%
SM&R FIXED INCOME FUNDS:	
Government Bond Fund	
Class T	0.29%
Money Market Fund	—

A discussion regarding the basis for the board of directors approving any investment advisory contract for the Fund is available in the Funds' Annual Report dated August 31, 2009.

Administrative Services

Each of the funds pays SM&R an administrative service fee under administrative service agreements between the Fund and SM&R. These agreements state that each of the funds will pay SM&R for

non-investment related management, executive, administrative, transfer agent, and operation services to the funds. The administrative service fee for all funds is calculated as follows:

On the Portion of the Funds' Average Daily Net Assets	Administrative Service Fee Annual Rate
Not exceeding \$100,000,000	0.25%
Exceeding \$100,000,000 but not exceeding \$200,000,000	0.20%
Exceeding \$200,000,000 but not exceeding \$300,000,000	0.15%
Exceeding \$300,000,000	0.10%

Reimbursements and Waivers

In each fund's administrative service agreement, SM&R has agreed to pay (or to reimburse each such fund for) each such fund's regular operating expenses in excess of 1.25% (0.50% for the Money Market Fund) per year of each such fund's average daily net assets. Regular operating expenses include the advisory fee and administrative service fee, if any, paid to SM&R, but do not include class-specific expenses, interest, taxes, commissions, and other expenses incidental to portfolio transactions.

In order to improve the yield and total return of one or more of the funds, SM&R may from time to time *voluntarily* waive or reduce all or any portion of its advisory fee, administrative fee, and/or assume certain or all expenses of any fund, while retaining its ability to be reimbursed for such fees prior to the end of the fiscal year. Fee waivers and/or reductions, other than those stated in an administrative service agreement, may be rescinded by SM&R at any time without notice to investors. Until December 31, 2010, SM&R has voluntarily agreed to reimburse expenses incurred by the Government Bond Fund to the extent that total expenses exceed 0.73% of average daily net assets.

PORTFOLIO MANAGEMENT

While the following individuals are primarily responsible for the day-to-day portfolio

management of their respective funds, all accounts are reviewed on a regular basis by SM&R's Investment Committee to ensure that they are being invested in accordance with investment policies.

The Statement of Additional Information contains additional information about the Portfolio Managers' compensation, other accounts managed by the Portfolio Managers, and the Portfolio Managers' ownership of securities in the Funds.

Growth Fund, Equity Income Fund and Balanced Fund

Anne M. LeMire, Portfolio Manager and

Co-Portfolio Manager. Ms. LeMire is Vice President, Head of Fixed Income for Securities Management and Research, Inc. ("SM&R"), Senior Securities Analyst/Portfolio Manager since 2003 and is a member of the investment committee. She is the Portfolio Manager for the Growth Fund and Co-Portfolio Manager of the Balanced Fund since May 2006. She is also Portfolio Manager for the Government Bond and Money Market Funds since 2001. She was Assistant Portfolio Manager for these funds from 2000 to 2001. She is also Portfolio Manager for the American National Growth Portfolio and Co-Portfolio Manager of the American National Balanced Portfolio since May 2006, each of which are portfolios of American National Investment Accounts, Inc. ("ANIA"). She also served as Assistant Portfolio Manager for these portfolios from 2000 to 2001. ANIA is another investment company fund managed by SM&R, which is used exclusively for variable contracts issued by American National Insurance Company. Ms. LeMire began with SM&R in 1990 and held the position of Assistant Vice President and Controller prior to joining the investment staff in February 1999. She holds an accounting degree from the University of Houston and earned the Certified Public Accountant designation in 1990. Before joining SM&R, she held

an auditing position at the University of Texas Medical Branch. She is a Chartered Financial Analyst.

John S. Maidlow, Portfolio Manager and Co-Portfolio Manager. Mr. Maidlow is Vice President, Head of Portfolio Management for SM&R since 2003, Portfolio Manager for Private Advisory Clients since 1998, and is a member of the investment committee. Mr. Maidlow is the Portfolio Manager of the Equity Income Fund and Co-Portfolio Manager of the Balanced Fund since May 2006, and Portfolio Manager of ANIA's American National Equity Income Portfolio and Co-Portfolio Manager of ANIA's American National Balanced Portfolio since May 2006. He was Portfolio Manager of the Money Market Fund and ANIA's American National Money Market Portfolio from 2000-2002, and he was Assistant Portfolio Manager of the Money Market Fund and ANIA's American National Money Market Portfolio from 1998-2000. Mr. Maidlow graduated from the University of Texas, Austin, Texas, with a BBA in Finance in 1979 and from Baylor University, Waco, Texas with a Masters of Business Administration in 1997. He is a Chartered Financial Analyst.

Mr. Darren W. King, Assistant Portfolio Manager. Mr. King is Senior Securities Analyst and Portfolio Manager, SM&R, since May 2006 and is a member of the investment committee. Mr. King is Assistant Portfolio Manager for the Growth, Equity Income and Balanced Funds since May 2006. He is Assistant Portfolio Manager for ANIA's American National Growth, Equity Income and Balanced Portfolios since May 2006. Mr. King began his investment career with FCA Corporation as an Associate Financial Planner from 1997-1999 and with Woodway Financial Advisors as Senior Portfolio Manager and Investment Officer from 1999-2006. He graduated from Knox College, Galesburg, Illinois, with a Bachelor of Arts in 1994 and from Texas Tech University, Lubbock, Texas,

with a Masters of Business Administration — General Business Concentration in 1997. Mr. King is a Chartered Financial Analyst.

Government Bond Fund and Money Market Fund

Anne M. LeMire, Portfolio Manager and Co-Portfolio Manager. (See above)

Gordon D. Dixon, Assistant Portfolio Manager.

Mr. Dixon is a Director, Senior Vice President and Chief Investment Officer of SM&R, and a member of the investment committee. He is Assistant Portfolio Manager for the Government Bond and Money Market Funds since 2001. He was previously Assistant Portfolio Manager for the Growth, Equity Income and Balanced Funds from 2001 to May 2006 and was previously Portfolio Manager and Co-Portfolio Manager of such funds. Mr. Dixon also serves as Assistant Portfolio Manager of ANIA's Money Market Portfolio since 2001. He was previously Assistant Portfolio Manager for the Growth, Equity Income and Balanced Funds and ANIA's American National Growth, Equity Income and Balanced Portfolios from 2001-2006. Mr. Dixon graduated from the University of South Dakota with a B.A. in Finance and Accounting and from Northwestern University in 1972 with an M.B.A. in Finance and Accounting. He began his investment career in 1972 as an Administrative and Research Manager with Penmark Investments. In 1979, he began working for American Airlines in the management of the \$600 million American Airlines Pension Portfolio, of which approximately \$100 million was equities. In 1984, he was employed by C&S/Sovran Bank in Atlanta, Georgia as Director of Equity Strategy, where he had responsibility for all research, equity trading and quantitative services groups as well as investment policy input of a portfolio of approximately \$7 billion, of which \$3.5 billion was equities.

FINANCIAL HIGHLIGHTS

GROWTH FUND

The following financial highlights table is intended to help you understand the Growth Fund's financial performance for the past five years. Certain information reflects financial results for a single share outstanding throughout each period shown. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Growth Fund (assuming reinvestment of all dividends and distributions), but do not reflect any sales loads or account fees that would

be imposed on the purchase or sale of any shares. This information is derived from the financial statements of the Fund, which for the year ended August 31, 2005 has been audited by Tait Weller and Baker, LLP. For the years ended, August 31, 2006, 2007, 2008 and 2009, the information has been audited by BKD, LLP. BKD's report, along with the Fund's financial statements, is included in the Annual Report, which is available upon request.

