

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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FILER

REA GRAHAM FUNDS INC

CIK: **701570** | IRS No.: **953734391** | State of Incorporation: **MD** | Fiscal Year End: **0331**
Type: **N-30D** | Act: **40** | File No.: **811-03434** | Film No.: **96687670**

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REA-GRAHAM BALANCED FUND
10966 Chalon Road, Los Angeles, California 90077
(800) 433-1998 (310) 442-2660

November 30, 1996

Dear Shareholders,

We are pleased to present this Semi-Annual Report and to include an update on performance*.

For fiscal year-to-date (3/31/96 through 11/30/96), our Fund is UP 6.13%. For the trailing 24 months (ending 11/30/96), the Rea-Graham Balanced Fund has gained 22.21% total return. From inception 6/30/76, the Fund has provided investors with a cumulative return of 473.14% -- a compound annual rate of return of 8.93%. These results were achieved with low risk, low volatility, and consistent application of the investment principles of our founding partners, Benjamin Graham and James Rea, Sr.

At September 30, 1996, our Fund held:

26% Common Stocks
26% Medium-Term Treasury Notes
48% Liquid Cash Instruments

During much of this year, we have diligently captured capital gains on portfolio stocks by selling selected issues at a profit. Consequently, the Fund now holds only 17% of assets in common stocks. We view this as a temporary situation. Many of the common stocks held in the portfolio provided superior gains of 30% to 60%. For instance:

<TABLE>
<S> <C>
Fremont General +31% Norwest +46%
KCS Energy +35% Barnett Banks +50%
Keycorp. +43% Fleet Financial +55%
 MBIA +60%
</TABLE>

The good news is our Fund is up nicely this year, and our assets are well protected. Allocation to Treasury Notes (1 to 3 year maturities) has provided income, and the cash portion has temporarily been increased and we anticipate that this strong buying power will be used to purchase both additional stocks and bonds at bargain prices.

When I wrote to Shareholders at this time a year ago, I cautioned that "U.S. stocks provide few bargain opportunities at these levels." If that assessment had merit then, and I believe it did, then U.S. equities are now overvalued and added caution is required.

Our important message is one of safety, coupled with growth and income. Since formation more than 20 years ago, the Rea-Graham Balanced Fund has provided Shareholders with attractive risk-adjusted returns, while at the same time maintaining a track record of asset protection at times when stock prices are falling sharply.

We wish you a happy Holiday Season, and a prosperous New Year.

Sincerely,
/s/ JAMES B. REA, JR
James B. Rea, Jr.
President
Rea-Graham Balanced Fund, Inc.

*Performance information is based on total return including reinvestment of dividend distributions and excluding sales charges.

Pursuant to Rule 304(a) of Regulation S-T, the following narrative description replaces the chart that appears on this page of the Semi-Annual Report:

The chart that appears here is a "mountain chart" that depicts the cumulative change in value of a \$10,000 investment in the Fund made on June 30, 1976, assuming the reinvestment of net investment income and capital gains distributions. For the period ended November 30, 1996, the ending value was \$57,314, which represents a cumulative total return of 473.14% and an annual compound return of 8.93%, measured from June 30, 1976.

The following chart is depicted in conjunction with the mountain chart:

Illustration of an assumed investment of \$10,000* with net investment income and capital gains distributions reinvested.

1996 Fiscal Year-to-Date: +6.13%
(3/31/96 thru 11/30/96)

<TABLE>
<CAPTION>

Period Ended	Total Value
-----	-----
<C>	<C>
06/30/76	\$10,000
12/31/76	\$10,846
12/31/77	\$11,194
12/31/78	\$12,355
12/31/79	\$14,362
12/31/80	\$15,837
12/31/81	\$18,391
08/19/82**	\$18,856
03/31/83	\$23,035
03/31/84	\$23,789
03/31/85	\$26,928
03/31/86	\$34,380
03/31/87	\$37,602
03/31/88	\$38,273
03/31/89	\$41,182
03/31/90	\$43,010
03/31/91	\$43,477
03/31/92	\$46,797
03/31/93	\$49,662
03/31/94	\$48,213
03/31/95	\$48,291
03/31/96	\$54,005
09/30/96	\$56,035
11/30/96	\$57,314

</TABLE>

* Net amount invested. The maximum initial sales charge payable on an investment in the Fund is 4.75%. The public offering price of \$10,000 net investment in the Fund would be \$10,499, assuming no waiver or reduction of sales charges. No adjustment has been made for income taxes payable by shareholders on net investment income or capital gains distributions. The average annual total return for 1, 5, and 10 years ended September 30, 1996 was +6.46%, +4.48% and +4.78%, respectively, reflecting the deduction of the one-time maximum sales charge, deduction of all Fund expenses on an annual basis and assuming that all distributions are reinvested when paid. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their initial cost. The Fund's future performance, as to which there can be no guarantee.

