

# 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)

Filing Date: **1996-12-30** | Period of Report: **1996-10-31**  
SEC Accession No. [0000948221-96-000321](#)

([HTML Version](#) on [secdatabase.com](#))

### FILER

#### PORTICO FUNDS INC

CIK: **824612** | IRS No.: **841088256** | State of Incorporation: **WI** | Fiscal Year End: **1031**  
Type: **N-30D** | Act: **40** | File No.: **811-05380** | Film No.: **96688201**

Mailing Address  
*FIRSTAR TRUST COMPANY*  
*615 E. MICHIGAN STREET*  
*LC-2*  
*MILWAUKEE WI 53202*

Business Address  
*FIRSTAR TRUST COMPANY*  
*615 E. MICHIGAN STREET*  
*LC-2*  
*MILWAUKEE WI 53202*  
*4142873524*

OCTOBER 31, 1996

ANNUAL  
REPORT

INSTITUTIONAL CLASS

PORTICO FUNDS

SHORT-TERM  
BOND MARKET FUND

INTERMEDIATE  
BOND MARKET FUND

TAX-EXEMPT  
INTERMEDIATE BOND FUND

BOND  
IMMDEX/TM FUND

NOTICE TO INVESTORS

- Shares of Portico Funds:
  - ARE NOT INSURED BY THE FDIC, the US Government or any other governmental agency;
  - are not bank deposits or obligations of or guaranteed by Firststar Bank, its parent company or its affiliates;
  - are subject to investment risks, including possible loss of principal; and
  - are offered by B.C. Ziegler and Company, member NASD, SIPC, and an independent third-party distributor.
- Firststar Bank affiliates serve as investment adviser, custodian, transfer agent, administrator, and accounting services agent and receive compensation for such services as disclosed in the current prospectus.

TABLE OF CONTENTS

	Page(s)
SHAREOWNER LETTER.....	1-2
CONTROLLING THE ROLLER COASTER RIDE OF INTEREST RATES.....	3-7
LOOKING AHEAD - THE FORECAST.....	7
SHORT-TERM BOND MARKET FUND REVIEW.....	8-9
INTERMEDIATE BOND MARKET FUND REVIEW.....	10-11
TAX-EXEMPT INTERMEDIATE BOND FUND REVIEW.....	12-13
BOND IMMDEX/TM FUND REVIEW.....	14-15
STATEMENT OF ASSETS AND LIABILITIES.....	16
STATEMENT OF OPERATIONS.....	17
STATEMENT OF CHANGES IN NET ASSETS.....	18
FINANCIAL HIGHLIGHTS.....	19-21
SCHEDULE OF INVESTMENTS.....	22-30
NOTES TO FINANCIAL STATEMENTS.....	31-34
REPORT OF INDEPENDENT ACCOUNTANTS.....	35

December 1996

DEAR SHAREOWNER:

INVESTMENT REVIEW

The stock market continued its history-making climb over the past fiscal year, breaking the 6000 mark and leaving the question, "how far will it go?" unanswerable. During this attractive environment for financial assets, all Portico equity funds participated favorably, posting positive rates of return. On the fixed-income side, the trend of interest rates was frustrating and volatile for "interest rate anticipators" reinforcing our commitment to "duration neutral" investing.

Given the roller coaster ride both the equity and fixed-income markets took over the past year, we feel our growth at reasonable prices equity and structured fixed-income management styles can provide our shareowners with a "smoother" ride. We believe our goal of persistency, as we adhere to our twin investment disciplines, eliminates undue surprises. And, as always, we are committed to

seeking above-average, risk-adjusted returns over complete market cycles.

The beginning of November witnessed one of the largest post-election stock market rallies in U.S. history including the sixth biggest point increase ever - and a .3% decline in long-term interest rates. With the election and the uncertainty of how it would affect the markets behind us, it's time to focus on what we think lies ahead.

#### MARKET OUTLOOK

Our economic and market outlook is predicated on the following trends:

1. The economic cycle is "muted" with LONGER, MORE MODERATE EXPANSIONS AND SHORTER, LESS SEVERE RECESSIONS.
2. Historically, the shape of the yield curve is highly correlated with the pace of future economic growth. The "steep" yield curve three years ago accurately forecast 1994's pickup in economic activity while today's "flat" difference between three-month and 10-year interest rates suggests MORE MODERATE GROWTH AHEAD (2-3% real GDP for calendar 1997).
3. Divided government (Democratic administration and Republican congress) improves our long standing outlook for a CYCLICALLY BALANCED FEDERAL BUDGET AND CONTINUED SLOW GROWTH IN GOVERNMENT SPENDING.
4. The 40% of U.S. economic output (Gross Domestic Product or GDP) representing government (24%) and healthcare (16%) will show MODERATE (2-4%) 1997 GROWTH.
5. The "REBIRTH" OF THE AMERICAN CONSUMER, based on rising incomes, record consumer confidence and favorable demographics, will offset weak government and healthcare spending to produce steady GDP growth next year.
6. Despite limited pricing power, CORPORATE PROFITABILITY IS AT RECORD LEVELS (Source: Ed Kerschner, PaineWebber) as wage increases are more than offset by technology-based productivity enhancements. This leads to our forecast of 4-7% S&P 500 earnings per share growth in 1997.
7. Kept in check by global competition, INFLATION, AS MEASURED BY THE CONSUMER PRICE INDEX (CPI), HAS AVERAGED 3% SINCE 1991 AND WE EXPECT A 2-4% RANGE FOR 1997.
8. Since 1926, the S&P 500 STOCK INDEX HAS PROVIDED A +15.4% annual return in years when inflation was in the 2% to 5% range. The last negative calendar year of S&P 500 return in a moderate (2-5%) inflation environment was 1966.
9. THE U.S. MARKETS ARE INCREASINGLY THE MARKETS OF CHOICE FOR GLOBAL INVESTORS with foreign investment in the U.S. stock and bond markets again on the rise.
10. With inflation running at a 3% rate, REAL, OR INFLATION-ADJUSTED, INTEREST RATES RANGE FROM WELL OVER 2% FOR SHORT-TERM RATES TO ALMOST 4% FOR LONG-TERM RATES.

To summarize, we believe a surprisingly resilient consumer will offset weakness in the government and healthcare sectors allowing inflation-adjusted economic growth to remain in its 2% to 4% trendline range. Inflation, restrained by global competition and mitigated by technology-based productivity gains, should remain subdued, increasing at a 2% to 4% annual rate. Moderate economic growth and continued low inflation provide a favorable environment for financial assets.

As always, we appreciate your confidence in the Portico Fund Family and encourage you to read the portfolio reviews that follow.

(PHOTO)  
J. SCOTT HARKNESS, CFA  
Chairman/Chief  
Investment Officer  
Firstar Investment Research & Management Company

(PHOTO)  
MARY ELLEN STANEK, CFA  
President

#### THE ROLLER COASTER RIDE CONTINUES

One word can describe the bond market over the last year - volatile. Concern over prospects for higher inflation caused the 10-Year U.S. Treasury yield to move from a low of 5.5% to a high of 7.1% before ending the fiscal year at 6.3%. (See chart below.) Volatility can test the integrity of a bond fund, sometimes exposing bond market risks that are not readily apparent. This can result in diminished investment returns. However, at Portico our fixed-income management approach is specifically designed to define, measure, and control bond fund risks. A bond fund that performs as expected during volatile times distinguishes

itself with investors who appreciate a "what you see is what you get" philosophy. At the Portico Funds, we strive to educate our investors about realistic return expectations and the risk it takes to achieve those returns.

10-YEAR U.S. TREASURY NOTE						
10/93	4/94	10/94	4/95	10/95	4/96	10/96
5.43%	7.04%	7.81%	7.05%	6.02%	6.67%	6.34%

Source: Bloomberg

Despite the fact that bond funds are often chosen over equity alternatives for income and stability of returns, bond funds are not risk free. Our goal is to help fixed-income investors educate themselves about risks common to many bond funds. We believe that an investor who is knowledgeable about bond fund risks can best choose a fund that meets his or her investment objectives. In this year's annual report to shareowners we will take a closer look at three risks common to bond fund investors: (1) interest rate volatility and the threat of an increase in inflation, (2) the hidden risks of mutual funds which "masquerade" as something they are not and, (3) the credit risk inherent in obligations issued by entities other than the U.S. Treasury.

#### INTEREST RATE RISK AND INFLATION ANXIETY

The key component of risk in a bond fund is the fund's price sensitivity to interest rate changes. Bond prices and bond fund values move inversely with interest rates. As rates rise, prices fall and, conversely, as rates fall, prices rise. Because inflation reduces one's purchasing power and the future value of money invested, interest rates are extremely sensitive to the outlook for inflation. Bond market yields adjust to compensate investors for anticipated future levels of inflation. However, the market has not been particularly successful in accurately predicting the level of inflation over the past three years. As seen in the chart below, the yield on the 10-Year U.S. Treasury Note has gyrated between 5.5% and 8.0% while the Consumer Price Index (inflation) has remained stable in a range of 2.5% to 3.0%.

10-YEAR U.S. TREASURY NOTE AND CONSUMER PRICE INDEX							
	10/93	4/94	10/94	4/95	10/95	4/96	10/96
U.S. Treasury	5.43%	7.04%	7.81%	7.05%	6.02%	6.67%	6.34%
CPI	2.75%	2.36%	2.68%	3.05%	2.74	2.83%	2.80%

Source: Bloomberg

Despite repeated periods of inflation anxiety, higher levels of inflation have failed to materialize. Other bond fund managers that attempt to anticipate the future level of inflation and interest rates have a "tough row to hoe": the chart illustrates how difficult it is for these fund managers to guess correctly. When they guess incorrectly and lengthen or shorten their funds' average maturities (and durations) at the wrong time, the penalty is under-performance. In today's environment of volatile interest rates, we believe their probability of success is no better than the probability of correctly guessing the outcome of a coin toss. We have a different investment philosophy: OUR UNWAVERING APPROACH FOR THE PORTICO BOND FUNDS IS TO ADHERE TO OUR STRUCTURED FIXED-INCOME MANAGEMENT STYLE. Our management approach does not change with the market; we match the interest rate sensitivity (duration) of each fund to that of its benchmark. Thus, keeping risks in line with objectives, our goal for each fund is to outperform its benchmark on a consistent basis before fund expenses.

#### MASQUERADE RISK

Many fixed-income fund managers attempt to enhance performance of their funds by purchasing non-investment grade securities (junk bonds), bonds denominated in foreign currencies or equity hybrid securities such as convertible bonds or preferred stock. These different types of securities may enhance the performance of a fund; however, we believe they introduce risks which are not necessarily commensurate with the objectives of domestic, investment-grade bond funds. As volatility in the market exposes some of these "masquerading" funds, we emphasize the importance of remaining true to objectives. We do not attempt to "mask" the risk of any of our funds. Rather, we control the risks of our portfolios by keeping them duration-neutral, or risk-matched, to their benchmarks at all times. ADDITIONALLY, PORTICO BOND FUNDS, AS A PRACTICE, PURCHASE ONLY INVESTMENT-GRADE FIXED-INCOME SECURITIES DENOMINATED IN U.S. DOLLARS. We strive to offer our investors a "what you see is what you get" family of mutual funds.

In the taxable funds, we offer a menu of bond fund choices, each targeted to a particular maturity segment of the bond market. Portico Short-Term Bond Market Fund is designed for investors with less tolerance for principal volatility. Intermediate maturities are represented by Portico Intermediate Bond Market Fund and for investors seeking tax-exempt income we offer Portico Tax-Exempt Intermediate Bond Fund. Portico Bond IMMDEX/TM Fund utilizes investments in the

full maturity range (from cash investments to thirty-year bonds or longer) to achieve total returns, which we expect will be higher than returns of either the Short-Term Bond Market and Intermediate Bond Market Funds over complete market cycles, but come with additional principal volatility.

PORTICO FAMILY OF FIXED-INCOME FUNDS

	SHORT-TERM BOND FUND ----- Portico Short-Term Bond Market Fund	INTERMEDIATE-TERM BOND FUNDS ----- Portico Intermediate Bond Market Fund	Portico Tax-Exempt Intermediate Bond Fund	LONG-TERM BOND FUND ----- Portico Bond IMMDEX/TM Fund
BENCHMARK	LEHMAN BROTHERS 1-3 YEAR GOV'T./CORP. BOND INDEX	LEHMAN BROTHERS INTERMEDIATE GOV'T./CORP. BOND INDEX	LEHMAN BROTHERS 5-YEAR GENERAL OBLIGATION BOND INDEX	LEHMAN BROTHERS GOV'T./CORP. BOND INDEX
AVERAGE QUALITY OF HOLDINGS<F1>	AA	AA	AAA	AA
AVERAGE MATURITY	2.9 YEARS	4.7 YEARS	4.8 YEARS	9.6 YEARS
DURATION	1.7 YEARS	3.3 YEARS	4.0 YEARS	5.1 YEARS
PRINCIPAL VOLATILITY	LOW	MODERATE	MODERATE	HIGH
EXPECTED REAL OR INFLATION-ADJUSTED RATE OF RETURN	1.0-1.5%	1.5-2.0%	1.5-2.0%	2.5-3.0%

Lehman Brothers is neither a sponsor of nor affiliated with Portico Funds. An investment cannot be made in an index.

Average quality, maturity and duration reflect the portfolio as of October 31, 1996, and will change from time to time in connection with the management of the portfolios pursuant to the policies described in the current prospectus.

<F1> Dollar weighted average quality of portfolio securities held by the Funds.

CREDIT RISK...AVOIDING THE LAND MINES

A third type of risk in the bond market is credit or default risk. Credit risk refers to the ability of an issuer (governments or corporations) to pay interest and principal on a timely basis. Bond Rating agencies, such as Moody's and Standard & Poor's, analyze the bond issuer's financial health and assign a rating to reflect the bond's credit risk. The rating agencies continuously update their rating to reflect the changes in the issuers' financial health. Issuers take these ratings very seriously because an upgrade or downgrade can save or cost the issuer a substantial amount in interest expense. The table below illustrates the rating spectrum of Standard & Poor's:

SECURITY RATING

U.S. Treasury Investment Grade Securities

AAA  
AA  
A  
BBB

Non-Investment Grade Securities

BB  
B  
CCC  
CC  
C

As a security moves down the rating spectrum, its risk of default increases and its value falls on a relative basis, particularly when a security crosses into non-investment grade. Non-investment grade securities can offer higher yields, but with higher yields come higher risks. As a practice, PORTICO BOND FUNDS PURCHASE ONLY INVESTMENT-GRADE RATED SECURITIES.

Corporate bonds can add value to portfolios, but must be carefully analyzed before a decision to purchase the bond is reached. The risk must be in line with the additional marginal expected return. As evidenced in the chart below, there has been a noticeable decline in the credit quality of corporate bonds over the past quarter century. The data for this chart (provided by Lehman Brothers, since the inception of its corporate bond index) shows the number of downgrades by rating agencies has decisively and consistently exceeded the number of

upgrades. This phenomenon has occurred during periods of both economic expansion and recession, during periods of both rising and falling interest rates, and during periods of both yield curve flattening and steepening. Looking at this secular trend shows the difficulty of selecting the "winners" in the corporate credit game. Our fixed-income research team diligently screens the marketplace for opportunities in the corporate bond market that add value while controlling the risk.