	Year Ended August 31,				
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$ 4.14	\$ 4.95	\$ 4.40	\$ 4.17	\$ 3.87
Investment income—net	0.04	(0.06)	0.03	0.03	0.05
Net realized and unrealized gain (loss) on investments	(0.84)	(0.69)	0.70	0.23	0.30
Total from Investment Operations	(0.80)	(0.63)	0.73	0.26	0.35
Less Distributions from					
Investment income—net	(0.04)	(0.06)	(0.03)	(0.03)	(0.05)
Capital gains	(0.21)	(0.12)	(0.15)	—	—
Total Distributions	(0.25)	(0.18)	(0.18)	(0.03)	(0.05)
Net Asset Value, End of Year	\$ 3.09	\$ 4.14	\$ 4.95	\$ 4.40	\$ 4.17
Total Return⁽¹⁾	(18.36)%	(13.11)%	16.73%	6.28%	9.01%
Ratios (in percentages)/Supplemental Data					
Net Assets, end of Year (000's omitted)	\$61,080	\$79,417	\$98,760	\$93,937	\$101,643
Ratio of expenses with reimbursement to average net assets	1.25%	1.15%	1.12%	1.18%	1.19%
Ratio of expenses without reimbursement to average net assets	1.26%	1.15%	1.12%	1.18%	1.19%
Ratio of net investment income to average net assets	1.34%	1.27%	0.58%	0.70%	1.20%
Portfolio turnover rate	11.84%	11.15%	23.79%	56.05%	24.18%

⁽¹⁾ Does not include the effect of sales charges.

FINANCIAL HIGHLIGHTS

EQUITY INCOME FUND

The following financial highlights table is intended to help you understand the Equity Income Fund's financial performance for the past five years. Certain information reflects financial results for a single Equity Income Fund share outstanding throughout each period shown. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Equity Income Fund (assuming reinvestment of all dividends and distributions), but do not reflect any

sales loads or account fees that would be imposed on the purchase or sale of any shares. This information is derived from the financial statements of the Fund, which for the year ended August 31, 2005 has been audited by Tait Weller and Baker, LLP. For the years ended, August 31, 2006, 2007, 2008 and 2009, the information has been audited by BKD, LLP. BKD's report, along with the Fund's financial statements, is included in the Annual Report, which is available upon request.

	Year Ended August 31,				
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$ 20.10	\$ 24.40	\$ 23.97	\$ 23.97	\$ 22.77
Investment income—net	0.43	0.50	0.69	0.50	0.40
Net realized and unrealized gain (loss) on investments	(4.39)	(2.95)	1.81	1.76	1.72
Total from Investment Operations	(3.96)	(2.45)	2.50	2.26	2.12
Less Distributions from					
Investment income—net	(0.47)	(0.51)	(0.68)	(0.41)	(0.39)
Capital gains	(1.15)	(1.34)	(1.39)	(1.85)	(0.53)
Total Distributions	(1.62)	(1.85)	(2.07)	(2.26)	(0.92)
Net Asset Value, End of Year	\$ 14.52	\$ 20.10	\$ 24.40	\$ 23.97	\$ 23.97
Total Return⁽¹⁾	(18.74)%	(10.35)%	10.60%	10.04%	9.35%
Ratios (in percentages)/Supplemental Data					
Net Assets, end of Year (000's omitted)	\$51,512	\$70,316	\$89,034	\$90,698	\$95,744
Ratio of expenses to average net assets	1.24%	1.14%	1.12%	1.15%	1.14%
Ratio of net investment income to average net assets	3.13%	2.58%	2.72%	2.09%	1.66%
Portfolio turnover rate	6.07%	11.88%	11.40%	47.59%	18.45%

⁽¹⁾ Does not include the effect of sales charges.

FINANCIAL HIGHLIGHTS

BALANCED FUND

The following financial highlights table is intended to help you understand the Balanced Fund's financial performance for the past five years. Certain information reflects financial results for a single Balanced Fund share outstanding throughout each period shown. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Balanced Fund (assuming reinvestment of all dividends and distributions), but do not reflect any sales loads or

account fees that would be imposed on the purchase or sale of any shares. This information is derived from the financial statements of the Fund, which for the year ended August 31, 2005 has been audited by Tait Weller and Baker, LLP. For the years ended, August 31, 2006, 2007, 2008 and 2009, the information has been audited by BKD, LLP. BKD's report, along with the Fund's financial statements, is included in the Annual Report, which is available upon request.

	Year Ended August 31,				
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$ 16.94	\$ 19.13	\$ 18.60	\$ 18.85	\$ 18.21
Investment income—net	0.33	0.35	0.39	0.36	0.36
Net realized and unrealized gain (loss) on investments	(2.55)	(1.86)	1.65	0.51	0.68
Total from Investment Operations	(2.22)	(1.51)	2.04	0.87	1.04
Less Distributions from					
Investment income—net	(0.35)	(0.35)	(0.41)	(0.33)	(0.34)
Capital gains	(0.70)	(0.33)	(1.10)	(0.79)	(0.06)
Total Distributions	(1.05)	(0.68)	(1.51)	(1.12)	(0.40)
Net Asset Value, End of Year	\$ 13.67	\$ 16.94	\$ 19.13	\$ 18.60	\$ 18.85
Total Return⁽¹⁾	(12.24)%	(8.13)%	11.28%	4.79%	5.77%

Ratios (in percentages)/Supplemental Data

Net Assets, end of Year (000's omitted)	\$16,972	\$20,267	\$23,651	\$22,373	\$22,798
Ratio of expenses with reimbursement to average net assets	1.25%	1.24%	1.20%	1.25%	1.24%
Ratio of expenses without reimbursement to average net assets	1.35%	1.24%	1.20%	1.29%	1.24%
Ratio of net income to average net assets	2.54%	1.93%	2.02%	1.95%	1.92%
Portfolio turnover rate	10.71%	19.79%	8.35%	21.82%	23.18%

⁽¹⁾ Does not include the effect of sales charges.

FINANCIAL HIGHLIGHTS

GOVERNMENT BOND FUND

The following financial highlights table is intended to help you understand the Government Bond Fund's financial performance for the past five years. Certain information reflects financial results for a single share outstanding throughout each period shown. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Government Bond Fund (assuming reinvestment of all dividends and distributions), but do not reflect any sales loads or

account fees that would be imposed on the purchase or sale of any shares. This information is derived from the financial statements of the Fund, which for the year ended August 31, 2005 has been audited by Tait Weller and Baker, LLP. For the years ended, August 31, 2006, 2007, 2008 and 2009, the information has been audited by BKD, LLP. BKD's report, along with the Fund's financial statements, is included in the Annual Report, which is available upon request.

	Year Ended August 31,				
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$ 10.51	\$ 10.27	\$ 10.17	\$ 10.36	\$ 10.43
Investment income—net	0.29	0.36	0.41	0.35	0.25
Net realized and unrealized gain (loss) on investments	0.23	0.24	0.10	(0.19)	(0.07)
Total from Investment Operations	0.52	0.60	0.51	0.16	0.18
Less Distributions from					
Investment income—net	(0.29)	(0.36)	(0.41)	(0.35)	(0.25)
Capital gains	—	—	—	—	(0.00)*
Total Distributions	(0.29)	(0.36)	(0.41)	(0.35)	(0.25)
Net Asset Value, End of Year	\$ 10.74	\$ 10.51	\$ 10.27	\$ 10.17	\$ 10.36
Total Return⁽¹⁾	4.94%	5.89%	5.16%	1.65%	1.84%

Ratios (in percentages)/Supplemental Data

Net Assets, end of Year (000's omitted)	\$30,673	\$29,183	\$27,087	\$26,194	\$26,841
Ratio of expenses with reimbursement to average net assets ⁽²⁾	0.73%	0.73%	0.73%	0.73%	0.73%
Ratio of expenses without reimbursement to average net assets	0.95%	0.93%	0.93%	0.99%	0.96%
Ratio of net investment income to average net assets	2.65%	3.41%	4.06%	3.47%	2.43%
Portfolio turnover rate	0.00%	26.83%	50.01%	78.38%	51.35%

⁽¹⁾ Does not include the effects of sales charges.

⁽²⁾ Until December 31, 2010, the Fund's adviser elected to waive or reduce expenses to 0.73% on Class T. See page 27, "Reimbursements and Waivers".

* Amount less than \$0.01.

