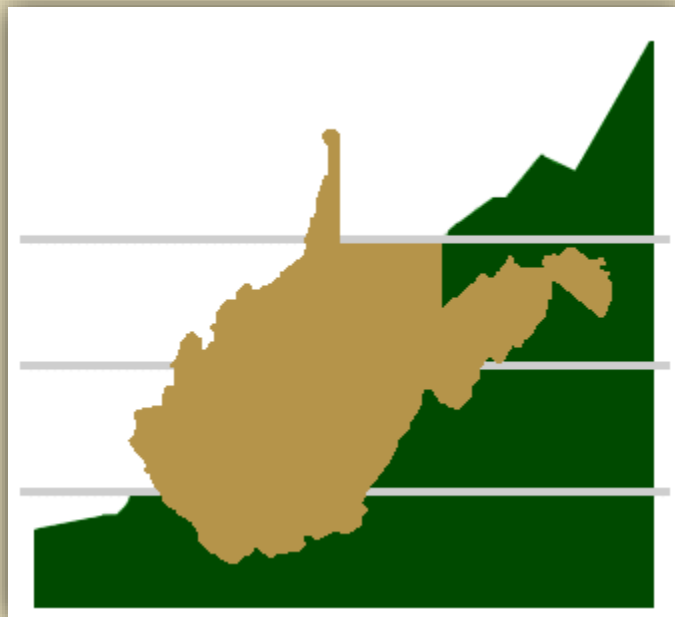


West Virginia

Investment Management Board



Financial Statements

September 30, 2018

West Virginia Investment Management Board

Financial Statements – Unaudited

September 30, 2018

ORDER OF PRESENTATION

Domestic Equity

International Qualified

International Nonqualified

International Equity

Short-Term Fixed Income

Total Return Fixed Income

Core Fixed Income

TIPS

TRS Annuity

Private Markets

Hedge Fund

Financial Statements - Unaudited

September 30, 2018

Domestic Equity Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

Domestic Equity Pool

Statement of Net Position - Unaudited September 30, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 4,478,559
Money market mutual fund	22,310
Securities lending collateral (Note 4)	186,638
Cash	98,043
Receivables:	
Investments sold	106,431
Dividends and other investment income	2,453
	<hr/>
Total assets	4,894,434

Liabilities

Accrued expenses	658
Payable for investments purchased	9,512
Payable upon return of securities loaned (Note 4)	186,640
	<hr/>
Total liabilities	196,810
	<hr/>
Net position	\$ 4,697,624

Unit data

Units outstanding	153,387,426
Net position, unit price	<hr/> <hr/> \$ 30.63

See accompanying notes to financial statements.

Domestic Equity Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ (8,221)	\$ 283,368
Interest, dividends, and other investment income	3,839	9,738
Securities lending income	370	1,147
Total investment income	(4,012)	294,253
Expenses		
Investment advisor fees	(143)	(392)
Custodian bank fees	(9)	(27)
Management and other allocated fees	(125)	(368)
Securities lending expenses	(291)	(908)
Total expenses	(568)	(1,695)
Net investment income (loss)	(4,580)	292,558
Unit transactions		
Proceeds from sale of units	2,036	10,462
Amount paid for repurchase of units	(61,259)	(169,989)
Net decrease from unit transactions	(59,223)	(159,527)
Increase (decrease) in net position	(63,803)	133,031
Net position, beginning of period	4,761,427	4,564,593
Net position, end of period	\$ 4,697,624	\$ 4,697,624

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the Pool. They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool's objective is to exceed, net of external investment management fees, the Russell 3000 Stock Index over three- to five-year periods. Assets are managed by AJO, BlackRock, INTECH Investment Management, LLC, and Westfield Capital Management.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian or mutual third party take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon (BNYM), loans securities of the Pool to various brokers on a temporary basis. Each transaction for U.S. securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received. The required percentage for cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned. The required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Changes in Net Position as a net increase (decrease) in fair value of investments.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income.

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Domestic Equity Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of September 30, 2018:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 1,891,850	\$ -	\$ -	\$ 1,891,850
Common stock	2,586,709	-	-	2,586,709
Money market mutual fund	22,310	-	-	22,310
Securities lending collateral	-	186,638	-	186,638
Total	<u>\$ 4,500,869</u>	<u>\$ 186,638</u>	<u>\$ -</u>	<u>\$ 4,687,507</u>

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at September 30, 2018:

	Fair Value
Securities on loan	\$ 487,207
Collateral received:	
Cash	\$ 186,638
Non-cash	330,130
Total collateral received	<u>\$ 516,768</u>

BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

Domestic Equity Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,983,260
Public Employees' Retirement System	1,734,292
West Virginia Retiree Health Benefit Trust Fund	236,395
Workers' Compensation Old Fund	177,375
State Police Death, Disability and Retirement Fund	174,591
Deputy Sheriff's Retirement System	56,785
Judges' Retirement System	53,050
Revenue Shortfall Reserve Fund - Part B	49,618
State Police Retirement System	49,567
West Virginia Department of Environmental Protection Agency	39,513
Coal Workers' Pneumoconiosis Fund	35,442
Public Employees Insurance Agency	24,992
Board of Risk and Insurance Management	22,897
Emergency Medical Services Retirement System	20,506
Wildlife Endowment Fund	16,701
Workers' Compensation Self-Insured Employer Security Risk Pool	7,884
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	5,088
West Virginia Department of Environmental Protection Trust	2,861
Municipal Police Officers' and Firefighters' Retirement System	2,185
Berkeley County Development Authority	2,014
Workers' Compensation Uninsured Employers' Fund	1,934
Municipal Policemen's or Firemen's Pension and Relief Funds	674
Total	<u>\$ 4,697,624</u>

Financial Statements - Unaudited

September 30, 2018

International Qualified Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

International Qualified Pool

Statement of Net Position - Unaudited
September 30, 2018
(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 1,339,097

Liabilities

Accrued expenses 71

Net position \$ 1,339,026

Unit data

Units outstanding 17,358,836

Net position, unit price \$ 77.14

See accompanying notes to financial statements.

International Qualified Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase in fair value of investments	\$ 15,583	\$ 9,879
Expenses		
Investment advisor fees	(572)	(1,721)
Management and other allocated fees	(36)	(108)
Total expenses	<u>(608)</u>	<u>(1,829)</u>
Net investment income	14,975	8,050
Unit transactions		
Proceeds from sale of units	266	1,701
Amount paid for repurchase of units	(230)	(1,609)
Net increase from unit transactions	<u>36</u>	<u>92</u>
Increase in net position	15,011	8,142
Net position, beginning of period	<u>1,324,015</u>	<u>1,330,884</u>
Net position, end of period	<u>\$ 1,339,026</u>	<u>\$ 1,339,026</u>

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

International Qualified Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's International Qualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool invests in The Silchester International Investors International Value Equity Group Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code*) may invest in the Pool. Silchester invests in a diversified developed country, non-U.S. equity, bottom-up value oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month-end.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Commingled investment funds are valued on the last business day of each month at the net asset value of the fund as reported by the fund's administrator. Investments for which the fair value cannot be determined are valued at fair value in accordance with the IMB's established procedures.

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

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income.

