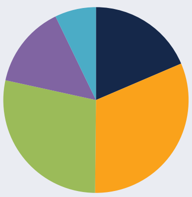
WEST VIRGINIA
BOARD OF TREASURY INVESTMENTS

# West Virginia Short Term Bond Pool

## Portfolio Overview as of 01/31/23

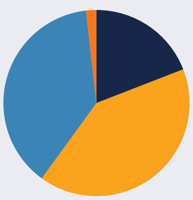
### Pool Assets
$700 million

### Credit Quality Composition (%)



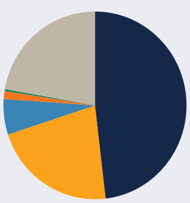
| | |
|---|---|
| AAA | 18.6% |
| AA | 31.6% |
| A | 28.3% |
| BBB | 14.4% |
| Not Rated | 7.2% |

### Maturity Schedule (%)



| | |
|---|---|
| 0 to 1 year | 19.1% |
| 1 to 2 years | 40.9% |
| 2 to 3 years | 38.2% |
| 3 to 4 years | 1.8% |
| 4 to 5 years | 0% |
| > 5 years | 0% |

### Portfolio Composition (%)



| | |
|---|---|
| Corporate Debt | 48.1% |
| ABS/MBS | 21.8% |
| Municipal Debt | 6.1% |
| MM Funds/Cash | 1.4% |
| US Agency | 0.3% |
| US Treasury | 22.2% |

### Weighted Average Life
564 Days

### Top Holdings (%)

| | |
|---|---|
| United States Treasury | 22.2% |
| OneMain Direct Auto Receivable | 2.4% |
| World OMNI Select Auto Trust | 1.7% |
| JP Morgan Chase & Co | 1.5% |
| COMM Mortgage Trust | 1.4% |
| Dreyfus Government Cash Mgmnt | 1.4% |
| Hertz Vehicle Financing LLC | 1.3% |
| Enterprise Fleet Financing | 1.3% |
| Government National Mortgage Association | 1.2% |
| Well Fargo Commercial Mortgage | 1.1% |
| **Total % of Portfolio** | **35.5%** |

**The West Virginia Short Term Bond Pool was created to invest restricted moneys of participants which have a longer-term investment horizon. The objective of the portfolio is to earn an incremental return over the WV Money Market Pool with an objective of asset growth rather than current income. The risk factor is higher than the WV Money Market Pool and is 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 advisor (Sterling Capital Management).

» Floating net asset value (NAV).

» Investment yields are competitive with other short duration fixed income pools.

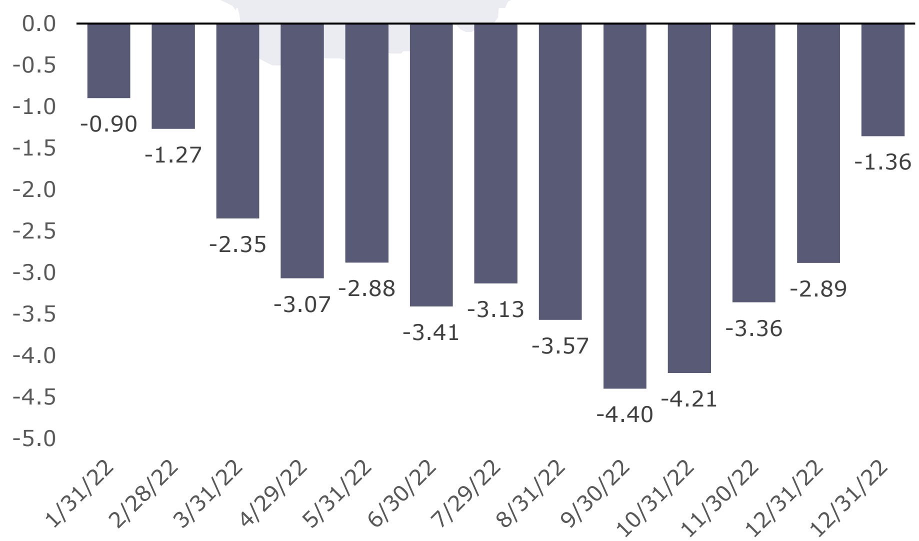
» Easy access is provided through the State Treasurer's Office online system.

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

» Contributions and withdrawals are allowed monthly.

» Income is distributed on a monthly basis.

### Return Summary




**To learn how to make the West Virginia Short Term Bond 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 and it is possible to lose money by depositing money in the Pool.*

## Commentary

Economic data received in January buoyed markets looking for confirmation of hopes that the Federal Open Market Committee (FOMC) could engineer a soft landing for the U.S. economy, whereby inflation returns to the Fed's long-term 2% target without a recession. The December payroll report showed that the U.S. economy added 223,000 new jobs while the unemployment rate fell back to its recent lows at 3.5%. Meanwhile, inflation continued its recent moderation as the headline consumer price index (CPI) fell 0.1% month-over-month and core CPI rose just 0.3% month-over-month. Meanwhile, other major data releases on retail sales, manufacturing activity and purchasing manager surveys surprised to the downside. Although these numbers seemed to have minimal impact on the FOMC's interest rate decision at their January 31 meeting, intermediate and longer-term interest rates fell as investors seized on the slower inflation and growth indicators. The front end of the yield curve inverted further, as one-year rates fell 0.03%, two-year rates fell 0.22% and three-year rates fell 0.32%. At month end, the yield differential between one-year and three-year rates stood at -0.75% (4.65% versus 3.90%).

Corporate bonds benefitted from both fundamental and technical tailwinds to post strong returns for the month. The rising potential for a soft landing, and in turn less aggressive monetary policy, gave investors the green light to take more credit risk, boosting demand for corporate bonds. While corporate issuance for January hit an elevated $141 billion, this came on the heels of just $8 billion in issuance in December, leaving dealer inventories and investor positioning light and receptive to new bond supply. January also saw an increase in inflows into fixed income mutual funds and ETFs as over $18 billion flowed in, further improving the supply/demand dynamic for corporate bonds. For the month, the option-adjusted spread on the ICE BofA 1-3Y U.S. Corporate Index tightened by 13 basis points to 75 basis points for an excess return of 0.37%. Lower-quality securities outperformed with BBB spreads tightening 16 basis points, single-A spreads tightening 12 basis points and AA spreads tightening 7 basis points.

Securitized products benefitted from many of the same tailwinds that drove the strong performance of corporate bonds this month. Agency mortgage-backed securities (MBS) led the way by outperforming duration-matched Treasuries by 0.93% for the month, while commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) generated 0.71% and 0.29% of excess returns, respectively. In addition to the soft-landing narrative and better overall demand for bonds, the continued drop in interest rate volatility was particularly helpful to agency MBS returns this month.

The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful. Data is as of 01.31.2023 unless otherwise stated. Source: Bloomberg LP