

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTES**

CD Auction  
July 11, 2007  
Board Meeting  
July 26, 2007

## OPERATING REPORT

### MAY 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

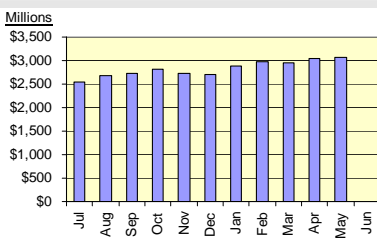
Chief Financial Officer  
Kara K. Brewer,  
CPA, MBA

### Total Net Assets Under Management

**\$3,073,472,000**

Last Month  
**\$3,039,340,000**

Beginning of Fiscal Year  
**\$2,481,176,000**

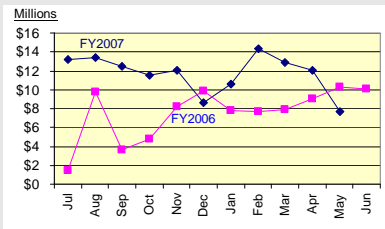


**23.9% Growth This Fiscal Year**

### Total Net Income & Gains

**This Month \$7,659,000**

**Fiscal Year \$128,895,000**

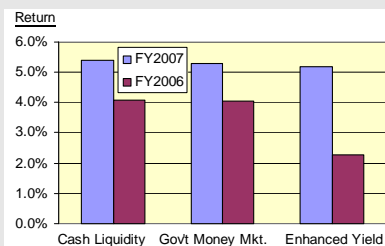


**Outpacing Last Year**

### Effective Rates of Return

*Time Weighted, Annualized, Net of All Fees*

	May 2007	Fiscal Year to Date 2007	Fiscal Year to Date 2006
Cash Liquidity	5.4%	5.4%	4.1%
Gov't Money Mkt	5.2%	5.4%	4.0%
	Fiscal Year 2007 (Past 12 Months)	Fiscal Year 2006 (Past 12 Months)	
Enhanced Yield	5.2%	2.3%	



Returns are annualized fiscal year to date for Cash Liquidity & Gov't Money Mkt; past 12 months for Enhanced Yield

**Returns Exceed Prior Year's**

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## THE ECONOMIC STATE

### MAY 2007

## Economic Growth Remains Slow

### *Consumer spending expands, but prices rise less than expected*

The U.S. unemployment rate remained at 4.5% in May as U.S. job growth accelerated. Job growth increased by 157,000 in May, more than predicted, and follows a revised gain of 80,000 in April. During the first quarter, the U.S. economy grew at a revised 0.6% annual growth rate, the slowest pace since 2002, restrained by the housing slump and a larger trade deficit. The previous GDP estimate for the first quarter was 1.3%. Consumer spending remained the key driver, expanding at a 4.4% annual pace in the first quarter after a 4.2% gain in the previous quarter. Home construction fell at an annual rate of 15.4% after contracting by 19.8% in the fourth quarter of 2006. U.S. consumer prices rose less than forecast in April, increasing 0.4% after climbing 0.6% in March. The core CPI, which excludes food and energy, rose 0.2% in April and 2.3% for the trailing twelve months. The Producer Price Index rose 0.7% in April on higher costs for energy and food. Excluding food and energy costs, prices were unexpectedly unchanged for the second month in a row. The PPI rose 3.2% from April 2006 while the core PPI only rose 1.5% from a year earlier. Housing starts rose 2.5% in April while building permits, an indication of future construction, slumped 8.9%. The housing slump is not expected to cease the six-year economic expansion as manufacturing continues to rebound.

The overnight lending rate remained at 5.25% in May after the Fed left rates unchanged at its last seven meetings. Higher inflation figures reduced the Fed's flexibility to respond to a crisis in subprime mortgages, where delinquencies have climbed to a four-year high. Fed officials continue to view inflation as the biggest risk to the economy. For the month of May, yields shifted higher across the curve with the exception of the 3-6 month Treasuries, which fell between 4 and 11 bps to 4.72% and 4.95%, respectively. The yield curve remained inverted at the belly of the curve. The 3-year Treasury yield rose the most in May, climbing 34 bps to 4.87%, while the 2- and 5-year Treasuries were not far behind, jumping 32-33 bps to 4.91% and 4.85%, respectively. The 10-year Treasury yield rose close to 27 bps to 4.89% as the 30-year Treasury yield broke through the 5.0% ceiling, increasing 20 bps. The yield spread between the 30-year Treasury and the 2-year Treasury narrowed to 10 bps.

Ninety-day T-Bills returned 0.44% in May, outperforming the -0.07% return of 1-3 Year Government Bonds. Year-to-date in 2007, 90-Day T-bills have earned 2.14%, while 1-3 Year Government Bonds have returned 1.70%. For the last 12 months, T-bills outperformed with a 5.19% return as 1-3 Year Government Bonds earned 4.83%.

