

Voyageur ASSET MANAGEMENT INC.

***Penn Manor School District General  
Fund  
May 31, 2006***

100 South Fifth Street, Suite 2300  
Minneapolis, MN 55402-1240  
612.376.7000 • 800.553.2143  
612.376.7007 Fax  
Boston, MA • Chicago, IL • Lancaster, PA • Washington, DC

# Contacts

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## ***Portfolio Manager***

Michael Stramara  
Fixed Income Portfolio Manager  
717.519.6009  
mstramara@voyageur.net

John Huber, CFA  
Chief Investment Officer - Fixed Income  
612.376.7080  
jhuber@voyageur.net

## ***Portfolio Administrator***

Spencer Ung  
Fixed Income Portfolio Administrator  
612.376.7012  
sung@voyageur.net

## ***Client Service Representative***

Bridget Tompkins  
Managing Director  
612.376.7056  
btompkins@voyageur.net

Jean Daleki  
Associate Vice President  
612.376.7013  
jdaleki@voyageur.net

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# Economic Review & Outlook – 1<sup>st</sup> Quarter 2006

**Fed:** The Fed raised rates for the 15th consecutive time since the current tightening cycle began in June of 2004. The FOMC's statement was silent on future policy changes, signaling that further increases might be required. Currently, Fed Fund futures show that traders are assigning a high probability to a 25 basis point increase when the FOMC meets again in May. A further increase to 5.50% in June is currently being debated, and an increasing number of market participants are moving in this direction. We see little reason to expect a switch to an easing policy any time soon. A growing economy and sticky inflation argue for a prolonged period of pause in Fed activity.

**Economic Growth:** The U.S. economy expanded at a 1.7% annual rate in the fourth quarter of 2005, compared with final third quarter growth of 4.1%. We expect a strong growth report in the first quarter of 2006 as rebuilding ramps up following the slowdown experienced from the hurricanes. As the year progresses we expect more of a bite from recent rate hikes to slow growth on the margin.

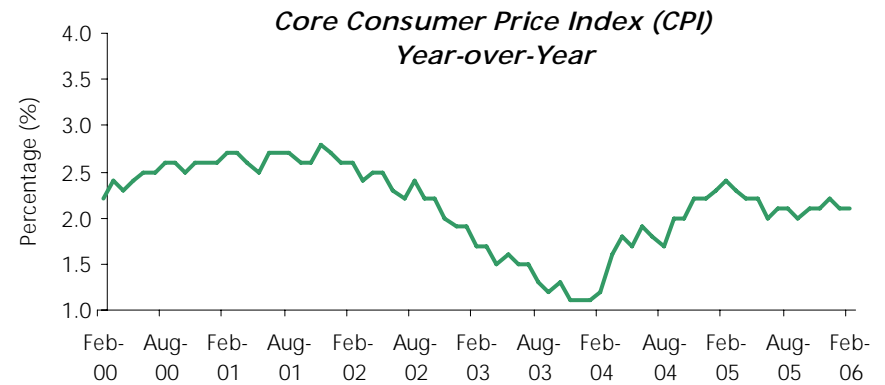
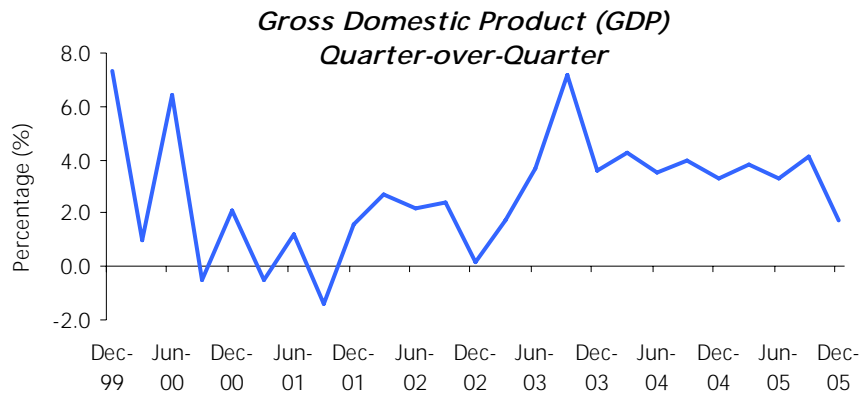
**Capacity Utilization:** Utilization has been trending higher since 2001 and is currently at 82%. This is just above its 10-year average. Particular strength can be seen in manufacturing and finished goods.

