

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: **1996-08-26** | Period of Report: **1996-06-30**
SEC Accession No. **0000950146-96-001484**

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

FILER

WALNUT STREET FUNDS INC

CIK: **898469** | State of Incorporation: **MD** | Fiscal Year End: **1231**
Type: **N-30D** | Act: **40** | File No.: **811-07552** | Film No.: **96620433**

Mailing Address
1801 PARK 270 DR
ST LOUIS MO 63146

Business Address
1801 PARK 270 DR
STE 220
ST LOUIS MO 63146
3148781010

President's Letter

Dear Shareholder:

The Walnut Street Funds, Inc. is pleased to present you with our 1996 semi-annual report. The Walnut Street Prime Reserve Fund asset balance for the period ending June 30, 1996, was \$150.4 million. The seven-day current yield for the Prime Reserve Fund was 4.70% on June 30, 1996, with an average maturity of 59 days.

The economic environment started out favorably for the equity markets for the first half of the year, but the tide began to change towards the end of the second quarter. Most stock market indices peaked in May and declined thereafter.

The Federal Reserve's first move of the year was a quarter point lowering of rates in January, after which, the economy began showing signs of accelerating growth, raising concerns about inflation, and spawning rumors of a possible interest rate hike by the Fed. The Federal Reserve managed to avoid raising rates during the remaining months through June and at its July 2nd meeting. In the meantime, the 30-year Treasury bond yield rose nearly a full point, from 5.95% to 6.89%. The rise in interest rates made it a difficult six months for the bond market. When interest rates rise, bond prices fall.

For investors seeking a refuge from the volatile movements of the stock and bond market, money market funds provide an attractive alternative.

The Walnut Street Funds, Inc. and Conning Asset Management Company (formerly General American Investment Management Company), the Fund's investment adviser, remain committed to providing our shareholders with a high quality money market fund, excellent service, and professional investment management.

Sincerely,
/s/ Richard A. Liddy
Richard A. Liddy
Chairman of the Board
The Walnut Street Funds, Inc.

Yields will fluctuate with market conditions. Past performance is no guarantee of future returns. Investments in money market funds are not insured or guaranteed by the U.S. Government and there is no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. The investment adviser is currently waiving certain fees. Had fees not been waived, the 7-day current yield would have been 4.64% and the total return would have been lower. The voluntary waiver of fees may be modified or terminated at any time, which would reduce the Fund's performance.

Table of Contents

SCHEDULE OF INVESTMENTS	Page 1
STATEMENT OF ASSETS AND LIABILITIES	4
STATEMENT OF OPERATIONS	4
STATEMENTS OF CHANGES IN NET ASSETS	5
FINANCIAL HIGHLIGHTS	6
NOTES TO FINANCIAL STATEMENTS	7
DIRECTORS AND OFFICERS	9

WALNUT STREET PRIME RESERVE FUND
 Schedule of Investments
 June 30, 1996 (Unaudited)

PRINCIPAL AMOUNT -----		VALUE (NOTE 2A) -----
	COMMERCIAL PAPER--87.54%	
	Automobiles--6.72%	
\$2,000,000	General Motors Acceptance Corp, 5.42%, 12/16/96	\$ 1,949,413
3,200,000	General Motors Acceptance Corp, 5.42%, 12/16/96	3,119,061
2,800,000	General Motors Acceptance Corp, 5.40%, 12/16/96	2,729,440
2,325,000	Mitsubishi Motors Credit, 5.45%, 8/5/96 (LOC: Mitsubishi Bank)	2,312,681
		----- 10,110,595 -----
	Banking & Finance-- 79.82%	
2,285,000	Alloman Funding Corp, 5.38%, 7/22/96	2,277,829
5,000,000	Anchor Capital Corp, 5.60%, 9/27/96	4,931,556
1,000,000	Anchor Funding Corp, 5.40%, 8/08/96	994,300
1,000,000	Astro Capital Corp, 5.52%, 9/05/96	989,880
1,500,000	Astro Capital Corp, 5.50%, 9/10/96	1,483,729
4,500,000	Astro Capital Corp, 5.62%, 10/31/96	4,414,295
2,324,000	Banca CRT Financial, 5.30%, 8/26/96	2,304,840
1,853,000	Banca CRT Financial, 5.30%, 9/03/96	1,835,541
3,000,000	Banca CRT Financial, 5.08%, 9/04/96	2,972,483
1,000,000	Banca CRT Financial, 5.35%, 11/15/96	979,640
2,500,000	Broadway Capital, 5.40%, 7/12/96	2,495,875
250,000	Creative Capital, 5.47%, 7/18/96	249,354
1,500,000	Creative Capital, 5.40%, 8/02/96	1,492,800
1,075,000	Creative Capital, 5.37%, 8/27/96	1,065,860