FINANCIAL HIGHLIGHTS

MONEY MARKET FUND

The following financial highlights table is intended to help you understand the Money Market Fund's financial performance for the past five years. Certain information reflects financial results for a single Money Market Fund share outstanding throughout each period shown. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Money Market Fund (assuming reinvestment of all dividends and distributions). This information is

derived from the financial statements of the Fund, which for the year ended August 31, 2005 has been audited by Tait Weller and Baker, LLP. For the years ended, August 31, 2006, 2007, 2008 and 2009, the information has been audited by BKD, LLP. BKD's report, along with the Fund's financial statements, is included in the Annual Report, which is available upon request.

	Year Ended August 31,				
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income—net	0.00*	0.03	0.05	0.04	0.02
Total from Investment Operations	0.00*	0.03	0.05	0.04	0.02
Less Distributions from					
Investment income—net	(0.00)*	(0.03)	(0.05)	(0.04)	(0.02)
Total Distributions	(0.00)*	(0.03)	(0.05)	(0.04)	(0.02)
Net Asset Value, End of Year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Return	0.46%	2.79%	4.84%	4.04%	2.03%
Ratios (in percentages)/Supplemental Data					
Net Assets, end of Year (000's omitted)	\$40,561	\$96,040	\$101,585	\$88,769	\$76,890
Ratio of expenses with reimbursement to average net assets	0.31% ^(a)	0.50%	0.50%	0.50%	0.50%
Ratio of expenses without reimbursement to average net assets	0.64%	0.60%	0.63%	0.73%	0.59%
Ratio of net investment income to average net assets	0.50%	2.82%	4.74%	4.01%	1.98%

* Amount less than \$0.01.

^(a) SM&R has voluntarily agreed to waive or reduce expenses in excess of the contractual limit to prevent the net yield from decreasing below zero.

SHAREHOLDER'S GUIDE TO INVESTING WITH SM&R'S MUTUAL FUNDS

Important Shareholder Facts and Information

This section of the Prospectus is provided to help you become familiar with the types of accounts and services available in the SM&R Funds. It explains the various services available to you and features you can establish as part of your account in the "Funds" as well as account policies and fees that may apply to your account.

SM&R'S WEB SITE: www.smrinvest.com

BUSINESS HOURS:

8:00 a.m. to 4:30 p.m. Central Time each day the New York Stock Exchange is open for trading on any SM&R business day ("regular trading day")

24-hour access to account information. See "Voice Response Unit" under "Other Services" in this guide

TRANSFER AGENCY MAILING ADDRESS:

Securities Management and Research, Inc.
P.O. Box 58969
Houston, Texas 77258-8969

OVERNIGHT MAILING ADDRESS AND STREET ADDRESS:

Securities Management and Research, Inc.
2450 South Shore Boulevard, Suite 120
League City, Texas 77573

IMPORTANT PHONE NUMBERS:

Investor Hotline/Voice Response:
1-877-239-2049

Investor Services Department:
1-800-231-4639

FAX NUMBERS:

Transfer Agency:
1-281-538-4983

WIRING INSTRUCTIONS:

Moody National Bank
ABA #113100091
Securities Management and Research, Inc.
#035 868 9
Name of Class and Fund (e.g. Class A of the Government Bond Fund)
Fund Account Number (number appears on your confirmation statement)
Your Name (e.g., Mary Smith)

THIRD PARTY CHECKS

To prevent fraud, SM&R will not accept checks made payable to third parties to open new accounts. Tax-deferred rollover checks, properly endorsed, will be accepted.

ADDRESS CHANGES

Address changes can be submitted in writing, faxed or called in to our Investor Services Department. **All Systematic Withdrawal Plan (SWP) address changes must be in writing and require a signature guarantee.**

MINIMUM INVESTMENT AMOUNTS:

The funds' low investment minimums make investing easy. Once you decide on a fund, an investment amount, and a share class, simply talk to your representative or broker-dealer, or fill out an application and send in your investment.

The funds reserve the right to change the amount of these minimums from time to time or to waive them in whole or in part for certain types of accounts.

	Initial	Additional
Regular Accounts	\$ 100	\$ 20
Automatic Investment Plan	\$ 100	\$ 20
Retirement Plans	\$ 100	\$ 20
Money Market Fund	\$1,000	\$100

CERTIFICATES

Share certificates are not issued by the funds. Your purchases are maintained on the records of the funds in book shares. This provides you with easy access to your shares. You have the same rights of share ownership as you would if certificates had been issued.

SPECIAL FEES:

Tax-deferred: \$10.00 per account custodian fee deducted annually

Wiring fee: \$20.00 for wire redemption proceeds under \$10,000

Overnight delivery fee: Varies depending on type of delivery

SIGNATURE GUARANTEE REQUIREMENTS:

Required on all redemptions in amounts of \$50,000 or more. Other requirements apply and are discussed later in this guide.

TELEPHONE SERVICES:

SM&R will automatically establish a telephone redemption/exchange option on all new non-qualified and non-tax deferred accounts, unless you instruct us not to do so. These services are not available to participants of post-secondary education programs. Refer to "Telephone Services" later in this guide.

CHECK WRITING OPTION:

Available in the SM&R Money Market Fund only. Refer to "Important Facts About Redeeming".

REQUIRED INFORMATION FOR OPENING AN ACCOUNT:

To help the government fight the funding of terrorism and money laundering activities, federal law requires SM&R to obtain, verify, and record information that identifies each person who opens an account.

When you open an account, SM&R is required to collect information such as:

- Your name
- Date of birth
- Physical Address
- Appropriate identification number
- Driver's license number and state of issuance or other identifying documents

What happens if I don't provide the information requested or my identity can't be verified?

If you do not provide the requested information, SM&R may not be able to open an account or carry out transactions for you. If SM&R has already opened an account for you, it may have to be closed.

Please keep in mind that account policies (including fees), services and features may be modified or discontinued without shareholder approval or prior notice. During times of economic turmoil or market volatility, severe weather, or natural disaster you may not be able to reach SM&R by telephone to institute a redemption or exchange.

TYPES OF ACCOUNTS AVAILABLE

Below is a brief explanation of the different accounts available in the Funds.

Individual or Joint Ownership

Individual accounts are owned by one person. Joint accounts have two or more owners.

A Uniform Gift or Transfer to Minor (UGMA or UTMA)

An UGMA/UTMA account is a custodial account managed for the benefit of a minor. To open an UGMA or UTMA account, you must include the minor's Social Security number on the application.

Trust

An established trust can open an account. The names of each trustee, the name of the trust and the date of the trust agreement must be included on the application. A complete copy of the Trust document must be provided, with all relevant Trust information.

Business Accounts

Corporations, partnerships, and sole proprietorships may also open an account. The application must be signed by an authorized officer of the corporation or a general partner or owner of the business.

Tax-Deferred Accounts

If you are eligible, you may set up one or more tax-deferred accounts. A tax-deferred account allows you to shelter your investment income and capital gains from current income taxes, while saving for retirement or educational expenses. A contribution to certain types of retirement accounts may also be tax deductible. Distributions from these retirement plan accounts are generally subject to income tax and may be subject to an additional tax if withdrawn prior to age 59½ or if used for a non-qualifying purpose.

Information concerning these types of accounts and the forms necessary to open these accounts, can be obtained by contacting your registered representative, your broker-dealer, or by calling SM&R. **Investors should consult their tax adviser or legal counsel before selecting a tax-deferred account.**

Comprehensive Investment Services, Inc. ("CIS"), an affiliate of SM&R, serves as custodian for the applicable retirement accounts and Coverdell ESA offered by the funds. You will be charged an annual account maintenance fee of \$10.00 for each of these accounts that you have. The fee will be automatically deducted from your account (usually in the last quarter). The custodian reserves the right to change the amount of this fee or to waive it in whole or in part for certain types of accounts.

Traditional Individual Retirement Accounts

Traditional IRAs allow most individuals with earned income to contribute up to the lesser of \$4,000 or 100% of compensation annually.

Roth Individual Retirement Accounts

Roth IRAs allow most individuals with earned income to contribute up to the lesser of \$4,000 or 100% of compensation annually.

Simplified Employee Pension Plan

This plan allows small business owners (including sole proprietors) to make tax-deductible contributions for themselves and any eligible employee(s). A SEP requires an IRA (a SEP-IRA) to be set up for each SEP participant.

