

Excelsior Equity Funds

 **PROSPECTUS**

July 29, 2004

(as supplemented January 25, 2005)

Excelsior Funds, Inc.

Excelsior Funds Trust

Excelsior Funds

BLENDÉD EQUITY FUND

LARGE CAP GROWTH FUND

SMALL CAP FUND

VALUE AND RESTRUCTURING FUND

MID CAP VALUE FUND

ENERGY AND NATURAL RESOURCES FUND

REAL ESTATE FUND

EQUITY INCOME FUND

EQUITY CORE FUND

INTERNATIONAL FUND

PACIFIC/ASIA FUND

EMERGING MARKETS FUND

Investment Adviser

United States Trust Company of New York

U.S. Trust Company, N.A.

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

Table of Contents

Excelsior Funds, Inc. and Excelsior Funds Trust are mutual funds that offer shares in separate investment portfolios that have individual investment goals, strategies and risks. This prospectus gives you important information about the Shares class of the Blended Equity, Large Cap Growth, Small Cap, Value and Restructuring, Energy and Natural Resources, Real Estate, International, Pacific/Asia and Emerging Markets Funds of Excelsior Funds, Inc. and the Mid Cap Value, Equity Income and Equity Core Funds of Excelsior Funds Trust (each, a “Fund”) that you should know before investing. The Value and Restructuring and Mid Cap Value Funds offer three classes of shares: Shares, which are offered in this prospectus, and Retirement Shares and Institutional Shares, which are offered in separate prospectuses. The Large Cap Growth, Small Cap and Equity Income Funds offer two classes of shares: Shares, which are offered in this prospectus, and Retirement Shares, which are offered in a separate prospectus. The Equity Core Fund offers two classes of shares: Shares, which are offered in this prospectus, and Institutional Shares, which are offered in a separate prospectus. The Institutional Shares class for the Equity Core Fund has not commenced operations. Please read this prospectus and keep it for future reference.

This prospectus has been arranged into different sections so that you can easily review this important information. On the next page, there is some general information you should know about risk and return that is common to each of the Funds. For more detailed information about each Fund, please see:

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Introduction – Risk/Return Information Common to the Funds

Each Fund is a mutual fund. A mutual fund pools shareholders' money and, using professional investment managers, invests it in securities.

Each Fund has its own investment goal, strategies and risks. United States Trust Company of New York and U.S. Trust Company, N. A. (together, the "Adviser") invest Fund assets in a way that they believe will help a Fund achieve its goal. Still, investing in each Fund involves risk and there is no guarantee that a Fund will achieve its goal. The Adviser's judgments about the markets, the economy, or companies may not anticipate actual market movements, economic conditions or company performance, and these judgments may affect the return on your investment. In fact, no matter how good a job the Adviser does, you could lose money on your investment in a Fund, just as you could with other investments. A Fund share is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any government agency.

The value of your investment in a Fund is based on the market prices of the securities the Fund holds. These prices change daily due to economic and other events that affect particular companies and other issuers. These price movements, sometimes called volatility, may be greater or lesser depending on the types of securities a Fund owns and the markets in which they trade. The effect on a Fund of a change in the value of a single security will depend on how widely the Fund diversifies its holdings.

The International, Pacific/Asia and Emerging Markets Funds invest primarily in securities of companies that are located in or conduct a substantial amount of their business in foreign countries, including emerging market countries. Prices of securities in foreign markets generally, and emerging markets in particular, have historically been more volatile than prices in U.S. markets. In addition, to the extent that a Fund focuses its investments in a particular region, the effects of political and economic events in that region on the value of your investment in a Fund will be magnified.

The Adviser's Equity Investment Philosophy:

The Adviser manages each of the Fund's investments with a view toward long-term success. To achieve this success, the Adviser utilizes two fundamental investment strategies, value and growth. These strategies are combined with "longer-term investment themes" to assess the

investment potential of individual companies. Specific investment selection is a "bottom-up" approach, guided by these strategies and themes to ensure proper diversification, risk control and market focus.

Value:

This long-term strategy consists of searching for, identifying and obtaining the benefits of present or future investment values. For example, such values may be found in a company's future earnings potential or in its existing resources and assets. Accordingly, the Adviser is constantly engaged in assessing, comparing and judging the worth of companies, particularly in comparison to the price the markets place on such companies' shares.

Growth:

This long-term strategy consists of buying and holding equity securities of companies that the Adviser believes to be of high quality and high growth potential. Typically, these companies are industry leaders with the potential to dominate their markets by being low-cost, high-quality producers of products or services. Usually these companies have an identifiable competitive advantage. The Adviser believes that the earnings growth rate of these companies is the primary determinant of their stock prices and that efficient markets will reward consistently above average earnings growth with greater-than-average capital appreciation over the long-term.

Themes:

To complete the Adviser's investment philosophy in managing the funds, the investment strategies discussed above are applied in concert with longer-term investment themes to identify investment opportunities. These longer-term themes are strong and inexorable trends arising from time to time from economic, social, demographic and cultural forces. The Adviser also believes that understanding the instigation, catalysts and effects of these longer-term trends will enable it to identify companies that are currently or will soon benefit from these trends.

Blended Equity Fund

FUND SUMMARY

Investment Objective Long-term capital appreciation

Investment Focus Common stocks of U.S. companies

Share Price Volatility High

Principal Investment Strategy Invests in common stocks that the Adviser believes are undervalued in the market

Investor Profile Investors seeking growth of capital through a diversified portfolio of securities, and who are willing to accept the risks of investing in equity securities

Investment Objective

The Blended Equity Fund seeks long-term capital appreciation by investing in companies that represent good, long-term values not currently recognized in the market prices of their securities.

Principal Investment Strategy

Under normal circumstances, the Blended Equity Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in equity securities. The Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. The Fund invests primarily in common stocks of large capitalization U.S. and, to a lesser extent, foreign companies (*i.e.*, companies with market capitalizations over \$5 billion) that the Adviser believes have value that is not currently reflected in their market prices. The Adviser generally diversifies the Fund's investments over a variety of industries and types of companies. The Fund may invest in companies of any size, including small, high-growth companies.

The Adviser takes a long-term approach to managing the Fund and tries to identify companies with characteristics that will lead to future earnings growth or recognition of their true value. The Adviser looks for companies that are positioned to provide solutions to or benefit from complex social and economic trends, or whose products are early in their life cycle and will experience accelerating growth in the future. In addition, the Adviser invests a smaller portion of the Fund's assets in a quantitatively selected segment of large capitalization U.S. companies designed to complement the Fund's core holdings by reducing portfolio volatility and further diversifying the

Fund. In considering whether to sell one or more portfolio holdings, the Adviser will generally seek to minimize the tax impact of any such sale(s).

Principal Risks

Since it purchases equity securities, the Blended Equity Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The Fund also may be subject to risks particular to its investments in foreign, medium and small capitalization

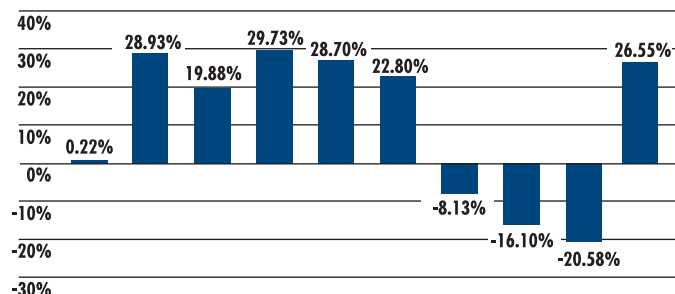
companies. In particular, additional risks associated with investing in foreign companies may include legal and regulatory risk, currency risk, liquidity risk and expropriation risk. Medium and small capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies and therefore, stocks of these companies may be more volatile than those of larger companies. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Best Quarter					Worst Quarter				
22.44%					(15.44)%				
(12/31/98)					(9/30/01)				

The Fund's Shares class performance for the six month period ending June 30, 2004 was 1.88%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the Standard & Poor's 500 Composite Stock Price Index. 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 an investor's tax situation and may differ from those shown. After-tax returns

shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	10 Years
<i>Blended Equity Fund</i>			
<i>Return Before Taxes</i>	26.55%	(0.99)%	9.42%
<i>Return After Taxes on Distributions</i>	26.45%	(1.55)%	8.32%
<i>Return After Taxes on Distributions and Sale of Fund Shares</i>	17.37%	(0.99)%	7.80%
<i>Standard & Poor's 500 Composite Stock Price Index (reflects no deduction for fees, expenses, or taxes)*</i>			
	28.69%	(0.57)%	11.07%

* The Standard & Poor's 500 Composite Stock Price Index is a widely accepted unmanaged index of U.S. stock market performance.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.75%
Other Expenses	0.49%*
Total Annual Fund Operating Expenses	1.24%
Less Fee Waivers	(0.19)%**
Net Annual Fund Operating Expenses	1.05%**

* The expense information has been restated to reflect current fees.

** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.05%. The waiver agreement may not be terminated before July 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

1 Year	3 Years	5 Years	10 Years
\$107	\$375	\$663	\$1,483

Large Cap Growth Fund

FUND SUMMARY

Investment Objective Superior, long-term capital appreciation

Investment Focus Common stocks of large U.S. and foreign companies

Share Price Volatility High

Principal Investment Strategy Invests in common stocks of large companies that the Adviser believes have above-average growth prospects

Investor Profile Investors seeking total return through a diversified portfolio of securities, and who are willing to accept the risks of investing in equity securities of larger companies

Investment Objective

The Large Cap Growth Fund seeks superior, long-term capital appreciation. The Fund invests in larger companies whose growth prospects, in the opinion of the Adviser, appear to exceed that of the overall market. This objective may be changed without shareholder approval. Shareholders will be given 60 days notice of any change in investment objective.

Principal Investment Strategy

Under normal circumstances, the Large Cap Growth Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in common stocks of large U.S. and foreign companies that have market capitalizations that are consistent with the market capitalizations of companies included in the Russell 1000 Growth Index (the "Index"), as such Index is reconstituted annually. The Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. At present, the companies comprising the Index have an average market capitalization of \$81.52 billion. The market capitalizations of the companies in the Fund's portfolio may vary in response to changes in the markets. The Fund will not automatically sell stock of a company it already owns just because its market capitalization falls below the market capitalization of companies that qualify for inclusion in the Index. The Adviser focuses on those companies that it believes have above-average growth prospects.

The Adviser takes a long-term approach to managing the Fund and invests in companies with characteristics that it believes will lead to future earnings growth or recognition of their true value. In selecting particular investments, the Adviser applies a bottom-up investment

approach designed to identify the best companies in the most rapidly growing industries. Frequently, these are well established companies that are positioned to provide solutions to or benefit from complex social and economic trends. However, the Fund also may invest in smaller, high growth companies when the Adviser expects their earnings to grow at an above-average rate. The Adviser will consider selling an investment of the Fund if it determines that the investment is overpriced or if a particular investment or group of investments in the same industry is dominating the Fund's portfolio.

Principal Risks

Since it purchases equity securities, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds

of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The Fund also may be subject to risks particular to its investments in medium and small capitalization companies. In particular, medium and small capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies and therefore, stocks of these companies may be more volatile than those of larger companies. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

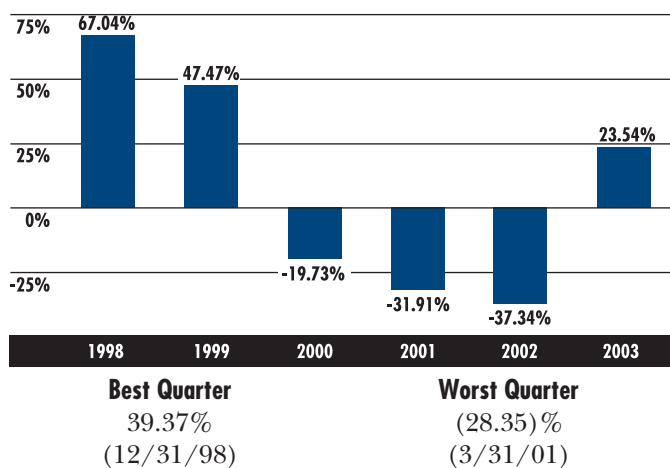
The Fund also may be subject to risks particular to its investments in foreign companies. Risks associated with investing in foreign securities may include legal and regulatory risk, currency risk, liquidity risk and expropriation risk. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



The Fund's Shares class performance for the six month period ending June 30, 2004 was 6.08%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the Russell 1000 Growth Index. 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 an investor's tax situation and may differ from those shown. After tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	Since Inception
<i>Large Cap Growth Fund</i>			
<i>Return Before Taxes</i>	23.54%	(9.00)%	0.89%*
<i>Return After Taxes on Distributions</i>	23.54%	(9.00)%	0.89%*
<i>Return After Taxes on Distributions and Sale of Fund Shares</i>	15.30%	(7.41)%	0.76%*
<i>Russell 1000 Growth Index (reflects no deduction for fees, expenses, or taxes)***</i>	29.75%	(5.11)%	1.29%**

* Since October 1, 1997.

** Since September 30, 1997.

*** The Russell 1000 Growth Index is an unmanaged index composed of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Index is composed of the 1000 largest companies in the Russell 3000 Index which is composed of 3,000 of the largest U.S. companies by market capitalization.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.75%
Other Expenses	0.60%*
Total Annual Fund Operating Expenses	1.35%
Less Fee Waivers	(0.30)%**
Net Annual Fund Operating Expenses	1.05%**

* The expense information has been restated to reflect current fees.

** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.05%. The waiver agreement may not be terminated before December 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

	1 Year	3 Years	5 Years	10 Years
	\$107	\$398	\$711	\$1,598

Small Cap Fund

FUND SUMMARY

Investment Objective Long-term capital appreciation by investing primarily in companies with capitalization of \$1.5 billion or less

Investment Focus Equity securities of small cap U.S. issuers

Share Price Volatility High

Principal Investment Strategy Investing in equity securities of smaller companies that are expected to achieve substantial long-term earnings growth

Investor Profile Investors seeking capital appreciation through a diversified portfolio of securities, and who are willing to tolerate the risks of investing in smaller companies

Investment Objective

The Small Cap Fund seeks long-term capital appreciation by investing primarily in companies with capitalization of \$1.5 billion or less.

Principal Investment Strategy

Under normal circumstances, the Small Cap Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in equity securities of smaller U.S.-based companies. The Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. The small cap companies in which the Fund invests currently have market capitalizations of \$1.5 billion or less. The Fund invests in common stocks and convertibles of companies that tend to be in the early stages of development and the Adviser believes they have the potential to achieve substantial long-term earnings growth. The Fund will not automatically sell stock of a company it already owns just because its market capitalization rises above \$1.5 billion.

In selecting investments for the Fund, the Adviser applies a bottom-up investment approach designed to identify innovative companies whose potential is not yet reflected in their market values. Generally, the Fund invests in companies with market capitalizations of \$1.5 billion or less, but the Adviser also considers, to a lesser degree, larger or more mature companies engaged in new or higher growth operations that the Adviser believes will result in accelerated earnings growth. The Adviser will consider selling an investment of the Fund if it determines that the investment is overpriced or if a particular investment or group of investments in the same industry is dominating the Fund's portfolio.

Principal Risks

Since it purchases equity securities, the Small Cap Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The Fund will also be subject to risks particular to its investments in convertible securities. These securities may include corporate notes or preferred stock but are ordinarily long-term debt obligations 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. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the price of the convertible security tends to reflect the value of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis, and thus may not depreciate to the same extent as the underlying common stock. Convertible securities rank senior to common stock on an issuer's capital structure and are consequently of higher quality and generally entail less risk than the issuer's common stock.