PRINCIPAL AMOUNT -----		VALUE (NOTE 2A) -----
\$1,028,000	Creative Capital, 5.52%, 9/20/96	\$ 1,015,232
2,000,000	Dealers Capital, 5.00%, 7/25/96	1,993,333
3,500,000	Diamond Asset Funding, 5.38%, 7/12/96	3,494,246
1,000,000	Diamond Asset Funding, 5.25%, 7/15/96	997,958
2,000,000	Diamond Asset Funding, 5.40%, 8/15/96	1,986,500
1,150,000	Diamond Asset Funding, 5.45%, 8/15/96	1,142,166
2,050,000	Dynamic Funding, 5.43%, 7/01/96	2,050,000

1,000,000	Dynamic Funding, 5.52%, 7/16/96	997,700
3,751,000	Dynamic Funding, 5.45%, 7/31/96	3,733,964
100,000	Dynamic Funding, 5.51%, 9/10/96	98,913
2,000,000	Finova Capital Corp, 5.43%, 7/16/96	1,995,475
775,000	Finova Capital Corp, 5.42%, 7/24/96	772,316
1,700,000	Finova Capital Corp, 5.42%, 7/29/96	1,692,834
1,725,000	Finova Capital Corp, 5.53%, 8/30/96	1,709,101
125,000	Frontier Funding, 5.53%, 9/06/96	123,714
1,645,000	Industrial Funding, 5.40%, 7/16/96	1,641,299
3,875,000	Industrial Funding, 5.50%, 8/20/96	3,845,399
1,425,000	Jet Funding, 5.40%, 7/31/96	1,418,588
2,100,000	Lehman Brothers, 5.38%, 7/08/96	2,097,807
1,425,000	Lehman Brothers, 5.53%, 10/15/96	1,401,797
1,500,000	Lehman Brothers, 5.53%, 11/15/96	1,468,433
2,000,000	Lehman Brothers, 5.60%, 12/18/96	1,947,111
1,000,000	Oak Funding, 5.43%, 7/12/96	998,341
1,000,000	Oak Funding, 5.50%, 8/14/96	993,278
1,000,000	Orix America, 5.25%, 7/09/96 (LOC: Sanwa Bank)	998,833
750,000	Orix America, 5.57%, 9/27/96 (LOC: Norinchukin Bank)	739,788

See notes to financial statements.

1

WALNUT STREET PRIME RESERVE FUND
Schedule of Investments (Continued)
June 30, 1996 (Unaudited)

PRINCIPAL AMOUNT -----		VALUE (NOTE 2A) -----
	COMMERCIAL PAPER (Continued) Banking & Finance (continued)	
\$3,000,000	Orix America, 5.40%, 9/27/96 (LOC: Norinchukin Bank)	\$ 2,960,400
1,400,000	Orix America, 5.52%, 10/15/96 (LOC: Norinchukin Bank)	1,377,245
600,000	Orix America, 5.52%, 10/15/96 (LOC: Norinchukin Bank)	590,248
1,500,000	Progress Funding, 5.43%, 7/15/96	1,496,833
1,900,000	Progress Funding, 5.50%, 8/28/96	1,883,164
1,850,000	Progress Funding, 5.40%, 9/09/96	1,830,575
1,150,000	Progress Funding, 5.43%, 9/09/96	1,137,858
625,000	Progress Funding, 5.55%, 10/30/96	613,341
450,000	Progress Funding, 5.70%, 12/19/96	437,816
1,325,000	Sanwa Business Credit Corp, 5.38%, 8/16/96	1,315,891
1,675,000	Sierra Funding, 5.00%,	

