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LETTER FROM THE INVESTMENT TEAM

The Henry Fund finished the fiscal year ending April 30, 1997 with a return of 27.29%. Since inception The Fund has a return of 99.78%. Building on The Fund's strong historical performance was a challenging task for us this year. Our first decision was to realign The Fund in light of current and expected economic conditions. The composition of the portfolio was initially tilted towards growth, however The Fund has since shifted towards a more balanced approach, with both value and growth companies. Our investment strategy this year was to invest in market leading companies that operate efficiently in their core businesses.

In order for The Henry Fund to significantly outperform the S&P 500 benchmark in the future we realized it must take a more active position. To accomplish this, we proposed shifting resources from the passive account to the active portfolio. These resources will be distributed among eight proposed new companies to the portfolio and increased positions in five existing holdings. However, The Fund will continue to maintain a portion of its assets in the passive account to provide next year's team with a suitable amount of resources for additions to the portfolio. A cash position will also be maintained to support The Henry Scholar Program.

Building a stronger network with the investments industry was another one of our goals. A result of this initiative was the development of The Henry Fund web site at <http://www.biz.uiowa.edu/henry>. The web site was created to facilitate stronger ties with donors, alumni and members of the investment community. Additionally, it will educate the general public, particularly prospective MBA candidates, about The Henry Fund program. The site is a constantly growing and improving research source and marketing tool. It contains access to general Fund information, Fund holdings and performance, current and former Henry Fund analysts and direct links to web resources. Morning notes are also part of the site. Morning notes are analyses regarding fund holdings, investment ideas and economic conditions. The section is intended to be an active forum for investment committee members, alumni and current analysts to exchange ideas on investments research and portfolio management topics.

We are very proud to be a part of a successful program and would like to express our gratitude to F. Douglas Foster, our academic advisor and mentor, as well as the Investment Advisory Committee, The Henry Fund Donors and the many research and resource contributors listed in the acknowledgments section. Their valuable contributions of time and resources have made The Henry Fund a success.

Best Regards,

THE 1996 - 1997 HENRY FUND TEAM

Lisa Fraizer	Matthew Mihm	Chavdar Rissin
Dirk Laschankzy	Dan Nass	Dianne Stange
Min Lin	Ken Petersen	Bryan Steffen
Brian Machan		

FUND OVERVIEW

BACKGROUND

The Henry Fund, so named for two of its benefactors, was established in the fall of 1993 to provide University of Iowa MBA students with a forum to blend academic rigor with real-world portfolio management experience. The University of Iowa Foundation, Henry Royer, CEO of River City Bank in Sacramento, California and Henry Tippie, Chairman of the Executive Committee of Rollins Truck Leasing, made the initial investment of \$50,000 to establish The Fund.

The Henry Fund is an equity portfolio and is listed as an outside investment by The University of Iowa Foundation. The Fund is required to meet the same basic performance guidelines as equity accounts in the Long-Term Investment Pool of The University of Iowa Foundation. In keeping with the requirements of the Foundation, the managers of The Henry Fund seek to find the highest level of return while assuming risks similar to those of the S&P 500 index. The Henry Fund team, therefore, recommends a targeted portfolio of stocks from a broad set of industries, investing in well-managed, profitable businesses without unnecessarily exposing investors to economic or industry risks.

The Fund is divided into three separate accounts, active, passive and cash. The active account is the main account and contains the portfolio holdings. Since this account is the measurement of the managers stock selectivity, the return of this account is used for the reported performance. The Vanguard Index Trust serves as the passive account. A balance in this account is maintained to provide a source of funds for future stock selections. Historically, this account represented a significant portion of The Fund. The Henry Fund Scholar necessitates The Fund keep a money market account in order to meet its annual commitment. This account also receives dividends and is used to pay brokerage fees and other costs incurred during the year.

The managers of The Henry Fund are students in the Applied Securities Management course at The University of Iowa School of Management. The two-semester course is limited to ten students who are selected based on their academic background, past experience, demonstrated ability to think analytically and desire to pursue a career in investment management. Managers are selected for each of ten economic sectors: basic materials; consumer cyclicals; consumer non-cyclicals; energy; financial services; healthcare; industrials; technology; transportation and utilities. Each manager develops a fully integrated investment review, then prepares an extensive industry analysis which identifies the important value drivers of the industry. After the managers achieve a solid understanding of their sectors, they research individual companies for potential investment. Recommendations are valued using three possible methods: P/E Multiple; Dividend Discount Model; and Discounted Cash Flow. The managers are expected to act as both sector analysts and portfolio managers, providing basic industry research and proposing investment ideas and evaluating the ideas of the other managers. When specific investment ideas have been agreed to by The Henry Fund managers, the recommendations are presented to the Investment Advisory Committee for final approval. In addition, the administrative tasks of portfolio management, including marketing The Fund to outside donors and producing an annual report, are performed by the managers.

THE HENRY SCHOLAR

A portion of the returns generated by The Henry Fund is used to support a scholarship, The Henry Scholar. The program was created by the 1995-96 Henry Fund Team. The \$2,000 per year scholarship is awarded to a first-year MBA student and is renewable for the second year based on the student's academic performance. The \$4,000 in scholarship money is transferred annually to a university cash account designated for The Henry Scholar. The goals of The Henry Scholar Program are to encourage and prepare students for careers in investments as well as to attract outstanding candidates to manage The Henry Fund.

ACKNOWLEDGMENTS

FOUNDERS

Henry Royer, Firststar Bank Cedar Rapids, N.A.
Henry B. Tippie, Rollins Truck Leasing Corporation

Henry Royer attended Colorado College, where he received a B.A. in 1953. Following college graduation, he became a grain merchandiser with Pillsbury Mills. From there he joined the Peavey Company in 1957, became Treasurer and a board member of Lehigh Sewer Pipe and Tile in 1961, where he remained until 1965. From 1965 to 1983 Mr. Royer held various positions with First National Bank (Norwest), Duluth, Minnesota. In 1983, he joined The Merchants National Bank of Cedar Rapids (Firststar), where he served as chairman and president until August 1994. He is currently president and CEO of River City Bank in Sacramento, California.

Wherever he has been, Henry Royer has been active in both business and civic organizations. While in Iowa he served on the Board of Visitors of the College of Business Administration. Currently, he is on the boards of IES Industries, CRST International, Inc., Berthel Investment Trust, River City Bank, Families First, Inc., United Way, the Sacramento Symphony, the Sacramento Tree Foundation and the Sacramento Commerce and Trade Organization.

Henry Tippie grew up in Belle Plaine, Iowa, and, after serving in the Army Air Corps, earned a BSC in accounting from The University of Iowa in 1949. He began his forty-four year career with Rollins in 1952, starting by balancing the small firm's checkbook. Today, five Rollins companies are traded on the NYSE and Tippie is still involved with both Rollins Truck Leasing Corporation and Rollins Environmental Services, Inc. He also runs several of his own ventures from his offices in Austin, Texas. Tippie has been a tremendous asset to The University of Iowa, endowing a chair in business administration and helping to fund another. He also endows two two-year accounting scholarships, and, for graduates of Belle Plaine Community Schools, two four-year scholarships. To help fund the completion of the Pappajohn Business Administration Building, he donated funds to build a 175-seat auditorium, a student lounge and Pat's Diner, named for his wife. For his numerous contributions, Tippie received The University of Iowa's Distinguished Service Alumni Award and Outstanding Accounting Alumni Award. In 1996 he was a recipient of the prestigious Horatio Alger Award.

ACADEMIC ADVISOR

F. Douglas Foster

ADMINISTRATION

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Research Administrator

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Securities Corporation of Iowa

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EXCHANGE DATA CONTRIBUTORS

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The Iowa Exchange Data Consortium

FUND PERFORMANCE

For the 1997 fiscal year, The Henry Fund had a return of 27.29% and a portfolio standard deviation on April 30, 1997 of 16.08%. This compared favorably to the S&P 500 index return of 25.12% and a index standard deviation of 13.93%. Since inception The Fund has a return of 99.78%, which is 8.6% above the return of the S&P 500 index.

Our financial sector holdings were major contributors to the success of The Fund. The returns generated were superior to the market and the comparable S&P 500 index. Our decision to maintain an over-weighted position in the financial sector further strengthened The Fund's returns. We did not initiate any changes in this sector due to our confidence in the holdings and the holdings minimal exposure to interest rates fluctuations relative to their peers.

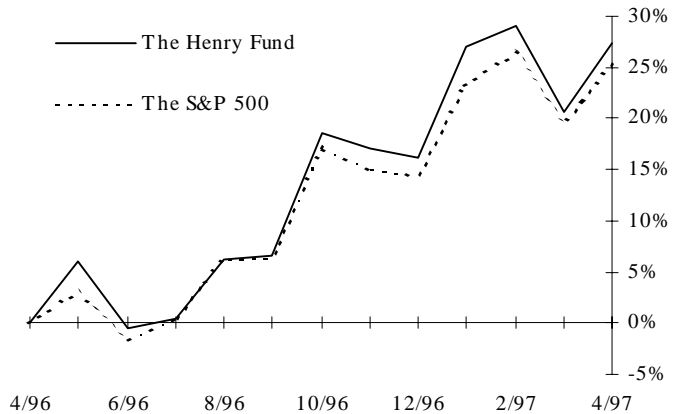
We still favor Intel as the undisputed market leader in the microchip industry and believe its future is promising. We sold our other technology holding, Oracle, in April due to our belief that the firm's growth was slowing, limiting its upside potential. We intend to replace Oracle and Lucent Technologies with Cisco Systems, allowing The Fund to capitalize on the growth of the network equipment industry.

We sold our position in Cummins Engine, one of our industrial stocks, in March. We felt the company was too dependent on one volatile business segment and will have difficulties competing in global markets. We intend to buy Emerson Electric, a market leader in the electrical equipment industry, to maintain our industrial sector weighting. Emerson is well-positioned to capitalize on global industrialization and growth in power demand.

In the cyclicals sector, our expectations about Fila Holding did not materialize. The energy with which the company was asserting its presence in the US market subsided. The stock also appeared illiquid, which made it vulnerable to significant market fluctuations. The lack of street research further contributed to our decision to propose a sell. Our attention in the cyclicals sector was focused on The Walt Disney Company. Disney has had consistent growth and is expanding its theme park and resort facilities. It is also increasing its involvement in television and satellite programming. Along with Disney, we plan to add Hilton Hotels. Hilton is globally diversified in the hotel-gaming businesses and is experiencing strong trends in its market segment. The company also has a strong, acquisition-minded management team.

