

BOARD OF REGENTS

EASTERN MICHIGAN UNIVERSITY

SECTION: 1

DATE:

January 18, 2005

RECOMMENDATION

REPORT: TREASURER'S

ACTION REQUESTED

It is recommended that the Treasurer's Report for the month of November 2004 be received and placed on file.

STAFF SUMMARY

As of November 30, 2004, Cash and Investments totaled \$91,265,768 and were invested to return a total annualized return of 2.42%. Summarized below is Eastern's latest investment performance compared to the established benchmarks.

• 28 Day Auction Rate Notes (Putable)	2.13%
• Benchmark: Bloomberg Commercial Paper Index	2.03%
• Short-Term MMF Weighted Average Total Return	1.40%
• Benchmark: Money Fund Report's Prime Inst. Average	1.25%
• Vanguard Short Term Investment Grade Fund	3.46%
• Benchmark: Lehman 1-5 Year Credit Index	4.43%
• Benchmark: Lipper Average 1-5 Year Investment Grade Fund	3.25% *
• Intermediate Duration Government Agency Bonds	4.45%
• Benchmark: Five Year Treasury Note	3.69%

* The Lehman 1-5 Year Credit Index has benefited from a longer duration than 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. Vanguard has outperformed the average of its class during the first five months of FY 2005.

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:

- The portfolio has no investments in equities.
- The portfolio has no leveraged investments.
- The portfolio has no speculative derivatives.
- 100% of the portfolio is in fixed income obligations.
- 0% of the portfolio is in variable rate obligations.
- Average weighted credit quality of the portfolio is AA+.
- Average weighted maturity of the portfolio is approximately 0.31 years.

Cash and investments (excluding bond proceeds) as of November 30, 2004 decreased by \$3.0 million when compared to November 2003. The primary variance explanations are lower

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student tuition and fee cash collections (\$1.8 million), compensation and benefit cost increases (\$0.6 million) and timing of PELL Grant receipts (\$0.5 million).

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

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Eastern Michigan University
CASH AND INVESTMENTS
November 30, 2004

	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	\$7,323,412.23	8.02%	1.7500%	1.7500%
Eagle Crest						
Citizen's Bank	n/a	n/a	\$440,646.21	0.48%	0.0000%	0.0000%
Total Cash			<u>\$7,764,058.44</u>	<u>8.51%</u>		
Investments						
Money Market Funds						
Banc One Prime Money Market Fund	Daily	n/a	\$3,671,317.66	4.02%	1.4023%	1.3278%
Total Money Market Funds			<u>\$3,671,317.66</u>	<u>4.02%</u>	<u>1.4023%</u>	<u>1.3278%</u>
28 Day Auction Rate Notes (Putable)						
Nel-Net Taxable Student Loans (AAA)	11/4/04	12/2/04	\$5,000,000.00	5.48%	2.0600%	1.9500%
Arizona Ed. Loan Marketing Corp. (AAA)	11/9/04	12/7/04	2,500,000.00	2.74%	2.1500%	1.9200%
Golden Securities Corporation (AAA)	11/11/04	12/9/04	2,500,000.00	2.74%	2.1200%	1.9300%
Cleveland Ohio Econ. & Comm. Dev. (AAA)	11/16/04	12/13/04	2,500,000.00	2.74%	2.1000%	1.9500%
Chela Financial USA, Inc. (AAA)	11/16/04	12/14/04	2,950,000.00	3.23%	2.0800%	1.9300%
U.S. Education Loan Trust II (AAA)	11/16/04	12/14/04	2,000,000.00	2.19%	2.2200%	n/a
Nel-Net Taxable Student Loans (AAA)	11/19/04	12/22/04	2,500,000.00	2.74%	2.1500%	1.9700%
Education Funding Capital Trust (AAA)	11/23/04	12/21/04	5,000,000.00	5.48%	2.2000%	2.0000%
Total Auction Rate Notes			<u>\$24,950,000.00</u>	<u>27.34%</u>	<u>2.1313%</u>	<u>1.9522%</u>
Short-Term (0-5 Year) Bond Funds						
One Group Ultra Short-Term Fund (Ultrashort)	Monthly	n/a	\$0.00	0.00%	2.8342%	3.6453%
Vanguard Short-Term Corporate	Monthly	n/a	7,790,466.55	8.54%	3.4550%	5.7282%
Total Short Term Funds			<u>\$7,790,466.55</u>	<u>8.54%</u>	<u>3.4550%</u>	<u>5.7282%</u>
Student Center/McKenny Bond Proceeds						
Commercial Paper And Agency Notes	See Attached Portfolio		\$41,089,924.85	45.02%	2.3356%	2.3356%
Int. Term (5 Year) Agency Bonds						
Fed. National Mortgage Assoc. (5/25/04 Call)	2/25/04	8/25/09	\$6,000,000.00	6.57%	4.4500%	4.4500%
Total Agency Bonds			<u>\$6,000,000.00</u>	<u>6.57%</u>	<u>4.4500%</u>	<u>4.4500%</u>
Total Non-Cash Investments			<u>\$83,501,709.06</u>	<u>91.49%</u>	<u>2.4899%</u>	<u>2.6278%</u>
Total Cash And Investments			\$91,265,767.50	100.00%	2.4183%	2.5342%

