

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25619; 812-12580]

AXP Market Advantage Series, Inc., et al.; Notice of Application

June 19, 2002.

AGENCY: Securities and Exchange Commission ("Commission").

ACTION: Notice of application for exemption under section 6(c) of the Investment Company Act of 1940 (the "Act") from section 15(a) of the Act and rule 18f-2 under the Act.

SUMMARY OF APPLICATION: Applicants request an order that would permit applicants to enter into and materially amend subadvisory agreements without shareholder approval.

APPLICANTS: AXP Market Advantage Series, Inc.; AXP Partners Series, Inc.; AXP Partners International Series, Inc.; AXP Strategy Series, Inc. (collectively, the "AXP Funds," and the series of the AXP Funds, the "AXP Portfolios"); AXP Variable Portfolio—Partners Series, Inc. (the "Life Fund," and the series of the Life Fund, the "Life Portfolio") (the AXP Funds and the Life Fund, the "Funds") (the AXP Portfolios and the Life Portfolio, the "Portfolios"); American Express Financial Corporation ("AEFC"); and IDS Life Insurance Company ("IDS Life").

FILING DATES: The application was filed on July 20, 2001 and amended on June 19, 2002.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on July 16, 2002, and should be accompanied by proof of service on applicant in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Funds, 901 Marquette Avenue South, Suite 2810, Minneapolis, MN 55402-3268. AEFC and IDS Life, 200 AXP Financial Center, Minneapolis, MN 55474.

FOR FURTHER INFORMATION CONTACT: John L. Sullivan, Senior Counsel, at (202) 942-0681, or Nadya B. Roytblat, Assistant Director, at (202) 942-0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549-0102 (tel. 202-942-8090).

Applicants' Representations

1. Each of the Funds is registered under the Act as an open-end management investment company and is organized as a Minnesota corporation. Each Fund is currently, or may be, composed of separate Portfolios, each with its own investment objectives and policies.¹ AEFC, a Delaware corporation, and IDS Life, a stock life insurance company organized under the laws of Minnesota, are each registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act"). IDS Life is a wholly owned subsidiary of AEFC. Shares of the Life Portfolio are sold to IDS Life and its subsidiaries as funding options for variable annuity contracts and variable life insurance policies offered through separate accounts of IDS Life and its subsidiaries.

2. Each AXP Portfolio has entered into an investment advisory agreement with AEFC pursuant to which AEFC provides investment advice and management services to the AXP Portfolio (each, an "AXP Advisory Agreement"). IDS Life is the investment manager for the Life Portfolio, pursuant to an investment management agreement (the "Life Management Agreement"). IDS Life has entered, with respect to the Life Portfolio, into an advisory agreement with AEFC, pursuant to which AEFC furnishes investment advice to the Life Portfolio (the "Life Advisory

¹ Applicants request that the exemptive relief sought apply to any existing or future series of the Funds and any other registered open-end management investment companies or series thereof that: (a) Are advised by AEFC or any entity controlling, controlled by, or under common control with AEFC; (b) use the adviser/subadviser structure described in the application, and (c) comply with the terms and conditions in the application (included in the term "Portfolios"). Applicants state that all registered management investment companies that currently intend to rely on the requested order are named as applicants. The name of any Portfolio will not contain the name of any Subadviser, as defined below, or, if the name of a Portfolio contains the name of a Subadviser, it will be preceded by AXP. AXP is the ticker symbol for American Express Company, which is the Adviser's parent company.

Agreement," and together with the AXP Advisory Agreements and the Life Management Agreement, the "Advisory Agreements"). The term "Adviser" is used to mean AEFC, with respect to the AXP Funds, and IDS Life and AEFC jointly, with respect to the Life Fund. Each Advisory Agreement has been approved by either the initial shareholder or the public shareholders of the relevant Portfolio² and by a majority of the relevant Fund's board of directors ("Board"), including a majority of the directors who are not "interested persons," as defined in section 2(a)(19) of the Act ("Independent Board Members").

3. The Adviser seeks to achieve each Portfolio's objective by selecting one or more subadvisers ("Subadvisers") who have demonstrated skill and experience in a particular area to manage part or all of a Portfolio's assets ("Adviser/Subadviser Structure"). The Adviser enters into investment subadvisory agreements ("Subadvisory Agreements") with Subadvisers, under which each Subadviser, subject to the general supervision by the Adviser and the Board, is responsible for the purchase, retention and sale of securities for the applicable Portfolio. Each Subadviser will be registered or exempt from registration under the Advisers Act. For services under the Subadvisory Agreement, a Subadviser receives a fee from AEFC at an annual rate based on a percentage of the Portfolio's average daily net assets. The amount paid to the Subadviser originates from the fees paid to AEFC by the Portfolios (in the case of the Life Portfolio, from the fees paid to AEFC by IDS Life).

4. Applicants request relief to permit the Adviser, subject to the approval of the Board, to enter into and materially amend a Subadvisory Agreement with a Subadviser that is not an affiliated person of the Adviser or of the Portfolio within the meaning of Section 2(a)(3) of the Act, except by virtue of serving as a Subadviser to the Portfolio (a "Non-Affiliated Subadviser"), without such Subadvisory Agreement being approved by the shareholders of the applicable Portfolio.

