

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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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

625 FOURTH AVENUE SOUTH
MINNEAPOLIS MN 55415

Business Address

625 FOURTH AVE SOUTH
MINNEAPOLIS MN 55415
612-340-7215

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 X
Pre-Effective Amendment No. _____ X
Post-Effective Amendment No. 57 X
and/or
REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 X
Amendment No. 36 X

THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS
(Exact Name of Registrant as Specified in Charter)

625 Fourth Avenue South, Minneapolis, Minnesota 55415
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (612) 340-7215

Otis F. Hilbert, Secretary
The Lutheran Brotherhood Family of Funds
625 Fourth Avenue South
Minneapolis, Minnesota 55415
(Name and Address of Agent for Service)

It is proposed that this filing will become effective (check appropriate box)
_____ immediately upon filing pursuant to paragraph (b) of Rule 485
 X on December 30, 1996 pursuant to paragraph (b) of Rule 485
_____ on (date) pursuant to paragraph (a)(i) of Rule 485
_____ on (date) pursuant to paragraph (a)(i) of Rule 485
_____ 75 days after filing pursuant to paragraph (a)(ii) of Rule 485
_____ on (date) pursuant to paragraph (a)(ii) of Rule 485.

If appropriate, check the following box:
_____ this post-effective amendment designates a new effective date for
a previously filed post-effective amendment.

Registrant has filed with the Securities and Exchange Commission a declaration
pursuant to Rule 24f-2 under the Investment Company Act of 1940, and:

X filed the Notice required by that Rule on December 26, 1996; or
_____ intends to file the Notice required by that Rule on or about
December 23, 1996; or
_____ during the most recent fiscal year did not sell any securities
pursuant to Rule 24f-2 under the Investment Company Act of 1940, and,
pursuant to Rule 24f-2(b)(2), need not file the Notice.

THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS

Cross Reference Sheet
Pursuant to Rule 481(a)
Under the Securities Act of 1933

Part A

Item Number and Caption

Caption Or Location In Prospectus
For 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
Lutheran Brotherhood Money Market
Fund

1. Cover Page	Same
2. Synopsis	Summary of Expenses
3. Condensed Financial Information	Financial Highlights
4. General Description of Registrant	Investment Objectives and Policies; Investment Limitations; Investment Risks; The Funds and Their Shares
5. Management of the Fund	Fund Management; Fund Administration
6. Capital Stock and Other Securities	Dividends and Capital Gains; Taxes; The Funds and Their Shares
7. Purchase of Securities Being Offered	Buying Shares of the Lutheran Brotherhood Family of Funds; Net Asset Value of Your Shares; Sales Changes; Receiving Your Order; Certificates and Statements
8. Redemption or Repurchase	Redeeming Shares
9. Legal Proceedings	Not Applicable

Part B

Item Number and Caption	Caption Or Location In Prospectus For 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
-----	-----

10. Cover Page	Same
11. Table of Contents	Same
12. General Information and History	General Information
13. Investment Objectives and Policies	Investment Policies and Restrictions; Additional Information Concerning Certain Investment Techniques; Brokerage Transactions
14. Management of the Registrant	Fund Management
15. Control Persons and Principal Holders of Securities	Fund Management
16. Investment Advisory and Other Services	Investment Advisory Services; Administration Services; Distributor
17. Brokerage Allocation	Brokerage Transactions
18. Capital Stock and Other Securities	General Information
19. Purchase, Redemption and Pricing of Securities Being Offered	Purchasing Shares; Sales Change; Net Asset Value; Redeeming Shares
20. Tax Status	Tax Status
21. Underwriters	Distributor
22. Calculation of Performance Data	Calculation of Performance Data
23. Financial Statements	Financial Statements

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

PROSPECTUS

December 30, 1996

LUTHERAN BROTHERHOOD OPPORTUNITY GROWTH FUND ("LB Opportunity Growth Fund") seeks long term growth of capital by investing primarily in a professionally managed diversified portfolio of smaller capitalization common stocks. See

LUTHERAN BROTHERHOOD WORLD GROWTH FUND ("LB World Growth Fund") seeks high total return from long-term growth of capital by investing primarily in a professionally managed diversified portfolio of common stocks of established, non-U.S. companies. See page P-11.

LUTHERAN BROTHERHOOD FUND ("LB Fund") seeks growth of capital and income by investing in a professionally managed diversified portfolio of common stocks and other securities issued by leading companies. See page P-13.

LUTHERAN BROTHERHOOD HIGH YIELD FUND ("LB High Yield Fund") seeks high current income by investing primarily in a professionally managed diversified portfolio of high yield, high risk securities. The Fund will also consider growth of capital as a secondary investment objective. See page P-13.

LUTHERAN BROTHERHOOD INCOME FUND ("LB Income Fund") seeks high current income while preserving principal, with possible long term growth of capital, by investing primarily in a professionally managed diversified portfolio of debt securities and dividend paying common and preferred stocks. See page P-14.

LUTHERAN BROTHERHOOD MUNICIPAL BOND FUND ("LB Municipal Bond Fund") seeks to provide high current income exempt from federal income tax by investing primarily in a professionally managed diversified portfolio of municipal bonds. See page P-14.

LUTHERAN BROTHERHOOD MONEY MARKET FUND ("LB Money Market Fund") seeks to provide current income consistent with stability of principal. See page P-15.

Lutheran Brotherhood Research Corp. ("LB Research"), an indirect wholly-owned subsidiary of Lutheran Brotherhood, serves as investment adviser for the Funds. Lutheran Brotherhood and LB Research personnel have developed skills in the investment advisory business over the past 26 years, and Lutheran Brotherhood personnel have extensive skill in managing over \$11.7 billion of Lutheran Brotherhood assets and had over \$7.4 billion in mutual fund assets under management as of September 30, 1996. Lutheran Brotherhood Securities Corp. ("LB Securities") serves as distributor for the LB Family of Funds. LB Research currently engages Rowe Price-Fleming International, Inc. ("Price-Fleming" or "Sub-advisor") as investment sub-advisor for LB World Growth Fund.

This Prospectus sets forth concisely the information a prospective investor ought to know about the Funds before investing. It should be retained for future reference. A Statement of Additional Information about the Funds dated December 30, 1996 has been filed with the Securities and Exchange Commission and is incorporated by reference in this Prospectus. It is available, at no charge, upon request by writing LB Securities or by calling toll free (800) 328-4552 or (612) 339-8091.

Each Fund is a diversified series of The Lutheran Brotherhood Family of Funds (the "Trust"), an open-end management investment company.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED ON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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<TABLE>

SUMMARY OF FUND EXPENSES

<CAPTION>

	LB Opportunity Growth Fund	LB World Growth Fund	LB Fund	LB High Yield Fund	LB Income Fund	LB Municipal Bond Fund	LB Money Market Fund
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SHAREHOLDER TRANSACTION EXPENSES							
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price)	5%						None
Maximum Sales Charge Imposed on Reinvested Dividends (as a percentage of offering price)	None						None
Maximum Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, as applicable)	None						None
Redemption Fees (as a percentage of amount redeemed, if applicable)	None						None
Exchange Fees	None						None

</TABLE>

Shareholders of the LB Money Market Fund may elect the OPTIMUM ACCOUNT(R) package, which is subject to a one-time new account fee of \$25 and a monthly administrative fee of \$5. Exchanges of LB Money Market Fund shares for shares of other Funds incur the normal sales charge for those Funds' shares, unless the LB Money Market Fund shares were previously acquired through an exchange of shares from other Funds for which a sales charge was previously paid. Sales charges vary from 0% to 5% of the public offering price, depending upon the amount of your investment. For a complete description of sales charges, see "Sales Charges".

<TABLE>

<CAPTION>

	LB Opportunity Growth Fund	LB World Growth Fund	LB High Yield Fund	LB Income Fund	LB Municipal Bond Fund	LB Money Market Fund
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ANNUAL FUND OPERATING EXPENSES (as a percentage of average net assets)						
Net Management Fees	0.69%	0.90%*	0.64%	0.64%	0.59%	0.57%
12b-1 Fees	None	None	None	None	None	None
Other Expenses	0.59%	1.05%	0.33%	0.27%	0.24%	0.17%
Total Fund Operating Expenses	1.28%	1.95%*	0.97%	0.91%	0.83%	0.74%

* After fee waivers.

</TABLE>

EXAMPLE:

You would pay the following expenses on a \$1,000 investment assuming
(1) 5% annual return and
(2) redemption at the end of each time period:

1 Year 3 Years 5 Years 10 Years

LB Opportunity Growth Fund	\$62	\$ 89	\$117	\$197
LB World Growth Fund	\$69	\$108	\$150	\$266
LB Fund	\$59	\$ 79	\$101	\$163
LB High Yield Fund	\$59	\$ 78	\$ 98	\$156
LB Income Fund	\$58	\$ 75	\$ 94	\$147
LB Municipal Bond Fund	\$57	\$ 72	\$ 89	\$137
LB Money Market Fund	\$10	\$ 32	\$ 56	\$124

THE EXAMPLE SHOULD NOT BE CONSIDERED AS A REPRESENTATION OF PAST OR FUTURE RETURN OR EXPENSES. ACTUAL RETURN OR EXPENSES MAY BE GREATER OR LESS THAN SHOWN.

The purpose of the table above is to assist the investor in understanding the various costs and expenses that an investor will bear directly or indirectly. Actual expense levels for the current and future years may vary from the amounts shown. The table does not reflect charges for optional services elected by certain shareholders. For more complete information and descriptions of various costs and expenses, see "Sales Charges" and "Fund Administration".

LB Research has undertaken to limit the LB World Growth Fund's operating expenses to 1.95% of its average net assets by means of a voluntary waiver of advisory fees. Net Management Fees and Total Fund Operating Expenses for LB World Growth Fund for the fiscal year ending October 31, 1996 would be 1.08% and 2.13%, respectively, of average net assets of the Fund without the partial waiver of advisory fees, which amounted to amount to 0.18% of average net assets of the Fund. This waiver of fees is voluntary and may be discontinued at any time.

LB Research has undertaken to limit the LB Money Market Fund's total expenses to 0.95%, effective April 1, 1996. Prior to that date, LB Research had undertaken to limit that Fund's expenses to 1.10% of its average net assets by means of a voluntary waiver of advisory fees. For the fiscal year ended October 31, 1996, Net Management Fees and Total Fund Operating Expenses would have been 0.50% and 1.07%, respectively, of average net assets of the LB Money Market Fund without the partial waiver of advisory fees, which amounted to 0.06% of average net assets of the LB Money Market Fund. This waiver of fees is voluntary and may be discontinued at any time.

FINANCIAL HIGHLIGHTS

The tables below for each of the Funds, to the extent and for the periods indicated in its report, have been examined by Price Waterhouse LLP, independent accountants, whose reports are included in the Annual Reports to Shareholders for the fiscal year ended October 31, 1996. The tables should be read in conjunction with the financial statements and notes thereto that appear in such reports, which are incorporated by reference into the Statement of Additional Information.

<TABLE> <CAPTION>	LB OPPORTUNITY GROWTH FUND			
	Year Ended 10/31/96	Year Ended 10/31/95	Year Ended 10/31/94	For the Period January 8, 1993 effective date) to October 31, 1993
(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD) (a)				
<S>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period	\$13.83	\$10.76	\$10.66	\$ 8.43
Investment Operations:				
Net Investment Income	(0.11)	(.09)	(0.06)	(0.07)
Net Realized and Unrealized Gain (Loss) on Investments	2.63	3.16	0.16	2.30
Total from Investment Operations	2.52	3.07	0.10	2.23
Less Distributions:				
Distributions from Net Realized Gain				

on Investments	(2.73)	--	--	--
	-----	-----	-----	-----
Net Asset Value, End of Period	\$13.62	\$13.83	\$10.76	\$10.66
	=====	=====	=====	=====
Total Investment Return at Net Asset Value (%) (b)	21.27%	28.53%	0.94%	26.45%
Net Assets, End of Period (in millions)	\$265.8	\$165.7	\$99.6	\$40.8
Ratio of Expenses to Average Net Assets (%)	1.28%	1.43%	1.66%	2.33% (c)
Ratio of Net Investment Income to Average Net Assets (%)	-0.92%	-0.88%	-0.83%	-1.76% (c)
Portfolio Turnover (%)	176%	213%	64%	97%
Average commission rate (d)	\$0.0488	N/A	N/A	N/A

</TABLE>

- (a) All per share amounts have been rounded to the nearest cent.
(b) Total investment return assumes dividend reinvestment and does not reflect the effect of sales charges.
(c) Computed on an annualized basis.
(d) Average commission rate is based on total broker commissions incurred in connection with execution of portfolio transactions during the period, divided by the sum of all portfolio shares purchased and sold during the period that were subject to a commission. Broker commissions are treated as capital items that increase the cost basis of securities purchased, or reduce the proceeds of securities sold.

<TABLE>

LB WORLD GROWTH FUND

<CAPTION

	Year Ended	For the Period From
	October 31, 1996	September 5, 1995
(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD) (a)		(effective date) to
	October 31, 1995	October 31, 1995
	-----	-----

<S>	<C>	<C>
Net Asset Value, Beginning of Period	\$ 8.44	\$ 8.50
	-----	-----
Income From Investment Operations:		
Net Investment Income	0.04	0.01
Net Realized and Unrealized Gain (Loss) on Investments	1.02	(0.07)
	-----	-----
Total from Investment Operations	1.06	(0.06)
	-----	-----
Less Distributions:		
Dividends from Net Investment Income	(0.02)	--
	-----	-----
Net Asset Value, End of Period	\$9.48	\$ 8.44
	=====	=====
Total Investment Return at Net Asset Value (b)	12.53%	-0.71%
Net Assets, End of Period (in millions)	\$52.9	\$14.0
Ratio of Expenses to Average Net Assets	1.95% (d)	1.95% (c, d)
Ratio of Net Investment Income to Average Net Assets	0.67% (d)	1.60% (c, d)
Portfolio Turnover Rate	11%	0%
Average commission rate (e)	\$0.0216	N/A

</TABLE>

- (a) All per share amounts have been rounded to the nearest cent.
(b) Total investment return assumes dividend reinvestment and does not reflect the effect of sales charges.
(c) Computed on an annualized basis.
(d) Effective September 5, 1995, Lutheran Brotherhood Research Corp. (LBRC) has voluntarily undertaken to limit the Fund's expense ratio at 1.95%. Had LBRC not undertaken such action, the ratio of expenses to average net assets would have been 2.13% and 2.89%, and the ratio of net investment income to average net assets would have been 0.49% and 0.66%, respectively, for the year ended October 31, 1996 and for the period from September 5, 1995 to October 31, 1995.
(e) Average commission rate is based on total broker commissions incurred in connection with execution of portfolio transactions during the period, divided by the sum of all portfolio shares purchased and sold during the period that were subject to a commission. Broker commissions are treated

as capital items that increase the cost basis of securities purchased, or reduce the proceeds of securities sold.

<TABLE>

LB FUND

<CAPTION>

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD) (a)	Year Ended	Year Ended	Year Ended	Nine months ended October 31,	Years ended January 31,						
					10/31/96	10/31/95	10/31/94	1993	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period	\$21.19	\$17.67	\$18.85	\$18.53	\$19.14	\$17.10	\$15.83	\$15.97	\$14.44	\$18.38	
Investment Operations:											
Net Investment Income	0.20	0.22	0.19	0.29	0.27	0.32	0.37	0.36	0.47	0.49	
Net Realized and Unrealized Gain (Loss) on Investments	3.33	3.52	(0.20)	1.04	1.42	3.90	1.34	1.32	1.54	(2.19)	
Total from Investment Operations	3.53	3.74	(0.01)	1.33	1.69	4.22	1.71	1.68	2.01	(1.70)	
Less Distributions from:											
Net Investment Income	(0.20)	(0.22)	(0.20)	(0.28)	(0.27)	(0.31)	(0.38)	(0.32)	(0.48)	(0.48)	
Net Realized Gain on Investments	(1.45)	--	(0.97)	(0.73)	(2.03)	(1.87)	(0.06)	(1.50)	-	(1.76)	
Total Distributions	(1.65)	(0.22)	(1.17)	(1.01)	(2.30)	(2.18)	(0.44)	(1.82)	(0.48)	(2.24)	
Net Asset Value End of Period	\$23.07	\$21.19	\$17.67	\$18.85	\$18.53	\$19.14	\$17.10	\$15.83	\$15.97	\$14.44	
Total Investment Return at Net Asset Value (%) (b)	17.61%	21.34%	-0.11%	7.41%	9.47%	24.67%	10.92%	9.77%	14.26%	-8.70%	
Net Assets, End of Period (in millions)	\$768.8	\$645.5	\$548.6	\$527.3	\$460.9	\$380.3	\$303.4	\$273.3	\$275.9	\$258.9	
Ratio of Expenses to Average Net Assets (%)	0.97%	1.02%	1.04%	1.01% (c)	0.97%	1.00%	1.05%	1.04%	1.08%	1.07%	
Ratio of Net Investment Income to Average Net Assets (%)	0.94%	1.15%	1.10%	2.15% (c)	1.44%	1.69%	2.21%	1.99%	3.24%	2.69%	
Portfolio Turnover (%)	91%	127%	234%	237%	249%	175%	148%	145%	89%	88%	
Average commission rate (d)	\$0.0664	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

(a) All per share amounts have been rounded to the nearest cent.

(b) Total investment return assumes dividend reinvestment and does not reflect the effect of sales charges.

(c) Computed on an annualized basis.

(d) Average commission rate is based on total broker commissions incurred in connection with execution of portfolio transactions during the period, divided by the sum of all portfolio shares purchased and sold during the period that were subject to a commission. Broker commissions are treated as capital items that increase the cost basis of securities purchased, or reduce the proceeds of securities sold.

<TABLE>

LB HIGH YIELD FUND

<CAPTION>

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD) (a)	Year Ended	Year Ended	Year Ended	Nine months ended October 31,	Years ended January 31,					
					10/31/96	10/31/95	10/31/94	1993	1993	1992

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period	\$9.03	\$8.86	\$9.73	\$9.12	\$8.45	\$6.72	\$7.93	\$9.72	\$9.86	\$10.44
Investment Operations:										
Net Investment Income	0.84	0.83	0.83	0.61	0.88	0.93	0.92	1.12	1.14	0.87
Net Realized and Unrealized Gain (Loss) on Investments	0.17	0.24	(0.86)	0.60	0.68	1.72	(1.21)	(1.76)	(0.17)	(0.60)
Total from Investment Operations	1.01	1.07	(0.03)	1.21	1.56	2.65	(0.29)	(0.64)	0.97	0.27
Less Distributions from:										
Net Investment Income	(0.83)	(0.85)	(0.82)	(0.60)	(0.89)	(0.92)	(0.92)	(1.15)	(1.11)	(0.85)
Net Realized Gain on Investments	-	(0.05)	(0.02)	-	-	-	-	-	-	-
Total Distributions	(0.83)	(0.90)	(0.84)	(0.60)	(0.89)	(0.92)	(0.92)	(1.15)	(1.11)	(0.85)
Net Asset Value, End of Period	\$9.21	\$9.03	\$8.86	\$9.73	\$9.12	\$8.45	\$6.72	\$7.93	\$9.72	\$9.86
Total Investment Return at Net Asset Value (%) (b)	11.64%	12.93%	-0.47%	13.72%	19.51%	41.59%	-3.98%	-7.52%	10.52%	3.54%
Net Assets, End of Period (in millions)	\$703.1	\$594.3	\$499.6	\$440.3	\$330.2	\$217.0	\$137.0	\$149.6	\$126.5	\$61.3
Ratio of Expenses to Average Net Assets (%)	0.91%	0.93%	0.95%	0.94% (c)	0.99%	1.16%	1.23%	1.19%	1.21%	1.50% (c)
Ratio of Net Investment Income to Average Net Assets (%)	9.23%	9.53%	8.92%	8.72% (c)	10.04%	11.95%	12.51%	12.23%	11.72%	10.95% (c)
Portfolio Turnover (%)	104%	71%	50%	66%	86%	145%	120%	86%	73%	67%

* For the period April 3, 1987 (effective date) to January 31, 1988.

(a) All per share amounts have been rounded to the nearest cent.

(b) Total investment return assumes dividend reinvestment and does not reflect the effect of sales charges.

(c) Computed on an annualized basis.

<TABLE>

LB INCOME FUND

<CAPTION>

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD) (a)	Year Ended	Year Ended	Year Ended	Nine months ended October 31,	Years ended January 31,					
	10/31/96	10/31/95	10/31/94	1993	1993	1992	1991	1990	1989	1988
Net Asset Value, Beginning of Period	\$8.72	\$8.01	\$9.43	\$9.10	\$8.79	\$8.35	\$8.47	\$8.52	\$8.62	\$9.07
Investment Operations:										
Net Investment Income	0.57	0.59	0.58	0.47	0.66	0.72	0.78	0.82	0.80	0.80
Net Realized and Unrealized Gain (Loss) on Investments	(0.19)	0.69	(1.19)	0.33	0.31	0.44	(0.11)	(0.06)	(0.10)	(0.44)
Total from Investment Operations	0.38	1.28	(0.61)	0.80	0.97	1.16	0.67	0.76	0.70	0.36
Less Distributions from:										
Net Investment Income	(0.60)	(0.57)	(0.56)	(0.47)	(0.66)	(0.72)	(0.79)	(0.81)	(0.80)	(0.81)
Net Realized Gain on Investments	--	--	(0.25)	-	-	-	-	-	-	-
Total Distributions	(0.60)	(0.57)	(0.81)	(0.47)	(0.66)	(0.72)	(0.79)	(0.81)	(0.80)	(0.81)

Net Asset Value, End of Period	\$8.50 =====	\$8.72 =====	\$8.01 =====	\$9.43 =====	\$9.10 =====	\$8.79 =====	\$8.35 =====	\$8.47 =====	\$8.52 =====	\$8.62 =====
Total Investment Return at Net Asset Value (%) (b)	4.56%	16.53%	-6.81%	8.97%	11.50%	14.48%	8.39%	9.18%	8.69%	4.53%
Net Assets, End of Period (in millions)	\$871.0	\$942.1	\$907.2	\$1,042.2	\$944.6	\$819.5	\$736.5	\$719.8	\$725.5	\$711.8
Ratio of Expenses to Average Net Assets (%)	0.83%	0.83%	0.82%	0.80% (c,d)	0.90%	0.97%	1.02%	1.02%	1.03%	1.03%
Ratio of Net Investment Income to Average Net Assets (%)	6.61%	7.01%	6.77%	6.87% (c,d)	7.40%	8.38%	9.35%	9.53%	9.52%	9.47%
Portfolio Turnover (%)	142%	131%	155%	84%	104%	117%	118%	113%	68%	48%

</TABLE>

- (a) All per share amounts have been rounded to the nearest cent.
(b) Total investment return assumes dividend reinvestment and does not reflect the effect of sales charges.
(c) Computed on an annualized basis.
(d) During the nine month period ended October 31, 1993, Lutheran Brotherhood Research Corp. (LBRC) undertook a voluntary reduction of the Fund's investment advisory fee equal to 0.10% of average daily net assets. Had LBRC not undertaken such action, the ratio of expenses to average net assets would have been 0.90% and the ratio of net investment income to average net assets would have been 6.77%.

<TABLE>

LB MUNICIPAL BOND FUND

<CAPTION>

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD) (a)	Nine months ended October 31, 1993									
	Year Ended 10/31/96	Year Ended 10/31/95	Year Ended 10/31/94	1993	1993	1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period	\$8.58 -----	\$7.88 -----	\$9.00 -----	\$8.52 -----	\$8.45 -----	\$8.32 -----	\$8.15 -----	\$8.18 -----	\$8.09 -----	\$8.45 -----
Investment Operations:										
Net Investment Income	0.44	0.45	0.46	0.37	0.53	0.56	0.58	0.58	0.60	0.59
Net Realized and Unrealized Gain (Loss) on Investments	0.01 -----	0.70 -----	(0.96) -----	0.51 -----	0.28 -----	0.29 -----	0.16 -----	(0.02) -----	0.07 -----	(0.37) -----
Total from Investment Operations	0.45 -----	1.15 -----	(0.50) -----	0.88 -----	0.81 -----	0.85 -----	0.74 -----	0.56 -----	0.67 -----	0.22 -----
Less Distributions from:										
Net Investment Income	(0.43)	(0.45)	(0.46)	(0.37)	(0.52)	(0.56)	(0.57)	(0.59)	(0.58)	(0.58)
Net Realized Gain on Investments	-- -----	-- -----	(0.16) -----	(0.03) -----	(0.22) -----	(0.16) -----	-- -----	-- -----	-- -----	-- -----
Total Distributions	(0.43) -----	(0.45) -----	(0.62) -----	(0.40) -----	(0.74) -----	(0.72) -----	(0.57) -----	(0.59) -----	(0.58) -----	(0.58) -----
Net Asset Value, End of Period	\$8.60 =====	\$8.58 =====	\$7.88 =====	\$9.00 =====	\$8.52 =====	\$8.45 =====	\$8.32 =====	\$8.15 =====	\$8.18 =====	\$8.09 =====
Total Investment Return at Net Asset Value (%) (b)	5.33%	14.97%	-5.93%	10.73%	9.96%	10.64%	9.54%	7.02%	8.70%	2.95%
Net Assets, End of Period (in millions)	\$609.5	\$628.7	\$595.2	\$629.7	\$532.6	\$448.4	\$382.5	\$348.2	\$306.5	\$283.6
Ratio of Expenses to Average Net Assets (%)	0.74%	0.74%	0.75%	0.74% (c,d)	0.80%	0.83%	0.86%	0.86%	0.92%	0.91%
Ratio of Net Investment Income to Average Net Assets (%)	5.14%	5.43%	5.44%	5.69% (c,d)	6.22%	6.65%	7.06%	7.04%	7.37%	7.39%
Portfolio Turnover (%)	33%	36%	38%	46%	77%	78%	68%	60%	70%	61%

</TABLE>

- (a) All per share amounts have been rounded to the nearest cent.

- (b) Total investment return assumes dividend reinvestment and does not reflect the effect of sales charges.
- (c) Computed on an annualized basis.
- (d) During the nine month period ended October 31, 1993, Lutheran Brotherhood Research Corp. (LBRC) had undertaken a voluntary reduction of the Fund's investment advisory fee equal to 0.05% of average daily net assets. Had LBRC not undertaken such action, the ratio of expenses to average net assets would have been 0.79% and the ratio of net investment income to average net assets would have been 5.64%.