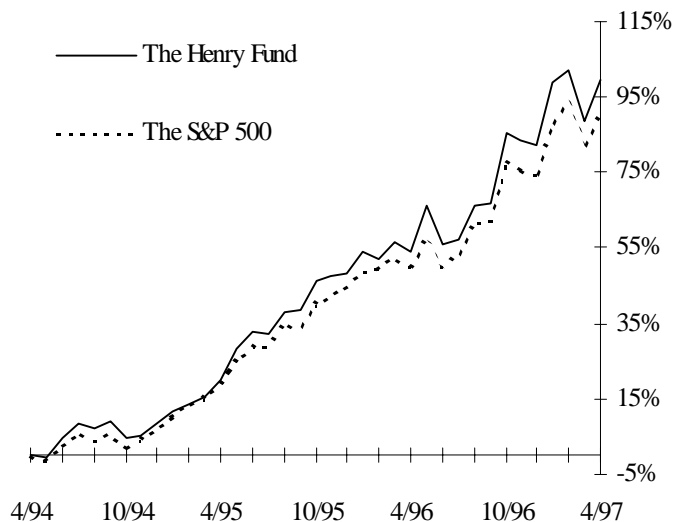
The three consumer non-cyclical stocks in our Fund had dissimilar performances. Our expectations about the Coca-Cola and Philip Morris were to a large extent realized. Consistent returns and our belief in future performance, convinced us to increase The Fund's holdings in both Coca-Cola and Philip Morris. Conversely, PepsiCo was largely a

Performance in Fiscal 1997*



* Performance only for the active portion of the portfolio. Source: Vestek

Performance Since Inception*



* Performance only for the active portion of the portfolio. Source: Vestek

disappointment. However, we believe PepsiCo's management is now on the right track by focusing on the soft-drink and snack foods businesses and concentrating on the declining international market share. Because of these favorable trends, we decided to maintain the position.

Our transportation holding was in the limelight during the past year. We realized extraordinary returns on Conrail after a bidding war for the company made the stock skyrocket. In late November we sold our holdings in Conrail and decided to look for value elsewhere. The relative maturity and stagnation in the sector presented a challenge to find companies that had strong growth potential and were recognized as market leaders. Our research efforts lead us to propose buys of Comair Holdings, a regional airline company operating in low-density markets, and Heartland Express, a short-to-medium truckload carrier based in Iowa.

Sonoco Products, a basic materials holding, was sold in April. We believed the packaging company had lost its long-term competitive advantage. To replace Sonoco we proposed a buy on Bemis Company. Bemis is a market leader in the fast growing flexible packaging industry. We believe that Bemis is well positioned to capitalize on the consolidation trend taking place in the industry. Its customer focus and commitment to new markets and technologies make Bemis an attractive addition to The Fund.

Our holdings in the health care sector were a source of disappointment in 1996. While the health care stocks in the S&P 500 universe appreciated 34.1%, our holdings depreciated 14.4%. This convinced us to search for better companies and sell a holding with limited upside potential. We plan to sell St. Jude Medical, a cardiac devices company entangled in wide-scale diversification efforts. We remain very skeptical of the accretive benefits from the recent acquisitions. We do not believe St. Jude Medical will be able to maintain or reach technological leadership in the many segments of the cardiac devices market. We intend to take an aggressive stance in Pfizer, a pharmaceuticals company with a strong pipeline of new products and very a recent string of successful launches.

We sold our holdings in AT&T on the basis of intensifying competition and heightened uncertainty surrounding the company's future. Management's announcement of a strategic direction was insufficient to convince us it would be able to quickly and efficiently execute its strategy. We also sold our small position in NCR, received from its spin-off from AT&T. Furthermore, we are planning to sell Lucent Technologies because we believe it is fairly valued and Cisco has a stronger upside potential.

Our focus in the energy sector continues to center around international and vertically integrated companies. During 1996, Enron's stock performance was not what we had expected. However, we believe the temporary slow-down was due to the Enron's strategic moves to become the first international integrated natural gas company. Our two oil stocks, Amoco and Mobil, continue to be dominate companies in the international energy market.

The Fund's performance was achieved while still maintaining risk close to the S&P 500. The portfolio's beta was 1.11 and the coefficient of determination (R^2) was 0.92, meaning that 92% of the variation in the portfolio could have been explained by movements of the S&P 500. The portfolio's diversifiable risk was 4.67%, as measured by the standard deviation of annual returns. This was the risk that could have been reduced by owning more companies in the benchmark portfolio, a practice that would have ensured benchmark returns. We were comfortable with this level of risk and comfortable with the total risk of 16.08% versus the S&P 500's 13.93%, again measured by the standard deviation of annual returns.

The Henry Fund managers decided to take a more aggressive stance by allocating more of our assets into the active portfolio. We expected this will further capitalize on The Fund's successful portfolio management and stock selection. To accomplish this we proposed a substantial reduction in The Fund's investment in the Vanguard Index Trust. The proceeds will be used to purchase new companies and to realign portfolio weightings. A complete listing of The Fund's current and proposed holdings is on the following page.

SUMMARY OF TRANSACTIONS

	Portfolio As of:		Portfolio Weighting	Proposed Action:	
	April 30, 1996	April 30, 1997		Addition	Deletion
Basic Materials					
Bemis Products, Inc.	-	-	-	90	-
LTV Corporation ¹	156	-	-	-	-
The Sherwin Williams Company ²	42	184	3.83%	-	-
Sonoco Products Company	157	-	-	-	-
Consumer Cyclicals					
Dollar General Corporation ²	138	171	3.72%	-	-
Fila Holding, S.p.A.	-	50	1.49%	-	50
Hilton Hotels Corporation	-	-	-	170	-
The Walt Disney Company	-	-	-	120	-
Consumer Non-Cyclicals					
The Coca-Cola Company ²	71	142	6.21%	25	-
PepsiCo, Inc. ²	150	300	7.19%	-	-
Philip Morris Companies, Inc. ²	75	225	6.09%	35	-
Energy					
Amoco Corporation	48	48	2.76%	-	-
Enron Corporation	165	165	4.27%	85	-
Mobil Corporation	33	33	2.95%	35	-
Financial					
Fifth Third Bancorp	-	82	4.21%	-	-
State Street Corporation	70	70	3.79%	-	-
The Travelers Group, Inc. ²	140	280	10.68%	-	-
USF&G Corporation ¹	222	-	-	-	-
Healthcare					
Pfizer, Inc.	-	-	-	110	-
St. Jude Medical, Inc.	97	97	2.17%	-	97
United HealthCare Corporation ²	69	100	3.34%	-	-
Industrials					
Caterpillar, Inc.	60	60	3.67%	20	-
Cummins Engine, Inc.	26	-	-	-	-
Emerson Electric Company	-	-	-	100	-
Perez Companac	450	450	5.02%	-	-
Technology					
Cisco Systems, Inc.	-	-	-	170	-
Intel Corporation	78	78	8.21%	-	-
Oracle Corporation	240	-	-	-	-
Transportation					
Comair Holdings, Inc.	-	-	-	70	-
Conrail, Inc. ³	-	-	-	-	-
Heartland Express, Inc.	-	-	-	105	-
Utilities					
Ameritech Corporation	140	140	5.88%	-	-
AT&T Corporation	125	-	-	-	-
Lucent Technologies, Inc.	-	40	1.62%	-	40
NCR Corporation ³	-	-	-	-	-
Cash and Equivalents			12.90%		

¹ Transactions were proposed by previous Investment Team, but executed during the 1997 fiscal year.

² The increase in number of shares was the result of a stock split or dividend.

³ Purchased or received and sold during the 1997 fiscal year.

BASIC MATERIALS

Analyst: Lisa Fraizer

3.83% of the Active Portfolio
5.30% of the S&P 500 Index

The basic materials industry is divided into eight sectors: aluminum, cement and aggregates, chemicals, gold, metals and mining, packaging and containers, paper and forest products and steel. The industry encompasses a wide variety of products from commodities to manufactured finished products. Equities in the industry are generally low-risk with low volatility, often serving as a hedge to other investments.

For the majority of the industries within this sector, the supply/demand relation for the underlying commodity is the key driver. Therefore, the lackluster performance noted in the past two years is not without reason. As prices of commodities have decreased, the ability of this sector to achieve profitable margins has diminished. Instead, companies have turned their focus to improving operating efficiencies to capture earnings through improved cost management efforts.

As the economy continues its slow expansion, prices of many basic materials remain depressed. However, a bottom-up investment approach that focuses on companies that are strongly positioned in their markets with efficient operations should lead to favorable returns and steady earnings growth. The current and proposed additions to The Henry Fund basic materials sector are companies that occupy market leading positions in industry segments that have a favorable growth outlook.

PORTFOLIO HOLDINGS

The Sherwin-Williams Company

3.83% of the Active Portfolio

The Sherwin Williams Company has established itself as the domestic market leader in the paint and coatings industry and represents a solid investment for The Henry Fund. Management has aggressively pursued a dual-driven growth strategy including new product development and acquisitions. The two most significant transactions in the company's history occurred in 1996: the January 1996 purchase of Pratt & Lambert and the November 1996 announcement of the acquisition of Thompson Minwax, completed in January 1997. Both of these acquisitions were complementary to existing product lines and brought well-reputed brands into the company's portfolio of products.

Fewer companies now control a larger portion of the paint and coatings industry. While approximately 900 manufacturers existed in 1985, only about 670 remain today. Smaller players have become acquisition targets as the industry's stringent environmental rules and litigation have left them unable to operate profitably. Sherwin-Williams is well positioned to take advantage of these industry trends. International expansion represents a substantial growth opportunity as well.

The Sherwin-Williams Company manufactures, distributes and sells coatings and related products to a variety of markets, including contractors, do-it-yourself customers, industrial and commercial maintenance customers, property managers and professional painters. The Company consists of three business segments: the Paint Stores Segment, Coatings Segment and Other Segment.

The Sherwin-Williams Company (SHW)

April 30, 1997 Price	30 ¹ / ₄	Market Cap. (mil)	5194.0		EPS	P/E
52 Week Price Range	21 ¹ / ₈ - 31 ¹ / ₂	Shares Outst. (mil)	171.7	1996	1.33	22.7
52 Week Return	30.96%	Dividend Yield	1.32%	1997E	1.51	20.0
ROE	16.35%	Beta	0.939	1998E	1.73	17.5

Source: Vestek

PORTFOLIO CHANGES

Bemis, Inc.

