

WEST VIRGINIA

# BOARD OF TREASURY INVESTMENTS

*A Component Unit of the State of West Virginia*  
**Annual Comprehensive Financial Report**  
Fiscal Year Ended June 30, 2022



WEST VIRGINIA  
**BOARD OF TREASURY  
INVESTMENTS**

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**Annual Comprehensive Financial Report  
for the Fiscal Year Ended June 30, 2022**

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*A Component Unit of the State of West Virginia*

**James C. Justice, II**  
*Governor*

**Riley Moore, Chairman**  
*West Virginia State Treasurer*

**John B. McCuskey**  
*West Virginia State Auditor*

**Vacant**  
*Appointed by the Governor*

**Mark Mangano, Esquire**  
*Attorney at Law*  
*Appointed by the Governor*

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*Prepared by the Board of Treasury Investments Staff  
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August 30, 2022

To: Members of the West Virginia Board of Treasury Investments,  
Honorable Members of the Legislature,  
And the Citizens of West Virginia

I am pleased to present you with the June 30, 2022, Annual Comprehensive Financial Report (“ACFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a review of the financial and investment conditions of the State of West Virginia’s Consolidated Fund. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. An independent certified public accounting firm has audited the basic financial statements contained in this report.

The BTI was created to oversee and manage the state’s operating funds, also known as the Consolidated Fund. Significant achievements for the year included reaffirmation of the AAAM rating by Standard & Poor’s for the WV Money Market and WV Government Money Market pools, continued outperformance of select pools versus their peer groups, and operating under budget. The ACFR demonstrates the BTI’s commitment to financial accountability and conformity to the highest standards for preparation of state and local government financial reports.

The report is designed to provide a general overview of the State of West Virginia’s Consolidated Fund investments. It was prepared by the Chief Financial Officer and staff of the BTI. These individuals are committed to providing reliable and credible information in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

Riley Moore  
State Treasurer  
Chairman of the Board

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West Virginia Board of Treasury Investments  
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Randy Covert, Investment Accountant

**We invite you to visit our web site at [www.wvbt.org](http://www.wvbt.org)**

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## **Introductory Section**

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August 30, 2022

Members of the West Virginia Board of Treasury Investments

Honorable Members of the West Virginia Legislature

Participants in the State of West Virginia's Consolidated Fund

Citizens of West Virginia

Ladies and Gentlemen:

I am pleased to present you with the June 30, 2022, Annual Comprehensive Financial Report (“ACFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a complete review of the financial status of the State of West Virginia’s short-term operating funds (the “Consolidated Fund”). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. The BTI’s financial statements have been audited by Maher Duessel CPAs. The independent audit provides reasonable assurance that the financial statements for the fiscal year ended June 30, 2022, are free of material misstatement, whether due to fraud or error. The independent audit involved performing procedures to obtain evidence about amounts and disclosures in the financial statements; comprehensive risk assessment as well as assessing the accounting principles used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the BTI’s financial statements for the fiscal year ended June 30, 2022, are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The independent auditor’s report is presented as the first component of the financial section of this report.

Management is responsible for establishing and maintaining internal control designed to ensure that the investments of the Consolidated Fund are protected from loss, theft or misuse and that the preparation of the financial statements is in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived from it, and (2) the evaluation of costs and benefits requires estimates and judgments by management. Management of the BTI has established a comprehensive internal control framework that is designed to provide a reasonable basis for making representations concerning the finances of the BTI. Because the cost of internal control should not outweigh its benefits, the BTI’s comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. BTI's MD&A can be found immediately following the report of the independent auditor in the Financial Section.

### ***Profile of the West Virginia Board of Treasury Investments***

The West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia, to make short-term operating funds of the state more accessible to state government.

The West Virginia State Treasurer's Office provides a full-time staff for the BTI as well as various supplementary administrative services. A five-member Board of Directors governs the BTI. The State Governor, State Treasurer, and State Auditor serve as ex officio members of the Board. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant and one shall be an attorney, and both shall have experience in finance, investing and management. The State Treasurer is Chairman of the Board. The Board was established by the Legislature to provide prudent fiscal administration, investment, and management for the short-term operating funds of the State of West Virginia.

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. As of June 30, 2022, the Consolidated Fund had \$9.2 billion in total assets. The Consolidated Fund is made up of nine legally separate investment pools and accounts: three external investment pools and six individual investment accounts. A more detailed description of the investment pools and accounts that make up the Consolidated Fund are found in Note 1 of the Notes to the Financial Statements.

In order to properly carry out the investment policy, as described in detail in the Investment Section, the Board has hired various outside service providers. Their roles as fiduciaries are clearly identified in the investment policy to ensure operational efficiency, clear lines of communication, and accountability in all aspects of operations. The Board contracts with Segal Marco Advisors as the investment consultant. The Board requires the consultant to employ a chartered financial analyst or a certified treasury manager to work directly with the BTI. The consultant is responsible for performing investment manager evaluations, suggesting modifications to the investment policy, and performing other services requested by the Board. The Board also hires investment managers who have complete discretion over the timing, selection, and execution of investment trades. The managers are provided explicit written instructions detailing their particular duties and administer the portfolio consistent with the investment policy. The BTI currently contracts with UBS Asset Management (Americas), Federated Hermes and Sterling Capital Management as the investment managers.

In accordance with *WV State Code §12-6C-19*, the Board may charge fees, which are subtracted from the total return on investments, for the reasonable and necessary expenses incurred by the Board in rendering services. All fees collected are deposited in a special account in the State Treasury. The Board annually adopts a budget and fee schedule, which describes how fees are charged to each pool.

### ***Investment Activities***

The investment policies and strategies for the Consolidated Fund can be found in the Investment Section of this report. The policies are designed to provide safeguards on assets while optimizing return based on each fund's risk parameters.

The return information presented in the Investment Section is calculated by the BTI with the assistance of our consultant, Segal Marco Advisors, and the individual investment managers. The investment return calculations were prepared using a monthly time-weighted rate of return methodology.

### ***Economic Review & Other Financial Information***

Economic activity over fiscal year 2022 continued to be heavily influenced by COVID-19 as economies around the world worked towards normalizing while dealing with new COVID-19 variants and supply chains recovering from disruption. Vaccines for COVID-19 were widely available by the end of fiscal year 2021 and by early July of 2021, approximately 64% of the adult population of the United States had received at least one vaccine shot. Declining case counts during the summer led to many state and local governments lifting most restrictions implemented to stem the pandemic. However, a new variant of COVID-19, named Delta, led to a resurgence of infections during the first quarter of fiscal year 2022. This led state and local governments in some parts of the country to institute new restrictions or delay the opening up of business activity. This, along with a reduction in forms of government assistance such as forgivable loans to businesses, grants to state and local governments, and social benefits to households led to a slowing in economic growth. U.S. gross domestic product ("GDP") fell substantially from the 6.7% rate in the fourth quarter of fiscal year 2021 to approximately 2.3% in the first quarter of fiscal year 2022. Supply chains, which had been stressed by the sudden shutdown in fiscal year 2020 and the surge in demand in fiscal year 2021, were still struggling to meet demand. As the Delta surge began to fade, the pace of consumer spending grew due to elevated savings and pent-up demand. Economists and analysts were becoming concerned that the mismatch between supply and demand could result in inflation accelerating, exceeding already elevated levels. Second quarter fiscal year 2022 GDP reflected the surging demand, coming in at an annualized rate of 6.9%. Major components contributing to the increase were an uptick in exports, increases in private inventory investment, exports and personal consumption expenditures. In the third quarter of fiscal year 2022, COVID-19 cases began to increase again as a newer, more infectious variant, dubbed Omicron, began to spread. In response to the increase in infections, further restrictions were placed on businesses in some areas of the country and there were disruptions in economic activity. Supply chains, which were already under pressure, were further disrupted as Russia commenced an invasion of Ukraine in February 2022. Economists and analysts were concerned that the conflict could result in a further increase in inflationary pressures and result in further disruptions to economic activity around the world. Ukraine, the second largest European country after Russia, is one of the world's largest exporters of agricultural products, including various grains, sunflowers and sunflower oil. Additionally, Ukraine is in the top five to top ten countries in the world for exports of natural gas, iron and titanium. Russia is also an important supplier of energy resources being the largest exporter of natural gas and one of the largest exporters of oil. In addition to oil and gas exports, Russia is also the second largest producer of titanium. Disruption of exports from Russian and Ukraine would result in significant increases in energy and certain commodity prices as well as threaten certain areas of the world with food shortages. Adding to these pressures were sanctions against Russia implemented by Western governments in response to the invasion, which effectively cut Russia off from western financial markets and curtailed trade in certain goods and services. Third quarter GDP stumbled, with U.S. growth turning negative, falling to -1.6% as exports fell along with declines in private inventory investment and further decreases in federal government spending. In the fourth quarter of fiscal year 2022, the economic effects of the conflict between Russia and Ukraine were felt sharply as energy and commodity prices rose. In addition, the Chinese government had implemented

new lockdowns and movement restrictions in key manufacturing hubs and port cities as the Omicron case counts rose. Against this backdrop, preliminary estimates of fourth quarter fiscal year 2022 GDP were more subdued, with most predicting that economic growth in the final quarter of the fiscal year would be negative. Economic growth in West Virginia followed a similar pattern as the national economy. After coming off a stellar fourth quarter in fiscal year 2021, West Virginia's economy shrank in the first quarter of fiscal year 2022, falling by -1.9%. Second quarter growth rebounded, but at a somewhat anemic pace of 1.9%. Third quarter economic growth came in at -6.9%, ranking 47<sup>th</sup> out of the fifty states. As a large part of West Virginia's economy is related to travel and tourism, slowdowns in the leisure and hospitality sector were seen as significant drivers of the decline in the third quarter. The fourth quarter of fiscal year 2022 appears to be poised for a turnaround as many economic indicators had turned positive with the housing market improving, increasing payroll employment and elevated tax collections.

The unemployment rate, which ended fiscal year 2021 at 5.9%, continued to decline over fiscal year 2022. Although economic activity was uneven throughout the fiscal year, the unemployment rate steadily declined throughout the fiscal year. At the end of fiscal year 2021, businesses were grappling with a shortage of workers for open positions. This trend continued into fiscal year 2022, with employers struggling to fill open positions. The unemployment rate continued to fall throughout fiscal year 2022 even with the resurgence of COVID-19 in the late calendar year 2021 and early calendar year 2022. Nationally, the unemployment rate started the fiscal year at 5.9% and then fell to a low of 3.6% in March 2022. The labor market appeared to remain strong over the fiscal year, despite worsening inflation, recession fears stoked by inflation and a Federal Reserve that was aggressively hiking rates to fight inflation. There was some softening in the labor data as open positions, as estimated by the Job Openings and Labor Turnover Summary from the U.S. Bureau of Labor Statistics, showed a decline to 11.3 million openings. This number was still substantially higher than pre-pandemic levels and elevated above the 9.8 million openings at the end of fiscal year 2021. Monthly job separations, for both voluntary and involuntary reasons, remained fairly steady over the fiscal year, hovering around 6 million throughout the fiscal year. The labor force participation rate, ticked up over the fiscal year, rising from 61.7% to 62.2%, still below the pre-pandemic level of 63.4%. Overall, the national labor market continued to exhibit strength and resiliency. The labor market in West Virginia continued to improve in line with national levels. The state began the fiscal year with an unemployment rate of 5.3%. Over the course of fiscal year 2022, this dropped to 3.6%. Average annual household employment in West Virginia reached a three-year high and the labor force participation rate improved by 0.7 percent. Total employment surpassed its pre-pandemic levels in March 2022 and ended the fiscal year trending in the right direction. Growth in jobs was widespread, with only education and health services declining. The sectors that experienced the greatest increase were logging and mining, construction and leisure and hospitality.

Inflation, as measured by Core Personal Consumption and Expenditures Less Food and Energy ("Core PCE"), rose during the fiscal year, moving rapidly from an annualized rate of 3.5% in June 2021 to a fiscal year peak of 5.3% in February 2022. Core PCE drifted lower over the last few months of the fiscal year, ending at 4.7%. Core PCE is the preferred measure of the Fed in gauging inflation over the longer run as the Fed views it as a better measure for identifying inflation trends. Continued supply chain disruptions, along with strong consumer demand and rising housing prices, helped to fuel the rise in inflation. The strong labor market added additional inflationary pressures as employees were able to negotiate for higher wages in a tight labor market. In the second half of the fiscal year, rising energy and food prices added to inflationary pressures. The Russian invasion of Ukraine resulted in significant increases in energy costs, as supplies of oil and natural gas were disrupted or subject to sanctions. Personal Consumption Expenditures ("PCE"), which include energy and food prices, rose from 4.6% at the end of fiscal year 2021 to 6.8% by the end of fiscal year 2022. At the end of fiscal year 2021, the Fed was still of the opinion that elevated inflation was transitory in nature and would subside. Over the first half of fiscal year 2022, inflation proved to be anything but transitory. This forced the Fed to reverse course and begin monetary tightening to bring down inflation. By June of 2022, there were some signs that inflation may have reached

its peak, but most expectations were that high levels of inflation would persist over the next one to two years.

With the debt ceiling being re-instituted on August 1, 2021, the U.S. Treasury continued to rely on its cash balances and other extraordinary measures to maintain debt levels below the ceiling as the U.S. Congress wrangled over if, and by how much, to raise the debt ceiling. The dislocation in the front end of the Treasury worsened over the first half of the fiscal year as the U.S. Treasury curtailed bill issuance and overall market supply declined. Over the first five months of the fiscal year, Treasury bill supply declined by nearly \$500 billion, resulting in the front end of the curve staying essentially flat at around 5 basis points for tenors between 1 and 3 months and between 6 and 10 basis points for maturities in the six-month to one-year range. In December 2021, Congress reached an agreement to authorize \$2.5 trillion in new borrowing, which allowed the U.S. Treasury to resume normal debt issuance. This provided some short-lived relief in January and February 2022, when the U.S. Treasury had \$285 billion in net bill issuance. However, net bill issuances over the remainder of the fiscal year were negative. By fiscal year end, Treasury bills outstanding had declined by 17.6% from fiscal year end 2021.

The Fed, which began fiscal year 2022 holding rates steady, began to recognize the inflation had become broader based and was not transitory in nature. Over the first half of the fiscal year, the Fed moved began to move from a dovish position to a much more hawkish position. In the fall of 2021, the Fed announced that they will begin tapering their \$120 billion in monthly asset purchases, decreasing purchases of Treasury securities by \$10 billion per month and agency mortgage-backed securities (“MBS”) by \$5 billion per month starting in November 2021. The Fed also indicated that they would not begin raising interest rates until monthly asset purchases had been reduced to zero, consistent with prior practices. In light of further increases in inflation, the Fed revised the tapering schedule in December 2021, doubling the pace of the taper starting in January 2022. The revised schedule would end the Fed’s asset purchases in March 2022. By the end of December 2021, markets had priced in one to two quarter point rate hikes over the second half of fiscal year 2022. In January 2022, the Fed announced that asset purchases would be ended in March 2022. In the January statement, the Fed also indicated that with a strong labor market and inflation running well above their two percent target, the FOMC would soon begin raising the target range for federal funds rates. Fed funds futures at the end of January were now pricing in at least one additional quarter point hike, projecting that the fed funds target range would end the fiscal year between 75 and 100 basis points. As inflation continued to rise, stoked by continued supply chain disruptions, a strong labor market and the Russian-Ukraine war, the Fed hiked rates in March 2022, raising their target range by 25 basis points. In the Summary of Economic Projections released after the meeting, the “dot plot”, which signals FOMC members’ outlook for interest rates, the median expectation was for quarter point rate hikes at each of the remaining meetings in calendar year 2022. Fed funds markets were more pessimistic, pricing in eight more quarter point hikes over the remainder of the calendar year.

Moving into the final quarter of fiscal year 2022, worsening price pressure and consumer inflation expectations added urgency to the Fed’s approach. Many market participants were of the opinion that the Fed had underestimated inflationary pressures and were “behind the curve” in responding. At the May 2022 FOMC meeting, the Fed increased the fed funds target range by 50 basis points. At the post meeting press conference, Fed Chairman Jerome Powell, stated that 50 basis point rate hikes were on the table for the next few meetings and that higher rate hikes were not something the committee was considering. In addition to the rate hike, the Fed announced that they would begin reducing the size of its \$8.5 trillion balance sheet beginning June 1. Quantitative tightening would begin with the Fed not reinvesting the maturity proceeds of Treasury securities and agency MBS. The initial phase of quantitative tightening would allow \$30.0 billion in Treasury maturities and \$17.5 billion in agency MBS maturities roll off. The reduction would increase in September 2022 to \$65 billion in Treasury maturities and \$35 billion in agency MBS maturities. Leading into the June 2022 FOMC meeting, communications from the Fed became

increasingly hawkish as inflation data continued to worsen. At the June meeting, the Fed hiked the fed funds target range by 75 basis points, the largest single hike in the fed funds rate since 1994. Chair Powell acknowledged in his post meeting press conference that the size of the hike was unusual and should not be considered common in this tightening cycle. However, he did not rule out a similar increase at the July 2022 meeting given increases in recent inflation data. With this hike, the fed funds target range ended the fiscal year at 1.50% to 2.50%, substantially higher than the range of 0.25% to 0.50% expected at the beginning of the fiscal year.

Treasury yields ended the fiscal year significantly higher than where they were at the end of fiscal year 2021. The front end of the curve remained flat through much of the first half of the fiscal year, with the spread between 1-month and 1-year bills averaging only 5 basis points. Treasury bill supply, which had remained constrained due to U.S. Treasury's extraordinary measures implemented after the reinstatement of the debt ceiling in July 2021, declined by \$505 billion. Bill issuance increased in January and February 2022 after the U.S. Congress reached an agreement to lift the ceiling in December 2021, rising by \$285 billion. Supply continued to shrink over the remainder of the fiscal year as the U.S. Treasury drew on excess cash and favored issuance in note and bond space. Over the last four months of the fiscal year, Treasury bill supply declined by a further \$531 billion. Overall, for the fiscal year bill supply dropped by a total of \$751 billion. Demand for short-dated Treasuries continued to be strong over fiscal year. This supply and demand mismatch continued to keep front end yields suppressed. The longer end of the Treasury yield curve rose substantially over the fiscal year in response to inflation and Fed actions. The two-year Treasury, which began the year at 0.25%, ended fiscal year 2022 at 2.92%, up nearly 11-fold over the course of the fiscal year. The three-year Treasury was up as well, rising from 0.46% at the end of fiscal year 2021 to 2.99% at the end of fiscal year 2022. However, concerns about the effect of inflation and Fed hawkishness, put downward pressure on long-term yields as market participants were concerned that the economy could slide into a recession. This was reflected in the shape of the yield curve at fiscal year-end. While the yield curve ended fiscal year 2021 with a flat front-end and steep long-end, fiscal year 2022 ended the opposite with a steep front-end and a flat long-end.

Performance of the WV Money Market and WV Government Money Market Pools was up from fiscal year 2021, increasing over the second half of the fiscal year as the Fed began hiking rates. Net-of-advisor-fee performance in the WV Money Market Pool rose from 0.14% for fiscal year 2021 to 0.25% for fiscal year 2022. WV Government Money Market Pool net-of-advisor-fee performance rose from 0.5% for fiscal year 2021 to 0.16% for fiscal year 2022. Short-term rates were kept in check much of the year, resulting in the yields on the two money market pools falling through the first eight months of the fiscal year as higher yielding securities rolled off. As the Fed began to turn more hawkish, the market yields rose, and the pool yields climbed over the last four months of the fiscal year. The monthly annualized yield on the WV Money Market Pool had risen from an average 0.06% over the first eight months of the fiscal year to almost 1.00% by the end of fiscal year 2022. The yield on the WV Government Money Market Pool also rose significantly, rising from an average of 0.04% to 0.84% by fiscal year end. The West Virginia Short Term Bond Pool's performance was significantly worse for fiscal year 2022. As a short duration total return bond fund, the return of the pool is composed of two parts: income on investments and changes in the market value of securities held. With the Fed aggressively tightening monetary policy, the decline in market value from rising rates more than offset the increases in coupon rates. The second half of the fiscal year saw the worst six-month period performance for the pool in its history. Performance was in line with overall market performance, as the bond market had its worst six months in history. For fiscal year 2022, the net-of-advisor-fee return of the pool was -3.39% versus fiscal year 2021's 1.45% return. The pool did manage to best its benchmark return of -3.52% by 13 basis points.

### ***Major Initiatives***

- *Standard and Poor's AAAM Rating*

For the sixteenth consecutive year, Standard and Poor's re-affirmed the BTI's AAAM rating on the WV Money Market and WV Government Money Market Pools. Funds with Principal Stability Fund ratings ("PSFRs"), such as the BTI, seek to maintain a stable net asset value. The PSFR rating is the highest money market rating assigned by Standard and Poor's. For a fund to be eligible for an investment-grade rating, all investments must carry a Standard & Poor's short-term rating of A-1+ or A-1.

The AAAM rating is based on Standard and Poor's analysis of the fund's credit quality, investment policies, market price exposure, and conservative management. The rating signifies that the safety of the invested principal is excellent, and that there is superior capacity to maintain a stable net asset value at all times. This is achieved through conservative investment practices and strict internal controls.

- *Budget Surplus*

For fiscal year 2022, the BTI ended the year with a budget surplus of \$455,000. The surplus was the result of conservative management of expenditures. With this surplus, the BTI operated in surplus territory for the seventeenth consecutive year.

- *Peer Group Benchmark*

Segal Marco Advisors, the BTI's investment consultant, maintains a peer group benchmark for the WV Money Market and WV Government Money Market Pools. The benchmark for the WV Money Market Pool is composed of a universe of prime money market funds, while the benchmark for the WV Government Money Market Pool comprises government money market funds.

The WV Money Market Pool peer group includes 241 discrete prime money market funds. The Pool ranked first out of the 241 funds for the quarter, 1-year, 3-year and 5-year periods ending June 30, 2022. This high ranking was attributed to the low effective investment management fee paid to the Pool's investment managers. For the year ended June 30, 2022, the effective investment management fee was 2.84 basis points.

The WV Government Money Market Pool peer group comprises 624 discrete government money market funds. The performance of the Pool ranked nineteenth in the 1-year time period ending June 30, 2022. Over the 3-year period and 5-year time period, the pool was ranked second. As with the WV Money Market Pool, this high ranking versus the peer group was attributed to the favorable investment management fee schedule. For the year ended June 30, 2022, the effective investment management fee was 2.96 basis points.

- *Certificate of Achievement for Excellence in Financial Reporting*

The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the BTI for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

***Acknowledgments***

We wish to express our appreciation to many individuals whose dedicated efforts have made this report possible. BTI's success would not be possible without the support and leadership of the Board members, the Legislature, the participants, and the citizens of West Virginia. The BTI's staff, Segal Marco Advisors, UBS Asset Management (Americas), Sterling Capital Management, and Federated Hermes provided diligent and dedicated service in building the BTI as a professional investment organization for the investment of short-term state funds.

Respectfully, I hereby submit the Annual Comprehensive Financial Report of the West Virginia Board of Treasury Investments for the Year Ended June 30, 2022.

Sincerely,

A handwritten signature in black ink, appearing to read "Karl V. Shanholtzer III". The signature is written in a cursive, somewhat stylized font.

Karl V. Shanholtzer III, CFA, CPA  
Chief Financial Officer  
West Virginia Board of Treasury Investments



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**West Virginia Board of Treasury Investments**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morrill*

Executive Director/CEO

## PRINCIPAL OFFICIALS



**Riley Moore**  
WV State Treasurer  
*Chairman*



**James C. Justice, II**  
Governor, State of WV  
*Vice Chairman*



**John B. McCuskey**  
WV State Auditor  
*Director*

**Vacant**  
*Director*



**Mark Mangano**  
*Director*

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## INVESTMENT PHILOSOPHY

The Board was established by the legislature to provide prudent fiscal administration, investment, and management for the Consolidated Fund. It is the investment philosophy of the Board to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity.

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## OBJECTIVES

All assets shall be invested with the following objectives and priorities:

- Safety of principal. Investments shall be undertaken in a manner that seeks preservation of capital with reasonable investment risk, in the overall portfolio.
- Liquidity requirements of anticipated and unanticipated expenditures.
- Maximization of the yield allocated to participant investments consistent with all investment objectives.
- Recognition of differing objectives and needs of various participants.
- Conformance with State law and other pertinent legal restrictions.
- Diversification of assets by investment in various securities classifications and the use of various investment managers in order to smooth the volatility of returns.
- Realized gains and losses are recognized by the Funds as they occur.

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WEST VIRGINIA

# BOARD OF TREASURY INVESTMENTS

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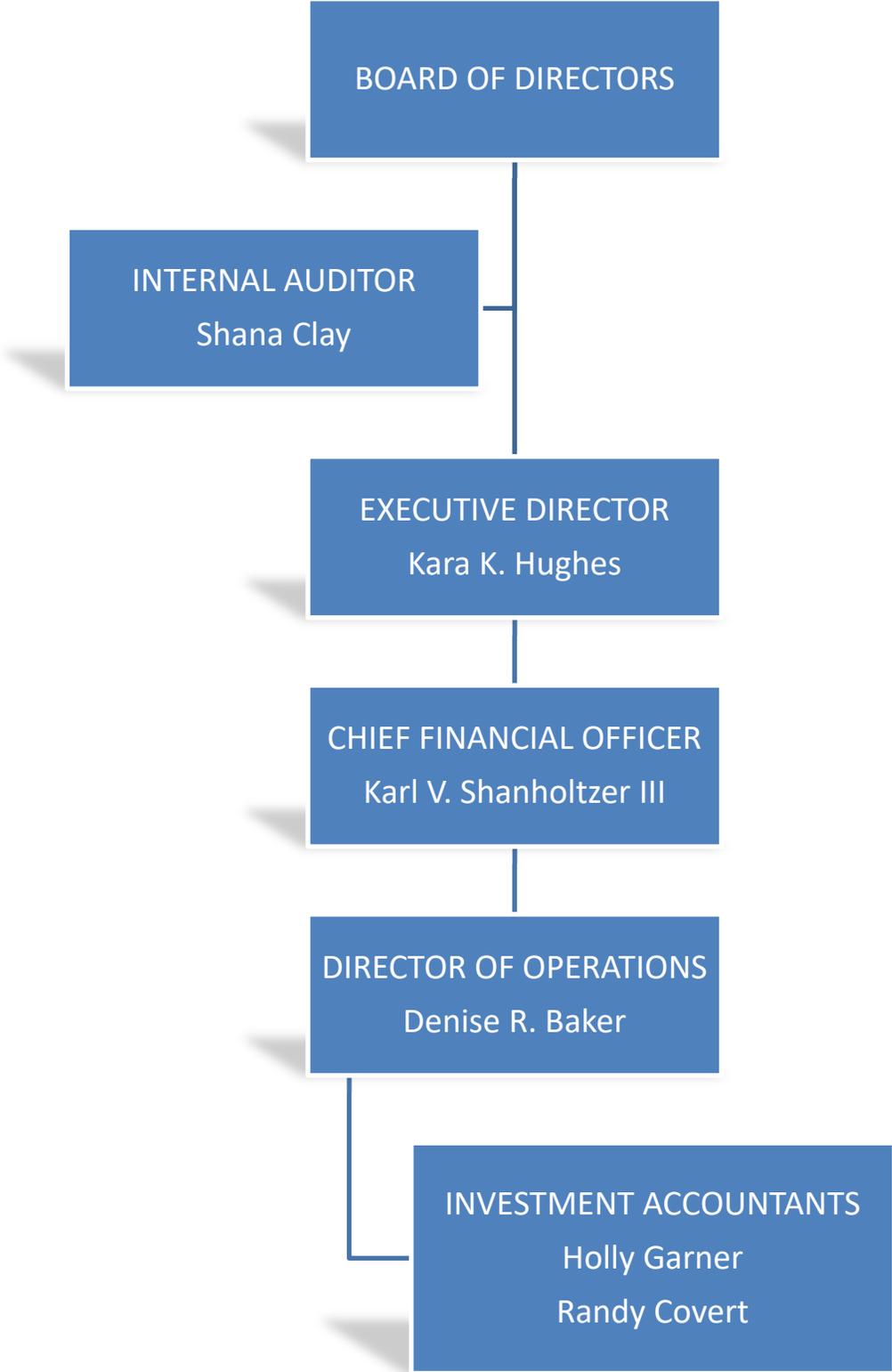
## MISSION STATEMENT

The Board of Treasury Investments' mission is to prudently invest the funds under its charge, for the benefit of its Shareholders, their constituents and citizens, and to achieve the best return possible for them, by providing focused investment management services, and utilizing financial professionals for the sound administration and oversight of its investment processes.

