ILLINOIS METROPOLITAN INVESTMENT FUND

Annual Financial Report

September 30, 2003 and 2002

(With Independent Auditors' Report Thereon)

ILLINOIS METROPOLITAN INVESTMENT FUND

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Letter from Illinois Metropolitan Investment fund

ILLINOIS METROPOLITAN INVESTMENT FUND

Board of Trustees

September 30, 2003

ILLINOIS METROPOLITAN INVESTMENT FUND

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BOARD OF TRUSTEES

ILLINOIS METROPOLITAN INVESTMENT FUND

Supporting Chicago Area Councils of Government

External Advisors

September 30, 2003

SUPPORTING CHICAGO AREA COUNCILS OF GOVERNMENT

DUPAGE MAYORS AND MANAGERS CONFERENCE
Mark Baloga
Executive Director

NORTHWEST MUNICIPAL CONFERENCE
Mark Fowler
Executive Director

SOUTH SUBURBAN MAYORS AND MANAGERS ASSOCIATION
Ed Paesel
Executive Director

WEST CENTRAL MUNICIPAL CONFERENCE
Donald Storino
Executive Director

WILL COUNTY GOVERNMENTAL LEAGUE
Steven Quigley
Executive Director

EXTERNAL ADVISORS

INVESTMENT ADVISOR
Banc One Investment Advisors
Chicago, Illinois
Columbus, Ohio

FUND ACCOUNTANT AND CUSTODIAN
Fifth Third Bancorp
Rolling Meadows, Illinois

INDEPENDENT AUDITORS
KPMG LLP
Chicago, Illinois

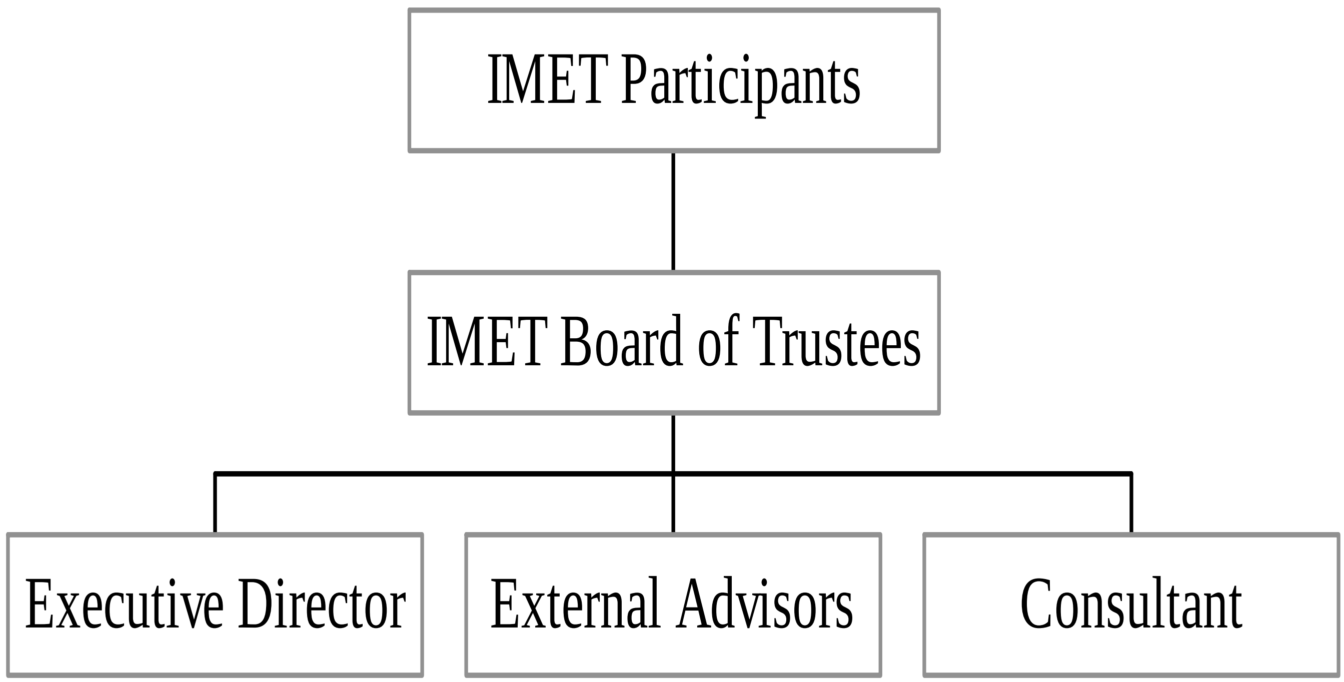
EXTERNAL PERFORMANCE MONITORING
The Consulting Group of
Salomon Smith Barney

