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FILER

LUTHERAN BROTHERHOOD FAMILY OF FUNDS

CIK: **60945** | IRS No.: **251183817** | State of Incorporation: **MN** | Fiscal Year End: **0131**
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Mailing Address	Business Address
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[7 SOLID SQUARE BULLETS]

LUTHERAN BROTHERHOOD

FAMILY OF FUNDS

[ART OF 3D SQUARE WITH TREE, ACORN AND LEAF
ON EACH OF ITS THREE VISIBLE FACETS.]

Cross bar reads:

GROWTH [DIAMOND] INCOME [DIAMOND] STABILITY

Annual Report
October 31, 1996

[LUTHERAN BROTHERHOOD LOGO HERE]

LUTHERAN BROTHERHOOD
SECURITIES CORP.

[PHOTO OF MR. BJELLAND OMITTED]

Our Message To You

Dear Shareholder,

We are pleased to provide you with the Annual Report for the Lutheran Brotherhood Family of Funds for the fiscal year ended October 31, 1996. Inside, you'll find an overview of economic and market conditions that affected the performance of stock, bond and money market securities during that time. The Report also includes portfolio reviews that explain how individual fund managers made the most of this climate, as well as audited financial statements for the LB Family of Funds.

In the last year, worries about inflation and interest rates made financial markets somewhat more volatile than their historical averages. Volatility aside, returns for investors still remained solid. In the fixed-income market, returns were near their historical averages. On the equity side, one-year returns were slightly lower than in the previous 12 months, but were still exceptional by historical standards.

During the year, the LB Family of Funds tried to make the most of the near-term investment opportunities that occurred in individual markets. As always, however, we maintained well-diversified portfolios of quality securities that tend to do well over time. By following this general strategy we hope to give investors competitive returns in a variety of different market environments.

After substantial market changes like those of the past year, it often makes sense to review your own portfolio. This is especially important if you're investing for long-term objectives, including retirement. By checking to see that your portfolio is still properly diversified and that your allocations still match your particular investment goals, you'll make it easier to accumulate the assets you'll need for retirement. With Americans living longer than ever before, and government programs feeling the burden of overextended assets, your personal retirement investments are more important than ever in assuring that you do not outlive your retirement assets.

We hope you will find this Annual Report helpful in understanding how your investments have performed in the last 12 months. If you have questions about the information inside, or wish to discuss any of the LB Family of Funds, please contact your LB representative. You can also call us toll-free at 1-800-328-4552, or locally at 612-339-8091.

Sincerely,

/s/ Rolf F. Bjelland

Rolf F. Bjelland
President and Chairman
Lutheran Brotherhood Family of Funds

[GRAPHIC OMITTED: DIAMOND WITH CROSSBAR, DIAMOND CONTAINS IMAGE OF ACORN,
CROSSBAR CONTAINS THE WORD "GROWTH".]

[GRAPHIC OMITTED: DIAMOND WITH CROSSBAR, DIAMOND CONTAINS IMAGE OF
LEAF, CROSSBAR CONTAINS THE WORD "INCOME".]

[GRAPHIC OMITTED: DIAMOND WITH CROSSBAR, DIAMOND CONTAINS IMAGE OF
TREE, CROSSBAR CONTAINS THE WORD "STABILITY".]

LUTHERAN BROTHERHOOD

FAMILY OF FUNDS

Annual Report
October 31, 1996

Portfolio Management Reviews

Economic and Market Overview

The fiscal year ended October 31, 1996, was a favorable one for the financial markets. Unexpectedly strong, sustainable growth in the Gross Domestic Product (GDP), along with modest inflation, low interest rates, low unemployment and good corporate earnings helped the U.S. economy remain the largest, most stable and productive economy in the world. For international investors, European financial markets produced solid returns as Japan continued its steady economic recovery. Emerging markets such as Brazil, Mexico and Hong Kong posted strong performances, as well.

For this fiscal year, domestic stocks turned in an outstanding performance -- with the S&P 500 Index earning a total return of 24.07%. Foreign stocks lagged their U.S. counterparts, but produced a respectable 10.80% total return, based on Morgan Stanley's Europe, Australia, Far East (EAFE) Index. In the United States, bond market returns were closer to their historical averages -- with the Lehman Brothers Aggregate Bond Index returning 5.85%.

Positive Market Dynamics

In addition to a boost from solid economic growth, low inflation, low interest rates and good corporate earnings, the markets were influenced by other positive market conditions. Stocks benefited from strong investor demand, primarily in the form of mutual fund and other institutional investments, such as pension plans.

Both stocks and bonds benefited from stability in the Federal Reserve Board's monetary policies, which produced no major shifts during the year. In addition, there were no major spending or taxation initiatives from Congress, which watched economic growth shrink the 1996 federal budget deficit to 1.7% of GDP, down from 4.7% in 1992.

Some Bumps Along the Way

At the end of 1995 the economy was growing slowly, interest rates were falling, and Congress was discussing ways to balance the budget. In December, the Federal Reserve cut short-term rates from 5.75% to 5.5% to help support the economy. Expectations for further rate cuts, and for a balanced federal budget, pushed bond prices higher, decreasing the yield for 30-year Treasury bonds from 6.33% at the end of October to 5.94% by the end of 1995. With falling yields and further growth in corporate earnings, stock prices rose sharply, too.

Early in 1996, deficit reduction and balanced budget talks reached a stalemate in Washington. This shift in political winds, combined with stronger economic growth, low unemployment and concern that the Fed would raise rates, precipitated a gradual decline in bond prices that would last several months before beginning to rebound in the final two months leading to October 31.

Stocks experienced a brief correction that began in late June and early July as disappointing earnings reports from several large companies, especially in the technology sector, caused some caution among stock investors in the weeks that followed. However, by mid-September most stocks had recovered to their pre-July levels, and the major indexes were again setting new records.

Greater Stability Ahead

It now appears the annual growth rate for the economy will be a moderate,

sustainable 2% to 3% in months to come. And, since there appears to be ample capacity for such growth, the rate of inflation should remain near 3%.

Occasional nervousness about inflation may cause temporary upticks in interest rates. However, we believe long-term interest rates will stabilize or perhaps edge a bit lower. If Congress balances the federal budget, the yield for 30-year Treasuries could push even lower than their 1995 levels. This decline in bond yields would mean further gains in bond prices.

As in the past, stocks will experience the periods of price volatility that accompany the ups and downs of corporate earnings estimates. However, the long-term outlook for stocks remains positive as long as low interest rates, low inflation and high productivity continue to feed the U.S. economy.

LB Opportunity Growth Fund

[GRAPHIC OMITTED: PHOTO OF Michael A. Binger]

Michael A. Binger is a Chartered Financial Analyst and was named portfolio manager for the LB Opportunity Growth Fund in October 1994. He has been with Lutheran Brotherhood since 1987. Prior to his current appointment, he served as portfolio manager for LB's Convertible Securities Portfolio.

Fund Objective: To seek long-term growth of capital by investing in small-company stocks.

With greater investor confidence in the economy, stocks of small companies performed quite well in the fiscal year ended October 31, 1996. After lagging the market at the end of 1995, small-company stocks offered attractive prices in the first half of 1996 as stock mutual fund managers looked for places to invest increasing flows of new cash.

Later in 1996, as market volatility drove investors to large-cap issues, the small-cap portion of the stock market tended to underperform, though many individual stocks of small companies continued to do well. Throughout the period we continued to emphasize issues with exceptional potential for growth, which helped the LB Opportunity Growth Fund earn strong returns that outpaced those for its market benchmark, as well as other funds in its class.

For the last 12 months, the Fund had a total return (based on NAV) of 21.27%. That compares to an average return of 20.43% for small-company growth mutual funds tracked by Lipper Analytical Services and a return of 16.60% for the Russell 2000 Index.

[GRAPHIC WORM CHART OMITTED:

Growth of \$10,000 January 31, 1993 - October 31, 1996]

INSET BOX ON CHART READS:

LB Opportunity Growth Fund		
Annualized Total Returns*	Period Ending 10/31/96	
	Since Inception -- 1/8/93	1 Year
Net Asset Value	19.77%	21.27%
Public Offering Price	18.18%	15.18%

Month End Date	LBOGF Total Value	Russell 2000 Index Total Value	Lipper Average
			Small Co. Growth Stock Funds Total Value
1/31/93	10,000	10,000	10,000
2/28/93	9,056	9,769	9,608
3/31/93	9,407	10,086	9,934
4/30/93	9,166	9,809	9,619
5/31/93	9,857	10,243	10,127
6/30/93	10,011	10,307	10,206
7/31/93	9,945	10,449	10,263
8/31/93	10,637	10,900	10,737
9/30/93	11,317	11,208	11,076
10/31/93	11,701	11,497	11,232
11/30/93	11,262	11,122	10,886

12/31/93	11,559	11,503	11,348
1/31/93	11,833	11,863	11,650
2/28/93	11,712	11,820	11,643
3/31/93	10,922	11,197	11,014
4/30/93	10,999	11,263	11,016
5/31/93	10,582	11,137	10,778
6/30/93	9,967	10,762	10,388
7/31/93	10,318	10,938	10,451
8/31/93	11,218	11,547	11,048
9/30/93	11,383	11,508	11,285
10/31/93	11,811	11,462	11,275
11/30/93	11,570	10,999	10,848
12/31/93	11,866	11,295	11,265
1/31/93	11,350	11,153	11,229
2/28/93	11,954	11,617	11,539
3/31/93	12,393	11,816	11,892
4/30/93	12,481	12,079	12,050
5/31/93	12,821	12,286	12,232
6/30/93	13,985	12,924	12,880
7/31/93	15,543	13,669	13,823
8/31/93	15,796	13,962	14,062
9/30/93	16,136	14,212	14,375
10/31/93	15,181	13,577	13,864
11/30/93	15,873	14,147	14,366
12/31/93	16,341	14,521	14,592
1/31/93	16,071	14,505	14,520
2/28/93	17,125	14,957	15,088
3/31/93	17,504	15,267	15,450
4/30/93	19,180	16,084	16,600
5/31/93	20,531	16,717	17,262
6/30/93	19,126	16,030	16,594
7/31/93	17,436	14,631	15,222
8/31/93	18,477	15,481	16,109
9/30/93	19,937	16,086	16,919
10/31/93	18,409	15,839	16,601

Footnote reads:

As you compare performance, please note that the LB Opportunity Growth Fund's performance reflects the maximum 5% sales charge. The performance of the index does not reflect any such charges. If you were to purchase any of the individual stocks represented in this index, any sales charges you would pay would reduce your total return as well.

Footnote reads:

*See accompanying notes to Portfolio Management Reviews.

Niches of Growth

During the period, we enjoyed strong performances in technology stocks such as Intermedia Communications, ACT Networks, Ace Communications, and S3 Inc. There were also good performances from stocks in the biotechnology, industrial manufacturing and health care areas -- as well as stocks of vacation timeshare firms like Fairfield Communities and Signature Resorts. Returns from these stocks far outweighed disappointing performances by stocks like Inference Corp. in the technology sector and MDL Information Systems in the health care sector.

As we looked for companies with strong growth potential, we kept sizable positions in technology stocks -- trading some electronics stocks during the period for issues of telecommunications and business services firms. We also built substantial holdings in biotechnology firms, which enhanced the Fund's performance. We maintained a large weighting in health care stocks and added to our holdings in financial stocks with shares of automobile financing firms.

[GRAPHIC PIE CHART OMITTED: Portfolio Composition (% of Portfolio)]

Corporate Bonds	0.3%
Short-Term Securities	5.0%
Common Stocks	94.7%

Looking Ahead

If investors grow nervous about the economy again, and stock prices become more volatile, there may be some further weakening of small-cap stock prices in the near term. By historical measures, however, the longer-term prospects of small-company issues are bright.

In the months ahead, we will continue to look for well-managed companies whose sales and earnings have good growth potential regardless of the economic climate. We expect to give continued emphasis to technology, health care and biotech firms. If prices do weaken, we should have many opportunities to add shares in these areas at prices that are especially attractive.

[GRAPHIC OMITTED: Top 10 Holdings]

Top 10 Holdings	% of Portfolio
ACT Networks Inc.	3.2%
Memtec Limited	2.6%
BMC Industries Inc.	2.5%
DataWorks Corporation	2.4%
Intermedia Communications Inc.	2.3%
Home Health Corp. of America	2.1%
Pure Atria Corp.	2.1%
AXENT Technologies Inc.	2.0%
Cannondale Corporation	2.0%
US Diagnostic Labs Inc.	1.9%

Footnote reads:

These holdings represent 23.1% of the Fund's total investment portfolio.

LB World Growth Fund

[GRAPHIC OMITTED: PHOTO OF MARTIN G. WADE]

Martin G. Wade is president of Rowe Price-Fleming, the investment subadvisor for the LB World Growth Fund. He leads a team of 12 portfolio managers who have managed the assets of the LB World Growth Fund since its inception in September of 1995. Mr. Wade has 28 years of experience in research and investment management, including 17 years with Rowe Price-Fleming.

Fund Objective: To seek long-term growth of capital by investing primarily in common stocks of established companies outside the U.S.

After underperforming for several years, foreign stock prices improved in the fiscal year ended October 31, 1996. Although returns for U.S. investors were pared somewhat by further strength in the dollar, stocks in Europe and Latin America advanced for most of the period. Stocks in Japan and other Pacific markets earned strong gains early in the period, then subsided in the months that followed.

During the period the LB World Growth Fund had a total return (based on NAV) of 12.53%. That compares to an average return of 10.73% for international stock mutual funds tracked by Lipper Analytical Services and a return of 10.80% for the Morgan Stanley Capital International Europe, Australia, Far East (EAFE) Index.

Greater Focus on Smaller Markets

At the end of October 1995, Japanese stocks accounted for 21% of the Fund's assets -- a somewhat smaller position than Japanese stocks represented in the EAFE Index. European stocks, on the other hand, had a slightly greater position in the Fund than they did in the Index.

[GRAPHIC WORM CHART OMITTED: Growth of \$10,000]
(September 30, 1995 - October 31, 1996)

INSET BOX ON CHART READS:

LB World Growth Fund		
Annualized Total Returns*	Period Ending 10/31/96	
	Since	
Based on	Inception -- 9/5/95	1 Year
Net Asset Value	10.02%	12.53%
Public Offering Price	5.24%	6.95%

Month End Date	LBWGF	Morgan Stanley Captial International EAFE Index	Lipper Average International Fund Stocks Total
	Total Value	Total Value	Value
9/30/95	\$ 10,000	\$ 10,000	\$ 10,000
10/31/95	9,336	9,734	9,790
11/30/95	9,414	10,008	9,893
12/31/95	9,719	10,413	10,203
1/31/96	9,941	10,458	10,413
2/29/96	10,007	10,495	10,443
3/31/96	10,162	10,721	10,625
4/30/96	10,462	11,035	10,957
5/31/96	10,417	10,834	10,899
6/30/96	10,528	10,898	10,975
7/31/96	10,196	10,582	10,581
8/31/96	10,340	10,607	10,691
9/30/96	10,572	10,892	10,919
10/31/96	10,506	10,783	10,829

Footnote reads:

As you compare performance, please note that the LB World Growth Fund's performance reflects the maximum 5% sales charge. The performance of the index does not reflect any such charges. If you were to purchase any of the individual stocks represented in this index, any sales charges you would pay would reduce your total return as well.

*See accompanying notes to Portfolio Management Reviews.

In the first half of the period we increased holdings in Japanese stocks to about 26% of the Fund's portfolio, though the portfolio remained underweighted in Japan versus the Index. This helped the Fund's performance later in the year, when Japanese stocks underperformed European stocks. In addition, by underweighting Japan we were able to invest in some established companies of the emerging markets. Consequently, the Fund enjoyed strong performances by stocks from Mexico, Brazil, and Hong Kong.

[GRAPHIC PIE CHART OMITTED: Portfolio Composition (% of Portfolio)]

Short-Term Securities	5.5%
Common and Preferred Stocks	94.5

Although we trimmed positions in Europe to add issues from emerging markets, the Fund was slightly overweighted in Europe for most of the period. This increased the Fund's exposure to the positive returns of European stocks. The Fund also benefited from its specific selections of growth stocks in Europe.

A Positive Outlook

The outlook for economies abroad remains good, including a steady continuation of the Japanese recovery. The growth in corporate profits seems on track and could produce positive surprises in coming months that would help foreign stocks make further gains.

With the exception of Japan, stock valuations appear reasonable -- especially with recent declines in foreign interest rates. And after two disappointing years the developing markets look especially attractive. We expect to find selective investment opportunities in both Europe and Japan, and we look for the Pacific markets and Latin America to continue to grow going forward.

[GRAPHIC OMITTED: TOP 10 GEOGRAPHICAL HOLDINGS]

Top 10 Geographical Holdings	% of Portfolio
---------------------------------	-------------------

Japan	22.6%
United Kingdom	16.0%
Netherlands	10.5%
France	7.9%
Hong Kong	4.8%
Switzerland	4.7%
Germany	4.4%
Sweden	2.7%
Malaysia	2.5%
Spain	2.4%

Footnote reads:
 These holdings represent 78.5%
 of the Fund's total investment portfolio.

LB Fund

[GRAPHIC OMITTED: PHOTO OF JAMES M. WALLINE]

James M. Walline is a Chartered Financial Analyst and portfolio manager for the LB Fund. He is a vice president of Lutheran Brotherhood and has managed the Fund since 1994. He has been with Lutheran Brotherhood Research Corp. since its inception in 1970.

Fund Objective: To seek growth of capital and income by investing in the stocks of leading companies.

In the fiscal year ended October 31, 1996, stock investors moved quickly from one market sector to another as opinions on the outlook for various market sectors shifted. When the economy appeared to be weakening, investors abandoned technology stocks for economically defensive issues. And when the economy showed signs of strengthening, investors reversed themselves and began favoring cyclical issues.

After such "rotation" dampened the performance of the LB Fund in the first part of the period, we moved to reduce the impact of sector rotation on the Fund's portfolio by giving greater attention to stocks that can thrive in a variety of economic climates.

For the 12-month period, the Fund had a total return (based on NAV) of 17.61%. This compares with returns of 21.21% for the average growth and income mutual fund tracked by Lipper Analytical Services and 24.07% for the S&P 500 Index.

Focus on Core Holdings

When the period began about 80% of the LB Fund was invested in a "core group" of large companies that represented the leaders of their industries. Because of the quality of their products, management, and marketing strategies, these companies offer strong potential for long-term earnings growth. The remaining 20% of the Fund was invested in other large companies whose potential seemed especially strong in the near term.

[GRAPHIC WORM CHART OMITTED: Growth of \$10,000]
 (October 31, 1986 - October 31, 1996)

INSET BOX ON CHART READS:

LB Fund	Period Ending 10/31/96		
Annualized Total Returns*	10 Years	5 Year	1 Year
Based on			
Net Asset Value	11.09%	12.27%	17.61%
Public Offering Price	10.52%	11.13%	11.70%

Lipper Average
Growth & Income

Month End Date	LBF Total Value	S & P 500 Total Value	Total Value
10/31/86	10,000	10,000	10,000
11/30/86	9,724	10,241	10,149
12/31/86	9,461	9,979	9,964
1/31/87	10,253	11,324	10,989
2/28/87	10,663	11,769	11,463
3/31/87	10,782	12,109	11,625
4/30/87	10,624	12,002	11,465
5/31/87	10,669	12,104	11,521
6/30/87	11,101	12,716	11,964
7/31/87	11,539	13,363	12,417
8/31/87	11,851	13,861	12,779
9/30/87	11,560	13,557	12,559
10/31/87	9,110	10,636	10,147
11/30/87	8,562	9,756	9,572
12/31/87	9,154	10,500	10,186
1/31/88	9,361	10,956	10,600
2/28/88	9,666	11,445	11,089
3/31/88	9,353	11,098	10,921
4/30/88	9,385	11,236	11,011
5/31/88	9,398	11,309	11,023
6/30/88	9,771	11,837	11,535
7/31/88	9,659	11,807	11,458
8/31/88	9,390	11,389	11,180
9/30/88	9,753	11,878	11,568
10/31/88	9,972	12,222	11,765
11/30/88	9,819	12,027	11,597
12/31/88	10,000	12,240	11,795
1/31/89	10,696	13,148	12,473
2/28/89	10,455	12,800	12,300
3/31/89	10,733	13,105	12,552
4/30/89	11,245	13,803	13,065
5/31/89	11,636	14,333	13,506
6/30/89	11,534	14,263	13,437
7/31/89	12,610	15,565	14,346
8/31/89	13,036	15,853	14,649
9/30/89	12,997	15,790	14,582
10/31/89	12,222	15,436	14,163
11/30/89	12,630	15,735	14,376
12/31/89	12,661	16,114	14,574
1/31/90	11,741	15,047	13,743
2/28/90	11,845	15,214	13,921
3/31/90	12,180	15,627	14,217
4/30/90	11,971	15,252	13,870
5/31/90	13,259	16,708	14,947
6/30/90	13,339	16,608	14,929
7/31/90	13,271	16,567	14,812
8/31/90	12,187	15,054	13,638
9/30/90	11,543	14,324	12,972
10/31/90	11,536	14,279	12,772
11/30/90	12,142	15,184	13,521
12/31/90	12,414	15,608	13,913
1/31/91	13,023	16,304	14,588
2/28/91	13,861	17,441	15,540
3/31/91	14,113	17,870	15,901
4/30/91	14,190	17,929	15,913
5/31/91	14,840	18,676	16,552
6/30/91	14,014	17,829	15,851
7/31/91	14,736	18,682	16,516
8/31/91	15,181	19,102	16,894
9/30/91	14,928	18,784	16,742
10/31/91	15,244	19,061	16,998
11/30/91	14,689	18,269	16,328
12/31/91	16,482	20,360	17,943
1/31/92	16,236	20,003	17,940
2/28/92	16,406	20,237	18,243
3/31/92	15,990	19,844	17,927
4/30/92	16,104	20,451	18,209
5/31/92	16,253	20,521	18,321
6/30/92	15,864	20,221	17,953
7/31/92	16,348	21,073	18,553
8/31/92	16,049	20,619	18,202
9/30/92	16,274	20,860	18,419
10/31/92	16,592	20,957	18,535

11/30/92	17,299	21,640	19,219
12/31/92	17,438	21,911	19,509
1/31/93	17,773	22,114	19,729
2/28/93	17,831	22,391	19,875
3/31/93	18,346	22,865	20,388
4/30/93	18,036	22,338	20,015
5/31/93	18,486	22,899	20,483
6/30/93	18,547	22,974	20,547
7/31/93	18,387	22,906	20,528
8/31/93	18,929	23,752	21,280
9/30/93	18,898	23,569	21,267
10/31/93	19,090	24,081	21,569
11/30/93	18,594	23,826	21,276
12/31/93	18,953	24,124	21,739
1/31/94	19,628	24,961	22,418
2/28/94	19,092	24,259	21,981
3/31/94	18,164	23,207	21,060
4/30/94	18,207	23,525	21,258
5/31/94	18,411	23,870	21,462
6/30/94	17,906	23,285	20,972
7/31/94	18,444	24,075	21,549
8/31/94	19,111	25,045	22,372
9/30/94	18,789	24,429	21,876
10/31/94	19,070	24,998	22,112
11/30/94	18,293	24,071	21,298
12/31/94	18,306	24,425	21,524
1/31/95	18,750	25,077	21,832
2/28/95	19,280	26,035	22,650
3/31/95	19,626	26,813	23,232
4/30/95	20,201	27,615	23,802
5/31/95	20,864	28,678	24,570
6/30/95	21,549	29,346	25,086
7/31/95	22,507	30,341	25,909
8/31/95	22,257	30,402	26,057
9/30/95	23,096	31,682	26,862
10/31/95	23,140	31,590	26,564
11/30/95	24,210	32,951	27,733
12/31/95	24,171	33,587	28,218
1/31/96	24,851	34,753	28,986
2/28/96	25,156	35,052	29,371
3/31/96	25,284	35,395	29,747
4/30/96	25,777	35,933	30,181
5/31/96	26,223	36,821	30,749
6/30/96	26,071	36,964	30,706
7/31/96	24,812	35,345	29,392
8/31/96	25,482	36,080	30,194
9/30/96	26,813	38,104	31,583
10/31/96	27,214	39,179	32,221

Footnote reads:

As you compare performance, please note that the LB World Growth Fund's performance reflects the maximum 5% sales charge. The performance of the index does not reflect any such charges. If you were to purchase any of the individual stocks represented in this index, any sales charges you would pay would reduce your total return as well.

*See accompanying notes to Portfolio Management Reviews.

While the Fund earned good returns from core technology stocks like Intel, Microsoft, IBM, and Oracle, and core financial stocks like Citicorp and Bank of New York, the returns from issues outside the core group were somewhat disappointing. Therefore, between July and September we systematically raised the core holdings to 100% of the Fund's portfolio. In doing so we added investments in industry leaders like Disney Co., Mattel, Eastman Kodak, Warner-Lambert and Elli Lily. At the same time, we matched the Fund's weightings in individual industries with those of the S&P 500 Index. Therefore, when the period ended, the Fund had 17.5% of its portfolio in consumer growth stocks, 14.5% in technology stocks and 14% in financial stocks.

[GRAPHIC PIE CHART OMITTED: Portfolio Composition (% of Portfolio)]

U.S. Treasury	0.3%
Short-Term Securities	3.2%
Common Stocks	96.5%

A Long-Term Strategy

With these changes, the LB Fund is focused on leading companies with attractive product development, distribution, and markets, as well as strong earnings prospects. We view these holdings as long-term investments with the potential for solid returns over time.

We think the portfolio is also well-positioned for near-term market conditions. If economic growth slows, investors should increasingly favor experienced companies with good earnings visibility. By emphasizing firms with a strong global, as well as domestic presence, the LB Fund is positioned to make the most of this environment.

[GRAPHIC OMITTED: TOP 10 HOLDINGS]

Top 10 Holdings	% of Portfolio
Federal National Mortgage Association	2.1%
Dover Corp.	2.1%
American International Group Inc.	2.1%
General Motors Corp.	2.1%
Halliburton Co.	2.1%
General Electric Co	2.1%
Citicorp	2.0%
Merck & Co. Inc.	2.0%
Amoco Corp.	2.0%
Disney (Walt) Co.	2.0%

Footnote reads:

These holdings represent 20.6% of the Fund's total investment portfolio.

LB High Yield Fund

[GRAPHIC OMITTED: PHOTO OF THOMAS N. HAAG]

Thomas N. Haag, an assistant vice president of Lutheran Brotherhood, is a Chartered Financial Analyst and portfolio manager for the LB High Yield Fund. He has managed the Fund since January 1992, and has been with LB since 1986.

Fund Objective: To seek high current income and growth of capital by investing primarily in high-yielding ("junk") corporate bonds.

High-yield bonds tend to outperform investment grade bonds when interest rates rise because they can offer better income even in the face of falling bond prices. This was a distinct advantage during the last fiscal year. As interest rates rose in the last year, high-yield bonds also benefited from continued growth in the economy. These factors helped the LB High Yield Fund earn a solid return for the fiscal year ended October 31, 1996.

During the period, the Fund had a total return (based on NAV) of 11.64%. This is comparable to the average return of 12.65% for high-yield bond mutual funds tracked by Lipper Analytical Services and 11.10% for the Lehman Brothers High-Yield Index.

Investment Strategy

At the start of the period, the Fund had significant holdings in zero-coupon securities issued by media and telecommunications firms. During the first half of the period, these investments benefited from falling interest rates and deregulation of the telecommunications industry. In the second half of the period, zero coupons underperformed as interest rates rose, supplies became excessive, and the media and telecommunications sector became less popular.