SIMPLE

This plan allows employee pre-tax contributions up to \$10,000 annually and may be matched by the employer up to a maximum of 3% of employees' compensations.

Profit Sharing or Money Purchase Pension Plan

These plans are open to corporations, partnerships and sole proprietors to benefit their employees and themselves.

Coverdell Education Savings Account (formerly Education IRA)

This plan allows individuals, subject to certain income limitations, to contribute up to \$2,000 annually per child under the age of 18.

PRICING OF FUND SHARES

General (How Shares are Priced). Each fund's offering price is calculated once each day the New York Stock Exchange (the "Exchange") is open for regular trading on any SM&R business day. The offering price equals a fund's net asset value plus the sales charge, if any, computed at the rate set forth in the applicable tables for the classes. (See "Sales Charge Reductions and Waivers" in this prospectus.) You may purchase shares of the SM&R Money Market Fund without a sales charge. Accordingly, the offering price for shares of this fund is net asset value. Although the legal rights of the Class A and B shares (not offered in this prospectus) are substantially identical, the different expenses borne by each class will result in different net asset values and dividends. The net asset value of the Class B shares generally will be lower than the Class A shares as a result of differences in service and distribution (12b-1) fees charged.

A Note on Pricing. With the exception of the Money Market Fund, the funds' investments will be priced at their market value when market quotations are readily available. When these quotations are not readily available, investments will be priced at their fair value, calculated according to procedures adopted by the Funds' Board of Directors. The funds also may use fair

value pricing if the value of a security held by the fund is materially affected by events occurring after the close of regular trading of the primary markets or exchanges on which the security is traded. In these situations, prices used by the fund to calculate its net asset value may differ from quoted or published prices for the underlying securities. The Money Market Fund uses the amortized cost method for valuing its securities.

Share Price — Effective Date of Purchases and Redemptions.

Each fund's share price, called its net asset value, or NAV, is calculated once each day at the close of regular trading (currently 3:00 p.m. Central Time) on any SM&R business day. NAV is not calculated on SM&R business holidays or other days the Exchange is closed. In the event the Exchange closes early on a particular day, we will determine the net asset value of the funds as of such earlier closing time. Below is the method used by the funds to calculate the NAV on any given day.

$$\text{Net Asset Value} = \frac{\text{Total Assets} - \text{Liabilities}}{\text{Number of Shares Outstanding}}$$

Knowing the daily net asset value is useful to you as a shareholder because it indicates the current value of your investment. Each fund's NAV, multiplied by the number of shares you own, gives you the dollar amount you would have received had you sold all of your shares back to the fund that day, less any applicable transaction fee or redemption charge. The price you pay or receive for shares of a fund depends, in part, on the day and time you make your purchase or redemption. Purchases and redemptions will be executed on each day the Exchange is open for regular trading on any SM&R business day at the next NAV

determined that day (currently 3:00 p.m. Central Time) if:

- SM&R receives your request in good order prior to the close of the regular trading day;
- a securities dealer having a dealer contract with SM&R receives your order prior to the close of the regular trading day (on any SM&R business day) and reports your order to SM&R prior to currently 3:00 p.m. Central Time on the same day; or
- SM&R is advised of bank wire purchases received by Moody National Bank before 3:00 p.m. Central Time.

If we receive your order after the close of the regular trading day or on any day that the Exchange or SM&R is closed, we will execute your purchase or redemption at the price determined on the next regular trading day. In unusual circumstances, the funds may temporarily suspend the processing of sale requests, or may postpone payment of proceeds for up to three business days or longer, as allowed by federal securities laws.

SM&R's business holidays for calendar year 2010 are New Year's (January 1), Good Friday, Memorial Day, Independence Day (July 5), Labor Day, Thanksgiving Day, Friday after Thanksgiving, Christmas- December 23 and 24.

HOW TO PURCHASE SHARES

You should refer to the first page of this Shareholder's Guide "Important Shareholder Facts and Information" for the appropriate addresses and telephone numbers.

METHOD	OPENING AN ACCOUNT	ADDING TO AN ACCOUNT
<p>By Mail or through a Registered Representative</p>	<ul style="list-style-type: none"> • Determine the fund and the Class in which you want to invest. • Complete and sign the account application • Make the check payable to SM&R Mutual Funds. • Mail the application and your check to SM&R at the address on the first page of this guide. • Or deliver the information to your representative (provided he or she has a broker-dealer arrangement with SM&R). 	<ul style="list-style-type: none"> • Make your check payable to SM&R Mutual Funds. • Use the investment slip on your confirmation, or • Write a note specifying: <ul style="list-style-type: none"> — Your account number — The fund name — Share class — The name(s) in which the account is registered. • Mail to the address indicated on the cover page of this guide.
<p>By Wire</p>	<ul style="list-style-type: none"> • Call Investors Services to notify SM&R that you have wired funds for your mutual funds account (call by noon, Central Time, if you want wired funds to be credited that day) Instruct your bank to wire or transfer your purchase (your bank may charge a wiring fee) using the information on the first page of this guide. • Complete the account application, fax to SM&R and mail the original to the appropriate address. • Wires received before 3:00 p.m. Central Time on regular trading days will receive that day's closing price (if not, you will receive the next trading day's closing price). 	<ul style="list-style-type: none"> • Call Investors Services at the number on the first page of this guide, on any business day. • You can send your investment either by: <ul style="list-style-type: none"> — Federal Funds Wire (offers immediate access to funds), or — Electronic transfer via ACH which avoids wiring fees, if your bank account is set up on file
<p>By Exchange</p>	<ul style="list-style-type: none"> • You can make an investment by exchange from an existing Fund in the SM&R Mutual Funds to another fund by calling Investor Services if your account(s) have telephone exchange privileges. • You can only exchange shares in the same class with identical registrations. • There is no sales charge or redemption fee when exchanging from one fund to another within the same class of shares. • Orders placed before 3 p.m. Central Time on regular trading days will receive that day's closing price (if not, you will receive the next regular trading day's closing price). • Exchanges are limited to three per calendar quarter, and twelve per calendar year. • Exchanges between accounts that do not have identical ownership registration must be made in writing. • Be sure you read the prospectus for the fund into which you are exchanging. <p>Key Point: An exchange represents the sale of shares of one Fund and the purchase of shares of another Fund. This transaction may produce a taxable gain or loss in a non-tax deferred account.</p>	
<p>Automatic Investment Plan through the Automated Clearing House (ACH)</p>	<ul style="list-style-type: none"> • You can transfer money automatically from your bank account into your Fund account on a monthly basis. • Initial investment minimum is \$100 (\$1,000 for the Money Market Fund) if you invest at least \$20 (\$100 for the Money Market Fund) per month with this service. • To enroll, check off the box on the account application and provide: <ol style="list-style-type: none"> 1. Your bank account information, 2. The amount and date of your monthly investment, and 3. A voided check. 	<ul style="list-style-type: none"> • To establish automatic investing for an existing account, call Investor Services for an application. • The minimum is \$20 (\$100 for the Money Market Fund).

HOW TO REDEEM SHARES

You have several convenient ways for you to redeem your shares of the funds. Redemptions will be at net asset value which is determined on the date your request is received by SM&R in good order.