The small and medium capitalization companies the Fund invests in may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these small and medium capitalization companies may have limited product lines, markets and financial resources, and may depend upon a relatively small management group. In addition, stocks of small capitalization companies are less liquid and more thinly traded. Therefore, stocks of these companies may be more volatile than those of larger companies. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

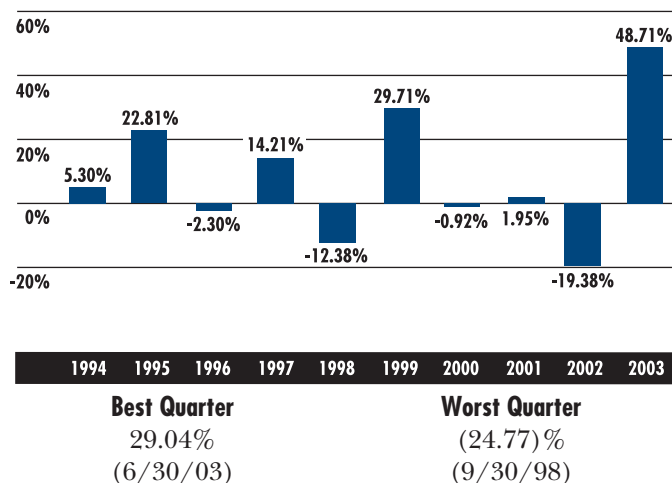
In pursuit of its principal investment strategy, the Fund, on occasion, may experience a portfolio turnover rate in excess of 100%. A higher rate of portfolio turnover will result in higher transaction costs, including brokerage commissions. Also, to the extent that higher portfolio turnover results in more frequently realized net gains to the Fund, the Fund's distributions of taxable income may increase.

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



Best Quarter	Worst Quarter
29.04%	(24.77)%
(6/30/03)	(9/30/98)

The Fund's Shares class performance for the six month period ending June 30, 2004 was 12.27%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the Russell 2000 Index. After-tax returns are calculated using the historical highest individual marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	10 Years
<i>Small Cap Fund</i>			
<i>Return Before Taxes</i>	48.71%	9.45%	7.10%
<i>Return After Taxes on Distributions</i>	48.71%	9.03%	6.41%
<i>Return After Taxes on Sales of Fund Shares</i>	31.66%	8.04%	5.85%
<i>Russell 2000 Index (reflects no deduction for fees, expenses, or taxes)*</i>	47.25%	7.13%	9.47%

* The Russell 2000 Index is an unmanaged index and is composed of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index is composed of 3,000 of the largest U.S. companies by market capitalization.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.60%
Other Expenses	0.49%*
Total Annual Fund Operating Expenses	1.09%
Less Fee Waivers	(0.04)**
Net Annual Fund Operating Expenses	1.05%**

* The expense information has been restated to reflect current fees.

** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.05%. The waiver agreement may not be terminated before December 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

1 Year	3 Years	5 Years	10 Years
\$107	\$343	\$597	\$1,325

Value and Restructuring Fund

FUND SUMMARY

Investment Objective Long-term capital appreciation

Investment Focus Common stocks of primarily U.S. companies

Share Price Volatility High

Principal Investment Strategy Investing in common stocks of companies which the Adviser believes are undervalued by the market and whose share prices are expected to benefit from the value created through restructuring or industry consolidation

Investor Profile Investors seeking long-term capital appreciation through a diversified portfolio of securities, and who are willing to bear the risks of investing in equity securities

Investment Objective

The Value and Restructuring Fund seeks long-term capital appreciation. The Fund seeks to achieve this objective by investing in companies that will benefit from their restructuring or redeployment of assets and operations in order to become more competitive or profitable.

Principal Investment Strategy

The Value and Restructuring Fund invests primarily (at least 65% of its assets) in common stocks of U.S. and, to a lesser extent, foreign companies whose share price, in the opinion of the Adviser, does not reflect the economic value of the company's assets, but where the Adviser believes restructuring efforts or industry consolidation will serve to highlight the true value of the company.

In choosing investments for the Fund, the Adviser looks for companies where restructuring activities, such as consolidations, outsourcing, spin-offs or reorganizations (including investing in companies that have filed for protection from creditors under the U.S. Bankruptcy Code), will offer significant value to the issuer and increase its investment potential. The Adviser may select companies of any size for the Fund and the Fund invests in a diversified group of companies across a number of different industries. The Adviser will consider selling an investment of the Fund if it determines that the investment is overpriced or if a particular investment or group of investments in the same industry is dominating the Fund's portfolio.

Principal Risks

Since it purchases equity securities, the Value and Restructuring Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The Fund is also subject to the risk that an anticipated restructuring or business combination event may fail to occur or occurs and fails to produce reasonably anticipated benefits. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The Fund also may be subject to risks particular to its investments in foreign, small and medium capitalization

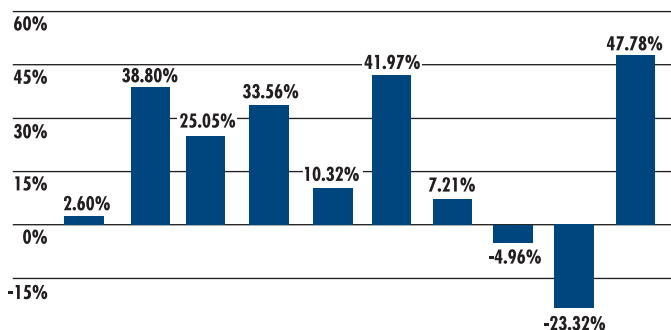
companies. In particular, additional risks associated with investing in foreign companies may include legal and regulatory risk, currency risk, liquidity risk and expropriation risk. Medium and small capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies and therefore, stocks of these companies may be more volatile than those of larger companies. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Best Quarter					Worst Quarter				
28.03%					(20.46)%				
(12/31/99)					(9/30/98)				

The Fund's Shares class performance for the six month period ending June 30, 2004 was 5.58%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the Russell 1000 Value Index. 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 an investor's tax situation and may differ from those shown. After-tax

returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	10 Years
<i>Value and Restructuring Fund</i>			
<i>Return Before Taxes</i>	47.78%	10.39%	15.71%
<i>Return After Taxes on Distributions</i>	47.60%	10.11%	15.12%
<i>Return After Taxes on Distributions and Sale of Fund Shares</i>	31.22%	8.88%	13.84%
<i>Russell 1000 Value Index (reflects no deduction for fees, expenses, or taxes)*</i>	30.03%	3.56%	11.88%

* The Russell 1000 Value Index is an unmanaged index composed of the 1,000 companies with lower price-to-book ratios and lower forecasted growth rates in the Russell 3000 Index. The Russell 3000 Index is composed of the 3,000 of the largest U.S. companies by market capitalization.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.60%
Other Expenses	0.54%
Total Annual Fund Operating Expenses	1.14%*

* The Adviser has contractually agreed to waive fees and reimburse expenses in order to keep total operating expenses from exceeding 1.14%. The waiver agreement may not be terminated before December 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

1 Year	3 Years	5 Years	10 Years
\$116	\$362	\$628	\$1,386

Mid Cap Value Fund

FUND SUMMARY

Investment Objective Long-term capital appreciation

Investment Focus Common stocks of U.S. and foreign companies

Share Price Volatility High

Principal Investment Strategy Investing in common stocks that the Adviser believes are undervalued by the market

Investor Profile Investors seeking growth of capital through a diversified portfolio of securities, and who are willing to accept the risks of investing in equity securities

Investment Objective

The Mid Cap Value Fund seeks long-term capital appreciation. This objective may be changed without shareholder approval. Shareholders will be given 60 days notice of any change in investment objective.

Principal Investment Strategy

Under normal circumstances, the Mid Cap Value Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in common stocks of mid-sized companies that have market capitalizations that are consistent with the market capitalizations of companies included in the Russell Mid Cap Value Index (the "Index"), as such Index is reconstituted annually. The Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. At present, the companies comprising the Index have an average market capitalization of \$6.32 billion. The market capitalizations of the companies in the Fund's portfolio may vary in response to changes in the markets. The Fund will not automatically sell stock of a company it already owns just because the company's market capitalization falls below or rises above the market capitalization of companies that qualify for inclusion in the Index. The Fund invests in common stocks of U.S. and foreign companies that the Adviser believes are undervalued, at current market prices. The Adviser generally diversifies the Fund's investments over a variety of industries and the Fund may invest in companies of any size, including small, high growth companies.

In selecting investments for the Fund, the Adviser combines fundamental research with valuation constraints to identify companies trading at what the Adviser believes are reasonable prices and displaying characteristics expected to lead to greater recognition of true value. The

Adviser believes that events such as restructuring activities and industry consolidations can be the catalysts necessary to realize this value. The Adviser will consider selling an investment of the Fund if it determines that the investment is overpriced or if a particular investment or group of investments in the same industry is dominating the Fund's portfolio.

Principal Risks

Since it purchases equity securities, the Mid Cap Value Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The medium and small capitalization companies the Fund invests in may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these medium and small capitalization companies may have limited product lines, markets and financial resources, and may depend upon a relatively small management group. In addition, stocks of small capitalization companies are less liquid and more thinly traded. Therefore, stocks of these companies may be more volatile than those of larger companies. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

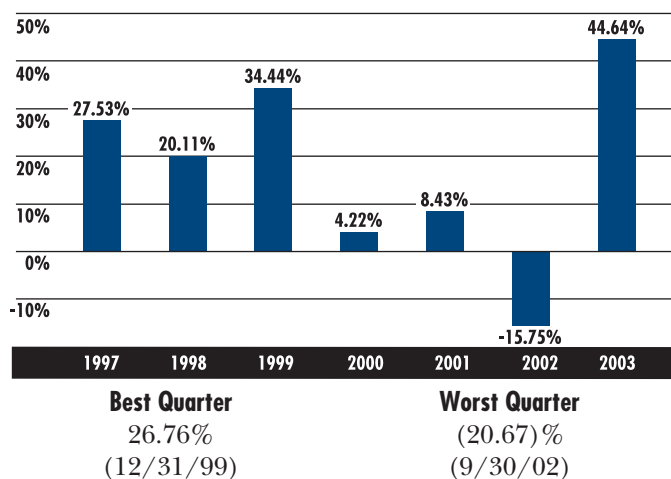
The Fund also may be subject to risks particular to its investments in foreign companies. Risks associated with investing in foreign securities may include legal and regulatory risk, currency risk, liquidity risk and expropriation risk. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



The Fund's Shares class performance for the six month period ending June 30, 2004 was 3.94%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to the Russell Mid Cap Value Index. 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 an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	Since Inception
<i>Mid Cap Value Fund</i>			
<i>Return Before Taxes</i>	44.64%	13.11%	16.94%*
<i>Return After Taxes on Distributions</i>	44.58%	10.26%	14.37%*
<i>Return After Taxes on Distributions and Sale of Fund Shares</i>	29.07%	9.96%	13.72%*
<i>Russell Mid Cap Value Index</i> <i>(reflects no deduction for fees, expenses, or taxes)***</i>	38.07%	8.73%	12.24%**
<i>Russell Mid Cap Index</i> <i>(reflects no deduction for fees, expenses, or taxes)****</i>	40.06%	7.23%	10.73%*

* Since June 1, 1996.

** Since May 31, 1996.

*** The Russell Mid Cap Value Index measures the performance of medium-sized, value-oriented securities.

**** The Russell Mid Cap Index measures the performance of undiversified securities.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.65%
Other Expenses	0.51%*
Distribution (12b-1) Fees	0.00%†
Total Annual Fund Operating Expenses	1.16%
Less Fee Waivers	(0.02)%**
Net Annual Fund Operating Expenses	1.14%**

* The expense information has been restated to reflect current fees.

† The Fund has adopted a distribution plan under Rule 12b-1 of the Investment Company Act of 1940, as amended that authorizes the payment of up to 0.25% for the distribution of Fund shares. However, the Plan is not active at this time. The Distributor does not intend to activate the Plan for the Shares class of the Fund during the Fund's current fiscal year. As a result, the Board of Trustees of the Fund has determined that no fees will be paid by this class of the Fund during the current fiscal year. For more information, see "Distribution of Fund Shares."

** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.14%. The waiver agreement may not be terminated before December 31, 2005. In addition, the agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds Trust terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

1 Year	3 Years	5 Years	10 Years
\$116	\$366	\$636	\$1,407

Energy and Natural Resources Fund

FUND SUMMARY

Investment Objective Long-term capital appreciation

Investment Focus Equity securities of U.S. and foreign energy and natural resources companies

Share Price Volatility High

Principal Investment Strategy Investing in equity securities of U.S. and foreign issuers engaged in the energy and natural resources groups of industries

Investor Profile Investors seeking long-term growth of capital, and who are willing to accept the risks of investing in a non-diversified portfolio of energy and natural resources companies

Investment Objective

The Energy and Natural Resources Fund seeks long-term capital appreciation. The Fund seeks to achieve this objective by investing primarily in companies that are in the energy and other natural resources groups of industries. The Fund may also invest, to a more limited extent, in gold and other precious metal bullion and coins.

Principal Investment Strategy

Under normal circumstances, the Energy and Natural Resources Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in equity securities of U.S. and, to a lesser extent, foreign companies engaged in the energy and natural resources industries. The Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. These companies include those engaged in the discovery, development, production or distribution of energy or other natural resources and companies that develop technologies and furnish energy and natural resource supplies and services to these companies. In selecting investments for the Fund, the Adviser takes a long-term approach and seeks to identify companies whose value is not recognized in the prices of their securities or with characteristics that will lead to above-average earnings growth.

Energy companies normally will constitute a significant portion of the Fund's investments, and the Fund typically invests at least 50% of its assets in crude oil, petroleum and natural gas companies. The Fund also may invest a portion of its assets in precious metals, such as gold bullion, and companies engaged in the production of precious metals. The Fund invests in companies of any size, including small, high growth companies.

Principal Risks

The Energy and Natural Resources Fund is subject to the risk that the securities of issuers engaged in the energy and natural resources industries that the Fund purchases will underperform other market sectors or the market as a whole. To the extent that the Fund's investments are concentrated in issuers conducting business in the same industry, the Fund is subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting that industry. The values of natural resources are affected by numerous factors including events occurring in nature and international politics. For instance, events in nature (such as earthquakes or fires in prime natural resources areas) and political events (such as coups or military confrontations) can affect the overall supply of a natural resource and thereby the value of companies involved in such natural resource.

Since it purchases equity securities, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a

company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The Fund also may be subject to risks particular to its investments in foreign, medium and small capitalization companies. In particular, additional risks associated with investing in foreign companies may include legal and regulatory risk, currency risk, liquidity risk and expropriation risk. Medium and small capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies and therefore, stocks of these companies may be more volatile than those of larger companies. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

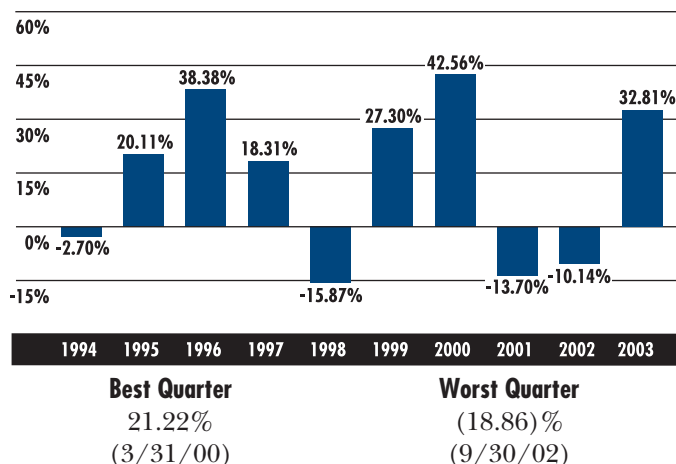
The Fund is non-diversified, which means that it may invest in the securities of relatively few issuers. As a result, the Fund may be more susceptible to a single adverse economic or political/regulatory occurrence affecting one or more of these issuers, and may experience increased volatility due to its investments in those securities.

