

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTES**

Board Meeting  
January 31, 2008  
6 Month CD Auction  
March 12, 2008

## OPERATING REPORT DECEMBER 2007

**Board of Treasury Investments**

1900 Kanawha Boulevard East  
Suite E-122  
Charleston WV 25305  
(304) 340-1578  
www.wvbt.com

**Board of Directors**

John D. Perdue,  
State Treasurer,  
Chairman

Joe Manchin III,  
Governor

Glen B. Gainer III,  
State Auditor

Martin Glasser,  
Esq. Attorney  
Appointed by  
the Governor

Jack Rossi, CPA  
Appointed by  
the Governor

**Executive Staff**

Executive Director  
Glenda Probst,  
CPA, CTP

Chief Financial Officer

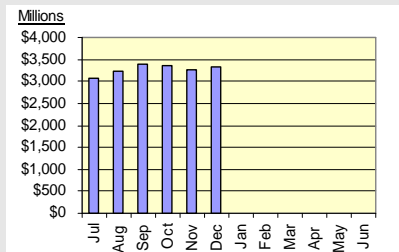
Kara K. Brewer,  
CPA, MBA

### Total Net Assets Under Management

**\$3,341,468,000**

Last Month  
**\$3,260,370,000**

Beginning of Fiscal Year  
**\$2,923,172,000**

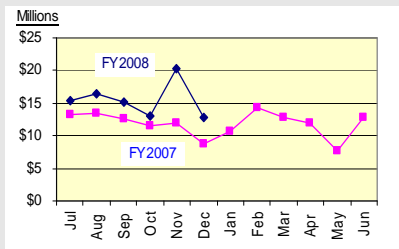


**14.3% Growth This Fiscal Year**

### Total Net Income & Gains

This Month  
**\$12,792,000**

Fiscal Year  
**\$93,092,000**

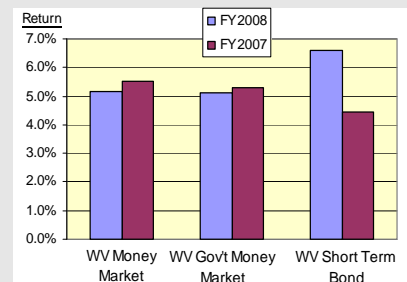


**Outpacing Last Year**

### Effective Rates of Return

*Time Weighted, Annualized, Net of All Fees*

	Dec. 2007	Fiscal Year 2008	Fiscal Year 2007
<b>WV Money Market</b>	5.0%	5.2%	5.5%
<b>WV Gov't Money Market</b>	4.8%	5.1%	5.3%
	<b>Fiscal Year 2008</b> <i>(Past 12 Months)</i>	<b>Fiscal Year 2007</b> <i>(Past 12 Months)</i>	
<b>WV Short Term Bond</b>	6.6%	4.4%	



Returns are annualized fiscal year to date for WV Money Mkt & WV Gov't Money Mkt; past 12 months for WV Short Term Bond

**Fiscal Year Return Comparisons**

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## THE ECONOMIC STATE

### DECEMBER 2007

## Economy Grows Despite Jump in Unemployment

### *Overnight Lending Rate Expected to be Lowered Again*

The U.S. unemployment rate jumped to a two-year high in December, increasing to 5.0%. Job growth slowed more than forecast in December, capping the worst year for job creation since 2003. Job growth was hurt by losses in manufacturing, construction, and retail. During the third quarter, the U.S. economy grew at a final 4.9% annual growth rate, the most in four years. Growth during the third quarter was boosted by a surge in exports and an increase in inventories. The narrowing trade deficit added almost 1.5% to growth for the quarter, the most since 1996. Consumer spending held up in the third quarter and business investment jumped more than 8.0%. Home construction remained the largest drag on GDP. In November, housing starts fell, building permits dropped to a 14-year low, and the number of properties on the market approached a record number. U.S. consumer prices rose 0.8% in November on record energy costs, jumping 5.7% after a 1.4% increase in October. Over the past twelve months, consumer prices rose 4.3%, the biggest 12-month increase since June 2006.

