

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTES**

Next Board Meeting  
April 26, 2007

Next CD Auction  
May 15, 2007

## OPERATING REPORT

### MARCH 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**

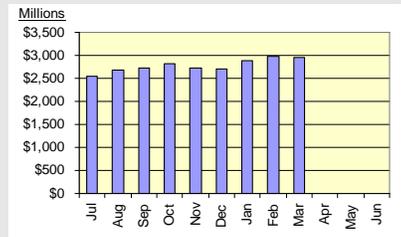
Executive Director  
Glenda Probst,  
CPA, CTP

Chief Financial Officer

Kara K. Brewer,  
CPA, MBA

### Total Net Assets Under Management

**\$2,959,809,000**



Last Month  
**\$2,980,570,000**

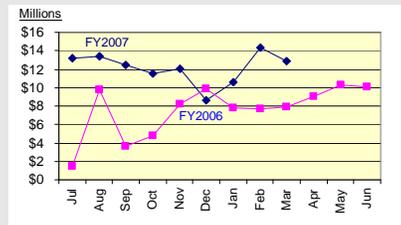
Beginning of Fiscal Year  
**\$2,481,176,000**

**20.1% Growth This Fiscal Year**

### Total Net Income & Gains

**This Month \$12,842,000**

**Fiscal Year \$109,215,000**

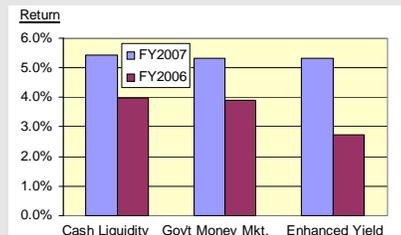


**Outpacing Last Year**

### Effective Rates of Return

*Time Weighted, Annualized, Net of All Fees*

	March 2007	Fiscal Year to Date 2007	Fiscal Year to Date 2006
Cash Liquidity	5.7%	5.4%	4.0%
Gov't Money Mkt	5.5%	5.3%	3.9%
	Fiscal Year 2007 (Past 12 Months)	Fiscal Year 2006 (Past 12 Months)	
Enhanced Yield	5.3%	2.7%	



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

### MARCH 2007

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## **Consumer Spending Drives Economic Expansion**

### *Fuel, food, tobacco costs lead rising consumer prices*

The U.S. unemployment rate fell in March to 4.4%, matching the five-year low last seen in October. The U.S. economy added 180,000 jobs in March, following a revised 113,000 gain in February. The U.S. economy expanded at an annual rate of 2.5% in the fourth quarter, restrained by declines in home construction and business investment. Consumer spending remained the key driver, expanding at a 4.2% annual pace in the fourth quarter after a 2.8% gain in the previous quarter. U.S. consumer prices rose 0.4% in February, led by increases in fuel, food, and medical care. For the trailing twelve months, the CPI rose 2.4%. The core CPI, which excludes food and energy, rose 0.2% in February and 2.7% for the trailing twelve months. The Producer Price Index rose a higher-than-expected 1.3% in February, the most in three months. Higher energy, food and tobacco costs drove the index higher during the month and left the index up 2.5% over the last twelve months. Energy prices increased 3.5% in February, following a -4.6% drop, while gasoline jumped 5.3% and natural gas costs rose 4.1%, the most since October 2005. The core PPI also increased more than anticipated in February and rose 1.8% from a year earlier. Housing starts rebounded 9.0% in February from a nine-year low, easing fears that the real estate slump will worsen and hurt the economic expansion. However, increasing subprime loan defaults and foreclosures will likely deepen the housing slowdown.

