

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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BAYFUNDS

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*FEDERATED INVESTORS
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PITTSBURGH PA 15222
4122881900*

BAYFUNDS (R)

MONEY

MARKET

PORTFOLIOS

ANNUAL REPORT
TO SHAREHOLDERS
DECEMBER 31, 1994

U.S. TREASURY MONEY MARKET PORTFOLIO
INVESTMENT SHARES/INSTITUTIONAL SHARES

MONEY MARKET PORTFOLIO
INVESTMENT SHARES/TRUST SHARES

BAYBANK BOSTON, N.A.

Investment Adviser to BayFunds U.S. Treasury
Money Market Portfolio

BAYBANKS INVESTMENT MANAGEMENT, INC.

Investment Adviser to BayFunds Money Market Portfolio
FEDERATED SECURITIES CORP.

(LOGO)

Distributor

A subsidiary of FEDERATED INVESTORS

FEDERATED INVESTORS TOWER

PITTSBURGH, PA 15222-3779

200322

G00507-02 (2/95)

PRESIDENT'S MESSAGE AND INVESTMENT REVIEW

Dear Shareholder:

By almost any measure, the U.S. economy displayed exceptionally strong growth throughout the year. The Federal Reserve sought to slow the pace of this activity and curb potential inflationary pressures through six increases in short-term interest rates. This was a complete reversal of the past several years, when short-term rates spiralled downward. Although the economy seemed immune to the Federal Reserve's actions, both the stock and bond markets were bruised. In stark contrast, the money markets flourished--thus, the expression "cash was king."

This climate was good news for shareholders in the BayFunds U.S. Treasury Money Market Portfolio and the BayFunds Money Market Portfolio. For our shareholders these non-stop interest rate hikes meant higher yields for the entire year and importantly, still higher yields at year-end.

Looking ahead, the widely held opinion is that additional interest rate hikes are in the offing during the first half of 1995 to curb the torrid tempo of the economy.

I will explain in greater detail how the money markets performed in 1994, and more importantly, how BayBank Boston, N.A., investment adviser to the BayFunds U.S. Treasury Money Market Portfolio, and BayBanks Investment Management, Inc., investment adviser to the BayFunds Money Market Portfolio, managed the Portfolios in this environment. Finally, I will briefly describe our strategies for the Portfolios going forward.

MONEY MARKET RECAP

Rising interest rates were the dominant factor governing the money markets in 1994. In an effort to brake the onset of inflation, the Federal Reserve acted to constrain the growth of the money supply and gradually slow the economy. On six separate occasions the federal funds rate (the rate at which banks borrow from one another) was raised in 1994, soaring from 3.0% to 5.5% by year-end. While the relative measures of inflation have been moderate throughout the year, a persistent fear of a marked boost in prices leads many market strategists to believe that more rate increases are inevitable in 1995.

Rising interest rates are typically the bane of bond mutual funds but are a boon for money market mutual funds. The very short maturities of the instruments purchased by money market funds allow them to nimbly capitalize on rising rates and quickly pass on greater amounts of income through their increased yields. At the start of 1994, money market fund yields had dipped below the 3% threshold and were at extremely low historical levels. Yet, by year-end the Federal Reserve's aggressive actions had brought yields up to the point where they were approaching 5%.

THE IMPORTANCE OF QUALITY

The dual objective of all money market mutual funds is to provide current income consistent with stability of principal and liquidity. Unfortunately, during 1994 the reputation of some money market funds was tarnished. In a quest to eke out an extra fraction of a percentage point of yield during the period of very low interest rates, some funds followed inappropriately aggressive strategies by purchasing higher yielding, derivative securities. As interest rates skyrocketed in 1994, those tactics wreaked havoc with the maintenance of a net asset value per share of \$1.00 of those funds and forced their sponsors to inject capital into the funds. These investments were clearly unsuitable for a money market fund and subsequent actions by the U.S. Securities and Exchange Commission have done much to preclude any future losses through such investment practices. You can take comfort in knowing that the BayFunds U.S. Treasury Money Market Portfolio and the BayFunds Money Market Portfolio did not stretch for yield with these unsuitable investments. Since inception, both Portfolios have maintained a net asset value of \$1.00 per share.*

Let me assure you that both Portfolios follow a conservative investment approach. We seek to minimize risk by purchasing only top quality investments and by maintaining average maturities that allow a margin of safety. The dollar-weighted average maturity for a money market fund cannot exceed 90 days. In fact, at year-end the average maturity of each Portfolio was below 40 days.

THE YEAR IN REVIEW

BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO

The Portfolio thrived in 1994, thanks to a combination of rapid institutional and retail asset growth, a maturity structure designed to match the daily cash flow swings of BayBank's Precision Sweep(TM) and institutional customers, and nonstop surges in interest rates.

As many investors displayed their preference for money market investments in 1994, the Portfolio's net assets grew from \$537 million to nearly \$836 million--an increase of almost 56%. This jump in assets provided economies of scale for the Portfolio and leverage in its marketplace. This is particularly evident in the so-called cash markets, where instruments such as repurchase agreements are tier priced to offer higher yields to larger buyers. Since a substantial percentage of the Portfolio's investments are overnight and very short-term repurchase agreements (which are fully collateralized with U.S. Treasury or U.S. Government agency securities that are guaranteed as to the payment of principal and interest by the United States), the Portfolio was able to capture increasingly attractive yields.

BAYFUNDS MONEY MARKET PORTFOLIO

Shareholders in the BayFunds Money Market Portfolio also benefitted from the rising interest rate environment. Throughout the year, the Portfolio maintained a relatively short average maturity of between 20-50 days, in anticipation of additional interest rate increases. This posture provided maximum flexibility for the Portfolio, with readily available cash to purchase new, higher yielding securities as they were issued. Very short maturity instruments such as repurchase agreements and U.S. Government agency floating rate notes (with daily

or weekly interest rate resets) offered the best of all worlds by providing a competitive yield and excellent credit quality while reflecting upward moves in interest rates almost immediately.

* No money market fund can guarantee that a stable net asset value will be maintained. An investment in the Portfolios is neither insured nor guaranteed by the U.S. government.

FUTURE STRATEGIES FOR THE BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO AND THE BAYFUNDS MONEY MARKET PORTFOLIO

BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO

By attempting to maintain a 35-40 day average maturity, the Portfolio expects to be well positioned to offer a competitive 7-day net yield and to respond to the likely upward progression of interest rates during the first part of 1995. Repurchase agreements will continue to be a very large and fundamental component of the Portfolio's strategy until short-term rates begin to peak. As the opportunities arise, the Portfolio will attempt to lock in advantageous yields by maximizing the readily available cash with direct U.S. Treasury purchases.

BAYFUNDS MONEY MARKET PORTFOLIO

The near-term strategy for the BayFunds Money Market Portfolio is similar. We expect to maintain a short average maturity as long as interest rates continue on the upswing in order to seek competitive yields for shareholders, and to take advantage of opportunities to capture favorable yields. As the threat of further rate hikes retreats, the Portfolio's average maturity will be extended. Since this Portfolio has broader latitude in its permitted investments, we foresee that other asset classes such as high quality U.S. commercial paper and other corporate securities may provide more attractive yield opportunities.

The recent stock and bond market jitters demonstrated that stable investments such as money market funds (which seek to maintain a net asset value per share of \$1.00) are an important part of a well-diversified investment strategy. If your investment objective has a longer-term horizon, remember that over time the returns from stock and bond funds have historically outstripped the performance of money market funds but with a potentially higher degree of risk. I invite you to contact your Investment Specialist or Account Officer whenever we can be of assistance in helping you reach your objectives.

Sincerely,

Richard F. Pollard
 President
 BayBank Boston, N.A. and BayBanks Investment Management, Inc.
 Investment Advisers to the BayFunds U.S. Treasury Money Market Portfolio
 and the BayFunds Money Market Portfolio

February 15, 1995

BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO

PORTFOLIO OF INVESTMENTS
 DECEMBER 31, 1994

<TABLE> <CAPTION> PRINCIPAL AMOUNT		VALUE
<C>	<S>	<C>
U.S. TREASURY OBLIGATIONS--40.9%		
	U.S. TREASURY BILLS--10.5%	
\$ 90,000,255	2/15/95-10/19/95	\$ 88,024,426
	U.S. TREASURY NOTES--25.1%	
210,460,000	3.875%-7.625%, 12/31/94-8/31/95	209,985,286

U.S. TREASURY STRIPS--5.3%		
45,000,175	2/15/95-5/15/95	44,467,906
TOTAL U.S. TREASURY OBLIGATIONS		342,477,618
*REPURCHASE AGREEMENTS--58.9%		
41,440,000	Aubrey G. Lanston & Co., Inc., 5.75%, dated 12/30/94, due 1/3/95	41,440,000
40,000,000	Dean Witter Reynolds, Inc., 6.00%, dated 12/30/94, due 1/3/95	40,000,000
40,000,000	Greenwich Capital Markets, Inc., 5.75%, dated 12/30/94, due 1/3/95	40,000,000
100,000,000	HSBC Securities, Inc., 6.00%, dated 12/30/94, due 1/3/95	100,000,000
40,000,000	Merrill Lynch Government Securities, Inc., 6.00%, dated 12/30/94, due 1/3/95	40,000,000
70,000,000	PaineWebber, Inc., 6.00%, dated 12/30/94, due 1/3/95	70,000,000
30,900,000	Salomon Brothers, Inc., 5.95%, dated 12/30/94, due 1/3/95	30,900,000
100,000,000	Sanwa Securities (USA) Company, L.P., 6.10%, dated 12/29/94, due 1/5/95	100,000,000
30,000,000	Sanwa Securities (USA) Company, L.P., 6.125%, dated 12/30/94, due 1/3/95	30,000,000
TOTAL REPURCHASE AGREEMENTS		492,340,000
TOTAL INVESTMENTS, AT AMORTIZED COST		\$834,817,618+

</TABLE>

+ Also represents cost for federal tax purposes.

* Repurchase agreements are fully collateralized by U.S. government and/or agency obligations based on market prices at the date of the portfolio.

The following abbreviation is used in this portfolio:

STRIPS--Separate Trading of Registered Interest and Principal of Securities.

Note: The categories of investments are shown as a percentage of net assets (\$835,821,306) at December 31, 1994.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO

STATEMENT OF ASSETS AND LIABILITIES DECEMBER 31, 1994

<S>	<C>	<C>
ASSETS:		
Investments in repurchase agreements	\$492,340,000	
Investments in securities	342,477,618	
Total investments, at amortized cost and value		\$834,817,618
Cash		29,881
Income receivable		3,887,608
Receivable for Shares sold		14,655
Deferred expenses		126,296
Total assets		838,876,058

LIABILITIES:

Income distribution payable	2,872,843	
Payable for Shares redeemed	380	
Accrued expenses	181,529	
Total liabilities		3,054,752
NET ASSETS for 835,821,306 Shares outstanding		\$835,821,306
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:		
Investment Shares (\$142,108,809 / 142,108,809 Shares outstanding)		\$1.00
Institutional Shares (\$693,712,497 / 693,712,497 Shares outstanding)		\$1.00

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1994

<TABLE>		
<S>	<C>	<C>
INVESTMENT INCOME:		
Interest		\$30,647,621
EXPENSES:		
Investment advisory fee	\$1,428,354	
Administrative personnel and services fee	750,678	
Custodian fees	39,858	
Transfer agent and dividend disbursing agent fees	230,213	
Trustees' fees	19,490	
Auditing fees	14,996	
Legal fees	44,814	
Portfolio accounting fees	100,126	
Share registration costs	124,324	
Printing and postage	32,416	
Insurance premiums	13,765	
Miscellaneous	18,228	
Shareholder services fee--Investment Shares	228,859	
Total expenses		3,046,121
Net Investment Income		\$27,601,500

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993*
<S> INCREASE (DECREASE) IN NET ASSETS:	<C>	<C>
OPERATIONS--		
Net investment income	\$ 27,601,500	\$ 12,069,568
DISTRIBUTIONS TO SHAREHOLDERS--		
Distributions from net investment income:		
Investment Shares	(3,500,115)	(395,342)
Institutional Shares	(24,101,385)	(11,674,226)
Change in net assets resulting from distributions to shareholders	(27,601,500)	(12,069,568)
SHARE TRANSACTIONS--		
Proceeds from sale of Shares	1,970,657,709	1,439,679,366
Net asset value of Shares issued to shareholders in payment of distributions declared	5,328,705	1,413,741
Cost of Shares redeemed	(1,677,582,629)	(903,675,586)
Change in net assets resulting from Share transactions	298,403,785	537,417,521
Change in net assets	298,403,785	537,417,521
NET ASSETS:		
Beginning of period	537,417,521	--
End of period	\$ 835,821,306	\$ 537,417,521

</TABLE>

* For the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO

FINANCIAL HIGHLIGHTS--INVESTMENT SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993*
<S> NET ASSET VALUE, BEGINNING OF PERIOD	<C> \$1.00	<C> \$1.00
INCOME FROM INVESTMENT OPERATIONS		
Net investment income	0.04	0.02
LESS DISTRIBUTIONS		

Distributions from net investment income	(0.04)	(0.02)
NET ASSET VALUE, END OF PERIOD	\$1.00	\$1.00
TOTAL RETURN**	3.61%	2.41 %
RATIOS TO AVERAGE NET ASSETS		
Expenses	0.64%	0.62 % (a)
Net investment income	3.65%	2.59 % (a)
Expense waiver/reimbursement (b)	--	0.07 % (a)
SUPPLEMENTAL DATA		
Net assets, end of period (000 omitted)	\$142,109	\$34,694

</TABLE>

*Reflects operations for the period from January 29, 1993, (date of initial public investment) to December 31, 1993.

**Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS U.S. TREASURY MONEY MARKET PORTFOLIO

FINANCIAL HIGHLIGHTS--INSTITUTIONAL SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993*
NET ASSET VALUE, BEGINNING OF PERIOD	\$1.00	\$1.00
INCOME FROM INVESTMENT OPERATIONS		
Net investment income	0.04	0.03
LESS DISTRIBUTIONS		
Distributions from net investment income	(0.04)	(0.03)
NET ASSET VALUE, END OF PERIOD	\$1.00	\$1.00
TOTAL RETURN**	3.87%	2.62 %
RATIOS TO AVERAGE NET ASSETS		
Expenses	0.39%	0.35 % (a)
Net investment income	3.90%	2.85 % (a)
Expense waiver/reimbursement (b)	--	0.07 % (a)
SUPPLEMENTAL DATA		
Net assets, end of period (000 omitted)	\$693,712	\$502,724

</TABLE>

* Reflects operations for the period from January 29, 1993, (date of initial public investment) to December 31, 1993.

**Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS MONEY MARKET PORTFOLIO

PORTFOLIO OF INVESTMENTS
DECEMBER 31, 1994

<TABLE> <CAPTION> PRINCIPAL AMOUNT		VALUE
<C>	<S>	<C>
BANKERS ACCEPTANCE--5.5%		
\$ 3,375,000	Barclays Bank PLC, 5.02%-5.68%, 1/6/95-3/3/95	\$ 3,363,149
975,000	CoreStates Bank, 5.00%, 1/30/95	971,073
6,300,000	Republic National Bank of New York, 4.95%-5.29%, 1/17/95-1/19/95	6,284,779
	TOTAL BANKERS ACCEPTANCE	10,619,001
*CERTIFICATES OF DEPOSIT--14.9%		
CERTIFICATES OF DEPOSIT-EURO--4.6%		
4,000,000	Barclays Bank PLC, 5.44%, 2/13/95	4,000,785
5,000,000	Societe Generale Bank, 5.30%, 3/20/95	4,996,369
	Total	8,997,154
CERTIFICATES OF DEPOSIT-YANKEE--10.3%		
5,000,000	ABN AMRO Bank, 5.08%, 1/12/95	4,999,948
5,000,000	Banque Nationale de Paris, 5.63%, 2/6/95	5,000,049
5,000,000	Canadian Imperial Bank of Commerce, 5.25%, 2/14/95	5,000,383
5,000,000	Societe Generale Bank, 5.18%, 1/23/95	5,000,077
	Total	20,000,457
	TOTAL CERTIFICATES OF DEPOSIT	28,997,611
*COMMERCIAL PAPER--17.7%		
FINANCE-COMMERCIAL--2.3%		
4,555,000	General Electric Capital Corp., 5.06%-6.05%, 1/23/95-2/6/95	4,534,752
FINANCE-CONSUMER--1.3%		
2,500,000	Norwest Financial, Inc., 6.10%, 1/3/95	2,499,153
FINANCIAL SERVICES--3.8%		
2,500,000	Dean Witter Discover & Co., 5.06%, 1/18/95	2,494,026

5,033,000	Merrill Lynch & Co., Inc., 5.00%-6.10%, 1/5/95-2/13/95	5,014,376
	Total	7,508,402

</TABLE>

BAYFUNDS MONEY MARKET PORTFOLIO

<TABLE>
<CAPTION>
PRINCIPAL
AMOUNT

VALUE

<C>	<S>	<C>
*COMMERCIAL PAPER--CONTINUED		
	FOOD & BEVERAGE--0.3%	
\$ 600,000	PepsiCo, Inc., 6.05%, 1/10/95	\$ 599,093
	FUNDING CORPORATIONS--8.4%	
4,600,000	Corporate Asset Funding Corp., Inc., 4.96%-5.15%, 1/9/95-2/1/95	4,583,933
2,500,000	Corporate Receivables Corp., 5.00%, 1/9/95	2,497,222
5,000,000	Falcon Asset Securitization Corp., 5.95%-6.08%, 1/11/95-1/17/95	4,989,112
3,550,000	Preferred Receivables Funding, 5.90%-6.00%, 1/4/95-1/19/95	3,543,947
700,000	U.S. West Capital Funding, Inc., 6.00%, 1/3/95	699,767
	Total	16,313,981
	INSURANCE--0.2%	
300,000	USAA Capital Corp., 6.00%, 1/3/95	299,900
	TELECOMMUNICATIONS--1.4%	
2,000,000	American Telephone & Telegraph Co., 6.15%, 3/27/95	1,970,958
700,000	AT&T Capital Corp., 5.07%, 2/15/95	695,564
	Total	2,666,522
	TOTAL COMMERCIAL PAPER	34,421,803

CORPORATE NOTES--16.6%

	BANKING--9.7%	
3,000,000	Chemical Banking Corp., 6.7875%, 6/8/95	3,004,213
5,000,000	First National Bank of Chicago, 5.10%, 2/2/95	5,000,000
8,000,000	National Bank of Detroit, 5.00%, 1/5/95	7,999,938
3,000,000	Republic National Bank of New York, 4.30%, 3/8/95	2,993,831
	Total	18,997,982
	FINANCE-COMMERCIAL--1.7%	
3,250,000	U.S. West Financial Services, Inc., 6.45%, 9/5/95	3,254,066
	FINANCIAL SERVICES--2.6%	
5,000,000	Merrill Lynch & Co., Inc, 5.69%, 4/19/95	5,000,000

</TABLE>

BAYFUNDS MONEY MARKET PORTFOLIO

<TABLE>		
<CAPTION>		
PRINCIPAL		VALUE
AMOUNT		
<C>	<S>	<C>
CORPORATE NOTES--CONTINUED		
	FOOD & BEVERAGE--2.6%	
\$ 5,000,000	PepsiCo., Inc, 5.845%, 4/13/95	\$ 5,000,000
	TOTAL CORPORATE NOTES	32,252,048
U.S. GOVERNMENT AGENCIES--27.3%		
3,000,000	Federal Farm Credit Bank, 5.03%-5.15%, 1/3/95-3/6/95	2,981,829
15,850,000	Federal Home Loan Bank, 4.95%-8.60%***, 1/9/95-2/28/95***	15,811,971
5,680,000	Federal Home Loan Mortgage Corp., 4.95%-5.7825%***, 1/6/95-1/17/95***	5,678,528
14,540,000	Federal National Mortgage Association, 4.81%-5.65%, 1/3/95-2/17/95	14,496,496
14,000,000	Student Loan Marketing Association, 5.87%-8.55%***, 1/31/95-2/1/95***	14,014,255
	TOTAL U.S. GOVERNMENT AGENCIES	52,983,079
**REPURCHASE AGREEMENTS--17.5%		
25,000,000	Dean Witter Discover & Co., 6.0625%, dated 12/30/94, due 1/3/95	25,000,000
9,085,000	Salomon Brothers, Inc., 5.95%, dated 12/30/94, due 1/3/95	9,085,000
	TOTAL REPURCHASE AGREEMENTS	34,085,000
	TOTAL INVESTMENTS, AT AMORTIZED COST	\$193,358,542+

</TABLE>

+ Also represents cost for federal tax purposes.

* Each issue shows the rate of discount at the time of purchase for discount issues.

** Repurchase agreements are fully collateralized by U.S. government and/or agency obligations based on market prices at the date of the portfolio.

*** Range includes variable rate obligations for which the current yields and next reset dates are shown.

Note: The categories of investments are shown as a percentage of net assets (\$194,270,755) at December 31, 1994.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS MONEY MARKET PORTFOLIO

STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 1994

<TABLE>		
<S>		<C>
ASSETS:		

Investments in repurchase agreements	\$ 34,085,000	
Investments in securities	159,273,542	
Total investments, at amortized cost and value		\$193,358,542
Cash		1,656
Income receivable		1,404,208
Receivable for Shares sold		403
Deferred expenses		28,911
Total assets		194,793,720
LIABILITIES:		
Income distribution payable	423,852	
Payable for Shares redeemed	4,811	
Accrued expenses	94,302	
Total liabilities		522,965
NET ASSETS FOR 194,270,755 Shares outstanding		\$194,270,755
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:		
Investment Shares (\$57,347,601 / 57,347,601 Shares outstanding)		\$1.00
Trust Shares (\$136,923,154 / 136,923,154 Shares outstanding)		\$1.00

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS MONEY MARKET PORTFOLIO

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 1994

	<C>	<C>
<TABLE>		
<S>		
INVESTMENT INCOME:		
Interest		\$8,781,726
EXPENSES:		
Investment advisory fee	\$ 818,942	
Administrative personnel and services fee	215,486	
Custodian fees	39,636	
Transfer agent and dividend disbursing agent fees	92,985	
Trustees' fees	7,532	
Auditing fees	16,315	
Legal fees	17,801	
Portfolio accounting fees	69,785	
Share registration costs	61,127	
Printing and postage	45,407	
Insurance premiums	11,328	

Miscellaneous	15,683	
Shareholder services fee--Investment Shares	89,758	
Total expenses	1,501,785	
Deduct--Waiver of investment advisory fee	86,926	
Net expenses		1,414,859
Net Investment Income		\$7,366,867

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS MONEY MARKET PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993
	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$ 7,366,867	\$ 5,981,727
DISTRIBUTIONS TO SHAREHOLDERS--		
Distributions from net investment income		
Investment Shares	(1,798,037)	(413,353)
Trust Shares	(5,568,830)	(5,568,374)
Change in net assets resulting from distributions to shareholders	(7,366,867)	(5,981,727)
SHARE TRANSACTIONS--		
Proceeds from sale of Shares	388,449,453	488,436,098
Net asset value of Shares issued to shareholders in payment of distributions declared	1,829,315	411,700
Cost of Shares redeemed	(395,663,186)	(532,127,430)
Change in net assets resulting from Share transactions	(5,384,418)	(43,279,632)
Change in net assets	(5,384,418)	(43,279,632)
NET ASSETS:		
Beginning of period	199,655,173	242,934,805
End of period	\$ 194,270,755	\$ 199,655,173

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS MONEY MARKET PORTFOLIO

FINANCIAL HIGHLIGHTS--INVESTMENT SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993*
<S>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$1.00	\$1.00

INCOME FROM INVESTMENT OPERATIONS		
Net investment income	0.04	0.03

LESS DISTRIBUTIONS		
Distributions from net investment income	(0.04)	(0.03)

NET ASSET VALUE, END OF PERIOD	\$1.00	\$1.00

TOTAL RETURN**	3.60%	2.58 %

RATIOS TO AVERAGE NET ASSETS		
Expenses	0.83%	0.62 % (a)
Net investment income	3.46%	2.60 % (a)
Expense waiver/reimbursement (b)	0.04%	0.11 % (a)

SUPPLEMENTAL DATA		
Net assets, end of period (000 omitted)	\$57,348	\$30,746

</TABLE>

* Reflects operations for the period from January 19, 1993, (date of initial public offering) to December 31, 1993.

** Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS MONEY MARKET PORTFOLIO

FINANCIAL HIGHLIGHTS--TRUST SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			YEAR ENDED,
	1994	1993	1992**	APRIL 30,
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$1.00	\$1.00	\$1.00	\$1.00

INCOME FROM INVESTMENT OPERATIONS				
Net investment income	0.04	0.03	0.02	0.03

LESS DISTRIBUTIONS				
Distributions from net investment income	(0.04)	(0.03)	(0.02)	(0.03)

NET ASSET VALUE, END OF PERIOD	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN***	3.75%	2.72%	2.13%	3.55%
RATIOS TO AVERAGE NET ASSETS				
Expenses	0.65%	0.59%	0.59% (a)	0.48% (a)
Net investment income	3.64%	2.68%	3.13% (a)	4.61% (a)
Expense waiver/reimbursement (b)	0.04%	0.11%	0.05% (a)	0.15% (a)
SUPPLEMENTAL DATA				
Net assets, end of period (000 omitted)	\$136,923	\$168,909	\$242,935	\$280,931

</TABLE>

* Reflects operations for the period from August 1, 1991 (date of initial public investment) to April 30, 1992. During the period from May 16, 1991 (start of business) to August 1, 1991, net investment income aggregating \$0.01 per share (\$1,101) was distributed to Federated Administrative Services.

** The Fund changed its fiscal year from April 30 to December 31. Reflects operations for the period from May 1, 1992 to December 31, 1992.

*** Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS MONEY MARKET PORTFOLIOS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1994

(1) ORGANIZATION

BayFunds (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end, management investment company. The Trust consists of five diversified portfolios. The following Funds comprise the Trust:

FUND NAMES	CLASSES OF SHARES
BayFunds U.S. Treasury Money Market Portfolio	Investment and Institutional
BayFunds Money Market Portfolio	Investment and Trust
BayFunds Short Term Yield Portfolio	Investment and Institutional
BayFunds Bond Portfolio	Investment and Institutional
BayFunds Equity Portfolio	Investment and Institutional

The financial statements of the following funds (individually referred to as the "Fund", or collectively as the "Funds") are presented herein:

FUND NAME

BayFunds U.S. Treasury Money Market Portfolio ("U.S. Treasury Fund")
BayFunds Money Market Portfolio ("Money Market Fund").

