

December 19, 2022

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

Dear Governor Justice,

In accordance with the requirements of WV State Code 12-1-12d(f), I respectfully submit the enclosed report on behalf of the West Virginia University Board of Governors. This report provides information about the University's unrestricted investment fund and the operating investments for the period October 1, 2021 – September 30, 2022.

The September 30, 2022 values of the WVU unrestricted investment and operating investment portfolios managed by the WVU Foundation were \$71,609,015 and \$10,147,102, respectively. The asset allocation ranges for these funds as well as the actual allocations as of September 30, 2022, may be found in the attached report from the WVU Foundation on Page 3 and 5.

The 12-month return for the unrestricted investments can be found on Page 4. The WVU unrestricted portfolio achieved a 12-month return during the investment reporting period of - 16.6%. As a point of comparison, during the same period of time the Russell 3000 returned -17.6% and the Barclay's Aggregate bond index returned - 14.6%. WVU uses a blended benchmark to assess performance of the unrestricted investment portfolio. The benchmark blended rate for the period was -16.3%. This portfolio slightly trailed its blended benchmark for the period and has outperformed the blended benchmark since inception.

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

WVU and the WVU Foundation are proud that the unrestricted investment portfolio has performed well in volatile equity and challenging fixed income market conditions. The graph on Page 1 of the WVU Foundation report demonstrates a pull-back of the S&P 500 during the past year after a large post-pandemic increase in the previous reporting year. We continue to view the comparative performance of our portfolio detailed on Page 4 as evidence that this investment program and the prudent investment strategies allowed within the program can generate positive results.

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

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

Sincerely,



David R. Kosslow
Associate Vice President for Finance and Treasury

Enclosure

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

December 12, 2022

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

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

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

The West Virginia University Foundation, Incorporated, in its capacity as Investment Agent, has prepared the enclosed annual report on the Unrestricted Investment Funds (the "Investment Funds") and the WVU Operating Investments (the "Operating Investments") for the 12-month period ending September 30, 2022.

