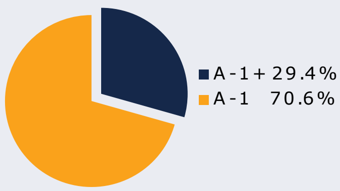
West Virginia Money Market Pool

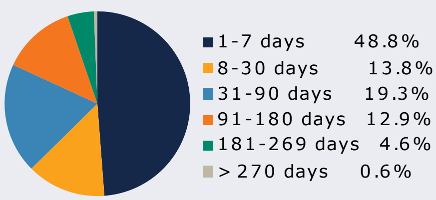
Portfolio Overview as of 12/31/2023

Pool Assets
$9.8 billion

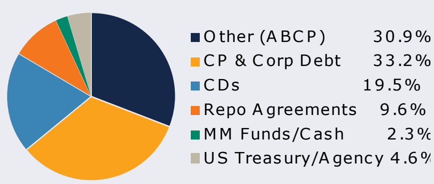
Credit Quality Composition (%)



Maturity Schedule (%)



Portfolio Composition (%)



Weighted Average Maturity
44 Days

Top Holdings (%)

Bank of America	8.6%
United States Treasury	4.6%
Toronto Dominion Bank	3.3%
Sheffield Receivables	3.2%
Mizuho Bank	3.2%
Sumitomo Mitsui Trust NY	2.9%
MUFG Bank	2.8%
Canadian Imperial Bank	2.6%
DZ Bank AG NY	2.6%
DNB Nor Bank ASA	2.6%
Total % of Portfolio	**36.3%**

The West Virginia Money Market Pool is a money market portfolio created to invest the majority of the state and local government operating funds. The objective of the portfolio is to maintain sufficient liquidity to meet the needs of the participants while striving to earn 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 (Federated Hermes and 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 money market accounts.

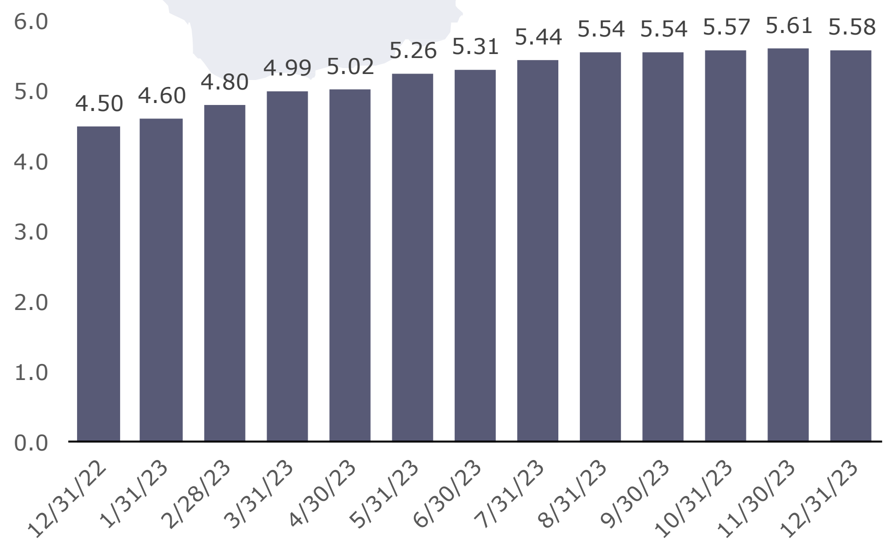
» Easy access is provided through the State Treasurer's Office online system.

» 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 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.
A 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

A year of intrigue

So much for trying to control the markets.

Taking the podium after the Federal Open Market Committee (FOMC) meeting in mid December, Federal Reserve Chair Jerome Powell had the chance to push back against investor optimism that policymakers will issue around five quarter-point cuts next year. FOMC voters essentially admitted the tightening cycle is over by holding rates at 5.25-5.5% and penciling in 75 basis points of rate cuts in 2024, per the new dot plot in its Summary of Economic Projects. But a significant gap remained between the Wall Street and Washington. Had Powell used the Q&A with reporters to tell the markets cool their jets, their expectations might have met Fed projections.

Instead, he said monetary policy likely had reached its peak and even acknowledged the FOMC had discussed when it might ease. Because Powell said that participants had the time to take the relatively unchanged Consumer Price Index numbers for November into account, the markets were jubilant. Despite later attempts by other Fed officials—including the influential New York Fed President John Williams—traders reacted even more optimistically by pricing in nearly six quarter-point cuts in 2024, exacerbating the disconnect.

In contrast, we take Chair Powell's word "cautiously" at face value and anticipate only 75 basis points of easing in in 2024. We just don't see inflation declining enough to satisfy policymakers, especially as energy prices have accounted for much of the decrease. Officials have not put the cautionary tale of the 1970s back on the shelf. If PCE/CPI are stubborn or surprise to the upside, the Fed likely will dig in. The stakes are high as the Fed tries to avoid pushing the economy into a recession if it holds rates too high for too long.

Who—the Fed or the markets—is correct about the path of policy in 2024 will not be known until the first cut actually comes. It is possible that the two sides could align, especially if Powell and other Fed officials ratchet up their rhetoric to challenge the investor narrative. That could come in the late January FOMC meeting. It won't have an updated SEP, but will have more inflation data and the usual press conference.

This scenario would keep cash attractive, even as some investors extend duration to other asset classes. Most liquidity products should continue to mirror the target range whether it stays put or declines. You might think clients would exit the broad sector as yields fall. But past instances of policy easing actually have led to asset inflows as yields declined slower than other cash options and direct securities. There's not assured, of course, but we can guarantee 2024 will have an abundance of intrigue.

At the end of the month, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 5.40%, 5.35%, 5.27% and 4.78%, respectively; the 1-, 3-, 6- and 12-month Bloomberg Short-Term Bank Yield Index rates (BSBY) were 5.47%, 5.45%, 5.36% and 5.17%, respectively.