[GRAPHIC WORM CHART OMITTED: Growth of \$10,000]
(April 30, 1987 - October 31, 1996)

INSET BOX ON CHART READS:

LB High Yield Fund
 Annualized Total Returns* Period Ending 10/31/96

Based on	Since Inception		
	4/3/87	5 Year	1 Year
Net Asset Value	9.75%	12.71%	11.64%
Public Offering Price	9.16%	11.56%	6.01%

Month End Date	LBHYLD Total Value	Lehman High Yield Index Total Value	Lipper Average High Current Total Value
4/30/87	10,000	10,000	10,000
5/31/87	9,462	10,072	9,942
6/30/87	9,690	10,201	10,072
7/31/87	9,729	10,228	10,100
8/31/87	9,769	10,292	10,165
9/30/87	9,468	9,968	9,920
10/31/87	9,166	9,642	9,499
11/30/87	9,453	9,919	9,721
12/31/87	9,624	10,158	9,804
1/31/88	9,979	10,498	10,107
2/28/88	10,300	10,838	10,385
3/31/88	10,181	10,725	10,344
4/30/88	10,195	10,807	10,407
5/31/88	10,167	10,823	10,434
6/30/88	10,404	10,981	10,646
7/31/88	10,468	11,053	10,752
8/31/88	10,436	11,037	10,764
9/30/88	10,545	11,176	10,861
10/31/88	10,655	11,311	10,993
11/30/88	10,655	11,378	11,008
12/31/88	10,811	11,431	11,065
1/31/89	11,029	11,633	11,256
2/28/89	11,088	11,658	11,304
3/31/89	10,998	11,567	11,265
4/30/89	10,924	11,616	11,258
5/31/89	11,168	11,841	11,421
6/30/89	11,449	11,988	11,611
7/31/89	11,409	11,972	11,627
8/31/89	11,478	12,013	11,634
9/30/89	11,241	11,811	11,452
10/31/89	10,777	11,531	11,113
11/30/89	10,712	11,508	11,058
12/31/89	10,522	11,527	10,979
1/31/90	10,200	11,279	10,697
2/28/90	9,953	11,046	10,436
3/31/90	9,995	11,336	10,558
4/30/90	9,998	11,317	10,551
5/31/90	10,326	11,535	10,782
6/30/90	10,454	11,814	11,000
7/31/90	10,639	12,132	11,228
8/31/90	10,232	11,442	10,770
9/30/90	9,778	10,606	10,227
10/31/90	9,433	10,050	9,787
11/30/90	9,584	10,363	9,826
12/31/90	9,738	10,421	9,857
1/31/91	9,794	10,708	9,995
2/28/91	10,510	11,879	10,713
3/31/91	11,010	12,579	11,246
4/30/91	11,411	13,095	11,678
5/31/91	11,514	13,118	11,750
6/30/91	11,840	13,506	11,998
7/31/91	12,171	13,939	12,356
8/31/91	12,350	14,259	12,588
9/30/91	12,546	14,457	12,800
10/31/91	12,997	14,940	13,208
11/30/91	13,196	15,018	13,331
12/31/91	13,253	15,234	13,447
1/31/92	13,867	15,771	13,980

2/28/92	14,255	16,160	14,315
3/31/92	14,513	16,360	14,536
4/30/92	14,639	16,423	14,641
5/31/92	14,868	16,654	14,855
6/30/92	14,953	16,811	15,005
7/31/92	15,212	17,065	15,274
8/31/92	15,420	17,288	15,467
9/30/92	15,578	17,464	15,627
10/31/92	15,296	17,218	15,366
11/30/92	15,562	17,435	15,593
12/31/92	15,920	17,634	15,801
1/31/93	16,573	18,147	16,230
2/28/93	16,774	18,466	16,544
3/31/93	17,097	18,705	16,871
4/30/93	17,165	18,867	17,005
5/31/93	17,456	19,092	17,273
6/30/93	17,994	19,493	17,674
7/31/93	18,138	19,682	17,849
8/31/93	18,282	19,847	17,981
9/30/93	18,275	19,899	18,037
10/31/93	18,848	20,301	18,441
11/30/93	18,918	20,398	18,559
12/31/93	19,241	20,651	18,833
1/31/94	19,808	21,099	19,282
2/28/94	19,740	21,045	19,245
3/31/94	19,008	20,249	18,625
4/30/94	18,717	20,111	18,355
5/31/94	18,790	20,121	18,397
6/30/94	18,802	20,184	18,372
7/31/94	18,650	20,355	18,339
8/31/94	18,787	20,500	18,350
9/30/94	18,699	20,502	18,350
10/31/94	18,759	20,551	18,331
11/30/94	18,308	20,292	18,086
12/31/94	18,224	20,442	18,107
1/31/95	18,306	20,720	18,254
2/28/95	19,004	21,431	18,751
3/31/95	19,199	21,663	18,921
4/30/95	19,662	22,213	19,383
5/31/95	20,061	22,835	19,813
6/30/95	20,170	22,988	19,875
7/31/95	20,805	23,277	20,224
8/31/95	20,892	23,349	20,279
9/30/95	21,073	23,637	20,520
10/31/95	21,184	23,783	20,684
11/30/95	21,438	23,993	20,823
12/31/95	21,756	24,369	21,140
1/31/96	22,278	24,798	21,579
2/28/96	22,849	24,818	21,763
3/31/96	22,627	24,801	21,682
4/30/96	22,744	24,855	21,853
5/31/96	22,961	25,004	22,024
6/30/96	22,783	25,212	22,053
7/31/96	22,603	25,328	22,172
8/31/96	22,976	25,601	22,524
9/30/96	23,732	26,218	23,114
10/31/96	23,651	26,420	23,239

Footnote reads:

As you compare performance, please note that the LB High Yield Fund's performance reflects the maximum 5% sales charge. The performance of the index does not reflect any such charges. If you were to purchase any of the individual stocks represented in this index, any sales charges you would pay would reduce your total return as well.

*See accompanying notes to Portfolio Management Reviews.

As the outlook for the economy improved, the Fund also enjoyed strong performance from holdings in non-zero bonds with B credit ratings and competitive coupons. These bonds were issued primarily by industrial firms. We increased positions in these issues as we found attractive opportunities to do so. We also added to holdings in the technology sector, which has gained acceptance with investors over the last few years. To make these changes we reduced investments in bonds from basic industries and other cyclical sectors -- whose prices tend to be more sensitive to changing outlooks for the economy.

[GRAPHIC PIE CHART OMITTED: Portfolio Composition (% of Portfolio)]

Common Stocks and Stock Warrants	3.5%
Short-Term Securities	5.8%
Preferred Stocks	11.7%
Bonds	79.0%

At the end of the period, basic industry issues represented about 2.5% of the portfolio, down from about 6% when the period started, and technology issues represented about 29%, up from 21%. Meanwhile, issues from consumer growth firms fell from about 42% of the Fund's holdings to about 35%.

A Favorable Outlook

High-yield bonds should continue to perform well in the months to come. If the economy slows, interest rates could edge lower and bond prices could continue to rise. We think economic growth should be good enough, however, to keep higher-yielding bonds attractive to investors.

Because the prospects of media and telecommunications firms remain strong, we expect to maintain the Fund's sizable investments in those sectors, though we may swap some current holdings for others in those groups with greater potential. We continue to like the outlook for issues of industrial firms that are less sensitive to economic cycles, so we will maintain the Fund's weighting in those types of issues. We have recently added credits from the energy sector, where we found attractive values, as well as a few issues of foreign governments and corporations denominated in U.S. dollars. If economies abroad continue to improve, as we expect, we may increase investments in this segment.

[GRAPHIC HORIZONTAL BAR CHART OMITTED: MOODY'S BOND QUALITY RATING DISTRIBUTION]

Baa	0.3%
Ba	7.7%
B	60.1%
Caa	11.0%
D	0.1%
Not Rated	20.8%

LB Income Fund

[GRAPHIC OMITTED: PHOTO OF CHARLES E. HEEREN]

Charles E. Heeren, a vice president of Lutheran Brotherhood, is a Chartered Financial Analyst and portfolio manager for the LB Income Fund. He has managed the Fund since January 1986, and has been with LB since 1976.

Fund Objective: To seek high current income while preserving principal by investing in investment-grade bonds and other income-producing securities.

When interest rates fall, prices for bonds with longer maturities tend to climb more than prices for those with shorter maturities. When rates rise, the reverse is generally true -- prices on longer maturities tend to decrease more than those on shorter maturities. As a long-term, high-quality bond fund, the LB Income Fund experienced both the push and pull of interest rate movements over the last year. Holding longer maturities reduced returns somewhat when interest rates rose, and enhanced returns when rates fell.

For the fiscal year ended October 31, 1996, the LB Income Fund earned a total return (based on NAV) of 4.56%. That compares with an average return of 4.82% for high-quality corporate bond funds tracked by Lipper Analytical Services. Over the same time, the Lehman Aggregate Bond Index had a return of 5.85%.

Portfolio Mix

As interest rates fell at the end of 1995, the Fund enjoyed strong gains and good yields from its investments in longer-term issues. Once the sudden rise in interest rates caused bond prices to decline, we took a more defensive position, giving greater attention to shorter-term issues to help protect the value of Fund shares. During this time the Fund earned good returns from mortgage-backed securities, which benefited as higher rates discouraged homeowners from repaying their loans, and from shorter-term, asset-backed

securities, which won favor among investors looking for greater income to offset falling bond prices. With the economy improving, we added corporate bonds from a variety of cyclical industries. We also made sizable investments in bonds issued by insurance companies, as well as investments in the dollar-denominated "Yankee" bonds of foreign issuers.

[GRAPHIC WORM CHART OMITTED: Growth of \$10,000]
(October 31, 1986 - October 31, 1996)

INSET BOX ON CHART READS:

LB Income Fund		Period Ending 10/31/96		
Annualized Total Returns*		10 Years	5 Year	1 Year
Net Asset Value		8.21%	7.27%	4.56%
Public Offering Price		7.66%	6.17%	-0.68%

Month End Date	LBINC Total Value	Lehman Agg. Lipper Average	
		Bond Index Total Value	Corp. Debt A Total Value
10/31/86	10,000	10,000	10,000
11/30/86	9,608	10,140	10,159
12/31/86	9,672	10,178	10,240
1/31/87	9,857	10,321	10,428
2/28/87	9,967	10,392	10,508
3/31/87	9,922	10,345	10,464
4/30/87	9,678	10,062	10,110
5/31/87	9,641	10,023	10,046
6/30/87	9,739	10,161	10,170
7/31/87	9,690	10,153	10,118
8/31/87	9,676	10,099	10,040
9/30/87	9,406	9,884	9,786
10/31/87	9,589	10,236	10,077
11/30/87	9,739	10,318	10,197
12/31/87	9,937	10,458	10,327
1/31/88	10,303	10,826	10,685
2/28/88	10,432	10,955	10,825
3/31/88	10,332	10,852	10,706
4/30/88	10,291	10,793	10,648
5/31/88	10,226	10,721	10,583
6/30/88	10,532	10,980	10,817
7/31/88	10,491	10,921	10,781
8/31/88	10,562	10,950	10,801
9/30/88	10,812	11,198	11,028
10/31/88	11,013	11,409	11,206
11/30/88	10,932	11,270	11,098
12/31/88	11,019	11,282	11,163
1/31/89	11,199	11,445	11,307
2/28/89	11,089	11,362	11,239
3/31/89	11,125	11,411	11,281
4/30/89	11,349	11,649	11,476
5/31/89	11,630	11,956	11,745
6/30/89	12,048	12,319	12,089
7/31/89	12,236	12,582	12,294
8/31/89	12,079	12,395	12,133
9/30/89	12,131	12,459	12,175
10/31/89	12,337	12,765	12,428
11/30/89	12,418	12,886	12,515
12/31/89	12,389	12,921	12,534
1/31/90	12,228	12,767	12,359
2/28/90	12,269	12,808	12,370
3/31/90	12,266	12,817	12,377
4/30/90	12,115	12,699	12,235
5/31/90	12,424	13,075	12,580
6/30/90	12,585	13,286	12,779
7/31/90	12,719	13,469	12,934
8/31/90	12,488	13,289	12,712
9/30/90	12,523	13,399	12,758
10/31/90	12,634	13,569	12,896
11/30/90	12,904	13,861	13,183
12/31/90	13,093	14,077	13,389
1/31/91	13,254	14,252	13,527
2/28/91	13,446	14,373	13,673

3/31/91	13,559	14,472	13,766
4/30/91	13,752	14,628	13,935
5/31/91	13,866	14,713	14,003
6/30/91	13,851	14,706	13,978
7/31/91	14,016	14,910	14,154
8/31/91	14,316	15,232	14,493
9/30/91	14,635	15,541	14,809
10/31/91	14,736	15,714	14,940
11/30/91	14,855	15,859	15,072
12/31/91	15,351	16,330	15,611
1/31/92	15,173	16,107	15,368
2/28/92	15,237	16,212	15,445
3/31/92	15,229	16,121	15,367
4/30/92	15,290	16,237	15,447
5/31/92	15,581	16,544	15,759
6/30/92	15,834	16,773	15,989
7/31/92	16,212	17,115	16,410
8/31/92	16,360	17,288	16,541
9/30/92	16,579	17,493	16,746
10/31/92	16,310	17,261	16,462
11/30/92	16,314	17,264	16,458
12/31/92	16,580	17,539	16,733
1/31/93	16,918	17,875	17,093
2/28/93	17,276	18,188	17,479
3/31/93	17,336	18,265	17,542
4/30/93	17,453	18,392	17,658
5/31/93	17,456	18,416	17,663
6/30/93	17,785	18,750	18,055
7/31/93	17,942	18,857	18,191
8/31/93	18,294	19,187	18,609
9/30/93	18,355	19,238	18,665
10/31/93	18,437	19,310	18,751
11/30/93	18,186	19,145	18,513
12/31/93	18,258	19,249	18,592
1/31/94	18,494	19,509	18,873
2/28/94	18,078	19,169	18,458
3/31/94	17,534	18,696	17,974
4/30/94	17,381	18,546	17,773
5/31/94	17,331	18,544	17,718
6/30/94	17,217	18,503	17,658
7/31/94	17,588	18,872	17,972
8/31/94	17,579	18,894	17,976
9/30/94	17,253	18,617	17,695
10/31/94	17,181	18,600	17,646
11/30/94	17,194	18,559	17,610
12/31/94	17,371	18,687	17,735
1/31/95	17,712	19,057	18,039
2/28/95	18,098	19,511	18,448
3/31/95	18,220	19,630	18,574
4/30/95	18,499	19,904	18,826
5/31/95	19,292	20,675	19,615
6/30/95	19,439	20,826	19,748
7/31/95	19,296	20,780	19,660
8/31/95	19,559	21,031	19,907
9/30/95	19,732	21,235	20,108
10/31/95	20,020	21,511	20,392
11/30/95	20,333	21,834	20,708
12/31/95	20,640	22,140	21,016
1/31/96	20,748	22,286	21,115
2/28/96	20,269	21,898	20,678
3/31/96	20,047	21,745	20,509
4/30/96	19,918	21,623	20,355
5/31/96	19,884	21,580	20,314
6/30/96	20,140	21,869	20,552
7/31/96	20,179	21,928	20,593
8/31/96	20,071	21,891	20,543
9/30/96	20,451	22,272	20,907
10/31/96	20,933	22,766	21,365

Footnote reads:

As you compare performance, please note that the LB Income Fund's performance reflects the maximum 5% sales charge. The performance of the index does not reflect any such charges. If you were to purchase any of the individual stocks represented in this index, any sales charges you would pay would reduce your total return as well.

*See accompanying notes to Portfolio Management Reviews.

[GRAPHIC PIE CHART OMITTED: Portfolio Composition (% of Portfolio)]

Common and Preferred Stocks	1.0%
Mortgage-Backed Securities	18.8%
U.S. Government	20.3%
Foreign Government Bonds	4.3%
Short-Term Securities	3.2%
Asset-Backed Securities	15.5%
Corporate Bonds	36.9%

In the spring of 1996, we again added longer-term issues to make the most of the attractive bond prices and yields that were available. Expecting interest rates to decline, we reduced investments in mortgage-backed securities and corporate bonds that could be called in by their issuers.

As economic growth appeared to slow, we emphasized bonds from companies less sensitive to economic change -- such as health care firms and supermarket chains. As a further defense against the bond market's nervousness about the economy, we gave greater attention to bonds in the highest levels of credit quality.

Future Strategies

If the economy slows further and interest rates edge lower, as we expect, longer-term issues could help enhance the Fund's potential for capital gains. In that case, we may make additional investments in longer-term issues. However, we would keep Fund maturities about the same or even add shorter-term issues, if market nervousness about inflation resurfaces. In either case, we will give greater attention to U.S. Treasury issues, since we feel the spread between yields for corporate bonds and Treasuries remains quite narrow given the added credit risk that corporates carry.

[GRAPHIC HORIZONTAL BAR CHART OMITTED: MOODY'S BOND QUALITY RATING DISTRIBUTION]

Aaa	59.5%
Aa	11.8%
A	15.6%
Baa	10.3%
Ba	2.8%

LB Municipal Bond Fund

[GRAPHIC OMITTED: PHOTO OF Janet I. Grangaard]

Janet I. Grangaard is a Chartered Financial Analyst and portfolio manager for the LB Municipal Bond Fund. She has managed the Fund since January 1994, and has been with LB since 1988.

Fund Objective: To seek high current income that is exempt from federal income tax by investing in municipal bonds.

In the past year prices for municipal bonds outperformed prices for taxable issues. Municipal bond prices benefited from shrinking supplies as the volume of maturing and called municipal bonds exceeded the volume of new issues. Municipal bond prices were also strengthened by waning support for legislation that would have weakened the tax advantages for municipal bonds.

These factors -- plus changes we made in investment maturities as interest rates reversed course -- helped the LB Municipal Bond Fund earn a total return (based on NAV) of 5.33% for the fiscal year ended October 31, 1996. That compares to an average return of 5.11% for municipal bond funds tracked by Lipper Analytical Services and a return of 5.70% for the Lehman Municipal Bond Index.

Adjusting Maturities

Because longer-term bonds generally gain more in price when interest rates fall than shorter-term bonds do, we held a significant position in longer-term issues in the Fund's portfolio in the fall of 1995. Late in 1995, we began to emphasize shorter maturities to help moderate portfolio volatility. In the early months of 1996, we continued to build this defensive posture by swapping 30-year municipal bonds for 20-year issues, expecting the shorter-term issues to outperform as interest rates rose. We also added securities with higher coupons, which tend to outperform in declining markets.

[GRAPHIC WORM CHART OMITTED: Growth of \$10,000]
 (October 31, 1986 - October 31, 1996)

INSET BOX ON CHART READS:

LB Municipal Bond Fund			
Annualized Total Returns*	Period Ending 10/31/96		
Based on	10 Years	5 Year	1 Year
Net Asset Value	7.65%	7.30%	5.33%
Public Offering Price	7.09%	6.20%	0.08%

Month End Date	LBMBF Total Value	Lehman Muni. Bond Index Total Value	Lipper Average Gen. Municipal Debt Funds Total Value
10/31/86	10,000	10,000	10,000
11/30/86	9,668	10,198	10,183
12/31/86	9,679	10,169	10,184
1/31/87	9,863	10,476	10,425
2/28/87	9,954	10,527	10,508
3/31/87	9,893	10,415	10,445
4/30/87	9,395	9,892	9,799
5/31/87	9,346	9,843	9,706
6/30/87	9,534	10,132	9,921
7/31/87	9,628	10,236	10,018
8/31/87	9,638	10,259	10,049
9/30/87	9,294	9,881	9,617
10/31/87	9,366	9,915	9,647
11/30/87	9,610	10,174	9,897
12/31/87	9,819	10,322	10,079
1/31/88	10,154	10,689	10,479
2/28/88	10,265	10,802	10,588
3/31/88	10,060	10,677	10,381
4/30/88	10,147	10,758	10,436
5/31/88	10,119	10,727	10,454
6/30/88	10,335	10,884	10,633
7/31/88	10,371	10,954	10,698
8/31/88	10,408	10,964	10,736
9/30/88	10,616	11,163	10,939
10/31/88	10,813	11,359	11,167
11/30/88	10,719	11,255	11,064
12/31/88	10,878	11,369	11,231
1/31/89	11,037	11,605	11,402
2/28/89	10,968	11,472	11,307
3/31/89	10,967	11,445	11,300
4/30/89	11,239	11,716	11,574
5/31/89	11,444	11,960	11,789
6/30/89	11,554	12,123	11,942
7/31/89	11,692	12,287	12,065
8/31/89	11,578	12,167	11,936
9/30/89	11,521	12,130	11,897
10/31/89	11,675	12,278	12,041
11/30/89	11,873	12,493	12,230
12/31/89	11,972	12,596	12,313
1/31/90	11,812	12,537	12,181
2/28/90	11,897	12,648	12,302
3/31/90	11,910	12,652	12,297
4/30/90	11,776	12,561	12,139
5/31/90	12,055	12,835	12,455
6/30/90	12,203	12,948	12,573
7/31/90	12,393	13,138	12,781
8/31/90	12,133	12,947	12,503
9/30/90	12,174	12,955	12,521
10/31/90	12,368	13,190	12,702
11/30/90	12,654	13,455	12,998
12/31/90	12,757	13,509	13,054
1/31/91	12,938	13,690	13,215
2/28/91	13,011	13,809	13,292
3/31/91	13,025	13,814	13,318
4/30/91	13,210	13,998	13,513
5/31/91	13,301	14,123	13,634
6/30/91	13,249	14,108	13,592
7/31/91	13,453	14,281	13,788

8/31/91	13,609	14,469	13,964
9/30/91	13,848	14,657	14,144
10/31/91	13,956	14,789	14,270
11/30/91	13,966	14,831	14,290
12/31/91	14,309	15,149	14,627
1/31/92	14,315	15,184	14,617
2/28/92	14,288	15,189	14,638
3/31/92	14,288	15,195	14,643
4/30/92	14,450	15,330	14,778
5/31/92	14,648	15,511	14,985
6/30/92	14,900	15,772	15,258
7/31/92	15,415	16,245	15,798
8/31/92	15,140	16,086	15,545
9/30/92	15,183	16,190	15,607
10/31/92	15,012	16,031	15,326
11/30/92	15,360	16,318	15,717
12/31/92	15,589	16,485	15,911
1/31/93	15,740	16,676	16,090
2/28/93	16,319	17,280	16,721
3/31/93	16,210	17,097	16,525
4/30/93	16,364	17,269	16,704
5/31/93	16,443	17,366	16,799
6/30/93	16,750	17,656	17,088
7/31/93	16,754	17,679	17,088
8/31/93	17,122	18,047	17,467
9/30/93	17,318	18,252	17,674
10/31/93	17,429	18,287	17,709
11/30/93	17,232	18,126	17,523
12/31/93	17,612	18,509	17,872
1/31/94	17,807	18,720	18,077
2/28/94	17,303	18,235	17,596
3/31/94	16,495	17,493	16,827
4/30/94	16,571	17,641	16,888
5/31/94	16,730	17,795	17,040
6/30/94	16,603	17,686	16,929
7/31/94	16,905	18,010	17,229
8/31/94	16,963	18,073	17,272
9/30/94	16,732	17,807	16,992
10/31/94	16,396	17,490	16,669
11/30/94	16,081	17,174	16,324
12/31/94	16,454	17,551	16,722
1/31/95	16,955	18,053	17,219
2/28/95	17,501	18,579	17,731
3/31/95	17,688	18,792	17,890
4/30/95	17,704	18,815	17,888
5/31/95	18,299	19,415	18,446
6/30/95	18,057	19,246	18,245
7/31/95	18,183	19,429	18,362
8/31/95	18,412	19,676	18,564
9/30/95	18,554	19,800	18,677
10/31/95	18,850	20,087	18,963
11/30/95	19,235	20,420	19,327
12/31/95	19,445	20,616	19,542
1/31/96	19,589	20,773	19,634
2/28/96	19,422	20,632	19,478
3/31/96	19,098	20,368	19,169
4/30/96	18,998	20,311	19,083
5/31/96	18,986	20,303	19,086
6/30/96	19,181	20,524	19,266
7/31/96	19,354	20,711	19,439
8/31/96	19,344	20,707	19,424
9/30/96	19,633	20,996	19,701
10/31/96	19,855	21,234	19,914

Footnote reads:

As you compare performance, please note that the LB Municipal Bond Fund's performance reflects the maximum 5% sales charge. The performance of the index does not reflect any such charges. If you were to purchase any of the individual stocks represented in this index, any sales charges you would pay would reduce your total return as well.

*See accompanying notes to Portfolio Management Reviews.

At the end of the summer, when the prices and yields of municipal bonds were more attractive, we traded some of our holdings with 15-year maturities for investments with 20-year maturities. Toward the end of the period we added municipal bonds maturing in 20 to 25 years. This systematic lengthening of

maturities, plus continued emphasis on noncallable issues, helped enhance the Fund's return as interest rates fell.

[GRAPHIC PIE CHART OMITTED: Portfolio Composition (% of Portfolio)]

Other	13.9%
Education	3.8%
Transportation	10.3%
Housing	1.9%
Water and Sewer	9.4%
Pollution Control	2.9%
Utility	12.3%
Health Care	10.3%
General Obligation	16.9%
Escrowed	18.3%

During the year we took advantage of selective opportunities to enhance the Fund's yield. This led us to reduce the Fund's exposure in the health care sector somewhat and increase exposure to electric revenue bonds. We also gave somewhat greater attention to investment-grade bonds with Baa credit ratings.

A Better Balance

The balance between supply and demand in municipal bonds has returned to normal. In addition, the boost that municipals received as proposals for major tax reform were shelved is now complete. As a result of these two factors, municipal bonds should perform more in line with taxable issues. If inflation remains reasonable, as we expect, municipal bond prices should continue their modest rally and we may add longer-term issues to the portfolio. If inflation worsens, and it looks like interest rates may edge upward, we would return to a more neutral maturity structure. As always, we will continue to watch for opportunities to add incremental yield to the Fund's return.

[GRAPHIC HORIZONTAL BAR CHART OMITTED: MOODY'S BOND QUALITY RATING DISTRIBUTION]

Aaa	68.7%
Aa	14.0%
A	8.8%
Baa	8.3%
B	0.2%

LB Money Market Fund

[GRAPHIC OMITTED: PHOTO OF GAIL R. ONAN]

Gail R. Onan, assistant vice president of Lutheran Brotherhood Research Corp., is portfolio manager for the LB Money Market Fund. She has managed the Fund since January 1994, and has been with LB since 1969.

Fund Objective: To seek current income with stability of principal by investing in high-quality, short-term debt securities.**

In the fiscal year ended October 31, 1996, yields for money market instruments were quite volatile. As institutional money managers worried about higher inflation, they attempted to anticipate changes in short-term interest rates by the Federal Reserve. Even though the Federal Reserve left short-term rates unchanged from February through October of 1996, the expectation that rates could change created frequent fluctuations in short-term market yields.

During the period we adjusted maturities of investments in the LB Money Market Fund to take advantage of these yield fluctuations. This, plus a reduction in Fund expenses on April 1, 1996, helped the Fund earn a total return of 4.63%.

Yield Opportunities

At the start of the period, the yield for three-month Treasury bills stood near 5.5%, the Fund's investments had an average maturity of 42 days, and short-term yields were beginning to fall. After three-month Treasury bills hit a low of 4.90% in February of 1996, short-term yields began to rise -- hitting 5.33% in July. During this time we extended the Fund's average maturity to 48 days. As we did, we used a modified "barbell" approach that balanced issues with maturities as long as six months with issues that matured overnight. This enabled us to lock in the attractive yields that became available while maintaining enough portfolio liquidity to move quickly into issues with higher yields if market developments warranted.

In September, after money market yields had continued to rise while inflation remained quite modest, we felt investors had overreacted to inflation worries and that yields would soon head lower. Therefore, we increased the Fund's average maturity to 54 days in order to lock in higher yields for a longer period.

Throughout the year we maintained the Fund's historical investment mix -- focusing largely on commercial paper. When appropriate, we enhanced the Fund's yield with letters of credit, high-quality asset-backed securities, and other short-term corporate instruments.

[GRAPHIC PIE CHART OMITTED: Portfolio Composition (% of Portfolio)]

Adjustable Rate Notes	14.8%
Certificates of Deposit	4.8%
Bank Notes	1.7%
Commercial Paper	72.7%
Banker's Acceptances	5.5%
Medium-Term Notes	0.5%

Preparing for Slower Growth

If economic growth slows, interest rates and yields should continue to fall. With this in mind, we are again adding longer-term securities to the Fund's portfolio. If the markets again become nervous about inflation, and interest rates appear to be on the rise, we would likely reverse this strategy. As always, we will maintain a well-diversified asset mix and continue to emphasize investments with very high credit quality and good liquidity.

Annualized Total Returns*

Period Ending 10/31/96		
10 Years	5 Years	1 Year
5.19%	3.58%	4.63%

Footnotes:

*The annualized total return reflects the change in share price, the reinvestment of all dividends and capital gains, and the effect of compounding. Since performance varies, the annualized total return, which assumes a steady rate of growth, differs from the Fund's actual total return for the years indicated. POP returns have been adjusted for the maximum 5% sales charge. NAV returns do not include a sales charge. Sales charges do not apply to the LB Money Market Fund. All returns represent past performance. The value of an investment fluctuates so that shares, when redeemed, may be worth more or less than the original investment.

**Investments in the LB Money Market Fund are neither guaranteed nor insured by the U.S. Government and there is no assurance that the Fund will maintain a stable net asset value.

This report must be preceded or accompanied by a prospectus of the Lutheran Brotherhood Family of Funds.