<TABLE>

LB MONEY MARKET FUND

<CAPTION>

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD) (a)	Year	Year	Year	Nine	Years ended January 31,					
	Ended	Ended	Ended	months ended October 31,						
	10/31/96	10/31/95	10/31/94	1993	1993	1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Investment Operations:										
Net Investment Income	0.05	0.05	0.03	0.02	0.03	0.05	0.07	0.08	0.07	0.06
Less Distributions from:										
Net Investment Income	(0.05)	(0.05)	(0.03)	(0.02)	(0.03)	(0.05)	(0.07)	(0.08)	(0.07)	(0.06)
Net Asset Value, End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total Investment Return at Net Asset Value (%) (b)	4.63%	4.95%	2.89%	1.63%	2.77%	5.10%	7.40%	8.44%	7.01%	5.98%
Net Assets, End of Period (in thousands)	\$417.6	\$341.1	\$276.9	\$275.1	\$317.0	\$412.3	\$473.4	\$423.5	\$309.3	\$263.6
Ratio of Expenses to Average Net Assets (%)	1.01% (d)	1.10% (d)	1.10% (d)	1.10% (c,d)	1.10% (d)	1.08%	1.07%	1.09%	1.07%	1.07%
Ratio of Net Investment Income to Average Net Assets (%)	4.53% (d)	4.85% (d)	2.85% (d)	2.16% (c,d)	2.76% (d)	5.01%	7.16%	8.10%	6.83%	5.80%

</TABLE>

- (a) All per share amounts have been rounded to the nearest cent.
- (b) Total return is based on the change in net asset value during the period and assumes reinvestment of all distributions.
- (c) Computed on an annualized basis.
- (d) Effective February 1, 1992 through March 31, 1996, Lutheran Brotherhood Research Corp. (LBRC) had voluntarily undertaken to limit the Fund's expense ratio to 1.10% of annual average daily net assets. Effective April 1, 1996, LBRC voluntarily lowered the expense limit prospectively to 0.95% of average daily net assets. Had LBRC not undertaken such action to limit expenses, the ratio of expenses to average net assets would have been 1.07%, 1.18%, 1.36%, 1.44% and 1.23% and the ratio of net investment income to average net assets would have been 4.47%, 4.77%, 2.59%, 1.82% and 2.63%, respectively, for the years ended October 31, 1996 1995 and 1994, the nine month period ended October 31, 1993 and the year ended January 31, 1993.

INVESTMENT OBJECTIVES AND POLICIES

Each of the Funds in The Lutheran Brotherhood Family of Funds has a separate investment objective and investment policies for the pursuit of that objective. The investment objective of each Fund is fundamental and may not be changed without the approval of shareholders of that Fund. Except as otherwise indicated in this Prospectus, the investment policies of each Fund may be changed from time to time by the Board of Trustees of the Trust.

There is no assurance that any of the Funds will achieve its investment objective, but it will strive to do so by following the policies set forth below.

Lutheran Brotherhood Opportunity Growth Fund

The investment objective of the LB Opportunity Growth Fund is to achieve long term growth of capital.

The Fund will pursue its objective by seeking realized and unrealized capital gains through the active management of a portfolio consisting primarily of common stocks. Such active management may involve a high level of portfolio turnover. The Fund will invest primarily in common stocks of domestic and foreign companies that in the opinion of LB Research have a potential for above average sales and earnings growth that is expected to lead to capital appreciation. The Fund's investment adviser believes that over a long period of time, smaller companies that have a competitive advantage will be able to grow faster than larger companies, leading to a higher rate of growth in capital. For a description of the risks associated with investments in such companies, see "Investment Risks - LB Opportunity Growth Fund Investment Risks".

The Fund may also invest in bonds and preferred stocks, convertible bonds, convertible preferred stocks, warrants, American Depository Receipts (ADR's) and other debt or equity securities. In addition, the Fund may invest in U.S. Government securities or cash. The Fund will not use any minimum level of credit quality. At no time will the Fund invest more than 5% of its net assets in debt obligations. Debt obligations may be rated less than investment grade, which is defined as having a quality rating below "Baa", as rated by Moody's Investors Service, Inc. ("Moody's"), or below "BBB", as rated by Standard & Poor's Corporation ("S&P"). For a description of Moody's and S&P's ratings, see "Description of Debt Ratings". Securities rated below investment grade are considered to be speculative and involve certain risks, including a higher risk of default and greater sensitivity to interest rate and economic changes.

LB Research will use fundamental investment research techniques to seek out those companies that have a competitively superior product or service in an unsaturated market with large potential for growth. These will often be companies with shorter histories and less seasoned operations. Many of such companies will have market capitalizations that are less than \$1 billion, with lower daily trading volume in their stocks and less overall liquidity than larger, more well established companies. LB Research anticipates that the common stocks of such companies may increase in market value more rapidly than the stocks of other companies.

The Fund will focus primarily on companies that possess superior earnings prospects over a three to five year time horizon. The stocks that the Fund invests in may be traded on national exchanges or in the over-the-counter market ("OTC"). There will be no limit on the proportion of the Fund's investment portfolio that may consist of OTC stocks.

The Fund may dispose of securities held for a short period if the Fund's investment adviser believes such disposition to be advisable. While LB Research does not intend to select portfolio securities for the specific purpose of trading them within a short period of time, LB Research does intend to use an active method of management which will result in the sale of some securities after a relatively brief holding period. This method of management necessarily results in higher cost to the Fund due to the fees associated with portfolio securities transactions. A higher portfolio turnover rate may also result in taxes on realized capital gains to be borne by shareholders. However, it is LB Research's belief that this method of management can produce added value to the Fund and its shareholders that exceeds the additional costs of such transactions. The annual portfolio turnover rates of the Fund for the fiscal years ended October 31, 1996 and October 31, 1995 were 176% and 213%, respectively.

For more information on other investment policies of the Fund, see "Additional Investment Practices" below.

Lutheran Brotherhood World Growth Fund

The investment objective of the LB World Growth Fund is to seek total return from long-term growth of capital. The Fund will pursue its objective principally through investments in common stocks of established, non-U.S. companies. Total return consists of capital appreciation or depreciation,

dividend income, and currency gains or losses.

The Fund intends to diversify investments broadly among countries and to normally have at least three different countries represented in the Fund. The Fund may invest in countries of the Far East and Western Europe as well as South Africa, Australia, Canada and other areas (including developing countries). As a temporary defensive measure, the Fund may invest substantially all of its assets in one or two countries.

In seeking its objective, the Fund will invest primarily in common stocks of established foreign companies which have the potential for growth of capital. In order to increase total return, the Fund may also invest in bonds and preferred stocks, convertible bonds, convertible preferred stocks, warrants, American Depository Receipts (ADR's) and other debt or equity securities. In addition, the Fund may invest in U.S. Government securities or cash. The Fund will not use any minimum level of credit quality. At no time will the Fund invest more than 5% of its net assets in debt obligations or other securities that may be converted to debt obligations. Debt obligations may be rated less than investment grade, which is defined as having a quality rating below "Baa", as rated by Moody's Investors Service, Inc. ("Moody's"), or below "BBB", as rated by Standard & Poor's Corporation ("S&P"). Debt obligations rated "Baa" or "BBB" are considered to have speculative characteristics. For a description of Moody's and S&P's ratings, see "Description of Debt Ratings". Securities rated below investment grade are considered to be speculative and involve certain risks, including a higher risk of default and greater sensitivity to interest rate and economic changes.

In determining the appropriate distribution of investments among various countries and geographic regions, the Sub-advisor considers the following factors: prospects for relative economic growth between foreign countries; expected levels of inflation; government policies influencing business conditions; the outlook for currency relationships; and the range of individual investment opportunities available to international investors.

In analyzing companies for investment, the Sub-advisor looks for one or more of the following characteristics: an above-average earnings growth per share; high return on invested capital; healthy balance sheet; sound financial and accounting policies and overall financial strength; strong competitive advantages; effective research and product development and marketing; efficient service; pricing flexibility; strength of management; and general operating characteristics which will enable the companies to compete successfully in their market place. While current dividend income is not a prerequisite in the selection of portfolio companies, the companies in which the Fund invests normally will have a record of paying dividends, and will generally be expected to increase the amounts of such dividends in future years as earnings increase.

The Fund's investments also may include, but are not limited to, European Depository Receipts ("EDRs"), other debt and equity securities of foreign issuers, and the securities of foreign investment funds or trusts (including passive foreign investment companies). For a discussion of the risks involved in foreign investing see the section of this Prospectus entitled "Foreign Issuers".

The Fund may engage in certain forms of options and futures transactions that are commonly known as derivative securities transactions. These derivative securities transactions are identified and described in the sections of this Prospectus entitled "Put and Call Options" and "Financial Futures and Options on Futures."

The Fund may use foreign currency exchange-related securities including foreign currency warrants, principal exchange rate linked securities, and performance indexed paper. The Fund does not expect to hold more than 5% of its total assets in foreign currency exchange-related securities.

The Fund will normally conduct its foreign currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward contracts to purchase or sell foreign currencies. The Fund will generally not enter into a forward contract with a term of greater than one year.

The Fund will generally enter into forward foreign currency exchange contracts only under two circumstances. First, when the Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, it may desire to "lock in" the U.S. dollar price of the security. Second, when Sub-advisor believes that the currency of a particular foreign country may suffer or enjoy a substantial movement against another currency, it may enter into a forward contract to sell or buy the former foreign

currency (or another currency which acts as a proxy for that currency) approximating the value of some or all of the Fund's securities denominated in such foreign currency. Under certain circumstances, the Fund may commit a substantial portion of the entire value of its portfolio to the consummation of these contracts. Sub-advisor will consider the effect such a commitment of its portfolio to forward contracts would have on the investment program of the Fund and the flexibility of the Fund to purchase additional securities. Although forward contracts will be used primarily to protect the Fund from adverse currency movements, they also involve the risk that anticipated currency movements will not be accurately predicted and the Fund's total return could be adversely affected as a result.

For a discussion of foreign currency contracts and the risks involved therein, see the section of this Prospectus entitled, "Investment Risks."

The Fund will not generally trade in securities for short-term profits, but, when circumstances warrant, securities may be purchased and sold without regard to the length of time held. The annual portfolio turnover rate of the Fund for the fiscal year ended October 31, 1996 and for the period ended October 31, 1995 were 11% and 5%, respectively.

For more information on other investment policies of the Fund, see "Additional Investment Practices" below.

Lutheran Brotherhood Fund

The investment objective of the LB Fund is to seek growth of capital and income.

The Fund seeks to achieve its objective by investing in securities issued by leading companies. The Fund may invest in the common stocks and other securities of leading companies, including corporate bonds, notes, preferred stock, and warrants. The Fund may also invest in U.S. Government securities and cash. For purposes of the Fund's investment objective, companies are deemed "leading" in terms of market share, asset size, cash flow and other fundamental factors.

LB Research will use fundamental investment research techniques to seek out those companies that have a leading position within their industry or within the capital markets generally. LB Research will focus upon market shares, growth in sales and earnings, market capitalization and asset size and competitive dominance. These will often be mature companies with a lengthy history and seasoned operations. Many of them will have market capitalizations in excess of \$1 billion.

The Fund may dispose of securities held for a short period if the Fund's investment adviser believes such disposition to be advisable. LB Research intends to use an active method of management and may select portfolio securities for the specific purpose of trading them within a short period of time, which will result in the sale of some securities after a relatively brief holding period. This method of management necessarily results in higher cost to the Fund due to the fees associated with portfolio securities transactions. However, it is LB Research's belief that this method of management can produce added value to the Fund and its shareholders that exceeds the additional costs of such transactions. The annual portfolio turnover rates of the Fund for the fiscal years ended October 31, 1996 and October 31, 1995 were 91% and 127%, respectively.

For information on other investment policies of the Fund, see "Additional Investment Practices" below.

Lutheran Brotherhood High Yield Fund

The investment objective of the LB High Yield Fund is to obtain high current income and, secondarily, growth of capital.

The Fund seeks to achieve its investment objectives by investing primarily in a diversified portfolio of professionally managed high yield, high risk securities, many of which involve greater risks than higher quality investments. The Fund may invest in high yield, high risk bonds, notes, debentures and other income producing debt obligations and dividend paying preferred stocks. These securities are commonly known as "junk bonds". High yield, high risk securities will ordinarily carry a quality rating "Ba" or

lower by Moody's, "BB" or lower by S&P, or, if not rated, such securities will be of comparable quality as determined by the Fund's investment adviser. The Fund will use no minimum level of quality rating and may purchase and hold securities in default. Securities having a quality rating of Ba or BB and lower are considered to be speculative. See "Investment Risks - LB High Yield Fund Investment Risks". For a description of Moody's and S&P's ratings, see "Description of Debt Ratings".

The Fund may also invest in common stocks, warrants to purchase stocks, bonds or preferred stock convertible into common stock, and other equity securities. Investments in such securities will be made in pursuit of the income and capital growth objectives of the Fund, but at no time will the Fund invest more than 20% of its total assets in equity securities.

As a nonfundamental policy, during normal market conditions the Fund will maintain at least 65% of its total assets, taken at market value, in lower rated securities. The Fund may invest, without limit, in short-term money market instruments when, in the opinion of LB Research, short-term investments provide a better opportunity for achieving the Fund's objectives than do longer term investments. When making short-term investments for such purpose, the Fund will not be limited to a minimum quality level and may use unrated instruments.

The Fund does not intend to engage in short-term trading but may dispose of securities held for a short time if LB Research believes such disposition to be advisable. The annual portfolio turnover rates of the Fund for the fiscal years ended October 31, 1996 and October 31, 1995 were 104% and 71%, respectively.

For information on other investment policies of the Fund, see "Additional Investment Practices" below.

Lutheran Brotherhood Income Fund

The investment objective of the LB Income Fund is to seek high current income while preserving principal. The Fund's secondary investment objective is to obtain long-term growth of capital in order to maintain investors' purchasing power.

The Fund seeks to achieve its investment objectives by investing primarily in debt securities such as bonds, notes, debentures, mortgage-backed securities, other income producing debt obligations, and dividend paying common and preferred stocks. Debt securities and preferred stock will be rated "Baa" or higher by Moody's, "BBB" or higher by S&P, or, if not rated, such securities will be of comparable quality in the opinion of LB Research. Securities of such quality levels, although considered to be investment grade or higher, have speculative characteristics. If a portfolio security's quality rating drops below investment grade after the Fund has acquired the security, the Fund may continue to hold the security in its portfolio.

Debt securities may bear fixed or variable rates of interest. They may involve equity features such as conversion or exchange rights, warrants for the acquisition of common stock of the same or a different issuer, participation based on revenues, sales or profits, or the purchase of common stock in a unit transaction (where corporate debt securities and common stock are offered as a unit).

The Fund may engage in short-term trading and dispose of securities held for a short time if LB Research believes such disposition to be advisable. This method of management necessarily results in higher cost to the Fund due to the fees associated with portfolio securities transactions. However, it is LB Research's belief that this method of management can produce added value to the Fund and its shareholders that exceeds the additional costs of such transactions. The annual portfolio turnover rates of the Fund for the fiscal years ended October 31, 1996 and October 31, 1995 were 142% and 131%, respectively.

For information on other investment policies of the Fund, see "Additional Investment Practices" below.

Lutheran Brotherhood Municipal Bond Fund

The investment objective of the LB Municipal Bond Fund is to provide its

shareholders with a high level of current income which is exempt from federal income tax.

The Fund seeks to achieve its investment objective by investing in a diversified portfolio of municipal bonds. Municipal bonds are debt obligations issued by or on behalf of states (including the District of Columbia), territories and possessions of the United States and their political subdivisions, agencies and instrumentalities, the interest from which is exempt from federal income tax. At least 80% of the Fund's total assets will be invested in municipal bonds unless LB Research determines that market conditions call for a temporary defensive posture.

The Fund does not generally intend to purchase securities if, as a result of such purchase, more than 25% of the value of its total assets would be invested in the securities of governmental subdivisions located in any one state, territory or possession of the United States. The Fund may invest more than 25% of the value of its total assets in industrial development bonds. As to industrial development bonds, the Fund may invest up to 25% of its total assets in securities issued in connection with the financing of projects with similar characteristics, such as toll road revenue bonds, housing revenue bonds or electric power project revenue bonds, or in industrial development revenue bonds which are based, directly or indirectly, on the credit of private entities in any one industry. This may make the Fund more susceptible to economic, political or regulatory occurrences affecting a particular industry or sector and increase the potential for fluctuation of net asset value.

Municipal Bonds: Municipal bonds are generally issued to finance public works, such as bridges and highways, housing, mass transportation projects, schools and hospitals. Municipal bonds are also issued to repay outstanding obligations, to raise funds for general operating expenses and to make loans to other public institutions and facilities. The two principal classifications of municipal bonds are "general obligation" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge and ability to raise taxes to repay the principal and interest. Revenue bonds are repayable only from the income earned from the facility financed by the bond or other specific source of revenue. For example, income earned by a housing development can be used to repay the bonds that raised the funds for its construction.

Industrial Development Bonds: Industrial development bonds are considered municipal bonds if the interest paid on them is exempt from federal income tax. Industrial development bonds which qualify as municipal bonds are almost always revenue bonds. They are issued by or on behalf of public authorities to raise money for privately-operated housing facilities, sports facilities, convention or trade show centers, airports, mass transit, port facilities, parking areas, air or water pollution control facilities and certain local facilities for water supply, gas, electricity or sewage disposal.

Municipal Bonds Suitable for Investment: The Fund generally restricts its investments to municipal bonds rated Aaa, Aa, A or Baa by Moody's, or AAA, AA, A or BBB by S&P. Municipal bonds in the lowest rated category have speculative characteristics. The Fund also may invest in municipal bonds (but not industrial development bonds) that are not rated by Moody's or S&P but, in the opinion of LB Research, would qualify for Standard & Poor's BBB or Moody's Baa rating. Subsequent to its purchase by the Fund, an issue of municipal bonds may cease to be rated or its rating may be reduced below the minimums required for purchase by the Fund. Neither event requires the elimination of such obligation from the Fund's portfolio, but LB Research will consider such an event in its determination of whether the Fund should continue to hold such obligation in its portfolio.

The annual portfolio turnover rates of the Fund for the fiscal years ended October 31, 1996 and October 31, 1995 were 33% and 36%, respectively.

For information on other investment policies of the Fund, see "Additional Investment Practices" below.

Lutheran Brotherhood Money Market Fund

The LB Money Market Fund's investment objective is current income consistent with stability of principal.

The Fund pursues this investment objective by investing in a portfolio of money market instruments that mature in 397 days or less in order to obtain

current income and maintain a stable principal. The dollar-weighted average maturity of money market instruments held by the LB Money Market Fund will be 90 days or less. The policy of the Fund is generally to hold instruments until maturity. However, the Fund may attempt to increase yield by trading portfolio securities to take advantage of short-term market variations.

Permissible LB Money Market Fund investments include, but are not limited to: U.S. Treasury bills and all other marketable obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities; instruments of domestic and foreign banks and savings and loans; prime commercial paper; variable amount demand master notes; repurchase agreements; instruments secured by the obligations described above and asset-backed securities.

The Fund will not purchase a security (other than U.S. Government obligations) unless the security (i) is rated by at least two nationally recognized statistical rating organizations (NRSROs) with the highest rating assigned to short-term debt securities (or, if rated by only one NRSRO by that NRSRO, or if not rated, is determined to be of comparable quality), or (ii) is rated by at least two such NRSROs within the two highest ratings assigned to short-term debt securities (or, if rated by only one NRSRO by that NRSRO, or if not rated, is determined to be of comparable quality) and not more than 5% of the assets of the Fund would be invested in such securities. In addition, the Fund may not invest more than 1% of its total assets or \$1 million (whichever is greater) in the securities of a single issuer included in clause (ii) above. Determinations of comparable quality are made by LB Research in accordance with procedures established by the Board of Trustees.

U.S. Government Obligations: The types of U.S. Government obligations in which the Fund may invest include, but are not limited to: direct obligations of the U.S. Treasury, such as U.S. Treasury bills, bonds and notes; and instruments issued or guaranteed by the U.S. Government, its agencies or instrumentalities which are backed by the full faith and credit of the United States, the credit of the agency or instrumentality (a governmental agency organized under federal charter with government supervision) issuing the obligations, or the issuer's right to borrow from the U.S. Treasury. These U.S. Government obligations may include notes, bonds and discount notes issued by following agencies: Federal Land Banks; Central Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Farmers Home Administration; and Federal National Home Mortgage Association.

Bank Instruments: The Fund invests only in instruments of domestic and foreign banks and savings and loans if they have capital and surplus of over \$100,000,000 or the principal amount of the instrument in which the Fund is investing is insured by the Federal Deposit Insurance Corporation (FDIC), including domestic or Eurodollar certificates of deposit, demand and time deposits, savings shares and bankers' acceptances.

Asset-Backed Securities: Asset-backed securities represent interests in pools of consumer loans such as credit card receivables, leases on equipment such as computers and other financial instruments. These securities provide a flow-through of interest and principal payments as payments are received on the loans or leases and may be supported by letters of credit or similar guarantees of payment by a financial institution. These securities are subject to the risks of non-payment of the underlying loans as well as the risks of prepayment. An interest in a bank sponsored master trust which holds the receivables for a major international credit card is an example of an asset backed security; an interest in a trust which holds the customer receivable for a large consumer products company is another example.

For information on other investment policies of the Fund, see "Additional Investment Practices" below.

ADDITIONAL INVESTMENT PRACTICES

Various of the Funds may purchase the following securities or may engage in the following transactions.

REPURCHASE AGREEMENTS

Each of the Funds may engage in repurchase agreement transactions in pursuit of its investment objective. A repurchase agreement consists of a purchase and a simultaneous agreement to resell for later delivery at an agreed upon price and rate of interest U.S. Government obligations. The Fund or its custodian will take possession of the obligations subject to a repurchase agreement. If the original seller of a security subject to a repurchase

agreement fails to repurchase the security at the agreed upon time, the Fund could incur a loss due to a drop in the market value of the security during the time it takes the Fund to either sell the security or take action to enforce the original seller's agreement to repurchase the security. Also, if a defaulting original seller filed for bankruptcy or became insolvent, disposition of such security might be delayed by pending court action. The Fund may only enter into repurchase agreements with banks and other recognized financial institutions such as broker/dealers which are found by LB Research (or the Sub-advisor) to be creditworthy.

REVERSE REPURCHASE AGREEMENTS

Each of the Funds except the LB Money Market Fund also may enter into reverse repurchase agreements, which are similar to borrowing cash. A reverse repurchase agreement is a transaction in which the Fund transfers possession of a portfolio instrument to another person, such as a financial institution, broker or dealer, in return for a percentage of the instrument's market value in cash, with an agreement that at a stipulated date in the future the Fund will repurchase the portfolio instrument by remitting the original consideration plus interest at an agreed upon rate. The use of reverse repurchase agreements may enable the Fund to avoid selling portfolio instruments at a time when a sale may be deemed to be disadvantageous, but the ability to enter into reverse repurchase agreements does not assure that the Fund will be able to avoid selling portfolio instruments at a disadvantageous time. The Fund will engage in reverse repurchase agreements which are not in excess of 60 days to maturity and will do so to avoid borrowing cash and not for the purpose of investment leverage or to speculate on interest rate changes.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

Each of the Funds may purchase securities on a when-issued and delayed delivery basis. When-issued and delayed delivery transactions arise when U.S. Government obligations and other types of securities are bought by the Fund with payment and delivery taking place in the future. The settlement dates of these transactions, which may be a month or more after entering into the transaction, are determined by mutual agreement of the parties. There are no fees or other expenses associated with these types of transactions other than normal transaction costs. To the extent a Fund engages in when-issued and delayed delivery transactions, it will do so for the purpose of acquiring portfolio instruments consistent with its investment objective and policies and not for the purpose of investment leverage or to speculate on interest rate changes. On the settlement date, the value of such instruments may be less than the cost thereof. When effecting when-issued and delayed delivery transactions, cash, cash equivalents or high grade debt obligations of a dollar amount sufficient to make payment for the obligations to be purchased will be segregated at the trade date and maintained until the transaction has been settled.

LENDING SECURITIES

Each of the Funds may from time to time lend the securities it holds to broker-dealers, provided that such loans are made pursuant to written agreements and are continuously secured by collateral in the form of cash, U.S. Government securities, or irrevocable standby letters of credit in an amount at all times equal to at least the market value of the loaned securities plus the accrued interest and dividends. For the period during which the securities are on loan, the lending Fund will be entitled to receive the interest and dividends, or amounts equivalent thereto, on the loaned securities and a fee from the borrower or interest on the investment of the cash collateral. The right to terminate the loan will be given to either party subject to appropriate notice. Upon termination of the loan, the borrower will return to the Fund securities identical to the loaned securities.

The primary risk in lending securities is that the borrower may become insolvent on a day on which the loaned security is rapidly increasing in value. In such event, if the borrower fails to return the loaned security, the existing collateral might be insufficient to purchase back the full amount of the security loaned, and the borrower would be unable to furnish additional collateral. The borrower would be liable for any shortage, but the lending Fund would be an unsecured creditor with respect to such shortage and might not be able to recover all or any thereof. However, this risk may be minimized by a careful selection of borrowers and securities to be lent and by monitoring collateral.

No Fund will not lend securities to broker-dealers affiliated with LB Research or the Sub-advisor. This will not affect the Fund's ability to maximize its securities lending opportunities. No Fund may lend any security

or make any other loan if, as a result, more than one-third of its total assets would be lent to other parties.

PUT AND CALL OPTIONS

(All Funds except the LB Money Market Fund)

SELLING ("WRITING") COVERED CALL OPTIONS: Certain of the Funds may from time to time sell ("WRITE") covered call options on any portion of its portfolio as a hedge to provide partial protection against adverse movements in prices of securities in those Funds and, subject to the limitations described below, for the non-hedging purpose of attempting to create additional income. A call option gives the buyer of the option, upon payment of a premium, the right to call upon the writer to deliver a specified amount of a security on or before a fixed date at a predetermined ("strike") price. As the writer of a call option, a Fund assumes the obligation to deliver the underlying security to the holder of the option on demand at the strike price.

If the price of a security hedged by a call option falls below or remains below the strike price of the option, a Fund will generally not be called upon to deliver the security. A Fund will, however, retain the premium received for the option as additional income, offsetting all or part of any decline in the value of the security. If the price of a hedged security rises above or remains above the strike price of the option, the Fund will generally be called upon to deliver the security. In this event, a Fund limits its potential gain by limiting the value it can receive from the security to the strike price of the option plus the option premium.

BUYING CALL OPTIONS: Certain of the Funds may also from time to time purchase call options on securities in which those Funds may invest. As the holder of a call option, a Fund has the right to purchase the underlying security or currency at the exercise price at any time during the option period (American style) or at the expiration of the option (European style). A Fund generally will purchase such options as a hedge to provide protection against adverse movements in the prices of securities which the Fund intends to purchase. In purchasing a call option, a Fund would realize a gain if, during the option period, the price of the underlying security increased by more than the amount of the premium paid. A Fund would realize a loss equal to all or a portion of the premium paid if the price of the underlying security decreased, remained the same, or did not increase by more than the premium paid.

BUYING PUT OPTIONS: Certain of the Funds may from time to time purchase put options on any portion of its portfolio. A put option gives the buyer of the option, upon payment of a premium, the right to deliver a specified amount of a security to the writer of the option on or before a fixed date at a predetermined ("strike") price. A Fund generally will purchase such options as a hedge to provide protection against adverse movements in the prices of securities in the Fund. In purchasing a put option, a Fund would realize a gain if, during the option period, the price of the security declined by an amount in excess of the premium paid. A Fund would realize a loss equal to all or a portion of the premium paid if the price of the security increased, remained the same, or did not decrease by more than the premium paid.