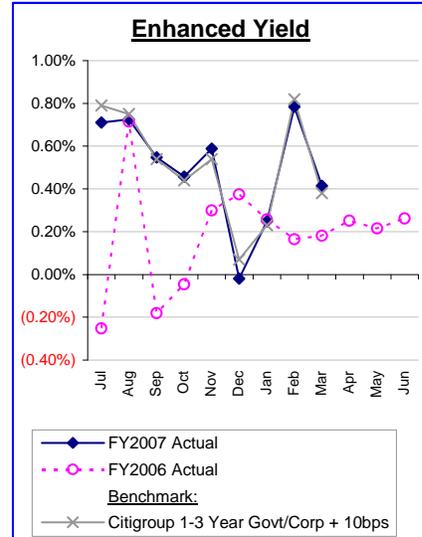
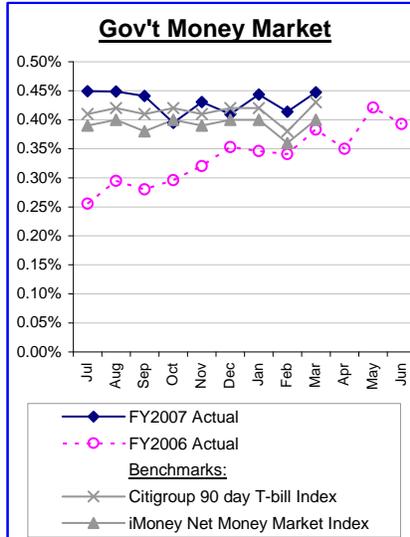
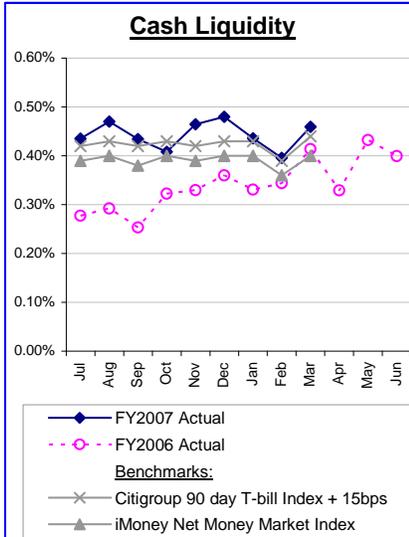
The overnight lending rate remained at 5.25% in March after the Fed left rates unchanged at its last six meetings. Higher inflation figures reduced the Fed's flexibility to respond to a crisis in subprime mortgages, where delinquencies have climbed to a four-year high. For the month of March, yields shifted lower over the short end of the curve while rising on the long end. The yield curve remained inverted at the belly of the curve. The 2-year Treasury yield dropped 7 bps to 4.57% while the 30-year Treasury yield jumped 16 bps to 4.84%. The 3-year Treasury yield fell 3 bps as the 5-year Treasury yield rose slightly, both yielding 4.53% at the end of March. The 10-year Treasury yield rose 8 bps to 4.64%. The yield spread between the 30-year Treasury and the 2-year Treasury widened to 27 bps.

Ninety-Day T-Bills returned 0.45% in March, outperforming the 0.38% return of 1-3 Year Government Bonds. Year-to-date in 2007, 90-Day T-bills have earned 1.25%, while 1-3 Year Government Bonds have returned 1.41%. For the last 12 months, T-bills outperformed slightly with a 5.07% return as 1-3 Year Government Bonds earned 5.01%.

# West Virginia Board of Treasury Investments

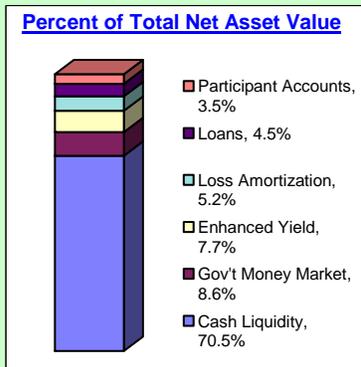
## Financial Highlights as of March 31, 2007

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



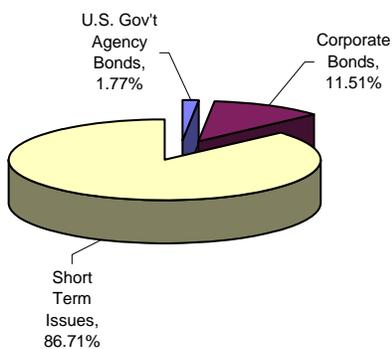
### Summary of Value and Earnings *(In Thousands)*

Pool	Asset Value	March Net Income (Loss)	Fiscal YTD Net Income (Loss)
Cash Liquidity	\$ 2,088,404	\$ 9,818	\$ 75,477
Gov't Money Market	253,800	1,102	7,758
Enhanced Yield	227,946	930	11,556
Loss Amortization	155,239	320	9,296
Loans	132,114	320	2,711
Participant Accounts	102,306	352	2,417
	<u>\$ 2,959,809</u>	<u>\$ 12,842</u>	<u>\$ 109,215</u>

