

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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FILER

VAM INSTITUTIONAL FUNDS INC

CIK: **763746** | IRS No.: **411514072** | State of Incorporation: **MN** | Fiscal Year End: **1031**
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VAM SHORT DURATION GOVERNMENT AGENCY FUND

ANNUAL REPORT

Dated October 31, 1996

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholder
VAM Institutional Funds, Inc.:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, of VAM Short Duration Government Agency Fund, a portfolio within VAM Institutional Funds, Inc., as of October 31, 1996, the related statement of operations for the year then ended, the statements of changes in net assets and the financial highlights for the year ended October 31, 1996 and the period from January 12, 1995, inception of Fund, to October 31, 1995. These financial statements and the financial highlights are the responsibility of Fund management. Our responsibility is to express an opinion on these financial statements and the 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 the 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. Investment securities held in custody are confirmed to us by the custodian. 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 the financial highlights referred to above present fairly, in all material respects, the financial position of VAM Short Duration Government Agency Fund at October 31, 1996, and the results of its operations, changes in its net assets and financial highlights for the periods stated in the first paragraph above, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Minneapolis, Minnesota
December 12, 1996

VAM SHORT DURATION GOVERNMENT AGENCY FUND

Assets:	
Investments in securities, (note 1)	
(identified cost: \$99,955)	\$100,125
Cash in bank on demand deposit	2,889
Accrued interest receivable	1,875

Assets applicable to outstanding capital stock	\$104,889
	=====
Represented by (note 1):	
Capital stock - \$.01 par value	\$ 100
Additional paid-in capital	99,900
Undistributed net investment income	4,719
Unrealized appreciation on investments	170

Total net assets	\$104,889
	=====
Net assets applicable to outstanding	
Institutional Class Shares	\$104,889
	=====
Shares outstanding and net asset value per share	
Institutional Class Shares outstanding: 10,000 (note 1)	\$ 10.49
	=====

See accompanying notes to financial statements.

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VAM SHORT DURATION GOVERNMENT AGENCY FUND
STATEMENT OF OPERATIONS

OCTOBER 31, 1996

<S>	<C>
Investment income:	
Interest	\$5,711

Unrealized gain on investments:	
Net change in unrealized appreciation or depreciation of investment...	39

Net gain on investments	39

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$5,750
	=====

See accompanying notes to financial statements.

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VAM SHORT DURATION GOVERNMENT AGENCY FUND
STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED OCTOBER 31, 1996	PERIOD ENDED OCTOBER 31, 1995
<S>	<C>	<C>
Operations:		
Investment income - net	\$ 5,711	\$ 1,875
Net change in unrealized appreciation or depreciation of investments	39	131
	-----	-----
Net increase in net assets resulting from operations...	5,750	2,006
	-----	-----
Distributions to shareholders from:		
Investment income - net:		
Institutional class	(2,867)	--
	-----	-----
Share transactions (note 1):		
Proceeds from sale of shares:		
Institutional Class (note 3)	--	100,000
Institutional Service Class	--	1,000
Payments for redemption of shares:		
Institutional Class	--	--
Institutional Service Class	--	(1,000)
	-----	-----
Increase in net assets from share transactions	--	100,000
	-----	-----
Total increase in net assets	2,883	102,006
Net assets at beginning of period	102,006	--
	-----	-----
Net assets at end of period (including undistributed net investment income of \$4,719 and \$1,875, respectively) ..	\$ 104,889	\$ 102,006
	=====	=====

See accompanying notes to financial statements.

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VAM SHORT DURATION GOVERNMENT AGENCY FUND
NOTES TO FINANCIAL STATEMENTS

1) Organization

VAM Short Duration Government Agency Fund (the Fund), a Fund within VAM Institutional Funds, Inc. which was incorporated in January 1995, is registered under the Investment Company Act of 1940 (as amended) as a diversified, open-end management investment company. Pursuant to its articles of incorporation, VAM Institutional Funds, Inc. has 10 trillion shares of authorized capital stock that may be issued. The Fund offers two classes of shares - the Institutional Class Shares and the Institutional Service Class Shares. Each of which is sold pursuant to different sales arrangements and bear different expenses.

The investment objective of the Fund is to seek as high a level of current income as is consistent with preservation of principal and the average portfolio duration ranging from zero to three years. The Fund will invest

exclusively in securities issued or guaranteed by the United States government or its agencies or instrumentalities.

The only share transactions of the Fund since its formation were the initial sale (at \$10 per share) on January 12, 1995 of 10,000 shares of Institutional Class Shares and 100 shares of Institutional Service Class Shares to Voyageur Fund Managers, Inc. (Voyageur) and redemptions of 100 Institutional Service Class Shares by Voyageur. Except for the investment of the initial capital proceeds, the fund has not commenced operations as of October 31, 1996.

