

Oppenheimer

Main Street[®] Growth & Income Fund

A N N U A L
R E P O R T

August 31, 2002

Fund Highlights

Performance Update

Investment Strategy Discussion

Listing of Individual Investments

"The top-down model that predicts performance by market-capitalization ranges was particularly useful. Throughout the 12-month period, this model consistently suggested that smaller stocks were likely to perform better than larger ones."



OppenheimerFunds[®]
The Right Way to Invest

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Fund Objective

Oppenheimer Main Street® Growth & Income Fund seeks a high total return.

Fund Highlight

The Fund's Class A shares ranked 60 of 878 funds in the Lipper Large Cap Core Fund category, placing it in the first quartile for the one year period ended 8/31/02.¹

Average Annual Total Returns*

| | For the 1-Year Period Ended 8/31/02 | |
|---------|-------------------------------------|-----------------|
| | Without Sales Chg. | With Sales Chg. |
| Class A | -12.90% | -17.91% |
| Class B | -13.58% | -17.89% |
| Class C | -13.58% | -14.45% |
| Class N | -13.15% | -14.01% |
| Class Y | -12.74% | |

Shares of Oppenheimer funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of the principal amount invested.

*See Notes on page 12 for further details.

¹ Source: Lipper, Inc. Lipper rankings are based on total returns, but do not consider sales charges. **Past performance is no guarantee of future results.**

Dear Shareholder,

As we near the end of 2002, global tensions and economic challenges that began in 2001 continue to impact events around the world and in the financial markets. When it comes to investing, words like trust, experience and consistency have never been more meaningful.

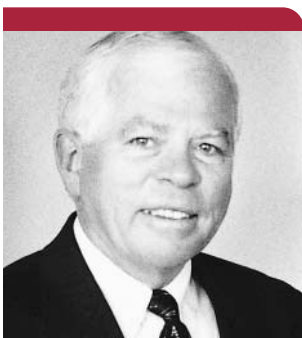
Recently, accounting scandals and an overall lack of investor confidence in corporate America have weakened the stock

market and caused the prices of many individual securities to drop sharply during the period. On the other hand, the overall bond market has provided some positive returns and stability, helping to provide investors with a safe haven from the equity markets. Not surprisingly,

many investors are unsure what their next step should be and where they should turn to invest their money.

Despite the continued challenges, there are signs of a moderate recovery in the U.S. economy. Rooted in a combination of low inflation and little pressure on the Federal Reserve Board to raise interest rates, business conditions are slowly improving, and we believe the prospects for long-term investors look bright. With that said, we expect the economy and markets to return to historical levels and not the exaggerated growth levels that typified the late 1990s and early 2000s.

Now more than ever, investors can see on two levels the fundamental advantage of mutual funds: diversification. Investors can diversify their portfolios by investing among several types of funds to reduce short-term risks. The right asset allocation among equity and fixed-income funds can help cushion an



James C. Swain
Chairman
Oppenheimer
Main Street® Growth &
Income Fund



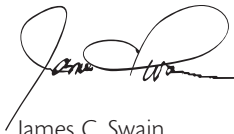
John V. Murphy
President
Oppenheimer
Main Street® Growth &
Income Fund

investor's portfolio from tough market conditions. Secondly, mutual funds, while certainly not immune to volatility and declines in either the equity or fixed-income markets, offer clear-cut advantages over direct ownership of individual securities. Because fund portfolios often contain a number of different investments, one security's poor performance usually does not have a dramatic effect on the fund as a whole.

Your financial advisor is also an equally important player on your team of investment professionals. Even if you consult with your advisor on a regular basis, now may be a good time to make sure that your portfolio still reflects the right mix of investments to help you reach your long-term goals.

We at OppenheimerFunds appreciate and thank you for your continued trust as we strive toward our ongoing goal of investment excellence. To us, this is not a phrase uttered lightly. It's a commitment to providing shareholders with world-class asset management, top-quality service and strong fund performance over time. In other words, it's what makes OppenheimerFunds *The Right Way to Invest*.

Sincerely,



James C. Swain

September 23, 2002



John V. Murphy

These general market views represent opinions of OppenheimerFunds, Inc. and are not intended to predict performance of the securities markets or any particular fund. Specific information that applies to your Fund is contained in the pages that follow.

**Portfolio
Management Team**
Charles Albers
Nikolaos Monoyios

How did Oppenheimer Main Street Growth & Income Fund perform over the 12-month period that ended August 31, 2002?

A. Relative to our benchmarks and our peers we had a tremendous year. Oppenheimer Main Street Growth & Income Fund without sales charge outperformed the S&P 500 Index and its peer group average during the reporting period.¹ However, our mission is not to simply replicate the market rate of return. Our mission is to try to exceed it without taking an undue amount of risk. In any single year that may seem a modest accomplishment, however, it is very tough to do over the long term.

We attribute the Fund's good relative performance to three primary factors. First and most significant, our highly disciplined stock ranking system enabled us to select large-cap stocks that generally provided higher returns than the market averages. Second, we effectively managed the risks of investing through broad diversification and by applying disciplined portfolio construction techniques. We remained fully invested throughout the reporting period, investing in more than 550 individual stocks. Finally, we minimized the effects of transaction costs on performance by employing highly efficient trading strategies for purchases and sales.

How was the Fund managed in light of the period's difficult market conditions?

It is important to understand that our investment approach does not change with market conditions. Regardless of whether stocks are in favor among investors or temporarily out of favor, we use the same quantitative, statistical models to rank stocks and identify investment opportunities. This consistent approach gives us an objective view of each stock's future prospects, and it allows us to disregard the "market noise" that often distracts other investors.

¹ The Fund's performance is compared to the one year return for the period ended 8/31/02 of the S&P 500 Index, -17.99%, and the average of the 878 funds in the Lipper Large Cap Core Fund category, -16.63%. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that the index performance does not predict future Fund returns or depict the Fund's allocations.

Our highly disciplined, quantitative investment approach enabled us to disregard market noise and focus on high quality companies under challenging market conditions.

There are a few things that have helped us a lot over the last year. First, our models have been pretty effective by providing us with a sophisticated way of helping to discriminate the good stocks from the bad ones. Second, we made some good portfolio management decisions along the way. Our models give us a direction, but they don't run the funds, we do, and we believe our experience helped us weather difficult markets. Third, we diversify our portfolios among as many as 600 stocks at a time, which helps limit our exposure to any single name. The last 12 months have been marked by some spectacular corporate blow-ups and it has really paid to be diversified.

Our disciplined investment process relies on sophisticated quantitative models to evaluate statistics related to more than 3,000 individual stocks. Developed and fine-tuned over more than two decades, these models look first at a variety of market and economic data to determine which areas of the stock market offer the best prospects. For example, the models help us decide whether to emphasize mega-cap stocks or companies at the lower end of the large-cap market's capitalization range. Other top-down models attempt to evaluate the potential effects of seasonal factors and other market forces.

Next, we subject each stock to "bottom up" quantitative analysis utilizing a number of different predictive factors. In addition to valuation and momentum measures, these models take into account special considerations such as the effects of spin-offs, stock buy-backs, new stock offerings and acquisitions. Each stock receives a ranking based upon this multifactor analysis. We subject the highest-ranking stocks to a comprehensive evaluation of such factors as the quality of management, competitive forces and legal or accounting issues.

It is important for investors to remember that historically, making money in the US stock market has been mostly a function of time. Absolute returns come to investors who hold stocks for long periods of time. Over the short-term all you really see is the volatility associated with owning stocks. So we think it is essential to focus on long-term results versus the short term.

Which of the many factors measured by the statistical models contributed most to the Fund's good relative performance?

The top-down model that predicts performance by market-capitalization ranges was particularly useful. Throughout the 12-month period, this model consistently suggested that smaller stocks were likely to perform better than larger ones. Accordingly, we generally de-emphasized investments in mega-cap stocks (market capitalizations of \$44 billion or more) and focused on those at the lower end of the large-cap range (\$8 billion to \$43 billion). As a result, the Fund's average market capitalization was consistently lower than that of the S&P 500 Index, ranging from 72% to 84% of the benchmark's average market cap during the period.

However, the bulk of the difference between the Fund's and benchmark's returns was derived from our bottom-up stock scoring models. Individual security selection was particularly effective in the Consumer Discretionary, Health Care and Financial industry sectors. The way in which we apportioned assets among the ten major economic sectors also boosted the Fund's relative performance. Especially beneficial was the Fund's below-average exposure to Information Technology and Telecommunications stocks, as well as its overweighting of Energy stocks.

Average Annual Total Returns with Sales Charge

For the Periods Ended 9/30/02²

| Class A | | |
|---------|--------|-----------------|
| 1-Year | 5-Year | 10-Year |
| -21.51% | -2.12% | 11.04% |
| Class B | | Since Inception |
| 1-Year | 5-Year | |
| -21.49% | -2.00% | 6.71% |
| Class C | | Since Inception |
| 1-Year | 5-Year | |
| -18.16% | -1.70% | 6.35% |
| Class N | | Since Inception |
| 1-Year | 5-Year | |
| -17.76% | N/A | -18.15% |
| Class Y | | Since Inception |
| 1-Year | 5-Year | |
| -16.57% | -0.78% | 3.77% |

2. See Notes on page 12 for further details.

Was the Fund affected by the accounting scandals that dominated the headlines during the period?

As a large-cap core investment, the same forces that influence the large-cap stock market generally affect the Fund. With that said, however, our quantitative models helped us avoid most of the individual stocks that were most severely affected by the recent scandals. That's because our models incorporate measures of quality into their stock rankings. For example, our models emphasize cash flow profitability over reported earnings, so the Fund was relatively immune to the accounting tricks that allowed some companies to artificially inflate their accounting earnings. Similarly, our models tend to assign lower rankings to companies involved in large numbers of mergers and acquisitions, helping us to avoid companies that used such strategies to maintain their growth rates, often unsuccessfully. In those rare cases in which Fund holdings were affected by the scandals, their impact on performance was minimized by our portfolio construction rules, which limit any single stock to just 0.60% above the stock's weight in the investible universe relative to its weight in the benchmark S&P 500 Index.

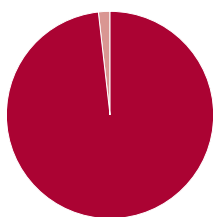
What are the models predicting now and how is the Fund currently positioned?

Our top-down models continue to suggest that smaller stocks within the large-cap universe are more attractive than larger ones, but by a slimmer margin than previously. These models have also continued to point us to higher quality stocks, including relatively mature companies with consistent levels of earnings and dividend stability.

Our bottom-up stock scoring system indicates that the most compelling opportunities can currently be found among reasonably valued stocks in economically sensitive industry groups, such as Energy, Basic Materials and Industrial companies. By the same token, it has assigned lower rankings to stocks in traditional high-growth areas, such as Health Care and Information Technology.

As always, we remain fully invested in stocks, and we seek to reduce risks through broad diversification and a disciplined approach to portfolio construction. These principles have historically served us well in good markets and bad, and they are central to what makes Oppenheimer Main Street Growth & Income Fund part of *The Right Way to Invest*.

Portfolio Allocation³



| | |
|--------------------|-------|
| ● Stocks | 98.2% |
| ● Cash Equivalents | 1.8 |

Top Ten Common Stock Holdings⁴

| | |
|------------------------------|------|
| Exxon Mobil Corp. | 2.7% |
| Microsoft Corp. | 2.6 |
| General Electric Co. | 2.5 |
| Wal-Mart Stores, Inc. | 2.3 |
| Citigroup, Inc. | 1.8 |
| Pfizer, Inc. | 1.7 |
| Bank of America Corp. | 1.7 |
| Merck & Co., Inc. | 1.5 |
| Verizon Communications, Inc. | 1.3 |
| Coca-Cola Co. (The) | 1.3 |

Top Five Common Stock Industries⁴

| | |
|------------------------|------|
| Banks | 8.8% |
| Oil & Gas | 8.0 |
| Insurance | 7.7 |
| Diversified Financials | 6.4 |
| Pharmaceuticals | 5.8 |

³ Portfolio is subject to change. Percentages are as of August 31, 2002, and are based on total market value of investments.

⁴ Portfolio is subject to change. Percentages are as of August 31, 2002, and are based on net assets.

How Has the Fund Performed? *Below is a discussion by OppenheimerFunds, Inc., of the Fund's performance during its fiscal year ended August 31, 2002, followed by a graphical comparison of the Fund's performance to an appropriate broad-based market index.*

Management's Discussion of Performance. During the fiscal year that ended August 31, 2002, Oppenheimer Main Street Growth & Income Fund's performance was strongly influenced by its disciplined, quantitative-oriented investment approach. The statistical models developed and employed by the Fund's portfolio managers accurately suggested that smaller stocks in the large-cap range would outperform larger ones. The Fund's bottom-up stock ranking system accounted for approximately 80% of the Fund's excess returns compared to the benchmark, and was most effective within the Consumer Discretionary, Health Care and Financial sectors. Sector allocation, which is also driven by the Fund's bottom-up stock scoring models, added the balance of the excess relative returns by reducing exposure to the Information Technology and Telecommunication Services sectors and increasing exposure to Energy stocks. As a result, the Fund's performance for the 12-month period was better than those of its benchmark, the S&P 500 Index, and the average of its peer group, the Lipper Large Cap Core category. The Fund's holdings, allocations and management strategies are subject to change.

Comparing the Fund's Performance to the Market. The graphs that follow show the performance of a hypothetical \$10,000 investment in each class of shares of the Fund held until August 31, 2002. In the case of Class A shares, performance is measured over a ten-year period; in the case of Class B shares, from the inception of the Class on October 3, 1994; in the case of Class C shares, from the inception of the Class on December 1, 1993; and in the case of Class Y shares, from the inception of the Class on November 1, 1996. In the case of Class N shares, performance is measured from inception of the Class on March 1, 2001. The graphs reflect the deduction of the maximum initial sales charge on Class A shares and the applicable contingent deferred sales charge for Class B, Class C, and Class N shares and reinvestment of all dividends and capital distributions.

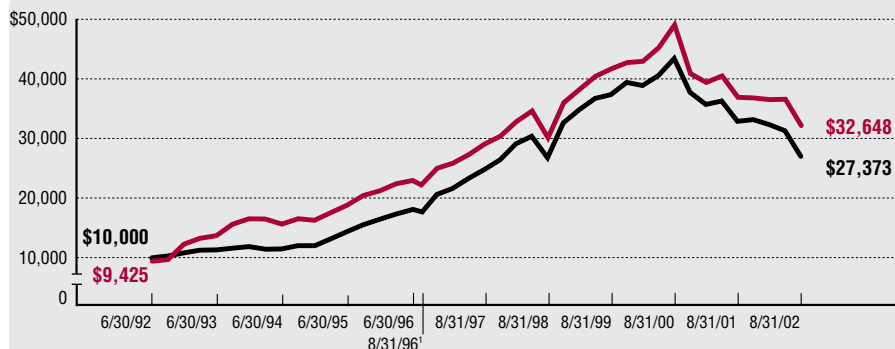
The Fund's performance is compared to the performance of the Standard & Poor's (S&P) 500 Index. The S&P 500 Index is a broad based index of equity securities widely regarded as a general measurement of the performance of the U.S. equity securities market. Index performance reflects the reinvestment of dividends but does not consider the effect of capital gains or transaction costs, and none of the data in the graphs shows the effect of taxes. The Fund's performance reflects the effects of Fund business and operating expenses. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that the Fund's investments are not limited to the securities in the S&P 500 Index, which tend to be securities of larger, well-capitalized companies.

