Illinois Metropolitan Investment Fund

Comprehensive Annual Financial Report
Year ended September 30, 2005

ILLINOIS METROPOLITAN INVESTMENT FUND

Annual Financial Report
Year Ended September 30, 2005

Table of Contents

INTRODUCTORY SECTION

Dear Fellow IMET Participants:

We hereby submit to you the ninth Annual Financial Report of the Illinois Metropolitan Investment Fund (IMET) which covers the fiscal year of October 1, 2004 through September 30, 2005. The 2005 fiscal year was both a challenging and a rewarding year, as IMET dealt with the most difficult and sustained rising interest rate environment of recent years. During this fiscal year, IMET showed proactive and strong leadership in negotiating an enhanced interest rate for the Convenience Fund, lower fees with JP Morgan Asset Management, and restructured marketing commitments from JP Morgan Chase in fund assets. All of these actions were vital to enhancing the long-term stability of IMET. The fact that IMET is completing FY05 with nearly $300 million in combined assets is a notable achievement largely accomplished through the skillful management and teamwork of board, staff, advisors, and the members themselves. Staff's contact with members along with corresponding member confidence in IMET's board and staff have contributed significantly to members remaining funded in IMET and sustaining IMET through the markets of the past year. We are pleased to report that IMET continued to serve and add value to the investment portfolios of its members, and we are grateful that the IMET membership responded favorably and worked together in planning and welcoming new products for our and IMET's future.

From June 2004 through September 2005, the Federal Reserve Board of Governors increased interest rates 11 times from 1.00 to 3.75 percent. This environment of steadily rising rates provided downward pressure on short fixed income securities, and downward pressure on the performance of the IMET 1-3 year bond fund. Despite this price pressure, the IMET 1-3 year bond fund was able to satisfactorily meet its performance objective of meeting or exceeding the return on the benchmark Lehman 1-3 year bond index. Gross of fees, IMET's 1-3 Year bond fund provided a return of 1.19 percent to its participants during the fiscal year ended September 30, 2005, versus a benchmark return of 1.09 percent. Net of fees, IMET's one-year return was .91 percent, providing a positive return to participants yet underperforming shorter-term alternatives such as Treasury bills and IMET's own Convenience Fund.

In anticipation of rising interest rates, IMET introduced its new Convenience Fund in September of 2003. The Convenience Fund provides a highly competitive yielding, liquid investment alternative for IMET investors with lower risk tolerance and near-term liquidity needs. We reached a milestone during the year when IMET was able to negotiate a preferred rate of return from investment advisor JP Morgan Chase. During March 2005, IMET's Convenience Fund began offering a rate equal to the federal funds target rate. This was tremendously beneficial, as participants now know the Convenience Fund rate of return at any point in time. Even more gratifying, each time the Fed increases rates, the Convenience Fund return automatically adjusts upward on the same day. Members responded favorably to the Convenience Fund as assets rose from $12 million at the beginning of the year to $118.4 million at the end of the year.

The Convenience Fund was developed through the cooperative efforts of IMET, all of its banking partners, and IMET's Standing Committee on new product/service development (the New Products Committee). This cooperative effort culminated in national recognition, as the Government Finance Officers Association of the United States and Canada ranked IMET's Convenience Fund in the top quartile of all government investment pools throughout the nation. Moreover, GFOA ranked the Convenience Fund as the second-highest performing *locally sponsored* pool in the country, and the top-performing fund in Illinois. We would like thank both Fifth Third Bank and JP Morgan Chase for their help in developing and providing this competitive product to our members.

Other accomplishments of note during this fiscal year include the following:

- First, the IMET New Products Committee organized and facilitated the first focus group of IMET members which resulted in future ideas for organizational and product enhancements.
- Second, the IMET Board issued and processed a Request for Proposals for audit services, which resulted in the hiring of Miller, Cooper & Co., LTD.
- Third, with the help of The Consulting Group of Smith Barney, IMET conducted a thorough review of the match between IMET's investment policy and the investment portfolio.
- Fourth, the IMET 1-3 Year Series continued to receive the Aaa/MR1 rating, the highest rating available from Moody's Investors Service for both credit risk and market risk.

We would like to publicly express our appreciation to IMET participants who served as volunteers on the IMET New Products and Audit Committees, and to those who served in the first focus group. Their assistance is representative of the spirit of volunteerism and cooperation that will continue to lead and serve the IMET membership for many years to come.

In service with you,

Scott Bordui
IMET Chair

Michelle R. B. Saddler
IMET Executive Director

ILLINOIS METROPOLITAN INVESTMENT FUND

Board of Trustees
September 30, 2005

ILLINOIS METROPOLITAN INVESTMENT FUND

1616 E. Golf Road
Des Plaines, IL 60016
Telephone: (847) 296-9200, ext. 38
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ILLINOIS METROPOLITAN INVESTMENT FUND

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External Advisors
September 30, 2005

SUPPORTING CHICAGO AREA COUNCILS OF GOVERNMENT

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Mark Fowler
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JP Morgan Asset Management
Chicago, Illinois
Columbus, Ohio

FUND ACCOUNTANT AND CUSTODIAN
Fifth Third Bancorp
Rolling Meadows, Illinois

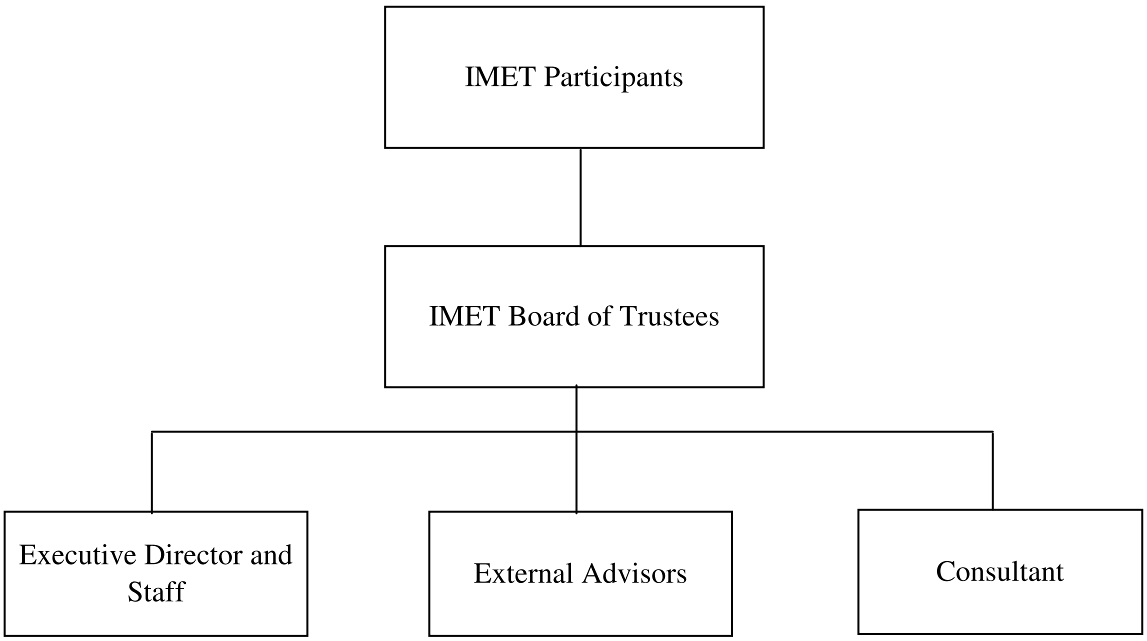
EXTERNAL PERFORMANCE MONITORING
The Consulting Group of Smith Barney
Deerfield, Illinois

