

Voyageur ASSET MANAGEMENT INC.

***Penn Manor School District General  
Fund  
April 30, 2007***

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# Economic Review – 1<sup>st</sup> Quarter 2007

**Fed:** The Committee’s most recent official communication acknowledges that economic indicators have been mixed, but that the economy seems likely to continue to expand. It also acknowledged that resource utilization, at current high levels, has the potential to sustain inflation. The market is currently assigning a better than 50% probability of a Fed ease of 25 bps in September, and a similar likelihood for the target rate to be at 4.75% by year-end.

**Inflation:** The FOMC identified inflation, and the risk that it will fail to decline, as its most important policy concern. Despite this concern, the Fed also expressed an expectation that inflation will moderate over time. Inflation, as measured by the core PCE deflator, has begun to accelerate again after having declined for much of the second half of 2006. The 6-month annualized rate of growth of the deflator rose to 2.3% from 1.9%.

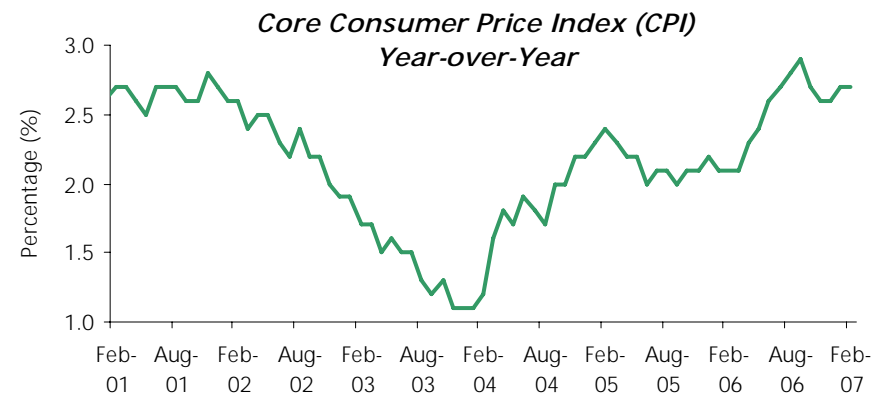
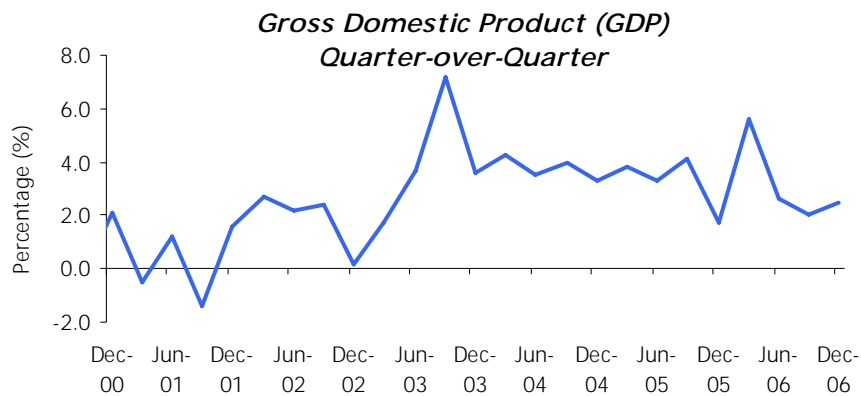
**Economic Growth:** Fourth quarter 2006 final GDP came in at 2.5%, leaving the year-over-year change in 2006 at 3.1%. Excluding the hurricane “rebuild” first quarter level of 5.6%, GDP averaged only 2.3% during the final three quarters. A Bloomberg survey taken earlier this month by 75 economists indicates a 2.4% median forecast for GDP in the first quarter of 2007, accelerating to 3.0% by year-end.

**Consumer Confidence:** Personal disposable income is up almost 5% on a year-over-year basis with personal spending up at a slightly higher level over the same period. Employment remains robust and monthly job growth continues to expand. On a broader level, consumer confidence remains near five-year highs.

**Employment:** The unemployment rate has remained below 5% for going on a year and a half. The 4.5% unemployment rate seen over the last several months was last seen back in the middle of 2001. Job cuts remain minimal in the economy, while nonfarm payroll growth remains solid at between 100 to 200 thousand jobs per month. Employment remains one of the strong underpinnings to the current level of modest economic growth.

**Housing:** The housing market is at the center of the debate over the future direction and magnitude of the growth rate of the U.S. economy. Even though residential construction has slowed, the market for houses has failed to pick up. The most recent Case-Shiller home price index report in January showed that home prices dropped for the first time in the last six years.