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



The Fund's Shares class performance for the six month period ending June 30, 2004 was 10.18%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the Standard & Poor's 500 Composite Stock Price Index. 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 an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	10 Years
<i>Energy and Natural Resources Fund</i>			
<i>Return Before Taxes</i>	32.81%	13.33%	11.65%
<i>Return After Taxes on Distributions</i>	32.74%	12.04%	10.23%
<i>Return After Taxes on Distributions and Sale of Fund Shares</i>	21.39%	10.92%	9.51%
<i>Standard & Poor's 500 Composite Stock Price Index (reflects no deduction for fees, expenses, or taxes)*</i>	28.69%	(0.57)%	11.07%

* The Standard & Poor's 500 Composite Stock Price Index is a widely accepted unmanaged index of U.S. stock market performance.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.60%
Other Expenses	0.61%*
Total Annual Fund Operating Expenses	1.21%**

* The expense information has been restated to reflect current fees.

** The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.25%. The waiver agreement may not be terminated before July 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

	1 Year	3 Years	5 Years	10 Years
	\$123	\$384	\$665	\$1,466

Real Estate Fund

FUND SUMMARY

Investment Objective Current income and long-term capital appreciation

Investment Focus Equity securities of companies engaged in the real estate business

Share Price Volatility High

Principal Investment Strategy Investing in equity securities of real estate investment trusts (REITs) and other issuers engaged in the real estate industry

Investor Profile Investors seeking current income and long-term growth of capital, and who are willing to accept the risks of investing in a non-diversified portfolio of real estate issuers

Investment Objective

The Real Estate Fund seeks current income and long-term capital appreciation by investing in real estate investment trusts (REITs) and other companies principally engaged in the real estate business. This objective may be changed without shareholder approval. Shareholders will be given 60 days notice of any change in investment objective.

Principal Investment Strategy

Under normal circumstances, the Real Estate Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in REITs and other publicly-traded equity securities of U.S. and, to a lesser extent, foreign companies engaged in the real estate industry. The Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. REITs pool investors' funds for investment directly in real estate (equity REITs), real estate loans (mortgage REITs), or a combination of the two (hybrid REITs). The Fund intends to invest primarily in equity and hybrid REITs. REITs generally are income producing investments. The Fund also invests in other issuers engaged in the real estate business, such as developers, mortgage lenders and servicers, construction companies and building material suppliers.

The Adviser takes a long-term approach to managing the Fund and seeks to identify companies with characteristics that will lead to above-average earnings growth. The Adviser analyzes demographic and macroeconomic factors to determine regional allocations. Based on its regional allocations, the Adviser selects particular investments based on its analysis of valuation relative to underlying real estate values.

Principal Risks

The Real Estate Fund is subject to the risk that the securities of issuers in the real estate industry that the Fund purchases will underperform other market sectors or the market as a whole. To the extent that the Fund's investments are concentrated in issuers conducting business in the same industry, the Fund is subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting that industry.

Since it purchases equity securities, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The Fund's investments in the securities of REITs and companies principally engaged in the real estate industry may subject the Fund to the risks associated with the direct ownership of real estate. Risks commonly associated with the direct ownership of real estate include fluctuations in the value of underlying properties and defaults by borrowers or tenants. In addition to these risks, REITs are dependent on specialized management skills and some REITs may have investments in relatively few properties, or in a small geographic area or a single type of property. These factors may increase the volatility of the Fund's investments in REITs.

When investing in REITs, in addition to the advisory fees and other expenses the Fund bears directly in connection with its own operations, investments in REITs will cause the Fund to bear its pro rata portion of the REITs management fees and other expenses. As such, the Fund's shareholders would indirectly bear the expenses of the Fund and the REITs, some or all of which would be duplicative.

The Fund also may be subject to risks particular to its investments in foreign companies. Risks associated with investing in foreign companies may include legal and regulatory risk, currency risk, liquidity risk and expropriation risk. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

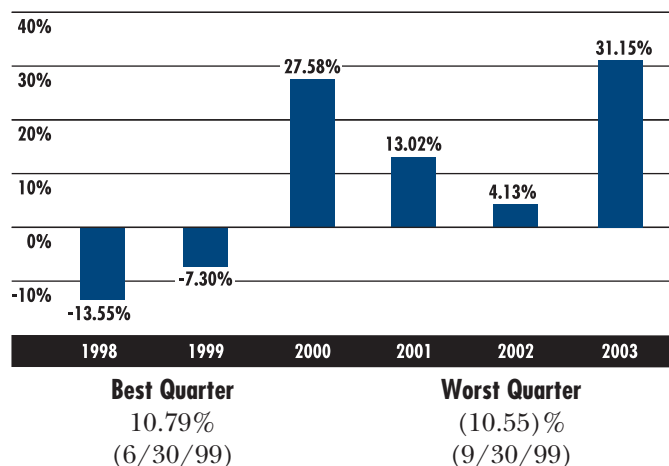
The Fund is non-diversified, which means that it may invest in the securities of relatively few issuers. As a result, the Fund may be more susceptible to a single adverse economic or political/regulatory occurrence affecting one or more of these issuers, and may experience increased volatility due to its investments in those securities.

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



The Fund's Shares class performance for the six month period ending June 30, 2004 was 4.66%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the Morgan Stanley REIT Index and the Standard & Poor's 500 Composite Stock Price Index. 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 an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	Since Inception
<i>Real Estate Fund</i>			
Return Before Taxes	31.15%	12.79%	8.15%*
Return After Taxes on Distributions	29.17%	10.87%	6.20%*
Return After Taxes on Distributions and Sale of Fund Shares	20.18%	9.83%	5.67%*
<i>Morgan Stanley REIT Index (reflects no deduction for fees, expenses, or taxes)***</i>	36.74%	14.12%	8.07%**
<i>Standard & Poor's 500 Composite Stock Price Index (reflects no deduction for fees, expenses, or taxes)****</i>	28.69%	(0.57)%	4.10%**

* Since October 1, 1997.

** Since September 30, 1997.

*** The Morgan Stanley REIT Index is a unmanaged capitalization-weighted index composed of the largest and most actively traded REITs designed to provide a broad measure of real estate equity performance.

**** The Standard & Poor's 500 Composite Stock Price Index is a widely accepted unmanaged index of U.S. stock market performance.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	1.00%
Other Expenses	0.51%*
Total Annual Fund Operating Expenses	1.51%
Less Fee Waivers	(0.31)**
Net Annual Fund Operating Expenses	1.20%**

* The expense information has been restated to reflect current fees.

** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.20%. The waiver agreement may not be terminated before July 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

	1 Year	3 Years	5 Years	10 Years
	\$122	\$447	\$794	\$1,775

Equity Income Fund

FUND SUMMARY

Investment Objective Total return on assets through capital appreciation and income

Investment Focus Equity securities of U.S. and foreign companies that historically pay above-average dividends

Share Price Volatility High

Principal Investment Strategy Invests in common stocks of companies that the Adviser believes are likely to grow their dividend and/or whose current dividend yield is above average in relation to the S&P 500 Index

Investor Profile Investors seeking total return through a diversified portfolio of securities, and who are willing to accept the risks of investing in equity securities

Investment Objective

The investment objective of the Equity Income Fund is total return on assets through capital appreciation and income. This objective may be changed without shareholder approval. Shareholders will be given 60 days notice of any change in investment objective.

Principal Investment Strategy

The Equity Income Fund pursues total return through a combination of current income and the disciplined realization of capital gains. In seeking its objective, the Fund aims to generate yield that exceeds the current yield of the S&P 500 Index, although there is no guarantee that the Fund will be able to do so.

The Equity Income Fund invests in stocks that historically pay above-average dividends and that the Adviser believes have strong potential to appreciate in share price. In other words, the Adviser focuses on total return: the sum of current dividend income and future price appreciation, with the aim of generating superior overall performance for investors.

Under normal circumstances, the Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in equity securities. The Equity Income Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. The Fund invests in common stocks, preferreds, convertibles and real estate investment trusts (REITs) of U.S. and foreign companies that the Adviser believes have value that is not currently reflected in their market prices. The Adviser

generally diversifies the Fund's investments over a variety of industries and types of companies. The Fund may invest in companies of any size.

The Adviser takes a long-term approach to managing the Fund and through fund research, identifies companies with characteristics that it believes will lead to future dividend and earnings growth or recognition of their true value. The Adviser will consider selling an investment of the Fund if it determines that the investment is overpriced or if a particular investment or group of investments in the same industry is dominating the Fund's portfolio.

Principal Risks

Since it purchases equity securities, the Equity Income Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company

will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The Fund will also be subject to risks particular to its investments in convertible securities. These securities may include corporate notes or preferred stock but are ordinarily long-term debt obligations 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. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the price of the convertible security tends to reflect the value of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis, and thus may not depreciate to the same extent as the underlying common stock. Convertible securities rank senior to common stock on an issuer's capital structure and are consequently of higher quality and generally entail less risk than the issuer's common stock.

The Fund's investments in the securities of REITs may subject the Fund to the risks associated with the direct ownership of real estate. Risks commonly associated with the direct ownership of real estate include fluctuations in the value of underlying properties and defaults by borrowers or tenants. In addition to these risks, REITs are dependent on specialized management skills and some REITs may have investments in relatively few properties, or in a small geographic area or a single type of property. These factors may increase the volatility of the Fund's investments in REITs.

When investing in REITs, in addition to the advisory fees and other expenses the Fund bears directly in connection with its own operations, investments in REITs will cause the Fund to bear its pro rata portion of the REITs management fees and other expenses. As such, the Fund's shareholders would indirectly bear the expenses of the Fund and the REITs, some or all of which would be duplicative.

The Fund also may be subject to risks particular to its investments in foreign, medium and small capitalization companies. In particular, additional risks associated with investing in foreign companies may include legal and regulatory risk, currency risk liquidity risk and expropriation risk. Medium and small capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies and therefore, stocks of these companies may be more volatile than these of larger companies. These risks are discussed in greater detail in the section entitled "More Information Principal About Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

Performance history will be available for the Fund's Shares class after it has been in operation for one calendar year. For performance since inception, see Financial Highlights.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.75%
Other Expenses	0.67%*
Distribution (12b-1) Fees	0.00%†
Total Annual Fund Operating Expenses	1.42%
Less Fee Waivers	(0.37)%**
Net Annual Fund Operating Expenses	1.05%**

* Percentages are based upon estimated amounts for the current fiscal year.

† The Fund has adopted a distribution plan under Rule 12b-1 of the Investment Company Act of 1940, as amended that authorizes the payment of up to 0.25% for the distribution of Fund shares. However, the Plan is not active at this time. The Distributor does not intend to activate the Plan for the Shares class of the Fund during the Fund's current fiscal year. As a result, the Board of Trustees of the Fund has determined that no fees will be paid by this class of the Fund during the current fiscal year. For more information, see "Distribution of Fund Shares."

** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.05%. The waiver agreement may not be terminated before December 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds Trust terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

1 Year	3 Years
\$107	\$413

Equity Core Fund

FUND SUMMARY

Investment Objective Total return on its assets through long-term capital appreciation

Investment Focus Common stocks of U.S. companies

Share Price Volatility High

Principal Investment Strategy Invests in a diversified portfolio of companies that the Adviser believes are undervalued in the market

Investor Profile Investors seeking growth of capital through a diversified portfolio of securities, and who are willing to accept the risks of investing in equity securities

Investment Objective

The Equity Core Fund seeks total return on its assets through long-term capital appreciation. This objective may be changed without shareholder approval. Shareholders will be given 60 days notice of any change in investment objective.

Principal Investment Strategy

Under normal circumstances, the Equity Core Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in equity securities of U.S. companies. The Equity Core Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. These equity securities include common stocks and securities convertible into common stock of U.S. companies that the Adviser believes have value that is not currently reflected in their market prices. The Adviser generally diversifies the Fund's investments over a variety of industries and types of companies. The Fund may invest in companies of any size.

The Adviser takes a long-term approach to managing the Fund and is not constrained by any particular investment style. At any given time it may buy "growth" stocks or "value" stocks, or a combination of both types. The Adviser will try to identify companies with characteristics that will lead to future earnings growth or recognition of their true value. The Adviser will consider selling an investment of the Fund if it determines that a stock is overpriced or if a particular stock or group of stocks in the same industry is dominating the Fund's portfolio.

Principal Risks

Since it purchases equity securities, the Equity Core Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that undervalued common stocks may underperform other segments of the equity market or the equity markets as a whole.

The Fund will also be subject to risks particular to its investments in convertible securities. These securities may include corporate notes or preferred stock but are ordinarily long-term debt obligations 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. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the price of the convertible security tends to reflect the value of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis, and thus may not depreciate to the same extent as the underlying common stock. Convertible securities rank senior to common stocks on an issuer's capital structure and are consequently of higher quality and generally entail less risk than the issuer's common stock.

The Fund also may be subject to risks particular to its investments in medium and small capitalization companies. The Fund considers medium capitalization companies to generally have market capitalizations between \$1.5 billion and \$10 billion and small capitalization companies to generally have market capitalizations up to \$1.5 billion. Medium and small capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these companies may have limited product lines, markets and financial resources and may depend on a relatively small management group and therefore, stocks of these companies may be more volatile than those of larger companies. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

Performance history will be available for the Fund's Shares class after it has been in operation for one calendar year.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.75%
Other Expenses	0.47%*
Distribution (12b-1) Fees	0.00%†
Total Annual Fund Operating Expenses	1.22%
Less Fee Waivers	(0.17)%**
Net Annual Fund Operating Expenses	1.05%**

* Percentages based upon estimated amounts for the current fiscal year.

† The Fund has adopted a distribution plan under Rule 12b-1 of the Investment Company Act of 1940, as amended that authorizes the payment of up to 0.25% for the distribution of Fund shares. However, the Plan is not active at this time. The Distributor does not intend to activate the Plan for the Shares class of the Fund during the Fund's current fiscal year. As a result, the Board of Trustees of the Fund has determined that no fees will be paid by this class of the Fund during the current fiscal year. For more information, see "Distribution of Fund Shares."

** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.05%. The waiver agreement may not be terminated before July 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds Trust terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

	1 Year	3 Years
	\$107	\$370

International Fund

FUND SUMMARY

Investment Objective Total return on its assets through capital appreciation and income

Investment Focus Foreign equity securities

Share Price Volatility High

Principal Investment Strategy Investing in a diversified portfolio of equity securities of issuers in developed foreign countries and, to a lesser extent, emerging markets

Investor Profile Investors seeking long-term capital appreciation through a diversified portfolio of securities, and who are willing to accept the risks and price volatility of investing in companies located in foreign countries

Investment Objective

The International Fund seeks total return on its assets through capital appreciation and income.

Principal Investment Strategy

Under normal circumstances, the International Fund invests at least 65% of its assets in equity securities of larger, more established companies located in developed foreign markets, which include most nations in western Europe and the more developed nations in the Pacific Basin and Latin America. The Fund may invest to a lesser extent in less developed countries and regions to capitalize on opportunities in emerging markets. The Adviser generally does not attempt to hedge the effects of currency value fluctuations on the Fund's investments on an on-going basis.

The Adviser selects investments for the Fund by applying a bottom-up investment approach designed to identify companies that the Adviser expects to experience sustainable earnings growth and to benefit from global or regional economic trends or promising technologies or products and whose value is not recognized in the prices of their securities. The Adviser continuously analyzes companies in a broad range of foreign markets, giving particular emphasis to each company's scope of operations and economic ties to one or more specific countries. While the Fund generally invests in companies in a variety of countries, industries and sectors, the Adviser does not attempt to invest a specific percentage of the Fund's assets in a given country, region or industry. The Fund will make investments in companies located in emerging markets only where the Adviser believes that such companies' growth/appreciation potential transcends their location or operations in emerging market countries.

