FORM N-30D

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FIXED INCOME FUND
SEMI-ANNUAL REPORT

IAI Institutional Bond Fund

MAY 31, 1995
(unaudited)

[IAI LOGO]

Mutual Funds

[WORLD MAP ART]

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IAI Institutional Bond Fund

Semi-Annual Report
May 31, 1995
(unaudited)

<TABLE>
<S> <C> <C>

</TABLE>

CHAIRMAN'S LETTER

IAI Institutional Bond Fund

[PHOTO OF NOEL P. RAHN]
NOEL P. RAHN,
Chairman

Since the early 1980s, there have been some major secular trends that have made investment planning more important, not only for the wealthy but also for the broad middle class. Increasingly, American families are being squeezed between saving for their own retirement, their children's education, and for their aging parents. And, the country is in the middle of a historic transfer of wealth between generations which also requires careful planning.

For the last few years, three primary secular trends have been driving economic growth -- demographics, globalization, and the de-leveraging of the economy. The aging of America has led to a shift from consumption to savings. Globalization has resulted in more international trade and foreign investment. And, companies and consumers have been paying off debt incurred in the 1980s.

Until recently, all of these mega-trends have overshadowed the traditional economic credit cycle and favored financial assets. As a result, the Federal Reserve Board (the Fed) was able to add liquidity and lower short-term interest rates far more than most investors expected. However, near the end of 1994, these conditions began to recede and a more familiar cyclical pattern emerged.

Now, the traditional cyclical forces of a mature economic recovery have returned to dominate business activity. The real goods part of the economy remains strong as measured by industrial production which is running near full capacity. Labor markets are strengthening and there are signs of rising unit labor costs and the specter of higher inflation.

Monetary policy is restrictive, and historically once the Fed has started tightening, they usually do not stop until the end of the economic cycle. Total reserve growth has declined indicating negative prospects for interest rates, both long- and short-term. Ultimately, the economy could slip into a recession as it typically has at the end of past economic cycles, or it could muddle through a growth recession with positive, but very low growth rates.

While there is short-term risk in the bond market, the major secular trends favor bonds over the long run. Even after the bond market rally during the first half of this year, bond yields remain attractive. Compared with the current rate of inflation, bonds still provide relatively high real rates of return. Compared with equities, bond yields are much higher than stock yields which are at historic lows.

Average Annual Returns+
Through 5/31/95

<TABLE>

<S>	<C> Six Months*	<C> 1 year	<C> Since Inception 11/01/93
IAI Institutional Bond Fund	10.55%	10.36%	2.65%
Salomon Broad Investment Grade Bond Index	11.57%	10.73%	4.53%

</TABLE>

+ Past performance is not predictive of future performance
. Not annualized

CHAIRMAN'S LETTER

IAI Institutional Bond Fund

ECONOMIC OUTLOOK

Larry Hill, IAI's Chief Investment Officer, provides his economic outlook below, as published recently in the Adviser.

The myth of an economic soft landing is an attractive idea--growth strong enough to create new jobs and keep the economy moving forward, and yet slow enough to prevent inflationary pressures from building. Unfortunately, business cycles have not been eliminated, and even when a soft landing seems imminent, it is usually just a temporary phase before moving in one of two different directions.

When the economy pauses, as it has recently in what looks like a soft landing, it is usually just a temporary phase of continuing growth or slowdown. The key to which way the economy goes after the pause lies with interest rates. Rising interest rates lead to slower economic growth, and a recession can follow. On the other hand, when interest rates fall, as they have recently, there is still plenty of financial capacity for the economy to grow. Generally, this type of pause is followed by a reacceleration of economic growth. We expect the reacceleration to occur in the second half of 1995.

While there are several factors influencing whether, and how much, interest rates rise or fall, two are key--growth and inflation.

While we anticipate an acceleration of growth, we are not looking for a robust burst of economic activity. The fourth quarter of 1994 was much stronger than the long-term trend, and typically when that happens, succeeding quarters are slower. First quarter 1995 real GDP growth was only 2.7%, and the second quarter is likely to be weaker. Looking at the second half of the year, we anticipate a recovery to about 3% growth in real GDP. With this increase in growth, we expect rising credit demands, and upward pressure on interest rates.

Inflationary pressures will also increase in the second half of 1995. Price increases have entered the economic pipeline at the producers' end, but have not yet flowed into the retail market. Consumers are very price conscious and businesses have cut costs to compete. However, at some point they will not be able to cut further, and they will be forced to pass along their higher costs. The year-over-year increase in the Consumer Price Index has already established a clear up trend, rising by 3.1% over the last 12 months. We anticipate as much as a 3.5%-4% increase in inflation on consumer prices which is higher than the consensus expectation of approximately 3%.

