

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
August 10 2023

OPERATING REPORT JUNE 2023

Board of Treasury Investments

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Board of Directors

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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

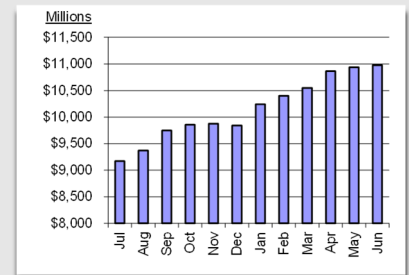
Karl Shanholtzer,
CFA, CPA, CIA

**Total Net Assets Under
Management**

\$10,975,194,000

Last Month
\$10,938,589,000

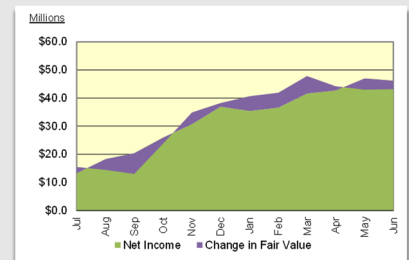
Beginning of Fiscal Year
\$9,234,695,000



**Net Assets for the Past
12 Months**

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

Fiscal Year
\$389,889,000



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

Money Market Pools As of June 30, 2023

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	5.2849%	29 Days	\$9.9 Billion
WV Gov't Money Market	5.0423%	17 Days	\$375.4 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

JUNE 2023

Global Growth is Slowing

Half-gone (year); Half-full (markets)

The conclusion of the month, second quarter and first half of 2023 brought more gains for stocks and little direction for bonds. Meanwhile, it is clear that global growth is slowing, which is no surprise given that a majority of the world's major central banks continue to raise interest rates to counter inflation. Inflation itself continues to slow, but few believe the work is complete given the snail like pace of the downward movements. Widening recognition that the Fed is unlikely to lower interest rates this year seemed to impact sentiment during the month, however despite some short-lived downdrafts the stock markets continued looking further ahead and ended higher.

Equity Markets

The S&P 500 returned a whopping 6.6% in June and 16.9% for the first half of the calendar year. However, the returns were driven primarily by the largest companies, as the top 10 holdings in the index accounted for over 95% of the return for the first six months. The tech heavy Nasdaq composite sealed its best first half since 1983 returning over 30%. Still, while much of the quarter and year have been marked by mania over the potential for artificial intelligence and the dominant performance of a handful of mega-cap tech names, June saw a broadening in market breadth as both smaller and less growthy stocks joined the rally. The Russell 3000 Growth Index returned 6.9% for the month while the Russell 3000 Value Index returned 6.7%. The small cap Russell 2000 Index return of 8.1% besting the S&P 500 for the month, but still lags the S&P's nearly 17% year-to-date return by more than half. Meanwhile, non-U.S. equity market returns were also positive, albeit more modest, with the non-U.S. developed markets EAFE index returning 4.6% and the Emerging Markets Index returning 3.8% for the month.

Fixed Income Markets

After 10 consecutive Fed rate hikes dating back to March of last year, the Fed opted to stand pat in June. Still, this period has seen the most aggressive Fed since the days of Paul Volcker.

With a strong suggestion from the Federal Reserve that there is work yet to be done, bonds continued to give back some of the gains from earlier in the year. The Bloomberg Aggregate Index returned -0.4% for the month and has trimmed its year-to-date gain to 2.1%. Somewhat surprisingly, high yield (+1.7%) and investment grade corporate bonds (+0.3%) fared well relative to Treasuries as risk-on sentiment prevailed during the month, while long duration (+0.0%) was less impacted than intermediate bonds (-0.7%) from the Fed's still hawkish signaling.

Looking Ahead

With six months down, what can we expect for the next six months of 2023? The half full scenario supports the belief that buoyed by the resilient labor market and modest wage gains, there is plenty of reason to believe economic conditions could still result in a "soft landing". While the half empty camp points to declining consumer savings rates, slowing growth, still strong inflation and the lag effect of monetary tightening as bringing on recession.

In the wake of the most aggressive Fed in over 40 years, short and intermediate duration bonds continue to offer attractive yields for investors relative to only one year ago. The stock market has elevated valuations in many large capitalization stocks, while other parts of the market (small cap in particular) as well as overseas markets still offer more attractive valuations. Earnings will be one of the key sources of further growth in the markets, as well as further visibility from economic data related to inflation, the labor market and demand.

West Virginia Board of Treasury Investments

Financial Highlights as of June 30, 2023

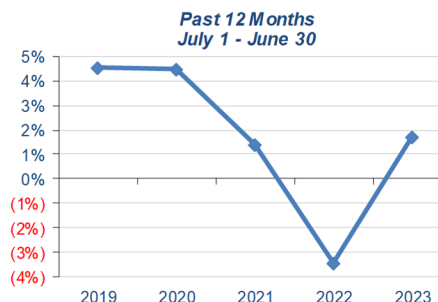
WV Short Term Bond Pool

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

<u>Jul 1 - Jun 30</u>	<u>Return</u>	<u>Net Assets At Jun 30 (In Millions)</u>
2023	1.7%	\$ 701.5
2022	(3.4%)	\$ 691.8
2021	1.4%	\$ 818.3
2020	4.5%	\$ 813.1
2019	4.5%	\$ 737.8

