

BOARD OF TREASURY INVESTMENTS

CALENDAR NOTES

Next Board Meeting
October 26, 2006

Next CD Auction
November 21, 2006

OPERATING REPORT AUGUST 2006

Board of Treasury Investments

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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

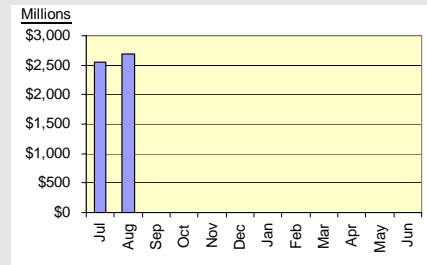
Total Net Assets Under Management

(Thousands)

\$2,688,233

Last Month
\$2,556,791

Beginning of Fiscal Year
\$2,481,176



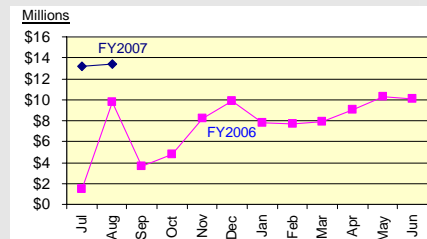
8.3% Growth This Fiscal Year

Total Net Income & Gains

(Thousands)

This Month \$13,424

Fiscal Year \$26,656

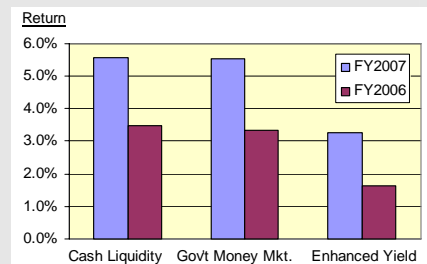


137.1% Over Last Year

Effective Rates of Return

Time Weighted, Annualized, Net of All Fees

	Aug. <u>2006</u>	Fiscal Year <u>2007</u>	Fiscal Year <u>2006</u>
Cash Liquidity	5.8%	5.6%	3.5%
Gov't Money Mkt	5.5%	5.5%	3.4%
Enhanced Yield	3.3%	3.3%	1.6%



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

AUGUST 2006

Economic Growth Remains Slow

The U.S. unemployment rate dropped from 4.8% to 4.7% in August while manufacturing expanded. The U.S. economy added 128,000 jobs in August which followed a revised 121,000 increase in July. The economy grew at a revised 2.9% annual rate in the second quarter, up from the 2.5% reported in July. Consumer spending rose at a 2.6% annual rate in the second quarter as a slowdown in housing and higher interest rates discouraged spending. Business fixed investment rose at a revised 4.7% annual rate for the quarter, after rising 13.7% in the first quarter. The CPI rose 0.4% in July, after a 0.2% increase in June. The core CPI, which excludes food and energy, rose at the slowest pace in five months, up 0.2% after rising 0.3% in the last four months. Consumer prices are up at an annual rate of 4.8% in the first seven months of the year while core prices are rising at an annual rate of 3.1%. The Producer Price Index rose 0.1% in July, after a 0.5% rise in June. The core PPI, which excludes food and energy costs, unexpectedly fell in July, dropping 0.3%, the first decrease since October. So far this year, the PPI is rising at a 2.1% annualized rate and core producer prices are increasing at a 2.2% annual rate. Home construction fell at an annual rate of 9.8% in the second quarter, the biggest drop since 1995.

The overnight lending rate remained at 5.25% in August. The Fed met on August 8, 2006 and left the rate unchanged, ending the two-year tightening cycle. The Fed raised rates a consecutive seventeen times, the longest stretch of increases in more than 25 years. With the core inflation figures rising, the Fed remains concerned with inflation risks and has not ruled out a hike in September. For the month of August, yields trended lower as the outlook for more Fed tightening diminished as slower economic growth became the center of attention. The 2-year Treasury yield fell 18 bps in August to 4.78% while the 30-year Treasury yield dropped 19 bps to 4.88%, resulting in the spread remaining about 11 bps at the end of the month, still historically tight. The 3- and 5-year Treasury yields fell approximately 21 bps in August to 4.70% and 4.69%, respectively. The 10-year Treasury yield dropped 25 bps to 4.73%.