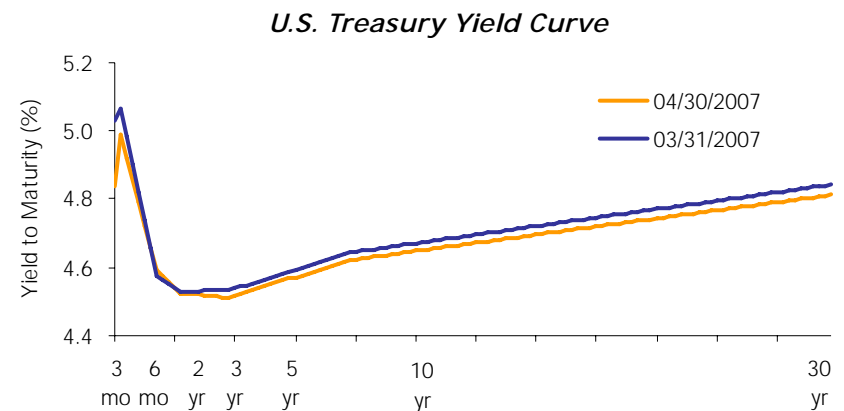
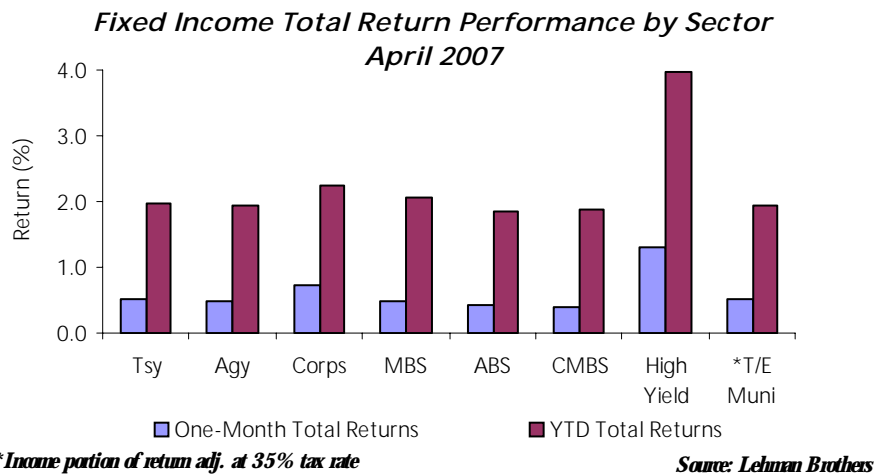
**Corporate Earnings:** With the close of 2006, investors probably just enjoyed their last quarter of double-digit corporate earnings growth for a while. According to First Call estimates, S&P 500 operating profits will only be growing at 3.8%, 3.9%, 4.4%, and 5.9% for the first through fourth quarters of 2007. This dramatic deceleration of earnings comes on the heels of 16 consecutive quarters of double-digit earnings growth, one of the strongest runs in U.S. history.



# Fixed Income Market Summary

- Interest rates were essentially unchanged across the yield curve during the month, except for maturities inside of six months, which fell sharply. The yield curve continues to be inverted out to 2 years and upward sloping from that point out to the long-end of the yield curve. Currently, the market is not looking for a rate cut in Federal Funds until the middle of the fourth quarter of this year.
- In contrast to the end of the first quarter, when investors moved into Treasuries and away from credit in a flight-to-quality, the credit markets steadied themselves in April. High-grade spreads retraced a fraction of the previous month's widening. Investment-grade credit markets returned 0.73% despite heavy supply. The strength in the market was supported by better-than-expected reported earnings, buyouts, and strong demand. Investment grade credit provided 18 basis points of excess return during the month compared to Treasuries with a similar duration.
- The yield curve between 10 and 2 years flattened over the month by a very modest 4 basis points. However, since the beginning of the year, the yield curve has actually steepened in the same portion of the yield curve by 13 basis points. While 10-year rates have fallen by 8 basis points during this period, 2-year rates have fallen by almost three times that amount.

- The high yield market also continued its strong performance run as spreads in this sector tightened more than 20 basis points during the month. Despite a credit scare in the last quarter, related to the subprime mortgage market, high yield deals were well-bid in April. Spreads in the high yield market remain near their historical narrow spreads compared to Treasuries set back in February. The high yield market was again the strongest performing domestic fixed income sector for the month of April returning 1.30%. Year-to-date returns in this sector, at nearly 4%, almost double any other fixed income sector.
- Moody's Investor Services announced that it was increasing requirements for credit support for new CMBS deals. They expect to phase in the change for new deals that they rate beginning in the next few months. The increased requirements will generally be equivalent to the credit support that was needed for bonds that are currently a half to a whole credit rating higher throughout the capital structure. This could cause an acceleration in deal flow in order to avoid the new criteria, but more importantly, reflects better rationality of underwriting standards going forward.