Principal Risks

Since it purchases equity securities, the International Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that foreign equity securities may underperform other segments of the equity market or the equity markets as a whole.

Investing in foreign countries poses additional risks since political and economic events unique to a country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the

value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.

These various risks will be even greater for investments in emerging market countries since political turmoil and rapid changes in economic conditions are more likely to occur in these countries.

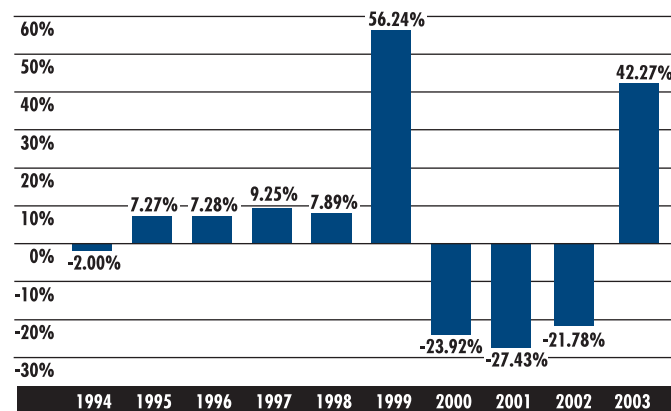
The financial stability of issuers (including governments) in emerging market countries may be more precarious than in other countries. As a result, there will tend to be an increased risk of price volatility associated with the Fund's investments in emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



Best Quarter
38.76%
(12/31/99)

Worst Quarter
(20.55)%
(9/30/02)

The Fund's Shares class performance for the six month period ending June 30, 2004 was 4.15%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the MSCI EAFE Index and the MSCI ACWI ex U.S. Index. After-tax returns are calculated using the historical highest individual federal income tax rates and do not reflect the impact of state and local taxes. Actual-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	10 Years
<i>International Fund</i>			
Return Before Taxes	42.27%	(0.81)%	2.47%
Return After Taxes on Distributions	42.37%	(1.26)%	1.86%
Return After Taxes on Distributions and Sale of Fund Shares	27.96%	(0.76)%	1.89%
MSCI EAFE Index (reflects no deduction for fees, expenses, or taxes)*	38.59%	(0.05)%	4.47%
MSCI ACWI ex U.S. Index (reflects no deduction for fees, expenses, or taxes)**	41.41%	1.55%	4.66%

* The MSCI EAFE (Europe, Australasia & Far East) Index is a widely accepted unmanaged index composed of a sample of companies from 21 countries representing the developed stock markets outside North America.

** The MSCI ACWI ex U.S. Index is a widely accepted unmanaged index of global stock market performance comprising 47 countries with developed and emerging markets excluding the United States.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Shareholder Fees (paid directly from your investment)

Redemption Fee (as a percentage of amount redeemed, if applicable)* 2.00%

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	1.00%
Other Expenses	0.63%**
Total Annual Fund Operating Expenses	1.63%
Less Fee Waivers	(0.13)%***
Net Annual Fund Operating Expenses	1.50%***

* This redemption fee is charged if you redeem or exchange your shares within 30 days of the date of purchase. See "How to Sell Your Shares" for more information.

** The expense information has been restated to reflect current fees.

*** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.50%. The waiver agreement may not be terminated before July 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

	1 Year	3 Years	5 Years	10 Years
	\$153	\$502	\$874	\$1,922

Pacific/Asia Fund

FUND SUMMARY

Investment Objective Long-term capital appreciation

Investment Focus Equity securities of Asian issuers

Share Price Volatility Very high

Principal Investment Strategy Investing in a diversified portfolio of equity securities of companies located in Asia

Investor Profile Investors seeking long-term capital appreciation through a diversified portfolio of securities, and who are willing to accept the risks and possibly extreme price volatility of investing in Asian issuers

Investment Objective

The Pacific/Asia Fund seeks long-term capital appreciation.

Principal Investment Strategy

Under normal circumstances, the Pacific/Asia Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in equity securities of companies located in Asia and the Pacific Basin, including Australia, New Zealand and India. The Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. The companies in which the Fund invests tend to be larger, more established companies. The Adviser generally does not attempt to hedge the effects of currency value fluctuations on the Fund's investments on an on-going basis.

The Adviser selects investments for the Fund by applying a bottom-up investment approach designed to identify companies that the Adviser expects to experience sustainable earnings growth and to benefit from global or regional economic trends or promising technologies or products and whose value is not recognized in the prices of their securities. The Adviser continuously analyzes companies in the Pacific Basin markets, giving particular emphasis to each company's scope of operations and economic ties to one or more specific countries. While the Fund generally invests in companies in a variety of countries, industries and sectors, the Adviser does not attempt to invest a specific percentage of the Fund's assets in a given country or industry.

Principal Risks

Since it purchases equity securities, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities

may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that Pacific Basin equity securities may underperform other segments of the equity market or the equity markets as a whole.

The Fund invests primarily in securities of issuers located in a single geographic region—the Pacific Basin. The economic and political environments of countries in a particular region frequently are interrelated and the value of regional markets and issuers often will rise and fall together. As a result, the Fund is subject to the risk that political and economic events will affect a larger portion of the Fund's investments than if the Fund's investments were more geographically diversified. The Fund's focus on the Pacific Basin also increases its potential share price volatility.

The Pacific Basin economies have experienced considerable difficulties, including, at various times, high inflation rates, high interest rates and currency

devaluations. As a result, Pacific Basin securities markets have experienced extraordinary volatility. Continued growth of the Pacific Basin economies and securities markets will require sustained economic and fiscal discipline, which has been lacking in the past, as well as continued commitment to governmental reforms. Development also may be influenced by international economic conditions, particularly those in the United States and Japan, and by world demand for goods produced in Pacific Basin countries.

In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.

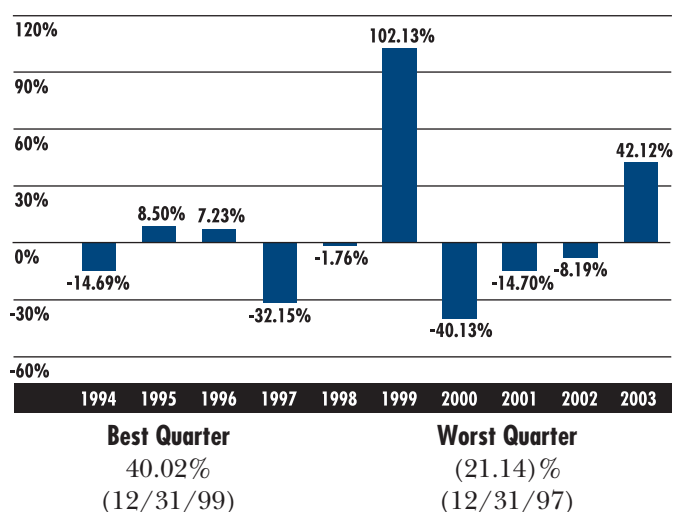
Investing in foreign countries poses additional risks since political and economic events unique to the Pacific Basin region, or any constituent country, will affect these markets and their issuers. Such events will not necessarily affect the U.S. economy or similar issuers located in the United States. The risks will be even greater for investments in emerging market countries since political turmoil and rapid changes are more likely to occur in these countries. The financial stability of issuers (including governments) in emerging market countries may be more precarious than in other countries. As a result, there will tend to be an increased risk of price volatility associated with the Fund's investments in emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



The Fund's Shares class performance for the six month period ending June 30, 2004 was 5.65%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the MSCI AC Asia Pacific Index. 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 an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	1 Year	5 Years	10 Years
<i>Pacific/Asia Fund</i>			
<i>Return Before Taxes</i>	42.12%	6.14%	(1.15)%
<i>Return After Taxes on Distributions</i>	42.12%	5.86%	(1.94)%
<i>Return After Taxes on Distributions and Sale of Fund Shares</i>	27.38%	5.20%	(1.40)%
<i>MSCI AC Asia Pacific Index (reflects no deduction for fees, expenses, or taxes)*</i>	43.08%	3.27%	(0.85)%

* MSCI AC Asia Pacific Index is a widely-accepted, unmanaged index composed of 10 developed and emerging market countries. The Index aims to capture 85% of the free float adjusted market capitalization in each industry group, in each country, for those securities not subject to foreign ownership restrictions.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Shareholder Fees (paid directly from your investment)

Redemption Fee (as a percentage of amount redeemed, if applicable)*	2.00%
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Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	1.00%
Other Expenses	0.70%**
Total Annual Fund Operating Expenses	1.70%
Less Fee Waivers	(0.20)%***
Net Annual Fund Operating Expenses	1.50%***

* This redemption fee is charged if you sell your shares within 30 days of the date of purchase. See "How to Sell Your Fund Shares" for more information.

** The expense information has been restated to reflect current fees.

*** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.50%. The waiver agreement may not be terminated before July 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

1 Year	3 Years	5 Years	10 Years
\$153	\$516	\$904	\$1,992

Emerging Markets Fund

FUND SUMMARY

Investment Objective Long-term capital appreciation

Investment Focus Equity securities of emerging markets issuers

Share Price Volatility Very High

Principal Investment Strategy Investing in a diversified portfolio of equity securities of companies located in emerging markets

Investor Profile Investors seeking long-term capital appreciation through a diversified portfolio of securities, and who are willing to accept the risks and extreme price volatility of investing in emerging markets issuers

Investment Objective

The Emerging Markets Fund seeks long-term capital appreciation. This objective may be changed without shareholder approval. Shareholders will be given 60 days notice of any change in investment objective.

Principal Investment Strategy

Under normal circumstances, the Emerging Markets Fund invests at least 80% of its net assets plus the amount of any borrowings for investment purposes in equity securities of companies located in emerging market countries. The Emerging Markets Fund will provide shareholders with at least 60 days' prior notice of any change in this policy. Emerging market countries are those that major international financial institutions, such as the World Bank, generally consider to be less economically mature than developed nations, such as the United States or most nations in Western Europe. The Adviser generally does not attempt to hedge the effects of currency value fluctuations on the Fund's investments on an on-going basis.

The Adviser selects investments for the Fund by applying a bottom-up investment approach designed to identify companies that the Adviser expects to experience sustainable earnings growth and to benefit from global or regional economic trends or promising technologies or products and whose value is not recognized in the prices of their securities. The Adviser continuously analyzes companies in emerging markets, giving particular emphasis to each company's scope of operations and economic ties to one or more specific countries. While the Fund generally invests in companies in a variety of countries, industries and sectors, the Adviser does not attempt to invest a specific percentage of the Fund's assets in a given country or industry.

Principal Risks

Since it purchases equity securities, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Fund's securities may fluctuate substantially from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the Fund. The Fund is also subject to the risk that equity securities may discontinue paying dividends.

In addition, since the Fund invests in common stocks, the Fund is also subject to the risk that in the event a company in which the Fund invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the Fund as a holder of common stock. Given the Fund's subordinated position to the holders of preferred stock and creditors of that company, it is possible that all funds of that company will be exhausted before any payments are made to the Fund. The Fund is also subject to the risk that emerging market securities may underperform other segments of the equity market or the equity markets as a whole.

Investing in foreign countries poses additional risks since political and economic events unique to a country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the

value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.

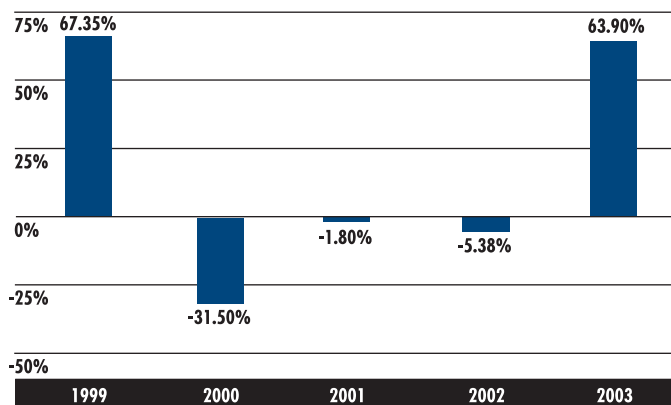
Emerging market countries are countries that the World Bank or the United Nations considers to be emerging or developing. Emerging markets may be more likely to experience political turmoil or rapid changes in market or economic conditions than more developed countries. In addition, the financial stability of issuers (including governments) in emerging market countries may be more precarious than in other countries. As a result, there will tend to be an increased risk of price volatility associated with the Fund's investments in emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar. These risks are discussed in greater detail in the section entitled "More Information About Principal Risks and Strategies."

You may lose money by investing in the Fund. You should consider the risks described above before investing in the Fund.

Performance Information

The bar chart and the performance table below illustrate the risks and volatility of an investment in the Fund. Of course, the Fund's past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future.

This bar chart shows changes in the performance of the Fund's Shares class from year to year.



Best Quarter
59.10%
(12/31/99)

Worst Quarter
(24.79)%
(9/30/01)

The Fund's Shares class performance for the six month period ending June 30, 2004 was 2.31%.

This table compares the average annual total returns of the Fund's Shares class for the periods ended December 31, 2003, to those of the MSCI Emerging Markets Index. 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 an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	One Year	Five Years	Since Inception
<i>Emerging Markets Fund</i>			
<i>Return Before Taxes</i>	63.90%	11.79%	0.44%*
<i>Return After Taxes on Distributions</i>	63.97%	11.79%	0.37%*
<i>Return After Taxes on Distributions and Sale of Fund Shares</i>	42.01%	10.36%	0.37%*
<i>MSCI Emerging Markets Index (reflects no deduction for fees, expenses, or taxes)***</i>	55.82%	10.51%	3.52%**

* Since January 2, 1998.

** Since December 31, 1997.

*** MSCI Emerging Markets Index is a widely-accepted, unmanaged index composed of a sample of companies representative of the market structure of 26 global emerging market countries.

What is an Index?

An index measures the market prices of a specific group of securities in a particular market or securities in a market sector. You cannot invest directly in an index. Unlike a mutual fund, an index does not have an investment adviser and does not pay any commissions or expenses. If an index had expenses, its performance would be lower.

Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold the Shares class of the Fund.

Shareholder Fees (paid directly from your investment)

Redemption Fee (as a percentage of amount redeemed, if applicable)*	2.00%
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Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	1.25%
Other Expenses	0.67%
Total Annual Fund Operating Expenses	1.92%
Less Fee Waivers	(0.22)%**
Net Annual Fund Operating Expenses	1.70%**

* This redemption fee is charged if you sell your shares within 30 days of the date of purchase. See "How to Sell Your Fund Shares" for more information.

** The expense information in the table reflects contractual fee waivers currently in effect. The Adviser has contractually agreed to waive fees in order to keep total operating expenses from exceeding 1.70%. The waiver agreement may not be terminated before July 31, 2005. In addition, this agreement will renew automatically for an additional 12 month term unless the Adviser or Excelsior Funds, Inc. terminates the agreement by providing written notice to the other party prior to the expiration of the current term. For more information, see "Investment Adviser."

Example

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 and that you sell your shares at the end of the period.

The Example also assumes that each year your investment has a 5% return, Fund operating expenses remain the same and you reinvest all dividends and distributions. Although your actual costs might be different, your approximate costs of investing \$10,000 in the Fund would be:

	1 Year	3 Years	5 Years	10 Years
	\$173	\$582	\$1,016	\$2,225

More Information About Principal Risks and Strategies

All Funds

Equity Risk

Equity securities include public and privately issued equity securities, common and preferred stocks, warrants, rights to subscribe to common stock and convertible securities, as well as instruments that attempt to track the price movement of equity indices. Investments in these types of equity securities in general are subject to market risks that may cause their prices to fluctuate over time. The value of securities convertible into equity securities, such as warrants or convertible debt, is also affected by prevailing interest rates, the credit quality of the issuer and any call provision.

