

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTES**

Next Board Meeting  
October 26, 2006

Next CD Auction  
November 21, 2006

## OPERATING REPORT SEPTEMBER 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**

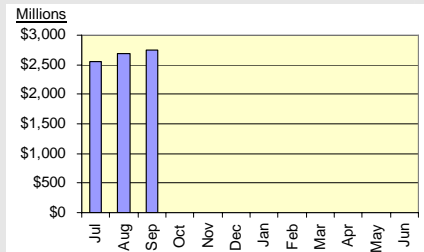
Executive  
Director  
Glenda Probst,  
CPA, CTP

Chief Financial  
Officer  
Kara K. Brewer,  
CPA, MBA

**Total Net Assets Under Management**  
*(Thousands)*  
**\$2,737,768**

Last Month  
**\$2,688,233**

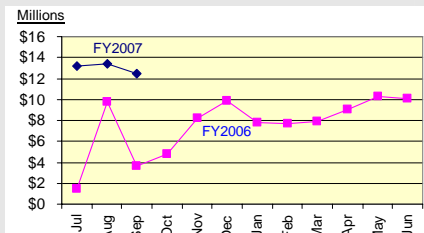
Beginning of Fiscal Year  
**\$2,481,176**



**10.3% Growth This Fiscal Year**

**Total Net Income & Gains**  
*(Thousands)*

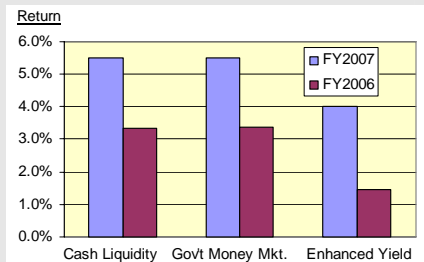
**This Month \$12,503**  
**Fiscal Year \$39,160**



**163.7% Over Last Year**

**Effective Rates of Return**  
*Time Weighted, Annualized, Net of All Fees*

	Sept. 2006	Fiscal Year 2007	Fiscal Year 2006
Cash Liquidity	5.3%	5.5%	3.3%
Gov't Money Mkt	5.4%	5.5%	3.4%
Enhanced Yield	Fiscal Year 2007 (Past 12 Months) 4.0%	Fiscal Year 2006 (Past 12 Months) 1.5%	



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**  
**SEPTEMBER 2006**

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**Economic Growth Remains Slow**

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*Unemployment rate at 5-year low*  
*Consumer, core prices increase*  
*Treasury yields fall*

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The U.S. unemployment rate unexpectedly dropped from 4.7% to 4.6% in September, matching a five-year low. The U.S. economy added 51,000 jobs in September which followed a revised 188,000 increase in August, 50% larger than previously reported. The economy grew at a revised 2.6% annual rate in the second quarter, down from the 2.9% reported in August. 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 4.4% annual rate for the quarter, after rising 13.7% in the first quarter. The CPI rose 0.2% in August, after a 0.4% increase in July. The core CPI, which excludes food and energy, rose 0.2% for the second consecutive month. Consumer prices rose 3.8% during the last twelve months ending in August while core prices rose 2.8% for the one-year period, the biggest twelve-month jump since November 2001. The Producer Price Index rose 0.1% in August, less than expected and matching July's increase. Excluding food and energy costs, core prices fell -0.4% after a -0.3% drop in July. The back-to-back declines in core prices were the first since the end of 2002. The PPI rose 3.7% over the trailing twelve months while core prices only rose 0.9%. Housing starts dropped 6.0% in August, reaching a three-year low while existing home prices fell 1.7% year-over-year in August, marking the first decline since April 1995 and the second largest drop on record.

The Fed left the overnight lending rate at 5.25% in September, the second pause after raising rates a consecutive seventeen times, the longest stretch of increases in more than 25 years. Moderating inflation at both the consumer and producer level has allowed the Fed to take a break. For the month of September, yields shifted lower in almost parallel fashion, dropping approximately 11 basis points ("bps"). The 2-year Treasury yield fell 10 bps in September to 4.68% while the 30-year Treasury yield dropped 12 bps to 4.76%, resulting in the spread narrowing to 8 bps at the end of the month, still historically tight. The 3- and 5-year Treasury yields fell approximately 11 bps in September to 4.61% and 4.58%, respectively. The 10-year Treasury yield dropped 10 bps to 4.63%.