**Inflation:** Inflation data has been stable; particularly the core data. The Fed, led by Chairman Bernanke, still appears concerned as current levels are near the top of his suggested range. Investors have been alerted by various Fed speakers to be watchful of commodity prices.

**Consumer Confidence:** Confidence remains solid led by an unemployment rate well below 5%, reasonable wage growth, and solid spending trends. Housing remains a wildcard. Slower housing turnover and higher interest rates appear to be capping price appreciation and the wealth effect felt by homeowners.

**Employment:** Employers added 243,000 jobs in the month of February. This level of average monthly employment growth has been maintained for more than two years. Personal income gains have also been solid for the last two quarters.

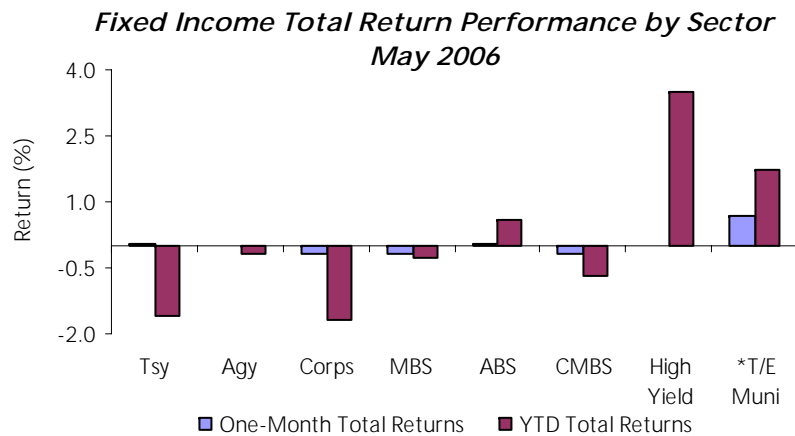
**Commodities:** Gold and silver prices have increased sharply, but are likely the result of new trading mechanics and do not seem to imply higher inflation expectations. Oil prices round-tripped during the quarter; starting off the quarter near \$70 per barrel, hitting a low below \$60, and now trading at almost \$70 again.



# Fixed Income Market Summary

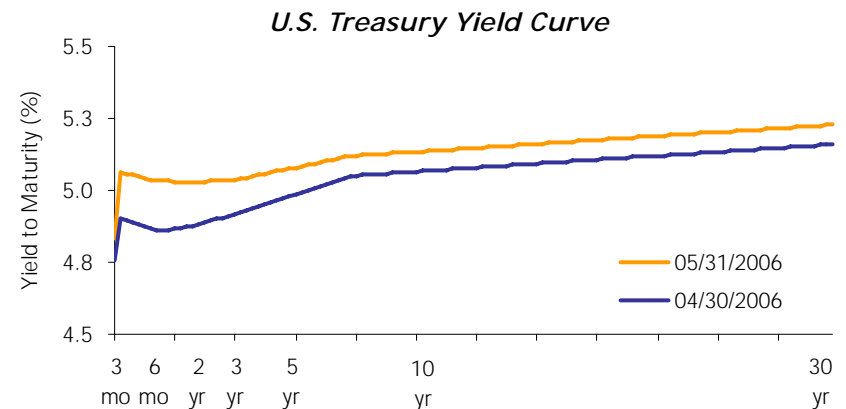
- The Fed delivered yet another 25 basis point increase during the month of May leaving the Federal Funds rate at 5.00%. At the time of their announcement, the Fed indicated that future rate changes would be data-dependent as opposed to focused on either the economy or inflation. At the close of May, the probability of another hike by the Fed in June hovered around 50%.
- Interest rates moved higher across the yield curve by 7- to 18 basis points. The short-intermediate portion of the curve took the brunt of the increase as the market began reflecting an increased probability of another rate hike at the end of June.
- Equity volatility moved significantly higher during the month but failed to budge interest volatility in any material way. Although volatility in the interest rate markets did rise during the month, it remains almost 8% lower than at the beginning of the year.
- One-month returns across virtually all fixed income sectors were flat to negative for the month of May. The one exception was the tax-exempt sector which posted a 0.67% taxable equivalent return for the month. Tax-exempts are benefiting from lower levels of issuance and demand from corporate entities attempting to shield high profit levels from taxation.