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*The BTI staff (from left to right): Shana Clay, Randy Covert, Denise Baker, Kara Hughes, Karl Shanholtzer and Holly Garner.*



**CONSULTING AND PROFESSIONAL SERVICES  
AS OF JUNE 30, 2022**

**INDEPENDENT AUDITOR**

Maher Duessel CPAs  
Pittsburgh, Pennsylvania

**LEGAL COUNSEL**

West Virginia State Treasurer's Office  
Charleston, West Virginia

**INVESTMENT SYSTEM**

State Street Global Exchange  
Princeton, New Jersey

**MASTER CUSTODIAN**

BNY Mellon  
Pittsburgh, Pennsylvania

**INVESTMENT CONSULTANT AND PERFORMANCE MEASUREMENT**

Segal Marco Advisors  
Atlanta, Georgia

**INVESTMENT MANAGERS**

Federated Hermes  
Pittsburgh, Pennsylvania

Sterling Capital Management  
Charlotte, North Carolina

UBS Asset Management (Americas)  
Chicago, Illinois

*The Schedule of Investment and Management Fees is on Page 87 in the Investment Section of this report.*

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## **Financial Section**

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## Independent Auditor's Report

**To the Honorable Members of the  
West Virginia Board of Treasury Investments  
Charleston, West Virginia**

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the business-type activities and the combined fiduciary funds of the West Virginia Board of Treasury Investments (BTI), a component unit of the State of West Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BTI's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the combined fiduciary funds of the BTI, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BTI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BTI's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BTI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BTI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

To the Honorable Members of the  
West Virginia Board of Treasury Investments  
Charleston, West Virginia  
Independent Auditor's Report

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BTI's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information listed in the table of contents. The other information listed in the table of contents does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Pittsburgh, Pennsylvania  
August 30, 2022

## West Virginia Board of Treasury Investments

### Management's Discussion and Analysis

June 30, 2022

#### **Financial Highlights**

For fiscal year 2022, initial projections for the general revenue budget anticipated that collections would fall short of estimates by approximately \$170 million. This would not turn out to be the case, as revenue collections outpaced projections for much of the fiscal year. By the end of December 2021, revenue collections had outpaced estimates by approximately \$394 million. The bulk of the increase was related to personal income tax, which was ahead of estimates by \$117 million, corporate net income tax, which was up by \$95 million, and severance taxes, which were ahead by \$117 million. By the end of the fiscal year, total revenue collections for the general revenue fund were \$5.9 billion, which exceeded estimates by \$1.3 billion. The major contributors to the excess were consumer sales and use tax (\$182 million), personal net income tax (\$461 million), corporate net income tax (\$206 million) and severance taxes (\$439 million). Overall, revenue collections for fiscal year 2022 were nearly \$1.0 billion higher than revenue collections in fiscal year 2021. BTI management had expected at the end of fiscal year 2021 that a weaker general revenue outlook and the spend down of stimulus funds and bond proceeds would result in a decline in assets under management in fiscal year 2022. At the end of fiscal year 2021, total assets under management were \$8.1 billion. By the end of fiscal year 2022, that level had risen by \$1.1 billion to \$9.2 billion. Stronger than expected revenue collections along with the receipt of the second payment from the federal government under the American Rescue Plan Act of 2021 ("ARPA") were the major reasons for the increase in assets under management. Local government investments also increased during the fiscal year, rising by \$48.4 million. The increases in local government investments were primarily due to increases in investments by boards of education and municipalities, whose investments rose by \$13.9 million and \$19.4 million respectively. Contributions by state agencies were the dominant factor in the increase in investments, with state agency investments increasing by approximately \$1.1 billion year-over-year. By April 2022, total assets under management had already increased by \$428.9 million. The receipt of \$677 million in stimulus funds in May 2022 pushed the year-over-year increase over \$1 billion. Looking towards fiscal year 2023, BTI management expects that assets under management will decline as bond proceeds and stimulus funds are spent down. The Department of Transportation has approximately \$1.4 billion in bond proceeds remaining and had multiple projects funded by these proceeds that were well under way by the end of fiscal year 2022. The state also has approximately \$1.3 billion in ARPA funds invested with the BTI. A portion of this has already been committed to eligible projects, so some part of this balance will be disbursed during fiscal year 2023. General revenue collections are not expected to reach the levels reached in fiscal year 2022, but it is presently expected that the state will be able to meet revenue projections for fiscal year 2023.

Rates of return, net of advisor fees, for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.25%, 0.16%, and -3.39%, respectively, for the fiscal year ended June 30, 2022. The performance of the pools was mostly attributable to the shift from dovishness to hawkishness by the Federal Reserve during the fiscal year. Front end rates, which had been held in check over the first eight months of the fiscal year, rose as a result of the 1.50% in rate hikes implemented by the Fed and the expectations of a more aggressive Fed over the remainder of calendar year 2022. While the two money market pools benefitted from the Fed's actions, the WV Short Term Bond

Pool suffered through its worst fiscal year on record as rising yields led to a substantial decline in the fair value of investments.

During the 2021 Regular Session, Senate Bill 297 (“SB 297”) was passed by the legislature. Provisions of SB 297 modified certain statutory investment restrictions related to investments by the BTI. The most significant provision removed the requirement that the BTI invest a minimum of 15% of the Consolidated Fund in securities guaranteed as the repayment of interest and principal by the U.S. government. Two other changes allow for longer term pools to invest in commercial paper rates A-2/P-2 and municipal securities rated as low as A/A2. The provisions of SB 297 became effective July 6, 2021. The *Investment Policy Statement* was updated at a special meeting on July 15, 2021 to incorporate the changes in SB 297.

The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. In July 2021, the provisions of SB 297 were incorporated into the investment guidelines for the pool and included removing the requirement of a minimum fifteen percent invested in U.S. government guaranteed securities and increasing the maximum amount that could be invested in credit related securities. With the removal of the minimum investment in U.S. government guaranteed securities, the benchmark was changed from the blended benchmark of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet First Tier Institutional Average to the iMoneyNet First Tier Retail Average. Returns, net of advisor fees, in the WV Money Market Pool were up year-over-year, rising from 0.14% for fiscal year 2021 to 0.25% for fiscal year 2022. The largest factor in the increased performance was the Fed moving from an accommodative monetary policy to a restrictive policy. At the start of the fiscal year, the pool was managed with a weighted average maturity (“WAM”) in the mid 50-day range. As inflation rose and it became apparent that the Fed would move more aggressively to rein in inflation, the managers began bringing down the WAM to the upper teen to lower twenty-day range. Fixed-rate exposure was generally limited to securities maturing in 90 days or less, with longer exposure typically the form of floating rate securities with daily resets. Treasury exposure was cut from over fifteen percent at the end of fiscal year 2021 to less than one percent at the end of fiscal year 2022. Daily and weekly liquidity, which had been around thirty percent and forty percent of the pool, respectively, were lowered throughout the fiscal year to around twenty three percent and thirty four percent of the pool by fiscal year end. Both managers expect that the Fed will continue to hike rates over the first half of fiscal year 2023 and expect to manage the pool with a lower WAM over that time. Once it appears that the Fed is done with hiking rates, the managers expect to begin extending the WAM of the pool.

The WV Government Money Market Pool’s objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursement requirements of participants, while earning a return above inflation. In July 2021, the investment guidelines for the pool were changed to remove the minimum fifteen percent investment in U.S. government guaranteed securities. Additionally, the maximum weighted average life (“WAL”) of the pool was increased from 90 days to 120 days. Where the WAM is measured based on the average maturity of securities in the portfolio, taking into account issuer call options and security shortening features such as demand features and interest rate resets, the WAL only considers the final stated maturity of investments. The 120-day maximum WAL is only available for money market funds that invest substantially all of their assets in Treasury and agency securities. Since the pool is no longer required to invest a minimum of fifteen percent in U.S. government guaranteed securities, the benchmark for the pool was changed from a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet Government & Agencies Institutional Average to one hundred percent of the iMoneyNet Government & Agencies Institutional Average. Returns for the WV Government Money Market Pool increased from the previous fiscal year, with the pool return, net of advisor fees, increasing from 0.05% in fiscal year 2021 to 0.16% for fiscal year 2022. The extraordinarily low-rate environment from the end of fiscal year 2021 persisted through the first half of the fiscal year. With agency spreads over Treasuries remaining tight for much of the fiscal year, the pool’s manager continued to favor Treasuries over agencies. Taking advantage of the increased WAL of the pool, the manager took selective positions in longer-dated agency floaters to help increase the yield in the pool. As the Fed began raising rates, the manager brought the WAM of the pool down to the upper teens to

position the pool to take advantage of expected Fed rate hikes. The supply of agency discount notes also increased over the latter part of the fiscal year resulting in agency spreads rising. This led to the investment manager rotating from Treasuries to agencies over the last few months of the fiscal year. As with the WV Money Market Pool, the investment manager will look to keep the WAM in the upper teens to low twenties until it appears that the Fed is concluding their rate hiking campaign.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the ICE BofAML 1-3 Year US Corporate & Government Index plus 10 basis points. The investment guidelines for the pool were also changed in July 2021 to incorporate changes from SB 297. The most significant changes were the removal of the minimum fifteen percent investment in U.S. government guaranteed securities, permitting investment in commercial paper rated A-2/P-2 and permitting investment in municipal securities rated as low as A/A2. Investment in A-2/P-2 commercial paper is included in the maximum twenty percent allocation to BBB/Baa rated securities. The fiscal year 2022 net-of-advisor-fee return of -3.39% was 485 basis points lower than fiscal year 2021's return of 1.45%. The pool still beat its benchmark return of -3.52% by 13 basis points. At the end of fiscal year 2021, markets had only priced in one rate hike by the Fed over the course of fiscal year 2022. The Fed, which had been gradually shifting to a more hawkish direction over early fiscal year 2022, rapidly shifted as it appeared that the Fed had a major inflation problem to solve. By the end of the fiscal year, the Fed had hiked rates by 150 basis points, with the market pricing in a further 200 basis points in rate hikes over the fiscal year 2023. This rapid shift in the fed funds rate and expectations took a huge toll on financial markets. Short-term interest rates increased at their fastest pace in history as the two-year Treasury yield moved from 0.25% to 2.95%. With inflation running high, and the Fed signaling that they would remain aggressive in reigning in inflation, markets became more pessimistic about future economic growth. Investment grade issuers were now faced with a double blow from increased borrowing costs and pressures on profit margins resulting from higher inflation. Over the first three quarters of the fiscal year, companies increased debt issuances, looking to get ahead of rising rates. The increase in debt supply and souring outlook led to credit spreads nearly tripling over the fiscal year. The ICE BofA 1-3 Year US Corporate index widened from 38 basis points at the end of fiscal year 2021 to 104 basis points by the end of fiscal year 2022. Spreads on structured credit products also rose during the fiscal year, with markets pricing in a higher level of concern about future delinquencies in underlying asset pools. In response to rapidly changing markets, the pool's manager shortened the duration of the second half of the fiscal year. By moving the pool duration closer to the lower duration bound, the manager was able to blunt some of the effects of rising rates and spreads. The pool's manager expects to maintain the pool duration close to the lower bound, given expectations that the Fed will maintain their aggressive stance to bring down inflation.

## **Overview of the Financial Statements**

This report presents the operating results and financial position of the BTI, which is composed of a proprietary fund and fiduciary fund. The proprietary fund is an internal service fund, or operating fund, used to account for activities that provide investment and administrative services on behalf of the State and other participants in the Consolidated Fund. The fiduciary fund is used to account for the activities of the Consolidated Fund, which is made up of nine legally separate investment pools and accounts. There are three external investment pools and six individual investment accounts, all of which are included in the fiduciary fund. The BTI is the trustee, or fiduciary, for participants in the Consolidated Fund. Financial statements for the proprietary fund and the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities.

The Statement of Net Position presents information on the proprietary fund's assets and liabilities, with the difference between the two reported as net position. This statement is categorized into current and non-current assets and liabilities. For purposes of the financial statements, current assets and liabilities are those

assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement's date.

The Statement of Revenues, Expenses and Changes in Net Position reflects the operating and non-operating revenues and expenses of the proprietary fund for the operating year. Operating revenues primarily consist of investment service fees charged to the Consolidated Fund with significant operating expenses composed of salaries and benefits, investment advisor fees, investment management system expenses, professional service fees, and fiduciary bond fees.

The Statement of Cash Flows reflects the proprietary fund's cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

The Statement of Fiduciary Net Position presents information on the fiduciary fund's assets and liabilities, with the difference between the two reported as net position held in trust for investment pool participants and individual investment account holders.

The Statement of Changes in Fiduciary Net Position reports the additions and deductions to the fiduciary fund for the year. Additions are composed of investment income, such as interest, dividends, and accretion; investment expenses such as investment advisor fees, custodian bank fees, administrative fees; and purchases of pool units, reinvestments of pool distributions, and contributions to individual investment accounts. Deductions represent distributions to pool participants, redemption of units by pool participants, and withdrawals from individual investment accounts.

The State of West Virginia reports the proprietary fund as an internal service fund in its Comprehensive Annual Financial Report. An internal service fund is used to report any activity that provides goods or services to other funds, departments, or agencies of the State and its component units, or to other governments, on a cost-reimbursement basis. The State reports the portions of the Consolidated Fund pools and accounts held by state agencies and component units as investment holdings of those entities within the appropriate fund reporting categories for those entities. The State reports the portions of the Consolidated Fund held by local governments, municipalities, and other political subdivisions as investment trust funds, a type of fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity, and those resources are not available to support operations of that entity.

## Financial Analysis of the Operating Fund

**Net position.** The following is the condensed Statements of Net Position of the proprietary fund, which represents the assets, liabilities, and net position generated by the operating activities of the BTI, as of June 30, 2022 and 2021 (in thousands).

	<u>2022</u>	<u>2021</u>
Current assets	\$ 2,390	\$ 2,371
Noncurrent assets	<u>6</u>	<u>3</u>
Total assets	<u>2,396</u>	<u>2,374</u>
Current liabilities	<u>858</u>	<u>777</u>
Total liabilities	<u>858</u>	<u>777</u>
Net position:		
Net investment in capital assets	6	3
Unrestricted	<u>1,532</u>	<u>1,594</u>
Total net position	<u>\$ 1,538</u>	<u>\$ 1,597</u>

The net position of the Operating Fund decreased by \$59,000 during fiscal year 2022. The decrease in net position was the result of an increase in current liabilities of \$81,000 which was partially offset by an increase of \$19,000 in current assets. Noncurrent assets increased by \$3,000 during fiscal year 2022.

The majority of the proprietary fund's net position consists of current assets. Current assets are composed of cash and accounts receivable that will be used to pay investment advisor, custodian, and administrative costs. The current asset balance of \$2,390,000 comprises \$1,310,000 in cash and \$1,080,000 in accounts receivable. The cash balance decreased from fiscal year 2021 by \$48,000 while the accounts receivable balance increased by \$67,000 at the end of fiscal year 2022.

The decrease in the cash balance was primarily the result of net operating loss of \$59,000.

The accounts receivable balance of \$1,080,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2022 to pay investment advisor, custodian, and administrative costs. In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI operations, administrative and custodial fees accrued in the investment pools are periodically transferred from the pools to the BTI's operating fund to pay for all necessary and reasonable expenses. Investment advisor and custodial fees are accrued daily or monthly and transferred to the operating fund to coincide with the receipt of advisor and custodial invoices. The periodic nature of these transfers results in the accounts receivable balance. Accounts receivable increased by \$67,000 over the fiscal year-end 2021 balance. This increase was composed of a decrease in administrative fees receivable of \$69,000, an increase in advisor fees receivable of \$124,000, and an increase in custodian fees receivable of \$12,000. The decrease in administrative fees receivable was the result of a lowering of the administrative fee charged during fiscal year 2022. The fee was decreased from 2 basis points for fiscal year 2021 to 1.25 basis points for fiscal year 2022. The effect of the lower fee rate was partially offset by the higher average net position in pools and accounts subject to fees in the final quarter of fiscal year 2022 as compared to the last quarter of fiscal year 2021. The increase in advisor fees receivable resulted from the higher level of assets under management for the last quarter of fiscal year 2022 as compared to the same period in the prior fiscal year. With respect to custodian fees receivable, the increase in the receivable was also due to the higher level of assets under custody in the final quarter of the fiscal year.

Capital assets, net of accumulated depreciation, increased by \$3,000 during the year. The increase was due to purchases of \$6,000 of computer equipment, net of annual depreciation of \$3,000. The BTI also retired \$9,000 of fully depreciated assets during fiscal year 2022.

The balance of \$858,000 in current liabilities represents \$787,000 in accounts payable and \$71,000 of reimbursements due to the West Virginia State Treasurer's Office (the "STO") as of June 30, 2022. Current liabilities increased by \$81,000 as compared to the fiscal year-end 2021 balance. The net increase in current liabilities was composed of an increase of \$71,000 in accounts payable and an increase of \$10,000 in reimbursements due to the STO. The majority of the accounts payable balance represents amounts due for services received from the BTI's investment advisors for the quarter ending June 30, 2022, custodian fees for May and June 2022, investment consultant fees for the quarter ending June 30, 2022, and maintenance costs for the investment management system for June 2022. The net increase of \$71,000 in accounts payable was composed of increases in amounts payable to the BTI's investment advisors, decreases in custodian fees payable, and a decrease in other accounts payable. Investment advisor fees payable increased by \$123,000 due to a higher level of assets under management in the WV Money Market Pool during the final quarter of the fiscal year 2022 as compared to the final quarter of fiscal year 2021. Custodian fees payable decreased by \$49,000 year-over-year as the issues at the end of fiscal year 2021 that prevented payment of six months of invoices were resolved in July 2021. At the end of fiscal year 2022, there were only two months of custodian invoices outstanding. Other accounts payable decreased by \$4,000 as invoices normally paid in July were paid in June. The \$71,000 in reimbursements due to the STO was for staffing services provided to the BTI, office space rental and utilities expenses, and the BTI's share of other office expenses paid on the BTI's behalf by the STO. The amount due to the STO was \$10,000 higher than at the end of fiscal year 2021, primarily due to marketing material design services and software license renewals that were paid by the WVSTO in June 2022 and invoiced to the BTI in July 2022.

Net position of the BTI's proprietary fund is composed of net investment in capital assets and unrestricted net position. Capital asset expenditures of \$1,000 or more (\$500 or more for certain computer equipment) are capitalized at cost and reported net of accumulated depreciation. Unrestricted net position represents net position not restricted for use by legal, contractual or enabling legislation constraints.

**Changes in net position.** The following is the condensed Statements of Revenues, Expenses and Changes in Net Position of the operating fund for the periods ended June 30, 2022 and 2021 (in thousands).

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Operating revenues:		
Management services	\$ 1,198	\$ 1,517
Advisor and custodian services	<u>2,804</u>	<u>2,274</u>
Total revenues	<u>4,002</u>	<u>3,791</u>
<b>Expenses</b>		
Operating expenses:		
General and administrative	1,253	1,215
Advisor and custodian fees	2,805	2,275
Depreciation	<u>3</u>	<u>3</u>
Total expenses	<u>4,061</u>	<u>3,493</u>
Increase (decrease) in net position	(59)	298
Net position at beginning of year	<u>1,597</u>	<u>1,299</u>
Net position at end of year	<u>\$ 1,538</u>	<u>\$ 1,597</u>

Operating revenues at June 30, 2022 consist of investment advisor, custodian, and management fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct expenses, investment advisor and custodian fees are charged directly to the pools as they are incurred. All indirect expenses, e.g. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point fee against the net position of the pool. The fees collected are deposited in a special account in the STO created and designated as the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2022 increased by \$211,000. The increase in revenue consisted of a decrease of \$319,000 in management (administrative) fees charged to the pools, an increase of \$480,000 in advisor fee revenues, and an increase of \$50,000 in custodial fee revenue.

Advisor fees are computed based upon the fair values of the pools. The average fair value of assets under management were approximately \$1.7 billion higher over the course of fiscal year 2022 for the WV Money Pool, resulting in an increase in advisor fees of \$507,000. Advisor fees for the WV Government Money Market Pool decreased year-over-year by \$14,000 as the average fair value of assets under management decreased by approximately \$31.0 million from fiscal year 2021 levels. Advisor fees charged to the WV Short Term Bond Pool also decreased during fiscal year 2022, falling by \$13,000 from fiscal year 2021. Average assets under management for the pool were approximately \$36.1 million lower than fiscal year 2021 levels, resulting in the decrease in the advisor fee year-over-year. Custodian fees increased by a total of \$49,000 as a result of increased assets under management in the WV Money Market Pool and an increase in trading during fiscal year 2022. The increased trading activity during fiscal year 2022 was driven by the increase in assets under management and advisors shortening the weighted average maturity of the WV Money Market and WV Government Money Market Pools in response to the Federal Reserve raising interest rates. Administrative fee revenue decreased by \$319,000 from fiscal year 2021 levels. For fiscal year 2022, the BTI lowered the administrative fee from 2.0 basis points to 1.25 basis. The administrative fee was lowered since management expected that assets under management would remain elevated over fiscal year 2022.

Total operating expenses for the year increased by \$568,000. This includes an increase of \$38,000 in general and administrative expense and an increase in advisor and custodian fees of \$530,000. Depreciation expense did not vary from the prior fiscal year.

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salary reimbursements, investment consulting fees charged by Segal Marco and fiduciary bond expenses make up the majority of this expense line item. Salary reimbursements and related expenses increased by \$45,000 from the prior year. This increase was the result of a part-time staff member resigning and being replaced with a full-time staff member. Professional services decreased from fiscal year 2021 levels, falling by \$21,000 year-over-year. The primary components of this decrease were a \$3,000 decrease in expenses for the annual audit, a \$5,000 decrease in consulting fees allocated to the BTI by the STO, a \$7,000 increase in contractual service fees allocated to the BTI by the STO for a marketing material redesign project, and a \$1,000 increase in fees charged by Bloomberg Professional. Other general and administrative expenditures increased by \$12,000 from fiscal year 2021, with the increases occurring primarily in travel expenses and advertising and promotional expenses. With in-person due diligence visits and conference attendance picking up during fiscal year 2022, travel costs increased by \$6,000 and advertising and promotional expenses increased by \$4,000. Remaining expenses, such as general office expenses, rent expenses allocated to the BTI by the STO, training expenses and non-capitalizable computer equipment expenditures increased by a combined \$1,000.

A large portion of the BTI's expenses represent investment advisor fees. The current investment advisors are Federated Hermes, Sterling Capital Management, and UBS Global Asset Management. All investment decisions and trade executions are performed by the investment advisors. The balance of custodian and

advisor fee expense is composed of investment advisor fees of \$2,580,000 and custodian fees of \$225,000. Investment advisor fees increased by \$479,000 and custodian fees increased by \$51,000 over fiscal year 2021 levels. Approximately \$507,000 of the net increase in investment advisor fees was the result of an increased level of assets under management in the WV Money Market Pool during fiscal year 2022. The average level for fiscal year 2022 over \$1.7 billion higher than fiscal year 2021 levels. Offsetting this increase was a decrease in advisor fees of \$14,000 for the WV Government Money Market Pool and a decrease in advisor fees of \$14,000 decrease in the WV Short Term Bond Pool. The decrease in the WV Government Money Market Pool was due to a lower average level of assets under management over fiscal year 2022. Average assets under management for fiscal year 2022 were approximately \$31.0 million lower than the previous fiscal year. The decrease in the WV Short Term Bond Pool advisor fee was also related to a decline of average assets under management, which fell approximately \$36.1 million from the prior year. Custodian fees increased by \$51,000 during fiscal year 2022, primarily due to the increased assets under management in the WV Money Market Pool and an increase in trading activity over fiscal year 2022.

### Financial Analysis of the Consolidated Fund

**Net position.** The following is combined, condensed Statements of Fiduciary Net Position of the Consolidated Fund fiduciary funds as of June 30, 2022 and 2021 (in thousands).

	2022	2021
<b>Assets</b>		
Investments	\$ 9,266,973	\$ 8,117,289
Receivables	6,696	4,693
Total assets	<u>9,273,669</u>	<u>8,121,982</u>
<b>Liabilities</b>		
Accrued expenses	1,164	1,013
Dividends and purchases payable	37,810	1,385
Total liabilities	<u>38,974</u>	<u>2,398</u>
<b>Net Position</b>		
Held in trust for investment pool participants	9,037,072	7,884,334
Held in trust for individual investment account holders	<u>197,623</u>	<u>235,250</u>
Net position	<u>\$ 9,234,695</u>	<u>\$ 8,119,584</u>

As of June 30, 2022, the Consolidated Fund's assets totaled approximately \$9.2 billion and were composed almost entirely of investments in securities. Net position as of the end of fiscal year 2022 was over \$1.1 billion higher than the fiscal year end 2021 net position. The increase in net position was composed of a net increase of over \$1.1 billion in investments by state agencies and local governments in the investment pools. Subtracting from this increase was a decrease of \$38 million in investments in individual accounts over fiscal year 2022.

As more fully discussed below, the BTI experienced a net increase in invested funds during fiscal year 2022. The overwhelming majority of the increase was in the WV Money Market Pool, which saw an increase of nearly \$1.3 billion in net position. The WV Government Money Market Pool also increased year-over-year, rising by approximately \$9 million from fiscal year-end 2021. Net position of the WV Short Term Bond Pool decreased by \$126 million while the State Loan Pool lost approximately \$8 million in net position. The Municipal Bond Commission Account ("MBC Account") increased by \$10 million as the Municipal Bond Commission made new contributions to the account during the fiscal year. The WV

Bank Pool experienced a decline in net position from fiscal year 2021, falling by \$40 million. The School Fund, Reserve Pool and West Virginia Economic Development Authority Account were little changed from the prior fiscal year.

The receivables balance is composed of accrued interest and dividends and receivables for investments sold. Receivables increased by \$2.0 million from the fiscal year-end 2021 balance. As discussed below, interest and dividends receivable across all pool and accounts increased by \$2.0 million as the Fed began an aggressive rate hiking campaign over the second half of fiscal year 2022.

In the WV Money Market Pool, interest and dividends receivable increased by \$3.0 million from fiscal year 2021. The pool's holdings of interest-bearing securities increased from 40% of investments at the end of fiscal year 2021 to just over 47% at the end of fiscal year 2022. Additionally, the Fed began aggressively raising interest rates to combat inflation, hiking their benchmark rate by 1.50% over the second half of fiscal year 2022. The weighted-average coupon on interest bearing securities increased from 0.09% at the end of fiscal year 2021 to 1.66% at the end of fiscal year 2022. This significant increase in rates and the increase in interest bearing investments were responsible for the year-over-year increase in interest and dividends receivable in the WV Money Market Pool

The interest receivable balance of the WV Government Money Market Pool was little changed from fiscal year 2021. The pool held a higher percentage in interest-bearing securities at the end of fiscal year 2022, increasing its holdings from 31% to 41% of the pool. The average coupon also increased, rising from 0.08% to 1.41%. These changes translated into an increase in interest and dividends receivable of approximately \$40 thousand.

Interest and dividends receivable in the WV Short Term Bond Pool decreased by approximately \$1.0 million from fiscal year-end 2021. The primary reason for the decrease was the lower level of assets under management at fiscal year-end 2022. The weighted-average coupon rate ticked up slightly, rising from 2.02% at the end of fiscal year 2021 to 2.03% at the end of fiscal year 2022. However, over \$90 million of participant withdrawals reduced assets under management, resulting in the decrease in interest and dividends receivable.

Interest and dividends receivable in the Municipal Bond Commission Account decreased year-over-year, falling by approximately \$74 thousand from fiscal year-end 2021 levels. Although the securities held in the account increased by \$10.8 million year-over-year, the State and Local Government Series securities ("SLGS") purchased during the year had an average interest rate of 0.19% versus the average coupon rate of 1.66% of the securities held at the end of fiscal year 2021. The SLGS purchased during the year were purchased at a time when treasury rates were at, or near, their lowest point. The remaining pools and accounts were little changed from the prior fiscal year.

Total liabilities increased by approximately \$36.6 million from June 30, 2021 levels. Total liabilities consist of accrued expenses, representing accrued manager fees, custodian bank fees and administrative fees, and dividends payable to participants in the WV Short Term Bond Pool. The majority of the increase in liabilities was the result of an increase in amounts payable for securities purchased in the WV Money Market and WV Government Money Market Pools. The liability for investments purchased in the WV Money Market Pool increased by \$34.9 million from the end of fiscal year 2021, while the liability for investments purchased increased by \$2.0 million in the WV Government Money Market Pool. There were no unsettled security purchase transactions in any of the pools at fiscal year-end 2022. Dividends payable in the WV Short Term Bond Pool decreased by over \$0.5 million, primarily due to a decrease of \$0.5 million in capital gain distributions year-over-year. Pool net income was slightly higher for June 2022, but not enough to offset the decrease in capital gain distribution. Accrued expenses were up approximately \$0.1 million as compared to the end of fiscal year 2021.

Net position is the excess of total assets over total liabilities. As of June 30, 2022, the Consolidated Fund had total net position of approximately \$9.2 billion. The net position consists of funds held in trust for investment pool participants and individual account holders. Investment pool participants are those participants investing in the WV Money Market, WV Government Money Market, and WV Short Term Bond Pools. Net position for investment pool participants increased approximately 14.6% from the prior year due to increases in investments in the WV Money Market and WV Government Money Market Pools. Investment in the WV Short Term Bond Pool declined from the prior fiscal year. Net position of the individual accounts declined from fiscal year-end 2021, falling by \$37.6 million. The net decrease in net position in individual accounts was composed of decreases in investments in the WV Bank Pool, State Loan Pool and EDA-AW Account. Offsetting these decreases were increases in the Municipal Bond Commission Account and School Fund. Net position of the Reserve Pool did not change significantly during the year.

Net position of the WV Money Market Pool increased by approximately \$1.3 billion from the prior year. The primary source of the increase was an increase of \$1.2 billion in State agency investments. Local government investments also increased year-over-year, rising by \$59 million from fiscal year 2021. State Participation, which represents cash of the General Fund and cash of other state agencies that is not invested for the benefit of a particular agency, also increased year over year, rising by approximately \$1.5 billion. Approximately \$670 million of this increase was related to federal stimulus funds from the American Rescue Plan Act of 2021. The next largest increase in state agency investments was a \$250 million increase in the accounts of the West Virginia Water Development Authority (the "WDA"). During fiscal year 2022, the WDA received a grant for economic development. Offsetting these increases, were decreases in amounts invested related to CARES Act stimulus funds (\$437 million decrease) and decreases in the West Virginia Department of Transportation's (the "DOT") invested Roads to Prosperity bond proceeds (\$337 million decrease). The total balance of other state agency investments increased by over \$300 million in total.

Net position of the WV Government Money Market Pool increased by approximately \$8.7 million from fiscal year end 2021. State agency deposits, which made up just under 95% of the funds invested in the Pool at the end of fiscal year 2022, increased by \$20.3 million over the course of fiscal year. The increase in state agency deposits was composed of a \$22.4 million increase in amounts held in trust by the West Virginia State Treasurer's Office (the "STO"), of which \$22.0 million was for the State Small Business Credit Initiative (the "SSBCI"). The ARP Act re-authorized and expanded the SSBCI program which promotes capital access to small businesses. The West Virginia Division of Environmental Protection (the "DEP") increased their investments in the pool by \$7.4 million. Offsetting these increases was a decrease of \$9.5 million in investments of the Municipal Bond Commission (the "MBC"). Direct local government investments in the Pool are predominately made by county school boards. Over fiscal year 2022, local government investments decreased by \$11.6 million, primarily from a single county school board which drew against invested proceeds from a bond issuance for school construction.