3100 Multifoods Tower
33 South Sixth Street
Minneapolis, MN 55402-3795

Price Waterhouse LLP

[GRAPHIC OMITTED: PRINTER STRIP IN LOGO]

Report of Independent Accountants

To the Trustees and Shareholders of the
Lutheran Brotherhood Family of Funds

In our opinion, the accompanying statements of assets and liabilities, including the portfolios 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 Lutheran Brotherhood Opportunity Growth Fund, Lutheran Brotherhood World Growth Fund, Lutheran Brotherhood Fund, Lutheran Brotherhood High Yield Fund, Lutheran Brotherhood Income Fund, Lutheran Brotherhood Municipal Bond Fund and Lutheran Brotherhood Money Market Fund (constituting the Lutheran Brotherhood Family of 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 and the financial highlights for the periods indicated, in conformity with generally accepted

accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of 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 and brokers and the application of alternative auditing procedures where confirmations from brokers were not received, provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

December 9, 1996

LUTHERAN BROTHERHOOD OPPORTUNITY GROWTH FUND
 Portfolio of Investments
 October 31, 1996

Shares	Value
-----	-----
[S]	[C]
COMMON STOCKS - 94.7% (a)	
Automotive - 1.5%	
136,900 Tower Automotive, Inc.	\$ 3,987,212 (b)

Bank & Finance - 3.3%	
344,700 ACC Consumer Finance Corp.	3,102,300 (b)
67,800 Cole Taylor Financial Group, Inc.	2,038,237
268,100 NAL Financial Group, Inc.	3,552,325

	8,692,862

Building Products & Materials - 3.2%	
365,000 Cameron Ashley Building Products	4,973,125 (b)
258,800 Dayton Superior Corp., Class A	2,717,400 (b)
212,200 Mark Solutions, Inc.	649,862 (b)

	8,340,387

Computer Software - 13.4%	
194,300 ANSYS, Inc.	2,380,175 (b)
147,700 Avant! Corp.	4,467,925 (b)
302,100 AXENT Technologies, Inc.	5,400,037 (b)
233,100 DataWorks Corp.	6,293,700 (b)
158,000 Inference Corp., Class A	1,935,500 (b)
198,500 Pure Atria Corp.	5,409,125 (b)
256,700 Restrac, Inc.	1,989,425 (b)
230,900 Softquad International, Inc.	1,096,775 (b)
64,000 Summit Design, Inc.	680,000 (b)
78,600 Sunquest Information Systems, Inc.	1,100,400 (b)
183,800 Unison Software, Inc.	4,732,850 (b)

	35,485,912

Computers & Office Equipment - 1.3%	
139,400 Multiple Zones International, Inc.	2,596,325 (b)
134,300 Premis Corp.	856,163 (b)

	3,452,488

Drugs & Health Care - 13.9%	
395,900 Alpha-Beta Technology, Inc.	4,107,463 (b)

161,000	Amrion, Inc.	3,682,875 (b)
216,000	Amylin Pharmaceuticals, Inc.	2,430,000 (b)
273,500	Atrix Laboratories, Inc.	2,564,063 (b)
23,000	Autoimmune, Inc.	310,500 (b)
232,500	DepoTech Corp.	3,632,813 (b)
232,600	Eclipse Surgical Technologies, Inc.	2,238,775 (b)
258,100	GalaGen, Inc.	1,451,813 (b)
108,800	Isis Pharmaceuticals, Inc.	1,768,000 (b)
186,100	Liposome Co., Inc.	3,186,963 (b)
257,600	Matritech, Inc.	2,543,800 (b)
155,100	Orphan Medical, Inc.	1,337,737 (b)
129,050	PDT, Inc.	3,226,250 (b)
98,500	Sepracor, Inc.	1,600,625 (b)
170,000	US Bioscience, Inc.	1,955,000 (b)
40,100	Viragen Europe Ltd.	711,775 (b)

36,748,452

Electronics - 3.7%

290,400	ElectroStar, Inc.	3,666,300 (b)
136,000	Intevac, Inc.	1,972,000 (b)
215,400	S3, Inc.	4,065,675 (b)

9,703,975

Healthcare Management - 9.6%

388,100	American Oncology Resources, Inc.	3,104,800 (b)
114,700	CN Biosciences, Inc.	1,734,838 (b)
335,600	Complete Management, Inc.	4,950,100 (b)
439,500	Home Health Corp. of America, Inc.	5,548,687 (b)
153,900	Horizon Mental Health Management, Inc.	4,116,825 (b)
74,400	UroCor, Inc.	874,200 (b)
425,200	U.S. Diagnostic Labs, Inc.	5,102,400 (b)

25,431,850

Household Products - 0.3%

55,900	First Years, Inc. (The)	866,450
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Leisure & Entertainment - 5.7%

269,600	Cannondale Corp.	5,189,800 (b)
208,800	Fairfield Communities, Inc.	4,463,100 (b)
117,400	Signature Resorts, Inc.	4,138,350 (b)
112,000	Travis Boats & Motors, Inc.	1,204,000 (b)

14,995,250

Machinery & Equipment - 3.4%

268,700	Northwest Pipe Co.	4,635,075 (b)
213,600	Stratasys, Inc.	3,123,900 (b)
50,000	Triumph Group, Inc.	1,125,000 (b)

8,883,975

Manufacturing - 3.1%

222,800	BMC Industries, Inc.	6,600,450
217,700	Zomax Optical Media, Inc.	1,578,325 (b)

8,178,775

Pollution Control - 3.8%

470,900	IDM Environmental Corp.	2,001,325 (b)
203,300	Memtec Ltd., ADR	6,937,612 (b)
405,000	Recycling Industries, Inc.	1,240,313 (b)

10,179,250

Publishing & Printing - 0.5%		
255,300	Printware, Inc.	1,436,062 (b)

Restaurants - 1.8%		
289,100	BAB Holdings, Inc.	2,457,350 (b)
304,100	New World Coffee	836,275 (b)
224,800	Sagebrush, Inc.	1,405,000 (b)

		4,698,625

Retail - 4.7%		
65,900	Best Buy Co., Inc.	1,079,113 (b)
202,700	Movie Gallery, Inc.	2,736,450 (b)
118,950	Sports Authority, Inc. (The)	2,884,537 (b)
253,300	Strouds, Inc.	1,139,850 (b)
50,400	United Auto Group, Inc.	1,732,500 (b)
247,900	West Coast Entertainment Corp.	2,757,888 (b)

		12,330,338

Services - 5.1%		
111,500	BT Office Products International, Inc.	919,875 (b)
209,100	Cotelligent Group, Inc.	3,711,525 (b)
291,200	Glasgal Communications, Inc.	1,747,200 (b)
54,000	ONTRACK Data International, Inc.	762,750 (b)
157,200	Personal Group of America, Inc.	4,342,650 (b)
149,400	StaffMark, Inc.	1,942,200 (b)

		13,426,200

Telecommunications Equipment - 6.4%		
219,600	ACE*COMM Corp.	2,360,700 (b)
248,400	ACT Networks, Inc.	8,507,700 (b)
131,800	ANTEC Corp.	1,408,612 (b)
137,100	Teltrend, Inc.	4,524,300 (b)

		16,801,312

Telephone & Telecommunications - 7.0%		
179,800	ICG Communications, Inc.	3,371,250 (b)
191,600	Intermedia Communications of Florida, Inc.	6,131,200 (b)
138,600	LCC International, Inc., Class A	2,027,025 (b)
172,300	Orckit Communications Ltd.	2,067,600 (b)
243,200	Xpedite Systems, Inc.	4,985,600 (b)

		18,582,675

Textiles & Apparel - 3.0%		
953,500	Chaus (Bernard), Inc.	2,383,750 (b)
165,600	Cutter & Buck, Inc.	1,759,500 (b)
307,000	Guess ?, Inc.	3,914,250 (b)

		8,057,500

Total Common Stocks (cost \$235,144,716)		250,279,550

Principal
Amount

CORPORATE BONDS - 0.3% (a)	
\$1,500,000	Kushner-Locke Co., Convertible Subordinated Debentures, 8.0%,

due 12/15/2000 (cost \$1,134,916)	907,500

SHORT-TERM SECURITIES - 5.0% (a) Commercial Paper	
10,000,000 Harvard University 5.53%, due 11/1/1996	10,000,000
3,300,000 Preferred Receivables Funding Corp. 5.25%, due 11/1/1996	3,300,000

Total Short-Term Securities (at amortized cost)	13,300,000

Total Investments (cost \$249,579,632)	\$264,487,050 (c)
	=====

NOTES TO PORTFOLIO OF INVESTMENTS:

- (a) The categories of investments are shown as a percentage of total investments of the Lutheran Brotherhood Opportunity Growth Fund.
- (b) Currently non-income producing.
- (c) At October 31, 1996, the aggregate cost of securities for federal income tax purposes was \$250,018,404 and the net unrealized appreciation of investments based on that cost was \$14,468,646 which is comprised of \$37,074,513 aggregate gross unrealized appreciation and \$22,605,867 aggregate gross unrealized depreciation.

The accompanying notes are an integral part of the financial statements.

LUTHERAN BROTHERHOOD WORLD GROWTH FUND
Portfolio of Investments
October 31, 1996

Shares	Value
-----	-----
ARGENTINA - 0.7% (a)	
COMMON STOCKS	
2,003 Banco de Galicia Buenos Aires 'B' ADR (USD)	\$ 36,304
1,609 Banco Frances del Rio de la Plata ADR (USD)	42,236
150 Enron Global Power & Pipeline (USD)	4,219
14,584 Naviera Perez 'B'	92,618
1,590 Sociedad Comercial del Plata	3,753 (b)
430 Sociedad Comercial del Plata ADR (USD)	10,213 (b)
910 Telecom Argentina Stet 'B'	3,436
230 Telecom Argentina Stet 'B' ADR (USD)	8,682
3,770 Telefonica de Argentina ADR (USD)	87,653
340 Transportadora de Gas del Sur ADR (USD)	3,953
3,020 YPF Sociedad Anonima ADR (USD)	68,705

Total Argentina	361,772=

AUSTRALIA - 1.5% (a)

COMMON STOCKS	
3,000 Amcor Ltd.	18,643
9,000 Australia & New Zealand Banking Group Ltd.	52,576
19,343 Australia Gas & Light	106,098
9,536 Broken Hill Proprietary	126,607

1,200	Coca Cola Amatil	16,503
3,200	Lend Lease Corp.	54,255
4,151	National Australia Bank Ltd.	45,570
11,024	News Corp.	62,740
11,000	Publishing & Broadcasting	49,524
4,090	Smith (Howard) Ltd.	32,095
13,000	TNT	25,040 (b)
8,000	Western Mining	50,285
11,000	Westpac Banking	62,777
10,500	Woodside Petroleum	74,072

Total Australia		776,785

AUSTRIA - 0.05% (a)

COMMON STOCKS

60	EVN Energie-Versorgung Niederosterreich AG	8,137
330	Flughafen Wien	16,267

Total Austria		24,404

BELGIUM - 1.0% (a)

COMMON STOCKS

390	Generale de Banque S.A.	136,293
35	Generale de Banque S.A., VVPR (reduced tax) Strips	22
980	Kredietbank	316,560
30	UCB	66,127

Total Belgium		519,002

BRAZIL - 2.2% (a)

COMMON STOCKS

470	Brazil Fund (USD)	9,870
5,270	Centrais Eletricas Brasileiras S.A. ADR (USD)	80,367
1,950	Companhia Brasileira de Distribuicao Grupo Pao de Acucar GDR (USD)	38,025 (b)
500	Companhia Energetica Brasilia (USD)	16,000
450	Companhia Energetica de Sao Paulo ADR (USD)	4,472
4,828	Companhia Energetica Minas Gerais ADR (USD)	154,496
9,022	Telecomunicacoes Brasiliias ADR (USD)	672,139
20,910	Usinas Siderurgicas de Minas Gerais ADR (USD)	214,328

Total Brazil		1,189,697

CANADA - 0.3% (a)

COMMON STOCKS

3,620	Alcan Aluminum	119,658
1,330	Royal Bank of Canada	43,864

Total Canada		163,522

CHILE - 0.4% (a)

COMMON STOCKS

100	AFP Providia ADR (USD)	2,325
750	Chile Fund (USD)	16,312
780	Chilectra ADR (USD)	42,510
1,140	Chilgener ADR (USD)	25,793
450	Companhia Telecomunicaciones ADR (USD)	44,381
2,375	Empresa Nacional de Electric ADR (USD)	43,641
1,333	Enersis S.A. ADR (USD)	39,157

Total Chile		214,119

CHINA - 0.4% (a)		
COMMON STOCKS		
7,400	Huaneng Power International 'N' ADR (USD)	112,850 (b)
275,000	Shanghai Petrochemical 'H' (HKD)	73,798
198,000	Yizheng Chemical Fibre 'H' (HKD)	45,837

Total China		232,485

DENMARK - 0.2% (a)		
COMMON STOCKS		
730	Den Danske Bank	52,373
190	Tele Danmark 'B'	9,578
930	Unidanmark 'A'	42,881

Total Denmark		104,832

FINLAND - 0.2% (a)		
COMMON STOCKS		
1,890	Oy Nokia 'A'	87,269

FRANCE - 7.9% (a)		
COMMON STOCKS		
655	Accor	82,251
1,140	Alcatel Alsthom	97,221
1,520	Assurances Generales de France	44,834
300	AXA	18,637
630	Canal Plus	155,883
805	Carrefour	446,706
240	Castorama Dubois	41,076
353	Chargeurs International S.A.	15,328 (b)
1,610	Cie de St. Gobain	217,291
880	Credit Local De France	75,702
5,730	Eaux Cie Generale	684,798
60	Ecco	14,400
630	GTM Entrepose	29,883
593	Guilbert S.A.	94,300
510	Havas S.A.	33,498
1,340	Lapeyre	65,578
459	Legrand	79,635
231	L'Oreal	78,212
353	Pathe S.A.	95,215 (b)
1,240	Pinault Printemps Redoute	467,622
760	Primagaz	78,490
285	Rexel	84,455
660	Sanofi	59,784
2,000	Schneider S.A.	97,800 (b)
340	Societe Generale	36,643
2,070	Societe Nationale Elf Aquitaine	165,519
500	Sodexho	241,076
2,080	Television Francaise	221,324
4,353	Total 'B'	340,492

Total France		4,163,653

GERMANY - 4.4% (a)		
COMMON STOCKS		
107	Allianz Holdings	192,040
46	Altana	36,754
11,732	Bayer	443,281
1,600	Bifinger & Berger Bau AG	64,765
100	Buderas	45,232
2,150	Deutsche Bank	99,578
7,550	Gehe AG	508,518
1,560	Hoechst AG	58,665
200	Hornbach Baumarkt	6,471
255	Mannesmann	99,010
800	Praktiker Bau und Heimwerker Markte	16,376

990	Rhoen Klinikum	118,978
380	SAP AG	51,439
550	Schering	44,253
849	Siemens AG	43,868
258	Siemens AG, Stock Warrants	21,807 (b)
4,990	Veba	266,140
110	Veba International, Finance Warrants Expiring 4/6/98	31,161 (b)
123	Volkswagen	48,428

		2,196,764

PREFERRED STOCKS

610	Fielmann	25,376
710	Hornbach Holdings AG	44,539
40	Krones	14,131
354	SAP AG	47,639

		131,685

Total Germany 2,328,449

HONG KONG - 4.8% (a)

COMMON STOCKS

65,000	Cathay Pacific Airways	101,717
32,000	Doa Heng Bank Ltd.	140,710
117,217	First Pacific	161,450
132,000	Guangdong Investments	94,747
309,000	Guangzhou Investment Co. Ltd.	99,907
38,000	Guoco Group	201,004
189,625	Hong Kong Land Holdings (USD)	422,864
259,000	Hopewell Holdings	174,181
47,000	Hutchison Whampoa	328,238
55,000	New World Development Co. Ltd.	320,090
25,000	Swire Pacific 'A'	220,668
65,000	Wharf Holdings	268,164

Total Hong Kong 2,533,740

ITALY - 1.7% (a)

COMMON STOCKS

2,455	Assicurazioni Generali	47,417
47,480	Banca Fideuram	100,625
11,000	Ente Nazionale Idrocarburi	52,680
4,000	Finanziaria Autogrill SpA	4,082 (b)
7,010	IMI SpA	55,475
360	Industrie Natuzzi SpA ADR (USD)	16,335
9,000	Istituto Nazionale delle Assicurazioni	12,429
14,000	Italgas	51,681
150	La Rinascente SpA., Stock Warrants	64 (b)
5,100	Mediolanum SpA	50,546 (b)
5,000	Rinascente	29,565
5,175	Sasib Di Risp	8,955
38,000	Societa' Finazaria Telfonica SpA	131,259
18,000	Societa' Finazaria Telfonica SpA, RNC	47,937
37,771	Telecom Italia	84,157
75,896	Telecom Italia Mobile	156,845 (b)
13,784	Telecom Italia Mobile RNC	15,719
2,000	Unicem	13,316 (b)

Total Italy 879,087

JAPAN - 22.6% (a)

COMMON STOCKS

1,100	Advantest Corp.	41,544
8,000	Alps Electric	99,073

17,000	Amada	146,326
23,000	Canon	440,385
10,000	Citizen Watch Co.	75,974
15,000	Dai Nippon Screen Manufacturing Co. Ltd.	118,440 (b)
3,000	Daifuku	36,889
17,000	Daiichi Pharmaceutical	244,873
19,000	Daiwa House	263,669
22	DDI Corp.	165,210
47	East Japan Railway	215,897
4,000	Fanuc	128,233
27,000	Hitachi	239,515
22,000	Hitachi Zosen	107,435
2,000	Honda Motor Co.	47,780
7,000	Inax	59,514
8,000	Ishihara Sangyo Kaisha	23,960 (b)
6,000	Ito-Yokado	299,328
8,000	Kao Corp.	94,155
2,000	Kawada Industries	14,404
8,000	Kokuyo	198,147
21,000	Komatsu	171,903
6,000	Komori	134,908
15,000	Kumagai Gumi	47,429
16,000	Kuraray	154,583
7,000	Kyocera	461,728
11,000	Makita	150,718
13,000	Marui	240,920
20,000	Matsushita Electric Industrial	319,705
11,000	Mitsubishi	122,700
64,000	Mitsubishi Heavy Industries	491,854
11,000	Mitsubishi Paper Mills	52,945
33,000	Mitsui Fudosan	408,678
6,000	Mitsui Petrochemical Industries	36,415
8,000	Murata Manufacturing	257,169
4,000	National House Industrial	57,617
41,000	NEC	446,533
21,000	Nippon Denso	435,291
4,000	Nippon Hodo	55,860
100,000	Nippon Steel	291,599
22	Nippon Telegraph & Telecom	153,616
21,000	Nomura Securities	346,757
9,000	Pioneer Electronic	177,858
2,000	Sangetsu Co. Ltd.	42,686
15,000	Sankyo	371,525
2,700	Sega Enterprises	109,086
23,000	Sekisui Chemical	256,554
14,000	Sekisui House	147,556
2,100	Seven-Eleven Japan	122,103
18,000	Sharp	273,506
13,350	Shin-Etsu Chemical	228,646
5,600	Sony	335,936
31,000	Sumitomo	250,222
32,000	Sumitomo Electric	421,589
10,000	Sumitomo Forestry	141,408
6,000	TDK	352,027
37,000	Teijin	171,262
8,000	Tokio Marine & Fire Insurance	87,831
3,000	Tokyo Electronics	77,203
8,000	Tokyo Steel Manufacturing	123,666
13,000	Toppan Printing	158,711
6,000	Uny Co.	103,816
3,150	Yurtec	45,927
Total Japan		11,898,797

MALAYSIA - 2.5% (a)

COMMON STOCKS

97,000	Affin Holdings BHD	249,555
13,000	Affin Holdings BHD, Stock Warrants	13,893 (b)
30,000	Commerce Asset Holding BHD	195,923
63,000	MBF Capital	86,776
103,000	Multi-Purpose Holdings	176,117
89,000	Renong BHD	140,202
10,000	Renong BHD - 4% ICULS	

	Rights	3,661 (b)
6,250	Renong BHD, Stock Warrants	2,548 (b)
51,000	Technology Resources Industries BHD	122,125 (b)
40,000	United Engineers	316,643

Total Malaysia		1,307,443

MEXICO - 1.4% (a)

COMMON STOCKS

15,620	Cementos de Mexico ADR (USD)	105,435
13,267	Cemex 'B'	47,868
10,744	Cemex S.A. de C.V.	36,359
69,062	Cifra 'B' ADR (USD)	83,910 (b)
12,994	Gruma 'B'	59,817 (b)
423	Grupo Financiero Banamex Accival 'L'	863 (b)
18,000	Grupo Financiero Banamex 'B'	37,847 (b)
36,760	Grupo Industrial Maseca 'B'	44,638
740	Grupo Televisa GDR (USD)	19,425 (b)
3,110	Kimberly-Clark Mexico 'A'	59,433
1,990	Panamerican Beverages 'A' ADR (USD)	86,814
5,920	Telefonos de Mexico 'L' ADR (USD)	180,560

Total Mexico		762,969

NETHERLANDS - 10.5% (a)

COMMON STOCKS

4,110	ABN Amro Holdings	232,303
3,533	Ahold	206,145
137	Akzo Nobel	17,263
5,410	CSM	285,375
63,992	Elsevier	1,063,579
5,320	Fortis Amev N.V.	158,970
1,090	Hagemeyer	81,909
12,525	Internationale Nederlanden Groep	390,507
12,258	Internationale Nederlanden Groep, Stock Warrants	66,828 (b)
1,942	Koninklijke PTT Nederland	70,277
840	Nutricia	117,829
940	Otra N.V.	17,618
6,680	Polygram	313,783
6,560	Royal Dutch Petroleum	1,083,345
2,040	Unilever	310,202
8,919	Wolters Kluwer	1,146,481

Total Netherlands		5,562,414

NEW ZEALAND - 0.6% (a)

COMMON STOCKS

16,000	Carter Holt Harvey	35,996
7,000	Fernz	24,514
8,250	Fletcher Challenge Building	22,354 (b)
2,250	Fletcher Challenge Energy	6,415 (b)
42,000	Fletcher Challenge Forests Division	70,124
4,500	Fletcher Challenge Paper	8,150 (b)
28,000	Telecom Corp. of New Zealand	145,596

Total New Zealand		313,149

NORWAY - 1.5% (a)

COMMON STOCKS

1,200	Bergesen 'A'	26,235
8,870	Norsk Hydro	408,692
4,970	Orkla 'A'	317,791
1,460	Saga Petroleum 'B'	22,881

Total Norway	775,599

PHILIPPINES - 0.1% (a)	
COMMON STOCKS	
4,000 Philippine National Bank	46,043

PORTUGAL - 0.5% (a)	
COMMON STOCKS	
2,740 Jeronimo Martins	249,921

RUSSIA - 0.05% (a)	
COMMON STOCKS	
860 Gazprom ADR (USD)	16,125 (b)

SINGAPORE - 1.9% (a)	
COMMON STOCKS	
23,000 DBS Land	72,503
7,000 Development Bank of Singapore	83,990
7,000 Far East Levinston Shipbuilding	32,677
3,400 Fraser & Neave Ltd.	33,795
4,000 Keppel	29,819
33,000 Overseas Union Bank	224,920
2,000 Singapore Airlines	17,607
27,000 Singapore Land	149,521
5,000 Singapore Press	83,067
43,000 United Industrial	35,719
24,000 United Overseas Bank	233,440
3,000 United Overseas Bank, Stock Warrants	10,650 (b)

Total Singapore	1,007,708

SOUTH KOREA - 0.8% (a)	
COMMON STOCKS	
5,700 Korea Electric Power Corp. ADR (USD)	102,600
8,378 Korea Equity Fund (USD)	141,379
500 Pohang Iron & Steel ADR (USD)	10,375
390 Samsung Electronics GDR, Bonus (USD)	13,644 (b)
2,300 Samsung Electronics GDR (USD)	106,375 (b)
2,000 Samsung Electronics GDR, non voting (USD)	43,000 (b)

Total South Korea	417,373

SPAIN - 2.4% (a)	
COMMON STOCKS	
790 Banco Popular Espanol	151,010
2,800 Banco Santander	143,736
870 Centros Comerciales Continente S.A.	17,660 (b)
2,131 Centros Comerciales Pryca	48,935
1,682 Corporacion Bancaria de Espana S.A.	65,912
4,496 Empresa Nacional de Electricidad	275,197
190 Fomento de Construcciones y Contra	15,427
835 Gas Natural	146,065
582 General de Aguas de Barcelona S.A.	23,810
10,910 Iberdrola	115,859
5,983 Repsol S.A.	195,299
2,730 Telefonica de Espana	54,773

Total Spain	1,253,683

SWEDEN - 2.7% (a)

COMMON STOCKS

840	Asea 'A'	95,169
12,340	Astra AB 'B'	562,982
4,850	Atlas Copco 'B'	99,940
3,480	Electrolux 'B'	193,695
1,100	Esselte 'B'	24,591
1,680	Hennes & Mauritz 'B'	222,528
660	Sandvik 'A'	15,557
5,970	Sandvik 'B'	140,723
1,370	Scribona 'B'	15,105
3,190	Stora Kopparberg 'B'	40,993 (b)

Total Sweden 1,411,283

SWITZERLAND - 4.7% (a)

COMMON STOCKS

704	Adecco S.A.	197,722
326	BBC Brown Boveri & Cie	402,857
185	Ciba Geigy	227,884
860	CS Holding	85,898
405	Nestle	439,925
76	Roche Holdings	574,810
345	Sandoz	398,770
830	Schwizerischer Bankverein	159,893

Total Switzerland 2,487,759

THAILAND - 0.5% (a)

COMMON STOCKS

4,100	Advanced Information Service plc (Foreign Registered)	55,642
7,020	Bangkok Bank	74,895
7,250	Bank of Ayudhya	20,759
400	Siam Cement	13,681
5,640	Siam Commercial Bank	51,323
5,800	Thai Farmers Bank Public Co. Ltd.	44,362
725	Thai Farmers Bank Public Co. Ltd., Stock Warrants	1,102 (b)
2,600	Total Access Communication Public Co. Ltd. ADR (USD)	17,940 (b)

Total Thailand 279,704

UNITED KINGDOM - 16.0% (a)

COMMON STOCKS

44,000	Abbey National	456,901
22,706	Argos plc	285,118
33,000	Argyll Group	195,776
97,000	Asda Group	184,717
21,000	British Gas	65,283
14,000	British Petroleum	150,448
35,100	Cable & Wireless	278,789
26,400	Cadbury Schweppes	220,000
48,000	Caradon	188,672
13,000	Coats Viyella	32,373
14,000	Compass Group	139,225
26,000	David S. Smith	132,031
11,600	East Midlands Electricity	102,897
15,000	Electrocomponents	100,952
3,000	GKN	56,396
27,500	Glaxo Wellcome	431,925
42,000	Grand Metropolitan	316,846
5,000	Heywood Williams Group	20,101
16,000	Hillsdown Holdings	45,313
11,000	John Laing 'A'	48,250
40,000	Kingfisher	426,432
13,000	London Electricity	128,011
9,960	National Grid Group	29,180
74,000	National Westminster Bank	844,906
29,000	Rank Group plc	192,814
37,000	Reed International	688,932

11,000	Rolls Royce	45,565
19,800	RTZ	316,787
10,000	Sears	14,160
34,000	Shell Transport & Trading	557,259
64,000	SmithKline Beecham	790,625
30,000	T & N	62,988
32,000	Tesco	173,437
83,000	Tomkins	348,535
34,500	United News & Media	378,468

Total United Kingdom		8,450,112

SHORT-TERM

SECURITIES - 5.5% (a)

U.S. Government Agency

\$2,910,000	Federal Home Loan Mortgage Discount Notes, 5.5%, due 11/1/1996	\$ 2,910,000

Total Investments	\$ 52,728,898 (c,d)
=====	

NOTES TO PORTFOLIO OF INVESTMENTS:

(a) The categories of investments are shown as a percentage of total investments of the Lutheran Brotherhood World Growth Fund.

(b) Currently non-income producing.

(c) Security Classification:

	Cost	Value	% of Portfolio
	-----	-----	-----
Common Stocks			
& Warrants	\$46,888,600	\$49,687,213	94.2%
Preferred Stocks	160,193	131,685	0.3%
Short-Term	2,910,000	2,910,000	5.5%

Total Investments	\$49,958,793	\$52,728,898	100.0%
=====			

(d) At October 31, 1996, the aggregate cost of securities for federal income tax purposes was \$50,033,791 and the net unrealized appreciation of investments based on that cost was \$2,695,107 which is comprised of \$4,518,429 aggregate gross unrealized appreciation and \$1,823,322 aggregate gross unrealized depreciation.

(e) Miscellaneous Footnotes:

- (ADR) - American Depository Receipts
- (GDR) - Global Depository Receipts
- (HKD) - Denominated in Hong Kong Dollars
- (USD) - Denominated in U.S. Dollars

The accompanying notes are an integral part of the financial statements.

