

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
October 27, 2022

OPERATING REPORT SEPTEMBER 2022

Board of Treasury Investments

315 70th Street, SE
Charleston WV
25304
(304) 340-1564
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

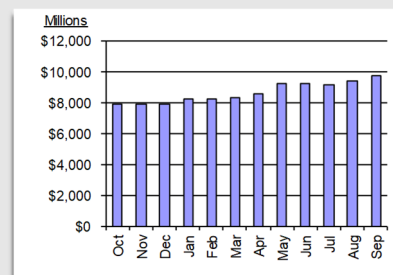
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

**Total Net Assets Under
Management**

\$9,749,112,000

Last Month
\$9,369,861,000

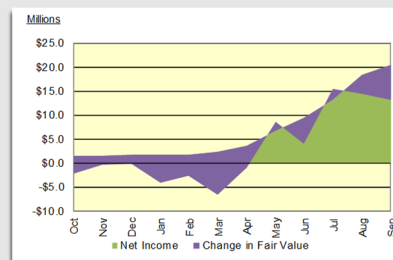
Beginning of Fiscal Year
\$9,234,695,000



**Net Assets for the Past
12 Months**

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

Fiscal Year
\$42,941,000



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

Money Market Pools As of September 30, 2022

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	2.6551%	18 Days	\$8.7 Billion
WV Gov't Money Market	2.4507%	20 Days	\$259.4 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

SEPTEMBER 2022

Time Will Tell if Inflation is Beat

Et Tu, Brute?

The third quarter brought no relief from the year-to-date declines in financial markets around the globe. The month of September was particularly difficult, led by the U.S. CPI print and then our friends in the United Kingdom. The new Prime Minister and new Chancellor surprisingly announced a large package of tax cuts and fiscal spending. This news drove sterling to an historic low against the dollar and led to a rise in interest rates that was unprecedented in swiftness and steepness. In turn, the UK bond market went into free fall, in part due to UK pensions' liability driven strategies, which utilize derivatives in their hedging strategies. As rates rose, the hedges required margin calls and forced selling to raise cash caused a downward spiral. The Bank of England stepped in to support the bond market and the situation calmed, but not before Sterling reached all-time lows against the dollar

Stock and Bond Markets

Despite the brief summer rally, stock market declines in the month of September (-9.2% for S&P 500) contributed to the quarter being down about 5% for both the large capitalization S&P 500 and the small capitalization S&P 600 Index. Non-US markets fared worse, led by dollar strength and on-going geopolitical and financial difficulties abroad.

Despite an extremely volatile bond environment globally, declines in stocks have not been accompanied by increased volatility. As shown below the VIX volatility index, also known as the fear gauge, remains at about 30.

In the bond markets, the month of September saw declines (Bloomberg Aggregate -4.3%) and provided the bulk of the quarter's losses of -4.8% for the Aggregate Index. The rising rate environment continued to punish longer duration assets with the Long Treasury index down -9.6% in the quarter. In this 'no place to hide' environment, credit, Mortgage-backed securities, non-US assets and even short duration bonds were all negative in the month and quarter.

After these difficult three quarters, what should we be thinking about for the fourth quarter? Last quarter we suggested that we needed to see evidence of a) slowing of interest rate increases, particularly that the market was done front running expectations of where the Fed would or would not pause, b) indications that the pricing of risk assets reflect enough negative outlook on earnings that bargain hunters and institutional investors would begin buying, or c) a consistent deceleration in inflation readings. While inflation last month surprised to the upside, we did see year over year declines in many categories in July and August, and on many measures, it is expected to continue to decline from the highs we experienced earlier in the year. Only time will tell if inflation is beat, and the Federal Reserve will be able to pause its interest rate hikes. In the meantime, full employment and positive wage increases continue providing support for consumer spending and the economy.

West Virginia Board of Treasury Investments

Financial Highlights as of September 30, 2022

WV Short Term Bond Pool

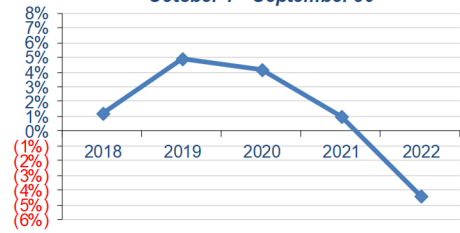
Rates of Return for the Past 12 Months Net of All Fees

<u>October 1 - September 30</u>	<u>Return</u>	<u>Net Assets At Sept 30 (In Millions)</u>
2022	(4.4%)	\$ 686.4
2021	1.0%	\$ 821.2
2020	4.1%	\$ 812.3
2019	4.9%	\$ 818.5
2018	1.3%	\$ 712.5

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

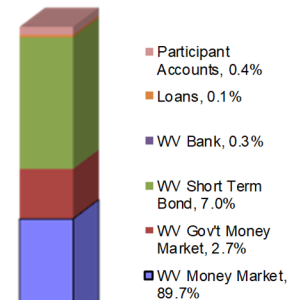
Past 12 Months
October 1 - September 30



Summary of Value and Earnings (In Thousands)

