

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## CALENDAR NOTE

Board Meeting  
October 27, 2022

## OPERATING REPORT JULY 2022

### Board of Treasury Investments

315 70<sup>th</sup> 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

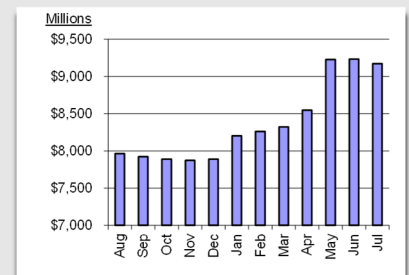
Chief Financial  
Officer

Karl Shanholtzer,  
CFA, CPA, CIA

**Total Net Assets Under  
Management**  
  
**\$9,172,110,000**

**Last Month**  
**\$9,234,695,000**

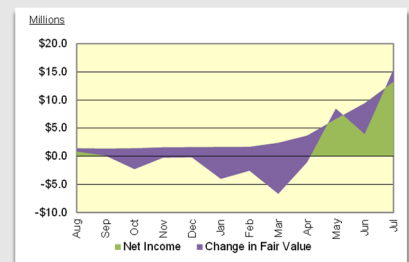
**Beginning of Fiscal Year**  
**\$9,234,695,000**



**Net Assets for the Past  
12 Months**

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

**Fiscal Year**  
**\$15,474,000**



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

## Money Market Pools As of July 31, 2022

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	1.7145%	19 Days	\$8.1 Billion
WV Gov't Money Market	1.3936%	18 Days	\$238.6 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

### JULY 2022

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#### **Market Recovery or Bear Market Rally?**

##### **Battling Back**

The S&P 500 (+9.2%) had its best month since November 2020 and rewarded resilient equity investors after a difficult June (-8.3%). The combination of better-than-expected earnings and guidance - including from tech behemoths like Apple, Microsoft, Amazon, and Alphabet – and the prospect of a slower pace of future interest rate hikes by the Federal Reserve helped the market find some buyers at these lower prices levels. Bond markets also recovered a portion of this year's sizeable and historic negative returns.

##### **Fixed Income**

The Federal Reserve completed its fourth interest rate hike so far in 2022. After consecutive months raising the federal funds rate by 0.75%, the benchmark rate now sits between 2.25% - 2.50%. While short term yields have responded accordingly, intermediate-and longer-dated bond yields fell meaningfully month over month. These lower yields on longer-dated securities continue to reflect skepticism that the economy can withstand meaningfully higher interest rates without tipping into a recession. Meanwhile, interest rate futures markets are building consensus around the possibility of interest rate cuts in the latter part of 2023.

Lower bond yields were, of course, positive for bond prices. That along with improved risk appetite during the month helped the core bond index return 2.4% and retrace some of the year's double-digit negative returns. Lower yields and slightly higher inflation expectations also benefitted U.S. Treasury Inflation Protected Securities (+4.4%), while the strong month for equities carried over into the high yield portion of the market (+5.9%).

##### **Looking Ahead**

Was July the early stages of a prolonged market recovery, or simply another bear market rally? On the bright side, energy and industrial commodity prices have in many cases exhibited more range bound behavior (oil) or have fallen (copper and lumber). Natural gas, especially in Europe, is a notable exception. Gasoline is cheaper for consumers since its early June highs. Food prices have eased some. Traveling is slightly more affordable. Some retailers are beginning to cut prices for bulging inventories, as insatiable demand for stuff continues to evolve into insatiable demand to do stuff. Supply chains do seem to be improving albeit slowly. GDP declines in the quarter were driven by decreases in residential investment with the slower housing fundamentals, while personal consumption has remained solid.

A potentially lower CPI reading for July (released on August 10th) would likely bolster sentiment and further fuel the market recovery, but it won't be the end of the Fed's tightening cycle or give workers and consumers total comfort about the cost of living or the cost of things on a day-to-day basis.

As long as the Fed is actively trying to slow economic activity, elevated volatility is likely to continue. However, the market forecasts FUTURE activity, and as we have outlined in previous communications, one of the keys to providing a floor to the declines would be lower trending inflation outlook. Lowering growth will do that and lower inflation without a severe downturn in the economy remains an alluring possibility.

# West Virginia Board of Treasury Investments

## Financial Highlights as of July 31, 2022

### WV Short Term Bond Pool

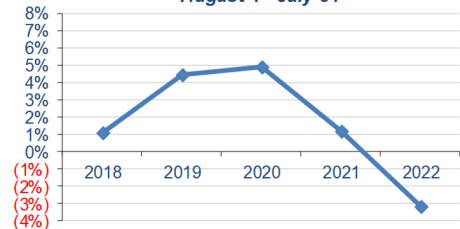
#### Rates of Return for the Past 12 Months Net of All Fees

<u>Aug 1 - July 31</u>	<u>Return</u>	<u>Net Assets At Jul 31 (In Millions)</u>
2022	(3.1%)	\$ 695.6
2021	1.2%	\$ 819.7
2020	4.9%	\$ 815.2
2019	4.4%	\$ 829.6
2018	1.1%	\$ 710.9