LUTHERAN BROTHERHOOD FUND

Portfolio of Investments

October 31, 1996

Shares	Value	
-----	-----	
[S]	[C]	
COMMON STOCKS - 96.5% (a)		
Aerospace - 1.9%		
158,500	Boeing Co.	\$ 15,116,937

Airlines - 0.7%		
245,000	Southwest Airlines Co.	5,512,500

Automotive - 2.1%		
303,000	General Motors Corp.	16,324,125

Bank & Finance - 14.2%		
151,300	American International Group, Inc.	16,434,962
259,000	Bank of New York Co., Inc.	8,579,375
163,000	Citicorp	16,137,000
431,000	Federal National Mortgage Association	16,862,875
230,000	First Bank System, Inc.	15,180,000
187,000	Green Tree Financial Corp.	7,409,875
210,000	MBNA Corp.	7,927,500
109,000	MGIC Investment Corp.	7,480,125
88,000	NationsBank Corp.	8,294,000
30,900	Wells Fargo & Co.	8,254,163

		112,559,875

Chemicals - 2.8%		
259,000	Air Products & Chemicals, Inc.	15,540,000
139,000	Hercules, Inc.	6,619,875

		22,159,875

Computer Software - 2.8%		
125,000	Computer Associates International, Inc.	7,390,625
56,000	Microsoft Corp.	7,686,000 (b)
174,000	Oracle Corp.	7,362,375 (b)

		22,439,000

Computers & Office Equipment - 3.9%		
250,000	Cisco Systems, Inc.	15,468,750 (b)
162,000	Hewlett Packard Co.	7,148,250
30,000	Ingram Micro, Inc., Class A	540,000 (b)
61,000	International Business Machines	7,869,000

		31,026,000

Conglomerates - 4.0%		
231,000	AlliedSignal, Inc.	15,130,500
322,000	Dover Corp.	16,542,750

		31,673,250

Drugs & Health Care - 9.7%		
151,100	Abbott Laboratories	7,649,437
118,200	Amgen, Inc.	7,247,138 (b)
343,000	Becton, Dickinson & Co.	14,920,500
116,000	Eli Lilly & Co.	8,178,000
145,000	Johnson & Johnson	7,141,250
215,600	Merck & Co., Inc.	15,981,350
95,000	Pfizer, Inc.	7,861,250
122,000	Warner-Lambert Co.	7,762,250

		76,741,175

Electric Utilities - 2.9%		
280,000	Entergy Corp.	7,840,000
173,900	FPL Group, Inc.	7,999,400
326,000	Southern Co.	7,212,750

		23,052,150

Electrical Equipment - 2.0%		

167,400	General Electric Co.	16,195,950

Electronics - 2.6%		
120,000	Atmel Corp.	3,045,000
105,200	Intel Corp.	11,558,850
126,200	Motorola, Inc.	5,805,200

		20,409,050

Food & Beverage - 4.9%		
303,000	Coca-Cola Co.	15,301,500
245,400	PepsiCo, Inc.	7,269,975
44,500	Salomon, Inc., (Snapple, Inc., Equity-Linked Security)	636,906
424,300	Sara Lee Corp.	15,062,650

		38,271,031

Healthcare Management - 1.1%		
187,000	Oxford Health Plans, Inc.	8,508,500 (b)

Household Products - 4.0%		
86,000	Colgate Palmolive Co.	7,912,000
105,000	Gillette Co.	7,848,750
155,100	Procter & Gamble Co.	15,354,900

		31,115,650

Leisure & Entertainment - 3.1%		
239,800	Disney (Walt) Co.	15,796,825
303,000	Mattel, Inc.	8,749,125

		24,545,950

Machinery & Equipment - 2.0%		
182,000	Deere & Co.	7,598,500
124,000	Fluor Corp.	8,122,000

		15,720,500

Mining & Metals - 1.8%		
128,000	Aluminum Co. of America	7,504,000
143,000	Nucor Corp.	6,774,625

		14,278,625

Oil & Oil Service - 9.9%		
210,300	Amoco Corp.	15,930,225
238,300	Chevron Corp.	15,668,225
176,000	Exxon Corp.	15,598,000
287,300	Halliburton Co.	16,268,362
128,400	Mobil Corp.	14,990,700

		78,455,512

Paper & Forest Products - 0.9%		
166,000	Champion International Corp.	7,221,000

Photography - 1.0%		
96,600	Eastman Kodak Co.	7,703,850

Railroads - 0.8%		
146,000	CSX Corp.	6,296,250

Restaurants - 1.8%		
321,400	McDonald's Corp.	14,262,125
Retail - 7.3%		
176,500	Albertson's, Inc.	6,067,188
232,000	Federated Department Stores	7,656,000 (b)
71,900	Gap, Inc.	2,085,100
339,000	Kroger Co.	15,127,875 (b)
170,000	Melville Corp.	6,332,500
333,400	OfficeMax, Inc.	4,500,900 (b)
166,500	Sears, Roebuck & Co.	8,054,438
299,100	Wal-Mart Stores, Inc.	7,963,538
		57,787,539
Services - 2.0%		
183,500	First Data Corp.	14,634,125
30,500	SABRE Group Holdings, Inc., Class A	930,250 (b)
		15,564,375
Telecommunications		
Equipment - 0.5%		
88,474	Lucent Technologies, Inc.	4,158,278
Telephone & Telecommunications - 5.8%		
280,700	Ameritech Corp.	15,368,325
273,000	AT&T Corp.	9,520,875
340,000	Paging Network, Inc.	5,822,500 (b)
309,600	SBC Communications, Inc.	15,054,300
		45,766,000
Total Common Stock (cost \$632,153,195)		762,865,072
U.S. GOVERNMENT - 0.3% (a)		
\$2,000,000	U.S. Treasury Notes, 8.75%, due 10/15/1997 (cost \$2,014,502)	\$ 2,060,000
SHORT-TERM SECURITIES - 3.2% (a)		
Commercial Paper		
10,500,000	Associates Corp. of North America, 5.6%, due 11/1/1996	10,500,000
4,100,000	General Electric Capital Corp., 5.6%, due 11/1/1996	4,100,000
10,700,000	Gillette Co., 5.62%, due 11/1/1996	10,700,000
Total Short-Term Securities (at amortized cost)		25,300,000
Total Investments (cost \$659,467,697)		\$790,225,072 (c)

NOTES TO PORTFOLIO OF INVESTMENTS:

- (a) The categories of investments are shown as a percentage of total investments of the Lutheran Brotherhood Fund.
- (b) Currently non-income producing.
- (c) At October 31, 1996, the aggregate cost of securities for federal income tax purposes was \$659,692,696 and the net unrealized appreciation of investments based on that cost

was \$130,532,376 which is comprised of \$145,703,847 aggregate gross unrealized appreciation and \$15,171,471 aggregate gross unrealized depreciation.

The accompanying notes are an integral part of the financial statements.

<TABLE>
<CAPTION>

LUTHERAN BROTHERHOOD HIGH YIELD FUND
Portfolio of Investments
October 31, 1996

Principal Amount		Rate	Maturity Date	Value
-----		-----	-----	-----
<S>		<C>	<C>	<C>
CORPORATE BONDS - 78.7 % (a)				
Airlines - 0.7%				
\$ 4,500,000	U.S. Air, Inc., Sr. Secured Equipment Trust, Series 1993-A-3	10.375%	3/1/2013	\$ 4,522,500

Automotive - 0.4%				
4,950,000	Exide Corp., Convertible Sr. Subordinated Notes	2.9%	12/15/2005	3,031,875

Bank & Finance - 3.9%				
3,250,000	Chevy Chase Savings Bank, Subordinated Debentures	9.25%	12/1/2005	3,380,000
7,600,000	First Nationwide Holdings, Inc., Sr. Notes	12.5%	4/15/2003	8,265,000
4,000,000	HomeSide, Inc., Sr. Secured Second Priority Notes	11.25%	5/15/2003	4,390,000
2,400,000	Outsourcing Solutions, Inc., Sr. Subordinated Notes	11.0%	11/1/2006	2,400,000
6,353,210	Scotsman Holdings, Sr. Notes, Payment-In-Kind, Series B	11.0%	3/1/2004	6,519,981
2,000,000	Trizec Finance Ltd., Sr. Notes	10.875%	10/15/2005	2,210,000

27,164,981				

Broadcasting - 18.0%				
3,450,000	American Telecasting, Inc., Sr. Discount Notes	Zero Coupon	8/15/2005	2,018,250
6,025,424	American Telecasting, Inc., Sr. Discount Notes	Zero Coupon	6/15/2004	4,127,415
4,100,000	Australis Holdings Pty Ltd., Units	Zero Coupon	11/1/2002	2,298,870
10,650,000	Australis Media Ltd., Sr. Subordinated Discount Notes	Zero Coupon	5/15/2003	6,283,500
6,900,000	Benedek Communications Corp., Sr. Discount Notes	Zero Coupon	5/15/2006	3,829,500
5,100,000	Cablevision Industries, Debentures, Series B	9.25%	4/1/2008	5,447,004
2,150,000	Charter Communications Southeast Holdings, L.P., Sr. Discount Notes, Series B	Zero Coupon	3/15/2007	1,236,250
10,920,000	CS Wireless Systems, Inc., Sr. Discount Notes	Zero Coupon	3/1/2006	5,132,400
1,450,000	Diamond Cable Communications plc, Sr. Discount Notes	Zero Coupon	12/15/2005	957,000
4,000,000	EchoStar Satellite Broadcasting Corp., Sr. Secured Discount Notes	Zero Coupon	3/15/2004	2,825,000
12,217,719	Falcon Holdings Group L.P., Sr. Subordinated Notes, Series B	11.0%	9/15/2003	11,179,212
9,000,000	Grupo Televisa S.A., Sr. Discount Debentures	Zero Coupon	5/15/2008	5,535,000
6,900,000	Grupo Televisa S.A., Sr. Notes	11.875%	5/15/2006	7,331,250
9,200,000	InterMedia Capital Partners IV, L.P., Sr. Notes	11.25%	8/1/2006	9,200,000
4,100,000	International CableTel, Inc., Convertible Subordinated Notes	7.0%	6/15/2008	3,889,875
3,350,000	International CableTel, Inc., Convertible Subordinated Notes	7.25%	4/15/2005	3,525,875
5,400,000	International CableTel, Inc., Sr. Deferred Notes, Series A	Zero Coupon	2/1/2006	3,294,000
4,600,000	International CableTel, Inc., Sr. Notes, Series A	Zero Coupon	4/15/2005	3,151,000
5,350,000	Jacor Communications, Inc., Convertible Liquid Yield Option Notes	Zero Coupon	6/12/2011	2,420,875
2,800,000	Le Groupe Videotron Ltee., Sr. Notes	10.625%	2/15/2005	3,097,500
5,200,000	NWCG Holdings Corp., Sr. Secured Discount Notes, Series B	Zero Coupon	6/15/1999	4,264,000
9,500,000	People's Choice TV Corp., Sr. Discount Notes	Zero Coupon	6/1/2004	5,272,500
5,200,000	Rogers Cablesystems Ltd., Sr. Secured Second Priority Notes	9.625%	8/1/2002	5,317,000
6,000,000	Rogers Communications, Inc., Convertible Debentures	2.0%	11/26/2005	3,172,500
900,000	Rogers Communications, Inc., Convertible Liquid Yield Option Notes	Zero Coupon	5/20/2013	344,250
2,750,000	Rogers Communications, Inc., Sr. Notes	9.125%	1/15/2006	2,598,750
5,000,000	Scott Cable Communications, Inc., Subordinated Debentures	12.25%	4/15/2001	3,500,000 (c)
1,100,000	Tele-Communications International, Inc., Convertible Subordinated Debentures	4.5%	2/15/2006	880,000
5,600,000	UIH Australia/Pacific, Inc., Sr. Discount Notes, Series B	Zero Coupon	5/15/2006	2,954,000
7,350,000	United International Holdings, Inc., Sr. Discount Notes	Zero Coupon	11/15/1999	5,145,000
4,600,000	Wireless One, Inc., Sr. Notes	13.0%	10/15/2003	4,726,500

Building Products & Materials - 0.9%				
5,750,000	CEMEX S.A. de C.V., Notes	12.75%	7/15/2006	6,202,812
Computers & Office Equipment - 2.8%				
8,275,000	Dictaphone Corp., Sr. Subordinated Notes	11.75%	8/1/2005	7,633,687
2,000,000	National Data Corp., Convertible Subordinated Notes	5.0%	11/1/2003	2,000,000
6,150,000	Unisys Corp., Sr. Notes	11.75%	10/15/2004	6,273,000
3,400,000	Unisys Corp., Sr. Notes	12.0%	4/15/2003	3,502,000
				19,408,687
Construction & Home Building - 2.0%				
8,250,000	Peters (J.M.) Co., Inc., Sr. Notes	12.75%	5/1/2002	7,837,500
5,250,000	The Fortress Group, Inc., Sr. Notes	13.75%	5/15/2003	5,591,250
				13,428,750
Consumer Products - 1.1%				
7,450,000	National Fiberstok Corp., Sr. Notes	11.625%	6/15/2002	7,785,250
Containers & Packaging - 0.7%				
5,200,000	Riverwood International Corp., Sr. Subordinated Notes	10.875%	4/1/2008	4,790,500
Drugs & Health Care - 1.5%				
4,245,800	General Medical Corp., Payment-In-Kind Debentures	12.125%	8/15/2005	4,394,403
2,450,000	Owens & Minor, Inc., Sr. Subordinated Notes	10.875%	6/1/2006	2,560,250
4,800,000	Unilab Corp., Sr. Notes	11.0%	4/1/2006	3,648,000
				10,602,653
Electric Utilities - 0.8%				
1,750,000	Midland Cogen Venture Fund II, Secured Lease Obligation Bonds, Series A	11.75%	7/23/2005	1,916,250
3,000,000	Midland Cogen Venture Fund II, Subordinated Secured Lease Obligation Bonds	13.25%	7/23/2006	3,435,000
				5,351,250
Electrical Equipment - 2.7%				
5,000,000	Advanced Micro Devices, Inc., Sr. Secured Notes	11.0%	8/1/2003	5,250,000
4,650,000	Protection One Alarm Monitoring, Convertible Sr. Subordinated Notes	6.75%	9/15/2003	4,469,812
5,550,000	Protection One Alarm Monitoring, Sr. Subordinated Discount Notes	Zero Coupon	6/30/2005	5,133,750
3,750,000	Telex Communications, Inc., Sr. Notes	12.0%	7/15/2004	4,068,750
				18,922,312
Food & Beverage - 1.7%				
3,450,000	Curtice-Burns Food, Inc., Sr. Subordinated Notes	12.25%	2/1/2005	3,432,750
5,500,000	Fresh Del Monte Corp., Sr. Notes, Series B	10.0%	5/1/2003	5,087,500
3,250,000	International Home Foods, Inc., Sr. Subordinated Notes	10.375%	11/1/2006	3,282,500
				11,802,750
Hospital Management - 3.9%				
5,250,000	Merit Behavioral Care Corp., Sr. Subordinated Notes	11.5%	11/15/2005	5,565,000
4,000,000	Paracelsus Healthcare Corp., Sr. Subordinated Notes	10.0%	8/15/2006	3,755,000
3,350,000	PhyMatrix Corp., Convertible Subordinated Debentures	6.75%	6/15/2003	2,809,812
4,150,000	Regency Health Services, Inc., Sr. Subordinated Notes	9.875%	10/15/2002	4,191,500
3,100,000	Regency Health Services, Inc., Subordinated Notes	12.25%	7/15/2003	3,301,500
3,850,000	Rotech Medical Corp., Convertible Subordinated Debentures	5.25%	6/1/2003	3,296,563
4,100,000	Unison HealthCare Corp., Sr. Notes	12.25%	11/1/2006	4,120,500
				27,039,875

Household Products - 2.8%				
5,150,000	BPC Holding Corp., Sr. Secured Notes, Series B	12.5%	6/15/2006	5,381,750
24,000,000	Coleman Worldwide Corp., Convertible Liquid Yield Option Notes	Zero Coupon	5/27/2013	6,870,000
2,250,000	Rayovac Corp., Sr. Subordinated Notes	10.25%	11/1/2006	2,283,750
4,750,000	Simmons Co., Sr. Subordinated Notes	10.75%	4/15/2006	4,904,375

				19,439,875

Leisure & Entertainment - 1.9%				
8,500,000	AMF Group, Inc., Sr. Subordinated Discount Notes, Series B	Zero Coupon	3/15/2006	5,227,500
5,000,000	Host Marriott Travel Plazas, Sr. Secured Notes, Series B	9.5%	5/15/2005	5,081,250
3,000,000	IMAX Corp., Sr. Notes	7.5%	3/1/2001	3,000,000

				13,308,750

Mining & Metals - 0.8%				
5,700,000	Commonwealth Aluminum Corp., Sr. Subordinated Notes	10.75%	10/1/2006	5,771,250

Oil & Gas - 1.9%				
4,800,000	Kelley Oil & Gas Corp., Sr. Subordinated Notes	10.375%	10/15/2006	4,824,000
4,258,000	Petroleum Heat & Power Co., Inc., Subordinated Debentures	12.25%	2/1/2005	4,705,090
3,300,000	Veritas DGC, Inc., Sr. Notes	9.75%	10/15/2003	3,337,125

				12,866,215

Paper & Forest Products - 0.6%				
4,100,000	FSW International Finance Co. B.V., Guaranteed Secured Notes	12.5%	11/1/2006	4,146,125

Pollution Control - 0.5%				
3,000,000	Norcal Waste Systems, Inc., Sr. Notes, Series B	12.75%	11/15/2005	3,255,000

Publishing & Printing - 3.8%				
800,000	Goss Graphic Systems, Inc., Sr. Subordinated Notes	12.0%	10/15/2006	808,000
2,500,000	K-III Communications Corp., Sr. Notes	10.25%	6/1/2004	2,618,750
10,300,000	Neodata Services, Inc., Sr. Notes, Series B	12.0%	5/1/2003	10,557,500
3,500,000	News America Holdings, Inc., Convertible Liquid Yield Option Notes	Zero Coupon	3/11/2013	1,684,375
750,000	News America Holdings, Inc., Subordinated Notes	Zero Coupon	3/31/2002	712,500
5,250,000	Park Newspapers, Inc., Sr. Notes, Series B	11.875%	5/15/2004	6,063,750
4,150,000	Sullivan Graphics, Inc., Sr. Subordinated Notes	12.75%	8/1/2005	4,015,125

				26,460,000

Retail - 0.8%				
2,250,000	F & M Distributors, Inc., Sr. Subordinated Notes	11.5%	4/15/2003	70,312 (c)
5,100,000	Lifestyle Furnishings International Ltd.	10.875%	8/1/2006	5,355,000
5,000,000	Wherehouse Entertainment, Inc., Sr. Subordinated Notes	13.0%	8/1/2002	237,500 (c)

				5,662,812

Retail: Food - 3.3%				
3,000,000	Dominick's Finer Foods, Sr. Subordinated Notes	10.875%	5/1/2005	3,322,500
5,550,000	Jitnay-Jungle Stores of America, Sr. Notes	12.0%	3/1/2006	5,938,500
4,850,000	Pueblo Xtra International, Inc., Sr. Notes	9.5%	8/1/2003	4,365,000
4,800,000	Ralphs Grocery Co., Sr. Notes	10.45%	6/15/2004	4,884,000
2,500,000	Smith's Food & Drug Centers, Pass Through Certificates	8.64%	7/2/2012	2,146,875
2,000,000	TLC Beatrice International Holdings, Sr. Secured Notes	11.5%	10/1/2005	2,110,000

				22,766,875

Services - 0.4%				
2,800,000	Intertek Finance plc, Sr. Subordinated Notes	10.25%	11/1/2006	2,800,000

Telecommunications - 19.8%				
10,100,000	American Communications Services, Sr. Discount Notes	Zero Coupon	11/1/2005	5,757,000
3,550,000	A+ Network, Inc., Sr. Subordinated Notes	11.875%	11/1/2005	3,550,000

6,000,000	Call-Net Enterprises, Inc., Sr. Discount Notes	Zero Coupon	12/1/2004	4,740,000
7,350,000	Clearnet Communications, Inc., Sr. Discount Notes	Zero Coupon	12/15/2005	4,501,875
2,200,000	Comcast Cellular, Inc., Sr. Participation Redeemable Notes, Series B	Zero Coupon	3/5/2000	1,567,500
5,400,000	Comcast Cellular, Inc., Sr. Redeemable Notes	Zero Coupon	3/5/2000	3,847,500
1,060,000	GST Telecommunications, Inc., Sr. Subordinated Notes	Zero Coupon	12/15/2005	890,400
9,980,000	GST USA, Inc., Sr. Discount Notes	Zero Coupon	12/15/2005	5,688,600
10,050,000	Hyperion Telecommunications, Sr. Discount Notes, Series B	Zero Coupon	4/15/2003	5,728,500
3,350,000	In-Flight Phone Corp., Sr. Discount Notes, Series B	Zero Coupon	5/15/2002	1,088,750
3,650,000	IntelCom Group Holdings (U.S.A.), Inc., Sr. Discount Notes	Zero Coupon	9/15/2005	2,413,563
3,300,000	Intermedia Communications of Florida, Sr. Notes, Series B	13.5%	6/1/2005	3,770,250
9,800,000	Ionica plc, Units	13.5%	8/15/2006	9,898,000
9,150,000	IXC Communications, Inc., Sr. Notes, Series B	12.5%	10/1/2005	9,538,875
7,200,000	Microcell Telecommunications, Inc., Units	Zero Coupon	6/1/2006	4,095,000
11,550,000	Millicom International Cellular S.A., Sr. Discount Notes	Zero Coupon	6/1/2006	6,670,125
8,250,000	NEXTEL Communications, Inc., Sr. Discount Notes	Zero Coupon	8/15/2004	5,269,688
7,750,000	NEXTLINK Communications LLC, Sr. Discount Notes	12.5%	4/15/2006	7,963,125
6,150,000	ORBCOMM Global, L.P., Sr. Notes	14.0%	8/15/2004	6,242,250
11,500,000	PageMart Nationwide, Inc., Sr. Discount Exchange Notes	Zero Coupon	2/1/2005	7,762,500
7,000,000	Paging Network, Inc., Sr. Subordinated Notes	10.0%	10/15/2008	6,938,750
2,000,000	PriCellular Wireless Corp., Sr. Notes	10.75%	11/1/2004	2,015,000
7,400,000	RSL Communications Ltd., Units	12.25%	11/15/2006	7,437,000
2,250,000	USA Mobile Communications, Inc., Sr. Notes	9.5%	2/1/2004	2,098,125
2,150,000	USA Mobile Communications, Inc., Sr. Notes	14.0%	11/1/2004	2,402,625
8,000,000	Viatel, Inc., Sr. Discount Notes	Zero Coupon	1/15/2005	4,960,000
4,400,000	WinStar Communications, Inc., Convertible Sr.			
Subordinated Discount Notes				Zero Coupon 10/15/2005 3,080,000
12,400,000	WinStar Communications, Inc., Sr. Discount Notes	Zero Coupon	10/15/2005	6,882,000

				136,797,001

Transportation - 1.0%				
6,000,000	Alamo Rent-A-Car, Inc., Sr. Notes	11.75%	1/31/2006	6,630,000

Total Corporate Bonds (cost \$542,405,823)				544,912,374

FOREIGN GOVERNMENT BONDS - 0.3% (a, e)				
2,050,000	Republic of Argentina (The), Sr. Unsubordinated Global Bonds (cost \$2,041,482)	11.0%	10/9/2006	2,003,875

PREFERRED STOCKS - 11.7% (a)				
35,141	Cablevision Systems Corp., Preferred Stock			3,224,187
36,135	Cablevision Systems Corp., Red. Exch., Preferred Stock, Series H			3,477,994
19,000	California Federal Bank, Preferred Stock, Series B			2,052,000
31,947	Communications & Power Industries, Inc., Convertible Preferred Stock, Series B			3,194,700
5,150	Consolidated Hydro, Inc., Preferred Stock			619,288 (b)
40,000	First Nationwide Bank, Noncumulative Preferred Stock			4,590,000
45,500	Grand Union Holdings Corp., Cumulative Preferred Stock, Series A			0 (b,d)
146,000	Granite Broadcasting Corp., Convertible Preferred Stock			8,915,125
258,736	Harvard Industries, Inc., Exchangeable Payment-In-Kind Preferred Stock			5,627,508
93,000	K-III Communications Corp., Exchangeable Preferred Stock			2,487,750
25,050	K-III Communications Corp., Exchangeable Preferred Stock, Series B			2,486,208
40,500	K-III Communications Corp., Preferred Stock, Series D			3,817,125
49,000	K-Mart Financing I, Convertible Preferred Stock			2,327,500
125,000	MFS Communication, Inc., 8% Cumulative Convertible Preferred Stock			10,843,750
57,000	Mobile Telecommunications Technologies Corp., Convertible Preferred Stock			1,239,750
72,500	Network Imaging Corp., Convertible Preferred Stock, Series A			1,087,500
8,031	PanAmSat Corp., Convertible Preferred Stock			9,797,820
6,100	Paxson Communications Corp., Payment-In-Kind Preferred Stock			5,856,000
74,942	Riggs National Corp., Preferred Stock			2,135,847
122,500	River Bank America, Preferred Stock			2,909,375
43,500	SFX Broadcasting, Inc., 6.5% Convertible Preferred Stock, Series D			2,468,625
2,011	Silgan Holdings, Inc., Preferred Stock			2,121,605

Total Preferred Stocks (cost \$76,479,747)				81,279,657

COMMON STOCKS & STOCK WARRANTS - 3.5% (a,b)				
11,700	American Communications Services, Stock Warrants			994,500
31,900	American Telecasting, Inc., Stock Warrants			199,400
147,860	Arch Communications Group, Common Stock			1,718,873
45,000	Bell & Howell Co., Common Stock			1,203,750
25,740	Clearnet Communications, Inc., Stock Warrants			218,790

1,890	Communications & Power Industries, Inc., Common Stock	189,000
9,270	Consolidated Hydro, Inc., Stock Warrants	0 (d)
75,500	Envirotest Systems Corp., Class A Common Stock	245,375
112,013	Gaylord Container Corp., Class A Common Stock	840,098
154,623	Gaylord Container Corp., Stock Warrants	1,169,336
44,716	Grand Union Co., Stock Warrants	5,664
70,000	Harvard Industries, Inc., Class B Common Stock	656,250
9,650	Hyperion Telecommunications, Stock Warrants	434,250
7,400	In-Flight Phone Corp., Stock Warrants	0
160,000	IntelCom Group Communications, Inc., Common Stock	3,000,000
50,335	IntelCom Group (U.S.A.), Inc., Stock Warrants	780,193
141,000	InterCel, Inc., Common Stock	2,361,750
4,100	Intermedia Communications of Florida, Stock Warrants	205,000
32,180	JPS Textiles Group, Common Stock, Class A	322
99,948	Magellan Health Services, Common Stock	1,836,545
143,834	Memorex Telex N.V. ADR, Common Stock	44,948
3,981	Memorex Telex N.V. ADR, Stock Warrants	0
268,000	MobileMedia Corp., Class A Common Stock	544,375
4,586	NEXTEL Communications, Stock Warrants	46
26,250	PageMart Nationwide, Inc., Common Stock	210,000
140,000	Pagemart Wireless, Inc., Class A Common Stock	1,050,000
19,200	Payless Cashways, Inc., Stock Warrants	0
9,500	People's Choice TV Corp., Stock Warrants	9,500
31,400	Plantronics, Inc., Common Stock	1,181,425
19,360	Protection One Alarm Monitoring, Stock Warrants	193,600
20,000	Triangle Wire & Cable, Inc., Stock Warrants	0 (d)
87,000	United International Holdings, Inc., Class A Common Stock	1,065,750
20,100	United International Holdings, Inc., Stock Warrants	402,000
288,800	Viatel, Inc., Common Stock	2,166,000
92,000	Wireless One, Inc., Common Stock	1,196,000
13,800	Wireless One, Inc., Stock Warrants	41,400

Total Common Stocks & Stock Warrants (cost \$29,276,975) 24,164,140

SHORT-TERM SECURITIES - 5.8% (a)

Commercial Paper

		Rate	Maturity Date	
		-----	-----	
5,000,000	Canadian Wheat Board (Guaranteed Government of Canada)	5.35%	11/4/1996	4,997,771
2,396,000	Centerior Fuel Corp.	5.35%	11/6/1996	2,394,220
7,000,000	Delaware Funding Corp.	5.25%	11/14/1996	6,986,729
20,900,000	New Center Asset Trust	5.56%	11/1/1996	20,900,000
5,000,000	Sheffield Receivables Corp.	5.25%	11/1/1996	5,000,000

Total Short-Term Securities (at amortized cost) 40,278,720

Total Investments (cost \$690,482,747) \$692,638,766 (F)

NOTES TO PORTFOLIO OF INVESTMENTS:

(a) The categories of investments are shown as a percentage of total investments of the Lutheran Brotherhood High Yield Fund.