The net position of the WV Short Term Bond Pool decreased by \$126.5 million from fiscal year-end 2021. A majority of the decrease was from withdrawals by participants. Net participant withdrawals of \$100.9 million made up the largest portion of the decrease in net position. The West Virginia Lottery Commission closed their account during the fiscal year, withdrawing \$32.0 million. The DEP had net withdrawals over the course of the fiscal year, withdrawing approximately \$78.0 million. Offsetting these withdrawals, was a new account opened by the West Virginia Municipal Pension Oversight Board (the "MPOB") for \$10.0 million. Other participant activity during the year resulted in net withdrawals of \$1.0 million. The remainder of the decline was attributable to a decline in fair value of investments of \$35.3 million and net investment income of \$9.8 million.

Net position held in trust for individual account holders represent individual state agency accounts with specific investment needs. In accordance with State Code, legal ownership of the securities rests with the BTI, with the BTI establishing the number of units and the unit value for each account. Each agency owns 100% of the units of the investments in their accounts and is responsible for providing the BTI with

investment guidelines that are consistent with the legal restrictions applicable to the assets in the account. The BTI manages these accounts in accordance with the accounts' investment guidelines and directions from the account owners. Net position for individual account holders decreased by \$37.6 million from the prior fiscal year.

The MBC account holds investments escrowed to defease certain municipal bond issues. Levels of investment in this account are affected by municipal refinancing/refunding activity levels and the availability of, and yield on, eligible assets. The net position of the MBC Account increased by \$10.7 million during fiscal year 2022. The net increase in the net position was composed of contributions totaling \$42.4 million plus net income of \$0.5 million, less withdrawals from the account of \$32.2 million during the year.

Investments in the State Loan Pool fell during the fiscal year, decreasing by \$8.3 million. The balance of the Revolving Loan program decreased by \$18.0 million for the year as the WVEDA paid down outstanding loan balances. Loan draws totaling \$3.1 million were made during the year. Offsetting the draws were regular monthly principal payments and extra principal payments totaling \$21.1 million. The balance of the WVEDA Broadband Loan increased by \$9.7 million as the WVEDA drew down funds to cover the current outstanding balance of loans insured under the program. The WVEDA Broadband Loan program is more fully discussed in Note 7 to the financial statements.

The net position of the WV Bank Pool decreased by approximately \$40.0 million during fiscal year 2022. Demand for funds over the first eight months of the fiscal year remained steady, as the BTI placed \$80.1 million of the \$120.0 million offered through the CD auctions. However, after the Fed began hiking rates and the starting rate for the auctions increased, demand fell off and there were no funds placed over the last four months of the fiscal year. Over those four months, \$40.0 million in CD's matured without replacement.

For the remaining accounts, the net position of the School Fund increased by \$0.1 million while the West Virginia Economic Development Authority – American Woodmark (“EDA-AW”) account net position fell over \$0.1 million as a result of a decline in the fair value of the investment in the account. The balance of the Reserve Pool did not change significantly over the fiscal year.

**Changes in net position.** The following is a combined, condensed Statements of Changes in Fiduciary Net Position of the Consolidated Fund fiduciary funds for the years ended June 30, 2022 and 2021 (in thousands).

	Year Ended June 30,	
	2022	2021
<b>Additions</b>		
Net investment income	\$ 34,168	\$ 25,931
Net realized gain (loss)	(595)	7,087
Net decrease in fair value of investments	(35,431)	(9,965)
Unit purchases and contributions	15,477,105	16,634,851
Total additions	15,475,247	16,657,904
<b>Deductions</b>		
Distributions	31,139	29,836
Unit redemptions and withdrawals	14,328,997	14,976,011
Total deductions	14,360,136	15,005,847
Change in net position	1,115,111	1,652,057
Net position at beginning of year	8,119,584	6,467,527
Net position at end of year	\$ 9,234,695	\$ 8,119,584

Fiscal year 2022 net investment income improved from fiscal year 2021, increasing by \$8.2 million year-over-year. The change in net investment income was primarily due to the monetary policy actions of the Fed in response to high levels of inflation. The Fed increased their benchmark rate by 1.50% over the last four months of the year and were signaling that they would continue to hike rates until they judged that inflation was under control. The increase in investments in the WV Money Market Pool also contributed to the increase in net investment income. Net investment income increased in the WV Money Market and WV Government Money Market Pool, while the remaining pools and accounts experienced decreases or were little changed from the prior year. The WV Money Market Pool's net investment income increased by \$13.3 million, accounting for most of the overall net increase. The WV Government Money Market Pool net investment income was up slightly, increasing by \$0.2 million from fiscal year 2021 levels. Net investment income in the WV Short Term Bond Pool decreased by \$4.6 million from fiscal year 2021. The State Loan Pool's net investment income decreased by \$0.2 million while the MBC Account's net investment income fell by \$0.5 million. Net investment income in the Bank Pool, Reserve Pool, School Fund and EDA-AW Account were little changed from fiscal year 2021.

The Fed's shift from accommodative to restrictive over fiscal year 2022 resulted in significant increases in front end rates. Starting with the tapering of asset purchases in the fall of 2021, the Fed began their tightening campaign. The tapering program was followed by a series of progressively higher rate hikes in starting in March 2022. The Fed hike rates a total of 150 basis points, hiking by 25 basis points in March, 50 basis points in May, and 75 basis points in June. The actions by the Fed were responsible for the increased performance of the two principal stability pools. WV Money Market Pool performance, net of advisor fees, rose by 11 basis points from 0.14% in fiscal year 2021 to 0.25% for fiscal year 2022. In addition to rising rates, an increase of nearly \$1.7 billion in the average net position of the WV Money Market Pool also contributed to the year-over-year increase in net investment income. The combination of these two factors resulted in an increase of \$13.3 million in net investment income from fiscal year 2021.

The WV Government Money Market Pool experienced a similar increase in performance in fiscal year 2022. Performance, net-of-advisor-fees, was up 11 basis points, rising from 0.05% for fiscal year 2021 to .16% for fiscal year 2022. Although the Fed's actions resulted in increased yield levels, yields in the front

end of the Treasury bill curve were still muted by the low levels of supply. In July 2021, the investment guidelines for the pool were modified to increase the maximum weighted average life of the pool from 90 days to 120 days. This allowed the pool's manager to selectively add exposure to higher yielding, longer dated agency floaters. The increased yields and investment flexibility helped to increase net investment income by \$0.2 million during fiscal year 2022, despite a \$30.8 million decrease in average net position over the fiscal year.

The WV Short Term Bond Pool experienced its worst fiscal year total return on record. Performance, net of advisor fees, dropped significantly from fiscal year 2021 levels, falling from 1.45% for fiscal year 2021 to -3.39% for fiscal year 2022. Net investment income, which is one component of the total return for the pool, fell by \$4.6 million from fiscal year 2021 levels. The Fed raising rates was beneficial to the pool with respect to net investment income, as the purchase yield on securities rose from an average of 1.36% for fiscal year 2021 to 1.59% for fiscal year 2022. However, the net participant withdrawals of \$100.9 million during fiscal year 2022 had a more significant, negative effect on net investment income. As a result of lower investment levels over the fiscal year, net investment income declined \$4.6 million from fiscal year 2021 levels.

Net investment income in the Loan Pool decreased by \$0.2 million from fiscal year 2021 levels. Interest income in the pool decreased year-over-year by approximately \$0.2 million. The primary driver for the decrease was a decrease in the balance of the Revolving Loan, which fell by \$18.0 million from the end of fiscal year 2021. The rate on the Revolving Loan also fell, resetting from 1.69% for fiscal year 2021 to 1.56% for fiscal year 2022. The balance of the Broadband Loan increased by \$9.7 million but did not contribute significantly to net investment income as the average rate for the year was only 0.11%. The lower overall loan balances and lower rates for the fiscal year were responsible for the \$0.2 million decrease in net investment income. See Note 7 to the audited financial statements for more information on the loan programs of the Loan Pool.

Net investment income for the MBC Account fell by \$0.5 million from fiscal year 2021. The primary cause of the decrease in net investment income was the turnover of the entire portfolio during the year. At the end of fiscal year 2021, the pool held \$28.9 million in SLGS with an average coupon rate of 1.66%. During the fiscal year, these securities matured, and the proceeds were withdrawn. Over the fiscal year, the MBC contributed \$39.7 million which was invested in SLGS with an average coupon rate of 0.19%. The lower coupon rate of investments during the fiscal year was the primary reason net investment income decreased year-over-year.

Net investment income for the remaining accounts was comparable to the prior fiscal year.

For the year, the investment pools had a combined net realized loss of \$0.6 million. The net realized loss for fiscal year 2022 was approximately \$7.7 million lower than fiscal year 2021's net realized gain of \$7.1 million. An overwhelming majority of the net losses were realized in the WV Short Term Bond Pool, which had a net realized loss for fiscal year 2022 of \$0.6 million. The net realized losses were the result of trading activity by the portfolio manager to generate liquidity for participant redemptions and to reposition the pool in response to rising rates. The WV Money Market and WV Government Money Market Pools had minimal net realized gains/losses during fiscal year 2022. The realized gains/losses in these two pools were the result of normal trading activity related to generating liquidity, taking advantage of opportunities, or repositioning the portfolio to stay within policy limits.

The net change in fair value was deeply negative for fiscal year 2022, falling by \$35.4 million for the year versus a decline of \$9.9 million for fiscal year 2021. The WV Short Term Bond Pool accounted for all but a small amount of the decline in fair value, declining a total of \$35.3 million over fiscal year 2022. The rapid changes in expectations about the path of interest rates and a more aggressive Fed over the second half of fiscal year 2022 resulted in significant increases in market yields. Further adding to the pain were rising concerns about the prospect of an aggressive Fed pushing the economy from expansion to recession,

resulting in an increase in credit spreads. The rise in yields resulted in one of the worst six month periods in bond market history for most all bond funds outside of the money market space. The EDA-AW Account accounted for the remaining decrease in fair value, as the fair value of its holding fell by \$0.1 million during fiscal year 2022.

## **Economic Factors**

The Consolidated Fund is designed to address the short-term liquidity needs of the participants which focus on safety of principal, maximization of yield, and conformance with state law and other pertinent legal restrictions. The Board recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. However, the Investment Policy of the BTI invests assets in a manner that minimizes risks with the primary objectives of safety and liquidity.

Although the public health impact of COVID-19 had diminished, the economic impact of the pandemic and the fiscal and monetary responses to it continued to dominate market movements. Ongoing disruptions to supply chains continued to disrupt the flow of goods in many categories while the massive stimulus programs enacted worldwide threatened to overheat the U.S. economy. As the Federal Reserve began to recognize that inflation was more persistent than initially believed, the Fed quickly moved from an accommodative monetary policy to a restrictive one. The first step in reducing monetary stimulus came in the fall of 2021 when the Fed announced that they would begin the process of tapering asset purchases. The Fed signaled that the time to begin hiking rates was after the Fed had ceased its asset purchase program. As inflation rose, the Fed increased the taper of asset purchases, with asset purchases slated to end by March 2022. Members of the FOMC also increased their projections for rate hikes, with members forecasting at least 3 hikes in calendar year 2022. By March of 2022, the U.S. core consumer price index (“CPI”) rose to 6.5%, the highest mark for inflation since the early 1980’s. Labor markets were contributing more to inflation as the unemployment rate continued to decline and employers increasingly described jobs as hard to fill. Russia’s invasion of Ukraine in February 2022 added further concerns on the inflation front as oil, natural gas and other commodity prices spiked. In March 2022, the Fed hiked rates 25 basis points and indicated they would do what it took to bring inflation back down to their target. The Fed would go on to hike rates another 125 basis points over their last two meetings of the fiscal year. Yields, which had begun the fiscal year at very low levels, began to rise over the last four months of the fiscal year in response to Fed actions. The short end of the yield curve, which had started the year flat, steepened significantly over the last four months of the fiscal year. At the end of fiscal year 2021, the spread between the 1-month and 1-year Treasury bill was only 2 basis points. By the end of fiscal year 2022, that spread had widened to 152 basis points. Longer-dated Treasury yields were also up substantially by fiscal year-end, but the long end of the yield curve had flattened out as markets began to price in increased odds that the Fed would not be able to engineer a soft landing for the economy. The curve had also inverted with the yield on the ten-year Treasury falling below the yields on the three-, five- and seven-year Treasuries. Credit spreads were under pressure throughout most of the fiscal year as concerns mounted about future economic growth and issuers rushed to market to lock in low financing rates. The rising rate environment was very beneficial to the WV Money Market and WV Government Money Market Pools as the pool managers shortened pool WAM to take advantage of rising yields. The marked-to-market NAV’s of the pools stayed well within guidelines even as rate rose, primarily due to a shortening of the pool WAMs and conservative management by the pool’s investment managers. The WV Short Term Bond Pool experienced a difficult year due to the rising rate environment, as the fair value of investments dropped precipitously over the second half of the fiscal year. Coming from a period of very low rates, the pool did not have much of a cushion in investment earnings to soften the blow of declining fair values. For most bond investment funds outside of money market funds, the second half of fiscal year 2022 was one of the worst on record.

During the fiscal year, economic growth was more erratic, with overall growth lower than fiscal year 2021 levels. U.S. economic growth, as measured by Gross Domestic Product (“GDP”) appeared to be poised for consecutive negative prints in the final two quarters of the fiscal year. A big contributor to the slowdown was a slowing in the expansion inventories, as businesses that had been previously building inventories to

get ahead of supply chain issues and increased consumer demand began pulling back. Over the final quarter of the fiscal year, the pullback in inventory accumulation was estimated to shave up to 2.0% from GDP. Labor markets appeared to be unphased by the contractions in GDP, as employers continued to struggle to fill openings and employees continued to be able to negotiate higher wages. At the end of fiscal year 2021, there was still some debate as to whether inflationary pressures were transient or becoming more persistent. With inflation prints rising higher over the course of fiscal year 2022, the debate was put to rest. Inflation in fiscal year 2022 became broader based, rather than concentrated in items affected by supply chain issues.

General Revenue Fund collections were \$1.3 billion above the official Fiscal Year 2022 estimate and 18 percent above prior year receipts. The record revenue collection was driven by solid economic growth and higher than anticipated inflation. The revenue growth was coupled with a tight labor market and low unemployment. Furthermore, the level of federal aid to state and local governments was larger than anticipated. State records were set for personal income tax, severance tax, and consumer sales tax collections.

West Virginia General Revenue Fund collections totaled nearly \$5.89 billion in fiscal year 2022. For the fiscal year, collections of personal income tax, severance tax and consumer sales tax set records, coming in at \$2.5 billion, \$768.8 million, and \$1.6 billion, respectively. Increases in personal income tax collections were driven by a rebound in employment, which surpassed pre-pandemic levels in March 2022. Unemployment in the state dropped to 3.8% while the labor force participant rate improved by 0.7%. Average wages also increased over fiscal year 2022, rising from the pandemic low of \$24.29 per hour in August 2020 to \$26.50 per hour in June 2022. Severance taxes were boosted both by an increase in production of natural gas and coal and significant increases in their prices over the second half of the fiscal year. Inflation helped to drive increases in consumer sales tax collections as consumers were subject to increasing prices for goods and services over the fiscal year.

Though General Revenue Fund collections were exceptionally high in fiscal year 2022, this growth is expected to slow during fiscal year 2023. Slowing economic growth in recent months, current geopolitical crises, the ongoing Covid-19 pandemic, high inflation, and changing federal monetary policy will likely result in slower revenue growth during the next fiscal year. On a national basis, the Urban Institute and Brookings Institution's Tax Policy Center recently reported that states' personal income tax revenues are expected to grow by a weak 0.4 percent, corporate income tax collections could decrease by 8.6 percent, and sales tax revenues may increase by only 0.1 percent during fiscal year 2023. With all-time highs in revenue collections among the states, there remain economic uncertainties that could slow the momentum of growth from the previous fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the BTI's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, West Virginia Board of Treasury Investments, 315 70<sup>th</sup> Street SE, Charleston WV 25304.

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West Virginia Board of Treasury Investments  
Statement of Net Position  
Proprietary Fund

June 30, 2022

*(In Thousands)*

<b>Assets</b>	
Current assets:	
Cash	\$ 1,310
Receivables	<u>1,080</u>
Total current assets	2,390
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>6</u>
Total assets	<u>2,396</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>858</u>
Total liabilities	<u>858</u>
 <b>Net position</b>	
Net investment in capital assets	6
Unrestricted	<u>1,532</u>
Total net position	<u>\$ 1,538</u>

*See accompanying notes to financial statements*

West Virginia Board of Treasury Investments  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund

For the Year Ended June 30, 2022

*(In Thousands)*

<b>Operating revenues</b>	
Management services	\$ 1,198
Advisor services	2,580
Custodian services	<u>224</u>
Total operating revenues	4,002
 <b>Operating expenses</b>	
Advisor fees	2,580
Management fees	738
Trustee Fees	2
Professional service fees	256
Fiduciary bond	20
Custodian fees	225
General and administrative	237
Depreciation	<u>3</u>
Total operating expenses	<u>4,061</u>
 <b>Operating loss</b>	 <u>(59)</u>
 Change in net position	 (59)
Net position at beginning of period	<u>1,597</u>
Net position at end of period	<u><u>\$ 1,538</u></u>

*See accompanying notes to financial statements*

West Virginia Board of Treasury Investments  
Statement of Cash Flows  
Proprietary Fund

For the Year Ended June 30, 2022

*(In Thousands)*

<b>Cash flows from operating activities</b>	
Cash received for services	\$ 3,935
Payments to vendors	<u>(3,981)</u>
Net cash used by operating activities	<u>(46)</u>
 <b>Cash flows from capital and related financing activities</b>	
Purchase of capital equipment	<u>(2)</u>
Net cash used by capital and related financing activities	<u>(2)</u>
 Net decrease in cash	 (48)
Cash at beginning of period	<u>1,358</u>
Cash at end of period	<u><u>\$ 1,310</u></u>
 <b>Reconciliation of operating loss to net cash used by operating activities</b>	
Operating loss	\$ (59)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3
Changes in assets and liabilities:	
Receivables	(67)
Accounts payable	<u>77</u>
Net cash used by operating activities	<u><u>\$ (46)</u></u>

**Noncash capital financing activities:**

The Proprietary Fund purchased computer equipment during fiscal year 2022 costing \$4. As of June 30, 2022, the vendor has not invoiced the Fund for the amount due.

*See accompanying notes to financial statements*

West Virginia Board of Treasury Investments  
 Combined Statement of Fiduciary Net Position  
 Fiduciary Funds  
 Consolidated Fund

June 30, 2022

*(In Thousands)*

<b>Assets</b>	
Investments:	
At amortized cost	\$8,534,818
At fair value	732,155
Total investments	9,266,973
Receivables:	
Accrued interest	6,483
Dividends	206
Other	7
Total receivables	6,696
Total assets	9,273,669
 <b>Liabilities</b>	
Accrued expenses	1,164
Dividends payable	873
Investments purchased	36,937
Total liabilities	38,974
 <b>Net Position</b>	
Held in trust for investment pool participants	9,037,072
Held in trust for individual investment account holders	197,623
Total net position	\$9,234,695

*See accompanying notes to financial statements*

West Virginia Board of Treasury Investments  
 Combined Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 Consolidated Fund

For the Year Ended June 30, 2022

*(In Thousands)*

<b>Additions</b>	
Investment income:	
Interest	\$ 27,549
Dividends	526
Net amortization	10,096
Total investment income	<u>38,171</u>
Investment expenses:	
Investment advisor fees	2,581
Custodian bank fees	223
Administrative fees	1,199
Total investment expenses	<u>4,003</u>
Net investment income	34,168
Net realized loss from investments	(595)
Net decrease in fair value of investments	<u>(35,431)</u>
Net decrease in net position from operations	(1,858)
Participant transaction additions:	
Purchase of pool units by participants	15,388,367
Reinvestment of pool distributions	34,036
Contributions to individual investment accounts	54,702
Total participant transaction additions	<u>15,477,105</u>
Total additions	<u>15,475,247</u>
<b>Deductions</b>	
Distributions to pool participants:	
Net investment income	31,734
Net realized loss from investments	(595)
Total distributions to pool participants	<u>31,139</u>
Participant transaction deductions:	
Redemption of pool units by participants	14,234,345
Withdrawals from individual investment accounts	94,652
Total participant transaction deductions	<u>14,328,997</u>
Total deductions	<u>14,360,136</u>
Change in net position	1,115,111
Net position at beginning of period	8,119,584
Net position at end of period	<u><u>\$ 9,234,695</u></u>

*See accompanying notes to financial statements*

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## West Virginia Board of Treasury Investments

### Notes to Financial Statements

June 30, 2022

#### **1. Organization and Operations**

The West Virginia Board of Treasury Investments (the “BTI”) is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia State Code Chapter 12, Article 6C, West Virginia Treasury Investments Act. The West Virginia Legislature established the BTI as a public corporation of the State of West Virginia, to make short-term operating funds of the state more accessible to state government and to allow the West Virginia Investment Management Board (the “IMB”), which had managed the Consolidated Fund, to focus on the state’s long-term trust investments. The Consolidated Fund is the statutory title of the fund that collectively refers to the investment pools and accounts that the BTI manages. The BTI operates on a fiscal year that begins July 1 and ends June 30. The BTI is considered a component unit of the State and its financial statements are presented in the State’s comprehensive annual financial report.

The accompanying financial statements include the operations of the BTI as well as investment balances and transactions of the individual investment pools and accounts of the Consolidated Fund under management of the BTI. The BTI provides a business-type activity that charges fees on a cost-reimbursement basis and is shown in the separate proprietary fund financial statements. Investment activities of the Consolidated Fund are shown in the separate fiduciary fund financial statements.

The West Virginia State Treasurer’s Office provides direct administrative and management services to the BTI. The BTI does not directly employ a staff but reimburses the Treasurer’s Office for all personnel expenses of Treasury employees assigned to administer and manage the BTI. The Treasurer’s Office also provides various supplementary administrative services. A five-member Board of Directors governs the BTI. The State Governor, State Treasurer, and State Auditor serve as ex officio members of the Board. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one is required to be a certified public accountant and one is required to be an attorney, with both having experience in finance, investing and management. The State Treasurer is Chairman of the Board.

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The following investment pools and accounts make up the Consolidated Fund:

**WV Money Market Pool** – This pool consists of the operating funds of the State, funds held by State agencies, and funds from local governments who desire the opportunity to invest with the State. Its purpose is to provide for the investment of all surplus funds and to supply the daily cash needs of the State. The pool is co-managed by Federated Hermes and UBS Global Asset Management.

**WV Government Money Market Pool** – This pool consists of State agency and local government investors who wish to invest in a pool that restricts its investments to U.S. Government Obligations, U.S. Government Agency Obligations, or repurchase agreements backed by U.S. Government and Agency Obligations. The pool is managed by UBS Global Asset Management.

**WV Short Term Bond Pool** – This pool consists of the operating funds of the State that are not needed immediately to fund the State’s liquidity requirements. The pool is managed by Sterling Capital Management.

**WV Bank Pool** – This account consists of certificates of deposit purchased by the State through the West Virginia CD Program. The program purchases CDs from state banks and depositories to make state investment funds available for consumer and business loans within the state. The State is the sole participant in this account.

**Loan Pool** – This account is composed of intergovernmental loans made by the Consolidated Fund to other state agencies. There are three loan programs authorized by statute that are accounted for in the Loan Pool: the WVEDA Revolving Loan, the WVEDA Broadband Loan, and the WVDOT Infrastructure Investment Revolving Loan. The State is the sole participant in the account.

**Reserve Pool** – This account is composed of an interest-bearing depository account with United Bank. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. Other funds are transferred to this pool as management deems necessary. The objective of this account is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net position does not fall below \$0.9985. The State is the sole participant in this account.

**Participant Directed Accounts** – The BTI also maintains accounts for individual State agencies with specific investment needs. These accounts are collectively referred to as Participant Directed Accounts, and include the following: Municipal Bond Commission (“MBC”), School Fund, and Economic Development Authority – American Woodmark (“EDA – AW”). Each agency is the sole owner of its account and is responsible for providing the BTI with investment guidelines that are consistent with the legal restrictions applicable to the assets in the account. The BTI manages these accounts in accordance with the accounts’ investment guidelines and directions from the account owners.

The BTI is authorized by West Virginia Code Chapter 12, Article 6C, Section 9, to invest in United States government and agency obligations, commercial paper, corporate bonds, repurchase agreements, asset-backed securities, and investments in accordance with the Linked Deposit Program, which is a program using financial institutions in the state to reduce loan costs to small businesses by offsetting interest reductions on the loans with certificates of deposit, loans approved by the Legislature, and any other programs authorized by the Legislature. In addition to the restrictions in investment types, at no time shall more than seventy-five percent of the Consolidated Fund be invested in any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association and at no time shall more than five percent be invested in securities issued by a single private corporation or association. Further, no less than fifteen percent of the Consolidated Fund shall be invested in any direct obligation of or obligation guaranteed by the United States government. Senate Bill 297, passed during the 2021 Regular Legislative Session, has modified these restrictions, eliminating the seventy-five percent investment restriction and the minimum fifteen percent investment in direct obligations and obligations guaranteed by the United States government. The provisions of Senate Bill 297 became effective on July 8, 2021.

## **2. Significant Accounting Policies**

### **Basis of Accounting**

The financial statements of the BTI are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States

of America. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An internal service fund, which is a type of proprietary fund, is used to account for investment management services provided by the BTI on a cost-reimbursement basis. An investment trust fund, which is a type of fiduciary fund, is used to account for each of the investment pools and accounts of the Consolidated Fund. The Consolidated Fund is composed of three external investment pools (WV Money Market, WV Government Money Market, and WV Short Term Bond) and six individual investment accounts (WV Bank, Loan, Reserve, Municipal Bond Commission, School Fund, and Economic Development Authority – American Woodmark).

### **Budgetary Information**

The Board's annual operating budget is appropriated by the Legislature from fees collected by the BTI.

### **Cash Equivalents**

Cash equivalents are short-term investments with maturities when acquired of 90 days or less.

### **Capital Assets**

Capital asset expenditures of \$1,000 (\$500 in the case of certain computer equipment) or more with a useful life greater than one year are capitalized at cost and reported net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are three years.

### **Wages, Compensated Absences, Retirement Plan and Other Postemployment Benefits**

The BTI has no employees. The State Treasurer's Office provides administrative and management services to the BTI. As a result, the BTI does not accrue for compensated absences and other postemployment benefits or directly contribute to the state retirement plan. Management services provided are recorded as management fees paid to the State Treasurer's Office.

### **Income Taxes**

The BTI is a public corporation organized under laws of the State of West Virginia and, as such, is exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the BTI is not subject to federal or state income taxes.

### **Revenues and Expenses – Proprietary Fund**

Operating revenues of the BTI's proprietary fund are generated from services provided to the investment pools and accounts of the Consolidated Fund. Revenues of the proprietary fund also are derived from vendor fees charged directly to the investment pools and accounts and paid by the proprietary fund, such as investment advisor fees and custodian fees. Operating expenses of the proprietary fund represent payments for services provided under contract, such as investment advisors and consultants, fiduciary bond fees, and custodian fees; general and administrative expenses of the BTI, such as administrative and management services, trustee fees, office equipment, office supplies, and office space; and depreciation of capital assets. Revenues and expenses are recorded when earned and incurred in accordance with the economic resources measurement focus and the accrual basis of accounting.

## Net Position – Proprietary Fund

The net position of the BTI’s proprietary fund is composed of net investment in capital assets and unrestricted net position, which represent net position not restricted to use by legal, contractual or enabling legislation constraints.

## Use of Estimates

Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates. The significant estimates and assumptions that affect the reporting of amounts of assets and liabilities at the statement of financial position date and revenues and expenses for the year then ended are those required in the determination of the allowance for loan losses and amortization of investments. Actual results in the near term could differ from the estimates used to prepare these financial statements.

## Investment Accounting

**Investment Carrying Value** The BTI is an investment vehicle of the State, its component units, and local governments, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Reserve pools or accounts are carried at amortized cost, as permissible under Governmental Accounting Standards Board (“GASB”) Statement No. 31, as amended by GASB Statement Nos. 72 and 79. The WV Money Market and WV Government Money Market pools measure all investments at amortized cost for financial reporting purposes in accordance with criteria established in GASB Statement No. 79. The criteria specify that the pools must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place any limitations or restrictions on participant withdrawals from the WV Money Market and WV Government Money Market pools, such as redemption notice periods, maximum transaction amounts, nor possess authority to impose liquidity fees or redemption gates.

The specific exceptions to fair value reporting for the other pools and accounts referred to above are defined in professional standards as follows. The WV Bank Pool contains nonnegotiable certificates of deposit, which are nonparticipating interest-earning investment contracts. The Loan Pool contains loans receivable arising from lending activities of economic development authorities. The Reserve Pool contains a bank depository account that has no market.

The investments of the remaining pools and participant accounts are reported at fair value, which is determined by third party pricing services based on asset portfolio pricing models and other sources. The BTI measures fair value at the end of each month. See Note 5 for a discussion and summary of the measurement of fair values. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Commissions on the purchases of securities by the BTI are a component of the security price quoted by the seller and are included in the investment cost.

**Repurchase Agreements** The BTI uses only tri-party repurchase agreements. Under the terms of a tri-party repurchase agreement, the seller transfers collateral securities to an account of the BTI’s manager/agent at the seller’s custodian bank. This arrangement perfects the BTI’s lien on the collateral and effectively protects the BTI from a default by the seller. The BTI requires sellers in repurchase transactions to pledge collateral of at least 102% of the cash borrowed from the BTI. If the seller defaults and the fair value of the collateral declines, realization of the collateral by the BTI may be delayed or limited.