LEGAL COUNSEL
Chapman & Cutler
Chicago, Illinois

ILLINOIS METROPOLITAN INVESTMENT FUND

Organizational Chart

September 30, 2003



FINANCIAL SECTION

Independent Auditors' Report

The Board of Trustees
Illinois Metropolitan Investment Fund:

We have audited the accompanying basic financial statements of the Illinois Metropolitan Investment Fund (the Fund) as of and for the years ended September 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the board of trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the board of trustees, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Metropolitan Investment Fund as of September 30, 2003 and 2002, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the Fund adopted the provisions of the Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*, during the year ended September 30, 2003.

The management's discussion and analysis on pages 9 through 11 is not a required part of the basic financial statements but is supplementary information required by 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Investments as of September 30, 2003 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 9, 2004

ILLINOIS METROPOLITAN INVESTMENT FUND

Management Discussion and Analysis

Years ended September 30, 2003 and 2002

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, 2002 and September 30, 2003. This information is intended to supplement the financial statements, which begin on Page 12 of this 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.

Annual Financial Review

Total assets of IMET increased during fiscal year 2002 by $49,728,355 and by $21,919,945 during fiscal year 2003. Total fund assets increased from $283,887,728 at the end of fiscal year 2002 to $305,807,673 at the end of fiscal year 2003.

During fiscal year 2003, IMET 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 2.89% versus a one-year return of 2.80% for the Lehman Index. During fiscal year 2002, IMET also delivered returns consistent with its performance benchmark, as gross one-year returns for fiscal year 2002 were 5.77% for IMET and 5.86% for the Index. Net of fees, IMET provided continued enhancement over the shorter-term alternatives, as IMET ended fiscal years 2002 and 2003 with a net 12-month performance of 5.53% and 2.59% respectively, versus net one-year returns of 1.99% and 1.32% for 90 day Treasury bills in the two respective years. Despite an overall environment of decreasing returns, IMET was able to provide enhancement and excellent service to its participants.

Financial Highlights

The possibility of war dominated the capital markets early in calendar 2003, as investors waited to see whether diplomatic wrangling over Iraq would end in a U.S. invasion. The outbreak of war initially triggered a powerful rally in the U.S. and most global stock markets. The pace of this rally slowed, however, on signs that the fighting in Iraq might be more protracted than expected.

Investor sentiment was boosted during the second quarter of the calendar year in response to the end of major combat operations in Iraq, a new package of tax cuts, and hopes for a stronger economy. In the effort to make those hopes reality, the Federal Reserve cut interest rates a total of two times during the fiscal year, bringing its key Federal Funds target rate down to just 1% – the lowest level since 1958.

Fiscal year 2003 brought both the signs and some realization of an economic recovery. Economic growth appeared to accelerate sharply during summer months, after Gross Domestic Product expanded at a 3.3 percent rate during the previous quarter. Labor market conditions remained weak, however, and the recovery during this fiscal year was considered a "jobless recovery" as employers continued to find new ways to improve productivity.

After an aggressive multi-year campaign to lower interest rates, the Federal Reserve Board lowered its federal funds target rate during November of 2002 and June of 2003, then held steady for the remainder of the fiscal year. Long bonds experienced considerable volatility, in response to the shifting outlooks of the Fed action, yet one to three-year funds remained relatively stable. Banc One Investment Advisors assert that the Fed has sent mixed signals of late, but now appears to be on hold until well into 2004.