- High yield bond returns were essentially flat for the month, but better than most other fixed income sectors. Returns in high yield for the month allowed this sector to maintain its stellar outperformance on a year-to-date basis. Returns in this sector have been 3.51% for the year, besting investment grade corporate securities returns by more than 520 basis points since the beginning of the year.
- Information recently released by Stone McCarthy Research indicates that investment managers are managing portfolio durations very close to index targets. Research also shows that portfolios are fully invested, resulting in the lowest percentage of cash balances since the beginning of 2004.
- March data from the U.S. Treasury shows that foreign central banks were net sellers of Treasuries for the first time in six months, despite U.S. rates still ranking highest among the G7 nations.
- Credit spreads of investment grade corporate securities compared to Treasuries are currently only 10 basis points wider than they were at the end of 2004.



\*Income portion of return adj. at 35% tax rate

Source: Lehman Brothers



***Investment Policy Date***

7/12/1999

***Portfolio Asset Class***

Fixed

***Investment Strategy***

Core Cash Management

***Please advise your Relationship Manager or Client Service contact promptly if a revision has been made to your investment policy subsequent to the date shown or in the event of a material change in your current investment strategy.***

***Your account's investment policy can be viewed online at [www.voyageur.net](http://www.voyageur.net) - Clients Only or [clients.voyageur.net](http://clients.voyageur.net). Please contact any of your team members listed on the Contacts page with any questions or comments you may have concerning your investment policy or access to our Internet client site.***

# Portfolio Asset Allocation

*Penn Manor School District General Fund*

	Quantity (Units)	Amortized Cost	Market Value	Book Yield	Estimated Income	Percent Assets
Cash	2,137,801	2,137,800.61	2,137,800.61	4.52%	96,628.59	15.79%
Fixed Income	11,430,000	11,402,731.46	11,401,162.50	4.53%	88,664.00	84.21%
<b>Total</b>	<b>13,567,801</b>	<b>13,540,532.07</b>	<b>13,538,963.11</b>	<b>4.53%</b>	<b>185,292.59</b>	<b>100.00%</b>