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except under a written contract that has been approved by the

² The term "shareholder" includes variable life insurance policy and variable annuity contract owners that are unitholders of any separate account for which the Life Portfolio serves as a funding medium.

vote of the company's outstanding voting securities. Rule 18f-2 under the Act provides that each series or class of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provision of the Act, or from any rule thereunder, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by policy and provisions of the Act. Applicants believe that their requested relief meets this standard for the reasons discussed below.

3. Applicants assert that the shareholders are relying on the Adviser's experience to select one or more Subadvisers best suited to achieve a Portfolio's investment objective. Applicants assert that, from the perspective of the investor, the role of the Subadvisers is comparable to that of individual portfolio managers employed by traditional investment advisory firms. Applicants contend that requiring shareholder approval of each Subadvisory Agreement would impose costs and unnecessary delays on the Portfolios, and may preclude the Adviser from acting promptly and efficiently according to the judgment of the Board and the Adviser. Applicants also note that each Advisory Agreement will remain subject to section 15(a) of the Act and rule 18f-2 under the Act, including the requirements of shareholder approval.

Applicants' Conditions

1. Before a Portfolio may rely on the order requested in the application, the operation of the Portfolio in the manner described in the application will be approved by a majority of the Portfolio's outstanding voting securities (or, if the Portfolio serves as a funding medium for any sub-account of a registered separate account, pursuant to voting instructions provided by the unitholders of the sub-account), as defined in the Act, or, in the case of a Portfolio whose public shareholders (or variable contract owners through a separate account) will purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by its initial shareholder before shares of the Portfolio are offered to the public (or the variable contract owners through a separate account).

2. The prospectus of each Portfolio relying on the requested relief will disclose the existence, substance and

effect of any order granted pursuant to the application. In addition, each Portfolio will hold itself out to the public as employing the Adviser/Subadviser Structure described in the application. The prospectus will prominently disclose that the Adviser has ultimate responsibility to oversee the Subadvisers and recommend their hiring, termination, and replacement.

3. The Adviser will provide general management and administrative services to each of the Portfolios, including overall supervisory responsibility for the general management and investment of each Portfolio, and, subject to the review and approval by the Board will (i) set each Portfolio's overall investment strategies; (ii) evaluate, select and recommend Subadvisers to manage all or part of a Portfolio's assets; (iii) when appropriate, allocate and reallocate a Portfolio's assets among multiple Subadvisers; (iv) monitor and evaluate the investment performance of Subadvisers; and (v) implement procedures reasonably designed to ensure that the Subadvisers comply with the relevant Portfolio's investment objectives, policies, and restrictions.

4. At all times, a majority of the Board will be Independent Board Members, and the nomination of new or additional Independent Board Members will be placed within the discretion of the then-existing Independent Board Members.

5. The Adviser will not enter into a subadvisory agreement with any Subadviser that is an affiliated person of the Adviser or of the Portfolio within the meaning of section 2(a)(3) of the Act, other than by virtue of serving as a Subadviser to the Portfolio ("Affiliated Subadviser"), without that agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Portfolio (or, if the Portfolio serves as a funding medium for any sub-account of a registered separate account, pursuant to voting instructions provided by the unitholders of the sub-account).

6. When a Subadviser change is proposed for a Portfolio with an Affiliated Subadviser, the Board, including a majority of the Independent Board Members, will make a separate finding, reflected in the Board minutes, that the change is in the best interests of the applicable Portfolio and its shareholders (or, if the Portfolio serves as a funding medium for any sub-account of a registered separate account, in the best interests of the Portfolio and the unitholders of any sub-account) and does not involve a conflict of interest from which the Adviser or the Affiliated

Subadviser derives an inappropriate advantage.

7. No Board member or officer of the Fund or director or officer of the Adviser will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by the Board member, director or officer) any interest in a Subadviser, except for (i) ownership of interests in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser; or (ii) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly traded company that is either a Subadviser or an entity that controls, is controlled by, or is under common control with a Subadviser.

8. Within ninety days of the hiring of a new Subadviser, the Adviser will furnish the shareholders of the applicable Portfolio (or, if the Portfolio serves as a funding medium for any sub-account of a registered separate account, the Adviser will furnish the unitholders of the sub-account) all the information about the new Subadviser that would be included in a proxy statement, including any change in such disclosure caused by the addition of a new Subadviser. To meet this obligation, the Adviser will provide shareholders (or, if the Portfolio serves as a funding medium for any sub-account of a registered separate account, then by providing unitholders of the sub-account) within ninety days of the hiring of a Subadviser with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Securities Exchange Act of 1934.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland

Deputy Secretary.

[FR Doc. 02-16060 Filed 6-25-02; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-25617; File No. 812-12614]

The Travelers Insurance Company, et al.

June 19, 2002.

AGENCY: Securities and Exchange Commission ("Commission").

ACTION: Notice of application for an order pursuant to section 26(c) of the Investment Company Act of 1940 (the "Act") approving certain substitutions of securities and for an order of