In addition to growth and inflation, several other factors earlier this year will influence interest rates in the months ahead. The moves in the U.S. Congress to cut expenditures and balance the budget are gathering momentum, and that has helped the U.S. bond market. However, the failure

VALUE OF $2,000,000 INVESTMENT

	11/01/93	3/94	11/94	5/31/95
IAI INSTITUTIONAL BOND FUND (Inception 11/01/93)	$2,000,000			$2,084,100
SALOMON BROAD INVESTMENT GRADE BOND INDEX	$1,750,000			$2,145,448

of the balanced budget amendment sparked a substantial decline in the value of the U.S. dollar. Ironically, this decline helped the U.S. bond market.

As the dollar declined, compared with major currencies, foreign central banks became large buyers of U.S. bonds in their dollar-support effort which helped fuel the recent rally in the bond market. However, foreign governments are not economic buyers, and if the dollar stabilizes or strengthens, they could become large sellers which could adversely impact U.S. bond prices. Furthermore, cash flows into bond mutual funds have been a negative for bonds indicating continuing weak demand from individual investors.

Both bonds and stocks have recently been appreciating together which is very unusual for this latter stage of the cycle. This kind of market behavior is more typical of the period immediately following a recession, when the Federal Reserve Board (the Fed) is lowering interest rates and profit growth is accelerating. The stock market, like the bond market, is also overextended, and there is a cyclical risk of a relatively strong pullback which could be triggered by the fear of decelerating earnings.

The larger economic picture is still very positive for financial assets and should continue over the long term. However, economic cycles still dominate financial markets, and the current cycle has not yet ended.

We do not anticipate a recession this year. Typically, rates rise into a recession, and they have been declining during the first half of the year. Those lower rates will fuel a new burst of economic activity and higher consumer prices, both of which will put upward pressure on interest rates.

Thus, we are cautious on both bonds and stocks for the second half of this year. The equity market appears to be more overextended than the bond market, although both are running well above their average total return trends. We believe the high rates of return earned in the first half are not sustainable for the full year.

The Fed has been holding short-term rates steady; however, higher growth and inflation will begin to push market interest rates up. We believe the Fed is falling behind the trend toward higher prices, and will be forced to raise interest rates again as the inflation rate increases later this year.

Strategically, we would remain cautious now, and average in new investments on significant pullbacks. The conservative investment virtues of patience and discipline are those most likely to be rewarded during the remainder of the year.

Please read the Fund Manager's Review, which follows this letter, for a detailed perspective on the Funds' performance and our strategy going forward. We appreciate your continued trust and confidence in IAI. If there is any way we can serve you better, please let us know by calling our toll-free Investor Services Hotline at 1-800-945-3863.

Sincerely,

/s/ Noel P. Rahn
Noel P. Rahn
Chairman

FUND MANAGER'S REVIEW

IAI Institutional Bond Fund

IAI Institutional Bond Fund

Fund Objective

The IAI Institutional Bond Fund's objective is to provide a high level of current income consistent with capital preservation. This objective is pursued by investing in a diversified portfolio of high quality bonds. The Fund invests primarily in investment-grade bonds and other debt securities of similar high quality. The Fund invests in a variety of maturities and sectors which are varied depending on relative values in the marketplace at a given point in time.

Fund Positioning for
the Past Six Months

Since last November, interest rates have declined and bond prices have appreciated. The total return for the IAI Institutional Bond Fund has been 10.55% over the past six months.

There have been four primary factors driving the bond market higher. First, there are numerous signs that economic growth has slowed from above to below the average long-term trend rate of approximately 3%. Slower growth favors bonds because it reduces the likelihood of rising interest rates. Second, inflation has remained relatively stable below a 3% level. This also favors bonds because lower inflation helps preserve the purchasing power of fixed-income assets. As these factors have helped push bond prices up, trend-following investors have become buyers and provided additional support to the market. And finally, foreign central banks have become major buyers of U.S. debt which has also fueled demand and raised bond prices.

Strategically, our view remains that we are in the latter stages of the credit cycle which has historically been a risky phase for fixed income investments. Thus, the IAI Institutional Bond Fund has been conservatively positioned relative to the broad market. The effective duration of the Fund is currently at 3.65 years compared with 4.64 years for the Salomon Broad Investment Grade Bond Index. ("SBIGB Index").

With our shorter duration, we have emphasized market sector strategies to invest for better relative value and higher yield. This has enabled the Fund to earn near market returns in a rising market, when its shorter duration would otherwise cause it to underperform more significantly.