International Qualified Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of the investment fund in which the Pool invests that are reflected in the reported net asset value of such fund.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share as the practical expedient. The investment in Silchester is valued using the net asset value per share. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 647,644
Public Employees' Retirement System	574,249
State Police Death, Disability and Retirement Fund	57,174
Deputy Sheriff's Retirement System	18,856
Judges' Retirement System	17,512
State Police Retirement System	16,027
Emergency Medical Services Retirement System	6,706
Municipal Police Officers' and Firefighters' Retirement System	640
Municipal Policemen's or Firemen's Pension and Relief Funds	218
Total	<u>\$ 1,339,026</u>

Financial Statements - Unaudited

September 30, 2018

International Nonqualified Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

International Nonqualified Pool

Statement of Net Position - Unaudited
September 30, 2018
(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 216,618

Liabilities

Accrued expenses 11

Net position \$ 216,607

Unit data

Units outstanding 3,065,349

Net position, unit price \$ 70.66

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands, except unit data)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase in fair value of investments	\$ 2,439	\$ 1,517
Expenses		
Investment advisor fees	(105)	(315)
Management and other allocated fees	<u>(6)</u>	<u>(18)</u>
Total expenses	<u>(111)</u>	<u>(333)</u>
Net investment income	2,328	1,184
Unit transactions		
Proceeds from sale of units	6	3,706
Amount paid for repurchase of units	<u>-</u>	<u>(3,691)</u>
Net increase from unit transactions	<u>6</u>	<u>15</u>
Increase in net position	2,334	1,199
Net position, beginning of period	<u>214,273</u>	<u>215,408</u>
Net position, end of period	<u>\$ 216,607</u>	<u>\$ 216,607</u>

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

International Nonqualified Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's International Nonqualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). Silchester invests in a diversified developed country, non-U.S. equity, bottom-up value oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month-end.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Commingled investment funds are valued on the last business day of each month at the net asset value of the fund as reported by the fund's administrator. Investments for which the fair value cannot be determined are valued at fair value in accordance with the IMB's established procedures.

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

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income.

International Nonqualified Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of the investment fund in which the Pool invests that are reflected in the reported net asset value of such fund.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share as the practical expedient. The investment in Silchester is valued using the net asset value per share. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

International Nonqualified Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 79,713
Workers' Compensation Old Fund	64,690
Revenue Shortfall Reserve Fund - Part B	17,038
West Virginia Department of Environmental Protection Agency	13,277
Coal Workers' Pneumoconiosis Fund	13,035
Public Employees Insurance Agency	8,443
Board of Risk and Insurance Management	7,754
Wildlife Endowment Fund	5,693
Workers' Compensation Self-Insured Employer Security Risk Pool	2,824
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,774
West Virginia Department of Environmental Protection Trust	1,026
Berkeley County Development Authority	683
Workers' Compensation Uninsured Employers' Fund	657
Total	<u>\$ 216,607</u>

Financial Statements - Unaudited

September 30, 2018

International Equity Pool

**Financial Statements - Unaudited
September 30, 2018**

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

International Equity Pool

Statement of Net Position - Unaudited September 30, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 3,139,615
Money market mutual fund	31,207
Securities lending collateral (Note 4)	103,699
Cash	10,919
Receivables:	
Investments sold	19,016
Dividends and other investment income	<u>16,511</u>
Total assets	3,320,967

Liabilities

Accrued expenses	5,009
Accrued capital gains taxes	1,899
Payable for investments purchased	12,398
Payable upon return of securities loaned (Note 4)	<u>103,700</u>
Total liabilities	<u>123,006</u>
Net position	<u><u>\$ 3,197,961</u></u>

Unit data

Units outstanding	101,347,170
Net position, unit price	<u><u>\$ 31.55</u></u>

See accompanying notes to financial statements.

International Equity Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net decrease in fair value of investments	\$ (1,293)	\$ (29,250)
Interest, dividends, and other investment income	11,263	29,857
Securities lending income	302	872
Total investment income	10,272	1,479
Expenses		
Investment advisor fees	(1,516)	(4,544)
Custodian bank fees	(136)	(477)
Management and other allocated fees	(85)	(256)
Securities lending expenses	(152)	(391)
Total expenses	(1,889)	(5,668)
Net investment income (loss)	8,383	(4,189)
Unit transactions		
Proceeds from sale of units	10,663	221,143
Amount paid for repurchase of units	(5,695)	(5,821)
Net increase from unit transactions	4,968	215,322
Increase in net position	13,351	211,133
Net position, beginning of period	3,184,610	2,986,828
Net position, end of period	\$ 3,197,961	\$ 3,197,961

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

International Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's International Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool invests in the equities of international companies. Assets are managed by Acadian Asset Management, LLC, Axiom International Investors, LLC, Brandes Investment Partners, L.P., LSV Asset Management, and Oberweis Asset Management, Inc. The objective of the Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three- to five-year periods.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Equity securities that trade in non-U.S. markets are valued in U.S. dollars using period end spot market exchange rates as supplied by the Pool's custodian.
- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

International Equity Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency - Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Pool's custodian, Bank of New York Mellon, on the following basis:

- Market value of investment securities, other assets and liabilities - at the closing rate of exchange at the valuation date.
- Purchases and sales of investment securities, income and expenses - at the rate of exchange prevailing on the respective dates of such transactions.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian or mutual third party take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon (BNYM), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received. The required percentage for cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is 105 percent unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. The required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Changes in Net Position as a net increase (decrease) in fair value of investments.

Foreign Currency Spot Contracts - A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The managers, as listed in Note 1, enter into such contracts to correspond to investment transactions trading in foreign currencies. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month end.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income.

International Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of September 30, 2018.

In certain foreign countries the Pool's dividend income and capital gains may be taxable. Taxes on dividend income are generally withheld from the payments and as a result there is no provision recorded for these taxes. In certain cases there may be a full or partial reclaim available for the withheld taxes. Capital gains taxes, if any, on sales of securities may be assessed and paid concurrent with the sale or upon the filing of a return with the taxing authority. In countries where the IMB is liable for capital gains taxes, the IMB will estimate and accrue a capital gains tax liability for unrealized gains on securities held in such countries. The outstanding reclaims and accrued capital gains taxes are reported on the Statement of Net Position. Dividend income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position. The net increase (decrease) in fair value of investments is reported net of capital gains taxes on the Statement of Changes in Net Position.

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

International Equity Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of September 30, 2018:

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 3,067,713	\$ -	\$ -	\$ 3,067,713
Money market mutual fund	31,207	-	-	31,207
Preferred stock	67,389	-	-	67,389
Rights	4,513	-	-	4,513
Securities lending collateral	-	103,699	-	103,699
Total	<u>\$ 3,170,822</u>	<u>\$ 103,699</u>	<u>\$ -</u>	<u>\$ 3,274,521</u>

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at September 30, 2018:

	Fair Value
Securities on loan	\$ 421,849
Collateral received:	
Cash	\$ 103,699
Non-cash	364,134
Total collateral received	<u>\$ 467,833</u>

BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

International Equity Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,354,817
Public Employees' Retirement System	1,187,128
West Virginia Retiree Health Benefit Trust Fund	158,466
State Police Death, Disability and Retirement Fund	119,802
Workers' Compensation Old Fund	113,589
Deputy Sheriff's Retirement System	39,014
Judges' Retirement System	36,177
State Police Retirement System	33,937
Revenue Shortfall Reserve Fund - Part B	33,314
West Virginia Department of Environmental Protection Agency	26,480
Coal Workers' Pneumoconiosis Fund	23,260
Public Employees Insurance Agency	16,841
Board of Risk and Insurance Management	15,182
Emergency Medical Services Retirement System	14,081
Wildlife Endowment Fund	10,774
Workers' Compensation Self-Insured Employer Security Risk Pool	5,208
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,349
West Virginia Department of Environmental Protection Trust	1,967
Municipal Police Officers' and Firefighters' Retirement System	1,457
Berkeley County Development Authority	1,360
Workers' Compensation Uninsured Employers' Fund	1,306
Municipal Policemen's or Firemen's Pension and Relief Funds	452
Total	<u>\$ 3,197,961</u>

Financial Statements - Unaudited

September 30, 2018

Short-Term Fixed Income Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

Short-Term Fixed Income Pool

Statement of Net Position - Unaudited

September 30, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at amortized cost:		
U.S. Treasury and government agency bonds	\$	57,025
Repurchase agreement		18,019
Cash		1
Accrued interest receivable		3
		<hr/>
	Total assets	75,048