Management Risk

The Adviser continuously evaluates each Fund's holdings, purchases and sales with a view to achieving a Fund's investment objective. However, the achievement of the stated investment objective cannot be guaranteed. If the Adviser is incorrect in its assessment of the income, growth or price realization potential of a Fund's holdings or incorrect in its assessment of general market or economic conditions, then the value of the Fund's shares may decline.

Foreign Security Risks

Investments in securities of foreign companies or governments can be more volatile than investments in U.S. companies or governments. Diplomatic, political, or economic developments, including nationalization or appropriation, could affect investments in foreign countries. Foreign securities markets generally have less trading volume and less liquidity than U.S. markets. In addition, the value of securities denominated in foreign currencies, and of dividends from such securities, can change significantly when foreign currencies strengthen or weaken relative to the U.S. dollar. Foreign companies or governments may not be subject to uniform accounting, auditing, and financial-reporting standards comparable to those applicable to domestic U.S. companies or governments. Transaction costs are generally higher than those in the U.S. and expenses for foreign custodial arrangements may be higher than expenses for custodial arrangements of similar U.S. securities.

Some foreign governments levy withholding taxes against dividend and interest income. Although in some countries a portion of these taxes is recoverable, the non-recovered portion will reduce the income received from the securities comprising the portfolio.

Currency Risk

As many investments in foreign countries are denominated in foreign currencies, changes in the value of those countries' currencies relative to the U.S. dollar may affect the value of those investments. Investments in foreign securities denominated in foreign currencies involve additional risks, including: (i) the Funds may incur substantial costs in connection with conversions between various currencies; (ii) only a limited market currently exists for hedging transactions relating to currencies in certain emerging markets; and (iii) securities transactions undertaken in some foreign markets may not be settled promptly so that the Funds' investments may be less liquid and subject to the risk of fluctuating currency exchange rates pending settlement.

Liquidity Risk

The Funds may not be able to pay redemption proceeds within the time period stated in this prospectus because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. Funds that invest in non-investment grade fixed income securities or emerging country issuers will be especially subject to the risk that during certain periods the liquidity of particular issuers or industries, or all securities within these investment categories, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events or adverse investor perceptions whether or not accurate.

Expropriation Risk

Foreign governments may expropriate the Funds' investments either directly by restricting the Funds' ability to sell a security or imposing exchange controls that restrict the sale of a currency, or indirectly by taxing the Funds' investments at such high levels as to constitute confiscation of the security. There may be limitations on the ability of the Funds to pursue and collect a legal judgment against a foreign government.

Frequent Trading

The Funds discourage frequent trading (including by means of exchanges) and maintain procedures designed to deter market timing activity. Frequent trading of mutual fund shares within short periods of time poses the risk of lower returns for long-term shareholders of a Fund, as these so-called "market timers" capture short-term gains that would otherwise be shared by all shareholders of a Fund. Frequent trading may also result in lower Fund returns by increasing transaction costs or by effectively making fewer assets available for investment due to the need to retain cash to satisfy redemptions. While the Funds adopted these policies and procedures, there can be no guarantee that all such activity will in fact be identified or that such activity can be completely eliminated.

The ability of a Fund and its agents to detect and curtail frequent trading practices may be limited by operational systems and technological limitations. For example, a Fund receives purchase, exchange and redemption orders through financial intermediaries and cannot always know or reasonably detect excessive trading which may be permitted or facilitated by these intermediaries, particularly with regard to intermediaries that aggregate their client positions and trading activity in an omnibus account with a Fund. Omnibus accounts are common among financial intermediaries and may be established for a variety of legitimate purposes, including promoting efficiency of account administration and the privacy of customer financial information. When a financial intermediary maintains an omnibus account, the identity of the particular shareholder(s) may not be known to the Fund and the Fund must rely on the financial intermediaries to identify frequent trading.

Each Fund will reject purchase orders from persons whom the Fund has found to engage in frequent trading in contravention of the Fund's procedures. The Funds currently do not treat the following types of purchases, redemptions and exchanges as prohibited frequent trading (collectively, "Transactions"): (i) Transactions solely in money market funds; (ii) Transactions resulting from bona fide investment decisions of a professional investment adviser or other institution with respect to eligible asset allocation programs; (iii) Transactions involving shares acquired through the reinvestment of dividends and capital gains; (iv) Transactions by an investor who has established an eligible automated purchase, exchange, rebalancing or redemption plan with the Funds; (v) Transactions resulting from the death or disability of a shareholder; (vi) Transactions involving shares transferred from another account in the same Fund or shares converted from another class of shares of the same Fund (provided, however, any applicable redemption fee period is carried over); and (vii) Transactions initiated by a Fund (e.g., for failure to meet applicable account minimums). Each Fund reserves the right to amend these categories and to determine whether a particular transaction qualifies for any such category, at its discretion. To the extent disclosed in this prospectus, certain Funds impose redemption fees on redemptions (including exchanges) within 30 days of purchase. Those Funds exempt from redemption fees (i) Transactions and (ii) shares maintained through employee pension benefit plans subject to the Employee Retirement Income Security Act that offer the Excelsior Funds as an investment vehicle. Each Fund retains the right to reject any purchase order, to amend exemptions to the redemption fee policy (with respect to those Funds that have a redemption fee), and to change or cancel exchange privileges at any time, in each case at each Fund's discretion.

The Blended Equity, Large Cap Growth, Small Cap, Value and Restructuring, Mid Cap Value, Equity Income and Equity Core Funds only

Small Cap Risk

The smaller capitalization companies in which the Funds may invest, which generally have market capitalizations up to \$1.5 billion, may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these small companies may have limited product lines, markets and financial resources, and may depend upon a relatively small management group. In addition, stocks of small capitalization companies are less liquid and more thinly traded. Therefore, small capitalization stocks may be more volatile than those of larger companies.

Mid Cap Risk

The medium capitalization companies in which the Funds may invest have market capitalizations that are consistent with the capitalizations of companies included in the Russell Mid Cap Value Index as such Index is reconstituted annually. At present the companies comprising the Index have average market capitalizations of \$6.32 billion. Medium capitalization companies may be more vulnerable to adverse business or economic events than larger companies. In particular, these companies may have limited product lines, markets and financial resources, and may depend on a relatively small management group. Therefore, medium capitalization stocks may be more volatile than those of larger companies.

Technology Risk

The Funds may invest in securities of issuers engaged in the technology sector of the economy. These securities may underperform stocks of other issuers or the market as a whole. To the extent that the Funds invest in issuers conducting business in the technology market sector, the Funds are subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the market sector. Competitive pressures may significantly impact the financial condition of technology companies. For example, an increasing number of companies and new product offerings can lead to price cuts and slower selling cycles, and many of these companies may be dependent on the success of a principal product, may rely on sole source providers and third-party manufacturers, and may experience difficulties in managing growth. In addition, securities of technology companies may experience dramatic price movements that have little or no basis in fundamental economic conditions. As a result, a Fund's investment in technology companies may subject it to more volatile price movements.

The Real Estate Fund only

Mortgage-Backed Securities

Mortgage-backed securities are fixed income securities representing an interest in a pool of underlying mortgage loans. They are sensitive to changes in interest rates, but may respond to these changes differently from other fixed income securities due to the possibility of prepayment of the underlying mortgage loans. As a result, it may not be possible to determine in advance the actual maturity date or average life of a mortgage-backed security. Rising interest rates tend to discourage refinancings, with the result that the average life and volatility of the security will increase, exacerbating its decrease in market price. When interest rates fall, however, mortgage-backed securities may not gain as much in market value because of the expectation of additional mortgage prepayments that must be reinvested at lower interest rates. Prepayment risk may make it difficult to calculate the average maturity of a portfolio of mortgage-backed securities and, therefore, to assess the volatility risk of that portfolio.

The International, Pacific/Asia and Emerging Markets Funds only

Emerging Market Risk

Emerging market countries are countries that the World Bank or the United Nations considers to be emerging or developing. Emerging markets may be more likely to experience political turmoil or rapid changes in market or economic conditions than more developed countries. In addition, the financial stability of issuers (including governments) in emerging markets countries may be more precarious than in other countries. As a result, there will tend to be an increased risk of price volatility associated with a Fund's investments in emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar.

Temporary Investments

The investments and strategies described in this prospectus are those that are used under normal conditions. During adverse economic, market or other conditions, each Fund may take temporary defensive positions such as investing up to 100% of its assets in investments that would not ordinarily be consistent with a Fund's objective. A Fund may not achieve its goal when so invested. A Fund will do so only if the Adviser believes that the risk of loss outweighs the opportunity for capital gains or higher income. Of course, a Fund cannot guarantee that it will achieve its investment goal.

More Information About Fund Investments

In addition to the investments and strategies described in this prospectus, each Fund also may invest in other securities, use other strategies and engage in other investment practices that are not principal investments or strategies of each Fund. These investments and strategies are described in detail in the Funds' Statements of Additional Information.

Management's Discussion of Fund Performance for the Equity Income Fund

The Equity Income Fund invests in a diversified selection of stocks that pay above-average dividends or have the potential to grow their dividends at above average rates. The Fund aims to generate yield that exceeds the current yield of the S&P 500 Index. In the fiscal third quarter, the Fund benefited from a sharp rise in general equities, however, our results were slightly hindered by strong inflows coincident with a strong surge in the stock market in the early part of the quarter. In the fiscal fourth quarter, investors sought to align their holdings with more sustainable economic growth, following the economy's lift-off, and rotated from one economic sector to another, aiming for the industry most likely to benefit from the future trend of earnings. Our investment commitment, which is focused on income, exhibited such less volatility than the market overall and was rewarded with modest, positive return, which bested negative results for the Dow Jones Industrial Average and the NASDAQ Composite Index, while falling only slightly beyond the S&P 500 Index. We believe we have positioned the Fund to benefit from economic recovery and tried to minimize the potential negative impact from rising interest rates.

Investment Adviser

United States Trust Company of New York and U.S. Trust Company, N.A., (together, the "Adviser") acting through their respective registered investment advisory divisions, U.S. Trust New York Asset Management Division and U.S. Trust Company, N.A. Asset Management Division, serve as investment adviser to each Fund. United States Trust Company of New York is a state-chartered bank and trust company and a member bank of the Federal Reserve System. U.S. Trust Company, N.A. is a national bank organized under the laws of the United States. Each is a wholly-owned subsidiary of U.S. Trust Corporation, a registered bank holding company.

U.S. Trust Corporation is a wholly-owned subsidiary of The Charles Schwab Corporation (“Schwab”). Charles R. Schwab is the founder, Chairman and a Director and significant shareholder of Schwab. As a result of his positions and share ownership, Mr. Schwab may be deemed to be a controlling person of Schwab and its subsidiaries. Through its principal subsidiary Charles Schwab & Co., Inc., Schwab is one of the nation’s largest financial services firms and the nation’s largest electronic brokerage firm, in each case measured by customer assets. At October 15, 2004, Schwab served 7.4 million active accounts with \$1 trillion in customer assets.

United States Trust Company of New York (together with the other wholly-owned subsidiaries of U.S. Trust Corporation, “U.S. Trust”) is one of the oldest investment management companies in the country. Since 1853, U.S. Trust has been a leader in wealth management for sophisticated investors providing trust and banking services to individuals, corporations and institutions, both nationally and internationally, including investment management, estate and trust administration, financial planning, corporate trust and agency banking, and personal and corporate banking. On October 15, 2004, U.S. Trust had approximately \$137.0 billion in aggregate assets under management. United States Trust Company of New York has its principal offices at 114 W. 47th Street, New York, NY 10036. U.S. Trust Company, N.A. is headquartered in Greenwich, Connecticut.

The Adviser makes investment decisions for the Funds and continuously reviews, supervises and administers each Fund’s investment program.

U.S. Trust advises and manages assets for its private clients and funds, some of which have investment objectives and policies similar to the Funds. U.S. Trust will not have any obligation to make available or use any information regarding these proprietary investment activities for the benefit of the Funds. The research department of U.S. Trust prepares research reports that are utilized by these Funds, wealth managers of U.S. Trust and Schwab and its affiliates. It is U.S. Trust’s intention to distribute this information as simultaneously as possible to all recipients. However, where the investment adviser of a Fund prepares such research, that Fund may and often does receive and act upon that information before it is disseminated to other parties, which in turn may have a negative effect on the price of the security subject to research.

The Board of Directors of Excelsior Funds, Inc. and the Board of Trustees of Excelsior Funds Trust supervise the Adviser and establish policies that the Adviser must follow in its management activities.

For the fiscal year ended March 31, 2004, the Adviser received advisory fees after waivers, as a percentage of average daily net assets, of:

<i>Blended Equity Fund</i>	0.69%
<i>Large Cap Growth Fund</i>	0.66%
<i>Small Cap Fund</i>	0.48%
<i>Value and Restructuring Fund</i>	0.50%
<i>Mid Cap Value Fund</i>	0.45%
<i>Energy and Natural Resources Fund</i>	0.51%
<i>Real Estate Fund</i>	0.89%
<i>International Fund</i>	0.93%
<i>Pacific/Asia Fund</i>	0.91%
<i>Emerging Markets Fund</i>	1.02%

For the Equity Income Fund and the Equity Core Fund, the advisory fees payable to the Adviser, before waivers, are 0.75% of the Funds’ average daily net assets.

The Adviser has contractually agreed to waive fees to keep the Funds’ net annual fund operating expenses from exceeding the percentages stated in the “Annual Fund Operating Expenses” section for each Fund. This waiver agreement may not be terminated before July 31, 2005 (except for the Large Cap Growth, Small Cap, Value and Restructuring, Mid Cap Value and Equity Income Funds, which may not be terminated before December 31, 2005). In addition, the agreement will renew automatically for an additional 12 month period unless the Adviser or Excelsior Funds, Inc. or Excelsior Funds Trust terminates the agreement by providing written notice to the other party prior to the expiration of the current term.

Portfolio Managers

Nischal Pai, CFA and Richard Bayles, serve as the Blended Equity Fund’s portfolio co-managers. Mr. Pai and Mr. Bayles are primarily responsible for the day-to-day management of the Fund’s portfolio. Mr. Pai, a Senior Vice President and Senior Portfolio Manager, has been with U.S. Trust since 2000. Prior to joining U.S. Trust, he was a Vice President at Deutsche Asset Management (formerly Bankers Trust) from 1997 to 2000 and a business analyst at State Street Global Advisors. Mr. Bayles has been with U.S. Trust since 1990 as a Senior Vice President and Senior Portfolio Manager in the Personal Investment Division. Mr. Bayles is a member of U.S. Trust’s Portfolio Policy Committee.

David J. Williams and Timothy Evnin serve as the Value and Restructuring Fund’s portfolio co-managers. Mr. Williams is primarily responsible for the day-to-day management of the Fund’s portfolio. He has served as the Fund’s portfolio manager or co-manager since the Fund’s inception. Mr. Williams, a Managing Director and Senior Portfolio Manager, has been with U.S. Trust since 1987. Mr. Evnin, a Managing Director and Senior Portfolio

lio Manager in the Investment Management Division, has been with U.S. Trust since 1987.