OPTIONS ON FOREIGN CURRENCIES: The LB World Growth Fund may also write covered call options and purchase put and call options on foreign currencies as a hedge against changes in prevailing levels of currency exchange rates.

SELLING PUT OPTIONS: The Funds may not sell put options, except in the case of a closing purchase transaction (see Closing Transactions).

INDEX OPTIONS: As part of its options transactions, certain of the Funds may also purchase and sell call options and purchase put options on stock and bond indices. Options on securities indices are similar to options on a security except that, upon the exercise of an option on a securities index, settlement is made in cash rather than in specific securities.

CLOSING TRANSACTIONS: Certain of the Funds may dispose of options which they have written by entering into "closing purchase transactions". Those Funds may dispose of options which they have purchased by entering into "closing sale transactions". A closing transaction terminates the rights of a holder, or the obligation of a writer, of an option and does not result in the ownership of an option.

A Fund realizes a profit from a closing purchase transaction if the premium paid to close the option is less than the premium received by the Fund from writing the option. The Fund realizes a loss if the premium paid is more than the premium received. The Fund may not enter into a closing purchase transaction with respect to an option it has written after it has been

notified of the exercise of such option.

A Fund realizes a profit from a closing sale transaction if the premium received to close out the option is more than the premium paid for the option. A Fund realizes a loss if the premium received is less than the premium paid.

SPREADS AND STRADDLES: Certain of the Funds may also engage in "straddle" and "spread" transactions in order to enhance return, which is a speculative, non-hedging purpose. A straddle is established by buying both a call and a put option on the same underlying security, each with the same exercise price and expiration date. A spread is a combination of two or more call options or put options on the same security with differing exercise prices or times to maturity. The particular strategies employed by a Fund will depend on LB Research's or the Sub-advisor's perception of anticipated market movements.

NEGOTIATED TRANSACTIONS: Certain of the Funds will generally purchase and sell options traded on a national securities or options exchange. Where options are not readily available on such exchanges, a Fund may purchase and sell options in negotiated transactions. A Fund effects negotiated transactions only with investment dealers and other financial institutions deemed creditworthy by its investment adviser. Despite the investment adviser's or sub-advisor's best efforts to enter into negotiated options transactions with only creditworthy parties, there is always a risk that the opposite party to the transaction may default in its obligation to either purchase or sell the underlying security at the agreed upon time and price, resulting in a possible loss by the Fund. This risk is described more completely in the section of this Prospectus entitled, "Risks of Transactions in Options and Futures". Options written or purchased by a Fund in negotiated transactions are illiquid and there is no assurance that a Fund will be able to effect a closing purchase or closing sale transaction at a time when its Investment Adviser or Sub-advisor believes it would be advantageous to do so. In the event the Fund is unable to effect a closing transaction with the holder of a call option written by the Fund, the Fund may not sell the security underlying the option until the call written by the Fund expires or is exercised. The underlying securities on such transactions will also be considered illiquid and are subject to the Fund's 15% illiquid securities limitations.

LIMITATIONS: A Fund will not purchase any option if, immediately thereafter, the aggregate cost of all outstanding options purchased and held by the Fund would exceed 5% of the market value of the Fund's total assets. A Fund will not write any option if, immediately thereafter, the aggregate value of the Fund's securities subject to outstanding options would exceed 30% of the market value of the Fund's total assets.

FINANCIAL FUTURES AND OPTIONS ON FUTURES
(All Funds except the LB Money Market Fund)

SELLING FUTURES CONTRACTS: Certain of the Funds may sell financial futures contracts ("futures contracts") as a hedge against adverse movements in the prices of securities in those Funds. Such contracts may involve futures on items such as U.S. Government Treasury bonds, notes and bills, government mortgage-backed securities; corporate and municipal bond indices; and stock indices. A futures contract sale creates an obligation for the Fund, as seller, to deliver the specific type of instrument called for in the contract at a specified future time for a specified price. In selling a futures contract, the Fund would realize a gain on the contract if, during the contract period, the price of the securities underlying the futures contract decreased. Such a gain would be expected to approximately offset the decrease in value of the same or similar securities in the Fund. The Fund would realize a loss if the price of the securities underlying the contract increased. Such a loss would be expected to approximately offset the increase in value of the same or similar securities in the Fund.

Futures contracts have been designed by and are traded on boards of trade which have been designated "contract markets" by the Commodity Futures Trading Commission ("CFTC"). These boards of trade, through their clearing corporations, guarantee performance of the contracts. Although the terms of some financial futures contracts specify actual delivery or receipt of securities, in most instances these contracts are closed out before the settlement due date without the making or taking of delivery of the securities. Other financial futures contracts, such as futures contracts on a securities index, by their terms call for cash settlements. The closing out of a futures contract is effected by entering into an offsetting purchase or sale transaction.

When a Fund sells a futures contract, or a call option on a futures

contract, it is required to make payments to the commodities broker which are called "margin" by commodities exchanges and brokers.

The payment of "margin" in these transactions is different than purchasing securities "on margin". In purchasing securities "on margin" an investor pays part of the purchase price in cash and receives an extension of credit from the broker, in the form of a loan secured by the securities, for the unpaid balance. There are two categories of "margin" involved in these transactions: initial margin and variation margin. Initial margin does not represent a loan between a Fund and its broker, but rather is a "good faith deposit" by a Fund to secure its obligations under a futures contract or an option. Each day during the term of certain futures transactions, a Fund will receive or pay "variation margin" equal to the daily change in the value of the position held by the Fund.

BUYING FUTURES CONTRACTS: Certain of the Funds may also purchase financial futures contracts as a hedge against adverse movements in the prices of securities which they intend to purchase. A futures contract purchase creates an obligation by a Fund, as buyer, to take delivery of the specific type of instrument called for in the contract at a specified future time for a specified price. In purchasing a futures contract, a Fund would realize a gain if, during the contract period, the price of the securities underlying the futures contract increased. Such a gain would approximately offset the increase in cost of the same or similar securities which a Fund intends to purchase. A Fund would realize a loss if the price of the securities underlying the contract decreased. Such a loss would approximately offset the decrease in cost of the same or similar securities which a Fund intends to purchase.

OPTIONS ON FUTURES CONTRACTS: Certain of the Funds may also sell ("write") covered call options on futures contracts and purchase put and call options on futures contracts in connection with hedging strategies. A Fund may not sell put options on futures contracts. An option on a futures contract gives the buyer of the option, in return for the premium paid for the option, the right to assume a position in the underlying futures contract (a long position if the option is a call and a short position if the option is a put). The writing of a call option on a futures contract constitutes a partial hedge against declining prices of securities underlying the futures contract to the extent of the premium received for the option. The purchase of a put option on a futures contract constitutes a hedge against price declines below the exercise price of the option and net of the premium paid for the option. The purchase of a call option constitutes a hedge, net of the premium, against an increase in cost of securities which a Fund intends to purchase.

CURRENCY FUTURES CONTRACTS AND OPTIONS: The LB World Growth Fund may also sell and purchase currency futures contracts (or options thereon) as a hedge against changes in prevailing levels of currency exchange rates. Such contracts may be traded on U.S. or foreign exchanges. The Fund will not use such contracts or options for leveraging purposes.

LIMITATIONS: Certain of the Funds may engage in futures transactions, and transactions involving options on futures, only on regulated commodity exchanges or boards of trade. A Fund will not enter into a futures contract or purchase or sell related options if immediately thereafter (a) the sum of the amount of initial margin deposits on the Fund's existing futures and related options positions and premiums paid for options with respect to futures and options used for non-hedging purposes would exceed 5% of the market value of the Fund's total assets or (b) the sum of the then aggregate value of open futures contracts sales, the aggregate purchase prices under open futures contract purchases, and the aggregate value of futures contracts subject to outstanding options would exceed 30% of the market value of the Fund's total assets. In addition, in instances involving the purchase of futures contracts or call options thereon, a Fund will maintain cash or cash equivalents, less any related margin deposits, in an amount equal to the market value of such contracts. "Cash and cash equivalents" may include cash, government securities, or liquid high quality debt obligations.

HYBRID INVESTMENTS

As part of its investment program and to maintain greater flexibility, the Fund may invest in hybrid instruments (a potentially high risk derivative) which have the characteristics of futures, options and securities. Such instruments may take a variety of forms, such as debt instruments with interest or principal payments determined by reference to the value of a currency, security index or commodity at a future point in time. The risks of such investments would reflect both the risks of investing in futures, options, currencies and securities, including volatility and illiquidity.

Under certain conditions, the redemption value of a hybrid instrument could be zero. The Fund does not expect to hold more than 5% of its total assets in hybrid instruments. For a discussion of hybrid investments and the risks involved therein, see the Trust's Statement of Additional Information under "Additional Information Concerning Certain Investment Techniques".

RISKS OF TRANSACTIONS IN OPTIONS AND FUTURES

There are certain risks involved in the use of futures contracts, options on securities and securities index options, and options on futures contracts, as hedging devices. There is a risk that the movement in the prices of the index or instrument underlying an option or futures contract may not correlate perfectly with the movement in the prices of the assets being hedged. The lack of correlation could render a Fund's hedging strategy unsuccessful and could result in losses. The loss from investing in futures transactions is potentially unlimited.

There is a risk that LB Research or the Sub-advisor could be incorrect in their expectations about the direction or extent of market factors such as interest rate movements. In such a case a Fund would have been better off without the hedge. In addition, while the principal purpose of hedging is to limit the effects of adverse market movements, the attendant expense may cause a Fund's return to be less than if hedging had not taken place. The overall effectiveness of hedging therefore depends on the expense of hedging and LB Research's or the Sub-advisor's accuracy in predicting the future changes in interest rate levels and securities price movements.

A Fund will generally purchase and sell options traded on a national securities or options exchange. Where options are not readily available on such exchanges a Fund may purchase and sell options in negotiated transactions. When a Fund uses negotiated options transactions it will seek to enter into such transactions involving only those options and futures contracts for which there appears to be an active secondary market. There is nonetheless no assurance that a liquid secondary market such as an exchange or board of trade will exist for any particular option or futures contract at any particular time. If a futures market were to become unavailable, in the event of an adverse movement, a Fund would be required to continue to make daily cash payments of maintenance margin if it could not close a futures position. If an options market were to become unavailable and a closing transaction could not be entered into, an option holder would be able to realize profits or limit losses only by exercising an option, and an option writer would remain obligated until exercise or expiration. In addition, exchanges may establish daily price fluctuation limits for options and futures contracts, and may halt trading if a contract's price moves upward or downward more than the limit in a given day. On volatile trading days when the price fluctuation limit is reached or a trading halt is imposed, it may be impossible for a Fund to enter into new positions or close out existing positions. If the secondary market for a contract is not liquid because of price fluctuation limits or otherwise, it could prevent prompt liquidation of unfavorable positions, and potentially could require a Fund to continue to hold a position until delivery or expiration regardless of changes in its value. As a result, a Fund's access to other assets held to cover its options or futures positions could also be impaired.

When conducting negotiated options transactions there is a risk that the opposite party to the transaction may default in its obligation to either purchase or sell the underlying security at the agreed upon time and price. In the event of such a default, a Fund could lose all or part of benefit it would otherwise have realized from the transaction, including the ability to sell securities it holds at a price above the current market price or to purchase a security from another party at a price below the current market price.

The Funds intend to continue to meet the requirements of federal law to be treated as a regulated investment company. One of these requirements is that a Fund realize less than 30% of its annual gross income from the sale of securities held for less than three months. Accordingly, the extent to which a Fund may engage in futures contracts and related options may be materially limited by this 30% test. Options activities of a Fund may increase the amount of gains from the sale of securities held for less than three months, because gains from the expiration of, or from closing transactions with respect to, call options written by a Fund will be treated as short-term gains and because the exercise of call options written by the Fund would cause it to sell the underlying securities before it otherwise might.

Finally, if a broker or clearing member of an options or futures clearing corporation were to become insolvent, a Fund could experience delays and might not be able to trade or exercise options or futures purchased through that broker or clearing member. In addition, a Fund could have some or all

of its positions closed out without its consent. If substantial and widespread, these insolvencies could ultimately impair the ability of the clearing corporations themselves.

TEMPORARY DEFENSIVE INVESTMENTS

The LB Opportunity Growth Fund, LB World Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, and LB Municipal Bond Fund, may hold up to 100% of their assets in cash or short-term debt securities for temporary defensive position when, in the opinion of LB Research or the Sub-advisor such a position is more likely to provide protection against unfavorable market conditions than adherence to the Funds' other investment policies. The types of short-term instruments in which the Funds may invest for such purposes include short-term money market securities such as repurchase agreements and securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, certificates of deposit, Eurodollar certificates of deposit, commercial paper and banker's acceptances issued by domestic and foreign corporations and banks. When investing in short-term money market obligations for temporary defensive purposes, a Fund will invest only in securities rated at the time of purchase Prime-1 or Prime-2 by Moody's, A-1 or A-2 by S&P, F-1 or F-2 by Fitch Investors Service, Inc., or unrated instruments that are determined by LB Research or the Sub-advisor to be of a comparable level of quality. When a Fund adopts a temporary defensive position its investment objective may not be achieved.

INVESTMENT LIMITATIONS

In seeking to lessen investment risk, each Fund operates under certain investment restrictions. The restrictions in the following paragraphs may not be changed with respect to any Fund except by a vote of a majority of the outstanding voting securities of that Fund.

No Fund may, with respect to 75% of its total assets, purchase the securities of any issuer (except Government Securities, as such term is defined in the Investment Company Act of 1940) if, as a result, the Fund would own more than 10% of the outstanding voting securities of such issuer or the Fund would have more than 5% of its total assets invested in the securities of such issuer. The LB Opportunity Growth Fund, LB World Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, and LB Money Market Fund may not invest in a security if the transaction would result in 25% or more of the Fund's total assets being invested in any one industry.

A Fund other than the LB Money Market Fund may borrow (through reverse repurchase agreements or otherwise) up to one-third of its total assets. If a Fund borrows money its share price will be subject to greater fluctuation until the borrowing is paid off. If a Fund makes additional investments while borrowings are outstanding, this may be considered a form of leverage. If borrowings, including reverse repurchase agreements, exceed 5% of a Fund's total assets, such Fund will not purchase portfolio securities.

For further information on these and other investment restrictions, including nonfundamental investment restrictions which may be changed without a shareholder vote, see the Statement of Additional Information.

INVESTMENT RISKS

Special risks are associated with investments in some of the Funds, beyond the standard level of risks. These risks are described below. An investor should take into account his or her investment objectives and ability to absorb a loss or decline in his or her investment when considering an investment in such Funds. Investors in certain of the Funds assume an above average risk of loss, and should not consider an investment those Funds to be a complete investment program.

LB Opportunity Growth Fund Investment Risks

The LB Opportunity Growth Fund is aggressively managed and invests primarily in the stocks of smaller, less seasoned companies many of which are traded on an over-the-counter basis, rather than on a national exchange. These companies represent a relatively higher degree of risk than do the stocks of larger, more established companies. The companies the LB Opportunity Growth Fund invests in also tend to be more dependent on the success of a single product line and have less experienced management. They tend to have smaller market shares, smaller capitalization, and less access to sources of additional capital. As a result, these companies tend to have less ability to cope with problems and market downturns and their shares of stock tend to be less liquid and more volatile in price.

The Fund, may invest in stocks of foreign issuers and in "ADRs" "EDRs" of foreign stocks. When investing in foreign stocks, ADRs and EDRs, the Fund assumes certain additional risks that are not present with investments in stocks of domestic companies. These risks include political and economic developments such as possible expropriation or confiscatory taxation that might adversely affect the market value of such stocks, ADRs and EDRs. In addition, there may be less publicly available information about such foreign issuers than about domestic issuers, and such foreign issuers may not be subject to the same accounting, auditing and financial standards and requirements as domestic issuers.

OTHER RISKS OF FOREIGN INVESTING INCLUDE:

Foreign Securities. Investments in securities of foreign issuers may involve risks that are not present with domestic investments. While investments in foreign securities are intended to reduce risk by providing further diversification, such investments involve sovereign risk in addition to credit and market risks. Sovereign risk includes local political or economic developments, potential nationalization, withholding taxes on dividend or interest payments, and currency blockage (which would prevent cash from being brought back to the United States). Compared to United States issuers, there is generally less publicly available information about foreign issuers and there may be less governmental regulation and supervision of foreign stock exchanges, brokers and listed companies. Fixed brokerage commissions on foreign securities exchanges are generally higher than in the United States. Foreign issuers are not generally subject to uniform accounting and auditing and financial reporting standards, practices and requirements comparable to those applicable to domestic issuers. Securities of some foreign issuers are less liquid and their prices are more volatile than securities of comparable domestic issuers. In some countries, there may also be the possibility of expropriation or confiscatory taxation, limitations on the removal of funds or other assets, difficulty in enforcing contractual and other obligations, political or social instability or revolution, or diplomatic developments which could affect investments in those countries. Settlement of transactions in some foreign markets may be delayed or less frequent than in the United States, which could affect the liquidity of investments. For example, securities which are listed on foreign exchanges or traded in foreign markets may trade on days (such as Saturday) when the Fund does not compute its price or accept orders for the purchase, redemption or exchange of its shares. As a result, the net asset value of the Fund may be significantly affected by trading on days when shareholders cannot make transactions. Further, it may be more difficult for the Trust's agents to keep currently informed about corporate actions which may affect the price of portfolio securities. Communications between the U.S. and foreign countries may be less reliable than within the U.S., increasing the risk of delayed settlements or loss of certificates for portfolio securities.

Investments by the Fund in foreign companies may require the Fund to hold securities and funds denominated in a foreign currency. Foreign investments may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. Thus, the Fund's net asset value per share will be affected by changes in currency exchange rates. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, gains and losses realized on the sale of securities and net investment income and gains, if any, to be distributed to shareholders of the Fund. They generally are determined by the forces of supply and demand in foreign exchange markets and the relative merits of investment in different countries, actual or perceived changes in interest rates or other complex factors, as seen from an international perspective. Currency exchange rates also can be affected unpredictably by intervention by U.S. or foreign governments or central banks or the failure to intervene, or by currency controls or political developments in the U.S. or abroad. In addition, the Fund may incur costs in connection with conversions between various currencies. Investors should understand and consider carefully the special risks involved in foreign investing. These risks are often heightened for investments in emerging or developing countries.

Developing Countries. Investing in developing countries involves certain risks not typically associated with investing in U.S. securities, and imposes risks greater than, or in addition to, risks of investing in foreign, developed countries. These risks include: the risk of nationalization or expropriation of assets or confiscatory taxation; currency devaluations and other currency exchange rate fluctuations; social, economic and political uncertainty and instability (including the risk of war); more substantial government involvement in the economy; higher rates

of inflation; less government supervision and regulation of the securities markets and participants in those markets; controls on foreign investment and limitations on repatriation of invested capital and on the Fund's ability to exchange local currencies for U.S. dollars; unavailability of currency hedging techniques in certain developing countries; the fact that companies in developing countries may be smaller, less seasoned and newly organized companies; the difference in, or lack of, auditing and financial reporting standards, which may result in unavailability of material information about issuers; the risk that it may be more difficult to obtain and/or enforce a judgment in a court outside the United States; and greater price volatility, substantially less liquidity and significantly smaller market capitalization of securities markets.

American Depository Receipts (ADRs) and European Depository Receipts (EDRs): ADRs are dollar-denominated receipts generally issued by a domestic bank that represents the deposit of a security of a foreign issuer. ADRs may be publicly traded on exchanges or over-the-counter in the United States. EDRs are receipts similar to ADRs and are issued and traded in Europe. ADRs and EDRs may be issued as sponsored or unsponsored programs. In sponsored programs, the issuer makes arrangements to have its securities traded in the form of ADRs or EDRs. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, the issuers of unsponsored ADRs or EDRs are not obligated to disclose material information in the United States and, therefore, the import of such information may not be reflected in the market value of such securities.

CURRENCY FLUCTUATIONS. Investment in securities denominated in foreign currencies involves certain risks. A change in the value of any such currency against the U.S. dollar will result in a corresponding change in the U.S. dollar value of a Fund's assets denominated in that currency. Such changes will also affect a Fund's income. Generally, when a given currency appreciates against the dollar (the dollar weakens) the value of a Fund's securities denominated in that currency will rise. When a given currency depreciates against the dollar (the dollar strengthens) the value of a Fund's securities denominated in that currency would be expected to decline.

LB High Yield Fund Investment Risks

Investment in high yield, high risk securities (sometimes referred to as "junk bonds") involves a greater degree of risk than investment in higher quality securities. Investment in high yield, high risk securities involves increased financial risk due to the higher risk of default by the issuers of bonds and other debt securities having quality rating of "Ba" or lower by Moody's or "BB" or lower by Standard & Poor's. The higher risk of default may be due to higher debt leverage ratios, a history of low profitability or losses, or other fundamental factors that weaken the ability of the issuer to service its debt obligations.

In addition to the factors of issuer creditworthiness described above, high yield, high risk securities generally involve a number of additional market risks. These risks include:

Youth and Growth of High Yield, High Risk Market: The high yield, high risk bond market is relatively new. While many of the high yield issues currently outstanding have endured an economic recession, there can be no assurance that this will be true in the event of increased interest rates or widespread defaults brought about by a more severe and sustained economic downturn.

Sensitivity to Interest Rate and Economic Changes: The market value of high yield, high risk securities have been found to be less sensitive to interest rate changes on a short-term basis than higher-rated investments, but more sensitive to adverse economic developments or individual corporate developments. During an economic downturn or substantial period of rising interest rates, highly leveraged issuers may be more likely to experience financial stress which would impair their ability to service their principal and interest payment obligations or obtain additional financing. In the event the issuer of a bond defaults on payments, the LB High Yield Fund may incur additional expenses in seeking recovery. In periods of economic change and uncertainty, market values of high yield, high risk securities and the LB High Yield Fund's assets value may become more volatile. Furthermore, in the case of zero coupon or payment-in-kind high yield, high risk securities, market values tend to be more greatly affected by interest rate changes than securities which pay interest periodically and in cash. Changes in the market value of securities owned by the LB High Yield Fund will not affect cash income but will affect the net asset value of the Fund's shares.

Payment Expectations: High yield, high risk securities, like higher quality securities, may contain redemption or call provisions, which allow the issuer to redeem a security in the event interest rates drop. In this event, the LB High Yield Fund would have to replace the issue with a lower yielding security, resulting in a decreased yield for investors.

Liquidity and Valuation: High yield, high risk securities at times tend to be more thinly traded and are less likely to have an estimated retail secondary market than investment grade securities. This may adversely impact the LB High Yield Fund's ability to dispose of particular issues and to accurately value securities in the LB High Yield Fund's portfolios. Also, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease market values and liquidity, especially on thinly traded issues.

Taxation: High yield, high risk securities structured as zero coupon or payment-in-kind issues may require the LB High Yield Fund to report interest on such securities as income even though the LB High Yield Fund receives no cash interest on such securities until the maturity or payment date. The LB High Yield Fund may be required to sell other securities to generate cash to make any required dividend distribution.

Limiting Investment Risk

LB Research believes that the risks of investing in high yield, high risk securities can be reduced by the use of professional portfolio management techniques including:

Credit Research: LB Research will perform its own credit analysis in addition to using recognized rating agencies and other sources, including discussions with the issuer's management, the judgment of other investment analysts and its own judgment. The adviser's credit analysis will consider such factors as the issuer's financial soundness, its responsiveness to changes in interest rates and business conditions, its anticipated cash flow, asset values, interest or dividend coverage and earnings.

Diversification: The LB High Yield Fund invests in widely diversified portfolio of securities to minimize the impact of a loss in any single investment and to reduce portfolio risk. As of October 31, 1996, the LB High Yield Fund held securities of 126 corporate issuers, and the LB High Yield Fund's holdings had the following credit quality characteristics:

Investment -----	Percentage of Net Assets -----
Short-term securities	
AAA equivalent	5.7%
Government obligations	--
Corporate obligations	
AAA/Aaa	--
AA/Aa	--
A/A	--
BBB/Baa	0.2%
BB/Ba	5.7%
B/B	46.9%
CCC/Caa	8.6%
CC/Ca	.01%
D/D	.03%
Not rated	16.1%
Other Net Assets	16.8%

Total	100.0%

Economic and Market Analysis: LB Research will analyze current developments and trends in the economy and in the financial markets. The LB High Yield Fund may invest in higher quality securities in the event that investment in high yield, high risk securities is deemed to present unacceptable market or financial risk.

BUYING SHARES OF THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS

INITIAL PURCHASES

The Funds are a family of mutual funds offering investment opportunities to members of Lutheran Brotherhood and to Lutheran church organizations,

trusts, and employee benefit plans. Lutheran Brotherhood membership is open to any person who is (1) baptized in the Christian faith or affiliated with a Lutheran church organization and (2) professes to be a Lutheran, or to any non-Lutheran who is a spouse, dependent child, or grandchild of a member or qualified proposed member.

To make your first purchase of shares of the Funds:

- * complete and sign an application included in this booklet;
- * enclose a check made payable to the Fund you have chosen: 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, or Lutheran Brotherhood Money Market Fund; and
- * mail your application and check to Lutheran Brotherhood Securities Corp., 625 Fourth Avenue S., Minneapolis, MN 55415.

SUBSEQUENT PURCHASES

To purchase additional shares of any of The Lutheran Brotherhood Family of Funds, send a check payable to the Fund to LB Securities together with a completed To Invest By Mail form. You may also buy additional Fund shares through:

- * your LB Securities representative;
- * the Systematic Investment Plan (SIP), under which you authorize automatic monthly payments to the Fund from your checking account;
- * the automatic Payroll Deduction Plan;
- * Invest-by-Phone; or
- * Federal Reserve or bank wire.

INVEST-BY-PHONE

The Fund's Invest-by-Phone service allows you to telephone LB Securities to request the purchase of Fund shares. You must first complete an Account Features Request permitting LB Securities to accept your telephoned requests. When LB Securities receives your telephoned request, it will draw funds directly from your preauthorized bank account at a commercial or savings bank or credit union. The bank or credit union must be a member of the Automated Clearing House system. To use this service, you may call 800-328-4552 or (612) 339-8091 before 4:00 p.m. (Eastern time). Funds will be withdrawn from your bank or credit union account and shares will be purchased for you at the price next calculated by the Fund after receipt of funds from your bank. This service may also be used to redeem shares. See "Redeeming Shares."

FEDERAL RESERVE OR BANK WIRE

You may purchase shares by Federal Reserve or bank wire directly to Norwest Bank Minnesota, N.A. This method will result in a more rapid investment in Fund shares. To wire Funds:

Notify LB Securities of a pending wire, call: (800) 328-4552, or (612) 339-8091 (local)

Wire to: Norwest Bank of Minneapolis, NA
Norwest Bank
6th Street and Marquette Avenue
Minneapolis, MN 55479

ABA Routing #: 091000019

Account #: 00-003-156

Account Name: Lutheran Brotherhood Securities Corp.