The financial statements of the other Funds are presented separately. The assets of each Fund are segregated and a shareholder's interest is limited to the Fund in which shares are held.

(2) SIGNIFICANT ACCOUNTING POLICIES

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

INVESTMENT VALUATIONS--The Funds' use of the amortized cost method to value their portfolio securities is in accordance with Rule 2a-7 under the Act.

REPURCHASE AGREEMENTS--It is the policy of the Funds to require a custodian bank to take possession, to have legally segregated in the Federal Reserve Book Entry System, or to have segregated within the custodian bank's vault, all securities held as collateral under repurchase agreement transactions. Additionally, procedures have been established by the Funds to monitor, on a daily basis, the market value of each repurchase agreement's collateral to ensure that the value of collateral at least equals the amount of the repurchase agreement, including accrued interest.

BAYFUNDS MONEY MARKET PORTFOLIOS

The Funds will only enter into repurchase agreements with banks and other recognized financial institutions, such as broker/dealers, which are deemed by the Funds' advisers to be creditworthy pursuant to the guidelines and/or standards reviewed or established by the Board of Trustees (the "Trustees"). Risks may arise from the potential inability of counterparties to honor the terms of the repurchase agreement. Accordingly, the Funds could receive less than the repurchase price on the sale of collateral securities.

INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue Code, as amended (the "Code"). Distributions to shareholders are recorded on the ex-dividend date.

FEDERAL TAXES--It is the Funds' policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of their income. Accordingly, no provisions for federal tax are necessary.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Funds may engage in when-issued or delayed delivery transactions. The Funds record when-issued securities on the trade date and maintain security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.

DEFERRED EXPENSES--The costs incurred by the Funds with respect to registration of their shares in their first fiscal year, excluding the initial expense of registering the shares, have been deferred and are being amortized using the straight-line method not to exceed a period of five years from the Funds' commencement dates.

OTHER--Investment transactions are accounted for on the trade date.

(3) SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value) for each class of shares. At December 31, 1994, capital paid-in aggregated \$835,821,306 for U.S. Treasury Fund and \$194,270,755 for Money Market Fund. Transactions in Fund shares were as follows:

BAYFUNDS MONEY MARKET PORTFOLIOS

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,			
U.S. TREASURY FUND		MONEY MARKET FUND	
1994	1993*	1994	1993**

<S>	<C>	<C>	<C>	<C>
INVESTMENT SHARES	SHARES	SHARES	SHARES	SHARES
Shares sold	282,383,296	76,787,705	106,751,503	80,095,432
Shares issued to shareholders in payment of dividends declared	3,330,375	364,846	1,741,887	384,247
Shares redeemed	(178,298,536)	(42,458,877)	(81,891,510)	(49,733,958)
Net change resulting from Investment share transactions	107,415,135	34,693,674	26,601,880	30,745,721

</TABLE>
<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			
	1994	1993*	1994	1993
<S>	<C>	<C>	<C>	<C>
INSTITUTIONAL AND TRUST SHARES	SHARES	SHARES	SHARES	SHARES
Shares sold	1,688,274,413	1,362,891,661	281,697,950	408,340,666
Shares issued to shareholders in payment of dividends declared	1,998,330	1,048,895	87,428	27,453
Shares redeemed	(1,499,284,093)	(861,216,709)	(313,771,676)	(482,393,472)
Net change resulting from Institutional and Trust share transactions	190,988,650	502,723,847	(31,986,298)	(74,025,353)
Net change resulting from Fund share transactions	298,403,785	537,417,521	(5,384,418)	(43,279,632)

* For the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

** For the period from January 19, 1993 (date of initial public offering) to December 31, 1993.

(4) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISORY FEE--BayBank Boston, N.A. and BayBanks Investment Management, Inc., the investment adviser for U.S. Treasury Fund and Money Market Fund, respectively (the "Advisers"), receive for their services an annual investment advisory fee based on a percentage of the Funds' average daily net assets (see below). The Advisers may voluntarily choose to waive all or a portion of

BAYFUNDS MONEY MARKET PORTFOLIOS

their fee. The Advisers can modify or terminate this voluntary waiver at any time at their sole discretion.

<TABLE>
<CAPTION>

FUND	ANNUAL RATE
U.S. Treasury Fund	0.20%
Money Market Fund	0.40%

ADMINISTRATIVE FEE--Federated Administrative Services ("FAS") provides the Funds with certain administrative personnel and services. The FAS fee is based on the

level of average aggregate net assets of the Trust for the period. FAS may voluntarily choose to waive a portion of its fee.

SHAREHOLDER SERVICES FEE--Under the terms of a Shareholder Services Agreement with BayBank Systems, Inc., the Funds will pay BayBank Systems, Inc. up to 0.25 of 1% of the average net assets of the Investment Shares for the period. This fee is to obtain certain services for shareholders and to maintain shareholder accounts.

PORTFOLIO ACCOUNTING FEES--Federated Services Company ("FServ") maintains the Funds' accounting records. The fee is based on the level of the Funds' average net assets for the period, plus out-of-pocket expenses.

ORGANIZATIONAL EXPENSES--Organizational expenses were borne initially by FAS. The Funds have agreed to reimburse FAS for the organizational expenses during the five year period following the date the Funds first became effective. For the year ended December 31, 1994, the Funds paid FAS as follows:

<TABLE>
<CAPTION>

FUND	INITIAL ORGANIZATIONAL EXPENSES	ORGANIZATIONAL EXPENSES REIMBURSED
U.S. Treasury Fund	\$48,056	\$ 7,825
Money Market Fund	\$60,969	\$10,204

GENERAL--Certain of the Officers and Trustees of the Trust are Officers and Directors or Trustees of the above companies.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Trustees and Shareholders of

BAYFUNDS:

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of BayFunds U.S. Treasury Money Market Portfolio and BayFunds Money Market Portfolio (portfolios of BayFunds), as of December 31, 1994, and the related statements of operations for the year then ended, the statements of changes in net assets for the year ended December 31, 1994 and for the period from January 29, 1993 (date of initial public investment) to December 31, 1993 and the financial highlights for the periods presented. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1994, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of BayFunds U.S. Treasury Money Market Portfolio and BayFunds Money Market Portfolio at December 31, 1994, the results of their operations for the year then ended, the changes in their net assets for the year ended December 31, 1994 and for the period from January 29, 1993 to December 31, 1993, and the financial highlights for the periods presented, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Pittsburgh, Pennsylvania
February 6, 1995

<TABLE> <S> TRUSTEES	<C> OFFICERS
Kenneth G. Condon Robert W. Eisenmenger Sara L. Johnson Ernest R. May Alvin J. Silk	Glen R. Johnson President and Treasurer C. Christine Thomson Vice President and Assistant Treasurer Peter J. Germain Secretary Victor R. Siclari Assistant Secretary

</TABLE>

Mutual funds are not bank deposits or FDIC insured and are not obligations of, or guaranteed by, BayBank, nor are they federally insured or guaranteed. Your investment return and principal value will fluctuate so when shares are redeemed, they may be worth more or less than original cost.

This report is authorized for distribution to prospective investors only when preceded or accompanied by the Portfolios' combined prospectus which contains facts concerning their objectives and policies, management fees, expenses and other information.

BAYFUNDS (R)

INCOME PORTFOLIOS

AND

EQUITY PORTFOLIO

ANNUAL REPORT
TO SHAREHOLDERS
DECEMBER 31, 1994

Short Term Yield Portfolio
Bond Portfolio
Equity Portfolio

Investment Shares
Institutional Shares

BayBanks Investment Management, Inc.

Investment Adviser
FEDERATED SECURITIES CORP.
(LOGO)

Distributor

A subsidiary of FEDERATED INVESTORS

FEDERATED INVESTORS TOWER

PITTSBURGH, PA 15222-3779

200324
G00507-03

PRESIDENT'S MESSAGE AND INVESTMENT REVIEW

Dear Shareholder:

By almost any measure, the U.S. economy displayed exceptionally strong growth throughout the year. The Federal Reserve sought to slow the pace of activity and curb potential inflationary pressures through six increases in short-term interest rates. Although the economy seemed immune to these actions, both the stock and bond markets were bruised. Bond prices across the maturity spectrum

fell throughout the year and equity prices, despite robust corporate earnings, were unable to separate themselves from the overall negative sentiment produced by the rising rates. Looking ahead, with some additional help from the Federal Reserve, growth in the nation's Gross Domestic Product should slow to a more sustainable rate, which could bode well for market performance.

I will explain in greater detail how the bond and stock markets performed in 1994, and more importantly, how BayBanks Investment Management Inc., investment adviser to the BayFunds Short Term Yield, Bond and Equity Portfolios, managed the Portfolios in this climate. Finally, I will briefly describe our strategies for the Portfolios going forward.

FIXED INCOME MARKET RECAP

There was one overriding factor driving the fixed income markets in 1994--rising interest rates. In an effort to brake the onset of inflation, the Federal Reserve acted to constrain the growth of the money supply and to gradually slow the economy. On six separate occasions the federal funds rate (the rate at which banks borrow from one another) was raised, increasing from 3.0% to 5.5% by year-end. While the relative measures of inflation have been moderate throughout the year, a persistent fear of a marked boost in prices leads many market strategists to believe that more rate increases are inevitable in 1995.

A key investment maxim is that rising interest rates are the worst enemy of a bond investment. For that reason, it was not surprising that all fixed income investments suffered to a degree during the year. In fact, bonds across all maturity spectrums had their worst performance results in over sixty years. In what is known as a "flattening yield curve," short-term interest rates rose more sharply than intermediate- and long-term rates. According to Lipper Analytical Services, taxable bond funds fell 3.7% on average for the year. Funds with the highest risk profile generally suffered greater declines. Overall, investors in conservatively managed bond funds tended to fare far better as their high quality investments tended to minimize losses.

THE YEAR IN REVIEW

BAYFUNDS SHORT TERM YIELD PORTFOLIO

We were frustrated by the performance of the BayFunds Short Term Yield Portfolio in 1994, which fell victim to a sea change in the fixed income markets. Shorter-term interest rates spiked upwards powerfully and the prices of investments were marked down to reflect their increasingly unattractive yields.

Unlike a single short-term bond or other fixed income investment, the Portfolio itself does not have a fixed maturity date. Its investments include a variety of securities with different maturities that, as a whole, must have a dollar-weighted average maturity of three years or less. The diversification effect of this pooling of assets is a prime attraction for a mutual fund. With the horrible market conditions in 1994, the owner of a single short-term bond could have held onto the security, with the intention of keeping it until maturity in order to recoup the entire principal investment. The Portfolio did not have this same ability. Some Portfolio shareholders decided to lock in higher yields by purchasing alternative investments and redeemed their shares.

The Portfolio must actively manage its investments to ensure adequate diversification while providing liquidity to meet shareholder redemptions. Selling fixed income securities to raise cash in this environment of sharply rising interest rates and falling prices often forced the Portfolio to realize losses on portfolio investments. In order to offset these losses, the Portfolio would need either a strong bond market rally and its accompanying price mark-ups or it would need to purchase lower quality securities offering a significantly higher yield to increase its dividend income.

THE IMPORTANCE OF QUALITY

The Portfolio's conservative, high quality investment parameters forbid it from purchasing speculative, high yielding securities such as emerging markets debt. More speculative investments can add significant amounts of yield but also bring a much greater risk level than is acceptable for an investment such as the Portfolio.

Instead, consistent with the Portfolio's investment policies, we opted to follow a cautious approach. The Portfolio's investments were restructured toward a defensive posture, primarily by purchasing current coupon U.S. Treasury

securities during the second half of the year. We believe that the Portfolio's modest negative return was an acceptable trade-off for the comfort a shareholder can take from this prudent strategy. Although this was a disappointing year, we believe the Portfolio is well positioned going forward into 1995.

BAYFUNDS BOND PORTFOLIO

The first half of 1994 produced negative returns for virtually all bond funds as they were buffeted by the incessant upward movement in interest rates. The BayFunds Bond Portfolio was no exception. This Portfolio's defensive posture, sterling credit quality--with an emphasis on U.S. Treasury obligations-- and relatively large cash position provided an effective safe haven as it weathered the acute bear market. One example of the defensive posture was maintaining a shorter average maturity than the index to which we compare the Portfolio's performance. As rates rose and bond prices were marked down, this tactic minimized the reverberations on the Portfolio's underlying investments. The average maturity remained at a fairly steady and moderate range of 4-8 years. During the second half of the year, the Portfolio began to reap the benefits of its conservative profile. Some of the cash was put to work in the higher yielding new issues that became available in the bond markets.

We are satisfied with the Portfolio's relative results under those treacherous market conditions. The BayFunds Bond Portfolio was able to provide commendable performance during the difficult first half of the year. In the final six months, the Portfolio implemented a successful strategy that positions it well as we proceed into 1995.

FUTURE STRATEGIES FOR THE BAYFUNDS SHORT TERM YIELD PORTFOLIO AND BAYFUNDS BOND PORTFOLIO

Market sentiment can be an accurate barometer of the future. The widely held opinion is that additional interest rate hikes are in store during the first half of 1995 in order to slow the explosive (and unsustainable) pace of economic activity and to rein in potential inflationary pressures. By mid-year, we anticipate that the effect of the Federal Reserve's steady tightening of the money supply will have taken hold; the economic tempo will be moderating. This should be good news for the bond market.