1,176,000	7/15/96 Sierra Funding, 5.25%, 7/15/96	1,671,743
500,000	Sierra Funding, 5.50%, 7/15/96	1,173,599
1,000,000	Sierra Funding, 5.40%, 8/15/96	498,931
1,000,000	Stellar Capital Corp, 5.38%, 7/12/96	993,250
3,800,000	Stellar Capital Corp, 5.38%, 7/19/96	998,356
475,000	Stellar Capital Corp, 5.37%, 8/14/96	3,789,778
1,200,000	Stellar Capital Corp, 5.42%, 8/30/96	471,883
800,000	Stellar Capital Corp, 5.52%, 11/20/96	1,189,160
1,733,000	Strait Capital, 5.40%, 7/19/96	782,581
2,000,000	Strait Capital, 5.55%, 9/30/96	1,728,321
3,000,000	Strategic Asset Funding, 5.30%, 7/01/96	1,971,942
1,208,000	Strategic Asset Funding, 5.40%, 7/31/96	3,000,000
		1,202,564

PRINCIPAL AMOUNT		VALUE (NOTE 2A)
-----		----- v
\$2,400,000	Strategic Asset Funding, 5.40%, 7/31/96	\$ 2,389,200
800,000	Strategic Asset Funding, 5.40%, 7/31/96	796,400
2,369,000	Tri-Lateral Capital, 5.45%, 7/08/96	2,366,490
2,700,000	Tri-Lateral Capital, 5.45%, 7/08/96	2,697,139
1,500,000	Tri-Lateral Capital, 5.43%, 7/22/96	1,495,249
300,000	Tri-Lateral Capital, 5.40%, 8/07/96	297,435
700,000	Tri-Lateral Capital, 5.45%, 8/30/96	693,642
2,000,000	Working Capital Mgmt, 5.50%, 9/11/96	1,978,000
2,425,000	Working Capital Mgmt, 5.50%, 9/23/96	2,393,879
2,000,000	Yorkshire Building Society, 5.50%, 11/21/96	1,956,306

		120,021,327

	Energy--1.00%	
1,500,000	KN Energy Inc, 5.45%, 7/03/96	1,499,546

	Total Commercial Paper (Cost \$131,631,468)	131,631,468

	FLOATING RATE NOTES	
	--7.31%	
5,000,000	Federal Home Loan Mortgage Corporation Floating Rate Note, 5.65%, payable quarterly, resets quarterly, next coupon 9/30/96 (a)	4,998,050
1,000,000	Student Loan Marketing Association Floating Rate Note, 5.46%, payable quarterly, resets Tuesdays, next coupon 8/02/96 (a)	999,228
2,000,000	Student Loan Marketing Association Floating Rate Note,	

ASSETS:	
Investments at value (Note 2A)	
(Identified cost \$150,128,746)	\$150,128,746
Cash	20,464
Interest receivable	284,317
Deferred organization costs and other assets (Note 2E)	209,366

Total Assets	150,642,893

LIABILITIES:	
Payables:	
Advisory Fee (Note 3)	77,889
Distribution Fees (Note 3)	90,543
Accrued Expenses	105,763

Total Liabilities	274,195

NET ASSETS:	
(applicable to 150,378,135 shares issued and outstanding; 1 billion shares of \$.001 par value authorized)	\$150,368,698
	=====
Net asset value, offering price and repurchase price per share (\$150,368,698/150,378,135 shares)	\$ 1.00
	=====
SOURCES OF NET ASSETS:	
Capital stock at par	\$ 150,378
Capital surplus	150,227,757
Accumulated net realized loss on investments	(9,437)

NET ASSETS	\$150,368,698
	=====

Statement of Operations

For the six months ended
June 30, 1996 (Unaudited)

INVESTMENT INCOME:	
Interest	\$ 4,566,933

EXPENSES:	
Advisory (Note 3)	203,122
Administration and accounting (Note 3)	76,339
Custodian (Note 3)	14,333
Transfer agent	15,943
Audit	7,732
Cash management	7,224
Distribution (Note 3)	284,367
Directors (Note 4)	5,984
Reports to shareholders	15,833
Registration and filing	73,605
Organization	20,209
Legal	8,995
Other	3,740

Total Expenses	737,426
Fees waived by adviser	(46,841)

Net Expenses	690,585

Net Investment Income	3,876,348
Net realized gain on investments	1,130

Net increase in net assets resulting	

from operations

\$ 3,877,478

=====

See notes to financial statements.