The two best contributors to the Fund's performance in the past six months have been high yield corporate bonds which have comprised 4% of the portfolio and foreign bonds which have comprised 11%. Most of the currency risk has been hedged out of the foreign bond holdings and our currency risk is now approximately 4%.

We continue to emphasize asset-backed securities to increase yield on our short-term holdings. The Fund is currently overweighted in higher yielding asset-backed, foreign, and high-yield corporate bonds as compared with the SBIGB Index, and underweighted in Treasury bonds and mortgage pass-throughs. Fund credit quality is very high with more than 85% of the holdings in the portfolio rated AAA or better.

Fund Positioning Going Forward

None of the four forces which have driven bond prices higher this year are sustainable. We expect the economy to reaccelerate in the second half of the year, in large part due to the lower interest rates experienced in the first half. We expect inflation to increase due to faster economic growth and high levels of capacity utilization. Higher inflation has already impacted raw materials and we expect more of these increases will be passed on to consumers.

With regard to investor demand for bonds, if the U.S. dollar stabilizes or strengthens, foreign central banks will reduce their purchases and perhaps become net sellers of U.S. securities. This would put pressure on bond prices which would only be exacerbated by continuing negative cash flows from bond mutual funds and selling by momentum investors in a declining market.

The IAI Institutional Bond Fund remains conservatively positioned with a shorter-than-market duration which will help the Fund outperform the broad market if interest rates rise, as we expect they will. We are maintaining modest cash reserves to capitalize on new opportunities as rates move higher.

[PHOTO OF TIMOTHY A. PALMER]
TIMOTHY A. PALMER,
CFA
IAI Institutional Bond
Fund Manager

"The Fund now reflects our more cautious view of the market."

FUND MANAGER'S REVIEW

IAI Institutional Bond Fund

CREDIT RATING
% of Portfolio of 5/31/95

U.S. Government	45%
AAA	33%
AA	5%
A	9%
BBB	4%
Non-Investment Grade	4%

SECTORS
% of Portfolio of 5/31/95

Preferred Stock	3%
Corporate	20%
U.S. Government & Government Agency	17%
U.S. Government Agency Mortgage-Backed	17%
Asset-Backed	15%
Foreign Denominated	11%
Short-Term	9%

Note to Chairman's Letter
and Fund Manager's Review

Performance data for the IAI Institutional Bond Fund includes changes in share price and reinvestment of dividends and capital gains. Past performance is not a guarantee of future results. The Fund's investment return, yield and principal may fluctuate, so that when redeemed, shares may be worth more or less than the original cost. More complete information about the Fund, including charges and expenses, is available in the prospectus. Please read the Fund's prospectus carefully before investing. All indexes cited are unmanaged, and are either trademarks, registered trademarks or copyrights of their respective sponsoring companies.

EFFECTIVE MATURITY
% of Portfolio of 5/31/95

Years

0-5	5-10	10-20	20+
32%	44%	13%	11%

FUND PORTFOLIO

IAI Institutional Bond Fund

May 31, 1995
(percentage figures indicate percentage of total new assets)
(unaudited)

Preferred Stock - 2.9%

<TABLE>
<CAPTION>

	Rate	Quantity	Market Value(a)
<S>	<C>	<C>	<C>
Non Convertible - 2.9%			
Grand Metro Delaware	9.42%	102,180	$ 2,784,405
TOTAL INVESTMENTS IN PREFERRED STOCK			
(Cost: $2,755,795)			$ 2,784,405

Corporate Bonds - 21.2%

	Rate	Maturity	Principal Amount	Market Value(a)
Finance/Financial Services - 11.2%				
ABN-AMRO Bank	7.13%	10/15/93	$2,700,000	$ 2,470,500
Chase Manhattan	8.00%	05/01/05	3,750,000	3,788,550
GE Capital	5.99% (f)	07/21/97	1,000,000	998,995
Nationwide (g)	9.88%	02/15/25	2,000,000	2,212,340
Westinghouse Credit	8.88%	06/14/14	1,000,000	1,097,500
				10,567,885
Industrial - 7.3%				
Cablevision	10.75%	01/30/02	1,125,000	1,226,250
Coca Cola Enterprises (zero-coupon bond)	7.54% (c)	06/20/20 (b)	16,800,000	2,721,600
General Motors	8.80%	03/01/21	115,000	130,698
Gulf Canada Resources (Yankee)	9.25%	01/15/04	1,000,000	990,000
RJR Nabisco	7.63%	09/15/03	1,000,000	960,000
Triton Energy (zero-coupon bond)	10.44% (c)	11/01/97	600,000	489,000
Triton Energy (step bond)	9.94% (c)	12/15/00	500,000	440,000
				6,957,548
Utilities - 2.7%				
Commonwealth Edison	7.50%	07/01/13	1,250,000	1,214,775
Long Island Lighting	7.85%	05/15/99	1,350,000	1,380,591
				2,595,366
TOTAL INVESTMENTS IN CORPORATE BONDS				
(Cost: $19,281,438)				$20,120,799

