

BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
January 26, 2023

OPERATING REPORT DECEMBER 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

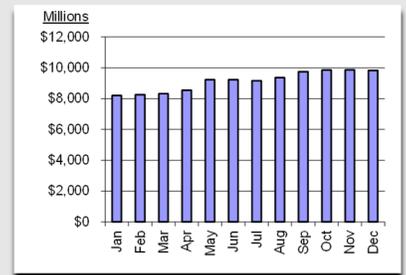
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$9,839,119,000

Last Month
\$9,874,727,000

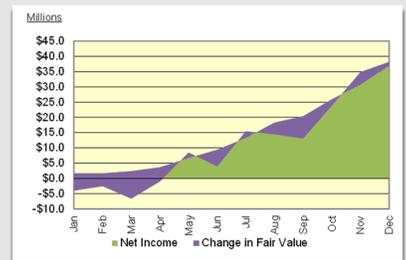
Beginning of Fiscal Year
\$9,234,695,000



Net Assets for the Past 12 Months

Total Net Income & Changes in Fair Value

Fiscal Year
\$139,849,000



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

Money Market Pools

As of December 31, 2022

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	4.3343%	20 Days	\$8.8 Billion
WV Gov't Money Market	4.0007%	13 Days	\$269.9 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

DECEMBER 2022

Happy for a New Year

Markets Update

While the month of December came in negative almost across the board, thanks to the Fall rally in both stocks and bonds, the quarter was positive for financial assets. Unfortunately, it did not save the year. 2022 will go down as the worst year of returns for stocks and bonds combined. It was also a year characterized by terrible geo-political events that caused more than just financial hardship for those impacted by war, weaponization of energy, and higher inflation, especially in necessities such as food and energy. Despite it all, here in the U.S., unemployment remains near all-time lows. So, thankfully, despite the tougher economic reality, people can find jobs. That, in turn has helped keep consumer spending elevated and lessened the impact of higher interest rates and lower purchasing power.

Stock Markets

Thanks to a strong month and quarter, non-U.S. developed markets outperformed U.S. markets for the year. EAFE was the only positive return on the board for equity markets (+0.1%) for the month. The decline in the dollar was most of the story, as in local market terms, the EAFE was negative (-3%). Emerging markets also outperformed the U.S. for the one month, and quarter ended December, but slightly lagged for the one year versus the S&P 500 (-20.1%, versus - 18.1%). China's removal of zero Covid policy and support for the real estate sector were two significant changes which positively impacted emerging markets.

Value beat growth over all periods ending December and large capitalization generally beat small capitalization. Mid cap stocks were the best performers for the year ended December (-17.3% versus -19.1% for large cap Russell 1000 and -20.4% for Russell 2000).

Bond Markets

The Bloomberg U.S. Aggregate index was down -13%. That is not a typo. Needless to say, seeing double digit returns on a "safe" U.S. Treasury bond is not a normal state of affairs. The month of December was negative for all bonds with the exception of short duration. The quarter, however, was generally positive for fixed income assets. As with stocks, non-U.S. bonds were positive for the month and quarter, thanks to the dollar decline and higher yields in local currencies.

The good news is we seem to be closer to the end of rate rises than the beginning. That does not mean we won't see the Federal Reserve raise rates again, it means that the size and speed of the rate increases are likely behind us. This sets up 2023 for a better year for bond investing. The yield curve chart below the change from year end 2021 to 2022 and also shows the last time we had rates around today's levels, which was 2007. What changed then was the great financial crisis and the Federal Reserve instituting massive stimulus and new tools such as quantitative easing. One could think of the last 15 years as the aberration, but most people investing today, remember little else.

Looking Ahead

The year end outlook will be published in the coming weeks and will include more in-depth information on both the public and private markets and the economy. In the meantime, we will leave you with a couple of thoughts on the uniqueness of 2022 relative to history. Enjoy the "listicle".

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

WV Short Term Bond Pool

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

<u>January 1 - December 31</u>	<u>Return</u>	<u>Net Assets At Dec 31 (In Millions)</u>
2022	(2.9%)	\$ 690.6
2021	(0.2%)	\$ 818.7
2020	4.1%	\$ 816.0
2019	4.9%	\$ 817.2
2018	1.7%	\$ 714.9

WV Short Term Bond Pool Rates of Return Past 12 Months January 1 - December 31

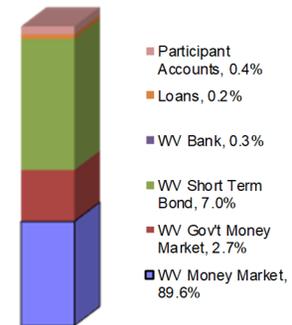


Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool

Summary of Value and Earnings (In Thousands)

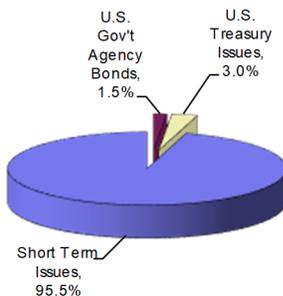
<u>Pool</u>	<u>Net Asset Value</u>	<u>Dec Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 8,813,539	\$ 34,703	\$ 134,865
WV Gov't Money Market	269,940	964	3,765
WV Short Term Bond	690,570	2,532	785
WV Bank	65	0	9
Loans	23,432	17	296
Reserve	0	0	73
Participant Accounts	41,573	15	56
	<u>\$ 9,839,119</u>	<u>\$ 38,231</u>	<u>\$ 139,849</u>