BAYFUNDS SHORT TERM YIELD PORTFOLIO

The BayFunds Short Term Yield Portfolio will continue to maintain a relatively defensive posture until the threat of rising interest rates subsides and inflationary pressures appear firmly under control. The investment foundation of the Portfolio will continue to be the highest quality investments available, including U.S. Treasury and U.S. Government agency securities. We expect to maintain an average maturity in a range of 12-18 months pending the plateau in interest rates and an overall improvement in market sentiment. The Portfolio is positioned to participate in any future bond market recovery while minimizing near-term risk--a cautious approach that should benefit the Portfolio's shareholders.

BAYFUNDS BOND PORTFOLIO

We believe that this same defensive posture is equally appropriate for the BayFunds Bond Portfolio. U.S. Treasury, AAA rated asset-backed and high quality corporate securities (especially industrial issues), will be the backbone of the Portfolio's holdings. For these same reasons, the Portfolio will maintain a shorter average maturity than its index. If the yield curve flattens more, we expect to find greater values for the Portfolio in the shorter and/or longer maturity segments. This practice of maintaining a moderate average maturity by concurrently purchasing long-term and short-term securities is commonly known as a "barbell" strategy. These strategies and the Portfolio's cautious outlook should keep it well positioned to participate in an improving bond market. Longer-term investors should continue to be well served by this prudent, time-tested approach.

STOCK MARKET RECAP

Rising interest rates did not hammer only the bond markets; they dragged down domestic equity returns for much of 1994. During the period from February through June, stock prices suffered repeatedly at the hands of four consecutive Federal Reserve interest rate hikes. The stock market rallied a bit in the July-October period, as a steady stream of strong corporate earnings cheered equity investors and refocused attention on company-specific events. This

bullish trend came to an abrupt halt in the waning months of the year. A number of market shaking events, including the transfer of control in Congress, the Orange County municipal bankruptcy filing and the collapse of the Mexican peso, prompted a sell-off. Against that backdrop, U.S. stock mutual funds lost 1.69% on average for the year per Lipper Analytical Services.

The "value" style of stock picking remained in favor until the fourth quarter, when early signs began to appear of a renaissance of the "growth" style of stock selection. Historically, a "growth" focus has dominated market action in periods of slow economic activity, and this may serve as a leading indicator of the market's direction in 1995. Since its inception the BayFunds Equity Portfolio has consistently

pursued a strategy favoring growth stocks and should be well positioned to reward its long-term shareholders as this investment style comes back into vogue.

THE YEAR IN REVIEW

BAYFUNDS EQUITY PORTFOLIO

The first quarter of 1994 was a trying period for most U.S. stock funds, including the Portfolio. Investors were unnerved by the rapid succession of interest rate increases and the repercussion was steep negative returns on domestic stocks. The Portfolio's bottom-up approach is not driven by short-term concerns; rather, in our stock selection process we consistently emphasize corporate earnings power and reasonable price valuations. The widespread negative tone of the market offered us many attractive buying opportunities. Our steadfast commitment to earnings growth and sector diversification strategies were rewarded during the rest of the year as the Portfolio logged a positive return for the latter nine months.

For the year, larger capitalization stocks in the capital goods section and traditional growth stocks across all sectors were in favor as nervous investors pursued stability. This was best illustrated by the positive twelve month return of the S&P 500 Index, which is dominated by such companies. The Portfolio typically does not overweight these types of stocks since they generally do not provide the earnings power that we seek in our investments. In contrast, the Portfolio's investment holdings typically have on average twice the five year earnings growth rate and one quarter the market capitalization of the companies in the S&P 500 Index. The Portfolio's mandate to seek out faster growing, innovative companies should reward the patient investor if the inherent value of these companies is recognized by the market.

FUTURE STRATEGY FOR THE BAYFUNDS EQUITY PORTFOLIO

The BayFunds Equity Portfolio will continue to seek out those companies which offer the strongest growth potential and the greatest likelihood of producing above-average earnings. This strategy invariably will lead us to the highest growth sectors of the market, which in 1994 was technology stocks. At the same time adherence to our diversification mandate ensures that the Portfolio will have representation across all market sectors. This strategy provides a hedge for the Portfolio's shareholders in the event that any one sector is disproportionately punished by investors.

The expected peak in interest rates and slowdown in the economy should further focus the equity markets on company fundamentals. Long-term shareholders should patiently anticipate the return to favor of the Portfolio's investment style and they should be well served in the year ahead.

My closing message is just as timely today as it was six months ago. Focus on your long-term investment goals and disregard these market jitters. Take a look at your investment strategy and make sure that it incorporates these three fundamentals:

- Maintain a long-term perspective on the market.
- Manage your risk by diversifying your investments.
- Follow a regular investment plan.

I invite you to contact your Investment Specialist or Account Officer if you have any questions about the course of action that is most appropriate in

helping you reach your investment goals.

Sincerely,

Richard F. Pollard
President
BayBanks Investment Management, Inc.
Investment Adviser to BayFunds Short Term Yield Portfolio,
BayFunds Bond Portfolio and BayFunds Equity Portfolio

February 15, 1995

BAYFUNDS SHORT TERM YIELD PORTFOLIO--
INVESTMENT SHARES

GROWTH OF \$10,000 INVESTED IN BAYFUNDS SHORT TERM YIELD PORTFOLIO--
INVESTMENT SHARES*

The graph below illustrates the hypothetical investment of \$10,000 in the BayFunds Short Term Yield Portfolio--Investment Shares (the "Fund") from January 29, 1993 to December 31, 1994 compared to the Merrill Lynch 1-3 Year U.S. Treasury Index.+

Graphic presentation appears here. See Appendix A

<TABLE>
<CAPTION>

Measurement Period (Fiscal Year Covered)	BayFunds Short Term Yield Portfolio-- Institu- tional Shares	Merrill Lynch 1-3 Year U.S. Treasury Index
<S>	<C>	<C>
1-29-93	10000	10000
12-31-93	10396	10433
12-31-94	10039	10492
AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED DECEMBER 31, 1994		
1 Year.....		(3.43%)
Start of Performance January 29, 1993.....		0.20%

</TABLE>

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. MUTUAL FUNDS ARE NOT BANK DEPOSITS OR FDIC INSURED AND ARE NOT OBLIGATIONS OF, OR GUARANTEED BY, BAYBANK, NOR ARE THEY FEDERALLY INSURED OR GUARANTEED. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST.

* The Fund's performance assumes the reinvestment of all dividends and distributions. The Merrill Lynch 1-3 Year U.S. Treasury Index has been adjusted to reflect reinvestment of dividends on securities in the index.

+ The Merrill Lynch 1-3 Year U.S. Treasury Index is not adjusted to reflect sales loads, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

BAYFUNDS SHORT TERM YIELD PORTFOLIO--
INSTITUTIONAL SHARES

GROWTH OF \$10,000 INVESTED IN BAYFUNDS SHORT TERM YIELD PORTFOLIO--
INSTITUTIONAL SHARES*

The graph below illustrates the hypothetical investment of \$10,000 in the BayFunds Short Term Yield Portfolio--Institutional Shares (the "Fund") from December 31, 1993 to December 31, 1994 compared to the Merrill Lynch 1-3 Year U.S. Treasury Index.+

Graphic presentation appears here. See Appendix B.

<TABLE>
<CAPTION>

Measurement Period (Fiscal Year Covered)	BayFunds	
	Short Term Yield Portfolio- Institu- tional Shares	Merrill Lynch 1-3 Year U.S. Treasury In- Index
<S>	<C>	<C>
12-31-93	10000	10000
12-31-94	9681	10057
AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED DECEMBER 31, 1994		
1 Year.....		(3.19%)

</TABLE>

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. MUTUAL FUNDS ARE NOT BANK DEPOSITS OR FDIC INSURED AND ARE NOT OBLIGATIONS OF, OR GUARANTEED BY, BAYBANK, NOR ARE THEY FEDERALLY INSURED OR GUARANTEED. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST.

* The Fund's performance assumes the reinvestment of all dividends and distributions. The Merrill Lynch 1-3 Year U.S. Treasury Index has been adjusted to reflect reinvestment of dividends on securities in the index.

+ The Merrill Lynch 1-3 Year U.S. Treasury Index is not adjusted to reflect sales loads, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

BAYFUNDS BOND PORTFOLIO--INVESTMENT SHARES

GROWTH OF \$10,000 INVESTED IN BAYFUNDS BOND PORTFOLIO--
INVESTMENT SHARES*

The graph below illustrates the hypothetical investment of \$10,000 in the BayFunds Bond Portfolio--Investment Shares (the "Fund") from January 29, 1993 to December 31, 1994 compared to the Lehman Brothers Intermediate Government/Corporate Index.+

Graphic presentation appears here. See Appendix C.

<TABLE>
<CAPTION>

Measurement Period (Fiscal Year Covered)	BayFunds Bond Portfolio - Class B	Lehman Brothers Intermediate Govern- ment/ Corporate Index
		<C>
<S>	<C>	<C>
1-29-93	10000	10000
12-31-93	10797	10671
12-31-94	10541	10465
AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED DECEMBER 31, 1994		
1 Year.....		(2.37%)
Start of Performance January 29, 1993.....		2.78%

</TABLE>

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. MUTUAL FUNDS ARE NOT BANK DEPOSITS OR FDIC INSURED AND ARE NOT OBLIGATIONS OF, OR GUARANTEED BY, BAYBANK, NOR ARE THEY FEDERALLY INSURED OR GUARANTEED. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST.

* The Fund's performance assumes the reinvestment of all dividends and distributions. The Lehman Brothers Intermediate Government/Corporate Index has been adjusted to reflect reinvestment of dividends on securities in the index.

+ The Lehman Brothers Intermediate Government/Corporate Index is not adjusted to reflect sales loads, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

BAYFUNDS BOND PORTFOLIO--INSTITUTIONAL SHARES

GROWTH OF \$10,000 INVESTED IN BAYFUNDS BOND PORTFOLIO--
INSTITUTIONAL SHARES*

The graph below illustrates the hypothetical investment of \$10,000 in the BayFunds Bond Portfolio--Institutional Shares (the "Fund") from December 31, 1993 to December 31, 1994 compared to the Lehman Brothers Intermediate Government/Corporate Index.+

Graphic presentation appears here. See Appendix D.

<TABLE>
<CAPTION>

Measurement Period (Fiscal Year Covered)	BayFunds Bond Portfolio - Class A	Lehman Brothers In- termediate Govern- ment/ Corporate Index
<S>	<C>	<C>
12-31-93	10000	10000
12-31-94	9786	9807
AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED DECEMBER 31, 1994		
1 Year.....		(2.14%)

</TABLE>

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. MUTUAL FUNDS ARE NOT BANK DEPOSITS OR FDIC INSURED AND ARE NOT OBLIGATIONS OF, OR GUARANTEED BY, BAYBANK, NOR ARE THEY FEDERALLY INSURED OR GUARANTEED. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST.

* The Fund's performance assumes the reinvestment of all dividends and distributions. The Lehman Brothers Intermediate Government/Corporate Index has been adjusted to reflect reinvestment of dividends on securities in the index.

+ The Lehman Brothers Intermediate Government/Corporate Index is not adjusted to reflect sales loads, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

BAYFUNDS EQUITY PORTFOLIO--INVESTMENT SHARES

GROWTH OF \$10,000 INVESTED IN BAYFUNDS EQUITY PORTFOLIO--
INVESTMENT SHARES*

The graph below illustrates the hypothetical investment of \$10,000 in the BayFunds Equity Portfolio--Investment Shares (the "Fund") from January 29, 1993 to December 31, 1994 compared to the Standard and Poor's 500 Index (S&P 500).+

Graphic presentation appears here. See Appendix E.

<TABLE>
<CAPTION>

Measurement Period (Fiscal Year Covered)	BayFunds Equity Portfolio - Class A	Standard and Poor's 500 Index
<S>	<C>	<C>
1-29-93	10000	10000
12-31-93	11128	10902
12-31-94	10769	11046
AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED DECEMBER 31, 1994		
1 Year.....		(3.23%)
Start of Performance January 29, 1993.....		3.93%

</TABLE>

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. MUTUAL FUNDS ARE NOT BANK DEPOSITS OR FDIC INSURED AND ARE NOT OBLIGATIONS OF, OR GUARANTEED BY, BAYBANK, NOR ARE THEY FEDERALLY INSURED OR GUARANTEED. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST.

* The Fund's performance assumes the reinvestment of all dividends and distributions. The S&P 500 has been adjusted to reflect reinvestment of dividends on securities in the index.

+ The S&P 500 is not adjusted to reflect sales loads, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

BAYFUNDS EQUITY PORTFOLIO--INSTITUTIONAL SHARES

GROWTH OF \$10,000 INVESTED IN BAYFUNDS EQUITY PORTFOLIO--
INSTITUTIONAL SHARES*

The graph below illustrates the hypothetical investment of \$10,000 in the BayFunds Equity Portfolio--Institutional Shares (the "Fund") from December 31, 1993 to December 31, 1994 compared to the Standard and Poor's 500 Index (S&P 500).+

Graphic presentation appears here. See Appendix F.

<TABLE>
<CAPTION>

Measurement Period (Fiscal Year Covered)	BayFunds Equity Portfolio - Class A <C>	Standard and Poor's 500 Index <C>
12-31-93	10000	10000
12-31-94	9702	10132
AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED DECEMBER 31, 1994		
1 Year.....		(2.98%)

</TABLE>

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. MUTUAL FUNDS ARE NOT BANK DEPOSITS OR FDIC INSURED AND ARE NOT OBLIGATIONS OF, OR GUARANTEED BY, BAYBANK, NOR ARE THEY FEDERALLY INSURED OR GUARANTEED. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST.

