

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTES**

Next Board Meeting  
January 25, 2007  
Next CD Auction  
February 20, 2007

## OPERATING REPORT DECEMBER 2006

**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

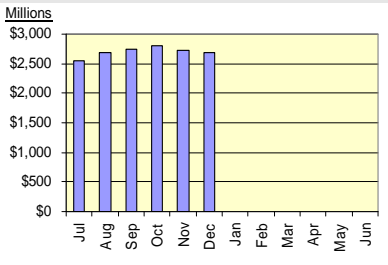
Chief Financial Officer

Kara K. Brewer,

**Total Net Assets Under Management**  
**\$2,698,002,000**

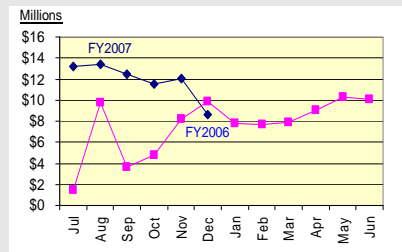
Last Month  
**\$2,724,671,000**

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



**8.7% Growth This Fiscal Year**

**Total Net Income & Gains**  
**This Month \$8,664,000**  
**Fiscal Year \$71,417,000**

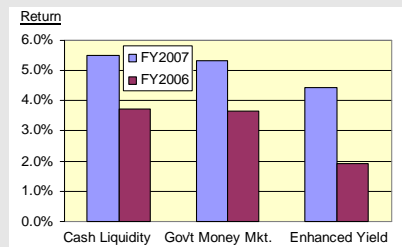


**Outpacing Last Year**

**Effective Rates of Return**

*Time Weighted, Annualized, Net of All Fees*

	Dec. 2006	Fiscal Year to Date 2007	Fiscal Year to Date 2006
<b>Cash Liquidity</b>	<b>5.7%</b>	<b>5.5%</b>	<b>3.7%</b>
<b>Gov't Money Mkt</b>	<b>5.3%</b>	<b>5.3%</b>	<b>3.7%</b>
	<b>Fiscal Year 2007 (Past 12 Months)</b>	<b>Fiscal Year 2006 (Past 12 Months)</b>	
<b>Enhanced Yield</b>	<b>4.4%</b>	<b>1.9%</b>	



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**  
**DECEMBER 2006**

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**Consumer Spending, Business Investment Grow**

*~~Jobs increase more than expected~~*  
*Treasury yields shift higher*

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The U.S. unemployment rate held at 4.5% in December from a five-year low of 4.4% in October. The U.S. economy added more jobs in December than expected with an increase of 167,000, which followed a revised gain of 154,000 in November. The U.S. economy expanded at a final 2.0% annual rate in the third quarter, down from a 2.2% estimate in November. Third quarter GDP was dragged down by the biggest decline in home building in 15 years. Consumer spending and business fixed investment grew at a healthy pace. U.S. consumer prices were unchanged in November after falling -0.5% in October and September. The core CPI, which excludes food and energy, also was unchanged from the previous month. Through November, consumer prices rose at a 2.2% rate, compared with a 3.8% rate in the same period last year. Core prices rose 2.6% for the eleven-month period, compared with a 2.2% gain for the same period last year. The Producer Price Index climbed 2.0% in November, the largest increase since 1974. The increase followed a -1.6% decline in October and a -1.3% decline in September. Through November, producer prices rose at a 0.3% annual rate, compared with 5.3% in the same eleven months last year. Core prices rose at a 2.0% rate, after a 1.6% pace during the same period last year. Housing starts rose 6.7% in November, greater than forecast, suggesting the most severe housing slowdown since 1990 may be nearing a bottom. However, near-record inventories of unsold homes are expected to impede home construction well into 2007.