Douglas H. Pyle and Jennifer Byrne, CFA, serve as the Small Cap Fund's portfolio co-managers. Mr. Pyle is primarily responsible for the day-to-day management of the Fund's portfolio. He is a Managing Director of U.S. Trust Company, and has been with U.S. Trust since 1999. Prior to his employment with U.S. Trust, Mr. Pyle served as Chief Investment Officer of Radnor Capital Management. Prior to joining Radnor Capital Management, he was a general partner and Managing Partner at Cashman, Farrell and Associates. Before that, he was a First Vice President with Shearson Lehman Brothers, where he was responsible for research and portfolio management. Ms. Byrne, a Senior Vice President, oversees institutional client portfolio management at U.S. Trust. Prior to joining U.S. Trust, she held a similar position at Radnor Capital Management. Before that, she was Chief Investment Officer at AMA Investment Advisers where she managed several equity mutual funds and supervised the management of the firm's other funds. Ms. Byrne began her career as a Security Analyst with Butcher & Singer.

Michael E. Hoover serves as the Energy and Natural Resources Fund's portfolio manager. Mr. Hoover is primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Hoover is a Managing Director and Senior Analyst and has been with U.S. Trust since 1989. He has served as the Fund's portfolio manager or co-manager since 1995.

Joan Ellis serves as the Real Estate Fund's portfolio manager. Ms. Ellis is primarily responsible for the day-to-day management of the Fund's portfolio. Ms. Ellis, a Senior Vice President, has been with U.S. Trust since 1984 and has served as the Fund's manager or co-manager since its inception.

Timothy Evinin and John McDermott, CFA, serve as the Mid Cap Value Fund's portfolio co-managers. Mr. Evinin and Mr. McDermott are primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Evinin, a Managing Director and Senior Portfolio Manager in the Investment Management Division, has been with U.S. Trust since 1987. Mr. McDermott, a Senior Vice President and Portfolio Manager, has been with U.S. Trust since 1996.

Thomas W. Vail and Brian V. DiRubbio have served as the Equity Income Fund's portfolio co-managers since 2003. Mr. Vail and Mr. DiRubbio are primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Vail, a Managing Director and Senior Portfolio Manager, has been with U.S. Trust since 1993. Mr. DiRubbio, a

Vice President and Portfolio Manager, has been with U.S. Trust since 1997.

Thomas M. Galvin, CFA serves as the portfolio manager for the Large Cap Growth Fund. Mr. Galvin, President and Chief Investment Officer of the Growth Equity Division, which manages large-cap growth investments, has been with U.S. Trust since February 2003. Prior to joining U.S. Trust, Mr. Galvin spent nearly five years as Chief Investment Officer and equity strategist of Credit Suisse First Boston (CSFB) in New York and Donaldson, Lufkin & Jenrette, which was acquired by CSFB. With more than 20 years of experience as a leading equity strategist and securities analyst, Mr. Galvin was named to Institutional Investor's All-American Research Team for portfolio strategy from 1999 to 2002. Earlier, from 1992 to 1995, Institutional Investor had named him to its All-American Research Team for research coverage, and The Wall Street Journal named him to its All-Star Analyst Team from 1994 through 1996.

Richard Bayles serves as the portfolio manager for the Equity Core Fund. Mr. Bayles, has been with U.S. Trust since 1990 as a Senior Vice President and Senior Portfolio Manager in the Personal Investment Division. Mr. Bayles is a member of U.S. Trust's Portfolio Policy Committee.

Related Performance—Equity Core Fund

The following table compares the historical performance of U.S. Trust's Equity Core Composite, which consists of accounts managed by Richard Bayles, the portfolio manager of the Equity Core Fund, with the S&P 500, a widely recognized, unmanaged index of common stock prices. The investment objectives, policies, strategies and risks of the Composite are substantially similar to those of the Equity Core Fund. Prior performance of the Composite does not represent historical performance of the Equity Core Fund, nor is it an indication or guarantee of future performance of the Equity Core Fund or the Composite. Consequentially, potential investors should not consider this data as an indication of the future performance of the Equity Core Fund.

Performance data for the Composite is shown net of fees and expenses. Such information has not been audited by the Adviser of the Equity Core Fund. The accounts comprising the Composite are not subject to certain limitations, diversification requirements and other restrictions imposed on the Equity Core Fund by the Investment Company Act of 1940, as amended or Subchapter M of the Internal Revenue Code of 1986, as amended. Returns of the Composite may have been lower if the constituent accounts had been regulated as investment companies under the federal securities or tax laws.

The performance results are calculated on a time-weighted, size-weighted basis and are presented net of all transaction fees. Performance is shown after the deduction of the highest possible net management fee charged to any advisory account of the Adviser (.70%). The estimated annual operating expenses for the Equity Core Fund are 1.05%. Use of the Equity Core Fund's estimated annual operating expenses would result in lower net returns for the Composite.

Total Returns as of December 31, 2003

	1 Year	3 Year	5 Year	10 Year
Composite	23.75%	(1.54)%	5.62%	13.02%
S&P 500 Index	28.69%	(4.05)%	(0.57)%	11.07%

David J. Linehan and Donald Elefson serve as the portfolio co-managers for the International Fund, the Pacific/Asia Fund and the Emerging Markets Fund. Mr. Linehan is a Managing Director and has served for various periods as the portfolio manager or co-manager of the International Fund, the Emerging Markets Fund and the Pacific/Asia Fund since joining U.S. Trust in 1998. From August 1995 to July 1998, he was an international investment manager with Cowen Asset Management in New York. Mr. Elefson is a Senior Vice President and has been a portfolio manager or co-manager of the Emerging Markets Fund since 1999. Mr. Elefson has served as portfolio co-manager of the International Fund and the Pacific/Asia Fund since 2004. He has been with U.S. Trust since 1998. From 1994 to 1998, he was a portfolio manager with Smith Barney. Reiner Triltsch has joined David J. Linehan and Donald Elefson as co-managers of the International Fund. Mr. Triltsch joined U.S. Trust in 2004 and has 17 years of experience managing international equity portfolios. Prior to joining U.S. Trust, he was chief investment officer and senior portfolio manager of Westam (USA) Ltd., from 2001—2004, and managing director, senior portfolio manager and co-founder of Gulfstream Global Investors, Ltd. from 1990—until 2001.

Research analyses, trade execution and other facilities provided by U.S. Trust and other personnel also play a significant role in portfolio management and performance.

Legal Proceedings

The Adviser and Excelsior Funds, Inc., Excelsior Tax-Exempt Funds, Inc., and Excelsior Funds Trust (the “Companies”) were contacted in September 2003 by the Office of the New York State Attorney General (the “NYAG”), and the Adviser was contacted by the Securities and Exchange Commission (the “SEC”) and later by the

Attorney General of the State of West Virginia in connection with their investigations of practices in the mutual fund industry identified as “market timing” and “late trading” of mutual fund shares (the “Investigations”). The Adviser and the Companies have been cooperating with respect to these Investigations and continue to review the facts and circumstances relevant to the Investigations. As disclosed previously by the Adviser and its affiliates, with respect to the Adviser, these investigations have been focusing on circumstances in which a small number of parties were permitted to engage in short-term trading of certain Excelsior Funds. The short-term trading activities permitted under these arrangements have been terminated and the Adviser has strengthened its policies and procedures to deter frequent trading in the Companies.

Five class actions suits have been filed against the Companies and the Adviser: *Mike Sayegh v. Janus Capital Corp. et al.*, (filed October 22, 2003 in Los Angeles Superior Court); *James Page Jr. v. Charles Schwab et al.* (filed on November 20, 2003 in the United States District Court for the Northern District of California); *A. Joseph Szydlowski v. Charles Schwab et al.* (filed December 4, 2003 in the United States District Court for the Southern District of New York); *Wilson v. Excelsior Funds, et al.* (filed December 10, 2003 in the United States District Court for the Southern District of New York); and *John R. Granelli v. Charles Schwab, et al.* (filed January 20, 2004 in the United States District Court for the Southern District of New York). While details in each suit vary, in general each alleges that the Adviser, certain of its affiliates, the Companies and others allowed certain parties to engage in illegal and improper mutual fund trading practices, which allegedly caused financial injury to the shareholders of the Companies. Each seeks unspecified monetary damages and related equitable relief.

In addition, two derivative actions, styled *Richard Elliott v. Charles Schwab Corporation, et al.*, No 04 CV 2262 (S.D.N.Y.) and *Lou Ann Murphy v. Charles Schwab Corporation et al.*, (No. 04 CV 3547 (E.D. Penn.), purportedly brought on behalf of Excelsior High Yield Fund and Excelsior Funds Trust, seek unspecified damages arising from alleged violations of Section 36 of the Investment Company Act, 15 U.S.C. § 80a-35(b) and breach of fiduciary duty in relation to allegedly illegal and improper mutual fund trading practices.

The class and derivative actions described above have been transferred to the United District Court for the District of Maryland for coordinated or consolidated pre-trial proceedings. Lead plaintiffs have been appointed and additional defendants have been added (generally

consisting of current and former directors and officers of the Companies and entities who timed or facilitated timing in the Excelsior Funds). The seven lawsuits discussed above were consolidated into two new amended complaints, one for the class actions and one for the derivative actions, that were filed on or about September 29, 2004.

The plaintiffs in the consolidated class action are seeking unspecified monetary damages from claimed injuries arising from allegedly illegal and improper mutual fund trading practices, as well as disgorgement of investment advisory fees, rescission and restitution of unspecified funds. The plaintiffs in the consolidated derivative action are seeking on behalf of the Companies unspecified monetary damages for similar claimed injuries, as well as removal of Excelsior Fund directors, removal of U.S. Trust as advisor to the Excelsior Funds, rescission of its investment advisory contracts and disgorgement of management fees and compensation relating to the Excelsior Funds.

The Maryland court is expected to establish a briefing schedule prior to year end for motions to dismiss the actions, and the defendants will not be required to answer the complaints until such motions have been decided. Discovery in the actions is currently stayed, although a motion to lift the stay is expected to be filed on or about December 10, 2004 and decided on or after March 1, 2005.

While the ultimate outcome of these matters cannot be predicted with any certainty at this time, based on currently available information, the Adviser believes that the likelihood is remote that the pending private lawsuits and Investigations will have a material adverse financial impact on the Companies, and further believes that the pending Investigations and private lawsuits are not likely to materially affect the Adviser's ability to provide investment management services to the Companies.

Purchasing, Selling and Exchanging Fund Shares

This section tells you how to purchase, sell and exchange shares of the Funds.

How to Purchase Fund Shares

You may purchase shares directly by:

- Mail
- Telephone
- Wire
- Automatic Investment Program, or
- Automated Clearinghouse (ACH)

To purchase shares directly from us, please call (800) 446-1012 (from overseas, call (617) 483-7297), or complete and send in the application to Excelsior Funds, c/o Boston Financial Data Services, Inc., P.O. Box 8529, Boston, MA 02266-8529. Unless you arrange to pay by wire or through the automatic investment program, write your check, payable in U.S. dollars, to "Excelsior Funds" and include the name of the appropriate Fund(s) on the check. The Funds' transfer agent cannot accept third-party checks, credit cards, credit card checks, money orders, starter checks or cash. To purchase shares by wire, please call us for instructions. Federal funds and registration instructions should be wired through the Federal Reserve System to:

State Street Bank & Trust
ABA # 011000028
DDA # 99055352
Specify Excelsior Fund Name
Fund Account Number
Account Registration

Investors making initial investments by wire must promptly complete the application and forward it to the address indicated on the application. Investors making subsequent investments by wire should follow the above instructions.

You may also buy shares through accounts with brokers and other institutions that are authorized to place trades in Fund shares for their customers. If you invest through an authorized institution, you will have to follow its procedures, which may be different from the procedures for investing directly. Your broker or institution may charge a fee for its services, in addition to the fees charged by the Fund. You will also generally have to address your correspondence or questions regarding a Fund to your institution.

The USA PATRIOT Act requires financial institutions, including mutual funds, to adopt certain policies and programs to prevent money laundering activities. Excelsior Funds has adopted such policies and procedures, including procedures to verify the identity of customers opening new accounts. Until such verification is made, Excelsior Funds may temporarily limit additional share purchases. Excelsior Funds also may limit additional share purchases or close an account if it is unable to verify a customer's identity. In addition, Excelsior Funds and their agents reserve the right to "freeze" or "block" (that is, disallow any further purchases or redemptions from any account) or suspend account services in certain instances as permitted or required by applicable laws and regulations, including applicable

anti-money laundering regulations. Examples of such instances include, but are not limited to, (i) where an accountholder appears on the list of “blocked” entities and individuals maintained pursuant to OFAC (Offices of Foreign Assets Control) regulations, (ii) where a Fund or its agent detect suspicious activity or suspect fraudulent or illegal activity, or (iii) when notice has been received by a Fund or its agents that there is a dispute between the registered or beneficial account owners.

General Information

You may purchase shares on any day that the New York Stock Exchange (NYSE) is open for business (a “Business Day”). A Fund may reject any purchase request if it is determined that accepting the request would not be in the best interests of the Fund or its shareholders.

The price per share (the offering price) will be the net asset value per share (NAV) next determined after the Fund’s transfer agent receives your purchase request in good order. We consider requests to be in “good order” when all required documents (including the accompanying payment as described above) are properly completed, signed and received.

Each Fund calculates its NAV once each Business Day at the close of normal trading on the NYSE (normally, 4:00 p.m., Eastern time (the “Evaluation Time”). So, for you to receive the current Business Day’s NAV, the Fund’s transfer agent must receive your purchase request in good order before the Evaluation Time.

How We Calculate NAV

NAV of each class of the Funds is the value of the assets attributable to the class less liabilities attributable to the class divided by the number of outstanding shares of the class.

In calculating NAV, a Fund generally values its investment portfolio at market price. If market prices are unavailable or the Adviser thinks that they are unreliable, fair value prices may be determined in good faith using methods approved by the Board of Directors and the Board of Trustees, as the case may be. Fixed income investments with remaining maturities of 60 days or less generally are valued at their amortized cost which approximates their market value.

Some Funds may hold securities that are listed on foreign exchanges. These securities may trade on weekends or other days when the Funds do not calculate NAV. As a result, the market value of a Fund’s investments may change on days when you cannot purchase or sell Fund shares.

Minimum Purchases

To purchase shares for the first time, you must invest at least \$500 (\$250 for IRAs) in any Fund. Your subsequent investments must be made in amounts of at least \$50. A Fund may accept investments of smaller amounts at its discretion.

Automatic Investment Program

If you have a checking, money market or NOW account with a bank, you may purchase shares automatically through regular deductions from your account in amounts of at least \$50 per transaction.

With a \$50 minimum initial investment, you may begin regularly scheduled investments once per month, on either the first or fifteenth day, or twice per month, on both days.

The Defined Benefit Plan for Employees of U.S. Trust Corporation (the “Plan”) currently invests in certain portfolios of Excelsior Funds, Inc. and Excelsior Funds Trust. The Plan Trustee has disclosed that it intends to effect a reallocation of the Plan’s investments in the Blended Equity Fund, Small Cap Fund, Value and Restructuring Fund, Mid Cap Value Fund, Energy and Natural Resources Fund, Real Estate Fund, International Fund and Pacific/Asia Fund (the “Funds”) into separately managed accounts of the Adviser which are managed substantially similarly to the Funds and into other investments, including strategies not currently available through the Funds. This reallocation will result in the Plan’s withdrawal of its investments in each of the above Funds on or about January 31, 2005. These expected redemptions, if they occur, are not expected to impact the ability of the Adviser to manage the Funds in accordance with the Funds’ investment strategies or objectives. Similarly, fee and expense waivers for the Funds remain in place as previously disclosed and, therefore, total fund operating expenses are not expected to rise as a result of these redemptions, even though the redemptions may, in some cases, constitute a significant portion of certain of the Fund’s total assets (in excess of 5% of the Blended Equity Fund, International Fund, Real Estate Fund and Mid-Cap Value Fund).