Participants' equity of the IMET Fund was $283,768,372 as of as of September 30, 2002 and $300,446,900 as of September 30, 2003. The positive performance of the Fund, on an absolute basis, continues to be driven by the Investment Advisor's bottom-up identification of undervalued securities and sectors across U.S. Treasuries, U.S. Agencies, and Mortgage-backed markets.

**Portions of update taken from the Capital Markets Overview provided by the Consulting Group of Smith Barney.*

Overview of the Financial Statements of the Fund

The two basic financial statements of the Fund are the *Statements of Net Assets* and the *Statements of Changes in Net Assets.* Statements are shown for the most recent and previous fiscal years for comparison and analysis of changes in individual line items. The statements are prepared in conformity with accounting principles generally accepted in the United States.

The *Statements of Net Assets* are 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 *Statements of Changes in Net Assets* show purchases to and redemptions (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 amounts of investment instruments held by the IMET Fund.

Investment Performance

For fiscal 2002, total investments resulted in a **gross total return of 5.80% and a net return of 5.50%** to IMET participants. During the same fiscal year, the Lehman 1-3 Year Government Bond Index, IMET's performance benchmark, provided a total return of 5.86%. For fiscal 2003, total investments resulted in a **gross total return of 2.89% and a net return of 2.59%** to IMET participants versus the Lehman 1-3 Year Government Bond Index of 2.80%.

For additional information regarding performance returns of IMET and asset allocation please refer to the Statistical Section on page 21 of this report.

Net Assets

Net assets of IMET increased $49,710,088 (21.2%) during the fiscal year ended September 30, 2002. The increase was the direct result of $36,037,548 million in net additions (versus redemptions) from Fund participants. The increase was also the result of $13,672,540 in net additions from operations (net appreciation and interest earned on the IMET portfolio less operating expenses).

During the fiscal year ended September 30, 2003, net assets of IMET increased by $16,678,528 (5.88%). In part, this increase was the result of $9,005,139 in net additions (versus redemptions) from Fund participants. The increase was also the result of $7,673,389 in net additions from operations (interest earned on the IMET portfolio less unrealized depreciation and operating expenses). At September 30, 2003, 98% of IMET's net assets consisted of investments in securities. Other assets consisted of cash and short-term investments, interest receivable, and receivables for investments sold. Liabilities consisted of accrued management, consulting, and administrative fees, as well as payables for investments purchased but not settled.

Operations

During the current fiscal year ended September 30, 2003, total additions from operations consisted of $10,953,334 of interest income offset by net depreciation in fair value of investments of $2,442,396. These amounts may be compared with $11,525,440 of interest income and $2,960,564 of net appreciation in the fair value of investments during the prior fiscal year, for total additions of $8,510,938 in FY2003 compared to $14,486,004 in FY2002. Interest income decreased primarily as a result of a lower interest rate environment during fiscal year 2003; this effect was partially offset by higher average net assets of IMET. The decrease in net appreciation (i.e., depreciation) of investments was due to a high level of high-coupon bonds purchased at a premium which amortized down to par upon maturity.

Operating expenses of IMET were $837,549 for the current fiscal year compared with $813,464 for the prior fiscal year. The primary reason for increased expenses is a higher level of average net assets during 2003 compared with net assets during 2002, which resulted in an increase in expenses for management and administrative services.

Requests for Information

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

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

ILLINOIS METROPOLITAN INVESTMENT FUND

Statements of Net Assets

September 30, 2003 and 2002

Assets		**2003**	**2002**
Cash and short-term investments	$	1,970,673	3,438,544
Interest receivable		4,151,670	4,367,819
Receivable for investments sold		5,123,703	37,394
Investments at fair value:			
U.S. Treasury obligations		179,556,771	144,218,808
U.S. Government agency obligations		108,105,247	117,196,247
Mortgage backed securities		5,158,339	10,809,182
Money market mutual funds		1,741,270	3,819,734
Total investments		294,561,627	276,043,971
Total assets		305,807,673	283,887,728
Liabilities			
Payables:			
Payable for investments purchased		5,232,937	—
Management fee		29,346	29,762
Consulting fee payable		59,363	50,709
Administrative and other		39,127	38,885
Total liabilities		5,360,773	119,356
Net Assets			
Net assets held in trust for participants (units outstanding: 19,944,753 and 19,327,497 at September 30, 2003 and 2002, respectively; equivalent to $15.06 and $14.68 per unit outstanding at September 30, 2003 and 2002, respectively)	$	300,446,900	283,768,372

See accompanying notes to financial statements.

