

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
April 27 2023

OPERATING REPORT FEBRUARY 2023

Board of Treasury Investments

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Charleston WV
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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

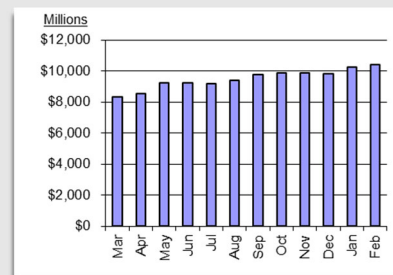
Karl Shanholtzer,
CFA, CPA, CIA

**Total Net Assets Under
Management**

\$10,402,616,000

Last Month
\$10,242,699,000

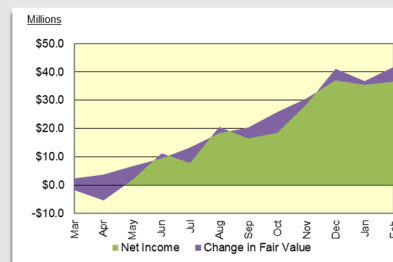
Beginning of Fiscal Year
\$9,234,695,000



**Net Assets for the Past
12 Months**

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

Fiscal Year
\$211,761,000



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

Money Market Pools As of February 28, 2023

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	4.7453%	23 Days	\$9.4 Billion
WV Gov't Money Market	4.5146%	10 Days	\$273.8 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

FEBRUARY 2023

Time Will Tell

Markets Update

What a month for perverse logic, better numbers on labor, better numbers on retail spending, better numbers on growth forecasts, but bad numbers for the markets. Why? The sentiment that the Fed would pause rate hikes dominated the investing landscape in late 2022 and into January 2023. As a result of stronger economic data released in February, that sentiment has reversed, and as a result both the stock and bond markets reversed course after a strong January rally.

Stock Markets

With the fourth quarter earnings season almost done, so far the S&P 500 average decline in earnings for 2022 was -4.9%, the first decline since the third quarter of 2020 which was just after the pandemic hit. While companies are, on average, still increasing revenue, margins appear to be compressing as less cost increases are being pushed out to customers. So, while at year end valuations were not high, they were not cheap either. The market decline in the month of February was widespread (-2.4% for S&P 500), but interestingly, value declined more than growth and for the second month in a row value underperformed the averages. Small cap and mid cap held up better than large cap, while non-US and emerging markets also declined, with the latter down the most at -6.5%.

Bond Markets

Fixed income markets in the month of February fell with the Aggregate Index down -2.6%, erasing much of its gains from January. The index is now up only 0.4% year to date. Long duration suffering the most and short duration the least, as yields increased across the curve. We ended the month of February with 2-year Treasuries at just under 5% and the 10-year at just under 4% (3.93%), flirting with the highs reached in October of last year. The market seems to have adjusted to a higher outlook for terminal rates and at this point given up the ghost of pausing and declining by the Fed anytime soon. Year to date, however, fixed income indices are still mostly positive across the board, albeit marginally so.

Looking Ahead

We reiterate our mantra that data dependency results in volatility. Just as we saw last year, newly released economic, inflation or jobs data pushes or pulls the market in different directions. Since we don't yet have a clear path, the likelihood is this continuation of month-to-month variation, much as we saw February as almost the mirror opposite of January. However, it is important to note that there are positives ... the very positives that caused the market to decline. Healthy labor in many sectors, better wages, growth ... maybe goldilocks (not too hot, not too cold) is alive and well? Time will tell.

West Virginia Board of Treasury Investments Financial Highlights as of February 28, 2023

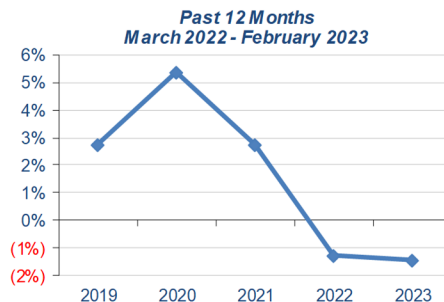
WV Short Term Bond Pool

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

<u>March 2022 - February 2023</u>	<u>Return</u>	<u>Net Assets Feb 28, 2023 (In Millions)</u>
2023	(1.5%)	\$ 694.1
2022	(1.3%)	\$ 804.3
2021	2.8%	\$ 818.6
2020	5.4%	\$ 827.8
2019	2.7%	\$ 721.3

