

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
October 27, 2022

OPERATING REPORT

AUGUST 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

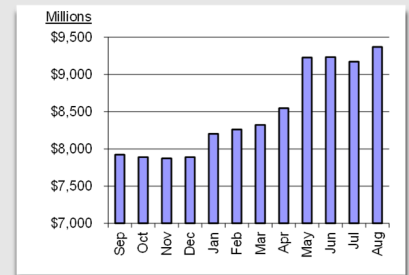
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

**Total Net Assets Under
Management**

\$9,369,861,000

Last Month
\$9,172,110,000

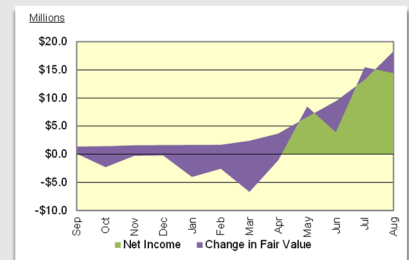
Beginning of Fiscal Year
\$9,234,695,000



**Net Assets for the Past
12 Months**

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

Fiscal Year
\$29,897,000



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

Money Market Pools

As of August 31, 2022

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	2.3878%	17 Days	\$8.4 Billion
WV Gov't Money Market	2.0716%	18 Days	\$241.5 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

AUGUST 2022

“We will keep at it until we are confident the job is done”

Markets Update

“We will keep at it until we are confident the job is done”

This was the concluding sentence of a short and pointed speech by Federal Reserve President Jerome Powell on August 26th at the Jackson Hole Economic Symposium. This message brought about an abrupt reversal to the recent positive momentum of the equity markets in July and early August. The S&P 500 (-4.1%) reeled once again in anticipation of continued aggressive interest rate hikes - irrespective of the near-term economic consequences. Bond markets were already trending lower, with yields across the Treasury curve once again heading higher after a brief reprieve in July. The result was the U.S. fixed income core benchmark (Aggregate Index -2.8% in August) re-entered double-digit negative return territory year to date.

Fixed Income

With no Federal Open Market Committee meeting in August, the federal funds rate remained in the range of 2.25% - 2.50%. Regardless, short term rates trended higher in anticipation of another aggressive rate hike in September and with the possibility that the benchmark rate could close the year close to 4%. While 2-year yields remain inverted relative to 10-year yields, the longer dated portion of the Treasury yield curve also moved higher during the month, indicative not only of the overall hawkishness of Chairman Powell’s speech, but also the realization that a higher-for-longer interest rate regime may be necessary to tame inflation.

During the month of August all major bond sectors fell into negative territory. The return dispersion between U.S. Treasuries (-2.5%), investment grade corporates (-2.8%) and high yield corporates (-2.3%) was modest. Long duration bonds (-4.4%) suffered more on higher long-term yield expectations, while emerging market debt – among the worst performers year-to-date – experienced a relatively more stable month (-0.5%).

Equities

The S&P 500 Index sits roughly 8% above its mid-June nadir. In the wake of more hawkish Fed rhetoric and a mixed economic outlook, large cap growth stocks (-4.7%) underperformed large cap value stocks (-3.0%) for the month. Surprisingly, small cap growth stocks (-0.9%) fared better than small cap value stocks (-3.2%) possibly due to the significant discounted valuation after a tough first half. Interestingly we saw a resurgence of several “meme” names in the month, such as Bed Bath and Beyond. That stock spiked more than 300% at one point in August with little fundamental rationale before cratering back to earth again by month end. Meanwhile, developed non-U.S. stocks (-4.7%) struggled as the outlook in Europe continues to weaken, while emerging markets managed to eke out a small positive return in the month (0.4%) due in part to fresh government stimulus in China, which helped support Asian markets.

Looking Ahead

As we noted in last month’s discussion, following the bounce-back month in July, “as long as the Fed is actively trying to slow economic activity, elevated volatility is likely to continue”. This was certainly the case in the second half of August. Just like the Fed, markets are awaiting data and news to validate views on the likelihood of recession and the path of interest rates and inflation. Depending on the incoming data, we either have risk on, or risk off days.

Still, the Fed does for now seem resolute in its objective of taming pricing pressures through tighter financial conditions and is clearly communicating its commitment to this priority. Ultimately, the Fed’s approach here is the best path back to a life with lower prices, sustainable growth, and, importantly, stronger markets. The “when” for all these ultimately positive outcomes remains the great unknown.

West Virginia Board of Treasury Investments

Financial Highlights as of August 31, 2022

WV Short Term Bond Pool

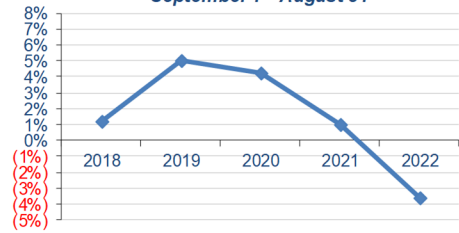
Rates of Return for the Past 12 Months Net of All Fees

September 1 - August 31	Return	Net Assets At Aug 31 (In Millions)
2022	(3.6%)	\$ 693.0
2021	1.0%	\$ 820.1
2020	4.2%	\$ 814.7
2019	5.0%	\$ 840.3
2018	1.2%	\$ 711.9

