

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
August 11, 2022

OPERATING REPORT MAY 2022

Board of Treasury Investments

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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

Vacant,
Appointed by the
Governor

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

Executive Staff

Executive
Director

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

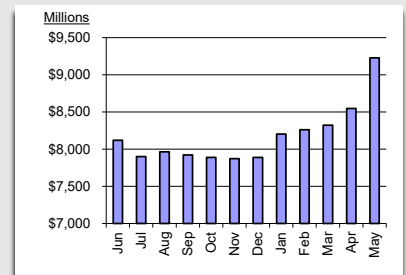
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$9,228,127,000

Last Month
\$8,548,522,000

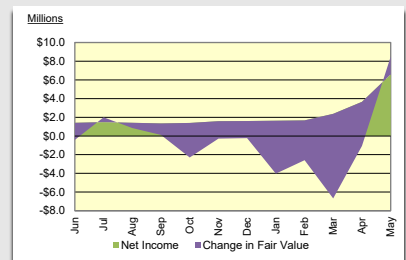
Beginning of Fiscal Year
\$8,119,584,000



**Net Assets for the Past
12 Months**

Total Net Income & Changes in Fair Value

Fiscal Year
(\$5,777,000)



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

Money Market Pools As of May 31, 2022

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	0.8581%	23 Days	\$8.1 Billion
WV Gov't Money Market	0.6176%	32 Days	\$197.6 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

MAY 2022

Markets Seesaw Experience

Markets Update

A quick glance at the S&P 500's 0.2% return for May might mislead one into thinking it was a quiet month for stocks. Despite finishing roughly flat, intra-month volatility remained elevated and the index briefly dropped into a bear market (i.e., down 20% from its peak) before solidly rebounding in the final week to recover losses. With two interest rate hikes now in the bag, including a 50-basis point increase in May, market sentiment was buoyed by some better earnings reports from a pocket of retailers later in the month, sentiment shifted toward positive consumer spending as a tailwind for the economy despite heightened inflation. As the curtain closes on May, the Federal Reserve is also set to begin the next step in quantitative tightening, that is to initiate the run-down of its massive \$8.9T bond portfolio. While the late in the month turnaround for stocks was certainly welcomed by investors, a heightened sense of uncertainty remains, and we expect volatility to continue. As one might expect in this backdrop of macro uncertainty, inflation and supply constraints, commodities continue to dominate the return environment. Other private assets are also positive contributors, (real estate, PE, infrastructure) and we will review more data after quarter end results are in.

Fixed Income

Ultra-short-term rates continued to march higher during the month, consistent with Federal Reserve interest rate hikes, but yields were otherwise subdued relative to prior months, which was a welcome reprieve for bond investors.

Less volatility in yields translated into better performance for most sectors of the bond market. The Bloomberg U.S. Aggregate Index was positive at 0.6% but is down 8.9% year-to-date. U.S. TIPS (-1.0%) were lower on the back of moderating inflation expectations, while nominal U.S. Treasuries (+0.2%) managed a small positive return for the month. Emerging market debt remains challenged this year, pressured by sustained inflation and rising interest rates, among other country specific factors.

Equities

The seesaw experience of May saw continued momentum for value stocks relative to growth stocks. Unlike the broad U.S. equity market, growth stocks have been unable to skirt bear market status this year. As was noted in our mid-May market commentary, troubling earnings (e.g., Walmart and Target) added to the growing list of investors concerns, but some relief came later in the month from other retailers (e.g., Macy's), suggesting the future prospect for consumers may not be as dire as some are predicting. Meanwhile, markets outside the U.S. turned in another month of relative outperformance, and both developed international markets and the emerging markets are slightly outperforming the broad U.S. market year-to-date. Given the macro issues that face non-U.S. economies and companies, the performance seems to be coming from relative valuations of non-U.S. stocks versus U.S. stocks.

Looking Ahead

Stabilization in the bond market and a late month rally in stocks were encouraging developments and engendered a sense of optimism largely absent from markets this year. Whether we've seen the worst for stocks remains to be seen, but bargain hunters do seem to be emerging. With an eye towards May's inflation data (released in early June), the gradual lifting of lockdowns in China and what Fed officials say next, the tale of 2022 continues to be written in short choppy chapters.

West Virginia Board of Treasury Investments Financial Highlights as of May 31, 2022

WV Short Term Bond Pool

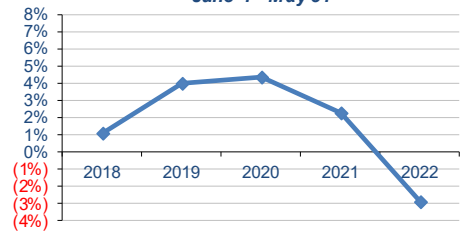
Rates of Return for the Past 12 Months *Net of All Fees*

<u>June 1 - May 31</u>	<u>Return</u>	<u>Net Assets At May 31 (In Millions)</u>
2022	(2.9%)	\$ 704.3
2021	2.3%	\$ 821.1
2020	4.4%	\$ 809.3
2019	4.0%	\$ 733.3
2018	1.1%	\$ 708.9

