

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTES**

CD Auction

July 8, 2009

Board Meeting

August 13, 2009

## OPERATING REPORT

### MAY 2009

**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

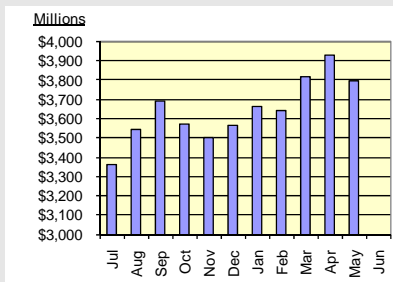
Chief Financial Officer  
Kara K. Brewer,  
CPA, MBA

### Total Net Assets Under Management

**\$3,793,322,000**

Last Month  
**\$3,926,217,000**

Beginning of Fiscal Year  
**\$3,364,534,000**



**12.7% Growth This Fiscal Year**

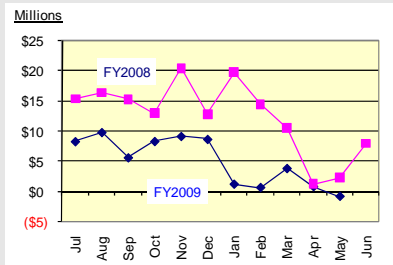
### Total Net Income & Gains

**This Month**

**\$(865,000)\***

**Fiscal Year**

**\$55,146,000**



**Fiscal Year Comparison**

\*Net Loss due to write down on Venture Capital Loans held in the State Loan Pool

### Money Market Pools

As of May 31, 2009

Pool	1-Day Yield *	7-Day Yield *	30-Day Avg. Yield *	W.A.M. **	Assets
WV Money Market	.3120%	.3195%	.3755%	45 Days	\$2.7 Billion
WV Gov't Money Market	.1527%	.1612%	.1825%	49 Days	\$332.6 Million

\* Yields represent the simple money market yield net of fees.

\*\* W.A.M. is the weighted average maturity.

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## THE ECONOMIC STATE

### MAY 2009

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## Signs Indicate an Economic Rebound Has Begun

The aggressive fiscal policies, liberal monetary policy, massive liquidity injections into the banking system, deleveraging of corporate balance sheets, and low interest rates have all helped the U.S. economy avert a major collapse. In fact, many of the economic reports continue to indicate that the worst is now behind us and an economic rebound has begun.

Although the economic news is encouraging, many investors continue to remain cautious choosing to sit on cash awaiting a stock market pull-back from its upturn over recent months. This was anecdotally supported by a recent Wall Street Journal article that pointed out that the value of money market funds exceeded stock funds in May for the first time in 16 years.

The budding recovery can be seen in the moderating job losses which fell to 345,000 in May from a revised 504,000 in April. However the unemployment rate continued to rise hitting 9.4% in May, the highest level since 1983 and many believe this will top out at above 10% before it is over.

While investors remain cautious, the consumer appears optimistic as retail sales rose for the third time in five months in May and consumer sentiment rose again in June marking the fourth straight monthly increase and, while below forecasts, is now at its highest point in nine months. However, rising gasoline prices (now up 54% from January) and higher mortgage rates have the potential to undermine early signs of stabilization in household spending.

While mortgage rates are inching upward, the housing market showed signs of a rebound amid a rash of unexpected gains in May. Home starts, which measure new residential construction, increased 17% in May, far exceeding the expected rate of 7%. Building permits, a leading indicator of future building activity, also beat forecasts rising 4%.

Record levels of US Treasury debt issuance continued in May and when combined with improving financial and economic conditions, led to higher interest rates across the yield curve as some of the previous "flight to quality" premium was taken out of the Treasury market. The largest rate increases occurred at the long end of the curve with the 10 year note closing up 34 bps to 3.46% and the 30-year bond ending up 31 bps to 4.34%.

At month end, spreads across the front of the yield-curve (2-10 year) had widened by 32 bps to 254 bps, while yields at the back end of the curve (10-30 year) contracted slightly to 88 bps.