Liabilities

Accrued expenses		30
		<hr/>
	Net position	<u>\$ 75,018</u>

Unit data

Units outstanding		75,018,116
Net position, unit price	\$	<u>1.00</u>

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income	\$ 182	\$ 815
Expenses		
Investment advisor fees	(4)	(21)
Custodian bank fees	(1)	(3)
Management and other allocated fees	(2)	(13)
Total expenses	(7)	(37)
Net investment income	175	778
Distributions to unitholders	(175)	(778)
Unit transactions		
Proceeds from sale of units	106,727	287,642
Reinvestment of distributions	175	778
Amount paid for repurchase of units	(131,831)	(431,671)
Net decrease from unit transactions	(24,929)	(143,251)
Decrease in net position	(24,929)	(143,251)
Net position, beginning of period	99,947	218,269
Net position, end of period	\$ 75,018	\$ 75,018

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

Short-Term Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's Short-Term Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The main objective of the Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. manages the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Citigroup 90-Day Treasury Bill Index.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at amortized cost provided such amounts approximate fair value in accordance with GASB Statements No. 72 and No. 79. The basic premise underlying the use of the amortized cost method of valuation is that high-quality, short-term debt securities held until maturity will eventually return to their amortized cost value, regardless of any current disparity between the amortized cost value and market value, and would not ordinarily be expected to fluctuate significantly in value. The Pool values its securities at amortized cost so long as the deviation between the amortized cost and current market value remains minimal and results in the computation of a share price that represents fairly the stable net position value per share of \$1. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian or mutual third party take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income, including the accretion of discounts and amortization of premiums, is accrued daily as earned. Dividend income is recognized on the ex-dividend date.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Short-Term Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unit Valuation and Participant Transactions – The unit price of the Pool is calculated daily by dividing the net position of the Pool by the number of outstanding units. Managements' policy is for the Pool to maintain a stable unit price of \$1 per unit. If the calculated unit price rounds to \$1, then Participant transactions are executed at this price.

Distributions to Participants – Daily net investment income is declared as a dividend and distributed to the participants of the Pool on the last day of the month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to unitholders and reinvestment of distributions as presented on the Statement of Changes in Net Position.

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investments in accordance with GASB Statement No. 72 fair value hierarchy levels as of September 30, 2018:

Assets	Level 1	Level 2	Level 3	Total
Repurchase agreement	\$ -	\$ 18,019	\$ -	\$ 18,019
U.S. Government agency bonds	-	37,126	-	37,126
U.S. Treasury bonds	-	19,899	-	19,899
Total	\$ -	\$ 75,044	\$ -	\$ 75,044

Short-Term Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 32,213
Coal Workers' Pneumoconiosis Fund	10,472
Board of Risk and Insurance Management	7,686
West Virginia Prepaid Tuition Trust Fund	7,686
Public Employees' Retirement System	6,879
Teachers' Retirement System	2,646
Workers' Compensation Self-Insured Employer Security Risk Pool	2,143
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,568
Workers' Compensation Uninsured Employers' Fund	1,359
State Police Retirement System	580
Deputy Sheriff's Retirement System	397
Municipal Police Officers' and Firefighters' Retirement System	343
Wildlife Endowment Fund	279
Judges' Retirement System	272
Public Employees Insurance Agency	209
Municipal Policemen's or Firemen's Pension and Relief Funds	106
Emergency Medical Services Retirement System	99
West Virginia Department of Environmental Protection Agency	27
Revenue Shortfall Reserve Fund	25
Revenue Shortfall Reserve Fund - Part B	11
West Virginia Retiree Health Benefit Trust Fund	11
State Police Death, Disability and Retirement Fund	3
West Virginia Department of Environmental Protection Trust	3
Berkeley County Development Authority	1
Total	<u>\$ 75,018</u>

Financial Statements - Unaudited

September 30, 2018

Total Return Fixed Income Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

Total Return Fixed Income Pool

Statement of Net Position - Unaudited

September 30, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 2,327,329
Derivative instruments	20,534
Money market mutual fund	58,698
Equity investments	11,095
Securities lending collateral (Note 5)	125,418
Cash	43,694
Receivables:	
Interest, dividends, and other investment income	19,755
Investments sold	5,171
	<hr/>
Total assets	2,611,694

Liabilities

Investments in derivative instruments at fair value	19,835
Accrued expenses	1,356
Payable for investments purchased	39,887
Payable upon return of securities loaned (Note 5)	125,419
	<hr/>
Total liabilities	186,497
	<hr/>
Net position	\$ 2,425,197

Unit data

Units outstanding	164,205,897
Net position, unit price	\$ 14.77

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Changes in Net Position - Unaudited Period Ended September 30, 2018* (Amounts in thousands)

	Month	Year To Date
Investment income		
Net decrease in fair value of investments	\$ (1,501)	\$ (10,428)
Interest, dividends, and other investment income	7,319	23,013
Securities lending income	260	874
Total investment income	6,078	13,459
Expenses		
Investment advisor fees	(440)	(1,316)
Custodian bank fees	(15)	(47)
Management and other allocated fees	(64)	(193)
Securities lending expenses	(215)	(718)
Total expenses	(734)	(2,274)
Net investment income	5,344	11,185
Unit transactions		
Proceeds from sale of units	14,459	67,162
Amount paid for repurchase of units	(14,378)	(18,624)
Net increase from unit transactions	81	48,538
Increase in net position	5,425	59,723
Net position, beginning of period	2,419,772	2,365,474
Net position, end of period	\$ 2,425,197	\$ 2,425,197

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's Total Return Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The main objective of the Pool is to generate investment income, provide stability and diversification, but not at the expense of total return. Dodge & Cox, Franklin Templeton Investments, and Western Asset Management Company manage the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Bloomberg Barclays U.S. Universal Bond Index.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month as follows:

- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- Credit default and interest rate swaps are valued at the last settlement price established each day by the exchange on which they are traded, are based on market values received from third parties, or are determined by valuation models.
- Foreign currency forward contracts are valued at the difference between the forward contract amount and the month-end forward exchange rate.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency - Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Bank of New York Mellon on the following basis:

- Market value of investment securities, other assets and liabilities - at the closing rate of exchange at the valuation date.
- Purchases and sales of investment securities, income and expenses - at the rate of exchange prevailing on the respective dates of such transactions.

Option Contracts - The IMB may purchase or write bond, currency, or index option contracts that have recognized liquidity and are actively traded on major exchanges or are executed with major dealers. These option contracts give the purchaser (seller) of the contract the right to buy (call) or sell (put) the security, or settle cash for an index option, underlying the contract at an agreed upon price (strike price) during, or at the conclusion of, a specified period of time.

Premiums paid upon the purchase of an option contract are recorded as an asset and subsequently adjusted to market value. Upon exercising a purchased option, a gain or loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, minus premiums paid. If the option expires unexercised, a loss is recognized in the amount of the premiums paid for the option.

Premiums received when option contracts are written are recorded as a liability and subsequently adjusted to market value. If a written option contract expires unexercised, a gain is recorded equal to the amount of the premiums received. The difference between the premiums received and the amount paid to effect a closing transaction is also recorded as a gain or loss. When a written option is exercised, a gain or loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, minus premiums received.

Written option contracts are used to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

When writing put options, there is risk that a loss may be incurred if the market price of the underlying instrument decreases and the option is exercised. This loss is determined by market conditions and cannot be specifically limited. The risk associated with writing call options is the loss of potential profit if the market price of the security increases and the option is exercised. Purchased put or call options bear the risk of loss of the premium paid if market conditions are not favorable to exercise the option. There may also be risk that the value of the option contract does not correlate perfectly with movements of the underlying instrument due to certain market distortions.