Use text message to indicate:

Transfer for - shareholder name(s), fund and account number, LB Representative name and number.

Your LB Securities representative can explain any of these investment plans.

MINIMUM INVESTMENTS REQUIRED

Minimum investments required for the Fund are \$500 for an initial purchase and \$50 for additional purchases. An initial purchase of \$50 is permitted for tax-deferred retirement plans, and Systematic Investment plans, and payroll plans.

Minimum investments required for each of The Lutheran Brotherhood Family of Funds are outlined below.

<TABLE>

<CAPTION>

	First Purchase -----	Additional Purchases -----
<S>	<C>	<C>
Lutheran Brotherhood Opportunity Growth Fund	\$ 500 (1) (2)	\$50
Lutheran Brotherhood World Growth Fund	\$ 500 (1) (2)	\$50
Lutheran Brotherhood Fund	\$ 500 (1) (2)	\$50
Lutheran Brotherhood High Yield Fund	\$ 500 (1) (2)	\$50
Lutheran Brotherhood Income Fund	\$ 500 (1) (2)	\$50
Lutheran Brotherhood Municipal Bond Fund	\$ 500 (2)	\$50
Lutheran Brotherhood Money Market Fund	\$1,500 (3)	\$100

</TABLE>

- (1) \$50 initial purchase for tax-deferred retirement plans.
- (2) \$50 initial purchase under Systematic Investment Plan and payroll deduction plans.
- (3) \$100 initial purchase under Systematic Investment Plan and payroll deduction plans.

EXCHANGING SHARES BETWEEN FUNDS

You may exchange at relative net asset value shares of the Fund for any of the other funds in the Lutheran Brotherhood Family of Funds, including LB Opportunity Growth Fund, LB World Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, and LB Municipal Bond Fund.

Shares of the LB Money Market Fund acquired in such exchanges, including shares of that Fund acquired by reinvestment of dividends and held in the LB Money Market Fund may be re-exchanged at relative net asset value for shares of the Fund and the other Lutheran Brotherhood Funds. Shares of the LB Money Market Fund not acquired in such an exchange may be exchanged at relative net asset value plus the applicable sales load for shares of the Fund. Each exchange constitutes a sale of shares requiring the calculation of a capital gain or loss for tax reporting purposes. To obtain an exchange form or to receive more information about making exchanges between funds, contact your LB Securities representative. This exchange offer may be modified or terminated in the future. If the exchange offer is materially modified or terminated, you will receive at least 60 days prior notice.

TELEPHONE EXCHANGES

You may make the type of exchanges between Funds described above by telephone unless otherwise indicated on the account application. You may make an unlimited number of telephone exchanges. Telephone exchanges must be for a minimum amount of \$500. Telephone exchanges may be made into new or existing Fund or LB Money Market Fund accounts, and all accounts involved in telephone exchanges must have the same ownership registration. To request a telephone exchange, call toll-free (800) 328-4552; or (612) 339-8091.

The Funds reserve the right to refuse a wire or telephone redemption or exchange if it is reasonably believed to be unauthorized. Procedures for redeeming or exchanging Fund shares by wire or telephone may be modified or terminated at any time by the Funds. When requesting a redemption or exchange by telephone, shareholders should have available the correct account registration and account number or tax identification number. All telephone redemptions and exchanges are recorded and written confirmations

are subsequently mailed to an address of record. Neither the Funds nor LB Securities will be liable for following redemption or exchange instructions received by telephone, which are reasonably believed to be genuine, and the shareholder will bear the risk of loss in the event of unauthorized or fraudulent telephone instructions. The Funds and LB Securities will employ reasonable procedures to confirm that instructions communicated by telephone are genuine. The Funds and/or LB Securities may be liable for any losses due to unauthorized or fraudulent instructions in the absence of following these procedures.

WHAT YOUR SHARES WILL COST

The offering price of the Fund is the next determined net asset value (which will fluctuate) plus any applicable sales charge.

NET ASSET VALUE OF YOUR SHARES

LB Money Market Fund seeks to maintain a stable \$1.00 net asset value pursuant to procedures established by the Board of Trustees in connection with the amortized cost method of portfolio valuation. The net asset value for the other six Funds varies with the value of their investments. Each Fund determines its net asset value by adding the value of its portfolio securities to all other Fund assets, subtracting the Fund's liabilities, and dividing the result by the number of shares outstanding.

The Funds determine their net asset value on each day the New York Stock Exchange is open for business, or any other day as required under the rules of the Securities and Exchange Commission. The calculation is made as of the close of regular trading of the New York Stock Exchange (currently 4:00 p.m. Eastern time) after the Fund has declared any applicable dividends.

SALES CHARGES

Sales charges apply to purchases of each Fund except the LB Money Market Fund. These sales charges vary from 0% to 5% of the offering price, depending upon the amount purchased, including the value of existing investments. The larger your purchase, the smaller the sales charge. Offering prices in this table apply to purchases by an individual or by an individual together with spouse and children under the age of 21. The LB Money Market Fund has no sales charge.

<TABLE>
<CAPTION>

AMOUNT INVESTED	SALES CHARGE	SALES CHARGE
	AS A	AS A
	PERCENTAGE OF	PERCENTAGE OF
	OFFERING PRICE	AMOUNT INVESTED

<S>	<C>	<C>
\$500,000 or more	0%	0%
\$250,000 and above but less than \$500,000	1%	1%
\$100,000 and above but less than \$250,000	2%	2%
\$50,000 and above but less than \$100,000	3%	3.1%
\$25,000 and above but less than \$50,000	4%	4.2%
\$15,000 and above but less than \$25,000	4.5%	4.7%
Less than \$15,000	5%	5.3%

</TABLE>

EXCHANGING SHARES

If you already paid a sales charge on your shares, you may exchange shares between Funds without paying additional sales charges.

REDUCTION IN SALES CHARGES

Ways to reduce the sales charge include:

CUMULATIVE DISCOUNT: All current holdings of shares of LB Opportunity Growth Fund, LB World Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, LB Municipal Bond Fund, or LB Money Market Fund will be aggregated to permit you to enjoy any sales charge reduction allowed for larger sales. The Funds will combine purchases, including the value of existing investments, made by you, your spouse and your children under age 21 when it calculates your sales charge. In addition, reduced sales charges are available for purchases

made at one time by a trustee or fiduciary for a single trust estate or a single fiduciary account. You must inform LB Securities that you qualify for this discount.

REINVESTMENT OF DIVIDENDS: Shares purchased by automatic reinvestment of dividends will not be subject to any sales charges.

THIRTEEN-MONTH LETTER OF INTENT: If you intend to accumulate \$15,000 or more, including the value of existing investments, in one or more of the Funds within the next 13 months, you may sign a letter of intent and receive a reduced sales charge on your share purchases.

REINVESTMENT UPON REDEMPTION: If you redeem any or all of your LB Opportunity Growth Fund, LB World Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, or LB Municipal Bond Fund shares or received cash dividends from one of the Funds, you may reinvest the amount in any of these six Funds without paying a sales charge. You must make your reinvestment within 30 days after redeeming your shares.

FUNDS FROM LUTHERAN BROTHERHOOD AND OTHER LIFE INSURANCE AND ANNUITIES: If Fund shares are purchased with lump sum proceeds (does not apply to period payments) that are payable in the form of death benefits from any life insurance or annuity contract, insured endowment benefits, or matured annuity benefits issued by Lutheran Brotherhood, and are purchased within 90 days of the issuance of such benefits, the sales charge for such shares will be reduced to one-half of the usual charge for such a purchase. If additional shares are also purchased with benefits payable under similar contracts or policies of other insurance companies, and such benefits have become payable as a result of the same occurrence for which the Lutheran Brotherhood benefits became payable, the sales charge for such additional purchase will also be reduced to one-half of the usual charge for such a purchase. To qualify for the reduction in sales charge, either such purchase must be made within 90 days of the date that such benefits were issued.

PURCHASES BY TAX-EXEMPT ORGANIZATIONS: Fund shares are available at one-half of the regular sales charge if purchased by organizations qualifying for tax-exemption under Sections 501(c)(3) and 501(c)(13) of the Internal Revenue Code. Section 501(c)(3) generally would include organizations such as community chests, churches, universities and colleges, libraries and other foundations or organizations operated exclusively for charitable purposes. Section 501(c)(13) would generally include companies such as cemetery companies and other companies owned and operated exclusively for the benefit of their members and also includes not-for-profit companies.

RECEIVING YOUR ORDER

Shares of the Funds are issued on days on which the New York Stock Exchange is open. The net asset value of the shares you are buying will be determined at the close of the regular trading session of the New York Stock Exchange after your order is received.

Your order will be considered received when your check or other payment is received in good order by the home office of LB Securities. The Funds reserve the right to reject any purchase request.

CERTIFICATES AND STATEMENTS

As transfer agent for the Funds, LB Securities will maintain a share account for you. Share certificates will not be issued. Systematic Investment Plan, Systematic Withdrawal Plan and Systematic Exchange Plan transactions, as well as dividend transactions (including dividends reinvested to other funds) will be confirmed on the quarterly consolidated statement. All transactions will be reported as they occur.

REDEEMING SHARES

One of the advantages of owning shares in The Lutheran Brotherhood Family of Funds is the rapid access you have to your investment. Once your request for redemption has been received at the home office of LB Securities, your shares will be redeemed at the next computed net asset value on any day on which the New York Stock Exchange is open for business, or any other day as required under the rules of the Securities and Exchange Commission. That net asset value may be more or less than the net asset value at the time you bought the shares.

You may redeem your shares at any time you choose. The redemption method you choose will determine exactly when you will receive your funds.

All seven Lutheran Brotherhood funds allow you to redeem your shares:

- * in writing;
- * through Redeem-by-Phone; or
- * through the Fund's systematic withdrawal plan.

The LB Money Market Fund also allows you to redeem funds by writing a check, or by using your VISA debit card.

WRITTEN REQUESTS

To redeem all or some of your shares, send a written request to:

Lutheran Brotherhood Securities Corp.
625 Fourth Avenue South
Minneapolis, Minnesota 55415

YOUR SIGNATURE: Your signature on the redemption request must be guaranteed by:

- * a trust company or commercial bank;
- * a savings association;
- * a credit union; or
- * a securities broker, dealer, exchange, association, or clearing agency.

The Fund will not accept signatures that are notarized by a notary public.

RECEIVING YOUR CHECK: Normally, each Fund will mail you a check within one business day after it receives a proper redemption request, but in no event more than three days, unless the Fund has not received payment for the shares to be redeemed. (See "Redemption before Purchase Instruments Clear.")

REDEEM BY PHONE

If you have completed an Account Features Request, you may redeem shares with a net asset value of at least \$1,000 and have them transmitted electronically to your commercial bank by the second business day after your redemption request. This feature is NOT available on IRA or other Tax Deferred Plans.

SYSTEMATIC WITHDRAWAL

Shareholders owning or buying shares with a net asset value of at least \$5,000 may order automatic monthly, quarterly, semiannual or annual redemptions in any amount. The proceeds will be sent to the shareholder or other designated payee, or may be deposited in the shareholder's commercial bank, savings bank or credit union.

Income dividends and capital gains distributions will continue to be reinvested in additional Fund shares. Shares will be redeemed as necessary to make automatic payments to the shareholder.

You may, at any time, elect to have Federal income taxes withheld from your IRA or TSCA distributions, or change the amount currently being withheld. To make the election, please complete and return a Redemption form, or the Systematic Withdrawal section or the IRA/TSCA Distributions section of the Account Features Application which includes the IRS required Substitute W4P.

Shareholders who are making automatic withdrawals ordinarily should not purchase Fund shares, but rather should terminate withdrawals in order to avoid sales charges.

Writing a Check

Redeeming by check allows you to continue earning daily income dividends until your check clears. This service is offered for LB Money Market Fund shares only.

Establishing a checking account: Upon opening your LB Money Market Account, State Street Bank will automatically establish an LB Money Market Fund checking account for you.

Using your LB Money Market checking account: With a LB Money Market Fund checking account, you may redeem your shares simply by writing a check in any amount over \$250. However, you may not write a check for the entire balance of your account. If you redeem shares by check before State Street Bank has collected your payment for shares purchased by check, State Street Bank will return your check marked "insufficient funds."

The check may be cashed or deposited like any other check. When it is received by State Street Bank for payment, the bank will present the check to the Fund and redeem enough of your shares to cover the amount. The redemption will be made at the net asset value on the date that State Street Bank presents the check. Your cancelled checks and a statement will be sent to you each month.

When you open a LB Money Market Fund checking account, you will be subject to State Street Bank's checking account rules and regulations. State Street Bank and the LB Money Market Fund have the right to modify or terminate checking account privileges or to charge for establishing or maintaining a checking account. There are no current charges for establishing or maintaining a checking account.

VISA Debit Cards

At your request, and subject to credit approval (unless you have an Optimum Account), State Street Bank will establish a VISA account for you. This service is offered for LB Money Market Fund shares only.

With a VISA debit card, you authorize the redemption of your shares by using the card. You may request a VISA account by asking your LB Securities representative.

Using your VISA debit card: The VISA debit card may be used to purchase merchandise or services from merchants honoring VISA or to obtain cash advances (which a bank may limit to \$5,000 per account per day) from any bank honoring VISA.

Redeeming your shares: a) Purchases. Purchase transactions are escrowed, or held against your current Money Market account balance. At month end the total escrowed purchases are redeemed from your Money Market account. b) Cash Advances. Enough shares will be redeemed from your LB Money Market Fund account on the date the cash advance advice reaches State Street Bank. You will continue to earn daily income dividends on Fund shares up to the date they are redeemed.

Rules and fees: When you receive a LB Money Market Fund VISA debit card, you will be subject to State Street Bank's VISA account regulations. State Street Bank charges an annual VISA fee of \$25 to cover its fees and administrative costs. A fee of \$1.50 is charged each time an Automated Teller Machine (ATM) is used. Enough shares will be redeemed automatically from your account to pay the fee. Lost or stolen cards should be reported immediately to State Street Bank at toll-free (800) 543-6325.

State Street Bank and the LB Money Market Fund have the right to modify or terminate the VISA debit card privilege or to impose additional charges for establishing or maintaining a VISA account upon 30 days prior written notice.

Statements: In addition to the quarterly LB Money Market Fund account statement, you will receive a monthly statement from State Street Bank listing VISA transactions.

DIVIDENDS ON REDEMPTION

If you redeem all your shares, the redemption proceeds will include all dividends to which you have become entitled since they were last paid.

REDEMPTION BEFORE PURCHASE INSTRUMENTS CLEAR

If you redeem shares purchased by check before State Street Bank has collected your payment for such shares, State Street Bank reserves the right to hold payment on such redemption until it is reasonably satisfied that the investment has been collected (which could take up to 15 days from the

purchase date).

UNDELIVERABLE MAIL

If mail from LB Securities to a shareholder is returned as undeliverable on two or more consecutive occasions, LB Securities will not send any future mail to the shareholder unless it receives notification of a correct mailing address for the shareholder. Any dividends that would be payable by check to such shareholders will be held in escrow by LB Securities until LB Securities receives notification of the shareholder's correct mailing address or until it becomes escheatable under the applicable state law.

ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Funds may redeem shares in any account if the net asset value of shares in the account falls below a certain minimum. The required minimum net asset value for share accounts is \$500 for all Funds except LB Money Market Fund, which has a minimum net asset value for share accounts of \$1,000.

Before shares are redeemed to close an account, the shareholder is notified in writing and allowed 60 days to purchase additional shares. Shares will not be redeemed if the account's value drops below the minimum only because of market fluctuations.

BACKUP WITHHOLDING

When you sign your account application you will be asked to certify that your social security or taxpayer identification number is correct and that you are not subject to 31% backup withholding for failure to report income to the IRS. If you violate IRS regulations, the IRS can generally require the Funds to withhold 31% of your taxable distributions and redemptions.

FOR MORE INFORMATION

For more information about the Fund or your shares, see your LB Securities representative or call toll-free:

* (800) 328-4552 or

* (612) 339-8091 local.

DIVIDENDS AND CAPITAL GAINS

DIVIDENDS

Each Fund declares and pays dividends from net income at regular intervals. LB High Yield Fund, LB Income Fund, and LB Municipal Bond Fund declare and pay dividends monthly. LB Fund declares and pays dividends quarterly. LB Opportunity Growth Fund and LB World Growth Fund declare and pay dividends annually in years that it has accumulated enough net income to require the payment of a dividend. LB Money Market Fund declares dividends daily and pays accumulated dividends monthly.

Unless you ask to receive all or a portion of your dividends in cash, they will automatically be reinvested in shares of the Fund. You may also choose to have your dividends reinvested into an existing account in another Fund within The Lutheran Brotherhood Family of Funds. On the dividend payable date, your dividend will be invested in the designated Fund account at net asset value. In order to receive your dividends in cash, you must notify LB Securities in writing or indicate this choice in the appropriate place on your account application. Your request to receive all or a portion of your dividends and other distributions in cash must be received by LB Securities at least ten days before the record date of the dividend or other distribution.

STATEMENTS

You will receive quarterly statements of dividends and capital gains paid the previous quarter.

CAPITAL GAINS

The Funds distribute their realized gains in accordance with federal tax regulations. Distributions from any net realized capital gains will usually be declared in December.

TAXES

FUNDS' TAX STATUS

The Funds expect to pay no federal income tax because they intend to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies.

SHAREHOLDERS' TAX POSITION

Except for dividends you receive from Lutheran Brotherhood Municipal Bond Fund, unless you are otherwise exempt, you will be required to pay federal income tax on any dividends and other distribution that you receive. This applies whether you receive dividends or distributions in cash or as additional shares. To the extent any of the Funds earn interest from U.S. Government obligations, a number of states may allow pass-through treatment and permit a shareholder to exclude a portion of their dividends from state income tax. For corporate shareholders, dividends paid to shareholders may qualify for the 70% dividends received deduction to the extent the Fund earns dividend income from domestic corporations. The Funds will mail annually to each shareholder advice as to the tax status of each year's dividends and distributions.

You will not be required to pay federal income tax on any Lutheran Brotherhood Municipal Bond Fund dividends you receive which represent net interest received on tax-exempt municipal bonds. The portion of that Fund's distributions representing net interest income from taxable temporary investments, market discount on tax-exempt municipal bonds, and net short-term capital gains realized by the Fund, if any, will be taxable to shareholders as ordinary income. Most of that Fund's income is expected to be free of federal income tax. This applies whether you receive dividends in cash or as additional shares. The Fund's income, however, is not necessarily free from state income taxes. State laws differ on this issue and shareholders are advised to consult their own tax advisers. The Fund will provide to shareholders an annual breakdown of the percentage of its income from each state. Information on the tax status of dividends will be provided annually.

Dividends and certain interest income earned by a Fund from foreign securities may be subject to foreign withholding taxes or other income taxes. A Fund may elect, for U.S. income tax purposes, to treat certain foreign taxes paid by it as paid by its shareholders. Should a Fund make that election, a pro rata portion of such foreign taxes paid by the Fund will constitute income to you (in addition to taxable dividends actually received by you), and you may be entitled to claim an offsetting tax credit or itemized deduction for that amount of foreign taxes.

Under current tax law, distributions by the Fund representing short-term and long-term capital gains are included in shareholders' gross income for tax purposes. Distributions representing net long-term capital gains realized by the Fund will be taxable to a shareholder as long-term capital gains no matter how long the shareholder may have held the shares.

OPTIMUM ACCOUNT (R)

LB Securities offers Optimum Account to all LB Money Market Fund shareholders. The features of Optimum Account include the following:

* VISA Debit Card Privilege. You can use the VISA card to purchase merchandise or obtain cash advances. Purchase transactions are escrowed, or held against your current Money Market Account balance. At month end the total escrowed purchases are redeemed from your money market account. Although the escrowed shares are not available for use, they do continue to earn interest. All cash advances are redeemed from your account immediately.

* Checkwriting Privileges. You can write as many checks as you want with no minimum and at no charge per check. Checks will be returned to you for recordkeeping. State Street Bank will redeem enough shares from your LB Money Market Fund account to cover the checks you write on the date the check reaches the Bank.

* Tax-free Money Market Fund. You have access to Tax-Free Instruments Trust, a money market fund with dividends exempt from federal income tax.

- * Discount Brokerage. You can use Optimum Account Discount Brokerage Services for direct purchases of general securities.
- * Automatic Settlement. Purchase and sale transactions for general securities placed through Optimum Account Discount Brokerage Services will clear automatically through your LB Money Market Fund account.
- * Automatic Purchases and Redemptions. You may arrange to have your Social Security or payroll check automatically invested in your LB Money Market Fund account. You can also arrange to have LB Money Market Fund shares redeemed to pay Lutheran Brotherhood insurance premiums.
- * Toll-free Telephone Exchange. You can call toll-free to exchange dollars among your accounts in The Lutheran Brotherhood Family of Funds and Tax-Free Instruments Trust or to transfer money from your local bank account to any mutual fund in The Lutheran Brotherhood Family of Funds.
- * Monthly Consolidated Statement. In lieu of an immediate confirmation of financial transactions, you will receive your monthly Optimum Account statement. The monthly statement will report all activity in your accounts held in The Lutheran Brotherhood Family of Funds, Tax-Free Instruments Trust, Optimum Account Discount Brokerage Account, VISA Debit cards, and Certificates of Deposit.
- * Toll-free Customer Service. You can initiate the transactions described above and receive up-to-the-minute information on your account by calling the Optimum Account Customer Service Representatives toll-free (800) 421-3997 or (612) 339-3596.
- * Newsletter. Money management tips and information about Optimum Account will be sent to you on a regular basis through the quarterly newsletter offered to Optimum Account holders.

In the future, LB Securities may offer additional features to shareholders in Optimum Account. In addition, LB Securities may, from time to time, offer certain items of nominal value to any shareholder or investor deciding to participate in Optimum Account.

There is a one-time new account fee of \$25 for the Optimum Account package. This fee is waived for LB Money Market Fund shareholders who already have the LB Money Market Fund VISA debit card when they add the features of Optimum Account. A monthly administrative fee of \$5.00 is charged. These fees will be automatically redeemed from your LB Money Market Fund account each month.

IRAs AND OTHER TAX-DEFERRED PLANS

Shares of the Fund may be selected as investments for Individual Retirement Accounts, the qualified Lutheran Brotherhood prototype plans for the self-employed, qualified pension and profit-sharing plans and tax-sheltered custodial accounts (403(b) plans). There are additional fees and procedural requirements for such plans. See your LB Securities registered representative for more details.

FUND PERFORMANCE

From time to time, quotations of the Funds' performance in terms of yield or total return may be included in advertisements, sales literature, or shareholder reports. All performance figures are based on historical results and are not intended to indicate future performance. "Total returns" are based on the change in value of an investment in a Fund for a specified period. "Average annual total return" is the average annual compounded rate of return of an investment in a Fund at the maximum public offering price, if applicable, assuming the investment has been held for one year, five years and ten years as of a stated ending date. (If the Fund has not been in operation for at least ten years, the life of the Fund will be used where applicable.) Average annual return quotations assume a constant rate of growth. Actual performance fluctuates and will vary from the quoted results for periods of time within the quoted periods. "Cumulative total return" represents the cumulative change in value of an investment in a Fund over a stated period. Average annual total return may be accompanied with nonstandard total return information computed in the same manner, but for differing periods and with or without annualizing the total return or taking sales charges into account. These calculations assume that all dividends and capital gains distributions during the period were reinvested in shares of a Fund.

The yield of the LB High Yield Fund, LB Income Fund, LB Municipal Bond Fund and LB Money Market Fund refers to the income generated by an investment in the Fund. A Fund's yield is computed by dividing the net investment income, after recognition of all recurring charges, per share earned during the most recent month or other specified 30-day period by the applicable maximum offering price per share on the last day of such period and annualizing the result. The yield of the LB Money Market Fund refers to the income generated by an investment in that Fund over a specified seven-day period. The LB Municipal Bond Fund's tax-equivalent yield is a hypothetical current yield that the Fund's actual current yield is comparable to when the shareholder is assumed to pay federal income tax on the entire hypothetical yield at a specific tax rate. Yields for a Fund are expressed as annualized percentages. The "effective yield" of the LB Money Market Fund is expressed similarly but, when annualized, the income earned by an investment in that Fund is assumed to be reinvested and will reflect the effects of compounding.

The average annual total return and yield results take sales charges into account, if applicable, but do not take into account recurring and nonrecurring charges for optional services which only certain shareholders elect and which involve nominal fees. Where sale charges are not applicable and therefore not taken into account in the calculation of average annual total return and yield, the results will be increased. Any voluntary waiver of fees or assumption of expenses will also increase performance results.

The Funds' performance reported from time to time in advertisements and sales literature may be compared to generally accepted indices or analyses such as those provided by Lipper Analytical Service, Inc., Standard & Poor's and Dow Jones. Performance ratings reported periodically in financial publications such as "Money Magazine", "Forbes", "Business Week", "Fortune", "Financial Planning" and the "Wall Street" Journal will be used.

THE FUNDS AND THEIR SHARES

All the Funds in the Lutheran Brotherhood Family of Funds, except the LB World Growth Fund, were organized in 1993 as series of The Lutheran Brotherhood Family of Funds, a Delaware business trust. Each of those Funds is the successor to a fund of the same name that previously operated as a separate corporation or trust pursuant to a reorganization that was effective as of November 1, 1993. The LB World Growth Fund began operating as a series of the LB Family of Funds on September 5, 1995. The fiscal year end of the Trust and each Fund is October 31.

The rights of holders of shares may be modified by the Trustees at any time, so long as such modifications do not have a material, adverse effect on the rights of any shareholder. On any matter submitted to the shareholders, the holder of each Fund share is entitled to one vote per share (with proportionate voting for fractional shares) regardless of the relative net asset value thereof.

Shares of a Fund have equal dividend, redemption and liquidation rights and when issued are fully paid and nonassessable by the Trust. Each share has one vote (with proportionate voting for fractional shares) irrespective of net asset value.

Under the Trust's Master Trust Agreement, no annual or regular meeting of shareholders is required. Thus, there will ordinarily be no shareholder meetings unless required by the Investment Company Act of 1940. The Trustees may fill vacancies on the Board or appoint new Trustees provided that immediately after such action at least two-thirds of the Trustees have been elected by shareholders. Under the Master Trust Agreement, any Trustee may be removed by vote of two-thirds of the outstanding Trust shares or by three-fourths of the Trustees; holders of 10% or more of the outstanding shares of the Trust can require that the Trustees call a meeting of shareholders for purposes of voting on the removal of one or more Trustees. In connection with such meetings called by shareholders, the relevant Fund or Funds will assist shareholders in shareholder communications.

FUND MANAGEMENT

BOARD OF TRUSTEES

The Board of Trustees of the Trust is responsible for the management and supervision of the Funds' business affairs and for exercising all powers except those reserved to the shareholders.

INVESTMENT ADVISER

Investment decisions for each of the Funds, except the LB World Growth Fund, are made by LB Research, subject to the overall direction of the Board of Trustees. LB Research provides investment research and supervision of the Funds' investments and conducts a continuous program of investment evaluation and appropriate disposition and reinvestment of the Funds' assets. LB Research assumes the expense of providing the personnel to perform its advisory functions. Lutheran Brotherhood, the indirect parent company of LB Research, also serves as the investment adviser for LB Series Fund, Inc.