### *Board Adds New CD Auctions*

The Board of Treasury Investments will increase the number of auctions held and add two new offerings for the placement of one-year certificates of deposit. The additional auctions will double the amount of money available to state banks. Approved state depositories with West Virginia branches are eligible to bid.

The ongoing competition for the funds and recent survey results indicate a need for more deposits and longer terms. Banks are using the deposits for both consumer and business loans.

The new auction schedule is:

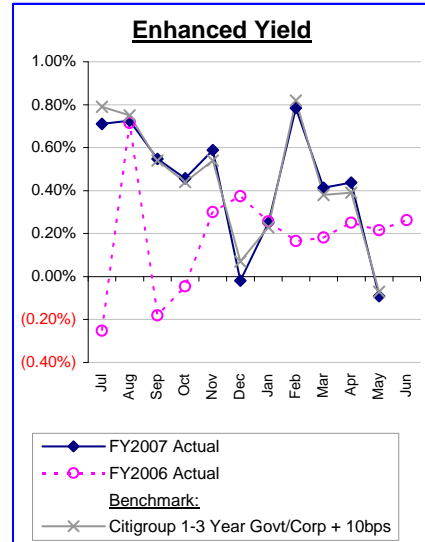
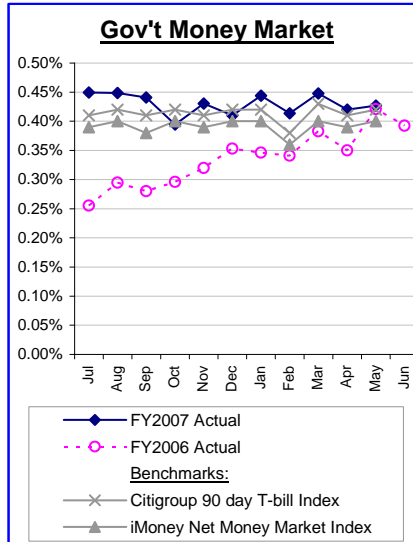
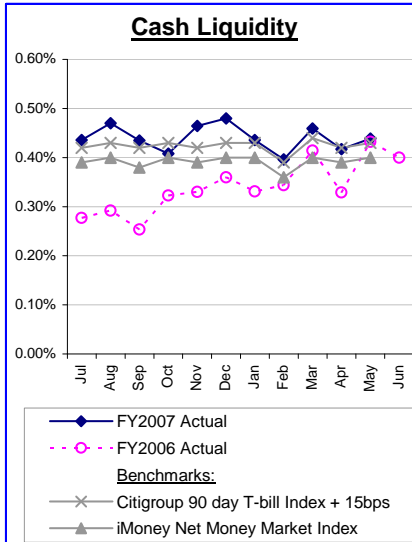
July 11, 2007	6 month CD
September 12, 2007	6 month CD
October 10, 2007	1 year CD
January 9, 2008	6 month CD
March 12, 2008	6 month CD
April 9, 2008	1 year CD

More information about the program can be found at [www.BidWVauction.com](http://www.BidWVauction.com)

# West Virginia Board of Treasury Investments

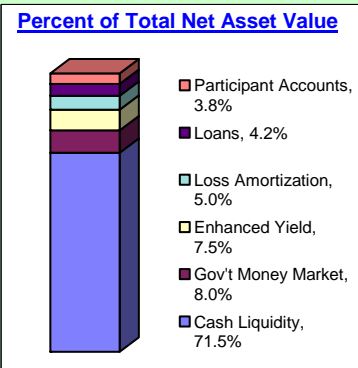
## Financial Highlights as of May 31, 2007

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



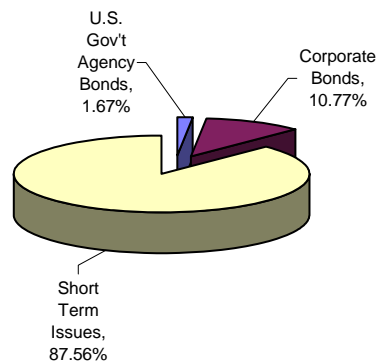
### Summary of Value and Earnings *(In Thousands)*

Pool	Asset Value	May Net Income (Loss)	Fiscal YTD Net Income (Loss)
Cash Liquidity	\$ 2,198,121	\$ 9,798	\$ 93,956
Gov't Money Market	246,744	1,074	9,857
Enhanced Yield	228,924	(176)	12,375
Loss Amortization	154,070	(1,735)	8,127
Loans	130,103	(1,691)	1,367
Participant Accounts	115,510	389	3,213
	<u>\$ 3,073,472</u>	<u>\$ 7,659</u>	<u>\$ 128,895</u>