The values of fixed-income securities are determined using pricing services or prices quoted by independent brokers. When market quotations are not readily available, securities are valued at fair value according to methods selected in good faith by the Board of Directors or Trustees. Short-term securities with maturities less than 60 days when acquired, or which subsequently are within 60 days of maturity, are valued at amortized cost which approximates market value.

Security transactions are accounted for on the trade date. Securities gains and losses are calculated on the identified cost basis. Interest income, including level yield amortization of premium and discount is accrued daily. Dividends declared daily from net investment income are payable monthly in cash or may be reinvested in additional shares of the Fund at net asset value. Net realized short-term capital gains, when available, may be distributed throughout the year. Net realized long-term capital gains, when available, are distributed annually.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net increases (decreases) in net assets from operations during the reporting period. Actual results could differ from those estimates.

2) Federal Taxes

The Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute taxable income to the shareholders of the Fund in amounts that will avoid or minimize federal income or excise taxes for the Fund.

3) Fees and Expenses

The Fund has an investment advisory agreement with Voyageur, under which Voyageur manages the Fund's assets and furnishes related office facilities, equipment, research and personnel. The Fund pays a monthly fee to Voyageur equal to an annual rate of .50% of average daily net assets.

The Fund has a distribution agreement with Voyageur Fund Distributors, Inc. (Fund Distributors). No compensation is paid by the Fund under the Distribution Agreements.

Institutional Service Class Shares of the Fund also have an agreement with Fund Distributors to compensate service organizations who provide additional administrative, record keeping, and other shareholder services to their customers who are beneficial owners of service shares. The Fund is obligated to pay Fund Distributors a service fee at an annual rate up to .25% of the Fund's average daily net assets applicable to Institutional

Service Class Shares.

The Fund will also pay a fee to Voyager for acting as the Fund's dividend disbursing, transfer, administrative and accounting services agent. The fee is paid monthly and is equal to an annual rate of .10% of average daily net assets. The Fund is also responsible for reimbursing Voyager's out-of-pocket expenses in connection with the performance of dividend disbursing, transfer, administrative and accounting services.

In addition to the fees above, the Fund is responsible for paying most other operating expenses including director's fees, registrations fees, printing of shareholder reports, legal and auditing services, organizational costs and other miscellaneous expenses. Under the investment advisory agreement, Voyager is obligated to pay all expenses and fees (excluding interest, taxes, distribution fees and brokerage commissions) which exceed 1.00% of the Fund's average daily net assets, on an annual basis, up to the combined amount of its investment advisory and management fee and its dividend-disbursing, transfer, administrative and accounting service fees. As of October 31, 1996, no expenses have been recognized. Expenses will not be recognized until the commencement of operations.

(4) FINANCIAL HIGHLIGHTS

Per share data (rounded to the nearest cent) for a share of beneficial interest outstanding and selected information for each period are as follows:

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	INSTITUTIONAL CLASS	
	YEAR ENDED OCTOBER 31, 1996	PERIOD FROM JANUARY 12, 1995 (c) TO OCTOBER 31, 1995
<S>	<C>	<C>
Net asset value:		
Beginning of period	\$ 10.20	\$ 10.00
Operations:		
Net investment income57	.19
Net unrealized gain (loss) on investments01	.01
Total from operations58	.20
Distributions to shareholders:		
From net investment income	(.29)	--
Total from distributions	(.29)	--
Net asset value:		
End of period	\$ 10.49	\$ 10.20
Total investment return (a)	5.69%	2.00%
Net assets at end of period (000's omitted) ...	\$ 105	\$ 102
Ratios:		
Ratio of expenses to average daily net assets	--%	--%

Ratio of net investment income to average daily net assets	5.52%	2.31% (b)
Portfolio turnover rate (excluding short-term securities)	--%	--%

See accompanying notes to Financial Highlights.
</TABLE>

Notes to Financial Highlights

- (a) Total investment return is based on the change in net asset value of a share during the period and assumes reinvestment of distributions at net asset value.
- (b) Adjusted to an annual basis.
- (c) Inception date.

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VAM SHORT DURATION GOVERNMENT AGENCY FUND
INVESTMENTS IN SECURITIES

OCTOBER 31, 1996

NAME OF ISSUER	PRINCIPAL AMOUNT	MARKET VALUE (a)
Bonds (95.5% of total net assets)		
<S> U.S. Treasury Note, 5.625% due 06/30/97	<C> \$100,000	<C> \$100,125 -----
Total Investments in Securities (cost: \$99,955) (b)		\$100,125 =====

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NOTES TO INVESTMENTS IN SECURITIES

- (a) Securities are valued by procedures described in note 1 to the Financial Statements.
- (b) The cost of securities for federal income tax purposes was \$99,955. The aggregate gross unrealized appreciation and depreciation of securities based on this cost was as follows:

GROSS UNREALIZED APPRECIATION	GROSS UNREALIZED DEPRECIATION	NET UNREALIZED APPRECIATION
----- \$170	----- --	----- \$170