

BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
April 28, 2022

OPERATING REPORT

MARCH 2022

Board of Treasury Investments

315 70th Street, SE
Charleston WV
25304
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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

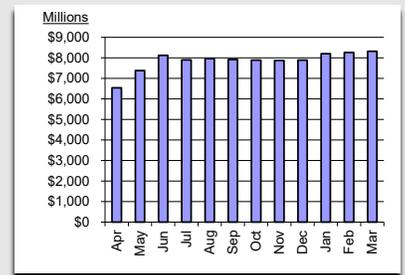
Executive
Director
Kara K. Hughes,
CPA, MBA, CFE,
CGIP
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$8,321,989,000

Last Month
\$8,262,638,000

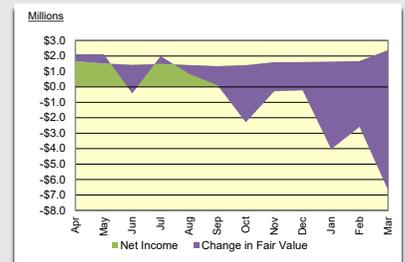
Beginning of Fiscal Year
\$8,119,584,000



Net Assets for the Past 12 Months

Total Net Income & Changes in Fair Value

Fiscal Year
(\$13,171,000)



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

Money Market Pools

As of March 31, 2022

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	0.2458%	23 Days	\$7.1 Billion
WV Gov't Money Market	0.1410%	29 Days	\$238.7 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 2022

Inflation

Markets Update

The story for the quarter was inflation, or really stagflation fears, with government bonds having their worst quarter since 1973 (down about 5.6%). Meanwhile, stocks rebounded toward the end of the quarter but still finished lower. The war in Ukraine enters its second month but markets seemed focused on looking through the geopolitical issues and on to the outlook for growth, inflation, and interest rates. Energy security is now a priority around the world for obvious reasons, as is supply chain integrity, especially related to minerals. As a result, commodities are the best performing assets year to date.

Inflation and the Fed

Inflation concerns have led the Federal Reserve to accelerate its response. The Fed hiked the fed funds rate a quarter point in March and strongly signaled many more rate increases to come. The Federal Open Market Committee's own projections, at the median, suggest a fed funds rate of 1.9% at year end and are telegraphing hikes at each of the six remaining meetings this year, with larger half point increases not ruled out. Inflation breakeven rates, a measure of the bond market's expectation for inflation, increased by over 0.5% for the next five years.

Fixed Income

The yield curve continued to flatten throughout the quarter. Inversion in the curve appeared (and disappeared), which historically has signaled a recession sometime in the next twelve to eighteen months. High yield and Treasury Inflation Protected securities were the best performers for the month, down only -1.1% and -1.9% respectively, and only shorter duration bonds performed better during the quarter.

Equities

Volatility diminished during the month of March and the VIX now stands close to year-end levels. Amidst this more sanguine backdrop, stocks rebounded, and the S&P 500 was positive (+3.7%) for the month of March. That strong performance helped pull the quarterly return up to -4.6%. Given that stocks had been down as much as -12% during quarter, it was a significant rebound. Small cap stocks lagged large cap stocks. Value outperformed in the quarter, but growth staged a rebound late in March. As fear of stagflation entered the markets, the best performing economic sectors in the quarter were energy (+38%) and utilities (+4%).

Outside of the U.S., markets also stabilized. Developed non-U.S. markets returned 0.9% in the month of March and were down -5.7% for the quarter. Like the U.S. markets, defensive and energy related sectors were the best performers. Emerging markets were still negative in the month (-2.3%) mostly due to continued poor performance from China (-8%). Other markets, especially commodity exporting countries like Brazil, were positive (+15% for the month and +36% for the quarter).

The outlook for growth, interest rates and inflation remain cloudy. As a result, maintaining a diversified portfolio and utilizing active management in targeted areas will provide opportunities to take advantage of this uncertain outlook.

West Virginia Board of Treasury Investments

Financial Highlights as of March 31, 2022

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>
2022	(2.3%)	\$ 713.7
2021	4.3%	\$ 797.6
2020	3.0%	\$ 804.2
2019	3.4%	\$ 726.5
2018	1.1%	\$ 705.8

WV Short Term Bond Pool Rates of Return

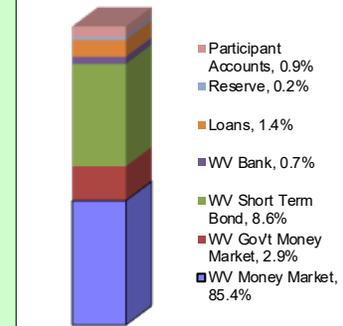


Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool

Summary of Value and Earnings (In Thousands)

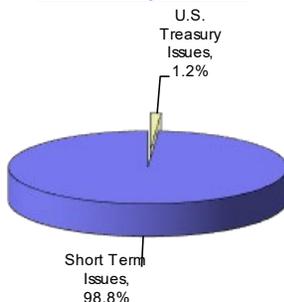
<u>Pool</u>	<u>Net Asset Value</u>	<u>Mar Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 7,108,841	\$ 1,466	\$ 5,202
WV Gov't Money Market	238,718	30	65
WV Short Term Bond	713,672	(8,371)	(20,232)
WV Bank	50,181	11	88
Loans	117,571	142	1,303
Reserve	19,966	6	24
Participant Accounts	73,040	34	379
	<u>\$ 8,321,989</u>	<u>\$ (6,682)</u>	<u>\$ (13,171)</u>