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

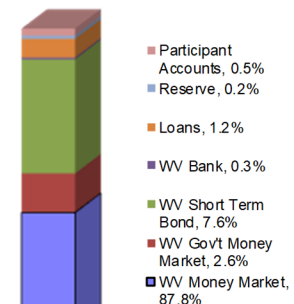
Past 12 Months  
August 1 - July 31



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

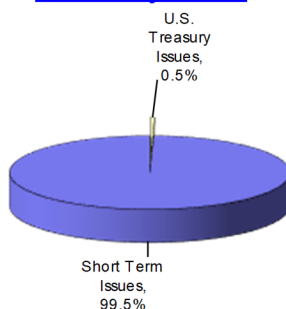
<u>Pool</u>	<u>Net Asset Value</u>	<u>July Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 8,051,070	\$ 11,837	\$ 11,837
WV Gov't Money Market	238,588	282	282
WV Short Term Bond	695,600	3,162	3,162
WV Bank	10,163	7	7
Loans	114,326	146	146
Reserve	20,039	31	31
Participant Accounts	42,324	9	9
	<u>\$ 9,172,110</u>	<u>\$ 15,474</u>	<u>\$ 15,474</u>

#### Percent of Total Net Asset Value

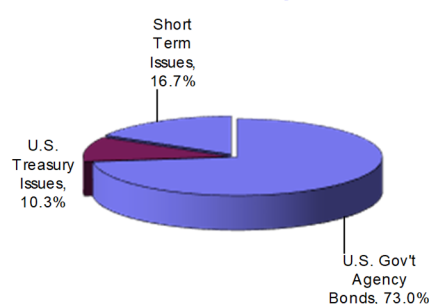


### Securities by Type for Operating Pools (Percentage of Asset Value)

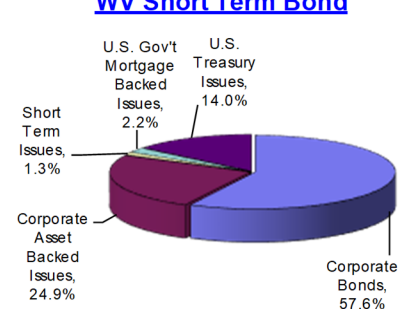
#### WV Money Market



#### WV Gov't Money Market



#### WV Short Term Bond



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**JULY 31, 2022**  
*(IN THOUSANDS)*

	<b>WV Money Market Pool</b>	<b>WV Government Money Market Pool</b>	<b>WV Short Term Bond Pool</b>	<b>WV Bank Pool</b>	<b>Other Pools</b>	<b>Participant Directed Accounts</b>	<b>Total</b>
<b>Assets</b>							
Investments:							
At amortized cost	\$ 8,046,705	\$ 239,571	\$ -	\$ 10,143	\$ 134,192	\$ -	\$ 8,430,611
At fair value	-	-	692,997	-	-	42,270	735,267
Other assets	5,578	67	3,027	22	179	55	8,928
Total assets	8,052,283	239,638	696,024	10,165	134,371	42,325	9,174,806
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased	1,213	1,050	424	2	6	1	2,696
Total liabilities	1,213	1,050	424	2	6	1	2,696
<b>Net Position</b>							
Held in trust for investment pool participants	8,051,070	238,588	695,600	-	-	-	8,985,258
Held in trust for individual investment account holders	-	-	-	10,163	134,365	42,324	186,852
Total net position	\$ 8,051,070	\$ 238,588	\$ 695,600	\$ 10,163	\$ 134,365	\$ 42,324	\$ 9,172,110
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 6,227	\$ 116	\$ 1,215	\$ 7	\$ 178	\$ 15	\$ 7,758
Net (amortization) accretion	5,927	177	(266)	-	-	(2)	5,836
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	12,154	293	949	7	178	13	13,594
Investment expenses:							
Investment advisor, custodian bank & administrative fees	317	11	46	-	1	-	375
Total investment expenses	317	11	46	-	1	-	375
Net investment income	11,837	282	903	7	177	13	13,219
Net realized gain (loss) from investments	-	-	(663)	-	-	-	(663)
Net increase (decrease) in fair value of investments	-	-	2,922	-	-	(4)	2,918
Net increase (decrease) in net position from operations	11,837	282	3,162	7	177	9	15,474
Participant transaction additions:							
Purchase of pool units by participants	935,387	20,787	-	-	-	-	956,174
Reinvestment of pool distributions	11,833	282	873	-	-	-	12,988
Contributions to individual investment accounts	-	-	-	6	20	-	26
Total participant transaction additions	947,220	21,069	873	6	20	-	969,188
Total additions	959,057	21,351	4,035	13	197	9	984,662
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	11,837	282	903	-	-	-	13,022
Net realized gain (loss) from investments	-	-	(663)	-	-	-	(663)
Total distributions to pool participants	11,837	282	240	-	-	-	12,359
Participant transaction deductions:							
Redemption of pool units by participants	1,009,304	14,594	-	-	-	-	1,023,898
Withdrawals from individual investment accounts	-	-	-	10,056	934	-	10,990
Total participant transaction deductions	1,009,304	14,594	-	10,056	934	-	1,034,888
Total deductions	1,021,141	14,876	240	10,056	934	-	1,047,247
Net increase (decrease) in net position from operations	(62,084)	6,475	3,795	(10,043)	(737)	9	(62,585)
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	(62,084)	6,475	3,795	(10,043)	(737)	9	(62,585)
Net position at beginning of period	8,113,154	232,113	691,805	20,206	135,102	42,315	9,234,695
Net position at end of period	\$ 8,051,070	\$ 238,588	\$ 695,600	\$ 10,163	\$ 134,365	\$ 42,324	\$ 9,172,110