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

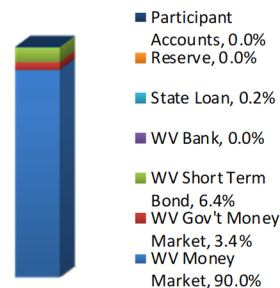
WV Short Term Bond Pool Rates of Return



Summary of Value and Earnings *(In Thousands)*

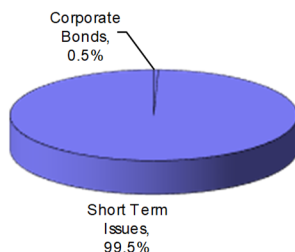
<u>Pool</u>	<u>Net Asset Value</u>	<u>Jun Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 9,878,275	\$ 42,738	\$ 366,105
WV Gov't Money Market	375,407	1,553	11,024
WV Short Term Bond	701,477	(1,167)	12,080
WV Bank	65	0	9
Loans	17,466	25	454
Reserve	0	0	73
Participant Accounts	2,504	10	144
	<u>\$ 10,975,194</u>	<u>\$ 43,159</u>	<u>\$ 389,889</u>

Percent of Total Net Asset Value

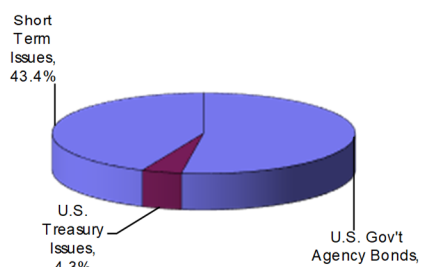


Securities by Type for Operating Pools *(Percentage of Asset Value)*

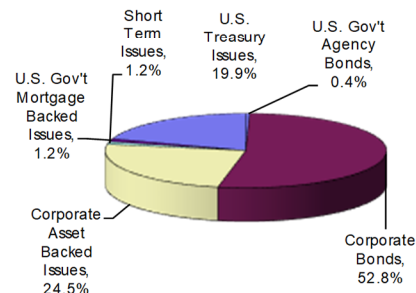
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
JUNE 30, 2023
(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	\$ 9,859,129	\$ 374,978	\$ -	\$ 65	\$ 17,393	\$ -	\$ 10,251,565
At fair value	-	-	701,550	-	-	2,466	704,016
Other assets	20,266	480	11,711	-	74	38	32,569
Total assets	<u>9,879,395</u>	<u>375,458</u>	<u>713,261</u>	<u>65</u>	<u>17,467</u>	<u>2,504</u>	<u>10,988,150</u>
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	<u>1,120</u>	<u>51</u>	<u>11,784</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>12,956</u>
Total liabilities	<u>1,120</u>	<u>51</u>	<u>11,784</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>12,956</u>
Net Position							
Held in trust for investment pool participants	9,878,275	375,407	701,477	-	-	-	10,955,159
Held in trust for individual investment account holders	<u>-</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>17,466</u>	<u>2,504</u>	<u>20,035</u>
Total net position	<u>\$ 9,878,275</u>	<u>\$ 375,407</u>	<u>\$ 701,477</u>	<u>\$ 65</u>	<u>\$ 17,466</u>	<u>\$ 2,504</u>	<u>\$ 10,975,194</u>
Additions							
Investment income:							
Interest and dividends	\$ 20,708	\$ 984	\$ 1,894	\$ -	\$ 25	\$ 12	\$ 23,623
Net (amortization) accretion	22,401	585	(33)	-	-	(2)	22,951
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>43,109</u>	<u>1,569</u>	<u>1,861</u>	<u>-</u>	<u>25</u>	<u>10</u>	<u>46,574</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	<u>371</u>	<u>16</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>432</u>
Total investment expenses	<u>371</u>	<u>16</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>432</u>
Net investment income	42,738	1,553	1,816	-	25	10	46,142
Net realized gain (loss) from investments	-	-	(694)	-	-	-	(694)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(2,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,289)</u>
Net increase (decrease) in net position from operations	42,738	1,553	(1,167)	-	25	10	43,159
Participant transaction additions:							
Purchase of pool units by participants	1,393,934	55,858	-	-	-	-	1,449,792
Reinvestment of pool distributions	42,738	1,553	1,165	-	-	-	45,456
Contributions to individual investment accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total participant transaction additions	<u>1,436,672</u>	<u>57,411</u>	<u>1,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,495,248</u>
Total additions	1,479,410	58,964	(2)	-	25	10	1,538,407
Deductions							
Distributions to pool participants:							
Net investment income	42,738	1,553	1,816	-	-	-	46,107
Net realized gain (loss) from investments	-	-	(693)	-	-	-	(693)
Total distributions to pool participants	<u>42,738</u>	<u>1,553</u>	<u>1,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,414</u>
Participant transaction deductions:							
Redemption of pool units by participants	1,402,856	7,704	-	-	-	-	1,410,560
Withdrawals from individual investment accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,834</u>	<u>38,994</u>	<u>45,828</u>
Total participant transaction deductions	<u>1,402,856</u>	<u>7,704</u>	<u>-</u>	<u>-</u>	<u>6,834</u>	<u>38,994</u>	<u>1,456,388</u>
Total deductions	<u>1,445,594</u>	<u>9,257</u>	<u>1,123</u>	<u>-</u>	<u>6,834</u>	<u>38,994</u>	<u>1,501,802</u>
Net increase (decrease) in net position from operations	33,816	49,707	(1,125)	-	(6,809)	(38,984)	36,605
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	33,816	49,707	(1,125)	-	(6,809)	(38,984)	36,605
Net position at beginning of period	9,844,459	325,700	702,602	65	24,275	41,488	10,938,589
Net position at end of period	<u>\$ 9,878,275</u>	<u>\$ 375,407</u>	<u>\$ 701,477</u>	<u>\$ 65</u>	<u>\$ 17,466</u>	<u>\$ 2,504</u>	<u>\$ 10,975,194</u>