QUALITY ANALYSIS OF THE LEHMAN BROTHERS CORPORATE INDEX -  
1973 THROUGH OCTOBER 31, 1996  
% MARKET VALUE

	1973	1975	1977	1979	1981	1983
AAA Index	27.26%	27.58%	25.95%	27.76%	21.58%	8.03%
AA Index	30.69%	27.44%	28.80%	25.46%	26.45%	34.87%
A Index	32.58%	33.27%	33.14%	36.29%	37.75%	37.72%
BBB Index	9.47%	11.70%	12.11%	10.50%	14.22%	19.38%

  

	1985	1987	1989	1991	1993	1995	1996
AAA Index	5.61%	10.25%	15.13%	10.47%	6.66%	4.90%	4.44%
AA Index	36.05%	35.92%	27.26%	21.90%	16.26%	18.20%	19.16%
A Index	39.71%	32.04%	35.39%	44.73%	49.04%	52.48%	52.93%
BBB Index	18.62%	21.79%	22.22%	22.91%	28.03%	24.43%	23.47%

One sector of the corporate bond market where we have found value over the last year is in asset-backed securities, particularly credit card asset-backed securities. An asset-backed is a security that is collateralized by a pool of assets. As an example, a credit card asset-backed security is collateralized by the receivable balances of a specific credit card. These balances are pooled, or grouped together, and sold to institutional investors. The financial press has published numerous articles during 1996 concerning the deterioration of the personal balance sheets of individuals. Headlines such as "Personal Bankruptcies at Record Level" or "Credit Card Charge-offs Soar to Six Year High" have been very misleading, if not outright inaccurate. Although bankruptcies and credit card charge-offs have increased significantly over the past year, those increases have risen from historically low levels in 1994 and 1995 (source: Moody's). Thus, in our opinion, today's absolute levels are only moderate by historical standards. UNLIKE THE CORPORATE BOND MARKET WHERE CREDIT DECLINES HAVE BEEN OCCURRING FOR YEARS, CREDIT CARD ASSET-BACKED SECURITY DOWNGRADES ARE EXTREMELY RARE (source: Standard & Poor's and Moody's). We believe asset-backed securities provide relative value in the debt market due to their high quality and excellent liquidity. Some specific advantages of purchasing asset-backed securities include:

- Almost all senior credit card asset-backed securities are rated AAA.
- Yields are comparable to lower-rated industrial corporate bonds.
- In the unlikely event of severe credit deterioration, there is an "early warning mechanism" - principal is paid early to protect holder from further deterioration.

Asset-backed securities have been an important asset class in the Portico bond funds for many years and we believe these asset-backed investments have contributed favorably to our bond funds' performance.

CONSISTENCY IS THE HALLMARK OF THE PORTICO BOND FUNDS

In the world of bond fund investing, many risks can keep a fund manager from delivering consistent performance: (1) interest rate risk and unanticipated changes to the inflation outlook, (2) the risks inherent in foreign currency movements, equity-like hybrid securities, and non-investment grade securities, and (3) the risks of unanticipated credit quality deterioration. IN THE PORTICO BOND FUNDS, WE STRIVE TO DEFINE, MEASURE AND CONTROL THESE AND OTHER BOND RISKS RESULTING IN CONSISTENT INVESTMENT PERFORMANCE EVEN IN VOLATILE TIMES.

We believe that the bond market is efficient, meaning that over the long run, investors will be rewarded with returns which are in direct proportion to the level of risk they are willing to take. While expected returns are often what attract an investor to an investment, full awareness of the type and magnitude of risk taken to generate those returns is critical in determining if the investment is truly suitable. At Portico, we attempt to calculate and control risks, keeping our bond funds in line with objectives. By being upfront with risks and return expectations, our goal is to produce competitive and consistent investment performance which will help our investors achieve their investment goals. We hope the information and illustrations provided are helpful, as it is our goal to educate our investors so they can make better investment decisions.

LOOKING AHEAD - THE FORECAST

As we look to the year ahead, our expectation is for moderate GDP growth and low inflation. Restrained by global competition and mitigated by technology-based productivity gains, inflation should remain subdued in the 2-4% range. Real or inflation-adjusted yields, at current levels, are attractive by historical standards. While we expect continued volatility, we believe the next year will

be a more favorable one for our bond investors.

We appreciate your continued confidence in the Portico Bond Funds and look forward to continuing to provide you with the benefits of our structured fixed-income investment strategies.

MARY ELLEN STANEK, CFA  
TERESA R. WESTMAN, CFA  
DANIEL A. TRANCHITA, CFA  
WARREN D. PIERSON, CFA  
Portfolio Managers  
Firstar Investment Research & Management Company

SHORT-TERM BOND MARKET FUND  
-----

Portico Short-Term Bond Market Fund seeks to provide an annual rate of total return, comparable to the annual rate of total return of the Lehman Brothers 1-3 Year Government/Corporate Bond Index, before Fund expenses. Of Portico's three taxable fund offerings, we expect the Short-Term Bond Market Bond Fund will have the lowest volatility of principal and correspondingly lower expected total returns over complete market cycles.

A key component of risk in a bond fund is the fund's price sensitivity to interest rate changes. Currently, with a 1.7 year duration, Portico Short-Term Bond Market Fund's interest rate risk is low relative to our other taxable fund offerings and is equivalent to the Lehman Brothers 1-3 Year Government/Corporate Bond Index. We keep the Fund's duration equivalent to its benchmark so that both will react similarly to changes in interest rates. We think this is the best approach as we believe no manager can consistently predict future interest rates. We call this our structured fixed-income management style. Historically, strict adherence to this discipline has resulted in FUND PERFORMANCE THAT IS SIMILAR TO ITS BENCHMARK, EVEN IN VOLATILE MARKETS.

Another key to generating consistent performance over time is our practice of limiting fund investments to dollar-denominated, investment-grade debt securities. While the Fund does own some debt obligations of foreign entities (currently 2%) all are denominated in U.S. dollars. Also, there are no "junk" bonds in the Fund -- all securities in the portfolio are rated investment-grade by Moody's or S&P. This gives the Fund an average quality rating of AA. Finally, we strictly limit the Fund to debt securities only -- the Fund holds no convertible bonds or preferred stock issues which may perform like equity investments. We emphasize the importance of remaining true to the Fund's objectives and strive to offer our investors a "WHAT YOU SEE IS WHAT YOU GET" fixed-income fund.

Currently, corporate and asset-backed securities comprise a significant portion of the Fund, representing 28% and 26%, respectively. Even so, over half of the Fund is rated AAA or higher. We feel these investments offer a higher expected return than U.S. Treasury securities. These investments, however, increase the credit risk in the portfolio. To mitigate this risk, WE CAREFULLY ANALYZE EACH BOND, making sure the risk is appropriate for the additional marginal expected return.

Since Portico Short-Term Bond Market Fund's inception on 12/29/89, we have adhered to the same, disciplined management approach. The past 6+ years have brought us more volatility in the fixed-income markets than many would have expected. THE HALLMARK OF OUR APPROACH HAS BEEN THE FUND'S CONSISTENT PERFORMANCE IN ALL MARKET CLIMATES. Portico Short-Term Bond Market Fund's returns have been in-line with its benchmark in periods of rising interest rates and falling interest rates. Our goal is to continue to deliver this same consistent performance in the future.

(PHOTO)  
MARY ELLEN STANEK, CFA

(PHOTO)  
DANIEL A. TRANCHITA, CFA

PORTFOLIO MANAGER PROFILE  
-----

MARY ELLEN STANEK, CFA, President of Firstar Investment Research & Management Company (FIRMCO) and DANIEL A. TRANCHITA, CFA, Vice President and Portfolio Manager, co-manage the Fund - Mary Ellen since its inception on December 29, 1989 and Dan since January 1, 1993. Mary Ellen has 17 years of investment management experience and was named a Director of FIRMCO in 1992. Prior to joining FIRMCO, she headed the Fixed Income and Quantitative Investment Management Department at Firstar Trust Company. Mary Ellen received her BA from Marquette University in 1978 and her MBA from the University of Wisconsin-Milwaukee in 1984. Dan has been with Firstar since 1989 and has eight years of investment management experience. He received his BA in 1987 and his MBA in 1989 from Marquette University. Mary Ellen and Dan are both Chartered Financial Analysts.

<TABLE>

	12/29/89	10/90	10/91	10/92	10/93	10/94	10/95	10/96
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PORTICO SHORT-TERM BOND MARKET FUND	\$10,000	\$10,464	\$11,865	\$12,966	\$13,833	\$14,035	\$15,290	\$16,177
LEHMAN BROTHERS 1-3 YEAR GOV'T/CORP. BOND INDEX	\$10,000	10,738	\$11,964	\$12,943	\$13,712	\$13,879	\$15,118	\$16,030

This chart assumes an initial investment of \$10,000 made on 12/29/89 (inception). Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced. Returns shown include the reinvestment of all dividends and other distributions. Past performance is not predictive of future performance. Investment return and principal value will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost.

AVERAGE ANNUAL RATE OF RETURN (%)  
FOR PERIODS ENDED OCTOBER 31, 1996

	1 Year	3 Years	5 Years	Since Inception 12/29/89
	-----	-----	-----	-----
PORTICO SHORT-TERM BOND MARKET FUND	5.8	5.4	6.4	7.3
LEHMAN BROTHERS 1-3 YEAR GOV'T./CORP. BOND INDEX<F2>	6.0	5.4	6.0	7.1

<F2> The Lehman Brothers 1-3 Year Gov't./Corp. Bond Index is an unmanaged market value weighted index measuring both principal price changes of, and income provided by, the underlying universe of securities that comprise the index. Securities included in the index must meet the following criteria: fixed as opposed to variable rate; not less than one year to maturity; not more than three years remaining to maturity; and minimum outstanding par value of \$100 million. An investment cannot be made directly in an index.

Effective at the close of business on January 9, 1995, Portico Funds began to offer Series A (retail) shares and Series Institutional shares. Series A shares, unlike the Series Institutional shares, have a 2% maximum sales load and are subject to an annual 0.25% service organization fee. In addition, the purchase price adjustment on the Fund no longer applies to either the Series A or Series Institutional shares. The performance for the Series Institutional shares has been restated to reflect the elimination of the purchase price adjustment. Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced.

SECTOR DISTRIBUTION

10/31/96	
U.S. TREASURY	16%
U.S. GOVERNMENT AGENCY	13%
MORTGAGE-BACKED	9%
FINANCE, BANKING, BROKERAGE	15%
INDUSTRIAL	9%
UTILITY	4%
INTERNATIONAL/YANKEE	2%
ASSET-BACKED	26%
CASH	3%
TAXABLE MUNICIPAL	3%
TOTAL	100%

PORTFOLIO COMPOSITION

10/31/96	
AVERAGE MATURITY	2.9 YEARS
AVERAGE DURATION	1.7 YEARS

QUALITY DISTRIBUTION

10/31/96	
U.S. TREASURY	18%
U.S. GOVERNMENT AGENCY	14%
Aaa	33%
Aa	5%
A	26%
Baa	4%
TOTAL	100%

SEC 30-DAY YIELD

6.04%

TOTAL FUND NET ASSETS

10/31/96  
\$206,308,784



INTERMEDIATE BOND MARKET FUND

Portico Intermediate Bond Market Fund seeks to provide an annual rate of total return comparable to the annual rate of total return of the Lehman Brothers Intermediate Government/Corporate Bond Index, before Fund expenses. We expect the Intermediate Bond Market Fund will have moderate volatility of principal and correspondingly higher expected total returns over complete market cycles.

A key component of risk in a bond fund is the fund's price sensitivity to interest rate changes. Currently, with a 3.3 year duration, Portico Intermediate Bond Market Fund's interest rate risk is moderate relative to our other taxable fund offerings and is equivalent to the Lehman Brothers Intermediate Government/Corporate Bond Index. We keep the Fund's duration equivalent to its benchmark so that both will react similarly to changes in interest rates. We think this is the best approach as we believe no manager can consistently predict future interest rates. We call this our structured fixed-income management style. Historically, strict adherence to this discipline has resulted in FUND PERFORMANCE THAT IS SIMILAR TO ITS BENCHMARK, EVEN IN VOLATILE MARKETS.

Another key to generating consistent performance over time is our practice of limiting fund investments to dollar-denominated, investment-grade debt securities. While the Fund does own some debt obligations of foreign entities (currently 3%) all are denominated in U.S. dollars. Also, there are no "junk" bonds in the Fund -- all securities in the portfolio are rated investment-grade by Moody's or S&P. This gives the Fund an average quality rating of AA. Finally, we strictly limit the Fund to debt securities only -- the Fund holds no convertible bonds or preferred stock issues which may perform like equity investments. We emphasize the importance of remaining true to the Fund's objectives and strive to offer our investors a "WHAT YOU SEE IS WHAT YOU GET" fixed-income fund.

Currently, corporate and asset-backed securities comprise a significant portion of the Fund, representing 37% and 26%, respectively. Even so, over half of the Fund is rated AAA or higher. We feel these investments offer a higher expected return than U.S. Treasury securities. These investments, however, increase the credit risk in the portfolio. To mitigate this risk, WE CAREFULLY ANALYZE EACH BOND, making sure the risk is appropriate for the additional marginal expected return.

Since Portico Intermediate Bond Market Fund's inception on 1/5/93, we have adhered to the same, disciplined management approach. The past 3+ years have brought us more volatility in the fixed-income markets than many would have expected. THE HALLMARK OF OUR APPROACH HAS BEEN THE FUND'S CONSISTENT PERFORMANCE IN ALL MARKET CLIMATES. Portico Intermediate Bond Market Fund's returns have been in-line with it's benchmark in periods of rising interest rates and falling interest rates. Our goal is to continue to deliver this same consistent performance in the future.

(PHOTO)  
MARY ELLEN STANEK, CFA

(PHOTO)  
TERESA R. WESTMAN, CFA

PORTFOLIO MANAGER PROFILE

MARY ELLEN STANEK, CFA, President of Firststar Investment Research & Management Company (FIRMCO) and TERESA R. WESTMAN, CFA, Senior Vice President and Senior Portfolio Manager have co-managed the Fund since its inception on January 5, 1993. Mary Ellen has 17 years of investment management experience and was named a Director of FIRMCO in 1992. Prior to joining FIRMCO, she headed the Fixed Income and Quantitative Investment Management Department at Firststar Trust Company. Mary Ellen received her BA from Marquette University in 1978 and her MBA from the University of Wisconsin-Milwaukee in 1984. Teresa has been with Firststar since 1987 and has nine years of investment management experience. Teresa received her BA from Augustana College in 1985 and her MBA from the University of Chicago in 1991. Mary Ellen and Teresa are both Chartered Financial Analysts.

	1/5/93	10/93	10/94	10/95	10/96
PORTICO INTERMEDIATE BOND MARKET FUND	\$10,000	\$10,858	\$10,670	\$11,978	\$12,669
LEHMAN BROTHERS INTERMEDIATE GOV'T./CORP. BOND INDEX	\$10,000	\$10,844	\$10,635	\$11,968	\$12,663

This chart assumes an initial investment of \$10,000 made on 1/5/93 (inception). Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced. Returns shown include the reinvestment of all dividends and other distributions. Past performance is not predictive of future performance. Investment return and principal value will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost.

