

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTE**

Board Meeting  
August 8, 2024

## OPERATING REPORT

### APRIL 2024

**Board of Treasury Investments**

315 70<sup>th</sup> Street, SE  
Charleston WV  
25304  
(304) 340-1564  
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**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

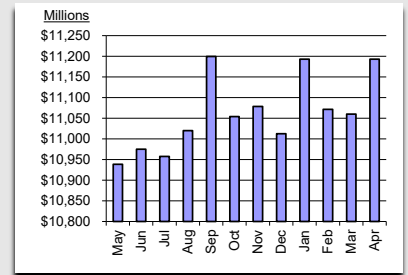
Chief Financial  
Officer  
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$11,193,297,000**

Last Month  
**\$11,060,096,000**

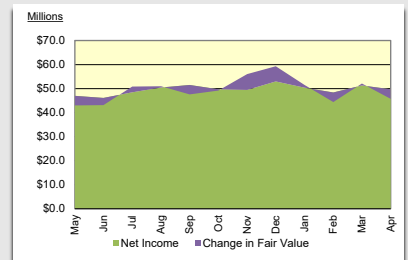
Beginning of Fiscal Year  
**\$10,975,194,000**



**Net Assets for the Past 12 Months**

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$509,115,000**



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

### Money Market Pools

As of April 30, 2024

| <u>Pool</u>           | <u>30-Day Avg. Yield *</u> | <u>W.A.M. **</u> | <u>Net Assets</u> |
|-----------------------|----------------------------|------------------|-------------------|
| WV Money Market       | 5.5097%                    | 32 Days          | \$10.0 Billion    |
| WV Gov't Money Market | 5.3300%                    | 37 Days          | \$486.4 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 2024

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### Negative Equity Environment

#### Overview:

In April we experienced the first negative equity environment since late in 2023. Equity market declines resulted in part from inflation data during the month, which was a harbinger of the Federal Reserve interest rate cuts not being imminent. As markets adjusted to the reality of higher rates for longer, bond markets were also negative in the month, continuing the trend we have experienced for most of 2024. The April markets also reminded investors of the difficulty of making investment decisions on economists' predictions regarding the direction of interest rates.

#### Equity Markets

For the one month ended April 30th, the S&P 500 declined -4.1%. However, year to date return the S&P 500 is still a positive 6.0%. Both growth and value were down about the same level, while the more interest rate sensitive small cap stocks declined more, with the Russell 2000 -7.0% in the month and is now negative -2.2% year to date. Non-U.S. stocks were also negative in the month (-2.6%) but outperformed the U.S., as inflation outside the US is tamer and the expectation is that the ECB will begin cutting interest rates soon. Emerging markets were also slightly positive in the month (+0.4%).

While a down month, it is important to remember the significant appreciation investors have experienced in the last 6 months through April, with the S&P 500 up 21.0%, the Russell 2000, 19.7%, EAFE, 18.9% and Emerging Markets. 15.6%.

#### Fixed Income

Did the market finally get "reality", so to speak? We began the year with the expectation by many observers of six interest rate cuts, which seemed like a lot even back then. Then the Federal Reserve chairman told the market possibly three cuts. Today the futures market is predicting only one or two, AND, some prognosticators think the Federal Reserve could RAISE interest rates this year. Quite a change in sentiment in a relatively short period of time. As a result of this changing mood, interest rates rose across the curve and the Bloomberg Aggregate was down -2.5% for the month of April, and year to date is down -3.3%. All fixed income assets were negative in the month and as a result year to date returns for fixed income assets are also by and large negative. With the Fed pivot in the rear-view mirror, could we finally see this positive real income environment result in positive returns for bonds? It is possible, especially as you consider that fixed income returns have historically been highly correlated to the income of a bond. Investment Grade corporate fixed income coupons are around 6% and the 10-year Treasury ended the month at a yield of about 4.7%.

#### Looking Forward

First quarter earnings reports are strong, as are the fundamentals of the economy for both the U.S. and Developed Non-U.S. A healthy labor market continues to underpin solid retail sales, which has in turn helped cause the stubborn inflation numbers we have seen of late. So, while the positives turned into a negative in the most recent month of market data, a focus on the good news is worth considering as we move further into the year.

# West Virginia Board of Treasury Investments

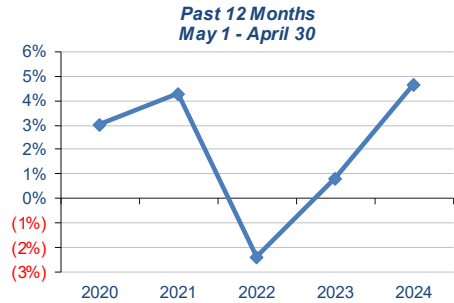
## Financial Highlights as of April 30, 2024

### WV Short Term Bond Pool

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

| <u>May 1 -<br/>April 30</u> | <u>Return</u> | <u>Net Assets<br/>At Apr 30<br/>(In Millions)</u> |
|-----------------------------|---------------|---|
| 2024                        | 4.0%          | \$ 675.3  |
| 2023                        | 1.9%          | \$ 704.2  |
| 2022                        | (3.1%)        | \$ 700.4  |
| 2021                        | 3.0%          | \$ 820.5  |
| 2020                        | 4.2%          | \$ 811.8  |

