

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTES**

CD Auction  
April 9, 2008  
Board Meeting  
April 30, 2008

## OPERATING REPORT FEBRUARY 2008

**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**

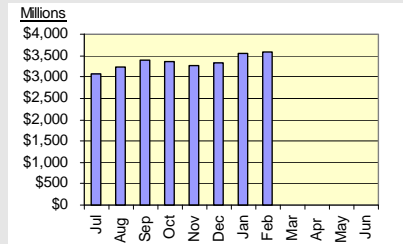
Executive Director  
Glenda Probst,  
CPA, CTP

Chief Financial Officer

Kara K. Brewer,  
CPA, MBA

### Total Net Assets Under Management

**\$3,590,714,000**



**Last Month**  
\$3,549,119,000

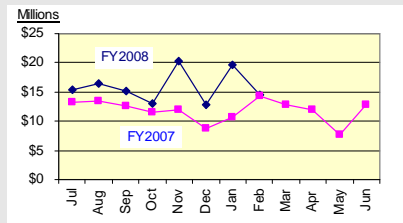
**Beginning of Fiscal Year**  
\$2,923,172,000

**22.8% Growth This Fiscal Year**

### Total Net Income & Gains

**This Month**  
\$14,454,000

**Fiscal Year**  
\$127,277,000

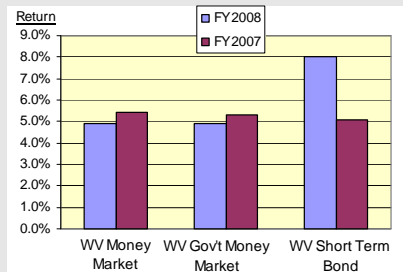


**Outpacing Last Year**

### Effective Rates of Return

*Time Weighted, Annualized, Net of All Fees*

	<b>Feb. 2008</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>
<b>WV Money Market</b>	3.4%	4.9%	5.4%
<b>WV Gov't Money Market</b>	3.2%	4.9%	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>	8.0%	5.1%	



*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**  
**FEBRUARY 2008**

---

**Economic Growth Continues Slowdown**

*Decline in Home Construction, Consumer Spending Hold Down Growth*

The U.S. unemployment rate declined to 4.8% in February from 4.9% the previous month. However, U.S. job growth unexpectedly fell in February for the second consecutive month, falling 63,000, the most in five years. GDP grew at an annual rate of 0.6% in the fourth quarter, down from 4.9% in the previous quarter. Growth was half that expected as home construction fell the most in 26 years and consumer spending only grew 1.9% during the quarter. First quarter growth is expected to be around 0.5%. U.S. consumer prices rose 0.4% from December with a jump in food and energy costs. Over the past twelve months, consumer prices rose 4.3%. The core CPI, which excludes food and energy, rose 0.3% in January and 2.5% in the 12-month period ending January. The Producer Price Index rose 1.0% in January, more than twice as much as expected due to higher fuel and food costs. Energy costs rose 1.5% in January after falling 1.9% in December. Over the past twelve months, producer prices rose 7.4%, the most since October 1981. Core prices, which exclude food and energy costs, rose 0.4% in January and 2.3% for the year ending January. Housing starts remained near their lowest level since 1991 and building permits, an indication of future construction, fell 3.0% in January.

***Center for Public Finance Established***

Ongoing requests for education on cash management and investment topics have given rise to the establishment of the Center for Public Finance sponsored by the Board of Treasury Investments and the State Treasurer's Office.

The kickoff will be a one-day free session offered April 25, 2008, at the Embassy Suites in Charleston from 8:30 a.m. – 2:30 p.m. The schedule of events includes courses on: Cash Management Fundamentals, Fixed Income Investing (called Behavioral Finance), Internal Control, and Financial Reporting. The program will provide public funds managers with finance and investment knowledge that goes beyond writing checks and making deposits.

Continuing education credits will be available. Registration is available at [www.wvbt.org](http://www.wvbt.org)