***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	3,648,612	3,648,611.80	3,648,611.80	4.77%	174,038.78	16.39%
Fixed Income	18,700,000	18,609,683.83	18,613,305.00	5.16%	0.00	83.61%
<b>Total</b>	<b>22,348,612</b>	<b>22,258,295.63</b>	<b>22,261,916.80</b>	<b>5.10%</b>	<b>174,038.78</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>3,648,612</b>	Cash/Money Market -CASH-	<b>3,648,611.80</b>	<b>3,648,611.80</b>	<b>0.00</b>	<b>0.00</b>	<b>4.77%</b>	<b>0.00</b>	<b>0.00</b>	<b>16.39%</b>
Agency	AGY/AGY	02/26/07	750,000	FNMA Discount Note 0.000 05/02/07 313588FB6	749,785.00	749,925.00	140.00	0.00	5.16%	0.01	0.01	3.37%
	AGY/AGY	07/07/06	1,000,000	FHLMC Discount Note 0.000 05/09/07 313396FJ7	998,685.00	998,900.00	215.00	0.00	5.26%	0.03	0.03	4.49%
	AGY/AGY	11/29/06	1,000,000	FNMA Discount Note 0.000 05/09/07 313588FJ9	998,732.50	998,900.00	167.50	0.00	5.07%	0.03	0.03	4.49%
	AGY/AGY	01/31/07	600,000	FNMA Discount Note 0.000 05/16/07 313588FR1	598,634.67	598,740.00	105.33	0.00	5.12%	0.04	0.04	2.69%
	AGY/AGY	09/06/06	1,500,000	FHLMC Discount Note 0.000 05/23/07 313396FY4	1,495,160.42	1,495,350.00	189.58	0.00	5.05%	0.06	0.06	6.72%
	AGY/AGY	07/05/06	4,000,000	FHLMC Discount Note 0.000 05/29/07 313396GE7	3,983,315.74	3,984,400.00	1,084.26	0.00	5.25%	0.08	0.08	17.88%
	AGY/AGY	01/05/07	1,000,000	FNMA Discount Note 0.000 05/30/07 313588GF6	995,845.28	995,900.00	54.72	0.00	4.99%	0.08	0.08	4.47%
	AGY/AGY	08/16/06	2,000,000	FNMA Discount Note 0.000 05/31/07 313588GG4	1,991,216.67	1,991,600.00	383.33	0.00	5.10%	0.09	0.09	8.95%
	AGY/AGY	09/06/06	1,250,000	FNMA Discount Note 0.000 06/06/07 313588GN9	1,243,525.00	1,243,625.00	100.00	0.00	5.04%	0.10	0.10	5.59%
	AGY/AGY	01/31/07	600,000	FNMA Discount Note 0.000 06/13/07 313588GV1	596,260.00	596,340.00	80.00	0.00	5.10%	0.12	0.12	2.68%
	AGY/AGY	09/06/06	1,250,000	FNMA Discount Note 0.000 06/20/07 313588HC2	1,241,092.71	1,241,125.00	32.29	0.00	5.03%	0.14	0.14	5.58%
	AGY/AGY	07/05/06	3,750,000	FNMA Discount Note 0.000 06/29/07 313588HM0	3,717,430.84	3,718,500.00	1,069.16	0.00	5.28%	0.16	0.16	16.70%
Subtotal			<b>18,700,000</b>		<b>18,609,683.83</b>	<b>18,613,305.00</b>	<b>3,621.17</b>	<b>0.00</b>	<b>5.16%</b>	<b>0.09</b>	<b>0.09</b>	<b>83.61%</b>
<b>Total</b>			<b>22,348,612</b>		<b>22,258,295.63</b>	<b>22,261,916.80</b>	<b>3,621.17</b>	<b>0.00</b>	<b>5.10%</b>	<b>0.08</b>	<b>0.08</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
04/30/07	04/30/07	Contr	1,000,000	-CASH-	Cash/Money Market			1,000,000.00		0.00
04/25/07	04/25/07	Mature	1,750,000	313588EU5	FNMA Discount Note	0.000 04/25/07	100.000	1,750,000.00		0.00
04/25/07	04/25/07	Wdrwl	1,000,000	-CASH-	Cash/Money Market			1,000,000.00		0.00
04/18/07	04/18/07	Mature	600,000	313588EM3	FNMA Discount Note	0.000 04/18/07	100.000	600,000.00		0.00
04/12/07	04/13/07	Buy	1,750,000	313588HM0	FNMA Discount Note	0.000 06/29/07	98.903	1,730,798.13	5.26%	0.00
04/11/07	04/11/07	Mature	2,000,000	313396EE9	FHLMC Discount Note	0.000 04/11/07	100.000	2,000,000.00		0.00
04/11/07	04/11/07	Wdrwl	1,300,000	-CASH-	Cash/Money Market			1,300,000.00		0.00
04/04/07	04/04/07	Mature	750,000	313588DX0	FNMA Discount Note	0.000 04/04/07	100.000	750,000.00		0.00
04/01/07	04/01/07	Contr	3,911	-CASH-	Cash/Money Market			3,910.63		0.00
<b>Total</b>										<b>0.00</b>