LEGAL COUNSEL
Chapman and Cutler LLP
Chicago, Illinois

ILLINOIS METROPOLITAN INVESTMENT FUND

Organizational Chart

September 30, 2005



FINANCIAL SECTION

MILLER
COOPER
& Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Illinois Metropolitan Investment Fund
Des Plaines, Illinois

We have audited the accompanying combining statement of net assets of the Illinois Metropolitan Investment Fund (IMET) as of September 30, 2005, and the related combining statement of changes in net assets for the year then ended. These financial statements are the responsibility of IMET's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Metropolitan Investment Fund, as of September 30, 2005, and the changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 5 and the schedule of funding progress on page 16 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise IMET's basic financial statements, as listed in the table of contents. The accompanying Schedule of Investments as of September 30, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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The Board of Trustees
Illinois Metropolitan Investment Fund
Des Plaines, Illinois

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Northbrook, Illinois
November 11, 2005

ILLINOIS METROPOLITAN INVESTMENT FUND

Management's Discussion and Analysis

Year ended September 30, 2005

Management is pleased to provide this overview and analysis of the financial activities of the Illinois Metropolitan Investment Fund (IMET) for the years ended September 30, 2004 and September 30, 2005. This information is intended to supplement the financial statements, which begin on page six of the report. We encourage readers to consider additional information in the Fund's *First Amended and Restated Declaration of Trust,* as amended and approved on March 22, 2002.

Financial Highlights

During fiscal year 2004, total assets of IMET (including IMET 1-3 Year Series and IMET Convenience Series) decreased by $8,350,017 to a balance of 298,907,656 as of September 30, 2004. Total assets of the IMET 1-3 Year Series decreased by $19,234,458 to a balance of $286,573,215, while total assets of the IMET Convenience Series increased by $10,884,441 to a balance of $12,334,441 as of September 30, 2004.

During the more recent fiscal year of 2005, total assets decreased by $6,291,052 to a balance of $292,616,604 as of September 30, 2005. Total assets of the 1-3 Year Series decreased by $112,369,231 during fiscal year 2005, while total assets of the IMET Convenience Series increased by $106,078,179 to a balance of $118,412,620 as of September 30, 2005.

Participants' equity in IMET was $297,435,624 ($285,110,546 in the IMET 1-3 Year Series and $12,325,078 in the IMET Convenience Series) as of September 30, 2004 and $289,041,148 ($170,651,850 in the IMET 1-3 Year Series and $118,389,298 in the IMET Convenience Series) as of September 30, 2005.

Despite rising interest rates, IMET's 1-3 Year Series achieved its investment objective of meeting or exceeding the return on the Lehman 1-3 Year Government Bond Index on a gross-of-fees basis during the two most recent fiscal years. During fiscal year 2004, IMET delivered returns consistent with its performance benchmark, as IMET's gross one-year return for fiscal year 2004 was 1.24 percent, with a one-year return of 1.17 percent for the Lehman Index. During fiscal year 2005, IMET also achieved its investment objective of meeting or exceeding the return on the Lehman 1-3 Year Government Index on a gross-of-fees basis. IMET ended the fiscal year with a gross one-year return of 1.19 percent versus a one-year return of 1.09 percent for the Lehman Index.

Interest rate tightening by the Federal Reserve Bank resulted in 90-day Treasury Bills outperforming the IMET 1-3 Year Series net return for both the 2004 and 2005 fiscal years. Negotiated enhancements to the Convenience Series during fiscal year 2005, however, caused the IMET Convenience Series to outperform both the 1-3 Year Series as well as 90-day Treasury Bills. Net of fees, the 1-3 Year Series provided a net 12-month return of .98 percent in fiscal year 2004, versus a net 12-month return of 1.10 percent for 90-day Treasury Bills, and a 12-month return of .98 percent for the IMET Convenience Series. During 2005, the IMET 1-3 Year Series provided a net return of .91 percent, versus 2.62 percent for 90-day Treasury bills, and 2.64 percent for IMET's Convenience Fund.

Overview of the Financial Statements

The two basic financial statements of the Fund are the *Statement of Net Assets* and the *Statement of Changes in Net Assets.* The statements are prepared in conformity with accounting principles generally accepted in the United States of America.

The *Statement of Net Assets* is a measure of the Fund assets and liabilities at the close of the fiscal year. Total assets less liabilities equal net assets held in trust for IMET participants.

The *Statement of Changes in Net Assets* shows purchases to and redemption (withdrawals) from the Fund, as well as additions and deductions due to operations during the fiscal year. The net increase (or decrease) is the change in net assets owned by participants since the end of the previous fiscal year.

The *Notes to Financial Statements* are a fundamental part of the financial statements and provide important information to augment the figures in the financial statements. The notes describe accounting policies and other financial information.

A *Schedule of Investments* is included to detail the types and amount of investment instruments held by the IMET 1-3 Year Fund.

Financial Statement Analysis

Net Assets

During the year ended September 30, 2004, IMET's total net assets decreased by $4,461,276, to a total balance of $297,435,624. This decrease began as the Federal Reserve's policymaking Open Market Committee (FOMC) initiated a tightening cycle and increased short-term interest rates four times during the 2004 fiscal year. These rising rates provided downward price pressure on the bond market and corresponding pressures on 1-3 year investments. While some redemptions were made in response to downward price pressure, much of the redemption activity was due to the withdrawal of bond proceeds to meet the payment drawdowns on various construction projects.

The rising interest environment continued throughout fiscal year 2005, as rates were tightened seven additional times from October 2004 through September 2005. Total net assets of IMET decreased by $8,394,476 during fiscal year 2005. This net decrease in total assets, in large part, was caused by participants making tactical shifts between the IMET 1-3 Year Fund and IMET's shorter-term investment alternative, the IMET Convenience Fund. Participants made net redemptions from the 1-3 Year Fund of $114,458,696 during fiscal year 2005, and participants made corresponding purchases in the IMET Convenience Fund of $106,064,220. The IMET Convenience Fund was introduced in September 2003 in anticipation of a prolonged rising interest rate environment, and it provides participants with an additional investment alternative and greater predictability of returns.

Operations

During the current fiscal year ended September 30, 2005, total additions from operations consisted of $8,275,204 in interest income offset by net depreciation in the fair value of investments of $4,237,413. These amounts may be compared with $8,771,551 of interest income and $5,133,777 net depreciation in the fair value of investments during the prior fiscal year, for total additions of $4,037,791 in fiscal year 2005 compared to $3,637,774 in fiscal year 2004.

Operating expenses of IMET were $765,226 for the current fiscal year compared with $764,581 for the prior fiscal year.

Summary of IMET Operations

During fiscal year 2005, as a result of the Bank One and JP Morgan Chase merger, IMET was able to renegotiate its contractual agreement for Investment Management Services. The new agreement provided for a revised fee schedule that lowered the investment advisory fees from 12 basis points to 10.5 basis points and eliminated previous commitments of in-kind marketing materials. The fee reduction afforded IMET additional resources to internalize and oversee the overall marketing effort and allows IMET to independently invest in marketing efforts.

In addition, the new contractual agreement provides for sales support from JP Morgan Chase's banking and investment management groups. JP Morgan Chase agreed to assist in the sales and distribution of the IMET Fund, with involvement in training sessions, among other efforts.

In further negotiations with the new JP Morgan Chase, IMET was able to secure a higher rate of return for the Convenience Fund. In March of 2005, Bank One agreed to pay IMET the fed funds target rate plus 25 basis points on the deposits in the Convenience Fund, thereby increasing the rate offered to participants by an additional 10 basis points.