Proposed Addition

Bemis has positioned itself as the market leader in the flexible packaging industry, a highly fragmented market. As the packaging industry continues its acquisition trend, companies that have the ability to develop economies of scale and influence industry pricing will win out. Bemis has already begun to benefit from this trend through the recent acquisitions of Perfecseal, a medical packaging company and Paramount Packaging. Bemis operates its business efficiently and boasts the most attractive operating margins in both flexible and pressure sensitive materials markets.

Management has a sound operating strategy that is pursuing high growth and high profit potential markets as a complement to the traditional food industry customers. Sales to the food industry currently comprise over 70% of sales. While Bemis continues to develop new product applications for existing customers, the medical, surgical and agricultural markets provide attractive markets for further expansion.

The flexible packaging industry is the fastest growing segment in the packaging industry. Flexible packaging provides an alternative solution to rigid packaging, often costing less to manufacture, to ship and store. As this industry continues to consolidate, Bemis' size and ability to make attractive acquisitions, as well as management's desire to expand into attractive markets, position this company as a solid holding for The Henry Fund.

Bemis, Inc. (BMS)

April 30, 1997 Price	38 ¹ / ₈	Market Cap. (mil)	1,996.3		EPS	P/E
52 Week Price Range	28 ⁷ / ₈ - 43 ⁵ / ₈	Shares Outst. (mil)	52.4	1996	1.85	20.6
52 Week Return	20.05%	Dividend Yield	2.10%	1997E	2.09	18.2
ROE	17.82%	Beta	0.797	1998E	2.41	15.8

Source: Vestek

Sonoco Products Company

Sold April 25, 1997

In an industry that is domestically mature, it is critical that a sound international strategy be in place for a company to succeed. International expansion is not the main focus of growth for Sonoco. The last year has been one of lackluster performance for Sonoco Products Company. Reorganization and cost-cutting initiatives have been slowed by poor implementation and higher than expected costs associated with Process Excellence initiatives. International start-ups and reorganizations have not progressed smoothly.

Sonoco can boast a century of annual sales growth of 13.3% and earnings growth of 12.5%. Most opportunities for growth in the packaging industry are international strategies. Currently, approximately 80% of the company's sales are generated domestically. Management is not looking to enter any related packaging fields before the year 2000 and is looking to gain small increments to market share in existing businesses. While Sonoco's vertical integration gives the company many of the economic advantages that are often sought through acquisition, it is unlikely that Sonoco will be able to grow as quickly as some of its competitors that are pursuing acquisitions more aggressively.

Sonoco Products Company (SON)

April 30, 1997 Price	26 ⁷ / ₈	Market Cap. (mil)	2,396.8		EPS	P/E
52 Week Price Range	24 ⁷ / ₈ - 30 ⁷ / ₈	Shares Outst. (mil)	89.2	1996	1.73	15.5
52 Week Return	-2.96%	Dividend Yield	2.68%	1997E	1.85	14.5
ROE	20.44%	Beta	0.797	1998E	2.03	13.2

Source: Vestek

CONSUMER CYCLICALS

Analyst: Brian Machan

5.21% of the Active Portfolio
12.60% of the S&P 500 Index

The Consumer Cyclical Sector consists of autos and trucks, retail stores and products, furniture, appliances, home-building, recreation and leisure, restaurants, broadcast media and publishing. Each sub-group has different cycles and is affected differently by economic trends. The most important influences on cyclical companies are economic indicators including inflation, disposable income, unemployment, consumer confidence and interest rates. Demographic trends are also important determinants in consumer spending patterns.

Another aspect that affects cyclical stocks is the aging of the baby boomers. By 1999, citizens aged 55 and over will account for large proportion of the population. Throughout the 1990's baby boomers will enter their peak earning years (45-54) which should translate into more spending. This trend should create demand in both the cyclical and non-cyclical sectors. Additionally, companies in the cyclical group have been focusing on inventory and management controls, downsizing and consolidation, and integration through both vertical and horizontal mergers and acquisitions.

PORTFOLIO HOLDINGS

Dollar General, Inc.

3.72% of the Active Portfolio

Dollar General Corporation operates more than 2,400 neighborhood stores in 24 states with distribution centers in Kentucky, Georgia, and Oklahoma. Dollar General stores are typically located in small towns in the Midwest and Southeast. The company seeks profitable growth by providing value in hardline and softline merchandise to low, middle and fixed-income families.

Dollar General has focused on using a larger and superior distribution system which will incur lower costs and provide better inventory controls. The company is reallocating its product mix to 60-70% hardline goods to meet the trend toward greater sales in this market. The redesigned store format is more appealing to customers and uses space more efficiently. Dollar General's Point Of Sale scanning and Electronic Data Inventory with key vendors demonstrate management's commitment to technology. Dollar General's strong physical expansion, improving operating margin, stable cash flow generation, healthy balance sheet, highly committed management and growing customer base provide upside opportunities which makes Dollar General a sensible Henry Fund holding.

Dollar General, Inc. (DG)

April 30, 1997 Price	31 ⁵ / ₈	Market Cap. (mil)	2,892.2		EPS	P/E
52 Week Price Range	19 - 35 ³ / ₈	Shares Outst. (mil)	91.5	1996	1.05	30.1
52 Week Return	51.40%	Dividend Yield	0.63%	1997E	1.28	24.7
ROE	20.95%	Beta	1.143	1998E	1.57	20.1

Source: Vestek

PORTFOLIO CHANGES

Fila Holding, S.p.A.

Proposed Deletion

1.49% of the Active Portfolio

Fila Holding, S.p.A. is the third largest sportswear company in the United States and fourth worldwide. Together with its subsidiaries, it designs and markets athletic and casual footwear, activewear, casualwear and sportswear for men, women, and children, as well as licenses other branded products such as watches, sunglasses and golf clubs. Fila's products are sold through more than 9,000 retail locations in over 50 countries. The United States is Fila's largest market with a market share of about 7.5%.

This stock has been a questionable position all year. We have seen the stock up to \$106 only to have it slide to \$43. At its headquarters, Fila has been plagued with scandal and accusations of balance sheet tampering and fraud. Although the stock is trading at relatively low multiples, we are proposing a sell because of the amount of product uncertainty and lack of corporate information.

Fila Holdings, S.p.A. (FLH)

April 30, 1997 Price	43 ¹ / ₄	Market Cap. (mil)	1,146.1		EPS	P/E
52 Week Price Range	39 ³ / ₈ - 106 ⁷ / ₈	Shares Outst. (mil)	26.5	1996	4.35	9.9
52 Week Return	-36.05%	Dividend Yield	0.46%	1997E	4.84	8.9
ROE	26.86%	Beta	0.977	1998E	5.76	7.5

Source: Vestek

Hilton Hotels Corporation**Proposed Addition**

Hilton Hotels Corporation owns, operates and manages hotels and hotel casinos in the United States. International hotels and hotel-casinos are operated through its subsidiary, Conrad International Hotels Corporation. Hilton generates 54% of its operating income from its hotel operations and the remaining 46% from its gaming operations. Hilton owns a number of casinos in the U.S. and several foreign countries. As the largest casino operator in the world, Hilton looks to grow its gaming operations. As the growth of the casino industry slows, casino companies will inevitably consolidate.

Hilton has been expanding its lodging and gaming operations with acquisitions and development. Hilton offered to acquire ITT Corporation for a half stock, half cash deal. However, since the proposed acquisition ITT has been selling its non-core assets to fend off this hostile bid. Even without ITT, we believe there is considerable upside potential for Hilton due to its market leadership in its core holdings. The key factors for Hilton to succeed include: a strong balance sheet, experienced managers, unrivaled casinos and favorable lodging demographics.

Hilton Hotels Corporation (HLT)

April 30, 1997 Price	27	Market Cap. (mil)	6,671.1		EPS	P/E
52 Week Price Range	24 - 122	Shares Outst. (mil)	247.1	1996	1.02	26.5
52 Week Return	3.55%	Dividend Yield	1.19%	1997E	1.35	20.0
ROE	4.88%	Beta	1.060	1998E	1.64	16.5

Source: Vestek

The Walt Disney Company**Proposed Addition**

The Walt Disney Company is a well diversified, vertically integrated global entertainment company. The company's businesses are organized into three segments: Creative Content, Theme Parks & Resorts and Broadcasting. Creative Content is the largest segment and includes Walt Disney Studios and Consumer Products. Theme Parks & Resorts includes Walt Disney World, Disneyland, Tokyo Disney, the new cruise ships, as well as the Mighty Ducks professional hockey team and the Anaheim Angels professional baseball team. Broadcasting is composed of the ABC Network, owned and operated television stations, radio stations and cable operations including ESPN, The Disney Channel, A&E, Lifetime and E! Entertainment interests.

The giant entertainment company is well positioned for global growth. Disney's arsenal of television stations, radio stations, networks and cable operations position the company for possible expansion and exploitation in all areas. The strong leadership, outstanding brands, franchises and media diversity and global expansion opportunities will make Disney a core holding for The Fund.

The Walt Disney Company (DIS)

April 30, 1997 Price	81 ³ / ₄	Market Cap. (mil)	55,189.3		EPS	P/E
52 Week Price Range	53 ¹ / ₄ - 82 ¹ / ₂	Shares Outst. (mil)	675.1	1996	2.48	33.0
52 Week Return	32.60%	Dividend Yield	0.65%	1997E	2.74	29.9
ROE	7.55%	Beta	1.304	1998E	3.21	25.5

Source: Vestek

CONSUMER NON-CYCLICALS

19.49% of the Active Portfolio
13.10% of the S&P 500 Index

Analyst: Dan Nass

The Consumer Non-cyclical segment repeated its strong performance in 1996, once again outperforming the S&P 500. The sector gained an impressive 26.3% for calendar year 1996 and 27.0% for the trailing 12 months as of April 14, 1997. Growth within the sector has been driven by large manufacturers with multi-national presence. This increased global focus can be seen in diverse outlooks as the expansion of existing products, such as Coca-Cola and Philip Morris' traditional strategies, to Gillette's purchase of Duracell, a domestically strong company with untapped international potential. The ability to gain global distribution and the establishment of brand recognition within these new markets will be the key drivers to future non-cyclical growth.