* The Fund's performance assumes the reinvestment of all dividends and distributions. The S&P 500 has been adjusted to reflect reinvestment of dividends on securities in the index.

+ The S&P 500 is not adjusted to reflect sales loads, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

BAYFUNDS SHORT TERM YIELD PORTFOLIO

PORTFOLIO OF INVESTMENTS
DECEMBER 31, 1994

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT	VALUE
<C>	<S>
ASSET-BACKED SECURITIES--25.9%	<C>
AUTO LOANS--14.7%	
\$ 4,862,476	Ford Credit Grantor Trust, Series 1994B, Class A, 7.30%, 10/15/99 \$ 4,812,295

3,895,046	Ford Motor Credit Corp., Series 1994-A, Class A, 6.35%, 5/17/99	3,812,276
5,000,000	Premier Auto Trust, Series 1994-4, Class A4, 6.45%, 5/2/98	4,834,375
	Total	13,458,946
	BANK CREDIT CARDS--8.5%	
2,750,000	Chase Manhattan Credit Card Master Trust, Series 1991-2, Class A, 7.65%, 11/15/98	2,745,682
5,000,000	MBNA Credit Card Trust, Series 1991-A, Class A, 8.25%, 6/30/98	5,004,650
	Total	7,750,332
	FINANCE CREDIT CARDS--2.7%	
2,500,000	Discover Card Trust, Series 91-C, Class A, 7.20%, 4/16/98	2,486,700
	TOTAL ASSET-BACKED SECURITIES (IDENTIFIED COST, \$23,962,852)	23,695,978
	CORPORATE VARIABLE RATE INSTRUMENTS--5.5%	
	FINANCIAL SERVICES--5.5%	
3,000,000	Bear, Stearns & Co., Inc., 7.19%*, 3/9/99	3,010,320
2,000,000	Salomon Brothers, Inc., 6.568%*, 4/5/99	1,988,680
	TOTAL CORPORATE VARIABLE RATE INSTRUMENTS (IDENTIFIED COST, \$5,000,000)	4,999,000
	GOVERNMENT AGENCIES--6.5%	
6,000,000	Federal Home Loan Bank, 4.60%-7.875%, 3/27/95-3/1/99 (IDENTIFIED COST, \$6,136,925)	5,967,920
	TREASURY OBLIGATIONS--39.0%	
36,000,000	U.S. Treasury Notes, 6.875%-7.75%, 2/15/95-11/15/97 (IDENTIFIED COST, \$36,029,664)	35,709,610

</TABLE>

BAYFUNDS SHORT TERM YIELD PORTFOLIO

<TABLE> <CAPTION> PRINCIPAL AMOUNT		VALUE
<C>	<S>	<C>
	**REPURCHASE AGREEMENT--22.5%	
\$20,570,000	Aubrey G. Lanston & Co., Inc., 5.75%, dated 12/30/94, due 1/3/95 (AT AMORTIZED COST)	\$20,570,000
	TOTAL INVESTMENTS (IDENTIFIED COST, \$91,699,441)	\$90,942,508+

</TABLE>

* Denotes variable rate and floating rate obligations for which the current yield is shown.

** Repurchase agreement is fully collateralized by U.S. government and/or agency obligations based on market prices at the date of the portfolio.

+ The cost of investments for federal tax purposes amounts to \$91,699,441. The net unrealized depreciation of investments on a federal tax basis amounts to \$756,933, which is comprised of \$771,775 depreciation and \$14,842 appreciation at December 31, 1994.

Note: The categories of investments are shown as a percentage of net assets (\$91,504,458) at December 31, 1994.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS SHORT TERM YIELD PORTFOLIO

STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 1994

<S>	<C>	<C>
ASSETS:		
Investment in repurchase agreement	\$20,570,000	
Investments in securities	70,372,508	
Total investments, at value (identified and tax cost \$91,699,441)		\$ 90,942,508
Receivable for investments sold		2,746,792
Income receivable		879,954
Receivable for Shares sold		118,256
Deferred expenses		56,338
Total assets		94,743,848
LIABILITIES:		
Payable to Bank	2,746,307	
Income distribution payable	310,062	
Payable for Shares redeemed	138,613	
Accrued expenses	44,408	
Total liabilities		3,239,390
NET ASSETS for 10,002,132 Shares outstanding		\$ 91,504,458
NET ASSETS CONSISTS OF:		
Paid-in capital		\$103,866,505
Net unrealized appreciation (depreciation) of investments		(756,933)
Accumulated net realized gain (loss) on investments		(11,605,114)
Total Net Assets		\$ 91,504,458
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:		
Investment Shares (\$34,993,211 / 3,825,005 Shares outstanding)		\$9.15
Institutional Shares (\$56,511,247 / 6,177,127 Shares outstanding)		\$9.15

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS SHORT TERM YIELD PORTFOLIO

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1994

<TABLE>

<S>	<C>	<C>
INVESTMENT INCOME:		

Interest		\$ 7,452,529

EXPENSES:		

Investment advisory fee	\$681,886	

Administrative personnel and services fee	143,915	

Custodian fees	19,397	

Transfer agent and dividend disbursing agent fees	57,688	

Trustees' fees	6,605	

Auditing fees	14,462	

Legal fees	13,622	

Portfolio accounting fees	60,330	

Share registration costs	39,584	

Printing and postage	34,465	

Insurance premiums	7,852	

Miscellaneous	9,890	

Shareholder services fee-Investment Shares	140,687	

Total expenses		1,230,383

Net Investment Income		6,222,146

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		

Net realized gain (loss) on investments		(11,529,693)

Net change in unrealized appreciation (depreciation) of investments		513,580

Net realized and unrealized gain (loss) on investments		(11,016,113)

Change in net assets resulting from operations		(\$4,793,967)

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS SHORT TERM YIELD PORTFOLIO

STATEMENT OF CHANGES IN NET ASSETS

<S>	YEAR ENDED DECEMBER 31,	
	1994	1993*
<C>	<C>	<C>

INCREASE (DECREASE) IN NET ASSETS:		

OPERATIONS--		

Net investment income	\$ 6,222,146	\$ 6,672,689

Net realized gain (loss) on investments (\$11,534,248 and \$70,866 net losses, respectively, as computed for federal tax purposes)	(11,529,693)	(75,421)

Net change in unrealized appreciation (depreciation) of investments	513,580	(1,270,513)
-----	-----	-----
Change in net assets resulting from operations	(4,793,967)	5,326,755
-----	-----	-----
DISTRIBUTIONS TO SHAREHOLDERS--		

Distributions from net investment income:		
-----	-----	-----
Investment Shares	(2,556,438)	(6,672,689)
-----	-----	-----
Institutional Shares	(3,665,708)	--
-----	-----	-----
Change in net assets resulting from distributions to shareholders	(6,222,146)	(6,672,689)
-----	-----	-----
SHARE TRANSACTIONS--		
-----	-----	-----
Proceeds from sale of Shares	126,448,882	218,527,684
-----	-----	-----
Net asset value of Shares issued to shareholders in payment of distributions declared	2,224,772	1,608,290
-----	-----	-----
Cost of Shares redeemed	(199,453,887)	(45,489,236)
-----	-----	-----
Change in net assets resulting from Share transactions	(70,780,233)	174,646,738
-----	-----	-----
Change in net assets	(81,796,346)	173,300,804
-----	-----	-----
NET ASSETS:		
-----	-----	-----
Beginning of period	173,300,804	--
-----	-----	-----
End of period	\$ 91,504,458	\$173,300,804
-----	-----	-----

</TABLE>

* For the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS SHORT TERM YIELD PORTFOLIO

FINANCIAL HIGHLIGHTS--INVESTMENT SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993*
	-----	-----
<S>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$9.91	\$10.00
-----	-----	-----
INCOME FROM INVESTMENT OPERATIONS		
-----	-----	-----
Net investment income	0.43	0.48
-----	-----	-----
Net realized and unrealized gain (loss) on investments	(0.76)	(0.09)
-----	-----	-----
Total from investment operations	(0.33)	0.39
-----	-----	-----
LESS DISTRIBUTIONS		
-----	-----	-----
Distributions from net investment income	(0.43)	(0.48)
-----	-----	-----
NET ASSET VALUE, END OF PERIOD	\$9.15	\$ 9.91
-----	-----	-----
TOTAL RETURN**	(3.43%)	3.96%
-----	-----	-----

RATIOS TO AVERAGE NET ASSETS

Expenses	1.04%	0.60% (a)
Net investment income	4.42%	5.19% (a)
Expense waiver/reimbursement (b)	--	0.16% (a)

SUPPLEMENTAL DATA

Net assets, end of period (000 omitted)	\$34,993	\$173,301
Portfolio turnover rate	148%	98%

</TABLE>

* Reflects operations for the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

** Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS SHORT TERM YIELD PORTFOLIO

FINANCIAL HIGHLIGHTS--INSTITUTIONAL SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31, 1994
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 9.91
INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.45
Net realized and unrealized gain (loss) on investments	(0.76)
Total from investment operations	(0.31)
LESS DISTRIBUTIONS	
Distributions from net investment income	(0.45)
NET ASSET VALUE, END OF PERIOD	\$ 9.15
TOTAL RETURN*	(3.19%)

RATIOS TO AVERAGE NET ASSETS

Expenses	0.80%
Net investment income	4.66%

SUPPLEMENTAL DATA

Net assets, end of period (000 omitted)	\$56,511
Portfolio turnover rate	148%

</TABLE>

* Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS BOND PORTFOLIO

PORTFOLIO OF INVESTMENTS
DECEMBER 31, 1994

<TABLE>			
<CAPTION>			
PRINCIPAL			VALUE
AMOUNT			
<C>	<C>	<S>	<C>
ASSET-BACKED SECURITIES--7.6%			
\$ 1,000,000	First Deposit Master Trust 1993-2, Class A, 5.75%, 6/15/2001		\$ 930,310
235,713	Merrill Lynch & Co. Asset-Backed Corp., Class A2, 5.125%, 7/15/98		230,778
1,000,000	NationsBank Credit Card Master Trust, Class A, 4.75%, 9/15/98		942,180
1,000,000	Premier Auto Trust 1994-1, Class A3, 4.75%, 2/2/2000		939,680
73,641	Shawmut National Auto Receivable 1992-A, Class A, 5.55%, 11/15/97		73,042
500,000	Standard Credit Card Master Trust 1993-3, Class A, 5.50%, 2/7/2000		453,590
1,000,000	Standard Credit Card Master Trust 1994-2, Class A, 7.25%, 4/7/2008		911,250
194,940	Volvo Auto Receivables Grantor Trust, Class A, 5.45%, 12/15/98		191,589
TOTAL ASSET-BACKED SECURITIES (IDENTIFIED COST, \$4,002,081)			4,672,419
CORPORATE BONDS--23.3%			
AUTOMOTIVE--4.1%			
1,000,000	Chrysler Financial Corp., 8.125%, 12/15/96		998,060
500,000	Ford Motor Co., 7.50%, 11/15/99		480,795
1,000,000	General Motors Corp., Deb., 9.40%, 7/15/2021		1,038,210
Total			2,517,065
BANKING--5.3%			
1,250,000	Bank One Milwaukee N.A., Sub. Note, 6.625%, 4/15/2003		1,122,562
1,000,000	NCNB Corp., Deb., 9.50%, 6/1/2004		1,055,430
1,000,000	Norwest Corp., 6.00%, 3/15/2000		902,300
200,000	Royal Bank of Scotland Capital Group, 10.125%, 3/1/2004		217,884
Total			3,298,176
CHEMICALS--1.4%			
500,000	Dow Chemical Co., 9.35%, 3/15/2002		513,060
300,000	Rohm & Haas, 9.80%, 4/15/2020		333,831
Total			846,891

</TABLE>

BAYFUNDS BOND PORTFOLIO

<TABLE> <CAPTION> PRINCIPAL AMOUNT			VALUE
<C>	<C>	<S>	<C>
CORPORATE BONDS--CONTINUED			

	CONSUMER--0.5%		
\$ 300,000	American General Finance Corp., 7.15%, 5/15/97		\$ 292,794

	FINANCIAL SERVICES--2.9%		
1,000,000	Dean Witter Discover & Co., Note, 6.25%, 3/15/2000		897,140
1,000,000	Salomon, Inc., MTN, 5.26%, 2/10/99		916,900
	Total		1,814,040

	FOOD & BEVERAGE--1.3%		
500,000	Coca-Cola Enterprises, Inc., 7.875%, 2/1/2002		486,585
300,000	Grand Metropolitan Investment, PLC, 9.00%, 8/15/2011		311,313
	Total		797,898

	INSURANCE--3.0%		
1,000,000	Enhance Financial Services Group, Inc., 6.75%, 3/1/2003		895,000
1,000,000	MBIA, Inc., 8.20%, 10/1/2022		928,320
	Total		1,823,320

	MACHINERY, EQUIPMENT & AUTO--0.7%		
500,000	Ingersoll-Rand Co., 6.875%, 2/1/2003		455,830

	RETAIL--0.8%		
500,000	Sears, Roebuck & Co., 9.46%, 6/20/2000		516,220

	TRANSPORTATION--2.8%		
1,000,000	Ryder Systems, Inc., 8.375%, 2/15/2017		937,770
987,231	Southwest Airlines Co., 6.26%, 9/24/2012		800,002
	Total		1,737,772

	UTILITIES--0.5%		
300,000	Rural Electric Cooperative Grantor Trust CTF, 10.11%, 12/15/2017		325,821
	TOTAL CORPORATE BONDS (IDENTIFIED COST, \$16,662,505)		14,425,827

</TABLE>

BAYFUNDS BOND PORTFOLIO

<TABLE> <CAPTION> PRINCIPAL AMOUNT			VALUE
<C>	<C>	<S>	<C>
U.S. GOVERNMENT AGENCIES--8.8%			
\$ 2,000,000	Federal Home Loan Mortgage Corp., Note, 7.74%, 6/1/2004		\$ 1,895,625

582,788	Federal National Mortgage Association, Pass Thru, 10.50%, 5/1/2012	616,147
2,000,000	Federal National Mortgage Association, 4.15%-9.05%, 1/17/97-5/10/2021	1,973,438
1,000,000	Tennessee Valley Authority, MTN, 7.318%, 5/31/99	958,650
	TOTAL U.S. GOVERNMENT AGENCIES (IDENTIFIED COST, \$5,667,767)	5,443,860
U.S. TREASURY OBLIGATIONS--57.8%		
3,000,000	U.S. Treasury Bond, 7.50%, 11/15/2024	2,869,680
32,700,000	U.S. Treasury Notes, 3.875%-8.50%, 4/30/95-7/15/98	32,825,319
	TOTAL U.S. TREASURY OBLIGATIONS (IDENTIFIED COST, \$36,171,914)	35,694,999
*REPURCHASE AGREEMENT--1.5%		
910,000	Aubrey G. Lanston & Co., Inc., 5.75%, dated 12/30/94, due 1/1/95 (AT AMORTIZED COST)	910,000
	TOTAL INVESTMENTS (IDENTIFIED COST, \$63,414,267)	\$61,147,105+

</TABLE>

* Repurchase agreement is fully collateralized by U.S. Treasury obligations based on market prices at the date of the portfolio.

