

Treasury Operations

December 20, 2021

The Honorable James C. Justice, II
Governor of West Virginia
State Capitol 1900 Kanawha Blvd., East
Charleston, WV 25305

Dear Governor Justice,

In accordance with the requirements of WV State Code 12-1-12d(f), I respectfully submit the enclosed report on behalf of the West Virginia University Board of Governors. This report provides information about the University's unrestricted investment fund and the operating investments for the period October 1, 2020 – September 30, 2021.

The September 30, 2021 values of the WVU unrestricted investment and operating investment portfolios managed by the WVU Foundation were \$86,181,901 and \$73,461,105, respectively. The asset allocation ranges for these funds as well as the actual allocations as of September 30, 2021 may be found in the attached report from the WVU Foundation on Page 3.

The 12-month return for the unrestricted investments can be found on Page 4. The WVU unrestricted portfolio achieved a 12-month return during the investment reporting period of 17.8%. As a point of comparison, during the same period of time the Russell 3000 returned 31.9% and the Barclay's Aggregate bond index returned - .9%. WVU uses a blended benchmark to assess performance of the unrestricted investment portfolio. The benchmark blended rate for the period was 17.8%. This portfolio matched its blended benchmark for the period and has outperformed the blended benchmark since inception.

As mentioned on Page 3 of the WVU Foundation report, WVU reviews its asset allocation of these portfolios at least annually. Over the past few years, upon recommendation of the WVU Foundation based on WVU's expressed risk tolerance, WVU has modestly increased its equity allocation of the unrestricted investment portfolio to reflect the long-term nature of the assets being managed.

WVU and the WVU Foundation are proud that the unrestricted investment portfolio has performed well in volatile equity and challenging fixed income market conditions. The graph on Page 1 of the WVU Foundation report demonstrates excellent growth of the S&P during the past year after a large pandemic-induced decline mid-way in the previous reporting year. We continue to view the comparative performance of our portfolio detailed on Page 4 as evidence that this investment program and the prudent investment strategies allowed within the program can generate positive results.

During the 2015 legislative session, the limit on the amount of money that WVU can invest with its Foundation was removed. WVU elected to place its available operating dollars with the WVU Foundation for investment in short term, federally guaranteed investments. WVU made its first investment of such money on August 25, 2015. The returns on these investments as well as additional detail about how the money has been invested between the various investment vehicles can be found on Page 5. Funds are removed from these investments as they are needed to meet the current obligations of the University throughout the year.

Should you desire additional information regarding WVU's investments managed by the WVU Foundation, please contact me directly at 304-293-4008.

Sincerely,



David R. Kosslow
Assistant Vice President for Finance

Enclosure

cc: Aaron Allred, Legislative Services
J. Thomas Jones, WVU Board of Governors Chair
Marty Becker, WVU Board of Governors Finance Chair
E. Gordon Gee, President
Rob Alsop, Vice President for Strategic Initiatives

December 7, 2021

Rob Alsop
Vice President for Strategic Initiatives
West Virginia University
Stewart Hall
Post Office Box 6205
Morgantown, WV 26506

Paula Congelio
Vice President and CFO
West Virginia University
Post Office Box 9000 Suite 1000
Morgantown, WV 26506

Re: **Annual Report to West Virginia University**
Regarding the Unrestricted Investment Funds and the Operating Investments

The West Virginia University Foundation, Incorporated, in its capacity as Investment Agent, has prepared the enclosed annual report on the Unrestricted Investment Funds (the "Investment Funds") and the WVU Operating Investments (the "Operating Investments") for the 12-month period ending September 30, 2021.

As of July 1, 2019, the Unrestricted Investments Funds pool was combined into the WVU Consolidated Investments Portfolio to obtain investment economies of scale, operational efficiencies and cost savings alongside other investment pools for West Virginia University. Individual pool market values are maintained and tracked within a plan accounting structure. The investment performance results shown herein are calculated at the total portfolio level.

Included herein is a Market Overview and an Investments Review for the 12-month period, detailing the investment assets under management, asset allocation, and annual performance.

We are honored to serve as Investment Agent on behalf of West Virginia University and look forward to serving your needs as they relate to the Investment and Operating Funds. If you have any questions or would like any additional information, please do not hesitate to contact us.

