

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 1
DATE:
November 14, 2006

RECOMMENDATION

REPORT: TREASURER'S

ACTION REQUESTED

It is recommended that the Treasurer's Report for the month of September 2006 be received and placed on file.

STAFF SUMMARY

As of September 30, 2006, Cash and Investments totaled \$99,208,226.30 and were invested to return a total annualized return of 5.2890%. Summarized below is Eastern's latest investment performance compared to the established benchmarks.

• 28 Day Auction Rate Notes (Putable)	5.27%
• Benchmark: Bloomberg Commercial Paper Index	5.27%
• Vanguard Short Term Investment Grade Fund	9.35%
• Benchmark: Lehman 1-5 Year Credit Index	11.22%*
• Benchmark: Lipper Average 1-5 Year Investment Grade Fund	8.62%
• Intermediate Duration Government Agency Bonds	4.37%
• Benchmark: Five Year Treasury Note	4.57%

* The Lehman 1-5 Year Credit Index benefits from a longer duration than what the Vanguard fund maintains. An additional comparative benchmark is the Lipper Average 1-5 Year Investment Grade Fund. This benchmark is an average of the Vanguard Fund and all funds similar in holdings and duration to the Vanguard Fund.

Specifics as to the quality, duration, and other related features of the University's investment portfolio are itemized on pages 1 and 2 of this report. In general:

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|---|---|
| • The portfolio has no investments in equities. | • 0% of the portfolio is in variable rate obligations. |
| • The portfolio has no leveraged investments. | • Average weighted credit quality of the portfolio is AA+. |
| • The portfolio has no speculative derivatives. | • Average weighted maturity of the portfolio is approximately 0.34 years. |
| • 100% of the portfolio is in fixed income obligations. | |

Cash and investments (excluding bond proceeds) as of September 30, 2006 increased by \$7.8 million compared to September 2005. The increase is primarily due to lower than planned expenditures related to the 4% tuition and fee increase to support major capital renovation projects.

FISCAL IMPLICATIONS

The investment income is expected to meet budget.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer _____

Date

Eastern Michigan University
CASH AND INVESTMENTS
September 30, 2006

	Date Settled	Mature/ Call Date	Account Balance		Annualized YTD Actual Total Return	Prior Month Annual. YTD Total Return
			Dollars	Pct. Total		
Cash						
EMU						
Comerica Bank/U.S. Bank	n/a	n/a	\$15,080,065.25	15.20%	4.8400%	4.8400%
Eagle Crest						
Citizen's Bank	n/a	n/a	\$570,886.98	0.58%	0.0000%	0.0000%
Total Cash			<u>\$15,650,952.23</u>	<u>15.78%</u>		
Investments						
Money Market Funds						
Dreyfus Institutional Preferred	Daily	n/a	\$0.00	0.00%	3.6080%	5.4120%
Total Money Market Funds			\$0.00	0.00%	0.0000%	0.0000%
28 Day Auction Rate Notes (Putable)						
SLMA (AAA)	9/29/06	10/27/06	\$2,500,000.00	2.52%	5.2400%	5.2000%
SLM Student Loans (AAA)	9/4/06	10/2/06	\$5,000,000.00	5.04%	5.2200%	5.2600%
Education Funding South (Aaa)	9/6/06	10/4/06	\$3,300,000.00	3.33%	5.2300%	5.2500%
Nel-Net Taxable Student Loans (AAA)	9/6/06	10/4/06	\$3,300,000.00	3.33%	5.2700%	5.2000%
Illinois Student Loans (AAA)	9/6/06	10/4/06	\$2,000,000.00	2.02%	5.3000%	5.3200%
Access Group Loans (AAA)	9/7/06	10/5/06	\$3,000,000.00	3.02%	5.3300%	5.3000%
Nel-Net Taxable Student Loans (AAA)	9/11/06	10/9/06	\$2,000,000.00	2.02%	5.3100%	New
Missouri Higher Ed Loan Authority (AAA)	9/11/06	10/9/06	\$3,350,000.00	3.38%	5.3200%	5.3200%
Missouri Student Loans	9/12/06	10/10/06	\$1,650,000.00	1.66%	5.3190%	5.3200%
Greenpoint Taxable (Aaa)	9/20/06	10/18/06	\$5,000,000.00	5.04%	5.2100%	5.3000%
Hopkinsville Kentucky IDR (AA4)	9/30/06	weekly	\$200,000.00	0.20%	5.3500%	5.3500%
MKO Properties (A-1/P-1)	9/30/06	weekly	\$2,405,000.00	2.42%	5.3500%	5.3500%
Collegiate Funding Services	9/14/06	10/12/06	\$5,000,000.00	5.04%	5.3200%	5.3000%
Nel-Net Taxable Student Loans (AAA)	9/22/06	10/20/06	\$2,000,000.00	2.02%	5.2950%	5.2900%
Collegiate Funding Services (AAA)	9/11/06	10/9/06	\$2,000,000.00	2.02%	5.3000%	New
Penn Higher Ed (AAA)	9/11/06	10/9/06	\$1,000,000.00	1.01%	5.3200%	New
Access Group Loans (AAA)	9/11/06	10/9/06	\$3,000,000.00	3.02%	5.3200%	New
Wisconsin St. (AAA)	9/13/06	10/11/06	\$4,000,000.00	4.03%	5.2100%	New
Citizens Property Insurance	9/27/06	10/25/06	\$4,000,000.00	4.03%	5.2400%	New
Total Auction Rate Notes			<u>\$54,705,000.00</u>	<u>55.14%</u>	<u>5.2740%</u>	<u>5.2835%</u>
Short-Term (0-5 Year) Bond Funds						
One Group Ultra Short-Term Fund (Ultrashort)	Monthly	n/a	\$0.00	0.00%	2.4768%	3.7152%
Vanguard Short-Term Investment-Grade Fund	Monthly	n/a	8,308,783.47	8.38%	9.3524%	9.9276%
Total Short Term Funds			<u>\$8,308,783.47</u>	<u>8.38%</u>	<u>9.3524%</u>	<u>9.9276%</u>
Student Center/McKenny Bond Proceeds						
Commercial Paper And Agency Notes	See Attached Portfolio		\$2,543,490.60	2.56%	2.6862%	2.6704%
Int. Term (5 Year) Agency Bonds						
Fed. National Mortgage Assoc. (5/25/04 Call)	2/25/04	8/25/09	\$6,000,000.00	6.05%	4.4500%	4.4500%
Federal Home Loan Bank (3/17/05 Call)	12/17/04	12/17/09	6,000,000.00	6.05%	4.4500%	4.4500%
Federal Home Loan Bank (7/1/05 Call)	4/1/05	10/1/07	3,000,000.00	3.02%	4.1400%	4.1400%
Federal Home Loan Bank (4/18/06 One-time Call)	4/18/05	10/18/07	3,000,000.00	3.02%	4.2500%	4.2500%
Total Agency Bonds			<u>\$18,000,000.00</u>	<u>18.14%</u>	<u>4.3700%</u>	<u>4.3700%</u>
Total Non-Cash Investments			<u>\$83,557,274.07</u>	<u>84.22%</u>	<u>5.4064%</u>	<u>5.4559%</u>
Total Cash And Investments			<u>\$99,208,226.30</u>	<u>100.00%</u>	<u>5.2890%</u>	<u>5.2545%</u>