** Pro forma information through April 29, 1982, the date the Fund succeeded to the business of Rea, Graham-Plan Fund.
Initial public offering date was August 19, 1982.

REA-GRAHAM BALANCED FUND
STATEMENT OF INVESTMENTS
SEPTEMBER 30, 1996
(UNAUDITED)

<TABLE>
<CAPTION>

NAME OF ISSUER	NUMBER OF SHARES	VALUE
-----	-----	-----

<S>	<C>	<C>
COMMON STOCKS -- 25.94%		
BANKS -- 7.73%		
Barnett Banks (U.S.A.)....	7,000	\$ 236,250
Fleet Financial (U.S.A.).....	4,000	178,000
Keycorp. (U.S.A.).....	5,386	236,984
Norwest CP (U.S.A.).....	6,000	245,250

		896,484

BEEF SLAUGHTER/PRODUCTS -- 0.80%		
IBP Inc. (U.S.A.).....	4,000	93,000

FINANCIAL SERVICES -- 1.19%		
Advanta Corp. CL. A (U.S.A.).....	3,000	138,000

FLEET MANAGEMENT/ LEASING -- 0.97%		
Rollins Truck Lease (U.S.A.).....	10,000	112,500

INDUSTRIALS -- 4.86%		
AUTO PARTS -- 1.90%		
Excel Industries Inc. (U.S.A.).....	13,000	221,000
SPRING MANUFACTURING -- 2.03%		
Leggett & Platt (U.S.A.).....	8,000	235,000
TIRES -- 0.93%		
Cooper Tire (U.S.A.)....	5,000	108,125

		564,125

<CAPTION>

NAME OF ISSUER	NUMBER OF SHARES	VALUE
-----	-----	-----
<S>	<C>	<C>
INSURANCE/SERVICES -- 1.85%		
MBIA Inc. (U.S.A.).....	2,500	\$ 214,375

JET FUEL/OIL RECOVERY -- 1.01%		
World Fuel Services (U.S.A.).....	7,000	117,250

RESTAURANTS -- 1.17%		
Cracker Barrel.....	6,000	135,750

STORES (RETAIL/WHSL.) -- 0.86%		
Cash American International (U.S.A.).....	14,000	99,750

TECHNOLOGY-ENERGY -- 1.38%		
Wheelabrator Tech (U.S.A.).....	10,500	160,125

UTILITIES -- 4.12%		
Delmarva Pwr & Lt Co. (U.S.A.).....	7,500	153,750
N.Y. State Electric & Gas (U.S.A.).....	5,000	110,000
Nipsco Industries (U.S.A.).....	6,000	214,500

		478,250

TOTAL COMMON STOCKS (Cost \$2,662,047).....		\$3,009,609

</TABLE>

REA-GRAHAM BALANCED FUND
STATEMENT OF INVESTMENTS, CONTINUED
SEPTEMBER 30, 1996
(UNAUDITED)

<TABLE>

<CAPTION>

NAME OF ISSUER	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>
U.S. GOVERNMENT		
OBLIGATIONS -- 75.65%		
LONG-TERM U.S. GOVERNMENT		
OBLIGATIONS -- 25.52%		
U.S. Treasury Note,		
5.375%, 11/30/97.....	\$1,000,000	\$ 994,061
U.S. Treasury Note,		
5.03%, 1/31/98.....	1,000,000	987,812
U.S. Treasury Note,		
5.125%, 12/31/98.....	1,000,000	979,061
		2,960,934
SHORT-TERM U.S.		
GOVERNMENT		
OBLIGATIONS -- 50.13%		
U.S. Treasury Bills,		
5.10%, 10/3/96.....	825,000	824,766
U.S. Treasury Bills,		
5.015%, 10/17/96.....	1,000,000	997,771
U.S. Treasury Bills,		
4.90%, 10/31/96.....	425,000	423,265
U.S. Treasury Bills,		
5.08%, 11/29/96.....	1,275,000	1,264,385