Michael A. Binger, Assistant Vice President of LB Research, has been the portfolio manager of LB Opportunity Growth Fund since October 31, 1994. Mr. Binger has been with LB Research since 1987.

James. M. Walline, Vice President of LB Research and Vice President of the Funds has been the portfolio manager of LB Fund since October 31, 1994. Mr. Walline has been with LB Research since 1969.

Thomas N. Haag, Assistant Vice President of LB Research, has been the portfolio manager of LB High Yield Fund since 1992. Mr. Haag has been with LB Research since 1986.

Charles E. Heeren, Vice President of LB Research has been the portfolio manager of LB Income Fund since 1987. Mr. Heeren has been with LB Research since 1976.

Janet I. Grangaard, Assistant Vice President of LB Research, has been portfolio manager of LB Municipal Bond Fund since January 1, 1994. Prior to that time she served as associate portfolio manager of that Fund. Ms. Grangaard has been with LB Research since 1988.

Gail R. Onan, Assistant Vice President of LB Research, has been the portfolio manager of LB Money Market Fund since January 1, 1994. Prior to that time she served as associate portfolio manager of that Fund. Ms. Onan has been with LB Research since 1986.

LB Research has engaged Rowe Price-Fleming International, Inc. ("Price-Fleming") as investment sub-advisor for Lutheran Brotherhood World Growth Fund. Price-Fleming was founded in 1979 as a joint venture between T. Rowe Price Associates, Inc. and Robert Fleming Holdings Limited. Price-Fleming is one of the world's largest international mutual fund asset managers with approximately \$22.2 billion under management as of December 31, 1995 in its offices in Baltimore, London, Tokyo and Hong Kong. Price-Fleming has an investment advisory group that has day-to-day responsibility for managing the Fund and developing and executing the Fund's investment program. The members of the advisory group are listed below.

Martin G. Wade, Christopher Alderson, Peter Askew, David Boardman, Richard J. Bruce, Mark T.J. Edwards, John R. Forde, Robert C. Howe, James B.M. Seddon, Benedict R.F. Thomas, and David J.L. Warren.

Martin Wade joined Price-Fleming in 1979 and has 27 years of experience with Fleming Group (Fleming Group includes Robert Fleming Holdings Ltd. and/or Jardine Fleming International Holdings Ltd.) in research, client service and investment management, including assignments in the Far East and the United States.

Peter Askew joined Price-Fleming in 1988 and has 20 years of experience managing multicurrency fixed income portfolios. Christopher Alderson joined Price-Fleming in 1988, and has nine years of experience with the Fleming Group in research and portfolio management, including an assignment in Hong Kong. David Boardman joined Price-Fleming in 1988 and has 21 years experience in managing multicurrency fixed income portfolios. Richard J. Bruce joined Price-Fleming in 1991 and has seven years of experience in investment management with the Fleming Group in Tokyo. Mark J.T. Edwards joined Price-Fleming in 1986 and has 15 years of experience in financial analysis, including three years in Fleming European research. John R. Ford joined Price-Fleming in 1982 and has 16 years of experience with Fleming Group in research and portfolio management, including assignments in the Far East and the United States. Robert C. Howe joined Price-Fleming in 1986 and has 16 years of experience in economic research in Japan. James B.M. Seddon joined Price-Fleming in 1987 and has nine years of experience in investment management. Benedict R.F. Thomas joined Price-Fleming in 1988 and has seven years of portfolio management experience, including assignments in London and Baltimore. David J.L. Warren joined Price-Fleming in 1984 and has 16 years experience in equity research, fixed income research and portfolio

management, including an assignment in Japan.

LB Research and Price-Fleming personnel may invest in securities for their own account pursuant to a code of ethics that establishes procedures for personal investing and restricts certain transactions.

LB Research receives an annual investment advisory fee from each Fund. The following schedule lists each Fund and the formula under which LB Research is compensated by each Fund: LB Opportunity Growth Fund pays an advisory fee equal to .75% of average daily net assets up to \$100 million, .65% of average daily net assets over \$100 million but not over \$250 million, .60% of average daily net assets over \$250 million but not over \$500 million, .55% of average daily net assets over \$500 million but not over \$1 billion, and .50% of average daily net assets over \$1 billion. LB World Growth Fund pays an advisory fee equal to 1.25% of average daily net assets up to \$20 million, 1.10% of average daily net assets over \$20 million but not over \$50 million, and 1.00% of average daily net assets over \$50 million. LB Fund pays an advisory fee equal to .65% of average daily net assets of \$500 million or less, .60% of average daily net assets over \$500 million but not over \$1 billion, and .55% of average daily net assets over \$1 billion. LB High Yield Fund pays an advisory fee equal to .65% of average daily net assets of \$500 million or less, .60% of average daily net assets over \$500 million but not over \$1 billion, and .55% of average daily net assets over \$1 billion. LB Income Fund pays an advisory fee equal to .60% of average daily net assets of \$500 million or less, .575% of average daily net assets over \$500 million but not over \$1 billion, and .55% of average daily net assets over \$1 billion. LB Municipal Bond Fund pays an advisory fee equal to .575% of average daily net assets of \$500 million or less, .5625% of average daily net assets over \$500 million but not over \$1 billion, and .55% of average daily net assets over \$1 billion. LB Money Market Fund pays an advisory fee equal to .50% of average daily net assets of \$500 million or less, .475% of average daily net assets on the next \$500 million of average daily net assets, .45% of average daily net assets on the next \$500 million of average daily net assets, .425% of average daily net assets on the next \$500 million of average daily net assets, and .40% of average daily net assets over \$2 billion.

The LB Opportunity Growth Fund advisory fee of .75% of average daily net assets up to \$100 million is considered to be higher than most other mutual funds, although such fee is below the average when compared with other small company growth funds.

During the most recent fiscal year of each Fund, LB Research received fees amounting to the following percentages of each Fund's average daily net assets:

LB Opportunity Growth Fund	0.69%
LB World Growth Fund*	0.90%
LB Fund	0.64%
LB High Yield Fund	0.64%
LB Income Fund	0.59%
LB Municipal Bond Fund	0.57%
LB Money Market Fund**	0.44%

* After giving effect to a fee waiver of 0.18%.

** After giving effect to a fee waiver of 0.06%.

LB Research pays the Sub-advisor for the LB World Growth Fund an annual sub-advisory fee for the performance of sub-advisory services. The fee payable is equal to a percentage of that Fund's average daily net assets. The percentage decreases as the Fund's assets increase. For purposes of determining the percentage level of the sub-advisory fee for the Fund, the assets of the Fund are combined with the assets of the LB Series Fund, Inc. World Growth Portfolio, another fund with investment objectives and policies that are similar to the LB World Growth Fund and for which the Sub-advisor also provides sub-advisory services. The sub-advisory fee LB Research pays the Sub-advisor is equal to the LB World Growth Fund's pro rata share of the combined assets of the Fund and the LB Series Fund, Inc. World Growth Portfolio and is equal to .75% of combined average daily net assets up to \$20 million, .60% of combined average daily net assets over \$20 million but not over \$50 million, and .50% of combined average daily net assets over \$50 million. When the combined assets of the LB World Growth Fund and the LB Series Fund, Inc. World Growth Portfolio exceed \$200 million, the sub-advisory fee for the LB World Growth Fund is equal to .50% of all of the Fund's average daily net assets.

LB Research has voluntarily agreed to waive a portion of the advisory fees payable by the LB World Growth Fund and the LB Money Market Fund so that total expenses for those Funds do not exceed 1.95% and 0.95%, respectively, of those Funds' average daily net assets. These voluntary partial waivers of advisory fees may be discontinued at any time.

Effective January 1, 1997, LB Research has also voluntarily agreed to waive 5 basis points (0.05%) from the advisory fees payable by the LB Fund, LB High Yield Fund, LB Income Fund, and LB Municipal Bond Fund. These voluntary partial waivers of advisory fees may be discontinued at any time.

FUND ADMINISTRATION

ADMINISTRATIVE SERVICES

LB Securities, the Fund's distributor, provides administrative personnel and services necessary to operate the Fund on a daily basis at for a fee equal to 0.0225 percent of the Fund's average daily net assets. Effective January 1, 1997, the fee will be 0.02 percent of the Fund's daily net assets.

During the fiscal year ended October 31, 1996, the Funds paid the following amounts to LB Securities for administrative services:

LB Opportunity Growth Fund	\$ 51,379
LB World Growth Fund	\$ 8,217
LB Fund	\$163,270
LB High Yield Fund	\$148,767
LB Income Fund	\$207,659
LB Municipal Bond Fund	\$142,190
LB Money Market Fund	\$ 87,973

CUSTODIAN

State Street Bank and Trust Company ("State Street Bank") is custodian of the Funds' cash and securities.

TRANSFER AGENT

LB Securities serves as transfer agent for the Funds, with the assistance of Norwest Bank Minnesota, N.A., respecting cash transactions.

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP is the independent accountants for the Funds.

DESCRIPTION OF DEBT RATINGS

Moody's Investors Service, Inc. describes grades of corporate debt securities and "Prime-1" and "Prime-2" commercial paper as follows:

BONDS:

Aaa Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge". Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities.

A Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa Bonds which are rated Baa are considered as medium grade

obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

COMMERCIAL PAPER:

Issuers rated Prime-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics:

- * Leading market positions in well-established industries.
- * High rates of return of funds employed.
- * Conservative capitalization structures with moderate reliance on debt and ample asset protection.
- * Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- * Well established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated Prime-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earning trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Standard & Poor's Corporation describes grades of corporate debt securities and "A" commercial paper as follows:

BONDS:

AAA Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA Debt rated AA has a very strong capacity to pay interest and repay principal and differs from AAA issues only in small degree.

A Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB Debt rated BB has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The BB rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BBB- rating.

B Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal.

The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB or BB- rating.

CCC Debt rated CCC has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

The CCC rating category is also used for debt subordinated to senior debt that is assigned an actual or implied B or B- rating.

CC The rating CC typically is applied to debt subordinated to senior debt that is assigned an actual or implied CCC rating.

C The rating C typically is applied to debt subordinated to senior debt which is assigned an actual or implied CCC- debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed but debt service payments are continued.

CI The rating CI is reserved for income bonds on which no interest is being paid.

D Debt rated D is in payment default. The D rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

PROVISIONAL RATINGS: The letter "p" indicates that the rating is provisional. A provisional rating assumes the successful completion of the project financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. The investor should exercise judgment with respect to such likelihood and risk.

COMMERCIAL PAPER: Commercial paper rated A by Standard & Poor's Corporation has the following characteristics: liquidity ratios are better than the industry average; long-term senior debt rating is "A" or better (however, in some cases a "BBB" long-term rating may be acceptable); the issuer has access to at least two additional channels of borrowing; basic earnings and cash flow have an upward trend with allowances made for unusual circumstances. Also, the issuer's industry typically is well established, the issuer has a strong position within its industry and the reliability and quality of management is unquestioned. Issuers rated A are further referred to by use of numbers 1, 2 and 3 to denote relative strength within this classification.

HOW TO INVEST

- * Complete and sign the General Application
- * Enclose a check made payable to the Fund you have chosen:

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

* Mail your application and check to:

Lutheran Brotherhood Securities Corp.
625 Fourth Avenue South
Minneapolis, Minnesota 55415

ADDRESSES

Lutheran Brotherhood
Lutheran Brotherhood Research Corp.
Lutheran Brotherhood Securities Corp.
The Lutheran Brotherhood Family of Funds
625 Fourth Avenue South
Minneapolis, Minnesota 55415

State Street Bank and Trust Company
P.O. Box 1591
Boston, Massachusetts 02104

Norwest Bank Minnesota, N.A.
Sixth & Marquette Avenue
Minneapolis, Minnesota 55402

Price Waterhouse LLP
3100 Multifoods Tower
33 South Sixth Street
Minneapolis, Minnesota 55402

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

SERIES OF

THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS

STATEMENT OF ADDITIONAL INFORMATION

December 30, 1996

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This Statement of Additional Information should be read in conjunction with the prospectus dated December 30, 1996 of the Lutheran Brotherhood

Opportunity Growth Fund ("LB Opportunity Growth Fund"), Lutheran Brotherhood World Growth Fund ("LB World Growth Fund"), Lutheran Brotherhood Fund ("LB Fund"), Lutheran Brotherhood High Yield Fund ("LB High Yield Fund"), Lutheran Brotherhood Income Fund ("LB Income Fund"), Lutheran Brotherhood Municipal Bond Fund ("LB Municipal Bond Fund") and Lutheran Brotherhood Money Market Fund ("LB Money Market Fund") series of The Lutheran Brotherhood Family of Funds (the "Trust"). This Statement is not a prospectus itself. To receive a copy of the prospectus, write to Lutheran Brotherhood Securities Corp., 625 Fourth Avenue South, Minneapolis, Minnesota 55415 or call toll-free (800) 328-4552 or (612) 339-8091.

FOR MORE INFORMATION, CALL TOLL-FREE
(800) 328-4552
or (612) 339-8091

INVESTMENT POLICIES AND RESTRICTIONS

As set forth in part under "Investment Limitations" in the Fund's Prospectus, the Fund has adopted certain fundamental and nonfundamental investment policies.

The fundamental investment restrictions for the Fund are set forth below. These fundamental investment restrictions may not be changed by a Fund except by the affirmative vote of a majority of the outstanding voting securities of that Fund as defined in the Investment Company Act of 1940. (Under the Investment Company Act of 1940, a "vote of the majority of the outstanding voting securities" means the vote, at a meeting of security holders duly called, (i) of 67% or more of the voting securities present at a meeting if the holders of more than 50% of the outstanding voting securities are present or represented by proxy or (ii) of more than 50% of the outstanding voting securities, whichever is less.) Under these restrictions, with respect to each Fund:

(1) The Fund may not borrow money, except that the Fund may borrow money (through the issuance of debt securities or otherwise) in an amount not exceeding one-third of the Fund's total assets immediately after the time of such borrowing.

(2) The Fund may not purchase or sell commodities or commodity contracts, except that the Fund may invest in financial futures contracts, options thereon and similar instruments.

(3) The Fund may not purchase or sell real estate unless acquired as a result of ownership of securities or other instruments, except that the Fund may invest in securities or other instruments backed by real estate or securities of companies engaged in the real estate business or that invest or deal in real estate.

(4) The Fund may not engage in underwriting or agency distribution of securities issued by others; provided, however, that this restriction shall not be construed to prevent or limit in any manner the power of the Fund to purchase and resell restricted securities or securities for investment.

(5) The Fund may not lend any of its assets except portfolio securities. The purchase of corporate or U.S. or foreign governmental bonds, debentures, notes, certificates of indebtedness, repurchase agreements or other debt securities of an issuer permitted by the Fund's investment objective and policies will not be considered a loan for purposes of this limitation.

(6) The Fund may not with respect to 75% of its total assets, purchase the securities of any issuer (except Government Securities, as such term is defined in the Investment Company Act of 1940) if, as a result, the Fund would own more than 10% of the outstanding voting securities of such issuer or the Fund would have more than 5% of its total assets invested in the securities of such issuer.

(7) The Fund may not issue senior securities, except as permitted under the Investment Company Act of 1940 or any exemptive order or rule issued by the Securities and Exchange Commission.

(8) The Fund may, notwithstanding any other fundamental investment policy or limitation, invest all of its assets in the securities of a single open-end management investment company with substantially the same fundamental investment objectives, policies, and limitations as the Fund.

(9) The Fund may not invest in a security if the transaction would result in 25% or more of the Fund's total assets being invested in any one industry. This restriction does not apply to the LB Municipal Bond Fund.

The following nonfundamental investment restrictions may be changed without shareholder approval. Under these restrictions, with respect to the Fund:

(1) The Fund may not purchase securities on margin or sell securities short, except that the Fund may obtain short-term credits necessary for the clearance of securities transactions and make short sales against the box. The deposit or repayment of initial or variation margin in connection with financial futures contracts or related options will not be deemed to be a purchase of securities on margin.

(2) The Fund may not purchase or sell interests in oil, gas and other mineral exploration or development programs or leases, although it may invest in securities of companies that do.

(3) The Fund may not purchase the securities of any issuer (other than securities issued or guaranteed by domestic or foreign governments or political subdivisions thereof) if, as a result, more than 5% of the value of its total assets would be invested in the securities of business enterprises (which does not include issuers of asset-backed securities) that, including predecessors, have a record of less than three years of continuous operations.

(4) The Fund may not purchase or retain the securities of any issuer if the officers and Trustees of the Fund or its investment adviser owning individually more than 1/2 of 1% of the issuer's securities together own more than 5% of the issuer's securities.

(5) The Fund may not invest in securities of other investment companies, except to the extent permitted under the Investment Company Act of 1940 or except by purchases in the open market involving only customary brokers' commissions, or securities acquired as dividends or distributions or in connection with a merger, consolidation or similar transaction or other exchange.

(6) The Fund may not invest in warrants, if at the time of such investment (a) more than 5% of the value of the Fund's total assets would be invested in warrants or (b) more than 2% of the value of the Fund's total assets would be invested in warrants that are not listed on the New York Stock Exchange or the American Stock Exchange (and for this purpose, warrants attached to securities will be deemed to have no value).

(7) The LB Money Market Fund may not write, purchase, or sell puts, calls, or any combination of puts and calls.

(8) The LB Opportunity Growth Fund, LB World Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, and LB Municipal Bond Fund may not invest more than 15% of its net assets in illiquid securities, including repurchase agreements maturing in more than seven days. The LB Money Market Fund may not invest more than 10% of its net assets in illiquid securities, including repurchase agreements maturing in more than seven days.

(9) The Fund will not purchase any security while borrowings, including reverse repurchase agreements, representing more than 5% of the Fund's total assets are outstanding.

ADDITIONAL INFORMATION CONCERNING CERTAIN INVESTMENT TECHNIQUES

Some of the investment instruments, techniques and methods which may be used by each Fund to aid in achieving its investment objective, and the risks attendant thereto, are described below. Other risk factors and investment methods may be described in the "Investment Objectives and Policies" and "Investment Risks" sections of the Funds' Prospectus.

SHORT SALES AGAINST THE BOX

The Funds may effect short sales, but only if such transactions are short sale transactions known as short sales "against the box". A short sale is a transaction in which a Fund sells a security it does not own by borrowing it from a broker, and consequently becomes obligated to replace that security. A short sale against the box is a short sale where a Fund owns the security sold short or has an immediate and unconditional right to acquire that security without additional cash consideration upon conversion, exercise or

exchange of options with respect to securities held in its portfolio. The effect of selling a security short against the box is to insulate that security against any future gain or loss.

RESTRICTED SECURITIES

Subject to the limitations on illiquid securities noted above, the Funds may buy or sell restricted securities in accordance with Rule 144A under the Securities Act of 1933 ("Rule 144A Securities"). Securities may be resold pursuant to Rule 144A under certain circumstances only to qualified institutional buyers as defined in the rule, and the markets and trading practices for such securities are relatively new and still developing; depending on the development of such markets, such Rule 144A Securities may be deemed to be liquid as determined by or in accordance with methods adopted by the Trustees. Under such methods the following factors are considered, among others: the frequency of trades and quotes for the security, the number of dealers and potential purchasers in the market, marketmaking activity, and the nature of the security and marketplace trades. Investments in Rule 144A Securities could have the effect of increasing the level of a Fund's illiquidity to the extent that qualified institutional buyers become, for a time, uninterested in purchasing such securities. Also, a Fund may be adversely impacted by the subjective valuation of such securities in the absence of an active market for them. Each Fund does not expect to hold more than 10% of its total assets in restricted securities.

FOREIGN FUTURES AND OPTIONS

Participation in foreign futures and foreign options transactions involves the execution and clearing of trades on or subject to the rules of a foreign board of trade. Neither the National Futures Association nor any domestic exchange regulates activities of any foreign boards of trade, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rules of a foreign board of trade or any applicable foreign law. This is true even if the exchange is formally linked to a domestic market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the foreign futures or foreign options transaction occurs. For these reasons, customers who trade foreign futures or foreign options contracts may not be afforded certain of the protective measures provided by the Commodity Exchange Act, the CFTC's regulations and the rules of the National Futures Association and any domestic exchange, including the right to use reparations proceedings before the Commission and arbitration proceedings provided by the National Futures Association or any domestic futures exchange. In particular, funds received from customers for foreign futures or foreign options transactions may not be provided the same protections as funds received in respect of transactions on United States futures exchanges. In addition, the price of any foreign futures or foreign options contract and, therefore, the potential profit and loss thereon may be affected by any variance in the foreign exchange rate between the time your order is placed and the time it is liquidated, offset or exercised.

FOREIGN CURRENCY EXCHANGE-RELATED SECURITIES

FOREIGN CURRENCY WARRANTS. Foreign currency warrants are warrants which entitle the holder to receive from their issuer an amount of cash (generally, for warrants issued in the United States, in U.S. dollars) which is calculated pursuant to a predetermined formula and based on the exchange rate between a specified foreign currency and the U.S. dollar as of the exercise date of the warrant. Foreign currency warrants generally are exercisable upon their issuance and expire as of a specified date and time. Foreign currency warrants have been issued in connection with U.S. dollar-denominated debt offerings by major corporate issuers in an attempt to reduce the foreign currency exchange risk which, from the point of view of prospective purchasers of the securities, is inherent in the international fixed-income marketplace. Foreign currency warrants may attempt to reduce the foreign exchange risk assumed by purchasers of a security by, for example, providing for a supplemental payment in the event that the U.S. dollar depreciates against the value of a major foreign currency such as the Japanese Yen or German Deutschmark. The formula used to determine the amount payable upon exercise of a foreign currency warrant may make the warrant worthless unless the applicable foreign currency exchange rate moves in a particular direction (e.g., unless the U.S. dollar appreciates or depreciates against the particular foreign currency to which the warrant is linked or indexed). Foreign currency warrants are severable from the debt obligations with which they may be offered, and may be listed on exchanges. Foreign currency warrants may be exercisable only in certain minimum amounts, and an investor wishing to exercise warrants who possesses less

than the minimum number required for exercise may be required either to sell the warrants or to purchase additional warrants, thereby incurring additional transaction costs. In the case of any exercise of warrants, there may be a time delay between the time a holder of warrants gives instructions to exercise and the time the exchange rate relating to exercise is determined, during which time the exchange rate could change significantly, thereby affecting both the market and cash settlement values of the warrants being exercised. The expiration date of the warrants may be accelerated if the warrants should be delisted from an exchange or if their trading should be suspended permanently, which would result in the loss of any remaining "time value" of the warrants (i.e., the difference between the current market value and the exercise value of the warrants), and, in the case the warrants were "out-of-the-money," in a total loss of the purchase price of the warrants. Warrants are generally unsecured obligations of their issuers and are not standardized foreign currency options issued by the Options Clearing Corporation ("OCC"). Unlike foreign currency options issued by OCC, the terms of foreign exchange warrants generally will not be amended in the event of governmental or regulatory actions affecting exchange rates or in the event of the imposition of other regulatory controls affecting the international currency markets. The initial public offering price of foreign currency warrants is generally considerably in excess of the price that a commercial user of foreign currencies might pay in the interbank market for a comparable option involving significantly larger amounts of foreign currencies. Foreign currency warrants are subject to significant foreign exchange risk, including risks arising from complex political or economic factors.

PRINCIPAL EXCHANGE RATE LINKED SECURITIES. Principal exchange rate linked securities are debt obligations the principal on which is payable at maturity in an amount that may vary based on the exchange rate between the U.S. dollar and a particular foreign currency at or about that time. The return on "standard" principal exchange rate linked securities is enhanced if the foreign currency to which the security is linked appreciates against the U.S. dollar, and is adversely affected by increases in the foreign exchange value of the U.S. dollar; "reverse" principal exchange rate linked securities are like the "standard" securities, except that their return is enhanced by increases in the value of the U.S. dollar and adversely impacted by increases in the value of foreign currency. Interest payments on the securities are generally made in U.S. dollars at rates that reflect the degree of foreign currency risk assumed or given up by the purchaser of the notes (i.e., at relatively higher interest rates if the purchaser has assumed some of the foreign exchange risk, or relatively lower interest rates if the issuer has assumed some of the foreign exchange risk, based on the expectations of the current market). Principal exchange rate linked securities may in limited cases be subject to acceleration of maturity (generally, not without the consent of the holders of the securities), which may have an adverse impact on the value of the principal payment to be made at maturity.

PERFORMANCE INDEXED PAPER. Performance indexed paper is U.S. dollar-denominated commercial paper the yield of which is linked to certain foreign exchange rate movements. The yield to the investor on performance indexed paper is established at maturity as a function of spot exchange rates between the U.S. dollar and a designated currency as of or about that time (generally, the index maturity two days prior to maturity). The yield to the investor will be within a range stipulated at the time of purchase of the obligation, generally with a guaranteed minimum rate of return that is below, and a potential maximum rate of return that is above, market yields on U.S. dollar-denominated commercial paper, with both the minimum and maximum rates of return on the investment corresponding to the minimum and maximum values of the spot exchange rate two business days prior to maturity.

HYBRID INSTRUMENTS.

Hybrid Instruments (a type of potentially high risk derivative) have recently been developed and combine the elements of futures contracts or options with those of debt, preferred equity or a depository instrument (hereinafter "Hybrid Instruments"). Often these Hybrid Instruments are indexed to the price of a commodity, particular currency, or a domestic foreign debt or equity securities index. Hybrid Instruments may take a variety of forms, including, but not limited to, debt instruments with interest or principal payments or redemption terms determined by reference to the value of a currency or commodity or securities index at a future point in time, preferred stock with dividend rates determined by reference to the value of a currency, or convertible securities with the conversion terms related to a particular commodity.

The risks of investing in Hybrid Instruments reflect a combination of the

risks from investing in securities, options, futures and currencies, including volatility and lack of liquidity. Reference is made to the discussion of futures, options, and forward contracts herein for a discussion of these risks. Further, the prices of the Hybrid Instrument and the related commodity or currency may not move in the same direction or at the same time. Hybrid Instruments may bear interest or pay preferred dividends at below market (or even relatively nominal) rates. Alternatively, Hybrid Instruments may bear interest at above market rates but bear an increased risk of principal loss (or gain). In addition, because the purchase and sale of Hybrid Instruments could take place in an over-the-counter market or in a private transaction between the Fund and the seller of the Hybrid Instrument, the creditworthiness of the contra party to the transaction would be a risk factor which the Fund would have to consider. Hybrid Instruments also may not be subject to regulation of the Commodities Futures Trading Commission ("CFTC"), which generally regulates the trading of commodity futures by U.S. persons, the SEC, which regulates the offer and sale of securities by and to U.S. persons, or any other governmental regulatory authority.