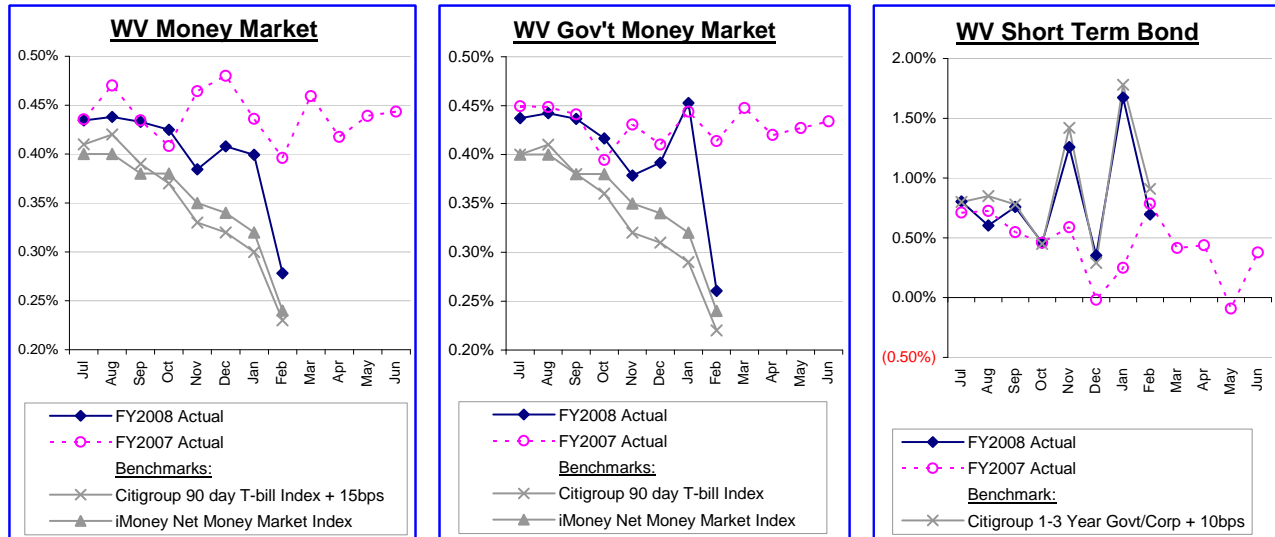
The Fed cut rates 125 bps in January, the fastest pace since 1990 as rising subprime defaults led to credit tightening and equity market losses. Since September, the Fed has lowered the fed funds rate 225 bps to 3.00%. The Fed will next meet on March 18, 2008 and the market is expecting another rate cut between 50 and 75 bps despite higher inflation. Yields dropped further on the short end of the curve in February. The curve steepened and was slightly inverted between 6-month and 2-year Treasuries. The 6-month Treasury yield fell 24 bps to 1.82% as the 2-year Treasury yield dropped the most, down 48 bps to 1.62%. The 5-year Treasury yield fell 29 bps to 2.47%, while the 10-year Treasury lost 8 bps to 3.51%. The 30-year Treasury yield rose 8 bps to 4.40%, widening the yield spread with the 2-year Treasury to 279 bps.

Ninety-day T-Bills returned 0.15% in February, underperforming the 1.00% return of 1-3 Year Government Bonds. For the last 12 months, 90-Day T-bills earned 4.85%, while 1-3 Year Government Bonds returned 9.18%.

# West Virginia Board of Treasury Investments

## Financial Highlights as of February 29, 2008

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



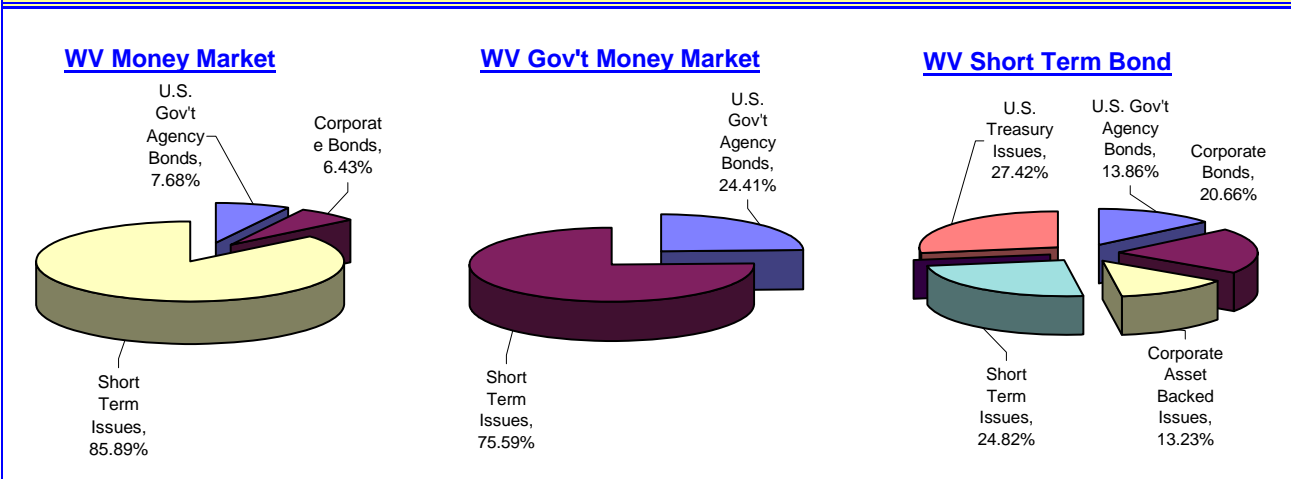
### Summary of Value and Earnings (In Thousands)