+ The cost of investments for federal tax purposes amounts to \$63,416,455. The net unrealized depreciation on a federal tax basis amounts to \$2,269,350, which is comprised of \$32,961 appreciation and \$2,302,311 depreciation at December 31, 1994.

The following abbreviation is used in this portfolio:

MTN--Medium Term Note

Note: The categories of investments are shown as a percentage of net assets \$ (61,755,315) at December 31, 1994.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS BOND PORTFOLIO
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 1994

<S>	<C>	<C>
ASSETS:		
Investments at value (identified cost, \$63,414,267, and tax cost, \$63,416,455)		\$61,147,105
Cash		2,474
Income receivable		997,084
Receivable for Shares sold		2,060
Deferred expenses		36,196
Total assets		62,184,919
LIABILITIES:		
Income distribution payable	\$313,651	
Payable for Shares redeemed	83,645	
Accrued expenses	32,308	
Total liabilities		429,604

NET ASSETS FOR 6,561,764 Shares outstanding	\$61,755,315
NET ASSETS CONSISTS OF:	
Paid-in capital	\$66,286,116
Net unrealized appreciation (depreciation) of investments	(2,267,162)
Accumulated net realized gain (loss) on investments	(2,263,639)
Total Net Assets	\$61,755,315
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:	
Investment Shares (\$5,135,661 / 545,691 Shares outstanding)	\$9.41
Institutional Shares (\$56,619,654 / 6,016,073 Shares outstanding)	\$9.41

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS BOND PORTFOLIO
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1994

	<C>	<C>
<TABLE>		
<S>		
INVESTMENT INCOME:		
Interest		\$4,368,883
EXPENSES:		
Investment advisory fee	\$417,260	
Administrative personnel and services fee	73,256	
Custodian fees	9,319	
Transfer agent and dividend disbursing agent fees	24,756	
Trustees' fees	3,057	
Auditing fees	14,513	
Legal fees	7,672	
Portfolio accounting fees	60,032	
Share registration costs	34,427	
Printing and postage	28,188	
Insurance premiums	4,181	
Miscellaneous	8,693	
Shareholder services fee--Investment Shares	15,327	
Total expenses		700,681
Net Investment Income		3,668,202
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) on investments		(2,263,688)
Net change in unrealized appreciation (depreciation) of investments		(2,924,221)
Net realized and unrealized gain (loss) on investments		(5,187,909)

Change in net assets resulting from operations

(\$1,519,707)

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS BOND PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993*
INCREASE (DECREASE) IN NET ASSETS:	<C>	<C>
OPERATIONS--		
Net investment income	\$ 3,668,202	\$ 3,821,708
Net realized gain (loss) on investments (\$2,261,500 net loss and \$742,614 net gain, respectively, as computed for federal tax purposes)	(2,263,688)	742,614
Net change in unrealized appreciation (depreciation) of investments	(2,924,221)	657,059
Change in net assets resulting from operations	(1,519,707)	5,221,381
DISTRIBUTIONS TO SHAREHOLDERS--		
Distributions from net investment income:		
Investment Shares	(341,107)	(3,821,708)
Institutional Shares	(3,327,095)	--
Distributions from net realized gains:		
Investment Shares	--	(742,565)
Change in net assets resulting from distributions to shareholders	(3,668,202)	(4,564,273)
SHARE TRANSACTIONS--		
Proceeds from sale of Shares	83,396,750	84,401,252
Net asset value of Shares issued to shareholders in payment of distributions declared	323,304	180,690
Cost of Shares redeemed	(94,856,372)	(7,159,508)
Change in net assets resulting from Share transactions	(11,136,318)	77,422,434
Change in net assets	(16,324,227)	78,079,542
NET ASSETS:		
Beginning of period	78,079,542	--
End of period	\$ 61,755,315	\$78,079,542

</TABLE>

* For the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS BOND PORTFOLIO

FINANCIAL HIGHLIGHTS--INVESTMENT SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

	YEAR ENDED DECEMBER 31,	
	1994	1993*
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.14	\$10.00
INCOME FROM INVESTMENT OPERATIONS		
Net investment income	0.49	0.55
Net realized and unrealized gain (loss) on investments	(0.73)	0.24
Total from investment operations	(0.24)	0.79
LESS DISTRIBUTIONS		
Distributions from net investment income	(0.49)	(0.55)
Distributions from net realized gain on investment transactions	--	(0.10)
Total distributions	(0.49)	(0.65)
NET ASSET VALUE, END OF PERIOD	\$ 9.41	\$10.14
TOTAL RETURN**	(2.37%)	7.97%
RATIOS TO AVERAGE NET ASSETS		
Expenses	1.19%	0.70% (a)
Net investment income	5.09%	5.84% (a)
Expense waiver/reimbursement (b)	--	0.23% (a)
SUPPLEMENTAL DATA		
Net assets, end of period (000 omitted)	\$5,136	\$78,080
Portfolio turnover rate	134%	74%

</TABLE>

* Reflects operations for the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

** Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS BOND PORTFOLIO
FINANCIAL HIGHLIGHTS--INSTITUTIONAL SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

YEAR ENDED

<u><S></u>	<u><C></u>
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.14

INCOME FROM INVESTMENT OPERATIONS	

Net investment income	0.52

Net realized and unrealized gain (loss) on investments	(0.73)

Total from investment operations	(0.21)

LESS DISTRIBUTIONS	

Distributions from net investment income	(0.52)

NET ASSET VALUE, END OF PERIOD	\$ 9.41

TOTAL RETURN*	(2.14%)

RATIOS TO AVERAGE NET ASSETS	

Expenses	0.99%

Net investment income	5.29%

SUPPLEMENTAL DATA	

Net assets, end of period (000 omitted)	\$56,619

Portfolio turnover rate	134%

</TABLE>

* Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS EQUITY PORTFOLIO

PORTFOLIO OF INVESTMENTS
DECEMBER 31, 1994

<u><TABLE></u>			<u>VALUE</u>
<u><CAPTION></u>			
<u>SHARES</u>			<u><C></u>

<C>	<C>	<S>	
COMMON STOCKS--94.9%			

	AEROSPACE--1.4%		
13,000	Loral Corp.		\$ 492,375
11,500	Martin-Marietta Corp.		510,313
2,700	Raytheon Co.		172,463
9,500	Watkins Johnson Co.		282,625
	Total		1,457,776

	AUTOS & TRUCKS--1.5%		
33,900	Ford Motor Co.		949,200
16,100	General Motors Corp.		680,225
	Total		1,629,425

BANKS--4.9%

16,750	Banc One Funding Corp.	425,031
13,100	Bancorp Hawaii, Inc.	332,412
6,025	First Interstate Bancorp	407,441
3,525	First Tennessee National Corp.	143,644
36,500	Mid-Atlantic Corp.	967,250
25,000	NationsBank Corp.	1,128,125
40,000	NBD Bancorp, Inc.	1,095,000
7,500	Regions Financial Corp.	232,500
3,400	Wells Fargo & Co.	493,000
	Total	5,224,403

BEVERAGES--2.2%

16,000	Anheuser Busch Co., Inc.	814,000
26,200	Coca-Cola Co.	1,349,300
4,400	PepsiCo, Inc.	159,500
	Total	2,322,800

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<TABLE>

<CAPTION>

SHARES

VALUE

<C>	<C>	<S>	<C>
COMMON STOCKS--CONTINUED			

BROADCASTING--0.2%

3,815	CBS, Inc.	\$ 211,256
-------	-----------	------------

BUILDING & CONSTRUCTION--1.7%

12,900	* Champion Enterprises	393,450
59,900	Clayton Homes, Inc.	943,425
10,525	Foster Wheeler Corp.	313,119
9,000	Skyline Corp.	173,250
	Total	1,823,244

BUILDING MATERIALS--0.8%

17,000	Texas Industries, Inc.	599,250
4,200	Vulcan Materials Co.	212,625
	Total	811,875

CAPITAL GOODS--0.2%

5,200	PACCAR, Inc.	230,100
-------	--------------	---------

CHEMICALS--1.4%

16,000	Dexter Corp.	348,000
5,700	Dow Chemical Co.	383,325
5,000	Du Pont (E.I.) deNemours & Co., Inc.	281,250
10,400	Hanna, M.A. Co.	247,000
3,100	Monsanto Co.	218,550
	Total	1,478,125
	CHEMICALS-SPECIAL--0.6%	
28,500	* Airgas, Inc.	605,625
	COMMERCIAL SERVICES--2.0%	
30,000	CPI Corp.	536,250
12,100	Manpower, Inc.	340,312
12,200	Ogden Corp.	228,750

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<TABLE>
<CAPTION>
SHARES

			VALUE
<C>	<C>	<S>	<C>
COMMON STOCKS--CONTINUED			
COMMERCIAL SERVICES--CONTINUED			
17,200	Olsten Corp.		\$ 546,100
19,600	Rollins, Inc.		448,350
	Total		2,099,762
COMPUTERS--10.2%			
44,200	* 3Com Corp.		2,279,063
21,000	Adobe System, Inc.		624,750
14,400	* Cisco Systems, Inc.		505,800
31,600	* Compaq Computer Corp.		1,248,200
14,700	International Business Machines		1,080,450
14,100	* Microsoft Corp.		861,863
26,700	* Oracle System Corp.		1,178,138
16,000	* Quantum Corp.		242,000
31,700	* Sequent Computer Systems, Inc.		626,075
44,800	* Sun Microsystems, Inc.		1,590,400
38,600	* Tandem Computers, Inc.		661,025
	Total		10,897,764
CONTAINERS--1.2%			
24,000	Ball Corp.		756,000

16,000	* Sealed Air Corp.	580,000
	Total	1,336,000
	DIVERSIFIED--1.0%	
57,000	* Raymond Corp.	1,054,500
	DRUGS--4.5%	
22,600	* Amgen, Inc.	1,333,400
22,400	* Cordis Corp.	1,355,200
13,100	* Forest Laboratories, Inc.	610,787

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<TABLE>		
<CAPTION>		
SHARES		VALUE
<C>	<C> <S>	<C>
COMMON STOCKS--CONTINUED		
DRUGS--CONTINUED		
10,600	Johnson & Johnson	\$ 580,350
13,550	Schering-Plough, Inc.	1,002,700
	Total	4,882,437
ELECTRICAL EQUIPMENT--1.0%		
18,000	Ametek, Inc.	303,750
11,000	Augat, Inc.	207,625
12,200	Duracell International, Inc.	529,175
	Total	1,040,550
ELECTRONICS--2.7%		
5,250	Diebold, Inc.	215,906
30,800	* International Rectifier Co.	746,900
11,500	Linear Technology Corp.	569,250
5,700	Motorola, Inc.	329,888
15,300	Sensormatic Electronics Corp.	550,800
9,000	* Symbol Technologies, Inc.	277,875
7,700	Tektronix, Inc.	263,725
	Total	2,954,344
ENTERTAINMENT--0.3%		
6,200	Polygram, ADR	285,975
FINANCIAL SERVICES--3.4%		
37,300	Equifax, Inc.	983,787
18,400	First Financial Mgmt. Corp.	1,133,900

34,800	Green Tree Financial Corp.	1,057,050
11,800	Reuters Hldgs. PLC, ADR	517,725
	Total	3,692,462