Class A Shares

Comparison of Change in Value of \$10,000 Hypothetical Investments in:

— Oppenheimer Main Street Growth & Income Fund (Class A)

— S&P 500 Index



Average Annual Total Returns of Class A Shares of the Fund at 8/31/02²

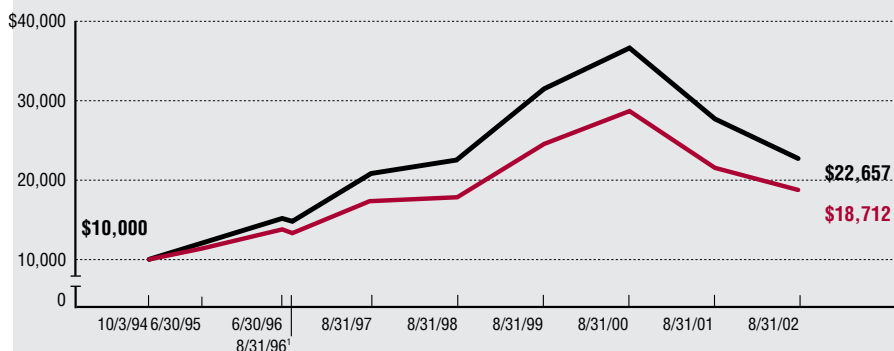
1-Year -17.91% 5-Year 0.86% 10-Year 12.47%

Class B Shares

Comparison of Change in Value of \$10,000 Hypothetical Investments in:

— Oppenheimer Main Street Growth & Income Fund (Class B)

— S&P 500 Index



Average Annual Total Returns of Class B Shares of the Fund at 8/31/02²

1-Year -17.89% 5-Year 0.99% Since Inception 8.24%

1. The Fund changed its fiscal year end from June to August.

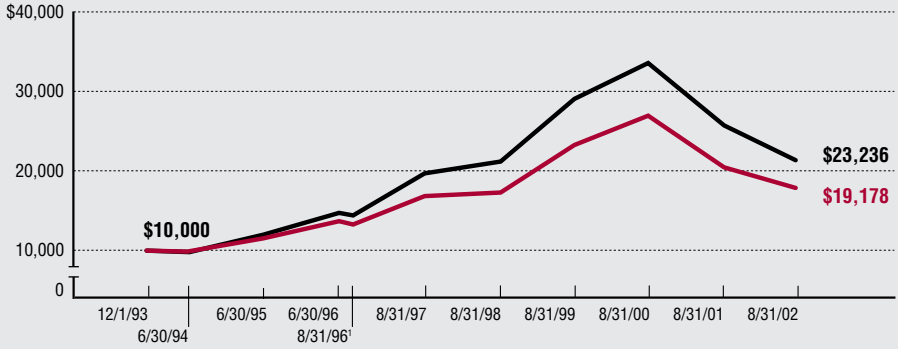
2. See Notes on page 12 for further details.

FUND PERFORMANCE

Class C Shares

Comparison of Change in Value of \$10,000 Hypothetical Investments in:

- Oppenheimer Main Street Growth & Income Fund (Class C)
- S&P 500 Index



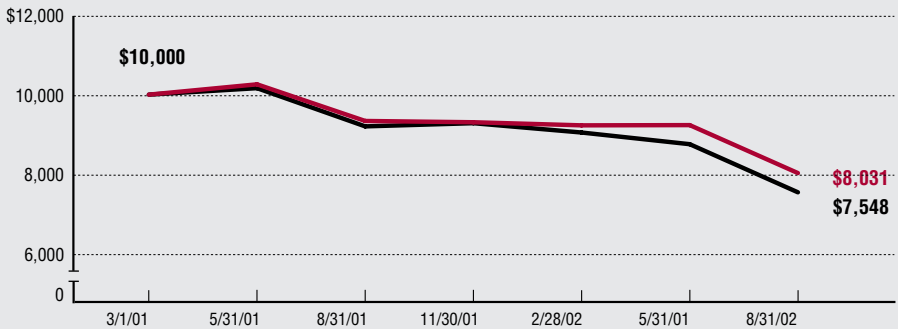
Average Annual Total Returns of Class C Shares of the Fund at 8/31/02²

1-Year -14.45% 5-Year 1.30% Since Inception 7.73%

Class N Shares

Comparison of Change in Value of \$10,000 Hypothetical Investments in:

- Oppenheimer Main Street Growth & Income Fund (Class N)
- S&P 500 Index



Average Annual Total Returns of Class N Shares of the Fund at 8/31/02²

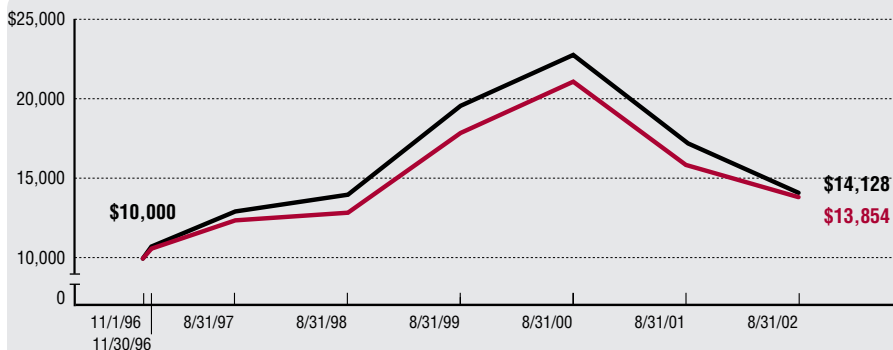
1-Year -14.01% Since Inception -13.60%

Class Y Shares

Comparison of Change in Value of \$10,000 Hypothetical Investments in:

— Oppenheimer Main Street Growth & Income Fund (Class Y)

— S&P 500 Index



Average Annual Total Returns of Class Y Shares of the Fund at 8/31/02²

1-Year -12.74% 5-Year 2.25% Since Inception 5.75%

The performance information for the S&P 500 Index in the graphs begins on 6/30/92 for Class A, 9/30/94 for Class B, 11/30/93 for Class C, 2/28/01 for Class N, and 10/31/96 for Class Y.

2. See Notes on page 12 for further details.

Past performance cannot guarantee future results. Graphs are not drawn to same scale.

In reviewing performance and rankings, please remember that past performance cannot guarantee future results. Investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Because of ongoing market volatility, the Fund's performance may be subject to substantial fluctuations, and current performance may be more or less than the results shown. For updates on the Fund's performance, visit our website at www.oppenheimerfunds.com.

Total returns and the ending account values in the graphs include changes in share price and reinvestment of dividends and capital gains distributions in a hypothetical investment for the periods shown. The Fund's total returns shown do not reflect the deduction of income taxes on an individual's investment. Taxes may reduce your actual investment returns on income or gains paid by the Fund or any gains you may realize if you sell your shares. For more complete information about the Fund, including charges, expenses and risks, please refer to the prospectus. To obtain a copy, call your financial advisor, call OppenheimerFunds Distributor, Inc. at **1.800.CALL OPP (1.800.225.5677)** or visit the OppenheimerFunds website at **www.oppenheimerfunds.com**. Read the prospectus carefully before you invest or send money.

Class A shares of the Fund were first publicly offered on 2/3/88. Class A returns include the current maximum initial sales charge of 5.75%.

Class B shares of the Fund were first publicly offered on 10/3/94. Class B returns include the applicable contingent deferred sales charge of 5% (1-year) and 2% (5-year). Because Class B shares convert to Class A shares 72 months after purchase, the "since inception" return for Class B uses Class A performance for the period after conversion. Class B shares are subject to an annual 0.75% asset-based sales charge.

Class C shares of the Fund were first publicly offered on 12/1/93. Class C returns include the contingent deferred sales charge of 1% for the 1-year period. Class C shares are subject to an annual 0.75% asset-based sales charge.

Class N shares of the Fund were first publicly offered on 3/1/01. Class N shares are offered only through retirement plans. Unless otherwise noted, Class N returns include the contingent deferred sales charge of 1% (since inception) if redeemed within the first 18 months. Class N shares are subject to an annual 0.25% asset-based sales charge.

Class Y shares of the Fund were first publicly offered on 11/1/96. Class Y shares are offered only to certain institutional investors under special agreements with the Distributor.

An explanation of the calculation of performance is in the Fund's Statement of Additional Information.

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Common Stocks—98.0% | | |
| Consumer Discretionary—15.8% | | |
| Auto Components—0.8% | | |
| Aftermarket Technology Corp. ¹ | 185,000 | \$ 2,869,350 |
| American Axle & Manufacturing Holdings, Inc. ¹ | 97,800 | 2,909,550 |
| ArvinMeritor, Inc. | 168,200 | 3,934,198 |
| Borg-Warner Automotive, Inc. | 165,500 | 9,969,720 |
| Cooper Tire & Rubber Co. | 171,500 | 3,580,920 |
| Dana Corp. | 551,200 | 9,337,328 |
| Delphi Corp. | 1,242,300 | 12,112,425 |
| Goodyear Tire & Rubber Co. | 427,300 | 5,777,096 |
| Johnson Controls, Inc. | 38,000 | 3,279,020 |
| Lear Corp. ¹ | 547,600 | 25,518,160 |
| Superior Industries International, Inc. | 79,200 | 3,807,936 |
| Tower Automotive, Inc. ¹ | 122,500 | 976,325 |
| | | 84,072,028 |
| Automobiles—1.2% | | |
| Ford Motor Co. | 4,885,226 | 57,499,110 |
| General Motors Corp. | 1,528,100 | 73,134,866 |
| Harley-Davidson, Inc. | 146,200 | 7,197,426 |
| Winnebago Industries, Inc. | 37,100 | 1,416,849 |
| | | 139,248,251 |
| Hotels, Restaurants & Leisure—1.7% | | |
| AFC Enterprises, Inc. ¹ | 7,300 | 165,053 |
| Alliance Gaming Corp. ¹ | 12,700 | 193,040 |
| Applebee's International, Inc. | 225,825 | 5,015,573 |
| Boyd Gaming Corp. ¹ | 21,800 | 355,340 |
| Brinker International, Inc. ¹ | 887,900 | 24,612,588 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Hotels, Restaurants & Leisure Continued | | |
| CEC Entertainment, Inc. ¹ | 196,100 | \$ 7,161,572 |
| Choice Hotels International, Inc. ¹ | 39,400 | 913,686 |
| Darden Restaurants, Inc. | 1,069,800 | 27,418,974 |
| GTech Holdings Corp. ¹ | 471,700 | 9,033,055 |
| Harrah's Entertainment, Inc. ¹ | 114,000 | 5,419,560 |
| Hilton Hotels Corp. | 249,700 | 2,874,047 |
| Mandalay Resort Group ¹ | 50,200 | 1,511,020 |
| Marriott International, Inc., Cl. A | 116,700 | 3,819,591 |
| McDonald's Corp. | 2,094,700 | 49,770,072 |
| MGM Mirage, Inc. ¹ | 213,100 | 7,562,919 |
| P.F. Chang's China Bistro, Inc. ¹ | 98,000 | 3,100,720 |
| Panera Bread Co., Cl. A ¹ | 173,000 | 4,906,280 |
| Papa John's International, Inc. ¹ | 36,700 | 1,109,808 |
| Park Place Entertainment Corp. ¹ | 379,200 | 3,545,520 |
| Rare Hospitality International, Inc. ¹ | 12,600 | 328,986 |
| Royal Caribbean Cruises Ltd. | 111,200 | 1,968,240 |
| Ruby Tuesday, Inc. | 552,900 | 11,024,826 |
| Ryan's Family Steak Houses, Inc. ¹ | 169,050 | 2,015,076 |
| Starbucks Corp. ¹ | 448,700 | 9,018,870 |
| Wendy's International, Inc. | 337,300 | 12,044,983 |
| | | 194,889,399 |
| Household Durables—2.5% | | |
| American Greetings Corp., Cl. A | 484,600 | 8,092,820 |
| Beazer Homes USA, Inc. ¹ | 108,800 | 6,982,784 |
| Black & Decker Corp. | 72,600 | 3,257,562 |
| Centex Corp. | 405,500 | 20,473,695 |

STATEMENT OF INVESTMENTS Continued

| | Shares | Market Value See Note 1 |
|---|---------|----------------------------|
| Household Durables Continued | | |
| Cooper Industries Ltd., Cl. A | 600,500 | \$ 19,648,360 |
| Fortune Brands, Inc. | 379,300 | 19,901,871 |
| Hovnanian Enterprises, Inc., Cl. A ¹ | 173,600 | 5,402,432 |
| KB Home | 653,400 | 31,330,530 |
| La-Z-Boy, Inc. | 8,600 | 212,850 |
| Lennar Corp. | 541,000 | 28,564,800 |
| M.D.C. Holdings, Inc. | 30,300 | 1,218,060 |
| Maytag Corp. | 329,200 | 10,745,088 |
| Meritage Corp. ¹ | 62,900 | 2,259,368 |
| NVR, Inc. ¹ | 89,200 | 26,447,800 |
| Pulte Homes, Inc. | 414,815 | 19,803,268 |
| Ryland Group, Inc. (The) | 671,000 | 28,618,150 |
| Snap-On, Inc. | 8,100 | 228,906 |
| Standard Pacific Corp. | 110,500 | 2,911,675 |
| Toll Brothers, Inc. ¹ | 831,600 | 20,790,000 |
| Whirlpool Corp. | 484,000 | 26,770,040 |
| | | 283,660,059 |

| | | |
|--|-----------|------------|
| Leisure Equipment & Products—0.8% | | |
| Action Performance Cos., Inc. ¹ | 184,100 | 5,959,317 |
| Brunswick Corp. | 627,200 | 15,335,040 |
| Eastman Kodak Co. | 1,411,200 | 43,098,048 |
| Hasbro, Inc. | 791,200 | 10,404,280 |
| Mattel, Inc. | 355,600 | 6,909,308 |
| Nautilus Group, Inc. (The) ¹ | 233,500 | 7,404,285 |
| Polaris Industries, Inc. | 62,100 | 4,555,035 |
| | | 93,665,313 |

| | | |
|------------------------------------|-----------|------------|
| Media—1.0% | | |
| AOL Time Warner, Inc. ¹ | 1,365,027 | 17,267,592 |
| Belo Corp., Cl. A | 51,600 | 1,184,220 |
| Gannett Co., Inc. | 682,800 | 51,865,488 |
| Harte-Hanks, Inc. | 202,650 | 4,164,457 |
| Havas, ADR | 104,555 | 496,636 |

| | Shares | Market Value See Note 1 |
|---|---------|----------------------------|
| Media Continued | | |
| Knight-Ridder, Inc. | 138,300 | \$ 8,398,959 |
| Liberty Media Corp., Cl. A ¹ | 436,700 | 3,650,812 |
| Marvel Enterprises, Inc. ¹ | 83,400 | 421,170 |
| R.H. Donnelley Corp. ¹ | 106,100 | 2,637,646 |
| Readers Digest Assn., Inc. (The), Cl. A, Non-Vtg. | 30,500 | 520,940 |
| Tribune Co. | 91,800 | 3,828,978 |
| Viacom, Inc., Cl. B ¹ | 548,248 | 22,313,694 |
| | | 116,750,592 |

| | | |
|--|-----------|-------------|
| Multiline Retail—3.9% | | |
| BJ's Wholesale Club, Inc. ¹ | 144,100 | 3,537,655 |
| Costco Wholesale Corp. ¹ | 741,100 | 24,760,151 |
| Dillard's, Inc., Cl. A | 379,700 | 9,325,432 |
| Federated Department Stores, Inc. ¹ | 897,400 | 32,216,660 |
| Kohl's Corp. ¹ | 116,500 | 8,122,380 |
| May Department Stores Co. | 360,800 | 10,582,264 |
| Nordstrom, Inc. | 141,100 | 2,727,463 |
| Penney (J.C.) Co., Inc. (Holding Co.) | 1,228,600 | 21,328,496 |
| Sears Roebuck & Co. | 1,182,500 | 53,815,575 |
| Shopko Stores, Inc. ¹ | 103,100 | 1,480,516 |
| Target Corp. | 422,600 | 14,452,920 |
| Wal-Mart Stores, Inc. | 4,994,400 | 267,100,512 |
| | | 449,450,024 |

| | | |
|--|---------|------------|
| Specialty Retail—3.3% | | |
| AnnTaylor Stores Corp. ¹ | 390,500 | 10,426,350 |
| AutoNation, Inc. ¹ | 668,600 | 8,825,520 |
| Blockbuster, Inc., Cl. A | 253,000 | 5,755,750 |
| Borders Group, Inc. ¹ | 155,800 | 2,938,388 |
| Christopher & Banks Corp. ¹ | 272,500 | 7,929,750 |