The IMB limits its exposure to credit risk by only buying or selling options traded on major exchanges, or executed with major dealers. There is a risk of the inability to enter into a closing transaction if a liquid secondary market does not exist. The IMB maintains sufficient levels of cash or cash equivalents to meet cash flow obligations.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian or mutual third party take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon, loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income. For international securities, the required collateral is at least 105 percent of the market value of the securities on loan unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. Cash collateral

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Changes in Net Position as a net increase (decrease) in fair value of investments.

Futures Contracts - A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. Upon entering into a financial futures contract, the IMB is required to pledge to the broker an amount of cash, U.S. government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Cash (variation margin) is received from or paid to the broker on a daily basis for the fluctuations of the underlying securities or index. The IMB records futures at fair market value.

Interest rate futures may be used to enhance portfolio yields, manage portfolio duration, or as an alternative investment of cash.

The market risk associated with holding interest rate futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Investment risk associated with these futures contracts arises because the value of the futures contracts may not correlate perfectly with changes in the values of the underlying instruments or indices due to market distortions.

Other risks associated with futures contracts are liquidity risk and credit risk. Liquidity risk arises when there is insufficient trading in a particular futures contract. Credit risk arises from the potential inability of counterparties to meet the terms of the contracts. The IMB's managers generally only utilize futures contracts that are traded on major exchanges or are executed with major dealers. The major exchanges assume the risk of a counterparty default and generally require an initial margin deposit of cash or securities.

Foreign Currency Forward Contracts - A foreign currency forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The IMB enters into such contracts to take advantage of the relative changes in currency exchange rates. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts are valued at the prevailing market exchange rates at month end.

Credit Default Swaps - Credit default swaps are agreements between counterparties to transfer the credit risk of referenced debt securities. The buyer of the credit default swap gains protection against a negative credit event such as a default or credit rating downgrade and the seller assumes the credit risk and is obligated to pay upon the occurrence of such an event. Credit default swap agreements are marked-to-market daily. Upfront payments received or made by the Pool on credit default swap agreements are capitalized. Periodic payments received or paid are recorded as interest income. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, in net increase (decrease) in fair value of investments.

Credit default swaps are instruments which allow for the full or partial transfer of third party credit risk, with respect to a particular entity or entities, from one counterparty to the other. A seller of credit default swaps is selling credit protection or assuming credit risk with respect to the underlying entity or entities. If a credit event occurs, as defined under the terms of the swap agreement, the seller of protection will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. The Notional Principal reflects the

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

maximum potential amount the seller of protection could be required to pay if a credit event occurs. The seller of protection receives periodic premium payments from the counterparty and may also receive or pay an upfront premium adjustment to the stated periodic premium.

Interest Rate Swaps - Interest rate swaps represent agreements between counterparties to exchange cash flows based on the difference between a fixed and floating interest rate, applied to a notional principal amount for a specified period. A basis swap is a type of interest rate swap that exchanges one floating rate for another. Upfront payments received or made by the Pool on interest rate swap agreements are capitalized. Interest is paid or received periodically.

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. The Pool invests 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 market value of the underlying assets.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants – The Pool does not routinely distribute dividends of net investment income.

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

In certain foreign countries, the Pool's interest income and capital gains may be taxable. Taxes on interest income are generally withheld from the payments and as a result there is no provision recorded for these taxes. In certain cases, there may be a full or partial reclaim available for the withheld taxes. Capital gains taxes, if any, on sales of securities may be assessed and paid concurrent with the sale or upon the filing of a return with the taxing authority. In countries where the IMB is liable for capital gains taxes, the IMB will estimate and accrue a capital gains tax liability for unrealized gains on securities held in such countries. The outstanding reclaims and accrued capital gains taxes are reported on the Statement of Net Position. Interest income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position. The net increase (decrease) in fair value of investments is reported net of capital gains taxes on the Statement of Changes in Net Position.

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool include foreign exchange contracts, futures, options, credit default swaps, interest rate swaps, and basis swaps. None of these derivative financial instruments are designated as hedging instruments under GASB Statement No. 53; they are used to implement portfolio strategy, capture valuation opportunities, and to exploit market inefficiencies. The primary risks managed by using these derivative financial instruments include interest rate, foreign exchange rate, and market price risks. See Note 2 for additional information on the Pool's purpose for entering into derivatives and for discussion on the risks associated with investing in these derivatives.

The Pool, through its investment managers, is a party to International Swap and Derivative Association, Inc. (ISDA) Master Agreements (MA) that may allow the netting of counterparty's obligations against those of the Pool in the event of a default by the counterparty. The Pool is required to disclose the positions held at period-end that were entered into pursuant to agreements that allow for such netting.

The table below presents the fair value, the net increase (decrease) in fair value, and the notional amounts of derivative financial instruments outstanding as of September 30, 2018:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments	Notional Value (in USD)
Fixed income futures long	\$ (7,367)	\$ (10,964)	\$ 2,208,813
Fixed income futures short	7,742	8,121	(850,222)
Fixed income options purchased	2,446	(3,211)	15,360
Fixed income options written	(1,982)	4,982	31,086
Foreign currency forward contracts	1,226	1,937	101,361
Credit default swaptions purchased	177	(498)	66,117
Credit default swaptions written	-	18	-
Interest rate swaptions purchased	6,701	645	54,972
Credit default swaps	(5,510)	(1,440)	122,917
Interest rate swaps	(2,730)	461	439,024
Basis swaps	(4)	149	69,776
Total	<u>\$ 699</u>	<u>\$ 200</u>	<u>\$ 2,259,204</u>

Credit Risk

For financial reporting purposes, the Pool does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Net Position. The following table presents the Pool's derivative assets net of amounts available for offset under a netting provision and net of related collateral received by the Pool as of September 30, 2018:

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Foreign currency forwards	\$ 175	\$ (51)	\$ (12)	\$ (100)	\$ 12
Swaps	273	-	(243)	-	30
Swaptions	6,816	-	(6,816)	-	-
Total	<u>\$ 7,264</u>	<u>\$ (51)</u>	<u>\$ (7,071)</u>	<u>\$ (100)</u>	<u>\$ 42</u>

At September 30, 2018, the Pool had pledged cash of \$27,508 to cover margin requirements on open derivative contracts and counterparties had deposited, in segregated accounts, securities with a value of \$8,370 in connection with open derivative contracts.

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign currency forward contracts, certain swaps, and swaptions are exposed to counterparty credit risk. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch and reports the rating indicative of the greatest degree of risk.

The following table provides the credit ratings for the Pool's derivative investments that are subject to counterparty credit risk as of September 30, 2018:

<u>Derivative Type</u>	<u>Counterparty Rating</u>	<u>Fair Value</u>
Foreign currency forward contracts	BBB	\$ 1,524
Interest rate swaptions purchased	A	6,701
Credit default swaptions purchased	A	48
Credit default swaptions purchased	BBB	129
Credit default swaps	A	30

Interest Rate Risk

The following table provides the time to maturity for investment derivatives that are subject to interest rate risk as of September 30, 2018:

<u>Derivative Type</u>	<u>Investment Maturities (in years)</u>				
	<u>Fair Value</u>	<u>Under-1</u>	<u>1-5</u>	<u>6-10</u>	<u>10+</u>
Fixed income futures long	\$ (7,367)	\$ (3,576)	\$ (3,791)	\$ -	\$ -
Fixed income futures short	7,742	7,391	351	-	-
Fixed income options purchased	2,446	2,446	-	-	-
Fixed income options written	(1,982)	(1,982)	-	-	-
Interest rate swaptions purchased	6,701	-	6,701	-	-
Interest rate swaps	(2,730)	-	(3,218)	-	488
Basis swaps	(4)	-	-	(4)	-
Total	<u>\$ 4,806</u>	<u>\$ 4,279</u>	<u>\$ 43</u>	<u>\$ (4)</u>	<u>\$ 488</u>

Interest rate and basis swaps are highly sensitive to changes in interest rates. The following tables provide detailed information on derivative financial instruments that are highly sensitive to interest rate changes.