**Asset-Backed Securities** Certain pools invest in various asset-backed securities and structured corporate debt. The pools invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and fair value of the underlying assets.

**Investment Transactions** Investment transactions are accounted for on a trade date basis.

**Investment Gains and Losses** Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

**Interest Income** Interest income is recognized as earned on the accrual method.

**Dividend Income** Dividend income is recognized on the ex-dividend date.

**Amortization** Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. The effect of changing prepayment assumptions is reported in the Combined Statement of Changes in Fiduciary Net Position in the year of the change.

**Allowance for Loan Losses** The allowance for loan losses is available to absorb future loan losses. The allowance is increased by provisions charged against operations and reduced by charge-offs (losses), net of recoveries. The provision is based on several factors including: analytical reviews of loan loss experience in relationship to outstanding loans; a continuing review of problem loans and overall portfolio quality, including analysis of the quality of the underlying collateral; and management's judgment on the impact of current and expected economic conditions on the portfolio. At June 30, 2022, the Loan Pool had no allowance for uncollectible loans.

**Distributions to Participants** The net income of the WV Money Market and WV Government Money Market Pools are declared as dividends and distributed daily to the participants based upon their pro rata participation in the pools. The distributions of net investment income are credited to the participants' accounts in the form of dividend reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Position.

The monthly net income of the WV Short Term Bond Pool is declared as a dividend on the last day of the month and distributed to the participants in the pool on the first day of the following month. Distributions are paid in the form of reinvestments in the pools and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Position.

**Expenses** Each pool is charged for its direct investment-related cost and for its allocated share of other expenses. The other expenses are allocated to the pools based on asset size. Certain pools are not charged expenses or are charged a reduced expense. The BTI proprietary fund pays all expenses on behalf of the pools and is subsequently reimbursed by the pools.

### **3. Cash and Cash Equivalents**

The proprietary fund's cash on deposit with the State Treasurer's Office was approximately \$1,310,000 at June 30, 2022. The cash is pooled with other deposits from the State's agencies, departments, boards and

commissions and is subject to coverage by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized by securities held by the State or its agents in the State’s name. Cash equivalents are short-term, highly liquid investments having original maturities of 90 days or less. The proprietary fund did not hold any cash equivalents at June 30, 2022.

Custodial credit risk of cash deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The BTI does not have a deposit policy for custodial credit risk. BTI management does not believe any of its proprietary fund’s deposits are exposed to custodial credit risk.

#### **4. Investments and Deposits**

The BTI has adopted an investment policy in accordance with the “Uniform Prudent Investor Act.” The “prudent investor rule” guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI’s investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund.

#### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI’s pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAM by Standard & Poor’s. A fund rated AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAM is the highest principal stability fund rating assigned by Standard & Poor’s. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, seven are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, WV Bank Pool, Loan Pool, Reserve Pool, and School Fund Account.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt be rated A+ or higher by Standard & Poor's (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor's (or its equivalent). The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 37,503	0.46%
Commercial Paper	A-1+	1,956,052	24.01
	A-1	3,849,657	47.27
Negotiable certificates of deposit	A-1+	208,000	2.55
	A-1	1,141,000	14.01
	A+	117,500	1.44
Money market funds	AAAm	217,659	2.67
Cash	A-1+	824	0.01
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	117,400	1.44
U.S. Agency bonds and notes	AA+	500,000	6.14
		\$ 8,145,595	100.00%

\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The following table provides information on the credit ratings of the WV Government Money Market Pool's investments (in thousands):

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 1,000	0.43%
U.S. Treasury bills *	A-1+	28,974	12.39
U.S. agency bonds and notes	AA+	39,124	16.70
U.S. agency discount notes	A-1+	109,899	46.95
Money market funds	AAAm	198	0.08
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	54,900	23.45
		\$ 234,095	100.00%

\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all long-term corporate debt be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 89,910	13.03%
U.S. government agency bonds	AA+	2,403	0.34
U.S. agency collateralized mortgage obligations			
U.S. government guaranteed*	AA+	10,577	1.53
Non-U.S. government guaranteed	AA+	2,732	0.40
Corporate fixed- and floating-rate bonds and notes	AAA	3,421	0.50
	AA+	1,983	0.29
	AA	3,077	0.45
	AA-	22,231	3.22
	A+	57,764	8.37
	A	58,155	8.43
	A-	90,582	13.13
	BBB+	61,433	8.90
	BBB	35,313	5.12
	BBB-	44,896	6.51
	NR	24,283	3.52
Collateralized mortgage obligations	AAA	3,126	0.45
	NR	15,296	2.22
Municipal Securities	AAA	7,713	1.12
	AA+	12,362	1.79
	AA	7,262	1.05
	AA-	2,179	0.32
	A	2,469	0.36
	NR	4,279	0.62
Asset-backed securities	AAA	94,217	13.66
	NR	26,361	3.82
Money market funds	AAAm	5,856	0.85
		<u>\$ 689,880</u>	<u>100.00%</u>

NR = Not Rated

\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

The WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$78,000. The mutual fund is rated AAm by Standard & Poor's. The BTI does not have a policy specifically addressing credit risk in the WV Bank Pool.

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an investment in a money market mutual fund of approximately \$42,000. The mutual fund is rated AAm by Standard & Poor's. The loans are not rated; however, because there is the potential for defaults on the loans, the pool is subject to credit risk related to the loans. The BTI addresses this credit risk by establishing and regularly evaluating a reserve for uncollectible loans.

The Reserve Pool holds an interest in a money market mutual fund valued at approximately \$2,000. The mutual fund is rated AAAM by Standard & Poor's. The BTI does not have a policy specifically addressing credit risk in the Reserve Pool.

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,101,000. The mutual fund is rated AAAM by Standard & Poor's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 37,503	1
Commercial paper	5,805,709	23
Negotiable certificates of deposit	1,466,500	25
Repurchase agreements	617,400	1
Money market funds	217,659	1
Cash	824	1
	\$ 8,145,595	21

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 1,000	62
U.S. Treasury bills	28,974	34
U.S. agency bonds and notes	39,124	9
U.S. agency discount notes	109,899	28
Repurchase agreements	54,900	1
Money market funds	198	1
	\$ 234,095	19

The overall effective duration of the investments of the WV Short Term Bond Pool is limited to a +/- 30 percent band around the effective duration of the portfolio's benchmark (the ICE BofAML 1-3 US Corporate & Government Index). As of June 30, 2022, the effective duration of the benchmark was 686 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date

of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury notes	\$ 89,910	816
U.S. government agency bonds	2,403	815
U.S. agency collateralized mortgage obligations	13,309	75
Corporate fixed-rate bonds and notes	369,328	657
Corporate floating-rate bonds and notes	33,810	(19)
Commercial mortgage-backed securities	18,422	585
Municipal Securities	36,264	433
Asset-backed securities	120,578	474
Money market funds	5,856	-
	\$ 689,880	584

The WV Bank Pool holds nonnegotiable certificates of deposit totaling \$20,100,000 with maturity dates ranging from July 2022 through August 2022, and an interest in a money market mutual fund valued at approximately \$78,000. The money market mutual fund has a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Loan Pool holds an interest in a money market mutual fund in the amount of approximately \$42,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Reserve Pool maintains funds totaling approximately \$19,986,000 in a bank depository account and an interest in a money market mutual fund valued at approximately \$2,000. The money market mutual fund has a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Municipal Bond Commission Account holds three State and Local Government Series securities valued at \$39,674,000 with a weighted average maturity of 333 days. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission Account arising from increasing interest rates.

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,101,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The EDA-AW Account holds only a U.S. Treasury bond valued at approximately \$1,499,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

## **Other Risks of Investing**

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

## **Deposits**

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The WV Money Market Pool contains funds totaling approximately \$824,000 in its' custody account related to a trade failure. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$20,100,000. The Reserve Pool contains funds totaling approximately \$19,986,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

## **5. Investments Measured at Fair Value**

The BTI measures the WV Short Term Bond Pool, the Municipal Bond Commission Account, the School Fund Account and the EDA-AW Account at fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. The BTI categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs – Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The following table summarizes the recurring fair value measurements of the investment securities in the WV Short Term Bond Pool in accordance with the fair value hierarchy levels as of June 30, 2022 (in thousands):

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury notes	\$ 89,910	\$ -	\$ -	\$ 89,910
U.S. Government agency bonds	-	2,403	-	2,403
U.S. agency collateralized mortgage obligations	-	13,309	-	13,309
Corporate fixed-rate bonds and notes	-	369,328	-	369,328
Corporate floating-rate bonds and notes	-	33,810	-	33,810
Commercial mortgage-backed securities	-	18,422	-	18,422
Municipal Securities	-	36,264	-	36,264
Asset-backed securities	-	120,578	-	120,578
Money market funds	5,856	-	-	5,856
	\$ 95,766	\$ 594,114	\$ -	\$ 689,880

The valuation methodologies and inputs presented below are used in the fair value measurements for investments in securities in the WV Short Term Bond Pool classified as Level 2 in the preceding table.

### **U.S. Government Agency Bonds**

Level 2 U.S. government agency bonds and notes are priced using spread, yield and price-based evaluations. For spread- and yield-based evaluations, a bullet (non-call) spread scale is created for relevant maturities for each issuer. The spreads are based on the new issue market, secondary trading and dealer quotes. For price-based evaluations, evaluators use recently executed transactions of similar securities and dealer quotes to arrive at appropriate pricing.

### **U.S. Agency Collateralized Mortgage Obligations**

Level 2 U.S. agency collateralized mortgage obligations are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

### **Corporate Fixed-Rate Bonds and Notes**

Level 2 corporate fixed-rate bonds and notes are priced using spread, yield and price-based evaluations. For spread- and yield-based evaluations, a bullet (non-call) spread scale is created for relevant maturities for each issuer. The spreads are based on the new issue market, secondary trading and dealer quotes. For price-based evaluations, evaluators use recently executed transactions of similar securities and dealer quotes to arrive at appropriate pricing.

### **Corporate Floating-Rate Bonds and Notes**

Level 2 corporate floating-rate bonds are evaluated by calculating current and future coupons, then discounting each cash flow by an appropriate discount margin. A basic yield scale covering a range of quality ratings and maturities is established for the corresponding indices. The yield scale consists of

discount margins obtained from primary and secondary dealers in the new issue market. Final yields are calculated by adding the appropriate discount margin to each forward rate plus special adjustments to capture issue-specific characteristics, as applicable. The resulting yields are then used to discount each expected cash flow.

### **Commercial Mortgage-Backed Securities**

Level 2 commercial mortgage-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, third-party real estate analysis, and prevailing market conditions.

### **Municipal Securities**

Level 2 municipal securities are evaluated based on factors such as trading activity reported through the Municipal Securities Rulemaking Board’s Real-time Transaction Reporting System, levels on bellwether issues, established trading spreads between similar issuers or credits, historical trading spreads over widely accepted market benchmarks, new issue scales and other relevant market data.

### **Asset-Backed Securities**

Level 2 asset-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

The School Fund Account holds a money market fund reported at a fair value of \$1,101,000 using Level 1 inputs.

The Municipal Bond Commission Account holds Treasury Securities – State and Local Government Series (“SLGS”) issues that are reported at historical cost (face value) of \$39,674,000. SLGS are special purpose securities the U.S. Department of the Treasury issues to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax-exempt bonds. There is no market for these securities as they may only be redeemed at the U.S. Department of Treasury on or before their stated maturity date at face value plus accrued interest.

The EDA-AW Account holds a U.S. Treasury bond reported at a fair value of \$1,499,000 using Level 1 inputs.

## **6. Capital Assets**

Capital asset activity in the proprietary fund was as follows (in thousands):

	<u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Equipment, at cost	\$ 23	\$ 6	\$ 9	\$ 20
Accumulated depreciation	(20)	(3)	(9)	(14)
Equipment, net of accumulated depreciation	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 6</u>

## 7. Related Party Transactions

### Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2022, the BTI's intergovernmental investments, which are assets of the Loan Pool, included the following:

- a. The "WVEDA Revolving Loan" is an obligation of the West Virginia Economic Development Authority (the "WVEDA"). The BTI, subject to a liquidity determination, is required to make a revolving loan available to the WVEDA for the purposes of making loans for business and industrial development. Senate Bill 534, which was passed by the Legislature during the 2021 Regular Session, increased the loan program from \$175,000,000 to \$200,000,000 effective July 8, 2021. In addition to increasing the loan amount, the provisions of Senate Bill 534 modified the annual interest rate paid by the WVEDA from the twelve-month return of the WV Money Market Pool to fifty percent of the loan rate received by the WVEDA for loans made under the program. The rate is limited to a 1% annual adjustment cap. The rate in effect for the period of July 1, 2021 to July 7, 2021 was 0.69%. After the provisions of Senate Bill 534 became effective, the rate was reset to 1.56% on July 8, 2021. The WVEDA makes monthly principal and interest payments calculated on a 120-month amortization of the outstanding balance. At June 30, 2022, the outstanding balance was \$105,234,000.

During the 2022 2<sup>nd</sup> Special Session, the Legislature passed Senate Bill 2001. Senate Bill 2001, which became effective April 26, 2022, created the Economic Development Project Fund within the WVEDA. Provisions of Senate Bill 2001 require the WVEDA to repay the outstanding balance of the WVEDA Revolving Loan within 30 days of the deposit of sufficient funds into the Economic Development Project Fund. Upon repayment of the outstanding balance, the WVEDA Revolving Loan will be terminated, and no more loans may be made under the loan program. It is expected that the Economic Development Project Fund will receive a sufficient appropriation to trigger the repayment provision during a special session to be convened in July or August of 2022.

- b. The "WVEDA Broadband Loan" represents an obligation of the WVEDA. Under the statutory provisions governing the loan program, the BTI is required to make available to the WVEDA, from the Consolidated Fund, up to \$80 million to insure the payment or repayment of any debt entered into by an entity for purposes of expanding broadband services to unserved and underserved areas of the state. The loan is structured as a non-recourse, revolving loan that is payable by the WVEDA solely from moneys received in respect to the insured debt instruments. The WVEDA may not insure more than \$20 million per entity in one calendar year. The loan has a variable rate equal to the 12-month average yield on the WV Money Market Pool. The rate resets quarterly and the maximum annual adjustment may not exceed 1.00%. For the quarter ending June 30, 2022, the annualized rate is 0.10%. The WVEDA is required to make quarterly payments to pay all accrued interest on the loan for the prior quarter. On a quarterly basis, the WVEDA determines the outstanding balance of the insured debt covered by the loan and adjusts the outstanding balance of the loan to equal the outstanding balance of the insured debt. At May 31, 2022, the outstanding balance was \$9,686,000.

As of June 30, 2022, the WVEDA has provided the BTI with Notices of Intent to Request Advance (the "Notices") indicating that the WVEDA has committed to provide insurance for broadband expansion related debt instruments totaling \$44,047,000. The loan insurance commitments cover seven broadband expansion related debt instruments for five separate broadband service providers. The WVBTI has transferred \$9,686,000 to the WVEDA for outstanding balances on insured debt instruments. The remaining \$34,361,000 committed for loan insurance is held by the West Virginia State Treasurer's Office in an account in the West Virginia Money Market Pool. As of June 30,

2022, the insured debt instruments are in good standing and the likelihood of a default appears remote.

- c. The “WVDOT Infrastructure Investment Revolving Loan” represents an obligation of the West Virginia Department of Transportation (the “WVDOT”). During the 2022 2<sup>nd</sup> Special Session, the Legislature passed Senate Bill 2001. Under the provisions of Senate Bill 2001, the BTI is required to make available to the WVDOT, from the Consolidated Fund, up to \$200 million for deposit in the Infrastructure Investment Reimbursement Fund (the “Reimbursement Fund”). The WVDOT may make payment of expenses from the Reimbursement Fund that are eligible for cost reimbursement according to an agreement with the federal government pursuant to the Infrastructure Investment and Jobs Act. Reimbursements received by the WVDOT from the federal government are required to be deposited in the Fund. Any balance remaining in the Fund at the end of the fiscal year is required to be transferred back to the Consolidated Fund. Loans made to the WVDOT under this loan program will bear no interest. The loan program will terminate on June 30, 2027. By this date, 100 percent of any expenditures made from the Fund must be repaid. As of June 30, 2022, there is no outstanding balance in this loan program.

### **Transactions with State Treasurer’s Office**

The State Treasurer’s Office provides various services to the BTI, some of which are reimbursed by the BTI, and others of which the Treasurer provides at no cost to the BTI. During the year ended June 30, 2022, the BTI reimbursed the Treasurer’s Office \$793,000 for services, which includes \$736,000 for management services provided by Treasurer’s Office employees. As of June 30, 2022, the BTI had an amount payable to the Treasurer’s Office totaling \$71,000, of which \$56,000 was for management services provided by Treasurer’s Office employees. Also during the year, the Treasurer’s Office provided services valued at approximately \$20,000 at no cost to the BTI.

### **8. Risk Management**

The BTI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Board members are covered by a \$5 million blanket bond and general liability and property coverage of \$1 million per occurrence through the West Virginia State Board of Risk and Insurance Management (“BRIM”). The BTI has obtained additional coverage of \$5 million faithful performance bond through an outside underwriter. There have been no claims since the inception of the BTI.

### **9. Effect of New Accounting Pronouncements**

The GASB has issued a statement relating to financial accounting and reporting for leases: Statement No. 87, *Leases*. The objective of Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and reporting for leases by governments. The provisions of this statement are effective for reporting periods beginning after June 15, 2021. Because the BTI does not typically lease assets and has no plans to lease any assets in the near future, it is not currently affected by this statement.

The GASB has issued a statement related to accounting and financial reporting for interest cost incurred in construction: Statement No. 89, *Interest Cost Incurred before the End of a Construction Period*. The objective of Statement No. 89 is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The provisions of this statement are effective for reporting periods beginning after December 15, 2020. Because the BTI does not engage in borrowing or construction activity, it is not affected by this statement.

The GASB has issued a statement related to accounting and financial reporting for conduit debt obligations: Statement No. 91, *Conduit Debt Obligations*. The objective of Statement No. 91 is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The provisions of this statement are effective for reporting periods beginning after December 15, 2021. Because the BTI does not engage in debt issuance or transactions that would be considered conduit debt obligations, it is not affected by this statement.

The GASB has issued a statement related to accounting and financial reporting related to the replacement of interbank offered rates (“IBORs”) in hedging derivative instruments and leases: Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of Statement No. 93 is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The provisions of this statement are effective for reporting periods beginning after June 15, 2021. Because the BTI does not engage in hedging derivative transactions or leases, it is not affected by this statement.

The GASB has issued a statement related to financial reporting for public-private and public-public partnership arrangements: Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangements*. The objective of Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). As used in Statement 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a non-financial asset, such as infrastructure, or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for reporting periods beginning after June 15, 2022. Because the BTI does not engage in PPP arrangements, it is not affected by this statement.

The GASB has issued a statement related to accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users: Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of Statement 96 is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The provisions of this statement are effective for reporting periods beginning after June 15, 2022. Because the BTI does not engage in SBITAs that would be subject to this statement, it is not affected by this statement.

The GASB has issued a statement related to accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans: Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objectives of Statement 97 are to increase consistency and comparability related to the reporting of fiduciary component units that do not have governing boards and the primary government performs the duties a governing board would perform, mitigate costs associate with reporting of certain defined contribution pension plans and other postemployment benefit plans as fiduciary component units in fiduciary fund financial statements and enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan. The provisions of this statement are effective for reporting periods starting with the fiscal year that ends June 30, 2022. Because the BTI has a governing board and is not a defined contribution pension plan, other postemployment benefit plan or an IRC Section 457 deferred compensation plan, it is not affected by this statement.

West Virginia Board of Treasury Investments  
 Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 Consolidated Fund

June 30, 2022

(In Thousands)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Loan Pool</u>
<b>Assets</b>					
Investments:					
At amortized cost	\$ 8,145,595	\$ 234,095	\$ -	\$ 20,178	\$ 114,962
At fair value	-	-	689,880	-	-
Receivables:					
Accrued interest	3,194	47	3,015	30	138
Dividends	202	-	3	-	-
Other	7	-	-	-	-
Total receivables	<u>3,403</u>	<u>47</u>	<u>3,018</u>	<u>30</u>	<u>138</u>
Total assets	<u>8,148,998</u>	<u>234,142</u>	<u>692,898</u>	<u>20,208</u>	<u>115,100</u>
<b>Liabilities</b>					
Accrued expenses	897	39	220	2	5
Dividends payable	-	-	873	-	-
Investments purchased	34,947	1,990	-	-	-
Total liabilities	<u>35,844</u>	<u>2,029</u>	<u>1,093</u>	<u>2</u>	<u>5</u>
<b>Net Position</b>					
Held in trust for investment pool participants	8,113,154	232,113	691,805	-	-
Held in trust for individual investment account holders	-	-	-	20,206	115,095
Total net position	<u>\$ 8,113,154</u>	<u>\$ 232,113</u>	<u>\$ 691,805</u>	<u>\$ 20,206</u>	<u>\$ 115,095</u>

(Continued)

<b>Reserve Pool</b>	<b>Municipal Bond Commission Account</b>	<b>School Fund Account</b>	<b>Economic Development Authority - American Woodmark Account</b>	<b>Total</b>
\$ 19,988	\$ -	\$ -	\$ -	\$8,534,818
-	39,674	1,101	1,500	732,155
19	6	-	34	6,483
-	-	1	-	206
-	-	-	-	7
<u>19</u>	<u>6</u>	<u>1</u>	<u>34</u>	<u>6,696</u>
20,007	39,680	1,102	1,534	9,273,669
-	-	-	1	1,164
-	-	-	-	873
-	-	-	-	36,937
-	-	-	1	38,974
-	-	-	-	9,037,072
20,007	39,680	1,102	1,533	197,623
<u>\$ 20,007</u>	<u>\$ 39,680</u>	<u>\$ 1,102</u>	<u>\$ 1,533</u>	<u>\$9,234,695</u>

West Virginia Board of Treasury Investments  
 Combining Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 Consolidated Fund

For the Year Ended June 30, 2022

(In Thousands)

	<b>WV Money Market Pool</b>	<b>WV Government Money Market Pool</b>	<b>WV Short Term Bond Pool</b>	<b>WV Bank Pool</b>	<b>Loan Pool</b>
<b>Additions</b>					
Investment income:					
Interest	\$ 10,369	\$ 233	\$ 14,470	\$ 120	\$ 1,731
Dividends	512	-	9	2	1
Net (amortization) accretion	13,928	282	(4,096)	-	-
Total investment income	<u>24,809</u>	<u>515</u>	<u>10,383</u>	<u>122</u>	<u>1,732</u>
Investment expenses:					
Investment advisor fees	2,055	73	453	-	-
Custodian bank fees	189	13	21	-	-
Administrative fees	1,036	10	123	9	19
Total investment expenses	<u>3,280</u>	<u>96</u>	<u>597</u>	<u>9</u>	<u>19</u>
Net investment income	21,529	419	9,786	113	1,713
Net realized gain (loss) from investments	6	-	(601)	-	-
Net decrease in fair value of investments	-	-	(35,320)	-	-
Net increase (decrease) in net position from operations	21,535	419	(26,135)	113	1,713
Participant transaction additions:					
Purchase of pool units by participants	15,050,339	326,074	11,954	-	-
Reinvestment of pool distributions	21,533	419	12,084	-	-
Contributions to individual investment accounts	-	-	-	116	12,031
Total participant transaction additions	<u>15,071,872</u>	<u>326,493</u>	<u>24,038</u>	<u>116</u>	<u>12,031</u>
Total additions	15,093,407	326,912	(2,097)	229	13,744
<b>Deductions</b>					
Distributions to pool participants:					
Net investment income	21,529	419	9,786	-	-
Net realized gain (loss) from investments	6	-	(601)	-	-
Total distributions to pool participants	<u>21,535</u>	<u>419</u>	<u>9,185</u>	<u>-</u>	<u>-</u>
Participant transaction deductions:					
Redemption of pool units by participants	13,801,338	317,812	115,195	-	-
Withdrawals from individual investment accounts	-	-	-	40,266	22,056
Total participant transaction deductions	<u>13,801,338</u>	<u>317,812</u>	<u>115,195</u>	<u>40,266</u>	<u>22,056</u>
Total deductions	<u>13,822,873</u>	<u>318,231</u>	<u>124,380</u>	<u>40,266</u>	<u>22,056</u>
Change in net position	1,270,534	8,681	(126,477)	(40,037)	(8,312)
Net position at beginning of period	6,842,620	223,432	818,282	60,243	123,407
Net position at end of period	<u>\$8,113,154</u>	<u>\$ 232,113</u>	<u>\$ 691,805</u>	<u>\$ 20,206</u>	<u>\$ 115,095</u>

(Continued)

<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Total</u>
\$ 65	\$ 471	\$ -	\$ 90	\$ 27,549
-	-	2	-	526
-	-	-	(18)	10,096
<u>65</u>	<u>471</u>	<u>2</u>	<u>72</u>	<u>38,171</u>
-	-	-	-	2,581
-	-	-	-	223
-	1	-	1	1,199
-	<u>1</u>	-	<u>1</u>	<u>4,003</u>
65	470	2	71	34,168
-	-	-	-	(595)
-	-	-	(111)	(35,431)
<u>65</u>	<u>470</u>	<u>2</u>	<u>(40)</u>	<u>(1,858)</u>
-	-	-	-	15,388,367
-	-	-	-	34,036
48	42,407	100	-	54,702
<u>48</u>	<u>42,407</u>	<u>100</u>	<u>-</u>	<u>15,477,105</u>
113	42,877	102	(40)	15,475,247
-	-	-	-	31,734
-	-	-	-	(595)
-	-	-	-	31,139
-	-	-	-	14,234,345
48	32,193	-	89	94,652
<u>48</u>	<u>32,193</u>	<u>-</u>	<u>89</u>	<u>14,328,997</u>
48	32,193	-	89	14,360,136
65	10,684	102	(129)	1,115,111
19,942	28,996	1,000	1,662	8,119,584
<u>\$ 20,007</u>	<u>\$ 39,680</u>	<u>\$ 1,102</u>	<u>\$ 1,533</u>	<u>\$ 9,234,695</u>

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA MONEY MARKET POOL</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U.S. Treasury Notes</i>							
United States Treasury		1.792 % <i>F</i>	1.788 %	04/30/2023	37,500	\$ 37,503	\$ 37,575
Total U. S. Treasury Notes	0.5%					37,503	37,575
<i>Commercial Paper</i>							
Lloyds Bank PLC		0.000	1.354	07/01/2022	40,000	40,000	39,998
Antalis SA		0.000	1.623	07/01/2022	40,000	40,000	39,998
Atlantic Asset Securities Corporation		0.000	1.582	07/01/2022	100,000	100,000	99,996
Barton Capital Corporation		0.000	1.592	07/01/2022	123,000	123,000	122,994
Chesham Fin LTD		0.000	1.592	07/01/2022	50,000	50,000	49,998
DZ Bank		0.000	1.572	07/01/2022	375,000	375,000	374,984
KFW Bank		0.000	1.420	07/01/2022	100,000	100,000	99,997
Nordea Bank		0.000	1.025	07/01/2022	30,000	30,000	29,999
Societe Generale		0.000	1.490	07/01/2022	100,000	100,000	99,996
Starbird Funding Corporation		0.000	1.582	07/01/2022	25,000	25,000	24,999
Anglesea Funding		0.000	1.113	07/05/2022	120,000	119,985	119,974
Atlantic Asset Securities Corporation		0.000	1.582	07/05/2022	25,000	24,996	24,995
Bennington Stark Capital Company		0.000	1.623	07/05/2022	35,000	34,994	34,992
Federation Des Caisses		0.000	1.582	07/05/2022	40,000	39,993	39,991
Jupiter Securitization Company LLC		0.000	1.218	07/05/2022	50,000	49,993	49,988
Svenska Handelsbanken AB		0.000	0.335	07/05/2022	16,000	15,999	15,996
Lloyds Bank PLC		0.000	1.329	07/06/2022	25,000	24,995	24,993
MUFG Bank Ltd		0.000	1.531	07/06/2022	50,000	49,990	49,987
Bank of Nova Scotia		0.000	0.203	07/06/2022	19,500	19,499	19,495
Barclays Capital Corporation		0.000	1.037	07/06/2022	35,000	34,995	34,991
Barton Capital Corporation		0.000	1.088	07/06/2022	17,000	16,997	16,996
NRW Bank		0.000	1.536	07/06/2022	25,000	24,995	24,993
Collateralized Flex Company		0.000	0.366	07/07/2022	20,000	19,999	19,994
BNG Bank NV		0.000	1.592	07/07/2022	50,000	49,987	49,985
DBS Bank LTD		0.000	1.117	07/07/2022	35,000	34,994	34,989
LMA Americas LLC		0.000	1.219	07/07/2022	15,000	14,997	14,995
NRW Bank		0.000	1.521	07/07/2022	125,000	124,969	124,964
Sheffield Receivables		0.000	1.017	07/07/2022	50,000	49,992	49,985
Toronto Dominion Bank		0.000	1.592	07/07/2022	100,000	99,974	99,970
Collateralized Flex Company		0.000	0.366	07/08/2022	5,000	5,000	4,998
Nieuw Amrsterdam Receivables		0.000	1.127	07/08/2022	70,000	69,985	69,975
Nordea Bank		0.000	0.335	07/08/2022	16,000	15,999	15,994
Barton Capital Corporation		0.000	1.340	07/11/2022	50,000	49,982	49,976
Federation Des Caisses		0.000	1.274	07/11/2022	40,000	39,986	39,981
Matchpoint Finance PLC		0.000	1.219	07/11/2022	20,000	19,993	19,990
Svenska Handelsbanken AB		0.000	0.355	07/11/2022	17,000	16,998	16,992
Victory Receivables Corporation		0.000	1.047	07/11/2022	27,000	26,992	26,987
Westpac Securities		0.000	0.406	07/11/2022	14,000	13,998	13,993
Royal Bank of Canada		0.000	0.213	07/12/2022	30,000	29,998	29,984
DBS Bank LTD		0.000	0.986	07/12/2022	26,000	25,992	25,986
NRW Bank		0.000	1.557	07/12/2022	25,000	24,988	24,987
Antalis SA		0.000	1.169	07/13/2022	23,000	22,991	22,987
Gotham Funding Corporation		0.000	1.057	07/13/2022	27,000	26,991	26,984
Toyota Finance Australia		0.000	1.169	07/13/2022	50,000	49,981	49,971
Nieuw Amrsterdam Receivables		0.000	1.229	07/15/2022	17,000	16,992	16,988
Bank of Nova Scotia		0.000	0.203	07/20/2022	5,000	4,999	4,995
Cancara Asset Sec LLC		0.000	1.118	07/20/2022	35,000	34,980	34,968
Mitsubishi UFJ Trust & Banking		0.000	1.180	07/20/2022	20,000	19,988	19,981