While there were no significant changes in the custodial, safe keeping, and administrative services provided by Fifth Third Bank, representatives from Fifth Third Bank were responsible for suggesting that IMET seek enhancement to the Convenience Series.

Investment Performance

For fiscal 2004, total investments resulted in a gross total return of 1.24 percent versus the Lehman 1-3 Year Government Bond Index return of 1.17 percent. During the same fiscal year, IMET's 1-3 Year Fund provided a *net* return of 0.98 percent to IMET participants versus 1.10 percent for 90-day Treasury Bills and 1.00 percent for IMET's Convenience Fund.

In fiscal year 2005, the IMET 1-3 Year Fund provided a gross return of 1.19 percent versus 1.09 percent for the Lehman Index, .91 percent for IMET's *net* 12-month return, and 2.62 percent for 90-day Treasury Bills. The IMET Convenience Fund, however, outperformed both the 1-3 Year Fund as well as Treasury Bills, as IMET's Convenience Fund provided a return of 2.64 percent to participants for the fiscal year ended September 30, 2005.

For additional information regarding performance returns of IMET and asset allocation please refer to the Statistical Section on page 20 of this report.

Requests for Information

Question about any information provided in this report should be addressed to:

The Illinois Metropolitan Investment Fund (IMET)
ATTN: Executive Director
1616 E. Golf Road
Des Plaines, IL 60016

Illinois Metropolitan Investment Fund

Combining Statement of Net Assets

September 30, 2005

	IMET 1 - 3 Year Series	IMET Convenience Series	Total
ASSETS			
Cash and short-term investments	$ 272,112	$ 118,412,620	$ 118,684,732
Interest receivable	1,376,630	-	1,376,630
Securities sold receivable	3,430,277	-	3,430,277
Receivable for investment paydowns	12,646	-	12,646
Investments at fair value:			
U.S. Treasury obligations	92,711,429	-	92,711,429
U.S. Government agency obligations	70,074,252	-	70,074,252
Mortgage-backed securities	5,428,042	-	5,428,042
Money market mutual funds	898,596	-	898,596
Total investments	169,112,319	-	169,112,319
Total assets	174,203,984	118,412,620	292,616,604
LIABILITIES			
Payables:			
Security purchase payable	3,494,015	-	3,494,015
Management fee	14,895	-	14,895
Administrative and other	43,224	23,322	66,546
Total liabilities	3,552,134	23,322	3,575,456
NET ASSETS			
Net assets held in trust for participants (units outstanding: 11,118,439 and 118,389,298 at September 30, 2005 for IMET 1-3 Year Series and IMET Convenience Series, respectively; equivalent to $15.349 and $1.000 per unit outstanding at Septmeber 30, 2005 for IMET 1-3 Year Series and IMET Convenience Series, respectively)			
Total net assets	$ 170,651,850	$ 118,389,298	$ 289,041,148

The accompanying notes are an integral part of this statement.

Illinois Metropolitan Investment Fund

Combining Statement of Changes in Net Assets

Year ended September 30, 2005

	IMET 1 - 3 Year Series	IMET Convenience Series	Total
Additions from operations:			
Investment income			
Interest	$ 6,424,115	$ 1,851,089	$ 8,275,204
Net depreciation in fair value of investments	(4,237,413)	-	(4,237,413)
Total additions from operations	2,186,702	1,851,089	4,037,791
Deductions from operations:			
Operating expenses:			
Management and administrative services	278,609	126,288	404,897
Compensation and related expenses	203,018	-	203,018
Professional services	28,284	-	28,284
Insurance	32,041	-	32,041
Audit	24,750	-	24,750
Marketing	27,920	-	27,920
Administrative and other	44,316	-	44,316
Total operating expenses	638,938	126,288	765,226
Net additions from operations	1,547,764	1,724,801	3,272,565
Distributions			
Distributions of income to participants	-	(1,724,801)	(1,724,801)
Total distributions	-	(1,724,801)	(1,724,801)
Capital share and individual account transactions:			
Proceeds from sale of units to participants	1,568,103	132,774,312	134,342,415
Distributions reinvested by participants	-	1,724,801	1,724,801
Cost of units redeemed by participants	(117,574,563)	(28,434,893)	(146,009,456)
Net additions (deductions) from capital share and individual account transactions	(116,006,460)	106,064,220	(9,942,240)
Net increase (decrease)	(114,458,696)	106,064,220	(8,394,476)
Net assets held in trust for participants:			
Beginning of year	285,110,546	12,325,078	297,435,624
End of year	$ 170,651,850	$ 118,389,298	$ 289,041,148

The accompanying notes are an integral part of this statement.

NOTE A - NATURE OF OPERATIONS

The Illinois Metropolitan Investment Fund (IMET), which was formed on July 17, 1996, actively manages two investment funds for municipal treasurers, official custodians of municipal funds, and other public agencies in the State of Illinois. These funds are the IMET 1 - 3 Year Series and the IMET Convenience Series. IMET also offers arbitrage rebate calculation services for participants whose bond proceeds are subject to federal arbitragte restrictions.

The IMET 1 - 3 Year Series is designed as an investment vehicle for funds not required for immediate expenditure and which are available for investment in securities with average maturities and returns generally greater than those for money market instruments.

The objectives of the IMET 1 - 3 Year Series are to provide a high current yield while maintaining safety and liquidity and to offer participation in a diversified portfolio of high-quality fixed income instruments permitted for investment under the Public Funds Investment Act of the State of Illinois. The IMET 1 - 3 Year Series seeks to ensure the preservation of capital with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment, as measured by the Lehman Brothers 1 - 3 year Government Bond Index.

The IMET Convenience Series was established on September 2, 2003 as an investment alternative exclusively for IMET participants. All IMET participants have immediate access to an IMET Convenience Series account; no additional application is needed. The IMET Convenience Series is a fully collateralized, short-term money market instrument with one-day liquidity. It currently provides a return that is pegged to the federal funds target interest rate. It is intended for use as a short-term investment for funds that may or may not be needed for near-term disbursement.

The objective of the IMET Convenience Series is to provide a high current return while maintaining the safety and liquidity of public funds. The IMET Convenience Series serves as a companion vehicle to the IMET 1 - 3 Year Series and to the Arbitrage Rebate Calculation service. It provides a money market vehicle for the convenient investment of bond proceeds, for the temporary investment of longer-term intermediate funds, and/or for cash management and liquidity purposes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant of IMET's accounting policies are described below:

1. Reporting Entity

   As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Based upon the required criteria, IMET has no component units and is not a component unit of any other entity.

2. Cash and Short-term Investments

   At September 30, 2005, the IMET 1 - 3 Year Series had $272,112 segregated for administrative costs and future investment activity. These funds are invested in money market funds and included as cash and short-term investments on the statement of net assets.

3. Security Valuation

   Investments of the IMET 1 - 3 Year Series are reported at fair value based on market quotations obtained from a third-party provider. Securities for which quotations are not available are stated at fair value determined by the Board of Trustees.

   The IMET Convenience Series' investments are reported at cost, which approximates fair value based on the nature of the investment.

4. Security Transactions and Income

   Security transactions are accounted for no later than one business day after the securities are purchased or sold. Gains and losses on investments are realized at the time of the sale and the cost of securities sold is determined on the first-in, first-out basis. Interest income from fixed income and money market investments is accrued on a daily basis. Discounts and premiums on all fixed income securities are amortized or accreted on a constant-yield basis.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Subscriptions and Redemptions

Participants may subscribe to either of the funds on any business day. Purchase instructions received by IMET before 12:00 noon are credited to accounts at the net asset value as of the close of business that day. Participants may redeem shares of the IMET 1 - 3 Year Series with five days notice at the net asset value as of the close of business on the third business day following the day of notification. Participants may redeem from the IMET Convenience Series with one day notice at the net asset value as of the day following notification. Redemptions from the IMET Convenience Szeries that are requested by noon central time will be completed on the same day.