METHODS	REQUIREMENTS
Call Us	<ul style="list-style-type: none"> • Call Investor Services during normal business hours on any business day. • This service is only available for those accounts which are non-qualified and non-tax deferred and for requests meeting the following conditions: <ol style="list-style-type: none"> 1. The amount requested is \$200 or more per account. 2. The amount is less than \$50,000 in aggregate. 3. The proceeds are to be mailed to the address of record or electronically transferred to the bank account indicated on your fund account. 4. There has been no change of address for either you or your bank for 30 days. 5. The account has Telephone Redemption privileges. 6. The security procedures discussed in this guide have been met. <p>All other requests must be in writing or on the appropriate qualified withdrawal form.</p> • All authorized requests received before 3:00 p.m. Central Time on regular trading days will be processed at that day's closing price. Requests received after 3:00 p.m. will be processed the following regular trading day. • We can either: <ul style="list-style-type: none"> — wire the proceeds the next business day into your bank account of record (service charges may apply) — electronically transmit the proceeds to your bank account of record via the ACH service — mail you a check to the address of record • All telephone calls are recorded for your protection. We are not responsible for acting on telephone orders we believe to be genuine. (Refer to "Security Procedures" later in this guide.) • A \$20.00 fee is charged for redemptions by wire under \$10,000. • To redeem from a tax-deferred account, call Investor Services for a special withdrawal form.
Write Us	<ul style="list-style-type: none"> • You can mail a redemption request to the appropriate address listed on the first page of this guide. • Your letter of instruction must: <ul style="list-style-type: none"> — list your account number, the fund name and fund number — indicate the number of shares or dollar value you wish to redeem — be signed by the registered owner(s) — include any outstanding share certificates issued prior to January 1, 1999 — include special withdrawal forms for tax deferred accounts • Refer to "Signature Guarantee" below for requests that must be signature guaranteed.
Money Market Fund Expedited Redemption	<p>You can receive same day redemptions by wire if SM&R receives a redemption order prior to 11:00 a.m. Central Time for the Money Market Fund. If we receive your request after 11:00 a.m. Central Time and before 3:00 p.m. Central Time, we generally will transmit payment on the next day. (Refer to "CALL US" section above.)</p>
Fax Us	<p>You may fax your request for redemption from a non-qualified and non-tax deferred account, if your request meets requirements under "Call Us" above. Your fax requests must be received by SM&R before 3:00 p.m. Central Time on regular trading days to receive that day's closing price.</p>
Sell Your Shares in Person	<p>You may also redeem your shares by coming to SM&R's home office, and deliver your request in person prior to 3:00 p.m. Central Time on regular trading days to receive that day's closing price.</p>
Systematic Withdrawal Plan (SWP)	<p>You can withdraw money automatically from your fund account on a monthly, quarterly, semi-annual, and annual basis — without redemption fees — on or about the 20th of the month and if:</p> <ul style="list-style-type: none"> • Your account value is \$5,000 or more • You complete the relevant section of the application • The withdrawal can be mailed to you at your address of record, or deposited directly to your bank account via ACH • The minimum withdrawal is \$50 per month. • If a percent is elected, the maximum amount is 1% of your account per month or 12% annually. <p>To obtain proper forms, contact Investor Services. See "Important Facts About Redeeming" later in this guide for more information.</p>

Payment of Redemption Proceeds

Normally, redemption proceeds of shares you purchased by wire, certified check, money order, or other immediately available funds will be mailed no later than the 7th calendar day following receipt of your redemption request. Mailing of redemptions of shares recently purchased by a personal check, payroll deduction, direct bill or ACH transfer (discussed later in this guide) will be delayed until the check or transfer clears, which can be up to fifteen (15) business days. However, this time period may be extended depending on the payment method.

We reserve the right to redeem "in kind" by paying you the proceeds of a redemption in securities rather than in cash.

Signature Requirements Based on Account Type

<i>Individual or Joint Tenants</i>	Written instructions must be signed by each shareholder, exactly as the names appear in the account registration.
<i>UGMA or UTMA</i>	Written instructions must be signed by the custodian in his/her capacity as it appears in the account registration until the minor reaches the age of majority as defined by the state in which the UGMA or UTMA was established.
<i>Sole Proprietor, General Partner</i>	Written instructions must be signed by an authorized individual in his/her capacity as it appears on the account registration.
<i>Corporation, Association</i>	Written instructions must be signed by the person(s) authorized to act on the account. In addition, a certified copy of the corporate resolution authorizing the signer to act must accompany the request.
<i>Trust</i>	Written instructions must be signed by the trustee(s). If the name of the current trustee(s) does not appear on the account application, a current certificate of incumbency dated within 60 days must also be submitted.
<i>IRA or TSA (Includes all types of IRAs)</i>	A special withdrawal form must be signed by the account owner, and you may obtain this form by contacting Investor Services at the number on the first page of this guide. If you do not want federal income tax withheld from your redemption, you must state that you elect not to have such withholding apply. In addition, your instructions must state whether the distribution is normal (after age 59½) or premature (before age 59½) and, if premature, whether any exceptions such as death or disability apply with regard to the 10% additional tax on early distributions. In addition, TSA's will have a 20% mandatory withholding tax applied to all distributions if the account owner is under 70½.
<i>Executors of Shareholder Estates</i>	Written instructions must be signed by the executor. A copy of the order appointing the executor, certified within the past 12 months must accompany the letter of instructions. A signature guarantee must be provided as discussed below.

Signature Guarantee

To protect you and the funds against fraud, certain redemption requests must be made in writing with your signature guaranteed. A signature guarantee can be obtained at most banks and securities dealers. A notary

public is not authorized to provide a signature guarantee. The Fund, or its transfer agent, reserves the right to require that each named individual on an account provide a signature guarantee.

The following circumstances require a signature guarantee:

- Redemptions from one or more of the Funds total \$50,000 or more
- You want the proceeds sent to an address other than the address currently appearing on your account
- You want the proceeds sent to a bank account not listed on your account
- You want the proceeds payable to anyone other than the registered owner(s) of the account
- Either your address or the address of your bank account has been changed within 30 days
- The account is registered in the name of a fiduciary, corporation or any other organization. In these cases, additional documentation is required:
 - Corporate accounts: certified copy of corporate resolution
 - Fiduciary accounts: copy of the power of attorney or other governing document
- The Funds or their transfer agent believe a signature guarantee would protect against claims based on transfer instructions

Important Facts About Redeeming

Systematic Withdrawal Plan. It may not be advisable for shareholders to maintain a Withdrawal Account while concurrently purchasing shares of the fund because of the sales charge or CDSC (as applicable) involved in additional purchases. See "Class B Waivers of Contingent Deferred Sales Charges" in the Class A and Class B prospectus (not offered in this prospectus) for a discussion of the CDSC waivers available. You should carefully consider such purchases and contact your representative regarding their advisability. While you are

Who Can Provide A Signature Guarantee:

- Commercial Bank
- Trust Company
- Savings Association
- Credit Union
- Member of Medallion Program
- Member of a U.S. Stock Exchange
- Authorized SM&R Representatives

Notary Public Not Acceptable

participating in a Systematic Withdrawal Plan dividends and capital gains distributions will automatically be reinvested in additional shares at net asset value. As with other redemptions, a withdrawal is a sale for federal income tax purposes. The Systematic Withdrawal Plan will automatically terminate if all shares are liquidated or withdrawn from the account. No account covered by a Letter of Intent can be changed to a Systematic Withdrawal Plan until such time as the Letter of Intent is fulfilled or terminated, nor can an account under a Systematic Withdrawal Plan be placed under a Letter of Intent. Retirement

Plan Accounts are subject to special withdrawal requirements. Call Investor Services for assistance.

Reinvestment Privilege. Within ninety (90) days of a redemption (60 days for tax-deferred plans) of Class A or Class T shares of a fund, a shareholder may reinvest all or part of the proceeds in the same class of the same fund from which the redemption was processed at the net asset value next computed after receipt of the proceeds to be reinvested by SM&R. **The shareholder must ask the transfer agent for this privilege at the time of reinvestment.** Prior to reinvestment of redemption proceeds, a shareholder is encouraged to consult with his or her accountant or tax adviser to determine any possible tax ramifications of such a transaction. Each fund may amend, suspend, or cease offering this privilege at any time as to shares redeemed after the date of the amendment, suspension, or cessation. For further information about the "Systematic Withdrawal Plan" and "Reinvestment Privilege," contact your registered representative, your broker-dealer or SM&R.

"Good Order" means the request for redemption must include:

- (1) your letter of instruction or a stock power specifying the fund, account number, and number of shares or dollar amount to be redeemed. The letter of instruction and stock power must be signed and executed exactly as the fund shares are registered and any outstanding share certificates returned. It is suggested that certificates be returned by certified mail for your protection;
- (2) any required signature guarantees (see "Signature Guarantees" above); and
- (3) other supporting legal documents, if required, in the case of estates, trusts, guardianships, divorce, custodianships,

corporations, partnerships, pension or profit sharing plans, retirement plans and other organizations.