Sincerely,



Richard S. Kraich, CFA
Vice President & Chief Investment Officer

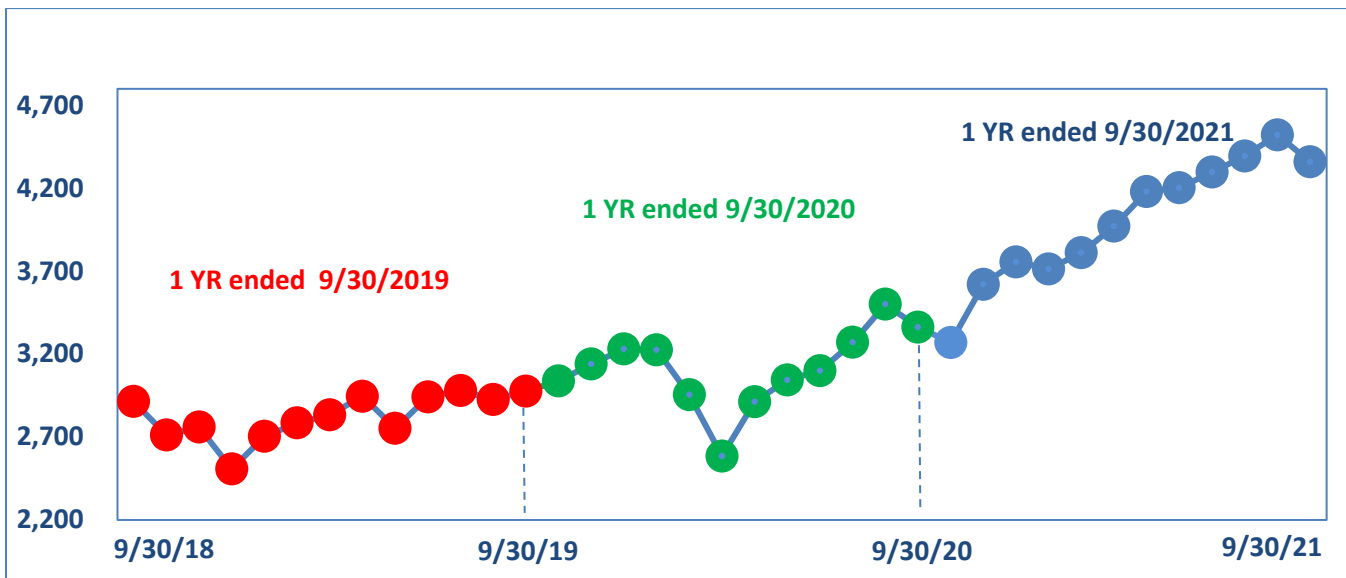
Market Overview

The first three quarters of the one year ended September 30, 2021 were strong, aided by the rollout and availability of COVID-19 vaccinations, the associated resumption of global economic activity, the completion of the U.S. election cycle, unprecedented fiscal and monetary stimulus, healthy consumer balance sheets, and tightening labor markets. The final quarter was challenging, as concerns about the Delta variant, rising inflation, slowing growth, and looming monetary tightening by the Federal Reserve weighed on the U.S. stock market.

Due to the strong first three quarters, despite the challenging final quarter, the S&P 500 concluded the 12-month period ended September 30, 2021 with a return of 30.0%. Developed international equities also fared well, with the Morgan Stanley Capital International (MSCI) EAFE Index returning 25.7%. Emerging markets equities underperformed developed markets with the MSCI Emerging Markets Index returning 18.2% for the 12-month period. The Barclays Aggregate Bond Index lost 0.9% for the 1-year period.