Notes:

The **Vanguard Short-Term Corporate Fund** invests in corporate bonds and U.S. Treasury and government-backed securities. 60% of assets are invested in high-quality instruments, 35% in medium-quality corporate bonds, and 5% in non-investment-grade bonds. The average maturity approximates 2.5 - 3 years. EMU has access to its funds on a daily basis.

The **Dreyfus Institutional Preferred Money Market Fund** invests in a diversified portfolio of high quality, short-term debt securities. The NAV is fixed at \$1.00/share and the average maturity of the fund approximates 20 days. EMU has access to its funds on a daily basis.

KEY FUND DATA
September 30, 2006

	Comerica Concentration Acct.	Auction Rate Notes	Student Center Bond Portfolio	Dreyfus Inst. Preferred	Vanguard S/T Investment Grade Fund	Total Funds At Present Mix
Fund Size/EMU Investment						
Total Fund Net Assets	n/a	n/a	n/a	\$8,619,360,189	\$17,589,214,489	
EMU's Investment	\$15,650,952.23	\$54,705,000.00	\$2,543,490.60	\$0.00	\$8,308,783.47	\$81,208,226.30
EMU Percent Of Total Fund	n/a	n/a	n/a	0.00%	0.05%	
Memo:						
EMU Investment At 9/30/05	\$13,594,272.99	\$35,500,000.00	\$22,940,839.30	\$0.00	\$7,944,503.61	\$79,979,615.90
Present O/(U) 9/30/05 Investment	2,056,679.24	19,205,000.00	(20,397,348.70)	0.00	364,279.86	1,228,610.40
EMU Investment At 7/1/06	\$8,097,568.09	\$52,110,000.00	\$6,315,717.85	\$0.00	\$8,118,963.10	\$74,642,249.04
Present O/(U) 7/1/06 Investment	7,553,384.14	2,595,000.00	(3,772,227.25)	0.00	189,820.37	6,565,977.26
Inception/Investment Dates						
Fund Inception Date				6/11/97	1/6/00	
EMU Initial Investment Date				1/20/01	1/18/96	
Ratings/Liquidity						
Morningstar	n/a	n/a	n/a	n/a	n/a	n/a
Credit Rating Of Holdings	n/a	AAA	AAA	AAA	Aa3	AA+
Liquidity Option	Same Day	Next Day	Next Day	Same Day	Next Day	
Portfolio Mix/Maturity						
Commercial Paper/Promissory Notes				54.24%	0.00%	
Time Deposits				7.44%	0.00%	
Bank CD's/Short Term Bank Notes				34.26%	0.00%	
Utilities				0.00%	4.50%	
U.S. Treasuries				0.00%	13.00%	
U.S. Government Mortgage-Backed				0.00%	4.60%	
Corporate Bonds				4.06%	58.70%	
Mortgage/Asset Backed Securities				0.00%	16.90%	
Short Term Reserves				0.00%	1.10%	
Foreign				0.00%	1.20%	
Taxable Municipalities				0.00%	0.00%	
Cash/Other				0.00%	0.00%	
Total				100.00%	100.00%	
Weighted Average Maturity						
	Days	Days	Days	Days	Years	Years
	1	28	180	43	2.7	0.34