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

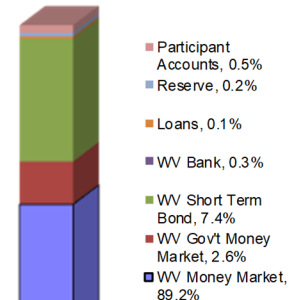
Past 12 Months
September 1 - August 31



Summary of Value and Earnings (In Thousands)

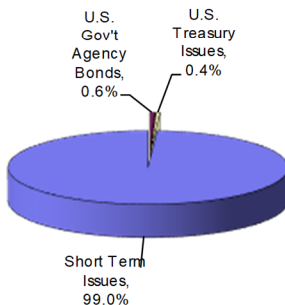
Pool	Net Asset Value	Aug Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 8,361,211	\$ 16,748	\$ 28,585
WV Gov't Money Market	241,530	449	730
WV Short Term Bond	693,037	(2,931)	231
WV Bank	65	2	9
Loans	11,653	108	254
Reserve	20,080	41	73
Participant Accounts	42,285	6	15
	<u>\$ 9,369,861</u>	<u>\$ 14,423</u>	<u>\$ 29,897</u>

Percent of Total Net Asset Value

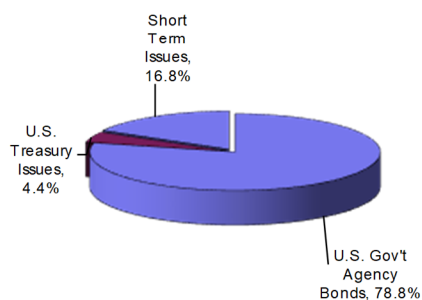


Securities by Type for Operating Pools (Percentage of Asset Value)

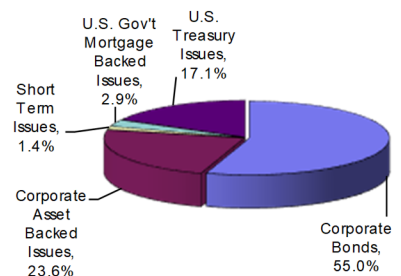
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
AUGUST 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	\$ 8,405,784	\$ 242,464	\$ -	\$ 65	\$ 31,690	\$ -	\$ 8,680,003
At fair value	-	-	691,143	-	-	42,262	733,405
Other assets	6,076	98	18,592	1	46	24	24,837
Total assets	8,411,860	242,562	709,735	66	31,736	42,286	9,438,245
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	50,649	1,032	16,698	1	3	1	68,384
Total liabilities	50,649	1,032	16,698	1	3	1	68,384
Net Position							
Held in trust for investment pool participants	8,361,211	241,530	693,037	-	-	-	9,295,778
Held in trust for individual investment account holders	-	-	-	65	31,733	42,285	74,083
Total net position	\$ 8,361,211	\$ 241,530	\$ 693,037	\$ 65	\$ 31,733	\$ 42,285	\$ 9,369,861
Additions							
Investment income:							
Interest and dividends	\$ 8,720	\$ 192	\$ 1,232	\$ 2	\$ 151	\$ 16	\$ 10,313
Net (amortization) accretion	8,354	268	(260)	-	-	(2)	8,360
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	17,074	460	972	2	151	14	18,673
Investment expenses:							
Investment advisor, custodian bank & administrative fees	326	11	46	-	2	-	385
Total investment expenses	326	11	46	-	2	-	385
Net investment income	16,748	449	926	2	149	14	18,288
Net realized gain (loss) from investments	-	-	(1,036)	-	-	-	(1,036)
Net increase (decrease) in fair value of investments	-	-	(2,821)	-	-	(8)	(2,829)
Net increase (decrease) in net position from operations	16,748	449	(2,931)	2	149	6	14,423
Participant transaction additions:							
Purchase of pool units by participants	1,657,253	27,007	-	-	-	-	1,684,260
Reinvestment of pool distributions	16,748	448	921	-	-	-	18,117
Contributions to individual investment accounts	-	-	-	7	1,986	-	1,993
Total participant transaction additions	1,674,001	27,455	921	7	1,986	-	1,704,370
Total additions	1,690,749	27,904	(2,010)	9	2,135	6	1,718,793
Deductions							
Distributions to pool participants:							
Net investment income	16,748	449	926	-	-	-	18,123
Net realized gain (loss) from investments	-	-	(1,036)	-	-	-	(1,036)
Total distributions to pool participants	16,748	449	(110)	-	-	-	17,087
Participant transaction deductions:							
Redemption of pool units by participants	1,363,860	24,513	663	-	-	-	1,389,036
Withdrawals from individual investment accounts	-	-	-	10,107	104,767	45	114,919
Total participant transaction deductions	1,363,860	24,513	663	10,107	104,767	45	1,503,955
Total deductions	1,380,608	24,962	553	10,107	104,767	45	1,521,042
Net increase (decrease) in net position from operations	310,141	2,942	(2,563)	(10,098)	(102,632)	(39)	197,751
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	310,141	2,942	(2,563)	(10,098)	(102,632)	(39)	197,751
Net position at beginning of period	8,051,070	238,588	695,600	10,163	134,365	42,324	9,172,110
Net position at end of period	\$ 8,361,211	\$ 241,530	\$ 693,037	\$ 65	\$ 31,733	\$ 42,285	\$ 9,369,861