The Consumer Non-Cyclical sector consists of beverages-alcoholic, beverages-soft drinks, cosmetics, food processors, food wholesalers, household products, housewares and tobacco. Growth is expected to continue in the Soft Drink and Cosmetic lines, with Tobacco returns contingent upon the outcome of on-going litigation against cigarette manufacturers.

PORTFOLIO HOLDINGS

The Coca-Cola Company

6.21% of the Active Portfolio

The Coca-Cola Company had another strong year in 1996, returning 43.24% for the calendar year. Growth is expected to continue for the brand, with management aggressively pursuing growth through steady domestic sales and international expansion. The Henry Fund believes Coca-Cola has the necessary characteristics to be considered a core holding.

The Coca-Cola Company is the world's largest soft-drink company, marketing the world's most recognizable brand in over 195 countries. The company manufactures, markets and distributes soft drinks, soft-drink syrups and concentrates.

The Coca-Cola Company (KO)

April 30, 1997 Price	63 ⁵ / ₈	Market Cap. (mil)	158,309.3		EPS	P/E
52 Week Price Range	39 ¹ / ₂ - 63 ³ / ₄	Shares Outst. (mil)	2,488.2	1996	1.41	45.1
52 Week Return	57.40%	Dividend Yield	0.88%	1997E	1.65	38.6
ROE	56.73%	Beta	0.930	1998E	1.93	33.0

Source: Vestek

PepsiCo, Inc.

7.19% of the Active Portfolio

PepsiCo returned a disappointing 6.22% for calendar year 1996. Setbacks in the restaurant division, as well as international beverage problems, including the loss of key bottlers combined for a return below both the S&P 500 and the S&P Beverage-Soft Drink index. However, recent moves by management appear to be in the right direction for the company. The restaurant division, a historically consistent drag on earnings, will be spun off in 1997, most likely in the third quarter. This should increase needed capital expenditures in both the beverage and snack divisions. In beverages, the company will look to build brands in traditionally strong international areas, avoiding points of Coke domination. The snack division plans on expanding low-fat brands, which have been very successful, as well as no-fat products, which are currently in test market.

PepsiCo Inc. is world's second-largest producer of soft drinks, the world's largest snack foods company and has the world's largest restaurant system. Pepsi-Cola beverage brands are available in more than 195 countries and account for about one-fifth of the international soft-drink industry. The snack food business manufactures and sells the Frito-Lay brand of snack foods throughout North America and six major international markets. The restaurant system is composed of Pizza Hut, Inc., Taco Bell, Inc. and KFC Corporation operating in North America and several international markets.

PepsiCo, Inc. (PEP)

April 30, 1997 Price	34 ⁷ / ₈	Market Cap. (mil)	54,180.1		EPS	P/E
52 Week Price Range	28 - 35 ⁷ / ₈	Shares Outst. (mil)	1,553.6	1996	1.15	30.3
52 Week Return	11.29%	Dividend Yield	1.32%	1997E	1.46	23.9
ROE	17.35%	Beta	0.936	1998E	1.68	20.8

*Source: Vestek***Philip Morris Companies, Inc.****6.09% of the Active Portfolio**

Philip Morris stock continued its roller coaster ride in 1996. The stock rode the wave of investor excitement after the Republican victory in Congress in November, as well as the disappointment of a key litigation loss, finishing the calendar year with a 30.15% return. The stock currently trades at a discount to its intrinsic value due to possible loss of litigation and product liability risks. The company continued to show increased sales and earnings, especially internationally, where it is the market leader in several countries. The Henry Fund believes the potential for the stock, especially in a market correction, is significant and recommends a hold for Philip Morris despite the potential litigation risks.

Philip Morris Companies, Inc. is a holding company consisting of Philip Morris, Inc. and Philip Morris International, Inc. - the largest U.S. and international tobacco companies, Kraft Foods, Inc. - the largest retail packaged food company in North America and the second-largest food company in the world and the Miller Brewing Company - the second-largest brewer in the U.S. and third-largest brewer worldwide. The company also owns Philip Morris Capital Corporation - a financial services and real estate division.

Philip Morris Companies, Inc. (MO)

April 30, 1997 Price	39 ³ / ₈	Market Cap. (mil)	96,200.9		EPS	P/E
52 Week Price Range	28 ¹ / ₂ - 46 ⁵ / ₈	Shares Outst. (mil)	2,443.2	1996	2.56	15.4
52 Week Return	36.17%	Dividend Yield	4.06%	1997E	2.98	13.2
ROE	44.33%	Beta	0.976	1998E	3.48	11.3

Source: Vestek

ENERGY

Analyst: Bryan Steffen

9.98% of the Active Portfolio
8.70% of the S&P 500 Index

The energy sector is divided into companies operating with four main products or resources: oil, natural gas, coal and alternate energy. Most oil and gas companies benefited from the run up of oil and gas prices during the winter months. Demand and supply for gas and heating oil were the driving forces for the strength in prices. Yet commodity prices alone are not the determining factor for companies' continued profitability. The key for the energy sector will be to focus on three strategies to provide continued strong returns,

- A clear and concise plan to contain costs and become the lowest cost producer.
- International exposure to oil and gas exploration, production, refining, marketing and distribution.
- Strategic mergers, acquisition and joint ventures where consolidation creates cost savings or market control.

The international integrated oil companies will continue to focus their attention on foreign ventures that develop access to new and growing markets. Asia and South America are expected to be the areas of highest growth in the consumption of fossil fuels. The Energy Information Agency projects Asian consumption to expand by 4.3% annually while domestic growth is expected to only be 1.3% annually.

The natural gas industry is moving further towards full competition at all levels of gas distribution. Fuel preferences are changing with many regions switching from coal to gas for power generation. Thus, natural gas is evolving from a separate energy source to a more vertically integrated component of electricity. The deregulation trend in the electric utility industry will follow that of the natural gas industry and will generate substantial consolidations among both gas and electric companies. Companies that are able to provide vertically integrated solutions from gas to electricity will maintain a strong competitive advantage overseas.

PORTFOLIO HOLDINGS

Amoco Corporation

2.76% of the Active Portfolio

Amoco produced a record \$2.8 billion in earnings in 1996, a 52% increase over 1995. Unfortunately, so did its competitors, who generated greater shareholder return as a result. In response, Amoco will increase dividends 8% over 1996. The company will also repurchase up to \$2 billion in stock over the next two years. Amoco will focus its planned \$4.1 billion in capital expenditures in developing upstream growth in reserves primarily from the Gulf of Mexico, Trinidad, Egypt and Venezuela, where it has made recent discoveries.

While the chemical sector has been under pressure due to cyclical over-capacity, management believes that pricing pressures have bottomed-out and demand will pick up in the long run. Amoco has expanded its chemical processing capabilities by establishing a new plant in Malaysia and forming joint ventures in Singapore, Taiwan and South Korea.

Similar to other international integrated oil companies it is resorting to cost cutting and joint ventures to increase earnings. It is working with McDonalds to provide added convenience at their retail outlets. Amoco made a strategic decision to terminate its program to penetrate the Central European market and concentrate on North America.

Amoco Corporation (AN)

April 30, 1997 Price	83 ⁵ / ₈	Market Cap. (mil)	41,582.9		EPS	P/E
52 Week Price Range	65 - 91 ⁵ / ₈	Shares Outst. (mil)	497.3	1996	5.19	16.1
52 Week Return	18.18%	Dividend Yield	3.35%	1997E	5.15	16.2
ROE	17.27%	Beta	0.813	1998E	5.26	15.9

Source: Vestek

Enron Corporation***4.27% of the Active Portfolio**

Enron grew earnings by 12% to \$584 million during the first year of its Enron 2000 Initiative. The company remains on track to achieve its goal of \$1 billion in net income by 2000. Although stock performance was not what we had expected, we believe the temporary slow-down was due to the firm's strategic moves to become the first international integrated natural gas company. Enron is a leading participant in electric utility deregulation. The company has tendered an offer to acquire Portland General Electric. Enron is awaiting final regulatory approval from the Oregon Public Utilities Commission, which it expects by June.

Enron has adopted a new marketing program, allocating \$144 million to a national ad campaign. The campaign is Enron's attempt at creating brand image ahead of deregulation of the electric utility industry. The campaign portrays Enron as a "total energy solutions provider." Enron will be able to provide one stop shopping for energy needs to commercial, industrial and residential users by having its own gas reserves, pipeline transmission systems and power generation capacity. This strategy is being applied to many international development projects. The Daboli, India power project is a prime example where Enron will provide gas reserves, transmission systems and electricity generation for the entire state of Maharashtra, the most industrialized state in India.

Enron is the largest purchaser and marketer of natural gas and the largest non-regulated wholesale marketer of electricity in North America. It manages the world's largest portfolio of natural gas related risk management tools and is currently the largest supplier of natural gas to the U.S. electric utility industry. Enron operates in two key high-growth areas: non-regulated gas and electricity markets and international development of large scale power plants. The new, unregulated electricity markets are estimated to be worth \$300 billion annually, two and a half times the size of the current natural gas market. In international power production, Asia alone is projected to need 600 gigawatts of new power, more than the current capacity in the U.S.

Enron Corporation (ENE)

April 30, 1997 Price	37 ⁵ / ₈	Market Cap. (mil)	9,573.5		EPS	P/E
52 Week Price Range	35 ⁵ / ₈ - 47 ¹ / ₂	Shares Outst. (mil)	254.4	1996	2.02	18.6
52 Week Return	-4.35%	Dividend Yield	2.39%	1997E	2.58	14.6
ROE	15.84%	Beta	0.664	1998E	2.89	13.0

* Being moved to the Utility Sector after the 1997 fiscal year.

Source: Vestek

Mobil Corporation**2.95% of the Active Portfolio**

Mobil continued its cost cutting programs last year in an effort to be a low cost competitor. While continuing these programs, Mobil has taken on a new marketing campaign to provide "The energy to make a difference." Lucio Noto, CEO and President, is emphasizing Mobil's focus on performance, growth and people. Mobil has identified cumulative cost savings of \$1.3 billion since 1991. Growth in production has been steady at 3.5% annually. Mobil has taken steps to strengthen management's focus on performance by tying compensation to its progress towards accomplishing the company's strategic goals.

Mobil is a diversified energy company with a balanced reserve mix of approximately 50% natural gas and 50% oil. Mobil provides solid exposure for The Henry Fund to high-growth regions of the globe with 23% of revenues and 50% of earnings being generated in the Pacific Rim, including India and China. Demand for energy in these regions is expected to grow at 10-15% through the year 2010, well above the 2% growth predicted for the rest of the industrialized world. The company generates only 15% of its earnings in the slower growing U.S.