6. Use of Estimates

In preparing IMET's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - DEPOSITS AND INVESTMENTS

At September 30, 2005, the bank balance and carrying amount of the IMET 1 - 3 Year Series' deposits were $148,539 and $272,112, respectively, representing the balance of cash and short-term investments. The deposits of the IMET 1 - 3 Year Series are insured, registered, or collateralized by securities recorded in the IMET 1 - 3 Year Series' name and held by the IMET 1 - 3 Year Series' agent.

At September 30, 2005, the bank balance and carrying amount of the IMET Convenience Series' deposits was $118,412,620. The deposits of the IMET Convenience Series are insured, registered, or collateralized by securities recorded in the IMET Convenience Series' name and held by the IMET Convenience Series' agent.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

The following table presents a summarization of the fair values and duration of the IMET 1 - 3 Year Series investments at September 30, 2005.

	Fair Value	Duration (in years)
U.S. Treasury obligations	$ 92,711,429	1.78
U.S. Government agency obligations	70,074,252	1.29
Mortgage-backed securities	5,428,042	1.85
Money market mutual funds	898,596	-
Total investments	$ 169,112,319	1.57

1. Interest Rate Risk

Through its investment policy, IMET manages its exposure to fair value losses of the IMET 1 - 3 Year Series arising from increasing interest rates by limiting the duration of its investment portfolio to within 25% of that of the Lehman Brothers 1 - 3 Year Government Bond Index under normal conditions. The duration for total investments represents the weighted average of the durations for the respective categories of investments. The duration for the Lehman Brothers 1 - 3 Year Government Bond Index was 1.73 years as of September 30, 2005.

2. Credit Risk

The investments in U.S. Treasury and agency obligations carry the explicit guarantee of the United States Government. The investments in mortgage-backed securities are rated in the top rating category issued by nationally recognized statistical rating organizations. The investment in the Fifth Third U.S. Treasury Money Market Fund is not subject to credit risk categorization.

3. Concentration of Credit Risk

IMET's investment policy for the IMET 1 - 3 Year Series does not restrict the allowable concentration of total assets invested in the securities of the United States Government or its agencies. As of September 30, 2005, IMET was in compliance with its investment policy requirements with respect to diversification and concentration of credit risk.

NOTE D - FUND EXPENSES - IMET 1-3 YEAR SERIES

The total expenses, including any consulting fees, for the IMET 1 - 3 Year Series are not expected to exceed 0.28% of the average daily net assets. The average daily net assets of the IMET 1 - 3 Year Series were approximately $222.9 million for the year ended September 30, 2005. The contractually obligated expenses are described below.

1. Fund Management

IMET pays a management fee to JP Morgan Asset Management, which acts as the investment advisor.

In accordance with the amended advisory agreement effective January 1, 2005, the management fee is calculated each day and paid monthly based upon the average daily net assets of the fund as follows:

	Fee Rate
Average daily net assets:	
Until fund reaches $500 million	0.105 %
After fund reaches $500 million	0.080

Prior to January 1, 2005, the management fee was calculated each day and paid monthly based upon the average daily net assets of the fund as follows:

	Fee Rate
Average daily net assets	
Until fund reaches $300 million	0.13 %
Thereafter:	
$0 - 300 million	0.12
$300 - 350 million	0.11
$350 - 400 million	0.10
$400 - 500 million	0.09
over $500 million	0.08

Effective May 1, 2002, IMET also entered into an agreement with Fifth Third Bancorp to provide administrative services including fund accounting, transfer agent, and custody services. Effective April 1, 2003, the fee associated with these services is calculated at an annual rate of 0.04% for average daily net assets in excess of $250 million and 0.05% of average daily net assets below $250 million of average daily net assets.

NOTE D - FUND EXPENSES - IMET 1-3 YEAR SERIES (Continued)

1. Fund Management (Continued)

For the year ended September 30, 2005, the IMET 1 - 3 Year Series incurred expenses of $243,823 for services provided by JP Morgan Asset Management. For the year ended September 30, 2005, the IMET 1 - 3 Year Series incurred expenses of $94,801 for services provided by Fifth Third Bancorp.

2. Consultant

The DuPage Mayors and Managers Conference, Northwest Municipal Conference, South Suburban Mayors and Managers Association, West Central Municipal Conference, and the Will County Governmental League act collectively as the IMET 1 - 3 Year Series' Consultant. Services provided by the Consultant typically include identification and solicitation of potential investors. The IMET 1 - 3 Year Series pays the Consultant an annual fee in arrears equal to 0.02% of the IMET 1 - 3 Year Series' average daily net assets for each fiscal year, not to exceed $125,000 in any fiscal year. No annual fee shall be payable for any fiscal year unless the assets of the IMET 1 - 3 Year Series exceed $100 million for at least 31 consecutive calendar days during such fiscal year and the total return to fund participants for such fiscal year equals or exceeds the average 90-day Treasury bill rate during such fiscal year. For fiscal year 2005, the IMET 1 - 3 Year Series' return did not exceed the average 90-day Treasury bill rate. Accordingly, the IMET 1 - 3 Year Series did not incur consulting fees expense for the year ended September 30, 2005.

3. Administrative and Other Expenses

In accordance with the various agreements, the IMET 1 - 3 Year Series calculates a daily accrual, at various rates between 0.12% and 0.135%, applied to the Series' net assets. The amounts accrued are deposited monthly in a money market fund and are withdrawn as needed to cover actual administrative expenses incurred to operate and market the IMET 1 - 3 Year Series, including the cost of the Executive Director and staff of IMET. To the extent that the accrued amounts exceed the actual expenses in any period, the IMET 1 - 3 Year Series may use these amounts to pay future expenses. Amounts remaining in the money market fund are included in net assets.

NOTE E - FUND EXPENSES - IMET CONVENIENCE SERIES

The IMET Convenience Series calculates a daily accrual, at contractual rates equivalent to 0.25%, applied to the IMET Convenience Series' net assets. The amounts accrued are to be deposited periodically in a separate account and withdrawn as needed to cover administrative expenses incurred by the Board of Trustees and Fifth Third to operate and market the IMET Convenience Series. To the extent that the accrued amounts exceed the actual expenses in any period, the IMET Convenience Series may use these amounts to pay future expenses. For the year ended September 30, 2005, the IMET Convenience Series incurred expenses of $126,288 for administrative expenses and services provided by Fifth Third Bancorp.

NOTE F - UNIT TRANSACTIONS

A summary of participants' unit transactions for the year ended September 30, 2005 were as follows:

	IMET 1 - 3 Year Series	IMET Convenience Series
Unit transactions:		
Issued	85,469	132,774,312
Distributions reinvested	-	1,724,801
Redeemed	(7,710,688)	(28,434,893)
Change in units	(7,625,219)	106,064,220
Units outstanding:		
Beginning of year	18,743,658	12,325,078
End of year	11,118,439	118,389,298

NOTE G - RETIREMENT FUND COMMITMENTS - ILLINOIS MUNICIPAL RETIREMENT FUND COMMITMENTS

IMET's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

NOTE G - RETIREMENT FUND COMMITMENTS - ILLINOIS MUNICIPAL RETIREMENT FUND COMMITMENTS (Continued)

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. IMET is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 12.83% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2004 was 10 years.

