

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
October 31, 2023

OPERATING REPORT SEPTEMBER 2023

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

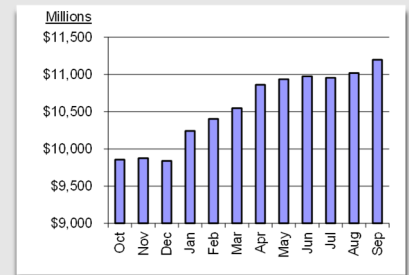
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

**Total Net Assets Under
Management**

\$11,199,548,000

Last Month
\$11,020,150,000

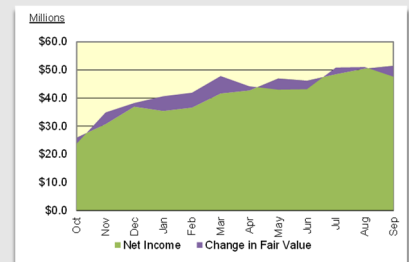
Beginning of Fiscal Year
\$10,975,194,000



**Net Assets for the Past
12 Months**

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

Fiscal Year
\$149,470,000



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

Money Market Pools As of September 30, 2023

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	5.5439%	31 Days	\$10.1 Billion
WV Gov't Money Market	5.3295%	22 Days	\$418.1 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

SEPTEMBER 2023

Beware the Month of September

Overview:

The potential Government shutdown, a higher than desired core inflation rate driven by increasing energy prices, and higher bond yields were just some of the data points that contributed to the negative backdrop in the month of September. Energy fueled the increase in the inflation data in August with gas prices increasing 10.7%. Unfortunately, or fortunately, the jobs data continues to support stronger growth (and thus consumer spending) and is giving pause to the notion that inflation is under control.

Equity Returns

Forget “beware the Ides of March,” maybe we should consider “beware the month of September.” As can be seen in the chart below, historically the month of September has had a negative return more often than any other month. September 2023 was no exception. The exception we did see was a turnaround in the leaders within the markets, with energy leading and tech related declining. But regardless, it was a negative month throughout sectors, styles, capitalization, and regions during the month. Following onto the negative month in August and now September, the quarter also ended up in the red. The dollar’s strength had been weighing on returns for non-U.S. markets, although Emerging markets outperformed in the month down -2.6% versus -4.8% for the S&P 500, but still significantly lag year to date.

Fixed Income

Interest rates rose throughout the month, with long rates reaching the highest level since 2007 and the highest rates we have seen this year. On the back of the Federal Reserve statements about one more possible rate increase and holding rates higher for longer, it appears the markets finally believe what the Fed has been saying all year, that it will not be easing in the near term. The 30-year Treasury rate rose 44 basis points to 4.73% and the 10-year Treasury rose to 4.59%. The inversion of the yield curve did diminish during the month as short rates did not move much. Will the increase to the pre-GFC yield levels set us up for positive returns for core bonds over the balance of the year? It sure feels like it is on the horizon, but time will tell. Corporates, high yield, and non-US fixed income were also all negative during the month, resulting in a “no place to hide” month for bonds, although leveraged loans (0.9%) and short notes were positive.

Private Markets

Since it is quarter end, a note on the status of private assets seems warranted. The lag in private markets valuations are always a contributor when markets are down, as we saw in this quarter. In addition, the outlook for most private assets have been good or improving (private credit/private equity), with the exception to being real estate. Valuations continued to decline throughout the last quarter with office leading, although all sectors were negative reflecting the increasing discount rates, tough lending environment and lack of transactions weighing on visibility. In the private equity world, the IPO market opened during the quarter with notable names like ARM and Instacart going public. Although the volatility in yields and the negative equity markets may weigh on the near-term outlook for more offerings. Private credit continues to provide attractive yields and offers financing alternatives to the lack of bank lending.

In Sum

We have one quarter left in 2023. Equity markets are strongly positive on a year-to-date basis (S&P 500 up 13.1%). Given the attractive yield levels in fixed income, with any mitigation in bond volatility we could eke out a positive return for the year (Bloomberg Aggregate is -1.2% year to date) on fixed income assets. Global growth has surprised to the upside throughout 2023. With inflation cooling (though not dead), and jobs continuing at elevated levels, the proverbial soft landing remains a distinct possibility.

West Virginia Board of Treasury Investments Financial Highlights as of September 30, 2023

WV Short Term Bond Pool

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

<u>October 1 - September 30</u>	<u>Return</u>	<u>Net Assets At Sept 30 (In Millions)</u>
2023	3.4%	\$ 681.8
2022	(4.4%)	\$ 686.4
2021	1.0%	\$ 821.2
2020	4.1%	\$ 812.3
2019	4.9%	\$ 818.5

