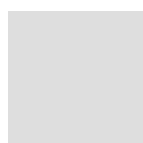
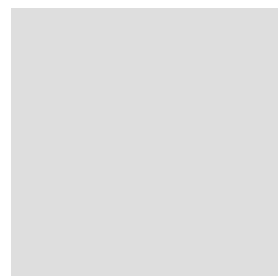
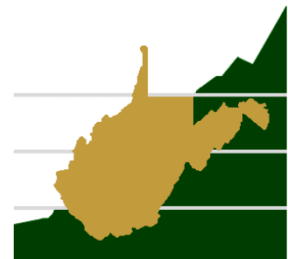


West Virginia Investment Management Board

Financial Statements

January 31, 2019



Financial Statements – Unaudited

January 31, 2019

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

January 31, 2019

Domestic Equity Pool

Financial Statements - Unaudited January 31, 2019

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Domestic Equity Pool

Statement of Net Position - Unaudited January 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Equity investments	\$	4,308,850
Money market mutual fund		22,511
Securities lending collateral		184,811
Receivables:		
Investments sold		3,620
Dividends and other investment income		1,050
		<hr/>
Total assets		4,520,842

Liabilities

Accrued expenses		738
Payable for investments purchased		99,315
Payable upon return of securities loaned		184,811
		<hr/>
Total liabilities		284,864
		<hr/>
Net position	\$	<u>4,235,978</u>

Unit data

Units outstanding		149,908,732
Net position, unit price	\$	<u>28.26</u>

See accompanying notes to financial statements.

Domestic Equity Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ 338,217	\$ (83,577)
Interest, dividends, and other investment income	1,842	22,056
Securities lending income	513	3,023
Total investment income	340,572	(58,498)
Expenses		
Investment advisor fees	(160)	(882)
Custodian bank fees	(8)	(63)
Management and other allocated fees	(110)	(834)
Securities lending expenses	(434)	(2,488)
Total expenses	(712)	(4,267)
Net investment income (loss)	339,860	(62,765)
Unit transactions		
Proceeds from sale of units	6,462	140,966
Amount paid for repurchase of units	(53,037)	(406,816)
Net decrease from unit transactions	(46,575)	(265,850)
Increase (decrease) in net position	293,285	(328,615)
Net position, beginning of period	3,942,693	4,564,593
Net position, end of period	\$ 4,235,978	\$ 4,235,978

**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 January 31, 2019.

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 January 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 1,832,447	\$ -	\$ -	\$ 1,832,447
Common stock	2,476,403	-	-	2,476,403
Money market mutual fund	22,511	-	-	22,511
Securities lending collateral	-	184,811	-	184,811
Total	<u>\$ 4,331,361</u>	<u>\$ 184,811</u>	<u>\$ -</u>	<u>\$ 4,516,172</u>

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at January 31, 2019:

	Fair Value
Securities on loan	\$ 557,676
Collateral received:	
Cash	\$ 184,811
Non-cash	401,853
Total collateral received	<u>\$ 586,664</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 January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,771,133
Public Employees' Retirement System	1,560,399
West Virginia Retiree Health Benefit Trust Fund	225,647
Workers' Compensation Old Fund	156,990
State Police Death, Disability and Retirement Fund	155,771
Deputy Sheriff's Retirement System	52,199
Judges' Retirement System	47,836
Revenue Shortfall Reserve Fund - Part B	46,777
State Police Retirement System	46,068
West Virginia Department of Environmental Protection Agency	36,890
Coal Workers' Pneumoconiosis Fund	33,618
Public Employees Insurance Agency	25,724
Board of Risk and Insurance Management	21,610
Emergency Medical Services Retirement System	18,898
Wildlife Endowment Fund	14,861
Workers' Compensation Self-Insured Employer Security Risk Pool	7,288
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	4,753
West Virginia Department of Environmental Protection Trust	2,700
Municipal Police Officers' and Firefighters' Retirement System	2,233
Berkeley County Development Authority	1,842
Workers' Compensation Uninsured Employers' Fund	1,811
Municipal Policemen's or Firemen's Pension and Relief Funds	930
Total	<u>\$ 4,235,978</u>

Financial Statements - Unaudited

January 31, 2019

International Qualified Pool

Financial Statements - Unaudited January 31, 2019

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International Qualified Pool

Statement of Net Position - Unaudited
January 31, 2019
(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 1,272,309

Liabilities

Accrued expenses 69

Net position \$ 1,272,240

Unit data

Units outstanding 17,360,793

Net position, unit price \$ 73.28

See accompanying notes to financial statements.

International Qualified Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase (decrease) in fair value of investments	\$ 79,978	\$ (54,786)
Expenses		
Investment advisor fees	(545)	(3,845)
Management and other allocated fees	(34)	(246)
Total expenses	<u>(579)</u>	<u>(4,091)</u>
Net investment income (loss)	79,399	(58,877)
Unit transactions		
Proceeds from sale of units	35	1,914
Amount paid for repurchase of units	-	(1,681)
Net increase from unit transactions	<u>35</u>	<u>233</u>
Increase (decrease) in net position	79,434	(58,644)
Net position, beginning of period	<u>1,192,806</u>	<u>1,330,884</u>
Net position, end of period	<u>\$ 1,272,240</u>	<u>\$ 1,272,240</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 January 31, 2019.