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

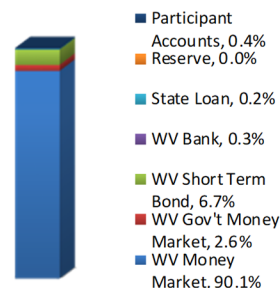
WV Short Term Bond Pool Rates of Return



Summary of Value and Earnings *(In Thousands)*

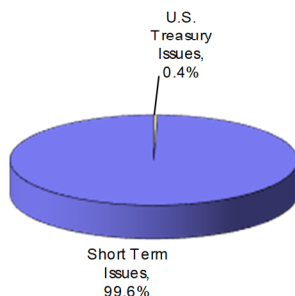
<u>Pool</u>	<u>Net Asset Value</u>	<u>Feb Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 9,369,123	\$ 33,896	\$ 201,720
WV Gov't Money Market	273,807	1,003	5,722
WV Short Term Bond	694,141	(3,671)	3,810
WV Bank	65	0	9
Loans	23,996	23	344
Reserve	0	0	73
Participant Accounts	41,484	14	83
	<u>\$ 10,402,616</u>	<u>\$ 31,265</u>	<u>\$ 211,761</u>

Percent of Total Net Asset Value

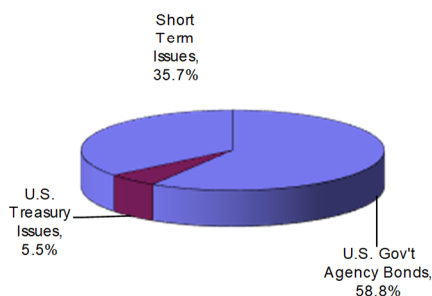


Securities by Type for Operating Pools *(Percentage of Asset Value)*

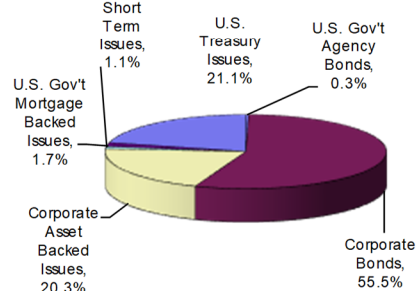
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
FEBRUARY 28, 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	\$ 9,353,540	\$ 273,444	\$ -	\$ 65	\$ 23,948	\$ -	\$ 9,650,997
At fair value	-	-	698,471	-	-	41,459	739,930
Other assets	16,259	392	3,361	-	49	25	20,086
Total assets	9,369,799	273,836	701,832	65	23,997	41,484	10,411,013
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	676	29	7,691	-	1	-	8,397
Total liabilities	676	29	7,691	-	1	-	8,397
Net Position							
Held in trust for investment pool participants	9,369,123	273,807	694,141	-	-	-	10,337,071
Held in trust for individual investment account holders	-	-	-	65	23,996	41,484	65,545
Total net position	\$ 9,369,123	\$ 273,807	\$ 694,141	\$ 65	\$ 23,996	\$ 41,484	\$ 10,402,616
Additions							
Investment income:							
Interest and dividends	\$ 19,012	\$ 466	\$ 1,628	\$ -	\$ 23	\$ 16	\$ 21,145
Net (amortization) accretion	15,211	549	47	-	-	(1)	15,806
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	34,223	1,015	1,675	-	23	15	36,951
Investment expenses:							
Investment advisor, custodian bank & administrative fees	327	12	42	-	-	-	381
Total investment expenses	327	12	42	-	-	-	381
Net investment income	33,896	1,003	1,633	-	23	15	36,570
Net realized gain (loss) from investments	-	-	(1,403)	-	-	-	(1,403)
Net increase (decrease) in fair value of investments	-	-	(3,901)	-	-	(1)	(3,902)
Net increase (decrease) in net position from operations	33,896	1,003	(3,671)	-	23	14	31,265
Participant transaction additions:							
Purchase of pool units by participants	924,624	15,330	-	-	-	-	939,954
Reinvestment of pool distributions	33,893	1,003	1,463	-	-	-	36,359
Contributions to individual investment accounts	-	-	-	-	-	-	-
Total participant transaction additions	958,517	16,333	1,463	-	-	-	976,313
Total additions	992,413	17,336	(2,208)	-	23	14	1,007,578
Deductions							
Distributions to pool participants:							
Net investment income	33,896	1,003	1,633	-	-	-	36,532
Net realized gain (loss) from investments	-	-	(1,403)	-	-	-	(1,403)
Total distributions to pool participants	33,896	1,003	230	-	-	-	35,129
Participant transaction deductions:							
Redemption of pool units by participants	782,443	26,510	3,437	-	-	-	812,390
Withdrawals from individual investment accounts	-	-	-	-	25	117	142
Total participant transaction deductions	782,443	26,510	3,437	-	25	117	812,532
Total deductions	816,339	27,513	3,667	-	25	117	847,661
Net increase (decrease) in net position from operations	176,074	(10,177)	(5,875)	-	(2)	(103)	159,917
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	176,074	(10,177)	(5,875)	-	(2)	(103)	159,917
Net position at beginning of period	9,193,049	283,984	700,016	65	23,998	41,587	10,242,699
Net position at end of period	\$ 9,369,123	\$ 273,807	\$ 694,141	\$ 65	\$ 23,996	\$ 41,484	\$ 10,402,616