Mobil Corporation (MOB)

April 30, 1997 Price	130	Market Cap. (mil)	51,215.3		EPS	P/E
52 Week Price Range	107 ³ / ₄ - 136	Shares Outst. (mil)	394.0	1996	7.72	16.8
52 Week Return	16.57%	Dividend Yield	3.26%	1997E	7.98	16.3
ROE	15.52%	Beta	0.832	1998E	8.25	15.8

Source: Vestek

FINANCIAL SERVICES

Analyst: Dirk Laschanzky

18.68% of the Active Portfolio
15.40% of the S&P 500 Index

The Financial Services sector continued to experience consolidation and increased technological advancement during 1996. The economy experienced slow and steady growth with low interest rates, which further boosted the performance of these interest sensitive stocks. The financial services companies have experienced increased earnings as they have taken actions to contain costs.

The companies in the financial services sector have focused their growth on expanding their coverage both geographically and by product offering. The competition in the industry has increased with firms strategically combining to increase their market coverage. The companies are attempting to differentiate themselves to attract new customers to their unique competitive advantages. The growth in technology has increased the ability to interact with customers through new platforms and helped firms to manage their risk exposures.

This sector will remain extremely sensitive to the changing interest rate environment. Higher interest rates in the coming years will have a negative affect on the companies' earnings and stock price valuations. They will also face various pressures from legislation impacting the financial services sector.

PORTFOLIO HOLDINGS

Fifth Third Bancorp

4.21% of the Active Portfolio

Fifth Third Bancorp had another good year of positive returns for The Henry Fund. The regional banking sector experienced considerable consolidation in the past few years. Companies like Fifth Third are able to control their exposure to changing interest rates and increase their profits from their customer base.

Fifth Third is one of the most efficiently managed banks with offices in Ohio, Indiana, Kentucky and Florida. The company has grown through strategic acquisitions to expand its base of customers and increase profits. Fifth Third has maintained a high quality balance sheet while expanding its operations. Increasing interest rates will continue to hurt banks in this sector, but Fifth Third Bancorp is well positioned for any interest rate changes.

Fifth Third Bancorp (FITB)

April 30, 1997 Price	74 ⁵ / ₈	Market Cap. (mil)	7,902.3		EPS	P/E
52 Week Price Range	49 ¹ / ₂ - 89 ¹ / ₂	Shares Outst. (mil)	105.9	1996	3.31	22.5
52 Week Return	37.11%	Dividend Yield	1.55%	1997E	3.75	19.9
ROE	15.63%	Beta	0.826	1998E	4.30	17.4

Source: Vestek

State Street Boston Corporation

3.79 % of the Active Portfolio

State Street is closely aligned with the regional banking sector, but it is truly a banking services company. It was positioned as a provider of custody services for mutual fund companies. State Street Boston provides custody of assets and also performance record keeping operations. The company has also developed a far reaching international capability through correspondent banks overseas.

The growth in assets invested in mutual funds has provided State Street with increased revenues over the past few years. The company is not as sensitive to changes in interest rates as other financial services companies are. State Street has steady fee income earned by servicing mutual funds, pension plans and bank trust companies. The growth of internally managed assets has also increased the revenues and profits of the company.

State Street Boston Corporation (STT)

April 30, 1997 Price	78 ³ / ₄	Market Cap. (mil)	6,310.8		EPS	P/E
52 Week Price Range	46 ¹ / ₄ - 84 ¹ / ₈	Shares Outst. (mil)	80.1	1996	3.56	20.1
52 Week Return	59.46%	Dividend Yield	1.02%	1997E	4.20	18.8
ROE	15.57%	Beta	0.898	1998E	4.81	16.4

Source: Vestek

The Travelers Group, Inc.**10.68% of the Active Portfolio**

Travelers Group is a diversified financial services company with a strong, focused management team. The company operates efficiently in the following four units: Smith Barney, Commercial Credit, Primerica Financial Services and Travelers Insurance Companies. The four separate areas of operation have different levels of exposure to changes in interest rates, which will cushion some of the down side risk.

Travelers has concentrated on cross selling its customers between the different operating divisions of the company. The company has also grown through strategic acquisitions and will seek to find target companies that can benefit from its management expertise. Travelers has committed extensive resources to expanding its computer processing operations. This computer enhancement will increase customer quality and improve operating efficiency. The systems are also being developed to control the risk exposure of the company.

The Travelers Group, Inc. (TRV)

April 30, 1997 Price	55 ¹ / ₂	Market Cap. (mil)	35,461.0		EPS	P/E
52 Week Price Range	28 ¹ / ₄ - 58 ³ / ₈	Shares Outst. (mil)	638.9	1996	3.36	16.5
52 Week Return	82.07%	Dividend Yield	1.08%	1997E	3.79	14.6
ROE	17.78%	Beta	1.433	1998E	4.27	13.0

Source: Vestek

HEALTHCARE

Analyst: Chavdar Rissin

5.51% of the Active Portfolio
10.8% of the S&P500 Index

During the last several years the health care sector was the scene of debate and change. The proposal of the Clinton Administration for health care reform proved unsuccessful, which alleviated fears of government regulation. At the same time, the concept of managed health care was becoming more appealing to customers. The health care sector saw the repositioning of medical services into a product for which customers have bargaining power. The health maintenance organizations, serving as intermediaries between the end consumers and the health care providers, were instrumental in negotiating lower prices and controlling medical costs by managing the utilization of the offered health services.

The key drivers for the health care providers, pharmaceutical companies and medical device manufacturers are to operate in a cost conscious environment by improving their operating efficiency, consolidate their operations to take advantage of synergies and offer innovative products and services that earn higher margins. The focus on costs has led health care providers to consider more efficient alternatives in treating patients. Pharmaceutical treatments have proven to be among the least expensive alternatives which bodes well for that industry.

PORTFOLIO HOLDINGS

United HealthCare Corporation

3.34% of the Active Portfolio

United HealthCare is a leader in the managed care industry, offering a variety of managed care plans, indemnity products and specialty care services. Its services include HMOs, PPOs, health plan management, workers compensation/casualty services, Medicare, health care evaluation services, information systems and administrative services.

The low premium inflation in the managed care industry forced the managed care companies to look for efficiencies to reduce costs in order to maintain margins. We believe the companies most likely to succeed have a national network of health plans, remain regionally focused and maintain a major market share in their markets. To ensure future success, United HealthCare embarked on a series of acquisitions, the largest was the acquisition of MetraHealth in October, 1995. Acquisitions, together with the competitive pricing environment, eroded the margins of United HealthCare. To counteract this, management committed themselves to cutting costs and increasing premiums in 1997.

With enrollment growth remaining strong, we believe that the company has a strong earnings potential. An area of concern is most of the enrollment growth comes through the more costly no-gatekeeper Point-of-Service plans. New opportunities for expansion exist in the Medicare market, where United HealthCare seems determined to become a major player. These opportunities for expansion, together with the commitment of management to contain costs and increase premiums, convinced us to leave the stock in the portfolio even though its return in 1996 was negative. Our near term price target for United HealthCare is \$60.

United HealthCare Corporation (UNH)

April 30, 1997 Price	48 ⁵ / ₈	Market Cap. (mil)	8,948.8		EPS	P/E
52 Week Price Range	30 - 59 ¹ / ₈	Shares Outst. (mil)	184.0	1996	1.97	24.7
52 Week Return	-16.83%	Dividend Yield	0.06%	1997E	2.40	20.3
ROE	8.74%	Beta	1.410	1998E	2.96	16.4

Source: Vestek

PORTFOLIO CHANGES

Pfizer, Inc.

Proposed Addition

Pfizer, Inc. is a research-oriented pharmaceutical company that produces drugs for the treatment of cardiovascular diseases, diabetes, disorders of the central nervous system and various infections. The company also manufactures knee/hip replacements, catheters and other surgical products. Pfizer's business is further complemented by the production of pharmaceuticals for domesticated animals, OTC drugs and various consumer health care items. Pfizer is deriving 40% of its revenue from drugs that were introduced in the 90's and will face patent expiration after the year 2000. The company has a strong pipeline for new products that should be launched by the end of the decade. The success in innovation is mainly a result of the focus on research and development.

The management of Pfizer also distinguished itself with its strategic vision to divest non-core businesses. In an industry characterized by intense competition and cost containment, this is the only way to sustain high profitability.

Pfizer's innovation, determination to focus only on businesses where it can be the leader, its ability to succeed in a cost conscious environment and the relative efficiency of pharmaceutical treatments are factors that convinced us Pfizer will be a good core holding for the portfolio. We also believe the demographic trends in the country will contribute to the success of Pfizer. In view of these considerations, we proposed a buy with a near term target price of \$107.

Pfizer, Inc. (PFE)

April 30, 1997 Price	96	Market Cap. (mil)	61,884.3		EPS	P/E
52 Week Price Range	62 ⁷ / ₈ - 99 ³ / ₄	Shares Outst. (mil)	644.6	1996	2.99	32.1
52 Week Return	41.18%	Dividend Yield	1.42%	1997E	3.49	27.5
ROE	27.74%	Beta	1.293	1998E	4.08	23.5

St. Jude Medical, Inc.

Proposed Deletion

2.17% of the Active Portfolio

St. Jude Medical is a manufacturer of cardiovascular devices, specializing in the production of heart valves, pacemakers and devices for the electrophysiology and interventional cardiology markets. The company holds the largest market share in mechanical heart valves, and the second largest share in pacemakers.

Slow growth in the heart valve market compelled St. Jude Medical to diversify its operations to capture opportunities in other market segments. This led to the acquisition of the pacemaker division of Siemens, Pacemaker, in 1994, and Daig Corporation, Biocor and Telectronics in 1996. The most recent negotiations with Ventritex, a manufacturer of Implantable Cardioverter Defibrillators, are expected to be finalized in May 1997.

St. Jude Medical is moving from mature markets to markets that offer greater opportunities for growth, the electrophysiology and the tachycardia markets. The acquisition spree caused deterioration in the financial results, which is likely to persist while St. Jude Medical is trying to integrate the new acquisitions. Additionally, in 1996 St. Jude Medical lost some of its pacemaker market share because of the late introduction of its new pacemaker. These problems convinced us that there is little chance of positive stock performance in the next two years. Therefore, we plan to sell our holdings in the company.