AVERAGE ANNUAL RATE OF RETURN (%)  
FOR PERIODS ENDED OCTOBER 31, 1996

	1 Year	3 Years	Since Inception 1/5/93
	-----	-----	-----
PORTICO INTERMEDIATE			
BOND MARKET FUND	5.8	5.3	6.4
LEHMAN BROTHERS INTERMEDIATE			
GOV'T./CORP. BOND INDEX<F3>	5.8	5.3	6.4

<F3> The Lehman Brothers Intermediate Gov't./Corp. Bond Index is an unmanaged market value weighted index measuring both principal price changes of, and income provided by, the underlying universe of securities that comprise the index. Securities included in the index must meet the following criteria: fixed as opposed to variable rate; remaining maturity of one to ten years; minimum outstanding par value of \$100 million; and rated investment grade or higher by Moody's, Standard & Poor's, or Fitch, in that order. An investment cannot be made directly in an index.

Effective at the close of business on January 9, 1995, Portico Funds began to offer Series A (retail) shares and Series Institutional shares. Series A shares, unlike the Series Institutional shares, have a 2% maximum sales load and are subject to an annual 0.25% service organization fee. In addition, the purchase price adjustment on the Fund no longer applies to either the Series A or Series Institutional shares. The performance for the Series Institutional shares has been restated to reflect the elimination of the purchase price adjustment. Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced.

#### SECTOR DISTRIBUTION

10/31/96	
U.S. TREASURY	20%
U.S. GOVERNMENT AGENCY	11%
MORTGAGE-BACKED	1%
FINANCE, BANKING, BROKERAGE	33%
INDUSTRIAL	4%
INTERNATIONAL	3%
ASSET-BACKED	26%
TAXABLE MUNICIPAL	1%
CASH	1%
TOTAL	100%

#### PORTFOLIO COMPOSITION

10/31/96	
AVERAGE MATURITY	4.7 YEARS
AVERAGE DURATION	3.3 YEARS

#### QUALITY DISTRIBUTION

10/31/96	
U.S. TREASURY	21%
U.S. GOVERNMENT AGENCY	10%
Aaa	26%
A	38%
Baa	5%
TOTAL	100%

#### SEC 30-DAY YIELD

6.25%

#### TOTAL FUND NET ASSETS

10/31/96  
\$190,859,687

#### TAX-EXEMPT INTERMEDIATE BOND FUND

Portico Tax-Exempt Intermediate Bond Fund seeks to provide current income exempt from federal income taxes and emphasizes total return with relatively low volatility of principal. The Fund currently has an average quality rating of AAA with a 4.8 year average maturity. Thus, we expect it to display less principal volatility than the typical municipal bond fund which, according to Lipper Analytical Services, has an average maturity of 19 years. Currently, the Fund does not buy any issues which are subject to the alternative minimum tax.

After a considerably volatile journey, the municipal bond market ended the last twelve months surprisingly close to where it started. Five-year municipal bond yields rose less than 20 basis points to 4.50% from 4.35%. Portico Tax-Exempt Intermediate Bond Fund weathered the market's volatility with solid performance resulting from its unique position in the short-to-intermediate-term sector of the municipal bond market, careful security selection and strategic yield curve positioning.

Emphasizing short and intermediate municipal securities helped the Fund maintain a stable value relative to the municipal market and to the fixed-income market

as a whole.

Careful selection of securities has kept the Fund on track despite swift changes in interest rates that tested the integrity of many bond funds over the past few months. An emphasis on bonds with well-defined maturities and superior credit quality has guided the Fund safely through the market's unease. As of October 31, 1996, less than 8% of the bonds held by the Fund were subject to call features, while over 72% were secured with U.S. Treasury issues (prerefunded bonds).

An "all weather" yield curve positioning strategy also played an important part in the Fund's performance this year. Unlike the Treasury yield curve which steepened over the past twelve months, the municipal yield curve flattened modestly. We believe our concentration of maturities in the 4-5 year range, along with selective holdings in the 10-15 year range, contributed significantly to the Fund's performance.

(PHOTO)  
WARREN D. PIERSON, CFA

PORTFOLIO MANAGER PROFILE

WARREN D. PIERSON, CFA, Vice President and Portfolio Manager of Firststar Investment Research & Management Company (FIRMCO) has managed the Fund since June 22, 1993. Since joining Firststar in 1985, his responsibilities have included trading government and government agency issues, as well as money market instruments. His current portfolio management responsibilities focus on the tax-exempt bond market. Warren received his BA from Lawrence University in 1984. He is a Chartered Financial Analyst, as well as a member of the Association for Investment Management and Research and the Milwaukee Investment Analysts Society.

	2/8/93	10/93	10/94	10/95	10/96
PORTICO TAX-EXEMPT INTERMEDIATE BOND FUND	\$10,000	\$10,536	\$10,459	\$11,440	\$11,900
LEHMAN BROTHERS 5 YEAR GENERAL OBLIGATION BOND INDEX	\$10,000	\$10,557	\$10,499	\$11,586	\$12,143

This chart assumes an initial investment of \$10,000 made on 2/8/93 (inception). Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced. Returns shown include the reinvestment of all dividends and other distributions. Past performance is not predictive of future performance. Investment return and principal value will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost.

AVERAGE ANNUAL RATE OF RETURN (%)  
FOR PERIODS ENDED OCTOBER 31, 1996

	1 Year	3 Years	Since Inception 2/8/93
	-----	-----	-----
PORTICO TAX-EXEMPT INTERMEDIATE BOND FUND	4.0	4.1	4.8
LEHMAN BROTHERS 5 YEAR GENERAL OBLIGATION BOND INDEX<F4>	4.8	4.8	5.5

<F4> The Lehman Brothers 5 Year General Obligation Bond Index, an unmanaged index, is a total return performance benchmark for the investment-grade tax-exempt bond market. To be included in this index, a municipal bond must be a state or local General Obligation bond; have a minimum credit rating of at least Baa; have been issued as part of an offering of at least \$50 million; have a maturity amount outstanding of at least \$3 million; have been issued within the last five years; and have a maturity of 4 to 6 years. An investment cannot be made directly in an index.

Effective at the close of business on January 9, 1995, Portico Funds began to offer Series A (retail) shares and Series Institutional shares. Series A shares, unlike the Series Institutional shares, have a 2% maximum sales load and are subject to an annual 0.25% service organization fee. Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced.

SECTOR DISTRIBUTION

10/31/96	
GENERAL OBLIGATIONS	5%
ESCROWED/PREREFUNDED	72%
INSURED	9%
REVENUE	10%
CASH	4%
TOTAL	100%

QUALITY DISTRIBUTION

10/31/96	
Aaa	92%
Aa	5%
A	3%
TOTAL	100%

PORTFOLIO COMPOSITION

10/31/96	
AVERAGE MATURITY	4.8 YEARS
AVERAGE DURATION	4.0 YEARS

SEC 30-DAY YIELD

4.26%

TOTAL FUND NET ASSETS

10/31/96  
\$47,341,982

BOND IMMDEX/TM FUND

-----

Portico Bond IMMDEX/TM Fund seeks to provide an annual rate of total return comparable to the annual rate of total return of the Lehman Brothers Government/Corporate Bond Index, before Fund expenses. Of Portico's three taxable fund offerings, we expect Bond IMMDEX/TM Fund will have the highest volatility of principal and commensurately higher expected total returns over complete market cycles.

A key component of risk in a bond fund is the fund's price sensitivity to interest rate changes. Currently, with a 5.1 year duration, Portico Bond IMMDEX/TM Fund's interest rate risk is high relative to our other taxable fund offerings, but is equivalent to the Lehman Brothers Government/Corporate Bond Index. We keep the Fund's duration equivalent to its benchmark so that both will react similarly to changes in interest rates. We think this is the best approach as we believe no manager can consistently predict future interest rates. We call this our structured fixed income management style. Historically, strict adherence to this discipline has resulted in fund performance that is similar to its benchmark, even in volatile markets.

Another key to generating consistent performance over time is our practice of limiting fund investments to dollar-denominated, investment-grade debt securities. While the Fund does own some debt obligations of foreign entities (currently 3%) all are denominated in U.S. dollars. Also, there are no "junk" bonds in the Fund -- all securities in the portfolio are rated investment-grade by Moody's or S&P. This gives the Fund an average quality rating of AA. Finally, we strictly limit the Fund to debt securities only -- the Fund holds no convertible bonds or preferred stock issues which may perform like equity investments. We emphasize the importance of remaining true to the Fund's objectives and strive to offer our investors a "what you see is what you get" fixed-income fund.

Currently, corporate and asset-backed securities comprise a significant portion of the Fund, representing 42% and 20%, respectively. Even so, over half of the Fund is rated AAA or higher. We feel these investments offer a higher expected return than U.S. Treasury securities. These investments, however, increase the credit risk in the portfolio. To mitigate this risk, we carefully analyze each bond, making sure the risk is appropriate for the additional marginal expected return.

Since Portico Bond IMMDEX/TM Fund's inception on 12/29/89, we have adhered to the same, disciplined management approach. The past 6+ years have brought us more volatility in the fixed-income markets than many would have expected. The hallmark of our approach has been the Fund's consistent performance in all market climates. Portico Bond IMMDEX's returns have been in-line with its benchmark in periods of rising interest rates and falling interest rates. Our goal is to continue to deliver this same consistent performance in the future.

(PHOTO)  
MARY ELLEN STANEK, CFA

(PHOTO)  
TERESA R. WESTMAN, CFA

PORTFOLIO MANAGER PROFILE

-----

MARY ELLEN STANEK, CFA, President of Firstar Investment Research & Management Company (FIRMCO) and TERESA R. WESTMAN, CFA, Senior Vice President and Senior Portfolio Manager have co-managed the Fund - Mary Ellen since its inception on December 29, 1989 and Teresa since January 1, 1992. Mary Ellen has 17 years of investment management experience and was named a Director of FIRMCO in 1992. Prior to joining FIRMCO, she headed the Fixed Income and Quantitative Investment Management Department at Firstar Trust Company. Mary Ellen received her BA from Marquette University in 1978 and her MBA from the University of Wisconsin-Milwaukee in 1984. Teresa has been with Firstar since 1987 and has nine years of investment management experience. Teresa received her BA from Augustana College in 1985 and her MBA from the University of Chicago in 1991. Mary Ellen and Teresa are both Chartered Financial Analysts.

<TABLE>	12/29/89	10/90	10/91	10/92	10/93	10/94	10/95	10/96
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PORTICO BOND IMMDEX/TM FUND	\$10,000	\$10,421	\$12,105	\$13,376	\$15,154	\$14,565	\$16,934	\$17,840
LEHMAN BROTHERS GOV'T/CORP. BOND INDEX	\$10,000	\$10,440	\$12,045	\$13,312	\$15,126	\$14,424	\$16,755	\$17,658

This chart assumes an initial investment of \$10,000 made on 12/29/89 (inception). Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced. Returns shown include the reinvestment of all dividends and other distributions. Past performance is not predictive of future performance. Investment return and principal value will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost.

AVERAGE ANNUAL RATE OF RETURN (%)  
FOR PERIODS ENDED OCTOBER 31, 1996

	1 Year	3 Years	5 Years	Since Inception 12/29/89
PORTICO BOND IMMDEX/TM FUND	5.4	5.6	8.1	8.8
LEHMAN BROTHERS GOV'T/CORP. BOND INDEX<F5>	5.4	5.3	8.0	8.7

<F5> The Lehman Brothers Gov't./Corp. Bond Index is an unmanaged market value weighted index measuring both principal price changes of, and income provided by, the underlying universe of securities that comprise the index. Securities included in the index must meet the following criteria: fixed as opposed to variable rate; not less than one year to maturity; minimum out standing par value of \$100 million; and rated investment grade or higher by Moody's, Standard & Poor's, or Fitch, in that order. An investment cannot be made directly in an index.

Effective at the close of business on January 9, 1995, Portico Funds began to offer Series A (retail) shares and Series Institutional shares. Series A shares, unlike the Series Institutional shares, have a 2% maximum sales load and are subject to an annual 0.25% service organization fee. In addition, the purchase price adjustment on the Fund no longer applies to either the Series A or Series Institutional shares. The performance for the Series Institutional shares has been restated to reflect the impact of the sales charge (and the elimination of the purchase price adjustment). The performance for the Series Institutional shares has been restated to reflect the elimination of the purchase price adjustment. Prior to January 10, 1995, Series A performance does not reflect the service organization fees. If service organization fees had been reflected, performance would be reduced. Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced.

SECTOR DISTRIBUTION

10/31/96	
U.S. TREASURY	30%
U.S. GOVERNMENT AGENCY	2%
MORTGAGE-BACKED	1%
FINANCE, BANKING, BROKERAGE	34%
INDUSTRIAL	6%
UTILITY	2%
INTERNATIONAL	3%
ASSET-BACKED	20%
TAXABLE MUNICIPAL	1%
CASH	1%
TOTAL	100%

PORTFOLIO COMPOSITION

10/31/96	
AVERAGE MATURITY	9.6 YEARS
AVERAGE DURATION	5.1 YEARS

QUALITY DISTRIBUTION

10/31/96	
U.S. TREASURY	31%
U.S. GOVERNMENT AGENCY	2%
Aaa	21%
Aa	2%
A	35%
Baa	9%
TOTAL	100%

SEC 30-DAY YIELD

6.50%

TOTAL FUND NET ASSETS  
10/31/96  
\$413,227,235

STATEMENT OF ASSETS AND LIABILITIES  
(Amounts in thousands, except per share data)  
October 31, 1996

	SHORT-TERM BOND MARKET FUND	INTERMEDIATE BOND MARKET FUND	TAX-EXEMPT INTERMEDIATE BOND FUND	BOND IMMDEX/TM FUND
	-----	-----	-----	-----
<b>ASSETS:</b>				
Investments, at value (cost \$203,818, \$185,963, \$46,020 and \$395,854, respectively)	\$203,527	\$187,780	\$ 46,530	\$406,499
Interest receivable	2,707	3,194	807	6,777
Capital shares sold	353	14	51	215
Other assets	14	18	5	13
	-----	-----	-----	-----
Total Assets	206,601	191,006	47,393	413,504
	-----	-----	-----	-----
<b>LIABILITIES:</b>				
Payable for securities purchased	-	-	-	57
Capital shares redeemed	147	7	2	3
Payable to affiliates	92	85	31	150
Accrued expenses	53	54	18	67
	-----	-----	-----	-----
Total Liabilities	292	146	51	277
	-----	-----	-----	-----
<b>NET ASSETS</b>	<b>\$206,309</b>	<b>\$190,860</b>	<b>\$ 47,342</b>	<b>\$413,227</b>
	=====	=====	=====	=====
<b>NET ASSETS CONSIST OF:</b>				
Capital stock	\$208,043	\$190,015	\$ 46,916	\$403,535
Undistributed net investment income	92	89	15	197
Undistributed accumulated net realized (losses)	(1,535)	(1,061)	(99)	(1,150)
Unrealized net appreciation (depreciation) on investments	(291)	1,817	510	10,645
	-----	-----	-----	-----
Total Net Assets	\$206,309	\$190,860	\$ 47,342	\$413,227
	=====	=====	=====	=====
<b>SERIES A:</b>				
Net assets	\$ 58,843	\$ 17,392	\$ 10,690	\$ 42,671
Shares authorized (\$ .0001 par value)	500,000	500,000	500,000	500,000
Shares issued and outstanding	5,738	1,707	1,047	1,549
Net asset value and redemption price per share <F10>	\$10.25	\$10.19	\$10.21	\$27.54
	=====	=====	=====	=====
Maximum offering price per share <F10>	\$10.46	\$10.40	\$10.42	\$28.10
	=====	=====	=====	=====
<b>SERIES INSTITUTIONAL:</b>				
Net assets	\$147,466	\$173,468	\$ 36,652	\$370,556
Shares authorized (\$ .0001 par value)	500,000	500,000	500,000	500,000
Shares issued and outstanding	14,381	17,030	3,589	13,452
Net asset value, redemption price and offering price per share <F10>	\$10.25	\$10.19	\$10.21	\$27.55
	=====	=====	=====	=====

<F10> Amounts may not recalculate due to rounding.