</TABLE>

See accompanying Notes to Fund Portfolio

FUND PORTFOLIO

IAI Institutional Bond Fund

May 31, 1995
(unaudited)

<TABLE>
<CAPTION>
U.S. Government & Government Agency Obligations - 17.9%

	Rate	Maturity	Principal Amount	Market Value(a)
<S>	<C>	<C>	<C>	<C>
U.S. Government Obligations - 12.1%				
U.S. Treasury Notes	6.13%	07/13/96	$1,500,000	$1,503,990
	8.75%	10/15/97	2,250,000	2,389,208
	7.88%	04/15/98	2,400,000	2,520,384
	5.13%	11/30/98	2,520,000	2,451,103
U.S. Treasury Bonds	10.75%	08/15/05	250,000	330,665
	9.25%	02/15/16	1,800,000	2,293,038
				11,488,388
Government Agency Obligations - 5.8%				

	Rate	Maturity	Principal Amount	Market Value (a)
Financing Corporation STRIPS (zero-coupon bond)	7.66% (c)	04/06/03	2,000,000	1,195,160
Resolution Funding Corporation	8.13%	10/15/19	3,750,000	4,263,863
				5,459,023

TOTAL INVESTMENTS IN U.S. GOVERNMENT &
GOVERNMENT AGENCY OBLIGATIONS
(Cost: $16,155,494) $16,947,411

U.S. Government Agency Mortgage-Backed Securities - 26.3%

	Rate	Maturity	Principal Amount	Market Value (a)
Federal Home Loan Mortgage Corporation - 6.3%				
	7.50%	06/01/00 (b)	$3,250,000	$3,311,945
	10.50%	11/01/00	1,933,437	2,031,907
	10.50%	02/01/04	526,008	566,185
	8.00%	08/01/08	80,646	82,266
				5,992,303
Government National Mortgage Association - 20.0%				
	9.00%	07/15/09	297,001	318,854
	9.00%	12/15/09	750,430	805,647
	9.00%	06/01/17 (b)	2,680,000	2,880,893
	9.00%	12/15/17 (b)	2,696,476	2,898,604

</TABLE>

See accompanying Notes to Fund Portfolio

FUND PORTFOLIO

IAI Institutional Bond Fund

May 31, 1995
(unaudited)

<TABLE>
<CAPTION>
U.S. Government Agency Mortgage-Backed Securities (Cont.)

	Rate	Maturity	Principal Amount	Market Value(a)
<S>	<C>	<C>	<C>	<C>
Government National Mortgage Association (Cont.)				
	10.00%	12/15/20	$ 372,401	$ 403,590
	6.50%	09/15/23	67,461	64,742
	6.50%	10/15/23	516,018	495,214
	6.50%	11/15/23	917,531	880,538
	6.50%	12/15/23	2,438,036	2,339,736
	6.50%	01/15/24	3,653,898	3,506,575
	6.50%	02/15/24	716,932	688,026
	6.50%	03/15/24	213,592	204,980
	6.50%	04/15/24	1,475,247	1,415,766
	7.00%	06/01/24 (b)	1,030,000	1,013,582
	6.50%	06/15/24	1,043,398	1,001,329
				18,918,076

Total Investments in U.S. Government
Agency Mortgage-Backed Securities
(Cost: $24,061,773) $24,910,379

Asset-Backed Securities - 16.3%

	Rate	Maturity	Principal Amount	Market Value (a)
Auto Related - 3.5%				
Banc One Auto Trust 95-A A3	6.85%	11/15/97	$ 380,000	$ 385,278
Ford Credit Grantor Trust 94-B A	7.30%	10/15/99	442,297	448,720
Ford Credit Grantor Trust 95-1 A2	6.35%	10/15/98	2,500,000	2,501,550
				3,335,548
Equipment Related - 1.5%				
Case Equipment Loan Trust 92-A A2	5.40%	06/15/98	22,924	23,603
Case Equipment Loan Trust 94-C A1	7.60%	12/15/97	823,938	840,343
Case Equipment Loan Trust 95-A A	7.30%	03/15/02	507,702	517,136

				1,381,082
Credit Card Related - 11.3%				
Chase Manhattan Credit Card Master Trust 91-2 A	7.65%	11/15/98	483,333	485,146
First Chicago Master Trust II 94-L A	7.15%	04/15/01	630,000	647,703