The Barclays Capital Aggregate Index returned 0.73% during the month, while all spread sectors outperformed their same-duration Treasury issues. ABS and CMBS both continued to rally due to the favorable technicals that are driven by government support via the implementation of the TALF program.

The Merrill Lynch 3-Month T-Bill Index returned 0.02% in May trailing the 0.57% return of the Merrill Lynch 1-3 Year Government / Corporate A+ Index. Year to date, the 3-Month T-Bills returned 0.08% while the 1-3 Year Government / Corporate Index A+ returned 1.2%.

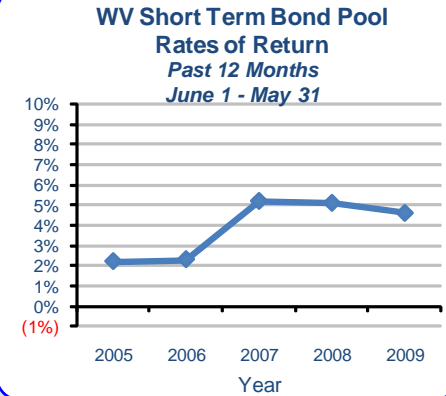
# West Virginia Board of Treasury Investments

## Financial Highlights as of May 31, 2009

### WV Short Term Bond Pool

#### Rates of Return for the Past 12 Months *Net of All Fees*

June 1 - May 31	Return	Net Assets At May 31 <i>(In Millions)</i>
2009	4.6%	\$ 326.2
2008	5.1%	\$ 355.4
2007	5.2%	\$ 228.9
2006	2.3%	\$ 265.9
2005	2.2%	\$ 260.4

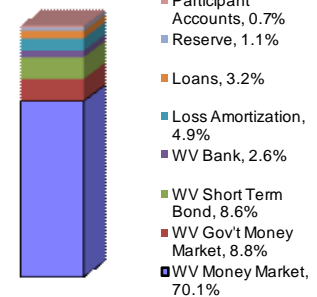


*Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool*

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

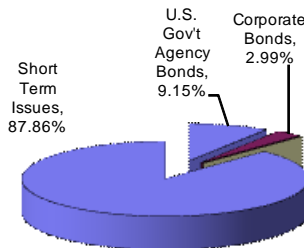
Pool	Net Asset Value	May Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 2,658,567	\$ 864	\$ 29,272
WV Gov't Money Market	332,581	52	2,334
WV Short Term Bond	326,243	1,207	10,037
WV Bank	100,152	59	1,970
Loss Amortization	184,513	223	12,436
Loans	119,787	(3,314)	(1,885)
Reserve	44,135	38	133
Participant Accounts	27,344	6	849
	<u>\$ 3,793,322</u>	<u>\$ (865)</u>	<u>\$ 55,146</u>