See notes to the financial statements.

STATEMENT OF OPERATIONS  
(Amounts in thousands)  
Year Ended October 31, 1996

	SHORT-TERM BOND MARKET FUND	INTERMEDIATE BOND MARKET FUND	TAX-EXEMPT INTERMEDIATE BOND FUND	BOND IMMDEX/TM FUND
INVESTMENT INCOME:				
Interest income	\$11,888	\$10,798	\$1,891	\$23,909
EXPENSES:				
Investment advisory fees	1,109	850	199	1,077
Administration fees	211	194	46	410
Shareowner servicing and accounting costs	142	103	76	130
Service organization fees - Series A	134	36	23	82
Custody fees	35	33	13	67
Federal and state registration fees	37	30	12	54
Professional fees	26	21	18	24
Reports to shareowners	38	10	9	19
Amortization of organization costs	-	3	3	-
Directors' fees and expenses	6	6	5	6
Other	4	4	3	8
Total expenses before waiver	1,742	1,290	407	1,877
Less: Waiver of expenses	(684)	(404)	(184)	(253)
Net expenses	1,058	886	223	1,624
NET INVESTMENT INCOME	10,830	9,912	1,668	22,285
REALIZED AND UNREALIZED GAIN (LOSS):				
Net realized gain (loss) on investment transactions	92	773	43	(167)
Change in unrealized appreciation (depreciation) on investments	(1,102)	(1,245)	(88)	(2,584)
Net loss on investments	(1,010)	(472)	(45)	(2,751)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 9,820	\$ 9,440	\$1,623	\$19,534

See notes to the financial statements.

STATEMENT OF CHANGES IN NET ASSETS  
(Amounts in thousands)

	SHORT-TERM BOND MARKET FUND		INTERMEDIATE BOND MARKET FUND	
	Year ended Oct. 31, 1996	Year ended Oct. 31, 1995	Year ended Oct. 31, 1996	Year ended Oct. 31, 1995
OPERATIONS:				
Net investment income	\$ 10,830	\$ 7,887	\$ 9,912	\$ 6,720
Net realized gain (loss) on investments	92	(329)	773	(417)
Change in unrealized appreciation (depreciation) on investments	(1,102)	3,275	(1,245)	6,232
Net increase (decrease) in net assets resulting from operations	9,820	10,833	9,440	12,535

CAPITAL SHARE TRANSACTIONS:				
Shares sold	103,118	47,914	84,747	61,490
Shares issued to owners in reinvestment of dividends	9,114	6,375	6,299	4,371
Shares redeemed	(47,577)	(37,051)	(40,206)	(19,569)
Net increase in net assets resulting from capital share transactions	64,655	17,238	50,840	46,292
DISTRIBUTIONS TO SHAREOWNERS <F11>:				
From net investment income	-	(1,426)	-	(1,081)
From net realized gains	-	-	-	-
	-	(1,426)	-	(1,081)
DISTRIBUTIONS TO SERIES A SHAREOWNERS F11>:				
From net investment income	(3,056)	(2,191)	(816)	(475)
DISTRIBUTIONS TO SERIES INSTITUTIONAL SHAREOWNERS <F11>:				
From net investment income	(7,799)	(4,133)	(9,121)	(5,060)
TOTAL INCREASE IN NET ASSETS	63,620	20,321	50,343	52,211
NET ASSETS:				
Beginning of year	142,689	122,368	140,517	88,306
End of year (including undistributed net investment income of \$92, \$119, \$89, \$112, \$15, \$20, \$197 and \$261, respectively)	\$206,309	\$142,689	\$190,860	\$140,517

STATEMENT OF CHANGES IN NET ASSETS (continued)  
(Amounts in thousands)

	TAX-EXEMPT INTERMEDIATE BOND FUND		BOND IMMDEX/TM FUND	
	Year ended Oct. 31, 1996	Year ended Oct. 31, 1995	Year ended Oct. 31, 1996	Year ended Oct. 31, 1995
OPERATIONS:				
Net investment income	\$ 1,668	\$ 1,332	\$ 22,285	\$ 18,025
Net realized gain (loss) on investments	43	8	(167)	(890)
Change in unrealized appreciation (depreciation) on investments	(88)	1,367	(2,584)	24,964
Net increase (decrease) in net assets resulting from operations	1,623	2,707	19,534	42,099
CAPITAL SHARE TRANSACTIONS:				
Shares sold	24,183	16,278	142,933	72,259
Shares issued to owners in reinvestment of dividends	738	676	19,366	17,191
Shares redeemed	(12,833)	(9,203)	(58,472)	(56,782)
Net increase in net assets resulting from capital share transactions	12,088	7,751	103,827	32,668
DISTRIBUTIONS TO SHAREOWNERS <F11>:				
From net investment income	-	(228)	-	(3,950)
From net realized gains	-	-	-	(404)



	-	(228)	-	(4,354)
DISTRIBUTIONS TO SERIES A SHAREOWNERS <F11>:				
From net investment income	(371)	(238)	(1,987)	(910)
DISTRIBUTIONS TO SERIES INSTITUTIONAL SHAREOWNERS <F11>:				
From net investment income	(1,304)	(853)	(20,296)	(14,132)
TOTAL INCREASE IN NET ASSETS	12,036	9,139	101,078	55,371
NET ASSETS:				
Beginning of year	35,306	26,167	312,149	256,778
End of year (including undistributed net investment income of \$92, \$119, \$89, \$112, \$15, \$20, \$197 and \$261, respectively)	\$47,342	\$35,306	\$413,227	\$312,149

<F11>On January 9, 1995, all previously existing series of shares of each Fund were reclassified as Series A shares. Effective on January 9, 1995, Institutional shareowners exchanged their Series A shares for the Funds' Institutional series shares. Distributions to shareowners from net investment income and net realized gains reflect activity for the Funds for the period November 1, 1994, through January 9, 1995, and for each Fund's respective class of Shares for the period from January 10, 1995, through October 31, 1996.

See notes to the financial statements.

<TABLE>  
FINANCIAL HIGHLIGHTS  
<CAPTION>

Per Share Data:	SHORT-TERM BOND MARKET FUND						
	Year ended October 31, 1996		Year ended October 31, 1995<F14>		Year ended October 31, 1994 1993 1992<F13>		
	Series A	Series Inst'l.	Series A	Series Inst'l.	1994	1993	1992<F13>
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$10.28	\$10.28	\$10.03	\$10.03	\$10.56	\$10.60	\$10.33
Income from investment operations:							
Net investment income <F15>	0.58<F20>	0.61<F20>	0.61	0.63	0.56	0.58	0.64
Net realized and unrealized gains (losses) on securities	(0.03)	(0.03)	0.24	0.24	(0.41)	0.10	0.29
Total from investment operations	0.55	0.58	0.85	0.87	0.15	0.68	0.93
Less distributions:							
Dividends from net investment income	(0.58)	(0.61)	(0.60)	(0.62)	(0.56)	(0.58)	(0.64)
Distributions from capital gains	-	-	-	-	(0.12)	(0.14)	(0.02)
Total distributions	(0.58)	(0.61)	(0.60)	(0.62)	(0.68)	(0.72)	(0.66)
Net asset value, end of period	\$10.25	\$10.25	\$10.28	\$10.28	\$10.03	\$10.56	\$10.60
Total return <F16><F17>	5.54%	5.80%	8.74%	8.95%	1.46%	6.70%	9.28%
Supplemental data and ratios:							
Net assets, in thousands, end of period	\$58,843	\$147,466	\$47,730	\$94,959	\$122,368	\$142,518	\$129,409
Ratio of net expenses to average net assets <F18>	0.75%	0.50%	0.69%	0.50%	0.50%	0.52%	0.60%
Ratio of net investment income to average net assets <F18>	5.67%	5.92%	6.04%	6.23%	5.43%	5.53%	6.00%
Portfolio turnover rate <F19>	59.62%	59.62%	100.58%	100.58%	76.13%	87.62%	82.20%

<FN>  
<F12>Commencement of operations.

<F13>Effective February 3, 1992, FIRMCO assumed the investment advisory responsibilities of Firststar Trust Company.

<F14>On January 9, 1995, all previously existing series of shares of each Fund were reclassified as Series A shares. Effective on January 9, 1995, Institutional shareowners exchanged their Series A shares for the Funds' Institutional series shares. For the year ended October 31, 1995, the Financial Highlights ratios of net expenses to average net assets, ratios of net investment income to average net assets, total return and the per share income from investment operations and distributions are presented on a basis whereby the Fund's net investment income, net expenses, net realized and unrealized gains (losses) and distributions for the period November 1, 1994 through January 9, 1995, were allocated to each class of shares based upon the relative net assets of each class of shares as of the close of business on January 9, 1995, and the results thereof combined with the results of operations and distributions for each applicable class for the period January 10, 1995 through October 31, 1995.

<F15>For the Tax-Exempt Intermediate Bond Fund, substantially all investment income is exempt from Federal income tax.

<F16>Not annualized for the period ended October 31, 1993, for the Intermediate Bond Market and Tax-Exempt Intermediate Bond Funds.

<F17>The total return calculation does not reflect the 2% front end sales charge for Series A.

<F18>Annualized for the period ended October 31, 1993, for the Intermediate Bond Market and Tax-Exempt Intermediate Bond Funds.

<F19>Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

<F20>Net investment income per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.

See notes to the financial statements.

</TABLE>

<TABLE>  
FINANCIAL HIGHLIGHTS (continued)  
<CAPTION>

	Year ended October 31, 1996		Year ended October 31, 1995<F23>		Year ended Oct. 31, 1994	Jan. 5, 1993<F21> through Oct. 31, 1993
	Series A	Series Inst'l.	Series A	Series Inst'l.		
Per Share Data:						
<S> Net asset value, beginning of period	<C> \$10.21	<C> \$10.21	<C> \$9.67	<C> \$9.67	<C> \$10.45	<C> \$10.00
Income from investment operations:						
Net investment income <F24>	0.56<F29>	0.59<F29>	0.60	0.62	0.51	0.40
Net realized and unrealized gains (losses) on securities	(0.02)	(0.02)	0.53	0.53	(0.69)	0.45
Total from investment operations	0.54	0.57	1.13	1.15	(0.18)	0.85
Less distributions:						
Dividends from net investment income	(0.56)	(0.59)	(0.59)	(0.61)	(0.51)	(0.40)
Distributions from capital gains	-	-	-	-	(0.09)	-
Total distributions	(0.56)	(0.59)	(0.59)	(0.61)	(0.60)	(0.40)
Net asset value, end of period	\$10.19 =====	\$10.19 =====	\$10.21 =====	\$10.21 =====	\$9.67 =====	\$10.45 =====
Total return <F25><F26>	5.51%	5.77%	12.04%	12.25%	(1.73)%	8.58%
Supplemental data and ratios:						
Net assets, in thousands, end of period	\$17,392	\$173,468	\$11,576	\$128,941	\$88,306	\$56,794
Ratio of net expenses to average net assets <F27>	0.75%	0.50%	0.69%	0.50%	0.50%	0.50%
Ratio of net investment income to average net assets <F27>	5.59%	5.84%	6.07%	6.26%	5.19%	4.65%
Portfolio turnover rate <F28>	59.29%	59.29%	66.69%	66.69%	56.25%	82.37%

</TABLE>

<TABLE>  
FINANCIAL HIGHLIGHTS (continued)

<CAPTION>

Per Share Data:	TAX-EXEMPT INTERMEDIATE BOND FUND					
	Year ended October 31, 1996		Year ended October 31, 1995<F23>		Year ended Oct. 31, 1994	Feb. 8, 1993<F21> through Oct. 31, 1993
	Series A	Series Inst'l.	Series A	Series Inst'l.		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$10.23	\$10.24	\$9.78	\$9.78	\$10.26	\$10.00
Income from investment operations:						
Net investment income <F24>	0.40<F29>	0.43<F29>	0.42	0.44	0.41	0.27
Net realized and unrealized gains (losses) on securities	(0.01)	(0.03)	0.45	0.46	(0.48)	0.26
Total from investment operations	0.39	0.40	0.87	0.90	(0.07)	0.53
Less distributions:						
Dividends from net investment income	(0.41)	(0.43)	(0.42)	(0.44)	(0.41)	(0.27)
Distributions from capital gains	-	-	-	-	-	-
Total distributions	(0.41)	(0.43)	(0.42)	(0.44)	(0.41)	(0.27)
Net asset value, end of period	\$10.21	\$10.21	\$10.23	\$10.24	\$9.78	\$10.26
Total return <F25><F26>	3.87%	4.02%	9.07%	9.38%	(0.73)%	5.36%
Supplemental data and ratios:						
Net assets, in thousands, end of period	\$10,690	\$36,652	\$7,711	\$27,595	\$26,167	\$23,866
Ratio of net expenses to average net assets <F27>	0.75%	0.50%	0.71%	0.51%	0.60%	0.59%
Ratio of net investment income to average net assets <F27>	3.99%	4.24%	4.25%	4.45%	4.04%	3.75%
Portfolio turnover rate <F28>	30.46%	30.46%	44.13%	44.13%	58.54%	3.23%

</TABLE>

<TABLE>  
FINANCIAL HIGHLIGHTS (continued)  
<CAPTION>

BOND IMMDEX/TM FUND

Per Share Data:	Year ended October 31, 1996		Year ended October 31, 1995<F23>		Year ended October 31,		
	Series A	Series Inst'l.	Series A	Series Inst'l.	1994	1993	1992<F22>
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$27.82	\$27.82	\$25.67	\$25.67	\$28.91	\$27.31	\$26.50
Income from investment operations:							
Net investment income <F24>	1.61<F29>	1.70<F29>	1.68	1.74	1.65	1.68	1.75
Net realized and unrealized gains (losses) on securities	(0.26)	(0.27)	2.30	2.29	(2.74)	1.83	0.96
Total from investment operations	1.35	1.43	3.98	4.03	(1.09)	3.51	2.71
Less distributions:							
Dividends from net investment income	(1.63)	(1.70)	(1.79)	(1.84)	(1.65)	(1.70)	(1.76)
Distributions from capital gains	-	-	(0.04)	(0.04)	(0.50)	(0.21)	(0.14)
Total distributions	(1.63)	(1.70)	(1.83)	(1.88)	(2.15)	(1.91)	(1.90)
Net asset value, end of period	\$27.54	\$27.55	\$27.82	\$27.82	\$25.67	\$28.91	\$27.31
Total return <F25><F26>	5.06%	5.35%	16.05%	16.26%	(3.89)%	13.30%	10.49%
Supplemental data and ratios:							
Net assets, in thousands, end of period	\$42,671	\$370,556	\$21,875	\$290,274	\$256,778	\$260,468	\$181,421

Ratio of net expenses to average net assets <F27>	0.68%	0.43%	0.64%	0.44%	0.48%	0.50%	0.50%
Ratio of net investment income to average net assets <F27>	5.98%	6.23%	6.31%	6.51%	6.14%	6.10%	6.92%
Portfolio turnover rate <F28>	33.38%	33.38%	41.67%	41.67%	49.70%	81.18%	37.72%

<FN>

<F21>Commencement of operations.