</TABLE>

See accompanying Notes to Fund Portfolio

FUND PORTFOLIO

IAI Institutional Bond Fund

May 31, 1995
(unaudited)

<TABLE>
<CAPTION>
Asset-Backed Securities (Continued)

	Rate	Maturity	Principal Amount	Market Value (a)
<S>	<C>	<C>	<C>	<C>
Credit Card Related (continued)				
First Chicago Master Trust II 95-N A	6.29%	12/15/00	$ 1,000,000	$ 1,001,410
First Deposit Master Trust 94-1 A	6.90%	08/15/01	160,000	162,354
Nationsbank Credit Card Master Trust 93-1 A	4.75%	09/15/98	3,130,000	3,068,370
Private Label Credit Card Master Trust II 94-2 A	7.80%	09/20/03	1,170,000	1,221,901
Sears Credit Account Master Trust 95-3 A	7.00%	10/15/04	4,000,000	4,107,080
				10,693,964
Total Investments in Asset-Backed Securities (Cost: $15,133,899)				$15,410,594

Foreign Denominated Bonds -- 11.3%

	Rate	Maturity	Principal Amount (e)	Market Value (a)
Government Bonds - 11.3%				
German Government (German mark)	7.50%	10/20/97	4,700,000	$ 3,501,732
	8.50%	09/20/96	1,200,000	889,561
Japanese Government (Japanese yen)	4.20%	09/20/04	485,000,000	6,304,253
				10,695,546
Total Investments in Foreign Denominated Bonds (Cost: $9,573,900)				$10,695,546
Total Investments in Long-Term Securities (Cost: $86,962,299)				$90,869,134

</TABLE>

See accompanying Notes to Fund Portfolio

FUND PORTFOLIO

IAI Institutional Bond Fund

May 31, 1995
(unaudited)

<TABLE>
<CAPTION>
SHORT-TERM SECURITIES - 9.5%

	Rate	Maturity	Principal Amount	Market Value (a)
<S>	<C>	<C>	<C>	<C>
U. S. Government and Government Agency Securities - 9.5%				
U. S. Treasury Bills	6.03% (d)	07/13/95	$2,000,000	$ 1,987,096
	6.45% (d)	11/16/95	2,700,000	2,629,819
	6.75%	01/11/96	1,700,000	1,641,399
Federal Home Loan Bank (discount note)	6.10%	06/01/95	2,700,000	2,700,000

	8,958,314
Total Investments in Short-Term Securities (Cost: $8,943,402)	$ 8,958,314
Total Investments in Securities (Cost: $95,905,701) (h)	$99,827,448
Other Assets & Liabilities (Net) - (5.4%)	$(5,149,424)
Total Net Assets	$94,678,024

See accompanying Notes to Fund Portfolio

NOTES TO FUND PORTFOLIO

IAI Institutional Bond Fund

May 31, 1995
(unaudited)

Notes to Fund Portfolio

(a)
Market value of securities is determined as described in Note 1 to the financial statements, under "Security Valuation."

(b)
Purchased on a when-issued basis. At May 31, 1995, the total cost of securities purchased on a when-issued basis was $12,631,171.

(c)
Interest rate shown represents yield to maturity at date of purchase.

(d)
Security is pledged to cover initial margin on open futures contracts (see Note 6 to the financial statements).

(e)
Foreign security market values are stated in U.S. dollars. Principal amounts are denominated in the foreign currency indicated parenthetically.

(f)
Interest rate varies to reflect current market conditions. Rate shown is the effective rate on May 31, 1995.

(g)
Represents security sold within terms of a private placement memorandum exempt from registration under Section 144A of the Securities Act of 1993. These issues may only be sold to other qualified institutional buyers, and are considered liquid under guidelines established by the Board of Directors.

(h)
At May 31, 1995, the cost of securities for federal income tax purposes and the aggregate gross unrealized appreciation and depreciation based on that cost were as follows:

Cost for federal income tax purposes	$95,905,895
Gross unrealized appreciation	$ 3,929,747
Gross unrealized depreciation	(8,194)
Net unrealized appreciation	$ 3,921,553

STATEMENT OF ASSETS AND LIABILITIES

IAI Institutional Bond Fund

May 31, 1995
(unaudited)