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

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

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

Sincerely,



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

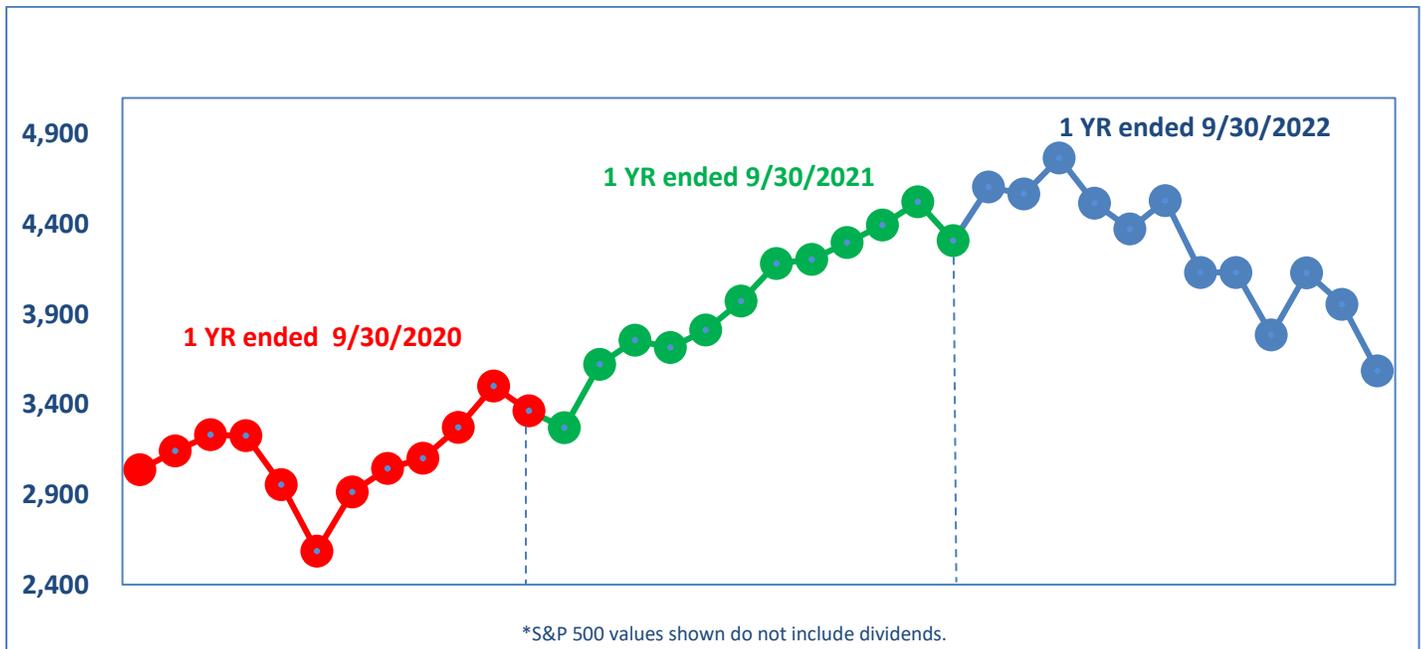
Market Overview

For the last three quarters of the one-year period ended September 30, 2022, traditional asset classes suffered significant volatility amongst geopolitical tensions, aggressive inflation-fighting interest rate hikes by the Federal Reserve and weakening economic fundamentals. The equity markets began their correction in January. Russia invaded Ukraine in February worsening supply-chain disruptions and causing food and energy shortages. Inflation reached record levels that had not been seen since 1981. The Fed began raising the Federal funds rate in March by 25 basis points. The interest rate hike and expectations of further policy rate tightening led the Barclays Aggregate to lose 5.9% in the first quarter