ILLINOIS METROPOLITAN INVESTMENT FUND

Statements of Changes in Net Assets

Years ended September 30, 2003 and 2002

		2003	2002
Additions from operations:			
Investment income:			
Interest	$	10,953,334	11,525,440
Net appreciation (depreciation) in fair value of investments		(2,442,396)	2,960,564
Total additions from operations		8,510,938	14,486,004
Deductions from operations:			
Operating expenses:			
Management and administrative services		501,955	473,725
Compensation and related expenses		173,000	152,850
Consulting fee		59,363	50,709
Professional services		21,672	32,061
Insurance		27,815	20,358
Audit		17,000	14,750
Marketing		14,265	14,828
Administrative and other		22,479	54,183
Total operating expenses		837,549	813,464
Net additions from operations		7,673,389	13,672,540
Capital share and individual account transactions:			
Proceeds from sale of units to participants (2003 – 2,326,265 units; 2002 – 4,660,521 units)		34,648,390	66,463,610
Cost of units redeemed by participants (2003 – 1,709,009 units; 2002 – 2,150,936 units)		(25,643,251)	(30,426,062)
Net additions from capital shares and individual account transactions		9,005,139	36,037,548
Net increase		16,678,528	49,710,088
Net assets held in trust for participants:			
Beginning of year		283,768,372	234,058,284
End of year	$	300,446,900	283,768,372

See accompanying notes to financial statements.

(1) General Information

The Illinois Metropolitan Investment Fund (the Fund) is an actively managed investment fund for municipal treasurers, official custodians of municipal funds, and other public agencies in the state of Illinois. The Fund 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 Fund 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 Fund 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.

(2) Significant Accounting Policies

(a) 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. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

Based upon the required criteria, the Fund has no component units and is not a component unit of any other entity.

(b) Cash and Short-term Investments

At September 30, 2003 and 2002, the Fund had $178,797 and $192,294, respectively, segregated for administrative costs. These funds are invested in money market funds and included as cash and short-term investments on the statement of net assets.

(c) Security Valuation

Investments 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.

(d) 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.

(e) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in participants' equity during the reporting period. Actual results could differ from those estimates.

(f) Subscriptions and Redemptions

Participants may subscribe to the Fund on any business day. Purchase instruction received by the Fund before 12:00 noon is credited to accounts at the net asset value as of the close of business that day. Participants may redeem shares of the Fund 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.

(g) Adoption of New Accounting Pronouncements

The Fund adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*.

These adoptions did not impact the total reported amount of net assets or changes in net assets as of and for the years ended September 30, 2003 and 2002.

(3) Deposits and Investments

At September 30, 2003, the bank balance and carrying amount of the Fund's deposits were $2,003,691 and $1,970,673, respectively. At September 30, 2002, the bank balance and carrying amount of the Fund's deposits were $3,441,768 and $3,438,544, respectively. The deposits of the Fund are insured, registered, or collateralized by securities recorded in the Fund's name and held by the Fund's agent.

(Continued)

The following table presents a summarization of the fair values and duration of the Fund's investments at September 30, 2003 and 2002. All categorized investments are insured or registered and are held by the Fund's custodian in the Fund's name. Investments in commingled (mutual) funds are not categorized because the relationship between the Fund and the investment agent is not a direct contractual relationship.

	Fair Value		Duration (in years)	
	2003	**2002**	**2003**	**2002**
Categorized:				
U.S. Treasury obligations	$ 179,556,771	144,218,808	1.77	1.77
U.S. Government agency obligations	108,105,247	117,196,247	1.67	1.51
Mortgage backed securities	5,158,339	10,809,182	1.14	0.89
Total categorized investments	292,820,357	272,224,237		
Noncategorized:				
Money market mutual funds	1,741,270	3,819,734	—	—
Total investments	$ 294,561,627	276,043,971	1.71	1.62

(a) Interest Rate Risk

Through its investment policy, the Fund manages its exposure to fair value losses 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 1.71 years and 1.62 years as of September 30, 2003 and 2002, respectively.