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*F – Floating rate note security.**\* Fair value is determined by a third party pricing service and reported in accordance with GAAP. Fair value is not determined for loans. Their reported fair value equals amortized cost.**\*\* Rate represents last business day of the month.*

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Mizuho Bank Ltd		0.000	1.113	07/20/2022	30,000	29,983	29,973
Antalis SA		0.000	1.220	07/21/2022	40,240	40,213	40,201
Bedford Row Funding Corporation		0.000	1.665	07/21/2022	40,000	39,964	39,962
Nationwide Building Society		0.000	1.665	07/21/2022	45,000	44,959	44,956
Nordea Bank		0.000	1.048	07/21/2022	22,000	21,987	21,980
Toronto Dominion Bank		0.000	1.614	07/21/2022	75,000	74,934	74,929
Gotham Funding Corporation		0.000	1.220	07/22/2022	30,000	29,979	29,970
LMA Americas LLC		0.000	1.222	07/22/2022	17,000	16,988	16,983
Mizuho Bank Ltd		0.000	1.711	07/22/2022	45,000	44,956	44,954
United Overseas Bank		0.000	1.665	07/22/2022	35,000	34,967	34,965
Cancara Asset Sec LLC		0.000	1.200	07/25/2022	30,000	29,976	29,965
Federation Des Caisses		0.000	1.129	07/25/2022	35,000	34,974	34,959
Victory Receivables Corporation		0.000	1.270	07/25/2022	30,000	29,975	29,965
Collateralized Flex Company		0.000	1.696	07/26/2022	41,000	40,952	40,950
United Overseas Bank		0.000	1.220	07/26/2022	25,000	24,979	24,970
DBS Bank LTD		0.000	1.241	07/27/2022	28,000	27,975	27,964
Gotham Funding Corporation		0.000	1.373	07/28/2022	12,000	11,988	11,984
Nieuw Amrsterdam Receivables		0.000	1.696	07/28/2022	31,000	30,961	30,958
National Bank of Canada		1.690	F 1.670	07/28/2022	15,000	15,000	15,000
Bedford Row Funding Corporation		1.700	F 1.700	07/28/2022	15,000	15,000	15,000
Lloyds Bank PLC		0.000	1.666	07/29/2022	50,000	49,936	49,932
Victory Receivables Corporation		0.000	1.373	07/29/2022	36,000	35,962	35,949
Thunder Bay Funding LLC		1.710	F 1.690	07/29/2022	10,000	10,000	10,000
Anglesea Funding		0.000	1.757	08/01/2022	85,000	84,873	84,869
Bennington Stark Capital Company		0.000	1.777	08/01/2022	50,000	49,925	49,922
Chesham Fin LTD		0.000	1.777	08/01/2022	35,000	34,947	34,947
Gotham Funding Corporation		0.000	1.424	08/01/2022	30,000	29,964	29,954
Antalis SA		0.000	1.455	08/02/2022	18,000	17,977	17,971
Old Line Funding LLC		1.710	F 1.690	08/02/2022	7,500	7,500	7,500
Skandinav Enskilda Bank		1.680	F 1.660	08/02/2022	15,000	15,000	15,000
Federation Des Caisses		0.000	1.414	08/04/2022	28,000	27,963	27,952
Gotham Funding Corporation		0.000	1.476	08/04/2022	49,300	49,232	49,215
Lloyds Bank PLC		0.000	1.433	08/05/2022	50,000	49,931	49,912
Versailles		1.690	F 1.670	08/05/2022	20,000	20,000	20,000
Barclays Bank		1.730	F 1.726	08/05/2022	15,000	15,000	15,000
Antalis SA		0.000	1.445	08/08/2022	20,000	19,970	19,961
Skandinav Enskilda Bank		1.690	F 1.670	08/08/2022	15,000	15,000	15,000
Mizuho Bank Ltd		0.000	1.424	08/09/2022	35,000	34,947	34,929
Antalis SA		0.000	1.496	08/11/2022	15,000	14,975	14,968
LMA Americas LLC		0.000	1.468	08/12/2022	79,250	79,116	79,076
Albion Capital Corporation		0.000	1.578	08/15/2022	12,553	12,529	12,523
ANZ National LTD		0.000	0.345	08/15/2022	16,000	15,993	15,963
LMA Americas LLC		0.000	1.424	08/15/2022	50,000	49,912	49,881
Matchpoint Finance PLC		0.000	1.486	08/15/2022	100,000	99,817	99,762
Australia & NZ Banking Group		0.000	1.434	08/16/2022	55,250	55,150	55,119
Sheffield Receivables		0.000	2.004	08/16/2022	50,000	49,874	49,878
Collateralized Flex Company		1.710	F 1.690	08/16/2022	20,000	20,000	19,998
United Overseas Bank		1.629	F 1.680	08/18/2022	18,000	18,000	18,000
ASB Bank LTD		2.120	F 2.100	08/22/2022	15,000	15,000	15,000
Regatta Funding Company		2.100	2.100	08/23/2022	50,000	50,000	50,000
Sheffield Receivables		0.000	1.455	08/23/2022	40,000	39,916	39,884
Fairway Finance Corporation		1.700	F 1.680	08/23/2022	15,000	15,000	15,000
National Bank of Canada		1.700	F 1.680	08/30/2022	15,000	15,000	14,996
Bank of Nova Scotia		0.000	0.203	09/01/2022	10,000	9,997	9,966
Bank of America		0.000	1.070	09/02/2022	25,000	24,954	24,908
Australia & New Zealand Bank		1.680	F 1.664	09/06/2022	15,000	15,000	14,997
Westpac Banking Corporation		0.000	0.193	09/08/2022	15,000	14,995	14,942

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F – Floating rate note security.

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Bank of Nova Scotia	1.700	F	1.680	09/09/2022	17,000	17,000	16,995
Skandinav Enskilda Bank	1.710	F	1.690	09/09/2022	15,000	15,000	14,996
Skandinav Enskilda Bank	1.710	F	1.690	09/13/2022	19,000	19,000	18,994
LMA Americas LLC	0.000		2.243	09/21/2022	11,000	10,945	10,940
Nordea Bank	2.070	F	2.060	09/21/2022	15,000	15,000	15,009
DBS Bank LTD	0.000		2.233	09/22/2022	31,000	30,843	30,836
Gotham Funding Corporation	0.000		2.294	09/22/2022	40,000	39,792	39,784
Collateralized Flex Company	2.030	F	2.010	09/22/2022	15,000	15,000	15,006
Gotham Funding Corporation	0.000		2.346	09/23/2022	25,000	24,866	24,863
Mitsubishi UFJ Trust & Banking	0.000		2.387	09/23/2022	20,000	19,891	19,894
Thunder Bay Funding LLC	2.090	F	2.070	09/26/2022	25,000	25,000	25,007
United Overseas Bank	1.692	F	1.690	09/26/2022	15,000	15,000	15,000
Barclays Bank PLC	0.000		2.295	09/27/2022	31,000	30,829	30,812
Matchpoint Finance PLC	0.000		2.397	09/27/2022	50,000	49,713	49,717
LMA Americas LLC	0.000		2.397	09/28/2022	20,000	19,884	19,876
Collateralized Flex Company	1.920	F	1.900	10/03/2022	20,000	20,000	20,002
National Australia Bank	1.860	F	1.840	10/07/2022	15,000	15,000	15,001
Royal Bank of Canada	1.680	F	1.650	10/11/2022	40,000	40,000	39,976
Westpac Banking Corporation	0.000		0.274	10/12/2022	17,000	16,987	16,889
Royal Bank of Canada	0.000		0.254	10/14/2022	20,000	19,985	19,853
Commonwealth Bank of Australia	0.000		0.269	10/14/2022	12,000	11,991	11,919
Oversea Chinese Banking Corporation	1.710	F	1.684	10/14/2022	16,000	16,000	16,000
Thunder Bay Funding LLC	1.920	F	1.900	10/17/2022	15,000	15,000	15,000
Swedbank AB	1.880	F	1.860	10/20/2022	20,000	20,000	19,999
Commonwealth Bank of Australia	0.000		0.305	10/21/2022	16,000	15,985	15,881
Old Line Funding LLC	1.920	F	1.900	10/24/2022	15,000	15,000	15,001
BNZ International Funding	2.082	F	2.070	10/25/2022	15,000	15,000	15,000
Collateralized Flex Company	2.030	F	2.010	10/25/2022	35,000	35,000	35,008
Swedbank AB	1.900	F	1.880	10/25/2022	20,000	20,000	20,000
Thunder Bay Funding LLC	1.920	F	1.900	10/27/2022	20,000	20,000	20,000
Australia & New Zealand Bank	1.900	F	1.900	10/28/2022	19,000	18,999	19,002
Old Line Funding LLC	1.920	F	1.900	10/31/2022	15,000	15,000	15,000
Chariot Funding LLC	1.940	F	1.920	11/01/2022	40,000	40,000	40,002
Canadian Imperial Holdings	0.000		0.356	11/03/2022	5,000	4,994	4,959
Swedbank AB	1.920	F	1.900	11/03/2022	20,000	20,000	20,001
Collateralized Flex Company	1.770	F	1.750	11/04/2022	15,000	15,000	14,988
National Australia Bank	1.910	F	1.890	11/04/2022	15,000	15,000	15,000
Canadian Imperial Holdings	0.000		0.356	11/08/2022	10,000	9,987	9,913
National Bank of Canada	1.730	F	1.710	11/08/2022	15,000	15,000	15,000
Collateralized Flex Company	1.780	F	1.767	11/09/2022	15,000	15,000	15,000
United Overseas Bank	1.921	F	1.910	11/10/2022	18,000	18,000	18,000
Toyota Credit	1.990	F	1.970	11/14/2022	50,000	50,000	50,000
Royal Bank of Canada	0.000		0.407	11/15/2022	5,000	4,992	4,947
Toronto Dominion Bank	1.920	F	1.885	11/21/2022	20,000	20,000	19,996
Old Line Funding LLC	1.960	F	1.940	11/21/2022	15,000	15,000	15,000
Old Line Funding LLC	1.970	F	1.950	11/21/2022	30,000	30,000	30,000
Thunder Bay Funding LLC	1.960	F	1.940	11/21/2022	15,000	15,000	15,000
United Overseas Bank	1.721	F	1.720	11/28/2022	15,000	15,000	14,985
Bank of Montreal	1.780	F	1.760	11/30/2022	25,000	25,000	24,979
Canadian Imperial Bank	0.000		0.509	12/01/2022	10,000	9,979	9,888
Collateralized Flex Company	1.980	F	1.960	12/06/2022	20,000	20,000	20,000
Swedbank AB	2.030	F	2.010	12/15/2022	20,000	20,000	20,000
Australia & New Zealand Bank	1.960	F	1.940	12/20/2022	21,000	21,000	21,008
Westpac Banking Corporation	1.960	F	1.940	01/05/2023	21,000	21,000	21,000
National Bank of Canada	1.930	F	1.910	01/06/2023	20,000	20,000	20,000
Skandinav Enskilda Bank	1.920	F	1.900	01/06/2023	15,000	15,000	14,993
Old Line Funding LLC	1.970	F	1.950	01/19/2023	40,000	40,000	40,000

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Svenska Handelsbanken AB		1.940	F	1.920	01/20/2023	20,000	20,000
Commonwealth Bank of Australia		1.950	F	1.920	01/23/2023	20,000	20,000
Oversea Chinese Banking Corporation		1.770	F	1.740	02/09/2023	15,000	15,000
Bank of Montreal		1.790	F	1.770	02/10/2023	17,000	17,000
Toronto Dominion Bank		1.790	F	0.913	02/13/2023	10,000	10,000
Commonwealth Bank of Australia		2.030	F	2.000	02/27/2023	25,000	25,000
Toronto Dominion Bank		0.000		2.069	03/17/2023	10,000	9,855
Canadian Imperial Bank		0.000		2.088	03/20/2023	10,000	9,852
Westpac Banking Corporation		2.030	F	2.010	03/20/2023	25,000	25,000
Bank of Montreal		2.230	F	2.210	03/22/2023	45,000	45,000
Bank of Nova Scotia		2.030	F	2.010	03/24/2023	15,000	15,000
National Australia Bank		2.030	F	2.010	03/29/2023	18,000	18,000
Royal Bank of Canada		1.990	F	1.970	04/21/2023	20,000	20,000
Royal Bank of Canada		2.010	F	1.990	05/08/2023	34,000	34,000
Bank of Montreal		2.800		2.800	05/09/2023	20,000	20,000
Canadian Imperial Holdings		2.050	F	2.030	05/18/2023	30,000	30,000
Toronto Dominion Bank		2.820		2.922	05/31/2023	25,000	24,345
Royal Bank of Canada		0.000		2.922	05/31/2023	20,000	19,476
National Australia Funding		0.000		3.882	06/15/2023	20,000	19,278
Thunder Bay Funding LLC		1.970	F	1.950	06/23/2023	35,000	35,000
Royal Bank of Canada		2.190	F	2.170	06/29/2023	25,000	25,000
Total Commercial Paper	71.2%					5,805,709	5,803,599
<i>Negotiable Certificates of Deposit</i>							
KBC Bank		1.560		1.560	07/07/2022	46,000	46,000
Mizuho Bank Ltd		1.700	F	1.680	07/25/2022	15,000	15,000
MUFG Bank Ltd		1.650		1.650	07/25/2022	50,000	50,000
Mitsubishi UFJ Trust & Banking		1.730	F	1.700	07/26/2022	20,000	20,000
Bank of Montreal		0.210		0.210	07/26/2022	15,000	15,000
Sumitomo Mitsui Bank NY		1.870	F	1.840	08/01/2022	20,000	20,000
Credit Agricole		1.380		1.380	08/01/2022	30,000	30,000
Sumitomo Mitsui Trust NY		1.860	F	1.830	08/02/2022	18,000	18,000
Canadian Imperial Bank		1.700	F	1.670	08/03/2022	20,000	20,000
Sumitomo Mitsui Trust NY		1.750		1.750	08/04/2022	35,000	35,000
Sumitomo Mitsui Bank NY		1.450		1.450	08/04/2022	50,000	50,000
Mizuho Bank Ltd		1.830		1.830	08/08/2022	100,000	100,000
Cooperative Rabobank		1.690	F	1.660	08/09/2022	15,000	15,000
Credit Agricole		1.500		1.500	08/15/2022	40,000	40,000
Sumitomo Mitsui Trust NY		1.570		1.570	08/16/2022	20,000	20,000
Sumitomo Mitsui Trust NY		1.450		1.450	08/17/2022	75,000	75,000
Sumitomo Mitsui Trust NY		1.730	F	1.700	08/18/2022	17,000	17,000
MUFG Bank Ltd		1.450		1.450	08/19/2022	50,000	50,000
Sumitomo Mitsui Trust NY		1.450		1.450	08/22/2022	50,000	50,000
Sumitomo Mitsui Trust NY		1.720	F	1.690	08/24/2022	10,000	10,000
Sumitomo Mitsui Trust NY		1.540		1.540	08/31/2022	25,000	25,000
Canadian Imperial Bank		0.210		0.210	09/06/2022	15,000	15,000
Sumitomo Mitsui Bank NY		2.040	F	2.010	09/23/2022	15,000	15,000
Bank of Montreal		1.690	F	1.660	10/06/2022	29,000	29,000
Barclays Bank		1.990	F	1.970	10/07/2022	15,000	15,000
Oversea-Chinese Bank Company		1.890	F	1.860	10/11/2022	15,000	15,000
Nordea Bank		1.890	F	1.870	10/12/2022	15,000	15,000
MUFG Bank Ltd		1.920	F	1.890	10/12/2022	15,000	15,000
Bank of Nova Scotia		1.690	F	1.660	10/13/2022	40,000	40,000
Toronto Dominion Bank		0.220		0.220	10/14/2022	15,000	15,000
Bank of Nova Scotia		1.690	F	1.660	10/20/2022	20,000	20,000

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Svenska Handelsbanken AB		1.890	F	1.870	10/20/2022	20,000	19,995
Bank of Nova Scotia		2.110	F	2.080	10/21/2022	15,000	15,008
Nordea Bank		2.020	F	2.000	10/24/2022	22,000	22,009
Sumitomo Mitsui Bank NY		1.940	F	1.910	10/26/2022	20,000	20,000
Bank of Montreal		0.340		0.340	11/02/2022	20,000	19,852
Bank of Montreal		1.740	F	1.710	11/03/2022	15,000	14,987
MUFG Bank Ltd		1.960	F	1.940	11/09/2022	18,000	17,999
Cooperative Rabobank		1.890	F	1.860	11/22/2022	20,000	19,997
Mitsubishi UFJ Trust & Banking		2.000	F	1.980	12/08/2022	20,000	20,000
Cooperative Rabobank		1.930	F	1.900	12/09/2022	15,000	14,997
Sumitomo Mitsui Bank NY		2.050	F	2.020	12/15/2022	20,000	19,997
Westpac Banking Corporation		2.010	F	1.980	12/27/2022	15,000	15,004
Svenska Handelsbanken AB		1.970	F	1.950	12/29/2022	18,000	17,989
Oversea-Chinese Bank Company		2.010	F	1.990	01/24/2023	15,000	14,997
Royal Bank of Canada		1.760	F	1.730	01/27/2023	15,000	14,974
Toronto Dominion Bank		1.750	F	1.750	02/09/2023	17,000	16,970
Bank of Nova Scotia		1.790	F	1.760	02/17/2023	17,000	16,969
Bank of Nova Scotia		1.790	F	1.760	02/21/2023	25,000	24,953
Canadian Imperial Bank		1.790	F	1.760	02/21/2023	40,000	39,928
Bank of Montreal		1.790	F	1.760	03/01/2023	25,000	24,950
Oversea-Chinese Bank Company		2.070	F	2.050	03/22/2023	21,000	20,986
Cooperative Rabobank		2.040	F	2.010	03/22/2023	21,000	20,999
Canadian Imperial Bank		2.020	F	1.990	05/05/2023	15,000	14,985
Bank of Montreal		2.020	F	1.990	05/08/2023	15,000	14,985
Canadian Imperial Bank		2.040	F	2.010	05/08/2023	35,000	34,969
Bank of Nova Scotia		2.040	F	2.010	05/08/2023	12,500	12,488
Toronto Dominion Bank		3.750		3.750	06/15/2023	20,000	20,012
Bank of Montreal		2.100	F	2.070	06/16/2023	25,000	19,985
Total Negotiable Certificates of Deposit	18.0%					1,466,500	1,465,620
<i>Repurchase Agreements</i>							
Natixis Finacial		1.440		1.440	07/01/2022	64,000	64,000
Bank of America Securities		1.450		1.450	07/01/2022	53,400	53,400
Bank of America Securities		1.550		1.550	07/01/2022	300,000	300,000
Natixis Finacial		1.550		1.550	07/01/2022	200,000	200,000
Total Repurchase Agreements	7.6%					617,400	617,400
<i>Money Market Funds</i>							
Federated		1.463	**			216,993	216,862
Cash						824	824
Dreyfus Liquidity		1.337	**			637	637
Total Money Market Funds	2.7%					218,483	218,323
<b>Total Money Market Pool</b>	<b>100.0%</b>					<b>\$ 8,145,595</b>	<b>\$ 8,142,517</b>

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F – Floating rate note security.

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\*\* Rate represents last business day of the month.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U.S. Treasury Notes</i>							
United States Treasury		0.125 %	0.081 %	08/31/2022	1,000	\$ 1,000	\$ 998
Total U. S. Treasury Notes	0.4%					1,000	998
<i>U.S. Treasury Bills</i>							
United States Treasury		0.000	0.223	07/07/2022	2,000	2,000	2,000
United States Treasury		0.000	0.279	07/14/2022	2,000	2,000	1,999
United States Treasury		0.000	0.676	07/19/2022	2,000	1,999	1,999
United States Treasury		0.000	0.748	07/21/2022	4,000	3,998	3,998
United States Treasury		0.000	1.031	08/02/2022	10,000	9,991	9,990
United States Treasury		0.000	0.080	08/11/2022	1,000	1,000	998
United States Treasury		0.000	0.982	08/16/2022	3,000	2,996	2,995
United States Treasury		0.000	1.086	08/23/2022	2,000	1,997	1,996
United States Treasury		0.000	1.249	09/06/2022	3,000	2,993	2,991
Total U. S. Treasury Bills	12.4%					28,974	28,966
<i>U. S. Government Agency Bonds and Notes</i>							
Federal Farm Credit Bank		1.580	F	1.560	05/09/2024	1,000	1,000
Federal Farm Credit Bank		1.585	F	1.565	03/01/2024	1,000	1,000
Federal Farm Credit Bank		1.610	F	1.580	12/14/2023	1,000	1,000
Federal Farm Credit Bank		1.600	F	1.570	12/13/2023	500	500
Federal Farm Credit Bank		1.565	F	1.564	11/30/2023	1,500	1,500
Federal Farm Credit Bank		1.580	F	1.550	11/02/2023	1,000	1,000
Federal Farm Credit Bank		1.565	F	1.535	10/27/2023	1,000	1,000
Federal Farm Credit Bank		1.570	F	1.540	10/27/2023	1,500	1,500
Federal Farm Credit Bank		1.570	F	1.540	10/20/2023	500	500
Federal Farm Credit Bank		1.570	F	1.540	10/13/2023	1,000	1,000
Federal Farm Credit Bank		1.565	F	1.525	09/27/2023	500	500
Federal Farm Credit Bank		1.565	F	1.535	08/28/2023	1,000	1,000
Federal Farm Credit Bank		1.590	F	1.560	08/22/2023	500	500
Federal Farm Credit Bank		1.565	F	1.535	08/10/2023	500	500
Federal Farm Credit Bank		1.565	F	1.535	08/04/2023	1,000	1,000
Federal Farm Credit Bank		1.558	F	1.560	07/13/2023	1,500	1,499
Federal Farm Credit Bank		1.575	F	1.545	06/16/2023	1,000	1,000
Federal Farm Credit Bank		1.575	F	1.545	05/12/2023	1,000	1,000
Federal Farm Credit Bank		1.553	F	1.522	01/30/2023	2,000	2,000
Federal Farm Credit Bank		1.565	F	1.536	12/16/2022	2,500	2,500
Federal Home Loan Bank		1.600	F	1.570	12/15/2022	1,000	1,000
Federal Home Loan Bank		0.210		0.210	12/12/2022	1,000	991
Federal Farm Credit Bank		1.590	F	1.560	11/21/2022	625	625
Federal Home Loan Bank		1.550	F	1.510	09/06/2022	3,000	3,000
Federal Farm Credit Bank		0.070		0.079	08/19/2022	1,500	1,497
Federal Home Loan Bank		1.550	F	1.513	08/19/2022	3,000	3,000
Federal Home Loan Mortgage Corporation		1.635	F	1.605	08/19/2022	1,000	1,000
Federal Farm Credit Bank		0.070		0.071	08/10/2022	1,500	1,497
Federal Home Loan Mortgage Corporation		1.640	F	1.610	07/29/2022	3,000	3,000
Federal Home Loan Bank		1.550	F	1.520	07/25/2022	2,000	2,000
Total U. S. Government Agency Bonds and Notes	16.7%					39,124	39,110
<i>U.S. Agency Discount Notes</i>							
Federal Home Loan Bank		0.000		1.370	07/06/2022	8,500	8,498
Federal Home Loan Bank		0.000		0.859	07/08/2022	8,000	7,998

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Home Loan Bank		0.000	0.827	07/11/2022	5,000	4,999	4,998
Federal Home Loan Bank		0.000	0.782	07/13/2022	3,000	2,999	2,999
Federal Home Loan Bank		0.000	0.561	07/15/2022	6,000	5,999	5,997
Federal Home Loan Bank		0.000	1.284	07/20/2022	16,500	16,489	16,488
Federal Home Loan Bank		0.000	0.866	07/22/2022	6,000	5,997	5,995
Federal Home Loan Bank		0.000	1.030	07/27/2022	8,000	7,994	7,992
Federal Home Loan Bank		0.000	0.884	07/28/2022	3,000	2,998	2,997
Federal Home Loan Bank		0.000	1.256	08/03/2022	8,000	7,991	7,988
Federal Home Loan Bank		0.000	0.996	08/05/2022	3,000	2,997	2,995
Federal Home Loan Bank		0.000	1.523	08/09/2022	7,000	6,989	6,987
Federal Home Loan Bank		0.000	1.016	08/10/2022	5,000	4,995	4,991
Federal Home Loan Bank		0.000	1.037	08/16/2022	7,000	6,991	6,985
Federal Home Loan Bank		0.000	1.103	08/17/2022	3,000	2,996	2,993
Federal Home Loan Bank		0.000	1.605	08/18/2022	8,000	7,983	7,983
Federal Home Loan Bank		0.000	1.156	08/19/2022	3,000	2,995	2,993
Federal Home Loan Bank		0.000	1.956	09/30/2022	2,000	1,990	1,990
Total U.S. Agency Discount Notes	46.9%					109,899	109,867
<i><b>Repurchase Agreements</b></i>							
Bank of America Securities		1.450	1.450	07/01/2022	54,900	54,900	54,900
Total Repurchase Agreements	23.5%					54,900	54,900
<i><b>Money Market Funds</b></i>							
Dreyfus Liquidity		1.337	**		198	198	198
Total Money Market Funds	0.1%					198	198
<b>Total Government Money Market Pool</b>	<b>100.0%</b>					<b>\$ 234,095</b>	<b>\$ 234,039</b>

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F – Floating rate note security.