Please keep in mind that it is your responsibility to ensure that all requests are submitted to the Fund's transfer agent in good order for processing.

Texas Optional Retirement Program. You may not redeem shares in any account established under the Texas Optional Retirement Program, unless SM&R receives satisfactory evidence from the state that one of the following conditions exist:

- (1) death of the employee;
- (2) termination of service with the employer; or
- (3) retirement of employee.

Check Writing Option. Check writing is available in the Money Market Fund to investors having an account value of \$1,000 or more. \$250 is the minimum check amount under the check writing option. This option is not available on any tax-deferred accounts (IRAs, TSAs, etc.). Shareholders desiring this option must complete the check writing option signature card on the application. After obtaining specimen signatures and the fully executed card, SM&R will order checks and forward to you at the address of record.

Investments made by personal check or third party check will be held for fifteen (15) business days following the investment during which time checks may not be drawn on the amount of such investment.

When a check is presented for payment, SM&R as the shareholder's agent, will cause each fund to redeem a sufficient number of full and fractional shares to cover the amount of the check. Shareholders will continue to be entitled to dividends on their shares up to the time the check is presented to SM&R for payment. If the amount of the check is greater than the value of

shares held in the shareholder's account for more than fifteen (15) business days at the time the check is presented for payment,

- (1) the check will not be honored,
- (2) it will be returned to the payee, and
- (3) the shareholder may be subject to extra charges as a result.

This service may be terminated or suspended or additional charges may be imposed for this service. Shareholders will be provided the initial checkbook by SM&R free of charge. There will be a \$5 fee for reorders. Shareholders will be allowed to write ten (10) checks free each calendar quarter. You may be charged \$1.00 for each check written over the 10 check limit. All checkbooks **must** be ordered through SM&R. Please do not use outside vendors to produce your Money Market Fund checkbook. Additionally, a check cannot be used to close out your Money Market Fund account. Refer to the "How to Redeem Shares" section on page 43 or call our Investor Services Department.

Redemption of Small Accounts. The funds reserve the right to redeem shares in any account (which will be promptly paid to the shareholder) if the value of the account is below \$500. You will be notified that the value of your account is less than the required minimum indicated above and allowed at least 60 days to make an additional investment to increase the value of your account above the required minimum. The funds may, from time to time, change such required minimum investment.

Transactions through Processing Organizations:

You may also purchase or sell shares of the funds through a broker-dealer, bank or other financial institution, or an organization that provides recordkeeping and consulting services to

401(k) plans or other employee benefit plans (a "Processing Organization"). Processing Organizations may charge you a fee for this service and may require different minimum initial and subsequent investments than the funds. Processing Organizations may also impose other charges or restrictions different from those applicable to shareholders who invest in the funds directly. If you utilize a Processing Organization, the funds are not responsible for failure of any Processing Organization to carry out its obligations to its customers. **In addition, you may not be considered the shareholder of record of your shares. Therefore, you may not be able to utilize services available only to shareholders investing directly in the funds. You should keep this in mind when establishing an account in any fund.**

Other Services

In addition to the plans described under "Sales Charge Reductions and Waivers," that permit you to reduce the initial sales charge assessed on Class T shares, the funds offer other services and plans described below. At this time, there is no charge to you for these services. The funds may impose fees for such services in the future. Be aware, however, that if you elect to participate in the electronic transfers (ACH) plan described below, you should check with your financial institution for any additional charges imposed by them for this service. For additional information on these plans and services you should contact your registered representative, broker-dealer or SM&R. Before beginning any of the plans or services described below you should consult a tax adviser.

Electronic Transfers (ACH). The electronic transfer option allows you to move money between your account(s) and your bank, savings and loan, or credit union account using Automated Clearing House ("ACH") network. To

arrange for electronic transfers, complete the relevant Special Investor Services section of the account application at the time you open your account and specify the type of service or services desired. Attach a voided, pre-printed check or deposit slip from your bank, savings and loan, or credit union account. **Your financial institution must be a member of the automated clearing house (ACH) network for you to take advantage of this service.**

Telephone Services. You can only use telephone services for transaction amounts more than \$200, but less than \$50,000. Through this service, you will be able to purchase additional shares for a fund account by ACH. You may also use the telephone services to redeem and exchange shares on those accounts for which you have an executed account application on file. For example, we permit exchanges by telephone from a joint account only to another joint account registered in the identical names. There may be additional restrictions on telephone transactions by joint account owners. If you initially choose not to have this option and wish to establish it at a later date, it would be necessary for you to complete the required form requesting this option. Contact your registered representative for more information. **Please note that the telephone redemption option is not available for qualified and tax-deferred accounts.** Additionally, a shareholder account cannot be closed out by Telephone Redemption. Refer to the section "How to Redeem Shares" on page 43 or call our Investor Services Department.

While telephone redemption is easy and convenient, this account feature involves risk of loss from unauthorized or fraudulent transactions. SM&R will take reasonable precautions to protect your account from fraud. You should do the same by keeping your account information private, and by immediately reviewing any account statements

that we send to you. Make sure to contact SM&R's Investors Services Department immediately about any transaction you believe to be unauthorized.

Security Procedures

Telephone Transactions

The funds have implemented the following security procedures intended to protect your account from losses resulting from unauthorized or fraudulent telephone instructions: The caller must know:

- (i) the name of the fund or funds;
- (ii) all digits of the account number;
- (iii) the exact name and address used in the registration(s); and
- (iv) the Social Security or Employer Identification Number listed on the account(s).

Anyone with the required account information indicated above (including your broker) can request a telephone transaction in your account. All calls are recorded and/or monitored for verification, record keeping and quality-assurance purposes. Requested proceeds will be forwarded only to an address or bank account designated on the account at the time of the transaction.

Voice Response Units

The SM&R Investor Hotline, an automated telephone service, allows you unlimited, 24-hour access to your SM&R mutual fund accounts. To obtain account information you will be required to know your fund number, account number, and your PIN number. As indicated under "Telephone Services" above, you should keep your account information private. We also suggest that you change your PIN number periodically and not provide the number to anyone.

Neither the funds nor SM&R will be responsible for the authenticity of transaction instructions received by telephone or through the voice response unit

that comply with the current security procedures and other requirements. SM&R believes that such security procedures and other requirements are reasonable.

During times of economic turmoil or market volatility, severe weather, or natural disaster you may not be able to reach SM&R by telephone to institute a redemption or exchange.

For additional restrictions refer to "Exchange Privilege" below.

Automatic Dividend Investment. Your dividends and distributions may be paid in cash or invested in any fund at net asset value. In order for dividends to be paid out in cash, your account balance must be at least \$5,000. Unless you specify otherwise, your dividends and distributions will automatically be reinvested in the same fund. You may invest your dividends and distributions into another fund in the same class of shares.

You must comply with the following requirements to invest your dividends and distributions in shares of another fund:

- (1) Your account balance (a) in the fund paying the dividend must be at least \$5,000; and (b) the fund receiving the dividend must have an account balance of at least \$500.
- (2) Both accounts must have identical registration information, that is they cannot be in different names; and
- (3) You must have elected, in writing, to reinvest dividends into another fund.

Automatic Investment Plan. Through this plan, a specified amount is electronically transferred (via ACH) from your bank account and invested monthly, bi-monthly, quarterly, or annually into the designated fund(s) at the applicable offering price determined on the date of the electronic

transfer. For qualified and tax deferred accounts, all investments are reported on a calendar year basis.

Group Systematic Investment Plan. SM&R can establish a Group Systematic Investment Plan with an employer having 5 or more participants or a minimum of \$150.00 under a single payroll deduction arrangement. Under this investment plan there is a minimum investment of \$20 per account (\$100 for the Money Market Fund). Any such plan may be terminated by SM&R or the shareholder at any time upon sixty (60) days written notice. However, all other investment amount minimums apply. Contact SM&R for further information regarding these plans.

Exchange Privilege. As an investor in the funds, you may be permitted to exchange shares that you own for shares of another fund without the payment of an exchange fee, subject to certain conditions. **Exchanges between a fund and another fund managed by SM&R are available only in states where the applicable funds are registered and the exchange may be legally made. You should contact SM&R to determine whether a fund and a particular class is registered in a particular state and whether an exchange is permitted.**

We reserve the right to terminate or change the terms of any exchange privilege at any time.