At September 30, 2018, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

<u>Maturity Date</u>	<u>Reference Rate</u>	<u>Notional</u>	<u>Fair Value</u>
8/31/2022	Receive Fixed 2.85%, Pay Floating 3-Month Libor	\$ 148,061	\$ (1,175)
2/3/2033	Receive Fixed 3.00%, Pay Floating 3-Month Libor	40,100	(751)
2/6/2033	Receive Fixed 3.15%, Pay Floating 3-Month Libor	19,990	(145)
		<u>\$ 208,151</u>	<u>\$ (2,071)</u>

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At September 30, 2018, the open positions in interest rate swaps denominated in foreign currencies were as follows:

Maturity Date	Reference Rate	Notional (USD)	Fair Value
1/2/2020	Receive Fixed 8.41%, Pay Floating Brazil CDI	\$ 4,207	\$ 26
1/2/2020	Receive Fixed 8.41%, Pay Floating Brazil CDI	7,187	46
1/2/2020	Receive Fixed 8.41%, Pay Floating Brazil CDI	2,212	14
1/2/2020	Receive Fixed 8.41%, Pay Floating Brazil CDI	4,683	30
1/2/2020	Receive Fixed 8.41%, Pay Floating Brazil CDI	20,722	127
4/5/2021	Receive Fixed 7.35%, Pay Floating MXN TIE	95,016	(1,201)
4/6/2022	Receive Fixed 7.33%, Pay Floating MXN TIE	65,136	(1,086)
4/19/2047	Receive Floating 6-Month JPY Libor, Pay Fixed 0.79%	31,710	1,385
		\$ 230,873	\$ (659)

At September 30, 2018, the open position in a basis swap was as follows:

Maturity Date	Reference Rate	Notional	Fair Value
12/19/2023	Receive Floating Fed Funds plus 0.31%, Pay Floating 3-Month Libor	\$ 69,776	\$ (4)

Foreign Currency Risk

The Pool has foreign currency forward contracts, futures contracts, and swap contracts that are denominated in foreign currencies and exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of derivative investments in foreign currencies as of September 30, 2018, are as follows:

Currency	Foreign Currency Forward Contracts	Futures Contracts	Swap Contracts	Total
Australian Dollar	\$ 18	\$ -	\$ -	\$ 18
Brazil Real	11	-	243	254
British Pound	19	-	-	19
Euro Currency Unit	(37)	3,388	-	3,351
Japanese Yen	729	-	1,385	2,114
Mexican Peso	(60)	-	(2,287)	(2,347)
Russian Ruble	546	-	-	546
Total foreign denominated derivatives	1,226	3,388	(659)	3,955
U.S. Dollar	-	(3,013)	(7,585)	(10,598)
Total	\$ 1,226	\$ 375	\$ (8,244)	\$ (6,643)

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share as the practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at September 30, 2018. All of the Pool's investments in other funds were valued using the net asset value per share, as such they have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
Corporate ABS residual	\$ -	\$ 5,077	\$ -	\$ 5,077
Corporate asset backed issues	-	99,317	-	99,317
Corporate CMO	-	65,921	-	65,921
Corporate preferred securities	10,786	-	-	10,786
Foreign asset backed issues	-	20,166	-	20,166
Foreign corporate bonds	-	309,156	-	309,156
Foreign currency forward contracts	-	1,524	-	1,524
Foreign equity investments	309	-	-	309
Foreign government bonds	-	258,437	-	258,437
Futures contracts	8,027	-	-	8,027
Money market mutual fund	58,698	-	-	58,698
Municipal bonds	-	43,508	-	43,508
Options contracts purchased	2,446	6,878	-	9,324
Repurchase agreement	-	30,000	-	30,000
Securities lending collateral	-	125,418	-	125,418
Short term investments	-	36,364	-	36,364
Swaps	-	1,659	-	1,659
U.S. corporate bonds	-	449,194	-	449,194
U.S. Government agency bonds	-	21,563	-	21,563
U.S. Government agency CMO	-	54,774	-	54,774
U.S. Government agency CMO interest-only	-	2,785	-	2,785
U.S. Government agency MBS	-	353,175	-	353,175
U.S. Government agency TBAs	-	2,839	-	2,839
U.S. Treasury bonds	-	306,817	-	306,817
U.S. Treasury inflation protected securities	-	17,331	-	17,331
Total	<u>\$ 80,266</u>	<u>\$ 2,211,903</u>	<u>\$ -</u>	<u>\$ 2,292,169</u>
Commingled debt funds				250,905
Total				<u>\$ 2,543,074</u>

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	\$ -	\$ (298)	\$ -	\$ (298)
Futures contracts	(7,652)	-	-	(7,652)
Options contracts written	(1,982)	-	-	(1,982)
Swaps	-	(9,903)	-	(9,903)
Total	<u>\$ (9,634)</u>	<u>\$ (10,201)</u>	<u>\$ -</u>	<u>\$ (19,835)</u>

The Pool's investments in commingled debt funds were measured at the NAV as of September 30, 2018. These commingled debt funds invest in certain niche sectors, particularly ones that are not a significant percentage to the Pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve. These funds offer daily liquidity.

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at September 30, 2018:

	Fair Value
Securities on loan	\$ 168,277
Collateral received:	
Cash	\$ 125,418
Non-cash	47,749
Total collateral received	<u>\$ 173,167</u>

The Bank of New York Mellon (BNYM), as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 736,259
Public Employees' Retirement System	656,376
Workers' Compensation Old Fund	321,856
Revenue Shortfall Reserve Fund - Part B	169,781
West Virginia Retiree Health Benefit Trust Fund	90,204
State Police Death, Disability and Retirement Fund	68,623
Revenue Shortfall Reserve Fund	64,876
Coal Workers' Pneumoconiosis Fund	58,025
Public Employees Insurance Agency	53,481
West Virginia Department of Environmental Protection Agency	52,802
Board of Risk and Insurance Management	35,515
Deputy Sheriff's Retirement System	22,312
Judges' Retirement System	20,070
State Police Retirement System	19,305
West Virginia Prepaid Tuition Trust Fund	15,321
Workers' Compensation Self-Insured Employer Security Risk Pool	12,328
Emergency Medical Services Retirement System	7,983
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	7,794
Wildlife Endowment Fund	6,791
Workers' Compensation Uninsured Employers' Fund	2,587
West Virginia Department of Environmental Protection Trust	903
Municipal Police Officers' and Firefighters' Retirement System	869
Berkeley County Development Authority	767
Municipal Policemen's or Firemen's Pension and Relief Funds	369
Total	<u>\$ 2,425,197</u>

Financial Statements - Unaudited

September 30, 2018

Core Fixed Income Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

Core Fixed Income Pool

Statement of Net Position - Unaudited September 30, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 1,042,759
Money market mutual fund	23,515
Securities lending collateral (Note 4)	109,739
Receivables:	
Interest, dividends, and other investment income	4,931
Investments sold	<u>333</u>
Total assets	1,181,277

Liabilities

Accrued expenses	284
Payable for investments purchased	3,300
Payable upon return of securities loaned (Note 4)	<u>109,740</u>
Total liabilities	<u>113,324</u>
Net position	<u><u>\$ 1,067,953</u></u>