<CAPTION>

NAME OF ISSUER	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>
U.S. Treasury Bills,		
5.17%, 11/29/96.....	2,325,000	\$ 2,305,300
		5,815,487
TOTAL U.S. GOVERNMENT		
OBLIGATIONS (Cost		
\$8,813,365).....		8,776,421
OTHER SHORT-TERM		
INVESTMENTS -- 0.07%		
Chase Institutional		
Money Market (Cost		
\$7,802).....		7,802
TOTAL INVESTMENTS (Cost		
\$11,483,214+) -- 101.66%..		11,793,832
OTHER ASSETS LESS		
LIABILITIES -- (1.66%)...		(192,253)
NET ASSETS -- 100%.....		
		\$11,601,579

</TABLE>

+ Aggregate cost for federal income tax purpose is identical.

See Notes to Financial Statements.

REA-GRAHAM BALANCED FUND
STATEMENT OF ASSETS AND LIABILITIES
SEPTEMBER 30, 1996
(UNAUDITED)

<TABLE>

<S>

ASSETS:

<C>

Investments at value (cost \$11,483,214)	\$11,793,832
Dividends and interest receivable	43,794
Other	6,789

Total assets	11,844,415

LIABILITIES:	
Payables:	
Securities purchased	185,775
Capital shares redeemed	9,841
Accrued expenses and other	47,220

Total liabilities	242,836

NET ASSETS:	
Net assets, equivalent to \$14.90 per share on 778,788 shares outstanding (Note 4)	\$11,601,579
	=====

</TABLE>

REA-GRAHAM BALANCED FUND
STATEMENT OF OPERATIONS
SIX MONTHS ENDED SEPTEMBER 30, 1996
(UNAUDITED)

<TABLE>

<S>

<C>

INVESTMENT INCOME:

Income:

Dividends	\$ 38,041
Interest	234,955
Other	1,436

Total income	274,432

Expenses:

Investment advisory fee (Note 3)	58,509
Distribution fee (Note 3)	20,613
Custodian fees	10,830
Transfer agency fees and expenses	9,525
Administrative expenses	13,974
Registration and filing fees	10,378
Legal	5,259
Audit and accounting	13,537
Recordkeeping and pricing fees	8,895
Directors' fees and meeting expenses	3,982
Printing and postage	7,226
Other	3,105

Total expenses	165,833

Total expenses..... 165,833

Net investment income..... 108,599

REALIZED AND UNREALIZED GAIN ON INVESTMENTS:

Net realized gain on investments	123,576
Unrealized appreciation of investments for the period	199,835

Net gain on investments..... 323,411

Net increase in net assets from operations..... \$ 432,010

</TABLE>

See Notes to Financial Statements.

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REA-GRAHAM BALANCED FUND
STATEMENTS OF CHANGES IN NET ASSETS
(UNAUDITED)

<TABLE>

<CAPTION>

	SIX MONTHS	YEAR ENDED
	ENDED	MARCH 31,
	SEPTEMBER 30,	1996
	1996	
	-----	-----

<S>

<C>

<C>

Increase in Net Assets from Operations:

Net investment income	\$ 108,599	\$ 271,374
-----------------------	------------	------------

Net realized gain on investments.....	123,576	1,056,147
Unrealized appreciation for the period.....	199,835	212,662
	-----	-----
Net increase in net assets from operations.....	432,010	1,540,183
Dividends paid to shareholders from net investment income.....	--	(285,223)
Capital share transactions (Note 4).....	(1,107,517)	(3,219,767)
	-----	-----
Total decrease.....	(675,507)	(1,964,807)
NET ASSETS:		
Beginning of period.....	12,277,086	14,241,893
	-----	-----
End of period (including undistributed net investment income of \$166,932 and \$58,333).....	\$11,601,579	\$12,277,086
	=====	=====

</TABLE>

See Notes to Financial Statements

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REA-GRAHAM BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Rea-Graham Balanced Fund (the Fund) is the only series of shares of Rea-Graham Funds, Inc., a diversified open-end management investment company registered under the Investment Company Act of 1940. It was organized in 1982 to succeed to the business of Rea, Graham-Plan Fund, an investment company organized as a limited partnership which commenced operations June 30, 1976 for the purpose of investing the partners' capital in securities under professional investment management. This succession occurred on April 29, 1982 when the partnership's net assets aggregating \$3,436,275 were transferred to the Fund in exchange for 300,000 shares of the Fund's capital stock. The Fund seeks as its investment objectives medium-term capital growth, income and safety through balanced investments in common stocks, preferred stocks, U.S. Government securities and money market instruments.