# Fixed Income Holdings

## Penn Manor School District General Fund

	Rating	Purchase Date	Quantity (Units)	Security Description	Amortized Cost	Market Value	Unrealized Gain/Loss	Accrued Income	Book Yield	Avg Life	Mod Dur	Percent Assets
Cash/MMF			<b>2,137,801</b>	Cash/Money Market	<b>2,137,800.61</b>	<b>2,137,800.61</b>	<b>0.00</b>	<b>0.00</b>	<b>4.52%</b>	<b>0.00</b>	<b>0.00</b>	<b>15.79%</b>
				-CASH-								
Agency	AGY/AGY	01/12/06	250,000	FNMA 3.010 06/02/06 31359MVG5	249,988.47	250,000.00	11.53	3,741.60	4.60%	0.01	0.01	1.85%
	AGY/AGY	01/12/06	1,250,000	FNMA Discount Note 0.000 06/07/06 313589XU2	1,248,923.26	1,248,775.00	-148.26	0.00	4.43%	0.02	0.02	9.22%
	Aaa/AAA	09/15/05	95,000	FFCB 2.170 06/12/06 31331TB75	94,947.63	94,910.94	-36.69	967.76	3.94%	0.03	0.03	0.70%
	AGY/AGY	08/04/05	1,500,000	FNMA 2.500 06/15/06 31359MVA8	1,499,105.81	1,498,593.75	-512.06	17,291.67	3.99%	0.04	0.04	11.07%
	AGY/AGY	11/22/05	500,000	FNMA 2.625 06/15/06 3136F4XM1	499,649.31	499,531.25	-118.06	6,052.08	4.38%	0.04	0.04	3.69%
	AGY/AGY	04/28/06	1,500,000	FHLB Discount Note 0.000 06/21/06 313385YJ9	1,495,765.00	1,495,950.00	185.00	0.00	4.84%	0.06	0.06	11.05%
	AGY/AGY	03/30/06	750,000	FNMA Discount Note 0.000 06/21/06 313589YJ6	747,924.06	747,975.00	50.94	0.00	4.75%	0.06	0.06	5.52%
	AGY/AGY	01/18/06	500,000	FNMA Discount Note 0.000 06/26/06 313589YP2	498,396.67	498,300.00	-96.67	0.00	4.44%	0.07	0.07	3.68%
	AGY/AGY	01/12/06	1,000,000	FNMA Discount Note 0.000 06/28/06 313589YR8	996,562.22	996,300.00	-262.22	0.00	4.42%	0.08	0.08	7.36%
	AGY/AGY	01/17/06	200,000	FHLB 2.070 06/30/06 31339XPA6	199,574.07	199,500.00	-74.07	1,736.50	4.60%	0.08	0.08	1.47%
	AGY/AGY	09/01/05	310,000	FHLB 2.000 06/30/06 31339XTL8	309,502.54	309,225.00	-277.54	2,600.56	3.90%	0.08	0.08	2.28%
	AGY/AGY	08/04/05	575,000	FNMA 3.150 06/30/06 31359MVW0	574,567.42	574,101.56	-465.86	7,597.19	4.00%	0.08	0.08	4.24%
	AGY/AGY	05/17/06	3,000,000	FNMA Discount Note 0.000 06/30/06 313589YT4	2,987,825.00	2,988,000.00	175.00	0.00	4.87%	0.08	0.08	22.08%
Subtotal			<b>11,430,000</b>		<b>11,402,731.46</b>	<b>11,401,162.50</b>	<b>-1,568.96</b>	<b>39,987.36</b>	<b>4.53%</b>	<b>0.06</b>	<b>0.06</b>	<b>84.21%</b>
<b>Total</b>			<b>13,567,801</b>		<b>13,540,532.07</b>	<b>13,538,963.11</b>	<b>-1,568.96</b>	<b>39,987.36</b>	<b>4.53%</b>	<b>0.05</b>	<b>0.05</b>	<b>100.00%</b>

# Transaction Detail

## *Penn Manor School District General Fund*

Trade Date	Settlement Date	Trans Type	Quantity (Units)	CUSIP	Security Description		Trans Price	Net Amount	Trade Yield	Realized Gain/Loss
05/31/06	05/31/06	Mature	1,995,000	313589XM0	FNMA Discount Note	0.000 05/31/06	100.000	1,995,000.00		0.00
05/31/06	05/31/06	Wdrwl	4,500,000	-CASH-	Cash/Money Market			4,500,000.00		0.00
05/30/06	05/30/06	Mature	3,000,000	313397XL0	FHLMC Discount Note	0.000 05/30/06	100.000	3,000,000.00		0.00
05/26/06	05/26/06	Mature	990,000	313313XG8	FFCB Discount Note	0.000 05/26/06	100.000	990,000.00		0.00
05/24/06	05/24/06	Mature	1,350,000	313589XE8	FNMA Discount Note	0.000 05/24/06	100.000	1,350,000.00		0.00
05/24/06	05/24/06	Wdrwl	1,350,000	-CASH-	Cash/Money Market			1,350,000.00		0.00
05/17/06	05/18/06	Buy	3,000,000	313589YT4	FNMA Discount Note	0.000 06/30/06	99.418	2,982,549.17	4.97%	0.00
05/17/06	05/17/06	Mature	300,000	3136F5AS0	FNMA	2.250 05/17/06	100.000	300,000.00		0.00
05/15/06	05/15/06	Mature	2,000,000	3133MYCH8	FHLB	2.250 05/15/06	100.000	2,000,000.00		0.00
05/15/06	05/15/06	Mature	100,000	31359MRL9	FNMA	2.250 05/15/06	100.000	100,000.00		0.00
05/10/06	05/10/06	Mature	1,500,000	313397WQ0	FHLMC Discount Note	0.000 05/10/06	100.000	1,500,000.00		0.00
05/10/06	05/10/06	Wdrwl	750,000	-CASH-	Cash/Money Market			750,000.00		0.00
05/05/06	05/05/06	Mature	250,000	3133X6CR5	FHLB	2.315 05/05/06	100.000	250,000.00		0.00
<b>Total</b>										<b>0.00</b>