INVESTMENT RISKS OF FOREIGN INVESTING

There are special risks in investing in the LB World Growth Fund, as discussed in the Prospectus. Certain of these risks are inherent in any international mutual fund while others relate more to the countries in which the Fund will invest ("Portfolio Companies"). Many of the risks are more pronounced for investments in developing or emerging countries. Although there is no universally accepted definition, a developing country is generally considered to be a country which is in the initial stages of its industrialization cycle with a per capita gross national product of less than \$5,000.

Investors should understand that all investments have a risk factor. There can be no guarantee against loss resulting from an investment in the Fund, and there can be no assurance that the Fund's investment policies will be successful, or that its investment objective will be attained. The Fund is designed for individual and institutional investors seeking to diversify beyond the United States in an actively researched and managed portfolio, and is intended for long-term investors who can accept the risks entailed in investment in foreign securities. In addition to the general risks of foreign investing described in the Trust's Prospectus, other risks include:

INVESTMENT AND REPATRIATION RESTRICTIONS. Foreign investment in the securities markets of certain foreign countries is restricted or controlled in varying degrees. These restrictions may at times limit or preclude investment in certain of such countries and may increase the cost and expenses of a Fund. Investments by foreign investors are subject to a variety of restrictions in many developing countries. These restrictions may take the form of prior governmental approval, limits on the amount or type of securities held by foreigners, and limits on the types of companies in which foreigners may invest. Additional or different restrictions may be imposed at any time by these or other countries in which a Fund invests. In addition, the repatriation of both investment income and capital from several foreign countries is restricted and controlled under certain regulations, including in some cases the need for certain government consents. Although these restrictions may in the future make it undesirable to invest in these countries, the Advisor and Sub-advisor do not believe that any current repatriation restrictions would affect its decision to invest in these countries.

MARKET CHARACTERISTICS. Foreign securities may be purchased in over-the-counter markets or on stock exchanges located in the countries in which the respective principal offices of the issuers of the various securities are located, if that is the best available market. Foreign stock markets are generally not as developed or efficient as, and may be more volatile than, those in the United States. While growing in volume, they usually have substantially less volume than U.S. markets and a Fund's portfolio securities may be less liquid and more volatile than securities of comparable U.S. companies. Equity securities may trade at price/earnings multiples higher than comparable United States securities and such levels may not be sustainable. Fixed commissions on foreign stock exchanges are generally higher than negotiated commissions on United States exchanges, although a Fund will endeavor to achieve the most favorable net results on its portfolio transactions. There is generally less government supervision and regulation of foreign stock exchanges, brokers and listed companies than in the United States. Moreover, settlement practices for transactions in foreign markets may differ from those in United States markets, and may include delays beyond periods customary in the United States.

POLITICAL AND ECONOMIC FACTORS. Individual foreign economies of certain

countries may differ favorably or unfavorably from the United States' economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. The internal politics of certain foreign countries are not as stable as in the United States. For example, the Philippines' National Assembly was dissolved in 1986 following a period of intense political unrest and the removal of President Marcos. During the 1960's, the high level of communist insurgency in Malaysia paralyzed economic activity, but by the 1970's these communist forces were suppressed and normal economic activity resumed. In 1991, the existing government in Thailand was overthrown in a military coup. In addition, significant external political risks currently affect some foreign countries. Both Taiwan and China still claim sovereignty of one another and there is a demilitarized border between North and South Korea.

Governments in certain foreign countries continue to participate to a significant degree, through ownership interest or regulation, in their respective economics. Action by these governments could have a significant effect on market prices of securities and payment of dividends. The economies of many foreign countries are heavily dependent upon international trade and are accordingly affected by protective trade barriers and economic conditions of their trading partners. The enactment by these trading partners of protectionist trade legislation could have a significant adverse effect upon the securities markets of such countries.

INFORMATION AND SUPERVISION. There is generally less publicly available information about foreign companies comparable to reports and ratings that are published about companies in the United States. Foreign companies are also generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies.

TAXES. The dividends and interest payable on certain of a Fund's foreign portfolio securities may be subject to foreign withholding taxes, thus reducing the net amount of income available for distribution to the Fund's shareholders. A shareholder otherwise subject to United States federal income taxes may, subject to certain limitations, be entitled to claim a credit or deduction for U.S. federal income tax purposes for his or her proportionate share of such foreign taxes paid by the Fund.

COSTS. Investors should understand that the expense ratio of the Fund can be expected to be higher than investment companies investing in domestic securities since the cost of maintaining the custody of foreign securities and the rate of advisory fees paid by the Fund are higher.

OTHER. With respect to certain foreign countries, especially developing and emerging ones, there is the possibility of adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, limitations on the removal of funds or other assets of the Fund, political or social instability, or diplomatic developments which could affect investments by U.S. persons in those countries.

EASTERN EUROPE. Changes occurring in Eastern Europe and Russia today could have long-term potential consequences. As restrictions fall, this could result in rising standards of living, lower manufacturing costs, growing consumer spending, and substantial economic growth. However, investment in the countries of Eastern Europe and Russia is highly speculative at this time. Political and economic reforms are too recent to establish a definite trend away from centrally-planned economies and state owned industries. In many of the countries of Eastern Europe and Russia, there is no stock exchange or formal market for securities. Such countries may also have government exchange controls, currencies with no recognizable market value relative to the established currencies of western market economies, little or no experience in trading in securities, no financial reporting standards, a lack of a banking and securities infrastructure to handle such trading, and a legal tradition which does not recognize rights in private property. In addition, these countries may have national policies which restrict investments in companies deemed sensitive to the country's national interest. Further, the governments in such countries may require governmental or quasi-governmental authorities to act as custodian of the Fund's assets invested in such countries and these authorities may not qualify as a foreign custodian under the Investment Company Act of 1940 and exemptive relief from such Act may be required. All of these considerations are among the factors which could cause significant risks and uncertainties to investment in Eastern Europe and Russia. The Fund will only invest in a company located in, or a government of, Eastern Europe or Russia, if the Sub-advisor believes the potential return justifies the risk. To the extent any securities issued by companies in Eastern Europe and Russia are considered illiquid, the Fund will be required to include such securities

within its 15% restriction on investing in illiquid securities.

It is contemplated that most foreign securities will be purchased in over-the-counter markets or on stock exchanges located in the countries in which the respective principal offices of the issuers of the various securities are located, if that is the best available market.

The Fund may invest in investment portfolios which have been authorized by the governments of certain countries specifically to permit foreign investment in securities of companies listed and traded on the stock exchanges in these respective countries. The Fund's investment in these portfolios is subject to the provisions of the 1940 Act discussed below. If the Fund invests in such investment portfolios, the Fund's shareholders will bear not only their proportionate share of the expenses of the Fund (including operating expenses and the fees of the Investment Manager), but also will bear indirectly similar expenses of the underlying investment portfolios. In addition, the securities of these investment portfolios may trade at a premium over their net asset value.

Apart from the matters described herein, the Fund is not aware at this time of the existence of any investment or exchange control regulations which might substantially impair the operations of the Fund as described in the Trust's Prospectus and this Statement. It should be noted, however, that this situation could change at any time.

FOREIGN CURRENCY TRANSACTIONS. The Fund will generally enter into forward foreign currency exchange contracts under two circumstances. First, when the Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, it may desire to "lock in" the U.S. dollar price of the security.

Second, when the Sub-advisor believes that the currency of a particular foreign country may suffer or enjoy a substantial movement against another currency, including the U.S. dollar, it may enter into a forward contract to sell or buy the amount of the former foreign currency, approximating the value of some or all of the Fund's portfolio securities denominated in such foreign currency. Alternatively, where appropriate, the Fund may hedge all or part of its foreign currency exposure through the use of a basket of currencies or a proxy currency where such currency or currencies act as an effective proxy for other currencies. In such a case, the Fund may enter into a forward contract where the amount of the foreign currency to be sold exceeds the value of the securities denominated in such currency. The use of this basket hedging technique may be more efficient and economical than entering into separate forward contracts for each currency held in the Fund. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible since the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. The projection of short-term currency market movement is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain. Other than as set forth above, and immediately below, the Fund will also not enter into such forward contracts or maintain a net exposure to such contracts where the consummation of the contracts would obligate the Fund to deliver an amount of foreign currency in excess of the value of the Fund's portfolio securities or other assets denominated in that currency. The Fund, however, in order to avoid excess transactions and transaction costs, may maintain a net exposure to forward contracts in excess of the value of the Fund's portfolio securities or other assets to which the forward contracts relate (including accrued interest to the maturity of the forward on such securities) provided the excess amount is "covered" by liquid, high-grade debt securities, denominated in any currency, at least equal at all times to the amount of such excess. For these purposes "the securities or other assets to which the forward contracts relate may be securities or assets denominated in a single currency, or where proxy forwards are used, securities denominated in more than one currency. Under normal circumstances, consideration of the prospect for currency parities will be incorporated into the longer term investment decisions made with regard to overall diversification strategies. However, the Sub-advisor believes that it is important to have the flexibility to enter into such forward contracts when it determines that the best interests of the Fund will be served.

At the maturity of a forward contract, the Fund may either sell the portfolio security and make delivery of the foreign currency, or it may retain the security and terminate its contractual obligation to deliver the foreign currency by purchasing an "offsetting" contract obligating it to purchase, on the same maturity date, the same amount of the foreign currency.

As indicated above, it is impossible to forecast with absolute precision the market value of portfolio securities at the expiration of the forward contract. Accordingly, it may be necessary for the Fund to purchase additional foreign currency on the spot market (and bear the expense of such purchase) if the market value of the security is less than the amount of foreign currency the Fund is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the Fund is obligated to deliver. However, as noted, in order to avoid excessive transactions and transaction costs, the Fund may use liquid, high-grade debt securities denominated in any currency, to cover the amount by which the value of a forward contract exceeds the value of the securities to which it relates.

If the Fund retains the portfolio security and engages in an offsetting transaction, the Fund will incur a gain or a loss (as described below) to the extent that there has been movement in forward contract prices. If the Fund engages in an offsetting transaction, it may subsequently enter into a new forward contract to sell the foreign currency. Should forward prices decline during the period between the Fund's entering into a forward contract for the sale of a foreign currency and the date it enters into an offsetting contract for the purchase of the foreign currency, the Fund will realize a gain to the extent the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward prices increase, the Fund will suffer a loss to the extent of the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell.

The Fund's dealing in forward foreign currency exchange contracts will generally be limited to the transactions described above. However, the Fund reserves the right to enter into forward foreign currency contracts for different purposes and under different circumstances. Of course, the Fund is not required to enter into forward contracts with regard to its foreign currency-denominated securities and will not do so unless deemed appropriate by the Sub-advisor. It also should be realized that this method of hedging against a decline in the value of a currency does not eliminate fluctuations in the underlying prices of the securities. It simply establishes a rate of exchange at a future date. Additionally, although such contracts tend to minimize the risk of loss due to a decline in the value of the hedged currency, at the same time, they tend to limit any potential gain which might result from an increase in the value of that currency.

Although the Fund values its assets daily in terms of U.S. dollars, it does not intend to convert its holdings of foreign currencies into U.S. dollars on a daily basis. It will do so from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the difference (the "spread") between the prices at which they are buying and selling various currencies. Thus, a dealer may offer to sell a foreign currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund desire to resell that currency to the dealer.

In addition to the restrictions described above, some foreign countries limit, or prohibit, all direct foreign investment in the securities of their companies. However, the governments of some countries have authorized the organization of investment portfolios to permit indirect foreign investment in such securities. For tax purposes these portfolios may be known as Passive Foreign Investment Companies. The Fund is subject to certain percentage limitations under the 1940 Act and certain states relating to the purchase of securities of investment companies, and may be subject to the limitation that no more than 10% of the value of the Fund's total assets may be invested in such securities.

For an additional discussion of certain risks involved in foreign investing, see this Statement and the Trust's Prospectus under "Certain Risk Factors and Investment Methods."

FUND MANAGEMENT

The officers and Trustees of the Trust and their addresses, positions with the Trust, and principal occupations are set forth below. The officers and Trustees own less than 1% of any Fund's outstanding shares.

<TABLE>
<CAPTION>

NAME AND ADDRESS -----	POSITION WITH THE TRUST -----	PRINCIPAL OCCUPATION DURING THE PAST 5 YEARS -----
<S> Rolf F. Bjelland* 625 Fourth Avenue South Minneapolis, MN Age 58	<C> Chairman, Trustee and President and Director,	<C> Executive Vice President and Chief Investment Officer, Lutheran Brotherhood; President Lutheran Brotherhood Research Corp.; Director and Vice President-Investments, Lutheran Brotherhood Variable Insurance Products Company; Director and Executive Vice President, Lutheran Brotherhood Financial Corporation; Director, Lutheran Brotherhood Securities Corp.; Director, Lutheran Brotherhood Real Estate Products Company; Director, Chairman and President of LB Series Fund, Inc.
Charles W. Arnason 101 Judd Street, Suite 1 P. O. Box 150 Marine-On-St. Croix, MN Age 68	Trustee	Lawyer in private practice; formerly member of Head, Hempel, Seifert & Vander Weide; formerly Executive Director of Minnesota Technology Corridor; formerly Senior Vice President, Secretary and General Counsel of Cowles Media Company; Officer, Director or Trustee of various community non-profit boards and organizations; Director of LB Series Fund, Inc.
Herbert F. Eggerding, Jr. 12587 Glencroft Dr. St. Louis, MO Age 59	Trustee	Retired Executive Vice President and Chief Financial Officer, Petrolite Corporation; Director, Wheat Ridge Foundation; Director, Lutheran Charities Association of St. Louis, MO.; Director of LB Series Fund, Inc.
Connie M. Levi 12290 Avenida Consentido San Diego, CA Age 57	Trustee	Retired President of the Greater Minneapolis Chamber of Commerce; Director or member of numerous governmental, public service and non-profit boards and organizations; Director of LB Series Fund, Inc.
Bruce J. Nicholson* 625 Fourth Avenue South Minneapolis, MN Age 49	Trustee	Executive Vice President and Chief Financial Officer, Lutheran Brotherhood; Director, Executive Vice President and Chief Financial Officer, Lutheran Brotherhood Financial Corporation; Director, Lutheran Brotherhood Research Corp.; Director, Lutheran Brotherhood Securities Corp.; Director and Chief Financial Officer, Lutheran Brotherhood Variable Insurance Products Company; Director, Lutheran Brotherhood Real Estate Products Company; Director, LB Series Fund, Inc.
Ruth E. Randall 25 Stanley, #A2 West Hartford, CT Age 67	Trustee	Retired Interim Dean, Division of Continuing Studies, University of Nebraska-Lincoln; formerly Associate Dean, Teachers College, and Professor, Department of Educational Administration, Teachers College, University of Nebraska-Lincoln; Commissioner of Education for the State of Minnesota; Director or member of numerous governmental, public service and non-profit boards and organizations; Director of LB Series Fund, Inc.
James R. Olson 625 Fourth Avenue South Minneapolis, MN Age 54	Vice President	Vice President, Lutheran Brotherhood; Vice President, Lutheran Brotherhood Variable Insurance Products Company; Vice President, Lutheran Brotherhood Research Corp.; Vice President, Lutheran Brotherhood Securities Corp.; Vice President, Lutheran Brotherhood Real Estate Products Company; Vice President of LB Series Fund, Inc.
Richard B. Ruckdashel 625 Fourth Avenue South Minneapolis, MN Age 41	Vice President	Assistant Vice President, Lutheran Brotherhood; Vice President of LB Series Fund, Inc.
James M. Walline 625 Fourth Avenue South Minneapolis, MN Age 51	Vice President	Vice President, Lutheran Brotherhood; Vice President, Lutheran Brotherhood Research Corp.; Vice President, Lutheran Brotherhood Variable Insurance Products Company; Vice President of LB Series Fund, Inc.

Wade M. Voigt
 625 Fourth Avenue South
 Minneapolis, MN
 Age 40

Treasurer

Assistant Vice President, Mutual Fund Accounting,
 Lutheran Brotherhood; Treasurer of LB Series Fund,
 Inc.

Otis F. Hilbert
 625 Fourth Avenue South
 Minneapolis, MN
 Age 59

Secretary and
 Vice President

Vice President, Lutheran Brotherhood; Counsel,
 Vice President and Secretary, Lutheran Brotherhood
 Securities Corp.; Counsel and Secretary of Lutheran
 Brotherhood Research Corp.; Vice President and
 Secretary, Lutheran Brotherhood Real Estate Products
 Company; Vice President and Assistant Secretary,
 Lutheran Brotherhood Variable Insurance Products
 Company; Secretary and Vice President of LB Series
 Fund, Inc.

</TABLE>

(*) "Interested person" of the Fund as defined in the Investment Company Act of 1940 by virtue of his positions with affiliated entities referred to elsewhere herein.

Lutheran Brotherhood, directly and through its wholly-owned subsidiary companies, owned 12.34% of the outstanding shares of LB World Growth Fund and 10.80% of the outstanding shares of LB Money Market Fund as of November 30, 1996.

COMPENSATION OF TRUSTEES AND OFFICERS

The Funds make no payments to any of its officers for services performed for the Fund. Trustees of the Trust who are not interested persons of the Trust are paid an annual retainer fee by the Trust of \$21,500 and an annual fee of \$9,000 per year to attend meetings of Board of Trustees.

Trustees who are not interested persons of the Trust are reimbursed by the Trust for any expenses they may incur by reason of attending Board meetings or in connection with other services they may perform in connection with their duties as Trustees of the Trust. The Trustees receive no pension or retirement benefits in connection with their service to the Fund.

For the fiscal year ended October 31, 1996, the Trustees of the Trust received the following amounts of compensation either directly or in the form of payments made into a deferred compensation plan:

Name and Position of Person	Aggregate Compensation From Trust	Total Compensation Paid by Fund and Fund Complex(1)
Rolf F. Bjelland(2) Chairman and Trustee	\$0	\$0
Charles W. Arnason Trustee	\$19,783	\$29,000
Herbert F. Eggerding, Jr. Trustee	\$19,783	\$29,000
Connie M. Levi Trustee	\$19,783	\$29,000
Bruce J. Nicholson(2) Trustee	\$0	\$0
Ruth E. Randall	\$19,783	\$29,000

Trustee

(1) The "Fund Complex" includes The Lutheran Brotherhood Family of Funds and LB Series Fund, Inc.

(2) "Interested person" of the Fund as defined in the Investment Company Act of 1940.

INVESTMENT ADVISORY SERVICES

The Funds' investment adviser, LB Research, was organized as a Pennsylvania corporation in 1969 and was reincorporated as a Minnesota corporation in 1987. It has been in the investment advisory business since 1970. LB Research is a wholly-owned subsidiary of Lutheran Brotherhood Financial Corporation which, in turn, is a wholly-owned subsidiary of Lutheran Brotherhood, a fraternal benefit society. The officers and directors of LB Research who are affiliated with the Trust are set forth under "Fund Management".

Investment decisions for each of the Funds, except the LB World Growth Fund, are made by LB Research, subject to the overall direction of the Board of Trustees. LB Research provides overall investment supervision of the LB World Growth Fund's investments, with investment decisions for that Fund being made by an investment sub-advisor. Except for the LB World Growth Fund, LB Research provides investment research and supervision of each Fund's investments and conducts a continuous program of investment evaluation and appropriate disposition and reinvestment of each Fund's assets. LB Research assumes the expense of providing the personnel to perform its advisory functions. Lutheran Brotherhood, the indirect parent company of LB Research, also serves as the investment adviser for LB Series Fund, Inc. The Master Advisory Contract (the "Advisory Contract") for the Funds provides that Lutheran Brotherhood has reserved the right to grant the non-exclusive use of the name "Lutheran Brotherhood" or any derivative thereof to any other investment company, investment adviser, distributor or other business enterprise, and to withdraw from each Fund the use of the name "Lutheran Brotherhood". The name "Lutheran Brotherhood" will continue to be used by each Fund as long as such use is mutually agreeable to Lutheran Brotherhood and the Funds.

Investment decisions for the LB World Growth Fund are made by Rowe Price-Fleming International, Inc. (the "Sub-advisor"), which LB Research has engaged the sub-advisor for that Fund. The Sub-advisor manages that Fund on a daily basis, subject to the overall direction of LB Research and the Funds' Board of Trustees.

The Sub-advisor was founded in 1979 as a joint venture between T. Rowe Price Associates, Inc. and Robert Fleming Holdings Limited. The Sub-advisor is one of the world's largest international mutual fund asset managers with approximately \$17 billion under management as of December 31, 1994 in its offices in Baltimore, London, Tokyo and Hong Kong.

To the extent required under applicable state regulatory requirements, the Investment Manager will reduce its management fee up to the amount of any expenses (exclusive of interest, taxes, brokerage expenses, distribution expenses, extra-ordinary items and any other items allowed to be excluded by applicable state law) paid or incurred by any of the Funds in any fiscal year which exceed specified percentages of the average daily net assets of such Fund for such fiscal year. The most restrictive of such percentage limitations is (which does not presently apply to any of the Funds) currently 2.5% of the first \$30 million of average net assets, 2.0% of the next \$70 million of average net assets and 1.5% of the remaining average net assets. These commitments may be amended or rescinded in response to changes in the requirements of the various states by the Trustees without shareholder approval.

The Advisory Contract provides that it shall continue in effect with respect to each Fund from year to year as long as it is approved at least annually both (i) by a vote of a majority of the outstanding voting securities of such Fund (as defined in the 1940 Act) or by the Trustees of the Trust, and (ii) in either event by a vote of a majority of the Trustees who are not parties to the Advisory Contract or "interested persons" of any party thereto, cast in person at a meeting called for the purpose of voting on such approval. The Advisory Contract may be terminated on 60 days' written notice by either party and will terminate automatically in the event of its

assignment, as defined under the 1940 Act and regulations thereunder. Such regulations provide that a transaction which does not result in a change of actual control or management of an adviser is not deemed an assignment.

The Sub-advisory Contract provides that it shall continue in effect with respect to the LB World Growth Fund from year to year as long as it is approved at least annually both (i) by a vote of a majority of the outstanding voting securities of such Fund (as defined in the 1940 Act) or by the Trustees of the Trust, and (ii) in either event by a vote of a majority of the Trustees who are not parties to the Sub-advisory Contract or "interested persons" of any party thereto, cast in person at a meeting called for the purpose of voting on such approval. The Sub-advisory Contract may be terminated on 60 days' written notice by either party and will terminate automatically in the event of its assignment, as defined under the 1940 Act and regulations thereunder. Such regulations provide that a transaction which does not result in a change of actual control or management of an adviser is not deemed an assignment.

LB Research receives an annual investment advisory fee from each Fund. The following schedule lists each Fund and the formula under which LB Research is compensated by each Fund: LB Opportunity Growth Fund pays an advisory fee equal to .75% of average daily net assets up to \$100 million, .65% of average daily net assets over \$100 million but not over \$250 million, .60% of average daily net assets over \$250 million but not over \$500 million, .55% of average daily net assets over \$500 million but not over \$1 billion, and .50% of average daily net assets over \$1 billion. LB World Growth Fund pays an advisory fee equal to 1.25% of average daily net assets up to \$20 million, 1.10% of average daily net assets over \$20 million but not over \$50 million, and 1.00% of average daily net assets over \$50 million. LB Fund pays an advisory fee equal to .65% of average daily net assets of \$500 million or less, .60% of average daily net assets over \$500 million but not over \$1 billion, and .55% of average daily net assets over \$1 billion. LB High Yield Fund pays an advisory fee equal to .65% of average daily net assets of \$500 million or less, .60% of average daily net assets over \$500 million but not over \$1 billion, and .55% of average daily assets over \$1 billion. LB Income Fund pays an advisory fee equal to .60% of average daily net assets of \$500 million or less, .575% of average daily net assets over \$500 million but not over \$1 billion, and .55% of average daily net assets over \$1 billion. LB Municipal Bond Fund pays an advisory fee equal to .575% of average daily net assets of \$500 million or less, .5625% of average daily net assets over \$500 million but not over \$1 billion, and .55% of average daily net assets over \$1 billion. LB Money Market Fund pays an advisory fee equal to .50% of average daily net assets of \$500 million or less, .475% of average daily net assets on the next \$500 million of average daily net assets, .45% of average daily net assets on the next \$500 million of average daily net assets, .425% of average daily net assets on the next \$500 million of average daily net assets, and .40% of average daily net assets over \$2 billion.

LB Research pays the Sub-advisor for the LB World Growth Fund an annual sub-advisory fee for the performance of sub-advisory services. The fee payable is equal to a percentage of the that Fund's average daily net assets. The percentage decreases as the Fund's assets increase. For purposes of determining the percentage level of the sub-advisory fee for the Fund, the assets of the Fund are combined with the assets of the World Growth Portfolio of LB Series Fund, Inc., another fund with investment objectives and policies that are similar to the LB World Growth Fund and for which the Sub-advisor also provides sub-advisory services. The sub-advisory fee LB Research pays the Sub-advisor is equal to the World Growth Fund's pro rata share of the combined assets of the Fund and the World Growth Portfolio of LB Series Fund, Inc. and is equal to .75% of combined average daily net assets up to \$20 million, .60% of combined average daily net assets over \$20 million but not over \$50 million, and .50% of combined average daily net assets over \$50 million. When the combined assets of the LB World Growth Fund and the World Growth Portfolio of LB Series Fund, Inc. exceed \$200 million, the sub-advisory fee for the LB World Growth Fund is equal to .50% of all of the Fund's average daily net assets.

The total dollar amounts paid to LB Research under the investment advisory contract then in effect for the last three fiscal years (other than LB World Growth Fund, which is in its second year of operations) are as follows:

	10/31/96	10/31/95	10/31/94
LB Opportunity Growth Fund	\$1,563,341	\$ 938,166	\$ 522,579
LB World Growth Fund	392,419	17,787	--
LB Fund	4,529,474	3,726,938	3,430,253

LB High Yield Fund	4,150,072	3,509,710	3,091,898
LB Income Fund	5,330,930	5,431,506	5,721,652
LB Municipal Bond Fund	3,551,045	3,504,880	3,554,569
LB Money Market Fund	1,922,505	1,538,307	1,373,199

The total dollar amount paid by LB Research to the Sub-advisor of the LB World Growth Fund under the investment sub-advisory contract for the fiscal period ended October 31, 1996 is \$211,461.

Effective February 1, 1992 through March 31, 1996, LB Research has undertaken to limit the LB Money Market's total expenses to 1.10% of its average net assets by means of a voluntary waiver of advisory fees. Effective April 1, 1996, LB Research voluntarily lowered the expense limit prospectively to 0.95% of the LB Money Market Fund's average net assets. As a result of such waiver, LB Research waived fees totaling \$246,901 for the fiscal year ended October 31, 1996, \$253,844 for the fiscal year ended October 31, 1995, and \$709,407 for the fiscal year ended October 31, 1994. Effective September 5, 1995, LB Research has undertaken to limit the LB World Growth Fund's total expenses to 1.95% of its average daily net assets by means of a voluntary waiver of advisory fees. As a result of such waiver, LB Research waived fees totaling \$66,807 for the fiscal year ended October 31, 1996, and \$13,415 for the period from September 5, 1995 to October 31, 1995. These waivers of fees are voluntary and may be discontinued at any time.