The selected financial information, for the periods prior to April 29, 1982 (Note 6), gives effect to the assumed issuance of shares for partners' capital contributions based upon the 300,000 shares issued on April 29, 1982 as described above.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

- (a) Valuation of securities. Investments are stated at value based on latest sales prices reported on national securities exchanges on the last business day of the period. Investments for which no sale is reported, or which are traded over the counter, are valued at the mean between bid and asked prices.
- (b) Income taxes. The Fund intends to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore no provision has been made for federal income taxes.
- (c) Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles 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 increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.
- (d) Other. Securities transactions are recorded on the trade date basis. Interest is accrued as earned and dividend income is recorded on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as information is available to the Fund. Dividends and capital gain distributions to shareholders are recorded on the ex-dividend date.

3. INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Fund retains James Buchanan Rea, Inc. (Adviser) as its investment adviser. Under the terms of the agreement the Adviser receives a monthly fee of 1/12 of 1% of the first \$20,000,000 of the Fund's net assets on the last

business day of the month, 1/12 of .75% of the next \$80,000,000, 1/12 of .5% of the next \$100,000,000, and 1/12 of .45% of monthly net assets in excess of \$200,000,000. The Adviser has agreed to reduce its advisory fee for all expenses (excluding certain defined expenses) in excess of limitations set under applicable state securities laws. No reduction in fee was required for the period ended September 30, 1996.

REA-GRAHAM BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

Pursuant to a Plan of Distribution the Fund pays monthly to James Buchanan Rea, Inc., as Principal Underwriter, a distribution fee equal on an annual basis to 0.35% of the Fund's average daily net assets. There were no additional expenses borne by the Fund pursuant to the Plan of Distribution.

During this period, James Buchanan Rea, Inc. earned commissions of \$55 as principal underwriter and authorized dealer in Fund shares.

4. CAPITAL STOCK

At September 30, 1996, there were 20,000,000 shares of capital stock (\$1 par value) authorized and capital paid-in amounted to \$12,634,328. Transactions in capital stock were as follows:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED SEPTEMBER 30, 1996		YEAR ENDED MARCH 31, 1996	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Sold.....	3,354	\$ 48,647	8,496	\$ 119,521
Issued on reinvestment of dividends.....	--	--	18,700	266,474
Redeemed.....	(79,271)	(1,156,164)	(258,015)	(3,605,762)
Net decrease.....	(75,917)	\$(1,107,517)	(230,819)	\$(3,219,767)

</TABLE>

5. INVESTMENT TRANSACTIONS

During the six months ended September 30, 1996, purchase and sales of investment securities, excluding short-term obligations, were as follows:

<TABLE>
<CAPTION>

	COST OF PURCHASES	PROCEEDS OF SALES
<S>	<C>	<C>
U.S. Government Obligations.....	\$ 0	\$ 999,688
Other securities.....	185,775	297,183
	\$185,775	\$1,296,871

</TABLE>

The aggregate portfolio turnover of the Fund for the six months ended September 30, 1996 was 3%. Portfolio turnover on stocks was 7%. Portfolio turnover on U.S. Government Obligations was 0%.

Realized gains and losses are reported on an identified cost basis. Accumulated undistributed net realized losses at September 30, 1996 were \$1,510,299. Such amounts represent tax basis capital losses which may be carried forward to offset future capital gains. Such losses expire in varying amounts from March 31, 1999 to March 31, 2003.