# Cash Reconciliation

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<i>Beginning Cash Balance</i>	<b><i>202,496.08</i></b>
Buy	-2,982,549.17
Wdrwl	-6,600,000.00
Coupon	28,206.25
Income	4,647.45
Mature	11,485,000.00
<i>Ending Cash Balance</i>	<b><i>2,137,800.61</i></b>

# Summary of Portfolio Changes

*Penn Manor School District General Fund*

<i>Beginning Market Value plus Accrued Income</i>		<b>20,096,871.48</b>
Contributions	0.00	
Withdrawal / Management Fee	(6,600,000.00)	
<i>Total Contributions, Withdrawals, and Management Fee</i>		<b>(6,600,000.00)</b>
Interest Received	32,853.70	
Interest Purchased	0.00	
Amortization Change	59,407.71	
Ending Accrued Income	39,987.36	
Beginning Accrued Income	(58,603.12)	
Accrued Income Change	(18,615.76)	
<i>Total Earned Income</i>		<b>73,645.65</b>
Ending Market Value	13,538,963.11	
Ending Book Value	(13,540,532.07)	(1,568.96)
Beginning Market Value	20,038,268.36	
Beginning Book Value	(20,048,270.66)	(10,002.30)
Change in Unrealized Gain/Loss	8,433.34	
Realized Gain/Loss	0.00	
<i>Change in Market Value</i>		<b>8,433.34</b>
<i>Total Investment Change</i>		<b>(6,517,921.01)</b>
<i>Ending Market Value plus Accrued Income</i>		<b>13,578,950.47</b>