For December 31, 2004, IMET's annual pension cost of $20,870 was equal to IMET's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 11.60% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15.00% corridor. The assumptions used for the 2004 valuation were based on the 1999-2001 experience study.

1. Trend Information

Actuarial Valuation Date	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
12/31/2004	$ 20,870	100%	$ -
12/31/2003	8,082	100%	-

IMET began participating in the Illinois Municipal Retirement Fund during the calendar year ended December 31, 2003. Accordingly, there are only two years of information included in the schedule of funding progress.

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Metropolitan Investment Fund

Required Supplementary Information - Schedule of Funding Progress
Illinois Municpal Retirement Fund
September 30, 2005

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(2) - (1) Unfunded AAL (UAAL)	(1) / (2) Funded Ratio	(3) Covered Payroll	UAAL as a Percentage of Covered Payroll ((2-1)/3)
12/31/2004	$ 49,367	$ 135,388	$ 86,021	36.46%	$ 162,665	52.88%
12/31/2003	12,072	57,025	44,953	21.17%	62,993	71.36%

IMET began participating in the Illinois Municipal Retirement Fund during the calender year ended December 31, 2003. Accordingly, there are only two years of information included in the schedule of funding progress.

The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999 - 2001 Experience Study.

The principal changes were
- Fewer members are expected to take refunds early in their career.
- For regular members, fewer normal and early retirements are expected to occur.

SUPPLEMENTARY INFORMATION

Illinois Metropolitan Investment Fund

Schedule of Investments
IMET 1 - 3 Year Series
September 30, 2005

Units/ par value	Description		Market value
U.S Treasury Obligations: 54.9%			
5,000,000	U.S. Treasury Note, 2.500%, Due 9/30/06	$	4,921,875
7,000,000	U.S. Treasury Bond, 6.500%, Due 10/15/06		7,166,530
5,000,000	U.S. Treasury Note,2.625%, Due 11/15/06		4,919,535
10,000,000	U.S. Treasury Note, 3.625%, Due 4/30/07		9,915,620
5,000,000	U.S. Treasury Note, 4.375%, Due 5/15/07		5,018,165
5,000,000	U.S. Treasury Note, 3.500%, Due 5/31/07		4,945,900
10,000,000	U.S. Treasury Bond, 6.125%, Due 8/15/07		10,351,960
10,000,000	U.S. Treasury Note, 2.750%, Due 8/15/07		9,747,660
5,000,000	U.S. Treasury Note, 3.000%, Due 11/15/07		4,882,810
13,500,000	U.S. Treasury Note, 3.375%, Due 2/15/08		13,256,366
3,000,000	U.S. Treasury Note, 5.625%, Due 5/15/08		3,105,819
3,000,000	U.S. Treasury Note, 3.125%, Due 9/15/08		2,912,343
3,000,000	U.S. Treasury Note, 4.750%, Due 11/15/08		3,048,165
3,000,000	U.S. Treasury Note, 3.375%, Due 11/15/08		2,928,399
3,500,000	U.S. Treasury Note, (Stripped), Due 5/15/07		3,275,650
2,500,000	U.S. Treasury Note, (Stripped), Due 8/15/07		2,314,632
			92,711,429
U.S Government Agency Obligations: 41.4%			
5,000,000	Federal Home Loan Bank, 3.500%, Due 8/15/06		4,964,485
5,000,000	Federal Home Loan Bank, 2.875%, Due 9/15/06		4,932,700
3,000,000	Federal Home Loan Bank, 4.125%, Due 11/15/06		2,992,599
5,000,000	Federal Home Loan Bank, 2.750%, Due 11/15/06		4,913,050
3,500,000	Federal Home Loan Bank, 4.250%, Due 4/16/07		3,492,738
500,000	Federal Home Loan Bank, 2.250%, Due 6/26/07		482,320
5,000,000	Federal Home Loan Bank, 3.125%, Due 8/15/07		4,887,655
5,000,000	Federal Home Loan Bank, 3.375%, Due 9/14/07		4,909,400
2,000,000	Federal Home Loan Bank, 4.000%, Due 5/15/08		1,977,682
1,000,000	Federal Home Loan Bank, 3.750%, Due 8/15/08		980,656
5,000,000	Federal Home Loan Mortgage Corp., 2.375%, Due 4/15/06		4,951,300
5,000,000	Federal Home Loan Mortgage Corp., 5.500%, Due 7/15/06		5,045,600
5,000,000	Federal Home Loan Mortgage Corp., 2.750%, Due 8/15/06		4,932,960
4,200,000	Federal Home Loan Mortgage Corp., 2.375%, Due 2/15/07		4,090,304
5,800,000	Federal Home Loan Mortgage Corp., 2.850%, Due 2/23/07		5,682,892
5,000,000	Federal Home Loan Mortgage Corp., 3.750%, Due 3/15/07		4,955,360
3,000,000	Federal Home Loan Mortgage Corp., 2.700%, Due 3/16/07		2,928,495
1,000,000	Federal Home Loan Mortgage Corp., 3.450%, Due 12/28/07		980,784
2,000,000	Federal Home Loan Mortgage Corp., 3.875%, Due 6/15/08		1,973,272
			70,074,252

(Continued)

Illinois Metropolitan Investment Fund

Schedule of Investments (Continued)
IMET 1 - 3 Year Series
September 30, 2005

Units/ par value	Description		Market value
Mortgage-Backed Securities: 3.2%			
450,541	Federal Home Loan Mortgage Corp. Pool 645242 6.977%, Due 1/1/30	$	458,388
468,459	Federal Home Loan Mortgage Corp. Pool 846774 6.373*, Due 12/1/27		478,245
1,834,956	Federal Home Loan Mortgage Corp. Pool 1B2661 4.309%*, Due 12/1/34		1,810,359
158,845	FHLM Co.(Gold) Pool E77591, 6.500%, Due 7/1/14		164,159
76,836	FHLM Co.(Gold) Pool E82002, 7.500%, Due 11/1/11		80,579
149,745	FHLM Co.(Gold) Pool E62448, 7.500%, Due 9/1/10		155,680
228,313	FHLM Co.(Gold) Pool G10740, 7.500%, Due 8/1/09		237,361
677,596	FHLM Co.(Gold) Pool P60089, 7.000%, Due 12/1/14		701,312
604,546	FHLM Co.(Gold) Pool P60090, 7.000%, Due 3/1/16		624,572
366,735	FHLM Co.(Gold) Pool E00667, 5.000%, Due 4/1/14		366,885
946	Govern. National Mortgage Assoc. Pool 12229, 7.500%, Due 6/15/06		959
80,743	Govern. National Mortgage Assoc. Pool 780831, 9.500%, Due 12/15/24		90,109
65,711	Govern. National Mortgage Assoc. Pool 2006, 8.500%, Due 5/20/25		72,036
21,630	Govern. National Mortgage Assoc. Pool 2324, 8.000%, Due 11/20/26		23,089
107,438	Govern. National Mortgage Assoc. Pool 2512, 8.000%, Due 11/20/27		114,654
5,765	Govern. National Mortgage Assoc. Pool 2566, 8.000%, Due 3/20/28		6,150
9,072	Govern. National Mortgage Assoc. Pool 2633, 8.000%, Due 8/20/28		9,677
15,741	Govern. National Mortgage Assoc. Pool 2647, 8.000%, Due 9/20/28		16,792
15,970	Govern. National Mortgage Assoc. Pool 2677, 8.000%, Due 11/20/28		17,036
			5,428,042
Mutual Funds: 0.5%			
898,596	Fifth Third U.S. Treasury Money Market Fund		898,596
		$	169,112,319

* Variable rate security. The rate listed is as of September 30, 2005.