The core CPI, which excludes food and energy, rose 0.3% in November and 2.3% in the 12-month period ending November. The Producer Price Index rose 3.2% in November, after a 0.1% increase in October. Energy costs rose 14.1% in November after falling 0.8% in October. Over the last twelve months, the PPI rose 7.2% and the core PPI rose 2.0%.

The Fed lowered the overnight lending rate at the December 11th meeting by 25 basis points, dropping it to 4.25%, as slowing growth concerns remained at the forefront. The Fed will meet next on January 30, 2008 and the market is expecting another cut. Additionally, the Fed auctioned off \$40 billion in funds to commercial banks to reduce the effects of the credit crunch. For the month of December, the yield curve moved very little. The curve remained slightly inverted on the short end. The 3-month Treasury rose 9 bps to 3.24% as the 6-month Treasury rose 4 bps to 3.39%. The 2-year Treasury yield increased 5 bps to 3.05%, while the 5-year Treasury rose 6 bps to 3.44%. The 10-year Treasury yield increased 9 bps to 4.02% as the 30-year Treasury yield rose 7 bps to 4.45%, widening the yield spread with the 2-year Treasury to 141 bps.

Ninety-day T-Bills returned 0.28% in December, outperforming the 0.26% return of 1-3 Year Government Bonds. For the full year 2007, 90-Day T-bills earned 5.00%, while 1-3 Year Government Bonds returned 7.33%.

#### *December CD Auction*

The BTI December 6-month CD auction received 369 bids for the \$25 million offering. The competition resulted in \$103,042 of additional interest for the state. The following banks received awards:

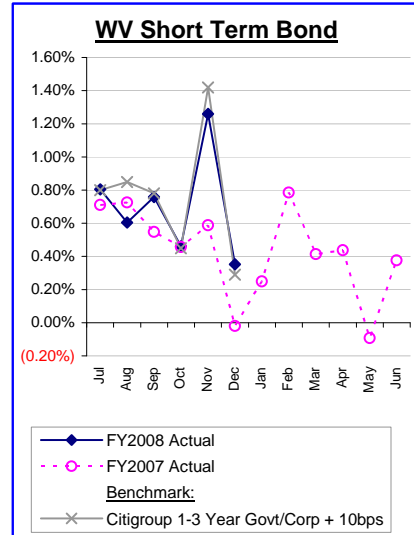
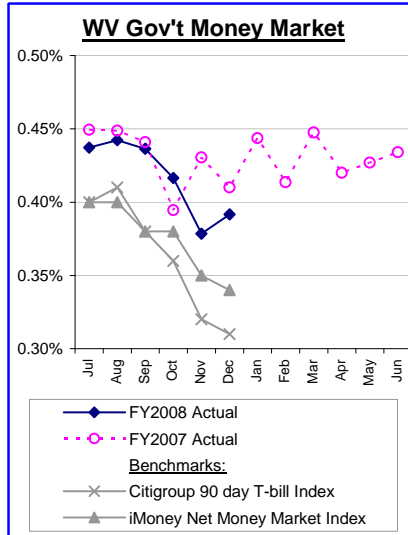
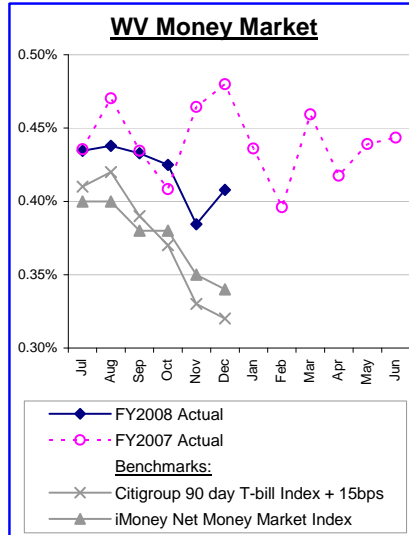
BB&T – Charleston	\$5,000,000
Citizens National Bank – Berkeley Springs	\$2,500,000
Harrison County Bank – Lost Creek	\$5,000,000
Huntington National Bank - Charleston	\$5,000,000
United Bank, Inc. – Parkersburg	\$2,500,000
WesBanco Bank, Inc. – Wheeling	\$5,000,000