ADMINISTRATIVE SERVICES

Lutheran Brotherhood Securities Corp. ("LB Securities") provides administrative personnel and services necessary to operate the Funds on a daily basis for a fee equal to 0.025 percent of the Funds' average daily net assets. Effective January 1, 1996, a new agreement went into effect whereby LB Securities will receive an annual fee equal to 0.0225 percent of the Fund's average daily net assets. Beginning January 1, 1997, the annual fee will be equal to 0.02 percent of the Fund's average daily net assets. The total dollar amounts paid to LB Securities for administrative services for the last three fiscal years are as follows:

	10/31/96	10/31/95	10/31/94
LB Opportunity Growth Fund	\$ 51,379	\$ 33,788	\$ 22,108
LB World Growth Fund	8,217	56	--
LB Fund	163,270	144,572	115,321
LB High Yield Fund	148,767	136,969	109,494
LB Income Fund	207,659	215,922	123,528
LB Municipal Bond Fund	142,190	151,391	119,601
LB Money Market Fund	87,973	85,688	97,563

CUSTODIAN

State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02110, is the Trust's custodian. As custodian, State Street Bank and Trust Company is responsible for, among other things, safeguarding and controlling the Funds' cash and securities, handling the receipt and delivery of securities and collecting interest and dividends on the Funds' investments.

TRANSFER AGENT

LB Securities serves as transfer agent for the shares of each Fund. The total dollar amounts paid to LB Securities for transfer agency services for the last three fiscal years are as follows:

	10/31/96	10/31/95	10/31/94
LB Opportunity Growth Fund	\$ 865,339	\$ 582,903	\$ 368,236
LB World Growth Fund	169,451	4,983	--
LB Fund	1,610,381	1,478,056	1,386,545
LB High Yield Fund	1,061,296	944,128	811,121
LB Income Fund	1,382,275	1,398,946	1,409,791
LB Municipal Bond Fund	516,423	517,010	501,350
LB Money Market Fund	1,239,592	1,211,889	1,383,080

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP, 3100 Multifoods Tower, 33 South Sixth Street, Minneapolis, Minnesota 55402, serves as the Trust's independent accountants, providing professional services including audits of the Funds' annual financial statements, assistance and consultation in connection with Securities and Exchange Commission filings, and review of the annual income tax returns filed on behalf of the Funds.

DISTRIBUTOR

The Funds' distributor, LB Securities, is a Pennsylvania corporation organized in 1969. LB Securities is a wholly-owned subsidiary of LB Research and is located in Minneapolis, Minnesota. The officers and directors of LB Securities who are affiliated with the Trust are set forth under "Fund Management". LB Securities makes a continuous offering of the Funds' shares on a best efforts basis.

The total dollar amounts of gross underwriting commissions on sales of shares of the LB Opportunity Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, and LB Municipal Bond paid to LB Securities for the last three fiscal years, and the amounts retained by LB Securities for such years, are as follows:

<TABLE>
<CAPTION>

	10/31/96		10/31/95		10/31/94	
	Gross Commissions	Amount Retained	Gross Commissions	Amount Retained	Gross Commissions	Amount Retained
<S>	<C>	<C>	<C>	<C>	<C>	<C>
LB Opportunity Growth Fund	\$2,272,864	\$ 499,118	\$1,423,809	\$315,636	\$2,365,893	\$521,089
LB World Growth Fund	857,697	187,621	153,713	33,490	--	--
LB Fund	2,306,035	504,687	1,609,270	352,617	2,173,982	491,875
LB High Yield Fund	3,372,402	742,668	2,422,070	530,028	2,932,618	646,449
LB Income Fund	1,486,518	324,229	1,325,519	288,981	2,862,681	618,854
LB Municipal Bond Fund	988,150	215,239	989,735	212,445	2,015,891	440,929

</TABLE>

BROKERAGE TRANSACTIONS

PORTFOLIO TRANSACTIONS

In connection with the management of the investment and reinvestment of the assets of the Funds, the Advisory Contract authorizes LB Research, acting by its own officers, directors or employees or by a duly authorized subcontractor, including the Sub-advisor, to select the brokers or dealers that will execute purchase and sale transactions for the Funds. In executing portfolio transactions and selecting brokers or dealers, if any, LB Research and the Sub-advisor will use reasonable efforts to seek on behalf of the Funds the best overall terms available. In assessing the best overall terms available for any transaction, LB Research and the Sub-advisor will consider all factors it deems relevant, including the breadth of the market in and the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any (for the specific transaction and on a continuing basis). In evaluating the best overall terms available, and in selecting the broker or dealer, if any, to execute a particular transaction, LB Research and the Sub-advisor may also consider the brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) provided to any other accounts over which LB Research or the Sub-advisor or an affiliate of LB Research or the Sub-advisor exercises investment discretion. LB Research and the Sub-advisor may pay to a broker or dealer who provides such brokerage and research services a commission for executing a portfolio transaction which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction if, but only if, LB Research or the Sub-advisor determines in good faith that such commission was reasonable in relation to the value of the brokerage and research

services provided.

To the extent that the receipt of the above-described services may supplant services for which LB Research or the Sub-advisor might otherwise have paid, it would, of course, tend to reduce the expenses of LB Research or the Sub-advisor.

The investment decisions for a Fund are and will continue to be made independently from those of other investment companies and accounts managed by LB Research, the Sub-advisor, or their affiliates. Such other investment companies and accounts may also invest in the same securities as a Fund. When purchases and sales of the same security are made at substantially the same time on behalf of such other investment companies and accounts, transactions may be averaged as to the price and available investments allocated as to the amount in a manner which LB Research and its affiliates believe to be equitable to each investment company or account, including the Fund. In some instances, this investment procedure may affect the price paid or received by a Fund or the size of the position obtainable or sold by a Fund.

ROWE PRICE-FLEMING AFFILIATED TRANSACTIONS

Subject to applicable SEC rules, as well as other regulatory requirements, the Sub-advisor of the LB World Growth Fund may allocate orders to brokers or dealers affiliated with the Sub-advisor. Such allocation shall be in such amounts and proportions as the Sub-advisor shall determine and the Fund's Sub-advisor will report such allocations either to LB Research, which will report such allocations to the Board of Trustees, or, if requested, directly to the Board of Trustees.

BROKERAGE COMMISSIONS

During the last three fiscal years, the Funds paid the following brokerage fees:

	10/31/96	10/31/95	10/31/94
LB Opportunity Growth Fund	\$ 472,846	\$ 197,461	\$ 68,483
LB World Growth Fund*	108,394	24,302	--
LB Fund	1,349,473	1,787,109	3,106,422
LB High Yield Fund	36,567	47,583	21,925
LB Income	92,838	61,164	83,788
LB Municipal Bond Fund	7,399	9,518	17,558
LB Money Market Fund	--	--	--

*Amount paid to affiliated broker-dealer is \$4,028 for the fiscal year ended October 31, 1996 and \$250 for the period ended October 31, 1995.

Of the brokerage fee amounts stated above and underwriting concessions of dealers from whom the Funds purchased newly issued debt securities, the following percentages were paid to firms which provided research, statistical, or other services to LB Research or the Sub-advisor in connection with the management of the Funds:

	10/31/96	10/31/95	10/31/94
LB Opportunity Growth Fund	0.60%	0.22%	9.06%
LB World Growth Fund	0.48	0.08	--
LB Fund	7.17	8.10	9.21
LB High Yield Fund	0.24	0.70	0.67
LB Income Fund	6.41	0.62	0.47
LB Municipal Bond Fund	--	--	--
LB Money Market Fund	--	--	--

PORTFOLIO TURNOVER RATE

The rate of portfolio turnover in the Funds will not be a limiting factor when LB Research or the Sub-advisor deems changes in a Fund's portfolio appropriate in view of its investment objectives. As a result, while a Fund will not purchase or sell securities solely to achieve short term trading profits, a Fund may sell portfolio securities without regard to the length

of time held if consistent with the Fund's investment objective. A higher degree of equity portfolio activity will increase brokerage costs to a Fund. The portfolio turnover rate is computed by dividing the dollar amount of securities purchased or sold (whichever is smaller) by the average value of securities owned during the year. Short-term investments such as commercial paper and short-term U.S. Government securities are not considered when computing the turnover rate.

For the last three fiscal years, the portfolio turnover rates of the LB Opportunity Growth Fund, LB World Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, and LB Municipal Bond Fund were as follows:

	10/31/96	10/31/95	10/31/94
LB Opportunity Growth Fund	176%	213%	64%
LB World Growth Fund	11%	0%	--
LB Fund	91%	127%	234%
LB High Yield Fund	104%	71%	50%
LB Income Fund	142%	131%	155%
LB Municipal Bond Fund	33%	36%	38%

CODE OF ETHICS

The Trust has adopted a code of ethics that imposes certain limitations and restrictions on personal securities transactions by persons having access to Fund investment information, including portfolio managers. Such access persons may not purchase any security being offered under an initial public offering, any security for which one of the Funds has a purchase or sale order pending, or any security currently under active consideration for purchase or sale by a Fund. Additionally, portfolio managers of the Funds may not purchase or sell any security within seven days before or after any transaction in such security by the Fund that he or she manages. In order for the Trust to monitor the personal investment transactions, all access persons must obtain the approval of an officer of the Trust designated by the Trustees before they may purchase or sell any security and they must have all such transactions reported to such officer by the broker-dealer through which the transaction was accomplished.

PURCHASING SHARES

Initial purchases of Fund shares must be made by check and accompanied by an application. Subsequent purchases may be made by:

- * check;
- * Federal Reserve or bank wire;
- * Invest-by-Phone;
- * Systematic Investment Plan (SIP); and
- * automatic payroll deduction.

Use of checks, Federal Reserve or bank wire and Invest-by-Phone is explained in the General Information section of the Fund's prospectus under "Buying Shares of The Lutheran Brotherhood Family of Funds".

SYSTEMATIC INVESTMENT PLAN

Under the Systematic Investment Plan program, funds may be withdrawn monthly from the shareholder's checking account and invested in the Funds. LB Securities representatives will provide shareholders with the necessary authorization forms.

AUTOMATIC PAYROLL DEDUCTION

Under the Automatic Payroll Deduction program, funds may be withdrawn monthly from the payroll account of any eligible shareholder of a Fund and invested in a Fund. To be eligible for this program, the shareholder's employer must permit and be qualified to conduct automatic payroll deductions. LB Securities representatives will provide shareholders with the necessary authorization forms.

SALES CHARGES

Initial purchases of Fund shares carry sales charges as explained in the section of the Funds' prospectus entitled, "Sales Charges", which also lists ways to reduce or avoid sales charges on subsequent purchases.

In addition to the situations described in the prospectus, sales charges are waived when shares are purchased by:

- * directors and regular full-time and regular part-time employees of Lutheran Brotherhood and its subsidiaries;

- * registered representatives of LB Securities; and

- * any trust, pension, profit-sharing or other benefit plan for such persons.

FULL-TIME EMPLOYEES

Regular full-time and regular part-time employees of Lutheran Brotherhood are persons who are defined as such by the Lutheran Brotherhood Human Resources Policy Manual.

RESTRICTION ON SALE OF SHARES PURCHASED

Sales to any of the persons or groups mentioned in this section are made only with the purchaser's written promise that the shares will not be resold, except through redemption or repurchase by or on behalf of a Fund.

NET ASSET VALUE

LB Opportunity Growth Fund, LB World Growth Fund, LB Fund, LB High Yield Fund, LB Income Fund, and LB Municipal Bond Fund

The net asset value per share is determined at the close of each day the New York Stock Exchange is open, or any other day as provided by Rule 22c-1 under the Investment Company Act of 1940. Determination of net asset value may be suspended when the Exchange is closed or if certain emergencies have been determined to exist by the Securities and Exchange Commission, as allowed by the Investment Company Act of 1940.

Net asset value is determined by adding the market or appraised value of all securities and other assets; subtracting liabilities; and dividing the result by the number of shares outstanding.

The market value of each Fund's portfolio securities is determined at the close of regular trading of the New York Stock Exchange (the "Exchange") on each day the Exchange is open, except the day after Thanksgiving. The value of portfolio securities is determined in the following manner:

- * Equity securities traded on the Exchange or any other national securities exchange are valued at the last sale price. If there has been no sale on that day or if the security is unlisted, it is valued at prices within the range of the current bid and asked prices considered best to represent value in the circumstances.

- * Equity securities not traded on a national securities exchange are valued at prices within the range of the current bid and asked prices considered best to represent the value in the circumstances, except that securities for which quotations are furnished through the nationwide automated quotation system approved by the NASDAQ will be valued at their last sales prices so furnished on the date of valuation, if such quotations are available for sales occurring on that day.

- * Bonds and other income securities traded on a national securities exchange will be valued at the last sale price on such national securities exchange that day. LB Research may value such securities on the basis of prices provided by an independent pricing service or within the range of the current bid and asked prices considered best to represent the value in the circumstances, if those prices are believed to better reflect the fair market value of such exchange listed securities.

- * Bonds and other income securities not traded on a national securities exchange will be valued within the range of the current bid and asked prices considered best to represent the value in the circumstances. Such securities

may also be valued on the basis of prices provided by an independent pricing service if those prices are believed to reflect the fair market value of such securities.

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.

Prices provided by independent pricing services may be determined without relying exclusively on quoted prices and may consider institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data employed in determining valuation for such securities.

All other securities and assets will be appraised at fair value as determined by the Board of Trustees.

Generally, trading in foreign securities, as well as U.S. Government securities, money market instruments and repurchase agreements, is substantially completed each day at various times prior to the close of the Exchange. The values of such securities used in computing the net asset value of shares of a Fund are determined as of such times. Foreign currency exchange rates are also generally determined prior to the close of the Exchange. Occasionally, events affecting the value of such securities and exchange rates may occur between the times at which they are determined and the close of the Exchange, which will not be reflected in the computation of net asset values. If during such periods events occur which materially affect the value of such securities, the securities will be valued at their fair market value as determined in good faith by the Trustees of the Fund.

For purposes of determining the net asset value of shares of a Fund all assets and liabilities initially expressed in foreign currencies will be converted into U.S. dollars quoted by a major bank that is a regular participant in the foreign exchange market or on the basis of a pricing service that takes into account the quotes provided by a number of such major banks.

LB Money Market Fund

The net asset value for each share of the LB Money Market Fund remains at \$1.00.

Use of Amortized Cost Method

The Trustees have determined that the best method for determining the value of portfolio securities of the LB Money Market Fund is the amortized cost method. The Executive Committee will continue to assess this method of valuation and recommend changes to assure that the Fund's portfolio instruments are properly valued.

The LB Money Market Fund's use of the amortized cost method of valuing portfolio securities depends on its compliance with an order (the "Order") of permanent exemption from certain provisions of the Investment Company Act of 1940 granted by the Securities and Exchange Commission. Under the Order, the Fund's Trustees must establish procedures reasonably designed to stabilize the net asset value per share as computed for purposes of distribution and redemption at \$1.00 per share, taking into account current market conditions and the Fund's investment objective.

The Trustee's procedures include monitoring the relationship between the amortized cost value per share and a net asset value per share based upon available indications of market value. The Trustees will decide if any steps should be taken if there is a difference of more than .5% between the two. The Trustees will take any steps they consider appropriate (such as redemption in kind or shortening the average portfolio maturity) to minimize any material dilution or other unfair results arising from differences between the two methods of determining net asset value.

Investment Restrictions

The Order requires that the LB Money Market Fund limit its investments to instruments that, in the opinion of the Trustees, present minimal credit risks and that are of high quality as determined by any major rating agency. If they are not rated, the Trustees must determine that the instrument is of comparable quality. It also calls for the Fund to maintain a dollar weighted average portfolio maturity (not more than 90 days) appropriate to its objective of maintaining a stable net asset value of \$1.00 per share.

The Order also allows the purchase of any instrument with a remaining maturity of more than one year. Should the disposition of a portfolio security result in a dollar weighted average portfolio maturity of more than 90 days, the Fund will invest its available cash to reduce the maturity to 90 days or less as soon as practicable. The 90-day maximum dollar-weighted average maturity notwithstanding, it is the Fund's intention to not exceed a dollar-weighted average maturity of 90 days.

It is the Fund's usual practice to hold portfolio securities to maturity and realize par, unless sale or other disposition is mandated by redemption requirements or other extraordinary circumstances. Under the amortized cost method of valuation traditionally employed by institutions for valuation of money market instruments, neither the amount of daily income nor the net asset value is affected by any unrealized appreciation or depreciation of the portfolio.

In periods of DECLINING interest rates, the indicated daily yield on shares of the Fund computed by dividing the annualized daily income on the Fund's portfolio by the net asset value computed as above may tend to be higher than a similar computation made by using a method of valuation based upon market prices and estimates.

In periods of RISING interest rates, the indicated daily yield on shares of the Fund computed by dividing the annualized daily income on the Fund's portfolio by the net asset value as computed above may tend to be lower than a similar computation made by using a method of calculation based upon market prices and estimates.

Conversion to Federal Funds

It is the LB Money Market Fund's policy to be as fully invested as possible so that maximum interest may be earned on money market instruments in the Fund's portfolio. To the end, all payments from investors must be in federal funds or be converted into federal funds when deposited to State Street Bank's account at the Boston Federal Reserve Bank. This conversion must be made before shares are purchased. State Street Bank will act as the investor's agent in depositing checks and converting them to federal funds. State Street will convert the funds and enter the investor's order for shares within two days of receipt of the check.

REDEEMING SHARES

Shares may be redeemed with requests made:

- * in writing;
- * through Redeem-by-Phone; or
- * through the Lutheran Brotherhood systematic withdrawal plan.

All methods of redemption are described in the Funds' prospectus under "Redeeming Shares".

TAX STATUS

THE FUNDS' TAX STATUS

The Funds expect to pay no federal income tax because they intend to meet requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies. To qualify for this treatment, each Fund must, among other requirements:

- * derive at least 90% of its gross income from dividends, interest and gains from the sale of securities;
- * derive less than 30% of its gross income from the sale of securities held less than three months;
- * invest in securities within certain statutory limits; and
- * distribute at least 90% of its ordinary income to shareholders.

It is each Fund's policy to distribute substantially all of its income on a timely basis, including any net realized gains on investments each year.

To avoid payment of a 4% Excise tax, each Fund is also required to

distribute to shareholders at least 98% of its ordinary income earned during the calendar year and 98% of its net capital gains realized during the 12-month period ending October 31.

SHAREHOLDERS' TAX STATUS

Shareholders of each Fund other than the LB Municipal Bond Fund will be subject to federal income tax on dividends and distributions received as cash or additional shares. To the extent a Fund earns interest from U.S. government obligations, a number of states may allow pass-through treatment and permit a shareholder to exclude a portion of their dividends from state income tax.

Distributions of the LB Municipal Bond Fund representing net interest received on tax-exempt municipal bonds will be exempt from federal income tax. The portion of LB Municipal Bond Fund distributions representing net interest income from taxable temporary investments, market discount on tax-exempt bonds, and net short-term capital gains realized by the Fund, if any, will be taxable to shareholders as ordinary income and will generally not be available for the dividend exclusion available to individuals.

Distributions representing net interest received on tax-exempt municipal bonds will not necessarily be free from state income taxes. The Fund will provide to shareholders an annual breakdown of the percentage of its income from each state.

Shareholders of each Fund will be subject to federal income tax on dividends and distributions received as cash or additional shares. To the extent a Fund earns interest from U.S. government obligations, a number of states may allow pass-through treatment and permit a shareholder to exclude a portion of their dividends from state income tax.

The Funds will mail annually to each shareholder advice as to the tax status of each year's dividends and distributions.

CAPITAL GAINS

Distributions by a Fund representing net long-term capital gains realized by the Fund will be taxable to shareholders as long-term capital gains no matter how long the shareholder may have held the shares. While the Funds do not intend to engage in short-term trading, they may dispose of securities held for only a short time if LB Research believes it to be advisable. Such changes may result in the realization of capital gains. Each Fund distributes its realized gains in accordance with federal tax regulations. Distributions from any net realized capital gains will usually be declared in December.

GENERAL INFORMATION

The Lutheran Brotherhood Family of Funds, a business trust organized under the laws of the State of Delaware, was established pursuant to a Master Trust Agreement dated July 15, 1993. The Trust is authorized to issue shares of beneficial interest, par value \$.001 per share, divisible into an indefinite number of different series and classes and operates as a "series company" as provided by Rule 18f-2 under the 1940 Act. The interests of investors in the various series of the Trust will be separate and distinct. All consideration received for the sales of shares of a particular series of the Trust, all assets in which such consideration is invested, and all income earnings and profits derived from such investments, will be allocated to that series.

Except for the LB World Growth Fund, each Fund is the successor to a fund of the same name that previously operated as a separate corporation or trust. At a Special Meeting of Shareholders of each such fund held on October 28, 1993, the shareholders of each fund approved a reorganization of the respective funds as separate series of the Trust, which reorganization became effective on November 1, 1993. The LB World Growth Fund commenced operations as a series of The Lutheran Brotherhood Family of Funds on September 5, 1995.

CALCULATION OF PERFORMANCE DATA

TOTAL RETURN

Average annual total return is computed by determining the average annual compounded rates of return over the designated periods that, if applied to the initial amount invested would produce the ending redeemable value, according to the following formula:

$$P(1+T)^n = ERV$$

[In the above formula "n" is an exponent.]

Where: P = a hypothetical initial payment of \$1,000
T = average annual total return
n = number of years
ERV = ending redeemable value at the end of the designated period assuming a hypothetical \$1,000 payment made at the beginning of the designated period

The calculation is based on the further assumptions that the maximum initial sales charge applicable to the investment is deducted, and that all dividends and distributions by the Fund are reinvested at net asset value on the reinvestment dates during the periods. All accrued expenses are also taken into account as described later herein.

Average Annual Total Returns For the Indicated Periods Ended October 31, 1996

LB Opportunity Growth Fund		LB Fund		LB High Yield Fund	
1 year	15.18%	1 year	11.70%	1 year	6.01%
Since Fund		5 years	11.13%	5 years	11.56%
Inception	18.18%	10 years	10.52%	Since Fund	
1/8/93				Inception	9.16%
				4/3/87	

LB Income Fund		LB Municipal Bond Fund		LB Money Market Fund	
1 year	-0.68%	1 year	0.08%	1 year	4.63%
5 years	6.17%	5 years	6.20%	5 years	3.58%
10 years	7.66%	10 years	7.09%	10 years	5.19%

LB World Growth Fund

1 year	6.95%
Since Fund	
Inception (9/5/95)	5.24%

YIELD

Yield is computed by dividing the net investment income per share earned during a recent month or other specified 30-day period by the applicable maximum offering price per share on the last day of the period and annualizing the result, according to the following formula:

[A formula is expressed here that is as follows:

Yield is equal to 2 times the difference between the sixth power of a number and 1, where that number is equal to the sum of the quotient of a divided by b and 1.]

Where: a = dividends and interest earned during the period minus expenses accrued for the period (net of voluntary expense reductions by the Investment Manager)

b = the average daily number of shares outstanding during the period that were entitled to receive dividends multiplied by the maximum offering price per share on the last day of the period

To calculate interest earned (for the purpose of "a" above) on debt obligations, a Fund computes the yield to maturity of each obligation held by a Fund based on the market value of the obligation (including actual accrued interest) at the close of the last business day of the preceding period, or, with respect to obligations purchased during the period, the purchase price (plus actual accrued interest). The yield to maturity is then divided by 360 and the quotient is multiplied by the market value of

the obligation (including actual accrued interest) to determine the interest income on the obligation for each day of the period that the obligation is in the portfolio. Dividend income is recognized daily based on published rates.

In the case of a tax-exempt obligation issued without original issue discount and having a current market discount, the coupon rate of interest is used in lieu of the yield to maturity. Where, in the case of a tax-exempt obligation with original issue discount, the discount based on the current market value exceeds the then-remaining portion of original issue discount (market discount), the yield to maturity is the imputed rate based on the original issue discount calculation. Where, in the case of a tax-exempt obligation with original issue discount, the discount based on the current market value is less than the then-remaining portion of original issue discount (market premium), the yield to maturity is based on the market value. Dividend income is recognized daily based on published rates.

With respect to the treatment of discount and premium on mortgage or other receivables-backed obligations which are expected to be subject to monthly payments of principal and interest ("paydowns"), a Fund accounts for gain or loss attributable to actual monthly paydowns as a realized capital gain or loss during the period. Each Fund has elected not to amortize discount or premium on such securities.

Undeclared earned income, computed in accordance with generally accepted accounting principles, may be subtracted from the maximum offering price. Undeclared earned income is the net investment income which, at the end of the base period, has not been declared as a dividend, but is reasonably expected to be declared as a dividend shortly thereafter. The maximum offering price includes, as applicable, a maximum sales charge of 5.0%.

All accrued expenses are taken into account as described later herein.

Yield information is useful in reviewing a Fund's performance, but because yields fluctuate, such information cannot necessarily be used to compare an investment in a Fund's shares with bank deposits, savings accounts and similar investment alternatives which are insured and/or often provide an agreed or guaranteed fixed yield for a stated period of time. Shareholders should remember that yield is a function of the kind and quality of the instruments in the Fund's portfolio, portfolio maturity and operating expenses and market conditions.

The 30-day yield for the base period ended October 31, 1996 for the LB High Yield Fund, LB Income Fund and LB Municipal Bond Fund were 9.12%, 5.83%, and 4.55%, respectively.

Tax Equivalent Yield

The LB Municipal Bond Fund may quote its tax equivalent yield. The LB Municipal Bond Fund's tax equivalent yield is computed by dividing that portion of such Fund's yield (computed as described under "Yield" above) which is tax-exempt, by the complement of the combined federal and state maximum effective marginal rate and adding the result to that portion, if any, of the yield of such Fund that is not tax-exempt. The complement, for example, of a tax rate of 31% is 69%, that is $1.00 - 0.31 = 0.69$.

The LB Municipal Bond Fund's tax equivalent yields for the 30-day base period ended October 31, 1996, assuming a tax rate of 15%, 28%, 31% and 39.6%, were 5.35%, 6.32%, 6.59% and 7.53%, respectively.

Yield - Money Market Fund

When the LB Money Market Fund quotes a "current annualized" yield, it is based on a specified recent seven calendar-day period. It is computed by (1) determining the net change, exclusive of capital changes, in the value of a hypothetical preexisting account having a balance of one share at the beginning of the period, (2) dividing the net change in account value by the value of the account at the beginning of the base period to obtain the base return, then (3) multiplying the base period by 52.14 (365 divided by 7). The resulting yield figure is carried to the nearest hundredth of one percent.

The calculation includes (1) the value of additional shares purchased with dividends on the original share, and dividends declared on both the original share and any such additional shares, and (2) all fees charge to all

shareholder accounts, in proportion to the length of the base period and the Trust's average account size.

The capital changes excluded from the calculation are realized capital gains and losses from the sale of securities and unrealized appreciation and depreciation. The Fund's effective (compounded) yield will be computed by dividing the seven-day annualized yield as defined above by 365, adding 1 to the quotient, raising the sum to the 365th power, and subtracting 1 from the result.

