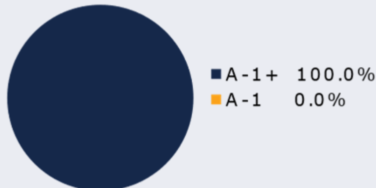
WEST VIRGINIA
BOARD OF TREASURY
INVESTMENTS

West Virginia Government Money Market Pool

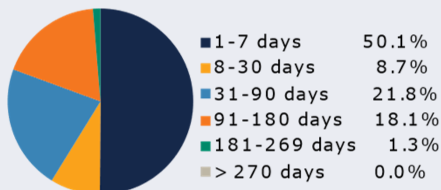
Portfolio Overview as of 5/31/2024

Pool Assets
$456 Million

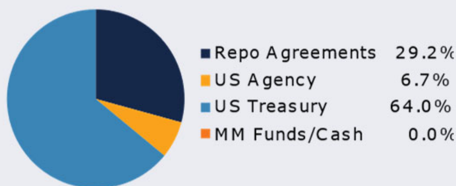
Credit Quality Composition (%)



Maturity Schedule (%)



Portfolio Composition (%)



Weighted Average Maturity
43 Days

Top Holdings (%)

United States Treasury	64.0%
Goldman, Sachs & Co	22.8%
Bank of America Securities	6.4%
Federal Farm Credit Bank	4.8%
Federal Home Loan Bank	2.0%
Total % of Portfolio	**100.0%**

The West Virginia Government Money Market Pool is a money market portfolio created to invest restricted moneys of participants in US Treasury and US Government Obligations. The objective of the portfolio is to preserve capital and to maintain sufficient liquidity to meet daily disbursements, while earning a return above inflation. The risk factor is low and managed through numerous maturity restrictions, diversification, guidelines, and credit limits.

Pool Features and Benefits:

» Professional management is provided by the West Virginia Board of Treasury investments' staff and professional investment advisors (UBS Global Asset Management).

» Rated AAAm by Standard & Poor's.

» Seeks to maintain a net asset value (NAV) of $1 per share.

» Investment yields are competitive with other government money market accounts.

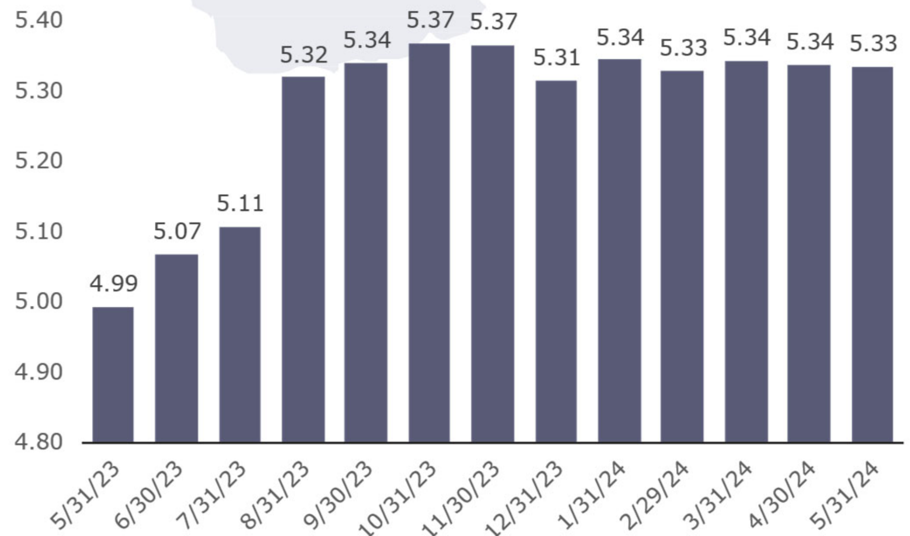
» Easy access is provided through the State Treasurer's Office online system.

» Account can be opened for as little as $100 with no limit on the number of transactions.

» Contributions and withdrawals are allowed daily.

» Income is distributed on a daily basis.

7-Day Simple Money Market Yield (%)



To learn how to make the West Virginia Government Money Market Pool work for your cash investing needs call: 304-340-1564 or visit: wvbti.org

Portfolio holdings and composition are shown as of the date indicated. Since market conditions fluctuate suddenly and frequently, the portfolio holdings may change and this list is not indicative of future portfolio composition. These portfolio holdings are not intended to be and do not constitute recommendations that others buy, sell, or hold any of the securities listed.
An investment in the Pool is not insured or guaranteed by any government or government agency. Although the manager of the Pool seeks to preserve principal, it is possible to lose money by depositing money in the Pool.
An AAAm rating by Standard & Poor's is obtained after S&P evaluates a number of factors, including credit quality, market price exposure and management. Ratings are subject to change and do not remove market risk.

Commentary

Filling the pool again

Summer doesn't officially start until June 21, but Memorial Day marks the opening of public pools. That means municipalities were filling them in May with the clear, shimmering water that beckons children from coast to coast.

Liquidity vehicles experienced their own flows in May (you probably knew I was headed in this direction…). Many lost assets in March and April, but it was largely due to corporate and individual tax dates, not from the beginning of the end of cash's reign. After two years of its kingly status, some would like to see other asset classes be more attractive. But money market funds, retail in particular, are only growing in favor as they ride the Federal Reserve's reticence to cut rates. Both total industry money funds and total industry retail funds had inflows in May. Modest, but inflows.

Could it be that the pool will overflow? Some media reports have issued concern that, due to elevated yields, earnings from money funds have risen to around 1% of U.S. GDP, suggesting the economy might not be as strong as it seems. Others have pointed to record amount of assets in money funds as a risk if clients reallocate to other investments when the Fed eases.

The former claim is absurd. Money funds are simply another source of earnings, and consumers continue to spend. The latter argument falls apart when seen in relative terms. Since 2013, money fund assets worldwide have averaged 15-17% of total mutual fund assets and ETFs. At the end of 2023, that figure was 17.3%. For comparison, it was approximately 45% during the height of the Global Financial Crisis. The reasoning that the financial system is threatened by the success of liquidity products is specious. While it is always important to look for stress in the markets, this seems more a case of investor angst. Or maybe jealousy. In any case, we think there's room for liquidity vehicles to grow, and the expected influx of institutional assets have not begun in earnest yet.

Keeping with the swimming pool metaphor, the U.S. Treasury Department is acting like a drain. On May 29, it began a program to buy back a set amount of government securities. The gist is that Secretary Janet Yellen and company want to support the Treasury market by increasing liquidity via purchases on the secondary market. The focus now is on bonds and notes, but Treasury plans on targeting bills to lessen market volatility when it issues fewer short-term securities because it has a surfeit of cash. While it won't make a ton of difference if the buyback amount is modest, as it has been so far, it can only help cash managers.

Moving target

It would be easier to name the Fed governors and branch presidents who didn't speak in May than those who did. One gets the feeling that dissent will be coming, especially as the minutes of the May Federal Open Market Committee meeting were more hawkish than the neutral-to-dovish spin Chair Jerome Powell gave in his press conference.

We already know that the three quarter-point cuts the Federal Reserve once penciled for the second half of this year have been postponed. We expect to get only one or two now. However, the specter of a rate hike raised its frightful head in the May meeting: "Various participants mentioned a willingness to tighten policy further should risks to inflation materialize in a way that such an action became appropriate." Despite this warning, we do not anticipate a hike. One thing to note is that the idea that the Fed will avoid cutting rates in September so as not to appear to interfere with the general election, forgoing rate action when warranted by the data might also look politically motivated. The argument cuts both ways, so to speak.