4

Statements of Changes in Net Assets (Unaudited)

<TABLE>

<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30, 1996	FOR THE YEAR ENDED DECEMBER 31, 1995
	----- <C>	----- <C>
OPERATIONS:		
Net investment income	\$ 3,876,348	\$ 6,166,455
Net realized gain on investments	1,130	202
	-----	-----
Net increase in net assets resulting from operations	3,877,478	6,166,657
	-----	-----
DIVIDENDS TO SHAREHOLDERS:		
Dividends from net investment income	(3,876,348)	(6,166,455)
	-----	-----
CAPITAL STOCK TRANSACTIONS:		
Proceeds from capital stock sold	90,568,520	193,059,843
Proceeds from shares issued on reinvestment of dividends	3,874,870	6,166,058
Cost of capital stock repurchased	(100,992,146)	(131,842,597)
	-----	-----
Increase (decrease) in net assets resulting from capital stock transactions	(6,548,756)	67,383,304
	-----	-----
Increase (decrease) in Net Assets	(6,547,626)	67,383,506
NET ASSETS:		
Beginning of period	156,916,324	89,532,818
	-----	-----
End of period	\$ 150,368,698	\$ 156,916,324
	=====	=====
CHANGE IN CAPITAL STOCK OUTSTANDING:		
Shares sold	90,568,520	193,059,843
Shares issued on reinvestment of dividends	3,874,870	6,166,058
Shares repurchased	(100,992,146)	(131,842,597)
	-----	-----
Net increase (decrease)	(6,548,756)	67,383,304
Shares outstanding, beginning of period	156,926,891	89,543,587
	-----	-----
Shares outstanding, end of period	150,378,135	156,926,891
	=====	=====

</TABLE>

See notes to financial statements.

5

Financial Highlights (Unaudited)

<TABLE>

<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30, 1996	FOR THE YEAR ENDED DECEMBER 31, 1995	FOR THE YEAR ENDED DECEMBER 31, 1994	FOR THE PERIOD JULY 21, 1993* THROUGH DECEMBER 31, 1993
	----- <C>	----- <C>	----- <C>	----- <C>
PER SHARE DATA:				
Net asset value at beginning of period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
	-----	-----	-----	-----

Income from investment operations				
Net investment income	0.024	0.053	0.036	0.011
	-----	-----	-----	-----
Dividends to shareholders				
Dividends from net investment income	(0.024)	(0.053)	(0.036)	(0.011)
	-----	-----	-----	-----
Net asset value at end of period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
	=====	=====	=====	=====
TOTAL RETURN:	4.81%**	5.40%	3.62%	2.46%**
RATIOS/SUPPLEMENTAL DATA:				
Net assets at end of period (000's omitted)	\$150,369	\$156,916	\$89,533	\$54,585
Ratio to average net assets of:				
Expenses, net of waiver from adviser (Note 3)	0.85%**	0.85%	0.85%	0.85%**
Expenses, prior to waiver from adviser (Note 3)	0.91%**	0.93%	1.05%	1.07%**
Net investment income, net of waiver from adviser (Note 3)	4.76%**	5.25%	3.64%	2.46%**

</TABLE>

* Commencement of investment operations.

** Annualized.

See notes to financial statements.

6

Notes to Financial Statements (Unaudited)

1. ORGANIZATION AND BUSINESS

The Walnut Street Funds, Inc. (the "Company") was organized as a Maryland Corporation on January 22, 1993 and is registered under the Investment Company Act of 1940 as an open-end management investment company. The Company currently consists of one series. The Walnut Street Prime Reserve Fund (the "Fund") commenced investment operations on July 21, 1993.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) Security Valuations

Securities are valued at amortized cost which approximates market value. This method values a security at its cost at the time of purchase and thereafter assumes a constant rate of accretion or amortization to maturity of any discount or premium.

(B) Federal Income Taxes

The Fund is treated as a separate entity for federal income tax purposes. The Fund's policy is to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and distribute income to shareholders within the allowable time limits. Therefore, no federal income tax provision is required.

At December 31, 1995, the Portfolio had a capital loss carryover of approximately \$10,600 which is available to offset future net realized gains on securities transactions. Such capital loss carryover will expire in fiscal year 2002.

(C) Dividends to Shareholders

Net investment income is declared daily and paid monthly.

Income and capital gains distributions, if any, are determined in accordance with income tax regulations which may differ from methods used to determine the corresponding income and capital gains amounts in accordance with generally accepted accounting principles.

(D) Security Transactions and Investment Income

Security transactions are recorded on the trade date and interest income is accrued daily. Discounts and premiums on securities purchased are accreted

and amortized over the life of the respective securities.

(E) Organization Costs

Costs incurred in connection with organization and initial registration of the Fund are being amortized over the period of benefit not to exceed 60 months from the date upon which the Fund commenced investment operations.