The minimum rate for opening bids is the equivalent of a 6-month Treasury Bill. The December rate was 3.275%. Final bids ranged from 4.050% to the highest rate of 4.225%. Nine of the winning bids were received during the final minute of the auction.

# West Virginia Board of Treasury Investments

## Financial Highlights as of December 31, 2007

### Monthly Rates of Return for Operating Pools (Net of Fees)



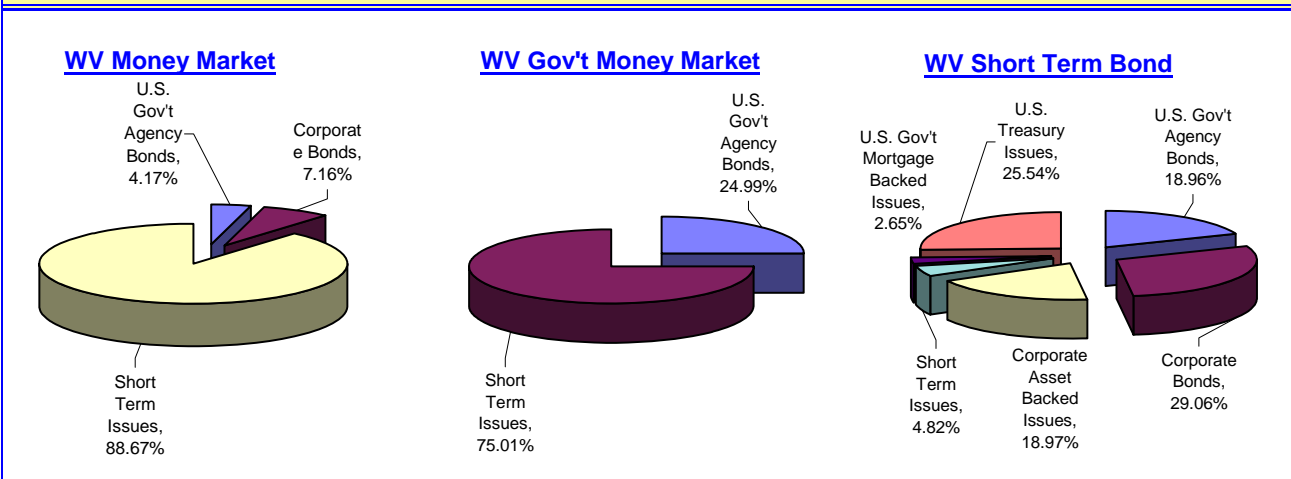
### Summary of Value and Earnings (In Thousands)

Pool	Asset Value	Dec. Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 2,427,728	\$ 9,589	\$ 58,628
WV Gov't Money Market	221,402	872	5,855
WV Short Term Bond	239,292	833	9,942
WV Bank	76,260	323	1,591
Loss Amortization	167,948	472	13,671
Loans	132,246	452	1,340
Participant Accounts	76,592	251	2,065
	<b>\$ 3,341,468</b>	<b>\$ 12,792</b>	<b>\$ 93,092</b>

#### Percent of Total Net Asset Value

Category	Percentage
WV Money Market	72.6%
WV Gov't Money Market	6.6%
WV Short Term Bond	7.2%
WV Bank	2.3%
Loss Amortization	5.0%
Loans	4.0%
Participant Accounts	2.3%