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Specialty Retail Continued | | |
| Circuit City Stores, Inc./ Circuit City Group | 180,000 | \$ 2,509,200 |
| Deb Shops, Inc. | 10,000 | 278,100 |
| Electronics Boutique Holdings Corp. ¹ | 120,600 | 3,467,250 |
| Foot Locker, Inc. ¹ | 343,900 | 3,267,050 |
| Gap, Inc. (The) | 1,906,000 | 22,357,380 |
| Group 1 Automotive, Inc. ¹ | 39,700 | 1,083,810 |
| Hollywood Entertainment Corp. ¹ | 25,600 | 345,600 |
| Home Depot, Inc. | 3,210,000 | 105,705,300 |
| Hot Topic, Inc. ¹ | 296,350 | 5,156,490 |
| Hughes Supply, Inc. | 67,600 | 1,942,148 |
| Limited Brands, Inc. | 1,951,190 | 29,833,695 |
| Lowe's Cos., Inc. | 685,700 | 28,374,266 |
| Men's Wearhouse, Inc. (The) ¹ | 19,100 | 360,990 |
| Movie Gallery, Inc. ¹ | 56,900 | 789,772 |
| Office Depot, Inc. ¹ | 1,175,900 | 15,192,628 |
| Pacific Sunwear of California, Inc. ¹ | 66,500 | 1,446,375 |
| Pep Boys-Manny, Moe & Jack | 125,200 | 1,777,840 |
| Pier 1 Imports, Inc. | 265,000 | 4,743,500 |
| RadioShack Corp. | 147,300 | 3,209,667 |
| Ross Stores, Inc. | 687,600 | 24,829,236 |
| Sherwin- Williams Co. | 30,900 | 834,300 |
| Staples, Inc. ¹ | 677,700 | 9,420,030 |
| Talbots, Inc. (The) | 305,300 | 9,516,201 |
| TJX Cos., Inc. (The) | 2,881,200 | 56,990,136 |
| Too, Inc. ¹ | 293,674 | 6,933,643 |
| United Auto Group, Inc. ¹ | 41,100 | 653,901 |
| | | 376,894,266 |
| Textiles & Apparel—0.6% | | |
| Coach, Inc. ¹ | 152,596 | 3,758,440 |
| Kellwood Co. | 63,500 | 1,582,420 |
| Liz Claiborne, Inc. | 623,300 | 17,589,526 |
| Nike, Inc., Cl. B | 905,600 | 39,103,808 |
| Quicksilver, Inc. ¹ | 18,600 | 416,826 |

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Textiles & Apparel Continued | | |
| Reebok International Ltd. ¹ | 26,800 | \$ 655,528 |
| Tommy Hilfiger Corp. ¹ | 139,300 | 1,671,600 |
| VF Corp. | 85,400 | 3,468,094 |
| | | 68,246,242 |
| Consumer Staples—11.4% | | |
| Beverages—2.3% | | |
| Adolph Coors Co., Cl. B | 186,900 | 11,223,345 |
| Anheuser-Busch Cos., Inc. | 1,586,900 | 84,359,604 |
| Coca-Cola Co. (The) | 2,933,900 | 149,628,900 |
| PepsiCo, Inc. | 489,430 | 19,356,957 |
| | | 264,568,806 |
| Food & Drug Retailing—1.5% | | |
| Albertson's, Inc. | 2,048,600 | 52,689,992 |
| CVS Corp. | 1,120,300 | 32,925,617 |
| Kroger Co. (The) ¹ | 2,103,300 | 38,027,664 |
| Safeway, Inc. ¹ | 587,200 | 15,161,504 |
| SUPERVALU, Inc. | 228,100 | 4,737,637 |
| Walgreen Co. | 886,600 | 30,809,350 |
| | | 174,351,764 |
| Food Products—3.1% | | |
| Archer-Daniels- Midland Co. | 1,029,575 | 12,550,519 |
| Campbell Soup Co. | 1,579,000 | 36,553,850 |
| ConAgra Foods, Inc. | 2,296,200 | 60,367,098 |
| Dean Foods Co. ¹ | 151,700 | 5,741,845 |
| Dole Food Co., Inc. | 128,400 | 3,492,480 |
| Fresh Del Monte Produce, Inc. | 72,100 | 1,957,515 |
| Hershey Foods Corp. | 399,600 | 30,269,700 |
| Interstate Bakeries Corp. | 123,700 | 3,012,095 |
| Kellogg Co. | 624,100 | 20,071,056 |
| Kraft Foods, Inc., Cl. A | 2,583,800 | 102,757,726 |
| Ralcorp Holdings, Inc. ¹ | 4,800 | 113,856 |

STATEMENT OF INVESTMENTS Continued

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Food Products Continued | | |
| Sara Lee Corp. | 1,533,681 | \$ 28,281,078 |
| Sensient Technologies Corp. | 57,900 | 1,295,223 |
| Smucker Co., J.M. (The) | 29,124 | 1,058,657 |
| Tyson Foods, Inc., Cl. A | 436,200 | 5,417,604 |
| Wrigley, William Jr. Co. | 778,300 | 39,623,253 |
| | | 352,563,555 |
| Household Products—1.9% | | |
| Clorox Co. (The) | 1,169,800 | 50,371,588 |
| Colgate-Palmolive Co. | 505,400 | 27,569,570 |
| Dial Corp. (The) | 347,700 | 7,027,017 |
| Procter & Gamble Corp. (The) | 1,456,200 | 129,092,130 |
| | | 214,060,305 |
| Personal Products—0.9% | | |
| Avon Products, Inc. | 1,226,000 | 59,755,240 |
| Gillette Co. | 1,393,100 | 43,924,443 |
| Oakley, Inc. ¹ | 43,400 | 568,540 |
| | | 104,248,223 |
| Tobacco—1.7% | | |
| Philip Morris Cos., Inc. | 2,985,000 | 149,250,000 |
| R.J. Reynolds Tobacco Holdings, Inc. | 775,400 | 45,624,536 |
| Universal Corp. | 51,100 | 1,959,685 |
| | | 196,834,221 |
| Energy—8.0% | | |
| Energy Equipment & Services—0.0% | | |
| Helmerich & Payne, Inc. | 76,600 | 2,792,836 |
| Oil & Gas—8.0% | | |
| Amerada Hess Corp. | 201,700 | 14,744,270 |
| Baytex Energy Ltd. ¹ | 1,380,000 | 6,192,308 |
| Brown (Tom), Inc. ¹ | 1,381,800 | 33,577,740 |
| Canadian 88 Energy Corp. ^{1,2} | 6,539,500 | 10,060,769 |

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Oil & Gas Continued | | |
| Canadian Natural Resources Ltd. | 1,599,586 | \$ 53,011,921 |
| Chesapeake Energy Corp. ¹ | 375,000 | 2,193,750 |
| ChevronTexaco Corp. | 1,782,404 | 136,585,618 |
| Conoco, Inc. | 1,172,400 | 28,782,420 |
| Devon Energy Corp. | 341,500 | 16,050,500 |
| Encana Corp. | 48,500 | 1,423,288 |
| EOG Resources, Inc. | 700,600 | 24,408,904 |
| Exxon Mobil Corp. | 8,827,096 | 312,920,553 |
| Frontier Oil Corp. ² | 1,856,000 | 26,448,000 |
| Kerr-McGee Corp. | 348,500 | 16,327,225 |
| Marathon Oil Corp. | 936,000 | 23,166,000 |
| Murphy Oil Corp. | 381,800 | 32,701,170 |
| Occidental Petroleum Corp. | 994,800 | 29,545,560 |
| Ocean Energy, Inc. | 109,200 | 2,288,832 |
| Phillips Petroleum Co. | 1,192,460 | 62,699,547 |
| Rio Alto Resources International, Inc. ¹ | 710,050 | 355,025 |
| Sunoco, Inc. | 461,000 | 16,356,280 |
| Talisman Energy, Inc. | 1,200,000 | 49,823,077 |
| Unocal Corp. | 292,500 | 9,672,975 |
| | | 909,335,732 |
| Financials—23.2% | | |
| Banks—8.8% | | |
| AmSouth Bancorp | 257,300 | 5,781,531 |
| Associated Banc-Corp. | 13,400 | 466,454 |
| Astoria Financial Corp. | 624,300 | 20,901,564 |
| Bank of America Corp. | 2,701,200 | 189,300,096 |
| Bank of Hawaii Corp. | 26,400 | 762,432 |
| Bank of New York Co., Inc. (The) | 170,800 | 6,003,620 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Banks Continued | | |
| Bank One Corp. | 2,192,300 | \$ 89,774,685 |
| Banknorth Group, Inc. | 177,700 | 4,634,416 |
| Charter One Financial, Inc. | 98,735 | 3,327,370 |
| Comerica, Inc. | 646,400 | 37,814,400 |
| Commerce Bancorp, Inc. | 91,500 | 4,338,015 |
| Commercial Federal Corp. | 50,000 | 1,275,000 |
| Compass Bancshares, Inc. | 19,300 | 648,287 |
| Cullen/Frost Bankers, Inc. | 13,500 | 504,900 |
| Downey Financial Corp. | 21,100 | 873,962 |
| First Tennessee National Corp. | 355,200 | 13,604,160 |
| First Virginia Banks, Inc. | 61,050 | 2,396,823 |
| FleetBoston Financial Corp. | 2,238,500 | 54,015,005 |
| Golden State Bancorp, Inc. | 1,169,200 | 40,337,400 |
| Golden West Financial Corp. | 761,400 | 51,767,586 |
| Greenpoint Financial Corp. | 570,400 | 29,090,400 |
| Hibernia Corp., Cl. A | 220,600 | 4,614,952 |
| Huntington Bancshares, Inc. | 48,100 | 971,139 |
| Independence Community Bank Corp. | 132,000 | 4,101,240 |
| Indymac Mortgage Holdings, Inc. ¹ | 159,500 | 3,636,600 |
| KeyCorp | 1,955,400 | 52,463,382 |
| National City Corp. | 1,488,400 | 46,393,428 |
| New York Community Bancorp, Inc. | 77,300 | 2,412,533 |
| North Fork Bancorporation, Inc. | 666,200 | 27,960,414 |
| PNC Financial Services Group | 794,800 | 36,632,332 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Banks Continued | | |
| Regions Financial Corp. | 70,700 | \$ 2,525,404 |
| Roslyn Bancorp, Inc. | 25,500 | 567,885 |
| Sovereign Bancorp, Inc. | 357,400 | 5,475,368 |
| SunTrust Banks, Inc. | 620,000 | 41,856,200 |
| TCF Financial Corp. | 28,100 | 1,365,660 |
| U.S. Bancorp | 3,850,270 | 82,742,302 |
| UCBH Holdings, Inc. | 12,800 | 492,032 |
| UnionBanCal Corp. | 66,500 | 2,992,500 |
| Wachovia Corp. | 3,164,500 | 116,611,825 |
| Webster Financial Corp. | 43,200 | 1,647,648 |
| Wells Fargo Co. | 259,700 | 13,553,743 |
| | | 1,006,634,693 |
| Diversified Financials—6.4% | | |
| Affiliated Managers Group, Inc. ¹ | 113,000 | 5,921,200 |
| AMBAC Financial Group, Inc. | 63,000 | 3,623,130 |
| American Express Co. | 1,199,400 | 43,250,364 |
| Bear Stearns Cos., Inc. (The) | 524,200 | 33,512,106 |
| Citigroup, Inc. | 6,114,105 | 200,236,939 |
| Countrywide Credit Industries, Inc. | 664,100 | 34,858,609 |
| Doral Financial Corp. | 74,300 | 3,149,577 |
| Fannie Mae | 1,199,100 | 90,867,798 |
| Freddie Mac | 882,200 | 56,549,020 |
| Goldman Sachs Group, Inc. (The) | 403,800 | 31,213,740 |
| Household International, Inc. | 1,134,100 | 40,952,351 |
| J.P. Morgan Chase & Co. | 2,784,900 | 73,521,360 |
| Lehman Brothers Holdings, Inc. | 330,100 | 18,819,001 |
| Moody's Corp. | 474,400 | 22,923,008 |
| Morgan Stanley | 1,143,300 | 48,841,776 |

STATEMENT OF INVESTMENTS Continued

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Diversified Financials Continued | | |
| Neuberger Berman, Inc. | 5,200 | \$ 164,372 |
| New Century Financial Corp. | 99,000 | 3,043,260 |
| SEI Investments Co. | 181,200 | 5,254,800 |
| SLM Corp. | 23,900 | 2,190,435 |
| State Street Corp. | 78,100 | 3,383,292 |
| Stilwell Financial, Inc. | 267,600 | 3,730,344 |
| | | 726,006,482 |
| Insurance—7.7% | | |
| ACE Ltd. | 978,300 | 31,119,723 |
| AFLAC, Inc. | 971,700 | 29,743,737 |
| Allstate Corp. | 2,034,700 | 75,731,534 |
| American International Group, Inc. | 2,186,105 | 137,287,394 |
| Chubb Corp. | 951,400 | 58,882,146 |
| Cincinnati Financial Corp. | 42,800 | 1,700,444 |
| Fidelity National Financial, Inc. | 867,611 | 25,984,949 |
| Gallagher (Arthur J.) & Co. | 231,700 | 6,710,032 |
| Hilb, Rogal & Hamilton Co. | 62,300 | 2,738,085 |
| Jefferson-Pilot Corp. | 388,900 | 16,380,468 |
| John Hancock Financial Services, Inc. | 1,555,000 | 47,194,250 |
| Lincoln National Corp. | 900,400 | 33,359,820 |
| Loews Corp. | 1,118,300 | 58,721,933 |
| Marsh & McLennan Cos., Inc. | 484,600 | 23,575,790 |
| MBIA, Inc. | 399,100 | 18,342,636 |
| MetLife, Inc. | 2,660,200 | 71,612,584 |
| MGIC Investment Corp. | 265,600 | 15,991,776 |
| Nationwide Financial Services, Inc., Cl. A | 18,000 | 549,000 |
| Ohio Casualty Corp. ¹ | 36,500 | 612,470 |

