

BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
August 11, 2022

OPERATING REPORT

APRIL 2022

Board of Treasury Investments

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Charleston WV
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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

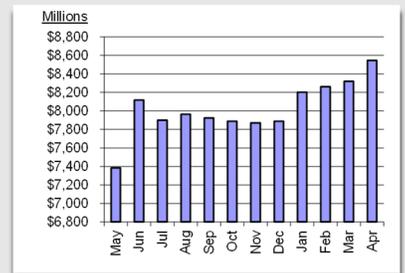
Executive
Director
Kara K. Hughes,
CPA, MBA, CFE,
CGIP
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$8,548,522,000

Last Month
\$8,321,989,000

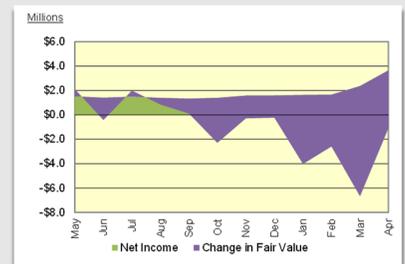
Beginning of Fiscal Year
\$8,119,584,000



Net Assets for the Past 12 Months

Total Net Income & Changes in Fair Value

Fiscal Year
(\$14,268,000)



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

Money Market Pools

As of April 30, 2022

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	0.4310%	22 Days	\$7.4 Billion
WV Gov't Money Market	0.2574%	33 Days	\$211.4 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

APRIL 2022

Federal Reserve Commits to Taming Inflation

Markets Update

April was a difficult month for both the stock and bond markets. The S&P 500 returned -8.7%, it's worst month for returns since the onset of the pandemic in 2020. Corporate earnings continued to roll in for the first quarter and so far, year over year earnings growth rate is 7.1%, which is good, but below the last five-year average of 15% and closer to the 10-year average growth rate of 8.8%¹. However, weakness in earnings from pandemic stay-at-home darlings like Netflix and Amazon, combined with high inflation numbers, tightening financial conditions, continued tightness in the job market lockdowns in China and war in Ukraine weighed heavily on investor sentiment. Interestingly, given the large earnings miss from Amazon, coupled with its large weight in the S&P 500 Index, if you remove Amazon's earnings from the index growth rate, 1Q earnings increases so far, to date, are 10.1%, above the ten-year average.

Bonds were hard hit as well, with the 10-year U.S. Treasury yield seeing its largest monthly rise since 2009 (bond yields and prices move inversely).

Fixed Income

Upward movement across the Treasury curve this year has been extensive, with the 10-year bond yield nearly doubling in four months' time, and the 3 month yield up 14 times (!) its year end number. Longer term yields did widen more than short term yields during the month and the spread between 2-year and 10-year bond yields is no longer inverted.

Alongside higher yields, the U.S. core bellwether bond benchmark (Bloomberg U.S. Aggregate index) was battered yet again, down 3.8% for the month and now down 9.5% year-to-date. There has truly been nowhere to hide this year in fixed income; even Treasury Inflation- Protected Securities (TIPS) are down 5% notwithstanding that inflation expectations and actual inflation readings have surged. The good news is the markets are pricing close to the suggested terminal rate suggested by the Federal Reserve. So, on the glass is half full side, it is possible that the second half of 2022 is more constructive than the first four months.

Equities

Growth stocks, especially in the technology and communications services sectors have struggled mightily this year. The tech-heavy Nasdaq index had its worst month since 2008. The large cap value benchmark is down roughly one third as much as the large cap growth benchmark and has benefitted from exposure to energy stocks, the only sector with positive performance year-to-date. As discussed, we have seen some significant downturns in growth stocks and those with earnings misses having large drawdowns. The bloom is off the rose in growth stocks.