Percent of Total Net Asset Value

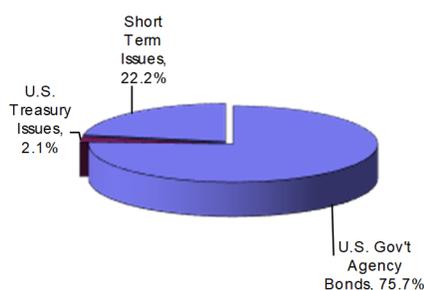


Securities by Type for Operating Pools (Percentage of Asset Value)

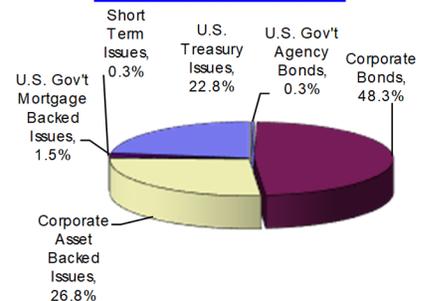
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
DECEMBER 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	\$ 8,798,637	\$ 269,693	\$ -	\$ 65	\$ 23,395	\$ -	\$ 9,091,790
At fair value	-	-	687,619	-	-	41,528	729,147
Other assets	15,947	287	4,005	-	39	46	20,324
Total assets	<u>8,814,584</u>	<u>269,980</u>	<u>691,624</u>	<u>65</u>	<u>23,434</u>	<u>41,574</u>	<u>9,841,261</u>
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased							
	1,045	40	1,054	-	2	1	2,142
Total liabilities	<u>1,045</u>	<u>40</u>	<u>1,054</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>2,142</u>
Net Position							
Held in trust for investment pool participants	8,813,539	269,940	690,570	-	-	-	9,774,049
Held in trust for individual investment account holders	-	-	-	65	23,432	41,573	65,070
Total net position	<u>\$ 8,813,539</u>	<u>\$ 269,940</u>	<u>\$ 690,570</u>	<u>\$ 65</u>	<u>\$ 23,432</u>	<u>\$ 41,573</u>	<u>\$ 9,839,119</u>
Additions							
Investment income:							
Interest and dividends	\$ 20,138	\$ 423	\$ 1,590	\$ -	\$ 17	\$ 19	\$ 22,187
Net (amortization) accretion	14,934	554	(335)	-	-	(2)	15,151
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>35,072</u>	<u>977</u>	<u>1,255</u>	<u>-</u>	<u>17</u>	<u>17</u>	<u>37,338</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	369	13	46	-	-	-	428
Total investment expenses	<u>369</u>	<u>13</u>	<u>46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428</u>
Net investment income	34,703	964	1,209	-	17	17	36,910
Net realized gain (loss) from investments	-	-	(291)	-	-	-	(291)
Net increase (decrease) in fair value of investments	-	-	1,614	-	-	(2)	1,612
Net increase (decrease) in net position from operations	<u>34,703</u>	<u>964</u>	<u>2,532</u>	<u>-</u>	<u>17</u>	<u>15</u>	<u>38,231</u>
Participant transaction additions:							
Purchase of pool units by participants	1,053,518	25,514	-	-	-	-	1,079,032
Reinvestment of pool distributions	34,703	964	1,166	-	-	-	36,833
Contributions to individual investment accounts	-	-	-	-	1,255	-	1,255
Total participant transaction additions	<u>1,088,221</u>	<u>26,478</u>	<u>1,166</u>	<u>-</u>	<u>1,255</u>	<u>-</u>	<u>1,117,120</u>
Total additions	<u>1,122,924</u>	<u>27,442</u>	<u>3,698</u>	<u>-</u>	<u>1,272</u>	<u>15</u>	<u>1,155,351</u>
Deductions							
Distributions to pool participants:							
Net investment income	34,703	964	1,209	-	-	-	36,876
Net realized gain (loss) from investments	-	-	(291)	-	-	-	(291)
Total distributions to pool participants	<u>34,703</u>	<u>964</u>	<u>918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,585</u>
Participant transaction deductions:							
Redemption of pool units by participants	1,143,593	6,031	3,182	-	-	-	1,152,806
Withdrawals from individual investment accounts	-	-	-	-	814	754	1,568
Total participant transaction deductions	<u>1,143,593</u>	<u>6,031</u>	<u>3,182</u>	<u>-</u>	<u>814</u>	<u>754</u>	<u>1,154,374</u>
Total deductions	<u>1,178,296</u>	<u>6,995</u>	<u>4,100</u>	<u>-</u>	<u>814</u>	<u>754</u>	<u>1,190,959</u>
Net increase (decrease) in net position from operations	<u>(55,372)</u>	<u>20,447</u>	<u>(402)</u>	<u>-</u>	<u>458</u>	<u>(739)</u>	<u>(35,608)</u>
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	<u>(55,372)</u>	<u>20,447</u>	<u>(402)</u>	<u>-</u>	<u>458</u>	<u>(739)</u>	<u>(35,608)</u>
Net position at beginning of period	<u>8,868,911</u>	<u>249,493</u>	<u>690,972</u>	<u>65</u>	<u>22,974</u>	<u>42,312</u>	<u>9,874,727</u>
Net position at end of period	<u>\$ 8,813,539</u>	<u>\$ 269,940</u>	<u>\$ 690,570</u>	<u>\$ 65</u>	<u>\$ 23,432</u>	<u>\$ 41,573</u>	<u>\$ 9,839,119</u>