St. Jude Medical, Inc. (STJ)

April 30, 1997 Price	32 ¹ / ₂	Market Cap. (mil)	2,632.0		EPS	P/E
52 Week Price Range	28 ³ / ₄ - 43 ¹ / ₄	Shares Outst. (mil)	81.0	1996	1.86	17.5
52 Week Return	-10.96%	Dividend Yield	0.00%	1997E	1.70	19.1
ROE	11.03%	Beta	0.999	1998E	2.41	13.5

Source: Vestek

INDUSTRIALS

Analyst: *Ken Petersen*

8.69% of the Active Portfolio
10.00% of the S&P 500 Index

Industrial companies produce an array of products and services sold as final goods or utilized as inputs to produce others. The industrials sector is comprised of nine subgroups. The subgroups are: building materials, conglomerates, diversified machinery, electrical equipment, engineering and construction, heavy trucks and parts, industrial services, machine tools, manufacturing-diversified and pollution controls. The most important issues for industrial sector firms are interest rates, economic cycles, diversification and expansion. Industrial firms are sensitive to interest rates and economic cycles due to their large capital requirements. Product diversification within core competencies and international expansion are the prevailing strategies used to alleviate exposure to interest rates and economic cycles.

Increased industrialization, automation and power demand are significant drivers for the Industrials Sector in the 1990's. Many less developed regions of the world are reforming their economies and political structures to become more stable and industrialized economies. Global competition is increasing as market barriers fall around the world. Therefore, firms must embrace initiatives that improve efficiencies, margins and reduce costs. The increased industrialization and automation, coupled with strong world-wide population growth, will drive power demand needs. Industrial firms that compete in these markets have the potential to generate greater returns.

PORTFOLIO HOLDINGS

Caterpillar, Inc.

3.67% of the Active Portfolio

Caterpillar was one of the Henry Fund's top performing stocks during the past 12 months. The \$16.5 billion heavy machinery and engine manufacturer is benefiting from an expanding domestic economy, aggressive product diversification and international expansion initiatives. The company competes in markets around the world with international equipment sales from Asia/Pacific (11.1% of total equipment sales), Europe (7.84%), Latin America (6.28%), Africa/Middle East (4.85%) and Canada (4.73%). The firm's strong franchise name and dealer network in international markets are helping the company gain market share in rapidly developing regions of the globe. International sales accounted for 51% of equipment sales in 1996 with the strongest sales growth coming from the Asia/Pacific region (14.8%). Caterpillar is extending its international reach and product diversification through acquisitions (MaK Motoren, Aquila Mining Systems) and joint ventures (Claas, F.G.Wilson). This diversification plan will help reduce the cyclical nature of the stock should the domestic economy slow or enter a recession.

Caterpillar, Inc. (CAT)

April 30, 1997 Price	89	Market Cap. (mil)	17,040.4		EPS	P/E
52 Week Price Range	62 - 90 ^{7/8}	Shares Outst. (mil)	191.5	1996	7.07	12.6
52 Week Return	41.29%	Dividend Yield	1.80%	1997E	7.76	11.5
ROE	33.07%	Beta	1.178	1998E	7.84	11.4

Source: *Vestek*

Perez Companc*

5.02% of the Active Portfolio

Perez was another excellent performing stock for The Fund in 1996. The \$1.4 billion diversified holding company has been an active participant in the privatization efforts in Argentina and Latin America. Net income in fiscal 1996 was generated from oil and gas (56.5%), petrochemicals and refining (19.0%), telecommunications (10.1%), electricity (7.8%), engineering and construction (0.6%) and farming and forestry (0.6%). The company is benefiting from an improving Argentine economy, fiscally responsible government, stable banking system and the country's Convertibility Program, which links the Argentine Peso to the U.S. dollar.

Perez is positioning itself as a market leader in industries that are critical to development in South America. The firm is well-positioned to capitalize on the increasing industrialization and power demand occurring in Central and

South America. The company has initiated significant projects and joint ventures in oil and gas, power and agricultural chemicals in recent months that will help fortify the company's long term competitiveness.

Perez Companc (CNPZY)

April 30, 1997 Price	8.11 AP	Market Cap. (mil)	6,121.4		EPS	P/E
52 Week Price Range	5.39 - 8.11 AP	Shares Outst. (mil)	754.8	1996	0.37	21.9
52 Week Return	35.92%	Dividend Yield	0.00%	1997E	0.43	19.9
ROE	20.53%	Beta	1.430	1998E	0.47	17.7

* Being moved to the Energy Sector after the 1997 fiscal year.

Source: Vestek

PORTFOLIO CHANGES

Cummins Engine, Inc.

Sold March 13, 1997

In March, the Henry Fund sold its position in Cummins Engine. Despite the firm's diversification efforts, it is still heavily dependent on its high margin but volatile North American heavy duty truck (NAHDT) engine manufacturing base. This dependence amplifies the existing cyclical nature of industrial stocks such as Cummins Engine. The Henry Fund was also concerned with the company's ability to grow its other business segments to compensate for the lower margin product mix. Competition from strong rivals in developing overseas markets will make it difficult for Cummins to gain international market share. Finally, the firm faces higher capital expenditures and research and development requirements over the next few years that will absorb free cash flows.

Cummins Engine, Inc. (CUM)

April 30, 1997 Price	56 ¹ / ₈	Market Cap. (mil)	2,216.9		EPS	P/E
52 Week Price Range	36 ⁷ / ₈ - 57 ¹ / ₂	Shares Outst. (mil)	39.5	1996	3.87	14.5
52 Week Return	22.19%	Dividend Yield	1.96%	1997E	4.37	12.8
ROE	12.20%	Beta	1.056	1998E	4.73	11.9

Source: Vestek

Emerson Electric Company

Proposed Addition

Emerson has produced remarkably consistent and dependable earnings and dividend growth over four decades. The company is a leading player in the electrical equipment industry. EMR is leveraging its position to gain a larger share of existing markets and to enter new businesses. The company continuously searches for possible acquisitions and joint ventures that will help it secure a significant position in new markets, particularly overseas. Historically, EMR's conservative management has focused on margins through its Best Cost Producer Strategy, but has shifted its focus in the 1990's to growth initiatives in services and systems solutions businesses.

Emerson Electric is a St. Louis, Missouri based world-wide designer and manufacturer of electrical equipment and components. Emerson is recognized as the market leader in the design and manufacture of electrical motors, HVAC components and process controls. The \$11.1 billion company is organized into two divisions: Commercial / Industrial and Appliance / Construction Related, which generated 60% and 40% of 1996 sales, respectively. International business accounted for \$4.9 billion (44%) of Emerson's 1996 sales with the largest contributions generated from European, Asia/Pacific and Latin American markets.

Emerson Electric Company (EMR)

April 30, 1997 Price	50 ³ / ₄	Market Cap. (mil)	22,686.6		EPS	P/E
52 Week Price Range	39 ³ / ₈ - 52 ⁵ / ₈	Shares Outst. (mil)	447.0	1996	2.28	22.3
52 Week Return	23.84%	Dividend Yield	2.13%	1997E	2.52	20.1
ROE	19.03%	Beta	1.073	1998E	2.81	18.1

Source: Vestek

TECHNOLOGY

Analyst: Min Lin

8.21% of the Active Portfolio
13.20% of the S&P 500 Index

The technology sector has three important characteristics: total cost of ownership, high correlation among sub-sectors and innovation. Growth is driven by lower cost of ownership, strong demand for PCs and the Internet. The Internet, one of the most exciting new developments, affects every technology company. The Internet drives the transition from client-based to network-based architectures.

The technology sector had a 38% annual return fueled by more than 35% earnings growth in 1996, continuing a trend that has seen the technology sector outperform the market since 1990. From a fundamental perspective, capital spending on technology-related equipment in the United States is expected to remain healthy in 1997 and a rebound is anticipated in the important European markets. However, the level of growth will not be robust enough to fuel upside earnings surprises of the magnitude that propelled share prices so strongly in the group in the previous several years. When looking for investment opportunities, a bottom-up approach within each sub-sector is used. The companies that can outgrow the price pressure and can deliver and get paid for higher value-added products and services will be the winners in this highly competitive battle field.

PORTFOLIO HOLDINGS

Intel Corporation

8.21% of the Active Portfolio

Intel is the world leader in IC design and manufacturing, most notably in microprocessors, the central processing unit of PCs. Recently, Intel has been fighting to keep up with demand for its processors which are found in more than 90% of new PCs. The overflow demand also helped competitor Advanced Micro Devices Inc. (AMD). Its long term position is extremely solid and it is likely to be the biggest beneficiary of the corporate upgrade cycle, which is believed to have already started in the U.S.

After having an impressive 136% return in 1996, Intel's share price is under pressure in the past four months on concerns about competition from AMD and Cyrix. AMD's K6 is the first AMD chip to beat Intel's chip to market. It competes against the Intel Pentium Pro chip with MMX technology (Pentium II). However, it will be very difficult for AMD to attract the major U.S. brand name PC companies as customers because of the lack of long term migration path for the K-6 users. Since this year's primary PC demand driver is the corporate market upgrading to Windows NT, Intel will be the winner in this new round of competition.

Using a discounted cash flow analysis, we have valued the Intel common shares at \$172. Intel is 8.2% of the active Henry Fund portfolio. We believe the unit demand for computers may be stronger than expected over the next 5 to 10 years because replacement cycles and the growth of the installed base should drive demand as the application of Moore's law results in computers that are faster, smaller, cheaper, more powerful and easier to use. The downside risk is limited since the corporate world views investments in computers and software as a means to gain a competitive advantage and not just office automation. In addition, increasing global competition leads to higher spending independent of economic cycles. Based on these factors, we believe Intel is one of the best investment ideas in long-term technology holding.

Intel Corporation (INTC)

April 30, 1997 Price	153 ¹ / ₈	Market Cap. (mil)	125,654.4		EPS	P/E
52 Week Price Range	64 ¹ / ₈ - 165	Shares Outst. (mil)	820.6	1996	5.80	26.4
52 Week Return	126.31%	Dividend Yield	0.13%	1997E	8.95	17.1
ROE	30.57%	Beta	1.396	1998E	10.47	14.6

Source: Vestek

PORTFOLIO CHANGES

Oracle Corporation

Sold April 29, 1997

The increasing short-term and long-term risks Oracle faces make it an unattractive long-term investment for The Henry Fund. Using a discounted cash flow analysis, we valued Oracle common shares at \$40-43. At this time, it is very difficult to tell whether the company can work through the near-term and long-term challenges. Because of the increasing risks associated with the company in both the near and the long term, we decided to sell Oracle.

