

# BOARD OF REGENTS

## EASTERN MICHIGAN UNIVERSITY

SECTION: 1

DATE:

November 15, 2005

### RECOMMENDATION

#### REPORT: TREASURER'S

#### ACTION REQUESTED

It is recommended that the Treasurer's Report for the month of September 2005 be received and placed on file.

#### STAFF SUMMARY

As of September 30, 2005, Cash and Investments totaled \$97,979,616 and were invested to return a total annualized return of 3.25%. Summarized below is Eastern's latest investment performance compared to the established benchmarks.

• 28 Day Auction Rate Notes (Putable)	3.69%
• Benchmark: Bloomberg Commercial Paper Index	3.68%
• Vanguard Short Term Investment Grade Fund	1.07%
• Benchmark: Lehman 1-5 Year Credit Index	-0.28%
• Benchmark: Lipper Average 1-5 Year Investment Grade Fund	-0.05%*
• Intermediate Duration Government Agency Bonds	4.36%
• Benchmark: Five Year Treasury Note	4.19%

\* 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:

- 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 0.28 years.

Cash and investments (excluding bond proceeds) as of September 30, 2005 increased by \$13.4 million compared to September 2004. The increase is primarily due to variances in several areas: tuition and fee revenue (\$8.9 million), overall A/R collections (\$2.8 million), Pell Grants (\$0.7 million), grants and contracts revenue (\$0.3 million), and increase in state appropriation (\$0.7 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.

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University Executive Officer

\_\_\_\_\_  
Date

**CASH AND INVESTMENTS**

September 30, 2005

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	Date Settled	Mature/ Call Date	Account Balance		Annualized YTD Actual Total Return	Prior Month Annual. YTD Total Return
			Dollars	Pct. Total		
<b>Cash</b>						
<b>EMU</b>						
Comerica Bank/U.S. Bank	n/a	n/a	\$13,064,307.90	13.33%	3.3000%	3.2000%
<b>Eagle Crest</b>						
Citizen's Bank	n/a	n/a	\$529,965.09	0.54%	0.0000%	0.0000%
Total Cash			<u>\$13,594,272.99</u>	<u>13.87%</u>		
<b>Investments</b>						
<b>Money Market Funds</b>						
Dreyfus Institutional Preferred	Daily	n/a	\$0.00	0.00%	3.4368%	3.3654%
Banc One Prime Money Market Fund	Daily	n/a	0.00	0.00%	3.5584%	3.4176%
Total Money Market Funds			<u>\$0.00</u>	<u>0.00%</u>	<u>0.0000%</u>	<u>0.0000%</u>
<b>28 Day Auction Rate Notes (Putable)</b>						
Chela Financial USA, Inc. (AAA) -- NSC	9/30/05	10/28/05	5,000,000.00	5.10%	3.7000%	3.5600%
Education Loans Inc. (AAA)	9/5/05	10/3/05	2,300,000.00	2.35%	3.7000%	3.5700%
Education Loans Inc. (AAA)	9/6/05	10/4/05	5,000,000.00	5.10%	3.6800%	3.6000%
Chela Financial USA, Inc. (AAA) -- NSC	9/6/05	10/4/05	3,400,000.00	3.47%	3.6690%	3.5700%
U.S. Education Loan Inc. (AAA)	9/7/05	10/5/05	1,600,000.00	1.63%	3.7000%	3.6000%
MKO Properties (A-1/P-1)	9/1/05	weekly	3,200,000.00	3.27%	3.8500%	3.5800%
Net-Net Taxable Student Loans (AAA)	9/9/05	10/7/05	5,000,000.00	5.10%	3.6000%	New
Education Funding Capital Trust	9/12/05	10/10/05	5,000,000.00	5.10%	3.6700%	New
Education Funding Capital Trust	9/13/05	10/11/05	5,000,000.00	5.10%	3.6800%	New
Total Auction Rate Notes			<u>\$35,500,000.00</u>	<u>36.23%</u>	<u>3.6856%</u>	<u>3.5787%</u>
<b>Short-Term (0-5 Year) Bond Funds</b>						
One Group Ultra Short-Term Fund (Ultrashort)	Monthly	n/a	\$0.00	0.00%	2.3272%	2.6922%
Vanguard Short-Term Corporate	Monthly	n/a	7,944,503.61	8.11%	1.0740%	2.5872%
Total Short Term Funds			<u>\$7,944,503.61</u>	<u>8.11%</u>	<u>1.0740%</u>	<u>2.5872%</u>
<b>Student Center/McKenny Bond Proceeds</b>						
Commercial Paper And Agency Notes	See Attached Portfolio		\$22,940,839.30	23.41%	2.4937%	2.4767%
<b>Int. Term (5 Year) Agency Bonds</b>						
Fed. National Mortgage Assoc. (5/25/04 Call)	2/25/04	8/25/09	\$6,000,000.00	6.12%	4.4500%	4.4500%
Federal Home Loan Bank (3/17/05 Call)	12/17/04	12/17/09	6,000,000.00	6.12%	4.4500%	4.4500%
Federal Home Loan Bank (7/1/05 Call)	4/1/05	10/1/07	3,000,000.00	3.06%	4.1400%	4.1400%
Federal Home Loan Bank (4/18/06 One-time Call	4/18/05	10/18/05	3,000,000.00	3.06%	4.2500%	4.2500%
Total Agency Bonds			<u>\$18,000,000.00</u>	<u>18.37%</u>	<u>4.3600%</u>	<u>4.3600%</u>
Total Non-Cash Investments			<u>\$84,385,342.91</u>	<u>86.13%</u>	<u>3.2592%</u>	<u>3.2812%</u>
Total Cash And Investments			\$97,979,615.90	100.00%	3.2470%	3.2416%