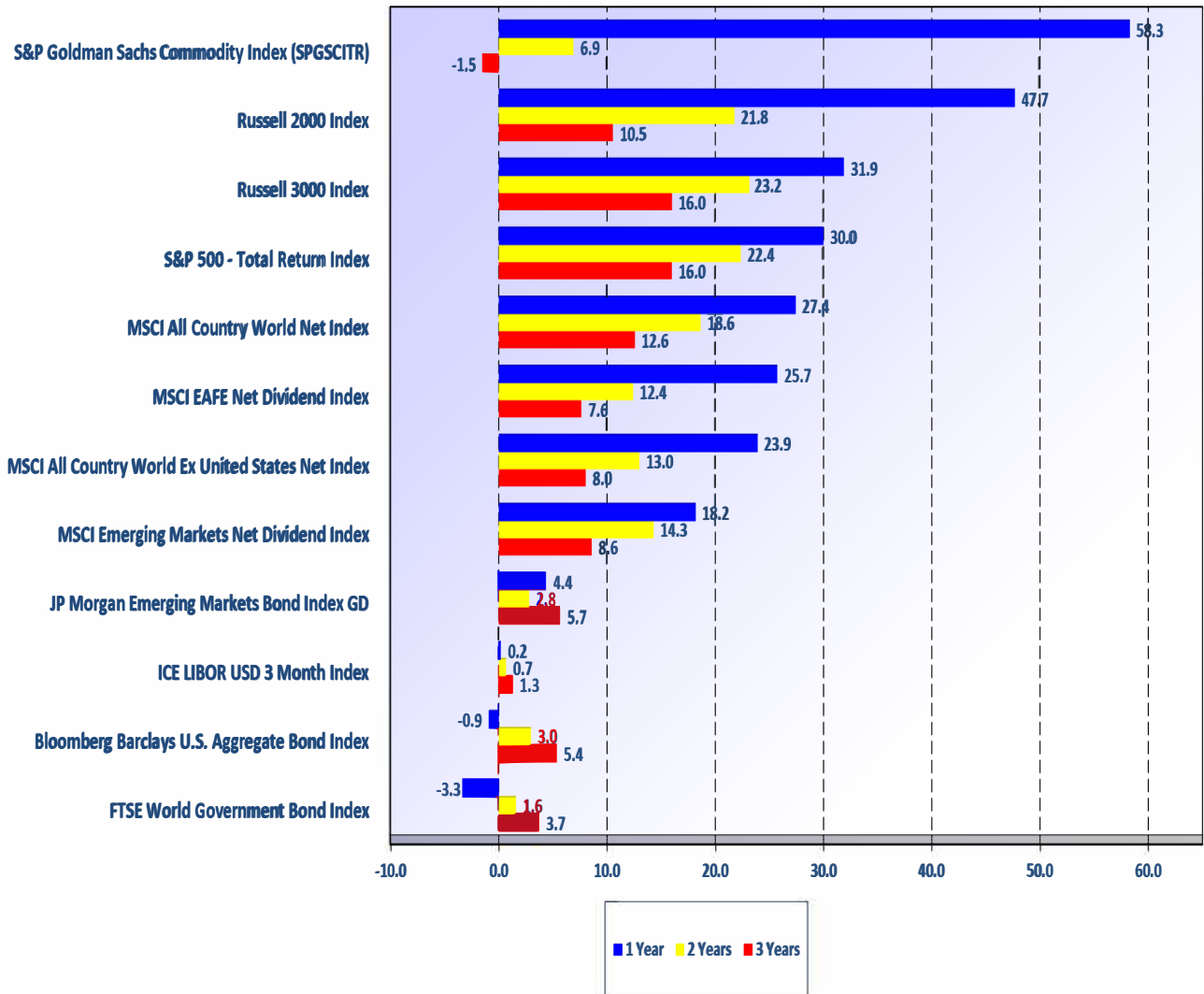
The following charts display (i) the change in value of the S&P 500 over the most recent 3-year period, and (ii) the performance of key market indices for the 1-, 2-, and 3-year periods ended September 30, 2021.

S&P 500 Values



*S&P 500 values shown do not include dividends.