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<CAPTION>		VALUE
SHARES		
<C>	<C> <S>	<C>
COMMON STOCKS--CONTINUED		
FOODS--2.5%		
35,500	American Maize Products Co.	\$ 900,812
24,900	ConAgra, Inc.	778,125
34,700	IBP, Inc.	1,049,675
	Total	2,728,612
HOSPITAL SUPPLIES & SERVICES--4.3%		
21,000	* Biomet, Inc.	294,000
9,500	* HealthCare COMPARE Corp.	324,187
19,000	Invacare Corp.	650,750
22,200	Medtronic, Inc.	1,234,875
16,700	Omnicare, Inc.	732,712
22,200	Stryker Corp.	815,850
13,350	U.S. Healthcare, Inc.	550,688
	Total	4,603,062
HOUSEHOLD FURNITURE/APPLIANCE--0.4%		
7,500	Lancaster Colony Corp.	220,312
12,000	Newell Co.	252,000
	Total	472,312
INDUSTRIAL MACHINERY--0.7%		
16,700	* Applied Materials, Inc.	705,575
INSURANCE--3.2%		
30,400	AFLAC, Inc.	972,800
15,900	AON Corp.	508,800
2,850	* Alleghany Corp.	433,200
10,400	American Premier Underwriters	269,100
25,200	Jefferson-Pilot Corp.	1,307,250
	Total	3,491,150

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
COMMON STOCKS--CONTINUED			
		LODGING--0.3%	
13,050		La Quinta Inns, Inc.	\$ 278,944
		MACHINERY--2.0%	
6,200		Briggs & Stratton Corp.	203,050
5,000		Caterpillar, Inc.	275,625
13,500	*	Clark Equipment Corp.	732,375
18,000		Giddings & Lewis, Inc.	265,500
12,300	*	Novellus Systems, Inc.	615,000
		Total	2,091,550
		METALS--1.2%	
15,900		Handy & Harman	244,462
17,400		Phelps Dodge Corp.	1,076,625
		Total	1,321,087
		MISCELLANEOUS--0.7%	
6,100		Danaher Corp.	318,725
5,600		Johnston Controls, Inc.	274,400
13,000		Quixote Corp.	143,000
		Total	736,125
		OFFICE EQUIPMENT--0.7%	
15,250	*	Cabletron Systems, Inc.	709,125
		OFFICE EQUIPMENT-SERVICES--0.3%	
5,900		Computer Associates International, Inc.	286,150
		OIL-DOMESTIC--1.4%	
14,500		Ashland Oil, Inc.	500,250
36,200		Sun, Inc.	1,040,750
		Total	1,541,000

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
COMMON STOCKS--CONTINUED			

OIL-INTERNATIONAL--6.4%		
18,000	Amoco Corp.	\$ 1,064,250
27,214	British Petroleum, PLC	2,173,718
14,000	Chevron Corp.	624,750
9,550	Exxon Corp.	580,162
22,600	Mobil Corp.	1,904,050
4,800	Royal Dutch Petroleum Co.	516,000
	Total	6,862,930
OIL-SUPPLIES & CONSTRUCTION--0.3%		
11,100	Halliburton Co.	367,687
PAPER--2.6%		
14,900	International Paper Co.	1,123,087
13,100	Mead Corp.	636,987
14,400	Scott Paper Co.	995,400
	Total	2,755,474
PHOTO & OPTICAL--0.5%		
16,500	Polaroid Corp.	536,250
PLASTICS--0.9%		
21,900	Premark International, Inc.	980,025
PUBLISHING & PRINTING--0.7%		
5,700	Belo (A.H.) Corp.	322,050
9,500	Meredith Corp.	442,938
	Total	764,988
RAILROAD--0.6%		
12,700	Illinois Cent. Corp.	390,525
7,900	Kansas City Southern Industries, Inc.	243,913
	Total	634,438

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<TABLE>		
<CAPTION>		
SHARES		VALUE
<C>	<C> <S>	<C>
COMMON STOCKS--CONTINUED		
RESTAURANT/FOOD SERVICE--1.0%		
27,600	McDonalds Corp.	\$ 807,300
12,200	Morrison Restaurants, Inc.	298,900
	Total	1,106,200

RETAIL-DRUG--1.4%		
38,700	Rite Aid Corp.	904,612
13,100	Walgreen Co.	573,125
	Total	1,477,737
RETAIL-GENERAL--2.1%		
9,025	Dayton Hudson Corp.	638,519
13,400	Fingerhut Corp.	207,700
23,700	Lowe's Companies, Inc.	823,575
25,800	* Office Depot, Inc.	619,200
	Total	2,288,994
RETAIL-GROCERY--2.1%		
31,200	* Kroger Co., Inc.	752,700
48,100	* Safeway, Inc.	1,533,187
	Total	2,285,887
RETAIL-SPECIAL LINE--2.7%		
31,200	* Best Buy, Inc.	975,000
7,250	Blair Corp.	290,000
34,900	* Burlington Coat Factory	410,075
17,900	Gap, Inc.	545,950
10,925	Limited, Inc.	198,016
13,900	* Michaels Stores, Inc.	483,025
	Total	2,902,066

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<TABLE>		
<CAPTION>		
SHARES		VALUE
<C>	<C> <S>	<C>
COMMON STOCKS--CONTINUED		
SHOES/LEATHER--0.8%		
7,000	Reebok International, Ltd.	\$ 276,500
24,500	Wolverine World Wide, Inc.	630,875
	Total	907,375
SOAPS & TOILETRIES--2.7%		
21,200	Colgate-Palmolive Co.	1,343,550
20,200	Gillette Co.	1,509,950
	Total	2,853,500
STEEL--0.2%		

4,700	Nucor Corp.	260,850
	TELECOMMUNICATIONS--2.8%	
6,100	* ADC Telecommunications, Inc.	305,000
30,400	* Andrew Corp.	1,588,400
22,400	Telecommunication Corp. of New Zealand, ADR	1,150,800
	Total	3,044,200
	TEXTILES--0.3%	
7,900	Springs Industries, Inc.	292,300
	TOBACCO--1.0%	
14,300	American Brands	536,250
10,200	Philip Morris Cos., Inc.	586,500
	Total	1,122,750
	TRUCKING & SHIPPING--1.5%	
12,800	* Federal Express Corp.	771,200
13,800	Werner Enterprises, Inc.	327,750
10,200	Xtra Corp.	459,000
	Total	1,557,950
	UTILITY-ELECTRIC--2.2%	
43,600	American Electric Power Co., Inc.	1,433,350
2,375	Dominion Resources, Inc.	84,906

</TABLE>

BAYFUNDS EQUITY PORTFOLIO

<TABLE>		<CAPTION>	
PRINCIPAL		AMOUNT	
OR SHARES		VALUE	
<C>	<C> <S>	<C>	
COMMON STOCKS--CONTINUED			
UTILITY-ELECTRIC--CONTINUED			
7,900	Houston Industries, Inc.	\$	281,438
13,400	Northern States Power Co., MN		589,600
	Total		2,389,294
UTILITY-TELEPHONE--3.2%			
27,300	Ameritech Corp.		1,102,238
7,300	BellSouth Corp.		395,113
12,400	GTE Corp.		376,650
28,400	Sprint Corp.		784,550
10,500	Telefonos De Mexico Sa., ADR		430,500

8,300	U.S. West, Inc.	295,687
	Total	3,384,738
	TOTAL COMMON STOCKS (IDENTIFIED COST, \$95,872,274)	101,778,748
**REPURCHASE AGREEMENT--1.9%		
\$2,080,000	Aubrey G. Lanston & Co., Inc., 5.75%, dated 12/30/94, due 1/3/95 (AT AMORTIZED COST)	2,080,000
	TOTAL INVESTMENTS (IDENTIFIED COST, \$97,952,274)	\$103,858,748+

</TABLE>

* Non-income producing.

** Repurchase agreement is fully collateralized by U.S. Treasury obligations based on market prices at the date of the portfolio.

+ The cost of investments for federal tax purposes amounts to \$98,034,048. The net unrealized appreciation of investments on a federal tax basis amounts to \$5,824,700, which is comprised of \$10,784,882 appreciation and \$4,960,182 depreciation at December 31, 1994.

Note: The categories of investments are shown as a percentage of net assets (\$107,214,946) at December 31, 1994.

The following abbreviation is used in this portfolio:

ADR--American Depositary Receipt

(See Notes which are integral part of the Financial Statements)

BAYFUNDS EQUITY PORTFOLIO

STATEMENT OF ASSETS AND LIABILITIES DECEMBER 31, 1994

<TABLE>		
<S>	<C>	<C>
ASSETS:		
Investments at value (identified cost, \$97,952,274, and tax cost, \$98,034,048)		\$103,858,748
Cash		7,777
Receivable for investments sold		3,592,114
Income receivable		107,063
Receivable for Shares sold		5,469
Deferred expenses		42,043
Total assets		107,613,214
LIABILITIES:		
Payable for Shares redeemed	\$350,420	
Accrued expenses	47,848	
Total liabilities		398,268
NET ASSETS FOR 10,175,595 Shares outstanding		\$107,214,946
NET ASSETS CONSISTS OF:		
Paid-in capital		\$103,919,258
Net unrealized appreciation (depreciation) of investments		5,906,474

Accumulated net realized gain (loss) on investments	(2,628,517)
Undistributed net investment income	17,731
Total Net Assets	\$107,214,946
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:	
Investment Shares (\$28,902,627 / 2,743,093 Shares outstanding)	\$10.54
Institutional Shares (\$78,312,319 / 7,432,502 Shares outstanding)	\$10.54

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS EQUITY PORTFOLIO

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1994

	<C>	<C>
INVESTMENT INCOME:		
Interest		\$ 383,403
Dividends		2,030,614
Total income		2,414,017
EXPENSES:		
Investment advisory fee	\$816,295	
Administrative personnel and services fee	122,769	
Custodian fees	29,689	
Transfer agent and dividend disbursing agent fees	39,135	
Trustees' fees	5,012	
Auditing fees	14,431	
Legal fees	9,535	
Portfolio accounting fees	59,627	
Share registration costs	39,299	
Printing and postage	39,437	
Insurance premiums	7,215	
Miscellaneous	8,320	
Shareholder services fee--Investment Shares	74,250	
Total expenses		1,265,014
Net Investment Income		1,149,003
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) on investments		(538,539)
Net change in unrealized appreciation (depreciation) of investments		(4,173,943)
Net realized and unrealized gain (loss) on investments		(4,712,482)
Change in net assets resulting from operations		(\$3,563,479)

</TABLE>

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS EQUITY PORTFOLIO

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993*
	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$ 1,149,003	\$ 1,251,973
Net realized gain (loss) on investments (\$456,765 and \$2,089,978 net loss, respectively, as computed for federal tax purposes)	(538,539)	(2,089,978)
Net change in unrealized appreciation (depreciation) of investments	(4,173,943)	10,080,417
Change in net assets resulting from operations	(3,563,479)	9,242,412
DISTRIBUTIONS TO SHAREHOLDERS--		
Distributions from net investment income:		
Investment Shares	(245,091)	(1,237,046)
Institutional Shares	(901,108)	--
Change in net assets resulting from distributions to shareholders	(1,146,199)	(1,237,046)
SHARE TRANSACTIONS--		
Proceeds from sale of Shares	118,436,160	113,880,236
Net asset value of Shares issued to shareholders in payment of distributions declared	251,323	214,740
Cost of Shares redeemed	(118,449,884)	(10,413,317)
Change in net assets resulting from Share transactions	237,599	103,681,659
Change in net assets	(4,472,079)	111,687,025
NET ASSETS:		
Beginning of period	111,687,025	--
End of period (including undistributed net investment income of \$17,731 and \$14,927, respectively)	\$ 107,214,946	\$111,687,025

</TABLE>

* For the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS EQUITY PORTFOLIO

FINANCIAL HIGHLIGHTS--INVESTMENT SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1994	1993*
<S>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.98	\$10.00

INCOME FROM INVESTMENT OPERATIONS		

Net investment income	0.09	0.14

Net realized and unrealized gain (loss) on investments	(0.44)	0.98

Total from investment operations	(0.35)	1.12

LESS DISTRIBUTIONS		

Distributions from net investment income	(0.09)	(0.14)

NET ASSET VALUE, END OF PERIOD	\$10.54	\$10.98

TOTAL RETURN**	(3.23%)	11.28%

RATIOS TO AVERAGE NET ASSETS		

Expenses	1.26%	0.75% (a)

Net investment income	0.81%	1.56% (a)

Expense waiver/reimbursement (b)	--	0.24% (a)

SUPPLEMENTAL DATA		

Net assets, end of period (000 omitted)	\$28,903	\$111,687

Portfolio turnover rate	108%	81%

</TABLE>

* Reflects operations for the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

** Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS EQUITY PORTFOLIO

FINANCIAL HIGHLIGHTS--INSTITUTIONAL SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1994	
	<C>	
<S>	<C>	
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.98	

INCOME FROM INVESTMENT OPERATIONS		

Net investment income	0.11
Net realized and unrealized gain (loss) on investments	(0.44)
Total from investment operations	(0.33)
LESS DISTRIBUTIONS	
Distributions from net investment income	(0.11)
NET ASSET VALUE, END OF PERIOD	\$10.54
TOTAL RETURN*	(2.98%)
RATIOS TO AVERAGE NET ASSETS	
Expenses	1.02%
Net investment income	1.05%
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$78,312
Portfolio turnover rate	108%

</TABLE>

* Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(See Notes which are an integral part of the Financial Statements)

BAYFUNDS INCOME AND EQUITY PORTFOLIOS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1994

(1) ORGANIZATION

BayFunds (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end, management investment company. The Trust consists of five diversified portfolios. The following Funds comprise the Trust:

FUND NAME	CLASSES OF SHARES
BayFunds U.S. Treasury Money Market Portfolio	Investment and Institutional
BayFunds Money Market Portfolio	Investment and Trust
BayFunds Short Term Yield Portfolio	Investment and Institutional
BayFunds Bond Portfolio	Investment and Institutional
BayFunds Equity Portfolio	Investment and Institutional

The financial statements of the following Funds (individually referred to as the "Fund", or collectively as the "Funds") are presented herein:

FUND NAME
BayFunds Short Term Yield Portfolio ("Short Term Yield Fund")
BayFunds Bond Portfolio ("Bond Fund")
BayFunds Equity Portfolio ("Equity Fund")

The financial statements of the other Funds are presented separately. The assets of each Fund are segregated and a shareholder's interest is limited to the Fund in which shares are held.