Ninety-Day T-Bills returned 0.44% in August, underperforming the 0.70% return of 1-3 Year Government Bonds. Year-to-date in 2006, T-bills continued to outperform with a 3.07% return as 1-3 Year Government Bonds earned 2.48%.

Hancock Invests \$1 Million

The BTI kicked off its Outreach Program in August and met with immediate results, as Hancock County made the decision to invest \$1 million with the board. Hancock officials will now earn \$1,000 more a week than they were making under their previous investment plan.

This is just the beginning. Counties, cities and other political subdivisions will become convinced to entrust their investment funds with the BTI. The BTI's short-term investments are a wise choice, for these reasons:

- Safety – high quality, low-risk investments
- Liquidity – daily access to funds
- Competitive rates – generally higher than local governments can obtain on their own
- Professional management – credentialed staff, national advisors
- Low initial investment – open an account with \$100
- Investor friendly -- no transaction or account maintenance fees

The Outreach Program is designed to increase awareness of BTI investment opportunities; to learn more about shareholder needs; and to develop individual solutions, on a case-by-case basis, for maximizing public fund investments.

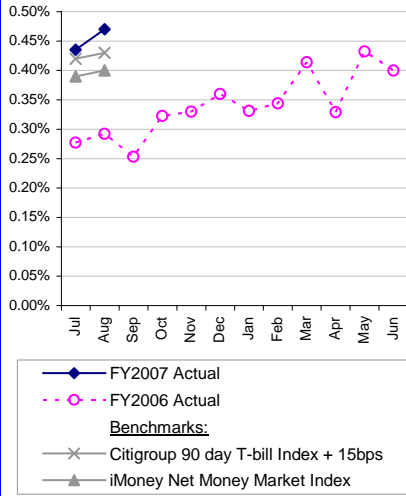
BTI investment pools are promoted through presentations, exhibits and personal contact. To date the BTI has exhibited at annual conferences of the West Virginia Bankers' Association, the Municipal League, and the West Virginia Sheriffs' Association.

West Virginia Board of Treasury Investments

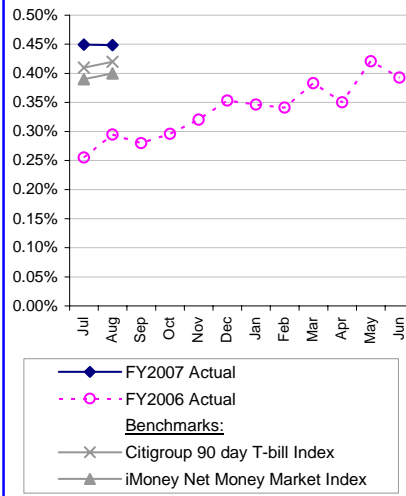
Financial Highlights as of August 31, 2006

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

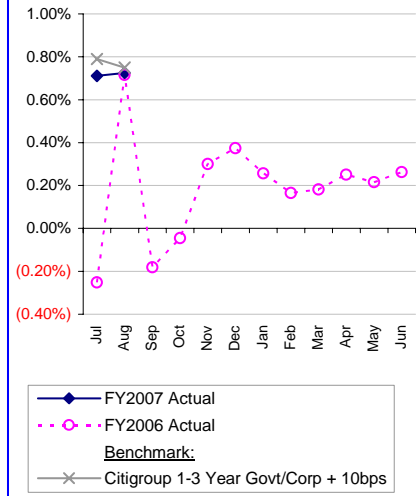
Cash Liquidity



Gov't Money Market



Enhanced Yield



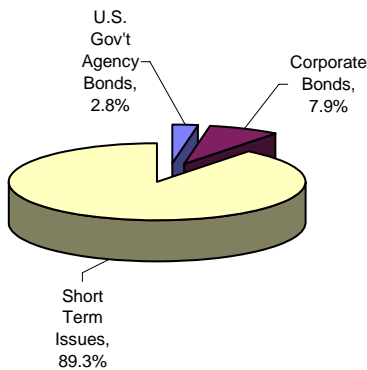
Summary of Value and Earnings *(In Thousands)*