If any or all of the shares representing initial capital of the Fund are redeemed by any holder thereof prior to the end of the amortization period, the proceeds will be reduced by the unamortized organizational expense balance in the same proportion as the number of such shares redeemed bears to the number of initial shares outstanding immediately before the redemption.

(F) Financial Statements Preparation

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 at the date of the financial statements and the reported amounts of revenues

7

Notes to Financial Statements (Unaudited) (continued)

and expenses for the period. Actual results could differ from those estimates.

3. ADVISORY, ADMINISTRATION AND OTHER TRANSACTIONS WITH AFFILIATES

Conning Asset Management Company (formerly, General American Investment Management Company) acts as the Fund's investment adviser (the "Adviser"). The Adviser manages the investments of the fund and is responsible for all purchases and sales of the Fund's portfolio securities.

As compensation for its services and the related expenses borne by the adviser, the Fund pays the Adviser a Management Fee, accrued daily and payable monthly, that is equal, on an annual basis, to .25% of the Fund's average daily net assets on the first \$250,000,000 of the Fund's net assets, .24% of the Fund's average daily net assets in excess of \$250,000,000 up to \$500,000,000, .23% of the Fund's average daily net assets in excess of \$500,000,000 up to \$750,000,000, .22% of the Fund's average daily net assets in excess of \$750,000,000 up to \$1,000,000,000 and .21% of the Fund's average daily net assets in excess of \$1,000,000,000.

The Adviser has voluntarily agreed to assume/ waive expenses for the Fund to the extent that expenses exceed .85% of the average daily net assets of the Fund. For the six months ended June 30, 1996, the Adviser waived \$46,841.

The Bank of New York acts as the Fund's administrator (the "Administrator") and will assist in supervising the operations of the Fund. The Bank of New York also serves as the Fund's custodian and fund accounting agent.

The Administrator has agreed to provide facilities, equipment and personnel to carry out administrative services for the Fund, including, among other things, monitoring the custodian, fund accounting, and administrative services.

The Administrator's fee is accrued daily and is payable monthly at the rate of .10% of the Fund's average net assets up to \$100,000,000, .07% of the next \$400,000,000 of average net assets, and .03% of average net assets in excess of \$500,000,000, with a minimum fee of \$6,000 per month.

The exclusive distributor of the Fund's shares is Walnut Street Securities, Inc. (the "Distributor"), a registered broker dealer that is a wholly-owned subsidiary of the Adviser.

The Fund has adopted a distribution plan ("12b-1 Plan") pursuant to which the Distributor may be reimbursed for expenses incurred during the year in connection with the distribution of Fund shares. The aggregate annual amount payable by the Fund as provided in the 12b-1 Plan may not exceed .35% of the Fund's average daily net assets.

4. DIRECTORS' FEES

Unaffiliated directors are paid \$500 for each board meeting attended, plus reimbursement for travel and out-of-pocket expenses.

8

DIRECTORS AND OFFICERS

RENE C. LORIO, PRESIDENT
RICHARD A. LIDDY, DIRECTOR
THEODORE M. ARMSTRONG, DIRECTOR
HARRY E. RICH, DIRECTOR
ALAN C. HENDERSON, DIRECTOR
E. THOMAS HUGHES, TREASURER
DON P. WULLER, ASSISTANT TREASURER
MATTHEW P. MCCAULEY, SECRETARY

INVESTMENT ADVISER

CONNING ASSET MANAGEMENT COMPANY

ADMINISTRATOR

THE BANK OF NEW YORK

DISTRIBUTOR

WALNUT STREET SECURITIES, INC.

TRANSFER AGENT

BISYS FUND SERVICES, INC.

CUSTODIAN

THE BANK OF NEW YORK

INDEPENDENT AUDITORS

KPMG PEAT MARWICK LLP

LEGAL COUNSEL

HUSCH & EPPENBERGER

9

This report is not authorized for distribution to prospective investors unless accompanied by a current prospectus for the Walnut Street Prime Reserve Fund. Please read the prospectus carefully before sending money.

THE WALNUT STREET FUNDS
PRIME RESERVE
MONEY MARKET FUND

[WALNUT STREET FUNDS
PRIME RESERVE LOGO]

Semi-Annual Report
June 30, 1996
(Unaudited)

Adviser
Conning Asset
Management Company

Distributor
Walnut Street Securities, Inc.