#### Percent of Total Net Asset Value

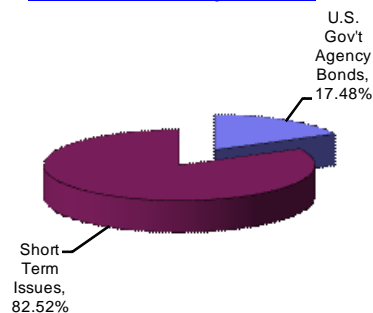


### Securities by Type for Operating Pools *(Percentage of Asset Value)*

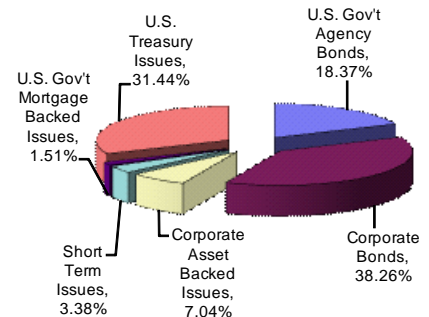
#### WV Money Market



#### WV Gov't Money Market



#### WV Short Term Bond



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

**MAY 31, 2009**

*(IN THOUSANDS)*

	<b>WV Money Market Pool</b>	<b>WV Government Money Market Pool</b>	<b>WV Short Term Bond Pool</b>	<b>WV Bank Pool</b>	<b>Other Pools</b>	<b>Participant Directed Accounts</b>
<b>Assets</b>						
<b>Investments:</b>						
At amortized cost	\$ 2,657,614	\$ 332,509		\$ 100,000	\$ 163,501	\$ 24,129
At fair value	-	-	\$ 329,189	-	184,513	3,048
Cash	-	-	-	-	-	-
Collateral for securities loaned	248,858	-	114,562	-	-	-
Other assets	1,186	103	2,131	152	425	168
<b>Total assets</b>	<b>2,907,658</b>	<b>332,612</b>	<b>445,882</b>	<b>100,152</b>	<b>348,439</b>	<b>27,345</b>
<b>Liabilities</b>						
Payable for securities loaned	248,858	-	114,562	-	-	-
Other liabilities	233	31	5,077	-	4	1
<b>Total liabilities</b>	<b>249,091</b>	<b>31</b>	<b>119,639</b>	<b>-</b>	<b>4</b>	<b>1</b>
<b>Net Assets</b>	<b>\$ 2,658,567</b>	<b>\$ 332,581</b>	<b>\$ 326,243</b>	<b>\$ 100,152</b>	<b>\$ 348,435</b>	<b>\$ 27,344</b>
<b>Investment income</b>						
Interest and dividends	\$ 498	\$ 63	\$ 929	\$ 59	\$ 426	\$ 73
Securities lending income	-	-	-	-	-	-
Provision for securities lending loss	(176)	(65)	(243)	-	-	-
Net accretion (amortization)	686	76	(112)	-	581	(13)
Provision for uncollectible loans	-	-	-	-	(3,698)	-
<b>Total investment income</b>	<b>1,008</b>	<b>74</b>	<b>574</b>	<b>59</b>	<b>(2,691)</b>	<b>60</b>
<b>Expenses</b>						
Fees	147	22	35	-	4	1
Securities lending borrower rebates	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-
<b>Total expenses</b>	<b>147</b>	<b>22</b>	<b>35</b>	<b>-</b>	<b>4</b>	<b>1</b>
<b>Net investment income</b>	<b>861</b>	<b>52</b>	<b>539</b>	<b>59</b>	<b>(2,695)</b>	<b>59</b>
Net realized gain (loss) from investments	3	-	549	-	-	-
Net increase (decrease) in fair value of investments	-	-	119	-	(358)	(53)
<b>Net gain (loss) from investments</b>	<b>3</b>	<b>-</b>	<b>668</b>	<b>-</b>	<b>(358)</b>	<b>(53)</b>
<b>Net increase (decrease) in net assets from operations</b>	<b>864</b>	<b>52</b>	<b>1,207</b>	<b>59</b>	<b>(3,053)</b>	<b>6</b>
<b>Distributions to participants</b>	<b>1,499</b>	<b>50</b>	<b>1,088</b>	<b>59</b>	<b>(3,276)</b>	<b>-</b>
<b>Participant activity</b>						
Purchases, reinvestment of units and contributions	600,701	16,702	612	59	1,291	1,085
Redemptions and withdrawals	693,544	53,650	150	-	3,693	2,022
Inter-pool transfers in	25,000	-	-	50,000	-	-
Inter-pool transfers out	50,000	-	-	25,000	-	-
<b>Net increase (decrease) in net assets from participant activity</b>	<b>(117,843)</b>	<b>(36,948)</b>	<b>462</b>	<b>25,059</b>	<b>(2,402)</b>	<b>(937)</b>
Increase (decrease) in net assets	(118,478)	(36,946)	581	25,059	(2,179)	(931)
Net assets at beginning of period	2,777,045	369,527	325,662	75,093	350,614	28,275
<b>Net assets at end of period</b>	<b>\$ 2,658,567</b>	<b>\$ 332,581</b>	<b>\$ 326,243</b>	<b>\$ 100,152</b>	<b>\$ 348,435</b>	<b>\$ 27,344</b>