You may exchange Class A and Class B shares (not offered in this prospectus) that you own in the SM&R Funds, without an exchange fee or sales charge, for shares of the corresponding class of another fund. You also may exchange your Class A or Class B shares for shares of the Money Market Fund, subject to two conditions:

- any applicable CDSC period has expired on the shares you wish to exchange

(i.e., 13 months in the case of Class A share purchases of \$1 million or more, and 6 years in the case of Class B share purchases of the SM&R Equity Funds, and 4 years in the case of Class B share purchases of the SM&R Government Bond Fund), and

- you meet any minimum investment requirement for the shares you wish to acquire.

We waive any sales charges on Class A and Class T shares acquired through an exchange if you previously paid a sales charge on amounts invested in those shares. For example, assume you purchase Class A shares of the Growth Fund. You then exchange such Class A shares for shares of the Money Market Fund. Later, you re-exchange those shares of the Money Market Fund for Class A shares of the Government Bond Fund. We would not impose any sales charge upon the re-exchange into Class A shares of the Government Bond Fund because you previously paid a sales charge on amounts invested in those shares. In other words, we will never impose a front-end sales charge on the same investment TWICE.

Shares of any fund held in escrow under a Letter of Intent are not eligible for the exchange privilege. Such shares will not be released from escrow until the balance invested during the period specified in the Letter of Intent equals or exceeds the amount required to be invested under the Letter of Intent or the shareholder requests, in writing, that the Letter of Intent be canceled and pays any adjustments in sales charge. After release from escrow, shares may be exchanged, provided all other applicable conditions are met.

You may request an exchange by telephone or in writing. In order to exchange shares, the following requirements must be met:

- (a) the exchange must be made between accounts that are registered in the same

name, address and, if applicable, taxpayer identification number;

- (b) the shares of the fund acquired through exchange must be qualified for sale in the state in which you reside;
- (c) the dollar amount of a written exchange must meet the minimum investment requirement applicable to the shares of the fund that you would acquire through the exchange;
- (d) the minimum dollar amount of a telephone exchange is \$200;
- (e) SM&R must have received full payment for the shares being exchanged;
- (f) your account must have been coded to reflect your certified taxpayer identification number, or, if applicable, an appropriate Internal Revenue Service Form W-8 (certificate of foreign status) or Form W-9 (certifying exempt status);
- (g) any shares that you wish to exchange must have been held for at least ten (10) business days; and
- (h) you have received a prospectus for the fund shares you receive in the exchange.

The exchange privilege is not an option or right to purchase shares but is permitted under the respective policies of the participating funds, and may be modified or discontinued by the participating funds or by SM&R at any time. **Any gain or loss realized on an exchange or re-exchange may be recognized for federal and state income tax purposes. You should consult your tax adviser for the tax treatment and effect of exchanges.**

Market Timing. The funds are intended for long-term investment and not as frequent short-term trading ("market timing") vehicles. Accordingly, organizations or individuals that use market timing investment strategies and make frequent transfers or redemptions should not purchase

shares of the funds, as such frequent transfers and redemptions will not be accommodated.

The Board of Directors of SM&R Investments, Inc. has adopted policies and procedures with respect to market timing activity. The Board believes that market timing activity is not in the best interest of the shareholders of the funds. The funds, therefore, do not allow any implied or written agreements permitting market timing, and the funds discourage such practices.

Due to the disruptive nature of market timing, it can adversely impact the ability of the adviser to invest assets in an orderly, long-term manner. In addition, market timing can disrupt the management of a fund and raise its expenses through increased trading and transaction costs, forced and unplanned portfolio turnover, and large asset swings that decrease the fund's ability to provide maximum investment return to all shareholders. This in turn can have an adverse effect on fund performance.

Certain financial intermediaries and retirement plans hold their shares or those of their clients through omnibus accounts maintained with the funds. In the case of omnibus accounts, the funds may not have access to information regarding trading activity by individual investors. In that case, the funds are unable to monitor for excessive short-term trading, and trading in violation of the funds' trading restrictions may occur despite the funds' efforts to prevent them. If we are unable to detect market timers, you may experience dilution in the value of your fund shares as well as increased brokerage or administration costs in the Fund. This may result in lower long-term returns for your investment. In situations in which the funds' Transfer Agency suspects possible market timing activity, it will notify SM&R Investments, Inc.'s Chief Compliance Officer to help facilitate the enforcement of the funds' market timing policies and procedures.

In our sole discretion, we may revise our market timing policies and procedures at any time without prior notice as necessary to better detect and deter frequent, large, or short-term transfer activity to comply with state or federal regulatory requirements, and/or to impose restrictions on market timers (such as dollar or percentage limitations on transfers). We also reserve the right to implement and administer redemption fees imposed by one or more funds in the future. The Fund's market timing policies and procedures as presently existing or modified in the future, will be applied uniformly in all cases.

SM&R Investments, Inc. reserves the right, in its sole discretion and without prior notice, to reject, restrict or refuse purchase orders received, whether directly or by transfer or exchange, including orders that have been accepted by a financial intermediary, that the Transfer Agency determines not to be in the best interest of the funds. In making this judgment, we may consider trading done in multiple accounts under common ownership or control.

The following policies apply to all fund shareholders:

- Investors of the funds, directly or indirectly, can make only one "round trip" involving the same fund within any 120-day period. A "round trip" can be either (i) one purchase and one sale or one sale and one purchase or (ii) an investor exchange from one fund to another fund and back to the original fund.
- Systematic purchases and redemptions are exempt from these policies.

Please refer to the sections of this prospectus entitled "How to Purchase Shares" and "How to Redeem Shares" for information regarding how to direct investments in or redemptions from (including making transfers into or out of) the funds and any fees that may apply.

SHAREHOLDER'S GUIDE TO INVESTING WITH SM&R'S MUTUAL FUNDS

Distributions and Taxability. To avoid taxation of the funds, the Internal Revenue Code requires each fund to distribute net income and any capital gains realized on its investments annually. A fund's income from dividends and interest and any net realized short-term gains are paid to shareholders as ordinary income dividends. Net realized long-term gains are paid to shareholders as capital gains distributions.

Dividends you receive from the SM&R Funds, whether reinvested or taken as cash, are generally considered taxable. Some dividends paid in January may be taxable as if they had been paid the previous December. The Form 1099 that is mailed to you every January details your dividends and their federal tax category, although you should verify your tax liability with your tax professional.

Distribution Schedule. The following schedule of distributions is provided to let you know when you can expect to receive a distribution from the funds you own. These distributions, under normal circumstances and if earned, will be declared and paid in the months indicated in the following chart.

	Dividends Declared	Capital Gains Paid
Growth Fund	June and December	December
Equity Income Fund	March, June, September, December	December
Balanced Fund	March, June, September, December	December
Government Bond Fund	Monthly	December

	Dividends Declared	Capital Gains Paid
Money Market Fund	Daily paid Monthly (Same day dividends are earned on a purchase in the Money Market Fund if SM&R receives payment before 11:00 a.m. Central Time on that date. Purchases after that time, but before 3:00 p.m. Central Time, will begin to earn dividends on the next day.)	—

Distributions Effect on NAV. In order to be entitled to a dividend, an investor must have acquired shares of a fund prior to the close of business on the distribution record date. A shareholder should be cautioned, however, before purchasing shares of a fund immediately prior to a distribution. Dividends and distributions paid by the funds have the effect of reducing net asset value per share on the record date by the amount of the payment. Therefore, a dividend or distribution of record shortly after the purchase of shares by a shareholder represents, in substance, a return of capital.

Dividend Reinvestments. Dividends and Capital Gains Distributions not reinvested are paid by check or transmitted to your bank account through an ACH transaction, if elected. If the Postal Service cannot deliver your check, or if your check

remains uncashed for six months, the funds reserve the right to reinvest your distribution check in your account at the net asset value on the business day of the reinvestment and to reinvest all future distributions in shares of the applicable fund(s). Dividends on capital gains declared in December to shareholders of record in December and paid the following January will be taxable to shareholders as if received in December. This is a convenient way to accumulate additional shares and maintain or increase the shareholder's earning base. Of course, any shares so acquired remain at market risk.