(Concluded)

Illinois Metropolitan Investment Fund

Select Comparative Data (unaudited) - IMET 1 - 3 Year Series

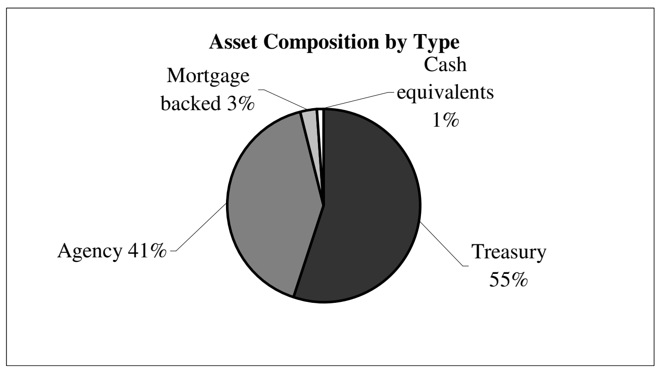
September 30, 2005

	One Year *	Three Year *	Since Inception July 17, 1996
IMET 1 - 3 Year Series Net Return	0.91%	1.49%	4.76%
IMET 1 - 3 Year Series Gross Return **	1.19%	1.77%	5.12%
Lehman Brothers 1 - 3 Year Government Bond Index	1.09%	1.68%	5.06%
Merrill Lynch 3-Month Treasury Bill Index	2.62%	1.86%	3.77%

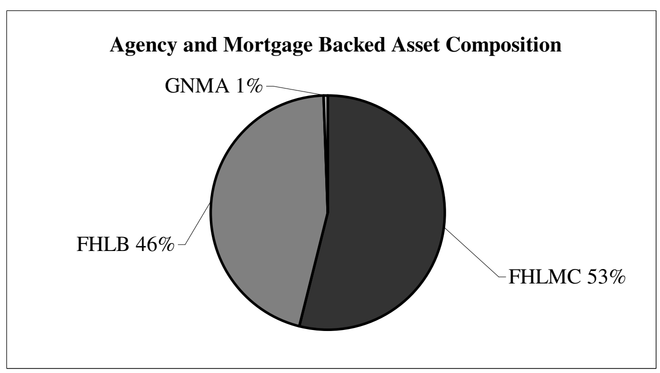
* Annualized return

** Returns exclude expenses of the fund

	Fund Profile	Index Profile
Gross yield to maturity	4.27	4.27
Duration	1.57	1.73
Average maturity	1.68	1.85



Sectors	Fund Profile	Index Profile
Treasury	55%	62%
Agency	41%	38%
Mortgage backed	3%	-
Cash equivalents	1%	-



Quality	Fund Profile	Index Profile
AAA	100%	100%

INVESTMENT POLICY

The Illinois Metropolitan Investment Fund (*"IMET"* or *"Fund"*) is an actively managed investment fund for Illinois local governments.

1.0 Policy

It is the policy of IMET to invest public funds of Illinois governments in a manner which seeks to provide the best return while pursuing the preservation of capital. IMET is designed as an investment vehicle for funds not required to be spent immediately and available for investment in securities with maturities and returns generally greater than those for money market instruments. IMET will conform to Illinois state statutes governing the investment of public funds.

2.0 Funds

Monies invested in this Fund will be those of participating Illinois governments whose treasurers become members of the Fund. Any funds that an Illinois government can invest in under Illinois statutes are eligible for investment in IMET. This is an intermediate investment fund, however, and short-term cash monies which are needed for immediate liquidity demands will not be encouraged to be invested in this Fund.

3.0 Prudence

The standard of prudence to be used for all investment activities shall be the following "prudent person" standards, as stated below, and shall be applied while conducting all investment transactions.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived.

4.0 Objective

This actively managed portfolio will be invested in certain fixed income securities and cash equivalents. In summary, the investment objectives of IMET are:

A. Preservation of Principal: Within the risks inherent in a fluctuating Net Asset Valve instrument, preservation of principal is the foremost objective of IMET. Investments shall be undertaken in a manner that gives priority to the preservation of capital in the overall portfolio.

(Continued)

4.0 Objective (Continued)

B. Liquidity: IMET will seek to remain sufficiently liquid to allow for withdrawals by Fund members with five business days notice of that withdrawal to the Fund, and will otherwise remain sufficiently liquid in accordance with prudent fund management.

C. Return on Investment: IMET's assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment. See also "Performance Standards" herein.

5.0 Delegation of Authority

The Board of Trustees of IMET (the *"Board"*) seeks to employ an investment advisor who possesses superior capabilities in the management of assets of the Council of Governments' governmental bodies. The Board further requires the investment advisor selected and working on its behalf to meet the following set of conditions.

A. To take in its discretion actions which in its best professional judgment are in the best interests of IMET, in accordance with this Investment Policy and the Investment Circular distributed by the Fund, to meet IMET investment objectives. Such actions include but are not limited to (A) the allocation of funds among alternative types of investments; (B) specific investment opportunities regarding the acquisition, retention, or disposition of investments; and (C) the recommendation of the addition, deletion, or modification of authorized investments.

B. To execute all investment transactions on behalf of the Fund at the best net price, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Fund.

C. Additional responsibilities as detailed in each investment advisor's agreement with the Board.

6.0 Ethics and Conflicts of Interest

Officers and employees of the Fund involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the IMET chairperson any material financial interests in financial institutions that conduct business with IMET, and they shall further disclose any large personal financial/investment positions that could be related to the performance of IMET, particularly with regard to the time of purchases and sales.

(Continued)

7.0 Authorized Financial Dealers and Institutions

The Board will maintain a list of financial institutions authorized to provide investment advisor, administrative, and distributive investment services. The advisor will make investments only in those investments specifically authorized in the Public Investment Act of the State of Illinois (30 ILCS 235/1) (the "*Investment Act*"). The administrator shall perform its duties in conformance with the Declaration of Trust, By-Laws, and Investment Circular of the Fund. The distributor shall be competent and fully qualified under federal and state securities laws and the rules and regulations of the Comptroller of the Currency or the National Association of Securities Dealers, as applicable, to engage in marketing and sales efforts.

A current audited financial statement is required to be on file for each financial institution which provides the above mentioned services.

8.0 Authorized and Suitable Investments

All investments shall be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein. In seeking to achieve its investment objective, the Fund intends to invest under normal market conditions at least fifty percent (50%) in (i) obligations issued or secured by the U.S. Government and/or its agencies and/or (ii) money market mutual funds that are permitted investments under the Investment Act. In extraordinary circumstances, such as when the investment advisor believes that market conditions indicate that the Fund should adopt a temporary defensive position, the Fund may invest up to one hundred percent (100%) in cash and/or such money market mutual funds.

The Fund portfolio is restricted to a maximum dollar weighted-average maturity of five years or less, under normal conditions. The net asset value will fluctuate on a daily basis according to the change in market value of its underlying portfolio obligations.

The following are additional investment restrictions:

(i) All fixed income securities (other than obligations of the U.S. or its agencies) at the time of purchase shall be rated at the highest rating classification established by at least two standard rating services (without regard to any refinement or gradation of rating category by numerical modifier or otherwise). However, issues that are reclassified after purchase so that they are no longer at the highest classifications established by at least two standard rating services may be sold by the advisor to the Fund after the date of the security's reclassification or held to maturity, in either case based on the investment advisor's discretion.