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Insurance Continued | | |
| Old Republic International Corp. | 126,900 | \$ 4,073,490 |
| Phoenix Cos., Inc. (The) | 242,600 | 3,857,340 |
| PMI Group, Inc. (The) | 440,400 | 14,929,560 |
| Progressive Corp. | 959,700 | 51,583,875 |
| Protective Life Corp. | 55,100 | 1,810,035 |
| Radian Group, Inc. | 505,400 | 21,964,684 |
| RenaissanceRe Holdings Ltd. | 267,700 | 9,342,730 |
| Safeco Corp. | 78,400 | 2,595,824 |
| St. Paul Cos., Inc. | 1,117,000 | 33,979,140 |
| Travelers Property Casualty Corp., Cl. A ¹ | 1,530,618 | 24,061,315 |
| Travelers Property Casualty Corp., Cl. B ¹ | 526,620 | 8,578,640 |
| XL Capital Ltd., Cl. A | 658,700 | 48,486,907 |
| | | 881,502,311 |
| Real Estate—0.3% | | |
| Anworth Mortgage Asset Corp. | 156,700 | 2,162,460 |
| Apex Mortgage Capital, Inc. | 43,000 | 599,420 |
| Equity Office Properties Trust | 859,900 | 23,974,012 |
| Equity Residential | 213,600 | 5,963,712 |
| FBR Asset Investment Corp. | 34,500 | 1,166,100 |
| Impac Mortgage Holdings, Inc. | 102,500 | 1,203,350 |
| St. Joe Co. (The) | 147,700 | 4,268,530 |
| | | 39,337,584 |
| Health Care—9.5% | | |
| Biotechnology—0.1% | | |
| Genentech, Inc. ¹ | 262,900 | 8,620,491 |
| Techno Corp. ¹ | 51,000 | 1,447,992 |
| Wyeth | 105,200 | 4,502,560 |
| | | 14,571,043 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Health Care Equipment & Supplies—0.8% | | |
| Advanced Medical Optics, Inc. ¹ | 2,744 | \$ 24,312 |
| Bard (C.R.), Inc. | 63,500 | 3,475,990 |
| Bausch & Lomb, Inc. | 57,500 | 1,810,675 |
| Baxter International, Inc. | 1,292,100 | 46,890,309 |
| Becton, Dickinson & Co. | 757,400 | 23,123,422 |
| Bio-Rad Laboratories, Inc., Cl. A ¹ | 54,000 | 2,265,300 |
| Cooper Cos., Inc. (The) | 35,600 | 1,615,884 |
| Diagnostic Products Corp. | 77,300 | 3,099,730 |
| Hillenbrand Industries, Inc. | 41,700 | 2,461,134 |
| Respironics, Inc. ¹ | 25,000 | 847,250 |
| | | 85,614,006 |

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Health Care Providers & Services—2.8% | | |
| Aetna, Inc. | 555,400 | 23,665,594 |
| Apria Healthcare Group, Inc. ¹ | 244,000 | 5,631,520 |
| Caremark Rx, Inc. ¹ | 787,000 | 12,749,400 |
| Cigna Corp. | 608,000 | 51,752,960 |
| Covance, Inc. ¹ | 191,900 | 3,745,888 |
| DaVita, Inc. ¹ | 232,100 | 5,138,694 |
| HCA, Inc. | 962,300 | 44,795,065 |
| Health Net, Inc. ¹ | 401,000 | 9,335,280 |
| LifePoint Hospitals, Inc. ¹ | 62,500 | 1,890,000 |
| Manor Care, Inc. ¹ | 549,200 | 12,873,248 |
| McKesson Corp. | 467,600 | 15,683,304 |
| Option Care, Inc. ¹ | 28,025 | 314,721 |
| Oxford Health Plans, Inc. ¹ | 1,095,500 | 44,422,525 |
| Patterson Dental Co. ¹ | 34,300 | 1,636,110 |
| Pediatrix Medical Group, Inc. ¹ | 293,600 | 9,862,024 |
| Pharmaceutical Product Development, Inc. ¹ | 44,000 | 980,320 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Health Care Providers & Services <i>Continued</i> | | |
| PSS World Medical, Inc. ¹ | 54,200 | \$ 386,988 |
| Schein (Henry), Inc. ¹ | 95,700 | 4,782,129 |
| Sierra Health Services, Inc. ¹ | 116,600 | 2,252,712 |
| Tenet Healthcare Corp. ¹ | 1,104,300 | 52,089,831 |
| Universal Health Services, Inc., Cl. B ¹ | 438,600 | 20,052,792 |
| | | 324,041,105 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Pharmaceuticals—5.8% | | |
| Abbott Laboratories | 256,200 | 10,255,686 |
| Bristol-Myers Squibb Co. | 913,500 | 22,791,825 |
| Eli Lilly & Co. | 1,016,900 | 59,031,045 |
| Johnson & Johnson | 2,353,768 | 127,833,140 |
| Merck & Co., Inc. | 3,339,400 | 168,706,488 |
| Mylan Laboratories, Inc. | 209,500 | 6,840,175 |
| Pfizer, Inc. | 6,019,025 | 199,109,347 |
| Pharmacia Corp. | 262,500 | 11,471,250 |
| Schering-Plough Corp. | 1,935,000 | 44,659,800 |
| Taro Pharmaceutical Industries Ltd. ¹ | 292,500 | 8,775,000 |
| | | 659,473,756 |

| | Shares | Market Value See Note 1 |
|-------------------------------------|-----------|----------------------------|
| Industrials—10.2% | | |
| Aerospace & Defense—1.5% | | |
| Engineered Support Systems, Inc. | 60,500 | 3,297,310 |
| FLIR Systems, Inc. ¹ | 42,700 | 1,620,465 |
| Goodrich Corp. | 744,500 | 15,537,715 |
| Honeywell International, Inc. | 1,694,300 | 50,744,285 |
| Lockheed Martin Corp. | 943,100 | 59,717,092 |
| Precision Castparts Corp. | 196,400 | 4,473,992 |
| Raytheon Co. | 910,300 | 31,860,500 |
| Rockwell Collins, Inc. | 383,700 | 8,153,625 |
| | | 175,404,984 |

STATEMENT OF INVESTMENTS Continued

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Air Freight & Couriers—1.3% | | |
| FedEx Corp. | 1,478,400 | \$ 70,002,240 |
| United Parcel Service, Inc., Cl. B | 1,231,700 | 78,717,947 |
| | | 148,720,187 |
| Airlines—0.1% | | |
| Southwest Airlines Co. | 1,117,650 | 15,881,807 |
| Building Products—0.4% | | |
| Elcor Corp. | 99,600 | 1,668,300 |
| Lennox International, Inc. | 70,800 | 1,072,620 |
| Masco Corp. | 1,583,300 | 38,252,528 |
| | | 40,993,448 |
| Commercial Services & Supplies—1.7% | | |
| Arbitron, Inc. ¹ | 57,200 | 1,887,600 |
| Automatic Data Processing, Inc. | 892,400 | 33,705,948 |
| Deluxe Corp. | 37,800 | 1,718,388 |
| FactSet Research Systems, Inc. | 47,500 | 1,178,000 |
| First Data Corp. | 1,619,600 | 56,281,100 |
| FTI Consulting, Inc. ¹ | 25,000 | 910,500 |
| Global Payments, Inc. | 1,100 | 30,646 |
| H&R Block, Inc. | 888,700 | 43,457,430 |
| Harland (John H.) Co. | 175,400 | 4,595,480 |
| Headwaters, Inc. ¹ | 37,700 | 505,180 |
| Imagistics International, Inc. ¹ | 24,592 | 464,789 |
| IMS Health, Inc. | 1,061,900 | 18,477,060 |
| ITT Educational Services, Inc. ¹ | 156,800 | 2,830,240 |
| Per-Se Technologies, Inc. ¹ | 116,800 | 1,000,976 |
| Pittston Brink's Group | 57,900 | 1,395,390 |
| Right Management Consultants, Inc. ¹ | 22,500 | 491,625 |
| Sabre Holdings Corp. ¹ | 119,900 | 3,226,509 |
| Viad Corp. | 134,600 | 2,978,698 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Commercial Services & Supplies <small>Continued</small> | | |
| Waste Management, Inc. | 583,900 | \$ 14,848,577 |
| | | 189,984,136 |
| Construction & Engineering—0.0% | | |
| EMCOR Group, Inc. ¹ | 63,000 | 3,434,130 |
| Fluor Corp. | 30,300 | 838,098 |
| | | 4,272,228 |
| Electrical Equipment—0.4% | | |
| Emerson Electric Co. | 681,100 | 33,224,058 |
| Molex, Inc., Cl. A | 299,600 | 7,630,812 |
| Rockwell Automation, Inc. | 479,900 | 8,839,758 |
| | | 49,694,628 |
| Industrial Conglomerates—3.3% | | |
| 3M Co. | 629,900 | 78,706,005 |
| Carlisle Cos., Inc. | 53,600 | 2,401,280 |
| General Electric Co. | 9,566,400 | 288,426,960 |
| Textron, Inc. | 96,500 | 3,749,025 |
| | | 373,283,270 |
| Machinery—0.6% | | |
| Cummins, Inc. | 70,700 | 2,106,153 |
| Deere & Co. | 380,100 | 17,454,192 |
| Dover Corp. | 158,900 | 4,565,197 |
| Eaton Corp. | 140,200 | 9,917,748 |
| EnPro Industries, Inc. ¹ | 105,180 | 414,409 |
| Idex Corp. | 14,500 | 451,675 |
| Ingersoll-Rand Co., Cl. A | 680,200 | 25,541,510 |
| Oshkosh Truck Corp. | 8,700 | 490,245 |
| Paccar, Inc. | 24,000 | 847,440 |
| Pentair, Inc. | 90,900 | 3,948,696 |
| Timken Co. | 57,100 | 1,042,646 |
| | | 66,779,911 |
| Marine—0.0% | | |
| Teekay Shipping Corp. | 31,500 | 992,250 |

| | Shares | Market Value See Note 1 |
|---|-----------|----------------------------|
| Road & Rail—0.9% | | |
| Burlington Northern Santa Fe Corp. | 1,297,700 | \$ 37,321,852 |
| CNF Transportation, Inc. | 28,000 | 859,600 |
| CSX Corp. | 149,200 | 5,196,636 |
| Hunt (J.B.) Transport Services, Inc. ¹ | 86,200 | 2,043,802 |
| Norfolk Southern Corp. | 428,400 | 8,966,412 |
| Ryder Systems, Inc. | 209,900 | 5,486,786 |
| Union Pacific Corp. | 630,800 | 38,194,940 |
| | | 98,070,028 |

Information Technology—7.3%

Communications Equipment—0.4%

| | | |
|----------------------------------|-----------|------------|
| Cisco Systems, Inc. ¹ | 3,406,100 | 47,072,302 |
| Inter-Tel, Inc. | 2,800 | 66,584 |
| McData Corp., Cl. A ¹ | 80,548 | 770,844 |
| Tellium, Inc. ¹ | 328,300 | 180,565 |
| | | 48,090,295 |

Computers & Peripherals—1.9%

| | | |
|---|-----------|-------------|
| Dell Computer Corp. ¹ | 2,590,500 | 68,959,110 |
| Handspring, Inc. ¹ | 472,900 | 548,564 |
| Hewlett-Packard Co. | 576,411 | 7,741,200 |
| International Business Machines Corp. | 1,839,500 | 138,661,510 |
| Seagate Technology International, Inc. Escrow Shares ^{1,3} | 903,300 | — |
| Storage Technology Corp. ¹ | 137,100 | 1,871,415 |
| Western Digital Corp. ¹ | 828,300 | 3,362,898 |
| | | 221,144,697 |

Electronic Equipment & Instruments—0.2%

| | | |
|--|---------|-----------|
| AVX Corp. | 207,700 | 2,550,556 |
| Benchmark Electronics, Inc. ¹ | 315,400 | 8,011,160 |
| Ingram Micro, Inc., Cl. A ¹ | 45,800 | 625,170 |

| | Shares | Market Value See Note 1 |
|---|---------|----------------------------|
| Electronic Equipment & Instruments Continued | | |
| OSI Systems, Inc. ¹ | 7,000 | \$ 123,130 |
| Tech Data Corp. ¹ | 323,300 | 10,691,531 |
| | | 22,001,547 |
| Internet Software & Services—0.0% | | |
| Websense, Inc. ¹ | 124,400 | 2,119,776 |
| IT Consulting & Services—0.0% | | |
| Cognizant Technology Solutions Corp. ¹ | 47,200 | 2,709,752 |
| StorageNetworks, Inc. ¹ | 125,800 | 196,248 |
| | | 2,906,000 |

Office Electronics—0.1%

| | | |
|-----------------------------|-----------|-----------|
| Ikon Office Solutions, Inc. | 221,300 | 2,047,025 |
| Xerox Corp. ¹ | 1,021,000 | 7,157,210 |
| | | 9,204,235 |

Semiconductor Equipment & Products—1.4%

| | | |
|---|-----------|-------------|
| Cabot Microelectronics Corp. ¹ | 414,600 | 17,599,770 |
| ESS Technology, Inc. ¹ | 530,500 | 6,339,475 |
| Intel Corp. | 7,457,200 | 124,311,524 |
| Rambus, Inc. ¹ | 608,400 | 3,315,780 |
| Semtech Corp. ¹ | 76,700 | 1,013,207 |
| Silicon Laboratories, Inc. ¹ | 108,500 | 2,451,015 |
| | | 155,030,771 |

Software—3.3%

| | | |
|--|-----------|-------------|
| Activision, Inc. ¹ | 100,200 | 2,792,574 |
| Electronic Arts, Inc. ¹ | 415,500 | 26,284,530 |
| Imation Corp. ¹ | 18,600 | 618,450 |
| Kronos, Inc. ¹ | 28,650 | 743,754 |
| Microsoft Corp. ¹ | 5,962,400 | 292,634,592 |
| Novell, Inc. ¹ | 2,800 | 7,280 |
| Oracle Corp. ¹ | 4,311,700 | 41,349,203 |
| Sybase, Inc. ¹ | 688,100 | 9,640,281 |
| Take-Two Interactive Software, Inc. ^{1,3} | 44,000 | 1,104,400 |
| | | 375,175,064 |