Unit data

Units outstanding	99,087,185
Net position, unit price	<u><u>\$ 10.78</u></u>

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Change in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net decrease in fair value of investments	\$ (9,478)	\$ (7,379)
Interest, dividends, and other investment income	2,584	8,106
Securities lending income	211	571
	<u>(6,683)</u>	<u>1,298</u>
Expenses		
Investment advisor fees	(93)	(276)
Custodian bank fees	(6)	(17)
Management and other allocated fees	(29)	(85)
Securities lending expenses	(190)	(511)
	<u>(318)</u>	<u>(889)</u>
Net investment income (loss)	(7,001)	409
Unit transactions		
Proceeds from sale of units	15,972	34,106
Amount paid for repurchase of units	(4,018)	(8,572)
	<u>11,954</u>	<u>25,534</u>
Net increase from unit transactions	<u>11,954</u>	<u>25,534</u>
Increase in net position	4,953	25,943
Net position, beginning of period	<u>1,063,000</u>	<u>1,042,010</u>
Net position, end of period	<u>\$ 1,067,953</u>	<u>\$ 1,067,953</u>

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

Core Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's Core Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The main objective of the Pool is to generate investment income, provide stability and diversification, but not at the expense of total return. JP Morgan Investment Advisors, Inc. manages this Pool. This Pool's investment objective, net of external investment management fees, is to meet or exceed the Bloomberg Barclays U.S. Aggregate Bond Index.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month as follows:

- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian or mutual third party take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

Core Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon (BNYM), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income. For international securities, the required collateral is at least 105 percent of the market value of the securities on loan unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Changes in Net Position as a net increase (decrease) in fair value of investments.

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value, which is determined by a third-party pricing service based on asset portfolio pricing models and other sources. The Pool invests 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 market value of the underlying assets.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income.

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

Core Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of September 30, 2018:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 138,055	\$ -	\$ 138,055
Corporate CMO	-	37,065	-	37,065
Corporate CMO interest-only	-	347	-	347
Corporate CMO principal-only	-	105	-	105
Foreign asset backed issues	-	3,245	-	3,245
Foreign corporate bonds	-	67,054	-	67,054
Foreign government bonds	-	5,909	-	5,909
Money market mutual fund	23,515	-	-	23,515
Municipal bonds	-	8,810	-	8,810
Securities lending collateral	-	109,739	-	109,739
U.S. Corporate bonds	-	199,521	-	199,521
U.S. Government agency bonds	-	18,780	-	18,780
U.S. Government agency CMO	-	112,036	-	112,036
U.S. Government agency CMO interest-only	-	2,096	-	2,096
U.S. Government agency CMO principal-only	-	5,339	-	5,339
U.S. Government agency MBS	-	176,436	-	176,436
U.S. Treasury bonds	-	267,527	-	267,527
U.S. Treasury inflation protected securities	-	434	-	434
Total	<u>\$ 23,515</u>	<u>\$ 1,152,498</u>	<u>\$ -</u>	<u>\$ 1,176,013</u>

Core Fixed Income Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at September 30, 2018:

	Fair Value
Securities on loan	\$ 110,406
Collateral received:	
Cash	\$ 109,739
Non-cash	3,193
Total collateral received	\$ 112,932

The BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

Participant	Account Value
Teachers' Retirement System	\$ 322,827
Public Employees' Retirement System	285,833
Workers' Compensation Old Fund	141,554
Revenue Shortfall Reserve Fund - Part B	73,009
West Virginia Retiree Health Benefit Trust Fund	39,550
State Police Death, Disability and Retirement Fund	29,522
Revenue Shortfall Reserve Fund	27,872
Coal Workers' Pneumoconiosis Fund	25,319
West Virginia Department of Environmental Protection Agency	23,469
Public Employees Insurance Agency	23,324
Board of Risk and Insurance Management	15,880
West Virginia Prepaid Tuition Trust Fund	15,375
Deputy Sheriff's Retirement System	9,594
Judges' Retirement System	8,728
State Police Retirement System	8,300
Workers' Compensation Self-Insured Employer Security Risk Pool	5,474
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,528
Emergency Medical Services Retirement System	3,436
Wildlife Endowment Fund	2,946
Workers' Compensation Uninsured Employers' Fund	1,118
West Virginia Department of Environmental Protection Trust	410
Municipal Police Officers' and Firefighters' Retirement System	374
Berkeley County Development Authority	350
Municipal Policemen's or Firemen's Pension and Relief Funds	161
Total	\$ 1,067,953

Financial Statements - Unaudited

September 30, 2018

TIPS Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

TIPS Pool

Statement of Net Position - Unaudited
September 30, 2018
(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Commingled bond fund	\$ 389,393
Money market mutual fund	<u>1</u>
Total assets	389,394

Liabilities

Accrued expenses	<u>37</u>
Net position	<u><u>\$ 389,357</u></u>

Unit data

Units outstanding	34,390,836
Net position, unit price	<u><u>\$ 11.32</u></u>

See accompanying notes to financial statements.

TIPS Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net decrease in fair value of investments	\$ (4,125)	\$ (3,196)
Interest, dividends, and other investment income	-	1
Total investment income	(4,125)	(3,195)
Expenses		
Investment advisor fees	(6)	(17)
Management and other allocated fees	(10)	(31)
Total expenses	(16)	(48)
Net investment loss	(4,141)	(3,243)
Unit transactions		
Proceeds from sale of units	12,335	12,344
Amount paid for repurchase of units	-	(10,978)
Net increase from unit transactions	12,335	1,366
Increase (decrease) in net position	8,194	(1,877)
Net position, beginning of period	381,163	391,234
Net position, end of period	\$ 389,357	\$ 389,357

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

TIPS Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's TIPS Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool's objective is to match the performance of the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three-year to five-year periods, gross of fees. The Pool invests in the BlackRock U.S. Treasury Inflation Protected Securities Fund B (BlackRock). BlackRock invests primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator. Investments for which the fair value cannot be determined are valued at fair value as determined in accordance with the IMB's established procedures.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income.

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

TIPS Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of September 30, 2018:

Assets	Level 1	Level 2	Level 3	Total
Commingled bond fund	\$ 389,393	\$ -	\$ -	\$ 389,393
Money market mutual fund	1	-	-	1
	<u>\$ 389,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,394</u>

NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

Participant	Account Value
Workers' Compensation Old Fund	\$ 118,105
Revenue Shortfall Reserve Fund - Part B	99,118
Revenue Shortfall Reserve Fund	92,481
Public Employees Insurance Agency	29,953
Coal Workers' Pneumoconiosis Fund	24,455
Board of Risk and Insurance Management	15,246
Workers' Compensation Self-Insured Employer Security Risk Pool	5,313
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,391
Workers' Compensation Uninsured Employers' Fund	1,295
Total	<u>\$ 389,357</u>

Financial Statements - Unaudited

September 30, 2018

TRS Annuity Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

TRS Annuity Pool

Statement of Net Position - Unaudited
September 30, 2018
(Amounts in thousands)

Assets		\$	-
Liabilities			
Accrued expenses			<u>38</u>
	Net position	\$	<u><u>(38)</u></u>

See accompanying notes to financial statements.

TRS Annuity Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income	\$ -	\$ -
Expenses		
Professional service fees	<u>(2)</u>	<u>(42)</u>
Net investment loss	<u>(2)</u>	<u>(42)</u>
Capital transactions		
Contributions by TRS	<u>4</u>	<u>134</u>
Increase in net position	2	92
Net position, beginning of period	<u>(40)</u>	<u>(130)</u>
Net position, end of period	<u>\$ (38)</u>	<u>\$ (38)</u>

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

TRS Annuity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the TRS Annuity Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and accrual basis of accounting.

The Pool held an investment contract issued by the Variable Annuity Life Insurance Company (VALIC) strictly for the benefit of the Teachers' Retirement System (TRS). On December 10, 2008, the IMB assumed responsibility for this investment as part of the restructuring of the Teachers' Defined Contribution (TDC) plan, a separate retirement plan administered solely by the Consolidated Public Retirement System (CPRB), whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The final amount transferred under the contract was \$248,293.