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

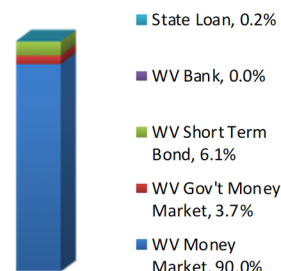
WV Short Term Bond Pool Rates of Return



Summary of Value and Earnings *(In Thousands)*

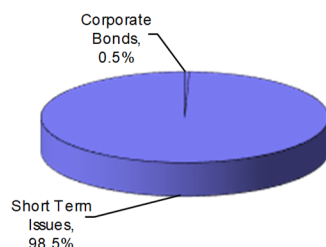
<u>Pool</u>	<u>Net Asset Value</u>	<u>Sep Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 10,079,219	\$ 47,188	\$ 138,797
WV Gov't Money Market	418,051	1,838	5,261
WV Short Term Bond	681,766	(1,459)	5,280
WV Bank	0	0	1
Loans	19,475	35	107
Participant Accounts	1,037	5	24
	<u>\$ 11,199,548</u>	<u>\$ 47,607</u>	<u>\$ 149,470</u>

Percent of Total Net Asset Value

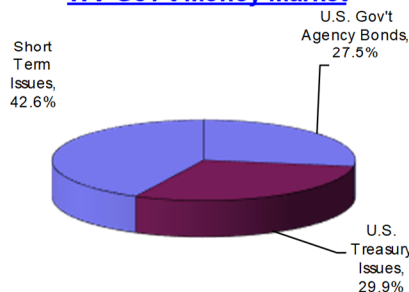


Securities by Type for Operating Pools *(Percentage of Asset Value)*

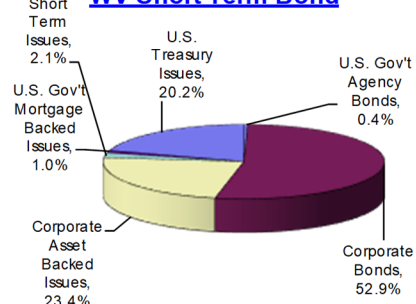
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
SEPTEMBER 30, 2023
(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	\$ 10,054,255	\$ 421,540	\$ -	\$ -	\$ 19,370	\$ -	\$ 10,495,165
At fair value	-	-	681,483	-	-	1,032	682,515
Other assets	26,549	518	7,047	-	107	5	34,226
Total assets	10,080,804	422,058	688,530	-	19,477	1,037	11,211,906
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	1,585	4,007	6,764	-	2	-	12,358
Total liabilities	1,585	4,007	6,764	-	2	-	12,358
Net Position							
Held in trust for investment pool participants	10,079,219	418,051	681,766	-	-	-	11,179,036
Held in trust for individual investment account holders	-	-	-	-	19,475	1,037	20,512
Total net position	\$ 10,079,219	\$ 418,051	\$ 681,766	\$ -	\$ 19,475	\$ 1,037	\$ 11,199,548
Additions							
Investment income:							
Interest and dividends	\$ 24,436	\$ 1,120	\$ 2,136	\$ -	\$ 35	\$ 5	\$ 27,732
Net (amortization) accretion	23,143	736	334	-	-	-	24,213
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	47,579	1,856	2,470	-	35	5	51,945
Investment expenses:							
Investment advisor, custodian bank & administrative fees	391	18	44	-	-	-	453
Total investment expenses	391	18	44	-	-	-	453
Net investment income	47,188	1,838	2,426	-	35	5	51,492
Net realized gain (loss) from investments	-	-	(1,030)	-	-	-	(1,030)
Net increase (decrease) in fair value of investments	-	-	(2,855)	-	-	-	(2,855)
Net increase (decrease) in net position from operations	47,188	1,838	(1,459)	-	35	5	47,607
Participant transaction additions:							
Purchase of pool units by participants	1,127,530	66,519	-	-	-	-	1,194,049
Reinvestment of pool distributions	47,188	1,838	376	-	-	-	49,402
Contributions to individual investment accounts	-	-	-	-	-	-	-
Total participant transaction additions	1,174,718	68,357	376	-	-	-	1,243,451
Total additions	1,221,906	70,195	(1,083)	-	35	5	1,291,058
Deductions							
Distributions to pool participants:							
Net investment income	47,188	1,838	2,426	-	-	-	51,452
Net realized gain (loss) from investments	-	-	(1,030)	-	-	-	(1,030)
Total distributions to pool participants	47,188	1,838	1,396	-	-	-	50,422
Participant transaction deductions:							
Redemption of pool units by participants	1,012,282	24,132	24,717	-	-	-	1,061,131
Withdrawals from individual investment accounts	-	-	-	66	37	4	107
Total participant transaction deductions	1,012,282	24,132	24,717	66	37	4	1,061,238
Total deductions	1,059,470	25,970	26,113	66	37	4	1,111,660
Net increase (decrease) in net position from operations	162,436	44,225	(27,196)	(66)	(2)	1	179,398
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	162,436	44,225	(27,196)	(66)	(2)	1	179,398
Net position at beginning of period	9,916,783	373,826	708,962	66	19,477	1,036	11,020,150
Net position at end of period	\$ 10,079,219	\$ 418,051	\$ 681,766	\$ -	\$ 19,475	\$ 1,037	\$ 11,199,548