STATEMENT OF INVESTMENTS Continued

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Materials—4.2% | | |
| Chemicals—1.4% | | |
| Air Products & Chemicals, Inc. | 459,600 | \$ 21,559,836 |
| Albemarle Corp. | 15,400 | 474,782 |
| Cytec Industries, Inc. ¹ | 39,800 | 1,058,680 |
| Du Pont (E.I.) de Nemours & Co. | 1,661,082 | 66,958,215 |
| Eastman Chemical Co. | 56,800 | 2,548,616 |
| Ferro Corp. | 57,200 | 1,495,780 |
| Georgia Gulf Corp. | 10,400 | 265,200 |
| Great Lakes Chemical Corp. | 20,000 | 575,200 |
| Hercules, Inc. ¹ | 21,300 | 223,650 |
| IMC Global, Inc. | 299,100 | 3,960,084 |
| International Flavors & Fragrances, Inc. | 433,200 | 13,970,700 |
| Monsanto Co. | 40,400 | 742,148 |
| PPG Industries, Inc. | 483,900 | 27,229,053 |
| Praxair, Inc. | 80,800 | 4,527,224 |
| Rohm & Haas Co. | 476,900 | 17,354,391 |
| RPM, Inc. | 39,600 | 605,088 |
| | | 163,548,647 |
| Construction Materials—0.0% | | |
| Centex Construction Products, Inc. | 8,300 | 305,440 |
| Containers & Packaging—0.4% | | |
| Ball Corp. | 322,500 | 16,063,725 |
| Bemis Co., Inc. | 83,300 | 4,413,234 |
| Owens-Illinois, Inc. ¹ | 316,800 | 3,706,560 |
| Pactiv Corp. ¹ | 450,500 | 8,181,080 |
| Sealed Air Corp. ¹ | 114,000 | 1,765,860 |
| Temple-Inland, Inc. | 210,100 | 10,746,615 |
| | | 44,877,074 |
| Metals & Mining—1.3% | | |
| Alcan, Inc. | 1,353,500 | 38,114,560 |
| Alcoa, Inc. | 895,100 | 22,458,059 |
| Barrick Gold Corp. | 1,972,500 | 31,698,075 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Metals & Mining <small>Continued</small> | | |
| Freeport-McMoRan Copper & Gold, Inc., Cl. B ¹ | 720,000 | \$ 11,800,800 |
| Inco Ltd. ¹ | 74,100 | 1,333,059 |
| Newmont Mining Corp. (Holding Co.) | 1,230,000 | 35,042,700 |
| Nucor Corp. | 30,600 | 1,531,224 |
| Peabody Energy Corp. | 75,000 | 1,920,750 |
| Quanex Corp. | 17,800 | 720,900 |
| | | 144,620,127 |
| Paper & Forest Products—1.1% | | |
| Bowater, Inc. | 42,900 | 1,753,752 |
| Georgia-Pacific Corp. | 816,700 | 17,191,535 |
| International Paper Co. | 1,388,900 | 52,292,085 |
| Rayonier, Inc. | 123,700 | 6,024,190 |
| Weyerhaeuser Co. | 830,600 | 45,276,006 |
| | | 122,537,568 |
| Telecommunication Services—4.2% | | |
| Diversified Telecommunication Services—3.3% | | |
| BellSouth Corp. | 2,652,600 | 61,858,632 |
| CenturyTel, Inc. | 60,700 | 1,641,935 |
| SBC Communications, Inc. | 5,722,900 | 141,584,546 |
| Sprint Corp. (Fon Group) | 1,500,500 | 17,405,800 |
| Verizon Communications, Inc. | 4,888,010 | 151,528,310 |
| | | 374,019,223 |
| Wireless Telecommunication Services—0.9% | | |
| AT&T Corp. | 8,119,400 | 99,219,068 |
| Metro One Telecommunication, Inc. ¹ | 34,700 | 422,993 |
| Telephone & Data Systems, Inc. | 84,700 | 5,060,825 |
| | | 104,702,886 |

| | Shares | Market Value See Note 1 |
|--|-----------|----------------------------|
| Utilities—4.2% | | |
| Electric Utilities—3.9% | | |
| Allete, Inc. | 20,600 | \$ 512,940 |
| Alliant Energy Corp. | 26,900 | 560,865 |
| Consolidated Edison Co. of New York, Inc. | 553,200 | 22,509,708 |
| Constellation Energy Group, Inc. | 229,100 | 6,417,091 |
| DTE Energy Co. | 549,100 | 23,561,881 |
| Duke Energy Corp. | 761,800 | 20,439,094 |
| Edison International ¹ | 343,700 | 4,117,526 |
| Entergy Corp. | 1,268,000 | 53,496,920 |
| Exelon Corp. | 1,644,275 | 76,984,955 |
| FirstEnergy Corp. | 1,555,000 | 51,315,000 |
| FPL Group, Inc. | 941,600 | 53,746,528 |
| Hawaiian Electric Industries, Inc. | 57,200 | 2,577,432 |
| Paramount Resources Ltd. ¹ | 1,838,400 | 18,855,385 |
| PPL Corp. | 180,300 | 6,553,905 |
| Progress Energy, Inc. | 198,200 | 9,220,264 |
| Progress Energy, Inc., Contingent Value Obligation ¹³ | 700,000 | 154,000 |
| Public Service Enterprise Group, Inc. | 90,700 | 3,192,640 |
| Puget Energy, Inc. | 59,000 | 1,280,300 |
| Reliant Energy, Inc. | 104,200 | 1,234,770 |
| Southern Co. | 1,094,100 | 31,685,136 |
| Teco Energy, Inc. | 95,600 | 1,888,100 |
| TXU Corp. | 1,106,700 | 53,520,012 |
| Wisconsin Energy Corp. | 113,000 | 2,871,330 |
| Xcel Energy, Inc. | 217,550 | 2,101,533 |
| | | 448,797,315 |

| | Shares | Market Value See Note 1 |
|--|-------------------------|----------------------------|
| Gas Utilities—0.2% | | |
| KeySpan Corp. | 116,200 | \$ 4,071,648 |
| Kinder Morgan Management LLC | 388,000 | 12,419,880 |
| Nicor, Inc. | 89,000 | 2,527,600 |
| NiSource, Inc. | 248,400 | 4,940,676 |
| Peoples Energy Corp. | 63,400 | 2,118,828 |
| | | 26,078,632 |
| Multi-Utilities—0.1% | | |
| Energy East Corp. | 146,600 | 3,066,872 |
| Questar Corp. | 19,300 | 481,342 |
| | | 3,548,214 |
| Total Common Stocks (Cost \$11,056,229,673) | | 11,195,596,984 |
| Preferred Stocks—0.0% | | |
| Wachovia Corp., Dividend Equalization Preferred Shares (Cost \$0) | 100,000 | 21,000 |
| | Units | |
| Rights, Warrants and Certificates—0.0% | | |
| Dime Bancorp, Inc. Wts., Exp. 1/2/10 ¹ (Cost \$0) | 500,000 | 40,000 |
| | Principal Amount | |
| Short-Term Notes—1.3% | | |
| Motiva Enterprises LLC, 1.75%, 9/12/02 | \$25,000,000 | 24,986,632 |
| Neptune Funding Corp.: 2%, 9/3/02 | 50,000,000 | 49,995,084 |
| 2%, 9/24/02 | 28,224,000 | 28,192,624 |
| Park Avenue Receivables Corp., 1.73%, 9/10/02 | 40,000,000 | 39,982,700 |
| Total Short-Term Notes (Cost \$143,157,040) | | 143,157,040 |

STATEMENT OF INVESTMENTS Continued

| | Principal Amount | Market Value See Note 1 | | Market Value See Note 1 |
|--|---------------------|----------------------------|--|--------------------------------|
| Joint Repurchase Agreements—0.5% | | | Total Investments, at Value | |
| Undivided interest of 6.41% in joint repurchase agreement with PaineWebber, Inc., 1.85%, dated 8/30/02, to be repurchased at \$969,046,152 on 9/3/02, collateralized by Federal National Mortgage Assn., 5.50%–6%, 1/1/32–5/1/32, with a value of \$989,261,165 (Cost \$62,147,000) | | | (Cost \$11,261,533,713) | 99.8% \$ 11,400,962,024 |
| \$62,147,000 | | \$ 62,147,000 | Other Assets Net of Liabilities | 0.2 21,099,709 |
| | | | Net Assets | 100.0% \$11,422,061,733 |

Footnotes to Statement of Investments

1. Non-income producing security.
2. Affiliated company. Represents ownership of at least 5% of the voting securities of the issuer, and is or was an affiliate, as defined in the Investment Company Act of 1940, at or during the period ended August 31, 2002. The aggregate fair value of securities of affiliated companies held by the Fund as of August 31, 2002 amounts to \$36,508,769. Transactions during the period in which the issuer was an affiliate are as follows:

| | Shares August 31, 2001 | Gross Additions | Gross Reductions | Shares August 31, 2002 | Unrealized Appreciation (Depreciation) | Dividend Income | Realized Gain (Loss) |
|-------------------------------|---------------------------|--------------------|---------------------|---------------------------|--|--------------------|-------------------------|
| Stocks and/or Warrants | | | | | | | |
| Canadian 88 Energy Corp. | 10,332,300 | — | 3,792,800 | 6,539,500 | \$(10,129,075) | \$ — | \$(8,704,667) |
| Frontier Oil Corp. | 2,443,600 | — | 587,600 | 1,856,000 | 16,442,196 | 457,840 | 8,596,709 |
| | | | | | | \$457,840 | \$ (107,958) |

3. Identifies issues considered to be illiquid—See Note 6 of Notes to Financial Statements.

See accompanying Notes to Financial Statements.

| Assets | |
|--|---------------------------------------|
| Investments, at value—see accompanying statement: | |
| Unaffiliated companies (cost \$11,231,338,065) | \$ 11,364,453,255 |
| Affiliated companies (cost \$30,195,648) | 36,508,769 |
| | <u>11,400,962,024</u> |
| Cash | 7,105,966 |
| Unrealized appreciation on foreign currency contracts | 1,327 |
| Receivables and other assets: | |
| Investments sold | 50,859,840 |
| Interest and dividends | 21,768,690 |
| Shares of capital stock sold | 8,421,443 |
| Other | 541,390 |
| Total assets | <u>11,489,660,680</u> |
| Liabilities | |
| Unrealized depreciation on foreign currency contracts | 3,611 |
| Payables and other liabilities: | |
| Investments purchased | 34,633,846 |
| Shares of capital stock interest redeemed | 22,079,196 |
| Distribution and service plan fees | 4,730,892 |
| Transfer and shareholder servicing agent fees | 3,725,993 |
| Shareholder reports | 2,312,876 |
| Directors' compensation | 10,160 |
| Other | 102,373 |
| Total liabilities | <u>67,598,947</u> |
| Net Assets | <u><u>\$11,422,061,733</u></u> |
| Composition of Net Assets | |
| Par value of shares of capital stock | \$ 4,148,017 |
| Additional paid-in capital | 13,033,548,930 |
| Undistributed net investment income | 20,383,192 |
| Accumulated net realized loss on investments and foreign currency transactions | (1,775,439,571) |
| Net unrealized appreciation on investments and translation of assets and liabilities denominated in foreign currencies | <u>139,421,165</u> |
| Net Assets | <u><u>\$11,422,061,733</u></u> |

Net Asset Value Per Share

Class A Shares:

Net asset value and redemption price per share (based on net assets of \$6,443,982,806 and 231,003,571 shares of capital stock outstanding) \$27.90

Maximum offering price per share (net asset value plus sales charge of 5.75% of offering price) \$29.60

Class B Shares:

Net asset value, redemption price (excludes applicable contingent deferred sales charge) and offering price per share (based on net assets of \$3,510,800,424 and 129,854,834 shares of capital stock outstanding) \$27.04

Class C Shares:

Net asset value, redemption price (excludes applicable contingent deferred sales charge) and offering price per share (based on net assets of \$1,198,516,775 and 44,335,335 shares of capital stock outstanding) \$27.03

Class N Shares:

Net asset value, redemption price (excludes applicable contingent deferred sales charge) and offering price per share (based on net assets of \$43,464,185 and 1,568,074 shares of capital stock outstanding) \$27.72

Class Y Shares:

Net asset value, redemption price and offering price per share (based on net assets of \$225,297,543 and 8,039,921 shares of capital stock outstanding) \$28.02

See accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS

For the Year Ended August 31, 2002

| Investment Income | |
|--|--|
| Dividends: | |
| Unaffiliated companies (net of foreign withholding taxes of \$993,700) | \$ 193,542,523 |
| Affiliated companies | 457,840 |
| Interest | 10,512,650 |
| Total investment income | 204,513,013 |
| Expenses | |
| Management fees | 61,560,774 |
| Distribution and service plan fees: | |
| Class A | 17,613,557 |
| Class B | 46,128,366 |
| Class C | 14,335,613 |
| Class N | 140,215 |
| Transfer and shareholder servicing agent fees: | |
| Class A | 18,253,979 |
| Class B | 11,744,240 |
| Class C | 3,578,856 |
| Class N | 66,822 |
| Class Y | 965,710 |
| Shareholder reports | 5,514,864 |
| Directors' compensation | 186,852 |
| Custodian fees and expenses | 184,745 |
| Other | 503,875 |
| Total expenses | 180,778,468 |
| Less reduction to custodian expenses | (37,103) |
| Less voluntary waiver of transfer and shareholder servicing agent fees — Class Y | (324,219) |
| Net expenses | 180,417,146 |
| Net Investment Income | 24,095,867 |
| Realized and Unrealized Gain (Loss) | |
| Net realized loss on: | |
| Investments: | |
| Unaffiliated companies | (1,010,030,809) |
| Affiliated companies | (107,958) |
| Closing of futures contracts | (46,007,125) |
| Foreign currency transactions | (7,651,424) |
| Net realized loss | (1,063,797,316) |
| Net change in unrealized appreciation (depreciation) on: | |
| Investments | (819,606,744) |
| Translation of assets and liabilities denominated in foreign currencies | 5,813,152 |
| Net change | (813,793,592) |
| Net realized and unrealized loss | (1,877,590,908) |
| Net Decrease in Net Assets Resulting from Operations | <u><u>\$(1,853,495,041)</u></u> |

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

| Year Ended August 31, | 2002 | 2001 |
|--|-------------------------|-------------------------|
| Operations | | |
| Net investment income | \$ 24,095,867 | \$ 13,938,822 |
| Net realized loss | (1,063,797,316) | (461,201,726) |
| Net change in unrealized depreciation | (813,793,592) | (4,584,816,262) |
| Net decrease in net assets resulting from operations | (1,853,495,041) | (5,032,079,166) |
| Dividends and/or Distributions to Shareholders | | |
| Dividends from net investment income: | | |
| Class A | (15,028,867) | (23,886,190) |
| Class B | — | — |
| Class C | — | — |
| Class N | (58,345) | — |
| Class Y | (828,141) | (1,308,193) |
| Distributions from net realized gain: | | |
| Class A | (12,132,399) | (433,269,032) |
| Class B | (8,545,003) | (389,463,020) |
| Class C | (2,567,066) | (104,804,648) |
| Class N | (25,114) | — |
| Class Y | (369,634) | (12,950,013) |
| Capital Stock Transactions | | |
| Net increase (decrease) in net assets resulting from capital stock transactions: | | |
| Class A | 148,547,544 | 859,658,658 |
| Class B | (1,269,705,682) | (517,443,348) |
| Class C | (160,436,307) | 13,431,727 |
| Class N | 41,677,838 | 7,898,778 |
| Class Y | 34,202,372 | 49,200,183 |
| Net Assets | | |
| Total decrease | (3,098,763,845) | (5,585,014,264) |
| Beginning of period | 14,520,825,578 | 20,105,839,842 |
| End of period [including undistributed net investment income of \$20,383,192 and \$13,472,873, respectively] | \$11,422,061,733 | \$14,520,825,578 |

See accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

| Class A | Year Ended August 31, | 2002 | 2001 | 2000 | 1999 | 1998 |
|--|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Per Share Operating Data | | | | | | |
| Net asset value, beginning of period | | \$ 32.15 | \$ 45.41 | \$ 42.89 | \$ 32.32 | \$ 33.87 |
| Income (loss) from investment operations: | | | | | | |
| Net investment income | | .16 | .14 | .21 | .19 | .29 |
| Net realized and unrealized gain (loss) | | (4.29) | (11.18) | 6.79 | 12.03 | .99 |
| Total from investment operations | | (4.13) | (11.04) | 7.00 | 12.22 | 1.28 |
| Dividends and/or distributions to shareholders: | | | | | | |
| Dividends from net investment income | | (.07) | (.12) | — | (.15) | (.33) |
| Distributions from net realized gain | | (.05) | (2.10) | (4.48) | (1.50) | (2.50) |
| Total dividends and/or distributions to shareholders | | (.12) | (2.22) | (4.48) | (1.65) | (2.83) |
| Net asset value, end of period | | \$27.90 | \$32.15 | \$45.41 | \$42.89 | \$32.32 |

| | | | | | |
|---|----------|----------|--------|--------|-------|
| Total Return, at Net Asset Value¹ | (12.90)% | (24.85)% | 17.74% | 38.62% | 3.68% |
|---|----------|----------|--------|--------|-------|

| Ratios/Supplemental Data | | | | | | |
|--|-------------|-------------|-------------|-------------|--------------------|--|
| Net assets, end of period (in thousands) | \$6,443,983 | \$7,320,747 | \$9,264,943 | \$7,723,607 | \$4,932,817 | |
| Average net assets (in thousands) | \$7,203,226 | \$7,954,409 | \$8,428,173 | \$6,721,568 | \$5,184,111 | |
| Ratios to average net assets: ² | | | | | | |
| Net investment income | 0.52% | 0.47% | 0.54% | 0.50% | 0.83% | |
| Expenses | 0.99% | 0.86% | 0.90% | 0.91% | 0.90% ³ | |
| Portfolio turnover rate | 78% | 76% | 73% | 72% | 81% | |

1. Assumes an investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Sales charges are not reflected in the total returns. Total returns are not annualized for periods of less than one full year.

2. Annualized for periods of less than one full year.

3. Expense ratio has been calculated without adjustment for the reduction to custodian expenses.

See accompanying Notes to Financial Statements.

| Class B | Year Ended August 31, | 2002 | 2001 | 2000 | 1999 | 1998 |
|--|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Per Share Operating Data | | | | | | |
| Net asset value, beginning of period | | \$ 31.34 | \$ 44.50 | \$ 42.42 | \$ 32.07 | \$ 33.66 |
| Income (loss) from investment operations: | | | | | | |
| Net investment income (loss) | | (.20) | (.13) | (.08) | (.08) | .04 |
| Net realized and unrealized gain (loss) | | (4.05) | (10.93) | 6.64 | 11.93 | .96 |
| Total from investment operations | | (4.25) | (11.06) | 6.56 | 11.85 | 1.00 |
| Dividends and/or distributions to shareholders: | | | | | | |
| Dividends from net investment income | | — | — | — | — | (.09) |
| Distributions from net realized gain | | (.05) | (2.10) | (4.48) | (1.50) | (2.50) |
| Total dividends and/or distributions to shareholders | | (.05) | (2.10) | (4.48) | (1.50) | (2.59) |
| Net asset value, end of period | | \$27.04 | \$31.34 | \$44.50 | \$42.42 | \$32.07 |

| | | | | | |
|---|----------|----------|--------|--------|-------|
| Total Return, at Net Asset Value¹ | (13.58)% | (25.39)% | 16.84% | 37.62% | 2.86% |
|---|----------|----------|--------|--------|-------|

| Ratios/Supplemental Data | | | | | | |
|--|--|-------------|-------------|-------------|-------------|--------------------|
| Net assets, end of period (in thousands) | | \$3,510,800 | \$5,404,510 | \$8,367,040 | \$7,072,718 | \$4,168,498 |
| Average net assets (in thousands) | | \$4,607,653 | \$6,630,335 | \$7,628,232 | \$5,930,303 | \$4,122,775 |
| Ratios to average net assets: ² | | | | | | |
| Net investment income (loss) | | (0.25)% | (0.29)% | (0.22)% | (0.26)% | 0.06% |
| Expenses | | 1.75% | 1.61% | 1.66% | 1.66% | 1.66% ³ |
| Portfolio turnover rate | | 78% | 76% | 73% | 72% | 81% |

1. Assumes an investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Sales charges are not reflected in the total returns. Total returns are not annualized for periods of less than one full year.

2. Annualized for periods of less than one full year.

3. Expense ratio has been calculated without adjustment for the reduction to custodian expenses.

See accompanying Notes to Financial Statements.

| Class C | Year Ended August 31, | 2002 | 2001 | 2000 | 1999 | 1998 |
|--|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Per Share Operating Data | | | | | | |
| Net asset value, beginning of period | | \$31.33 | \$44.50 | \$42.41 | \$32.07 | \$33.64 |
| Income (loss) from investment operations: | | | | | | |
| Net investment income (loss) | | (.11) | (.11) | (.08) | (.09) | .03 |
| Net realized and unrealized gain (loss) | | (4.14) | (10.96) | 6.65 | 11.93 | .98 |
| Total from investment operations | | (4.25) | (11.07) | 6.57 | 11.84 | 1.01 |
| Dividends and/or distributions to shareholders: | | | | | | |
| Dividends from net investment income | | — | — | — | — | (.08) |
| Distributions from net realized gain | | (.05) | (2.10) | (4.48) | (1.50) | (2.50) |
| Total dividends and/or distributions to shareholders | | (.05) | (2.10) | (4.48) | (1.50) | (2.58) |
| Net asset value, end of period | | \$27.03 | \$31.33 | \$44.50 | \$42.41 | \$32.07 |

| | | | | | |
|---|----------|----------|--------|--------|-------|
| Total Return, at Net Asset Value¹ | (13.58)% | (25.42)% | 16.87% | 37.59% | 2.91% |
|---|----------|----------|--------|--------|-------|

| Ratios/Supplemental Data | | | | | | |
|--|-------------|-------------|-------------|-------------|--------------------|--|
| Net assets, end of period (in thousands) | \$1,198,517 | \$1,562,452 | \$2,213,568 | \$1,850,787 | \$1,144,692 | |
| Average net assets (in thousands) | \$1,432,566 | \$1,825,540 | \$2,004,263 | \$1,583,189 | \$1,184,355 | |
| Ratios to average net assets: ² | | | | | | |
| Net investment income (loss) | (0.24)% | (0.29)% | (0.23)% | (0.25)% | 0.07% | |
| Expenses | 1.75% | 1.61% | 1.67% | 1.66% | 1.65% ³ | |
| Portfolio turnover rate | 78% | 76% | 73% | 72% | 81% | |

1. Assumes an investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Sales charges are not reflected in the total returns. Total returns are not annualized for periods of less than one full year.

2. Annualized for periods of less than one full year.

3. Expense ratio has been calculated without adjustment for the reduction to custodian expenses.

See accompanying Notes to Financial Statements.

| Class N | Year Ended August 31, | 2002 | 2001¹ |
|--|------------------------------|----------------|-------------------------|
| Per Share Operating Data | | | |
| Net asset value, beginning of period | | \$ 32.09 | \$34.36 |
| Income (loss) from investment operations: | | | |
| Net investment income | | .12 | .02 |
| Net realized and unrealized loss | | (4.31) | (2.29) |
| Total from investment operations | | (4.19) | (2.27) |
| Dividends and/or distributions to shareholders: | | | |
| Dividends from net investment income | | (.13) | — |
| Distributions from net realized gain | | (.05) | — |
| Total dividends and/or distributions to shareholders | | (.18) | — |
| Net asset value, end of period | | \$27.72 | \$32.09 |
| Total Return, at Net Asset Value² | | (13.15)% | (6.61)% |
| Ratios/Supplemental Data | | | |
| Net assets, end of period (in thousands) | | \$43,464 | \$7,641 |
| Average net assets (in thousands) | | \$28,141 | \$2,672 |
| Ratios to average net assets: ³ | | | |
| Net investment income | | 0.28% | 0.36% |
| Expenses | | 1.24% | 1.16% |
| Portfolio turnover rate | | 78% | 76% |

1. For the period from March 1, 2001 (inception of offering) to August 31, 2001.

2. Assumes an investment on the business day before the first day of the fiscal period (or inception of offering), with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Sales charges are not reflected in the total returns. Total returns are not annualized for periods of less than one full year.

3. Annualized for periods of less than one full year.

See accompanying Notes to Financial Statements.

| Class Y | Year Ended August 31, | 2002 | 2001 | 2000 | 1999 | 1998 |
|--|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Per Share Operating Data | | | | | | |
| Net asset value, beginning of period | | \$ 32.28 | \$ 45.64 | \$ 43.00 | \$ 32.38 | \$ 33.94 |
| Income (loss) from investment operations: | | | | | | |
| Net investment income | | .19 | .17 | .24 | .24 | .38 |
| Net realized and unrealized gain (loss) | | (4.28) | (11.22) | 6.88 | 12.07 | .97 |
| Total from investment operations | | (4.09) | (11.05) | 7.12 | 12.31 | 1.35 |
| Dividends and/or distributions to shareholders: | | | | | | |
| Dividends from net investment income | | (.12) | (.21) | — | (.19) | (.41) |
| Distributions from net realized gain | | (.05) | (2.10) | (4.48) | (1.50) | (2.50) |
| Total dividends and/or distributions to shareholders | | (.17) | (2.31) | (4.48) | (1.69) | (2.91) |
| Net asset value, end of period | | \$28.02 | \$32.28 | \$45.64 | \$43.00 | \$32.38 |

| | | | | | |
|---|----------|----------|--------|--------|-------|
| Total Return, at Net Asset Value¹ | (12.74)% | (24.76)% | 18.00% | 38.84% | 3.88% |
|---|----------|----------|--------|--------|-------|

| Ratios/Supplemental Data | | | | | | |
|---|--|-----------|--------------------|-----------|-----------|--------------------|
| Net assets, end of period (in thousands) | | \$225,298 | \$225,475 | \$260,289 | \$148,397 | \$53,063 |
| Average net assets (in thousands) | | \$227,835 | \$239,222 | \$205,586 | \$ 99,155 | \$36,554 |
| Ratios to average net assets: ² | | | | | | |
| Net investment income | | 0.74% | 0.60% | 0.77% | 0.63% | 1.02% |
| Expenses | | 0.92% | 0.79% ³ | 0.66% | 0.77% | 0.67% ⁴ |
| Expenses, net of reduction to custodian expenses and/or voluntary waiver of transfer agent fees | | 0.78% | 0.73% | 0.66% | 0.77% | 0.67% |
| Portfolio turnover rate | | 78% | 76% | 73% | 72% | 81% |

1. Assumes an investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Sales charges are not reflected in the total returns. Total returns are not annualized for periods of less than one full year.

2. Annualized for periods of less than one full year.

3. Added since August 31, 2001 to reflect expenses before reduction to custodian expenses and voluntary waiver of transfer agent fees.

4. Expense ratio has been calculated without adjustment for the reduction to custodian expenses.

See accompanying Notes to Financial Statements.

1. Significant Accounting Policies

Oppenheimer Main Street Growth & Income Fund (the Fund) is a separate series of Oppenheimer Main Street Funds, Inc., an open-end management investment company registered under the Investment Company Act of 1940, as amended. The Fund's investment objective is to seek a high total return. The Fund's investment advisor is OppenheimerFunds, Inc. (the Manager).

The Fund offers Class A, Class B, Class C, Class N and Class Y shares. Class A shares are sold at their offering price, which is normally net asset value plus a front-end sales charge. Class B, Class C and Class N shares are sold without a front-end sales charge but may be subject to a contingent deferred sales charge (CDSC). Class N shares are sold only through retirement plans. Retirement plans that offer Class N shares may impose charges on those accounts. Class Y shares are sold to certain institutional investors without either a front-end sales charge or a CDSC. All classes of shares have identical rights and voting privileges. Earnings, net assets and net asset value per share may differ by minor amounts due to each class having its own expenses directly attributable to that class. Classes A, B, C and N have separate distribution and/or service plans. No such plan has been adopted for Class Y shares. Class B shares will automatically convert to Class A shares six years after the date of purchase.

The following is a summary of significant accounting policies consistently followed by the Fund.

Securities Valuation. Securities listed or traded on National Stock Exchanges or other domestic or foreign exchanges are valued based on the last sale price of the security traded on that exchange prior to the time when the Fund's assets are valued. In the absence of a sale, the security is valued at the last sale price on the prior trading day, if it is within the spread of the closing bid and asked prices, and if not, at the closing bid price. Securities (including restricted securities) for which quotations are not readily available are valued primarily using dealer-supplied valuations, a portfolio pricing service authorized by the Board of Directors, or at their fair value. Fair value is determined in good faith under consistently applied procedures under the supervision of the Board of Directors. Short-term "money market type" debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value).

Foreign Currency Translation. The accounting records of the Fund are maintained in U.S. dollars. Prices of securities denominated in foreign currencies are translated into U.S. dollars at the closing rates of exchange. Amounts related to the purchase and sale of foreign securities and investment income are translated at the rates of exchange prevailing on the respective dates of such transactions.

The effect of changes in foreign currency exchange rates on investments is separately identified from the fluctuations arising from changes in market values of securities held and reported with all other foreign currency gains and losses in the Fund's Statement of Operations.

Joint Repurchase Agreements. The Fund, along with other affiliated funds of the Manager, may transfer uninvested cash balances into one or more joint repurchase agreement accounts. These balances are invested in one or more repurchase agreements, secured by U.S. government securities. Securities pledged as collateral for repurchase agreements are held by a custodian bank until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal; however, in the event of default by the other party to the agreement, retention of the collateral may be subject to legal proceedings.

Allocation of Income, Expenses, Gains and Losses. Income, expenses (other than those attributable to a specific class), gains and losses are allocated daily to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

Federal Taxes. The Fund intends to continue to comply with provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income, including any net realized gain on investments not offset by capital loss carryforwards, if any, to shareholders. Therefore, no federal income tax provision is required, however, during the year ended August 31, 2002, the Fund paid a federal excise tax of \$71,455.