(b) Currently non-income producing.

(c) Currently non-income producing and in default.

(d) Denotes restricted securities. These securities have been valued from the date of acquisition through October 31, 1996, by obtaining quotations from brokers who are active with the issues. The following table indicates the acquisition date and cost of restricted securities the Fund owned as of October 31, 1996:

Security	Acquisition Date	Cost
-----	-----	-----
Consolidated Hydro, Inc., Stock Warrants	2/8/1994	\$ 22,776
Grand Union Holdings Corp., Cumulative Preferred Stock, Series A	6/14/1993	5,218,975
Triangle Wire & Cable, Inc., Stock Warrants	1/3/1992	1,998

(e) Denominated in U.S. dollars.

(f) At October 31, 1996, the aggregate cost of securities for federal tax purposes was \$691,416,742 and the net unrealized appreciation of investments based on that cost was \$1,222,024 which is comprised of \$39,979,075 aggregate gross unrealized appreciation and \$38,757,051 aggregate gross unrealized depreciation.

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
<CAPTION>

LUTHERAN BROTHERHOOD INCOME FUND
Portfolio of Investments
October 31, 1996

Principal Amount		Rate	Maturity Date	Value
-----		-----	-----	-----
<S>		<C>	<C>	<C>
CORPORATE BONDS - 36.9% (a)				
Aerospace - 1.5%				
\$ 5,000,000	Lockheed Martin Corp., Notes	7.7%	6/15/2008	\$ 5,269,935
7,500,000	Lockheed Martin Corp., Notes	7.45%	6/15/2004	7,792,597

				13,062,532

Automotive - 0.6%				
5,000,000	Ford Motor Credit Co., Notes	6.375%	10/6/2000	4,987,710

Bank & Finance - 16.2%				
7,500,000	Associates Corp. of North America, Notes	6.625%	5/15/1998	7,574,520
14,000,000	Associates Corp. of North America, Sr. Notes	9.125%	4/1/2000	15,192,674
2,000,000	Chase Manhattan Corp., Subordinated Notes	9.375%	7/1/2001	2,227,008
3,000,000	Chase Manhattan Corp., Subordinated Notes	10.375%	3/15/1999	3,273,606
7,000,000	Chemical New York Corp., Debentures	9.75%	6/15/1999	7,590,702
5,000,000	Citicorp, Subordinated Notes	7.125%	5/15/2006	5,046,315
12,000,000	Equitable Life Assurance Society of the United States, Surplus Notes	6.95%	12/1/2005	11,853,684
15,500,000	General Electric Capital Corp., Debentures	8.85%	4/1/2005	17,575,404
5,000,000	Metropolitan Life Insurance Co., Surplus Notes	7.7%	11/1/2015	5,074,935
6,000,000	Midland Bank plc, Subordinated Notes	7.625%	6/15/2006	6,251,076
5,000,000	National Westminster Bank plc, Subordinated Notes	9.45%	5/1/2001	5,572,275
15,000,000	Nationwide CSN Trust, Trust Notes	9.875%	2/15/2025	16,874,370
8,000,000	New York Life Insurance Co., Surplus Notes	6.4%	12/15/2003	7,844,776
6,000,000	Prudential Insurance Co., Surplus Notes	8.3%	7/1/2025	6,262,752
2,500,000	Reliastar Financial Corp., Sr. Notes	8.625%	2/15/2005	2,733,370
7,000,000	Societe-Generale- New York, Subordinated Notes	9.875%	7/15/2003	8,119,209
4,000,000	Societe-Generale- New York, Subordinated Notes	7.4%	6/1/2006	4,093,256
4,500,000	Swiss Bank Corp.- New York, Subordinated Debentures	7.5%	7/15/2025	4,548,735

				137,708,667

Broadcasting - 2.8%				
9,000,000	Continental Cablevision, Inc., Sr. Debentures	8.875%	9/15/2005	10,006,281
5,000,000	TCI Communications, Inc., Sr. Notes	10.125%	8/1/2001	5,378,455
7,500,000	Time Warner, Inc., Notes	9.625%	5/1/2002	8,422,950

				23,807,686

Chemicals - 0.5%				
4,500,000	Sociedad Quimica y Minera de Chile S.A., Loan Participation Certificates	7.7%	9/15/2006	4,627,543

Conglomerates - 0.4%				
3,000,000	FMC Corp., Sr. Debentures	7.75%	7/1/2011	3,119,931

Electric Utilities - 1.5%				
5,712,000	DQU Funding Corp., Collateralized Lease Obligation Bonds	7.23%	12/1/1999	5,797,543
7,000,000	Empresa Electrica Pehuenche S.A., Notes	7.3%	5/1/2003	7,148,057

				12,945,600

Electronics - 0.1%				

1,000,000	Thermo Electron Corp., Convertible Subordinated Debentures	4.25%	1/1/2003	1,126,250
Hospital Management - 1.2%				
3,500,000	Allegiance Corp., Debentures	7.8%	10/15/2016	3,558,569
7,000,000	MedPartners, Inc., Sr. Notes	7.375%	10/1/2006	7,042,056
				10,600,625
Household Products - 1.4%				
10,000,000	Procter & Gamble, Guaranteed ESOP Debentures	9.36%	1/1/2021	12,236,310
Natural Gas - 3.1%				
6,000,000	Coastal Corp., Sr. Debentures	9.75%	8/1/2003	6,910,554
7,500,000	Coastal Corp., Sr. Notes	10.375%	10/1/2000	8,482,822
11,000,000	Columbia Gas Systems, Inc., Series A Notes	6.39%	11/28/2000	10,950,808
				26,344,184
Petroleum - 2.0%				
3,000,000	CITGO Petroleum Corp., Sr. Notes	7.875%	5/15/2006	3,091,395
6,653,237	Mobil Oil Corp., ESOP Sinking Fund Debentures	9.17%	2/29/2000	7,007,142
6,500,000	Petroliam Nasional BHD, Notes	7.75%	8/15/2015	6,764,745
				16,863,282
Retail - 2.3%				
10,000,000	Dayton Hudson Corp., Notes	6.4%	2/15/2003	9,800,090
10,000,000	Sears, Roebuck Acceptance Corp., Medium Term Notes, Series II	6.86%	7/3/2001	10,142,290
				19,942,380
Services - 1.3%				
11,000,000	Electronic Data Systems Corp., Notes	6.85%	5/15/2000	11,203,786
Telecommunications - 0.6%				
5,000,000	AirTouch Communications, Inc., Notes	7.5%	7/15/2006	5,168,795
Telephone - 0.7%				
5,500,000	New York Telephone Co., Debentures	9.375%	7/15/2031	6,217,327
Textiles & Apparel - 0.7%				
6,000,000	Levi Strauss & Co., Notes	6.8%	11/1/2003	5,978,220
Total Corporate Bonds (cost \$310,773,659)				315,940,828
FOREIGN GOVERNMENT BONDS - 4.3% (a, c)				
3,000,000	African Development Bank, Subordinated Notes	6.875%	10/15/2015	2,905,872
7,000,000	British Columbia Hydro & Power, Debentures	12.5%	9/1/2013	8,028,293
5,000,000	Inter American Development Bank, Notes	7.0%	6/15/2025	4,925,930
2,500,000	Korea Electric Power Corp., Debentures	7.75%	4/1/2013	2,570,078
7,500,000	Ontario Province, Canada, Debentures	11.75%	4/25/2013	8,445,075
9,000,000	Ontario Province, Canada, Sr. Bonds	7.375%	1/27/2003	9,362,961
Total Foreign Government Bonds (cost \$37,628,970)				36,238,209
ASSET-BACKED SECURITIES - 15.5% (a)				
13,000,000	AT&T Universal Card Master Trust, Class A, Series 1995-2	5.95%	10/17/2002	12,893,647
7,500,000	Chase Manhattan Credit Card, Series 1996-3, Class A	7.04%	2/15/2004	7,726,043
24,000,000	Chase Manhattan Credit Card, Series 1996-4, Class A	6.73%	2/15/2002	24,428,136
5,427,696	Chase Manhattan Grantor Trust, Series 1996-B-A	6.61%	9/15/2002	5,492,552
20,000,000	Deutsche Floorplan Receivables Master Trust, Series 1994-1-A	5.58%	2/15/2001	20,064,580 (b)
10,000,000	Discover Card Master Trust I, Series 1996-3-A	6.05%	8/18/2008	9,494,190
11,000,000	NationsBank Credit Card Master, Series 1995-A	6.45%	4/15/2003	11,106,579
13,000,000	Standard Credit Master Trust 1, Credit Card Participation Certificates, Series 1995-9-A	6.55%	10/7/2007	12,817,467
15,000,000	World Financial Network Credit Card Master Trust, Series 1996-B	6.95%	4/15/2006	15,376,485

12,000,000	World Omni 6.25% Automobile Lease Trust Certificates, Series 1996-B, Class A3	6.25%	11/15/2002	12,022,500
Total Asset-Backed Securities (cost \$130,785,023)				131,422,179
MORTGAGE-BACKED SECURITIES - 18.8% (a)				
26,575,807	Federal Home Loan Mortgage Corp., Participation Certificates	6.0%	2011	25,678,874
30,000,000	Government National Mortgage Association, Modified Pass Through Certificates	6.5%	2026	28,603,125 (d)
108,525,424	Government National Mortgage Association, Modified Pass Through Certificates	6.5 - 7.0%	2023 - 2026	105,511,011
Total Mortgage-Backed Securities (cost \$158,600,650)				159,793,010
U.S. GOVERNMENT - 20.2% (a)				
118,000,000	U.S. Treasury Bonds	7.25 - 13.125%	2001 - 2025	143,284,699 (e)
25,500,000	U.S. Treasury Notes	7.875%	2004	27,990,203
Total U.S. Government (cost \$172,133,402)				171,274,902

<CAPTION>

Shares

<S>

COMMON & PREFERRED STOCKS - 1.0% (a)

25,000	AirTouch Communications, Inc., Convertible Preferred Stock			1,159,375
20,000	American General Delaware, L.L.C., Convertible Preferred Stock			1,045,000
10,000	Chubb Corp., Common Stock			500,000
200,000	SI Financing Trust I, Preferred Stock			5,150,000
5,000	Wendy's International, Inc., Preferred Stock			255,975
Total Common & Preferred Stocks (cost \$8,120,975)				8,110,350

OPTIONS ON U.S. TREASURY BOND FUTURES - 0.1% (a)

U.S. Treasury Bond Futures, 200 call option contracts,
exercise price of \$112, expires November 15, 1996
(cost \$167,740)

328,125

<CAPTION>

Principal
Amount

Rate
Maturity
Date

<S>

SHORT-TERM SECURITIES - 3.2% (a)

Commercial Paper

\$6,900,000	American Express Credit Corp.	5.23%	11/13/1996	6,887,971
10,000,000	Electronic Data Systems Corp.	5.24%	11/25/1996	9,965,067
10,300,000	Harvard University	5.53%	11/1/1996	10,300,000

Total Short-Term Securities (at amortized cost)

27,153,038

Total Investments (cost \$845,363,457)

\$850,260,641 (f)

NOTES TO PORTFOLIO OF INVESTMENTS:

- (a) The categories of investments are shown as a percentage of total investments of the Lutheran Brotherhood Income Fund.
- (b) Denotes variable rate obligations for which current yield is shown.
- (c) Denominated in U.S. dollars.
- (d) Denotes investments purchased on a when-issued basis.
- (e) At October 31, 1996, U.S. Treasury Bonds valued at \$580,656 were held in escrow is cover open call options written as follows:

<CAPTION>

	Number of Contracts	Exercise Price	Expiration Date	Value
<S>	<C>	<C>	<C>	<C>

U.S. Treasury Bond Futures	200	\$114	11/15/1996	\$125,000
U.S. Treasury Bond Futures	200	\$113	11/15/1996	212,500

				\$337,500
				=====

(f) At October 31, 1996, the aggregate cost of securities for federal income tax purposes was \$845,862,215 and the net unrealized appreciation of investments based on that cost was \$4,398,426 which is comprised of \$12,682,896 aggregate gross unrealized appreciation and \$8,284,470 aggregate gross unrealized depreciation.

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
 <CAPTION>
 LUTHERAN BROTHERHOOD MUNICIPAL BOND FUND
 Portfolio of Investments
 October 31, 1996

Principal Amount		Rate	Maturity Date	Value
-----		-----	-----	-----
<S>		<C>	<C>	<C>
LONG-TERM MUNICIPAL SECURITIES - 99.9% (a)				
Alabama - 1.0%				
\$ 4,000,000	City of Mobile, Alabama, General Obligation Refunding Warrants, Series 1996, Insured by AMBAC	5.0%	2/15/2016	\$ 3,718,840
2,000,000	Huntsville, Alabama, General Obligation Warrants, Series B	7.875%	8/1/2012	2,101,320 (b)

				5,820,160

Arizona - 0.8%				
1,700,000	Pima County, Arizona (Catalina Foothills Unified School District #16), Unlimited Tax General Obligation Bonds, Series A, Insured by MBIA	8.9%	7/1/2005	2,170,679
1,000,000	Pinal County, Arizona, Unified School District No. 43, (Apache Junction), School Improvement Bonds, Series 1996-A, Insured by FGIC	5.8%	7/1/2011	1,027,210
1,500,000	Tucson, Arizona, Unlimited Tax General Obligation Refunding Bonds, Insured by FGIC	6.1%	7/1/2012	1,562,130

				4,760,019

Arkansas - 1.1%				
1,340,000	Arkansas Development Finance Authority, Correctional Facilities Construction Revenue Bonds, Insured by MBIA	7.125%	11/15/2010	1,472,392
1,000,000	Arkansas Housing Development Agency, Single Family Mortgage Bonds, Series A	8.375%	7/1/2010	1,205,520 (b)
3,000,000	City of Jonesboro, Arkansas, Residential Housing and Health Care Facilities Board, Hospital Revenue Refunding & Construction Bonds, (St. Bernards Regional Medical Center), Series 1996-B, Insured by AMBAC	5.8%	7/1/2011	3,086,850
875,000	Pope County, Arkansas, Pollution Control Revenue Refunding Bonds, Series 1994 (Arkansas Power and Light Company Project), Insured by FSA	6.3%	12/1/2016	931,193

				6,695,955

California - 12.3%				
2,500,000	Alameda, California, Unified School District, Alameda County, Crossover Refunding Bonds, Series A, Insured by AMBAC	6.1%	7/1/2013	2,595,625
7,500,000	Beverly Hills, California, Public Finance Authority, Lease Revenue Bonds, Series 1993-A, Insured by MBIA	5.65%	6/1/2015	7,423,125
1,000,000	California Educational Facilities Authority (Stanford University), Revenue Bonds	5.0%	1/1/2015	942,960
4,400,000	California State Department of Water Resources (Central Valley Project), Water System Revenue Bonds, Series H	6.9%	12/1/2025	4,831,596 (b)
3,000,000	California State Public Works Board, Department of Corrections, Lease Revenue Bonds, State Prison, Series A	7.4%	9/1/2010	3,524,040
2,490,000	California Statewide Communities Development Authority, Certificates of Participation (The Trustees of the			

	J. Paul Getty Trust)	5.0%	10/1/2015	2,303,300
6,285,000	California State, Unlimited Tax General Obligation Bonds, Insured by MBIA	6.0%	8/1/2016	6,456,832
1,000,000	California State, Unlimited Tax General Obligation Bonds, Veteran's Series AT	9.5%	2/1/2010	1,392,290
2,000,000	California State, Various Purpose General Obligation Bonds, Insured by AMBAC	6.3%	9/1/2010	2,208,540
1,400,000	Central Valley Financing Authority, California, Cogeneration Project Revenue Bonds, (Carson Ice-Gen Project), Series 1993	6.0%	7/1/2009	1,415,862
3,135,000	County of Orange, California, 1996 Recovery Certificates of Participation, Series A, Insured by MBIA	5.8%	7/1/2016	3,153,183
1,900,000	El Cajon, California, Redevelopment Agency Tax Allocation Refunding Bonds (El Cajon Redevelopment Project), Insured by AMBAC	6.6%	10/1/2022	2,053,596
2,000,000	Los Angeles County, California, Transportation Commission Sales Tax Revenue Bonds, Proposition C, Series A, Insured by MBIA	6.25%	7/1/2013	2,095,060
2,000,000	Metropolitan Water District of Southern California, Unlimited Tax General Obligation Bonds, Series G	6.625%	3/1/2009	2,106,060 (b)
1,000,000	Rio Linda, California, Union School District, Series 1992-A, Insured by AMBAC	7.4%	8/1/2010	1,142,580
2,815,000	Riverside County Transportation Commission, California, Sales Tax Revenue Capital Appreciation Bonds, Insured by MBIA	Zero Coupon	6/1/2004	1,939,591
1,000,000	Sacramento Cogeneration Authority, Cogeneration Project Revenue Bonds, (Procter & Gamble Project), 1995 Series	6.375%	7/1/2010	1,025,940
4,000,000	Sacramento, California, Municipal Utility District Electric Revenue Refunding Series D, Insured by MBIA	5.25%	11/15/2020	3,751,040
2,000,000	Sacramento, California, Municipal Utility District, Electric Revenue Bonds, Series Y, Insured by MBIA	6.75%	9/1/2009	2,185,980
1,500,000	San Francisco Bay Area Rapid Transit District, California, Sales Tax Revenue Refunding Bonds, Series 1990, Insured by MBIA	6.75%	7/1/2010	1,712,490
15,000,000	San Joaquin Hills Transportation Corridor Agency, California, Sr. Lien Convertible Toll Revenue Bonds	Zero Coupon	1/1/2013	11,964,900
3,000,000	San Mateo County, California, Joint Powers Financing Authority, Lease Revenue Refunding Bonds, Capital Projects Program, 1993 Series, Insured by MBIA	5.0%	7/1/2021	2,787,150
1,500,000	State of California, General Obligation Bonds	7.0%	8/1/2006	1,732,680
2,490,000	University of California Revenue Bonds, Multiple Purpose Projects, Series 1989-B, Insured by AMBAC	11.0%	9/1/1998	2,784,667

				73,529,087

Colorado - 5.8%

3,000,000	Arapahoe County, Colorado, E-470 Public Highway Authority, Capital Improvement Trust Fund, Highway Revenue Bonds, (E-470 Project)	6.95%	8/31/2020	3,243,780
710,000	Colorado Housing & Finance Authority, Single Family Residential Housing Revenue Bonds, Series 1987-B	9.0%	9/1/2017	737,008
3,100,000	Colorado Springs, Colorado, Utilities System Refunding Bonds, Series 1991-B	7.0%	11/15/2021	3,487,283 (b)
1,945,000	Colorado State Colleges Board, Western State College, Housing & Student Fee Revenue Bonds, Series 1992, Insured by Connie Lee	6.625%	5/1/2015	2,159,417 (b)
1,195,000	Colorado Water Resources Power Development Authority, Clean Water Revenue Bonds, Series A, Insured by FSA	6.25%	9/1/2013	1,253,208
1,000,000	Denver, Colorado, City & County Revenue Bonds, Sisters of Charity of Leavenworth, Insured by MBIA	5.0%	12/1/2023	907,800
3,500,000	Douglas County School District, Number RE 1, Douglas & Elbert Counties, Colorado, General Obligation Bonds, Insured by MBIA	6.5%	12/15/2016	3,813,530
1,000,000	Eagle, Garfield, and Routt Counties, Colorado, Eagle County School District No. RE50J, General Obligation Bonds, Series 1994, Insured by FGIC	6.3%	12/1/2012	1,078,030
1,890,000	Goldsmith Metropolitan District, Colorado, Unlimited Tax General Obligation Bonds, Insured by MBIA	Zero Coupon	6/1/2008	1,031,713
1,885,000	Goldsmith Metropolitan District, Colorado, Unlimited Tax General Obligation Bonds, Insured by MBIA	Zero Coupon	12/1/2008	996,543
1,890,000	Goldsmith Metropolitan District, Colorado, Unlimited Tax General Obligation Bonds, Insured by MBIA	Zero Coupon	6/1/2007	1,092,741
1,100,000	Highlands Ranch, Metropolitan District No. 2, Douglas County, Colorado, General Obligation Refunding Bonds, Series 1996, Insured by FSA	6.5%	6/15/2012	1,215,390
3,000,000	Larimer County, Colorado, School District No. R-2, Poudre Valley Unlimited Tax General Obligation Bonds, Insured by MBIA	7.0%	12/15/2016	3,625,950
4,485,000	Regional Transportation District, Colorado, Sales Tax			

	Revenue Refunding & Improvement Bonds, Series 1992, Insured by FGIC	6.25%	11/1/2012	4,722,167
2,500,000	St. Vrain Valley School District, Boulder, Larimer & Weld Counties, Colorado, General Obligation Refunding & Improvement Bonds, Series 1990-A, Insured by MBIA	Zero Coupon	12/15/2003	1,758,400
5,000,000	St. Vrain Valley School District, Boulder, Larimer & Weld Counties, Colorado, General Obligation Refunding & Improvement Bonds, Series 1990-A, Insured by MBIA	Zero Coupon	12/15/2004	3,347,000

				34,469,960

Connecticut - 0.9%				
4,000,000	Connecticut Special Tax Obligation, Transportation Infrastructure Revenue Bonds, Series B	6.5%	10/1/2010	4,493,040
1,000,000	Connecticut State Health & Education Facilities Authority Revenue Bonds, Hospital of St. Raphael, Series H, Insured by AMBAC	5.25%	7/1/2012	996,750

				5,489,790

Florida - 3.0%				
15,330,000	Broward County, Florida, Housing Finance Authority, Home Mortgage Revenue Bonds, 1983 Series A	Zero Coupon	4/1/2014	2,571,301
1,000,000	Florida State Board of Education, Public Education Capital Outlay General Obligation Bonds, Series B-1	7.875%	6/1/2019	1,077,220 (b)
3,500,000	Florida State Board of Education, Public Education Capital Outlay, General Obligation Bonds, Series B	5.875%	6/1/2020	3,570,385
5,750,000	Florida State Turnpike Authority, Turnpike Revenue Refunding Bonds, (Department of Transportation), Series A, Insured by FGIC	5.0%	7/1/2019	5,295,923
3,200,000	Hillsborough County, Florida, Industrial Development Authority (Weyerhaeuser Company, Inc.), Industrial Development Revenue Bonds, Series 1983	9.25%	6/1/2008	3,259,936
1,705,000	Hillsborough County, Florida, Industrial Development Authority, Florida (Tampa Electric Project), Pollution Control Revenue Bonds, Series 1991	7.875%	8/1/2021	1,963,955

				17,738,720

Georgia - 2.8%				
1,500,000	Brunswick, Georgia, Water & Sewer Revenue Refunding & Improvement Bonds, Series A, Insured by MBIA	6.1%	10/1/2019	1,604,100
2,000,000	Brunswick, Georgia, Water & Sewer Revenue Refunding & Improvement Bonds, Series 1992, Insured by MBIA	6.0%	10/1/2011	2,132,240
5,000,000	Cherokee County, Georgia, Water & Sewer Revenue Refunding & Improvement Bonds, Insured by MBIA	5.5%	8/1/2018	5,031,150
2,000,000	Georgia State, Unlimited Tax General Obligation Bonds, Series 1994-B	5.65%	3/1/2012	2,076,900
3,500,000	Georgia State, Unlimited Tax General Obligation Bonds, Series 1994-D	5.0%	8/1/2012	3,395,805
1,000,000	Georgia State, Unlimited Tax General Obligation Bonds, Series B	6.3%	3/1/2009	1,102,900
1,000,000	Georgia State, Unlimited Tax General Obligation Bonds, Series B	6.3%	3/1/2010	1,106,720

				16,449,815

Idaho - 0.7%				
1,000,000	Boise City, Idaho, Independent School District, Ada and Boise Counties, General Obligation School Bonds, Series 1996	5.5%	7/30/2016	1,004,730
1,000,000	Idaho Falls, Idaho, General Obligation Electric Refunding Bonds, Series 1991, Insured by MBIA	Zero Coupon	4/1/2007	586,150
3,115,000	Idaho Falls, Idaho, General Obligation Electric Refunding Bonds, Series 1991, Insured by MBIA	Zero Coupon	4/1/2010	1,534,885
2,000,000	Idaho Falls, Idaho, General Obligation Electric Refunding Bonds, Series 1991, Insured by MBIA	Zero Coupon	4/1/2011	915,320

				4,041,085

Illinois - 1.4%				
1,000,000	City of Alton, Madison County, Illinois, Hospital Facility Revenue Refunding Bonds, Series 1996, (Saint Anthony's Health Center)	6.0%	9/1/2014	940,540
2,000,000	Illinois Health Facilities Authority Revenue Refunding Bonds, Lutheran General Health, Insured by FSA	6.0%	4/1/2018	2,038,680

981,000	Illinois Health Facilities Authority (Community Provider Pooled Loan Program), Revenue Bonds, Series 1988-B, Insured by MBIA	7.9%	8/15/2003	1,010,096 (b)
170,000	Illinois Health Facilities Authority (Community Provider Pooled Loan Program), Revenue Bonds, Series 1988-B, Insured by MBIA	7.9%	8/15/2003	195,184 (b)
6,660,000	Metropolitan Pier & Exposition Authority, Illinois, McCormick Place Expansion Project, Refunding Bonds, Series 1996-A, Insured by MBIA	Zero Coupon	12/15/2018	1,825,439
2,550,000	Metropolitan Pier & Exposition Authority, Illinois, McCormick Place Expansion Project, Refunding Bonds, Series 1996-A, Insured by AMBAC	5.25%	6/15/2027	2,356,863
				8,366,802

Indiana - 1.4%				
2,450,000	Indiana Municipal Power Agency, Power Supply System Revenue Bonds, Series A, Insured by MBIA	5.5%	1/1/2023	2,357,831
1,100,000	Indianapolis Airport Authority Refunding Revenue Bonds, Series 1996-A, Insured by FGIC	5.6%	7/1/2015	1,086,129
410,000	Indianapolis, Indiana, Resource Recovery Revenue Bonds, 1985 Series A	7.9%	12/1/2008	423,563
2,190,000	Indianapolis, Indiana, Resource Recovery Revenue Bonds, 1985 Series B	7.9%	12/1/2008	2,262,445
2,100,000	Indianapolis, Indiana, Resource Recovery Revenue Bonds, Ogden Martin Systems, Series A	7.8%	12/1/2004	2,169,321
				8,299,289

Iowa - 1.5%				
1,450,000	Iowa Finance Authority Revenue Bonds, Series 1995A, (Correctional Facility Program), Insured by AMBAC	5.5%	6/15/2015	1,454,829
3,500,000	Iowa Finance Authority, Iowa State Revolving Fund Revenue Bonds, Combined Series 1993	5.2%	5/1/2023	3,307,850
2,000,000	Iowa Finance Authority, Iowa State Revolving Fund Revenue Bonds, Combined Series 1994	6.25%	5/1/2024	2,084,120
2,275,000	Woodbury County, Iowa, Hospital System Revenue Refunding Bonds, St. Luke's Obligated Group, Series 1995-A, Insured by MBIA	5.55%	9/1/2020	2,190,484
				9,037,283

Kansas - 1.8%				
8,000,000	Kansas City, Kansas, Utility System Refunding and Improvement Revenue Bonds, Series 1994, Insured by FGIC	6.375%	9/1/2023	8,575,120
920,000	Kansas City, Kansas, Utility System, Capital Appreciation Refunding & Improvement Revenue Bonds, Insured by AMBAC	Zero Coupon	3/1/2007	538,310
1,255,000	Kansas City, Kansas, Utility System, Capital Appreciation Refunding & Improvement Revenue Bonds, Insured by AMBAC	Zero Coupon	3/1/2007	729,168 (b)
600,000	Kansas Development Finance Authority, Health Facilities Revenue Bonds, (Stormont-Vail Healthcare, Inc.), Series F, Insured by MBIA	5.8%	11/15/2016	605,886
				10,448,484

Kentucky - 0.7%				
1,000,000	Kentucky Development Finance Authority, Refunding and Improvement Revenue Bonds (Ashland Hospital, Kings Daughter Project)	9.75%	8/1/2005	1,068,260
750,000	Kentucky Turnpike Authority, Economic Development Road Revenue and Revenue Refunding Bonds, Series 1993, Insured by AMBAC	5.5%	7/1/2009	767,115
5,345,000	Kentucky Turnpike Authority, Economic Development Road Revenue Bonds, Insured by FGIC	Zero Coupon	1/1/2010	2,601,198
				4,436,573