<F22>Effective February 3, 1992, FIRMCO assumed the investment advisory responsibilities of Firstar Trust Company.

<F23>On January 9, 1995, all previously existing series of shares of each Fund were reclassified as Series A shares. Effective on January 9, 1995, Institutional shareowners exchanged their Series A shares for the Funds' Institutional series shares. For the year ended October 31, 1995, the Financial Highlights ratios of net expenses to average net assets, ratios of net investment income to average net assets, total return and the per share income from investment operations and distributions are presented on a basis whereby the Fund's net investment income, net expenses, net realized and unrealized gains (losses) and distributions for the period November 1, 1994 through January 9, 1995, were allocated to each class of shares based upon the relative net assets of each class of shares as of the close of business on January 9, 1995, and the results thereof combined with the results of operations and distributions for each applicable class for the period January 10, 1995 through October 31, 1995.

<F24>For the Tax-Exempt Intermediate Bond Fund, substantially all investment income is exempt from Federal income tax.

<F25>Not annualized for the period ended October 31, 1993, for the Intermediate Bond Market and Tax-Exempt Intermediate Bond Funds.

<F26>The total return calculation does not reflect the 2% front end sales charge for Series A.

<F27>Annualized for the period ended October 31, 1993, for the Intermediate Bond Market and Tax-Exempt Intermediate Bond Funds.

<F28>Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

<F29>Net investment income per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.

See notes to the financial statements.

</TABLE>

SHORT-TERM BOND MARKET FUND  
SCHEDULE OF INVESTMENTS  
October 31, 1996

Principal Amount (in thousands)		Market Value (in thousands)
-----		-----
	LONG-TERM INVESTMENTS 96.1%	
	ASSET-BACKED SECURITIES 25.9%	
	AUTO LOAN RECEIVABLES 3.0%	
\$ 434	Banc One Auto Trust, Series 1995-A, Class A3, 6.85%, 11/15/97	\$ 435
3,741	Capital Auto Receivables Asset Trust, Series 1993-3, 4.60%, 10/15/98	3,703
1,609	Chase Manhattan Auto Grantor Trust, Series 1995-B, Class A, 5.90%, 9/15/99	1,611
347	USAA Auto Loan Grantor Trust, Series 1994-1, Class A, 5.00%, 11/15/99	346
		-----
		6,095
		-----
	CREDIT CARD RECEIVABLES 14.7%	
	Banc One Credit Card Master Trust:	
2,450	1994-B, Class A, 7.55%, 11/15/97	2,497
3,500	1994-C, Class A, 7.80%, 12/15/00	3,614
	Discover Card Master Trust I:	
2,850	1992-B, Class A, 6.80%, 6/15/98	2,879
3,450	1993-2, Class A, 5.40%, 5/15/99	3,412
2,000	1993-B, Class A, 6.75%, 2/15/00	2,027
4,000	First Deposit Master Trust, Series 1995-2, Class A, 6.05%, 6/15/98	4,014
3,668	NationsBank Credit Card Master Trust, Series 1995-1, Class A, 6.45%, 8/15/00	3,699
5,050	Sears Credit Account Master Trust, Series 1994-1, Class A, 7.00%, 8/15/00	5,171
3,000	Signet Master Trust, Series 1993-1, Class A, 5.20%, 10/15/98	2,959
		-----
		30,272

	HOME EQUITY LOAN RECEIVABLES 8.2%	
	EQCC Home Equity Loan Trust,	
1,378	Series 1994-3, Class A2, 7.44%, 8/15/05	1,392
	GE Home Equity Loan Asset-Backed Certificates:	
543	Series 1991-1, Class A, 7.20%, 8/30/11	550
2,500	Series 1991-1, Class B, 8.70%, 9/15/11	2,606
	Household Finance Corp.,	
	Home Equity Loan Asset-Backed Certificates:	
2,944	Series 1992-2, Class A3, 5.25%, 10/20/07	2,933
983	Series 1992-2, Class A, 6.65%, 11/20/12	986
	Security Pacific Home Equity Loan:	
1,350	Series 1991-1, 8.85%, 5/15/98	1,398
3,220	Series 1991-2, 8.15%, 6/15/20	3,244
	U.S. Home Equity Loan Certificates:	
1,470	Series 1991-2, Class A, 8.50%, 4/15/21	1,490
2,200	Series 1991-2, Class B, 9.125%, 4/15/21	2,248

-----  
16,847  
-----

	CORPORATE BONDS 27.7%	
	American Express Corporation Euro Notes,	
2,000	11.625%, 12/12/00	2,153

Principal  
Amount  
(in thousands)  
-----

Market  
Value  
(in thousands)  
-----

	CORPORATE BONDS 27.7% (CONT.)	
	Atlantic Richfield Notes,	
\$ 4,169	10.25%, 7/02/00	\$ 4,340
	Bear Stearns Company Senior Notes,	
1,000	6.75%, 8/15/00	1,008
	Big Rivers Electric Corporation	
	Coop Utility Trust Certificates,	
1,500	9.50%, 2/15/17	1,627
	BP America, Inc. Guaranteed Debentures,	
2,000	10.00%, 7/01/18	2,201
	Chase Manhattan Corp. Notes,	
1,350	10.375%, 3/15/99	1,472
	Chrysler Corp. Debentures,	
2,250	10.95%, 8/01/17	2,433
	Continental Bank Subordinated Notes,	
1,840	11.25%, 7/01/01	1,966
	Deseret Generation & Transmission Coop Debentures:	
1,750	9.63%, 9/30/11	1,858
1,000	10.11%, 12/15/17	1,090
	Ford Motor Credit Co. Notes:	
500	8.875%, 6/15/99	531
750	8.375%, 1/15/00	793
	General Motors Acceptance Corp. Notes,	
3,600	7.75%, 1/15/99	3,716
	GTE Corp. Debentures,	
4,225	10.75%, 9/15/17	4,569
	Heller Financial, Inc. Notes,	
2,210	8.00%, 12/15/98	2,287
	Lehman Brothers Holdings, Inc. Debentures:	
3,000	8.875%, 11/01/98	3,142
1,000	9.875%, 10/15/00	1,099
	Lehman Brothers Holdings, Inc. Notes,	
1,755	8.375%, 2/15/99	1,827
	Lehman Brothers Holdings, Inc.	
	Senior Subordinated Notes,	
750	7.625%, 8/01/98	767
	Lehman Brothers, Inc. Senior Subordinated Notes,	
202	10.00%, 5/15/99	218
	MONY Funding, Inc. Debentures,	
700	8.125%, 4/07/97	706
	Paine Webber Group, Inc. Medium Term Notes:	
1,000	5.83%, 2/02/99	988
1,000	6.31%, 7/22/99	994
	Salomon, Inc. Medium Term Notes:	
2,000	7.87%, 12/30/96	2,006
1,500	10.125%, 6/01/99	1,625
	Salomon, Inc. Senior Notes,	
800	7.75%, 5/15/00	825
	Smith Barney Holdings, Inc. Notes,	
3,150	5.625%, 11/15/98	3,119
	Soyland Power Coop., Inc. Debentures,	
2,500	9.70%, 9/30/17	2,680

SHORT-TERM BOND MARKET FUND  
 SCHEDULE OF INVESTMENTS  
 October 31, 1996

Principal Amount (in thousands)		Market Value (in thousands)
-----		-----
	CORPORATE BONDS 27.7% (CONT.)	
\$ 1,900	Torchmark Corp. Debentures, 9.625%, 5/01/98	\$ 1,991
3,075	USF&G Corporation Senior Notes, 7.00%, 5/15/98	3,111
		-----
		57,142
		-----
	MORTGAGE-BACKED SECURITIES 8.6%	
	Citicorp Mortgage Securities, Inc., Real Estate Mortgage Investment Conduit (REMIC), Series 1991-7, Class M, 8.75%, 5/25/21	821
812		
	Green Tree Financial Corp. Pass-Thru Certificates: Series 1993-3, Class A4, 5.45%, 10/15/18	986
1,000		
3,620	Series 1993-4, Class A2, 5.85%, 1/15/19	3,618
	Marine Midland, Real Estate Mortgage Investment Conduit (REMIC), Series 1992-3, Class A12, 8.00%, 10/25/23	2,151
2,115		
	Merrill Lynch Mortgage Investors, Inc., Series 1992-B, Class A, 7.85%, 4/15/12	1,088
1,065		
318	Morgan Stanley Mortgage Trust, Series 40, Class 6, 7.00%, 9/20/17	318
	Prudential-Bache CMO Trust, Series 8, Class E, 7.965%, 3/01/18	1,541
1,526		
	Prudential Home Mortgage Securities, Series 1993-24, Class A1, 5.50%, 6/25/00	1,095
1,110		
	Prudential Securities Financial Asset FDG Corp., Series 1993-4, Class A3, 6.83%, 9/25/09	1,157
1,150		
	Resolution Trust Corp.: Series 1992-MH1, Class A1, 7.00%, 4/15/97	39
39		
250	Series 1992-MH2, Class B, 7.95%, 2/15/04	251
	Series 1992-MH2, Class A1, 7.00%, 2/15/19	1,066
1,065		
	Security Pacific Acceptance Corp., Series 1992-2, Class A2, 7.10%, 6/15/12	1,102
1,095		
2,500	Series 1992-2, Class A3, 7.50%, 6/15/12	2,562
		-----
		17,795
		-----
	INTERNATIONAL/YANKEE (U.S. \$ DENOMINATED) 1.7%	
	Ford Capital B.V. Note, 9.00%, 8/15/98	2,106
2,010		
	Hydro-Quebec Debenture, 13.375%, 2/15/13	1,417
1,250		
		-----
		3,523
		-----
	OTHER 3.4%	
	California State Water Department, Series E, 9.875%, 12/01/24	2,193
2,000		
	Florida Housing Finance Agency: Antigua Club-A-2, 8.625%, 8/01/01	478
450		
425	Brittany Apartments-C-2, 8.625%, 8/01/02	454
	Maitland Club-B-2, 8.625%, 8/01/01	584
550		
	St. Louis, Missouri Airport Revenue Bond, Series 1993A, 5.50%, 7/01/98	3,221
3,250		
		-----
		6,930
		-----
Principal Amount (in thousands)		Market Value (in thousands)
-----		-----

U.S. GOVERNMENT AGENCY  
 AND AGENCY-BACKED ISSUES 12.8%  
 Federal Home Loan Mortgage Corporation (FHLMC)  
 Participation Certificates:

\$ 75	7.00%, 12/01/01	\$ 75
183	7.75%, 7/01/09	187
	Federal Home Loan Mortgage Corporation (FHLMC)	
	Real Estate Mortgage Investment Conduits (REMIC):	
1,959	Series 1153, Class F, 7.75%, 10/15/98	2,003
1,000	Series 1324, Class VB, 7.00%, 7/15/99	1,014
1,000	Series 1243, Class K, 7.50%, 8/15/01	1,026
1,500	Series 1697, Class PN, 5.60%, 6/15/02	1,496
1,253	Series 1733, Class PB, 6.45%, 1/15/11	1,250
	Federal National Mortgage Association (FNMA)	
	Real Estate Mortgage Investment Conduits (REMIC):	
1,000	Series 1993-173, Class D, 5.25%, 12/25/98	989
1,250	Series 1992-140, Class HB, 6.50%, 10/25/99	1,256
4,640	Series 1992-54, Class VB, 7.50%, 12/25/99	4,726
2,474	Series X-19A, Class A, 6.50%, 10/25/00	2,479
2,000	Series 1993-G06, Class K, 7.00%, 11/25/01	2,020
2,019	Series 1992-G4, Class D, 7.00%, 3/25/03	2,016
1,000	Series 1993-86, Class E, 6.00%, 1/25/07	993
1,521	Series 1992-93, Class G, 7.50%, 6/25/07	1,551
608	Series 1989-75, Principal Only, Class C, 0.00%, 9/25/18	581
250	Series 1992-138, Class C, 6.00%, 12/25/18	248
1,000	Series 1991-154, Class PH, 7.50%, 9/25/20	1,020
	Government Trust Certificates, Series 2-D, 9.25%, 11/15/96	549
548		
	U.S. Department of Veterans Affairs Mortgage Trust (REMIC), Series 1992-1, Class J, 7.75%, 2/15/01	1,038
1,000		
		26,517
		-----
	U.S. TREASURY OBLIGATIONS 16.0%	
	U.S. Treasury Notes:	
2,200	6.75%, 5/31/99	2,246
4,500	7.50%, 10/31/99	4,688
19,750	8.50%, 2/15/00	21,213
5,000	5.50%, 4/15/00	4,921
		-----
		33,068
		-----
	Total Long-Term Investments (Cost \$198,480)	198,189
		-----

Number  
of Shares  
(in thousands)  
-----

	SHORT-TERM INVESTMENTS 2.6%	
	INVESTMENT COMPANIES 2.6%	
10	Financial Square Prime Obligation Fund	10
5,328	Short-Term Investments Co. Liquid Assets Portfolio	5,328
		-----
	Total Short-Term Investments (Cost \$5,338)	5,338
		-----
	Total Investments 98.7% (Cost \$203,818)	203,527
		-----
	Other Assets, less Liabilities 1.3%	2,782
		-----
	TOTAL NET ASSETS 100.0%	\$206,309
		=====

See notes to the financial statements.

