

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## CALENDAR NOTE

Board Meeting  
April 27 2023

## OPERATING REPORT MARCH 2023

### Board of Treasury Investments

315 70<sup>th</sup> 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

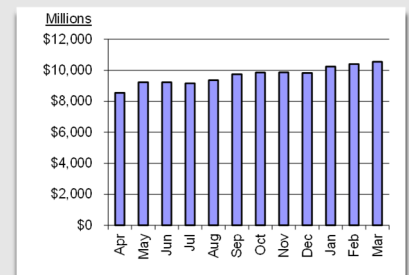
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$10,547,041,000**

Last Month  
**\$10,402,616,000**

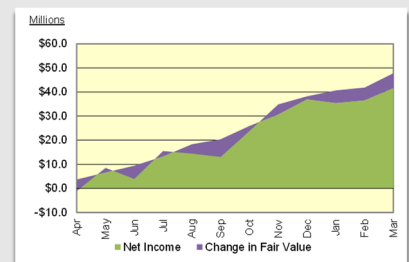
Beginning of Fiscal Year  
**\$9,234,695,000**



**Net Assets for the Past  
12 Months**

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$259,563,000**



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

### Money Market Pools As of March 31, 2023

Pool	30-Day Avg. Yield *	W.A.M. **	Net Assets
WV Money Market	4.8301%	21 Days	\$9.5 Billion
WV Gov't Money Market	4.6312%	10 Days	\$281.7 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

### MARCH 2023

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#### March Madness

##### March Madness

It was by all definition a month of upsets, similar to the upsets in college basketball this month. During the month we experienced two US bank takeovers, Silicon Valley Bank and Signature Bank, and one European bank takeover, Credit Suisse. While each was a unique set of circumstances that led to the takeovers [in sum i) undiversified client assets and maturity mismatch, ii) crypto and iii) years of scandals and regulatory fines, respectively], we believe the fear of a wider banking issue is just sentiment and not a broad systemic banking issue. By the end of the quarter, it looked like the market believed that to be the case, as the market rallied. Adding to the positive sentiment, after strong jobs and retail reports early in the year, the market seems to think the long-awaited Fed pause or pivot is closer given the banking problems. While this could be true, it is not certain, and the Fed raised rates another 25 bp on March 22nd. Despite the madness which ensued in the quarter, it was a good start to the year for both stocks and bonds.

##### Equity Markets

Despite the turmoil of bank related stocks, equity markets were positive in the month and quarter. However, the S&P 500 equal weight index was down -0.9% for the month, highlighting the positive performance of larger companies and in particular technology stocks. As a result, stock performance was led by growth stocks, in a turn of events from the last year. Buoyed by thoughts of slower or a declining pace of interest rates, growth rebounded strongly, and outperformed value by 13.4 points year to date (Russell 1000 Growth 14.4%, versus 1.0% for Russell 1000 Value). This was also true in mid and small capitalization stocks for the month and quarter. The Russell 2000 Value Index was the worst performer in the month and the quarter, due to the heavy weight of regional banks in the index declining over 7% in the month of March, despite a late month rally (see chart below). The Non-US markets were also strong in the quarter and month, with the EAFE outperforming US stocks (8.5% for the EAFE Index versus 7.5% for S&P 500). The Emerging Markets index was also positive up 3.8% for quarter. Here too, was a positive environment despite the takeover of Credit Suisse by UBS amid Non-US banking fears.

##### Fixed Income Markets

Interest rates dropped during the quarter as the market priced in the Federal Reserve supporting the markets given the banking backdrop, with the two year Treasury dropping by 79 basis points to 4.03%. The Bloomberg Aggregate was up 3.0% in the quarter, with long term bonds up 6.2%. As mentioned above the Fed raised rates late in March to just under 5%. Chairman Powell reiterated the need to raise rates to tamp down inflation, which is still higher than desired, despite coming down again in the last PCE release. In the March 31 announcement, PCE came in at 5.0% and core at 4.6% year over year, a decline from 5.3% and 4.7% the previous month.

##### Looking Ahead

While the market expectations have certainly changed back toward less restrictive monetary policy, it is not clear that this trend is solidly in place. Therefore, we would expect continued volatility around the data and sentiment to drive the markets in the near term. But for the moment, let's take the win and enjoy cutting down the nets until we follow up next month.

## West Virginia Board of Treasury Investments Financial Highlights as of March 31, 2023

### WV Short Term Bond Pool

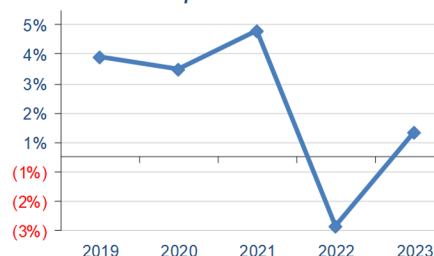
#### Rates of Return for the Past 12 Months *Net of All Fees*

<u>April 1 - March 31</u>	<u>Return</u>	<u>Net Assets At Mar 31 (In Millions)</u>
2023	0.9%	\$ 701.6
2022	(2.3%)	\$ 713.7
2021	4.3%	\$ 797.6
2020	3.0%	\$ 804.2
2019	3.4%	\$ 726.5