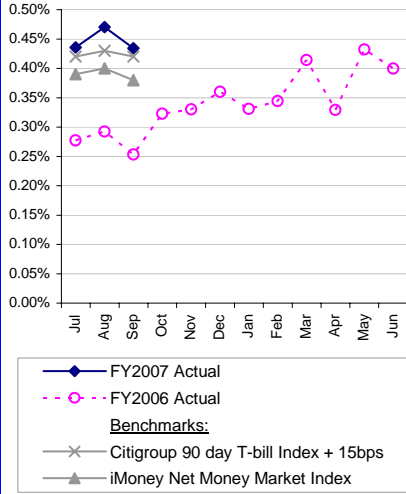
Ninety-Day T-Bills returned 0.46% in September, underperforming the 0.52% return of 1-3 Year Government Bonds. Year-to-date in 2006, T-bills continued to outperform with a 3.54% return as 1-3 Year Government Bonds earned 3.02%. Year-to-date in 2006, T-bills continued to outperform with a 3.07% return as 1-3 Year Government Bonds earned 2.48%.

# West Virginia Board of Treasury Investments

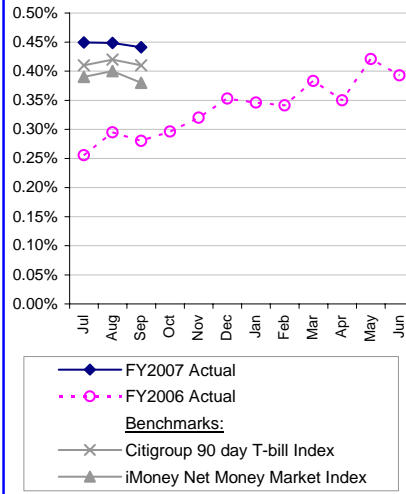
## Financial Highlights as of September 30, 2006

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

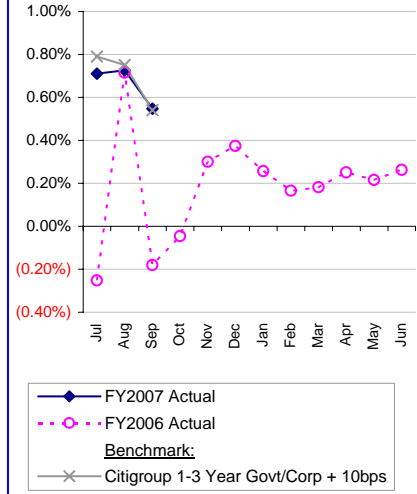
#### Cash Liquidity



#### Gov't Money Market



#### Enhanced Yield



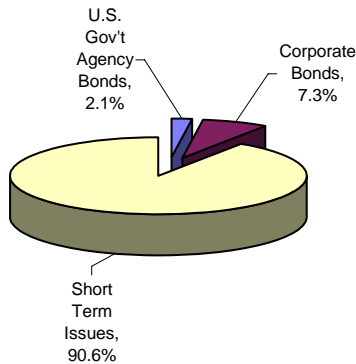
### Summary of Value and Earnings *(In Thousands)*

Pool	Asset Value	Sept. Net Income (Loss)	Fiscal YTD Net Income (Loss)	Sept. Rate of Return	Fiscal YTD Rate of Return	Past 12 Month Rate of Return
Cash Liquidity	\$ 1,932,886	\$ 8,532	\$ 24,234	0.44%	1.35%	4.70%
Gov't Money Market	208,280	861	2,466	0.44%	1.35%	4.64%
Enhanced Yield	272,132	1,460	5,307	0.55%	2.00%	4.02%
Loss Amortization	151,600	1,169	5,657			
Loans	140,178	384	1,172			
Participant Accounts	32,692	97	325			
	<u>\$ 2,737,768</u>	<u>\$ 12,503</u>	<u>\$ 39,161</u>			