of 2022, the worst quarterly performance since 1980. In response to surging year over year inflation, the Fed was aggressive, with a 50-basis point hike in May and a series of three successive 75-basis point rise in June, July, and September, which formally placed this key policy rate into restrictive territory. Rates on 30-year mortgages rose to their highest levels since January 2008, reaching more than 7%.

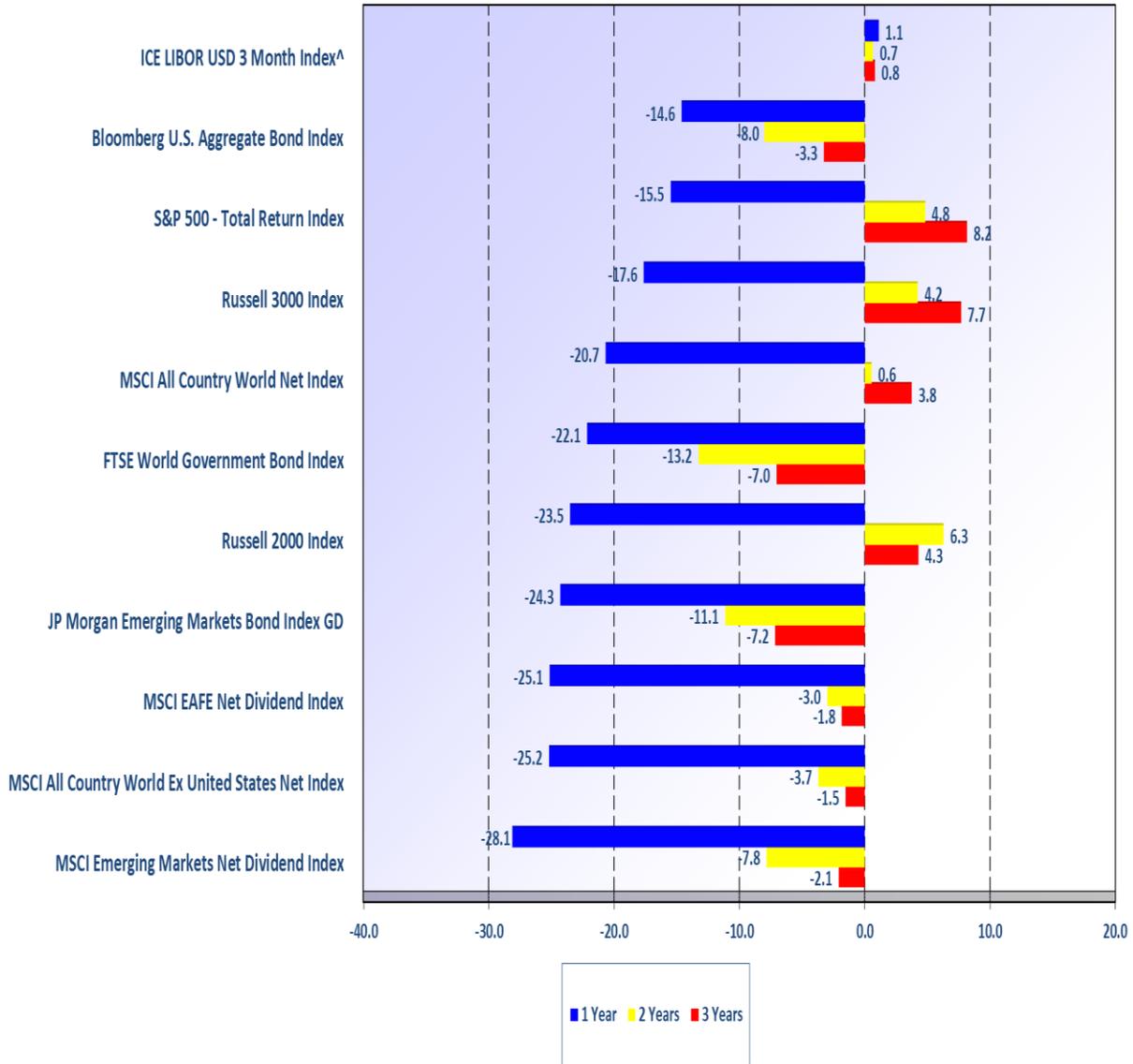
The S&P 500 concluded the 12-month period with a return of -15.5%. For the year-to-date period, every sector of the S&P 500 declined, except for energy. Developed international equities were more negative, with the Morgan Stanley Capital International (MSCI) EAFE Index returning -25.1%. Emerging markets equities further underperformed developed markets with the MSCI Emerging Markets Index returning -28.1% for the 12-month period. The Barclays Aggregate Bond Index was almost as negative as the S&P 500, returning -14.6% for the 1-year period.