At September 30, 1996, the aggregate gross unrealized appreciation and (depreciation) of portfolio securities, based on cost for federal income tax purposes, was as follows:

<TABLE>

<S>	<C>
Unrealized appreciation.....	\$ 403,779
Unrealized depreciation.....	(93,161)

</TABLE>

REA-GRAHAM BALANCED FUND
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

6. SELECTED FINANCIAL INFORMATION

<TABLE>

<CAPTION>

	SIX MONTHS ENDED SEPTEMBER 30, 1996	YEARS ENDED MARCH 31,						
		1996	1995	1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE (FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)								
Net asset value, beginning of period.....	\$ 14.36	\$ 13.12	\$ 13.20	\$ 13.68	\$ 13.14	\$ 12.84	\$ 13.56	\$ 13.90
Income from investment operations:								
Net investment income.....	0.15	0.31	0.15	0.07	0.21	0.59	0.75	0.90
Net realized and unrealized gain (loss) on investments.....	0.39	1.24	(0.13)	(0.47)	0.59	0.37	(0.65)	(0.27)
Total from investment operations....	0.54	1.55	0.02	(0.40)	0.80	0.96	0.10	0.63
Less distributions:								
Dividends from net investment income.....	0.00	(0.31)	(0.10)	(0.08)	(0.26)	(0.66)	(0.82)	(0.96)
Dividends from net realized gains.....	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.01)
Total distributions.....	0.00	(0.31)	(0.10)	(0.08)	(0.26)	(0.66)	(0.82)	(0.97)
Net asset value, end of period.....	\$ 14.90	\$ 14.36	\$ 13.12	\$ 13.20	\$ 13.68	\$ 13.14	\$ 12.84	\$ 13.56
RATIOS/SUPPLEMENTAL DATA:								
Net assets, end of period (000's)...	\$11,602	\$12,277	\$14,242	\$17,877	\$24,771	\$28,281	\$34,758	\$43,386
Ratios to average net assets:								
Expenses.....	2.79%*	2.65%	2.52%	2.37%	2.16%	2.06%	2.04%	1.60%
Net investment income.....	1.83%*	2.02%	1.08%	0.49%	1.45%	4.05%	5.27%	5.82%
Aggregate portfolio turnover rate...	3%	223%	93%	106%	87%	109%	100%	125%
Portfolio turnover rate on stocks**.....	7%	88%	36%					
Net asset value adjusted for reinvestment of dividends and distributions:								
Beginning of period.....	\$ 32.58	\$ 29.14	\$ 29.09	\$ 29.97	\$ 28.24	\$ 26.23	\$ 25.95	\$ 24.85
End of period.....	\$ 33.81	\$ 32.58	\$ 29.14	\$ 29.09	\$ 29.97	\$ 28.24	\$ 26.23	\$ 25.95
TOTAL RETURN.....	3.76%	11.81%	0.17%	(2.94)%	6.13%	7.66%	1.08%	4.43%

<CAPTION>

	1989	1988	1987	1986
<S>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE (FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)				
Net asset value, beginning of period.....	\$ 13.83	\$ 15.56	\$ 16.45	\$ 13.65
Income from investment operations:				
Net investment income.....	0.78	0.66	0.43	0.50
Net realized and unrealized gain (loss) on investments.....	0.25	(0.46)	0.98	3.06
Total from investment operations....	1.03	0.20	1.41	3.56
Less distributions:				

Dividends from net investment income.....	(0.68)	(1.03)	(0.47)	(0.53)
Dividends from net realized gains.....	(0.28)	(0.90)	(1.83)	(0.23)
Total distributions.....	(0.96)	(1.93)	(2.30)	(0.76)
Net asset value, end of period.....	\$ 13.90	\$ 13.83	\$ 15.56	\$ 16.45
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (000's)...	\$50,554	\$49,287	\$48,141	\$31,531
Ratios to average net assets:				
Expenses.....	1.43%	1.41%	1.48%	1.50%
Net investment income.....	5.46%	4.82%	3.54%	4.78%
Aggregate portfolio turnover rate...	88%	226%	111%	208%
Portfolio turnover rate on stocks**.....				
Net asset value adjusted for reinvestment of dividends and distributions:				
Beginning of period.....	\$ 23.10	\$ 22.69	\$ 20.73	\$ 16.24
End of period.....	\$ 24.85	\$ 23.10	\$ 22.69	\$ 20.73
TOTAL RETURN.....	7.58%	1.81%	9.45%	27.65%

* Annualized
** Provided for additional information. Portfolio turnover rate on stocks for periods prior to 1995 not available.