# Amortization Reconciliation

*Penn Manor School District General Fund*

Purchase / Sale Date	Quantity (Units)	Security Description	Ending Market Value	Original Cost	Beginning Book Value	Principal Purchased	Current Month Am/Ac	Principal Received	Realized Gain/Loss	Ending Book Value	Unrealized Gain/Loss
	2,137,801.00	Cash/Money Market	2,137,800.61	2,137,800.61	202,496.08	1,935,304.53	0.00	0.00	0.00	2,137,800.61	0.00
		-CASH-									
09/15/05	95,000.00	FFCB 2.170 06/12/06 31331TB75	94,910.94	93,733.65	94,800.05	0.00	147.58	0.00	0.00	94,947.63	-36.69
01/17/06	200,000.00	FHLB 2.070 06/30/06 31339XPA6	199,500.00	197,700.00	199,148.15	0.00	425.92	0.00	0.00	199,574.07	-74.07
09/01/05	310,000.00	FHLB 2.000 06/30/06 31339XTL8	309,225.00	305,058.60	309,005.09	0.00	497.45	0.00	0.00	309,502.54	-277.54
04/28/06	1,500,000.00	FHLB Discount Note 0.000 06/21/06 313385YJ9	1,495,950.00	1,489,715.00	1,489,715.00	0.00	6,050.00	0.00	0.00	1,495,765.00	185.00
08/04/05	1,500,000.00	FNMA 2.500 06/15/06 31359MVA8	1,498,593.75	1,480,200.00	1,497,125.81	0.00	1,980.00	0.00	0.00	1,499,105.81	-512.06
01/12/06	250,000.00	FNMA 3.010 06/02/06 31359MVG5	250,000.00	248,397.50	249,631.08	0.00	357.39	0.00	0.00	249,988.47	11.53
08/04/05	575,000.00	FNMA 3.150 06/30/06 31359MVW0	574,101.56	570,313.75	574,134.84	0.00	432.58	0.00	0.00	574,567.42	-465.86
11/22/05	500,000.00	FNMA 2.625 06/15/06 3136F4XM1	499,531.25	494,940.00	498,872.77	0.00	776.54	0.00	0.00	499,649.31	-118.06
01/12/06	1,250,000.00	FNMA Discount Note 0.000 06/07/06 313589XU2	1,248,775.00	1,227,696.18	1,244,154.86	0.00	4,768.40	0.00	0.00	1,248,923.26	-148.26
03/30/06	750,000.00	FNMA Discount Note 0.000 06/21/06 313589YJ6	747,975.00	741,893.96	744,859.58	0.00	3,064.48	0.00	0.00	747,924.06	50.94
01/18/06	500,000.00	FNMA Discount Note 0.000 06/26/06 313589YP2	498,300.00	490,256.67	496,485.00	0.00	1,911.67	0.00	0.00	498,396.67	-96.67
01/12/06	1,000,000.00	FNMA Discount Note 0.000 06/28/06 313589YR8	996,300.00	979,618.89	992,756.11	0.00	3,806.11	0.00	0.00	996,562.22	-262.22
05/17/06	3,000,000.00	FNMA Discount Note 0.000 06/30/06 313589YT4	2,988,000.00	2,982,549.17	0.00	2,982,549.17	5,275.83	0.00	0.00	2,987,825.00	175.00
01/18/06		FFCB Discount Note 0.000 05/26/06 313313XG8			986,818.25	0.00	3,181.75	990,000.00	0.00	0.00	0.00
11/22/05		FHLB 2.250 05/15/06 3133MYCH8			1,998,238.36	0.00	1,761.64	2,000,000.00	0.00	0.00	0.00
09/07/05		FHLB 2.315 05/05/06 3133X6CR5			250,000.00	0.00	0.00	250,000.00	0.00	0.00	0.00
08/04/05		FHLMC Discount Note 0.000 05/10/06 313397WQ0			1,498,389.58	0.00	1,610.42	1,500,000.00	0.00	0.00	0.00
12/30/05		FHLMC Discount Note 0.000 05/30/06 313397XL0			2,988,750.00	0.00	11,250.00	3,000,000.00	0.00	0.00	0.00
12/30/05		FNMA 2.250 05/15/06 31359MRL9			99,903.06	0.00	96.94	100,000.00	0.00	0.00	0.00

# Amortization Reconciliation

*Penn Manor School District General Fund*

Purchase / Sale Date	Quantity (Units)	Security Description	Ending Market Value	Original Cost	Beginning Book Value	Principal Purchased	Current Month Am/Ac	Principal Received	Realized Gain/Loss	Ending Book Value	Unrealized Gain/Loss
11/22/05		FNMA 2.250 05/17/06 3136F5AS0			299,694.00	0.00	306.00	300,000.00	0.00	0.00	0.00
02/27/06		FNMA Discount Note 0.000 05/24/06 313589XE8			1,345,869.00	0.00	4,131.00	1,350,000.00	0.00	0.00	0.00
12/22/05		FNMA Discount Note 0.000 05/31/06 313589XM0			1,987,423.99	0.00	7,576.01	1,995,000.00	0.00	0.00	0.00
<b>Total</b>			13,538,963.11	13,439,873.98	20,048,270.66	4,917,853.70	59,407.71	11,485,000.00	0.00	13,540,532.07	-1,568.96