Louisiana - 1.1%				
6,500,000	New Orleans, Louisiana, General Obligation Bonds, Series 1991, Insured by AMBAC	Zero Coupon	9/1/2012	2,638,545
3,000,000	Orleans Parish School Board #87, Louisiana, Insured by MBIA	8.95%	2/1/2008	3,917,910 (b)
				6,556,455

Maine - 0.3%			
1,250,000	Maine Health & Higher Education Facilities Authority, Revenue Bonds, Series 1994, Insured by FSA	7.0%	7/1/2024 1,383,075
350,000	Regional Waste Systems, Inc., Maine, Solid Waste Resource Recovery System Revenue Bonds, Series A-C	7.95%	7/1/2010 379,501

			1,762,576

Maryland - 1.3%			
2,000,000	Maryland Health & Higher Education Authority, Union Hospital of Cecil County Revenue Bonds, Series 1992	6.7%	7/1/2022 2,060,000
4,500,000	Morgan State University, Maryland, Academic Fee and Auxiliary Facilities Fees Revenue Refunding Bonds, Series 1993, Insured by MBIA	6.05%	7/1/2015 4,818,780
1,000,000	Prince George's County, Maryland, Dimensions Health Corp., Hospital Revenue Bonds, Series 1992	7.0%	7/1/2022 1,133,700 (b)

			8,012,480

Massachusetts - 2.6%			
2,000,000	Commonwealth of Massachusetts, General Obligation Refunding Bonds, Series B	6.5%	8/1/2008 2,222,380
1,800,000	Commonwealth of Massachusetts, Limited Tax General Obligation Bonds, Construction Loan, Series C	7.375%	12/1/2008 1,950,858 (b)
1,500,000	Massachusetts Health and Education Facilities Authority (Newton - Wellesley Hospital) Revenue Bonds, Series C	8.0%	7/1/2018 1,621,890 (b)
2,500,000	Massachusetts Health and Education Facilities Authority, Revenue Bonds, Daughters of Charity National Health System, The Carney Hospital, Series D	6.10%	7/1/2014 2,567,625
1,500,000	Massachusetts Health & Education Facilities Authority, Revenue Bonds, Series F	6.5%	7/1/2012 1,603,830
2,500,000	Massachusetts State Water Resources Authority, General Refunding Revenue Bonds, Series B, Insured by MBIA	5.0%	3/1/2022 2,285,475
3,000,000	Plymouth County, Massachusetts, Correctional Facility Certificates of Participation Bonds	7.0%	4/1/2012 3,301,170

			15,553,228

Michigan - 4.6%			
10,000,000	Detroit, Michigan, Sewer Disposal Revenue Bonds, Linked Pars & Inflos, Insured by FGIC	5.7%	7/1/2023 9,891,000
2,000,000	Economic Development Corporation of the County of St. Clair, Michigan, Pollution Control Revenue Refunding Bonds (Detroit Edison Company Project), Series 1993-AA, Insured by AMBAC	6.40%	8/1/2024 2,153,700
1,400,000	Kent County, Michigan, Limited Tax General Obligation Refuse Disposal System Refunding Bonds	8.3%	11/1/2007 1,485,918
1,500,000	Livonia Public Schools, County of Wayne, Michigan, 1992 School Building and Site Bonds, Series II (Unlimited Tax General Obligation), Insured by FGIC	Zero Coupon	5/1/2009 762,660
2,460,000	Michigan Municipal Bond Authority, Government Loan Revenue Refunding Bonds, Series A, Insured by FGIC	Zero Coupon	12/1/2005 1,531,842
110,000	Michigan State Hospital Finance Authority, Hospital Revenue and Refunding Bonds, (Detroit Medical Center Obligated Group), Series 1988-A	8.125%	8/15/2012 116,559 (b)
390,000	Michigan State Hospital Finance Authority, Hospital Revenue and Refunding Bonds, (Detroit Medical Center Obligated Group), Series 1988-A	8.125%	8/15/2012 423,868
3,000,000	Michigan State Hospital Finance Authority, Revenue Refunding Bonds, (Sisters of Mercy Health Corp.), Insured by MBIA	5.375%	8/15/2014 2,950,830
3,320,000	Sault St. Marie Chippewa Indians Housing Authority, Health Facilities Revenue Bonds, (Tribal Health & Human Services Center Project), Series 1992	7.75%	9/1/2012 3,393,438
1,000,000	Vicksburg, Michigan, Community Schools, Qualified School General Obligation Bonds, Kalamazoo & St. Joseph Counties, Insured by MBIA	7.0%	5/1/2007 1,116,960 (b)
3,455,000	West Ottawa, Michigan, Public School District, Unlimited Tax General Obligation Bonds, Insured by MBIA	Zero Coupon	5/1/2004 2,395,593
1,860,000	West Ottawa, Michigan, Public School District, Unlimited Tax General Obligation Bonds, Insured by MBIA	Zero Coupon	5/1/2005 1,212,962

			27,435,330

Minnesota - 3.7%

2,500,000	City of Minneapolis, (Lifespan Inc., Abbott - Northwestern Hospital), Hospital Facilities Refunding Revenue Bonds, 1987 Series B	9.125%	12/1/2014	2,690,600 (b)
1,850,000	City of Minneapolis, (Lifespan Inc., Abbott - Northwestern Hospital), Hospital Facilities Revenue Bonds, 1988 Series A	7.875%	12/1/2014	1,967,974 (b)
285,000	Duluth Economic Development Authority, Minnesota, Health Care Facilities Revenue Bonds, (The Duluth Clinic, Ltd), Series 1992, Insured by AMBAC	6.3%	11/1/2022	313,087 (b)
715,000	Duluth Economic Development Authority, Minnesota, Health Care Facilities Revenue Bonds, (The Duluth Clinic, Ltd), Series 1992, Insured by AMBAC	6.3%	11/1/2022	747,811
7,685,000	Minneapolis, Minnesota, Community Development Agency, Tax Increment Revenue Appreciation Bonds, Insured by MBIA	Zero Coupon	3/1/2009	3,933,337
2,500,000	Minnesota Higher Education Facilities Authority, (Augsburg College), Mortgage Revenue Bonds, Series Four-Fl Bonds	6.25%	5/1/2023	2,526,500
1,740,000	Stewartville, MN, Independent School District, Unlimited Tax General Obligation Bonds, Series A	5.75%	2/1/2014	1,768,327
3,500,000	St. Louis Park, Minnesota, Health Care Facilities (Park Nicollet Medical Center Project), Revenue Bonds, Series 1990-A	9.25%	1/1/2020	4,044,425 (b)
1,000,000	St. Louis Park, Minnesota, (Methodist Hospital), Hospital Revenue Bonds, Series C, Insured by AMBAC	7.25%	7/1/2018	1,112,240 (b)
1,180,000	St. Louis Park, Minnesota, (Methodist Hospital), Hospital Revenue Bonds, Series A, Insured by AMBAC	7.25%	7/1/2015	1,295,605 (b)
1,400,000	St. Louis Park, Minnesota, (Methodist Hospital), Hospital Revenue Bonds, Series C, Insured by AMBAC	7.25%	7/1/2015	1,557,136 (b)
				----- 21,957,042 -----

Missouri - 2.5%

1,750,000	Boone County, Missouri, Hospital Revenue Refunding Bonds, Series 1993	5.5%	8/1/2009	1,715,332
2,000,000	Health & Educational Facilities Authority of Missouri, Health Facilities Revenue Bonds, Series 1996, (Lake of the Ozarks General Hospital, Inc.)	6.5%	2/15/2021	2,026,860
2,000,000	Missouri State Health and Education Facilities Authority (Barnes - Jewish, Inc./Christian Health Services), Health Facilities Refunding & Improvement Revenue Bonds, Series 1993-A	5.25%	5/15/2014	1,931,080
2,650,000	Missouri State Health and Education Facilities Authority (Christian Health Services), Health Facilities Refunding & Improvement Revenue Bonds, Series 1991 A, Insured by FGIC	6.875%	2/15/2021	2,941,474 (b)
750,000	Missouri State Health and Education Facilities Authority, Health Facilities Revenue Refunding Bonds, Lester E. Cox Medical Center Project, Series 1993-I, Insured by MBIA	5.35%	6/1/2009	755,430
2,925,000	Missouri State Health and Education Facilities Authority, Heartland Health System Revenue Bonds, Series 1992, Insured by AMBAC	6.35%	11/15/2017	3,090,350
1,500,000	Missouri State Health and Education Facilities Authority, SSM Health Care Refunding Revenue Bonds, Series A, Insured by MBIA	6.25%	6/1/2007	1,603,830
1,000,000	State Environmental Improvement and Energy Resources Authority, (State of Missouri), Water Pollution Control Revenue Bonds, (State Revolving Fund Program - Multiple Participant Series), Series 1995-E	5.625%	7/1/2016	1,008,850
				----- 15,073,206 -----

Montana - 1.2%

775,000	Montana State Board of Investments, Payroll Tax Revenue Bonds, Series 1996, Insured by MBIA	6.875%	6/1/2020	841,875 (b)
2,385,000	Montana State Board of Investments, Payroll Tax Revenue Bonds, Series 1996, Insured by MBIA	6.875%	6/1/2020	2,603,705 (b)
1,240,000	Montana State Board of Investments, Payroll Tax Revenue Bonds, Insured by MBIA	6.875%	6/1/2020	1,375,210
2,600,000	State of Montana, The Board of Regents of Higher Education, Montana State University, Facilities Improvement & Refunding Revenue Bonds, Series D-1996, Insured by MBIA	5.375%	11/15/2021	2,525,094 (b)
				----- 7,345,884 -----

Nebraska - 1.3%

4,000,000	Nebraska Public Power District, Power Supply System Revenue Bonds,
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	Insured by MBIA	6.125%	1/1/2015	4,143,560
3,455,000	Omaha Public Power District, Nebraska, Electric Revenue Refunding Bonds, Series B	6.15%	2/1/2012	3,778,043

				7,921,603

New Hampshire - 0.2%				
1,100,000	New Hampshire Turnpike System, Residual Interest Bonds, 1991 Refunding, Series C, Insured by FGIC	9.83%	12/5/96	1,354,133 (c)

New Jersey - 3.5%				
665,000	Camden County, New Jersey, Municipal Utility Authority Sewer Revenue Bonds, Insured by FGIC	8.25%	12/1/2017	707,161 (b)
1,035,000	Camden County, New Jersey, Municipal Utility Authority Sewer Revenue Bonds, Insured by FGIC	8.25%	12/1/2017	1,104,480
1,250,000	East Orange, New Jersey, Unlimited Tax General Obligation Bonds, Insured by FSA	8.4%	8/1/2006	1,560,088
1,000,000	Mercer County, New Jersey, Improvement Authority, County Guaranteed Solid Waste Revenue Bonds, Series 1988	7.9%	4/1/2013	1,037,000 (b)
1,000,000	Mercer County, New Jersey, Improvement Authority, Revenue Bonds, Series 1991	6.6%	11/1/2014	1,094,560 (b)
2,585,000	New Jersey Health Care Facilities Financing Authority, Jersey Shore Medical Center Revenue Bonds, Insured by AMBAC	6.1%	7/1/2010	2,715,568
3,000,000	New Jersey Transit Corp., (Raymond Plaza East, Inc.), Certificates of Participation, Insured by FSA	6.375%	10/1/2006	3,326,400
1,390,000	New Jersey Turnpike Authority, Turnpike Revenue Bonds, 1984 Series	10.375%	1/1/2003	1,642,438 (b)
4,700,000	New Jersey Turnpike Authority, Turnpike Revenue Bonds, Series C, Insured by AMBAC	6.5%	1/1/2016	5,281,766
2,595,000	West New York, New Jersey, Municipal Utility Authority, Sewer Revenue Refunding Bonds, Insured by FGIC	Zero Coupon	12/15/2009	1,278,946
2,195,000	West New York, New Jersey, Municipal Utility Authority, Sewer Revenue Refunding Bonds, Insured by FGIC	Zero Coupon	12/15/2007	1,226,149

				20,974,556

New Mexico - 2.0%				
5,000,000	Farmington, New Mexico, Power Revenue Refunding Bonds, Series 1983	9.875%	1/1/2013	6,546,450 (b)
4,040,000	Farmington, New Mexico, Utility Systems Revenue Bonds, Insured by AMBAC	9.875%	1/1/2008	5,338,375 (b)

				11,884,825

New York - 5.7%				
5,200,000	Metropolitan Transportation Authority, New York, Commuter Facilities Revenue Bonds, Series A, Insured by MBIA	6.375%	7/1/2018	5,488,964
4,250,000	Metropolitan Transportation Authority, New York, Transit Facilities Revenue Bonds, Series O, Insured by MBIA	6.25%	7/1/2014	4,479,415
4,225,000	Metropolitan Transportation Authority, New York, Transit Facilities Service Contract Bonds, Series O	5.75%	7/1/2013	4,202,227
2,000,000	New York City, Municipal Water Finance Authority, Water & Sewer System Revenue Bonds, Series A, Insured by AMBAC	5.875%	6/15/2012	2,092,740
1,250,000	New York City, Municipal Water Finance Authority, Water & Sewer System Revenue Bonds	8.75%	6/15/2010	1,313,338 (b)
2,000,000	New York State Dorm Authority (City University), Construction Revenue Bonds, Series A	8.125%	7/1/2017	2,097,700 (b)
5,000,000	New York State Dorm Authority, Revenue Refunding Bonds, State University Educational Facilities, Series B	5.0%	5/15/2018	4,427,500
2,125,000	New York State Medical Care Facilities Finance Agency (Ellis Hospital), Insured Mortgage Hospital Bonds, Series B, Insured by FHA	8.0%	2/15/2008	2,284,418
2,860,000	New York State Thruway Authority, Highway & Bridge Trust Fund, Revenue Bonds, Series 1994-B, Insured by FGIC	6.0%	4/1/2014	2,980,778
1,720,000	New York State Urban Development Corp., Project Revenue Bonds, (Syracuse University Center for Science and Technology Loan), 1995 Refunding Series	6.0%	1/1/2010	1,752,783
1,620,000	New York State Urban Development Corp., Project Revenue Bonds, (Syracuse University Center for Science and Technology Loan), 1995 Refunding Series	6.0%	1/1/2009	1,663,481
1,000,000	Triborough Bridge & Tunnel Authority, New York, General Purpose Revenue Bonds, Series Q	6.75%	1/1/2009	1,134,400

North Carolina - 1.8%

1,750,000	County of Pasquotank, North Carolina, 1995, (Elizabeth City Pasquotank Public Schools Project) Insured by MBIA	5.0%	6/1/2015	1,623,913
1,500,000	County of Pitt, North Carolina, Pitt County Memorial Hospital Revenue Bonds, Series 1995	5.5%	12/1/2015	1,477,305
2,250,000	North Carolina Municipal Power Agency #1 (Catawba Electric), Electric Revenue Bonds, Insured by MBIA	5.0%	1/1/2018	2,057,647
4,000,000	North Carolina Municipal Power Agency #1, Catawba Electric Revenue Refunding Bonds, Series 1992, Insured by MBIA	6.0%	1/1/2011	4,255,440
1,000,000	Union County, North Carolina, Enterprise System Revenue Bonds, Series 1996, Insured by MBIA	5.5%	6/1/2021	993,290

				10,407,595

North Dakota - 0.5%

1,000,000	Mercer County, North Dakota, Pollution Control Revenue Refunding Bonds, (Ottertail Power Co. Project)	6.9%	2/1/2019	1,072,780
2,000,000	North Dakota Municipal Bond Bank, State Revolving Fund Program Bonds, Series 1995-A	6.3%	10/1/2015	2,106,340

				3,179,120

Ohio - 4.1%

1,050,000	Akron, Bath & Copley Joint Township, Ohio, (Children's Hospital Medical Center), Hospital District Revenue Bonds, Insured by AMBAC	7.45%	11/15/2020	1,186,710 (b)
2,500,000	Akron, Ohio, Certificates of Participation, Series 1996, Akron Municipal Baseball Stadium Project	Zero Coupon	12/1/2016	1,807,500 (d)
3,785,000	City of Cleveland, Ohio, Public Power System, First Mortgage Revenue Bonds, Series 1994-A, Insured by MBIA	7.0%	11/15/2024	4,272,205
1,630,000	Cuyahoga County, Ohio, (Deaconess Hospital), Hospital Revenue Bonds, Series C	7.45%	10/1/2018	1,847,768 (b)
1,470,000	Lorain County, Ohio, (Humility of Mary Health System), Hospital Revenue Bonds	7.125%	12/15/2006	1,604,211
2,000,000	Ohio Higher Educational Facility Commission (Case Western Reserve University Project), Series B	6.5%	10/1/2020	2,258,320
1,500,000	Ohio Higher Educational Facility Commission, Higher Educational Revenue Bonds, (Ohio Dominican College 1994 Project)	6.625%	12/1/2014	1,579,275
5,000,000	Ohio State Air Quality Development Authority, Cleveland Electric, Pollution Control Revenue Bonds, Insured by FGIC	8.0%	12/1/2013	5,843,300
2,250,000	Ohio State Air Quality Development Authority, Columbus & Southern Pollution Control Revenue Bonds, Insured by FGIC	6.375%	12/1/2020	2,376,810
1,795,000	Trumbull County, Ohio (Memorial Hospital), Hospital Revenue Refunding & Improvement Bonds, Series 1991-B, Insured by FGIC	6.9%	11/15/2012	1,951,183

				24,727,282

Oklahoma - 1.8%

5,220,000	Bass, Oklahoma, Memorial Baptist Hospital	8.35%	5/1/2009	6,481,204 (b)
1,175,000	Grand River Dam Authority, Oklahoma, Revenue Refunding Bonds, Series 1993, Insured by FSA	5.75%	6/1/2008	1,242,139
1,500,000	Oklahoma Municipal Power Authority, Electric Revenue Refunding Bonds, Series B, Insured by MBIA	5.75%	1/1/2024	1,585,275
1,500,000	Oklahoma Municipal Power Authority, Power Supply System Revenue Bonds, Series 1992-B, Insured by MBIA	5.875%	1/1/2012	1,588,950

				10,897,568

Oregon - 0.8%

2,700,000	Clackamas County, Oregon, Health Facilities Authority, Adventist Health-West Revenue Refunding Bonds, Series 1992-A, Insured by MBIA	6.35%	3/1/2009	2,879,685
2,000,000	Hospital Facility Authority of the Western Lane Hospital District, Oregon, Revenue Refunding Bonds, Series 1994, (Sisters of St. Joseph of Peace, Health & Hospital Services), Insured by MBIA	5.875%	8/1/2012	2,060,320

				4,940,005

Pennsylvania - 1.8%			
1,600,000	Allegheny County, Pennsylvania, Hospital Development Authority, Hospital Revenue Bonds, Series A-1995, (Allegheny General Hospital Project), Insured by MBIA	6.2%	9/1/2015 1,674,320
2,575,000	Allegheny County, Pennsylvania, Sanitary Authority, Sewer Revenue Bonds, Series A, Insured by FGIC	Zero Coupon	6/1/2008 1,402,473
2,000,000	Delaware River Joint Toll Bridge Commission, Pennsylvania, Toll Bridge Revenue Bonds	7.875%	7/1/2018 2,156,880 (b)
3,170,000	Millcreek Township, Pennsylvania, School District, General Obligation Bonds, Insured by FGIC	Zero Coupon	8/15/2009 1,576,885
2,000,000	Monroeville, Pennsylvania, Hospital Authority, Forbes Health System Revenue Bonds, Series 1992	7.0%	10/1/2003 2,152,460
3,000,000	Pennsylvania State, General Obligation Bonds, Second Series of 1992, Insured by AMBAC	Zero Coupon	7/1/2006 1,839,540
			----- 10,802,558 -----
Puerto Rico - 1.7%			
4,000,000	Puerto Rico Commonwealth, Aqueduct & Sewer Revenue Bonds, Series A	9.0%	7/1/2009 5,048,160 (b)
2,000,000	Puerto Rico Commonwealth, Unlimited Tax General Obligation Bonds	6.45%	7/1/2017 2,135,740
3,000,000	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series T	6.0%	7/1/2016 3,052,470
			----- 10,236,370 -----
South Carolina - 1.1%			
2,000,000	Piedmont Municipal Power Agency, South Carolina, Electric Revenue Refunding Bonds, Series 1991, Insured by FGIC	6.25%	1/1/2021 2,182,020
5,000,000	Piedmont Municipal Power Agency, South Carolina, Electric Revenue Refunding Bonds, Insured by FGIC	5.0%	1/1/2022 4,528,700
			----- 6,710,720 -----
South Dakota - 0.3%			
1,895,000	South Dakota State Health and Education Facilities Authority Revenue Refunding Bonds, Series 1996, (St. Lukes Midland Regional Medical Center Issue), Insured by MBIA	5.5%	7/1/2021 1,830,380
Tennessee - 0.3%			
1,750,000	Bristol, Tennessee, Health and Educational Facilities Authority, Bristol Memorial Hospital Revenue Bonds, Insured by FGIC	7.0%	9/1/2021 1,948,835 (b)
Texas - 9.4%			
2,165,000	Arlington, Texas, Independent School District, Unlimited Tax Refunding & Improvement Bonds, Series 1992, Permanent School Fund Guarantee	Zero Coupon	2/15/2009 1,108,112
8,100,000	Austin, Texas, Utility System Refunding Revenue Bonds, Series A, Insured by MBIA	Zero Coupon	11/15/2009 3,939,516
7,000,000	Austin, Texas, Utility System Refunding Revenue Bonds, Series A, Insured by MBIA	Zero Coupon	11/15/2008 3,640,560
1,000,000	Austin, Texas, Utility System Revenue Refunding Bonds, Insured by FGIC	6.0%	11/15/2013 1,058,210
1,575,000	Bexar County, Texas, Limited Tax General Obligation Bonds	5.0%	6/15/2015 1,469,963
1,000,000	Brazos River Authority, Texas, Collateralized Revenue Refunding Bonds (Houston Lighting & Power Co.), 1988 Series B	8.25%	5/1/2015 1,068,380
2,000,000	Brazos River Authority, Texas, Houston Lighting & Power Co., Revenue Refunding Bonds, Insured by MBIA	8.25%	5/1/2015 2,146,360
1,390,000	City of Garland, Dallas County, Texas, Combination Tax and Revenue Certificates of Obligation, Series 1996	5.25%	2/15/2016 1,318,818
1,310,000	City of Garland, Dallas County, Texas, Combination Tax and Revenue Certificates of Obligation, Series 1996	5.25%	2/15/2015 1,244,906
1,500,000	Conroe, Texas, Independent School District Unlimited Tax General Obligation Refunding Bonds, Permanent School Fund Guarantee	5.5%	8/15/2021 1,464,180
2,000,000	Copperas Cove, Texas, Independent School District, Unlimited Tax General Obligation Bonds, Permanent School Fund Guarantee	6.9%	8/15/2014 2,269,740 (b)
1,000,000	Dallas-Fort Worth, Texas, Airport Joint Revenue Refunding Bonds,		

	Insured by FGIC	7.375%	11/1/2008	1,151,820
2,000,000	Dallas-Fort Worth, Texas, Airport Joint Revenue Refunding Bonds, Insured by FGIC	7.375%	11/1/2010	2,303,640
1,000,000	Dallas-Fort Worth, Texas, Airport Joint Revenue Refunding Bonds, Insured by FGIC	7.375%	11/1/2009	1,157,930
4,000,000	Dallas-Fort Worth, Texas, Airport Joint Revenue Refunding Bonds Series 1994-A, Insured by MBIA	6.0%	11/1/2012	4,140,920
2,285,000	Denton, Texas, Independent School District, Unlimited Tax General Obligation Refunding Bonds, Permanent School Fund Guarantee	6.25%	2/15/2009	2,472,416
1,000,000	Georgetown, Texas, Higher Education Finance Corp., Higher Education Revenue Bonds, Series 1994 (Southwestern University Project)	6.3%	2/15/2014	1,037,630
2,250,000	Harris County, Texas, Toll Road Sr. Lien Bonds, Series A, Insured by MBIA	6.375%	8/15/2024	2,409,413
1,750,000	Harris County, Texas, Tollroad Unlimited Tax & Subordinated Lien, Revenue Refunding Bonds, Series 1988	8.125%	8/1/2015	1,899,485 (b)
1,160,000	Houston, Texas, Housing Finance Corp., Single Family Mortgage Revenue Bonds, Series 1983	10.0%	9/15/2014	1,159,594
5,315,000	Lewisville, Texas, Independent School District, Capital Appreciation Refunding Bonds, Permanent School Fund Guarantee	Zero Coupon	8/15/2019	1,419,743
1,000,000	San Antonio, Texas, Airport Revenue Refunding Bonds, Insured by AMBAC	7.375%	7/1/2011	1,141,240
1,845,000	San Antonio, Texas, Airport Revenue Refunding Bonds, Insured by AMBAC	7.375%	7/1/2010	2,116,879
11,615,000	Southeastern Texas Housing Finance Corp., Single Family Mortgage Revenue Bonds	Zero Coupon	9/1/2017	3,419,224 (b)
4,315,000	Texas State, Veterans Land Board General Obligation Bonds	0.05%	7/1/2010	2,009,884 (b)
2,500,000	Travis County, Texas, Housing Finance Corporation, Single Family Mortgage Revenue Refunding Bonds, Series 1994-A	6.75%	4/1/2014	2,635,450
440,000	Willis, Texas, Independent School District, Government Obligation Bonds, Permanent School Fund Guarantee	6.5%	2/15/2016	463,364
3,210,000	Willis, Texas, Independent School District, Government Obligation Bonds, Permanent School Fund Guarantee	6.5%	2/15/2016	3,484,808 (b)
1,175,000	Wylie, Texas, Independent School District, (Collin County), Unlimited Tax School Building & Refunding Bonds, Series 1994, Permanent School Fund Guarantee	6.875%	8/15/2014	1,339,429

				56,491,614

Utah - 1.7%				
1,000,000	Intermountain Power Agency, Utah, Power Supply Revenue Bonds, Series A, Insured by MBIA	6.0%	7/1/2009	1,003,750
3,405,000	Timpanogos Special Service District, Utah County, Utah, Sewer Revenue Bonds, Series 1996-A, Insured by AMBAC	6.1%	6/1/2019	3,504,494
3,750,000	Utah Associated Municipal Power Systems, San Juan Project Revenue Bonds, Series O, Insured by MBIA	6.25%	6/1/2014	3,951,225
1,580,000	West Valley City, Utah, Municipal Building Authority, Lease Refunding Bonds, Insured by MBIA	6.0%	1/15/2010	1,631,713

				10,091,182

Virginia - 1.6%				
3,000,000	Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds, (Inova Health System Project), Series 1996	5.875%	8/15/2016	3,031,440
4,300,000	Virginia Housing Development Authority, Commonwealth Mortgage Bonds, 1994 Series H, Subseries H-2	6.5%	1/1/2014	4,477,891
2,000,000	Virginia State, Unlimited Tax General Obligation Bonds	6.5%	6/1/2015	2,236,940

				9,746,271

Washington - 6.7%				
1,655,000	Douglas County, Washington, Public Utility District #1, Wells Hydroelectric Revenue Bonds, Series A	8.75%	9/1/2018	2,177,533 (b)
1,395,000	Douglas County, Washington, Public Utility District #1, Wells Hydroelectric Revenue Bonds, Series A	8.75%	9/1/2018	1,757,198
2,000,000	Grant County, Washington, Public Utility District No. 2, Columbia River, Priest Rapids Hydro Electric Development Project, Second Series Revenue Bonds, Series A, Insured by AMBAC	5.0%	1/1/2023	1,793,220
5,000,000	King County, Washington, Unlimited Tax General Obligation Bonds, Series A	6.75%	12/1/2009	5,414,100 (b)
1,500,000	Tacoma, Washington, Conservation System Project Revenue Bonds, Tacoma Public Utilities Light Division	6.6%	1/1/2015	1,596,990

2,015,000	Tacoma, Washington, Utilities Refuse Revenue Bonds, Insured by MBIA	6.625%	12/1/2011	2,148,655
5,000,000	Washington State Public Power Supply System, Nuclear Project No. 1, Revenue Refunding Bonds	7.5%	7/1/2015	5,479,750 (b)
3,000,000	Washington State Public Power Supply System, Nuclear Project No. 1, Revenue Refunding Bonds, Series 1996-A, Insured by MBIA	5.75%	7/1/2012	3,019,980
2,000,000	Washington State Public Power Supply System, Nuclear Project No. 1, Revenue Refunding Bonds, Series 1996-A, Insured by MBIA	5.75%	7/1/2011	2,013,320
2,500,000	Washington State Public Power Supply System, Nuclear Project No. 3, Revenue Refunding Bonds, Series B, Insured by MBIA	Zero Coupon	7/1/2010	1,137,575
1,000,000	Washington State Public Power Supply System, Nuclear Project No. 3, Revenue Refunding Bonds, Insured by FGIC	7.25%	7/1/2015	1,098,910 (b)
3,000,000	Washington State, Unlimited Tax General Obligation Bonds, Series 93A	5.75%	10/1/2012	3,085,050
1,500,000	Washington State, Unlimited Tax General Obligation Bonds, Series A	6.25%	2/1/2011	1,620,720
2,400,000	Washington State, Unlimited Tax General Obligation Bonds	6.7%	6/1/2016	2,610,720 (b)
2,000,000	Washington State, Unlimited Tax General Obligation Bonds	6.0%	6/1/2012	2,107,900
2,500,000	Washington State, Various Purpose General Obligation Bonds	6.25%	6/1/2010	2,707,450

				39,769,071

Wisconsin - 0.7%

4,315,000	State of Wisconsin, Clean Water Revenue Bonds, 1995 Series 1	5.8%	6/1/2015	4,334,978

Wyoming - 0.4%

2,500,000	State of Wyoming, Farm Loan Board, Capital Facilities Revenue Bonds, Series 1994	6.1%	4/1/2024	2,570,900

Total Long-Term Municipal Securities (cost \$557,525,947)

598,016,533

SHORT-TERM MUNICIPAL SECURITIES - 0.001% (a)

100,000	Illinois Development Finance Authority, (Amoco Oil Company Project), Pollution Control Revenue Refunding Bonds, Series 1994	3.55%	11/1/1996	100,000
100,000	Sublette County, Wyoming, Pollution Control Revenue Bonds, (Exxon Project), Series 1984	3.55%	11/1/1996	100,000

Total Short-Term Municipal Securities (at amortized cost)

200,000

Total Investments (cost \$557,725,947)

\$598,216,533
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NOTES TO PORTFOLIO OF INVESTMENTS:

-
- (a) The categories of investments are shown as a percentage of total investments of the Lutheran Brotherhood Municipal Bond Fund.
- (b) Denotes securities that have been pre-refunded or escrowed to maturity. Under such an arrangement, money is deposited into an irrevocable escrow account and is used to purchase U.S. Treasury securities or Government Agency securities with maturing principal and interest earnings sufficient to pay all debt service requirements of the pre-refunded bonds. Because the original bonds assume a quality rating equivalent to the escrowed U.S. Government securities, they are considered to be U.S. Government securities for purposes of portfolio diversification requirements.
- (c) Denotes variable rate obligations for which the current yield and next scheduled interest reset date are shown.
- (d) Denotes investments purchased on a when-issued basis.
- (e) At October 31, 1996, the aggregate cost of securities for federal income tax purposes was \$557,755,830 and the net unrealized appreciation of investments based on that cost was \$40,460,703 which is comprised of \$41,226,459 aggregate gross unrealized appreciation and \$765,756 aggregate gross unrealized depreciation.
- (f) Miscellaneous abbreviations:

AMBAC- AMBAC Indemnity Corp.
 Connie Lee- Connie Lee Insurance Co.
 FGIC- Financial Guaranty Insurance Co.
 FHA- Federal Housing Administration
 FSA- Federal Security Assurance, Inc.
 MBIA- Municipal Bond Investors Assurance Corp.