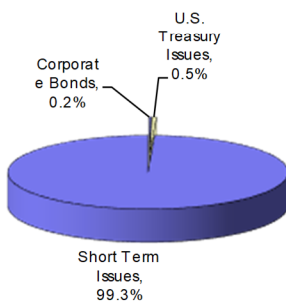
<u>Pool</u>	<u>Net Asset Value</u>	<u>Sep Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 8,749,308	\$ 18,830	\$ 47,416
WV Gov't Money Market	259,373	529	1,260
WV Short Term Bond	686,428	(6,322)	(6,091)
WV Bank	65	0	9
Loans	11,647	2	256
Reserve	3	1	73
Participant Accounts	42,288	3	18
	<u>\$ 9,749,112</u>	<u>\$ 13,043</u>	<u>\$ 42,941</u>

Percent of Total Net Asset Value

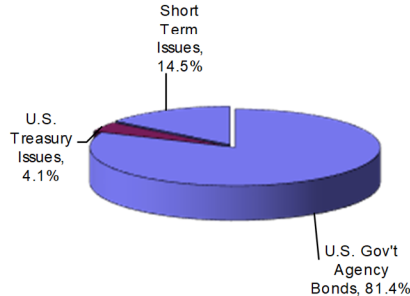


Securities by Type for Operating Pools (Percentage of Asset Value)

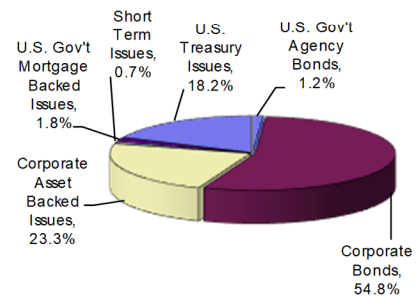
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
SEPTEMBER 30, 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	\$ 8,743,294	\$ 260,277	\$ -	\$ 65	\$ 11,645	\$ -	\$ 9,015,281
At fair value	-	-	685,140	-	-	42,250	727,390
Other assets	6,990	140	17,465	1	9	39	24,644
Total assets	8,750,284	260,417	702,605	66	11,654	42,289	9,767,315
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	976	1,044	16,177	1	4	1	18,203
Total liabilities	976	1,044	16,177	1	4	1	18,203
Net Position							
Held in trust for investment pool participants	8,749,308	259,373	686,428	-	-	-	9,695,109
Held in trust for individual investment account holders	-	-	-	65	11,650	42,288	54,003
Total net position	\$ 8,749,308	\$ 259,373	\$ 686,428	\$ 65	\$ 11,650	\$ 42,288	\$ 9,749,112
Additions							
Investment income:							
Interest and dividends	\$ 9,642	\$ 213	\$ 1,263	\$ -	\$ 4	\$ 16	\$ 11,138
Net (amortization) accretion	9,514	328	(227)	-	-	(1)	9,614
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	19,156	541	1,036	-	4	15	20,752
Investment expenses:							
Investment advisor, custodian bank & administrative fees	328	12	44	-	1	-	385
Total investment expenses	328	12	44	-	1	-	385
Net investment income	18,828	529	992	-	3	15	20,367
Net realized gain (loss) from investments	2	-	(813)	-	-	-	(811)
Net increase (decrease) in fair value of investments	-	-	(6,501)	-	-	(12)	(6,513)
Net increase (decrease) in net position from operations	18,830	529	(6,322)	-	3	3	13,043
Participant transaction additions:							
Purchase of pool units by participants	1,565,680	41,618	2	-	-	-	1,607,300
Reinvestment of pool distributions	18,826	529	926	-	-	-	20,281
Contributions to individual investment accounts	-	-	-	2	41	-	43
Total participant transaction additions	1,584,506	42,147	928	2	41	-	1,627,624
Total additions	1,603,336	42,676	(5,394)	2	44	3	1,640,667
Deductions							
Distributions to pool participants:							
Net investment income	18,828	529	992	-	-	-	20,349
Net realized gain (loss) from investments	2	-	(813)	-	-	-	(811)
Total distributions to pool participants	18,830	529	179	-	-	-	19,538
Participant transaction deductions:							
Redemption of pool units by participants	1,196,409	24,304	1,036	-	-	-	1,221,749
Withdrawals from individual investment accounts	-	-	-	2	20,127	-	20,129
Total participant transaction deductions	1,196,409	24,304	1,036	2	20,127	-	1,241,878
Total deductions	1,215,239	24,833	1,215	2	20,127	-	1,261,416
Net increase (decrease) in net position from operations	388,097	17,843	(6,609)	-	(20,083)	3	379,251
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	388,097	17,843	(6,609)	-	(20,083)	3	379,251
Net position at beginning of period	8,361,211	241,530	693,037	65	31,733	42,285	9,369,861
Net position at end of period	\$ 8,749,308	\$ 259,373	\$ 686,428	\$ 65	\$ 11,650	\$ 42,288	\$ 9,749,112