# Income Reconciliation

## *Penn Manor School District General Fund*

Purchase Date	Sale Date	CUSIP	Quantity (Units)	Security Description	Coupon Rate	Maturity Date	Beginning Accrued Income	Current Month Int. Earned	Interest Purchased	Interest Received	Ending Accrued Income
		-CASH-	2,137,801.00	Cash/Money Market			0.00	4,647.45	0.00	4,647.45	0.00
09/15/05		31331TB75	95,000.00	FFCB	2.170	06/12/06	795.97	171.79	0.00	0.00	967.76
01/17/06		31339XPA6	200,000.00	FHLB	2.070	06/30/06	1,391.50	345.00	0.00	0.00	1,736.50
09/01/05		31339XTL8	310,000.00	FHLB	2.000	06/30/06	2,083.89	516.67	0.00	0.00	2,600.56
04/28/06		313385YJ9	1,500,000.00	FHLB Discount Note	0.000	06/21/06	0.00	0.00	0.00	0.00	0.00
08/04/05		31359MVA8	1,500,000.00	FNMA	2.500	06/15/06	14,166.67	3,125.00	0.00	0.00	17,291.67
01/12/06		31359MVG5	250,000.00	FNMA	3.010	06/02/06	3,114.51	627.09	0.00	0.00	3,741.60
08/04/05		31359MVW0	575,000.00	FNMA	3.150	06/30/06	6,087.81	1,509.38	0.00	0.00	7,597.19
11/22/05		3136F4XM1	500,000.00	FNMA	2.625	06/15/06	4,958.33	1,093.75	0.00	0.00	6,052.08
01/12/06		313589XU2	1,250,000.00	FNMA Discount Note	0.000	06/07/06	0.00	0.00	0.00	0.00	0.00
03/30/06		313589YJ6	750,000.00	FNMA Discount Note	0.000	06/21/06	0.00	0.00	0.00	0.00	0.00
01/18/06		313589YP2	500,000.00	FNMA Discount Note	0.000	06/26/06	0.00	0.00	0.00	0.00	0.00
01/12/06		313589YR8	1,000,000.00	FNMA Discount Note	0.000	06/28/06	0.00	0.00	0.00	0.00	0.00
05/17/06		313589YT4	3,000,000.00	FNMA Discount Note	0.000	06/30/06	0.00	0.00	0.00	0.00	0.00
01/18/06		313313XG8		FFCB Discount Note	0.000	05/26/06	0.00	0.00	0.00	0.00	0.00
11/22/05		3133MYCH8		FHLB	2.250	05/15/06	20,750.00	1,750.00	0.00	22,500.00	0.00
09/07/05		3133X6CR5		FHLB	2.315	05/05/06	2,829.44	64.31	0.00	2,893.75	0.00
08/04/05		313397WQ0		FHLMC Discount Note	0.000	05/10/06	0.00	0.00	0.00	0.00	0.00
12/30/05		313397XL0		FHLMC Discount Note	0.000	05/30/06	0.00	0.00	0.00	0.00	0.00
12/30/05		31359MRL9		FNMA	2.250	05/15/06	1,037.50	87.50	0.00	1,125.00	0.00
11/22/05		3136F5AS0		FNMA	2.250	05/17/06	1,387.50	300.00	0.00	1,687.50	0.00
02/27/06		313589XE8		FNMA Discount Note	0.000	05/24/06	0.00	0.00	0.00	0.00	0.00
12/22/05		313589XM0		FNMA Discount Note	0.000	05/31/06	0.00	0.00	0.00	0.00	0.00
<b>Total</b>							<b>58,603.12</b>	<b>14,237.94</b>	<b>0.00</b>	<b>32,853.70</b>	<b>39,987.36</b>

# Disclaimer

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*This performance evaluation is provided as a service enabling you to review your overall securities positions on a periodic basis. This evaluation should not be construed as a substitute for your custodian statement. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. The security valuations contained in this evaluation have been obtained from reliable sources. They do not, however, represent guaranteed bids, offers, or markets for securities, and are subject to change. The prices, yields, and maturities have been obtained from sources believed to be reliable, but the data is not necessarily complete, the reliability cannot be guaranteed, and the availability of specific issues are subject to change.*

*The performance figures in this report represent the past performance of your account and do not guarantee future results. Gross performance returns for the account will be reduced by management fees and any other expenses incurred in the management of the account.*

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*Sources of Information: Bloomberg The Yield Book, FT Interactive Data, Portia, and various other sources from time to time, as may be referenced on the report page of their use.*

*Portfolio Analytic data such as Market Yield, Average Life, Modified Duration and Effective Duration provided by The Yield Book where available.*

## *Offer of Form ADV*

*Rule 204-3 of the Investment Advisers Act of 1940 requires all Investment Advisers to deliver annually, or offer to deliver annually, without charge, Form ADV, Part II, to the client. Please submit your written request for Voyager Asset Management Inc.'s Form ADV, Part II, to your Relationship Manager or Client Service contact. Form ADV, Part II, will be mailed within seven (7) days upon receipt of the request.*