(Continued)

8.0 Authorized and Suitable Investments (Continued)

(ii)

Mortgage pass-through securities must be issued by an agency of the United States government. There are three major types of such agency pass-throughs, guaranteed by three organizations: Government National Mortgage Association (*"Ginnie Mae"*), Federal Home Loan Mortgage Corporation (*"Freddie Mac"*), and Federal National Mortgage Association (*"Fannie Mae"*). Pass-through securities or collateralized mortgage obligations of Fannie Mae are not permitted investments under Illinois law. In addition, privately structured and issued mortgage pass-through securities or collateralized mortgage obligations are not permitted investments.

(iii) All investments are required to be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein.

The following transactions are prohibited in the portfolio managed by the investment advisor.

1) Reverse repurchase agreements.

2) Common or preferred stocks.

3) Futures and options.

4) Margin purchases or intentional use of leverage.

5) Private or direct placements.

6) Commodities.

7) Direct ownership of real estate or mortgages.

8) Non-U.S. dollar denominated securities.

9) Stripped mortgage backed securities (*i.e.*, interest-only (IO) and principal-only (PO)

10) Convertible notes or bonds.

11) Purchase, participation, or other direct interest in gas, oil, or other mineral exploration or development programs.

(Continued)

8.0 Authorized and Suitable Investments (Continued)

12) Collateralized mortgage obligations.

13) Lending of Fund securities.

14) Structured notes—however, the Portfolio may invest in Federal government agency securities whose coupon rates are scheduled to "step up" (*i.e.* increase) one or more times before they

15) Investments not allowed under the Investment Act.

The advisor shall indemnify and make whole the Fund and its shareholders for any losses incurred by the Fund as a result of the advisor's own or any Sub-advisor's gross negligence or its failure to comply with the provisions of the Investment Act as those provisions are communicated to the investment advisor in writing by IMET or by IMET's Legal counsel.

9.0 Safekeeping and custody

Securities purchased for IMET, as well as collateral for repurchase agreements, shall be delivered against payment and held in a custodial safekeeping account with the trust department of a bank acting as custodian. The bank will be designated by the Board and all transactions will be evidenced by safekeeping receipts or confirmations.

10.0 Diversification

Fixed income securities in the Fund will have the following characteristics:

A) United States Treasury, agency, and agency mortgage pass-through securities may be used without limitation and under normal market conditions such obligations, along with money market mutual funds that are permitted investments under the Investment Act, will constitute at least 50% of the portfolio.

B) Commercial paper investment, pursuant to Illinois law, must mature within 180 days from the date of purchase and cannot exceed 10% of the corporation's total commercial paper. The Fund will have no more than one-third of its monies invested in commercial paper.

(Continued)

10.0 Diversification (Continued)

C) At no time may the portfolio own more than 5% of the outstanding amount of any one fixed income issue (other than securities of the United States Government or its agencies) or have more than 7% of its total assets invested in the securities (including cash equivalents) of any permissible fixed income issuer (other than securities of the United States government or its agencies) without prior notification and approval of the Board.

11.0 Maturities

Portfolio duration is to be maintained within 25% of that of the Lehman Brothers 1 - 3 Year Government Bond index under normal conditions; *provided, however*, that the portfolio's dollar weighted-average maturity will not exceed five years under normal conditions. Individual securities may have remaining maturities of greater than five years, but in any event not greater than ten years from the date of the Fund's purchase thereof. The remaining life of any agency mortgage pass-through security will be determined based on the weighted-average life of the security.

12.0 Internal Control

The advisor shall establish a system of internal controls, which shall be documented in writing. The control shall be annually reviewed by their auditor and shall be designed to prevent losses of public funds arising from failure to comply with the provisions of the Investment Act, fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the firm. The advisor shall at all times have in place a fidelity bond or bonds covering the actions of its employees and officers relating to fraud, theft, dishonesty, and other willful acts which may result in the loss of Fund assets. Such bond or bonds shall be maintained in amounts not less than $5,000,000 per occurrence and $10,000,000 in the annual aggregate, covering its duties. The advisor will also maintain a fidelity bond against employee theft, dishonesty, and related risks, and covering its duties in an amount not less than $10,000,000 in the annual aggregate.

13.0 Performance Standards

IMET's investment strategy is targeted active management. The performance objective for this portfolio is to meet or exceed the Lehman Brothers 1 - 3 Year Government Bond Index (the benchmark) prior to payment of Fund expenses.

(Continued)

14.0 Reporting

The advisor shall report to the Board at least quarterly on:

A) Performance as compared to the benchmark.

B) Asset allocation and duration as compared to the benchmark.

C) Any deviation from the guidelines herein established.

D) Significant changes in the portfolio under their management during the quarter.

E) Economic and investment outlook for the near and long term.

F) Monthly purchase and sale transactions.

G) Any change in key personnel.

15.0 Investment Policy Adoption

IMET's investment policy shall be adopted by resolution of the Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

(Concluded)

Illinois Metropolitan Investment Fund
Investment Policy - IMET Convenience Series
September 30, 2005

The Illinois Metropolitan Investment Fund ("IMET" or "Fund") is an actively managed investment fund for Illinois local governments. IMET's Convenience Series ("Convenience Series") is a short-term vehicle for use exclusively by members of the Illinois Metropolitan Investment Fund (IMET). This policy applies to the investment of Convenience Series funds. The Convenience Series is designed as an investment vehicle for: a) near-term investment of funds intended for eventual placement into IMET's 1 to 3 year fund, b) the investment of bond proceeds, c) any purpose deemed necessary and beneficial by Fund participants.

1.0 Governing Authority

It is the policy of IMET to invest public funds of Illinois governments in a manner which seeks to provide the best return while pursuing the preservation of capital. The Convenience Series will conform to Illinois state statutes governing the investment of public funds.

2.0 Funds

Monies invested in this Convenience Fund will be those of participating Illinois governments who are members of IMET. Any funds that an Illinois government can invest in under Illinois statutes are eligible for investment in the Convenience Series.

3.0 Prudence

The standard of prudence to be used for all investment activities shall be the following "prudent person" standards, as stated below, and shall be applied while conducting all investment transactions.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived.

4.0 Objective

This portfolio will be invested in certain fixed income securities and cash equivalents. In summary, the investment objectives of the Convenience Series are:

A. Preservation of Principal: Preservation of principal is the foremost objective of the Convenience Series. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

(Continued)

4.0 Objective (Continued)

B. Liquidity: The Convenience Series will seek to remain sufficiently liquid to accommodate redemptions by Convenience Series members with one-day liquidity, and will otherwise remain sufficiently liquid in accordance with prudent fund management.

C. Return on Investment: The Convenience Series' assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment. The investment objective for the Convenience Series is to meet the Fed Funds rate on a gross of fees basis. See also "Performance Standards" herein.

5.0 Delegation of Authority

The Board of Trustees of IMET and of the Convenience Series (the "Board") seeks to employ one or more financial institutions possessing established capabilities in the management of assets for local government investors. The Board further requires the financial institution(s) selected and working on its behalf to meet the following set of conditions.

A. To take in its discretion, to the extent allowed by the financial institution's agreement with IMET, actions which in its best professional judgement are in the best interests of the Convenience Series, in accordance with this Investment Policy distributed by IMET, to meet Convenience Series investment objectives. Such actions include but are not limited to (A) the allocation of funds among alternative types of investments; (B) specific investment opportunities regarding the acquisition, retention or disposition of investments; and (C) the recommendation of the addition, deletion or modification of authorized investments.

B. To execute all investment transactions on behalf of the Convenience Series at the best net price, utilizing such brokers and dealers as deemed appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Convenience Series.