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6. SELECTED FINANCIAL INFORMATION (CONTINUED)

<TABLE>

<CAPTION>

	PRO FORMA INFORMATION + (UNAUDITED)						
	YEARS ENDED MARCH 31,		APRIL 30, 1982 TO MARCH 31, 1983	JANUARY 1, TO APRIL 29, 1982	YEARS ENDED DECEMBER 31,		
	1985	1984			1981	1980	1979
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE (FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)							
Net asset value, beginning of period.....	\$ 13.09	\$ 13.89	\$ 11.45	\$11.09	\$ 9.55	\$ 8.66	\$ 7.45
Income from investment operations:							
Net investment income.....	0.46	0.72	0.43	0.05	0.59	0.56	0.30
Net realized and unrealized gain (loss) on investments..	1.12	(0.27)	2.01	0.31	0.95	0.33	0.91
Total from investment operations.....	1.58	0.45	2.44	0.36	1.54	0.89	1.21
Less distributions:							
Dividends from net investment income.....	(0.74)	(0.33)	0.00	0.00	0.00	0.00	0.00
Dividends from net realized gains.....	(0.28)	(0.92)	0.00	0.00	0.00	0.00	0.00
Total distributions.....	(1.02)	(1.25)	0.00	0.00	0.00	0.00	0.00
Net asset value, end of period.....	\$ 13.65	\$ 13.09	\$ 13.89	\$11.45	\$11.09	\$ 9.55	\$ 8.66
RATIOS/SUPPLEMENTAL DATA:							
Net assets, end of period (000's).....	\$13,627	\$ 9,842	\$ 6,863	\$3,436	\$3,200	\$2,631	\$3,063
Ratios to average net assets:							
Expenses.....	2.28%	2.45%	1.50%*	3.62%*	2.70%	3.10%	3.07%
Net investment income.....	4.68%	6.46%	5.49%*	2.90%*	6.48%	3.85%	4.63%
Portfolio turnover rate.....	196%	261%	187%	9%	135%	151%	101%
Net asset value adjusted for							

reinvestment of dividends and distributions:								
Beginning of period.....	\$ 14.35	\$ 13.89	\$ 11.45	\$11.09	\$ 9.55	\$ 8.66	\$ 7.45	
	=====	=====	=====	=====	=====	=====	=====	=====
End of period.....	\$ 16.24	\$ 14.35	\$ 13.89	\$11.45	\$11.09	\$ 9.55	\$ 8.66	
	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL RETURN.....	13.17%	3.31%	21.31%	3.25%	16.13%	10.28%	16.24%	

<CAPTION>

	JUNE 30, 1976 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1976		
	1978	1977	1976
<S>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE (FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)			
Net asset value, beginning of period.....	\$ 6.75	\$ 6.54	\$ 6.03
	-----	-----	-----
Income from investment operations:			
Net investment income.....	0.12	0.18	0.00
Net realized and unrealized gain (loss) on investments..	0.58	0.03	0.51
	-----	-----	-----
Total from investment operations.....	0.70	0.21	0.51
	-----	-----	-----
Less distributions:			
Dividends from net investment income.....	0.00	0.00	0.00
Dividends from net realized gains.....	0.00	0.00	0.00
	-----	-----	-----
Total distributions.....	0.00	0.00	0.00
	-----	-----	-----
Net asset value, end of period.....	\$ 7.45	\$ 6.75	\$ 6.54
	=====	=====	=====
RATIOS/SUPPLEMENTAL DATA:			
Net assets, end of period (000's).....	\$2,169	\$1,458	\$ 1,093
Ratios to average net assets:			
Expenses.....	2.90%	2.77%	4.92%*
Net investment income.....	2.72%	2.98%	--
Portfolio turnover rate.....	135%	148%	22%
Net asset value adjusted for reinvestment of dividends and distributions:			
Beginning of period.....	\$ 6.75	\$ 6.54	\$ 6.03
	=====	=====	=====
End of period.....	\$ 7.45	\$ 6.75	\$ 6.54
	=====	=====	=====
TOTAL RETURN.....	10.37%	3.21%	8.46%

</TABLE>

* Annualized

+ Prepared as if the predecessor partnership (Note 1) had been organized as a corporation on June 30, 1976, the date of commencement of its operations, and had initially issued capital stock at a net asset value of \$6.03 per share.

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PLEASE CONTACT US

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This report must be preceded or
accompanied by the Prospectus of
Rea-Graham Balanced Fund.

REA-GRAHAM
BALANCED FUND
SEMI-ANNUAL REPORT

September 30, 1996