INTERMEDIATE BOND MARKET FUND  
SCHEDULE OF INVESTMENTS  
October 31, 1996

Principal  
Amount  
(in thousands)  
-----

Market  
Value  
(in thousands)  
-----

LONG-TERM INVESTMENTS 97.2%  
ASSET-BACKED SECURITIES 25.4%  
AUTO LOAN RECEIVABLES 3.2%

\$ 491	Ford Credit Grantor Trust, Series 1994-A, Class A, 6.35%, 5/15/99	\$ 494
1,192	General Motors Acceptance Corp. Grantor, Series 1995-A, Class A, 7.15%, 3/15/00	1,207
1,801	Keycorp Auto Grantor Trust, Series 1995-A, Class A, 5.80%, 7/15/00	1,805
	Premier Auto Trust:	
694	Series 1993-5, Class A2, 4.22%, 3/02/99	685
1,504	Series 1994-1, Class A3, 4.75%, 2/02/00	1,494
397	Series 1994-2, Class A4, 6.00%, 5/02/00	399

-----  
6,084  
-----

CREDIT CARD RECEIVABLES 19.1%

1,000	AT&T Universal Card MasterTrust, Series 1995-2, Class A, 5.95%, 10/17/00	991
2,000	American Express Master Trust, Series 1994-2, Class A, 7.60%, 8/15/02	2,090
3,700	Banc One Credit Card Master Trust, Series 1995-B, Class A, 6.30%, 9/15/00	3,712
3,000	Citibank Credit Card Master Trust, Principal Only, Series 1996-1, 0.00%, 2/07/01	2,288
	Discover Card Master Trust I:	
1,000	Series 1993-2, Class A, 5.40%, 5/15/99	989
500	Series 1993-3, Class A, 6.20%, 5/16/06	488
3,675	First Chicago Master Trust II, Series 1994-L, Class A, 7.15%, 2/15/00	3,768
2,000	HFC Private Label Credit Card Master Trust II, Series 1994-2, Class A, 7.80%, 9/20/03	2,064
2,900	Household Affinity Credit Card Master Trust I, Series 1993-2, Class A, 5.60%, 11/15/00	2,847
	MBNA Master Credit Card Trust:	
745	Series 1995-F, Class A, 6.60%, 8/15/00	755
1,200	Series 1995-D, Class A, 6.05%, 11/15/02	1,195
2,500	NationsBank Credit Card Master Trust, Series 1995-1, Class A, 6.45%, 8/15/00	2,521
	Sears Credit Account Master Trust:	
5,900	Series 1994-1, Class A, 7.00%, 8/15/00	6,042
2,000	Series 1995-3, Class A, 7.00%, 10/15/04	2,053
4,800	Standard Credit Card Master Trust, Series 1993-3, Class A, 5.50%, 1/07/99	4,746

-----  
36,549  
-----

HOME EQUITY LOAN RECEIVABLES 3.1%

1,200	EQCC Home Equity Loan Trust, Series 1994-4, 8.68%, 10/15/08	1,273
784	Security Pacific Acceptance Corp., Series 1991-2, Class B, 8.55%, 9/15/11	809
	Security Pacific Home Equity Loan:	
1,000	Series 1991-1, 8.85%, 5/15/98	1,035
2,735	Series 1991-2, 8.15%, 6/15/20	2,755

-----  
5,872  
-----

Principal  
Amount  
(in thousands)

Market  
Value  
(in thousands)

	CORPORATE BONDS 37.2%	
\$1,000	American General Finance Corp. Notes, 8.00%, 2/15/00	\$1,049
1,500	BankAmerica Corporation Subordinated Notes, 10.00%, 2/01/03	1,745
1,000	Bankers Trust - NY, Subordinated Debentures, 9.50%, 6/14/00	1,094
	Bear Stearns Company Senior Notes:	
2,498	7.625%, 9/15/99	2,581
1,312	6.75%, 8/15/00	1,322
2,000	9.375%, 6/01/01	2,213
1,150	Caterpillar, Inc. Sinking Fund Debentures, 9.75%, 6/01/19	1,260
1,000	Chase Manhattan Corp. Medium Term Notes, 8.65%, 2/13/99	1,052
1,015	Chase Manhattan Corp. Debentures, 10.00%, 6/15/99	1,106
1,175	Chemical Banking Corp. Subordinated Capital Notes, 9.75%, 6/15/99	1,273



	Chrysler Financial Corp. Debentures:	
750	13.25%, 10/15/99	888
700	12.75%, 11/01/99	821
	Consolidated Edison Co. Debentures,	
100	7.60%, 1/15/00	104
	Continental Cablevision, Inc. Debentures,	
850	8.875%, 9/15/05	944
	Deseret Generation & Transmission Coop Debentures,	
750	9.375%, 1/02/11	785
	Fleet Mortgage Group Notes,	
2,280	6.50%, 6/15/00	2,285
	Ford Motor Credit Co. Debentures,	
1,000	9.50%, 4/15/00	1,092
	General Motors Acceptance Corp. Debentures,	
1,517	8.625%, 6/15/99	1,603
	General Motors Acceptance Corp. Notes:	
1,050	8.00%, 10/01/99	1,092
1,530	9.375%, 4/01/00	1,664
	General Motors Corp. Debentures,	
1,000	9.625%, 12/01/00	1,110
	Georgia Pacific Corp. Debentures,	
750	9.50%, 12/01/11	894
	Goldman Sachs Group Notes,	
5,000	6.25%, 2/01/03 (Acquired 2/01/96; Cost \$4,988)*	4,825
	Heller Financial, Inc. Notes,	
1,300	9.375%, 3/15/98	1,355
	Household Finance Corp. Senior Subordinated Notes,	
2,468	9.55%, 4/01/00	2,697
	Household Finance Corp. Subordinated Notes,	
945	9.625%, 7/15/00	1,041
	International Lease Finance Corp. Medium Term Notes:	
2,000	5.92%, 1/15/98	2,001
500	8.25%, 10/19/98	520

See notes to the financial statements.

INTERMEDIATE BOND MARKET FUND  
SCHEDULE OF INVESTMENTS  
October 31, 1996

Principal Amount (in thousands)		Market Value (in thousands)
-----		-----
	CORPORATE BONDS 37.2% (CONT.)	
\$1,750	Lehman Brothers Holdings, Inc. Medium Term Notes, 8.875%, 2/15/00	\$1,859
	Lehman Brothers Holdings, Inc. Notes:	
1,585	8.375%, 2/15/99	1,650
2,000	6.90%, 7/15/99	2,014
	Lehman Brothers, Inc. Senior Subordinated Notes,	
1,715	10.00%, 5/15/99	1,852
	Merrill Lynch Mortgage Investors, Inc. Notes,	
124	8.375%, 2/09/00	131
	Midland American Capital Corp. Debentures,	
1,740	12.75%, 11/15/03	1,943
	Midland Bank PLC Subordinated Notes,	
2,050	6.95%, 3/15/11	2,001
	MONY Funding, Inc. Debentures,	
1,325	8.125%, 4/07/97	1,336
	NCNB Corp. Subordinated Notes,	
1,900	10.20%, 7/15/15	2,409
	Paine Webber Group, Inc. Medium Term Notes,	
1,000	7.70%, 2/11/00	1,030
	SCE Capital Corp. Notes,	
1,000	7.375%, 12/15/03	1,008
	Salomon, Inc. Medium Term Notes:	
1,000	7.87%, 12/30/96	1,003
1,300	10.125%, 6/01/99	1,408
	Salomon, Inc. Senior Notes:	
1,450	7.75%, 5/15/00	1,495
150	6.75%, 2/15/03	147
	The Charles Schwab Corp. Medium Term Notes,	
650	6.06%, 10/02/00	638
	Security Pacific Corp. Subordinated Notes,	
2,274	9.75%, 5/15/99	2,459
	Smith Barney Holdings, Inc. Notes:	
2,450	5.50%, 1/15/99	2,416
1,000	6.625%, 6/01/00	1,005
	Tenneco Inc. Debentures,	
1,000	10.00%, 3/15/08	1,220
	Tennessee Gas Pipeline Co. Debentures,	

1,775	6.00%, 12/15/11	1,583
		-----
		71,023
		-----
	MORTGAGE-BACKED SECURITIES 0.7%	
	MDC Asset Investors Trust,	
	Real Estate Mortgage Investment Conduit (REMIC),	
1,297	Series VIII, Class 8, 7.75%, 9/25/17	1,334
		-----
	INTERNATIONAL/YANKEE (U.S. \$ DENOMINATED) 2.7%	
	Ford Capital BV Debentures,	
3,653	10.125%, 11/15/00	4,110
	Nova Scotia (Province of),	
1,000	11.50%, 5/15/13	1,116
		-----
		5,226
		-----
Principal		Market
Amount		Value
(in thousands)		(in thousands)
-----		-----
	TAXABLE MUNICIPAL 1.0%	
	St. Louis, Missouri Airport Revenue Notes,	
\$1,800	Series 1993A, 5.30%, 7/01/98	\$ 1,775
		-----
	U.S. GOVERNMENT AGENCY	
	AND AGENCY-BACKED ISSUES 10.5%	
	Federal Home Loan Mortgage Corporation (FHLMC)	
	Real Estate Mortgage Investment Conduit (REMIC):	
500	Series 1339, Class B, 8.00%, 6/15/99	512
1,000	Series 1289, Class PR, 7.50%, 2/15/03	1,030
1,226	Series 1456, Class LA, 7.50%, 5/15/03	1,263
1,000	Series 8, Class VB, 7.00%, 1/25/04	1,019
1,000	Series 1101, Class L, 6.95%, 9/15/20	1,007
1,000	Series 1167, Class E, 7.50%, 11/15/21	1,018
	Federal National Mortgage Association (FNMA)	
	Real Estate Mortgage Investment Conduit (REMIC):	
3,000	Series 1601-73, 6.642%, 10/01/98	3,030
800	Series 1993-23, Class PU, 7.50%, 1/25/00	817
500	Series 1992-73, Class L, 7.50%, 1/25/01	515
1,642	Series 1992-18, Class HB, 7.20%, 3/25/02	1,674
3,500	Series 1993-37, Class B, 7.00%, 7/25/02	3,568
1,000	Series 1992-103, Class L, 7.50%, 11/25/02	1,029
	U.S. Department of Veterans Affairs Mortgage Trust (REMIC):	
3,000	Series 1993-1, Class G, 7.00%, 2/15/00	3,048
500	Series 1992-2, Class J, 7.00%, 3/15/01	508
		-----
		20,038
		-----
	U.S. TREASURY OBLIGATIONS 19.7%	
	U.S. Treasury Bonds:	
7,500	10.75%, 2/15/03	9,225
13,250	11.875%, 11/15/03	17,397
5,250	10.75%, 8/15/05	6,764
	U.S. Treasury Notes,	
4,200	5.50%, 4/15/00	4,134
		-----
		37,520
		-----
	Total Long-Term Investments (Cost \$183,604)	185,421
		=====
Number		
of Shares		
(in thousands)		
-----		
	SHORT-TERM INVESTMENTS 1.2%	
	INVESTMENT COMPANIES 1.2%	
10	Financial Square Prime Obligation Fund	10
2,349	Short-Term Investments Co. Liquid Assets Portfolio	2,349
		-----
	Total Short-Term Investments (Cost \$2,359)	2,359
		-----

Total Investments 98.4% (Cost \$185,963)	187,780
	-----
Other Assets, less Liabilities 1.6%	3,080
	-----
TOTAL NET ASSETS 100.0%	\$190,860
	=====

\* Unregistered Security

TAX-EXEMPT INTERMEDIATE BOND FUND  
SCHEDULE OF INVESTMENTS  
October 31, 1996

Principal Amount (in thousands)		Market Value (in thousands)
-----		-----
	GENERAL OBLIGATION 5.3%	
	Washington State:	
\$ 100	6.75%, 10/01/01	\$ 107
1,000	6.30%, 9/01/02	1,079
	Rocklin, California Unified School District,	
1,235	6.70%, 9/01/04	1,342
		-----
	Total General Obligation (Cost \$2,537)	2,528
		-----
	REVENUE BONDS 9.4%	
	HOUSING 4.4%	
	Saint Charles, Illinois, Industrial Development -	
980	Covington Ct Project, Mandatory Put,	
	9/01/98, 5.50%, 12/01/09	995
	South Dakota Housing Development Authority -	
1,105	Homeownership Mortgage, 4.85%, 5/01/01	1,111
		-----
		2,106
		-----
	OTHER 4.2%	
	Georgia State Municipal Electric Authority,	
200	4.50%, 1/01/00	199
	Metropolitan Pier & Exposition Authority, Illinois	
1,945	Dedicated State Tax Revenue, 0.00%, 12/15/98	1,775
		-----
		1,974
		-----
	UNIVERSITY 0.8%	
	New England Education Student Loan	
	Marketing Corporation,	
360	5.80%, 3/01/02	375
		-----
	Total Revenue Bonds (Cost \$4,423)	4,455
		-----
	PREREFUNDED AND ESCROWED	
	TO MATURITY 72.3%	
	Alaska State Housing Finance Corporation,	
1,465	6.375%, 12/01/12, Prerefunded 12/01/02	1,582
	Bucks County, Pennsylvania Industrial	
	Development Authority - Grand View Hospital Project,	
1,000	7.00%, 7/01/21, Prerefunded 7/01/01	1,118
	Chicago, Illinois Motor Fuel Tax Revenue,	
1,000	7.05%, 1/01/07, Prerefunded 1/01/01	1,110
	Chicago, Illinois Public Building, Community	
	College District No. 508-B, Escrowed to Maturity,	
1,000	7.90%, 1/01/98	1,027
	Clark County, Nevada School District,	
345	7.00%, 6/01/09, Prerefunded 6/01/01	382
	Cleveland, Ohio Packaging Facilities Revenue,	
1,100	8.10%, 9/15/22, Prerefunded 9/15/02	1,303
	Convention Center Authority - Rhode Island Revenue,	
1,000	6.65%, 5/15/12, Prerefunded 5/15/01	1,102
	Danville, Indiana Community Elementary School	
	Building Corp., First Mortgage,	
1,000	6.90%, 1/15/10, Prerefunded 1/15/02	1,119
	Elizabeth-Forward Pennsylvania School District,	
1,000	7.25%, 1/15/10, Prerefunded 1/15/00	1,083

Principal Amount (in thousands)		Market Value (in thousands)
	PREREFUNDED AND ESCROWED TO MATURITY 72.3% (CONT.)	
\$ 775	Farmington, New Mexico Power Revenue Bonds, 9.875%, 1/01/13, Prerefunded 7/01/05	\$1,035
500	Fruita, Colorado, Escrowed to Maturity: 9.25%, 10/01/01	571
500	9.25%, 4/01/03	609
1,000	Georgia Municipal Electric Authority Power Revenue, 8.125%, 1/01/17, Crossover Refunded 1/01/98	1,056
1,500	Hodgkins, Illinois, 9.50%, 12/01/09, Prerefunded 12/01/01	1,829
455	Illinois Educational Facilities Authority - Chicago College Of Osteopathic Medicine, Escrowed To Maturity, 8.75%, 7/01/99	485
3,355	Illinois Educational Facilities Authority - Loyola University, 7.125%, 7/01/21, Prerefunded 7/01/01	3,768
1,035	Illinois Educational Facilities Authority - Swedish-American Hospital, 7.40%, 4/01/20, Prerefunded 4/01/00	1,149
1,000	Louisville, Kentucky Water & Sewer Revenue, Escrowed to Maturity, 6.00%, 11/15/07	1,063
1,000	Maricopa County, Arizona School District No. 1, Phoenix Elementary, 6.60%, 7/01/03, Prerefunded 7/01/01	1,093
500	Metropolitan Nashville Airport, 7.75%, 7/01/07, Prerefunded 7/01/01	575
870	Michigan State Hospital Financial Authority, Sisters of Mercy Health Corp., 7.50%, 2/15/18, Prerefunded 2/15/01	983
1,000	Nevada State Colorado River Community, 6.50%, 7/01/19, Prerefunded 7/01/04	1,115
50	New Jersey State Turnpike Authority Revenue Refunding, Escrowed to Maturity, 6.75%, 1/01/09	54
1,105	Oklahoma State Industrial Authority Revenue, St. Anthony Hospital, Escrowed to Maturity, 6.125%, 6/01/03	1,165
1,000	Philadelphia, Pennsylvania, Regional Port Authority, Lease Revenue Bonds, 7.15%, 8/01/20, Prerefunded 8/01/00	1,092
1,000	Rhode Island State Public Building Authority, 6.00%, 2/01/11, Prerefunded 2/01/01	1,055
1,000	Snohomish County, Washington - Public Hospital, Stevens Memorial Hospital, 6.85%, 12/01/11, Prerefunded 12/01/01	1,103
1,000	Tucson, Arizona Street & Highway User Revenue Bonds, Escrowed to Maturity, 9.25%, 7/01/02	1,227
1,005	University of Illinois, Escrowed to Maturity, 6.10%, 10/01/03	1,092
1,000	Virginia State Residential Authority - Solid Waste Disposal System, 7.30%, 4/01/15, Prerefunded 4/01/00	1,108
1,000	Wausau, Wisconsin School District, 6.50%, 4/01/10, Prerefunded 4/01/02	1,088

TAX-EXEMPT INTERMEDIATE BOND FUND  
SCHEDULE OF INVESTMENTS  
October 31, 1996

Principal Amount (in thousands)		Market Value (in thousands)
	PREREFUNDED AND ESCROWED TO MATURITY 72.3% (CONT.)	
\$ 80	Williston, North Dakota, Escrowed To Maturity, 6.00%, 6/01/98	\$ 82
	Total Prerefunded and Escrowed to Maturity (Cost \$33,758)	34,223
	INSURED BONDS 8.8% EDUCATION 0.5%	
200	Merrillville, Indiana Multi-School Building Corporation, 6.375%, 7/01/03	217

	ELECTRIC 2.3%	
1,000	Springfield, Illinois Electric Revenue, 6.00%, 3/01/04	1,063
		-----
	GENERAL OBLIGATION 3.8%	
900	Camden, New Jersey, 6.15%, 2/15/00	948
675	Chicago, Illinois, 11.60%, 1/01/01	857
		-----
		1,805
		-----
	PUBLIC FACILITIES & IMPROVEMENTS 2.2%	
1,000	Illinois State Certificates of Participation, 6.00%, 7/01/06	1,059
		-----
	Total Insured Municipal Bonds (Cost \$4,122)	4,144
		-----

Number of Shares (in thousands)		Market Value (in thousands)
-----		-----
	INVESTMENT COMPANIES 2.5%	
1,179	Financial Square Tax-Exempt Money Market	\$ 1,179
1	Tax Free Investment Trust	1
		-----
	Total Investment Companies (Cost \$1,180)	1,180
		-----
	Total Investments 98.3% (Cost \$46,020)	46,530
		-----
	Other Assets, less Liabilities 1.7%	812
		-----
	TOTAL NET ASSETS 100.0%	\$47,342
		=====

See notes to the financial statements.