Market Performance Periods Ended September 30, 2021



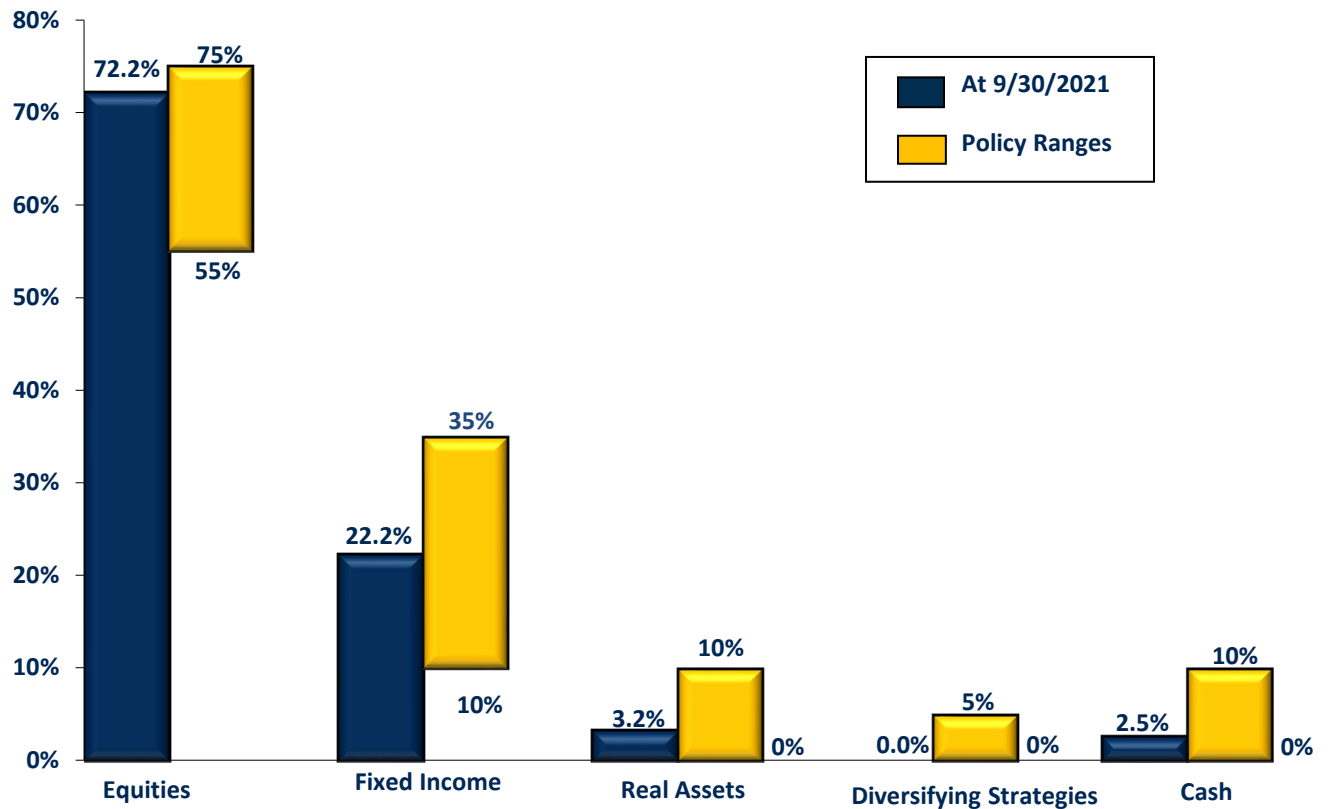
WVU Investment Funds Review

Investment Assets under Management: At September 30, 2021 the value of the Investment Funds' portfolio was \$86.2 million. There were no transfers in or out of the pool during the 12-month period. The portfolio produced \$13.1 million in earnings during the 1-year period and \$22.5 million for the 3-year period ending September 30, 2021.

Asset Allocation: The Investment Funds' asset allocation policy is reviewed annually with the WVU Investment Committee.

At September 30, 2021, all asset classes were in line with their policy ranges. This portfolio is rebalanced quarterly to policy ranges subject to Committee review and approval. The Investment Policy allows for flexibility to maintain allocations outside the recommended range at the Committee's discretion.

Asset Allocation as of September 30, 2021



Performance Summary as of September 30, 2021

For the 12 months ended September 30, 2021, the Investment Funds returned 17.8%, matching the custom benchmark return of 17.8% and achieving a gain of \$13.1 million. The Domestic Equity funds returned 29.9% for the year, in line with the S+P 500, while the International Equity funds returned 17.6%. Despite strong performance from the portfolio's emerging markets manager against its benchmark, the developed international managers lagged their benchmarks as the funds large underweight to financials and energy, the two best performing sectors in the index for the period, detracted from relative performance. The Fixed Income portion of the portfolio returned 0.1%, ahead of the -0.9% return of the Barclays Aggregate Bond Index, led by Guggenheim Total Return Bond Fund which returned 2.4% for the period and Muzinich Credit Opportunity Fund which returned 4.3%. Real Assets, representing approximately 3% of the portfolio, returned 59.3% led by Maingate MLP. Since inception of the Investment Funds' program in November 2006, the program has generated an annualized return of 6.6% versus the custom benchmark return of 6.2%.

Performance Returns as of September 30, 2021

	<u>1 YR</u>	<u>3 YR</u>	<u>ITD*</u>
WVU Unrestricted Investment Funds	17.8	10.5	6.6
<i>Custom Benchmark**</i>	<i>17.8</i>	<i>9.0</i>	<i>6.2</i>
<i>Russell 3000</i>	<i>31.9</i>	<i>16.0</i>	<i>10.1</i>
<i>MSCI EAFE</i>	<i>25.7</i>	<i>7.6</i>	<i>3.7</i>
<i>Barclays Aggregate Bond Index</i>	<i>-0.9</i>	<i>5.4</i>	<i>4.1</i>

*The inception date of the portfolio for performance tracking purposes is 12/1/2006.

WVU Operating Investments Portfolio Review

The objective of managing the WVU Operating Investments is to generate interest with very limited, if any, risk to capital using short duration investment strategies. For the 12-month period ending September 30, 2021, the Operating Investments utilized an ICS savings account and a CDARS program using 4-week and 13-week maturities through United Bank. This program was initiated after receiving the State Treasurer’s Office approval on August 25, 2015.

Activity as of September 30, 2021

	9/30/20					9/30/21
	Balance	Deposits	Interest	Transfers	Withdrawals	Balance
ICS Savings	50,024,003	135,000,000	55,304	-	(140,065,656)	45,013,650
4 Week CDARS	-	-	-	-	-	-
13 Week CDARS	-	-	-	-	-	-
Total	50,024,003	135,000,000	55,304	-	(140,065,656)	45,013,650

Interest Rate Range 9/30/20 - 9/30/21
ICS Savings: 0.11% - 0.41%
4 Week CDARS: 0.11% - 0.3154%
13 Week CDARS: 0.11% - 0.3154%