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

**WEST VIRGINIA SHORT TERM BOND POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Notes and Bonds</i>							
United States Treasury		0.875 %	1.880 %	01/31/2024	30,500	\$ 30,024	\$ 29,534
United States Treasury		1.125	2.031	01/15/2025	39,500	38,617	37,704
United States Treasury		2.750	2.758	05/15/2025	22,825	22,820	22,672
Total U. S. Treasury Notes and Bonds	13.0%					91,461	89,910
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		1.200	1.200	12/30/2024	2,500	2,500	2,403
Total U. S. Government Agency Bonds	0.3%					2,500	2,403
<i>U.S. Agency Collateralized Mortgage Obligations</i>							
Federal Home Loan Mortgage Corporation		2.838	1.679	09/25/2022	377	377	377
Government National Mortgage Association		4.000	2.366	09/16/2026	906	935	914
Federal Home Loan Mortgage Corporation		1.924	1.917	08/15/2030	39	39	39
Federal Home Loan Mortgage Corporation		1.375	F 1.883	09/15/2030	24	24	24
Federal Home Loan Mortgage Corporation		1.724	F 1.730	07/15/2031	21	21	21
Federal Home Loan Mortgage Corporation		1.774	F 1.777	12/15/2031	51	51	51
Federal Home Loan Mortgage Corporation		1.724	F 1.727	01/15/2033	77	77	77
Federal National Mortgage Association		1.874	F 2.205	03/25/2036	506	506	507
Federal National Mortgage Association		1.750	1.835	05/25/2040	121	120	121
Federal National Mortgage Association		1.750	1.777	08/25/2042	615	613	603
Government National Mortgage Association		1.203	F 1.073	12/20/2060	1,143	1,134	1,132
Government National Mortgage Association		1.303	F 1.120	12/20/2060	1,329	1,331	1,318
Government National Mortgage Association		1.403	F 1.198	02/20/2061	1,175	1,181	1,168
Government National Mortgage Association		1.303	F 1.120	06/20/2062	1,155	1,156	1,148
Government National Mortgage Association		1.323	F 1.135	08/20/2062	550	551	547
Government National Mortgage Association		1.143	F 0.992	12/20/2062	707	704	700
Government National Mortgage Association		1.203	F 1.038	03/20/2063	1,091	1,089	1,081
Government National Mortgage Association		1.253	F 1.078	04/20/2063	843	843	836
Government National Mortgage Association		1.503	F 1.287	08/20/2063	1,209	1,218	1,204
Government National Mortgage Association		1.203	F 1.044	04/20/2065	1,454	1,450	1,441
Total U.S. Agency Collateralized Mortgage Obligations	1.9%					13,420	13,309
<i>Corporate Fixed-Rate Bonds and Notes</i>							
Toyota Motor Credit Corporation		2.900	2.894	03/30/2023	3,515	3,515	3,516
Amazon.com Inc		0.250	0.257	05/12/2023	1,625	1,625	1,591
Bright HSE Global Fund		0.600	0.608	06/28/2023	2,375	2,375	2,300
Caterpillar Financial Services		0.650	0.669	07/07/2023	3,200	3,199	3,121
Crown Castle International		3.150	0.903	07/15/2023	783	801	775
Georgia Pacific LLC		3.734	1.099	07/15/2023	5,782	5,939	5,770
Cargill Inc		1.375	1.229	07/23/2023	5,425	5,433	5,319
Skandinaviska Enskilda		0.550	0.558	09/01/2023	4,400	4,400	4,253
Entergy Louisiana LLC		4.050	3.165	09/01/2023	2,550	2,576	2,563
Caterpillar Financial Services		0.450	0.473	09/14/2023	1,515	1,515	1,470
Pacific Life GF II		0.500	0.542	09/23/2023	2,750	2,749	2,657
HF Sinclair Corporation		2.625	2.043	10/01/2023	5,842	5,883	5,676
John Deere Capital Corporation		0.400	0.439	10/10/2023	6,000	5,997	5,812
Protective Life Global		0.631	0.631	10/13/2023	2,100	2,100	2,028
American Electric Power Company Inc		0.750	0.779	11/01/2023	2,200	2,199	2,117
Entergy Louisiana LLC		0.620	0.626	11/17/2023	1,363	1,363	1,314

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
MetLife Global Funding		0.400	0.412	01/07/2024	6,125	6,124	5,837
Hyundai Capital America		0.800	0.843	01/08/2024	4,000	3,997	3,801
Cooperative Rabobank		0.375	0.398	01/12/2024	6,125	6,123	5,829
Broadcom Corporation		3.625	2.185	01/15/2024	3,750	3,831	3,749
New York Life Global FDG		2.900	1.252	01/17/2024	2,000	2,050	1,983
US Bancorp		3.375	0.577	02/05/2024	5,600	5,849	5,591
Microsoft Corporation		2.875	0.627	02/06/2024	3,430	3,553	3,421
Air Lease Corporation		0.700	0.917	02/15/2024	4,365	4,350	4,101
Microchip Technology Inc		0.972	0.972	02/15/2024	3,700	3,700	3,515
AerCap Ireland Capital		3.150	3.362	02/15/2024	3,400	3,389	3,293
John Hancock Life Insurance		7.375	0.862	02/15/2024	4,850	5,358	5,119
Goldman Sachs Group Inc		3.625	0.895	02/20/2024	11,000	11,487	10,972
American Express		3.400	1.007	02/22/2024	5,200	5,402	5,187
Daimler Finance NA		0.750	0.811	03/01/2024	3,275	3,272	3,113
American Electric Power Company Inc		2.031	1.614	03/15/2024	1,135	1,143	1,099
Ryder System Inc		3.650	0.796	03/18/2024	3,750	3,932	3,720
AT&T Inc		0.900	0.932	03/25/2024	3,500	3,498	3,340
Element Fleet Management		1.600	1.637	04/06/2024	3,520	3,517	3,355
Energy Transfer Operating		4.500	2.107	04/15/2024	2,250	2,344	2,253
BPCE SA		4.000	1.031	04/15/2024	4,600	4,842	4,595
Owl Rock Capital Corporation		5.250	2.309	04/15/2024	5,600	5,887	5,583
Philip Morris International Inc		2.875	0.705	05/01/2024	5,500	5,717	5,440
Security Benefit Global Fund		1.250	1.218	05/17/2024	5,925	5,929	5,624
Nordea Bank ABP		0.625	0.618	05/24/2024	3,800	3,801	3,579
Citigroup Inc		4.044	1.595	06/01/2024	6,000	6,276	5,983
Wells Fargo & Company		1.654	1.629	06/02/2024	7,200	7,203	7,032
Hormel Foods Corporation		0.650	0.592	06/03/2024	6,000	6,007	5,730
NRG Energy Inc		3.750	1.248	06/15/2024	3,100	3,249	3,044
Jackson National Life Global		2.650	0.961	06/21/2024	6,500	6,714	6,335
Athene Global Funding		2.750	1.448	06/25/2024	6,000	6,152	5,800
Cheniere Corporation		7.000	1.963	06/30/2024	3,350	3,679	3,473
Metro Atlanta Rapid Transit		0.630	0.630	07/01/2024	1,355	1,355	1,278
Sumitomo Mitsui Financial		2.696	0.940	07/16/2024	6,000	6,213	5,840
Bristol-Myers Squibb Company		2.900	1.184	07/26/2024	5,000	5,175	4,957
BMW US Capital LLC		0.750	0.753	08/12/2024	2,100	2,100	1,977
Bat Capital Corporation		3.222	1.226	08/15/2024	5,325	5,547	5,181
GA Global Funding Trust		0.800	0.868	09/13/2024	5,490	5,482	5,034
Mitsubishi UFJ Financial Group		0.848	0.848	09/15/2024	4,255	4,255	4,098
Blackstone Private Credit Fund		1.750	1.826	09/15/2024	4,275	4,268	3,953
F&G Global Funding		0.900	0.907	09/20/2024	4,500	4,499	4,177
FS KKR Capital Corporation		1.650	1.700	10/12/2024	5,800	5,793	5,165
Penske Truck Leasing		2.700	1.012	11/01/2024	5,000	5,194	4,804
Plains All American Pipeline		3.600	1.409	11/01/2024	5,550	5,828	5,434
ERAC USA Finance LLC		3.850	0.984	11/15/2024	5,000	5,335	4,937
DBS Group Holdings LTD		1.169	1.169	11/22/2024	6,250	6,250	5,921
Retail Opportunity Inc		4.000	1.730	12/15/2024	5,717	6,028	5,563
CNO Global Funding		1.650	1.672	01/06/2025	2,850	2,848	2,690
Bank of Nova Scotia		1.450	1.473	01/10/2025	6,500	6,496	6,156
Standard Chartered PLC		0.991	0.944	01/12/2025	5,650	5,657	5,334
National Australia Bank		1.388	1.388	01/12/2025	6,000	6,000	5,670
Aker BP ASA		3.000	3.857	01/15/2025	5,500	5,387	5,316
Magallanes Inc		3.638	3.638	03/15/2025	6,100	6,100	5,913
Sprint Spectrum		4.738	3.028	03/20/2025	2,726	2,848	2,728
Sempra Energy		3.300	3.362	04/01/2025	4,650	4,642	4,547
Swedbank AB		3.356	3.356	04/04/2025	5,550	5,550	5,453
Daimler Trucks Finan NA		3.500	3.539	04/07/2025	5,000	4,995	4,902
Citigroup Inc		3.352	1.548	04/24/2025	4,000	4,198	3,924

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Korea East-West Power Company		3.600	3.752	05/06/2025	1,500	1,494	1,486
Vistra Operations Co LLC		5.125	5.195	05/13/2025	5,200	5,190	5,158
Huntington National Bank		4.008	4.008	05/16/2025	5,300	5,300	5,298
Nucor Corporation		3.950	3.973	05/23/2025	4,875	4,872	4,852
JP Morgan Chase & Company		0.969	0.909	06/23/2025	11,000	11,019	10,286
Mitsubishi UFJ Financial Group		0.953	0.953	07/19/2025	3,000	3,000	2,802
Duke Energy Progress LLC		3.250	2.263	08/15/2025	3,200	3,295	3,178
Danske Bank A/S		0.976	0.976	09/10/2025	4,200	4,200	3,871
Bank of America Corporation		0.981	0.969	09/25/2025	7,500	7,503	6,946
Morgan Stanley		1.164	1.164	10/21/2025	6,780	6,780	6,287
Capital One Financial Corporation		2.636	2.636	03/03/2026	3,000	3,000	2,838
HSBC Holdings PLC		2.999	2.999	03/10/2026	3,775	3,775	3,596
Total Corporate Fixed-Rate Bonds and Notes	53.6%					387,515	369,328
<b>Corporate Floating-Rate Bonds and Notes</b>							
Siemens Financier		1.891	F	1.950	03/11/2024	2,025	2,007
BMW US Capital LLC		1.211	F	2.030	04/01/2024	2,700	2,677
Bright HSE Global Fund		2.293	F	2.174	04/12/2024	3,000	2,980
Principal Life Global Fund		1.983	F	1.960	04/12/2024	5,500	5,437
Key Bank NA		1.860	F	1.830	06/14/2024	5,550	5,465
Pacific Life GF II		1.435	F	1.900	01/27/2025	2,500	2,459
Macquarie Group LTD		1.566	F	2.210	10/14/2025	3,000	2,951
Verizon Communications		2.312	F	2.300	03/20/2026	3,000	2,950
Schwab Charles Corporation		1.745	F	2.020	05/13/2026	3,600	3,505
NatWest Markets PLC		2.292	F	2.270	09/29/2026	3,500	3,379
Total Corporate Floating-Rate Bonds and Notes	4.9%					34,381	33,810
<b>Commercial Mortgage-Backed Securities</b>							
COMM Mortgage Trust		4.210		3.657	08/10/2046	4,486	4,481
COMM Mortgage Trust		4.236		3.471	02/10/2047	2,685	2,682
COMM Mortgage Trust		3.828		3.164	07/15/2047	3,147	3,125
Well Fargo Commercial Mortgage		3.405		2.688	12/15/2047	8,321	8,134
Total Commercial Mortgage-Backed Securities	2.7%					19,953	18,422
<b>Municipals</b>							
County of Allegheny PA		0.573		0.573	11/01/2022	1,020	1,015
Houston TX Utility System		1.716		1.716	11/15/2022	2,000	1,995
Long Island Power Authority		0.359		0.359	03/01/2023	2,515	2,469
State of New York		1.910		1.910	03/15/2023	2,860	2,842
State Of Wisconsin		1.749		1.749	05/01/2023	1,450	1,437
Virginia Public School Authority		0.550		0.550	08/01/2023	7,655	7,453
Massachusetts Water Resources		1.772		1.772	08/01/2023	3,445	3,400
Penn State University		1.353		1.353	09/01/2023	2,740	2,691
City of Dallas TX Waterworks		2.068		0.494	10/01/2023	2,775	2,742
County of Allegheny PA		0.694		0.694	11/01/2023	1,200	1,164
State of Oregon DOH		0.414		0.414	11/15/2023	1,235	1,190
Houston TX Utility System		1.746		1.746	11/15/2023	2,635	2,576
State of Hawaii		0.802		0.802	10/01/2024	1,595	1,508
State of Oregon DOH		0.566		0.566	11/15/2024	1,250	1,169
Forsyth County School District		1.212		1.212	02/01/2025	2,635	2,613
Total Municipal Securities	5.3%					37,184	36,264

(Continued on Next Page)

F – Floating rate note security.

\* Fair value is determined by a third party pricing service and reported in accordance with GAAP. Fair value is not determined for loans. Their reported fair value equals amortized cost.

\*\* Rate represents last business day of the month.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

<b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Asset-Backed Securities</i>							
Great American Leasing Receivables		1.760	1.778	08/15/2023	1,073	1,073	1,069
AESOP		3.070	2.387	09/20/2023	2,468	2,478	2,469
AESOP		2.970	2.271	03/20/2024	3,000	3,019	2,990
Enterprise Fleet Financing		3.550	2.211	05/20/2024	2,022	2,048	2,022
CarMax Auto Owner Trust		2.770	0.507	12/16/2024	1,220	1,255	1,216
Capital One Prime Auto Receivables		1.960	1.978	02/18/2025	5,150	5,149	5,099
Toyota Auto Receivables		1.990	0.288	02/18/2025	9,305	9,523	9,188
Great American Leasing Receivables		0.670	0.677	07/15/2025	3,650	3,650	3,474
Santander Drive Auto Receivables		0.510	0.515	08/15/2025	5,150	5,150	5,064
Santander Consumer Auto Receivables		0.330	0.335	10/15/2025	3,809	3,808	3,740
GM Financial Securitized		0.350	0.357	10/16/2025	4,815	4,814	4,696
Enterprise Fleet Financing		1.780	1.791	12/22/2025	659	659	654
Hertz Vehicle Financing LLC		1.210	1.130	12/26/2025	8,695	8,708	8,139
GM Financial Securitized		0.500	0.510	02/17/2026	3,000	2,999	2,837
Carvana Auto Receivables Trust		0.490	0.493	03/10/2026	3,250	3,250	3,132
CarMax Auto Owner Trust		0.630	0.631	06/15/2026	2,350	2,350	2,213
Hertz Vehicle Financing LLC		1.990	2.005	06/25/2026	1,000	1,000	937
Enterprise Fleet Financing		0.650	0.661	07/20/2026	9,350	9,348	8,795
Carvana Auto Receivables Trust		0.700	0.710	11/10/2026	5,170	5,169	4,903
Great American Leasing Receivables		0.550	0.554	12/15/2026	2,890	2,890	2,691
AmeriCredit Automobile Receivables		0.340	0.346	12/18/2026	3,285	3,285	3,186
Verizon Master Trust		1.040	1.043	01/20/2027	4,375	4,375	4,264
World OMNI Select Auto Trust		0.530	0.533	03/15/2027	5,150	5,150	4,972
Carvana Auto Receivables Trust		4.130	4.171	04/12/2027	6,800	6,799	6,729
ARI Fleet Lease Trust		2.530	2.508	11/15/2027	8,350	8,358	8,271
OneMain Direct Auto Receivables		0.870	0.875	07/14/2028	8,250	8,249	7,689
Wheels SPV LLC		0.620	0.616	08/20/2029	2,200	2,200	2,101
Chesapeake Funding II LLC		1.950	1.939	09/15/2031	736	736	735
OneMain Financial Issuance		3.840	3.212	05/14/2032	5,031	5,176	5,016
Chesapeake Funding II LLC		0.470	F 0.472	04/15/2033	2,339	2,339	2,287
Total Asset Backed Securities	17.5%					125,007	120,578
<i>Money Market Funds</i>							
Dreyfus Liquidity		1.337	**		5,856	5,856	5,856
Total Money Market Funds	0.8%					5,856	5,856
<b>Total Short Term Bond Pool</b>	<b>100.0%</b>					<b>\$ 717,277</b>	<b>\$ 689,880</b>

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F – Floating rate note security.

\* Fair value is determined by a third party pricing service and reported in accordance with GAAP. Fair value is not determined for loans. Their reported fair value equals amortized cost.

\*\* Rate represents last business day of the month.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

**WEST VIRGINIA BANK POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Certificates of Deposit</i>							
WesBanco Bank		0.300 %	0.300 %	07/14/2022	10,000	\$ 10,000	\$ 10,000
Bank of Romney		0.400	0.400	08/11/2022	100	100	100
WesBanco Bank		0.400	0.400	08/11/2022	10,000	10,000	10,000
Total Certificates of Deposit	99.6%					20,100	20,100
<i>Money Market Funds</i>							
Dreyfus Liquidity		1.337 **			78	78	78
Total Money Market Funds	0.4%					78	78
<b>Total West Virginia Bank Pool</b>	<b>100.0%</b>					<b>\$ 20,178</b>	<b>\$ 20,178</b>

**STATE LOAN POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Loans and Mortgages</i>							
Intergovernmental Loans							
WVEDA Revolving Loan		1.560 %			105,234	\$ 105,234	\$ 105,234
WVEDA Broadband Loan		0.100			9,686	9,686	9,686
Total Intergovernmental Loans	100.0%					114,920	114,920
<i>Money Market Funds</i>							
Dreyfus Liquidity		1.337 **			42	42	42
Total Money Market Funds	0.0%					42	42
<b>Total State Loan Pool</b>	<b>100.0%</b>					<b>\$ 114,962</b>	<b>\$ 114,962</b>

**RESERVE POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Depository Accounts</i>							
United National Bank		1.17% ** F	1.173%	08/31/2022	19,986	\$ 19,986	\$ 19,986
Total Depository Accounts	100.0%					19,986	19,986
<i>Money Market Funds</i>							
Dreyfus Liquidity		1.337 **			2	2	2
Total Money Market Funds	0.0%					2	2
<b>Total Reserve Pool</b>	<b>100.0%</b>					<b>\$ 19,988</b>	<b>\$ 19,988</b>

(Continued on Next Page)

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2022**  
*(In thousands)*

**MUNICIPAL BOND COMMISSION**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>State and Local Government Series Securities</i>							
State & Local Government		0.100 %	0.100 %	12/01/2022	717	\$ 717	\$ 717
State & Local Government		0.190	0.190	06/01/2023	38,957	38,957	38,957
Total State and Local Government Series Securities	<u>100.0%</u>					<u>39,674</u>	<u>39,674</u>
<b>Total Municipal Bond Commission Pool</b>	<b><u>100.0%</u></b>					<b><u>\$ 39,674</u></b>	<b><u>\$ 39,674</u></b>

**SCHOOL FUND**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Money Market Funds</i>							
Dreyfus Liquidity		1.337 **			1,101	\$ 1,101	\$ 1,101
Total Money Market Funds	<u>100.0%</u>					<u>1,101</u>	<u>1,101</u>
<b>Total School Fund</b>	<b><u>100.0%</u></b>					<b><u>\$ 1,101</u></b>	<b><u>\$ 1,101</u></b>

**EDA - AW**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	1,445	\$ 1,466	\$ 1,499
Total U. S. Treasury Issues	<u>99.9%</u>					<u>1,466</u>	<u>1,499</u>
<i>Money Market Funds</i>							
Dreyfus Liquidity		1.337 **			1	1	1
Total Money Market Funds	<u>0.1%</u>					<u>1</u>	<u>1</u>
<b>Total EDA-AW</b>	<b><u>100.0%</u></b>					<b><u>\$ 1,467</u></b>	<b><u>\$ 1,500</u></b>

## **Investment Section**

## Consolidated Fund Overview at June 30, 2022

**Investment Philosophy:** It is the investment philosophy of the Board of Treasury Investments (the “BTI”) to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity.

**Investment Objectives:** It is the investment objective of the BTI to provide focused investment services for the Consolidated Fund, reduce costs for and increase returns to its participants.

**Total Investments at June 30, 2022:** \$ 9,266,973,000.

**Description of the Consolidated Fund:** The Consolidated Fund under the management of the BTI consisted of nine investment pools and single participant accounts during the year. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia to make short-term operating funds of the state more accessible to state government. The BTI employs a top-down approach to developing its investment strategy for the management of its funds. Starting with the objectives of the fund, the BTI considers constraints outlined in its investment policy, which includes among other parameters: safety, liquidity, and maximization of rate of return. The Investment Policy is summarized on Pages 88 – 93 of this Investment Section.

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The Consolidated Fund pools and accounts are described in detail following this overview.

**Expense Ratios:** The Board annually adopts a budget and fee schedule, which describes how fees are charged to each pool and account. The fees charged to the Consolidated Fund are categorized into direct or indirect expenses as follows:

- (a). Direct Expenses - All investment advisor and custodian expenses will be charged directly to the pools and accounts as they are incurred.
- (b). Indirect Expenses - All indirect expenses such as insurance, staff costs, investment consultant fees, and rent shall be allocated based upon the percentage of net position under management.

Expense ratios for the pools and accounts are detailed in Table 2: Financial Highlights on Page 100 in the Statistical Section.

**Basis of Presentation:** Rates of return use a time-weighted rate of return methodology based upon market values.

**Economic Environment:** U.S. economic growth was mixed over fiscal year 2022, with growth turning negative over the second half of the fiscal year. The spread of new variants of COVID-19 put a temporary damper on fully re-opening the economy and contributed to further disruptions to an already stressed supply chain. U.S. economic growth was down considerably from fiscal year 2021’s growth rate of 12.2%, coming in at approximately 1.6% for fiscal year 2022. Inflation continued to rise during fiscal year 2022, with levels reaching heights not seen since the 1980’s. The Consumer Price Index (“CPI”) reached 9.1% year-over-year in June 2022; the largest 12-month increase since the period ending November 1981.

Responding to increasing inflation, The Federal Reserve (the “Fed”) turned increasingly hawkish over the fiscal year, ending their quantitative easing program and hiking their benchmark rate by 1.50% over the last four months of the fiscal year. The short end of the Treasury yield curve steepened over the last half of the fiscal year, as the fed hiked rates and the market priced in seven more rate hikes by the Fed over the second half of calendar year 2022.

The U.S. bond market, as measured by the Bloomberg US Aggregate Bond Index, had one of its worst years on record, returning -10.25% for fiscal year 2022. Domestically, equity returns were also down for fiscal year 2022. The broad U.S. equity market, as measured by the Russell 3000 index, returned -14.29% for fiscal year 2022, which was substantially below the 44.15% return for fiscal year 2021. Smaller or emerging markets equity performance fared even worse in fiscal year 2022. Foreign equity returns, as measured by the MSCI Emerging Markets Index, posted a return of -24.70% for the fiscal year. Commodity markets were one of the lone bright spots for fiscal year 2022, as commodity prices continued to rise. For fiscal year 2022, commodity market performance, as measured by the S&P GSCI Total Return Index, came in at 43.83%.

**Pool and Account Overviews:** The following pages present overviews of the investment pools and accounts of the Consolidated Fund.

The reports on the investment activities of each pool and account are prepared by staff of the BTI with assistance from pool and account managers and the BTI’s investment consultant.

The Schedule of Investments in Securities is presented in the Financial Section on Pages 48-60, and Participant Net Asset Values are presented in the Statistical Section on Page 110.

## **West Virginia Money Market Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Money Market Pool was created to invest participants' operating funds. The objective of the pool is to maintain sufficient liquidity to meet the daily disbursements of participants while striving to earn a return above inflation. The pool is structured as a money market fund with the goal of preservation of principal. The pool risk factor is low, and the pool is managed under numerous maturity restrictions, diversification guidelines, and credit limits.

Participants include state agencies and local governments throughout the state.

#### Benchmarks

The performance of the West Virginia Money Market Pool (net of external investment manager fees) will be measured against iMoneyNet First Tier Retail Average. Prior to July 15, 2021, performance was measured against a blended benchmark composed of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average.

#### Investment Managers

The West Virginia Money Market Pool is managed by Federated Hermes and UBS Asset Management.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Weighted average maturity of the West Virginia Money Market Pool shall not exceed 60 days.
- Weighted average final maturity of the pool shall not exceed 90 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase except for certain variable rate and floating rate U.S. Government securities.
- Variable rate and floating rate securities shall be based on a money market index and shall not have a final maturity longer than 762 days if they are U.S. Government securities, or 397 days if they are not U.S. Government securities.
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- Money market funds utilized by the pool must be approved in advance by the Board.
- Maximum 5% of the pool may be invested in any one corporate name.
- Maximum 5% of the pool may be invested in any one supranational name.
- Maximum exposure in money market funds is limited to 10% of any individual rated fund at the pool level. The aggregate exposure at the pool level may not exceed 30%.
- Maximum 75% of the pool may be invested in notes with floating rates.
- All corporate securities must be rated A+ or higher (or its equivalent) if long term and A-1 or higher (or its equivalent) if short term.
- All supranational securities must be rated AA or higher (or its equivalent) if long term and A-1 or higher (or its equivalent) if short term.

- Maximum 15% of the Pool may be invested in U.S. dollar denominated Euro Commercial Paper, Euro Certificates of Deposit, and Euro Time Deposits. Investments in U.S. dollar denominated Euro securities are subject to other policy requirements applicable to the specific investment type.
- Maximum of 20% of the pool may be invested in asset-backed and mortgage-backed securities. Asset-backed commercial paper is not considered an asset-backed security under this limitation.
- Asset-backed and mortgage-backed securities must be rated AAA (or its equivalent).
- Asset-backed commercial paper programs that are eligible for purchase should be fully or partially supported programs that provide adequate diversification by asset type (trade receivables, credit card receivables, auto loans, etc.)
- The pool may not hold inverse floaters.
- The pool may not be leveraged in any manner.
- The pool may not hold unregistered securities or private placements with the exception of securities issued pursuant to the SEC Rule 144A and commercial paper issued pursuant to Rule 4(2) of the Securities Act of 1933.
- The pool shall not acquire any illiquid security if, after acquisition, more than 5% of the pool would be invested in illiquid securities.
- The pool shall not acquire any other security other than daily liquid assets if the fund would have less than 10% of its total assets in daily liquid assets.
- The pool shall not acquire any other security other than weekly liquid assets if the fund would have less than 30% of its total assets in weekly liquid assets.
- If the pool is rated by a nationally recognized statistical rating organization (“NRSRO”), each investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

#### □ **BTI Role**

The role of the BTI for the West Virginia Money Market Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute daily earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

#### □ **Income Allocation**

Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants. If the pool incurs an extraordinary loss and distributing the loss would decrease the share value below one dollar (\$1), the Investment Committee will be notified immediately for development of an action plan.

❑ **Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2022	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 37,503	0.5%
U.S. government agency obligations & FDIC guaranteed obligations	100.0%	-	-
Repurchase agreements	100.0%	617,400	7.6%
Commercial paper, asset backed commercial paper, corporate debt and supranational debt (Combined)	100.0%	5,805,709	71.3%
Certificates of deposit	100.0%	1,466,500	17.9%
Money market funds	30.0%	218,483	2.7%
Asset-backed & mortgage-backed securities	20.0%	-	-
Municipal securities	15.0%	-	-
U.S. dollar denominated euro commercial paper, euro certificates of deposit and euro time deposits	15.0%	-	-
Depository accounts	5.0%	-	-
		<b>\$ 8,145,595</b>	<b>100.0%</b>

❑ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2022

	1 Year	3 Years	5 Years	Return
Returns by Investment Manager:				
Federated Hermes	0.25%	0.71%	1.25%	
UBS	0.25%	0.69%	1.21%	
Total pool returns	0.23%	0.68%	1.20%	
Benchmark:				
Custom Index **	0.11%	0.50%	0.98%	

The bar chart displays the actual annualized returns for the WV Money Market (blue bars) and the Benchmark (maroon bars) over three periods: 1 Year, 3 Years, and 5 Years. The Y-axis represents the Return percentage, ranging from 0.0% to 1.5%. In all three periods, the WV Money Market returns are higher than the Benchmark returns. For the 1 Year period, WV Money Market is at 0.23% and Benchmark is at 0.11%. For the 3 Years period, WV Money Market is at 0.68% and Benchmark is at 0.50%. For the 5 Years period, WV Money Market is at 1.20% and Benchmark is at 0.98%.

\*\* Benchmark is the iMoneyNet First Tier Retail Average. Prior to July 15, 2021 the benchmark was 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average.

Returns are calculated on a time-weighted basis.  
 Manager returns are net of manager fees.  
 Total pool returns are net of all fees.

□ **Investments**

For a detailed list of investments in the West Virginia Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 48-52.

## **West Virginia Government Money Market Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Government Money Market Pool was created to invest restricted moneys of participants in U.S. Treasury and U.S. government agency obligations. The investment objective of the pool is to preserve capital and maintain sufficient liquidity to meet the daily disbursement needs of participants, while striving to earn a return above inflation. The pool is structured as a money market fund with an emphasis on maintaining a stable dollar value. The risk factor on this pool is low and managed through maturity restrictions. The default risk is minimal due to the types of securities held.

Participants include state agencies and local governments throughout the state.

#### Benchmarks

The performance of the West Virginia Government Money Market Pool (net of external investment manager fees) will be measured against the iMoneyNet Government & Agencies Institutional Average. Prior to July 15, 2021, performance was measured against a blended benchmark composed of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet Government & Agencies Institutional Average.

#### Investment Manager

The West Virginia Government Money Market Pool is managed by UBS Asset Management.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of the pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Weighted average maturity of the pool shall not exceed 60 days.
- Weighted average final maturity of the pool shall not exceed 120 days.
- Maximum maturity of individual securities held cannot exceed 397 days from the date of purchase except for certain variable rate and floating rate U.S. government securities.
- Variable rate and floating rate U.S. government securities shall be based on a money market index and shall not have a final maturity longer than 762 days.
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- Money market funds utilized by the pool must be approved in advance by the Board.
- Maximum exposure in government money market funds is limited to 10% of any individual rated fund at the pool level. The aggregate exposure may not exceed 30%.
- The pool may not hold private placements, or inverse floaters, or be leveraged in any manner.
- The pool shall not acquire any illiquid security if, after acquisition, more than 5% of the pool would be invested in illiquid securities.
- The pool shall not acquire any other security other than daily liquid assets if the fund would have less than 10% of its total assets in daily liquid assets.

- The pool shall not acquire any other security other than weekly liquid assets if the fund would have less than 30% of its total assets in weekly liquid assets.
- If the pool is rated by a Nationally Recognized Statistical Rating Organization (“NRSRO”), the investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

#### □ **BTI Role**

The role of the BTI for the West Virginia Government Money Market Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute daily earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

#### □ **Income Allocation**

Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants. If the pool incurs an extraordinary loss and distributing the loss would decrease the share value below one dollar (\$1), the Investment Committee will be notified immediately for development of an action plan.

#### □ **Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2022	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 29,974	12.8%
U.S. government agency obligations & FDIC guaranteed obligations	100.0%	149,023	63.6%
Repurchase agreements	100.0%	54,900	23.4%
Government money market funds	30.0%	198	0.1%
Depository accounts	5.0%	-	-
		<u>\$ 234,095</u>	<u>100.0%</u>

**Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2022



\* \* Benchmark is the iMoneyNet Treasury & Repo Institutional Average. Prior to July 15, 2021 the benchmark was 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet Government & Agencies Institutional Average.

Returns are calculated on a time-weighted basis.  
 Manager returns are net of manager fees.  
 Total pool returns are net of all fees.

**Investments**

For a detailed list of investments in the West Virginia Government Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 53-54.

## **West Virginia Short Term Bond Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Short Term Bond Pool was created to invest restricted moneys of the State which have a longer-term investment horizon. The goal of the pool is to earn an incremental return over the West Virginia Money Market Pool with an objective of asset growth rather than current income. The pool is structured as a mutual fund and is limited to monthly withdrawals and deposits by participants. The risk factor on this pool is higher than the West Virginia Money Market Pool.

Participants include state agencies and local governments throughout the state.

#### Benchmark

The performance of the West Virginia Short Term Bond Pool (net of external Investment Manager fees) will be measured against the ICE BofAML 1-3 Year US Corporate & Government Index + 10 basis points. Prior to November 1, 2018, performance was measured against the BofA Merrill Lynch US Corporate & Government, 1-3 Years, A Rated and Above Index + 10 basis points.