(b) Credit Risk

The Fund holds investments in U.S. Treasury obligations and securities issued by the Government National Mortgage Association, both of which are backed by the full faith and credit of the United States Government. The Fund also holds debt obligations issued by Government Service Enterprises (GSEs) such as Federal Home Loan Mortgage Corp. and Federal Home Loan Bank, which are not backed by the full faith and credit of the United States Government.

All investments were rated in the top rating category issued by nationally recognized statistical rating organizations, except for the investment in the Fifth Third U.S. Treasury Money Market Fund, which is unrated.

(c) Concentration of Credit Risk

The Fund's investment policy 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, 2003 and 2002, the fund was in compliance with its investment policy requirements with respect to diversification and concentration of credit risk.

(4) Fund Expenses

The total expenses for the Fund are not expected to exceed 0.32% of the average daily net assets. The average daily net assets of the Fund were approximately $296.8 million and $253.5 million, for the years ended September 30, 2003 and 2002, respectively. The contractually obligated expenses of the Fund are described below.

(a) Fund Management

The Fund pays a management fee to Banc One Investment Advisors, which acts as the investment advisor.

In accordance with the amended advisory agreement effective May 1, 2002, 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 $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, the Fund 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% of average daily net assets. These services were previously provided to the Fund through an arrangement with Bank One.

Prior to May 1, 2002, an all-inclusive management fee was paid to Bank One. This 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:	
$0 – $49,999,999	0.28%
$50 – 100 million	0.25%
over $100 million	0.20%

For the years ended September 30, 2003 and 2002, the Fund incurred expenses of $370,756 and $419,156, respectively, for services provided by Bank One. For the year ended September 30, 2003 and for the period May 1, 2002 to September 30, 2002, the Fund incurred expenses of $131,199 and $54,569, respectively, for services provided by Fifth Third Bancorp.

(Continued)

(b) 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 Fund's Consultant. Services provided by the Consultant typically include identification and solicitation of potential investors. The Fund pays the Consultant an annual fee in arrears equal to 0.02% of the Fund's 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 fund 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 years 2003 and 2002, the Fund's return exceeded the average 90-day Treasury bill rate. Accordingly, the Fund incurred consulting fees of $59,363 and $50,709 for the years ended September 30, 2003 and 2002, respectively.

(c) Administrative and Other Expenses

In accordance with the various agreements, the Fund calculates a daily accrual, at contractual rates equivalent to 0.12%, applied to the Fund's 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 Fund, including the cost of the Executive Director and staff of the Fund. To the extent that the accrued amounts exceed the actual expenses in any period, the Fund may use these amounts to pay future expenses. Amounts remaining in the money market fund are included in net assets.