BOND IMMDEX/TM FUND  
SCHEDULE OF INVESTMENTS  
October 31, 1996

Principal Amount (in thousands)		Market Value (in thousands)
-----		-----
	LONG-TERM INVESTMENTS 97.8%	
	ASSET-BACKED SECURITIES 19.5%	
	AUTO LOAN RECEIVABLES 1.2%	
\$ 1,810	General Motors Acceptance Corp. Grantor Trust, Series 1995-A, Class A, 7.15%, 3/15/00	\$ 1,832
	Premier Auto Trust:	
610	Series 1993-3, Class A3, 4.90%, 12/15/98	608
727	Series 1993-4, Class A2, 4.65%, 2/02/99	725
1,019	Series 1993-5, Class A2, 4.22%, 3/02/99	1,007
646	Series 1993-6, Class B, 4.875%, 11/02/99	642
		-----
		4,814
		-----
	CREDIT CARD RECEIVABLES 18.3%	
4,200	Advanta Credit Card Master Trust, Series 1995-F, Class A1, 6.05%, 8/01/03	4,173
1,870	AT&T Universal Master Card Trust, Series 1995-2, Class A, 5.95%, 10/17/00	1,852
8,000	Banc One Credit Card Master Trust, Series 1995-B, Class A, 6.30%, 9/15/00	8,025
1,965	Citibank Credit Card Master Trust, Principal Only, Series 1996-1, 0.00%, 2/07/01	1,499
7,600	Discover Card Master Trust I, Series 1993-2, Class A, 5.40%, 5/15/99	7,517

11,600	First Chicago Master Trust II, Series 1994-L, Class A, 7.15%, 2/15/00	11,893
2,600	HFC Private Label Credit Card Master Trust II: Series 1994-2, Class A, 7.80%, 9/20/03	2,684
999	Series 1993-2, Class A3, 4.65%, 12/20/08	987
3,750	Household Affinity Credit Card Master Trust I, Series 1993-2, Class A, 5.60%, 11/15/00	3,681
2,705	MBNA Master Credit Card Trust, Series 1995-F, Class A, 6.60%, 8/15/00	2,742
10,359	NationsBank Credit Card Master Trust, Series 1995-1, Class A, 6.45%, 8/15/00	10,446
11,750	Sears Credit Account Master Trust: Series 1994-1, Class A, 7.00%, 8/15/00	12,032
5,300	Series 1995-3, Class A, 7.00%, 10/15/04	5,440
2,585	Standard Credit Card Master Trust, Series 1993-3, Class A, 5.50%, 1/07/99	2,556

-----  
75,527  
-----

CORPORATE BONDS 41.8%

3,439	BankAmerica Corporation Subordinated Notes, 10.00%, 2/01/03	4,000
1,500	BarclaysAmericanCorp. Debentures, 9.75%, 5/15/21	1,726
1,029	Barnett Banks Inc. Subordinated Notes, 8.50%, 3/01/99	1,080
63	Bear Stearns Company Notes, 6.50%, 6/15/00	63

Principal  
Amount  
(in thousands)

Market  
Value  
(in thousands)

	CORPORATE BONDS 41.8% (CONT.)	
\$3,026	Bear Stearns Company Senior Notes: 7.625%, 9/15/99	\$3,126
500	6.75%, 8/15/00	504
500	Burlington Northern Railroad Company Equipment Trust Certificates, 11.85%, 1/15/99	559
525	Chase Manhattan Corp. Medium Term Notes, 8.65%, 2/13/99	552
6,835	Chase Manhattan Corp. Notes, 10.00%, 6/15/99	7,450
4,614	Chemical Banking Corp. Subordinated Capital Notes, 9.75%, 6/15/99	5,000
7,648	Chrysler Financial Corp. Debentures: 13.25%, 10/15/99	9,058
1,875	12.75%, 11/01/99	2,200
1,429	Citicorp Subordinated Capital Notes: 9.00%, 4/15/99	1,514
3,370	9.75%, 8/01/99	3,657
2,265	10.75%, 12/15/15	2,329
3,500	Commonwealth Edison Co. Debentures, 9.50%, 5/01/16	3,672
683	Continental Bank Subordinated Notes, 12.50%, 4/01/01	834
1,850	Continental Cablevision, Inc. Debentures, 8.875%, 9/15/05	2,054
2,275	Deseret Generation & Transmission Coop Debentures, 9.375%, 1/02/11	2,381
2,163	Federal Express Corporation Debentures, 9.625%, 10/15/19	2,298
3,844	First Chicago Subordinated Notes: 9.00%, 6/15/99	4,097
560	9.875%, 8/15/00	623
1,100	First National Bank Chicago Debentures, 8.08%, 1/05/18	1,173
3,000	First National Bank Omaha Subordinated Notes, 7.32%, 12/01/10	2,908
650	First USA Bank Notes, 5.75%, 1/15/99	641
1,464	Ford Motor Credit Co. Debentures, 8.875%, 6/15/99	1,554
5,000	Ford Motor Credit Co. Notes: 8.45%, 12/30/98	5,229
700	7.50%, 11/15/99	723
911	8.375%, 1/15/00	963
1,100	GTE North Inc. Debentures, 9.60%, 1/01/21	1,241
	General Motors Acceptance Corp. Medium	

1,000	Term Notes, 7.50%, 7/22/99	1,031
	General Motors Acceptance Corp. Notes,	
1,375	8.00%, 10/01/99	1,430

BOND IMMDEX/TM FUND  
SCHEDULE OF INVESTMENTS  
October 31, 1996

Principal Amount (in thousands)		Market Value (in thousands)
-----		-----
	CORPORATE BONDS 41.8% (CONT.)	
\$1,000	General Motors Corp. Debentures, 9.625%, 12/01/00	\$ 1,110
	Georgia Pacific Corp. Debentures:	
1,011	9.50%, 12/01/11	1,205
1,500	9.50%, 2/15/18	1,607
975	9.50%, 5/15/22	1,080
	Goldman Sachs Group Notes,	
10,000	6.25%, 2/01/03 (Acquired 2/01/96; Cost \$9,977) <F30>	9,649
	Heller Financial Inc. Notes,	
9,045	9.375%, 3/15/98	9,429
	Household Finance Corp. Subordinated Notes,	
4,327	9.625%, 7/15/00	4,766
	International Lease Finance Medium Term Notes,	
3,500	9.82%, 12/14/98	3,755
	Lehman Brothers Holdings, Inc. Debentures,	
1,980	9.875%, 10/15/00	2,177
	Lehman Brothers Holdings, Inc. Medium Term Notes,	
1,805	8.875%, 2/15/00	1,918
	Lehman Brothers Holdings, Inc. Notes,	
1,700	6.90%, 7/15/99	1,712
	Lehman Brothers, Inc. Senior Subordinated Notes,	
7,232	10.00%, 5/15/99	7,808
	The May Department Stores Company Debentures,	
1,650	9.875%, 6/15/21	1,903
	Midland American Capital Corp. Debentures,	
3,479	12.75%, 11/15/03	3,884
	Midland Bank PLC Subordinated Notes,	
4,300	6.95%, 3/15/11	4,198
	Mobile Energy Services LLC Debentures,	
733	8.665%, 1/01/17	758
	MONY Funding, Inc. Debentures,	
5,050	8.125%, 4/07/97	5,091
	National Westminster Bancorp. Inc., Debentures,	
1,000	9.375%, 11/15/03	1,146
	NCNB Corp. Subordinated Notes,	
5,105	10.20%, 7/15/15	6,472
	J.C. Penney Company, Inc. Debentures,	
800	9.75%, 6/15/21	894
	SCE Capital Corp. Notes,	
1,100	7.375%, 12/15/03	1,109
	Salomon, Inc. Medium Term Notes,	
600	7.87%, 12/30/96	602
	Salomon, Inc. Notes,	
2,150	7.00%, 6/15/03	2,124
	Salomon, Inc. Senior Notes:	
2,850	7.75%, 5/15/00	2,938
2,000	6.75%, 2/15/03	1,958
	The Charles Schwab Corp. Medium Term Notes:	
2,000	5.84%, 9/30/99	1,971
2,250	5.90%, 10/01/99	2,221

Principal Amount (in thousands)		Market Value (in thousands)
-----		-----
	CORPORATE BONDS 41.8% (CONT.)	
\$ 492	Security Pacific Corp. Subordinated Notes, 9.75%, 5/15/99	\$ 532
395	11.50%, 11/15/00	464
	Tenneco, Inc. Debentures,	
3,150	7.25%, 12/15/25	3,043
	Tennessee Gas Pipeline Co. Debentures,	
5,856	6.00%, 12/15/11	5,222
	Union Camp Corp. Debentures,	
850	10.00%, 5/01/19	938
	Utilicorp United Senior Notes,	
1,600	10.50%, 12/01/20	1,843

1,200	Westvaco Corp. Debentures, 10.125%, 6/01/19	1,335
		-----
		172,532
		-----
	MORTGAGE-BACKED SECURITIES 0.7%	
946	Green Tree Financial Corp., Series 1993-4, Class A1, 4.85%, 1/15/19	943
2,319	Prudential Home Mortgage Securities, Series 1993-24, Class A2, 5.50%, 7/25/00	2,206
		-----
		3,149
		-----
	INTERNATIONAL/YANKEE (U.S. \$ DENOMINATED) 3.0%	
2,761	British Telecommunications Finance Debentures, 9.625%, 2/15/19	3,061
1,000	Hydro-Quebec Debentures: 11.75%, 2/01/12	1,401
750	9.75%, 1/15/18	860
1,800	Newfoundland (Providence of) Canada, 10.00%, 12/01/20	2,288
2,900	Norsk Hydro A/S Debentures, 9.00%, 4/15/12	3,382
1,100	Sweden (Kingdom of) Debentures, 11.125%, 6/01/15	1,554
		-----
		12,546
		-----
	TAXABLE MUNICIPAL 0.6%	
750	New Jersey Economic Development Authority, 7.75%, 12/01/98	788
1,295	Orange County California Redevelopment Agency Tax Allocation Bond, 6.50%, 10/01/03	1,262
450	Texas State Taxable Water Development, Series E, 7.625%, 8/01/11	450
		-----
		2,500
		-----

BOND IMMDEX/TM FUND  
SCHEDULE OF INVESTMENTS  
October 31, 1996

Principal Amount (in thousands)		Market Value (in thousands)
-----		-----
	U.S. GOVERNMENT AGENCY AND AGENCY-BACKED ISSUES 1.9%	
\$1,500	Federal Home Loan Bank (FHLB), Structured Notes, 5.03%, 6/28/97	\$1,483
149	Federal Home Loan Mortgage Corporation (FHLMC), Participation Certificates, 7.50%, 4/01/07	150
23	Federal Home Loan Mortgage Corporation (FHLMC) Real Estate Mortgage Investment Conduit (REMIC): Series 1259, Interest Only, Class IC, 1007.05%, 10/15/05	277
498	Series 1169, Class D, 7.00%, 5/15/21	502
550	Federal National Mortgage Association (FNMA), Participation Certificates: 7.50%, 8/01/07	562
167	7.75%, 6/01/08	169
8	Federal National Mortgage Association (FNMA) Real Estate Mortgage Investment Conduit (REMIC): Series 1992-29, Interest Only, Class K, 977.92%, 11/25/00	145
650	Series 1993-87, Class KD, 6.00%, 6/25/03	639
21	Series 1992-145N, Interest Only, 1010.06%, 1/25/06	700
896	Series 1989-39, Principal Only, Class C, 0.00%, 6/25/17	858
950	Series X-225C, Class TE, 5.45%, 10/25/18	926
430	Series 1989-90, Class E, 8.70%, 12/25/19	451
283	Series 1990-72, Class A, 9.00%, 7/25/20	292
538	Series 1990-72, Class B, 9.00%, 7/25/20	585
		-----
		7,739
		-----

Principal

Market



Amount (in thousands)		Value (in thousands)
	U.S. TREASURY OBLIGATIONS 30.3%	
	U.S. Treasury Bonds:	
\$12,200	10.75%, 2/15/03	\$ 15,006
1,550	10.75%, 8/15/05	1,997
80,975	9.25%, 2/15/16	102,860
	U.S. Treasury Notes,	
2,000	6.875%, 3/31/00	2,053
	U.S. Treasury Strip,	
3,650	0.00%, 2/15/99	3,203
		-----
		125,119
		-----
	Total Long-Term Investments (Cost \$393,281)	403,926
		-----

Number  
of Shares  
(in thousands)

	SHORT-TERM INVESTMENTS 0.6%	
	INVESTMENT COMPANIES 0.6%	
11	Financial Square Prime Obligation Fund	\$ 11
2,562	Short-Term Investments Co. Liquid Assets Portfolio	2,562
		-----
	Total Short-Term Investments (Cost \$2,573)	2,573
		-----
	Total Investments 98.4% (Cost \$395,854)	406,499
		-----
	Other Assets, less Liabilities 1.6%	6,728
		-----
	TOTAL NET ASSETS 100.0%	\$413,227
		=====

<F30> Unregistered Security

See notes to the financial statements.