As of August 31, 2002, the Fund had available for federal income tax purposes an unused capital loss carryforward as follows:

| <u>Expiring</u> | |
|-----------------|---------------|
| 2010 | \$878,523,150 |

As of August 31, 2002, the Fund had approximately \$829,324,000 of post-October losses available to offset future capital gains, if any. Such losses, if unutilized, will expire in 2011. Additionally, the Fund had approximately \$276,000 of post-October foreign currency losses which were deferred.

Dividends and Distributions to Shareholders. Dividends and distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date.

Classification of Dividends and Distributions to Shareholders. Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of dividends and distributions made during the fiscal year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. Also, due to timing of dividends and distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or net realized gain was recorded by the Fund.

1. Significant Accounting Policies Continued

The Fund adjusts the classification of distributions to shareholders to reflect the differences between financial statement amounts and distributions determined in accordance with income tax regulations. Accordingly, during the year ended August 31, 2002, amounts have been reclassified to reflect a decrease in additional paid-in capital of \$71,455, a decrease in undistributed net investment income of \$1,270,195, and a decrease in accumulated net realized loss on investments of \$1,341,650. Net assets of the Fund were unaffected by the reclassifications.

The tax character of distributions paid during the years ended August 31, 2002 and August 31, 2001 was as follows:

| | Year Ended August 31, 2002 | Year Ended August 31, 2001 |
|--------------------------|-------------------------------|-------------------------------|
| Distributions paid from: | | |
| Ordinary income | \$ 15,915,353 | \$ 25,194,383 |
| Long-term capital gain | 23,639,216 | 940,486,713 |
| Return of capital | — | — |
| Total | <u>\$39,554,569</u> | <u>\$965,681,096</u> |

As of August 31, 2002, the components of distributable earnings on a tax basis were as follows:

| | |
|-------------------------------------|---------------------------|
| Undistributed net investment income | \$ 20,383,192 |
| Accumulated net realized loss | (1,775,439,571) |
| Net unrealized appreciation | 139,421,165 |
| Total | <u>\$ (1,615,635,214)</u> |

Investment Income. Dividend income is recorded on the ex-dividend date or upon ex-dividend notification in the case of certain foreign dividends where the ex-dividend date may have passed. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, which includes accretion of discount and amortization of premium, is accrued as earned.

Security Transactions. Security transactions are recorded on the trade date. Realized gains and losses on securities sold are determined on the basis of identified cost.

Other. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

2. Capital Stock

The Fund has authorized 840 million shares of \$.01 par value capital stock. Transactions in shares of capital stock were as follows:

| | Year Ended August 31, 2002 | | Year Ended August 31, 2001 ¹ | |
|---|----------------------------|--------------------------|---|------------------------|
| | Shares | Amount | Shares | Amount |
| Class A | | | | |
| Sold | 57,015,786 | \$ 1,776,402,610 | 55,877,160 | \$ 2,020,164,974 |
| Dividends and/or distributions reinvested | 761,969 | 24,779,385 | 12,142,654 | 438,957,131 |
| Redeemed | (54,472,499) | (1,652,634,451) | (44,357,777) | (1,599,463,447) |
| Net increase | 3,305,256 | \$ 148,547,544 | 23,662,037 | \$ 859,658,658 |
| Class B | | | | |
| Sold | 16,064,824 | \$ 486,429,385 | 23,528,539 | \$ 847,477,675 |
| Dividends and/or distributions reinvested | 241,561 | 7,655,080 | 10,405,252 | 368,555,673 |
| Redeemed | (58,925,314) | (1,763,790,147) | (49,466,088) | (1,733,476,696) |
| Net decrease | (42,618,929) | \$(1,269,705,682) | (15,532,297) | \$(517,443,348) |
| Class C | | | | |
| Sold | 5,601,281 | \$ 168,931,421 | 7,392,877 | \$ 267,612,734 |
| Dividends and/or distributions reinvested | 66,833 | 2,117,929 | 2,790,677 | 98,845,701 |
| Redeemed | (11,204,768) | (331,485,657) | (10,059,172) | (353,026,708) |
| Net increase (decrease) | (5,536,654) | \$ (160,436,307) | 124,382 | \$ 13,431,727 |
| Class N | | | | |
| Sold | 1,587,930 | \$ 49,389,515 | 240,135 | \$ 7,966,494 |
| Dividends and/or distributions reinvested | 2,577 | 83,453 | — | — |
| Redeemed | (260,531) | (7,795,130) | (2,037) | (67,716) |
| Net increase | 1,329,976 | \$ 41,677,838 | 238,098 | \$ 7,898,778 |
| Class Y | | | | |
| Sold | 3,654,159 | \$ 113,685,089 | 3,547,525 | \$ 131,540,535 |
| Dividends and/or distributions reinvested | 36,629 | 1,194,830 | 393,067 | 14,252,627 |
| Redeemed | (2,635,983) | (80,677,547) | (2,658,808) | (96,592,979) |
| Net increase | 1,054,805 | \$ 34,202,372 | 1,281,784 | \$ 49,200,183 |

1. For the year ended August 31, 2001, for Class A, B, C and Y shares and for the period from March 1, 2001 (inception of offering) to August 31, 2001, for Class N shares.

3. Purchases and Sales of Securities

The aggregate cost of purchases and proceeds from sales of securities, other than short-term obligations, for the year ended August 31, 2002, were \$10,184,882,477 and \$11,160,641,583, respectively.

As of August 31, 2002, unrealized appreciation (depreciation) based on cost of securities for federal income tax purposes of \$11,328,850,136 was composed of:

| | |
|-------------------------------|------------------------|
| Gross unrealized appreciation | \$ 1,163,393,711 |
| Gross unrealized depreciation | <u>(1,091,281,823)</u> |
| Net unrealized appreciation | <u>\$ 72,111,888</u> |

The difference between book-basis and tax-basis unrealized appreciation and depreciation, if applicable, is attributable primarily to the tax deferral of losses on wash sales, or return of capital dividends, and the realization for tax purposes of unrealized gain (loss) on certain futures contracts, investments in passive foreign investment companies, and forward foreign currency exchange contracts.

4. Fees and Other Transactions with Affiliates

Management Fees. Management fees paid to the Manager were in accordance with the investment advisory agreement with the Fund which provides for a fee of 0.65% of the first \$200 million of average annual net assets of the Fund, 0.60% of the next \$150 million, 0.55% of the next \$150 million, and 0.45% of average annual net assets in excess of \$500 million.

Transfer Agent Fees. OppenheimerFunds Services (OFS), a division of the Manager, acts as the transfer and shareholder servicing agent for the Fund. The Fund pays OFS a \$19.75 per account fee.

Additionally, Class Y shares are subject to minimum fees of \$5,000 for assets of less than \$10 million and \$10,000 for assets of \$10 million or more. The Class Y shares are subject to the minimum fees in the event that the per account fee does not equal or exceed the applicable minimum fees. OFS may voluntarily waive the minimum fees.

OFS has voluntarily agreed to limit transfer and shareholder servicing agent fees up to an annual rate of 0.25% of average net assets of Class Y shares and for all other classes, up to an annual rate of 0.35% of average net assets of each class. This undertaking may be amended or withdrawn at any time.

Distribution and Service Plan (12b-1) Fees. Under its General Distributor's Agreement with the Manager, OppenheimerFunds Distributor, Inc. (the Distributor) acts as the Fund's principal underwriter in the continuous public offering of the different classes of shares of the Fund.

The compensation paid to (or retained by) the Distributor from the sale of shares or on the redemption of shares is shown in the table below for the period indicated.

| Year Ended | Aggregate Front-End Sales Charges on Class A Shares | Class A Front-End Sales Charges Retained by Distributor | Concessions on Class A Shares Advanced by Distributor ¹ | Concessions on Class B Shares Advanced by Distributor ¹ | Concessions on Class C Shares Advanced by Distributor ¹ | Concessions on Class N Shares Advanced by Distributor ¹ |
|-----------------|---|---|--|--|--|--|
| August 31, 2002 | \$12,400,169 | \$3,335,382 | \$895,178 | \$15,202,153 | \$1,380,111 | \$408,513 |

1. The Distributor advances concession payments to dealers for certain sales of Class A shares and for sales of Class B, Class C and Class N shares from its own resources at the time of sale.

| Year Ended | Class A Contingent Deferred Sales Charges Retained by Distributor | Class B Contingent Deferred Sales Charges Retained by Distributor | Class C Contingent Deferred Sales Charges Retained by Distributor | Class N Contingent Deferred Sales Charges Retained by Distributor |
|-----------------|---|---|---|---|
| August 31, 2002 | \$112,149 | \$12,100,308 | \$142,468 | \$6,564 |

Service Plan for Class A Shares. The Fund has adopted a Service Plan for Class A Shares. It reimburses the Distributor for a portion of its costs incurred for services provided to accounts that hold Class A shares. Reimbursement is made quarterly at an annual rate of up to 0.25% of the average annual net assets of Class A shares of the Fund. For the year ended August 31, 2002, payments under the Class A Plan totaled \$17,613,557, all of which were paid by the Distributor to recipients, and included \$903,757 paid to an affiliate of the Manager. Any unreimbursed expenses the Distributor incurs with respect to Class A shares in any fiscal year cannot be recovered in subsequent years.

Distribution and Service Plans for Class B, Class C and Class N Shares. The Fund has adopted Distribution and Service Plans for Class B, Class C and Class N shares. Under the plans, the Fund pays the Distributor an annual asset-based sales charge of 0.75% per year on Class B shares and on Class C shares and the Fund pays the Distributor an annual asset-based sales charge of 0.25% per year on Class N shares. The Distributor also receives a service fee of 0.25% per year under each plan.

Distribution fees paid to the Distributor for the year ended August 31, 2002, were as follows:

| | Total Payments Under Plan | Amount Retained by Distributor | Distributor's Aggregate Unreimbursed Expenses Under Plan | Distributor's Aggregate Unreimbursed Expenses as % of Net Assets of Class |
|--------------|---------------------------|--------------------------------|--|---|
| Class B Plan | \$46,128,366 | \$35,752,400 | \$73,751,303 | 2.10% |
| Class C Plan | 14,335,613 | 1,548,143 | 23,950,792 | 2.00 |
| Class N Plan | 140,215 | 136,964 | 958,649 | 2.21 |

5. Foreign Currency Contracts

A foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. The Fund may enter into foreign currency contracts for operational purposes and to seek to protect against adverse exchange rate fluctuations. Risks to the Fund include the potential inability of the counterparty to meet the terms of the contract.

The net U.S. dollar value of foreign currency underlying all contractual commitments held by the Fund and the resulting unrealized appreciation or depreciation are determined using foreign currency exchange rates as provided by a reliable bank, dealer or pricing service. Unrealized appreciation and depreciation on foreign currency contracts are reported in the Statement of Assets and Liabilities as a receivable or payable and in the Statement of Operations with the change in unrealized appreciation or depreciation.

The Fund may realize a gain or loss upon the closing or settlement of the foreign currency transactions. Such realized gains and losses are reported with all other foreign currency gains and losses in the Statement of Operations.

As of August 31, 2002, the Fund had outstanding foreign currency contracts as follows:

| Contract Description | Expiration Date | Contract Amount (000s) | Valuation as of August 31, 2002 | Unrealized Appreciation | Unrealized Depreciation |
|-----------------------|-----------------|------------------------|---------------------------------|-------------------------|-------------------------|
| Contracts to Sell | | | | | |
| Canadian Dollar [CAD] | 9/3/02 | 5,137CAD | \$ 3,292,496 | \$ 1,327 | \$ 3,611 |

6. Illiquid Securities

As of August 31, 2002, investments in securities included issues that are illiquid. A security may be considered illiquid if it lacks a readily available market or if its valuation has not changed for a certain period of time. The Fund intends to invest no more than 10% of its net assets (determined at the time of purchase and reviewed periodically) in illiquid securities. The aggregate value of illiquid securities subject to this limitation as of August 31, 2002 was \$1,258,400, which represents 0.01% of the Fund's net assets.

7. Bank Borrowings

The Fund may borrow from a bank for temporary or emergency purposes including, without limitation, funding of shareholder redemptions provided asset coverage for borrowings exceeds 300%. The Fund has entered into an agreement which enables it to participate with other Oppenheimer funds in an unsecured line of credit with a bank, which permits borrowings up to \$400 million, collectively. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Funds Rate plus 0.45%. Borrowings are payable within 30 days after such loan is executed. The Fund also pays a commitment fee equal to its pro rata share of the average unutilized amount of the credit facility at a rate of 0.08% per annum.

The Fund had no borrowings outstanding during the year ended or at August 31, 2002.

**To the Board of Directors and Shareholders of
Oppenheimer Main Street Growth & Income Fund:**

We have audited the accompanying statement of assets and liabilities of Oppenheimer Main Street Growth & Income Fund, a series of Oppenheimer Main Street Funds, Inc., including the statement of investments, as of August 31, 2002, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2002, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Oppenheimer Main Street Growth & Income Fund, a series of Oppenheimer Main Street Funds, Inc., as of August 31, 2002, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Denver, Colorado
September 23, 2002

In early 2003, shareholders of record will receive information regarding all dividends and distributions paid to them by the Fund during calendar year 2002. Regulations of the U.S. Treasury Department require the Fund to report this information to the Internal Revenue Service.

Dividends and distributions of \$0.1188, \$0.0531, \$0.0531, \$0.1764 and \$0.1720 per share were paid to Class A, Class B, Class C, Class N and Class Y shareholders, respectively, on December 7, 2001, of which \$0.0531 was designated as a "capital gain distribution" for federal income tax purposes. Whether received in stock or in cash, the capital gain distribution should be treated by shareholders as a gain from the sale of capital assets held for more than one year (long-term capital gains).

Dividends paid by the Fund during the fiscal year ended August 31, 2002 which are not designated as capital gain distributions should be multiplied by 100% to arrive at the amount eligible for the corporate dividend-received deduction.

The foregoing information is presented to assist shareholders in reporting distributions received from the Fund to the Internal Revenue Service. Because of the complexity of the federal regulations which may affect your individual tax return and the many variations in state and local tax regulations, we recommend that you consult your tax advisor for specific guidance.

DIRECTORS AND OFFICERS

**Name, Address,¹ Age,
Position(s) Held with Fund
and Length of Time Served²**

**Principal Occupation(s) During Past 5 Years / Other Trusteeships/Directorships
Held by Trustee / Number of Portfolios in Fund Complex Currently Overseen
by Director**

INDEPENDENT DIRECTORS

James C. Swain,
Chairman and Director
(since 1988)
Age: 68

Formerly Chief Executive Officer (until August 27, 2002) of the Funds, Vice Chairman (until January 2, 2002) of the Manager (OppenheimerFunds, Inc.) and President and a director (until 1997) of Centennial Asset Management Corporation (a wholly-owned investment advisory subsidiary of the Manager). Oversees 41 portfolios in the OppenheimerFunds complex.