ILLINOIS METROPOLITAN INVESTMENT FUND

Schedule of Investments

September 30, 2003

Units/ par value	Description		Market value
U.S. Treasury Obligations: 59.7%			
10,000,000	U.S. Treasury Bonds, 10.375%, Due 11/15/09	$	11,027,350
5,000,000	U.S. Treasury Bonds, 11.750%, Due 2/15/10		5,708,595
15,000,000	U.S. Treasury Bonds, 10.000%, Due 5/15/10		17,056,065
12,000,000	U.S. Treasury Bonds, 12.750%, Due 11/15/10		14,776,884
1,741,020	U.S. Treasury Note, 3.375% (Inflation Indexed), Due 1/15/03		1,915,667
7,000,000	U.S. Treasury Note, 5.750%, Due 11/15/05		7,617,974
5,000,000	U.S. Treasury Note, 7.250%, Due 8/15/04		5,268,950
10,000,000	U.S. Treasury Note, 7.875%, Due 11/15/04		10,755,080
10,000,000	U.S. Treasury Note, 6.875%, Due 5/15/06		11,306,260
10,000,000	U.S. Treasury Note, 7.000%, Due 7/15/06		11,395,320
5,000,000	U.S. Treasury Note, 6.500%, Due 10/15/06		5,664,845
8,000,000	U.S. Treasury Note, 4.375%, Due 5/15/07		8,590,632
8,500,000	U.S. Treasury Note, 1.625%, Due 1/31/05		8,556,449
5,000,000	U.S. Treasury Note, 1.500%, Due 2/28/05		5,024,610
15,000,000	U.S. Treasury Note, 1.625%, Due 3/31/05		15,096,690
10,000,000	U.S. Treasury Note, 1.250%, Due 5/31/05		9,997,270
10,000,000	U.S. Treasury Note, 1.125%, Due 6/30/05		9,969,150
10,000,000	U.S. Treasury Note, 2.000%, Due 8/31/05		10,110,940
6,000,000	U.S. Treasury Note, (Stripped), Due 2/15/06		5,766,540
4,000,000	U.S. Treasury Note, (Stripped), Due 11/15/04		3,951,500
			179,556,771
U.S. Government Agency Obligations: 36.0%			
1,430,000	Federal Home Loan Bank, 6.890%, Due 4/6/04		1,472,013
345,000	Federal Home Loan Bank, 7.520%, Due 5/24/04		359,075
25,000	Federal Home Loan Bank, 7.310%, Due 6/16/04		26,076
5,000,000	Federal Home Loan Bank, 1.875%, Due 6/15/06		4,980,645
5,000,000	Federal Home Loan Bank, 6.875%, Due 8/15/05		5,498,115
1,150,000	Federal Home Loan Bank, 5.375%, Due 2/15/06		1,242,938
2,500,000	Federal Home Loan Bank, 5.375%, Due 2/15/05		2,634,225
10,000,000	Federal Home Loan Bank, 4.750%, Due 6/28/04		10,262,390
10,000,000	Federal Home Loan Bank, 3.625%, Due 10/15/04		10,246,290
5,000,000	Federal Home Loan Bank 2.500%, Due 12/15/05		5,084,370
10,000,000	Federal Home Loan Bank, 2.375%, Due 2/15/06		10,113,070
5,000,000	Federal Home Loan Bank, 2.875%, Due 9/15/06		5,091,602
2,500,000	Federal Home Loan Mortgage Co., 4.125%, Due 5/13/05		2,604,885
5,000,000	Federal Home Loan Mortgage Co., 4.250%, Due 6/15/05		5,234,770
5,000,000	Federal Home Loan Mortgage Co., 7.000%, Due 7/15/05		5,479,905
6,500,000	Federal Home Loan Mortgage Co., 6.250%, Due 7/15/04		6,758,668
5,000,000	Federal Home Loan Mortgage Co., 5.250%, Due 1/15/06		5,381,345
10,000,000	Federal Home Loan Mortgage Co., 3.875%, Due 2/15/05		10,348,009
8,000,000	Federal Home Loan Mortgage Co., 2.875%, Due 9/15/05		8,195,215
5,000,000	Federal Home Loan Mortgage Co., 2.375%, Due 4/15/06		5,049,225
2,000,000	Federal Home Loan Mortgage Co., 4.000%, Due 10/29/07		2,042,416
			108,105,247
Mortgage Backed Securities: 1.7%			
1,266	Federal Home Loan Mortgage Co. Pool 140140, 7.750%, Due 3/1/09		1,308
745,593	Federal Home Loan Mortgage Co. Pool 645242, 5.650% Due 1/1/30*		777,126
480,922	Federal Home Loan Mortgage Co. (Gold) Pool E62448, 7.500%, Due 9/01/10		511,935
653,841	Federal Home Loan Mortgage Co. (Gold) Pool G10740, 7.500%, Due 8/1/09		696,004
476,937	Federal Home Loan Mortgage Co. (Gold) Pool E77591, 6.500%, Due 7/1/14		502,037
332,794	Federal Home Loan Mortgage Co. (Gold) Pool E82002, 7.500%, Due 11/1/11		354,298

(Continued)