Assets		
Investments in securities, at market (Cost: $95,905,701) (see Fund Portfolio)		$ 99,827,448
Cash denominated in foreign currency (cost: $138,812)		34,839
Accrued interest receivable		1,006,402
Receivable for investment securities sold		6,677,902
Receivable for foreign currency contracts held, at value (Note 5)		7,962,906
Other		99,137
Total assets		115,608,634
Liabilities		
Disbursements in excess of cash on demand deposit		90,406
Accrued investment advisory fee		41,376
Variation margin payable		40,968
Payable for investment securities purchased		12,631,171
Payable for foreign currency contracts held, at value (Note 5)		8,109,334
Other		17,355
Total liabilities		20,930,610
Net assets applicable to outstanding capital stock		$ 94,678,024
Represented by:		
Capital stock		$ 100,308
Additional paid-in capital		94,159,621
Undistributed net investment income		290,495
Accumulated net realized losses on investments		(2,627,378)
Unrealized appreciation (depreciation) on:		
Investment securities	$ 2,995,383	
Other assets and liabilities denominated in foreign currency	(240,405)	
		2,754,978
Total--representing net assets applicable to outstanding capital stock		$ 94,678,024
Shares of capital stock outstanding; authorized 10 billion shares of $0.01 par value stock		10,030,801
Net asset value per share of outstanding capital stock		$ 9.44

See accompanying Notes to Financial Statements

STATEMENT OF OPERATIONS

IAI Institutional Bond Fund

Six Months Ended May 31, 1995
(unaudited)

Net Investment Income:		
Investment income		$3,095,364
Less: Investment advisory fee		(211,410)
Net investment income		2,883,954
Net Realized and Unrealized Gains (Losses):		
Net realized gains (losses) on:		
Investment securities	$1,107,226	
Foreign currency transactions	198,897	
Futures contracts	(794,908)	
Written option contracts	(10,344)	

	----------	500,871
Net change in unrealized appreciation (depreciation) on:		
Investment securities	$6,334,464	
Foreign currency transactions	(192,914)	
Futures contracts	(927,175)	
	----------	5,214,375

Net gain on investments and foreign currency		5,715,246

Net increase in net assets resulting from operations		$8,599,200
		==========

</TABLE>

See accompanying Notes to Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS

IAI Institutional Bond Fund

<TABLE>
<CAPTION>

	Six Months Ended May 31, 1995	Period from April 1, 1994 to November 30, 1994
Operations:	(unaudited)	
<S>	<C>	<C>
Net investment income	$ 2,883,954	$ 3,111,944
Net realized gains (losses)	500,871	(2,526,349)
Net change in unrealized appreciation or depreciation	5,214,375	(962,159)
Net increase (decrease) in net assets resulting from operations	8,599,200	(376,564)
Distributions to Shareholders from:		
Net investment income	(2,967,812)	(3,053,720)
Total distributions	(2,967,812)	(3,053,720)
Capital Share Transactions:		
Net proceeds from sale of 1,798,120 and 7,639,517 shares	16,234,110	69,983,495
Net asset value of 326,491 and 336,579 shares issued to shareholders in reinvestment of distributions	2,949,960	3,040,478
Cost of 424,294 and 3,009,622 shares redeemed	(3,861,077)	(27,348,332)
Increase in net assets from capital share transactions	15,322,993	45,675,641
Total increase in net assets	20,954,381	42,245,357
Net assets at beginning of period	73,723,643	31,478,286
Net assets at end of period (including undistributed net investment income of $290,495 and $374,353)	$94,678,024	$ 73,723,643

</TABLE>

See accompanying Notes to Financial Statements

FINANCIAL HIGHLIGHTS

IAI Institutional Bond Fund

Per share data for a share of capital stock outstanding throughout each period and selected information for each period indicated are as follows:

<TABLE>
<CAPTION>

	Six Months Ended May 31, 1995	Period from April 1, 1994+ to November 30, 1994	Period From November 1, 1993*** to March 31, 1994
<S>	<C>	<C>	<C>
Net Asset Value:	(unaudited)		
Beginning of period	$ 8.85	$ 9.36	$ 10.00

Operations:			
Net investment income	.31	.38	.22
Net realized and unrealized losses	.60	(.51)	(.65)
Total from operations	.91	(.13)	(.43)
Distributions to Shareholders From:			
Net investment income	(.32)	(.38)	(.21)
Total distributions	(.32)	(.38)	(.21)
Net Asset Value:			
End of period	$ 9.44	$ 8.85	$ 9.36
Total investment return*	10.55%	(1.44%)	(4.35%)
Net assets at end of period (000's omitted)	$94,678	$73,724	$31,478
Ratios:			
Expenses to average daily net assets**	0.50%	0.50%	0.50%
Net investment income to average daily net assets**	6.97%	6.42%	5.84%
Portfolio turnover rate (excluding short-term securities)	186.4%	235.1%	127.1%

</TABLE>

* Total investment return is based on the change in net asset value of a share during the period and assumes reinvestment of all distributions at net asset value.
** Annualized
*** Commencement of operations
\+ Reflects year-end change from March 31 to November 30.

