

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
January 26, 2023

OPERATING REPORT OCTOBER 2022

Board of Treasury Investments

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Charleston WV
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www.wvbt.com

Board of Directors

Riley M. Moore,
State Treasurer,
Chairman

James C. Justice II,
Governor

John B. McCuskey,
State Auditor

Patrick M. Smith,
CPA
Appointed by the
Governor

Mark A. Mangano,
Esq. Attorney
Appointed by the
Governor

Executive Staff

Executive
Director

Kara K. Hughes,
CPA, MBA, CFE,
CGIP

Chief Financial
Officer

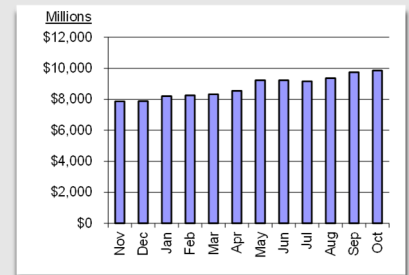
Karl Shanholtzer,
CFA, CPA, CIA

**Total Net Assets Under
Management**

\$9,855,079,000

Last Month
\$9,749,112,000

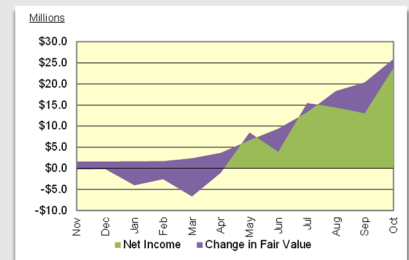
Beginning of Fiscal Year
\$9,234,695,000



**Net Assets for the Past
12 Months**

**Total Net Income & Changes in
Fair Value**

Fiscal Year
\$66,752,000



**Monthly Net Income &
Changes in Fair Value for
the Past 12 Months**

Money Market Pools As of October 31, 2022

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	3.2379%	14 Days	\$8.8 Billion
WV Gov't Money Market	3.0282%	19 Days	\$276.3 Million

* Yields represent the simple money market yield net of fees.

** W.A.M. is the weighted average maturity.

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

THE ECONOMIC STATE

OCTOBER 2022

Stock Market Improves Performance

Mixed Signals

The stock market pendulum swung back in October with the S&P 500 Index returning a strong +8.1% on the heels of a very negative September. More notably, the technology-light Dow Jones Industrial Average (+14.1%) had its best month since 1976 as energy, industrial and financial stocks materially outperformed. While stock investors looked optimistically ahead to a time of softer inflation and less severe interest rate hikes, bond investors were left bracing for the impact of the Fed's two remaining meetings this year. Higher yields across the curve resulted in more pain for most bond sectors, with the major bond indices pushing further into the red year to date.

Stocks

The divergence between growth stocks (+5.8%) and value stocks (+10.3%) in October was again notable. A number of the mega-cap tech behemoths (Alphabet, Amazon, Meta and Microsoft) delivered disappointing third quarter earnings and offered gloomier earnings outlooks. Meanwhile, much focus remains on the transition of market leadership to major energy conglomerates, including ExxonMobil and its record-breaking quarterly profit in Q3. Higher interest rates and oil prices continue to fuel the outperformance of energy stocks, which have bested the returns of the communications services sector by over 100% year-to-date, on pace for widest sector performance spread in the history of the S&P 500 Index.

Meanwhile, despite the combination of political and economic turmoil abroad, developed non-U.S. markets were positive in the month (+5.4%). Emerging markets (-3.1%) again lagged the U.S. markets by a wide margin as Chinese equities continue to suffer and pulled down the index.

Bonds

With another 75-basis point Fed rate hike posted in after the close of the month; bond markets continued to reel. The U.S. Aggregate (-1.3%) is now down over 15% year-to-date. TIPS (+1.2%) had a better month but are still down double-digits for the year. And, as yet another testament to the confounding year that has been 2022, the high yield index (-12.5%) is outperforming the Treasury index (-14.3%) year-to-date. From a glass half full perspective, while meaningful cracks in the credit markets have not yet appeared, markets seem to feel comfortable with the higher yields available in credit, despite recessionary fears. In addition, the higher yield available in the market is also a long term positive, but the pain of getting there has been real.

Looking Ahead

Despite a consensus that the Fed would (and did) hike rates by 0.75% for a fourth consecutive meeting in November, there remains little consensus on what will happen next and where the terminal interest rate will land. The notion of a lagged effect on the economy from rate hikes, while difficult to measure or time, is generally accepted. The futures market repriced a higher terminal rate after Chairman Powell's press conference, where he said it was premature to talk about pausing or pivoting rate increases. As mentioned, it is reasonable to conclude that much of the improved stock market performance in October was attributable to the prospect of less aggressive monetary policy and/or the possibility that we will finally get better news on inflation. Like the Fed, investors continue to pour over the incoming data and wait for proof that hope is becoming fact.