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
 <CAPTION>
 LUTHERAN BROTHERHOOD MONEY MARKET FUND
 Portfolio of Investments
 October 31, 1996

Principal Amount		Rate	Maturity Date	Value
-----		-----	-----	-----
<S>		<C>	<C>	<C>
BANK NOTES - 1.7% (a)				
\$ 5,000,000	First National Bank of Chicago	5.43%	11/25/1996	\$ 4,999,765
2,000,000	NBD Bank, N.A., Detroit	6.40%	6/13/1997	2,009,098
Total Bank Notes				7,008,863
BANKER'S ACCEPTANCES - 5.5% (a)				
3,000,000	Bankers Trust Co., N.A.- New York	5.60%	3/24/1997	2,933,267
5,000,000	Bankers Trust Co., N.A.- New York	5.41%	11/4/1996	4,997,746
3,000,000	Bankers Trust Co., N.A.- New York	5.48%	3/4/1997	2,943,830
2,000,000	First Bank, N.A., Minneapolis	5.55%	3/14/1997	1,958,992
5,000,000	First Bank, N.A., Minneapolis	5.30%	11/12/1996	4,991,903
5,000,000	Nationsbank, N.A. (South)	5.38%	11/1/1996	5,000,000
Total Bankers Acceptances				22,825,738
COMMERCIAL PAPER - 72.7% (a)				
Agriculture - 0.5%				
2,000,000	Canadian Wheat Board (Guaranteed Government of Canada)	5.62%	3/13/1997	1,958,787
Banking-Domestic - 2.4%				
5,000,000	Allegheny University Hospitals, (PNC Bank, N.A., Direct Pay Letter of Credit)	5.28%	12/17/1996	4,966,267
5,000,000	Hyundai Motor Finance Co., (Bank of America NT&SA, Direct Pay Letter of Credit)	5.34%	1/21/1997	4,939,925
				9,906,192
Banking-Foreign - 9.3%				
5,000,000	Comision Federal de Electricidad, Series A, (Westdeutsche Landesbank Girozentrale, Direct Pay Letter of Credit)	5.28%	12/3/1996	4,976,533
5,000,000	Comision Federal de Electricidad, Series A, (Westdeutsche Landesbank Girozentrale, Direct Pay Letter of Credit)	5.33%	12/6/1996	4,974,090
4,000,000	Finance One Funding Corp., (Credit Suisse, Direct Pay Letter of Credit)	5.37%	4/17/1997	3,900,357
5,000,000	Finance One Funding Corp., (Credit Suisse, Direct Pay Letter of Credit)	5.38%	11/8/1996	4,994,769
5,000,000	Finance One Funding Corp., (Credit Suisse, Direct Pay Letter of Credit)	5.31%	11/21/1996	4,985,250
5,000,000	Fletcher Challenge Finance USA, Inc., (Credit Suisse, Direct Pay Letter of Credit)	5.33%	11/20/1996	4,985,935
5,000,000	Fletcher Challenge Finance USA, Inc., (National Westminster Bank plc, Direct Pay Letter of Credit)	5.25%	12/27/1996	4,959,167
5,000,000	U.S. Prime Property, Inc., (ABN AMRO Bank N.V., Direct Pay Letter of Credit)	5.52%	12/12/1996	4,968,567
				38,744,668
Computer & Office Equipment - 1.2%				
5,000,000	Electronic Data Systems Corp.	5.35%	11/19/1996	4,986,625
Cosmetics & Toiletries - 3.4%				
14,300,000	Gillette Co.	5.62%	11/1/1996	14,300,000

Education - 4.1%				
1,470,000	Leland H. Stanford Junior University	5.32%	11/4/1996	1,469,348
5,000,000	Leland H. Stanford Junior University	5.55%	1/14/1997	4,942,958
5,000,000	Yale University	5.30%	11/26/1996	4,981,597
5,895,000	Yale University	5.32%	1/13/1997	5,831,406

				17,225,309

Finance-Automotive - 7.9%				
4,500,000	Ford Motor Credit Co.	5.47%	11/14/1996	4,491,111
5,000,000	Ford Motor Credit Co.	5.25%	12/30/1996	4,956,979
5,000,000	Ford Motor Credit Co.	5.44%	11/5/1996	4,996,978
5,000,000	General Motors Acceptance Corp.	5.59%	3/11/1997	4,899,069
4,000,000	General Motors Acceptance Corp.	5.42%	11/8/1996	3,995,784
5,000,000	General Motors Acceptance Corp.	5.46%	2/20/1997	4,915,825
5,000,000	General Motors Acceptance Corp.	5.46%	12/23/1996	4,960,567

				33,216,313

Finance-Commercial - 6.9%				
5,000,000	C.I.T. Group Holdings, Inc.	5.38%	12/2/1996	4,976,836
5,000,000	C.I.T. Group Holdings, Inc.	5.40%	11/15/1996	4,989,500
5,000,000	General Electric Capital Corp.	5.35%	6/30/1997	4,820,924
5,000,000	General Electric Capital Corp.	5.32%	11/12/1996	4,991,872
5,000,000	General Electric Capital Corp.	5.47%	12/30/1996	4,955,176
4,000,000	General Electric Capital Corp.	5.60%	11/1/1996	4,000,000

				28,734,308

Finance-Consumer - 9.3%				
5,000,000	Associates Corp. of North America	5.32%	11/6/1996	4,996,305
5,000,000	Associates Corp. of North America	5.32%	12/9/1996	4,971,922
4,000,000	Associates Corp. of North America	5.31%	12/27/1996	3,966,960
5,000,000	AVCO Financial Services, Inc.	5.30%	2/24/1997	4,915,347
5,000,000	AVCO Financial Services, Inc.	5.31%	11/18/1996	4,987,463
5,000,000	Beneficial Corp.	5.40%	12/16/1996	4,966,250
5,000,000	Beneficial Corp.	5.31%	11/27/1996	4,980,825
5,000,000	Beneficial Corp.	5.30%	11/13/1996	4,991,167

				38,776,239

Finance-Retail - 3.6%				
5,000,000	Sears Roebuck Acceptance Corp.	5.31%	12/3/1996	4,976,400
5,000,000	Sears Roebuck Acceptance Corp.	5.40%	1/27/1997	4,934,750
5,000,000	Sears Roebuck Acceptance Corp.	5.47%	11/21/1996	4,984,806

				14,895,956

Finance-Structured - 3.5%				
5,000,000	Enterprise Funding Corp.	5.28%	12/10/1996	4,971,400
5,000,000	Enterprise Funding Corp.	5.32%	12/6/1996	4,974,139
5,000,000	Preferred Receivables Funding Corp.	5.34%	4/22/1997	4,872,433

				14,817,972

Financial Services - 4.9%				
5,000,000	American Express Credit Corp.	5.26%	12/26/1996	4,959,819
5,000,000	American Express Credit Corp.	5.26%	12/11/1996	4,970,778
4,000,000	USAA Capital Corp.	5.31%	12/16/1996	3,973,450
4,703,000	USAA Capital Corp.	5.60%	11/1/1996	4,703,000
1,800,000	USAA Capital Corp.	5.52%	1/9/1997	1,780,956

				20,388,003

Food & Beverage - 4.5%				
5,000,000	Cargill, Inc.	5.40%	11/12/1996	4,991,750
5,000,000	CPC International, Inc.	5.50%	12/20/1996	4,962,569
2,992,000	CPC International, Inc.	5.33%	2/14/1997	2,945,487
6,000,000	CPC International, Inc.	5.31%	11/21/1996	5,982,300

				18,882,106

Household Products - 1.2%				
5,000,000	Colgate-Palmolive Co.	5.30%	11/8/1996	4,994,847
Industrial - 3.7%				
5,000,000	Chevron Transport Corp., (Guaranteed Chevron Corp.)	5.45%	2/10/1997	4,923,549
5,000,000	Chevron Transport Corp., (Guaranteed Chevron Corp.)	5.27%	12/9/1996	4,972,186
1,003,000	Du Pont (E.I.) de Nemours and Co.	5.30%	11/18/1996	1,000,490
3,365,000	Great Lakes Chemical Corp.	5.24%	11/15/1996	3,358,143
1,100,000	Monsanto Co.	5.38%	12/16/1996	1,092,603
				15,346,971
Insurance - 2.3%				
5,000,000	A.I.G. Funding, Inc.	5.35%	7/21/1997	4,805,319
5,000,000	Prudential Funding Corp.	5.33%	11/7/1996	4,995,558
				9,800,877
Sovereign/Foreign Government - 4.0%				
5,000,000	Kingdom Of Sweden	5.33%	2/3/1997	4,930,414
2,000,000	Kingdom Of Sweden	5.52%	2/3/1997	1,971,173
5,000,000	Kingdom Of Sweden	5.37%	6/27/1997	4,822,492
5,000,000	Kingdom Of Sweden	5.35%	3/27/1997	4,891,514
				16,615,593
Total Commercial Paper				303,590,766
CERTIFICATES OF DEPOSIT - 4.8% (a)				
Euro Dollar - 3.6%				
5,000,000	ABN AMRO Bank, N.V.	5.81%	3/5/1997	5,000,167
5,000,000	Morgan Guaranty Trust Co., New York	5.73%	8/12/1997	5,001,841
5,000,000	National Westminster Bank plc	5.34%	12/31/1996	5,000,082
				15,002,090
Yankee Dollar - 1.2%				
5,000,000	Canadian Imperial Bank of Commerce	5.30%	12/6/1996	5,000,048
Total Certificates of Deposit				20,002,138
MEDIUM TERM NOTE - 0.5% (a)				
2,000,000	Du Pont (E.I.) de Nemours and Co., Medium Term Note	7.00%	4/16/1997	2,010,317
ADJUSTABLE RATE NOTES - 14.8% (a,b)				
11,000,000	Federal Home Loan Bank, Consolidated Bonds	5.21%	11/25/1996	10,995,228
10,000,000	Federal National Mortgage Association, Medium Term Note	5.31%	11/1/1996	9,997,550
8,000,000	First Bank, N.A., Minneapolis, Bank Note	5.28%	11/20/1996	7,995,462
5,000,000	Illinois Student Assistance Commission, (Bank of America, Illinois, Direct Pay Letter of Credit)	5.42%	11/7/1996	5,000,000
10,000,000	Illinois Student Assistance Commission, (Student Loan Market Association, Direct Pay Letter of Credit)	5.36%	11/7/1996	10,000,000
10,000,000	International Business Machines Corp.	5.50%	12/20/1996	9,994,715
8,000,000	PNC Bank, N.A., Pittsburgh, Medium Term Bank Note	5.33%	11/2/1996	7,994,765
Total Adjustable Rate Notes				61,977,720
Total Investments (at amortized cost)				\$417,415,542 (c)

NOTES TO PORTFOLIO OF INVESTMENTS:

(a) The categories of investments are shown as a percentage of total investments of the Lutheran Brotherhood Money Market Fund.

(b) Denotes variable rate obligations for which the current yield and the next scheduled interest reset date are shown.

(c) Also represents cost for federal income tax purposes.

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
<CAPTION>

Lutheran Brotherhood Opportunity Growth Fund
Financial Statements

Statement of Assets and Liabilities
October 31, 1996

<S>	<C>	
ASSETS:		
Investments in securities, at value (cost, \$249,579,632)	\$264,487,050	
Receivable for investment securities sold	4,590,145	
Interest receivable	30,000	
Unamortized organization costs	11,772	

Total assets	269,118,967	

LIABILITIES:		
Payable for investment securities purchased	3,119,496	
Accrued expenses	162,131	

Total liabilities	3,281,627	

NET ASSETS	\$265,837,340	
	=====	
 NET ASSETS CONSIST OF:		
Trust capital (19,514,660 shares of beneficial interest outstanding)	\$221,531,118	
Accumulated net investment loss	(710)	
Accumulated net realized gain from sale of investments	29,399,514	
Unrealized net appreciation of investments	14,907,418	

NET ASSETS	\$265,837,340	
	=====	
 Net asset value and redemption price per share (\$265,837,340 (divided by) 19,514,660 shares of beneficial interest outstanding)		\$13.62
	=====	
 Maximum public offering price per share (\$13.62 (divided by) 0.95 for a 5% sales charge)		\$14.34
	=====	

</TABLE>

<TABLE>
<CAPTION>

Statement of Operations
Year Ended October 31, 1996

<S>	<C>
INVESTMENT INCOME:	
Income --	
Dividend income	\$40,287
Interest income	769,842

Total income	810,129

Expenses --	
Investment advisory fee	1,563,341
Transfer agent services	865,339
Custodian fee	116,415
Administrative personnel and services	51,379
Printing and postage	180,757
Trust share registration costs	71,948

Auditing fees	10,749
Legal fees	2,295
Trustees' fees	6,954
Amortization of organization costs	9,882
Miscellaneous	7,219

Total expenses	2,886,278

Net investment loss	(2,076,149)

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized gain on investment transactions	33,100,151
Net realized loss on closed or expired option contracts written	(52,746)

Net realized gain on investments	33,047,405
Net change in unrealized appreciation of investments	6,165,586

Net gain on investments	39,212,991

Net increase in net assets resulting from operations	\$37,136,842
	=====

</TABLE>

<TABLE>
<CAPTION>

Statement of Changes in Net Assets
Years Ended October 31, 1996 and 1995

	Year Ended 10/31/96	Year Ended 10/31/95
	-----	-----
<S>	<C>	<C>
OPERATIONS:		
Net investment loss	(\$2,076,149)	(\$1,136,040)
Net realized gain on investments	33,047,405	38,531,937
Net change in unrealized appreciation or depreciation of investments	6,165,586	(4,581,612)
	-----	-----
Net increase in net assets resulting from operations	37,136,842	32,814,285
	-----	-----
DISTRIBUTIONS PAID TO SHAREHOLDERS:		
Net realized gain on investments	(33,356,556)	--
	-----	-----
TRUST SHARE TRANSACTIONS:		
Net proceeds from sale of shares	89,874,940	50,139,416
Reinvested dividend distributions	33,057,094	--
Cost of shares redeemed	(26,557,877)	(16,847,223)
	-----	-----
Net increase in net assets from trust share transactions	96,374,157	33,292,193
	-----	-----
Net increase in net assets	100,154,443	66,106,478
NET ASSETS:		
Beginning of period	165,682,897	99,576,419
	-----	-----
End of period (including accumulated net investment loss of \$710 and undistributed net investment income of \$0, respectively)	\$265,837,340	\$165,682,897
	=====	=====

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
<CAPTION>

Lutheran Brotherhood World Growth Fund
Financial Statements

Statement of Assets and Liabilities
October 31, 1996

<S>	<C>
ASSETS:	
Investments in securities, at value (cost, \$49,958,793)	\$52,728,898
Cash (including foreign currency holdings of \$98,725)	103,989
Receivable for investment securities sold	15,702
Dividend receivable	134,033
Unamortized organization costs	39,136

Total assets	53,021,758

LIABILITIES:	
Payable for investment securities purchased	28,688
Accrued expenses	56,446

Total liabilities	85,134

NET ASSETS	\$52,936,624
	=====
NET ASSETS CONSIST OF:	
Trust capital (5,585,092 shares of beneficial interest outstanding)	\$49,737,481
Undistributed net investment income	255,036
Accumulated net realized gain from sale of investments and foreign currency transactions	172,815
Unrealized net appreciation of investments and on translation of assets and liabilities in foreign currencies	2,771,292

NET ASSETS	\$52,936,624
	=====
Net asset value and redemption price per share (\$52,936,624 (divided by) 5,585,092 shares of beneficial interest outstanding)	\$9.48
	=====
Maximum public offering price per share (\$9.48 (divided by) 0.95 for a 5% sales charge)	\$9.98
	=====

</TABLE>

<TABLE>
<CAPTION>

Statement of Operations
Year Ended October 31, 1996

<S>	<C>
INVESTMENT INCOME:	
Income --	
Dividend income (net of foreign taxes of \$110,565)	\$758,473
Interest income	190,667

Total income	949,140

Expenses --	
Investment advisory fee	392,419
Transfer agent services	169,451
Custodian fee	71,731
Administrative personnel and services	8,217
Printing and postage	39,062
Trust share registration costs	62,275
Auditing fees	7,999
Legal fees	314
Trustees' fees	6,954
Amortization of organization costs	9,800
Miscellaneous	4,320

Total expenses before expense reimbursement	772,542
Expense reimbursement from investment advisor	(66,807)
Net expenses	705,735
Net investment income	243,405
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY:	
Net realized gain on investment transactions	234,914
Net realized loss on foreign currency transactions	(30,478)
Net realized gain on investments and foreign currency transactions	204,436
Net change in unrealized appreciation of investments	2,903,821
Net change in unrealized depreciation on translation of assets and liabilities in foreign currencies	2,498
Net change in unrealized appreciation of investments and on translation of assets and liabilities in foreign currencies	2,906,319
Net gain on investments and foreign currency	3,110,755
Net increase in net assets resulting from operations	\$3,354,160

</TABLE>

<TABLE>
<CAPTION>

Statement of Changes in Net Assets
Year Ended October 31, 1996 and Period Ended October 31, 1995

	Year Ended 10/31/96	For the period from September 5, 1996 (effective date) to October 31, 1996
	<C>	<C>
OPERATIONS:		
Net investment income	\$243,405	\$22,819
Net realized gain (loss) on investments and foreign currency transactions	204,436	(5,560)
Net change in unrealized appreciation or depreciation of investments and on translation of assets and liabilities in foreign currencies	2,906,319	(135,027)
Net change in net assets resulting from operations	3,354,160	(117,768)
DISTRIBUTIONS PAID TO SHAREHOLDERS:		
Net investment income	(37,674)	--
TRUST SHARE TRANSACTIONS:		
Net proceeds from sale of shares	39,161,715	14,107,250
Reinvested dividend distributions	26,205	--
Cost of shares redeemed	(3,535,813)	(21,451)
Net increase in net assets from trust share transactions	35,652,107	14,085,799
Net increase in net assets	38,968,593	13,968,031
NET ASSETS:		
Beginning of period	13,968,031	--
End of period (including undistributed net investment income of \$255,036 and \$18,920, respectively)	\$52,936,624	\$13,968,031

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
<CAPTION>

Lutheran Brotherhood Fund
Financial Statements

Statement of Assets and Liabilities
October 31, 1996

<S>	<C>
ASSETS:	
Investments in securities, at value (cost, \$659,467,697)	\$790,225,072
Cash	28,462
Receivable for investment securities sold	983,048
Dividend and interest receivable	1,213,685

Total assets	792,450,267

LIABILITIES:	
Payable for investment securities purchased	23,364,048
Accrued expenses	244,101

Total liabilities	23,608,149

NET ASSETS	\$768,842,118
	=====

NET ASSETS CONSIST OF:	
Trust capital (33,321,831 shares of beneficial interest outstanding)	\$579,044,548
Undistributed net investment income	665,723
Accumulated net realized gain from sale of investments	58,374,472
Unrealized net appreciation of investments	130,757,375

NET ASSETS	\$768,842,118
	=====

Net asset value and redemption price per share (\$768,842,118 (divided by) 33,321,831 shares of beneficial interest outstanding)	\$23.07
	=====

Maximum public offering price per share (\$23.07 (divided by) 0.95 for a 5% sales charge)	\$24.28
	=====

</TABLE>

<TABLE>
<CAPTION>

Statement of Operations
Year Ended October 31, 1996

<S>	<C>
INVESTMENT INCOME:	
Income --	
Dividend income	\$11,994,640
Interest income	1,588,444

Total income	13,583,084

Expenses --	
Investment advisory fee	4,529,474
Transfer agent services	1,610,381
Custodian fee	158,702
Administrative personnel and services	163,270
Printing and postage	326,528
Trust share registration costs	55,581
Auditing fees	24,750
Legal fees	8,077
Trustees' fees	14,954
Miscellaneous	19,278

Total expenses	6,910,995
Net investment income	6,672,089
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:	
Net realized gain on investment transactions	62,729,282
Net change in unrealized appreciation of investments	45,131,419
Net gain on investments	107,860,701
Net increase in net assets resulting from operations	\$114,532,790

</TABLE>

<TABLE>
<CAPTION>

Statement of Changes in Net Assets
Years Ended October 31, 1996 and 1995

	Year Ended 10/31/96	Year Ended 10/31/95
<S>	<C>	<C>
OPERATIONS:		
Net investment income	\$6,672,089	\$6,673,188
Net realized gain on investments	62,729,282	46,207,184
Net change in unrealized appreciation or depreciation of investments	45,131,419	61,523,937
Net increase in net assets resulting from operations	114,532,790	114,404,309
DISTRIBUTIONS PAID TO SHAREHOLDERS:		
Net investment income	(6,494,190)	(6,749,604)
Net realized gain on investments	(44,162,422)	(88,151)
Total distributions	(50,656,612)	(6,837,755)
TRUST SHARE TRANSACTIONS:		
Net proceeds from sale of shares	84,069,262	51,345,084
Reinvested dividend distributions	49,537,622	6,678,353
Cost of shares redeemed	(74,142,527)	(68,673,955)
Net change in net assets from trust share transactions	59,464,357	(10,650,518)
Net increase in net assets	123,340,535	96,916,036
NET ASSETS:		
Beginning of period	645,501,583	548,585,547
End of period (including undistributed net investment income of \$665,723 and \$487,824, respectively)	\$768,842,118	\$645,501,583

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
<CAPTION>

Lutheran Brotherhood High Yield Fund
Financial Statements

Statement of Assets and Liabilities
October 31, 1996

<S>
ASSETS:
Investments in securities, at value

<C>

(cost, \$690,482,747)	\$692,638,766
Cash	8,129,093
Receivable for investment securities sold	11,969,810
Interest and dividend receivable	10,275,511

Total assets	723,013,180

LIABILITIES:	
Payable for investment securities purchased	19,666,864
Accrued expenses	199,380

Total liabilities	19,866,244

NET ASSETS	\$703,146,936
	=====
NET ASSETS CONSIST OF:	
Trust capital (76,324,492 shares of beneficial interest outstanding)	\$696,160,822
Undistributed net investment income	3,312,734
Accumulated net realized gain from sale of investments	1,517,361
Unrealized net appreciation of investments	2,156,019

NET ASSETS	\$703,146,936
	=====
Net asset value and redemption price per share (\$703,146,936 (divided by) 76,324,492 shares of beneficial interest outstanding)	\$9.21
	=====
Maximum public offering price per share (\$9.21 (divided by) 0.95 for a 5% sales charge)	\$9.69
	=====

</TABLE>

<TABLE>
<CAPTION>

Statement of Operations
Year Ended October 31, 1996

<S>	<C>
INVESTMENT INCOME:	
Income --	
Interest income	\$59,532,426
Dividend income	6,377,038

Total income	65,909,464

Expenses --	
Investment advisory fee	4,150,072
Transfer agent services	1,061,296
Custodian fee	177,678
Administrative personnel and services	148,767
Printing and postage	232,406
Trust share registration costs	88,270
Auditing fees	22,751
Legal fees	18,790
Trustees' fees	14,954
Miscellaneous	18,332

Total expenses	5,933,316

Net investment income	59,976,148

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized gain on investment transactions	16,240,947
Net change in unrealized appreciation of investments	(\$5,314,640)

Net gain on investments	10,926,307

Net increase in net assets resulting	

from operations \$70,902,455
=====

</TABLE>

<TABLE>
<CAPTION>

Statement of Changes in Net Assets
Years Ended October 31, 1996 and 1995

	Year Ended 10/31/96 -----	Year Ended 10/31/95 -----
<S>	<C>	<C>
OPERATIONS:		
Net investment income	\$59,976,148	\$51,789,230
Net realized gain (loss) on investment transactions	16,240,947	(14,450,136)
Net change in unrealized appreciation or depreciation of investments	(5,314,640)	30,065,533
	-----	-----
Net increase in net assets resulting from operations	70,902,455	67,404,627
	-----	-----
DISTRIBUTIONS PAID TO SHAREHOLDERS:		
Net investment income	(58,709,581)	(52,185,840)
Net realized gain on investments	--	(3,034,747)
	-----	-----
Total distributions	(58,709,581)	(55,220,587)
	-----	-----
TRUST SHARE TRANSACTIONS:		
Net proceeds from sale of shares	145,880,542	117,628,453
Reinvested dividend distributions	40,091,272	37,541,814
Cost of shares redeemed	(89,354,662)	(72,649,892)
	-----	-----
Net increase in net assets from trust share transactions	96,617,152	82,520,375
	-----	-----
Net increase in net assets	108,810,026	94,704,415
NET ASSETS:		
Beginning of period	594,336,910	499,632,495
	-----	-----
End of period (including undistributed net investment income of \$3,312,734 and \$2,046,167, respectively)	\$703,146,936	\$594,336,910
	=====	=====

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
<CAPTION>

Lutheran Brotherhood Income Fund
Financial Statements

Statement of Assets and Liabilities
October 31, 1996

<S>	<C>
ASSETS:	
Investments in securities, at value (cost, \$845,363,457)	\$850,260,641
Cash	56,739
Receivable for investment securities sold	106,190,523
Interest receivable	13,625,927

Total assets	970,133,830

LIABILITIES:	
Open options written, at value (premium received \$142,648)	337,500
Payable for investment securities purchased	98,623,328
Accrued expenses	196,964

Total liabilities	99,157,792

NET ASSETS	\$870,976,038
=====	
NET ASSETS CONSIST OF:	
Trust capital (102,485,380 shares of beneficial interest outstanding)	\$913,896,451
Undistributed net investment income	1,510,653
Accumulated net realized loss from sale of investments	(49,133,398)
Unrealized net appreciation of investments	4,702,332