The IMB initially requested the immediate redemption of the entire balance but VALIC denied the request, claiming the amounts were subject to withdrawal restrictions. Effective April 23, 2009, the IMB, while reserving its rights under the contract, executed the appropriate forms with VALIC to elect to withdraw funds under the Five Year Equal Annual Installment method. By making this election, the guaranteed minimum annual yield of 4.5 percent became the fixed rate for this contract. The first four withdrawals of \$55,058 each occurred on May 4, 2009, 2010, 2011 and 2012. The final withdrawal of \$55,191 occurred on May 8, 2013. On that date, all remaining income, net of all management fees, was distributed to TRS and all units of ownership in the Pool were redeemed.

In response to VALIC's refusal to allow the IMB to liquidate the contract in its entirety, the IMB sued VALIC. A three-judge Business Court arbitration panel issued its decision on April 28, 2017, and no recovery was awarded to the IMB. An appeal was filed with the West Virginia Supreme Court of Appeals and it has issued an opinion affirming the decision of the arbitration panel. The IMB and the CPRB have filed a Petition for Rehearing asking the Supreme Court to revisit its decision. There are ongoing legal fees associated with this litigation and these expenses are accrued to the Pool. The funding for the payment of these expenses results from contributions by the TRS into the TRS Annuity Pool. No other management fees are charged to the Pool and none have been charged since the final withdrawal on May 8, 2013. Once this matter is finalized the TRS Annuity Pool will be closed.

TRS Annuity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The investment contract held by this Pool was the sole investment of the Pool and it was fully redeemed on May 8, 2013. However, the Pool is to be kept open so that all on-going expenses associated with the investment contract can be properly reported and charged to the TRS.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

Financial Statements - Unaudited

September 30, 2018

Private Markets Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

Private Markets Pool

Statement of Net Position - Unaudited September 30, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Alternative investments	\$ 3,613,681
Equity investments	293,675
Fixed income investments	10,917
Money market mutual fund	103,393
Securities lending collateral (Note 4)	6,900
Cash	1,989
Receivables:	
Investments sold	1,598
Interest, dividends, and other investment income	871
	<hr/>
Total assets	4,033,024

Liabilities

Accrued expenses	686
Payable for investments purchased	1,781
Payable upon return of securities loaned (Note 4)	6,900
	<hr/>
Total liabilities	9,367
	<hr/>
Net position	\$ 4,023,657

Unit data

Units outstanding	234,759,245
Net position, unit price	\$ 17.14

See accompanying notes to financial statements.

Private Markets Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net decrease in fair value of investments	\$ (12,618)	\$ (7,858)
Income from partnerships and funds	9,874	19,658
Interest, dividends, and other investment income	836	1,812
Fund closing interest	62	171
Securities lending income	14	42
Total investment income	(1,832)	13,825
Expenses		
Investment advisor fees	(81)	(244)
Custodian bank fees	(5)	(28)
Management and other allocated fees	(106)	(317)
Professional service fees - direct	(108)	(324)
Management fees - external	-	(409)
Securities lending expenses	(5)	(15)
Total expenses	(305)	(1,337)
Net investment income (loss)	(2,137)	12,488
Unit transactions		
Proceeds from sale of units	545	825
Amount paid for repurchase of units	(32,180)	(141,156)
Net decrease from unit transactions	(31,635)	(140,331)
Decrease in net position	(33,772)	(127,843)
Net position, beginning of period	4,057,429	4,151,500
Net position, end of period	\$ 4,023,657	\$ 4,023,657

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. See accompanying notes to financial statements.*

Private Markets Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the Pool. They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool holds the IMB's investments in a commingled equity fund, opportunistic income funds, private equity funds, real estate investment trusts (REITs), and real estate limited partnerships and funds. The selection of investments in the Private Markets Pool are approved by the Board of Trustees or by its established committees.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month as follows:

- Investments in private equity partnerships, real estate limited partnerships and funds, opportunistic income funds, and other private funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the general partners or fund administrators approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the IMB's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value as of September 30, 2018.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Equity securities that trade in non-U.S. markets are valued in U.S. Dollars using period end spot market exchange rates as supplied by the Pool's custodian.
- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.

Private Markets Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian or mutual third party take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon (BNYM), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income, if applicable. For international securities, the required percentage is 105 percent unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. Loans of equity securities may also be collateralized by equity securities and the required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Changes in Net Position as a net increase (decrease) in fair value of investments.

Foreign Currency - Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Bank of New York Mellon on the following basis:

- Market value of investment securities, other assets and liabilities - at the closing rate of exchange at the valuation date.
- Purchases and sales of investment securities, income and expenses - at the rate of exchange prevailing on the respective dates of such transactions.

Foreign Currency Spot Contracts - A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. These contracts, when entered into, correspond to investment transactions trading in foreign currencies. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month end.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Private Markets Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income from Partnerships - Income from private equity partnerships, real estate partnerships, opportunistic income funds, and other private funds are recognized when distributed to the partners.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income.

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. Direct investment-related costs include fees charged by external managers that are outside of their respective partnership or fund, the custodian bank, legal counsel, and the consultant. Other expenses are allocated to the individual pools based on asset size.

The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

In certain foreign countries the Pool's dividend income and capital gains may be taxable. Such taxes are generally withheld from the payments of these types of income and as a result there is no provision recorded for these taxes. In certain cases there may be a full or partial reclaim available for the withheld taxes. The outstanding reclaims are reported on the Statement of Net Position. Dividend income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position.

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities with redemption terms that are not short term.

Private Markets Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as the practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at September 30, 2018. All of the Pool's investments in private equity partnerships, real estate limited partnerships and funds, opportunistic income funds, and other private funds were valued using the NAV. As such, they have not been categorized in the fair value hierarchy table.

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 164,206	\$ -	\$ -	\$ 164,206
Foreign common stock	34,942	-	-	34,942
Money market mutual fund	103,393	-	-	103,393
Securities lending collateral	-	6,900	-	6,900
U.S. common stock	84,058	-	-	84,058
U.S. corporate bonds	-	10,917	-	10,917
U.S. preferred stock	10,469	-	-	10,469
Total	<u>\$ 397,068</u>	<u>\$ 17,817</u>	<u>\$ -</u>	<u>\$ 414,885</u>
Opportunistic income funds				455,300
Private equity partnerships				1,536,471
Real estate limited partnerships and funds				1,621,910
Total				<u>\$ 4,028,566</u>

The following table presents information on investments measured at the NAV as of September 30, 2018:

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range (a)	Redemption Frequency	Redemption Notice Period
Opportunistic income:					
Middle Market Loan Funds (b)	\$ 312,021	\$ 45,604	N/A	N/A	N/A
Real Estate Income Funds (c)	143,279	156,742	2021 to 2028	Quarterly	45 days
Private equity partnerships:					
Corporate Finance - Buyout (d)	892,340	687,495	2018 to 2033	N/A	N/A
Corporate Finance - Distressed Debt (e)	168,370	64,812	2018 to 2028	N/A	N/A
Corporate Finance - Growth Equity (f)	54,507	34,126	2020 to 2027	N/A	N/A
Corporate Finance - Mezzanine (g)	72,446	59,076	2019 to 2028	N/A	N/A
Corporate Finance - Turnaround (h)	88,482	60,768	2018 to 2026	N/A	N/A
Venture Capital (i)	260,326	93,469	2023 to 2033	N/A	N/A
Real estate limited partnerships and funds:					
Core Funds (j)	900,864	45,433	2020 to 2022	Quarterly	30-60 days
Opportunistic Funds (k)	257,162	207,413	2018 to 2028	N/A	N/A
Value Funds (l)	463,884	466,752	2018 to 2028	N/A	N/A
Total	<u>\$ 3,613,681</u>	<u>\$ 1,921,690</u>			