William L. Armstrong,
Director (since 1999)
Age: 65

Chairman of the following private mortgage banking companies: Cherry Creek Mortgage Company (since 1991), Centennial State Mortgage Company (since 1994), The El Paso Mortgage Company (since 1993), Transland Financial Services, Inc. (since 1997); Chairman of the following private companies: Great Frontier Insurance (insurance agency) (since 1995) and Ambassador Media Corporation (since 1984); a director of the following public companies: Storage Technology Corporation (computer equipment company) (since 1991), Helmerich & Payne, Inc. (oil and gas drilling/production company) (since 1992), UNUMProvident (insurance company) (since 1991). Formerly Director of International Family Entertainment (television channel) (1992-1997) and Natec Resources, Inc. (air pollution control equipment and services company) (1991-1995), Frontier Real Estate, Inc. (residential real estate brokerage) (1994-1999), and Frontier Title (title insurance agency) (1995-June 1999); a U.S. Senator (January 1979-January 1991). Oversees 41 portfolios in the OppenheimerFunds complex.

Robert G. Avis,
Director (since 1993)
Age: 71

Formerly Mr. Avis held the following positions: Director and President of A.G. Edwards Capital, Inc. (General Partner of private equity funds) (until February 2001); Chairman, President and Chief Executive Officer of A.G. Edwards Capital, Inc. (until March 2000); Vice Chairman and Director of A.G. Edwards, Inc. and Vice Chairman of A.G. Edwards & Sons, Inc. (its brokerage company subsidiary) (until March 1999); Chairman of A.G. Edwards Trust Company and A.G.E. Asset Management (investment advisor) (until March 1999); and a Director (until March 2000) of A.G. Edwards & Sons and A.G. Edwards Trust Company. Oversees 41 portfolios in the OppenheimerFunds complex.

George C. Bowen,
Director (since 1997)
Age: 65

Formerly (until April 1999) Mr. Bowen held the following positions: Senior Vice President (from September 1987) and Treasurer (from March 1985) of the Manager; Vice President (from June 1983) and Treasurer (since March 1985) of OppenheimerFunds Distributor, Inc. (a subsidiary of the Manager); Senior Vice President (since February 1992), Treasurer (since July 1991) Assistant Secretary and a director (since December 1991) of the Centennial Asset Management Corporation; Vice President (since October 1989) and Treasurer (since April 1986) of HarbourView Asset Management Corporation (an investment advisory subsidiary of the Manager); President, Treasurer and a director (June 1989-January 1990) of Centennial Capital Corporation (an investment advisory subsidiary of the Manager); Vice President and Treasurer (since August 1978) and Secretary (since April 1981) of Shareholder Services, Inc. (a transfer agent subsidiary of the Manager); Vice President, Treasurer and Secretary (since November 1989) of Shareholder Financial Services, Inc. (a transfer agent subsidiary of the

1. The address of each Director is 6803 S. Tucson Way, Centennial, CO 80112-3924.

2. Each Director serves for an indefinite term, until his or her resignation, retirement, death or removal.

George C. Bowen,
Continued

Manager); Assistant Treasurer (since March 1998) of Oppenheimer Acquisition Corp. (the Manager's parent corporation); Treasurer (since November 1989) of Oppenheimer Partnership Holdings, Inc. (a holding company subsidiary of the Manager); Vice President and Treasurer (since July 1996) of Oppenheimer Real Asset Management, Inc. (an investment advisory subsidiary of the Manager); Chief Executive Officer and director (since March 1996) of MultiSource Services, Inc. (a broker-dealer subsidiary of the Manager); Treasurer (since October 1997) of OppenheimerFunds International Ltd. and Oppenheimer Millennium Funds plc (offshore fund management subsidiaries of the Manager). Oversees 41 portfolios in the OppenheimerFunds complex.

Edward L. Cameron,
Director (since 1999)
Age: 63

A member of The Life Guard of Mount Vernon, George Washington's home (since June 2000). Formerly (March 2001–May 2002) Director of Genetic ID, Inc. and its subsidiaries (a privately held biotech company); a partner with PricewaterhouseCoopers LLP (from 1974–1999) (an accounting firm) and Chairman (from 1994–1998), Price Waterhouse LLP Global Investment Management Industry Services Group. Oversees 41 portfolios in the OppenheimerFunds complex.

Jon S. Fossel,
Director (since 1990)
Age: 60

Chairman and Director (since 1998) of Rocky Mountain Elk Foundation (a not-for-profit foundation); and a director (since October 1999) of PR. Pharmaceuticals (a privately held company) and UNUMProvident (an insurance company) (since June 1, 2002). Oversees 41 portfolios in the OppenheimerFunds complex.

Sam Freedman,
Director (since 1996)
Age: 61

A trustee or director of other Oppenheimer funds. Formerly (until October 1994) Mr. Freedman held several positions in subsidiary or affiliated companies of the Manager. Oversees 41 portfolios in the OppenheimerFunds complex.

Beverly L. Hamilton,
Director (since 2002)
Age: 55

Trustee (since 1996) of MassMutual Institutional Funds and of MML Series Investment Fund (open-end investment companies); Director of MML Services (since April 1987) and America Funds Emerging Markets Growth Fund (since October 1991) (both are investment companies), The California Endowment (a philanthropy organization) (since April 2002), and Community Hospital of Monterey Peninsula, (since February 2002); a trustee (since February 2000) of Monterey International Studies (an educational organization), and an advisor to Unilever (Holland)'s pension fund and to Credit Suisse First Boston's Sprout venture capital unit. Mrs. Hamilton also is a member of the investment committees of the Rockefeller Foundation, the University of Michigan and Hartford Hospital. Formerly, Mrs. Hamilton held the following position: President (February 1991–April 2000) ARCO Investment Management Company. Oversees 40 portfolios in the OppenheimerFunds complex.

Robert J. Malone,
Director (since 2002)
Age: 57

Director (since 2001) of Jones Knowledge, Inc. (a privately held company), U.S. Exploration, Inc., (since 1997), Colorado UpLIFT (a non-profit organization) (since 1986) and a trustee of the Gallagher Family Foundation (since 2000). Formerly, Mr. Malone held the following positions: Chairman of U.S. Bank (a subsidiary of U.S. Bancorp and formerly Colorado National Bank,) (July 1996–April 1, 1999) and a director of Commercial Assets, Inc. (1993–2000). Oversees 40 portfolios in the OppenheimerFunds complex.

F. William Marshall, Jr.,
Director (since 2000)
Age: 60

Trustee (since 1996) of MassMutual Institutional Funds and of MML Series Investment Fund (open-end investment companies); Trustee and Chairman (since May 1987) of the investment committee for the Worcester Polytech Institute; President and Treasurer (since January 1999) of the SIS Fund (a private not for profit charitable organization); Trustee (since 1995) of the Springfield Library and Museum Association; Trustee (since 1996) of the Community Music

F. William Marshall, Jr.,
Continued

School of Springfield; member of the investment committee of the Community Foundation of Western Massachusetts (since 1998). Formerly Chairman (January 1999–July 1999) of SIS & Family Bank, F.S.B. (formerly SIS Bank); President, Chief Executive Officer and Director (May 1993–December 1998) of SIS Bankcorp, Inc. and SIS Bank (formerly Springfield Institution for Savings) and Executive Vice President (January 1999–July 1999) of Peoples Heritage Financial Group, Inc. Oversees 41 portfolios in the OppenheimerFunds complex.

**INTERESTED DIRECTOR
AND OFFICER**

John V. Murphy,^{3,4}
President and Director,
Director
(since October 2001)
Age: 53

Chairman, Chief Executive Officer and director (since June 2001) and President (since September 2000) of the Manager; President and a director or trustee of other Oppenheimer funds; President and a director (since July 2001) of Oppenheimer Acquisition Corp. and of Oppenheimer Partnership Holdings, Inc.; a director (since November 2001) of OppenheimerFunds Distributor, Inc.; Chairman and a director (since July 2001) of Shareholder Services, Inc. and of Shareholder Financial Services, Inc.; President and a director (since July 2001) of OppenheimerFunds Legacy Program (a charitable trust program established by the Manager); a director of the following investment advisory subsidiaries of OppenheimerFunds, Inc.: OFI Institutional Asset Management, Inc. and Centennial Asset Management Corporation (since November 2001), HarbourView Asset Management Corporation and OFI Private Investments, Inc. (since July 2001); President (since November 1, 2001) and a director (since July 2001) of Oppenheimer Real Asset Management, Inc.; a director (since November 2001) of Trinity Investment Management Corp. and Tremont Advisers, Inc. (investment advisory affiliates of the Manager); Executive Vice President (since February 1997) of Massachusetts Mutual Life Insurance Company (the Manager's parent company); a director (since June 1995) of DBL Acquisition Corporation; formerly, Chief Operating Officer (September 2000–June 2001) of the Manager; President and trustee (November 1999–November 2001) of MML Series Investment Fund and MassMutual Institutional Funds (open-end investment companies); a director (September 1999–August 2000) of C.M. Life Insurance Company; President, Chief Executive Officer and director (September 1999–August 2000) of MML Bay State Life Insurance Company; a director (June 1989–June 1998) of Emerald Isle Bancorp and Hibernia Savings Bank (a wholly-owned subsidiary of Emerald Isle Bancorp). Oversees 69 portfolios in the OppenheimerFunds complex.

OFFICERS^{5,6}

Charles Albers,
Vice President (since 1998)
Age: 61

Senior Vice President (since April 1998) of the Manager; a Certified Financial Analyst; an officer of 6 portfolios in the OppenheimerFunds complex; formerly a Vice President and portfolio manager for Guardian Investor Services, the investment management subsidiary of The Guardian Life Insurance Company (1972–April 1998).

3. The address of Mr. Murphy is 498 Seventh Avenue, New York, NY 10018.
4. Mr. Murphy serves for an indefinite term, until his resignation, death or removal.
5. The address of each Officer is 498 Seventh Avenue, New York, NY 10018 except for Messrs. Masterson, Vottiero and Wixted and Ms. Ives, whose address is 6803 S. Tucson Way, Centennial, CO 80112-3924.
6. Each Officer serves for an annual term or until his or her resignation, death or removal.

Nikolaos D. Monoyios,
Vice President (since 1998)
Age: 53

Vice President of the Manager (since April 1998); an officer of 4 portfolios in the OppenheimerFunds complex; a Certified Financial Analyst; formerly a Vice President and portfolio manager for Guardian Investor Services, the investment management subsidiary of The Guardian Life Insurance Company (1979–March 1998).

Brian W. Wixted,
Treasurer, Principal Financial
and Accounting Officer
(since April 1999)
Age: 42

Senior Vice President and Treasurer (since March 1999) of the Manager; Treasurer (since March 1999) of HarbourView Asset Management Corporation, Shareholder Services, Inc., Oppenheimer Real Asset Management Corporation, Shareholder Financial Services, Inc., Oppenheimer Partnership Holdings, Inc., OFI Private Investments, Inc. (since March 2000), OppenheimerFunds International Ltd. and Oppenheimer Millennium Funds plc (since May 2000) and OFI Institutional Asset Management, Inc. (since November 2000); Treasurer and Chief Financial Officer (since May 2000) of Oppenheimer Trust Company (a trust company subsidiary of the Manager); Assistant Treasurer (since March 1999) of Oppenheimer Acquisition Corp. and OppenheimerFunds Legacy Program (since April 2000); formerly Principal and Chief Operating Officer (March 1995–March 1999), Bankers Trust Company—Mutual Fund Services Division. An officer of 85 portfolios in the OppenheimerFunds complex.

Philip F. Vottiero,
Assistant Treasurer
(since August 2002)
Age: 39

Vice President/Fund Accounting of the Manager (since March 2002); formerly Vice President/Corporate Accounting of the Manager (July 1999–March 2002) prior to which he was Chief Financial Officer at Sovlink Corporation (April 1996–June 1999). An officer of 72 portfolios in the OppenheimerFunds complex.

Robert G. Zack,
Vice President & Secretary
(since November 2001)
Age: 54

General Counsel (since November 2001) of the Manager; Senior Vice President (since May 1985) and General Counsel (since February 2002) of OppenheimerFunds, Inc.; General Counsel and a director (since November 2001) of OppenheimerFunds Distributor, Inc.; Senior Vice President and General Counsel (since November 2001) of HarbourView Asset Management Corporation; Vice President and a director (since November 2000) of Oppenheimer Partnership Holdings, Inc.; Senior Vice President, General Counsel and a director (since November 2001) of Shareholder Services, Inc., Shareholder Financial Services, Inc., OFI Private Investments, Inc., Oppenheimer Trust Company and OFI Institutional Asset Management, Inc.; a director (since November 2001) of Oppenheimer Real Asset Management, Inc.; Assistant Secretary and a director (since November 2001) of OppenheimerFunds International Ltd.; Vice President (since November 2001) of OppenheimerFunds Legacy Program; Secretary (since November 2001) of Oppenheimer Acquisition Corp.; formerly Acting General Counsel (November 2001–February 2002) and Associate General Counsel (May 1981–October 2001) of the Manager; Assistant Secretary of Shareholder Services, Inc. (May 1985–November 2001), Shareholder Financial Services, Inc. (November 1989–November 2001); OppenheimerFunds International Ltd. and Oppenheimer Millennium Funds plc (October 1997–November 2001). An officer of 85 portfolios in the OppenheimerFunds complex.

Philip T. Masterson,
Assistant Secretary
(since August 2002)
Age: 38

Vice President and Assistant Counsel of the Manager (since July 1998); formerly, an associate with Davis, Graham, & Stubbs LLP (January 1997–June 1998). An officer of 72 portfolios in the OppenheimerFunds complex.

Denis R. Molleur,
Assistant Secretary
(since November 2001)
Age: 44

Vice President and Senior Counsel of the Manager (since July 1999); formerly a Vice President and Associate Counsel of the Manager (September 1995–July 1999). An officer of 82 portfolios in the OppenheimerFunds complex.

Katherine P. Feld,
Assistant Secretary
(since November 2001)
Age: 44

Vice President and Senior Counsel (since July 1999) of the Manager; Vice President (since June 1990) of OppenheimerFunds Distributor, Inc.; Director, Vice President and Secretary (since June 1999) of Centennial Asset Management Corporation; Vice President (since 1997) of Oppenheimer Real Asset Management, Inc.; formerly Vice President and Associate Counsel of the Manager (June 1990-July 1999). An officer of 85 portfolios in the OppenheimerFunds complex.

Kathleen T. Ives,
Assistant Secretary
(since November 2001)
Age: 36

Vice President and Assistant Counsel (since June 1998) of the Manager; Vice President (since 1999) of OppenheimerFunds Distributor, Inc.; Vice President and Assistant Secretary (since 1999) of Shareholder Services, Inc.; Assistant Secretary (since December 2001) of OppenheimerFunds Legacy Program and Shareholder Financial Services, Inc.; formerly Assistant Vice President and Assistant Counsel of the Manager (August 1997-June 1998); Assistant Counsel of the Manager (August 1994-August 1997). An officer of 85 portfolios in the OppenheimerFunds complex.

The Fund's Statement of Additional Information contains additional information about the Fund's Directors and is available without charge upon request.

MANAGEMENT AND OTHER AFFILIATES

A Series of Oppenheimer Main Street Funds, Inc.

Investment Advisor OppenheimerFunds, Inc.

Distributor OppenheimerFunds Distributor, Inc.

Transfer and Shareholder Servicing Agent OppenheimerFunds Services

Independent Auditors Deloitte & Touche LLP

Legal Counsel to the Fund Myer, Swanson, Adams & Wolf, P.C.

Legal Counsel to the Independent Directors Mayer Brown Rowe & Maw

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