#### WV Short Term Bond Pool Rates of Return

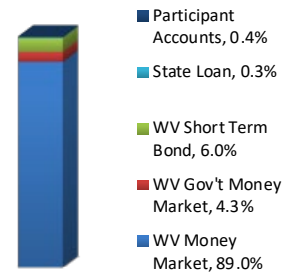


*Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool*

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

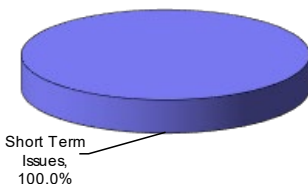
| <u>Pool</u>           | <u>Net Asset<br/>Value</u> | <u>Apr Net<br/>Income<br/>(Loss)</u> | <u>Fiscal YTD<br/>Net Income<br/>(Loss)</u> |
|-----------------------|----------------------------|--------------------------------------|---|
| WV Money Market       | \$ 9,959,585               | \$ 44,632                            | \$ 458,678                                  |
| WV Gov't Money Market | 486,427                    | 2,219                                | 20,000                                      |
| WV Short Term Bond    | 675,347                    | (1,359)                              | 29,733                                      |
| WV Bank               | 0                          | 0                                    | 1   |
| Loans                 | 30,744                     | 58                                   | 463   |
| Participant Accounts  | 41,194                     | 161                                  | 240   |
|                       | <u>\$ 11,193,297</u>       | <u>\$ 45,711</u>                     | <u>\$ 509,115</u>                           |