Percent of Total Net Asset Value

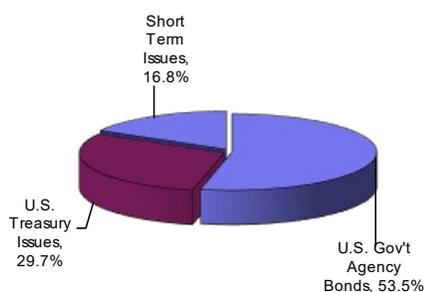


Securities by Type for Operating Pools (Percentage of Asset Value)

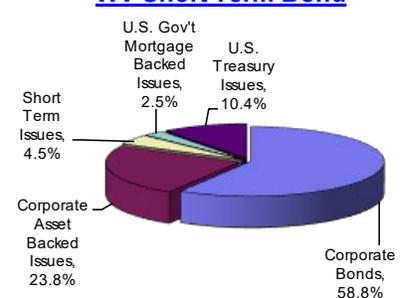
WV Money Market



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, 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	\$ 7,159,374	\$ 238,763	\$ -	\$ 50,148	\$ 137,392	\$ -	\$ 7,585,677
At fair value	-	-	737,155	-	-	72,805	809,960
Other assets	744	10	2,384	35	150	236	3,559
Total assets	<u>7,160,118</u>	<u>238,773</u>	<u>739,539</u>	<u>50,183</u>	<u>137,542</u>	<u>73,041</u>	<u>8,399,196</u>
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	51,277	55	25,867	2	5	1	77,207
Total liabilities	<u>51,277</u>	<u>55</u>	<u>25,867</u>	<u>2</u>	<u>5</u>	<u>1</u>	<u>77,207</u>
Net Position							
Held in trust for investment pool participants	7,108,841	238,718	713,672	-	-	-	8,061,231
Held in trust for individual investment account holders	-	-	-	50,181	137,537	73,040	260,758
Total net position	<u>\$ 7,108,841</u>	<u>\$ 238,718</u>	<u>\$ 713,672</u>	<u>\$ 50,181</u>	<u>\$ 137,537</u>	<u>\$ 73,040</u>	<u>\$ 8,321,989</u>
Additions							
Investment income:							
Interest and dividends	\$ 693	\$ 16	\$ 1,101	\$ 12	\$ 150	\$ 56	\$ 2,028
Net (amortization) accretion	1,055	22	(390)	-	-	(1)	686
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>1,748</u>	<u>38</u>	<u>711</u>	<u>12</u>	<u>150</u>	<u>55</u>	<u>2,714</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	282	8	49	1	2	-	342
Total investment expenses	<u>282</u>	<u>8</u>	<u>49</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>342</u>
Net investment income	1,466	30	662	11	148	55	2,372
Net realized gain (loss) from investments	-	-	(170)	-	-	-	(170)
Net increase (decrease) in fair value of investments	-	-	(8,863)	-	-	(21)	(8,884)
Net increase (decrease) in net position from operations	1,466	30	(8,371)	11	148	34	(6,682)
Participant transaction additions:							
Purchase of pool units by participants	1,409,411	29,718	-	-	-	-	1,439,129
Reinvestment of pool distributions	1,466	30	790	-	-	-	2,286
Contributions to individual investment accounts	-	-	-	10	2	-	12
Total participant transaction additions	<u>1,410,877</u>	<u>29,748</u>	<u>790</u>	<u>10</u>	<u>2</u>	<u>-</u>	<u>1,441,427</u>
Total additions	1,412,343	29,778	(7,581)	21	150	34	1,434,745
Deductions							
Distributions to pool participants:							
Net investment income	1,466	30	662	-	-	-	2,158
Net realized gain (loss) from investments	-	-	(170)	-	-	-	(170)
Total distributions to pool participants	<u>1,466</u>	<u>30</u>	<u>492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,988</u>
Participant transaction deductions:							
Redemption of pool units by participants	1,251,805	26,312	82,597	-	-	-	1,360,714
Withdrawals from individual investment accounts	-	-	-	10,160	2,532	-	12,692
Total participant transaction deductions	<u>1,251,805</u>	<u>26,312</u>	<u>82,597</u>	<u>10,160</u>	<u>2,532</u>	<u>-</u>	<u>1,373,406</u>
Total deductions	<u>1,253,271</u>	<u>26,342</u>	<u>83,089</u>	<u>10,160</u>	<u>2,532</u>	<u>-</u>	<u>1,375,394</u>
Net increase (decrease) in net position from operations	159,072	3,436	(90,670)	(10,139)	(2,382)	34	59,351
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	159,072	3,436	(90,670)	(10,139)	(2,382)	34	59,351
Net position at beginning of period	6,949,769	235,282	804,342	60,320	139,919	73,006	8,262,638
Net position at end of period	<u>\$ 7,108,841</u>	<u>\$ 238,718</u>	<u>\$ 713,672</u>	<u>\$ 50,181</u>	<u>\$ 137,537</u>	<u>\$ 73,040</u>	<u>\$ 8,321,989</u>