Current and effective yields fluctuate daily and will vary with factors such as interest rates and the quality, length of maturities, and type of investments in the portfolio.

Yield For 7-day Period Ended 10/31/96	4.54%
Effective Yield For 7-day Period Ended 10/31/96	4.64%

ACCRUED EXPENSES

Accrued expenses include all recurring expenses that are charged to all shareholder accounts in proportion to the length of the base period. The average annual total return and yield results take sales charges, if applicable, into account, although the results do not take into account recurring and nonrecurring charges for optional services which only certain shareholders elect and which involve nominal fees.

Accrued expenses do not include the subsidization by affiliates of fees or expenses relating to a Fund, during the subject period.

NONSTANDARDIZED TOTAL RETURN

A Fund may provide the above described average annual total return results for periods which end no earlier than the most recent calendar quarter end and which begin twelve months before and at the time of commencement of such Fund's operations. In addition, a Fund may provide nonstandardized total return results for differing periods, such as for the most recent six months, and/or without taking sales charges into account. Such nonstandardized total return is computed as otherwise described under "Total Return" except that the result may or may not be annualized, and as noted any applicable sales charge may not be taken into account and therefore not deducted from the hypothetical initial payment of \$1,000.

REPORT OF INDEPENDENT ACCOUNTANTS AND FINANCIAL STATEMENTS

The Report of Independent Accountants and financial statements included in the Annual Report to Shareholders for the fiscal year ended October 31, 1996 of the Funds are a separate report furnished with this Statement of Additional Information and are incorporated herein by reference.

THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS

PART C OTHER INFORMATION

Item 24. Financial Statements and Exhibits

(a) Financial Statements

(1) Financial Statements included in PART A (Prospectus) of this Registration Statement:

- (A) Financial Highlights for Lutheran Brotherhood Opportunity Growth Fund for the fiscal year ended October 31, 1996
- (B) Financial Highlights for Lutheran Brotherhood World Growth Fund for the fiscal year ended October 31, 1996
- (C) Financial Highlights for Lutheran Brotherhood Fund for the fiscal year ended October 31, 1996
- (D) Financial Highlights for Lutheran Brotherhood High Yield

Fund for the fiscal year ended October 31, 1996

- (E) Financial Highlights for Lutheran Brotherhood Income Fund for the fiscal year ended October 31, 1996
- (F) Financial Highlights for Lutheran Brotherhood Municipal Bond Fund for the fiscal year ended October 31, 1996
- (G) Financial Highlights for Lutheran Brotherhood Money Market Fund for the fiscal year ended October 31, 1996

- (2) Financial Statements included in the Annual Report to Shareholders for the period ended October 31, 1996 as incorporated by reference into PART B (Statement of Additional Information) of this Registration Statement for 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:

- Portfolio of Investments
- Statement of Assets and Liabilities
- Statement of Operations
- Statement of Changes in Net Assets
- Notes to Financial Statements (including Financial Highlights referenced to the Prospectus)
- Report of Independent Accountants

(b) Exhibits

- (1) First Amended and Restated Master Trust Agreement of the Registrant (3)
- (1) (b) Form of Amendment to First Amended and Restated Master Trust Agreement (4)
- (2) By-Laws of the Registrant (2)
- (3) Not applicable
- (4) Not applicable
- (5) (a) Form of Master Advisory Contract between the Registrant and Lutheran Brotherhood Research Corp. (2)
- (5) (b) Form of Amendment to Master Advisory Contract (4)
- (5) (c) Form of Sub-Advisory Agreement between Lutheran Brotherhood Research Corp. and Rowe Price-Fleming International, Inc. (4)
- (6) (a) Form of Distribution Agreement between the Registrant and Lutheran Brotherhood Securities Corp. (2)
- (6) (b) Form of Amendment to Distribution Agreement (4)
- (7) Not applicable
- (8) (a) Form of Custodian Contract between the Registrant and State Street Bank and Trust Company (2)
- (8) (b) Form of Transfer Agency Agreement between the Registrant and Lutheran Brotherhood Securities Corp. (2)
- (8) (c) Form of Administrative Services Agreement between the Registrant and Lutheran Brotherhood Securities Corp. (2)
- (8) (d) Form of Amendment to Custodian Contract (4)
- (8) (e) Form of Amendment to Transfer Agency Agreement (4)
- (8) (f) Administration Contract Between The Lutheran Brotherhood Family of Funds and Lutheran Brotherhood Securities Corp. (4)
- (8) (f) Form of Amendment to Administrative Services Agreement (4)
- (9) Not applicable
- (10) Opinion and consent of counsel (4)
- (11) Consent of Independent Accountants (1)
- (12) Not applicable
- (13) (a) Subscription and Investment Letter with respect to each of Lutheran Brotherhood Opportunity 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 (3)
- (13) (b) Form of Subscription and Investment Letter with respect to Lutheran Brotherhood World Growth Fund (4)
- (14) (a) (i) Lutheran Brotherhood Defined Contribution Plan and Trust, Standardized Target Benefit Plan and Trust Adoption Agreement, Target Benefit Plan and Trust Adoption Agreement, Standardized Nonintegrated Profit Sharing Plan and Trust Adoption Agreement, Standardized Nonintegrated Money Purchase Plan and Trust Adoption Agreement, Standardized Integrated Profit Sharing Plan and Trust Adoption Agreement, Standardized Integrated Money Purchase Plan and Trust Adoption Agreement, Integrated Money Purchase Plan and Trust Adoption Agreement, Nonintegrated Money Purchase Plan and

- Trust Adoption Agreement, Nonintegrated Profit Sharing Plan and Trust Adoption Agreement and Integrated Profit Sharing Plan and Trust Adoption Agreement (2)
- (14) (a) (ii) Lutheran Brotherhood Defined Benefit Plan and Trust, Standardized Nonintegrated Defined Benefit Plan Adoption Agreement and Standardized Integrated Defined Benefit Plan and Trust Adoption Agreement (2)
- (14) (b) Lutheran Brotherhood Individual Retirement Account, Disclosure Statement and Custodial Agreement (2)
- (14) (c) Lutheran Brotherhood Self-Directed Individual Retirement Account, Supplemental Disclosure Statement, Disclosure Statement and Custodial Agreement (2)
- (14) (d) Lutheran Brotherhood Tax Sheltered Custodial Account (2)
- (14) (e) Lutheran Brotherhood Prototype Simplified Employee Pension Plan (2)
- (15) Not applicable
- (16) Schedule of computation of performance data provided in response to Item 22 of this Registration Statement (3)
- (17) (a) Powers of Attorney for Rolf F. Bjelland, Wade M. Voigt, Charles W. Arnason, Herbert F. Eggerding, Jr., Luther O. Forde and Ruth E. Randall (3)
- (17) (b) Power of Attorney for Connie M. Levi (3)
- (17) (c) Power of Attorney for Bruce J. Nicholson (4)

Filed as part of the Registration Statement as noted below and incorporated herein by reference:

Footnote Reference	Securities Act of 1933 Amendment	Date Filed
(1)	Filed herein	
(2)	Post-Effective Amendment No. 51	August 27, 1993
(3)	Post-Effective Amendment No. 52	October 25, 1993
(4)	Post-Effective Amendment No. 55	June 16, 1995

Item 25. Persons Controlled by or under Common Control with Registrant

None.

Item 26. Number of Holders of Securities

As of December 1, 1996 the numbers of record holders of shares of the Registrant was as follows:

(1) Title of Class	(2) Number of Record Holders
Shares of Beneficial Interest	
Lutheran Brotherhood Opportunity Growth Fund	51,004
Lutheran Brotherhood World Growth Fund	12,321
Lutheran Brotherhood Fund	81,950
Lutheran Brotherhood High Yield Fund	52,829
Lutheran Brotherhood Income Fund	61,824
Lutheran Brotherhood Municipal Bond Fund	23,403
Lutheran Brotherhood Money Market Fund	48,952

Item 27. Indemnification

Under Article VI of the Registrant's Master Trust Agreement each of its Trustees and officers or persons serving in such capacity with another entity at the request of the Registrant ("Covered Person") shall be indemnified against all liabilities, including, but not limited to, amounts paid in satisfaction of judgments, in compromises or as fines or penalties, and expenses, including reasonable legal and accounting fees, in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or legislative body, in which such Covered Person may be or may have been involved as a party or otherwise or with which such Covered Person may be or may have been threatened, while in office or thereafter, by reason of being or having been such a Trustee or officer, director or trustee, except with respect to any matter as to which it has been determined that such Covered Person had acted with willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Covered Person's office (such conduct referred to hereafter as "Disabling Conduct"). A determination that

the Covered Person is entitled to indemnification may be made by (i) a final decision on the merits by a court or other body before which the proceeding was brought that the person to be indemnified was not liable by reason of Disabling Conduct, (ii) dismissal of a court action or an administrative proceeding against a Covered Person for insufficiency of evidence of Disabling Conduct, or (iii) a reasonable determination, based upon a review of the facts, that the indemnitee was not liable by reason of Disabling Conduct by (a) a vote of a majority of a quorum of Trustees who are neither "interested persons" of the Registrant as defined in section 2(a)(19) of the 1940 Act nor parties to the proceeding, or (b) an independent legal counsel in a written opinion.

Under the Distribution Agreement between the Registrant and Lutheran Brotherhood Securities Corp., the Registrant's distributor, the Registrant has agreed to indemnify, defend and hold Lutheran Brotherhood Securities Corp., its officers, directors, employees and agents and any person who controls Lutheran Brotherhood Securities Corp. free and harmless from and against any loss, claim, damage, liability and expense incurred by any of them arising out of or based upon any untrue or alleged untrue statement of material fact, or the omission or alleged omission to state a material fact necessary to make the statements made not misleading, in a Registration Statement, the Prospectus or Statement of Additional Information of the Registrant, or any amendment or supplement thereto, unless such statement or omission was made in reliance upon written information furnished by Lutheran Brotherhood Securities Corp.

Under the Transfer Agent and Service Agreement between the Registrant and Lutheran Brotherhood Securities Corp., the Registrant has agreed, provided that Lutheran Brotherhood Securities Corp. has at all relevant times acted in good faith and without negligence or willful misconduct, to indemnify and hold Lutheran Brotherhood Securities Corp. harmless from and against any and all losses, damages, costs, charges, attorneys fees, payments, expenses and liability arising out of or attributable to (a) all actions of Lutheran Brotherhood Securities Corp. or its agents or subcontractors required to be taken under the Transfer Agency and Service Agreement or which arise out of the Registrant's lack of good faith, negligence, or willful misconduct or the breach of any representation or warranty of the Registrant under the Transfer Agency and Service Agreement, (c) the reliance on or use by Lutheran Brotherhood Securities Corp. or its agents or subcontractors of information, records or documents which are furnished by or on behalf of Registrant, (d) the reliance on or the carrying out by Lutheran Brotherhood Securities Corp. or its agents or subcontractors of any instructions or requests by Registrant, or (e) the offer or sale of shares of the Registrant unknown by Lutheran Brotherhood Securities Corp. to be in violation of law.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act of 1933 may be permitted to trustees, officers, underwriters and controlling persons of the Registrant, pursuant to Article VI of the Registrant's Master Trust Agreement, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a trustee, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such trustee, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 28. Business and Other Connections of Investment Adviser

Lutheran Brotherhood Research Corp. has been engaged in the investment advisory business since 1970. Lutheran Brotherhood, the indirect parent company of LB Research, also acts as investment adviser to LB Series Fund, Inc.

The directors and officers of Lutheran Brotherhood Research Corp. are listed below, together with their principal occupations during the past two years. (Their titles may have varied during that period.)

Directors:

- Robert P. Gandrud, Chairman (President and Chief Executive Officer of Lutheran Brotherhood)
- Rolf F. Bjelland (Executive Vice President of Lutheran Brotherhood)

Bruce J. Nicholson (Executive Vice President of Lutheran Brotherhood)
 Paul R. Ramseth (Executive Vice President of Lutheran Brotherhood)
 William H. Reichwald (Executive Vice President of Lutheran Brotherhood)

Officers:

Rolf F. Bjelland, President
 Anita J. T. Young, Treasurer (Vice President and Treasurer of Lutheran Brotherhood)
 Otis F. Hilbert, Secretary (Vice President of Lutheran Brotherhood)
 Jerald E. Sourdiffe, Controller (Senior Vice President and Controller of Lutheran Brotherhood)
 Charles E. Heeren, Vice President (Vice President of Lutheran Brotherhood)
 James R. Olson, Vice President (Vice President of Lutheran Brotherhood)
 James M. Walline, Vice President (Vice President of Lutheran Brotherhood)
 Michael A. Binger, Assistant Vice President (Associate Portfolio Manager of Lutheran Brotherhood)
 Randall L. Boushek, Assistant Vice President (Vice President of Lutheran Brotherhood)
 Janet I. Grangaard, Assistant Vice President (Associate Portfolio Manager of Lutheran Brotherhood)
 Thomas N. Haag, Assistant Vice President (Assistant Vice President of Lutheran Brotherhood)
 Michael G. Landreville, Assistant Vice President (Associate Portfolio Manager of Lutheran Brotherhood)
 Gail R. Onan, Assistant Vice President (Associate Portfolio Manager of Lutheran Brotherhood)
 Scott A. Vergin, Assistant Vice President (Associate Portfolio Manager of Lutheran Brotherhood)
 Marie A. Sorensen, Assistant Vice President (Assistant Vice President of Lutheran Brotherhood)
 James M. Odland, Assistant Secretary (Assistant Vice President of Lutheran Brotherhood)
 Randall L. Wetherille, Assistant Secretary (Assistant Vice President of Lutheran Brotherhood)

The business address of each of the above directors and officers employed by Lutheran Brotherhood is 625 Fourth Avenue South, Minneapolis, Minnesota 55415.

The business and other connections of the officers and directors of Rowe Price-Fleming International, Inc. ("Sub-advisor") are set forth in the Form ADV of Sub-advisor currently on file with the Securities and Exchange Commission (File No. 801-14713)

Item 29. Principal Underwriters

- (a) Lutheran Brotherhood Securities Corp. also serves as principal underwriter for LB Series Fund, Inc.
- (b) Directors and officers of Lutheran Brotherhood Securities Corp. are as follows:

(1)	(2)	(3)
Name and Principal Business Address	Positions and Offices with Underwriter	Positions and Offices with Registrant
William H. Reichwald 625 Fourth Avenue South Minneapolis, MN 55415	President	--
Robert P. Gandrud 625 Fourth Avenue South Minneapolis, MN 55415	Chairman and Director	--
Otis F. Hilbert 625 Fourth Avenue South Minneapolis, MN 55415	Vice President, Counsel and Secretary	Vice President and Secretary
Anita J. T. Young 625 Fourth Avenue South Minneapolis, MN 55415	Treasurer	--

- (c) Not Applicable.

Item 30. Location of Accounts and Records

The Registrant maintains the records required to be maintained by it under Rules 31a-1(a), 31a-1(b), and 31a-2(a) under the Investment Company Act of 1940 at its principal executive offices at 625 Fourth Avenue South, Minneapolis, Minnesota 55415. Certain records, including records relating to Registrant's shareholders and the physical possession of its securities, may be maintained pursuant to Rule 31a-3 under the Investment Company Act of 1940 by the Registrant's transfer agent or custodian at the following locations:

Name ----	Address -----
Lutheran Brotherhood Securities Corp.	625 Fourth Avenue South Minneapolis, Minnesota 55415
Norwest Bank Minnesota, N.A.	Sixth and Marquette Avenue Minneapolis, Minnesota 55402
State Street Bank and Trust Company	225 Franklin Street Boston, Massachusetts 02110

Item 31. Management Services

Not Applicable.

Item 32. Undertakings

The Registrant hereby undertakes to furnish each person to whom a prospectus is delivered with a copy of the Registrant's latest annual report to shareholders upon request and without charge.

The Registrant hereby undertakes, if requested to do so by the holders of at least 10% of the Registrant's outstanding shares, to call a meeting of shareholders for the purpose of voting upon the question of removal of a trustee or trustees and to assist in communications with other shareholders as required by Section 16(c) of the Investment Company Act of 1940.

The Registrant hereby undertakes to file a post-effective amendment to its registration for the purposes of filing updated financial statements (which need not be audited) within the time limit specified by Item 32(b) of Form N-1A.

Notice

A copy of the Master Trust Agreement of the Registrant is on file with the Secretary of State of the State of Delaware and notice is hereby given that the obligations of the Registrant hereunder, and the authorization, execution and delivery of this amendment to the Registrant's Registration Statement, shall not be binding upon any of the Trustees, shareholders, nominees, officers, agents or employees of the Registrant as individuals or personally, but shall bind only the property of the Funds of the Registrant, as provided in the Master Trust Agreement. Each Fund of the Registrant shall be solely and exclusively responsible for the payment of any of its direct or indirect debts, liabilities and obligations, and no other Fund shall be responsible for the same.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all of the requirements for effectiveness of this registration statement pursuant to Rule 485(b) under the Securities Act of 1933 and has caused this amendment to this Registration Statement on Form N-1A to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Minneapolis and State of Minnesota, on the 30th day of December, 1996.

THE LUTHERAN BROTHERHOOD
FAMILY OF FUNDS

By: /s/ Randall L. Wetherille

Randall L. Wetherille,
Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, this amendment

to this registration statement has been signed below by the following persons in the capacities and on the date indicated.

Signature	Title	Date
* ----- Rolf F. Bjelland	Trustee and President (Principal Executive Officer)	December 30, 1996
* ----- Wade M. Voigt	Treasurer (Principal Financial and Accounting Officer)	December 30, 1996
* ----- Charles W. Arnason	Trustee	December 30, 1996
* ----- Herbert F. Eggerding, Jr.	Trustee	December 30, 1996
* ----- Connie M. Levi	Trustee	December 30, 1996
* ----- Bruce J. Nicholson	Trustee	December 30, 1996
* ----- Ruth E. Randall	Trustee	December 30, 1996

By: /s/ Randall L. Wetherille

Randall L. Wetherille,
Attorney-in-Fact under Powers
of Attorney incorporated by
reference from Post-Effective
Amendment Nos. 51, 52 and 55.

THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS

INDEX TO EXHIBITS

Exhibit Number	Exhibit	Sequential Page Number
24(a)	Financial Statements: Annual Report to Shareholders	
24(b)(11)	Consent of Independent Accountants	

[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".]

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	Restracc, 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
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 Niederoesterreich 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 Brasilias 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	Buderus	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 Risip	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 Levingston 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
CORPORATE BONDS - 78.7 % (a)			
Airlines - 0.7%			
\$ 4,500,000	10.375%	3/1/2013	\$ 4,522,500
Automotive - 0.4%			
4,950,000	2.9%	12/15/2005	3,031,875
Bank & Finance - 3.9%			
3,250,000	9.25%	12/1/2005	3,380,000
7,600,000	12.5%	4/15/2003	8,265,000
4,000,000	11.25%	5/15/2003	4,390,000
2,400,000	11.0%	11/1/2006	2,400,000
6,353,210	11.0%	3/1/2004	6,519,981
2,000,000	10.875%	10/15/2005	2,210,000
			27,164,981
Broadcasting - 18.0%			
3,450,000	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

				124,954,276

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	7.0%	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	Cleartel 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				
12,400,000	WinStar Communications, Inc., Sr. Discount Notes	Zero Coupon	10/15/2005	3,080,000
		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			

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>

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<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>				<C>
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

Principal Amount		Rate	Maturity Date	

<S>		<C>	<C>	<C>
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:

<S>	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-F1 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, 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

				33,917,744

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,			

Total Short-Term Municipal Securities (at amortized cost)	200,000
Total Investments (cost \$557,725,947)	\$598,216,533

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

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
Soverign/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	\$9.98
(\$9.48 (divided by) 0.95 for a 5% sales charge)	=====

</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	For the period from
Ended	September 5, 1996
10/31/96	(effective date) to
	October 31, 1996

<u><S></u>	<u><C></u>	<u><C></u>
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

<u><S></u>	<u><C></u>
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>	<C>
ASSETS:	
Investments in securities, at value (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

<S>	<C>
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

	<C>
<S>	
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 (\$.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

Rolf F. Bjelland
Charles W. Arnason
Herbert F. Eggerding, Jr.
Connie M. Levi
Bruce J. Nicholson
Ruth E. Randall

Officers

Rolf F. Bjelland Chairman and President	Wade M. Voigt Treasurer
James R. Olson Vice President	Rand E. Mattsson Assistant Treasurer
James M. Walline Vice President	James M. Odland Assistant Secretary
Otis F. Hilbert Secretary and Vice President	Randall L. Wetherille Assistant Secretary
Richard B. Ruckdashel Vice President	

This report is authorized for distribution to prospective investors only when preceded or accompanied by the current prospectuses.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of this Post-Effective Amendment No. 57 to the registration statement on Form N-1A (the "Registration Statement") of our report dated December 9, 1996, relating to the financial statements and financial highlights appearing in the October 31, 1996 Annual Report to Shareholders of the Lutheran Brotherhood Family of Funds, which is also incorporated by reference into the Registration Statement. We also consent to the references to us under the headings "Financial Highlights" and "Independent Accountants" in the Prospectus and under the heading "Independent Accountants" in the Statement of Additional Information.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP
Minneapolis, Minnesota
December 30, 1996

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THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS EXHIBIT 27 - FINANCIAL DATA SCHEDULE. THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT TO SHAREHOLDERS DATED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL INFORMATION.

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THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS EXHIBIT 27 - FINANCIAL DATA SCHEDULE. THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT TO SHAREHOLDERS DATED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL INFORMATION.

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<NAME> LUTHERAN BROTHERHOOD FUND

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THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS EXHIBIT 27 - FINANCIAL DATA SCHEDULE. THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT TO SHAREHOLDERS DATED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL INFORMATION.

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<NAME> LUTHERAN BROTHERHOOD HIGH YIELD FUND

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THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS EXHIBIT 27 - FINANCIAL DATA SCHEDULE. THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT TO SHAREHOLDERS DATED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL INFORMATION.

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<NAME> LUTHERAN BROTHERHOOD INCOME FUND

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THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS EXHIBIT 27 - FINANCIAL DATA SCHEDULE. THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT TO SHAREHOLDERS DATED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL INFORMATION.

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<SERIES>

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<NAME> LUTHERAN BROTHERHOOD MUNICIPAL BOND FUND

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THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS EXHIBIT 27 - FINANCIAL DATA SCHEDULE. THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT TO SHAREHOLDERS DATED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL INFORMATION.

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<SERIES>

<NUMBER> 6

<NAME> LUTHERAN BROTHERHOOD MONEY MARKET FUND

</SERIES>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	OCT-31-1996
<PERIOD-START>	NOV-01-1995
<PERIOD-END>	OCT-31-1996
<INVESTMENTS-AT-COST>	417,416
<INVESTMENTS-AT-VALUE>	417,416
<RECEIVABLES>	595
<ASSETS-OTHER>	1,911
<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	419,922
<PAYABLE-FOR-SECURITIES>	2,047
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	266
<TOTAL-LIABILITIES>	2,313
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	417,609
<SHARES-COMMON-STOCK>	417,609
<SHARES-COMMON-PRIOR>	341,084
<ACCUMULATED-NII-CURRENT>	0
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	0
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	0
<NET-ASSETS>	417,609
<DIVIDEND-INCOME>	0
<INTEREST-INCOME>	21,296
<OTHER-INCOME>	0
<EXPENSES-NET>	3,874
<NET-INVESTMENT-INCOME>	17,422
<REALIZED-GAINS-CURRENT>	0
<APPREC-INCREASE-CURRENT>	0
<NET-CHANGE-FROM-OPS>	17,422
<EQUALIZATION>	0

<DISTRIBUTIONS-OF-INCOME>	17,422
<DISTRIBUTIONS-OF-GAINS>	0
<DISTRIBUTIONS-OTHER>	0
<NUMBER-OF-SHARES-SOLD>	692,236
<NUMBER-OF-SHARES-REDEEMED>	632,775
<SHARES-REINVESTED>	17,063
<NET-CHANGE-IN-ASSETS>	76,524
<ACCUMULATED-NII-PRIOR>	0
<ACCUMULATED-GAINS-PRIOR>	0
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	1,923
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	4,121
<AVERAGE-NET-ASSETS>	384,501
<PER-SHARE-NAV-BEGIN>	1.00
<PER-SHARE-NII>	0.05
<PER-SHARE-GAIN-APPREC>	0.00
<PER-SHARE-DIVIDEND>	0.05
<PER-SHARE-DISTRIBUTIONS>	0.00
<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	1.00
<EXPENSE-RATIO>	1.01
<AVG-DEBT-OUTSTANDING>	0
<AVG-DEBT-PER-SHARE>	0

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<ARTICLE> 6

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THE LUTHERAN BROTHERHOOD FAMILY OF FUNDS EXHIBIT 27 - FINANCIAL DATA SCHEDULE. THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT TO SHAREHOLDERS DATED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL INFORMATION.

</LEGEND>

<SERIES>

<NUMBER> 7

<NAME> LUTHERAN BROTHERHOOD WORLD GROWTH FUND

</SERIES>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	OCT-31-1996
<PERIOD-START>	NOV-01-1995
<PERIOD-END>	OCT-31-1996
<INVESTMENTS-AT-COST>	49,959
<INVESTMENTS-AT-VALUE>	52,729
<RECEIVABLES>	150
<ASSETS-OTHER>	143
<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	53,022
<PAYABLE-FOR-SECURITIES>	29
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	56
<TOTAL-LIABILITIES>	85
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	49,737
<SHARES-COMMON-STOCK>	5,585
<SHARES-COMMON-PRIOR>	1,654
<ACCUMULATED-NII-CURRENT>	255
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	173
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	2,772
<NET-ASSETS>	52,937
<DIVIDEND-INCOME>	758
<INTEREST-INCOME>	191
<OTHER-INCOME>	0
<EXPENSES-NET>	706
<NET-INVESTMENT-INCOME>	243
<REALIZED-GAINS-CURRENT>	204
<APPREC-INCREASE-CURRENT>	2,907
<NET-CHANGE-FROM-OPS>	3,354
<EQUALIZATION>	0

<DISTRIBUTIONS-OF-INCOME>	38
<DISTRIBUTIONS-OF-GAINS>	0
<DISTRIBUTIONS-OTHER>	0
<NUMBER-OF-SHARES-SOLD>	4,309
<NUMBER-OF-SHARES-REDEEMED>	382
<SHARES-REINVESTED>	3
<NET-CHANGE-IN-ASSETS>	38,969
<ACCUMULATED-NII-PRIOR>	19
<ACCUMULATED-GAINS-PRIOR>	(2)
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	392
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	773
<AVERAGE-NET-ASSETS>	36,192
<PER-SHARE-NAV-BEGIN>	8.44
<PER-SHARE-NII>	0.04
<PER-SHARE-GAIN-APPREC>	1.02
<PER-SHARE-DIVIDEND>	0.02
<PER-SHARE-DISTRIBUTIONS>	0.00
<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	9.48
<EXPENSE-RATIO>	1.95
<AVG-DEBT-OUTSTANDING>	0
<AVG-DEBT-PER-SHARE>	0

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