#### Percent of Total Net Asset Value

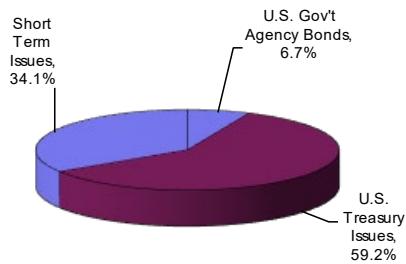


### Securities by Type for Operating Pools (Percentage of Asset Value)

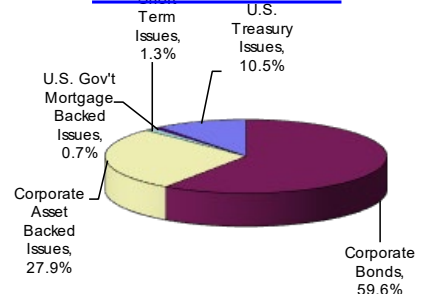
#### WV Money Market



#### 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, 2024**

*(IN THOUSANDS)*

|  | <u>WV Money<br/>Market Pool</u> | <u>WV Government<br/>Money Market<br/>Pool</u> | <u>WV Short<br/>Term Bond<br/>Pool</u> | <u>Other Pools</u> | <u>Participant<br/>Directed<br/>Accounts</u> | <u>Total</u>         |
|--|---------------------------------|--|--|--------------------|--|----------------------|
| <b>Assets</b>  |                                 |  |  |                    |  |                      |
| <b>Investments:</b>  |                                 |  |  |                    |  |                      |
| At amortized cost  | \$ 9,941,861                    | \$ 495,999                                     | \$ -                                   | \$ 30,531          | \$ 40,029                                    | \$ 10,508,420        |
| At fair value  | -                               | -  | 672,489                                | -                  | 1,004  | 673,493              |
| Other assets   | 33,240                          | 319  | 6,850                                  | 215                | 162  | 40,786               |
| <b>Total assets</b>  | <u>9,975,101</u>                | <u>496,318</u>                                 | <u>679,339</u>                         | <u>30,746</u>      | <u>41,195</u>                                | <u>11,222,699</u>    |
| <b>Liabilities</b>   |                                 |  |  |                    |  |                      |
| Accrued expenses, dividends payable & payables for investments purchased | 15,516                          | 9,891  | 3,992                                  | 2                  | 1  | 29,402               |
| <b>Total liabilities</b>   | <u>15,516</u>                   | <u>9,891</u>                                   | <u>3,992</u>                           | <u>2</u>           | <u>1</u>                                     | <u>29,402</u>        |
| <b>Net Position</b>  |                                 |  |  |                    |  |                      |
| Held in trust for investment pool participants                           | 9,959,585                       | 486,427  | 675,347                                | -                  | -  | 11,121,359           |
| Held in trust for individual investment account holders                  | -                               | -  | -                                      | 30,744             | 41,194                                       | 71,938               |
| <b>Total net position</b>  | <u>\$ 9,959,585</u>             | <u>\$ 486,427</u>                              | <u>\$ 675,347</u>                      | <u>\$ 30,744</u>   | <u>\$ 41,194</u>                             | <u>\$ 11,193,297</u> |
| <b>Additions</b>   |                                 |  |  |                    |  |                      |
| <b>Investment income:</b>  |                                 |  |  |                    |  |                      |
| Interest and dividends   | \$ 19,716                       | \$ 1,249                                       | \$ 2,566                               | \$ 58              | \$ 162                                       | \$ 23,751            |
| Net (amortization) accretion   | 25,288                          | 991  | 124                                    | -                  | -  | 26,403               |
| Provision for uncollectible loans  | -                               | -  | -                                      | -                  | -  | -                    |
| <b>Total investment income</b>   | <u>45,004</u>                   | <u>2,240</u>                                   | <u>2,690</u>                           | <u>58</u>          | <u>162</u>                                   | <u>50,154</u>        |
| <b>Investment expenses:</b>  |                                 |  |  |                    |  |                      |
| Investment advisor, custodian bank & administrative fees                 | 372                             | 21   | 45                                     | -                  | 1  | 439                  |
| <b>Total investment expenses</b>   | <u>372</u>                      | <u>21</u>                                      | <u>45</u>                              | <u>-</u>           | <u>1</u>                                     | <u>439</u>           |
| Net investment income  | 44,632                          | 2,219  | 2,645                                  | 58                 | 161  | 49,715               |
| Net realized gain (loss) from investments                                | -                               | -  | (884)                                  | -                  | -  | (884)                |
| Net increase (decrease) in fair value of investments                     | -                               | -  | (3,120)                                | -                  | -  | (3,120)              |
| <b>Net increase (decrease) in net position from operations</b>           | <u>44,632</u>                   | <u>2,219</u>                                   | <u>(1,359)</u>                         | <u>58</u>          | <u>161</u>                                   | <u>45,711</u>        |
| <b>Participant transaction additions:</b>                                |                                 |  |  |                    |  |                      |
| Purchase of pool units by participants                                   | 1,110,078                       | 22,065   | -                                      | -                  | -  | 1,132,143            |
| Reinvestment of pool distributions                                       | 44,632                          | 2,219  | 2,331                                  | -                  | -  | 49,182               |
| Contributions to individual investment accounts                          | -                               | -  | -                                      | -                  | 29   | 29                   |
| <b>Total participant transaction additions</b>                           | <u>1,154,710</u>                | <u>24,284</u>                                  | <u>2,331</u>                           | <u>-</u>           | <u>29</u>                                    | <u>1,181,354</u>     |
| <b>Total additions</b>   | <u>1,199,342</u>                | <u>26,503</u>                                  | <u>972</u>                             | <u>58</u>          | <u>190</u>                                   | <u>1,227,065</u>     |
| <b>Deductions</b>  |                                 |  |  |                    |  |                      |
| <b>Distributions to pool participants:</b>                               |                                 |  |  |                    |  |                      |
| Net investment income  | 44,632                          | 2,219  | 2,645                                  | -                  | -  | 49,496               |
| Net realized gain (loss) from investments                                | -                               | -  | (885)                                  | -                  | -  | (885)                |
| <b>Total distributions to pool participants</b>                          | <u>44,632</u>                   | <u>2,219</u>                                   | <u>1,760</u>                           | <u>-</u>           | <u>-</u>                                     | <u>48,611</u>        |
| <b>Participant transaction deductions:</b>                               |                                 |  |  |                    |  |                      |
| Redemption of pool units by participants                                 | 1,008,325                       | 36,838   | -                                      | -                  | -  | 1,045,163            |
| Withdrawals from individual investment accounts                          | -                               | -  | -                                      | 61                 | 29   | 90                   |
| <b>Total participant transaction deductions</b>                          | <u>1,008,325</u>                | <u>36,838</u>                                  | <u>-</u>                               | <u>61</u>          | <u>29</u>                                    | <u>1,045,253</u>     |
| <b>Total deductions</b>  | <u>1,052,957</u>                | <u>39,057</u>                                  | <u>1,760</u>                           | <u>61</u>          | <u>29</u>                                    | <u>1,093,864</u>     |
| <b>Net increase (decrease) in net position from operations</b>           | <u>146,385</u>                  | <u>(12,554)</u>                                | <u>(788)</u>                           | <u>(3)</u>         | <u>161</u>                                   | <u>133,201</u>       |
| Inter-pool transfers in  | -                               | -  | -                                      | -                  | -  | -                    |
| Inter-pool transfers out   | -                               | -  | -                                      | -                  | -  | -                    |
| Net inter-pool transfers in (out)  | -                               | -  | -                                      | -                  | -  | -                    |
| <b>Change in net position</b>  | <u>146,385</u>                  | <u>(12,554)</u>                                | <u>(788)</u>                           | <u>(3)</u>         | <u>161</u>                                   | <u>133,201</u>       |
| Net position at beginning of period                                      | 9,813,200                       | 498,981  | 676,135                                | 30,747             | 41,033                                       | 11,060,096           |
| <b>Net position at end of period</b>                                     | <u>\$ 9,959,585</u>             | <u>\$ 486,427</u>                              | <u>\$ 675,347</u>                      | <u>\$ 30,744</u>   | <u>\$ 41,194</u>                             | <u>\$ 11,193,297</u> |