Pool	Asset Value	Feb. Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 2,497,950	\$ 7,288	\$ 74,825
WV Gov't Money Market	254,636	681	7,338
WV Short Term Bond	398,017	2,727	16,677
WV Bank	76,156	269	2,145
Loss Amortization	175,754	2,885	21,477
Loans	119,106	373	2,224
Participant Accounts	69,095	231	2,591
	<b>\$ 3,590,714</b>	<b>\$ 14,454</b>	<b>\$ 127,277</b>

**Percent of Total Net Asset Value**

- Participant Accounts, 1.9%
- Loans, 3.3%
- Loss Amortization, 4.9%
- WV Bank, 2.1%
- WV Short Term Bond, 11.1%
- WV Gov't Money Market, 7.1%
- WV Money Market, 69.6%

### 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**

**FEBRUARY 29, 2008**

(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	\$ 2,512,452	\$ 260,107		\$ 75,000	\$ 118,731	\$ 41,076
At fair value	-	-	\$ 390,914	-	175,754	27,056
Collateral for securities loaned	478,059	25,854	134,368	-	-	-
Other assets	3,940	321	12,290	1,156	379	964
Total assets	<u>2,994,451</u>	<u>286,282</u>	<u>537,572</u>	<u>76,156</u>	<u>294,864</u>	<u>69,096</u>
<b>Liabilities</b>						
Payable for securities loaned	478,059	25,854	134,368	-	-	-
Other liabilities	18,442	5,792	5,187	-	4	1
Total liabilities	<u>496,501</u>	<u>31,646</u>	<u>139,555</u>	<u>-</u>	<u>4</u>	<u>1</u>
<b>Net Assets</b>	<u>\$ 2,497,950</u>	<u>\$ 254,636</u>	<u>\$ 398,017</u>	<u>\$ 76,156</u>	<u>\$ 294,860</u>	<u>\$ 69,095</u>
<b>Investment income</b>						
Interest and dividends	\$ 2,523	\$ 383	\$ 1,320	\$ 269	\$ 377	\$ 249
Securities lending income	1,495	120	315	-	-	-
Net accretion (amortization)	4,573	272	(145)	-	552	(19)
Provision for uncollectible loans	-	-	-	-	-	-
Total investment income	<u>8,591</u>	<u>775</u>	<u>1,490</u>	<u>269</u>	<u>929</u>	<u>230</u>
<b>Expenses</b>						
Fees	294	26	49	-	4	1
Securities lending borrower rebates	1,042	83	241	-	-	-
Bad debt expense	-	-	-	-	-	-
Total expenses	<u>1,336</u>	<u>109</u>	<u>290</u>	<u>-</u>	<u>4</u>	<u>1</u>
Net investment income	<u>7,255</u>	<u>666</u>	<u>1,200</u>	<u>269</u>	<u>925</u>	<u>229</u>
Net realized gain (loss)						
from investments	33	15	2,420	-	-	-
Net increase (decrease)						
in fair value of investments	-	-	(893)	-	2,333	2
Net gain (loss) from investments	<u>33</u>	<u>15</u>	<u>1,527</u>	<u>-</u>	<u>2,333</u>	<u>2</u>
<b>Net increase (decrease) in net assets from operations</b>	<u>7,288</u>	<u>681</u>	<u>2,727</u>	<u>269</u>	<u>3,258</u>	<u>231</u>
<b>Distributions to participants</b>	<u>7,288</u>	<u>681</u>	<u>3,620</u>	<u>269</u>	<u>374</u>	<u>-</u>
<b>Participant activity</b>						
Purchases, reinvestment of units and contributions	735,806	32,105	156,945	269	374	54
Redemptions and withdrawals	867,906	12,469	-	-	1,110	4,695
Inter-pool transfers in	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-
<b>Net increase (decrease) in net assets from participant activity</b>	<u>(132,100)</u>	<u>19,636</u>	<u>156,945</u>	<u>269</u>	<u>(736)</u>	<u>(4,641)</u>
Increase (decrease) in net assets	(132,100)	19,636	156,052	269	2,148	(4,410)
Net assets at beginning of period	2,630,050	235,000	241,965	75,887	292,712	73,505
<b>Net assets at end of period</b>	<u>\$ 2,497,950</u>	<u>\$ 254,636</u>	<u>\$ 398,017</u>	<u>\$ 76,156</u>	<u>\$ 294,860</u>	<u>\$ 69,095</u>