Pool	Asset Value	August Net Income (Loss)	Fiscal YTD Net Income (Loss)	August Rate of Return	Fiscal YTD Rate of Return	Past 12 Month Rate of Return
Cash Liquidity	\$ 1,880,606	\$ 7,965	\$ 15,702	0.47%	0.91%	4.52%
Gov't Money Market	213,332	835	1,604	0.45%	0.90%	4.47%
Enhanced Yield	270,938	1,946	3,846	0.73%	1.44%	3.26%
Loss Amortization	150,431	2,168	4,488			
Loans	140,012	389	788			
Participant Accounts	32,914	121	228			
	<u>\$ 2,688,233</u>	<u>\$ 13,424</u>	<u>\$ 26,656</u>			

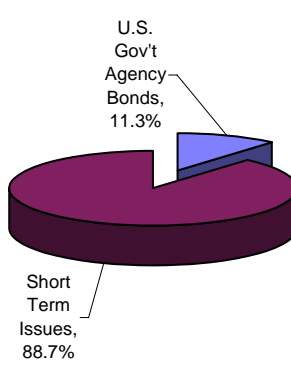
(Rates of return are net of fees and are presented only for pooled accounts.)

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

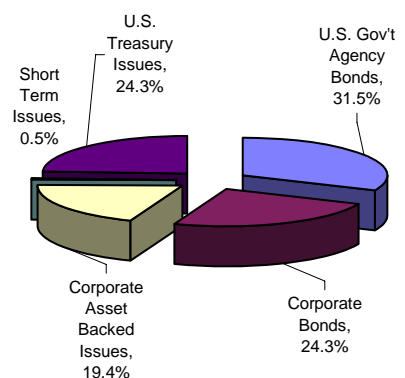
Cash Liquidity Pool



Gov't Money Market Pool



Enhanced Yield Pool



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

AUGUST 31, 2006

(IN THOUSANDS)

	Cash Liquidity	Government Money Market	Enhanced Yield	Other Pools	Participant Directed Accounts
Assets					
Investments:					
At amortized cost	\$ 1,927,480	\$ 233,015		\$ 139,575	\$ 28,355
At fair value	-	-	\$ 270,744	150,431	4,310
Collateral for securities loaned	330,366	36,937	132,816	-	-
Other assets	3,216	296	10,225	442	251
Total assets	2,261,062	270,248	413,785	290,448	32,916
Liabilities					
Payable for securities loaned	330,366	36,937	132,816	-	-
Other liabilities	50,090	19,979	10,031	5	2
Total liabilities	380,456	56,916	142,847	5	2
Net Assets	\$ 1,880,606	\$ 213,332	\$ 270,938	\$ 290,443	\$ 32,914
Investment income					
Interest and dividends	\$ 3,122	\$ 332	\$ 1,007	\$ 394	\$ 94
Securities lending income	1,466	193	590	-	-
Net accretion (amortization)	4,949	513	38	519	(10)
Provision for uncollectible loans	-	-	-	-	-
Total investment income	9,537	1,038	1,635	913	84
Expenses					
Fees	144	15	28	5	1
Securities lending borrower rebates	1,428	188	585	-	-
Total expenses	1,572	203	613	5	1
Net investment income	7,965	835	1,022	908	83
Net realized gain (loss)					
from investments	-	-	(172)	-	-
Net increase (decrease)					
in fair value of investments	-	-	1,096	1,649	38
Net gain (loss) from investments	-	-	924	1,649	38
Net increase (decrease) in net assets from operations	7,965	835	1,946	2,557	121
Distributions to participants	7,955	835	1,022	388	-
Participant activity					
Purchases, reinvestment of units and contributions	779,396	48,215	1,594	388	353
Redemptions and withdrawals	681,829	19,572	-	-	326
Net increase (decrease) in net assets from participant activity	97,567	28,643	1,594	388	27
Increase (decrease) in net assets	97,577	28,643	2,518	2,557	148
Net assets at beginning of period	1,783,029	184,689	268,420	287,886	32,766
Net assets at end of period	\$ 1,880,606	\$ 213,332	\$ 270,938	\$ 290,443	\$ 32,914