# Cash Reconciliation

*Penn Manor School District General Fund*

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<i>Beginning Cash Balance</i>	<b><i>1,571,387.67</i></b>
Buy	-1,730,798.13
Management Fee	-3,910.63
Wdrwl	-2,300,000.00
Contr	1,003,910.63
Income	8,022.26
Mature	5,100,000.00
<i>Ending Cash Balance</i>	<b><i>3,648,611.80</i></b>

# Summary of Portfolio Changes

*Penn Manor School District General Fund*

<i>Beginning Market Value plus Accrued Income</i>		<b><i>23,468,832.67</i></b>
Contributions	1,003,910.63	
Withdrawal / Management Fee	(2,303,910.63)	
<i>Total Contributions, Withdrawals, and Management Fee</i>		<b><i>(1,300,000.00)</i></b>
Interest Received	8,022.26	
Interest Purchased	0.00	
Amortization Change	87,987.52	
Ending Accrued Income	0.00	
Beginning Accrued Income	0.00	
Accrued Income Change	0.00	
<i>Total Earned Income</i>		<b><i>96,009.78</i></b>
Ending Market Value	22,261,916.80	
Ending Book Value	(22,258,295.63)	3,621.17
Beginning Market Value	23,468,832.67	
Beginning Book Value	(23,462,285.85)	6,546.82
Change in Unrealized Gain/Loss	(2,925.65)	
Realized Gain/Loss	0.00	
<i>Change in Market Value</i>		<b><i>(2,925.65)</i></b>
<i>Total Investment Change</i>		<b><i>(1,206,915.87)</i></b>
<i>Ending Market Value plus Accrued Income</i>		<b><i>22,261,916.80</i></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
	3,648,612.00	Cash/Money Market	3,648,611.80	3,648,611.80	1,571,387.67	2,077,224.13	0.00	0.00	0.00	3,648,611.80	0.00
		-CASH-									
07/07/06	1,000,000.00	FHLMC Discount Note 0.000 05/09/07 313396FJ7	998,900.00	955,728.33	994,301.67	0.00	4,383.33	0.00	0.00	998,685.00	215.00
09/06/06	1,500,000.00	FHLMC Discount Note 0.000 05/23/07 313396FY4	1,495,350.00	1,445,712.50	1,488,847.92	0.00	6,312.50	0.00	0.00	1,495,160.42	189.58
07/05/06	4,000,000.00	FHLMC Discount Note 0.000 05/29/07 313396GE7	3,984,400.00	3,861,710.34	3,966,056.15	0.00	17,259.59	0.00	0.00	3,983,315.74	1,084.26
02/26/07	750,000.00	FNMA Discount Note 0.000 05/02/07 313588FB6	749,925.00	743,120.00	746,560.00	0.00	3,225.00	0.00	0.00	749,785.00	140.00
11/29/06	1,000,000.00	FNMA Discount Note 0.000 05/09/07 313588FJ9	998,900.00	977,325.83	994,507.50	0.00	4,225.00	0.00	0.00	998,732.50	167.50
01/31/07	600,000.00	FNMA Discount Note 0.000 05/16/07 313588FR1	598,740.00	591,040.00	596,074.67	0.00	2,560.00	0.00	0.00	598,634.67	105.33
01/05/07	1,000,000.00	FNMA Discount Note 0.000 05/30/07 313588GF6	995,900.00	979,918.83	991,690.55	0.00	4,154.73	0.00	0.00	995,845.28	54.72
08/16/06	2,000,000.00	FNMA Discount Note 0.000 05/31/07 313588GG4	1,991,600.00	1,918,683.33	1,982,716.67	0.00	8,500.00	0.00	0.00	1,991,216.67	383.33
09/06/06	1,250,000.00	FNMA Discount Note 0.000 06/06/07 313588GN9	1,243,625.00	1,202,400.00	1,238,275.00	0.00	5,250.00	0.00	0.00	1,243,525.00	100.00
01/31/07	600,000.00	FNMA Discount Note 0.000 06/13/07 313588GV1	596,340.00	588,695.00	593,710.00	0.00	2,550.00	0.00	0.00	596,260.00	80.00
09/06/06	1,250,000.00	FNMA Discount Note 0.000 06/20/07 313588HC2	1,241,125.00	1,200,049.31	1,235,853.13	0.00	5,239.58	0.00	0.00	1,241,092.71	32.29
07/05/06	3,750,000.00	FNMA Discount Note 0.000 06/29/07 313588HM0	3,718,500.00	3,625,745.02	1,973,590.00	1,730,798.13	13,042.71	0.00	0.00	3,717,430.84	1,069.16
08/22/06		FHLMC Discount Note 0.000 04/11/07 313396EE9			1,996,877.22	0.00	3,122.78	2,000,000.00	0.00	0.00	0.00
02/26/07		FNMA Discount Note 0.000 04/04/07 313588DX0			749,569.17	0.00	430.83	750,000.00	0.00	0.00	0.00
01/31/07		FNMA Discount Note 0.000 04/18/07 313588EM3			598,459.50	0.00	1,540.50	600,000.00	0.00	0.00	0.00
11/13/06		FNMA Discount Note 0.000 04/25/07 313588EU5			1,743,809.03	0.00	6,190.97	1,750,000.00	0.00	0.00	0.00
<b>Total</b>			22,261,916.80	21,738,740.29	23,462,285.85	3,808,022.26	87,987.52	5,100,000.00	0.00	22,258,295.63	3,621.17