C. Additional responsibilities as detailed in each financial institution's agreement with the Board.

(Continued)

6.0 Ethics and Conflicts of Interest

Officers and employees of the Convenience Series involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board chairperson any material financial interests in financial institutions that conduct business with IMET and the Convenience Series, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Convenience Series, particularly with regard to the time of purchases and sales.

7.0 Authorized Financial Dealers and Institutions

The Board will maintain a list of financial institutions authorized to provide investment advisor, administrative, and distributive investment services. The financial institution(s) will make investments only in those investments specifically authorized by the Public Investment Act of the State of Illinois (30 ILCS 235/1) (the "Investment Act") and by this Investment Policy. The financial institution(s) shall perform its duties in conformance with the IMET Declaration of Trust, the IMET By-Laws, and the Convenience Series Investment Policy. The distributor shall be competent and fully qualified under federal and state securities laws and the rules and regulations of the Comptroller of the Currency or the National Association of Securities Dealers, as applicable, to engage in marketing and sales efforts.

A current audited financial statement is required to be on file for each financial institution which provides the above mentioned services.

8.0 Authorized and Suitable Investments

The investments permitted by this policy are those defined by the Investment Act, including, without limitation, the definition of "agency" contained therein. In seeking to achieve its investment objective, the Convenience Series intends to invest under normal market conditions at least fifty percent (50%) in (i) interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act or (ii) money market mutual funds that are permitted investments under the Investment Act or (iii) securities now or hereafter issued that constitute direct obligations of the U.S. Treasury which are guaranteed by the full faith and credit of the United States of America as to principal and interest or (iv) other similar obligations of the United State of America or its agencies. In circumstances when the investment advisor believes that market conditions indicate that the Convenience Series should adopt a defensive position, the Convenience Series may invest up to one hundred percent (100%) in bank obligations and/or such money market mutual funds.

(Continued)

8.0 Authorized and Suitable Investments (Continued)

The Convenience Series portfolio is restricted to a maximum dollar weighted average maturity of one year or less, under normal conditions. The Convenience Series will be managed so as to maintain a stable $1.00 share price, although there is no guarantee that it will do so.

The following are additional investment restrictions:

(i) All fixed income securities (other than obligations of the U.S. or its agencies) at the time of purchase shall be rated at the highest rating classification established by at least two standard rating services (without regard to any refinement or gradation of rating category by numerical modifier or otherwise). However, issues that are reclassified after purchase so that they are no longer at the highest classifications established by at least two standard rating services may be sold by the financial institution(s) maintaining the Convenience Series after the date of the security's reclassification or held to maturity, in either case based on the financial institutions' discretion.

(ii) Mortgage pass-through securities must be issued by an agency of the United States government and must have a liquid market with a readily determinable market value. There are three major types of such agency pass-throughs, guaranteed by three organizations: Government National Mortgage Association ("Ginnie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac"), and Federal National Mortgage Association ("Fannie Mae"). Pass-through securities or collateralized mortgage obligations of Fannie Mae are not permitted investments under Illinois law. In addition, privately structured and issued mortgage pass-through securities or collateralized mortgage obligations are not permitted investments.

(iii) All investments are required to be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein.

The following transactions are prohibited in the portfolio.

1) Reverse repurchase agreements.

2) Common or preferred stocks.

3) Futures and options.

4) Margin purchases or intentional use of leverage.

(Continued)

8.0 Authorized and Suitable Investments (Continued)

5) Private or direct placements.

6) Commodities.

7) Direct ownership of real estate or mortgages.

8) Non-U.S. dollar denominated securities.

9) Stripped mortgage backed securities (*i.e.* , interest-only (IO) and principal-only (PO)

10) Convertible notes or bonds.

11) Purchase, participation, or other direct interest in gas, oil, or other mineral exploration or development programs.

12) Collateralized mortgage obligations.

13) Lending of Fund securities.

14) Structured notes—however, the Portfolio may invest in Federal government agency securities whose coupon rates are scheduled to "step up" (*i.e.* increase) one or more times before they

15) Investments not allowed under the Investment Act.

The advisor shall indemnify and make whole the Convenience Series and its shareholders for any losses incurred by the Convenience Series as a result of the advisor's own or any sub-advisor's gross negligence or its failure to comply with the provisions of the Investment Act as those provisions are communicated to the investment advisor in writing by the Convenience Series or by the Convenience Series' legal counsel.

9.0 Collateralization

Collateral will be pledged to the Convenience Fund with a market value equal to at least 105% of the obligations of the financial institution to the Convenience Fund's deposits which exceed the sum of the Federal Deposit Insurance Corporation's insurance limitation. The financial institution will monitor the market value of pledged securities on at least a daily basis, and make adjustments as necessary.

(Continued)

10.0 Safekeeping and Custody

Securities purchased for the Convenience Series, as well as collateral for repurchase agreements, shall be delivered against payment and held in a custodial safekeeping account with the trust department of a bank acting as custodian. The bank will be designated by the Board and all transactions will be evidenced by safekeeping receipts or confirmations.

11.0 Diversification

Fixed income securities in the Convenience Series will have the following characteristics:

A) No more than 50 percent of the portfolio may be invested beyond 12 months, and the weighted average maturity of the portfolio generally shall not exceed one year.

B) The following instruments may be used without limitation:

   a) Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act .

   b) Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations of the U.S. Treasury and its agencies as defined by Illinois law.

12.0 Maturities

At least 50 percent of the Fund’s investments are expected to mature in the short-term (397 days or less), and the dollar-weighted average portfolio maturity of the Convenience Series will not exceed one year under normal conditions. Individual securities may have remaining maturities of greater than one year, but in any event not greater than five years from the date of the Convenience Series’ purchase thereof. The remaining life of any agency mortgage pass-through security will be determined based on the weighted average life of the security.

(Continued)

13.0 Internal Control

The financial institution(s) shall establish a system of internal controls, which shall be documented in writing. The control shall be annually reviewed by their auditor and shall be designed to prevent losses of public funds arising from failure to comply with the provisions of the Investment Act, fraud, employee error, misrepresentation by third parties or imprudent actions by employees and officers of the firm. The financial institution(s) shall at all times have in place a fidelity bond or bonds covering the actions of its employees and officers relating to fraud, theft, dishonesty, and other willful acts which may result in the loss of Convenience Series assets. Such bond or bonds shall be maintained in amounts not less than $5,000,000 per occurrence and $10,000,000 in the annual aggregate, covering its duties. The financial institution(s) will also maintain a fidelity bond against employee theft, dishonesty, and related risks, and covering its duties in an amount not less than $10,000,000 in the annual aggregate.

14.0 Performance Standards

The Convenience Series' investment strategy is designed so that the Convenience Series may maintain a stable $1.00 per share price, although there is no guarantee that it will do so. The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of regularly meeting or exceeding the selected performance benchmark of Fed Funds gross of fees. This index is considered a benchmark for lower risk investment transactions and therefore comprises an appropriate standard for the portfolio's rate of return.

15.0 Reporting

The financial institution(s) shall report to the Board at least quarterly on:

A) Performance as compared to the benchmark.

B) Asset allocation and duration as compared to the benchmark.

C) Any deviation from the guidelines herein established.

D) Significant changes in the portfolio under their management during the quarter.

E) Economic and investment outlook for the near and long term.

F) Monthly purchase and sale transactions.

G) Any change in key personnel.

(Continued)

16.0 Investment Policy Adoption

IThe Convenience Series' investment policy shall be adopted by resolution of the Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

(Concluded)