How to Sell Your Fund Shares

You may sell shares directly by:

- Mail
- Telephone
- Systematic Withdrawal Plan, or
- Automated Clearinghouse (ACH)

Holders of Fund shares may sell (sometimes called “redeem”) shares by following the procedures established when they opened their account or accounts. If you have questions, call (800) 446-1012 (from overseas, call (617) 483-7297).

You may sell your shares by sending a written request for redemption to:

Excelsior Funds
 c/o Boston Financial Data Services, Inc.
 P.O. Box 8529
 Boston, MA 02266-8529

Please be sure to indicate the number of shares to be sold, identify your account number and sign the request.

To sell your shares by telephone, you must own your shares directly and have previously established telephone redemption privileges for your account. You can establish telephone redemption privileges by so indicating on the account application or by contacting the Funds’ transfer agent. Once your account is set up for telephone redemptions, you may sell your shares on any Business Day by calling the Funds’ transfer agent at (800) 446-1012 (from overseas call (617) 483-7297). The minimum amount for telephone redemptions is \$500.

If you own your shares through an account with a broker or other institution, contact that broker or institution to sell your shares. Your broker or institution may charge a fee for its services, in addition to the fees charged by the Fund.

If you would like to sell \$50,000 or more of your shares, or any amount if the proceeds are to be sent to an address other than the address of record, please notify the Fund in writing and include a signature guarantee by a bank or other financial institution (a notarized signature is not sufficient).

The sale price of each share will be the next NAV determined after the Fund’s transfer agent receives your request in good order.

For the International, Pacific/Asia and Emerging Markets Funds, a redemption fee of 2.00% of the value of the shares redeemed or exchanged will be imposed on shares in a Fund redeemed or exchanged within 30 days of the date of purchase. The redemption fee is intended to limit short-term trading in the Funds or, to the extent that short-term trading persists, to impose the costs of that type of activity on the shareholders who engage in it. The redemption fee will be paid to the appropriate

Fund. Each Fund reserves the right, at its discretion, to waive, modify or terminate the redemption fee. The Funds exempt from redemption fees (i) Transactions (as defined under “More Information About Principal Risks and Strategies”) and (ii) shares maintained through employee pension benefit plans subject to the Employee Retirement Income Security Act that offer the International Equity Fund as an investment vehicle.

Systematic Withdrawal Plan

If you have at least \$10,000 in your account, you may use the systematic withdrawal plan. Under the plan you may arrange monthly, quarterly, semi-annual or annual automatic withdrawals from any Fund. The proceeds of each withdrawal will be mailed to you by check or, if you have a checking or savings account with a bank, electronically transferred to your account.

Receiving Your Money

Normally, we will send your sale proceeds within seven days after we receive your request in good order. Your proceeds can be wired to your bank account (if more than \$500) or sent to you by check. *If you recently purchased your shares by check, redemption proceeds may not be available until your check has cleared (which may take up to 15 days from your date of purchase).*

Redemptions in Kind

We generally pay sale (redemption) proceeds in cash. However, under unusual conditions that make the payment of cash unwise, we might pay all or part of your redemption proceeds in liquid securities with a market value equal to the redemption price (redemption in kind). It is highly unlikely that your shares would ever be redeemed in kind, but if they were you would probably have to pay transaction costs to sell the securities distributed to you, as well as taxes on any capital gains from the sale as with any redemption.

Involuntary Sales of Your Shares

If your account balance drops below \$500 because of redemptions, you may be required to sell your shares. But, we will always give you at least 60 days’ written notice to give you time to add to your account and avoid the sale of your shares.

Suspension of Your Right to Sell Your Shares

A Fund may suspend your right to sell your shares if the NYSE restricts trading, or if the SEC declares an emergency. More information about this is in our Statement of Additional Information.

How to Exchange Your Shares

You may exchange your Shares on any Business Day for the Shares class of any portfolio of Excelsior Funds, Inc., Excelsior Tax-Exempt Funds, Inc., or Excelsior Funds Trust. In order to protect other shareholders, your exchanges may be limited if it is in the best interests of the Funds and their shareholders. This limitation is not intended to limit a shareholder's right to redeem shares. Rather, the limitation is intended to curb short-term trading. Shares can be exchanged directly by mail, or by telephone if you previously selected the telephone exchange option on the account application.

You may also exchange shares through your financial institution. Exchange requests must be for an amount of at least \$500. *If you recently purchased shares by check you may not be able to exchange your shares until your check has cleared (which may take up to 15 days from your date of purchase). This exchange privilege may be changed or canceled at any time upon 60 days' notice.*

When you exchange shares, you are really selling your shares and buying other Fund shares. So, your sale price and purchase price will be based on the NAV next calculated after the Fund receives your exchange request in good order. An exchange of shares for shares in another fund is a taxable event.

There is a 2.00% redemption fee on shares exchanged within 30 days of purchase of the International, Pacific/Asia and Emerging Markets Funds. See "How to Sell Your Shares" above for more information.

Telephone Transactions

Purchasing, selling and exchanging Fund shares over the telephone is extremely convenient, but not without risk. Although the Funds have certain safeguards and procedures to confirm the identity of callers and the authenticity of instructions, the Funds are not liable for any losses or costs incurred by following telephone instructions they reasonably believe to be genuine, provided that the Funds follow their telephone transaction procedures. If you or your financial institution transact with a Fund over the telephone, you will generally bear the risk of any loss.

Authorized Intermediaries

Certain intermediaries, such as brokers or other shareholder organizations, are authorized to accept purchase, redemption and exchange requests for Fund shares. These intermediaries may authorize other organizations to accept purchase, redemption and exchange requests for Fund shares. These requests are normally executed at the NAV next determined after the intermediary receives

the request in good order. Authorized intermediaries are responsible for transmitting requests and delivering funds on a timely basis.

Shareholder and Administrative Services

The Funds are permitted to pay a fee of up to 0.25% of the average daily net assets of a Fund to certain organizations for providing shareholder and administrative services to their customers who hold shares of the Funds. These services may include assisting in the processing of purchase, redemption and exchange requests and providing periodic account statements and other administrative services. The Adviser, out of its own resources, may additionally compensate certain organizations for providing these services.

Distribution of Fund Shares

The Mid Cap Value, Equity Income and Equity Core Funds have adopted a distribution plan that allows shares of the Funds to pay distribution fees for the sale and distribution of their shares in an amount not to exceed the annual rate of 0.25% of the average daily net asset value of each Fund's outstanding shares. However, fees are not currently being paid under the distribution plan. If the distribution plan is ever implemented, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges because these fees are paid out of a Fund's assets continuously.

To the extent allowable under NASD rules, the Funds' distributor may institute promotional incentive programs for dealers, which will be paid for by the distributor out of its own assets and not out of the assets of the Funds. Subject to NASD rules and regulation, compensation may include promotional and other merchandise, and sponsorship or funding of sales and training programs and other special events. Compensation may also include payment for reasonable expenses incurred in connection with trips taken by invited registered representatives for meetings or seminars of a training or educational nature.

Dividends and Distributions

Each Fund distributes dividends from its income quarterly, except the International, Pacific/Asia and Emerging Markets Funds, which distribute dividends semi-annually.

Each Fund makes distributions of capital gains, if any, at least annually. If you own Fund shares on a Fund's record date, you will be entitled to receive the distribution.

Dividends and distributions will be paid in the form of additional Fund shares unless you elect to receive payment in cash. To elect cash payment, you must notify the Fund in writing prior to the date of the distribution. Your election will be effective for dividends and distributions paid after the Fund receives your written notice. To cancel your election, simply send the Fund written notice. Dividends and distributions received in cash or additional shares are both taxable.

Taxes

Each Fund contemplates distributing substantially all of its taxable income including its net capital gain (the excess of long-term capital gain over short-term capital loss), if any. Distributions you receive from a Fund will generally be taxable regardless of whether they are paid in cash or reinvested in additional shares. Distributions attributable to the net capital gain of a Fund will be taxable to you as long-term capital gain, regardless of how long you have held your shares. Other Fund distributions will generally be taxable as dividend or ordinary income depending on the source of the income earned by the Fund and the satisfaction of certain holding periods. Distributions from the Real Estate Fund generally will not qualify for the lower tax rate applicable to qualifying dividend income.

It is expected that the International, Pacific/Asia and Emerging Markets Funds will be subject to foreign withholding taxes with respect to dividends or interest received from sources in foreign countries. Since these Funds are expected to hold predominantly securities of foreign companies, these Funds may make an election to treat a proportionate amount of such taxes as constituting a distribution to each shareholder, which would allow each shareholder either (1) to credit such proportionate amount of taxes against U.S. federal income tax liability or (2) to take such amount as an itemized deduction.

You should note that if you purchase shares just before a distribution, the purchase price will reflect the amount of the upcoming distribution, but you will be taxed on the entire amount of the distribution received, even though, as an economic matter, the distribution constitutes a return of capital. This is known as “buying into a dividend.”

You will recognize taxable gain or loss on a sale, exchange or redemption of your shares, including an exchange for shares of another Fund, based on the difference between your tax basis in the shares and the amount you receive for them. To aid in computing your

tax basis, you should retain your account statements for the periods during which you held shares.

Any loss realized on shares held for six months or less will be treated as a long-term capital loss to the extent of any capital gain dividends that were received on the shares. Additionally, any loss realized on a sale, exchange or redemption of shares of a Fund may be disallowed under “wash sale” rules to the extent the shares disposed of are replaced with other shares of the Fund within a period of 61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to a dividend reinvestment in shares of a Fund. If disallowed, the loss will be reflected in an adjustment to the basis of the shares acquired.

Distributions on, and sales, exchanges and redemptions of, shares held in an IRA (or other tax-qualified plan) will generally not be currently taxable unless debt financed.

Shareholders may also be subject to state and local taxes on distributions and redemptions. State income taxes may not apply however, to the portions of each Fund’s distributions, if any, that are attributable to interest on federal securities.

The foregoing is only a summary of certain tax considerations under current law, which may be subject to change in the future. Shareholders who are nonresident aliens, foreign trusts or estates, or foreign corporations or partnerships, may be subject to different United States federal income tax treatment. **You should consult your tax adviser for further information regarding federal, state, local and/or foreign tax consequences relevant to your specific situation.**

More information about taxes is in the Funds’ Statements of Additional Information.

Financial Highlights

The tables that follow present performance information about the Shares class of each Fund. This information is intended to help you understand each Fund's financial performance for the past five years, or, if shorter, the period of the Fund's operations. Some of this information reflects financial information for a single Fund share. The total returns in the table represent the rate that you would have earned (or lost) on an investment in a Fund, assuming you reinvested all of your dividends and distributions. The information for the years ended March 31, 2000, 2001, 2002, and 2003, has been audited by Ernst & Young LLP ("E&Y"), the Funds' independent registered public accounting firm during those periods. The Boards of Directors/Trustees of the Funds and the Joint Audit Committee terminated E&Y as the Funds' independent registered public accounting firm on October 28, 2004. At the request of the Boards and the Joint Audit Committee, Deloitte & Touche LLP ("D&T") has performed a re-audit of the Funds' March 31, 2004 financial statements, which had previously been audited by E&Y. D&T has issued an unqualified opinion on those financial statements. E&Y's reports and D&T's report, along with each Fund's financial statements, are incorporated by reference into the Funds' Statements of Additional Information. You can obtain the annual report, which contains more performance information, at no charge by calling (800) 446-1012 (from overseas, call (617) 483-7279).

BLENDDED EQUITY FUND

	Year Ended March 31,				
	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year	\$ 25.67	\$ 35.17	\$ 35.99	\$ 50.63	\$ 42.51
Income From Investment Operations					
Net Investment Income	0.14	0.17	0.10	0.01	0.03
Net Gains (Losses) on Investments (both realized and unrealized)	7.99	(7.97)	(0.67)	(13.31)	9.54
Total From Investment Operations	8.13	(7.80)	(0.57)	(13.30)	9.57
Less Distributions					
Dividends From Net Investment Income.....	(0.16)	(0.15)	(0.08)	(0.01)	(0.06)
Distributions From Net Realized Gain on Investments	0.00	(1.55)	(0.17)	(1.33)	(1.39)
Total Distributions	(0.16)	(1.70)	(0.25)	(1.34)	(1.45)
Net Asset Value, End of Year	\$ 33.64	\$ 25.67	\$ 35.17	\$ 35.99	\$ 50.63
Total Return	31.75%	(22.45)%	(1.58)%	(26.72)%	22.90%
Ratios/Supplemental Data					
Net Assets, End of Period (in millions)	\$573.24	\$ 469.01	\$ 683.10	\$ 724.18	\$993.41
Ratio of Net Operating Expenses to Average Net Assets	0.99%	0.96%	0.97%	0.99%	0.97%
Ratio of Gross Operating Expenses to Average Net Assets ¹	1.10%	1.11%	1.08%	1.06%	1.02%
Ratio of Net Investment Income to Average Net Assets.....	0.45%	0.59%	0.29%	0.03%	0.08%
Portfolio Turnover Rate.....	24%	36%	43%	36%	24%

Notes:

1. Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.

LARGE CAP GROWTH FUND

	Year Ended March 31,				
	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year.....	\$ 5.79	\$ 8.83	\$ 10.06	\$ 18.98	\$ 14.30
Income From Investment Operations					
Net Investment Loss	(0.05) ²	(0.01) ²	(0.06)	(0.08)	(0.06)
Net Gains (Losses) on Investments (both realized and unrealized)	1.97 ²	(3.03) ²	(1.17)	(8.84)	4.74
Total From Investment Operations.....	1.92	(3.04)	(1.23)	(8.92)	4.68
Net Asset Value, End of Year	\$ 7.71	\$ 5.79	\$ 8.83	\$ 10.06	\$ 18.98
Total Return	33.16%	(34.43)%	(12.23)%	(47.00)%	32.73%
Ratios/Supplemental Data					
Net Assets, End of Period (in millions).....	\$ 127.23	\$ 73.89	\$ 189.25	\$ 277.50	\$ 498.31
Ratio of Net Operating Expenses to Average Net Assets	1.05%	1.04%	1.00%	1.01%	1.01%
Ratio of Gross Operating Expenses to Average Net Assets ¹ ...	1.18%	1.21%	1.10%	1.08%	1.07%
Ratio of Net Investment Loss to Average Net Assets	(0.74)%	(0.21)%	(0.50)%	(0.50)%	(0.48)%
Portfolio Turnover Rate	79%	56%	10%	20%	20%

Notes:

- Expense ratio before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.
- For comparative purposes per share amounts are based on average shares outstanding.

SMALL CAP FUND

	Year Ended March 31,				
	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year.....	\$ 8.47	\$ 12.19	\$ 10.06	\$ 15.39	\$ 9.27
Income From Investment Operations					
Net Investment Income (Loss)	(0.02) ³	(0.03) ³	0.03	0.07	0.00
Net Gains (Losses) on Investments (both realized and unrealized)	6.14 ³	(3.69) ³	2.14	(4.41)	6.12
Total From Investment Operations.....	6.12	(3.72)	2.17	(4.34)	6.12
Less Distributions					
Dividends From Net Investment Income	0.00	0.00	(0.04) ¹	(0.07)	0.00
Distributions From Net Realized Gain on Investments.....	0.00	0.00	0.00	(0.92)	0.00
Total Distributions	0.00	0.00	(0.04)	(0.99)	0.00
Net Asset Value, End of Year	\$ 14.59	\$ 8.47	\$ 12.19	\$ 10.06	\$ 15.39
Total Return	72.26%	(30.52)%	21.61%	(28.69)%	65.91%
Ratios/Supplemental Data					
Net Assets, End of Period (in millions).....	\$ 352.46	\$ 156.32	\$ 171.60	\$ 87.18	\$ 107.94
Ratio of Net Operating Expenses to Average Net Assets	0.83%	0.83%	0.84%	0.89%	0.92%
Ratio of Gross Operating Expenses to Average Net Assets ² ...	0.98%	1.05%	0.98%	1.04%	1.03%
Ratio of Net Investment Income (Loss) to Average Net Assets...	(0.20)%	(0.31)%	0.19%	0.57%	0.01%
Portfolio Turnover Rate	82%	105%	144%	132%	134%

Notes:

- Includes a return of capital of \$(0.01).
- Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.
- For comparative purposes per share amounts are based on average shares outstanding.