SHORT-TERM BOND MARKET FUND  
INTERMEDIATE BOND MARKET FUND  
TAX-EXEMPT INTERMEDIATE BOND FUND  
BOND IMMDEX/TM FUND  
NOTES TO THE FINANCIAL STATEMENTS

#### 1. ORGANIZATION

Portico Funds, Inc. (the "Company") was incorporated on February 15, 1988, as a Wisconsin Corporation and is registered as an open-end management investment company under the Investment Company Act of 1940. The Short-Term Bond Market, Intermediate Bond Market, Tax-Exempt Intermediate Bond and Bond IMMDEX/TM Funds (the "Funds") are separate, diversified investment portfolios of the Company. The Short-Term Bond Market Fund and Bond IMMDEX/TM Fund commenced operations on December 29, 1989; the Intermediate Bond Market Fund commenced operations on January 5, 1993; and the Tax-Exempt Intermediate Bond Fund commenced operations on February 8, 1993. The objective of the Short-Term Bond Market Fund is to seek to provide an annual rate of total return, before Fund expenses, comparable to the annual rate of total return of the Lehman Brothers 1-3 year Government/Corporate Bond Index. The objective of the Intermediate Bond Market Fund is to seek to provide an annual rate of total return, before Fund expenses, comparable to the annual rate of total return of the Lehman Brothers Intermediate Government/Corporate Bond Index. The objective of the Tax-Exempt Intermediate Bond Fund is to seek to provide current income that is substantially exempt from federal income tax and emphasize total return with relatively low volatility of principal. The objective of the Bond IMMDEX/TM Fund is to seek to provide an annual rate of total return, before Fund expenses, comparable to the annual rate of total return of the Lehman Brothers Government/Corporate Bond Index.

The costs, in thousands, incurred in connection with the organization, initial registration and public offering of shares aggregating \$44, \$14, \$11 and \$46 for the Short-Term Bond Market, Intermediate Bond Market, Tax-Exempt Intermediate Bond and Bond IMMDEX/TM Funds, respectively, have been paid by the Funds. These costs are being amortized over the period of benefit, but not to

exceed sixty months from each Fund's commencement of operations.

The Company has issued two classes of Fund shares in each of the Funds: Series A and Series Institutional. The Series A shares are subject to a 0.25% shareowner service fee and to an initial sales charge imposed at the time of purchase, in accordance with the Funds' prospectus. The maximum sales charge is 2% of the offering price or 2.04% of the net asset value. Each class of shares for each Fund has identical rights and privileges except with respect to shareowner organization fees paid by Series A shares, voting rights on matters affecting a single class of shares and the exchange privileges of each class of shares.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. These policies are in conformity with generally accepted accounting principles.

a) Investment Valuation - Securities which are traded on a recognized exchange are valued at the last sale price on the securities exchange on which such securities are primarily traded or at the last sale price on the national securities market. Exchange-traded securities for which there were no transactions are valued at the current bid prices. Securities traded on only over-the-counter markets are valued on the basis of closing over-the-counter bid prices. Instruments with a remaining maturity of 60 days or less are valued on an amortized cost basis which approximates market value. Securities for which quotations are not readily available and other assets are valued at fair value as determined by the investment adviser under the supervision of the Board of Directors.

b) Federal Income Taxes - No provision for federal income taxes has been made since the Funds have complied to date with the provisions of the Internal Revenue Code available to regulated investment companies and intend to continue to so comply in future years.

c) Income and Expenses - The Funds are charged for those expenses that are directly attributable to each portfolio, such as advisory, administration and certain shareowner service fees. Expenses that are not directly attributable to a portfolio are typically allocated among the Company's portfolios in proportion to their respective net assets, number of shareowner accounts or net sales, where applicable. Net investment income other than class specific expenses, and realized and unrealized gains and losses are allocated daily to each class of shares based upon the relative net asset value of outstanding shares (or the value of dividend-eligible shares, as appropriate) of each class of shares at the beginning of the day (after adjusting for the current day's capital share activity of the respective class).

d) Distributions to Shareowners - Dividends from net investment income of the Short-Term Bond Market, Intermediate Bond Market, Tax-Exempt Intermediate Bond and Bond IMMDEX/TM Funds are declared and paid monthly. Distributions of net realized capital gains, if any, will be declared at least annually.

e) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

f) Unregistered Security - The Intermediate Bond Market and Bond IMMDEX/TM Funds own a certain investment security which is unregistered and thus restricted to resale. This security is valued by the Funds after giving due consideration to pertinent factors including recent private sales, market conditions and the issuer's financial performance. Where future disposition of this security requires registration under the Securities Act of 1933, the Funds have the right to include their security in such registration, generally without cost to the Funds. The Funds have no right to require registration of unregistered securities.

g) Other - Investment and shareowner transactions are recorded no later than the first business day after the trade date. The Funds determine the gain or loss realized from investment transactions by comparing the original cost of the security lot sold with the net sale proceeds. Interest income is recognized on an accrual basis. Discounts and premiums on bonds are amortized over the life of the respective bond. Generally accepted accounting principles require that permanent financial reporting and tax differences be reclassified to capital stock.

## 3. INVESTMENT TRANSACTIONS

The aggregate purchases and sales, in thousands, of securities, excluding short-term investments, for the Funds for the period ended October 31, 1996, were as follows:

SHORT-TERM BOND MARKET	INTERMEDIATE BOND MARKET	TAX-EXEMPT INTERMEDIATE	BOND IMMDEX/TM
---------------------------	-----------------------------	----------------------------	-------------------

	FUND	FUND	BOND FUND	FUND
Purchases:				
U.S. Government	\$ 41,674	\$ 46,100	-	\$ 49,914
Other	125,621	100,672	\$24,612	174,972
Sales:				
U.S. Government	22,552	63,977	-	30,314
Other	83,874	32,138	11,505	85,248

At October 31, 1996, gross unrealized appreciation and depreciation of investments for federal income tax purposes, in thousands, were as follows:

	SHORT-TERM BOND MARKET FUND	INTERMEDIATE BOND MARKET FUND	TAX-EXEMPT INTERMEDIATE BOND FUND	BOND IMMDEX/TM FUND
Appreciation	\$1,032	\$2,770	\$561	\$12,894
(Depreciation)	(1,341)	(953)	(53)	(2,387)
NET UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS	\$ (309)	\$1,817	\$508	\$10,507

At October 31, 1996, the cost of investments, in thousands, for federal income tax purposes was \$203,836, \$185,963, \$46,021 and \$395,992 for the Short-Term Bond Market, Intermediate Bond Market, Tax-Exempt Intermediate Bond and Bond IMMDEX/TM Funds, respectively. At October 31, 1996, the Short-Term Bond Market, Intermediate Bond Market and Tax-Exempt Intermediate Bond Funds had accumulated net realized capital loss carryovers, in thousands, of \$1,248, \$493 and \$97, respectively, expiring in 2002. The Short-Term Bond Market, Intermediate Bond Market and Bond IMMDEX/TM Funds had accumulated net realized capital loss carryovers, in thousands, of \$189, \$568 and \$987, respectively, expiring in 2003. The Short-Term Bond Market and Bond IMMDEX/TM Funds had accumulated net realized capital loss carryovers, in thousands, of \$79 and \$24, respectively, expiring in 2004. To the extent each Fund realizes future net capital gains, taxable distributions to its respective shareowners will be offset by any unused capital loss carryover.

#### 4. CAPITAL SHARE TRANSACTIONS

On January 9, 1995, all previously existing series of shares of each Fund were reclassified as Series A shares. Effective on January 9, 1995, Institutional shareowners exchanged their Series A shares for the Funds' Institutional series shares. Transactions in capital shares for the Funds, in thousands, were as follows:

<TABLE>  
<CAPTION>

	SHORT-TERM BOND MARKET FUND		INTERMEDIATE BOND MARKET FUND		TAX-EXEMPT INTERMEDIATE BOND FUND		BOND IMMDEX/TM FUND	
	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year ended October 31, 1996:								
Series A shares:								
Shares sold	\$ 27,710	2,697	\$ 8,046	792	\$ 5,857	573	\$ 28,027	1,022
Shares issued to owners in reinvestment of dividends	2,698	264	504	50	320	31	1,636	60
Shares redeemed	(19,105)	(1,863)	(2,722)	(268)	(3,177)	(311)	(8,685)	(319)
Net increase	\$ 11,303	1,098	\$ 5,828	574	\$ 3,000	293	\$ 20,978	763
Series Institutional shares:								
Shares sold	\$ 75,408	7,301	\$ 76,701	7,539	\$ 18,326	1,800	\$ 114,906	4,180
Shares issued to owners in reinvestment of dividends	6,416	627	5,795	572	418	41	17,730	648
Shares redeemed	(28,472)	(2,781)	(37,484)	(3,704)	(9,656)	(948)	(49,787)	(1,809)
Net increase	\$ 53,352	5,147	\$ 45,012	4,407	\$ 9,088	893	\$ 82,849	3,019
Period from Jan. 10, to Oct. 31, 1995:								
Series A shares:								
Reclassification of previous class	\$ 113,766	11,467	\$ 90,367	9,487	\$ 28,273	2,909	\$ 250,315	9,893

Exchange out to Series									
Institutional shares	(67,630)	(6,818)	(82,619)	(8,669)	(21,916)	(2,255)	(236,263)	(9,338)	
Shares sold	10,062	985	5,347	537	2,477	246	8,406	311	
Shares issued to owners									
in reinvestment									
of dividends	1,889	186	257	25	202	20	674	24	
Shares redeemed	(11,995)	(1,179)	(2,445)	(247)	(1,682)	(167)	(2,814)	(104)	
Net increase	\$ 46,092	4,641	\$ 10,907	1,133	\$ 7,354	753	\$ 20,318	786	

Series Institutional shares:

Exchange in from Series									
A shares	\$ 67,630	6,818	\$ 82,619	8,669	\$ 21,916	2,255	\$ 236,263	9,338	
Shares sold	35,067	3,449	50,608	5,053	7,707	762	55,322	2,049	
Shares issued to owners									
in reinvestment									
of dividends	3,077	302	3,251	325	328	33	12,580	467	
Shares redeemed	(13,589)	(1,336)	(14,172)	(1,422)	(3,554)	(354)	(38,641)	(1,421)	
Net increase	\$ 92,185	9,233	\$122,306	12,625	\$ 26,397	2,696	\$ 265,524	10,433	

Period from Nov. 1, 1994 to Jan. 9, 1995:

Previous Class:

Reclassification to Series									
A shares	\$ (113,766)	(11,467)	\$ (90,367)	(9,487)	\$ (28,273)	(2,909)	\$ (250,315)	(9,893)	
Shares sold	2,785	279	5,535	577	6,094	629	8,531	333	
Shares issued to owners									
in reinvestment									
of dividends	1,409	141	863	90	146	15	3,937	156	
Shares redeemed	(11,467)	(1,153)	(2,952)	(308)	(3,967)	(410)	(15,327)	(600)	
Net (decrease)	\$ (121,039)	(12,200)	\$ (86,921)	(9,128)	\$ (26,000)	(2,675)	\$ (253,174)	(10,004)	

</TABLE>

5. INVESTMENT ADVISORY AND OTHER AGREEMENTS

The Funds have entered into an Investment Advisory Agreement with Firststar Investment Research & Management Company ("FIRMCO"). FIRMCO is a subsidiary of Firststar Corporation, a publicly held bank holding company. Pursuant to its Advisory Agreement with the Funds, FIRMCO is entitled to receive a fee, calculated daily and payable monthly, at the annual rates presented below as applied to each Fund's daily net assets. For the year ended October 31, 1996, FIRMCO voluntarily waived the following fees, in thousands, by Fund:

	SHORT-TERM BOND MARKET FUND	INTERMEDIATE BOND MARKET FUND	TAX-EXEMPT INTERMEDIATE BOND FUND	BOND IMMDEX/TM FUND
Annual rate	0.60%	0.50%	0.50%	0.30%
Fees waived	\$556	\$288	\$159	\$2

Firststar Trust Company, an affiliate of FIRMCO, serves as custodian, transfer agent and accounting services agent for the Funds.

The Company has entered into a Co-Administration Agreement with B.C. Ziegler and Company and Firststar Trust Company (the "Co-Administrators") for certain administrative services. Pursuant to the Co-Administration Agreement with the Company, the Co-Administrators are entitled to receive a fee, calculated daily and payable monthly, at the annual rate of 0.125% of the Company's first \$2 billion of average aggregate daily net assets, plus 0.10% of the Company's average aggregate daily net assets in excess of \$2 billion. For the year ended October 31, 1996, \$128, \$116, \$25 and \$251 of administration fees, in thousands, were voluntarily waived for the Short Term Bond Market, Intermediate Bond Market, Tax-Exempt Intermediate Bond and Bond IMMDEX/TM Funds, respectively.

The Company entered into Servicing Agreements with certain Service Organizations, including FIRMCO affiliates, for the Series A class of shares. The Service Organizations are entitled to receive fees from the Funds up to the annual rate of 0.25% of the average daily net asset value of the Series A shares for certain support and/or distribution services to customers of the Service Organizations who are beneficial owners of Series A shares. These services may include assisting customers in processing purchase, exchange and redemption requests; processing dividend and distribution payments from the Funds; and providing information periodically to customers showing their positions in Series A shares. Service Organization fees, in thousands, incurred by the Short-Term Bond Market, Intermediate Bond Market, Tax-Exempt Intermediate Bond and Bond IMMDEX/TM Funds aggregated \$134, \$36, \$23 and \$82, respectively, for the year ended October 31, 1996.

Each Director of the Company who is not affiliated with FIRMCO receives an

annual fee from the Company for service as a Director and is eligible to participate in a deferred compensation plan with respect to these fees. Participants in the plan may designate their deferred Director's fees as if invested in any one of the Portico Funds (with the exception of the MicroCap Fund) or in 90-day U.S. Treasury bills. The value of each Director's deferred compensation account will increase or decrease as if it were invested in shares of the selected Portico Funds or 90-day U.S. Treasury bills. The Funds maintain their proportionate share of the Company's liability for deferred fees.

#### REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF THE PORTICO SHORT-TERM BOND MARKET FUND, THE PORTICO INTERMEDIATE BOND MARKET FUND, THE PORTICO TAX-EXEMPT INTERMEDIATE BOND FUND AND THE PORTICO BOND IMMDEX/TM FUND

In our opinion, the accompanying statement of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the Portico Short-Term Bond Market Fund, the Portico Intermediate Bond Market Fund, the Portico Tax-Exempt Intermediate Bond Fund and the Portico Bond IMMDEX/TM Fund (four of the portfolios of Portico Funds, Inc. (the "Funds")) at October 31, 1996, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and each of their financial highlights for the year ended October 31, 1996, and for each of the other periods indicated, all in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 1996 by correspondence with the custodian, provide a reasonable basis for the opinion expressed above.

/s/Price Waterhouse, LLP  
Milwaukee, Wisconsin  
December 6, 1996

#### - PORTICO FUNDS ARE AVAILABLE THROUGH:

- the Portico Funds Center,
- Investment Specialists who are registered representatives of Elan Investment Services, Inc., a registered broker/dealer, NASD and SIPC member,
- and through selected shareholder organizations.

This report is authorized for distribution only when preceded or accompanied by a current prospectus.

TO OPEN AN ACCOUNT OR  
REQUEST INFORMATION  
1-800-982-8909  
1-414-287-3710

FOR ACCOUNT BALANCES AND  
INVESTOR SERVICES  
1-800-228-1024  
1-414-287-3808

PORTICO FUNDS CENTER  
615 East Michigan Street  
P.O. Box 3011  
Milwaukee, WI 53201-3011

NASD Ref #C96-1129-001