#### Investment Manager

The West Virginia Short Term Bond Pool is managed by Sterling Capital Management. Prior to November 1, 2018, the Pool was managed by Federated Hermes.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon percentage of the pool holdings on a market value basis at the time of the securities purchase. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Effective duration of the West Virginia Short Term Bond Pool shall not deviate from the effective duration of the benchmark index by more than +/- 20 percent.
- Effective duration of securities cannot exceed five years (1,827 days).
- Effective duration of commercial paper or asset backed commercial paper will not exceed 397 days.
- Maximum 5% of the pool may be invested in any one corporate name or one corporate issue.
- Maximum 5% of the pool may be invested in any one supranational name.
- All long-term corporate securities must be rated BBB- or higher (or its equivalent), provided that no more than 20% may be invested in securities rated A-2 or BBB- to BBB+ (or its equivalent).
- All long-term supranational securities must be rated AA or higher (or its equivalent).
- Commercial paper or asset-backed commercial paper must be rated A-2 or higher (or its equivalent). Commercial paper or asset-backed commercial paper rated A-2 shall be included in the 20% limit for investment in securities rated BBB- to BBB+.
- Short-term securities other than commercial paper or asset backed commercial paper must be rated A-1 or higher (or its equivalent).

- Asset backed and mortgage backed securities must be rated AAA (or its equivalent).
- Maximum 75% of the pool may be invested in floating rate notes.
- Floating rate notes shall be based on a money market index and shall not have an effective duration longer than five years.
- Maximum of 50% of the pool may be invested in asset backed and mortgage backed securities. Asset backed commercial paper is not considered an asset backed security under this limitation.
- Asset backed commercial paper programs that are eligible for purchase should be fully or partially supported programs that provide adequate diversification by asset type (trade receivables, credit card receivables, auto loans, etc.)
- Maximum 15% of the Pool may be invested in U.S. dollar denominated Euro Commercial Paper, Euro Certificates of Deposit, and Euro Time Deposits. Investments in U.S. dollar denominated Euro securities are subject to other policy requirements applicable to the specific investment type.
- The pool may not hold unregistered securities or private placements with the exception of securities issued pursuant to the SEC Rule 144A, public or municipal securities exempt from registration under Section 3(a)(4) of the Securities Act of 1933, and commercial paper issued pursuant to Rule 4(2) of the Securities Act of 1933.
- The pool may not invest in inverse floaters or be leveraged in any manner.
- Money market and fixed income funds utilized by the pool must be approved in advance by the Board.
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- If the pool is rated by a Nationally Recognized Statistical Rating Organization (“NRSRO”), the investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

#### **□ BTI Role**

The role of the BTI for the West Virginia Short Term Bond Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute monthly earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

#### **□ Income Allocation**

Net investment income and realized gains and losses are declared as dividends on the last day of the month and distributed to the participants in the pool on the first day of the following month. Gains and losses (realized and unrealized) are reflected in the net asset value calculated each month.

□ **Asset Allocation – Permissible vs. Actual**

Security Type	Permissible Allocation Maximum Percent of Pool	Actual Allocation June 30, 2022	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 89,910	13.0%
U.S. government agency obligations & FDIC guaranteed obligations	100.0%	15,712	2.2%
Repurchase agreements	100.0%	-	-
Commercial paper, asset backed commercial paper, corporate debt and supranational debt (combined)	100.0%	403,138	58.5%
Asset backed and mortgage backed securities	65.0%	139,000	20.2%
Certificates of deposit	65.0%	-	-
Money market and fixed income funds	30.0%	5,856	0.8%
Municipal securities	15.0%	36,264	5.3%
U.S. dollar denominated euro commercial paper, euro certificates of deposit and euro time deposits	15.0%	-	-
Depository accounts	5.0%	-	-
		<b>\$689,880</b>	<b>100.0%</b>

□ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2022

	1 Year	3 Years	5 Years
Total pool returns *	-3.41%	0.78%	1.60%
Benchmark **	-3.52%	0.41%	1.17%

\* Sterling Capital Management became manager November 1, 2018. Federated Hermes was investment manager from October 1, 2008 to October 31, 2018.

\*\* ICE BofAML 1-3 Year US Corporate & Government Index + 10 bps. Prior to November 1, 2018, BofA Merrill Lynch US Corporate & Government, 1-3 Years, A Rated and Above Index + 10 bps.

Returns are calculated on a time-weighted basis.

Manager returns are net of manager fees.

Total pool returns are net of all fees.

☐ **Investments**

For a detailed list of investments in the West Virginia Short Term Bond Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 55-58.

## **West Virginia Bank Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Bank Pool is composed of certificates of deposit placed with West Virginia financial institutions that are approved state depositories. Placement of the certificates of deposit is accomplished through a competitive bidding process (West Virginia CD Program). The State is the sole participant in this pool.

#### Benchmark

The performance of the West Virginia Bank Pool will be measured against the West Virginia Money Market Pool Simple Money Market Yield – Gross of Fees. Prior to July 15, 2021, performance was measured against a custom benchmark of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

- To participate in the West Virginia CD Program, a financial institution must be designated as a State Depository in accordance with West Virginia Code §12-1-2(a) and have a branch bank in West Virginia.
- The Board shall establish rules and guidelines for the competitive bidding process. Such rules shall be made available to all interested, qualified financial institutions prior to participation. Qualified, interested financial institutions must agree to the rules and guidelines to participate.
- The minimum bid is \$100,000.00. Bids must be in increments of \$100,000.00 to a maximum of \$10,000,000.00 per parent institution per placement.
- The minimum rate will be equivalent to the six month return on the West Virginia Money Market Pool or other rate as approved by the BTI chairman.
- Certificates of deposit in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) must be collateralized pursuant to West Virginia code §12-1-4 and Board of Treasury Investments Bank Account Collateral Policy.

### **□ BTI Role**

The role of the BTI for the West Virginia Bank Pool is as follows:

- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute monthly earnings to participants.

- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

**Income Allocation**

Net investment income is declared as dividends and distributed on the last day of the month.

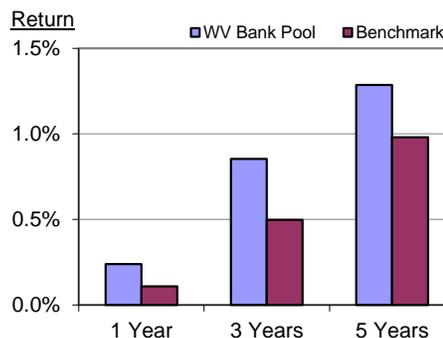
**Asset Allocation – Permissible vs. Actual**

Security Type	Permissible Allocation Maximum Percent of Pool	Actual Allocation June 30, 2022	
		Carrying Value (Thousands)	Percent of Pool
Certificates of deposit	100.0%	\$ 20,100	99.6%
Money market funds	30.0%	78	0.4%
		<u>\$ 20,178</u>	<u>100.0%</u>

**Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2022

	1 Year	3 Years	5 Years
Total pool returns	0.24%	0.85%	1.29%
Benchmark *	0.11%	0.50%	0.98%



\* Benchmark is the West Virginia Money Market Pool Simple Money Market Yield – Gross of Fees. Prior to July 15, 2021, the benchmark was 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average.

Returns are calculated on a time-weighted basis.  
 Manager returns are net of manager fees.  
 Total pool returns are net of all fees.

**Investments**

For a detailed list of investments in the West Virginia Bank Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 59.

## **Loan Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The State Loan Pool is composed of loans made to/by the West Virginia Economic Development Authority (the “EDA”). The State is the sole participant in this pool. The Directors of the BTI Board shall bear no fiduciary responsibility with regard to any of the loans contemplated under §12-6C-11.

Under the State Code, the BTI is required to make available to EDA, subject to a liquidity determination, the following:

- A Revolving Loan up to \$200 million for business and industrial development projects; and
- A Revolving Loan up to \$80 million to provide loan insurance for debt instruments to expand broadband within West Virginia

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

### **❑ BTI Role**

The role of the BTI for the overall Loan Pool is as follows:

- Receive and post loan payments.
- Open an account on behalf of the State Loan Pool.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- Provide monthly statements regarding pool activity
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

The role of the BTI for the EDA Industrial Development Loan is as follows:

- Provide EDA with the annual rate to be charged on the loan.
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office.
- Invoice the EDA on a monthly basis for interest and principal due on outstanding loan balances

The role of the BTI for the Broadband Debt Guarantee Revolving Loan is as follows:

- Provide EDA with quarterly interest rate to be charged on the loan
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office
- Invoice the EDA on a quarterly basis for interest and principal due on outstanding balances

**Income Allocation**

Net investment income is declared as dividends and distributed on the last day of the month. If the pool incurs a loss resulting in negative income, the loss will be distributed to participants on the last day of the month.

**Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2022	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Other investments	100.0%	\$ 114,920	100.0%
Money market funds	20.0%	42	0.0%
Depository accounts	5.0%	-	-
		<u>\$ 114,962</u>	<u>100.0%</u>

**Actual Returns**

The BTI does not maintain rates of return for the Loan Pool.

**Investments**

For a detailed list of investments in the Loan Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 59.

## **Reserve Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The Reserve Pool was created to provide an added layer of security for the West Virginia Money Market and West Virginia Government Money Market Pools. The objective of the pool is to provide support for the West Virginia Money Market and West Virginia Government Money Market Pools to ensure the net asset values do not fall below \$0.9985 per unit.

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of Pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities.

- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase.
- Depository accounts are required to be collateralized as defined in the BTI's Bank Account Collateral Policy.

### **❑ BTI Role**

The role of the BTI for the Reserve Pool is as follows:

- Develop investment guidelines.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.
- The BTI will monitor the net asset value of the West Virginia Money Market and West Virginia Government Money Market Pools on a daily basis in accordance with the BTI's Net Asset Value Monitoring Policy. This policy requires the Chief Financial Officer and Executive Director to

develop a formal and written action plan to address the NAV decline when it falls below \$0.9985 per unit. Board members are notified to approve the written action plan.

- If the net asset value falls below \$0.9985 per unit, the BTI will request Board approval to utilize the Reserve Pool to ensure the NAV is stabilized at \$0.9985 per unit.

**Income Allocation**

Net investment income is declared as dividends and distributed on the last day of the month. If the pool incurs a loss resulting in negative income, the loss will be distributed on the last day of the month.

**Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2022	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ -	-
U.S. government agency obligations	100.0%	-	-
Repurchase agreements	100.0%	-	-
Government money market funds	100.0%	2	0.0%
Certificates of deposit	100.0%	-	-
Depository accounts	100.0%	19,986	100.0%
		<u>\$ 19,988</u>	<u>100.0%</u>

**Actual Returns**

The BTI does not maintain rates of return for the Reserve Pool.

**Investments**

For a detailed list of investments in the Reserve Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 59.

## **Municipal Bond Commission Account**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The Municipal Bond Commission Account is governed by West Virginia State Code §13-3-7 as it relates to permissible securities, limitations on purchase, sale or exchange of securities, interest; and custody of securities.

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

- No security shall be purchased, sold or exchanged without the concurrence or ratification of a majority of all members of the Municipal Bond Commission (the “Commission”).
- No security shall be purchased at a price above, nor sold or exchanged at a price below, its prevailing fair market value.
- No security shall be purchased, sold or exchanged for the purpose of aiding any individual, firm or corporation by the payment of brokerage commissions or fees thereto.
- No security purchased, sold or exchanged shall benefit any member or employee of the Commission.

### **❑ BTI Role**

The role of the BTI for the Municipal Bond Commission Account is as follows:

- Open an account on behalf of the Commission.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Provide securities information to the custodian.
- Review signature authorization from the Commission for trade activity.
- Record contributions and withdrawals based upon Commission authorization.
- Provide detailed fee invoice.
- Charge fees for management of the account.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

☐ **Income Allocation**

Net investment income and realized gains and losses are posted to the account monthly.

☐ **Asset Allocation – Permissible vs. Actual**

Asset allocations have not been established for the Municipal Bond Commission Account. Permissible securities are as follows:

- Securities of the United States or any agency thereof which are guaranteed by or for which the full faith and credit of the United States is pledged for the payment of the principal and interest.
- General obligations of the State or any of its agencies, boards or commissions, or any county, municipality or school district in the state.
- Repurchase agreements or similar banking arrangements with a member bank of the Federal Reserve System, or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”), or its successor, provided that such investments shall only be made to the extent insured by the FDIC or to the extent that the principal amount thereof shall be fully collateralized by direct obligations of or obligations guaranteed by the United States of America.

At June 30, 2022, 100.0% of the Municipal Bond Commission Account’s investments, totaling \$39,674,000, were invested in State and Local Government Series Securities issued by the U.S. Treasury.

☐ **Actual Returns**

The BTI does not maintain rates of return for the Municipal Bond Commission Account.

☐ **Investments**

For a detailed list of investments in the Municipal Bond Commission Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 60.

## **School Fund Account**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The School Fund was established by State Code §18-9-5 to contribute toward supporting state public schools. The investment objective is to maintain the irreducible \$1 million principal as defined in State Code §18-9A-16.

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

### **❑ BTI Role**

The role of the BTI for the School Fund Account is as follows:

- Open an account on behalf of the School Fund Board.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide monthly statements regarding School Fund activity.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

### **❑ Income Allocation**

Net investment income and realized gains and losses are posted to the account monthly. Unrealized gains and losses are reflected in the net asset value calculated each month.

### **❑ Asset Allocation – Permissible vs. Actual**

The School Fund shall be invested in interest-bearing securities of the United States, or securities, the payment of which as to both principal and interest, has been guaranteed by the United States, or of West Virginia, or of any county, city, town or village, or school district of West Virginia, or if such interest-bearing securities cannot be obtained, then such fund shall be invested in such other solvent interest-bearing securities as shall be approved by the School Fund Board. At June 30, 2022, 100.0% of the School Fund

Account's investments, totaling \$1,001,000, were invested in a money market fund that invests in U.S. Treasury and agency securities.

❑ **Actual Returns**

The BTI does not maintain rates of return for the School Fund Account.

❑ **Investments**

For a detailed list of investments in the School Fund Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 60.

**Economic Development Authority – American Woodmark Account**

**❑ Investment Objectives and Policy Guidelines**

Objectives

In accordance with West Virginia Code Section §31-15-23, the Economic Development Authority (the “EDA”) – American Woodmark Account invests excess funds received by appropriation or other funds which the EDA directs to be invested.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None

**❑ BTI Role**

The role of the BTI for the EDA – American Woodmark Account is as follows:

- Open an account on behalf of the EDA.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Invest earned interest not withdrawn by the EDA.
- Review signature authorization from the EDA for trade activity.
- Record contributions and withdrawals based upon EDA authorization.
- Provide monthly statements regarding EDA activity.
- Charge fees for management of the account.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

**❑ Income Allocation**

Net investment income and realized gains and losses are posted to the account monthly. Unrealized gains and losses are reflected in the net asset value calculated each month.

❑ **Asset Allocation – Permissible vs. Actual**

Permissible securities for the EDA – American Woodmark Account are as follows:

- A U.S. Treasury obligation that matures August 15, 2023.
- Money market funds

At June 30, 2022, 99.9% of the EDA – American Woodmark Account's investments, totaling \$1,499,000, were invested in a U.S. Treasury Bond maturing August 15, 2023. The remaining 0.1%, totaling \$1,000 was invested in a money market fund that invests in U.S. Treasury and agency securities.

❑ **Actual Returns**

The BTI does not maintain rates of return for the EDA – American Woodmark Account.

❑ **Investments**

For a detailed list of investments in the EDA – American Woodmark Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 60.

**Schedule of Investment Management Fees**  
**Consolidated Fund**  
**For the Fiscal Year Ended June 30, 2022**  
*(In Thousands)*

## External fees:

## Investment advisors:

WV Money Market Pool	\$ 2,054
WV Government Money Market Pool	73
WV Short Term Bond Pool	453
	<u>2,580</u>

## Custodians:

WV Money Market Pool	191
WV Government Money Market Pool	13
WV Short Term Bond Pool	21
	<u>225</u>

Total external fees	<u>2,805</u>
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## Internal fees:

Investment consultant	133
Fiduciary bond	20
Administration	1,100
	<u>1,253</u>

Total investment management fees	<u><u>\$ 4,058</u></u>
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## INVESTMENT POLICY SUMMARY

### I. PURPOSE

The investment policy of the West Virginia Board of Treasury Investments (the “BTI”) is adopted pursuant to Article 6C of Chapter 12 of the West Virginia Code and specifically outlines the investment philosophy and practices of the BTI. It has been developed to provide a fiscal administration, investment, and management plan for the assets entrusted to the Board. The Board has adopted this investment policy to serve as that plan and to provide:

- A clear direction to investment managers and consultants, staff, participants, and any other outside service provider as to the objectives, goals, and restrictions with regard to investment of assets;
- A methodology which allows assets to be structured and invested in a prudent manner; and
- A meaningful basis for the evaluation of asset classes, investment managers and the strategies used to achieve the various investment objectives.

### II. INVESTMENT PHILOSOPHY

The BTI was established by the State Legislature to provide prudent fiscal administration, investment, and management for the assets entrusted to the BTI. It is the investment philosophy of the BTI to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. Due to the short-term nature of the funds, the BTI believes it is imperative to review and adjust the policy in reaction to interest rate market fluctuations/trends on a regular basis. In order to accomplish this, the BTI has adopted the following formal review schedule:

<b>Agenda Item</b>	<b>Review Schedule</b>
Investment Performance	Quarterly
Investment Manager Rebalancing	Quarterly
Investment Policy	Annually
Fee Schedule and Budget	Annually
Select Rating Agencies	Annually
Stress Testing of Portfolios	Monthly

When required, the BTI may react to trends in the market more quickly by itself or through actions of its Investment Committee.

The BTI will employ investment managers to implement this policy. The BTI shall monitor the performance of, and supervise all investment managers.

In determining its philosophy toward risk, the BTI considers its fiduciary obligations, statutory requirements, and current market conditions. Additionally, the BTI will consider the participants’ purposes and characteristics, financial conditions, liquidity needs, sources and level of contributions, income and general business conditions. Based upon these many factors, the BTI identifies when either a more conservative or more aggressive investment approach is warranted.

### **III. INVESTMENT OBJECTIVES**

The BTI's objective is to provide focused investment services for the funds, reduce costs for, and increase returns to its participants. Realizing the majority of the funds are for operating expenses, the policy is designed to address the short-term liquidity needs of the participants and limit risk, but still permitting for a better rate of return than participants may be able to obtain on their own.

All available funds shall be invested with the following objectives and priorities:

- Safety of principal. Investments shall be undertaken in a manner that seeks preservation of capital with reasonable investment risk in the overall portfolio.
- Liquidity requirements of anticipated and unanticipated expenditures.
- Maximization of the yield allocated to participants' investments consistent with all investment objectives.
- Recognition of differing objectives and needs of various participants.
- Conformance with state law and other pertinent legal restrictions.
- Diversification of assets by investment in various securities classifications and the use of various investment managers in order to smooth the volatility of returns.

### **IV. INVESTMENT/ADMINISTRATIVE RESPONSIBILITIES**

The BTI is responsible for the prudent investment and administration of the funds. In order to properly carry out the policy, the BTI will rely on staff and outside service providers. Due to the number of parties involved, their roles as fiduciaries must be clearly identified to ensure operational efficiency, clear lines of communication, and accountability in all aspects of operations. The following describes the parties and the roles they assume as fiduciaries.

#### **A. BOARD OF DIRECTORS**

The Board has the responsibility of establishing and maintaining the policy and determining the objectives for all aspects of BTI operations.

The Board shall adopt by-laws and delegate the implementation of the policy to the Investment Committee and staff. The Board shall focus on important policy level issues, maintaining the proper fiduciary perspective and time horizon for analysis of the progress of the policy and the investment returns on the funds, and develop, adopt, review or modify the asset rebalancing plan, investment policy, fee schedule, and budget for the funds at least annually.

The Board may establish committees of its members as required to effectively implement the policy. Currently, the Board has established the Investment, Audit, and Personnel and Governance Committees as described below. Committees shall be briefed as required on any topic or issue pertinent to the Board's operations, and shall make reports regarding those topics to the Board at its meetings.

#### **B. INVESTMENT COMMITTEE**

The primary objective of the Investment Committee is to implement this policy and to do so effectively, prudently, and in a cost efficient manner in full compliance with all applicable laws, rules, and regulations.

The Investment Committee shall have the following specific responsibilities to be performed with the advice and assistance of staff and the investment consultant, and shall make recommendations to the Board for action as necessary regarding:

- Policies for preservation of capital, risk tolerance, credit standards diversification, rate of return, stability and turnover, liquidity, reasonable costs and fees, permissible investments, maturity ranges, internal controls, safekeeping and custody, valuation methodologies, and calculation of earnings and yields;
- Evaluation, selection, and termination of the investment managers and investment consultant;
- Regular review of and revisions to the investment policy;
- Investigate any reported investment problems or non-compliance;
- Evaluation of investment results to ensure compliance with the investment policy and to determine success of investment activities; and
- Other investment related issues as necessary for the prudent and cost effective investment of the funds.

#### **C. INVESTMENT CONSULTANT**

The investment consultant will be selected by and serve at the will and pleasure of the Board, based upon recommendations from the Investment Committee. The consultant must have and assign an employee to work directly with the BTI, who has a Chartered Financial Analyst or a Certified Treasury Professional designation. The consultant works with the Board and staff to implement this policy. This requires regular meetings with staff, the Investment Committee and/or the Board, to provide an independent perspective on various issues and make recommendations as appropriate.

#### **D. INVESTMENT MANAGERS**

Investment managers will be selected by and serve at the will and pleasure of the Board, based upon recommendations from the Investment Committee. The managers will have demonstrated expertise with the type of portfolio in their charge. The managers will be provided explicit written instructions detailing their particular assignment, and will construct and manage the portfolio consistent with the policy.

#### **E. CUSTODIAN**

The custodian holds directly, through its agents, its sub-custodians, or designated clearing systems, securities held as investments by the BTI. The custodian is accountable for registration of those securities in good delivery form, collection of income generated, and any corporate action notification. The custodian is responsible for delivery, receipt, tracking, and reporting of securities transactions. The BTI may opt to delegate other duties to the custodian.

#### **F. INTERNAL AUDITOR**

The Board shall retain an internal auditor to report directly to the Board. As minimum qualifications, the internal auditor shall be a certified public accountant with at least three years' experience as an auditor. The internal auditor shall develop an internal audit plan, with Board approval, for the testing of procedures, internal controls and security of transactions.

#### **G. EXTERNAL AUDITOR**

The BTI shall be audited annually by an independent certified public accounting firm selected by the Board. The certified public accounting firm must have a minimum staff of ten certified public accountants, be a member of the American Institute of Certified Public Accountants and, if doing business in West Virginia, a member of the West Virginia Society of Certified Public Accountants. The Board shall have financial and compliance audits of the Board's books, accounts and records with respect to its receipts, disbursements, investments, contracts and all other matters relating to its financial operations.

#### **H. NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**

The BTI shall annually select Nationally Recognized Statistical Rating Organizations ("NRSRO") whom it deems suitable to rely upon for credit ratings. Currently the BTI has selected the following NRSRO's:

- Moody's Investor Services
- Standard & Poor's
- Fitch Ratings
- Dominion Bond Rating Service, Ltd.

#### **V. STANDARD OF CARE**

Any investment made pursuant to this policy shall be made in accordance with the "Uniform Prudent Investor Act" and shall be further subject to the following:

- The Directors shall diversify the investment of the funds so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so;
- The Directors shall defray reasonable expenses of investing and managing the funds by charging fees; and
- The Directors shall discharge their duties in accordance with the documents and instruments consistent with the State Code.

#### **VI. GENERAL INVESTMENT GUIDELINES**

The BTI recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investments. Due to the short-term nature of the funds, high levels of risk should be avoided, but the assumption of risk may be warranted if it is needed in order to allow the investment managers the opportunity to achieve satisfactory results consistent with the policy and the investment guidelines for the pool/portfolio they manage.

All securities must have a readily attainable market value, and must be readily marketable. Listed within the investment guidelines for each pool and account are the securities specifically permitted by the policy.

#### **VII. CONFLICT OF INTEREST AND ETHICS**

The Directors, staff, and any outside service provider shall refrain from those circumstances that could be considered a conflict of interest with BTI operations and transactions. A conflict of interest is a circumstance that creates an actual conflict with any fiduciary duty owed and a personal or business activity

that could conflict with, could give the appearance of a conflict with, or could impair the ability to make impartial decisions in matters affecting BTI operations and transactions.

Additionally, the Directors and staff shall maintain knowledge of, and shall comply with, all applicable laws, rules and regulations of any governmental or regulatory entity governing the management of the funds and shall not knowingly participate in, assist or fail to report to the BTI any acts in violation of those laws, rules and regulations. This requirement includes, but is not limited to, compliance with the “West Virginia Governmental Ethics Act” in the State Code. Any actual or perceived violation of the Ethics Act shall be reported in writing to the Personnel and Governance Committee of the Board for action.

## **VIII. AUDITOR ACCESS TO RECORDS**

An investment manager or custodian which holds securities for the account of, in trust of, in trust for, or pledged to the BTI, shall be required to allow the BTI or its agents to conduct an audit with respect to such securities or securities transactions for a period of two years after date of any trade executed on behalf of the BTI.

## **IX. OTHER BTI POLICIES**

The policy incorporates policies that govern the day-to-day practices of the BTI, including:

- Pricing Policy
- Net Asset Value Monitoring Policy
- Dividend Reinvestments Policy
- Record Retention Policy
- Outside Service Provider Policy
- Repurchase Agreement Policy
- Securities Lending Program Policy
- Bank Account Collateral Policy
- Investment Manager Due Diligence and Watch List Policy
- Securities Litigation Policy

## **X. MISCELLANEOUS PROVISIONS**

### **A. AMENDMENTS**

Any modification or amendment of this policy may be made by an action adopted at any duly constituted Board meeting; provided, however, that no such modification or amendment shall abrogate the rights and duties of then existing BTI contracts with outside service providers, unless required by operation of law or agreed to by the outside service providers.

### **B. NO RECOURSE**

No provision in this policy shall be the basis for any claim against any director or staff, in his individual or official capacity, or against the BTI itself.

**C. EFFECT UPON EXISTING CONTRACT**

This policy shall not abrogate the rights and duties of the BTI under contracts with outside service providers executed prior to the effective date of this policy, unless required by operation of law or agreed to by the outside service provider.

**D. EFFECT OF FAILURE TO COMPLY AS TO INVESTMENTS**

Failure to comply with this policy shall not invalidate any investment or affect the validity of the authorization of the Board, or their designee, to make such investments, unless required by the Board.

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## **Statistical Section**

## INTRODUCTION TO STATISTICAL SECTION

The Statistical Section of the BTI's ACFR presents information as a historical perspective and a context for understanding what the information in the financial statements, note disclosures, supplementary information, and other financial information says about the BTI's overall financial health.

### **Table 1: Schedules of Additions, Deductions, and Changes in Net Position – Consolidated Fund**

This table presents historical information showing trends in the changes in Consolidated Fund net position and the components of those changes.

### **Table 2: Financial Highlights – Consolidated Fund State Operating Pools**

This table presents historical information showing per share data and ratios for the state operating pools of the Consolidated Fund for the past ten years. The ratio of expenses to average net position represents the percentage of net position used to operate the pool. The ratio of net investment income to average net position represents financial performance of the pool, or the extent to which operations have resulted in changes in net position. The portfolio turnover rate is a measurement of how frequently assets within a fund are bought and sold by the managers.

### **Table 3: Rates of Return – Consolidated Fund State Operating Pools**

This table presents historical information showing the rates of return for the Consolidated Fund State Operating Pools for the past ten years.

### **Table 4: Participation in Consolidated Fund State Operating Pools**

This table presents historical information for the past ten years showing the participation in the Consolidated Fund State Operating Pools that are open to all state agencies and local governments in the state. Many state agencies and local governments have multiple accounts.

### **Table 5: Net Position – Consolidated Fund**

This table presents historical information showing the total net position of the Consolidated Fund for the past ten years.

### **Table 6: Net Position, Changes in Net Position, and Restatement of Net Position – Operating Fund**

This table presents historical information showing the total net position and changes in net position of the Operating Fund (a proprietary fund) for the past ten years.

### **Table 7: Schedule of Net Asset Values—Consolidated Fund Operating Pools**

This table presents components of total net asset values of the Consolidated Fund Operating Pools at June 30, 2022, as well as investment unit data.

### **Table 8: Portfolio Statistics – Consolidated Fund Operating Pools**

This table presents weighted average days to maturity, maximum weighted average investment maturity term per BTI investment policy, and money market yields for the Consolidated Fund Operating Pools at June 30, 2022.

**Table 9: Participant Net Asset Values—Consolidated Fund Operating Pools**

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2022.

**Glossary of Financial and Investment Terms**

A glossary of financial and investment terms is presented to help readers understand the basic concepts and information provided in this Annual Comprehensive Financial Report.