VALUE AND RESTRUCTURING FUND

	Year Ended March 31,				
	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year	\$ 23.66	\$ 32.63	\$ 30.69	\$ 33.89	\$ 23.88
Income From Investment Operations					
Net Investment Income	0.24	0.17	0.08	0.60	0.07
Net Gains (Losses) on Investments (both realized and unrealized)	13.90	(9.01)	1.94	(3.21)	10.03
Total From Investment Operations.....	14.14	(8.84)	2.02	(2.61)	10.10
Less Distributions					
Dividends From Net Investment Income	(0.23)	(0.13)	(0.08)	(0.59)	(0.09)
Distributions From Net Realized Gain on Investments.....	0.00	0.00	0.00	0.00	0.00
Total Distributions.....	(0.23)	(0.13)	(0.08)	(0.59)	(0.09)
Net Asset Value, End of Year	\$ 37.57	\$ 23.66	\$ 32.63	\$ 30.69	\$ 33.89
Total Return.....	60.06%	(27.13)%	6.60%	(7.74)%	42.41%
Ratios/Supplemental Data					
Net Assets, End of Period (in millions)	\$3,244.85	\$1,558.72	\$2,408.05	\$1,822.71	\$1,207.24
Ratio of Net Operating Expenses to Average Net Assets...	0.99%	0.99%	0.94%	0.95%	0.90%
Ratio of Gross Operating Expenses to Average Net Assets ¹ ...	1.14%	1.12%	1.02%	1.02%	1.03%
Ratio of Net Investment Income to Average Net Assets	0.78%	0.65%	0.27%	1.66%	0.25%
Portfolio Turnover Rate	4%	16%	8%	15%	20%

Notes:

- Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.

MID CAP VALUE FUND

	Year Ended March 31,				
	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year	\$ 10.24	\$ 13.29	\$ 11.99	\$ 21.34	\$ 15.35
Income From Investment Operations:					
Net Investment Income	0.03 ¹	0.02 ¹	0.27 ¹	0.37	0.01
Net Gains (Losses) on Investments (both realized and unrealized)	5.51 ¹	(3.05) ¹	1.41 ¹	(1.27)	6.35
Total From Investment Operations.....	5.54	(3.03)	1.68	(0.90)	6.36
Less Distributions:					
Dividends From Net Investment Income	(0.03)	(0.02)	(0.02)	(0.37)	(0.05)
Distributions From Net Realized Gains on Investments.....	0.00	0.00	(0.36)	(8.08)	(0.32)
Total Distributions.....	(0.03)	(0.02)	(0.38)	(8.45)	(0.37)
Net Asset Value, End of Year	\$ 15.75	\$ 10.24	\$ 13.29	\$ 11.99	\$ 21.34
Total Return.....	54.21%	(22.81)%	14.23%	(0.84)%	41.60%
Ratios/Supplemental Data					
Net Assets at end of Period (in millions)	\$186.72	\$ 81.15	\$ 50.48	\$ 2.37	\$ 0.34
Ratio of Net Operating Expenses to Average Net Assets...	0.99%	1.01%	1.05%	1.03%	1.05%
Ratio of Gross Operating Expenses to Average Net Assets ² ...	1.23%	1.15%	1.16%	1.26%	1.20%
Ratio of Net Investment Income to Average Net Assets	0.24%	0.20%	0.59%	0.97%	0.02%
Portfolio Turnover.....	13%	28%	24%	95%	45%

Notes:

- For comparative purposes per share amounts are based on average shares outstanding.
- Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.

ENERGY AND NATURAL RESOURCES FUND

Year Ended March 31,

	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year.....	\$ 11.72	\$ 14.40	\$ 15.41	\$ 15.21	\$ 11.02
Income From Investment Operations					
Net Investment Income.....	0.06	0.04	0.10	0.07	0.04
Net Gains (Losses) on Investments (both realized and unrealized).....	4.71	(2.67)	(0.58)	1.60	4.72
Total From Investment Operations.....	4.77	(2.63)	(0.48)	1.67	4.76
Less Distributions					
Dividends From Net Investment Income.....	(0.04)	(0.05)	(0.10)	(0.07)	(0.06)
Distributions From Net Realized Gain on Investments.....	0.00	0.00	(0.43)	(1.40)	(0.51)
Total Distributions.....	(0.04)	(0.05)	(0.53)	(1.47)	(0.57)
Net Asset Value, End of Year.....	\$ 16.45	\$ 11.72	\$ 14.40	\$ 15.41	\$ 15.21
Total Return.....	40.84%	(18.30)%	(2.82)%	11.98%	44.61%
Ratios/Supplemental Data					
Net Assets, End of Period (in millions).....	\$150.04	\$ 92.44	\$129.17	\$102.85	\$ 71.13
Ratio of Net Operating Expenses to Average Net Assets.....	0.99%	1.01%	0.98%	0.99%	0.97%
Ratio of Gross Operating Expenses to Average Net Assets ¹	1.13%	1.19%	1.12%	1.05%	1.08%
Ratio of Net Investment Income to Average Net Assets.....	0.45%	0.35%	0.77%	0.46%	0.37%
Portfolio Turnover Rate.....	91%	78%	73%	59%	138%

Notes:

1. Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.

REAL ESTATE FUND

Year Ended March 31,

	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year.....	\$ 6.61	\$ 7.10	\$ 6.09	\$ 5.21	\$ 5.50
Income From Investment Operations					
Net Investment Income.....	0.29 ³	0.28 ³	0.31	0.33	0.34
Net Gains (Losses) on Investments (both realized and unrealized).....	2.64 ³	(0.52) ³	1.01	0.89	(0.31)
Total From Investment Operations.....	2.93	(0.24)	1.32	1.22	0.03
Less Distributions					
Dividends From Net Investment Income.....	(0.31)	(0.25)	(0.31) ¹	(0.34) ¹	(0.32)
Dividends From Net Realized Gain on Investments.....	(0.06)	0.00	0.00	0.00	0.00
Total Distributions.....	(0.37)	(0.25)	(0.31)	(0.34)	(0.32)
Net Asset Value, End of Year.....	\$ 9.17	\$ 6.61	\$ 7.10	\$ 6.09	\$ 5.21
Total Return.....	45.65%	(3.49)%	22.37%	24.03%	0.58%
Ratios/Supplemental Data					
Net Assets, End of Period (in millions).....	\$122.87	\$ 79.37	\$ 91.31	\$ 44.24	\$33.70
Ratio of Net Operating Expenses to Average Net Assets.....	1.20%	1.17%	1.20%	1.20%	1.20%
Ratio of Gross Operating Expenses to Average Net Assets ²	1.35%	1.23%	1.33%	1.36%	1.41%
Ratio of Net Investment Income to Average Net Assets.....	3.67%	4.09%	4.53%	5.52%	6.17%
Portfolio Turnover Rate.....	38%	23%	25%	29%	27%

Notes:

1. Includes a return of capital of \$(0.08) and \$(0.02) for the years ended March 31, 2001 and March 31, 2002, respectively.
2. Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.
3. For comparative purposes per share amounts are based on average shares outstanding.

EQUITY INCOME FUND

	Period Ended March 31, 2004 ¹
Net Asset Value, Beginning of Year	\$ 7.00
Income From Investment Operations	
Net Investment Income	0.07
Net Gains on Investments (both realized and unrealized)	0.73
Total From Investment Operations	0.80
Less Distributions	
Dividends From Net Investment Income	(0.04)
Distributions From Net Realized Gain on Investments	0.00
Total Distributions	(0.04)
Net Asset Value, End of Year	\$ 7.76
Total Return	11.48% ²
Ratios/Supplemental Data	
Net Assets, End of Period (in millions)	\$100.02
Ratio of Net Operating Expenses to Average Net Assets	1.05% ³
Ratio of Gross Operating Expenses to Average Net Assets ⁴	1.17% ³
Ratio of Net Investment Income to Average Net Assets	2.44% ³
Portfolio Turnover Rate	6% ³

Notes:

1. Commenced operations on September 30, 2003.
2. Not annualized.
3. Annualized.
4. Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.

INTERNATIONAL FUND

	Year Ended March 31,				
	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year	\$ 6.83	\$ 9.75	\$ 11.75	\$ 20.02	\$ 12.52
Income From Investment Operations					
Net Investment Income (Loss)	0.09	0.10	0.03	(0.05)	(0.03)
Net Gains or (Losses) on Investments (both realized and unrealized)	4.44	(2.99)	(1.43)	(7.49)	7.57
Total From Investment Operations	4.53	(2.89)	(1.40)	(7.54)	7.54
Less Distributions					
Dividends From Net Investment Income	(0.08)	(0.03)	(0.08)	(0.13)	0.00
Distributions From Net Realized Gain on Investments	0.00	0.00	(0.52)	(0.60)	(0.04)
Total Distributions	(0.08)	(0.03)	(0.60)	(0.73)	(0.04)
Net Asset Value, End of Year	\$ 11.28	\$ 6.83	\$ 9.75	\$ 11.75	\$ 20.02
Total Return ¹	66.51%	(29.72)%	(12.25)%	(38.41)%	60.30%
Ratios/Supplemental Data					
Net Assets, End of Period (in Millions)	\$130.14	\$ 89.68	\$ 167.28	\$ 302.07	\$ 473.77
Ratio of Net Operating Expenses to Average Net Assets	1.38%	1.40%	1.23%	1.41%	1.40%
Ratio of Gross Operating Expenses to Average Net Assets ²	1.49%	1.57%	1.53%	1.53%	1.51%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.92%	0.55%	0.44%	(0.29)%	(0.36)%
Portfolio Turnover Rate	58%	73%	50%	55%	25%

Notes:

1. Total returns do not reflect the 2.00% fee accrued on redemption of shares, which was implemented effective June 1, 2000.
2. Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.

PACIFIC/ASIA FUND

Year Ended March 31,

	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year.....	\$ 5.21	\$ 6.68	\$ 6.59	\$ 11.89	\$ 6.61
Income From Investment Operations					
Net Investment Income (Loss)	0.01 ¹	0.01 ¹	0.02 ¹	(0.06) ¹	0.02
Net Gains (Losses) on Investments (both realized and unrealized)	3.22 ¹	(1.43) ¹	0.09 ¹	(4.88) ¹	5.26
Total From Investment Operations	3.23	(1.42)	0.11	(4.94)	5.28
Less Distributions					
Dividends From Net Investment Income	0.00	(0.05)	(0.02)	(0.36)	0.00
Total Distributions	0.00	(0.05)	(0.02)	(0.36)	0.00
Net Asset Value, End of Year	\$ 8.44	\$ 5.21	\$ 6.68	\$ 6.59	\$ 11.89
Total Return ²	62.00%	(21.44)%	1.62%	(41.79)%	79.88%
Ratios/Supplemental Data					
Net Assets, End of Period (in millions).....	\$114.83	\$ 27.33	\$23.54	\$ 32.00	88.54
Ratio of Net Operating Expenses to Average Net Assets	1.45%	1.51%	1.43%	1.50%	1.49%
Ratio of Gross Operating Expenses to Average Net Assets ³	1.58%	1.66%	1.74%	1.68%	1.58%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.20%	0.15%	0.35%	(0.63)%	(0.48)%
Portfolio Turnover Rate	58%	73%	94%	75%	105%

Notes:

1. For comparative purposes per share amounts are based on average shares outstanding.
2. Total returns do not reflect the 2.00% fee accrued on redemption of shares, which was implemented effective June 1, 2000.
3. Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.

EMERGING MARKETS FUND

Year Ended March 31,

	2004	2003	2002	2001	2000
Net Asset Value, Beginning of Year.....	\$ 4.12	\$ 4.95	\$ 4.43	\$ 7.35	\$ 4.04
Income From Investment Operations					
Net Investment Income (Loss)	0.05	0.02	0.01	(0.01)	(0.02)
Net Gains (Losses) on Investments (both realized and unrealized)	3.55	(0.84)	0.53	(2.91)	3.35
Total From Investment Operations	3.60	(0.82)	0.54	(2.92)	3.33
Less Distributions					
Dividends From Net Investment Income	(0.05)	(0.01)	(0.02)	0.00	(0.02)
Distributions From Net Realized Gain on Investments.....	0.00	0.00	0.00	0.00	0.00
Total Distributions	(0.05)	(0.01)	(0.02)	0.00	(0.02)
Net Asset Value, End of Year	\$ 7.67	\$ 4.12	\$ 4.95	\$ 4.43	\$ 7.35
Total Return ¹	87.57%	(16.62)%	12.16%	(39.73)%	82.77%
Ratios/Supplemental Data					
Net Assets, End of Period (in millions).....	\$209.16	\$ 30.05	\$ 22.85	\$ 12.26	\$ 17.20
Ratio of Net Operating Expenses to Average Net Assets	1.65%	1.61%	1.59%	1.65%	1.65%
Ratio of Gross Operating Expenses to Average Net Assets ²	1.92%	1.84%	1.93%	2.09%	2.03%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.81%	0.51%	0.78%	(0.16)%	(0.60)%
Portfolio Turnover Rate	14%	43%	31%	30%	57%

Notes:

1. Total returns do not reflect the 2.00% fee accrued on redemption of shares, which was implemented effective June 1, 2000.
2. Expense ratios before waiver of fees and reimbursement of expenses (if any) by investment adviser and administrator.

Excelsior Funds, Inc.
Excelsior Funds Trust

Investment Adviser

United States Trust Company of New York
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U.S. Trust Company, N.A.
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Stamford, Connecticut 06905

Distributor

BISYS Fund Services Limited Partnership
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More information about each Fund is available without charge through the following:

Statements of Additional Information (SAIs)

The SAIs dated July 29, 2004, as amended August 19, 2004, include detailed information about Excelsior Funds, Inc. and Excelsior Funds Trust. The SAIs are on file with the SEC and are incorporated by reference into this prospectus. This means that the SAIs, for legal purposes, are a part of this prospectus.

Annual and Semi-Annual Reports

These reports contain additional information about the Funds' investments. The Annual Report also lists each Fund's holdings and discusses the market conditions and investment strategies that significantly affected the Funds' performance during their last fiscal year.

To Obtain an SAI, Annual or Semi-Annual Report, or More Information:

By Telephone: Call (800) 446-1012 (from overseas, call (617) 483-7297)

By Mail: Excelsior Funds, P.O. Box 8529, Boston, MA 02266-8529 (or, if by overnight or certified mail, 66 Brooks Drive, Braintree, MA 02184)

By Internet: <http://www.excelsiorfunds.com>

From the SEC: You can also obtain the SAIs or the Annual and Semi-Annual reports, as well as other information about Excelsior Funds, Inc. and Excelsior Funds Trust, from the EDGAR Database on the SEC's website ("<http://www.sec.gov>"). You may review and copy documents at the SEC Public Reference Room in Washington, DC (for information on the operation of the Public Reference Room, call 202-942-8090). You may request documents by mail from the SEC, upon payment of a duplicating fee, by writing to: Securities and Exchange Commission, Public Reference Section, Washington, DC 20549-0102. You may also obtain this information, upon payment of a duplicating fee, by e-mailing the SEC at the following address: publicinfo@sec.gov.

Excelsior Funds, Inc.'s and Excelsior Funds Trust's Investment Company Act registration numbers are 811-4088 and 811-8490, respectively.

PROEQUITIES 0105 41257