As the three major database companies, which account for approximately 70% of the market, move closer to maturity, the database market growth is expected to slow from its historical 35-45% growth rate (1990-94) range to 25-35% over the next 2-3 years. In the short-term, Oracle faces more price pressure from Informix, Sybase in the high end market and from Microsoft and IBM in the low end market. Also, Oracle experienced weakness in Europe in the last three quarters. Although Oracle's management has promised changes and improved performance in Europe, Europe will continue to be a problem for the company for at least two to three more quarters. In the long-term, Oracle will face more pricing pressure from Microsoft which is aggressively pushing toward the enterprise market segment with its Windows NT operation systems and SQL database sever. Although it will require several upgrades before Windows NT is able to directly challenge UNIX and mainframe platforms, the potential for price declines beyond the low end of the database market will become an issue by the end of 1998.

Oracle Corporation (ORCL)

April 30, 1997 Price	39 ³ / ₄	Market Cap. (mil)	26,871.0		EPS	P/E
52 Week Price Range	32 - 51	Shares Outst. (mil)	676.0	1996	0.96	41.4
52 Week Return	17.78%	Dividend Yield	0.00%	1997E	1.26	31.5
ROE	32.25%	Beta	1.271	1998E	1.68	23.7

Source: Vestek

Cisco Systems, Inc.

Proposed Addition

We are currently planning to add Cisco to bring the sector weighting back in line with the S&P. The share price has decreased 32% from its all time high of \$75.75 and trades at 25 times the fiscal 1997 earning estimates. We believe this creates a compelling buying opportunity.

During the last four months, the networking stocks experienced a significant sell off because of earnings shortfalls. However, the fundamental factors driving the growth of networking show no signs of slowing. These include forces such as the Internet, the rapid deployment of client/server business applications and the growing popularity of telecommuting. The total market for networking equipment topped \$28 billion in 1996 and will expand 30% annually, reaching \$72 billion by the end of the century. The market for networking equipment offers one of the most sustainable, strongest growth opportunities available to investors today.

Cisco is the largest and most diversified networking equipment supplier. Cisco is an active acquirer of smaller networking companies and has an exceptionally successful track record with these acquisitions. Its broad distribution capabilities help leverage the new products it acquires. Cisco allows investors to capitalize on the growth of both the wide area (WAN) and local area (LAN) markets. While the competitive landscape of the networking sector is undergoing a fundamental restructuring, Cisco's large installed base, broad distribution capabilities and its aggressive acquisition strategy will lead it to success. Using a discounted cash flow analysis, the intrinsic value of the company is \$70-75.

Cisco Systems, Inc. (CSCO)

April 30, 1997 Price	51 ³ / ₄	Market Cap. (mil)	34,021.3		EPS	P/E
52 Week Price Range	44 ³ / ₄ - 75 ³ / ₄	Shares Outst. (mil)	657.4	1996	1.43	36.2
52 Week Return	-0.24%	Dividend Yield	0.00%	1997E	2.06	25.1
ROE	32.39%	Beta	1.472	1998E	2.70	19.2

Source: Vestek

TRANSPORTATION

Analyst: Matthew Mihm

0.00% of the Active Portfolio
1.60% of the S&P 500 Index

The transportation sector is composed of airline, railroad, trucking, maritime and logistic companies. We believe going forward this sector will have significant opportunities, specifically with small capitalized companies. The most attractive companies in this sector have earnings growth faster than average - either through productivity gains or cost cutting, financial strength (low debt or a strong cash flow from operations) - that will allow growth through acquisitions, potential to create more business from existing shippers, either through broader geographic reach or more sophisticated service approaches; protection from economic fluctuations through diversification or value added services; improving asset utilization and the reduction of nonessential assets.

Two growing parts of the transportation sector are the truckload carriers and the regional airlines. During 1996, truckload stocks generally outperformed the S&P 500 due to improving industry conditions. In particular, over-capacity issues were under control and most carriers had good success adjusting for higher diesel prices through fuel surcharges. Since this industry is inherently cyclical we looked for trucking stocks that are insulated to some extent from the inherent cyclical nature in the truckload industry.

The principal component of regional airlines' growth has been the turnover of unprofitable markets by the majors to their code-sharing regional airline partners. Although this is expected to slow somewhat, regional airlines are expected to grow on average at a 15% compounded annual rate for the next several years, more than double the S&P 500. Through code-sharing agreements and the strength of the large publicly traded regionals, it is expected there will be no new start-up competition in this group. We believe that regionals could benefit from a rotation of investors into smaller capitalized stocks that have lagged the overall market, but still display strong fundamentals.

PORTFOLIO CHANGES

Conrail, Inc.

Sold November 26, 1996

It was a very interesting year for Conrail. Conrail was added to The Fund in May of 1996 and subsequently sold the following November for a return of 37.9%. In mid-October, Conrail and CSX Corporation announced their agreement to a strategic merger, where CSX would purchase Conrail for cash and stock. A week later Norfolk Southern announced its intention to acquire Conrail in a hostile tender offer for all cash. Thus started a bidding war for Conrail. The most important issue in the bidding war was Pennsylvania's anti-takeover laws which allowed Conrail's board to consider explicitly issues "other than fiduciary interests," including the impact on employees and the Commonwealth of Pennsylvania. Finally, in March of 1997 all sides agreed to the breakup of Conrail with a majority going to Norfolk Southern.

We decided to exit our position in late November, prior to a final resolution, because it seemed we believed there were better prospects for future return. Also, there was the very remote chance the Surface Transportation Board would not approve either merger attempt, at which time Conrail's stock price would fall back to its pre-merger level, or would force the sale and/or the opening of key Conrail rail routes, which would diminish the value of Conrail. Finally, our main concern was whether the CSX merger would be approved by Conrail's shareholders. If the shareholders in December of 1996 decided to wait on the CSX merger, effectively clearing the way for Norfolk or requiring CSX to up its bid, there would have been a minimum of a six month waiting period before Norfolk could have owned more than 20%.

Conrail, Inc. (CRR)

April 30, 1997 Price	114 ¹ / ₄	Market Cap. (mil)	9,152.9		EPS	P/E
52 Week Price Range	63 ³ / ₄ - 114 ¹ / ₄	Shares Outst. (mil)	80.1	1996	4.94	23.1
52 Week Return	66.45%	Dividend Yield	1.66%	1997E	5.67	20.1
ROE	10.62%	Beta	1.207	1998E	6.25	18.3

Source: Vestek

Comair Holdings, Inc.**Proposed Addition**

Comair Holding, Inc. is a regional airline with hubs at The Cincinnati/Northern Kentucky International Airport and The Orlando International Airport. Comair operates largely in low-density markets, both short-haul with turbo-prop equipment and longer-haul with regional aircraft. It generally operates in markets where high frequency is important, as more than half of passengers are traveling for business purposes. In September 1984, Comair became a "Delta Connection" Carrier and in fiscal 1996 approximately 45% of Comair's business was provided through arrangements with Delta under the "Delta Connection" program. Today Comair is one of the largest regional airlines with 94 state-of-the-art aircraft making over 675 flights every day to over 79 cities in 28 states across the United States, Canada and the Bahamas. Comair has one of the best balance sheets among the airlines with cash of \$185 million exceeding long-term debt of \$130 million and debt to total capital at 44%.

Comair is generally considered the "most aggressive but conservatively managed" growth company in the airline industry. The strong earnings momentum should be sustained by a young well-maintained fleet, solid underlying industry fundamentals and a clearly defined growth plan. Currently these shares are selling at $\$21\frac{1}{8}$ which is 12.7 times estimated March 1997 EPS of \$1.66 and 11.4 times estimated March 1998 EPS of \$1.85. These shares should be much closer to a multiple of 15 given projected growth rates. Our 12 month price target for Comair is \$27 which represents a 27% appreciation from its current price.

Comair Holdings, Inc. (COMR)

April 30, 1997 Price	$21\frac{1}{8}$	Market Cap. (mil)	940.6		EPS	P/E
52 Week Price Range	$18\frac{1}{8} - 30\frac{5}{8}$	Shares Outst. (mil)	44.5	1996	1.66	12.7
52 Week Return	-13.49%	Dividend Yield	1.14%	1997E	1.85	11.4
ROE	28.16%	Beta	1.327	1998E	2.18	9.7

Source: Vestek

Heartland Express, Inc.**Proposed Addition**

Heartland is a short-to-medium haul truckload carrier based in Coralville, Iowa. It provides nationwide transportation service to major shippers, using late-model tractors and a uniform fleet of 53-foot aluminum plate dry vans. Primary traffic lanes are between locations east of the Rocky Mountains, with selected service to the West. The principal types of freight transported by Heartland consist of consumer appliances, food products and automotive parts. Heartland has maintained a high level of growth, while generally remaining debt free. Over the last eleven years it has grown from \$21.6 to \$229.0 million in revenue and has increased net income from \$3.0 to \$25.0 million. As of March 31, 1996, Heartland had no debt and had \$98 million in cash and cash equivalents.

In 1994, Heartland merged with Munson Transportation, Inc. There were many benefits from this merger including increased revenue, more experienced drivers and technology. Most important, however, was that it gave Heartland experience with acquisitions, which will become increasingly important as the highly fragmented truckload industry continues to consolidate.

Management is a key reason for the company's superior performance. Management's strengths lie in a strong cost focus, superior capital allocation, acquisition expertise and a strong service orientation. Our conservative price target indicates the stock is trading at a discount to its intrinsic value. Our 12 month price target for Heartland is \$27 which represents a 25% appreciation from its current price.

Heartland Express, Inc. (HTLD)

April 30, 1997 Price	$21\frac{5}{8}$	Market Cap. (mil)	648.8		EPS	P/E
52 Week Price Range	$16\frac{1}{2} - 27\frac{3}{8}$	Shares Outst. (mil)	30.0	1996	0.84	25.7
52 Week Return	10.90%	Dividend Yield	0.00%	1997E	0.94	23.0
ROE	20.87%	Beta	1.157	1998E	1.10	19.7

Source: Vestek

UTILITIES

Analyst: Dianne Stange

7.50% of the Active Portfolio
9.30% of the S&P 500 Index

Deregulation in the utilities industry has changed the strategic priorities of the companies within the group. For instance, companies have prioritized mass consolidation and the formation of strategic alliances as means of reducing costs, increasing market share, improving competitive positioning and stimulating growth and innovation. Thus, the perspectives of the utilities sector have changed. We believe that the lowest cost producers with the ability of providing a "total solution" to utility needs will have the long-term competitive edge ("total solution" means providing gas, electric, water and telecommunication choices, in addition to services such as alarm/security solutions, from one source and with one monthly bill). At this time, merger and acquisition take-out candidates appear to be those companies that enhance the acquirer's geographical positioning and market share, or those that provide synergistic results believed to eventually harvest superior cost positioning.