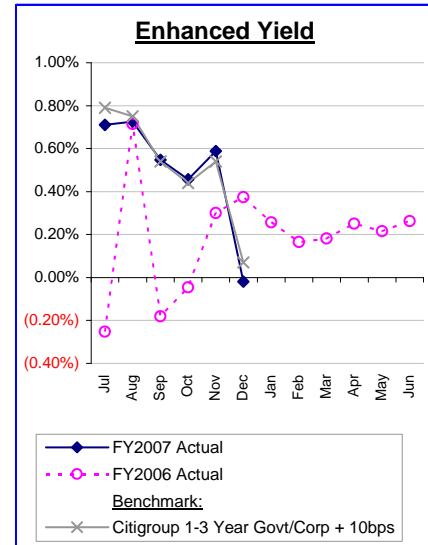
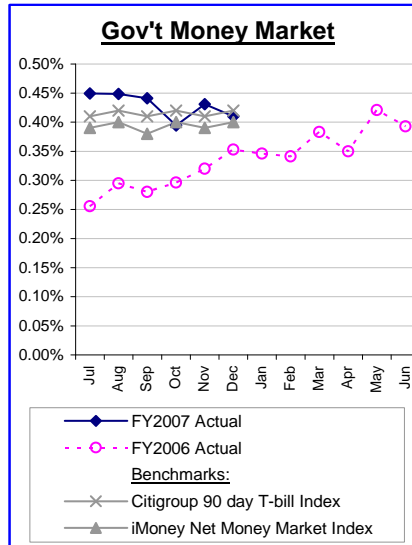
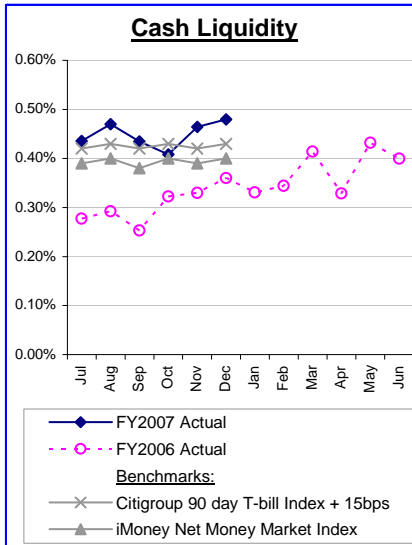
The overnight lending rate remained at 5.25% in December after the Fed left rates unchanged at its last four meetings. Moderating inflation at both the consumer and producer level continued to validate the pause. For the month of December, yields shifted higher across the curve increasing 20-25 bps from the 2- through 30-year Treasuries. The yield curve remained inverted at the belly of the curve. The 5-year and 30-year Treasury yields jumped 25 bps to 4.69% and 4.81%, respectively. The 10-year Treasury yield rose 24 bps to 4.70% while the 3-year Treasury yield increased 23 bps to 4.73%. The 2-year Treasury yield rose 20 bps to 4.81%. The yield spread between the 30-year Treasury and the 2-year Treasury was flat.

Ninety-Day T-Bills returned 0.44% in December, outperforming the 0.02% return of 1-3 Year Government Bonds. During 2006, T-bills outperformed with a 4.84% return as 1-3 Year Government Bonds earned 3.96%.

# West Virginia Board of Treasury Investments

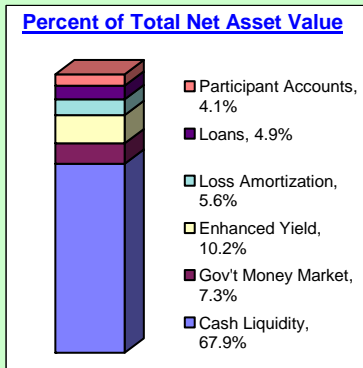
## Financial Highlights as of December 31, 2006

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



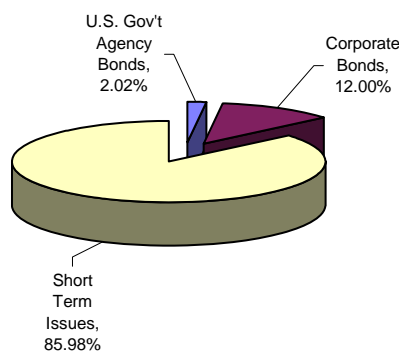
### Summary of Value and Earnings *(In Thousands)*

Pool	Asset Value	Dec. Net Income (Loss)	Fiscal YTD Net Income (Loss)
Cash Liquidity	\$ 1,830,767	\$ 8,378	\$ 48,873
Gov't Money Market	197,987	859	4,955
Enhanced Yield	274,992	(19)	8,130
Loss Amortization	152,467	(1,245)	6,524
Loans	131,923	357	1,694
Participant Accounts	109,866	334	1,241
	<u>\$ 2,698,002</u>	<u>\$ 8,664</u>	<u>\$ 71,417</u>