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

S&P 500 Values



Market Performance Periods Ended September 30, 2022



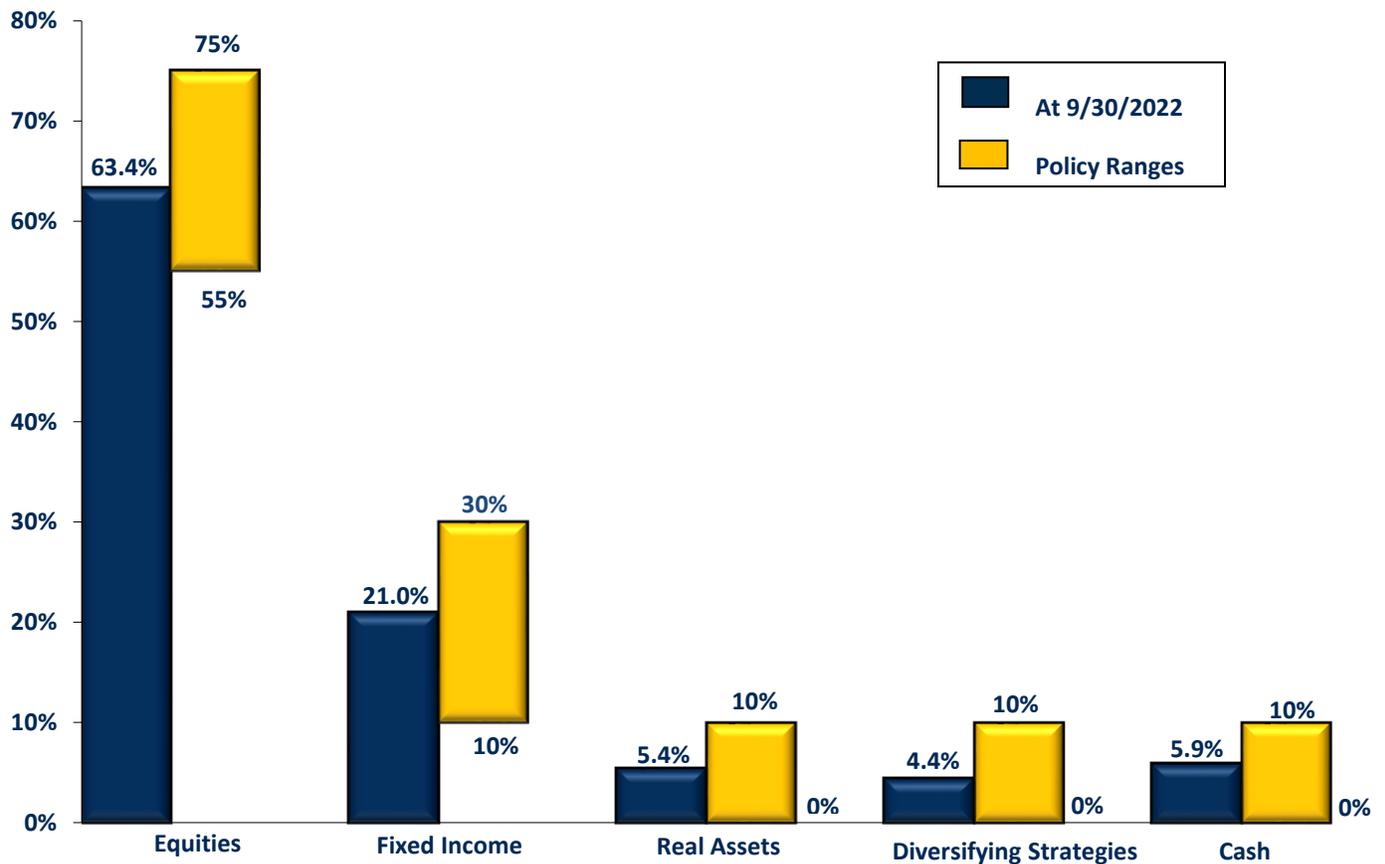
WVU Investment Funds Review

Investment Assets under Management: At September 30, 2022 the value of the Investment Funds' portfolio was \$71.6 million. Transfers out of the pool during the 12-month period totaled (\$334 K). The portfolio had a loss of (\$14.2 million) during the 1-year period and a gain of \$6.0 million in earnings for the 3-year period ending September 30, 2022.

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

At September 30, 2022, all asset classes were in line with their policy ranges. This portfolio is rebalanced quarterly to policy ranges subject to Committee review and approval. The Investment Policy allows for flexibility to maintain allocations outside the recommended range at the Committee's discretion.

Asset Allocation as of September 30, 2022



Performance Summary as of September 30, 2022

For the 12 months ended September 30, 2022, the Investment Funds returned -16.6%, resulting in a loss of (\$14.2 million) and slightly underperforming the custom benchmark return of -16.3%. The Domestic Equity funds returned -16.7% for the year, while the International Equity funds returned -31.9%. Private Equity investments returned 35.7% for the year. The Fixed Income portion of the portfolio returned -12.3%, ahead of the -14.6% return of the Barclays Aggregate Bond Index. Real Assets returned -4.0%. Hedging Strategies returned 9.8%. Since inception of the Investment Funds' program in November 2006, the program has generated an annualized return of 4.9% versus the custom benchmark return of 4.6%.

Performance Returns as of September 30, 2022

%	<u>1 YR</u>	<u>3 YR</u>	<u>ITD*</u>
WVU Unrestricted Investment Funds	-16.6	2.8	4.9
<i>Custom Benchmark**</i>	<i>-16.3</i>	<i>1.7</i>	<i>4.6</i>
<i>Russell 3000</i>	<i>-17.6</i>	<i>7.7</i>	<i>8.1</i>
<i>MSCI EAFE</i>	<i>-25.1</i>	<i>-1.8</i>	<i>2.4</i>
<i>Barclays Aggregate Bond Index</i>	<i>-14.6</i>	<i>-3.3</i>	<i>2.8</i>

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

WVU Operating Investments Portfolio Review

The objective of managing the WVU Operating Investments is to generate interest with very limited, if any, risk to capital using short duration investment strategies. For the 12-month period ending September 30, 2022, the Operating Investments utilized an ICS savings account and a CDARS program using 4-week and 13-week maturities through United Bank. This program was initiated after receiving the State Treasurer’s Office approval on August 25, 2015.

Activity as of September 30, 2022

	9/30/21					9/30/22
	Balance	Deposits	Interest	Transfers	Withdrawals	Balance
ICS Savings	45,013,651	120,000,000	157,534	-	(155,024,083)	10,147,102
4 Week CDARS	-	-	-	-	-	-
13 Week CDARS	-	-	-	-	-	-
Total	45,013,651	120,000,000	157,534	-	(155,024,083)	10,147,102

Interest Rate Range 10/1/22-9/30/22

ICS Savings: 0.13%-3.18%
 4 Week CDARS: 0.163%-1.82%
 13 Week CDARS: 0.163%-1.82%