West Virginia Board of Treasury Investments

Financial Highlights as of October 31, 2022

WV Short Term Bond Pool

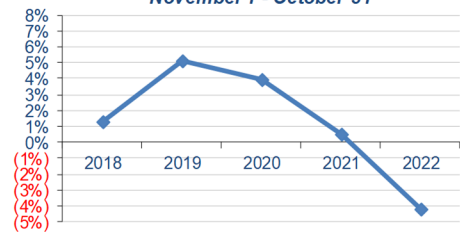
Rates of Return for the Past 12 Months Net of All Fees

November 1 - October 31	Return	Net Assets At Oct 31 (In Millions)
2022	(4.2%)	\$ 685.2
2021	0.5%	\$ 829.1
2020	3.9%	\$ 815.3
2019	5.2%	\$ 821.0
2018	1.3%	\$ 714.2

Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool

WV Short Term Bond Pool Rates of Return

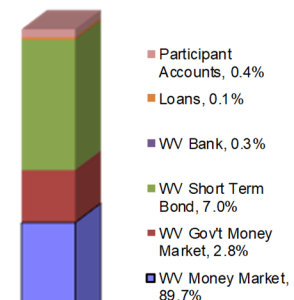
Past 12 Months
November 1 - October 31



Summary of Value and Earnings (In Thousands)

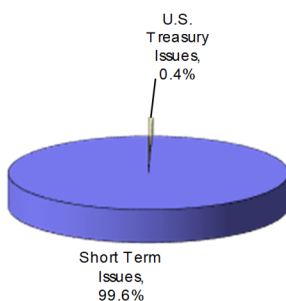
Pool	Net Asset Value	Oct Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 8,837,803	\$ 24,067	\$ 71,483
WV Gov't Money Market	276,316	697	1,956
WV Short Term Bond	685,237	(970)	(7,060)
WV Bank	65	0	9
Loans	13,362	9	265
Reserve	0	0	73
Participant Accounts	42,296	8	25
	<u>\$ 9,855,079</u>	<u>\$ 23,811</u>	<u>\$ 66,751</u>

Percent of Total Net Asset Value

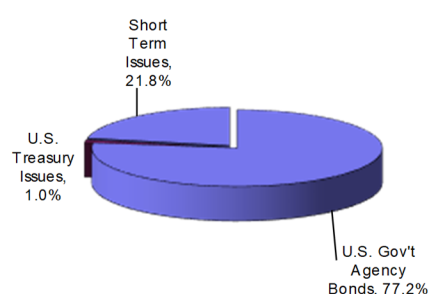


Securities by Type for Operating Pools (Percentage of Asset Value)

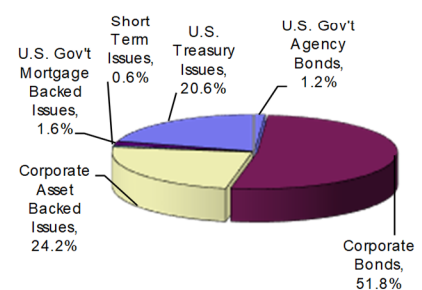
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
OCTOBER 31, 2022
(IN THOUSANDS)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Other Pools	Participant Directed Accounts	Total
Assets							
Investments:							
At amortized cost	\$ 8,838,419	\$ 276,224	\$ -	\$ 66	\$ 13,356	\$ -	\$ 9,128,065
At fair value	-	-	681,917	-	-	42,244	724,161
Other assets	10,226	148	3,885	-	9	53	14,321
Total assets	8,848,645	276,372	685,802	66	13,365	42,297	9,866,547
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	10,842	56	565	1	3	1	11,468
Total liabilities	10,842	56	565	1	3	1	11,468
Net Position							
Held in trust for investment pool participants	8,837,803	276,316	685,237	-	-	-	9,799,356
Held in trust for individual investment account holders	-	-	-	65	13,362	42,296	55,723
Total net position	\$ 8,837,803	\$ 276,316	\$ 685,237	\$ 65	\$ 13,362	\$ 42,296	\$ 9,855,079
Additions							
Investment income:							
Interest and dividends	\$ 12,343	\$ 295	\$ 1,358	\$ -	\$ 9	\$ 17	\$ 14,022
Net (amortization) accretion	12,065	414	(192)	-	-	(2)	12,285
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	24,408	709	1,166	-	9	15	26,307
Investment expenses:							
Investment advisor, custodian bank & administrative fees	341	12	46	-	-	1	400
Total investment expenses	341	12	46	-	-	1	400
Net investment income	24,067	697	1,120	-	9	14	25,907
Net realized gain (loss) from investments	-	-	(737)	-	-	-	(737)
Net increase (decrease) in fair value of investments	-	-	(1,353)	-	-	(6)	(1,359)
Net increase (decrease) in net position from operations	24,067	697	(970)	-	9	8	23,811
Participant transaction additions:							
Purchase of pool units by participants	1,089,446	23,941	-	-	-	-	1,113,387
Reinvestment of pool distributions	24,067	696	974	-	-	-	25,737
Contributions to individual investment accounts	-	-	-	-	1,709	-	1,709
Total participant transaction additions	1,113,513	24,637	974	-	1,709	-	1,140,833
Total additions	1,137,580	25,334	4	-	1,718	8	1,164,644
Deductions							
Distributions to pool participants:							
Net investment income	24,067	697	1,120	-	-	-	25,884
Net realized gain (loss) from investments	-	-	(737)	-	-	-	(737)
Total distributions to pool participants	24,067	697	383	-	-	-	25,147
Participant transaction deductions:							
Redemption of pool units by participants	1,025,018	7,694	812	-	-	-	1,033,524
Withdrawals from individual investment accounts	-	-	-	-	6	-	6
Total participant transaction deductions	1,025,018	7,694	812	-	6	-	1,033,530
Total deductions	1,049,085	8,391	1,195	-	6	-	1,058,677
Net increase (decrease) in net position from operations	88,495	16,943	(1,191)	-	1,712	8	105,967
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	88,495	16,943	(1,191)	-	1,712	8	105,967
Net position at beginning of period	8,749,308	259,373	686,428	65	11,650	42,288	9,749,112
Net position at end of period	\$ 8,837,803	\$ 276,316	\$ 685,237	\$ 65	\$ 13,362	\$ 42,296	\$ 9,855,079