**Notes:**

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.

**KEY FUND DATA**  
September 30, 2005

Comerica Concentration Acct.	Auction Rate Notes	Student Center Bond Portfolio	Dreyfus Inst. Preferred	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	\$8,267,606,849	\$18,008,905,496	
<b>EMU's Investment</b>	<b>\$13,594,272.99</b>	<b>\$22,940,839.30</b>	<b>\$0.00</b>	<b>\$7,944,503.61</b>	<b>\$79,979,615.90</b>
EMU Percent Of Total Fund	n/a	n/a	0.00%	0.04%	
Memo:					
EMU Investment At 9/30/04	\$4,818,325.06	\$0.00	\$0.00	\$7,796,602.73	\$89,774,579.46
Present O(U) 9/30/04 Investment	8,775,947.93	22,940,839.30	0.00	147,900.88	(9,794,963.56)
EMU Investment At 7/1/05	\$4,779,501.58	\$28,708,071.55	\$0.00	\$7,923,230.44	\$69,410,803.57
Present O(U) 7/1/05 Investment	8,814,771.41	(5,767,232.25)	0.00	21,273.17	10,568,812.33

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

**Portfolio Mix/Maturity**

Commercial Paper/Promissory Notes	21.27%			0.00%	
Time Deposits	13.60%			0.00%	
Bank CD's/Short Term Bank Notes	56.06%			0.00%	
Bank Repos	0.00%			0.00%	
U.S. Treasuries	0.00%			3.60%	
U.S. Government Agencies	3.02%			0.00%	
Corporate Bonds	6.05%			68.60%	
Mortgage/Asset Backed Securities	0.00%			25.30%	
Variable Rate Demand Instruments	0.00%			0.00%	
Funding Agreements	0.00%			0.00%	
Taxable Municipalities	0.00%			0.00%	
Cash/Other	0.00%			2.50%	
Total	100.00%			100.00%	

Weighted Average Maturity

23 Days	2.8 Years	Years
		0.28

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