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

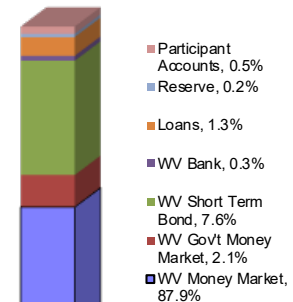
*Past 12 Months
June 1 - May 31*



Summary of Value and Earnings *(In Thousands)*

<u>Pool</u>	<u>Net Asset Value</u>	<u>May Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 8,115,927	\$ 5,491	\$ 13,344
WV Gov't Money Market	197,550	126	245
WV Short Term Bond	704,268	2,699	(21,533)
WV Bank	30,200	9	107
Loans	115,851	139	1,580
Reserve	19,988	13	46
Participant Accounts	44,343	13	434
	<u>\$ 9,228,127</u>	<u>\$ 8,490</u>	<u>\$ (5,777)</u>

Percent of Total Net Asset Value

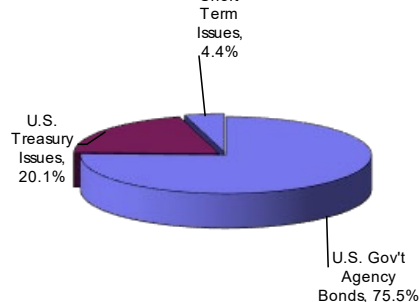


Securities by Type for Operating Pools *(Percentage of Asset Value)*

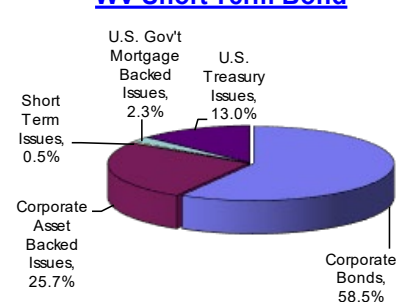
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
MAY 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	\$ 8,259,319	\$ 197,550	\$ -	\$ 30,166	\$ 135,685	\$ -	\$ 8,622,720
At fair value	-	-	696,171	-	-	44,278	740,449
Other assets	2,089	31	7,750	35	157	66	10,128
Total assets	8,261,408	197,581	703,921	30,201	135,842	44,344	9,373,297
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	145,481	31	(347)	1	3	1	145,170
Total liabilities	145,481	31	(347)	1	3	1	145,170
Net Position							
Held in trust for investment pool participants	8,115,927	197,550	704,268	-	-	-	9,017,745
Held in trust for individual investment account holders	-	-	-	30,200	135,839	44,343	210,382
Total net position	\$ 8,115,927	\$ 197,550	\$ 704,268	\$ 30,200	\$ 135,839	\$ 44,343	\$ 9,228,127
Additions							
Investment income:							
Interest and dividends	\$ 2,880	\$ 58	\$ 1,145	\$ 9	\$ 154	\$ 14	\$ 4,260
Net (amortization) accretion	2,905	75	(287)	-	-	(1)	2,692
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	5,785	133	858	9	154	13	6,952
Investment expenses:							
Investment advisor, custodian bank & administrative fees	295	7	47	-	2	-	351
Total investment expenses	295	7	47	-	2	-	351
Net investment income	5,490	126	811	9	152	13	6,601
Net realized gain (loss) from investments	1	-	(1,250)	-	-	-	(1,249)
Net increase (decrease) in fair value of investments	-	-	3,138	-	-	-	3,138
Net increase (decrease) in net position from operations	5,491	126	2,699	9	152	13	8,490
Participant transaction additions:							
Purchase of pool units by participants	2,208,909	49,817	10	-	-	-	2,258,736
Reinvestment of pool distributions	5,491	126	753	-	-	-	6,370
Contributions to individual investment accounts	-	-	-	10	9	-	19
Total participant transaction additions	2,214,400	49,943	763	10	9	-	2,265,125
Total additions	2,219,891	50,069	3,462	19	161	13	2,273,615
Deductions							
Distributions to pool participants:							
Net investment income	5,490	126	811	-	-	-	6,427
Net realized gain (loss) from investments	1	-	(1,250)	-	-	-	(1,249)
Total distributions to pool participants	5,491	126	(439)	-	-	-	5,178
Participant transaction deductions:							
Redemption of pool units by participants	1,485,237	63,762	27	-	-	-	1,549,026
Withdrawals from individual investment accounts	-	-	-	10,010	1,044	28,752	39,806
Total participant transaction deductions	1,485,237	63,762	27	10,010	1,044	28,752	1,588,832
Total deductions	1,490,728	63,888	(412)	10,010	1,044	28,752	1,594,010
Net increase (decrease) in net position from operations	729,163	(13,819)	3,874	(9,991)	(883)	(28,739)	679,605
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	729,163	(13,819)	3,874	(9,991)	(883)	(28,739)	679,605
Net position at beginning of period	7,386,764	211,369	700,394	40,191	136,722	73,082	8,548,522
Net position at end of period	\$ 8,115,927	\$ 197,550	\$ 704,268	\$ 30,200	\$ 135,839	\$ 44,343	\$ 9,228,127