NOTES TO FINANCIAL STATEMENTS

IAI Institutional Bond Fund

May 31, 1995
(unaudited)

[1] Summary of Significant Accounting Policies

IAI Investment Funds I, Inc. is registered under the Investment Company Act of 1940 (as amended) as a diversified, open-end management investment company. The IAI Institutional Bond Fund, a separate portfolio of IAI Investment Funds I, Inc., commenced operations on November 1, 1993. This report covers only the IAI Institutional Bond Fund (the Fund).

On November 9, 1994, the Board of Directors elected to change the fiscal year end of the IAI Institutional Bond Fund from March 31 to November 30. Accordingly, these financial statements include the eight-month period from April 1, 1994 to November 30, 1994.

Significant accounting policies followed by the Fund are summarized below:

Security Valuation

The values of debt securities are determined using pricing services or prices quoted by independent brokers. Short-term securities with a maturity of 60 days or less from the date of purchase are valued at amortized cost. Short-term securities with a maturity greater than 60 days from the date of purchase are marked-to-market on a daily basis.

Securities Purchased on a
When-Issued Basis

Delivery and payment for securities which have been purchased by the Fund on a forward commitment or when-issued basis can take place a month or more after the transaction date. During this period, such securities are subject to market fluctuations and the Fund maintains, in a segregated account with its custodian, assets with a market value equal to the amount of its purchase commitments.

The Fund may enter into transactions to sell its purchase commitments to third parties at the current market values and concurrently acquire other purchase commitments for similar securities at later dates, commonly referred to as "dollar-rolls." As an inducement for the fund to "rollover" its purchase commitments, the Fund receives negotiated fees.

Foreign Currency
Translations and Foreign
Currency Contracts

The Fund invests in foreign securities. The market value of securities and other assets and liabilities denominated in foreign currencies is translated daily into U.S. dollars at the closing rate of exchange. Purchases and sales of securities, income and expenses are translated at the exchange rate on the transaction date. Exchange gains (losses) may also be realized between the trade and settlement dates on security and foreign currency contract transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

The Fund may enter into foreign currency exchange contracts for operational purposes and to protect against adverse exchange rate fluctuation. The net U.S. dollar value of foreign currency underlying all contractual commitments held by the Fund and the resulting unrealized appreciation or depreciation are determined using foreign currency exchange rates from an independent pricing service. The Fund is subject to the credit risk that the other party will not complete the obligations of the contract.

Futures and Options Contracts

In order to increase exposure to and hedge against changes in the market the Fund may buy and sell futures contracts and options. These investments involve risks caused by an imperfect correlation between movements in the price of the underlying securities and interest rates. Risks may also arise if there is an illiquid secondary market for the instruments, or due to the inability of counterparties to perform. Futures contracts are valued at the settlement price of the exchange on which they are traded. Options traded on an exchange are valued using the last sale price. Options traded over-the-counter are valued using dealer-supplied valuations.

Upon entering into a futures contract, the Fund is required to deposit either cash or securities, representing the initial margin, equal to a certain percentage of the contract value. Subsequent changes in the value of the contract, or variation margin, are recorded as unrealized gains and losses. The variation margin is paid or received in cash daily by the Fund. The Fund realizes a gain or loss when the contract is closed or expires.

Federal Taxes

Since it is the Fund's policy to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders, no provision for income taxes is required. In order to avoid the payment of any federal excise taxes, the Fund is required to distribute substantially all of its net investment income and net realized gains on a calendar year basis.

Net investment income and net realized gains differ for financial statement and tax purposes primarily because of recognition of certain foreign currency gains and losses as ordinary income and the deferral of "wash sale" losses for tax purposes. The character of distributions made during the year for net investment income or net realized gains may also differ from its ultimate characterization for tax purposes.

For federal income tax purposes, the Fund has a capital loss carryover of approximately $3,083,000 at November 30, 1995 which, if not offset by subsequent capital gains, will expire in 2002. It is unlikely the Board of Directors will authorize a distribution of any net realized gains until the available capital loss carryover is offset or expires.

Security Transactions and Investment Income

The Fund records security transactions on trade date, the date the securities are purchased or sold. Interest income is recorded on the accrual basis. The Fund amortizes discount purchased on long-term bonds using the level yield method of amortization. Security gains and losses are determined on the basis of identified cost, which is the same basis used for federal income tax purposes.

[1] Summary of Significant Accounting Policies (Cont.)

Distributions to Shareholders

Distributions to shareholders are recorded on the Ex-date. Distributions from net investment income are made monthly. Capital gains, if any, are primarily distributed as of the end of the calendar year. Additional capital gains distributions as needed to comply with federal tax regulations are distributed during the year.