*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

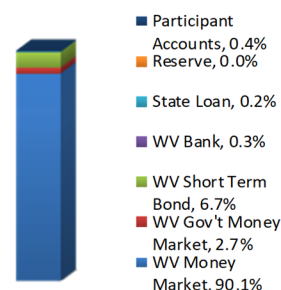
*Past 12 Months  
April 1 - March 31*



### Summary of Value and Earnings *(In Thousands)*

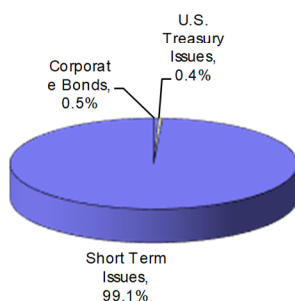
<u>Pool</u>	<u>Net Asset Value</u>	<u>Mar Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 9,498,250	\$ 38,639	\$ 240,359
WV Gov't Money Market	281,663	1,148	6,870
WV Short Term Bond	701,607	7,971	11,781
WV Bank	65	0	9
Loans	23,999	26	370
Reserve	0	0	73
Participant Accounts	41,457	19	101
	<u>\$ 10,547,041</u>	<u>\$ 47,803</u>	<u>\$ 259,563</u>

#### Percent of Total Net Asset Value

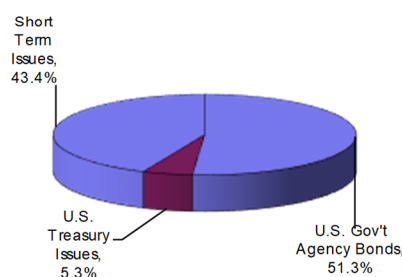


### Securities by Type for Operating Pools *(Percentage of Asset Value)*

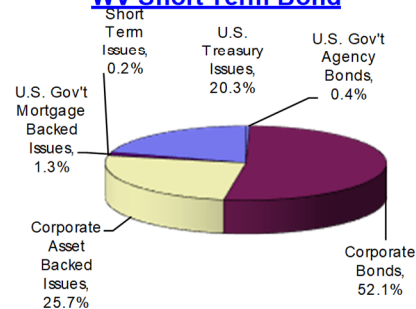
#### WV Money Market



#### WV Gov't Money Market



#### WV Short Term Bond



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**MARCH 31, 2023**  
*(IN THOUSANDS)*

	<b>WV Money Market Pool</b>	<b>WV Government Money Market Pool</b>	<b>WV Short Term Bond Pool</b>	<b>WV Bank Pool</b>	<b>Other Pools</b>	<b>Participant Directed Accounts</b>	<b>Total</b>
<b>Assets</b>							
Investments:							
At amortized cost	\$ 9,505,654	\$ 282,195	\$ -	\$ 65	\$ 23,925	\$ -	\$ 9,811,839
At fair value	-	-	698,358	-	-	41,418	739,776
Other assets	18,641	510	4,119	-	75	40	23,385
Total assets	9,524,295	282,705	702,477	65	24,000	41,458	10,575,000
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased	26,045	1,042	870	-	1	1	27,959
Total liabilities	26,045	1,042	870	-	1	1	27,959
<b>Net Position</b>							
Held in trust for investment pool participants	9,498,250	281,663	701,607	-	-	-	10,481,520
Held in trust for individual investment account holders	-	-	-	65	23,999	41,457	65,521
Total net position	\$ 9,498,250	\$ 281,663	\$ 701,607	\$ 65	\$ 23,999	\$ 41,457	\$ 10,547,041
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 20,782	\$ 846	\$ 1,772	\$ -	\$ 26	\$ 19	\$ 23,445
Net (amortization) accretion	18,226	315	60	-	-	(1)	18,600
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	39,008	1,161	1,832	-	26	18	42,045
Investment expenses:							
Investment advisor, custodian bank & administrative fees	369	13	47	-	-	-	429
Total investment expenses	369	13	47	-	-	-	429
Net investment income	38,639	1,148	1,785	-	26	18	41,616
Net realized gain (loss) from investments	-	-	(1,050)	-	-	-	(1,050)
Net increase (decrease) in fair value of investments	-	-	7,236	-	-	1	7,237
Net increase (decrease) in net position from operations	38,639	1,148	7,971	-	26	19	47,803
Participant transaction additions:							
Purchase of pool units by participants	1,270,631	30,805	-	-	-	-	1,301,436
Reinvestment of pool distributions	38,639	1,148	230	-	-	-	40,017
Contributions to individual investment accounts	-	-	-	-	-	-	-
Total participant transaction additions	1,309,270	31,953	230	-	-	-	1,341,453
Total additions	1,347,909	33,101	8,201	-	26	19	1,389,256
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	38,639	1,148	1,785	-	-	-	41,572
Net realized gain (loss) from investments	-	-	(1,050)	-	-	-	(1,050)
Total distributions to pool participants	38,639	1,148	735	-	-	-	40,522
Participant transaction deductions:							
Redemption of pool units by participants	1,180,143	24,097	-	-	-	-	1,204,240
Withdrawals from individual investment accounts	-	-	-	-	23	46	69
Total participant transaction deductions	1,180,143	24,097	-	-	23	46	1,204,309
Total deductions	1,218,782	25,245	735	-	23	46	1,244,831
Net increase (decrease) in net position from operations	129,127	7,856	7,466	-	3	(27)	144,425
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	129,127	7,856	7,466	-	3	(27)	144,425
Net position at beginning of period	9,369,123	273,807	694,141	65	23,996	41,484	10,402,616
Net position at end of period	\$ 9,498,250	\$ 281,663	\$ 701,607	\$ 65	\$ 23,999	\$ 41,457	\$ 10,547,041