(2) SIGNIFICANT ACCOUNTING POLICIES

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

<TABLE>

<S> <C>

INVESTMENT VALUATIONS--U.S. government securities are generally valued at the bid prices as furnished by an independent pricing service. Corporate bonds (and other fixed-income and asset-backed securities) are valued at the last sale price reported on national securities exchanges on that day, if available. Otherwise, corporate bonds (and other fixed-income and asset-backed securities) and short-term securities are valued at the prices provided by an independent pricing service. Listed equity securities are valued at the last sale price reported on national securities exchanges. Unlisted securities (and private placement securities) are generally valued at the prices provided by an independent pricing service. Short-term securities with remaining maturities of sixty days or less may be valued at amortized cost, which approximates fair market value.

</TABLE>

BAYFUNDS INCOME AND EQUITY PORTFOLIOS

<TABLE>

<S> <C>

REPURCHASE AGREEMENTS--It is the policy of the Funds to require a custodian bank to take possession, to have legally segregated in the Federal Reserve Book Entry System, or to have segregated within the custodian bank's vault, all securities held as collateral under repurchase agreement transactions. Additionally, procedures have been established by the Funds to monitor, on a daily basis, the market value of each repurchase agreement's collateral to ensure that the value of collateral at least equals the amount of the repurchase agreement, including accrued interest.

The Funds will only enter into repurchase agreements with banks and other recognized financial institutions, such as broker/dealers, which are deemed by the Funds' adviser to be creditworthy pursuant to the guidelines and/or standards reviewed or established by the Board of Trustees (the "Trustees").

INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue Code, as amended (the "Code").

FEDERAL TAXES--It is the Funds' policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of their income. Accordingly, no provisions for federal tax are necessary.

At December 31, 1994, the Short Term Yield Portfolio, Bond Portfolio and Equity Portfolio, for federal tax purposes, had capital loss carryforwards of \$11,605,114, \$2,261,500 and \$2,546,743, respectively, which will reduce the Funds' taxable income arising from future net realized gain on investments, if any, to the extent permitted by the Code, and thus will reduce the amount of the distributions to shareholders which would otherwise be necessary to relieve the Funds of any liability for federal tax. Pursuant to the Code, such capital loss carryforwards will expire in 2001 (\$70,866) and 2002 (\$11,534,248) for the Short Term Yield Fund, 2002 (\$2,261,500) for the Bond Fund and 2001 (\$2,089,978) and 2002 (\$456,765) for the Equity Fund.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Funds may engage in when-issued or delayed delivery transactions. The Funds record when-issued securities on the trade date and maintain security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.

DEFERRED EXPENSES--The costs incurred by the Funds with respect to registration of their shares in their first fiscal year, excluding the initial expense of registering the shares, have been deferred and are being amortized using the straight-line method not to exceed a period of five years from the Funds' commencement dates.

OTHER--Investment transactions are accounted for on the trade date.

</TABLE>

BAYFUNDS INCOME AND EQUITY PORTFOLIOS

(3) SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value) for each class of shares. Transactions in Fund shares were as follows:

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31, 1994						
INVESTMENT SHARES	SHORT TERM YIELD FUND		BOND FUND		EQUITY FUND	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Shares sold	1,918,640	\$ 18,619,735	230,919	\$ 2,260,644	1,287,398	\$ 13,811,479
Shares issued to shareholders in payment of dividends declared	233,107	2,224,668	28,437	275,587	22,876	240,568
Shares redeemed	(15,805,052)	(154,332,616)	(7,414,329)	(74,732,279)	(8,743,159)	(94,789,797)
Net change resulting from Investment share transactions	(13,653,305)	(\$133,488,213)	(7,154,973)	(\$72,196,048)	(7,432,885)	(\$80,737,750)

</TABLE>
<TABLE>
<CAPTION>

INSTITUTIONAL SHARES	SHORT TERM YIELD FUND		BOND FUND		EQUITY FUND	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Shares sold	10,916,607	\$ 107,829,147	8,080,115	\$ 81,136,106	9,663,093	\$104,624,681
Shares issued to shareholders in payment of dividends declared	11	104	5,035	47,717	1,027	10,755
Shares redeemed	(4,739,491)	(45,121,271)	(2,069,077)	(20,124,093)	(2,231,618)	(23,660,087)
Net change resulting from Institutional share transactions	6,177,127	62,707,980	6,016,073	61,059,730	7,432,502	80,975,349
Total net change resulting from Fund share transactions	(7,476,178)	(\$ 70,780,233)	(1,138,900)	(\$11,136,318)	(383)	\$ 237,599

BAYFUNDS INCOME AND EQUITY PORTFOLIOS

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31, 1993						
INVESTMENT SHARES*	SHORT TERM YIELD FUND		BOND FUND		EQUITY FUND	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Shares sold	21,881,054	\$218,527,684	8,380,954	\$84,401,252	11,146,082	\$113,880,236
Shares issued to shareholders in payment of dividends declared	161,469	1,608,290	17,528	180,690	19,788	214,740

Shares redeemed	(4,564,213)	(45,489,236)	(697,818)	(7,159,508)	(989,892)	(10,413,317)
Net change resulting from Investment share transactions	17,478,310	174,646,738	7,700,664	77,422,434	10,175,978	103,681,659
Total net change resulting from Fund share transactions	17,478,310	\$174,646,738	7,700,664	\$77,422,434	10,175,978	\$103,681,659

</TABLE>

* For the period from January 29, 1993 (date of initial public investment) to December 31, 1993.

(4) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISORY FEE--BayBanks Investment Management, Inc., the Trust's investment adviser (the "Adviser"), receives for its services an annual investment advisory fee based on a percentage of each Fund's average daily net assets (see below). The Adviser may voluntarily choose to waive all or a portion of its fee. The Adviser can modify or terminate this voluntary waiver at any time at its sole discretion.

<TABLE>
<CAPTION>

FUND	ANNUAL RATE
Short Term Yield Fund	0.50%
Bond Fund	0.60%
Equity Fund	0.70%

ADMINISTRATIVE FEE--Federated Administrative Services ("FAS") provides the Funds with certain administrative personnel and services. The FAS fee is based on the level of average aggregate net assets of the Trust for the period. FAS may voluntarily choose to waive a portion of its fee.

SHAREHOLDER SERVICES FEE--Under the terms of a Shareholder Services Agreement with BayBank Systems, Inc., the Funds will pay BayBank Systems, Inc. up to 0.25 of 1% of the average net assets of the Investment Shares for the period. This fee is to obtain certain services for shareholders and to maintain the shareholder accounts.

BAYFUNDS INCOME AND EQUITY PORTFOLIOS

PORTFOLIO ACCOUNTING FEES--Federated Services Company ("FServ") maintains the Funds' accounting records. The fee is based on the level of the Funds' average net assets for the period, plus out-of-pocket expenses.

ORGANIZATIONAL EXPENSES--Organizational expenses were borne initially by FAS. The Funds have agreed to reimburse FAS for the organizational expenses during the five year period following December 31, 1993 (the date the Funds became effective). For the year ended December 31, 1994, the Funds paid FAS as follows:

<TABLE>
<CAPTION>

FUND	INITIAL ORGANIZATIONAL EXPENSES	ORGANIZATIONAL EXPENSES REIMBURSED
Short Term Yield Fund	\$50,458	6,773
Bond Fund	\$52,861	7,108
Equity Fund	\$48,533	6,741

GENERAL--Certain of the Officers and Trustees of the Trust are Officers and Directors or Trustees of the above companies.

(5) INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities and in kind conversions, for the year ended December 31, 1994, were as follows:

<TABLE>
<CAPTION>

FUND	PURCHASES	SALES
<S>	<C>	<C>
Short Term Yield Fund	\$174,063,208	\$260,914,990
Bond Fund	\$ 80,672,384	\$ 98,590,147
Equity Fund	\$117,289,730	\$115,952,186

</TABLE>

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Trustees and Shareholders of

BAYFUNDS:

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of BayFunds Short Term Yield Portfolio, BayFunds Bond Portfolio, and BayFunds Equity Portfolio (portfolios of BayFunds) as of December 31, 1994, and the related statements of operations for the year then ended and the statements of changes in net assets, and financial highlights for the year ended December 31, 1994 and for the period from January 29, 1993 (date of initial public investment) to December 31, 1993. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1994, by correspondence with the custodian and broker. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of BayFunds Short Term Yield Portfolio, BayFunds Bond Portfolio, and BayFunds Equity Portfolio at December 31, 1994, and the results of their operations for the year then ended and the changes in their net assets and financial highlights for the year ended December 31, 1994 and for the period from January 29, 1993 to December 31, 1993, presented in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Pittsburgh, Pennsylvania
February 6, 1995

<TABLE>

<S> TRUSTEES	<C> OFFICERS
Kenneth G. Condon	Glen R. Johnson
Robert W. Eisenmenger	President and Treasurer
Sara L. Johnson	C. Christine Thomson
Ernest R. May	Vice President and Assistant Treasurer
Alvin J. Silk	Peter J. Germain
	Secretary
	Victor R. Siclari
	Assistant Secretary

</TABLE>

Mutual funds are not bank deposits or FDIC insured and are not obligations of, or guaranteed by, BayBank, nor are they federally insured or guaranteed. Your

investment return and principal value will fluctuate so when shares are redeemed, they may be worth more or less than original cost.

This report is authorized for distribution to prospective investors only when preceded or accompanied by the Portfolios' combined prospectus which contains facts concerning their objectives and policies, management fees, expenses and other information.

APPENDIX A

A. The graphic presentation is a line graph displaying the change in value of hypothetical \$10,000 purchases of the BayFunds Short Term Yield Portfolio-Investment Shares (the "Fund") and the Merrill Lynch 1-3 Year U.S. Treasury Index (the "Index"). The Fund is represented by a bold line. The Index is represented by a dotted line. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of performance, January 29, 1993, through December 31, 1994. The ending value of the hypothetical investment in the Fund is \$10,039. The ending value of the hypothetical investment in the Index is \$10,492. These values are stated in the right margin.

APPENDIX B

A. The graphic presentation is a line graph displaying the change in value of hypothetical \$10,000 purchases of the BayFunds Short Term Yield Portfolio-Institutional Shares (the "Fund") and the Merrill Lynch 1-3 Year U.S. Treasury Index (the "Index"). The Fund is represented by a bold line. The Index is represented by a dotted line. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of performance, December 31, 1993, through December 31, 1994. The ending value of the hypothetical investment in the Fund is \$9,681. The ending value of the hypothetical investment in the Index is \$10,057. These values are stated in the right margin.

APPENDIX C

A. The graphic presentation is a line graph displaying the change in value of hypothetical \$10,000 purchases of the BayFunds Bond Portfolio-Investment Shares (the "Fund") and the Lehman Brothers Intermediate Government/Corporate Index (the "Index"). The Fund is represented by a bold line. The Index is represented by a dotted line. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of performance, January 29, 1993, through December 31, 1994. The ending value of the hypothetical investment in the Fund is \$10,541. The ending value of the hypothetical investment in the Index is \$10,465. These values are stated in the right margin.

APPENDIX D

A. The graphic presentation is a line graph displaying the change in value of hypothetical \$10,000 purchases of the BayFunds Bond Portfolio-Institutional Shares (the "Fund") and the Lehman Brothers Intermediate Government/Corporate Index (the "Index"). The Fund is represented by a bold line. The Index is represented by a dotted line. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of performance, December 31, 1993, through December 31, 1994. The ending value of the hypothetical investment in the Fund is \$9,786. The ending value of the hypothetical investment in the Index is \$9,807. These values are stated in the right margin.

APPENDIX E

A. The graphic presentation is a line graph displaying the change in value of hypothetical \$10,000 purchases of the BayFunds Equity Portfolio-Investment Shares (the "Fund") and the Standard & Poor's 500 Index (the "Index"). The Fund is represented by a bold line. The Index is

represented by a dotted line. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of performance, January 29, 1993, through December 31, 1994. The ending value of the hypothetical investment in the Fund is \$10,769. The ending value of the hypothetical investment in the Index is \$11,046. These values are stated in the right margin.

APPENDIX F

A. The graphic presentation is a line graph displaying the change in value of hypothetical \$10,000 purchases of the BayFunds Equity Portfolio-Institutional Shares (the "Fund") and the Standard & Poor's 500 Index (the "Index"). The Fund is represented by a bold line. The Index is represented by a dotted line. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of performance, December 31, 1993, through December 31, 1994. The ending value of the hypothetical investment in the Fund is \$9,702. The ending value of the hypothetical investment in the Index is \$10,132. These values are stated in the right margin.