Notes:

The **Banc One Prime Money Market Fund** invests in corporate money market securities including commercial paper, funding agreements, CD's and Bank Obligations. The NAV is fixed at \$1.00/share and the average maturity of the fund approximates 50 days. EMU has access to its funds on a daily basis.

The **Vanguard Short-Term Corporate Fund** invests in corporate bonds and U.S. Treasury and government-backed securities. 65% of assets are invested in high-quality instruments, 30% 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.

Eastern Michigan University

KEY FUND DATA

November 30, 2004

	Comerica Concentration Acct.	Auction Rate Notes	Student Center Bond Portfolio	Dreyfus Inst. Preferred	One Group Prime MM Fund	DFA 1 Yr. Fixed	One Group Ultra Short Fund	Vanguard S/T Corp.	Total Funds At Present Mix
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Fund Size/EMU Investment

Total Fund Net Assets		n/a	n/a	\$9,824,984,919	\$8,224,700,000	\$1,743,020,000	\$2,176,500,000	\$18,282,097,375	\$40,251,302,294
EMU's Investment		\$24,950,000.00	\$41,089,924.85	\$0.00	\$3,671,317.66	\$0.00	\$0.00	\$7,790,466.55	\$77,501,709.06
EMU Percent Of Total Fund		n/a	n/a	0.00%	0.04%	0.00%	0.00%	0.04%	0.19%
Memo:									
EMU Investment At 11/30/03		\$0.00	\$0.00	\$11,008,727.81	\$851,613.06	\$19,883,422.48	\$40,484,435.11	\$7,615,553.59	\$79,843,752.05
Present O/(U) 11/30/03 Investment		24,950,000.00	41,089,924.85	(11,008,727.81)	2,819,704.60	(19,883,422.48)	(40,484,435.11)	174,912.96	(2,342,042.99)
EMU Investment At 7/1/04		\$19,800,000.00	\$0.00	\$0.00	\$404,230.03	\$0.00	\$40,321,191.42	\$7,679,872.98	\$68,205,294.43
Present O/(U) 7/1/04 Investment		5,150,000.00	41,089,924.85	0.00	3,267,087.63	0.00	(40,321,191.42)	110,593.57	9,296,414.63

Inception/Investment Dates

Fund Inception Date				6/11/97	1/1/87	7/27/83	2/2/93	10/29/82	
EMU Initial Investment Date				1/20/01	3/24/03	1/18/96	2/25/03	1/18/96	

Ratings/Liquidity

Morningstar	n/a	n/a	n/a	5 Stars	3 Stars	5 Stars	4 Stars		
Credit Rating Of Holdings	AAA	AAA	AAA	AAA	AAA	AAA	AA		AA+
Liquidity Option			Same Day	Next Day	Next Day	Next Day	Next Day		

Portfolio Mix/Maturity

Commercial Paper/Promissory Notes	24.38%	38.70%	0.00%	0.00%	0.00%
Time Deposits	22.34%	0.00%	0.00%	0.00%	0.00%
Bank CD's/Short Term Bank Notes	34.97%	13.90%	0.00%	0.00%	0.00%
Bank Repos	0.00%	26.00%	0.30%	0.00%	0.00%
U.S. Treasuries	0.00%	0.00%	19.40%	0.20%	0.50%
U.S. Government Agencies	13.23%	7.30%	0.00%	0.00%	0.00%
Corporate Bonds	5.08%	1.80%	80.30%	2.20%	64.30%
Mortgage/Asset Backed Securities	0.00%	0.00%	0.00%	96.00%	26.70%
Variable Rate Demand Instruments	0.00%	0.00%	0.00%	0.00%	0.00%
Funding Agreements	0.00%	9.30%	0.00%	0.00%	0.00%
Taxable Municipals	0.00%	3.00%	0.00%	0.00%	0.00%
Cash/Other	0.00%	0.00%	0.00%	1.60%	8.50%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Weighted Average Maturity	32 Days	32 Days	348 Days	3.1 Years	3.0 Years	Years 0.31
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