**Table 1: Schedules of Additions, Deductions, and Changes in Net Position – Consolidated Fund**

Fiscal Year Ended June 30

*(In Thousands)*

	2022	2021	2020	2019	2018
<b>Additions</b>					
Investment income:					
Interest	\$ 27,549	\$ 25,320	\$ 61,532	\$ 65,025	\$ 35,994
Dividends	526	225	3,187	4,311	1,648
Net accretion (amortization)	10,096	4,175	38,624	54,990	21,465
Provision for securities lending loss	-	-	-	-	-
Provision for uncollectible loans	-	-	(89)	(504)	-
Total investment income	38,171	29,720	103,254	123,822	59,107
Investment expenses:					
Investment advisor fees	2,581	2,100	1,867	1,725	1,463
Custodian bank fees	223	174	160	168	134
Administrative fees	1,199	1,515	1,142	1,716	1,245
Total investment expenses	4,003	3,789	3,169	3,609	2,842
Net investment income	34,168	25,931	100,085	120,213	56,265
Net realized gain (loss) from investments	(595)	7,087	6,622	(817)	(583)
Net increase (decrease) in fair value of investments	(35,431)	(9,965)	7,742	14,306	(5,460)
Net increase in net position from operations	(1,858)	23,053	114,449	133,702	50,222
Participant transaction additions:					
Purchase of pool units by participants	15,388,367	16,545,122	13,377,374	11,418,719	11,558,987
Reinvestment of pool distributions	34,036	31,373	104,859	119,737	55,550
Contributions to individual investment accounts	54,702	58,356	109,461	538	9,307
Total participant transaction additions	15,477,105	16,634,851	13,591,694	11,538,994	11,623,844
Total additions	15,475,247	16,657,904	13,706,143	11,672,696	11,674,066
<b>Deductions</b>					
Distributions to pool participants:					
Net investment income	31,734	22,749	99,348	119,963	55,858
Net realized gain (loss) from investments	(595)	7,087	6,622	(817)	(583)
Total distributions to pool participants	31,139	29,836	105,970	119,146	55,275
Participant transaction deductions:					
Redemption of pool units by participants	14,234,345	14,858,041	12,271,849	10,784,814	10,171,762
Withdrawals from individual investment accounts	94,652	117,970	30,021	28,994	17,474
Total participant transaction deductions	14,328,997	14,976,011	12,301,870	10,813,808	10,189,236
Total deductions	14,360,136	15,005,847	12,407,840	10,932,954	10,244,511
Change in net position	\$ 1,115,111	\$ 1,652,057	\$ 1,298,303	\$ 739,742	\$ 1,429,555

*(Continued)*

	2017	2016	2015	2014	2013
\$	23,420	\$ 17,145	\$ 14,942	\$ 15,103	\$ 17,579
	666	402	1,575	1,653	330
	7,471	1,069	(3,885)	(4,563)	(6,351)
	-	-	-	-	(1,629)
	(639)	(507)	(822)	(1,251)	-
	<u>30,918</u>	<u>18,109</u>	<u>11,810</u>	<u>10,942</u>	<u>9,929</u>
	1,345	1,366	1,552	1,486	1,366
	116	126	133	129	132
	<u>1,384</u>	<u>1,290</u>	<u>1,298</u>	<u>1,083</u>	<u>593</u>
	<u>2,845</u>	<u>2,782</u>	<u>2,983</u>	<u>2,698</u>	<u>2,091</u>
	28,073	15,327	8,827	8,244	7,838
	128	(39)	(442)	44	2,850
	<u>(1,917)</u>	<u>2,818</u>	<u>(986)</u>	<u>2,401</u>	<u>(96)</u>
	26,284	18,106	7,399	10,689	10,592
	11,266,082	9,864,797	10,934,435	10,832,452	11,345,517
	27,979	15,082	8,679	8,812	8,277
	<u>26,512</u>	<u>64,252</u>	<u>825</u>	<u>356</u>	<u>291,228</u>
	<u>11,320,573</u>	<u>9,944,131</u>	<u>10,943,939</u>	<u>10,841,620</u>	<u>11,645,022</u>
	11,346,857	9,962,237	10,951,338	10,852,309	11,655,614
	27,709	15,147	8,714	8,087	6,727
	128	(39)	(442)	44	(370)
	<u>27,837</u>	<u>15,108</u>	<u>8,272</u>	<u>8,131</u>	<u>6,357</u>
	11,141,868	10,233,163	10,977,054	11,259,270	11,513,580
	16,386	44,326	20,105	193,010	223,638
	<u>11,158,254</u>	<u>10,277,489</u>	<u>10,997,159</u>	<u>11,452,280</u>	<u>11,737,218</u>
	<u>11,186,091</u>	<u>10,292,597</u>	<u>11,005,431</u>	<u>11,460,411</u>	<u>11,743,575</u>
\$	<u>160,766</u>	<u>\$ (330,360)</u>	<u>\$ (54,093)</u>	<u>\$ (608,102)</u>	<u>\$ (87,961)</u>

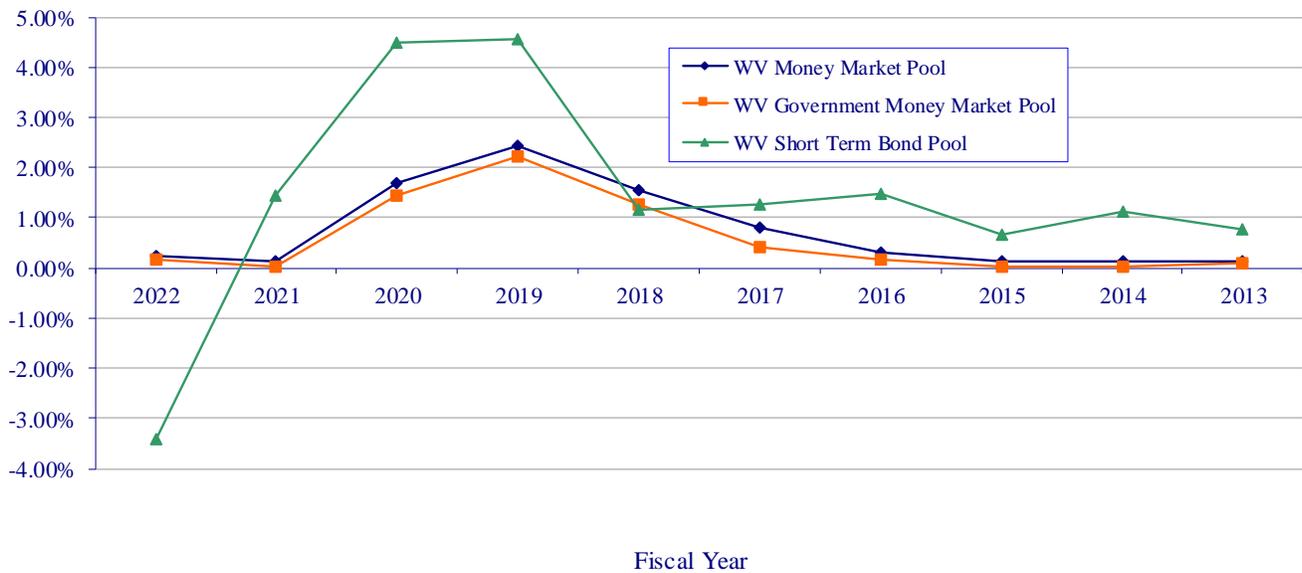
**Table 2: Financial Highlights – Consolidated Fund State Operating Pools**

	Fiscal Year Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>WV Money Market Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income	-	-	0.02	0.02	0.02	0.01	-	-	-	-
Net realized and unrealized gain	-	-	-	-	-	-	-	-	-	-
Net increase from operations	-	-	0.02	0.02	0.02	0.01	-	-	-	-
Distributions to participants	-	-	0.02	0.02	0.02	0.01	-	-	-	-
Net asset value at end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	6,988,546	5,295,136	5,099,974	3,959,313	3,266,592	1,780,967	1,556,503	1,890,872	1,960,118	2,496,857
Ratio of expenses to average net assets	0.05%	0.05%	0.06%	0.07%	0.07%	0.08%	0.08%	0.08%	0.07%	0.05%
Ratio of net investment income to average net assets	0.31%	0.15%	1.81%	2.39%	1.56%	0.84%	0.27%	0.13%	0.13%	0.14%
<b>WV Government Money Market Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income	-	-	0.02	0.02	0.01	-	-	-	-	-
Net realized and unrealized gain	-	-	-	-	-	-	-	-	-	-
Net increase from operations	-	-	0.02	0.02	0.01	-	-	-	-	-
Distributions to participants	-	-	0.02	0.02	0.01	-	-	-	-	-
Net asset value at end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	242,302	273,087	262,678	252,159	212,354	202,070	190,160	248,503	238,981	287,253
Ratio of expenses to average net assets	0.04%	0.06%	0.07%	0.08%	0.08%	0.09%	0.09%	0.08%	0.08%	0.06%
Ratio of net investment income to average net assets	0.18%	0.07%	1.66%	2.29%	1.32%	0.47%	0.16%	0.03%	0.02%	0.09%
<b>WV Short Term Bond Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 102.79	\$ 104.05	\$ 103.07	\$ 101.07	\$ 101.81	\$ 102.03	\$ 101.67	\$ 101.79	\$ 101.47	\$ 100.06
Net investment income	1.27	1.82	2.67	2.68	1.97	1.47	1.15	0.85	1.20	0.70
Net realized and unrealized gain (loss)	(4.72)	(0.36)	1.81	1.90	(0.83)	(0.22)	0.34	(0.19)	0.33	1.34
Net increase from operations	(3.45)	1.46	4.48	4.58	1.14	1.25	1.49	0.66	1.53	2.04
Distributions to participants	1.19	2.72	3.50	2.58	1.88	1.47	1.13	0.78	1.21	0.63
Net asset value at end of year	<u>\$ 98.15</u>	<u>\$ 102.79</u>	<u>\$ 104.05</u>	<u>\$ 103.07</u>	<u>\$ 101.07</u>	<u>\$ 101.81</u>	<u>\$ 102.03</u>	<u>\$ 101.67</u>	<u>\$ 101.79</u>	<u>\$ 101.47</u>
Shares outstanding (in thousands)	7,731	7,883	7,815	7,158	7,020	7,403	7,754	7,490	7,600	6,083
Ratio of expenses to average net assets	0.08%	0.08%	0.08%	0.11%	0.13%	0.14%	0.14%	0.14%	0.12%	0.07%
Ratio of net investment income to average net assets	1.27%	1.78%	2.64%	2.67%	1.97%	1.47%	1.19%	0.87%	0.78%	0.50%
Portfolio turnover rate	3.13%	7.00%	10.68%	2.78%	3.45%	3.06%	6.77%	4.17%	1.10%	2.48%

**Table 3: Rates of Return – Consolidated Fund State Operating Pools**

	Fiscal Year Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
WV Money Market Pool	0.23%	0.12%	1.69%	2.43%	1.54%	0.80%	0.32%	0.14%	0.13%	0.13%
WV Government Money Market Pool	0.15%	0.04%	1.44%	2.20%	1.26%	0.42%	0.16%	0.03%	0.02%	0.09%
WV Short Term Bond Pool	-3.41%	1.42%	4.50%	4.54%	1.14%	1.26%	1.47%	0.65%	1.11%	0.76%

Rates of return are time weighted, annualized, and net of all fees



**Table 4: Participation in Consolidated Fund State Operating Pools**

Fiscal Year Ended June 30  
(Net Asset Values Expressed in Thousands)

	2022		2021		2020		2019		2018	
	Number of Accounts	Net Asset Value								
<b>WV Money Market Pool:</b>										
State agency accounts	1,027	\$ 7,658,974	1,255	\$ 6,447,622	1,133	\$ 4,855,856	1,044	\$ 3,765,849	1,037	\$ 3,087,615
Local government accounts	245	454,180	236	394,998	230	244,118	204	193,464	198	178,977
	<u>1,272</u>	<u>\$ 8,113,154</u>	<u>1,491</u>	<u>\$ 6,842,620</u>	<u>1,363</u>	<u>\$ 5,099,974</u>	<u>1,248</u>	<u>\$ 3,959,313</u>	<u>1,235</u>	<u>\$ 3,266,592</u>
<b>WV Government Money Market Pool:</b>										
State agency accounts	20	\$ 220,010	21	\$ 199,690	22	\$ 231,398	23	\$ 206,834	23	\$ 209,783
Local government accounts	25	12,103	25	23,742	22	31,280	23	45,325	21	2,571
	<u>45</u>	<u>\$ 232,113</u>	<u>46</u>	<u>\$ 223,432</u>	<u>44</u>	<u>\$ 262,678</u>	<u>46</u>	<u>\$ 252,159</u>	<u>44</u>	<u>\$ 212,354</u>
<b>WV Short Term Bond Pool:</b>										
State agency accounts	37	\$ 666,511	37	\$ 793,799	38	\$ 812,321	38	\$ 737,161	39	\$ 705,986
Local government accounts	15	25,294	11	24,483	10	798	7	664	8	3,493
	<u>52</u>	<u>\$ 691,805</u>	<u>48</u>	<u>\$ 818,282</u>	<u>48</u>	<u>\$ 813,119</u>	<u>45</u>	<u>\$ 737,825</u>	<u>47</u>	<u>\$ 709,479</u>
<b>WV Money Market Pool:</b>										
	2017		2016		2015		2014		2013	
	Number of Accounts	Net Asset Value								
State agency accounts	1,115	\$ 1,653,945	1,196	\$ 1,462,081	1,275	\$ 1,804,995	1,336	\$ 1,869,338	1,347	\$ 2,427,230
Local government accounts	207	127,022	206	94,422	208	85,877	221	90,780	222	69,627
	<u>1,322</u>	<u>\$ 1,780,967</u>	<u>1,402</u>	<u>\$ 1,556,503</u>	<u>1,483</u>	<u>\$ 1,890,872</u>	<u>1,557</u>	<u>\$ 1,960,118</u>	<u>1,569</u>	<u>\$ 2,496,857</u>
<b>WV Government Money Market Pool:</b>										
State agency accounts	20	\$ 198,527	24	\$ 184,246	23	\$ 202,008	20	\$ 184,523	17	\$ 189,828
Local government accounts	27	3,543	27	5,914	70	46,495	77	54,458	80	97,425
	<u>47</u>	<u>\$ 202,070</u>	<u>51</u>	<u>\$ 190,160</u>	<u>93</u>	<u>\$ 248,503</u>	<u>97</u>	<u>\$ 238,981</u>	<u>97</u>	<u>\$ 287,253</u>
<b>WV Short Term Bond Pool:</b>										
State agency accounts	38	\$ 750,256	37	\$ 787,715	35	\$ 758,066	34	\$ 768,763	12	\$ 611,495
Local government accounts	9	3,475	9	3,434	9	3,384	9	4,837	10	5,756
	<u>47</u>	<u>\$ 753,731</u>	<u>46</u>	<u>\$ 791,149</u>	<u>44</u>	<u>\$ 761,450</u>	<u>43</u>	<u>\$ 773,600</u>	<u>22</u>	<u>\$ 617,251</u>

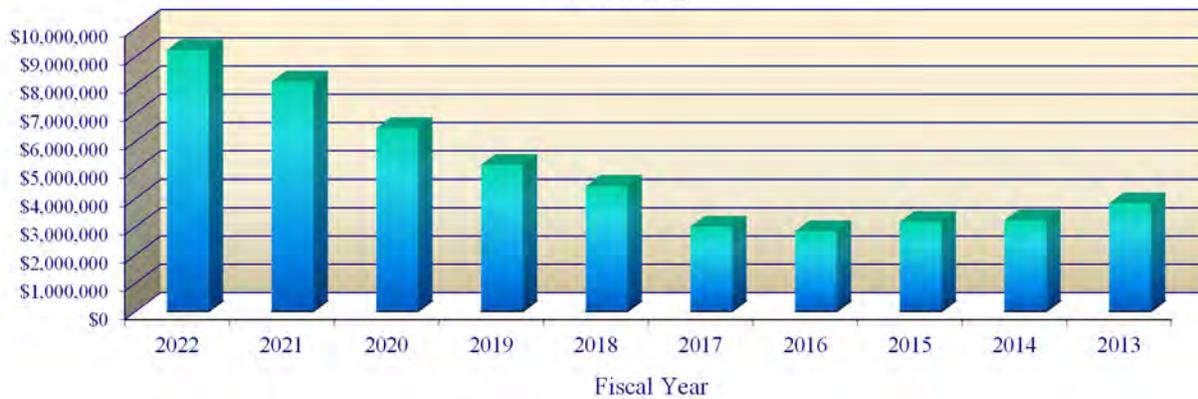
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**Table 5: Net Position – Consolidated Fund**

Fiscal Year Ended June 30  
(In Thousands)

	2022	2021	2020	2019
WV Money Market Pool	\$ 8,113,154	\$ 6,842,620	\$ 5,099,974	\$ 3,959,313
WV Government Money Market Pool	232,113	223,432	262,678	252,159
WV Short Term Bond Pool	691,805	818,282	813,119	737,825
WV Bank Pool	20,206	60,243	67,909	77,774
Loan Pool	115,095	123,407	120,569	119,402
Reserve Pool	20,007	19,942	19,906	19,588
Municipal Bond Commission Account	39,680	28,996	80,355	-
School Fund Account	1,102	1,000	1,264	1,427
EDA-AW Account	1,533	1,662	1,753	1,736
	<u>\$ 9,234,695</u>	<u>\$ 8,119,584</u>	<u>\$ 6,467,527</u>	<u>\$ 5,169,224</u>

**Total Consolidated Fund Net Position**  
(In Thousands)



(Continued)

2018	2017	2016	2015	2014	2013
\$ 3,266,592	\$ 1,780,967	\$ 1,556,503	\$ 1,890,872	\$ 1,960,118	\$ 2,496,857
212,354	202,070	190,160	248,503	238,981	287,253
709,479	753,731	791,149	761,450	773,600	617,251
81,448	79,774	129,294	116,111	73,060	70,042
109,145	125,400	124,438	125,210	129,264	118,366
19,126	18,854	18,767	18,716	20,757	21,920
28,364	35,881	25,296	4,565	24,538	216,728
1,254	1,418	1,584	2,174	1,356	1,327
1,720	1,832	1,970	1,920	1,940	1,972
<u>\$ 4,429,482</u>	<u>\$ 2,999,927</u>	<u>\$ 2,839,161</u>	<u>\$ 3,169,521</u>	<u>\$ 3,223,614</u>	<u>\$ 3,831,716</u>

**Table 6: Net Position, Changes in Net Position, and Restatement of Net Position – Operating Fund**

Fiscal Year Ended June 30  
(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><u>Changes in Net Position</u></b>						
<b>Operating revenues</b>						
Management services	\$ 1,198	\$ 1,517	\$ 1,144	\$ 1,717	\$ 1,245	\$ 1,383
Advisor services	2,580	2,100	1,868	1,725	1,463	1,345
Custodian services	224	174	160	168	134	116
Total operating revenues	<u>4,002</u>	<u>3,791</u>	<u>3,172</u>	<u>3,610</u>	<u>2,842</u>	<u>2,844</u>
<b>Operating expenses</b>						
Advisor fees	2,580	2,101	1,868	1,725	1,463	1,345
Management fees	738	693	743	716	670	637
Trustee fees	2	-	-	-	-	-
Professional service fees	256	277	275	272	244	265
Fiduciary bond	20	20	20	20	20	19
Custodian fees	225	174	161	168	131	119
General and administrative expenses	237	225	258	297	256	280
Depreciation	3	3	4	3	2	2
Total operating expenses	<u>4,061</u>	<u>3,493</u>	<u>3,329</u>	<u>3,201</u>	<u>2,786</u>	<u>2,667</u>
<b>Operating income (loss)</b>	<u>(59)</u>	<u>298</u>	<u>(157)</u>	<u>409</u>	<u>56</u>	<u>177</u>
Change in net position	<u>\$ (59)</u>	<u>\$ 298</u>	<u>\$ (157)</u>	<u>\$ 409</u>	<u>\$ 56</u>	<u>\$ 177</u>
<b><u>Net Position at Year-End</u></b>						
Investment in capital assets	\$ 6	\$ 3	\$ 6	\$ 5	\$ 5	\$ 4
Unrestricted	<u>1,532</u>	<u>1,594</u>	<u>1,293</u>	<u>1,451</u>	<u>1,042</u>	<u>987</u>
Total net position	<u>\$ 1,538</u>	<u>\$ 1,597</u>	<u>\$ 1,299</u>	<u>\$ 1,456</u>	<u>\$ 1,047</u>	<u>\$ 991</u>

(Continued)

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,290	\$ 1,297	\$ 1,353	\$ 955
1,366	1,553	1,486	1,366
126	132	129	132
<u>2,782</u>	<u>2,982</u>	<u>2,968</u>	<u>2,453</u>
1,366	1,553	1,486	1,364
642	613	591	625
-	-	-	-
231	229	254	222
19	18	44	158
126	132	129	133
266	258	216	222
1	2	3	3
<u>2,651</u>	<u>2,805</u>	<u>2,723</u>	<u>2,727</u>
<u>131</u>	<u>177</u>	<u>245</u>	<u>(274)</u>
<u>\$ 131</u>	<u>\$ 177</u>	<u>\$ 245</u>	<u>\$ (274)</u>
\$ 4	\$ 1	\$ 3	\$ 5
<u>810</u>	<u>682</u>	<u>503</u>	<u>256</u>
<u>\$ 814</u>	<u>\$ 683</u>	<u>\$ 506</u>	<u>\$ 261</u>

**Table 7: Schedule of Net Asset Values — Consolidated Fund Operating Pools**

**June 30, 2022**

*(In Thousands except for Investment Unit Data)*

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool
Paid-in capital	\$ 8,113,154	\$ 232,113	\$ 719,207
Accumulated undistributed net investment income (loss)	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	(27,402)
Net position at value	<u>\$ 8,113,154</u>	<u>\$ 232,113</u>	<u>\$ 691,805</u>
Investment unit data:			
Units outstanding	8,113,154,096	232,112,984	7,048,500
Net position, unit price	\$ 1.00	\$ 1.00	\$ 98.15

**Table 8: Portfolio Statistics — Consolidated Fund Operating Pools****June 30, 2022**

	<u>West Virginia Money Market</u>	<u>West Virginia Government Money Market</u>	<u>West Virginia Short Term Bond Pool</u>
Weighted Average Days to Maturity	21 days	19 days	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	584 days
Effective Duration Permissible Range Per Board Guidelines	N/A	N/A	408 to 892 day range
Money Market Yield - Monthly	1.21%	0.91%	N/A

The money market yield represents the rate of income, net of expenses, earned over the past month and is not intended to indicate future performance. The return is annualized over a 365-day year, assuming no reinvestment of earnings.

**Table 9: Participant Net Asset Values — Consolidated Fund Operating Pools**

June 30, 2022

(In Thousands)

<b>WV Money Market Pool</b>			
State Agencies:		Local Governments:	
WV State Treasurer's Office:		Cabell County Board of Education	86,229
State Participation	\$ 3,032,077	Jefferson County Board of Education	38,624
Banking Services	400,399	Mercer County Board of Education	30,422
Broadband Loan Guarantee	34,306	Putnam County Board of Education	35,109
Unclaimed Prop Fund Invest	50,019	Hampshire County Board of Education	27,993
Safekeeping	34,807	City of Charleston	38,453
Roads to Prosperity	47	Marshall County Board of Education	35,118
Prepaid Tuition Trust	1,004	Fayette County Board of Education	12,809
Safe Road Bonds	13	Taylor County Board of Education	12,832
Veterans Lottery	4,961	Wood Co Board of Education	8,284
Savings & Investment Programs	1,312	Tyler Co Board of Education	18,478
Total WV State Treasurer's Office	<u>3,558,945</u>	Berkeley County Board of Education	15,376
Department of Transportation	1,582,797	Roane County Board of Education	4,320
Governor's Office	692,011	Kanawha Emergency Operations Center	8,193
Higher Education Policy Commission	262,531	Taylor County Commission General Fund	7,020
WV Housing Development Fund	147,952	Lincoln County Board of Education	3,638
Department of Commerce	137,788	Braxton County Board of Education	5,779
Department of Environmental Protection	199,829	Berkeley County PSWD	6,008
Public Employees Insurance Agency	126,502	Kanawha County Emergency Ambulance Authority	5,270
WV Lottery Commission	250,643	City of Weirton	4,393
Water Development Authority	327,565	Boone County Commission	3,715
Division of Natural Resources	83,495	Clarksburg Water Board	6,167
WV Economic Development Authority	65,449	Berkeley County PSSD	2,869
WV Municipal Pension Oversight Board	20,898	Whitehall PSD	2,034
Regional Jail Authority	35,829	City of Dunbar	2,171
West Virginia University	53,043	Greenbrier County Board of Education	2,883
Board of Risk and Insurance Management	25,124	Fayette County Commission	2,147
Department of Health and Human Resources	22,597	Lewis County Board of Education	1,836
Insurance Commission	11,815	Ritchie County Board of Education	1,429
WV State Auditor's Office	7,939	Wyoming County Board of Education	1,106
Department of Administration	7,265	Pleasants County Commission	1,049
Performance and wage bond accounts	25,414	North Beckley PSD	1,441
Other	13,543	Upshur Board of Education	2,004
Total State Agencies	<u>7,658,974</u>	Mason County Commission	2,638
		Other	16,343
		Total Local Governments	<u>454,180</u>
		Total net asset value	<u>\$ 8,113,154</u>

<b>WV Government Money Market Pool</b>	
State Agencies:	
Municipal Bond Commission	\$ 180,763
WV State Treasurer's Office - SSBCI	21,989
Department of Environmental Protection	8,835
WV Housing Development Fund	3,197
Other	5,226
Total State Agencies	<u>220,010</u>
Local Governments:	
Ohio County Board of Education	4,258
Randolph Co Bd of Ed Investment Account	3,791
Upshur Co Bd of Ed Investment Account	2,005
Hancock County Commission	1,162
Other	887
Total Local Governments	<u>12,103</u>
Total net asset value	<u>\$ 232,113</u>

<b>WV Short Term Bond Pool</b>	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 309,371
Banking Services	181,290
Total WV State Treasurer's Office	<u>490,661</u>
Department of Environmental Protection	124,106
WV Economic Development Authority	18,775
WV Municipal Pension Oversight Board	9,633
Higher Education Policy Commission	6,232
WV Court of Claims	6,117
DHHR - Children's Health Insurance	3,655
WV Parkways Authority	3,514
Department of Transportation	2,304
Other	1,514
Total State Agencies	<u>666,511</u>
Local Governments:	
City of Charleston Pension Reserves	24,031
Other	1,263
Total Local Governments	<u>25,294</u>
Total net asset value	<u>\$ 691,805</u>

## Glossary of Financial and Investment Terms

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**Agency Security** - A security issued by a U.S. Government agency, such as the Federal Home Loan Bank. These securities have high credit ratings but are typically not backed by the full faith and credit of the U.S. Government.

**Asset-Backed Commercial Paper (ABCP)** - A form of commercial paper that is collateralized by other financial assets such as trade receivables, auto loans and credit cards. Similar to commercial paper, maturities range from one to 270 days.

**Asset-Backed Security (ABS)** - A financial security that is collateralized by a pool of assets such as loans, leases, credit card debt, royalties or receivables.

**Banker's Acceptance** - A high quality, short-term negotiable discount note drawn on and accepted by banks that are obligated to pay the face amount at maturity.

**Basis Point** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield. One hundred basis points equals 1%. For example, a yield that changed from 8.75% to 9.50% increased by 75 basis points.

**Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

**Capital Gain (Loss)** - Also known as capital appreciation (depreciation), capital gain (loss) measures the increase (decrease) in value of an asset over time.

**Certificate of Deposit (CD)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.

**Commercial Paper (CP)** - Short-term obligations with maturities ranging from one to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.

**Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return smooths fluctuations in long-term investment returns to derive an implied year-to-year annual return.

**Consumer Price Index (CPI)** - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, electricity, etc.

**Cumulative Rate of Return** - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.

**Derivative** - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.

**Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

**Expense Ratio** - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.

**Federal Funds Rate** - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates because it is set daily by the market.

**Federal Open Market Committee (FOMC)** - A committee within the Federal Reserve System that is responsible by law for overseeing the nation's open market operations (the Fed's buying and selling of securities in the market). The FOMC makes key decisions about interest rates and the growth of the United States money supply.

**Federal Reserve Board** - The governing body of the Federal Reserve System (twelve regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes Federal Reserve System policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

**Floating Rate Note** - Securities with a variable coupon rate that is adjusted at set intervals, such as daily, weekly, or monthly. The coupon rate is based on a benchmark interest rate, such as LIBOR, Fed Funds, and Treasury Bills plus or minus a spread.

**Gross Domestic Product (GDP)** - Total final value of goods and services produced in the United States over a particular period of time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.

**Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Examples: S&P Index, Lehman Brothers Aggregate Index, Russell 2000 Index.

**Inflation** - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.

**Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.

**London Interbank Offered Rate (LIBOR)** - A benchmark interest rate that is calculated daily from estimates submitted by a panel of leading banks in London. Each bank estimates what interest rate it would be charged if it were to borrow from other banks. LIBOR rates are calculated in five currencies and for seven borrowing periods ranging from overnight to

one year. Most LIBOR settings will stop being issued at the end of 2021, with certain U.S. dollar settings continuing to be provided until the end of June 2023.

**Maturity Date** - The date on which the principal amount of a bond or other debt instrument becomes payable or due.

**Money Market Fund (MMF)** - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. MMF's are managed to maintain a net asset value of \$1 per share.

**Mortgage-Backed Security (MBS)** - A mortgage-backed security is a type of ABS that is secured by a mortgage or collection of mortgages. There are multiple sub-types of MBS, such as pass-through securities, collateralized mortgage obligations, and commercial mortgage-backed securities. MBS are classified as agency, or government, MBS and non-agency, or private label, MBS. Agency MBS are issued by government sponsored enterprises such as Fannie Mae, Freddie Mac or Ginnie Mae. Certain agency MBS are fully guaranteed as to repayment of principal and interest by the U.S. government. Non-agency MBS are issued by non-governmental issuers such as trusts and other special purpose entities.

**Net Asset Value (NAV)** - The total assets minus total liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense.

**Par Value** - The stated or face value of a stock or bond. It has little significance for common stocks; however, for bonds it specifies the payment amount at maturity.

**Principal** - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.

**Realized Gain (Loss)** - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.

**Repurchase Agreements (Repos)** - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

**Reverse Repurchase Agreements (Reverse Repos)** - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

**Secured Overnight Financing Rate (SOFR)** - SOFR is a benchmark interest rate for dollar-denominated derivatives, loans and securities that is replacing LIBOR. SOFR is based on transactions in the Treasury repurchase market and is seen as preferable to LIBOR since it is based on data from observable transactions rather than on estimated borrowing rates.

**Treasury Bill (T-Bill)** - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

**Treasury Bond or Note** - Debt obligations of the Federal government that make semi-annual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

**Turnover** - The minimum of security purchases or sales divided by the fiscal year's beginning and ending fair value for a given portfolio.

**Unrealized Gain (Loss)** - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

**Volatility** - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

**Yield** - The return on an investor's capital investment.

**Yield Curve** - A graphical representation of the interest rates on debt for a range of maturities. The shape of the yield curve refers to the relative difference, or spread, between longer-term and shorter-term interest rates. Yield curves are used to assess the expected future state of the economy and play a crucial role in credit modeling, including bond valuation and risk and rating assessment.

**Yield to Maturity** - The total return anticipated on a bond if it is held until maturity. Yield to maturity is expressed as an annual rate.