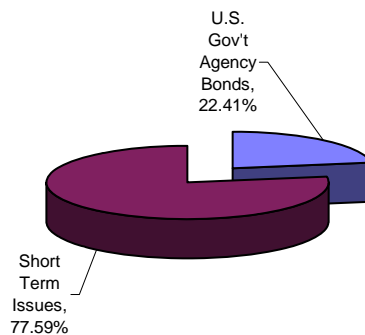


### Securities by Type for Operating Pools *(Percentage of Asset Value)*

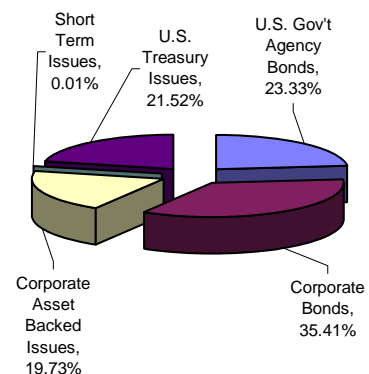
#### Cash Liquidity Pool



#### Gov't Money Market Pool



#### Enhanced Yield Pool



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

**DECEMBER 31, 2006**

*(IN THOUSANDS)*

	<u>Cash Liquidity</u>	<u>Government Money Market</u>	<u>Enhanced Yield</u>	<u>Other Pools</u>	<u>Participant Directed Accounts</u>
<b>Assets</b>					
Investments:					
At amortized cost	\$ 1,825,904	\$ 197,753		\$ 131,526	\$ 28,094
At fair value	-	-	\$ 273,649	152,467	81,160
Collateral for securities loaned	299,331	41,853	131,388	-	-
Other assets	5,110	259	2,345	402	614
<b>Total assets</b>	<u>2,130,345</u>	<u>239,865</u>	<u>407,382</u>	<u>284,395</u>	<u>109,868</u>
<b>Liabilities</b>					
Payable for securities loaned	299,331	41,853	131,388	-	-
Other liabilities	247	25	1,002	5	2
<b>Total liabilities</b>	<u>299,578</u>	<u>41,878</u>	<u>132,390</u>	<u>5</u>	<u>2</u>
<b>Net Assets</b>	<u>\$ 1,830,767</u>	<u>\$ 197,987</u>	<u>\$ 274,992</u>	<u>\$ 284,390</u>	<u>\$ 109,866</u>
<b>Investment income</b>					
Interest and dividends	\$ 3,484	\$ 402	\$ 930	\$ 361	\$ 394
Securities lending income	1,439	138	574	-	-
Net accretion (amortization)	5,006	467	29	544	(14)
Provision for uncollectible loans	-	-	-	-	-
<b>Total investment income</b>	<u>9,929</u>	<u>1,007</u>	<u>1,533</u>	<u>905</u>	<u>380</u>
<b>Expenses</b>					
Fees	138	14	33	4	1
Securities lending borrower rebates	1,419	135	559	-	-
<b>Total expenses</b>	<u>1,557</u>	<u>149</u>	<u>592</u>	<u>4</u>	<u>1</u>
<b>Net investment income</b>	<u>8,372</u>	<u>858</u>	<u>941</u>	<u>901</u>	<u>379</u>
Net realized gain (loss)					
from investments	6	1	(213)	-	-
Net increase (decrease)					
in fair value of investments	-	-	(747)	(1,789)	(45)
<b>Net gain (loss) from investments</b>	<u>6</u>	<u>1</u>	<u>(960)</u>	<u>(1,789)</u>	<u>(45)</u>
<b>Net increase (decrease) in net assets from operations</b>	<u>8,378</u>	<u>859</u>	<u>(19)</u>	<u>(888)</u>	<u>334</u>
<b>Distributions to participants</b>	<u>8,328</u>	<u>860</u>	<u>941</u>	<u>357</u>	<u>-</u>
<b>Participant activity</b>					
Purchases, reinvestment of units and contributions	626,059	28,892	1,115	357	2,723
Redemptions and withdrawals	652,409	26,780	60	-	4,745
<b>Net increase (decrease) in net assets from participant activity</b>	<u>(26,350)</u>	<u>2,112</u>	<u>1,055</u>	<u>357</u>	<u>(2,022)</u>
Increase (decrease) in net assets	(26,300)	2,111	95	(888)	(1,688)
Net assets at beginning of period	1,857,067	195,876	274,897	285,278	111,554
<b>Net assets at end of period</b>	<u>\$ 1,830,767</u>	<u>\$ 197,987</u>	<u>\$ 274,992</u>	<u>\$ 284,390</u>	<u>\$ 109,866</u>