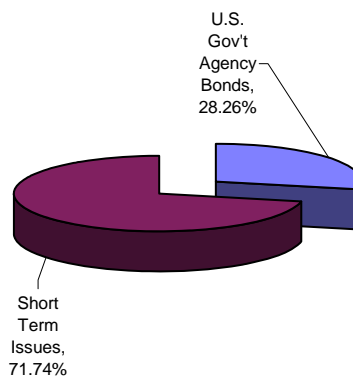


### Securities by Type for Operating Pools *(Percentage of Asset Value)*

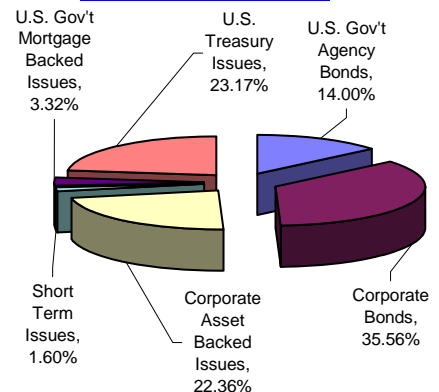
#### Cash Liquidity Pool



#### Gov't Money Market Pool



#### Enhanced Yield Pool



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

**MAY 31, 2007**

*(IN THOUSANDS)*

	<b>Cash Liquidity</b>	<b>Government Money Market</b>	<b>Enhanced Yield</b>	<b>Other Pools</b>	<b>Participant Directed Accounts</b>
<b>Assets</b>					
Investments:					
At amortized cost	\$ 2,210,323	\$ 246,349		\$ 129,702	\$ 49,720
At fair value	-	-	\$ 220,471	154,070	65,174
Collateral for securities loaned	286,904	41,149	72,653	-	-
Other assets	3,009	419	19,259	406	617
<b>Total assets</b>	<b>2,500,236</b>	<b>287,917</b>	<b>312,383</b>	<b>284,178</b>	<b>115,511</b>
<b>Liabilities</b>					
Payable for securities loaned	286,904	41,149	72,653	-	-
Other liabilities	15,211	24	10,806	5	1
<b>Total liabilities</b>	<b>302,115</b>	<b>41,173</b>	<b>83,459</b>	<b>5</b>	<b>1</b>
<b>Net Assets</b>	<b>\$ 2,198,121</b>	<b>\$ 246,744</b>	<b>\$ 228,924</b>	<b>\$ 284,173</b>	<b>\$ 115,510</b>
<b>Investment income</b>					
Interest and dividends	\$ 4,119	\$ 521	\$ 884	\$ 365	\$ 441
Securities lending income	1,011	142	389	-	-
Net accretion (amortization)	5,755	561	42	535	(10)
Provision for uncollectible loans	-	-	-	(2,051)	-
<b>Total investment income</b>	<b>10,885</b>	<b>1,224</b>	<b>1,315</b>	<b>(1,151)</b>	<b>431</b>
<b>Expenses</b>					
Fees	167	20	14	5	1
Securities lending borrower rebates	928	132	377	-	-
<b>Total expenses</b>	<b>1,095</b>	<b>152</b>	<b>391</b>	<b>5</b>	<b>1</b>
<b>Net investment income</b>	<b>9,790</b>	<b>1,072</b>	<b>924</b>	<b>(1,156)</b>	<b>430</b>
Net realized gain (loss)					
from investments	8	2	22	-	-
Net increase (decrease)					
in fair value of investments	-	-	(1,122)	(2,270)	(41)
<b>Net gain (loss) from investments</b>	<b>8</b>	<b>2</b>	<b>(1,100)</b>	<b>(2,270)</b>	<b>(41)</b>
<b>Net increase (decrease) in net assets from operations</b>	<b>9,798</b>	<b>1,074</b>	<b>(176)</b>	<b>(3,426)</b>	<b>389</b>
<b>Distributions to participants</b>	<b>9,798</b>	<b>1,074</b>	<b>924</b>	<b>(1,691)</b>	<b>-</b>
<b>Participant activity</b>					
Purchases, reinvestment of units and contributions	860,933	22,609	873	(1,691)	67
Redemptions and withdrawals	786,377	50,012	300	347	9,176
<b>Net increase (decrease) in net assets from participant activity</b>	<b>74,556</b>	<b>(27,403)</b>	<b>573</b>	<b>(2,038)</b>	<b>(9,109)</b>
Increase (decrease) in net assets	74,556	(27,403)	(527)	(3,773)	(8,720)
Net assets at beginning of period	2,123,565	274,147	229,451	287,946	124,230
<b>Net assets at end of period</b>	<b>\$ 2,198,121</b>	<b>\$ 246,744</b>	<b>\$ 228,924</b>	<b>\$ 284,173</b>	<b>\$ 115,510</b>