Looking Ahead

With one 25 bps rate hike in the books, the Fed has telegraphed an additional hike of 50 bps in early May. With equity benchmarks somewhere between correction (-10%) and bear market (-20%) status, significant pain has been priced in so far this year. For now, the Federal Reserve is committed to taming inflation and additional rate hikes are forthcoming. It remains to be seen how much the tightening financial conditions in the markets have already been discounted, but with the damage done in April, there is a case to be made that the worst may be priced in... If nothing else, concerns about a stock market bubble in the growth-related parts of the markets, have been squashed for now. We continue to advocate for portfolio rebalancing with more attractive entry points for stocks and bonds that were provided after the April market performance.

West Virginia Board of Treasury Investments

Financial Highlights as of April 30, 2022

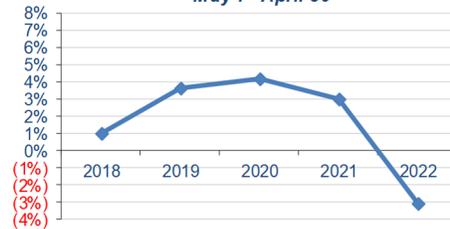
WV Short Term Bond Pool

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

<u>May 1 - April 30</u>	<u>Return</u>	<u>Net Assets At Apr 30 (In Millions)</u>
2022	(3.1%)	\$ 700.4
2021	3.0%	\$ 820.5
2020	4.2%	\$ 811.8
2019	3.6%	\$ 728.5
2018	1.0%	\$ 706.9

WV Short Term Bond Pool Rates of Return

*Past 12 Months
May 1 - April 30*

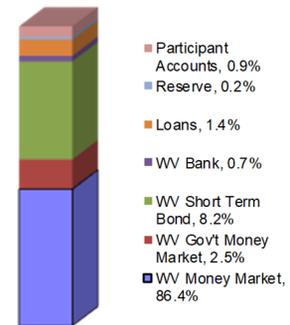


Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool

Summary of Value and Earnings (In Thousands)

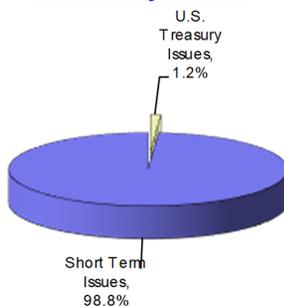
<u>Pool</u>	<u>Net Asset Value</u>	<u>Apr Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 7,386,764	\$ 2,651	\$ 7,853
WV Gov't Money Market	211,369	55	121
WV Short Term Bond	700,394	(4,001)	(24,232)
WV Bank	40,191	10	98
Loans	116,747	136	1,439
Reserve	19,975	9	33
Participant Accounts	73,082	42	420
	<u>\$ 8,548,522</u>	<u>\$ (1,098)</u>	<u>\$ (14,268)</u>

Percent of Total Net Asset Value

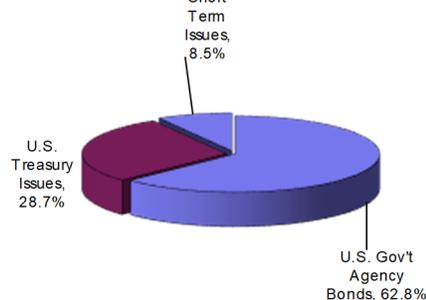


Securities by Type for Operating Pools (Percentage of Asset Value)

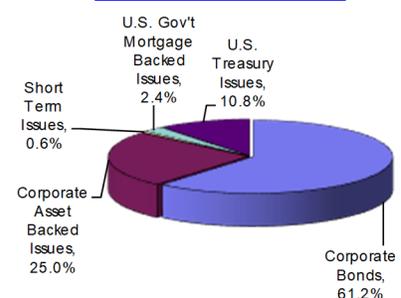
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED

APRIL 30, 2022

(IN THOUSANDS)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Other Pools</u>	<u>Participant Directed Accounts</u>	<u>Total</u>
Assets							
Investments:							
At amortized cost	\$ 7,387,306	\$ 211,415	\$ -	\$ 40,158	\$ 136,581	\$ -	\$ 7,775,460
At fair value	-	-	696,494	-	-	72,793	769,287
Other assets	1,044	17	11,861	37	147	290	13,396
Total assets	<u>7,388,350</u>	<u>211,432</u>	<u>708,355</u>	<u>40,195</u>	<u>136,728</u>	<u>73,083</u>	<u>8,558,143</u>
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased							
	1,586	63	7,961	4	6	1	9,621
Total liabilities	<u>1,586</u>	<u>63</u>	<u>7,961</u>	<u>4</u>	<u>6</u>	<u>1</u>	<u>9,621</u>
Net Position							
Held in trust for investment pool participants	7,386,764	211,369	700,394	-	-	-	8,298,527
Held in trust for individual investment account holders	-	-	-	40,191	136,722	73,082	249,995
Total net position	<u>\$ 7,386,764</u>	<u>\$ 211,369</u>	<u>\$ 700,394</u>	<u>\$ 40,191</u>	<u>\$ 136,722</u>	<u>\$ 73,082</u>	<u>\$ 8,548,522</u>
Additions							
Investment income:							
Interest and dividends	\$ 1,303	\$ 25	\$ 1,099	\$ 11	\$ 147	\$ 54	\$ 2,639
Net (amortization) accretion	1,633	38	(301)	-	-	(2)	1,368
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>2,936</u>	<u>63</u>	<u>798</u>	<u>11</u>	<u>147</u>	<u>52</u>	<u>4,007</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	288	8	46	1	2	-	345
Total investment expenses	<u>288</u>	<u>8</u>	<u>46</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>345</u>
Net investment income	2,648	55	752	10	145	52	3,662
Net realized gain (loss) from investments	3	-	(27)	-	-	-	(24)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(4,726)</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>(4,736)</u>
Net increase (decrease) in net position from operations	2,651	55	(4,001)	10	145	42	(1,098)
Participant transaction additions:							
Purchase of pool units by participants	1,257,333	28,256	-	-	-	-	1,285,589
Reinvestment of pool distributions	2,651	55	662	-	-	-	3,368
Contributions to individual investment accounts	-	-	-	10	9	-	19
Total participant transaction additions	<u>1,259,984</u>	<u>28,311</u>	<u>662</u>	<u>10</u>	<u>9</u>	<u>-</u>	<u>1,288,976</u>
Total additions	1,262,635	28,366	(3,339)	20	154	42	1,287,878
Deductions							
Distributions to pool participants:							
Net investment income	2,648	55	752	-	-	-	3,455
Net realized gain (loss) from investments	3	-	(27)	-	-	-	(24)
Total distributions to pool participants	<u>2,651</u>	<u>55</u>	<u>725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,431</u>
Participant transaction deductions:							
Redemption of pool units by participants	982,061	55,660	9,214	-	-	-	1,046,935
Withdrawals from individual investment accounts	-	-	-	10,010	969	-	10,979
Total participant transaction deductions	<u>982,061</u>	<u>55,660</u>	<u>9,214</u>	<u>10,010</u>	<u>969</u>	<u>-</u>	<u>1,057,914</u>
Total deductions	<u>984,712</u>	<u>55,715</u>	<u>9,939</u>	<u>10,010</u>	<u>969</u>	<u>-</u>	<u>1,061,345</u>
Net increase (decrease) in net position from operations	277,923	(27,349)	(13,278)	(9,990)	(815)	42	226,533
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	277,923	(27,349)	(13,278)	(9,990)	(815)	42	226,533
Net position at beginning of period	7,108,841	238,718	713,672	50,181	137,537	73,040	8,321,989
Net position at end of period	<u>\$ 7,386,764</u>	<u>\$ 211,369</u>	<u>\$ 700,394</u>	<u>\$ 40,191</u>	<u>\$ 136,722</u>	<u>\$ 73,082</u>	<u>\$ 8,548,522</u>