Please Note: The minimum dollar amount of a Dividend that will be issued by check, wire, or Automated Clearing House (ACH) is \$10.00, and the minimum dollar amount of a Capital Gain that will be Issued by check, wire, or ACH is \$10.00.

Shareholders have the right to change their election with respect to the receipt of distributions by notifying SM&R in writing, but any such change will be effective only as to distributions for which the record date is seven or more business day after SM&R has received the shareholder's written request.

Backup Withholding. Backup withholding for federal income tax may be applied, where required by current IRS requirements, at the rate of 30% from taxable dividends, distributions, and redemption proceeds (including exchanges) if you fail to furnish the funds with a correct and properly certified Social Security or Employer Identification Number when you sign your application, or if you underreport your income to the Internal Revenue Service.

Taxability of Redemptions and Exchanges.

You should consult with a tax adviser concerning the tax effect on the redemption or exchange of such shares. Any time you sell or exchange shares, it is considered a taxable event for you. Depending on the purchase price and the sale

price of the shares you sell or exchange, you may have a gain or a loss on the transaction. You are responsible for any tax liabilities generated by your transactions.

Household Mailings. Each year you are automatically sent an updated prospectus, and annual and semi-annual reports for the funds. In order to reduce the volume of mail you receive, when possible, only one copy of these documents will be sent to shareholders maintaining accounts in multiple funds. Shareholders can opt-out of household mailings by calling 1-800-231-4639 or by sending a written request to SM&R at P.O. Box 58969, Houston, Texas 77258-8969.

Rights Reserved by the Fund. The Fund reserves the right:

- to waive, lower, or raise investment minimums;
- to accept initial purchases by telephone from a registered representative;
- to refuse any purchase order;
- to cancel or rescind any purchase or exchange at any time prior to receipt by the shareholder of written confirmation or, if later, within five (5) business days of the transaction;
- to freeze an account and suspend account services when notice has been received of a dispute involving the account owners or other parties or there is reason to believe a fraudulent transaction may occur, or has occurred;
- to restrict or refuse the use of faxed redemptions where there is a question as to the validity of the request or proper documents have not been received;
- to not act on instructions believed not to be genuine; or
- to otherwise modify the conditions of purchase and any services at any time.

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(DESCRIPTION OF RATINGS USED IN PROSPECTUSES)

BOND RATINGS

Description of Standard & Poor's Corporation's long-term bond (bonds that extend longer than one year) rating:

- AAA** An obligation rated "AAA" has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
- AA** An obligation rated "AA" differs from the highest-rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
- A** An obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.
- BBB** An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
- Obligations rated "BB," "B," "CCC," "CC," and "C" are regarded as having significant speculative characteristics. "BB" indicates the least degree of speculation and "C" the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.
- BB** An obligation rated "BB" is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.
- B** An obligation rated "B" is more vulnerable to nonpayment than obligations rated "BB," but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

Description of Moody's Investor's Service, Inc.'s long-term bond (bonds that extend longer than one year) ratings:

- Aaa** Bonds which are rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
- Aa** Bonds which are rated "Aa" are judged to be of high quality by all standards. Together with the Aaa group, they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities, fluctuation of

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(DESCRIPTION OF RATINGS USED IN PROSPECTUSES)

protective elements may be of greater amplitude, or there may be other elements present which make the long-term risks appear somewhat larger than the Aaa securities.

- A** Bonds which are rated “A” possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.
- Baa** Bonds which are rated “Baa” are considered as medium-grade obligations, I.E., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
- Ba** Bonds which are rated “Ba” are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
- B** Bonds which are rated “B” generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Description of Fitch IBCA Bond ratings:

- AAA** Highest credit quality. “AAA” ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
- AA** Very high credit quality. “AA” ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
- A** High credit quality. “A” ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
- BBB** Good credit quality. “BBB” ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

MUNICIPAL NOTE RATINGS

Description of Moody's Investor Service Inc.'s short-term municipal note (notes that mature in less than one year) ratings:

- MIG 1/VMIG 1** This designation denotes best quality. There is present strong protection by established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing.
- MIG 2/VMIG 2** This designation denotes high quality. Margins of protection are ample although not so large as in the preceding group.
- MIG 3/VMIG 3** This designation denotes favorable quality. All security elements are accounted for but there is lacking the undeniable strength of the preceding grades. Liquidity and cash flow protection may be narrow and market access for refinancing is likely to be less well established.
- MIG 4/VMIG 4** This designation denotes adequate quality. Protection commonly regarded as required of an investment security is present and although not distinctly or predominantly speculative, there is specific risk.

Description of Standard and Poor's Short-term municipal note ratings:

- SP-1** Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.
- SP-2** Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.
- SP-3** Speculative capacity to pay principal and interest.

COMMERCIAL PAPER RATINGS

Description of Standard & Poor's Corporation's three highest commercial paper ratings:

- A-1** This designation indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus sign (+) designation.
- A-2** Capacity for timely payment on issues with this designation is satisfactory. However, the relative degree of safety is not as high as for issues designated "A-1".
- A-3** Issues carrying this designation have an adequate capacity for timely payment. They are, however, more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

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(DESCRIPTION OF RATINGS USED IN PROSPECTUSES)

Description of Moody's Investors Service, Inc.'s three highest commercial paper ratings:

- PRIME-1** Issuers rated Prime-1 (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics:
- Leading market positions in well-established industries.
 - High rates of return on funds employed.
 - Conservative capitalization structure with moderate reliance on debt and ample asset protection.
 - Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
 - Well-established access to a range of financial markets and assured sources of alternate liquidity.
- PRIME-2** Issuers rated Prime-2 (or supporting institutions) have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.
- PRIME-3** Issuers rated Prime-3 (or supporting institutions) have an acceptable ability for repayment of senior short-term obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and may require relatively high financial leverage. Adequate alternate liquidity is maintained.

Description of Fitch IBCA short-term debt ratings (including commercial paper):

- F1** Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
- F2** Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
- F3** Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.
- B** Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near-term adverse changes in financial and economic conditions.

FEDERAL FUNDS

As used in this Prospectus and in the Fund's Statement of Additional Information, "Federal Funds" means a commercial bank's deposits in a Federal Reserve Bank which can be transferred from one member bank's account to that of another member bank on the same day. Federal Funds are considered to be immediately available funds.

FOR MORE INFORMATION ABOUT THE FUNDS

The following documents contain more information about the funds and are available free upon request:

Statement of Additional Information (SAI).

The SAI contains additional information about all aspects of the funds. A current SAI has been filed with the Securities and Exchange Commission and is incorporated herein by reference.

Annual and Semi-Annual Reports.

The funds' annual and semi-annual reports provide additional information about the funds' investments. The annual report contains a discussion of the market conditions and investment strategies that significantly affected each fund's performance during the last fiscal year.

Requesting Documents

The funds do not have a website; however, you may request a free copy of the SAI and these reports, make shareholder inquiries, or request further information about the funds either by contacting your broker or by contacting the funds at:

Securities Management and Research, Inc.

P.O Box 58969

Houston, Texas 77258-8969

**Telephone: 1-800-231-4639 (Toll Free) or
1-281-334-2469 (Collect)**

Public Information

You can review and copy information about the funds, including the SAI, at the Securities and Exchange Commission's Public Reference Room in Washington D.C. You may obtain information on the operation of the public reference room by calling the Commission at 202-942-8090. Reports and other information about the funds also are available on the EDGAR database on the Commission's Internet site at <http://www.sec.gov>. You may obtain copies of this information, upon payment of a duplicating fee, by writing the Public Reference Section of the Securities and Exchange Commission, Washington, D.C. 20549-0102 or by sending an electronic request to publicinfo@sec.gov.

SM&R Equity Funds:

SM&R Growth Fund

SM&R Equity Income Fund

SM&R Balanced Fund

SM&R Fixed Income Funds:

SM&R Government Bond Fund

SM&R Money Market Fund