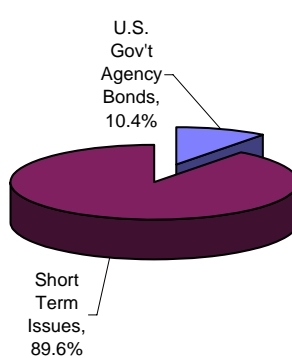
*(Rates of return are net of fees and are presented only for pooled accounts.)*

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

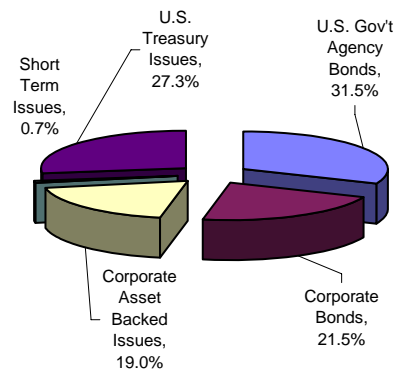
#### Cash Liquidity Pool



#### Gov't Money Market Pool



#### Enhanced Yield Pool



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

**SEPTEMBER 30, 2006**

*(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	\$ 1,947,543	\$ 208,212		\$ 139,754	\$ 28,004
At fair value	-	-	\$ 270,813	151,600	4,361
Collateral for securities loaned	241,078	32,097	141,120	-	-
Other assets	3,663	101	7,444	434	329
<b>Total assets</b>	<b>2,192,284</b>	<b>240,410</b>	<b>419,377</b>	<b>291,788</b>	<b>32,694</b>
<b>Liabilities</b>					
Payable for securities loaned	241,078	32,097	141,120	-	-
Other liabilities	18,320	33	6,125	10	2
<b>Total liabilities</b>	<b>259,398</b>	<b>32,130</b>	<b>147,245</b>	<b>10</b>	<b>2</b>
<b>Net Assets</b>	<b>\$ 1,932,886</b>	<b>\$ 208,280</b>	<b>\$ 272,132</b>	<b>\$ 291,778</b>	<b>\$ 32,692</b>
<b>Investment income</b>					
Interest and dividends	\$ 3,135	\$ 295	\$ 971	\$ 389	\$ 88
Securities lending income	1,336	144	667	-	-
Net accretion (amortization)	5,508	576	34	504	(10)
Provision for uncollectible loans	-	-	-	-	-
<b>Total investment income</b>	<b>9,979</b>	<b>1,015</b>	<b>1,672</b>	<b>893</b>	<b>78</b>
<b>Expenses</b>					
Fees	149	15	33	5	1
Securities lending borrower rebates	1,307	141	652	-	-
<b>Total expenses</b>	<b>1,456</b>	<b>156</b>	<b>685</b>	<b>5</b>	<b>1</b>
<b>Net investment income</b>	<b>8,523</b>	<b>859</b>	<b>987</b>	<b>888</b>	<b>77</b>
Net realized gain (loss)					
from investments	9	2	(201)	-	-
Net increase (decrease)					
in fair value of investments	-	-	674	665	20
<b>Net gain (loss) from investments</b>	<b>9</b>	<b>2</b>	<b>473</b>	<b>665</b>	<b>20</b>
<b>Net increase (decrease) in net assets from operations</b>	<b>8,532</b>	<b>861</b>	<b>1,460</b>	<b>1,553</b>	<b>97</b>
<b>Distributions to participants</b>	<b>8,532</b>	<b>861</b>	<b>988</b>	<b>384</b>	<b>-</b>
<b>Participant activity</b>					
Purchases, reinvestment of units and contributions	664,089	74,478	1,022	384	21
Redemptions and withdrawals	611,808	79,530	300	218	339
<b>Net increase (decrease) in net assets from participant activity</b>	<b>52,281</b>	<b>(5,052)</b>	<b>722</b>	<b>166</b>	<b>(318)</b>
Increase (decrease) in net assets	52,281	(5,052)	1,194	1,335	(221)
Net assets at beginning of period	1,880,605	213,332	270,938	290,443	32,913
<b>Net assets at end of period</b>	<b>\$ 1,932,886</b>	<b>\$ 208,280</b>	<b>\$ 272,132</b>	<b>\$ 291,778</b>	<b>\$ 32,692</b>