Electric, gas and water utility industry growth generally moves in line with GDP, weather trends, appliance sales and housing starts. Unlike telecommunications, where competition is fighting over an expanding market, deregulation is forcing utilities to fight over a slow to non-growing market. The electrical, gas and water utility companies that should be emphasized are those exhibiting low-cost generation, broad transmission and distribution networks, strong balance sheets, interest in non-utility operations and low pay-out ratios.

The telecommunications industry is a growing market, driven by technology and deregulation. Finding attractive investment opportunities in the near-term is contingent on the understanding of the effects of FCC rulings and keeping the focus on the players with the ability to deliver competitive pricing, cost cutting, bundling of services and successful marketing programs. Those positioned to excel in the changing environment will likely have quality management with a history of successful strategy implementation and the ability to manage the increasing amount of capital expenditures necessary to enter into new markets.

PORTFOLIO HOLDINGS

Ameritech Corporation

5.88% of the Active Portfolio

The Telecommunications Act of 1996 will allow Ameritech to enter the long-distance market after opening its local markets to competition. Capital spending has increased among all telco players, but Ameritech has continued its commitment to solid cost control, despite the intensifying competitive environment. Being the low-cost provider will be notably favorable in the long-run, as pricing issues mount within the industry. Ameritech has been extremely proactive in its plans to file for long-distance entry in Michigan, Illinois and Wisconsin, but as predicted, delays across the board are making timing a key issue. Uncertainty within the telephone industry may put pressure on the stock in the near-term, but longer term, it is our feeling that Ameritech will emerge as a strong force in the industry.

Ameritech is a Regional Bell Operating Company currently serving twelve million local residential and business phone customers and nearly three million cellular customers in Michigan, Illinois, Ohio, Wisconsin and Indiana. International telco and wireless interests, sourced primarily from Belgium, Hungary and New Zealand, are contributing a greater portion of revenues every quarter. Additionally, the company has expanded into new markets including cable, security monitoring and video.

Ameritech Corporation (AIT)

April 30, 1997 Price	61 ¹ / ₈	Market Cap. (mil)	33,581.5		EPS	P/E
52 Week Price Range	49 ⁵ / ₈ - 65	Shares Outst. (mil)	549.4	1996	3.82	16.0
52 Week Return	8.46%	Dividend Yield	3.70%	1997E	4.21	14.5
ROE	27.76%	Beta	0.645	1998E	4.62	13.2

Source: Vestek

PORTFOLIO CHANGES

AT&T Corporation

Sold March 13, 1997

We sold AT&T on the basis of intensifying competition and heightened uncertainty surrounding the future of the company. Management's announcements of strategic direction were insufficient to convince us it would be able to quickly and efficiently execute its strategy. The history of past execution weighed heavily on our decision. AT&T's management has a history of over-promising and under-delivering, while spending freely on projects often later abandoned. It was decided that until the stock emerged from the "show-me" category, it would have a difficult time trading at higher multiples. Additionally, Henry Fund analysts were concerned with the shift in senior management to John Walter, former CEO of R.R. Donnelley & Sons, from Robert Allen, the current CEO.

AT&T Corporation (T)

April 30, 1997 Price	33 ¹ / ₂	Market Cap. (mil)	54,279.5		EPS	P/E
52 Week Price Range	30 ³ / ₄ - 64 ³ / ₈	Shares Outst. (mil)	1,620.3	1996	3.39	9.9
52 Week Return	-15.45%	Dividend Yield	3.94%	1997E	2.59	12.9
ROE	0.80%	Beta	0.670	1998E	2.75	12.2

Source: Vestek

Lucent Technologies, Inc.

Proposed Deletion

1.62% of the Active Portfolio

While we continue to believe Lucent Technologies is well positioned to benefit from the changing telecommunications market in the long-run, recent strong price appreciation put the shares at their targeted free cash flow valuation. The position in Lucent will be replaced with Cisco Systems, Inc., a company with a compelling valuation and similar risk characteristics to that of Lucent.

We view the fundamentals of Lucent as sound and consider downward price pressure on transitory information or market-driven technology sell-offs as possible future buying opportunities. The company is driven by the increase in capital expenditures of new and existing service providers, prompted by telecommunications deregulation. Lucent's customers, including major long-distance carriers and Regional Bell Operating Companies, will be working to increase capacity and provide differentiation through services bundling and new product offerings. Lucent should continue to benefit from an industry-wide demand for switches and transmission products necessary for expansion into new domestic markets, international markets, Internet and wireless services, as well as application software for operations support.

Lucent Technologies, Inc. (LU)

April 30, 1997 Price	59	Market Cap. (mil)	37,652.0		EPS	P/E
52 Week Price Range	30 ⁵ / ₈ - 60 ⁵ / ₈	Shares Outst. (mil)	638.2	1996	1.65	35.8
52 Week Return	68.83%	Dividend Yield	0.51%	1997E	2.14	27.6
ROE	8.34%	Beta	1.479	1998E	2.52	23.4

Source: Vestek

NCR Corporation

Sold March 31, 1997

The Henry Fund received seven shares of NCR after its spin-off from AT&T was completed on December 31, 1996. It was decided an increased position was not warranted and the costs of monitoring the small number of shares outweighed any diversification benefits it provided.

NCR Corporation (NCR)

April 30, 1997 Price	28 ⁷ / ₈	Market Cap. (mil)	2,924.1		EPS	P/E
52 Week Price Range	28 ³ / ₈ - 41 ³ / ₈	Shares Outst. (mil)	101.3	1996	N/A	N/A
52 Week Return	N/A	Dividend Yield	0.00%	1997E	0.66	43.8
ROE	N/A	Beta	1.313	1998E	1.83	15.8

Source: Vestek

STATEMENT OF SECURITY HOLDINGS

April 30, 1997

Active Portfolio (at market):

Ameritech Corporation	\$8,558
Amoco Corporation	\$4,014
Caterpillar Inc.	\$5,340
The Coca-Cola Company	\$9,035
Dollar General Corporation	\$5,408
Enron Corporation	\$6,208
Fifth Third Bancorp.	\$6,119
Fila Holding S.p.A.	\$2,163
Intel Corporation	\$11,944
Lucent Technologies Inc.	\$2,360
Mobil Corporation	\$4,290
Oracle Corporation	\$9,540
PepsiCo Inc.	\$10,463
Perez Companc	\$7,247
Philip Morris Companies	\$8,859
Sherwin Williams Company	\$5,566
St. Jude Medical Inc.	\$3,153
State Street Corporation	\$5,513
Travelers Group Inc.	\$15,540
United HealthCare Corporation	\$4,863

Total Active Portfolio **\$136,180**

Vanguard Index Trust \$57,284

Money Market \$5,148

Cash Balance \$4,173

Total Fund Assets **\$202,785**

Scholarship Appropriation (\$4,000)

Net Fund Assets **\$198,785**

April 30, 1996

Active Portfolio (at market):

Ameritech Corporation	\$8,173
Amoco Corporation	\$3,504
AT&T Corporation	\$7,656
Caterpillar Inc.	\$3,848
The Coca-Cola Company	\$5,787
Cummins Engine Inc.	\$1,216
Dollar General Corporation	\$3,596
Enron Corporation	\$6,641
Fifth Third Bancorp	\$4,531
Intel Corporation	\$5,285
LTV Corporation	\$2,145
Mobil Corporation	\$3,795
Oracle Corporation	\$8,100
PepsiCo Inc.	\$9,525
Perez Companc.	\$5,657
Philip Morris Companies	\$6,759
Sherwin Williams Company	\$1,964
Sonoco Products Company	\$4,455
St. Jude Medical Inc.	\$3,541
Travelers Group Inc.	\$8,610
United HealthCare Corporation	\$4,037
USF&G Corporation	\$3,524

Total Active Portfolio **\$112,346**

Vanguard Index Trust \$36,725

Money Market \$6,588

Cash Balance \$12

Total Fund Assets **\$155,670**

Scholarship Appropriation (\$4,000)

Net Fund Assets **\$151,670**

INCOME STATEMENT

<u>April 30, 1997</u>		<u>April 30, 1996</u>	
Beginning Fund Balance	\$151,670	Beginning Fund Balance	\$115,248
Cash Added	\$9,897	Cash Added	\$0
Income		Income	
Dividend Income - Active	\$2,254	Dividend Income - Active	\$1,745
Dividend Income - Index	\$842	Dividend Income - Index	\$623
Interest Income	\$99	Interest Income	\$602
Total Income	\$3,195	Total Income	\$2,971
Capital Gains		Capital Gains	
Realized - Active	\$879	Realized - Active	\$549
Realized - Index	\$157	Realized - Index	\$100
Unrealized - Active	\$32,788	Unrealized - Active	\$31,314
Unrealized - Index	\$8,339	Unrealized - Index	\$6,435
Total Capital Gains	\$42,163	Total Capital Gains	\$38,399
Capital Losses		Capital Losses	
Realized - Active	(\$1,187)	Realized - Active	(\$753)
Unrealized - Active	(\$2,945)	Unrealized - Active	(\$200)
Total Capital Losses	(\$4,132)	Total Capital Losses	(\$954)
Taxes and Fees	(\$15)	Taxes and Fees	\$0
Scholarship Appropriation	(\$4,000)	Scholarship Appropriation	(\$4,000)
Miscellaneous	\$7	Miscellaneous	\$6
Ending Fund Balance	\$198,785	Ending Fund Balance	\$151,670

A special thanks to Matthew Mihm, Ken Petersen and Chavdar Rissin for their dedication and commitment to the 1997 Annual Report.

This report is based on data obtained from sources considered to be reliable; it is not guaranteed as to accuracy and does not purport to be complete. This information is intended to assist in the stock selection decisions for The Henry Fund, and is not intended to be used as the primary basis of investment decisions. Opinions expressed herein are subject to change without notice. This Fund or persons associated with it may own or have a position in any securities or investments mentioned in this study, which position may change at any time, and may, from time to time, sell or buy such securities or investments.