[2] Commitments and Contingencies

For purposes of obtaining certain types of insurance coverage for the Fund and its officers and directors, the Fund is a policyholder in an industry-sponsored mutual insurance company (the Company). In connection with its obligations as a policyholder, the Fund has made payments to the Company which have been capitalized. Also, the Fund is committed to make future capital contributions, if requested by the Company.

The Fund has available a $15,000,000 line of credit with a bank at prime interest rates. To the extent funds are drawn against the line, securities are held in a segregated account. No compensating balances or commitment fees are required under the line of credit. Advances under the line of credit totalled $90,000 at May 31, 1995, which is included in "Disbursements in excess of cash on demand deposit" in the Statements of Assets and Liabilities.

[3] Fees and Expenses

Under the terms of an investment advisory and administrative services agreement, the Fund pays Investment Advisers, Inc. (Advisers) a monthly management fee computed at an annual rate of .50% of average daily net assets. The fee covers all of the Fund's operating expenses other than interest, taxes, and other extraordinary expenses.

[4] Purchases and Sales of Securities

For the period ended May 31, 1995, purchases of securities and sales proceeds, other than investments in short-term securities, for the Fund aggregated $158,730,281 and $146,471,289, respectively.

[5] Foreign Currency Commitments

At May 31, 1995, the Fund had entered into a foreign currency exchange contract. The unrealized depreciation of $146,428 for these contracts at May 31, 1995 is included in unrealized appreciation (depreciation) on other assets and liabilities denominated in foreign currency.

<TABLE>
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Exchange Date	Currency to be Delivered		U.S. $ Value as of May 31, 1995	Currency to be Received	U.S. $ Value as of May 31, 1995
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06/16/95	250,000,000	Japanese Yen	$2,994,858	2,989,820 U.S. Dollars	$2,898,820
06/19/95	250,000,000	Japanese Yen	2,989,980	2,890,173 U.S. Dollars	2,890,173
06/30/95	3,000,000	German Mark	2,124,496	2,173,913 U.S. Dollars	2,173,913
			$8,109,334		$7,962,906

</TABLE>

[6] Open Futures Contracts

The financial futures contracts shown below were open as of May 31, 1995. The market value of securities deposited to cover initial margin requirements for the open positions at May 31, 1995 was $2,769,204.

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Futures

Type	Number of Contracts	Expiration Month	Position	Market Value	Unrealized Loss
U.S. 10 Yr. Treasury Note	158	June 1995	Short	$ 17,419,500	$846,829
U.S. 20 Yr. Treasury Bond	35	June 1995	Short	$ 3,956,094	73,544
German 10 Year Note	18	Sept 1995	Long	$ 3,066,047	5,991
					$926,364

IAI MUTUAL FUND FAMILY

To diversify your portfolio, please consider all of the mutual funds in our fund family

IAI Fund	Primary Objective	Secondary Objective	Portfolio Composition
IAI Developing Countries Fund	Capital Appreciation	--	Equity securities of companies in developing countries
IAI International Fund	Capital Appreciation	Income	Equity securities of non-U.S. companies
IAI Emerging Growth Fund	Capital Appreciation	--	Common stocks of small to medium-sized emerging growth companies
IAI Midcap Growth Fund	Capital Appreciation	--	Common stocks of medium-sized growth companies
IAI Regional Fund	Capital Appreciation	--	Common stocks of Upper Midwest companies
IAI Growth Fund	Capital Appreciation	--	Common stocks with potential for above-average growth and appreciation
IAI Value Fund	Capital Appreciation	--	Common stocks which are considered to be undervalued
IAI Growth & Income Fund	Capital Appreciation	Income	Common stocks with potential for long-term appreciation, and common stocks that are expected to produce income
IAI Balanced Fund	Total Return [Capital Appreciation + Income]	Income	Common stocks, investment grade bonds and short-term instruments
IAI Bond Fund	Income	Capital Preservation	Investment grade bonds
IAI Minnesota Tax Free Fund (formerly IAI Tax Free Fund)	Tax-free Income [Exempt from Federal and Minnesota State Income Taxes]	Capital Preservation	Investment grade municipal bonds
IAI Government Fund	Income	Capital Preservation	U.S. Government securities
IAI Reserve Fund	Stability/Liquidity	Income	The portfolio has a maximum average maturity of 25 months, investing primarily in investment grade bonds
IAI Money Market Fund	Stability/Liquidity	Income	The portfolio's average dollar-weighted maturity is less than 90 days, investing in high quality, money market securities

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[IAI LOGO]

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612.376.2700

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