### Securities by Type for Operating Pools (Percentage of Asset Value)



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF NET ASSETS, OPERATIONS & CHANGES IN NET ASSETS –**  
**UNAUDITED**

**DECEMBER 31, 2007**

(IN THOUSANDS)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Other Pools	Participant Directed Accounts
<b>Assets</b>						
Investments:						
At amortized cost	\$ 2,422,014	\$ 221,074		\$ 75,000	\$ 131,796	\$ 41,128
At fair value	-	-	\$ 238,931	-	167,948	34,618
Collateral for securities loaned	373,399	30,629	93,278	-	-	-
Other assets	6,019	357	2,646	1,260	454	848
Total assets	<u>2,801,432</u>	<u>252,060</u>	<u>334,855</u>	<u>76,260</u>	<u>300,198</u>	<u>76,594</u>
<b>Liabilities</b>						
Payable for securities loaned	373,399	30,629	93,278	-	-	-
Other liabilities	305	29	2,285	-	4	2
Total liabilities	<u>373,704</u>	<u>30,658</u>	<u>95,563</u>	<u>-</u>	<u>4</u>	<u>2</u>
<b>Net Assets</b>	<u>\$ 2,427,728</u>	<u>\$ 221,402</u>	<u>\$ 239,292</u>	<u>\$ 76,260</u>	<u>\$ 300,194</u>	<u>\$ 76,592</u>
<b>Investment income</b>						
Interest and dividends	\$ 4,721	\$ 485	\$ 925	\$ 323	\$ 456	\$ 289
Securities lending income	2,293	182	214	-	-	-
Net accretion (amortization)	4,753	378	16	-	567	(21)
Provision for uncollectible loans	-	-	-	-	-	-
Total investment income	<u>11,767</u>	<u>1,045</u>	<u>1,155</u>	<u>323</u>	<u>1,023</u>	<u>268</u>
<b>Expenses</b>						
Fees	281	25	46	-	4	1
Securities lending borrower rebates	1,905	149	177	-	-	-
Bad debt expense	-	-	-	-	-	-
Total expenses	<u>2,186</u>	<u>174</u>	<u>223</u>	<u>-</u>	<u>4</u>	<u>1</u>
Net investment income	<u>9,581</u>	<u>871</u>	<u>932</u>	<u>323</u>	<u>1,019</u>	<u>267</u>
Net realized gain (loss)						
from investments	8	1	(2)	-	-	-
Net increase (decrease)						
in fair value of investments	-	-	(97)	-	(95)	(16)
Net gain (loss) from investments	<u>8</u>	<u>1</u>	<u>(99)</u>	<u>-</u>	<u>(95)</u>	<u>(16)</u>
<b>Net increase (decrease) in net assets from operations</b>	<u>9,589</u>	<u>872</u>	<u>833</u>	<u>323</u>	<u>924</u>	<u>251</u>
<b>Distributions to participants</b>	<u>9,588</u>	<u>872</u>	<u>930</u>	<u>323</u>	<u>452</u>	<u>-</u>
<b>Participant activity</b>						
Purchases, reinvestment of units and contributions	774,636	20,596	1,420	323	452	136
Redemptions and withdrawals	680,605	32,629	200	-	438	3,220
Inter-pool transfers in	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-
<b>Net increase (decrease) in net assets from participant activity</b>	<u>94,031</u>	<u>(12,033)</u>	<u>1,220</u>	<u>323</u>	<u>14</u>	<u>(3,084)</u>
Increase (decrease) in net assets	94,032	(12,033)	1,123	323	486	(2,833)
Net assets at beginning of period	2,333,696	233,435	238,169	75,937	299,708	79,425
<b>Net assets at end of period</b>	<u>\$ 2,427,728</u>	<u>\$ 221,402</u>	<u>\$ 239,292</u>	<u>\$ 76,260</u>	<u>\$ 300,194</u>	<u>\$ 76,592</u>