NET ASSETS	\$870,976,038
=====	
Net asset value and redemption price per share (\$870,976,038 (divided by) 102,485,380 shares of beneficial interest outstanding)	
	\$8.50
=====	
Maximum public offering price per share (\$8.50 (divided by) 0.95 for a 5% sales charge)	
	\$8.95
=====	

</TABLE>

<TABLE>
<CAPTION>

Statement of Operations
Year Ended October 31, 1996

<S>	<C>
INVESTMENT INCOME:	
Income --	
Interest income	\$67,398,115

Expenses ---	
Investment advisory fee	5,330,930
Transfer agent services	1,382,275
Custodian fee	187,692
Administrative personnel and services	207,659
Printing and postage	302,951
Trust share registration costs	37,216
Auditing fees	24,750
Legal fees	10,805
Trustees' fees	14,954
Miscellaneous	27,457

Total expenses	7,526,689

Net investment income	59,871,426

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized loss on investment transactions	(9,128,265)
Net realized gain on closed or expired option contracts written	202,012
Net realized gain on closed futures contracts	71,517

Net realized loss on investments	(8,854,736)
Net change in unrealized appreciation of investments	(11,610,324)

Net loss on investments	(20,465,060)

Net increase in net assets resulting from operations	\$39,406,366
=====	

</TABLE>

<TABLE>
<CAPTION>

Statement of Changes in Net Assets
 Years Ended October 31, 1996 and 1995

	Year Ended 10/31/96	Year Ended 10/31/95
	-----	-----
<S>	<C>	<C>
OPERATIONS:		
Net investment income	\$59,871,426	\$64,659,606
Net realized gain (loss) on investment transactions	(8,854,736)	9,256,703
Net change in unrealized appreciation or depreciation of investments	(11,610,324)	66,244,804
	-----	-----
Net increase in net assets resulting from operations	39,406,366	140,161,113
	-----	-----
DISTRIBUTIONS PAID TO SHAREHOLDERS:		
Net investment income	(63,354,789)	(62,451,862)
	-----	-----
TRUST SHARE TRANSACTIONS:		
Net proceeds from sale of shares	55,392,852	45,763,710
Reinvested dividend distributions	47,792,081	46,818,208
Cost of shares redeemed	(150,402,163)	(135,320,068)
	-----	-----
Net change in net assets from trust share transactions	(47,217,230)	(42,738,150)
	-----	-----
Net change in net assets	(71,165,653)	34,971,101
NET ASSETS:		
Beginning of period	942,141,691	907,170,590
	-----	-----
End of period (including undistributed net investment income of \$1,510,653 and \$4,974,121, respectively)	\$870,976,038	\$942,141,691
	=====	=====

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>
 <CAPTION>

Lutheran Brotherhood Municipal Bond Fund
 Financial Statements

Statement of Assets and Liabilities
 October 31, 1996

	<C>
<S>	
ASSETS:	
Investments in securities, at value (cost, \$557,725,947)	\$598,216,533
Cash	69,481
Receivable for investment securities sold	5,966,976
Interest receivable	10,136,048

Total assets	614,389,038

LIABILITIES:	
Payable for investment securities purchased	4,823,686
Accrued expenses	93,342

Total liabilities	4,917,028

NET ASSETS	\$609,472,010
	=====
NET ASSETS CONSIST OF:	
Trust capital (70,895,680 shares of beneficial interest outstanding)	\$575,166,096
Undistributed net investment income	1,804,431
Accumulated net realized loss from sale of investments	(7,989,103)
Unrealized net appreciation of investments	40,490,586

NET ASSETS	\$609,472,010
	=====

Net asset value and redemption price per share (\$609,472,010 (divided by) 70,895,680 shares of beneficial interest outstanding)	\$8.60 =====
Maximum public offering price per share (\$8.60 (divided by) 0.95 for a 5% sales charge)	\$9.05 =====

</TABLE>

<TABLE>
<CAPTION>

Statement of Operations
Year Ended October 31, 1996

<S>	<C>
INVESTMENT INCOME:	
Income --	
Interest income	\$36,467,722 -----
Expenses --	
Investment advisory fee	3,551,045
Transfer agent services	516,423
Custodian fee	154,182
Administrative personnel and services	142,190
Printing and postage	123,796
Trust share registration costs	36,886
Auditing fees	24,750
Legal fees	7,337
Trustees' fees	14,954
Miscellaneous	19,997 -----
Total expenses	4,591,560 -----
Net investment income	31,876,162 -----
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized gain on investment transactions	525,779
Net realized loss on closed futures contracts	(423,337) -----
Net realized gain on investments	102,442
Net change in unrealized appreciation of investments	(358,129) -----
Net loss on investments	(255,687) -----
Net increase in net assets resulting from operations	\$31,620,475 =====

</TABLE>

<TABLE>
<CAPTION>

Statement of Changes in Net Assets
Years Ended October 31, 1996 and 1995

	Year Ended 10/31/96	Year Ended 10/31/95
<S>	<C>	<C>
OPERATIONS:		
Net investment income	\$31,876,162	\$33,203,173
Net realized gain (loss) on investment transactions	102,442	(338,306)
Net change in unrealized appreciation or depreciation of investments	(358,129) -----	52,104,109 -----
Net increase in net assets resulting from operations	31,620,475	84,968,976

DISTRIBUTIONS PAID TO SHAREHOLDERS:		
Net investment income	(30,660,042)	(33,124,129)
TRUST SHARE TRANSACTIONS:		
Net proceeds from sale of shares	41,275,499	39,483,970
Reinvested dividend distributions	23,551,470	25,171,137
Cost of shares redeemed	(85,013,361)	(82,987,994)
Net change in net assets from trust share transactions	(20,186,392)	(18,332,887)
Net change in net assets	(19,225,959)	33,511,960
NET ASSETS:		
Beginning of period	628,697,969	595,186,009
End of period (including undistributed net investment income of \$1,804,431 and \$553,971, respectively)	\$609,472,010	\$628,697,969

The accompanying notes are an integral part of the financial statements.

</TABLE>

<TABLE>

Lutheran Brotherhood Money Market Fund
Financial Statements

Statement of Assets and Liabilities
October 31, 1996

<S>	<C>
ASSETS:	
Investments in securities, at amortized cost and value	\$417,415,542
Cash	1,910,929
Interest receivable	595,029
Total assets	419,921,500
LIABILITIES:	
Payable for investment securities purchased	2,046,786
Dividends payable	42,954
Accrued expenses	223,171
Total liabilities	2,312,911
NET ASSETS	\$417,608,589
NET ASSETS CONSIST OF:	
Trust capital (417,608,589 shares of beneficial interest outstanding)	\$417,608,589
Net asset value, offering price and redemption price per share (\$417,608,589 (divided by) 417,608,589 shares of beneficial interest outstanding)	\$1.00

Statement of Operations
Year Ended October 31, 1996

<S>	<C>
INVESTMENT INCOME:	
Income --	
Interest income	\$21,295,851
Expenses --	
Investment advisory fee	1,922,505
Transfer agent services	1,239,592
Custodian fee	348,761
Administrative personnel and services	87,973
Printing and postage	388,764
Trust share registration costs	95,460

Auditing fees	12,749
Legal fees	4,330
Trustees' fees	8,961
Miscellaneous	11,817

Total expenses before expense reimbursement	4,120,912
Expense reimbursement from investment advisor	(246,901)

Net expenses	3,874,011

Net investment income	\$17,421,840
	=====

</TABLE>

<TABLE>
<CAPTION>

Statement of Changes in Net Assets
Years Ended October 31, 1996 and 1995

	Year Ended 10/31/96	Year Ended 10/31/95
	-----	-----
<S>	<C>	<C>
OPERATIONS:		
Net investment income	\$17,421,840	\$14,921,673
	-----	-----
DISTRIBUTIONS PAID TO SHAREHOLDERS:		
Net investment income	(17,421,840)	(14,921,673)
	-----	-----
TRUST SHARE TRANSACTIONS:		
Proceeds from sale of shares	692,236,105	547,639,011
Reinvested dividend distributions	17,063,037	14,549,671
Cost of shares redeemed	(632,774,820)	(497,972,433)
	-----	-----
Net increase in net assets from trust share transactions	76,524,322	64,216,249
	-----	-----
Net increase in net assets	76,524,322	64,216,249
NET ASSETS:		
Beginning of period	341,084,267	276,868,018
	-----	-----
End of period	\$417,608,589	\$341,084,267
	=====	=====

The accompanying notes are an integral part of the financial statements.

</TABLE>

The Lutheran Brotherhood Family of Funds
Notes to Financial Statements
October 31, 1996

(1) Organization

The Lutheran Brotherhood Family of Funds (the "Trust") is a Delaware business trust and a diversified, open-end investment company registered under the Investment Company Act of 1940. The Trust is divided into seven series (the "Fund(s)"), each with its own investment objective and policies. The seven Funds of the Trust are: Lutheran Brotherhood Opportunity Growth Fund, Lutheran Brotherhood World Growth Fund, Lutheran Brotherhood Fund, Lutheran Brotherhood High Yield Fund, Lutheran Brotherhood Income Fund, Lutheran Brotherhood Municipal Bond Fund and Lutheran Brotherhood Money Market Fund. The Lutheran Brotherhood World Growth Fund's registration was declared effective by the Securities Exchange Commission and began operations as a series of The Lutheran Brotherhood Family of Funds on September 5, 1995.

(2) Significant Accounting Policies

Investment Security Valuations

Securities traded on U.S. or foreign securities exchanges or included in a national market system are valued at the last quoted sales price at the close

of each business day. Securities traded on the over-the-counter market and listed securities for which no price is readily available are valued at prices within the range of the current bid and asked prices considered to best represent the value in the circumstances, based on quotes that are obtained from an independent pricing service or by dealers that make markets in the securities. The pricing service, in determining values of securities, takes into consideration such factors as current quotations by broker/dealers, coupon, maturity, quality, type of issue, trading characteristics, and other yield and risk factors it deems relevant in determining valuations. Exchange listed options and futures contracts are valued at the last quoted sales price. For all Funds other than the Money Market Fund, short-term securities with maturities of 60 days or less are valued at amortized cost; those with maturities greater than 60 days are valued at the mean between bid and asked price. Short-term securities held by the Money Market Fund are valued on the basis of amortized cost (which approximates market value), whereby a portfolio security is valued at its cost initially, and thereafter valued to reflect a constant amortization to maturity of any discount or premium. The Money Market Fund follows procedures necessary to maintain a constant net asset value of \$1.00 per share. All other securities for which market values are not readily available are appraised at fair value as determined in good faith by or under the direction of the Board of Trustees.

Repurchase Agreements

The Funds may engage in repurchase agreement transactions in pursuit of their investment objectives. When a fund engages in such transactions, it is policy to require the custodian bank to take possession of all securities held as collateral in support of repurchase agreement investments. In addition, the Fund monitors the market value of the underlying collateral on a daily basis. If the seller defaults or if bankruptcy proceedings are initiated with respect to the seller, the realization or retention of the collateral may be subject to legal proceedings.

Investment Income

Interest income is determined on the basis of interest or discount earned on any short-term investments and interest earned on all other debt securities, including accrual of original issue discount. Interest earned on debt securities also includes amortization of premium for the Opportunity Growth, World Growth Fund, LB Fund, High Yield and Municipal Bond Funds and the accrual of market discount for the Opportunity Growth, World Growth, LB Fund and High Yield Funds. Market discount, if any, is recognized for tax purposes when bonds are sold for the Income and Municipal Bond Funds. Dividend income is recorded on the ex-dividend date. For payment-in-kind securities, income is recorded on the ex-dividend date in the amount of the value received.

Options, Financial Futures and Forward Foreign Currency Contracts

All Funds except the Money Market Fund may buy put and call options, write covered call options and buy and sell futures contracts. The Funds intend to use such derivative instruments as hedges to facilitate buying or selling securities or to provide protection against adverse movements in security prices or interest rates. The LB World Growth Fund may also enter into options and futures contracts on foreign currencies and forward foreign currency contracts to protect against adverse foreign exchange rate fluctuation.

Option contracts are valued daily and unrealized appreciation or depreciation is recorded. The Fund will realize a gain or loss upon expiration or closing of the option transaction. When an option is exercised, the proceeds on sale for a written call option or the cost of a security for purchased put and call options is adjusted by the amount of premium received or paid.

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

Foreign currency contracts are valued daily and unrealized appreciation or depreciation is recorded daily as the difference between the contract exchange rate and the closing forward rate applied to the face amount of the contract. A realized gain or loss is recorded at the time a forward contract is closed.

Foreign Currency Translations

Securities and other assets and liabilities of the LB World Growth Fund that are denominated in foreign currencies are translated into U.S. dollars at the daily closing rate of exchange. Foreign currency amounts related to the purchase or sale of securities and income and expenses are translated at the exchange rate on the transaction date. Currency gains and losses are recorded from sales of foreign currency, exchange gains or losses between the trade date and settlement dates on securities transactions, and other translation gains or losses on dividends, interest income and foreign withholding taxes. The effect of changes in foreign exchange rates on realized and unrealized security gains or losses are not segregated from gains and losses that arise from changes in market prices of investments, and are included with the net realized and unrealized gain or loss on investments.

Federal Income Taxes

It is the policy of each Fund to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of their taxable income on a timely basis, including any net realized gain on investments each year. It is also the intention of the Funds to distribute an amount sufficient to avoid imposition of any federal excise tax. Accordingly, no provision for federal income tax is necessary. Each Fund is treated as a separate taxable entity for federal income tax purposes.

The Lutheran Brotherhood Family of Funds
Notes to Financial Statements (Continued)
October 31, 1996
When-Issued and Delayed Delivery Transactions

The Funds may engage in when-issued or delayed delivery transactions. To the extent that a Fund engages in such transactions, it will do so for the purpose of acquiring securities consistent with its investment objectives and policies and not for the purpose of investment leverage or to speculate on interest rate changes. On the trade date, assets of the Fund are segregated on the Fund's records in a dollar amount sufficient to make payment for the securities to be purchased. Income is not accrued until settlement date.

Dollar Roll Transactions

The Income Fund enters into dollar roll transactions, with respect to mortgage securities issued by GNMA, FNMA and FHLMC, in which the Fund sells mortgage securities and simultaneously agrees to repurchase similar (same type, coupon and maturity) securities at a later date at an agreed upon price. During the period between the sale and repurchase, the Fund forgoes principal and interest paid on the mortgage securities sold. The Fund is compensated by the interest earned on the cash proceeds of the initial sale and from negotiated fees paid by brokers offered as an inducement to the Fund to "roll over" its purchase commitments. The Income Fund earned \$705,157 from such fees.

Organization Costs

Organization costs incurred in connection with the start up and initial registration of the Funds are capitalized and amortized over a period of 60 months from the date of commencement. If any initial shares are redeemed during the amortization period, the redemption proceeds will be reduced by a pro-rata portion of the unamortized balance at the time of redemption, in the same proportion that the number of initial shares being redeemed bears to the number of initial shares outstanding at the time of redemption.

Distributions to Shareholders

Dividends from net investment income, if available, are declared and paid annually for the Opportunity Growth and World Growth Funds, declared and paid quarterly for the LB Fund, declared and paid monthly for the High Yield, Income and Municipal Bond Funds, and declared daily (including short-term net realized gains and losses) and paid monthly for the Money Market Fund. Net realized gains from securities transactions, if any, are distributed at least annually for all Funds, after the close of the fiscal year. Dividends and capital gain distributions to shareholders are recorded on the ex-dividend date.

The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. Also, due to timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the year that the income or net realized gains were recorded by the Fund.

It is the policy of the Fund to reclassify the net effect of permanent differences between book and taxable income to trust capital accounts on the statements of assets and liabilities. As a result of permanent book-to-tax differences for the year ended October 31, 1996, accumulated net realized gain or loss from the sale of investments was decreased by \$3,357,988, \$29,959, \$3,141,889, \$19,895, and \$34,339, respectively, for the Opportunity Growth, World Growth, LB Fund, Income and Municipal Bond Funds; undistributed net investment income was increased by \$2,075,439, \$30,383, \$19,895, and \$34,339, respectively, for the Opportunity Growth, World Growth, Income and Municipal Bond Funds; and net increases (decreases) of \$1,282,549, (\$424) and \$3,141,889, respectively, for the Opportunity Growth, World Growth and LB Fund, were reclassified into trust capital. These reclassifications have no effect on net assets, net asset value per share, the change in net assets resulting from operations, or on the amount of income available for distribution to shareholders.

Other

Security transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses are determined on the identified cost basis. Each Fund is charged for the operating expenses that are directly attributable to it. Fund operating expenses that cannot be directly attributable to a Fund are either shared equally or allocated among them based on the relative net assets of each Fund or via other methodologies.

(3) Fees And Compensation Paid To Affiliates

Investment Advisory Fees

Each Fund pays Lutheran Brotherhood Research Corp. (LBRC), the Trust's investment advisor, a fee for its advisory services. The fees are accrued daily and paid monthly. The fees are based on the following annual rates of average daily net assets: Opportunity Growth Fund, 0.75% for the first \$100 million in assets, 0.65% for the next \$150 million in assets, 0.60% for the next \$250 million in assets, 0.55% for the next \$500 million in assets, and 0.50% for assets over \$1 billion; World Growth Fund, 1.25% for the first \$20 million in assets, 1.10% for the next \$30 million in assets, and 1.0% of net assets over \$50 million; LB Fund and High Yield Fund, 0.65% for the first \$500 million in assets, 0.60% for the next \$500 million, and 0.55% for assets over \$1 billion; Income Fund, 0.60% for the first \$500 million in assets, 0.575% for the next \$500 million in assets, and 0.55% for assets over \$1 billion; Municipal Bond Fund, 0.575% for the first \$500 million in assets, 0.5625% for the next \$500 million, and 0.55% for assets over \$1 billion; Money Market Fund, 0.50% for the first \$500 million in assets, 0.475% for the next \$500 million, 0.45% for the next \$500 million, 0.425% for the next \$500 million, and 0.40% for assets over \$2 billion.

LBRC has entered into a sub-advisory agreement with Rowe Price - Fleming International, Inc. for the performance of various sub-advisory services for the World Growth Fund. For these services, LBRC pays a portion of an annual sub-advisory fee that is based on the following annual rates of combined average daily net assets of the Lutheran Brotherhood World Growth Fund and the LB Series Fund, Inc. - World Growth Portfolio: 0.75% for the first \$20 million in assets; 0.60% for the next \$30 million, and 0.50% for assets over \$50 million. When combined annual average assets exceed \$200 million, the fee will be equal to 0.50% of all of the World Growth Fund's annual average daily net assets.

For the year ended October 31, 1996, the advisory fees of the World Growth Fund totaled \$392,419 of which \$66,807 were voluntarily waived by LBRC to limit the World Growth Fund's expense ratio to 1.95% of average daily net assets. The Money Market Fund advisory fees totaled \$1,922,505 of which \$246,901 were voluntarily waived by LBRC to limit the Money Market Fund's expense ratio. LBRC had voluntarily assumed expenses in excess of 1.10% of average daily net assets of the Money Market Fund through March 31, 1996. Effective April 1, 1996, LBRC voluntarily lowered the expense limit prospectively to 0.95% of the Money Market Fund's average daily net assets. LBRC can terminate its voluntary waiver of expenses for these Funds at any time at its discretion.

Sales Charges and Other Fees

For the year ended October 31, 1996, Lutheran Brotherhood Securities Corp. (LBSC), the Trust's distributor, received sales charges paid by purchasers of Fund shares of: Opportunity Growth Fund, \$2,272,864; World Growth Fund, \$857,697; LB Fund, \$2,306,035; High Yield Fund, \$3,372,402; Income Fund, \$1,486,518; and Municipal Bond Fund, \$988,150. Sales charges are not an

expense of the Trust and are not reflected in the financial statements of any of the Funds. LBSC also received fees pursuant to an agreement to provide certain administrative personnel and services to the Funds. Effective January 1, 1996, a new agreement went into effect whereby LBSC will receive an annual fee equal to 0.0225% of average daily net assets. LBSC received the following compensation for the year ended October 31, 1996: Opportunity Growth Fund, \$51,379; World Growth Fund, \$8,217; LB Fund, \$163,270; High Yield Fund, \$148,767; Income Fund, \$207,659; Municipal Bond Fund, \$142,190; and Money Market Fund, \$87,973. In addition, LBSC provides the Funds with transfer agent services pursuant to an agreement and received the following compensation: Opportunity Growth Fund, \$865,339; World Growth Fund, \$169,451; LB Fund, \$1,610,381; High Yield Fund, \$1,061,296; Income Fund, \$1,382,275; Municipal Bond Fund, \$516,423; and Money Market Fund, \$1,239,592.

The Funds have adopted a trustee fee deferral plan which allows the Trustees to defer the receipt of all or a portion of Trustee fees that are payable on or after January 1, 1996. The deferred fees remain in the fund and are invested within the Lutheran Brotherhood Family of Funds until distribution in accordance with the plan.

Certain officers and non-independent trustees of the Fund are officers and directors of LBRC and LBSC; however, they receive no compensation from the Funds.

(4) Securities Lending

To generate additional income, the Funds may participate in a securities lending program administered by the Fund's custodian bank. Securities are periodically loaned to brokers, banks or other institutional borrowers of securities, for which collateral in the form of cash, U.S. government securities, or letter of credit is received by the custodian in an amount at least equal to the market value of securities loaned. Collateral received in the form of cash is invested in short-term investments by the custodian from which earnings are shared between the borrower, the custodian and the Fund at negotiated rates. The risks to the Fund are that it may experience delays in recovery or even loss of rights in the collateral should the borrower of securities fail financially. There were no security loans during the year ended October 31, 1996.

(5) Distributions From Capital Gains

During the year ended October 31, 1996, distributions from net realized capital gains of \$33,356,556, and \$44,162,422, were paid by the LB Opportunity Growth Fund and the LB Fund, respectively. These distributions related to net capital gains realized during the prior fiscal year ended October 31, 1995.

(6) Capital Loss Carryover

During the year ended October 31, 1996, the High Yield Fund fully utilized the remaining \$14,624,938 of its capital loss carryover, and the Municipal Bond Fund utilized \$191,020 of its capital loss carryover against net realized capital gains. At October 31, 1996, the Income and Municipal Bond Funds had accumulated net realized capital loss carryovers expiring as follows:

Year	Income Fund	Municipal Bond Fund
2002	\$40,056,911	\$6,216,650
2003	--	134,719
2004	8,472,280	--
Total	\$48,529,191	\$6,351,369

To the extent these Funds realize future net capital gains, taxable distributions will be reduced by any unused capital loss carryovers. Temporary timing differences of \$438,772, \$74,997, \$224,998, \$933,996, \$604,205, and \$1,637,733 existed between net realized capital gains or losses for financial statement and tax purposes as of October 31, 1996 for the Opportunity Growth, World Growth, LB Fund, LB High Yield Fund, LB Income and Municipal Bond Funds, respectively. These differences are due primarily to deferral of capital losses for tax purposes.

(7) Shareholder Notification Of Federal Income Tax Status

The LB Fund designates 100% of the dividends declared from net investment income as dividends qualifying for the 70% corporate dividends received

deduction and the Municipal Bond Fund designates 100% of the dividends declared from net investment income as exempt from federal income tax for the year ended October 31, 1996. The Opportunity Growth Fund and the LB Fund designate \$287,685 and \$2,292,861, respectively, as capital gain distributions resulting from earnings and profits distributed to shareholders on redemption of fund shares during the year.

(8) Investment Transactions

Purchases and Sales of Investment Securities

For the year ended October 31, 1996, the cost of purchases and the proceeds from sales of investment securities other than U.S. Government and short term securities were as follows:

\$(thousands)		
Fund	Purchases	Sales
Opportunity Growth	\$434,371	\$372,997
World Growth Fund	38,946	3,690
LB Fund	661,222	633,819
High Yield	698,280	628,358
Income	546,148	570,345
Municipal Bond	202,986	223,531

Purchases and sales of U.S. Government securities were:
\$(thousands)

Fund	Purchases	Sales
LB Fund	\$ 2,722	\$ 4,681
Income	714,473	677,416

Investments in Restricted Securities

The High Yield Fund owns restricted securities that were purchased in private placement transactions without registration under the Securities Act of 1933. Unless such securities subsequently become registered, they generally may be resold only in privately negotiated transactions with a limited number of purchasers. At October 31, 1996, the restricted securities held by the High Yield Fund had no market value.

Investments in High Yielding Securities

The High Yield Fund invests primarily in high yielding fixed income securities. These securities will typically be in the lower rating categories or will be non-rated and generally will involve more risk than securities in the higher rating categories. Lower rated or unrated securities are more likely to react to developments affecting market risk and credit risk than are more highly rated securities, which react primarily to movements in the general level of interest rates.

Investments in Options and Futures Contracts

The movement in the price of the instrument underlying an option or futures contract may not correlate perfectly with the movement in the prices of the portfolio securities being hedged. A lack of correlation could render the Fund's hedging strategy unsuccessful and could result in a loss to the Fund. In the event that a liquid secondary market would not exist, the Fund could be prevented from entering into a closing transaction which could result in additional losses to the Fund.

Open Option Contracts

The number of contracts and premium amounts associated with call option contracts written during the year were as follows:

	Opportunity Growth		Income Fund	
	Number of Contracts	Premium Amount	Number of Contracts	Premium Amount
Balance at October 31, 1995	--	--	--	--
Opened	1,414	\$ 266,398	11,675	\$ 631,417
Closed	(1,414)	(266,398)	(11,075)	(465,983)
Expired	--	--	(200)	(22,786)

Exercised	--	--	--	--
	-----	-----	-----	-----
Balance at October 31, 1996	--	\$ --	400	\$ 142,648
	=====	=====	=====	=====

Foreign Denominated Investments

The LB World Growth Fund invests primarily in foreign denominated stocks. Foreign denominated assets and currency contracts may involve more risks than domestic transactions, including: currency risk, political and economic risk, regulatory risk, and market risk. The Fund may also invest in securities of companies located in emerging markets. Future economic or political developments could adversely affect the liquidity or value, or both, of such securities.

<TABLE>
<CAPTION>

(9) Shares Of Beneficial Interest

The Master Trust Agreement permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (\$0.001 par value) of all of the Funds. Transactions in Fund shares were as follows:

	Opportunity Growth	World Growth	LB Fund	High Yield
<S>	<C>	<C>	<C>	<C>
Shares outstanding at October 31, 1996	9,251,022	--	31,038,031	56,392,328
Shares sold	4,092,712	1,656,709	2,728,955	13,395,549
Shares issued on reinvestment of dividends and distributions	--	--	354,095	4,301,940
Shares redeemed	(1,368,095)	(2,513)	(3,657,566)	(8,273,232)
	-----	-----	-----	-----
Shares outstanding at October 31, 1996	11,975,639	1,654,196	30,463,515	65,816,585
Shares sold	6,711,097	4,309,447	3,864,306	15,831,978
Shares issued on reinvestment of dividends and distributions	2,801,319	2,995	2,392,606	4,373,177
Shares redeemed	(1,973,395)	(381,546)	(3,398,596)	(9,697,248)
	-----	-----	-----	-----
Shares outstanding at October 31, 1996	19,514,660	5,585,092	33,321,831	76,324,492
	=====	=====	=====	=====

(9) Shares of Beneficial Interest (Continued)

	Income Fund	Municipal Bond	Money Market
<S>	<C>	<C>	<C>
Shares outstanding at October 31, 1996	113,189,726	75,488,401	276,868,018
Shares sold	5,470,573	4,792,917	547,639,011
Shares issued on reinvestment of dividends and distributions	5,624,521	3,067,030	14,549,671
Shares redeemed	(16,216,513)	(10,087,527)	(497,972,433)
	-----	-----	-----
Shares outstanding at October 31, 1996	108,068,307	73,260,821	341,084,267
Shares sold	6,482,945	4,807,171	692,236,105
Shares issued on reinvestment of dividends and distributions	5,621,887	2,755,029	17,063,037
Shares redeemed	(17,687,759)	(9,927,341)	(632,774,820)
	-----	-----	-----
Shares outstanding at October 31, 1996	102,485,380	70,895,680	417,608,589
	=====	=====	=====

</TABLE>

(10) Financial Highlights

"Financial highlights" showing per share data and selected information is presented in the prospectus.

The Lutheran Brotherhood Family of Funds

Lutheran Brotherhood Opportunity Growth Fund
Lutheran Brotherhood World Growth Fund
Lutheran Brotherhood Fund
Lutheran Brotherhood High Yield Fund
Lutheran Brotherhood Income Fund
Lutheran Brotherhood Municipal Bond Fund
Lutheran Brotherhood Money Market Fund

Trustees

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Charles W. Arnason
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James M. Odland
Assistant Secretary

Otis F. Hilbert
Secretary and Vice President

Randall L. Wetherille
Assistant Secretary

Richard B. Ruckdashel
Vice President

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