# 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-	3,648,612.00	Cash/Money Market			0.00	8,022.26	0.00	8,022.26	0.00
07/07/06		313396FJ7	1,000,000.00	FHLMC Discount Note	0.000	05/09/07	0.00	0.00	0.00	0.00	0.00
09/06/06		313396FY4	1,500,000.00	FHLMC Discount Note	0.000	05/23/07	0.00	0.00	0.00	0.00	0.00
07/05/06		313396GE7	4,000,000.00	FHLMC Discount Note	0.000	05/29/07	0.00	0.00	0.00	0.00	0.00
02/26/07		313588FB6	750,000.00	FNMA Discount Note	0.000	05/02/07	0.00	0.00	0.00	0.00	0.00
11/29/06		313588FJ9	1,000,000.00	FNMA Discount Note	0.000	05/09/07	0.00	0.00	0.00	0.00	0.00
01/31/07		313588FR1	600,000.00	FNMA Discount Note	0.000	05/16/07	0.00	0.00	0.00	0.00	0.00
01/05/07		313588GF6	1,000,000.00	FNMA Discount Note	0.000	05/30/07	0.00	0.00	0.00	0.00	0.00
08/16/06		313588GG4	2,000,000.00	FNMA Discount Note	0.000	05/31/07	0.00	0.00	0.00	0.00	0.00
09/06/06		313588GN9	1,250,000.00	FNMA Discount Note	0.000	06/06/07	0.00	0.00	0.00	0.00	0.00
01/31/07		313588GV1	600,000.00	FNMA Discount Note	0.000	06/13/07	0.00	0.00	0.00	0.00	0.00
09/06/06		313588HC2	1,250,000.00	FNMA Discount Note	0.000	06/20/07	0.00	0.00	0.00	0.00	0.00
07/05/06		313588HM0	3,750,000.00	FNMA Discount Note	0.000	06/29/07	0.00	0.00	0.00	0.00	0.00
08/22/06		313396EE9		FHLMC Discount Note	0.000	04/11/07	0.00	0.00	0.00	0.00	0.00
02/26/07		313588DX0		FNMA Discount Note	0.000	04/04/07	0.00	0.00	0.00	0.00	0.00
01/31/07		313588EM3		FNMA Discount Note	0.000	04/18/07	0.00	0.00	0.00	0.00	0.00
11/13/06		313588EU5		FNMA Discount Note	0.000	04/25/07	0.00	0.00	0.00	0.00	0.00
<b>Total</b>							<b>0.00</b>	<b>8,022.26</b>	<b>0.00</b>	<b>8,022.26</b>	<b>0.00</b>

# Disclaimer

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*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, State Street Bank and Trust Company, 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.*

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