Private Markets Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

- (a) Investments without standard redemption frequencies cannot be redeemed until termination of the partnership.
- (b) Middle Market Loan Funds seek to generate current income while preserving capital primarily through investments in senior secured loans to middle market companies domiciled in North America.
- (c) Real Estate Income Funds invest in U.S. commercial real estate mortgage and debt investments.
- (d) Corporate Finance - Buyout funds acquire controlling or influential interests in companies.
- (e) Corporate Finance - Distressed Debt funds acquire the debt of companies experiencing operational or financial distress usually converting the debt to equity and exercising control of the business.
- (f) Corporate Finance - Growth Equity funds invest in companies to expand or restructure operations, enter new markets, or finance an acquisition.
- (g) Corporate Finance - Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another Fund.
- (h) Corporate Finance - Turnaround funds acquire the debt and or equity of companies experiencing operational or financial distress in order to radically reorganize and improve the business.
- (i) Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.
- (j) Core Funds are more conservative real estate investments that use a very modest level of financing to acquire and hold high-quality, stable properties typically located in major markets. These assets tend to have high occupancy rates, higher credit tenants, and staggered lease terms, with a number of long-term leases expiring in five-to-ten years.
- (k) Opportunistic Funds have higher risk/return profiles and have broad strategies to achieve these types of returns. Common strategies are properties that need significant rehabilitation or a total redevelopment to transition to a different type of property (for example, converting an office building to condominiums). It may also include new development, distressed debt strategies, and more complex transactions, as well as a more traditional value-add strategy that is financed with a higher amount of leverage.
- (l) Value Funds typically use more leverage than core funds and target higher return opportunities by acquiring properties that the manager believes they can add value through capital renovations to the physical facility or enhanced leasing and management activities. Most of these properties have in-place cash flow, which is expected to increase as the business plans are implemented. This could include making physical improvements to the asset that will allow it to command higher rents, increasing efforts to lease vacant space at the property to quality tenants, or improving the management of the property and thereby increasing customer satisfaction or lowering operating expenses where possible.

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at September 30, 2018:

	Fair Value
Securities on loan	\$ 16,689
Collateral received:	
Cash	\$ 6,900
Non-cash	11,356
Total collateral received	<u>\$ 18,256</u>

BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

Private Markets Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,838,801
Public Employees' Retirement System	1,617,558
West Virginia Retiree Health Benefit Trust Fund	218,268
State Police Death, Disability and Retirement Fund	162,320
Deputy Sheriff's Retirement System	52,985
Judges' Retirement System	49,270
State Police Retirement System	45,745
Emergency Medical Services Retirement System	19,039
Wildlife Endowment Fund	15,342
Municipal Police Officers' and Firefighters' Retirement System	1,974
Berkeley County Development Authority	1,870
Municipal Policemen's or Firemen's Pension and Relief Funds	485
Total	<u>\$ 4,023,657</u>

Financial Statements - Unaudited

September 30, 2018

Hedge Fund Pool

Financial Statements - Unaudited September 30, 2018

Table of Contents

Statement of Net Position	1
Statement of Changes in Net Position	2
Notes to Financial Statements	3

Hedge Fund Pool

Statement of Net Position - Unaudited September 30, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Hedge funds	\$ 2,149,749
Money market mutual fund	58
Advance on investments in hedge funds (Note 4)	14,000
Cash	1,934
Receivables:	
Investment funds redeemed	30,250
Accrued interest and dividends	129
	<hr/>
Total assets	2,196,120

Liabilities

Accrued expenses	<hr/> 182
	<hr/>
Net position	\$ 2,195,938

Unit data

Units outstanding	146,274,009
Net position, unit price	<hr/> \$ 15.01

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Changes in Net Position - Unaudited
Period Ended September 30, 2018*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase in fair value of investments	\$ 12,446	\$ 12,850
Interest, dividends, and other investment income	16	42
Total investment income	12,462	12,892
Expenses		
Professional service fees - direct	(33)	(100)
Management and other allocated fees	(58)	(174)
Total expenses	(91)	(274)
Net investment income	12,371	12,618
Unit transactions		
Proceeds from sale of units	14,108	14,108
Amount paid for repurchase of units	(16)	(70,946)
Net increase (decrease) from unit transactions	14,092	(56,838)
Increase (decrease) in net position	26,463	(44,220)
Net position, beginning of period	2,169,475	2,240,158
Net position, end of period	<u>\$ 2,195,938</u>	<u>\$ 2,195,938</u>

*The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed.
See accompanying notes to financial statements.

Hedge Fund Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's Hedge Fund Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool was established to hold the IMB's investments in hedge funds. Albourne America, LLC has been retained by the IMB to provide consulting services for this investment strategy.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month as follows:

- Investments in hedge funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the underlying funds approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. These investments are redeemable with the fund at net asset value under the original terms of the agreements and operations of the underlying fund. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the IMB's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value as of September 30, 2018.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Hedge Fund Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income.

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of September 30, 2018.

NOTE 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities with redemption terms that are not short term.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Hedge Fund Pool

Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as the practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at September 30, 2018. All of the Pool's investments in hedge funds were valued using the NAV. As such, they have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 58	\$ -	\$ -	\$ 58
Hedge funds				2,149,749
Total				<u>\$ 2,149,807</u>

The following table presents information on investments measured at the NAV as of September 30, 2018:

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 222,362	Monthly, Quarterly	3 to 30 days
Equity long/short (b)	276,669	Monthly, Quarterly, Every 3 years	30 to 60 days
Event-driven (c)	43,557	Quarterly	65 days
Long-biased (d)	61,714	Monthly	90 days
Multi-strategy (e)	1,269,472	Monthly, Quarterly, Annually	3 to 95 days
Relative-value (f)	275,975	Monthly, Quarterly	45 to 60 days
Total	<u>\$ 2,149,749</u>		

- (a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions to take advantage of that. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- (b) An equity long/short strategy is an investing strategy, used primarily by hedge funds, that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 61 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (c) Event-driven managers maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.
- (d) Long-biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.
- (e) Multi-strategy managers combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 45 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

Hedge Fund Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

(f) Relative-value managers maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 36 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

NOTE 4. ADVANCE ON INVESTMENTS IN HEDGE FUNDS

The subscription terms of hedge funds often require contributions to be received in advance of the subscription day. On September 21, 2018, the IMB funded \$14,000 to a hedge fund that had a subscription date of October 1, 2018. As of September 30, 2018, this amount has been recorded as an advance on investments in hedge funds.

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at September 30, 2018:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 822,009
Public Employees' Retirement System	726,914
Workers' Compensation Old Fund	197,214
West Virginia Retiree Health Benefit Trust Fund	97,606
State Police Death, Disability and Retirement Fund	71,459
Coal Workers' Pneumoconiosis Fund	54,005
Public Employees Insurance Agency	43,444
West Virginia Department of Environmental Protection Agency	42,837
Board of Risk and Insurance Management	33,166
Deputy Sheriff's Retirement System	23,696
Judges' Retirement System	22,119
State Police Retirement System	20,369
Workers' Compensation Self-Insured Employer Security Risk Pool	11,731
Emergency Medical Services Retirement System	8,504
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	7,455
Wildlife Endowment Fund	6,687
Workers' Compensation Uninsured Employers' Fund	2,820
West Virginia Department of Environmental Protection Trust	1,966
Berkeley County Development Authority	836
Municipal Police Officers' and Firefighters' Retirement System	835
Municipal Policemen's or Firemen's Pension and Relief Funds	266
Total	<u>\$ 2,195,938</u>