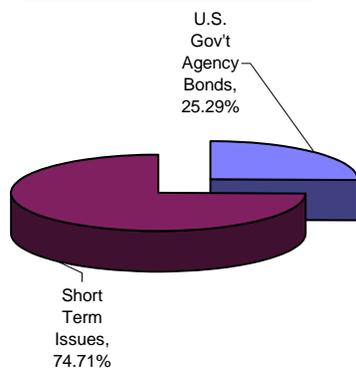


### Securities by Type for Operating Pools *(Percentage of Asset Value)*

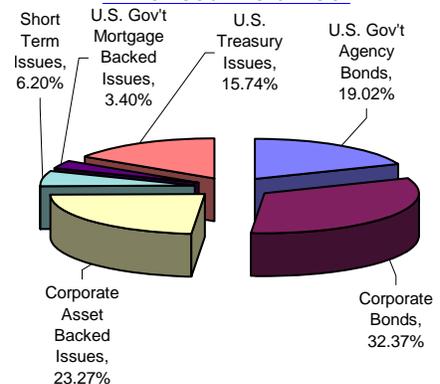
#### Cash Liquidity Pool



#### Gov't Money Market Pool



#### Enhanced Yield Pool



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

**MARCH 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	\$ 2,085,098	\$ 253,527		\$ 131,708	\$ 27,680
At fair value	-	-	\$ 229,015	155,239	73,998
Collateral for securities loaned	146,875	36,097	69,630	-	-
Other assets	3,573	303	1,953	411	629
<b>Total assets</b>	<b>2,235,546</b>	<b>289,927</b>	<b>300,598</b>	<b>287,358</b>	<b>102,307</b>
<b>Liabilities</b>					
Payable for securities loaned	146,875	36,097	69,630	-	-
Other liabilities	267	30	3,022	5	1
<b>Total liabilities</b>	<b>147,142</b>	<b>36,127</b>	<b>72,652</b>	<b>5</b>	<b>1</b>
<b>Net Assets</b>	<b>\$ 2,088,404</b>	<b>\$ 253,800</b>	<b>\$ 227,946</b>	<b>\$ 287,353</b>	<b>\$ 102,306</b>
<b>Investment income</b>					
Interest and dividends	\$ 3,843	\$ 530	\$ 934	\$ 370	\$ 393
Securities lending income	1,213	227	40	-	-
Net accretion (amortization)	6,109	587	34	549	(13)
Provision for uncollectible loans	-	-	-	(45)	-
<b>Total investment income</b>	<b>11,165</b>	<b>1,344</b>	<b>1,008</b>	<b>874</b>	<b>380</b>
<b>Expenses</b>					
Fees	165	20	24	5	1
Securities lending borrower rebates	1,182	222	41	-	-
<b>Total expenses</b>	<b>1,347</b>	<b>242</b>	<b>65</b>	<b>5</b>	<b>1</b>
<b>Net investment income</b>	<b>9,818</b>	<b>1,102</b>	<b>943</b>	<b>869</b>	<b>379</b>
Net realized gain (loss)					
from investments	-	-	25	-	-
Net increase (decrease)					
in fair value of investments	-	-	(38)	(229)	(27)
<b>Net gain (loss) from investments</b>	<b>-</b>	<b>-</b>	<b>(13)</b>	<b>(229)</b>	<b>(27)</b>
<b>Net increase (decrease) in net assets from operations</b>	<b>9,818</b>	<b>1,102</b>	<b>930</b>	<b>640</b>	<b>352</b>
<b>Distributions to participants</b>	<b>9,819</b>	<b>1,102</b>	<b>943</b>	<b>320</b>	<b>-</b>
<b>Participant activity</b>					
Purchases, reinvestment of units and contributions	639,837	63,877	876	320	18
Redemptions and withdrawals	671,224	50,684	-	326	4,115
<b>Net increase (decrease) in net assets from participant activity</b>	<b>(31,387)</b>	<b>13,193</b>	<b>876</b>	<b>(6)</b>	<b>(4,097)</b>
Increase (decrease) in net assets	(31,388)	13,193	863	314	(3,745)
Net assets at beginning of period	2,119,792	240,607	227,083	287,039	106,051
<b>Net assets at end of period</b>	<b>\$ 2,088,404</b>	<b>\$ 253,800</b>	<b>\$ 227,946</b>	<b>\$ 287,353</b>	<b>\$ 102,306</b>