ILLINOIS METROPOLITAN INVESTMENT FUND

Schedule of Investments

September 30, 2003

Units/ par value	Description		Market value
Mortgage Backed Securities (Cont.): 1.7%			
784,709	Federal Home Loan Mortgage Co. Pool 846774, 6.500%, Due 12/1/27	$	808,885
602,435	Federal Home Loan Mortgage Co. (Gold) Pool E00667, 5.000%, Due 4/1/14		618,980
32,227	Government National Mortgage Association Pool 2633, 8.000%, Due 8/20/28		34,607
38,752	Government National Mortgage Association Pool 2647, 8.000%, Due 9/20/28		41,615
41,595	Government National Mortgage Association Pool 2677, 8.000%, Due 11/20/28		44,668
185,061	Government National Mortgage Association Pool 2006, 8.500%, Due 5/20/25		201,204
57,013	Government National Mortgage Association Pool 2324, 8.000%, Due 11/20/26		61,457
275,063	Government National Mortgage Association Pool 2512, 8.000%, Due 11/20/27		295,604
27,798	Government National Mortgage Association Pool 2566, 8.000%, Due 3/20/28		29,851
11,566	Government National Mortgage Association Pool 9547, 7.500%, Due 12/15/05		11,987
11,853	Government National Mortgage Association Pool 12229, 7.500%, Due 6/15/06		12,405
138,901	Government National Mortgage Association Pool 780831, 9.500%, Due 12/15/24		154,368
			5,158,339
Mutual Funds: 0.6%			
1,741,270	Fifth Third U.S. Treasury Money Market Fund		1,741,270
		$	294,561,627

* Variable rate security. The rate listed is as of September 30, 2003.

See accompanying independent auditors' report.

STATISTICAL SECTION

Illinois Metropolitan Investment Fund

Selective Comparative Data (unaudited)

September 30, 2003

Total returns for period ended September 30, 2003

	One year *	**Three year ***	**Since inception July 17, 1996**
Illinois Metropolitan Investment Fund Net Return	2.59%	5.96%	5.85%
Illinois Metropolitan Investment Fund Gross Return **	2.89%	6.27%	6.22%
Lehman Brothers 1-3 Year Government Bond Index	2.80%	6.39%	6.18%
Merrill Lynch 3-Month Treasury Bill Index	1.32%	2.90%	4.31%

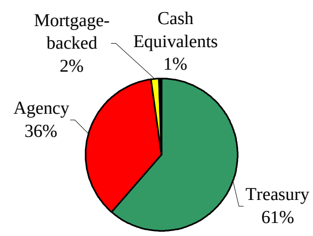
* Annualized return
** Returns exclude expenses of the fund

	Fund profile	**Index profile**
Fund size	$ 300 mil	—
Gross yield to maturity	1.53%	1.51%
Duration	1.7 years	1.7 years
Average maturity	1.8 years	1.9 years

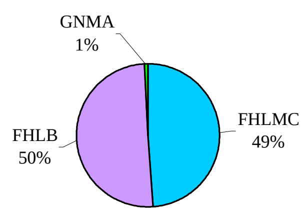
Sectors	**Fund profile**	**Index profile**
Treasury	61%	64%
Agency	36%	36%
Mortgage backed	2%	—
Cash equivalents	1%	—

Quality	**Fund profile**	**Index profile**
AAA	100%	100%

Asset Composition by Type



Agency and Mortgage Backed Asset Composition



INVESTMENT POLICY

ILLINOIS METROPOLITAN INVESTMENT FUND

Investment Policy

September 30, 2003

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

(1) 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) 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) 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 safety of their capital as well as the probable income to be derived.

(4) 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: Preservation of principal is the foremost objective of IMET. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

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) 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 of the Fund.

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

(6) Ethics and Conflicts of Interest

Officers and employees of the Fund involved in the investment process shall refrain from personal business activities 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.

(7) 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 Funds 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) 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

(Continued)

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.

(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) securities.
10. Convertible notes or bonds.

11. Purchases, 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 mature.
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 subadvisor'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) 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) 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 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.

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) 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) 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) 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.

(14) 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) 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.