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 Qualified 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 January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 615,298
Public Employees' Retirement System	545,547
State Police Death, Disability and Retirement Fund	54,316
Deputy Sheriff's Retirement System	17,913
Judges' Retirement System	16,636
State Police Retirement System	15,225
Emergency Medical Services Retirement System	6,371
Municipal Police Officers' and Firefighters' Retirement System	608
Municipal Policemen's or Firemen's Pension and Relief Funds	326
Total	<u>\$ 1,272,240</u>

Financial Statements - Unaudited

January 31, 2019

International Nonqualified Pool

Financial Statements - Unaudited January 31, 2019

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International Nonqualified Pool

Statement of Net Position - Unaudited
January 31, 2019
(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 205,866

Liabilities

Accrued expenses 11

Net position \$ 205,855

Unit data

Units outstanding 3,065,694

Net position, unit price \$ 67.15

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Position - Unaudited

Period Ended January 31, 2019*

(Amounts in thousands, except unit data)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase (decrease) in fair value of investments	\$ 12,937	\$ (8,843)
Expenses		
Investment advisor fees	(100)	(708)
Management and other allocated fees	<u>(6)</u>	<u>(40)</u>
Total expenses	<u>(106)</u>	<u>(748)</u>
Net investment income (loss)	12,831	(9,591)
Unit transactions		
Proceeds from sale of units	1,840	9,427
Amount paid for repurchase of units	<u>(1,834)</u>	<u>(9,389)</u>
Net increase from unit transactions	<u>6</u>	<u>38</u>
Increase (decrease) in net position	12,837	(9,553)
Net position, beginning of period	<u>193,018</u>	<u>215,408</u>
Net position, end of period	<u>\$ 205,855</u>	<u>\$ 205,855</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 January 31, 2019.

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 January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 79,818
Workers' Compensation Old Fund	56,462
Revenue Shortfall Reserve Fund - Part B	16,424
West Virginia Department of Environmental Protection Agency	12,943
Coal Workers' Pneumoconiosis Fund	11,886
Public Employees Insurance Agency	8,901
Board of Risk and Insurance Management	7,552
Wildlife Endowment Fund	5,347
Workers' Compensation Self-Insured Employer Security Risk Pool	2,587
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,674
West Virginia Department of Environmental Protection Trust	954
Berkeley County Development Authority	664
Workers' Compensation Uninsured Employers' Fund	643
Total	<u>\$ 205,855</u>

Financial Statements - Unaudited

January 31, 2019

International Equity Pool

**Financial Statements - Unaudited
January 31, 2019**

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International Equity Pool

Statement of Net Position - Unaudited

January 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 3,098,602
Money market mutual fund	36,144
Securities lending collateral	54,664
Cash	15,617
Receivables:	
Investments sold	16,043
Dividends and other investment income	13,468
	<hr/>
Total assets	3,234,538

Liabilities

Accrued expenses	5,454
Accrued capital gains taxes	1,318
Payable for investments purchased	12,424
Payable upon return of securities loaned	54,664
	<hr/>
Total liabilities	73,860

Net position \$ 3,160,678

Unit data

Units outstanding	103,384,366
Net position, unit price	<u><u>\$ 30.57</u></u>

See accompanying notes to financial statements.

International Equity Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ 263,645	\$ (140,905)
Interest, dividends, and other investment income	1,920	46,930
Securities lending income	249	1,993
Total investment income	265,814	(91,982)
Expenses		
Investment advisor fees	(1,259)	(9,563)
Custodian bank fees	(133)	(1,006)
Management and other allocated fees	(83)	(591)
Securities lending expenses	(114)	(868)
Total expenses	(1,589)	(12,028)
Net investment income (loss)	264,225	(104,010)
Unit transactions		
Proceeds from sale of units	8,213	328,379
Amount paid for repurchase of units	(38,199)	(50,519)
Net increase (decrease) from unit transactions	(29,986)	277,860
Increase in net position	234,239	173,850
Net position, beginning of period	2,926,439	2,986,828
Net position, end of period	\$ 3,160,678	\$ 3,160,678

**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 January 31, 2019.

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 January 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 3,035,770	\$ -	\$ -	\$ 3,035,770
Money market mutual fund	36,144	-	-	36,144
Preferred stock	53,678	-	-	53,678
Rights	9,154	-	-	9,154
Securities lending collateral	-	54,664	-	54,664
Total	<u>\$ 3,134,746</u>	<u>\$ 54,664</u>	<u>\$ -</u>	<u>\$ 3,189,410</u>

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at January 31, 2019:

	Fair Value
Securities on loan	\$ 380,507
Collateral received:	
Cash	\$ 54,664
Non-cash	<u>363,919</u>
Total collateral received	<u>\$ 418,583</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 January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,320,379
Public Employees' Retirement System	1,171,145
West Virginia Retiree Health Benefit Trust Fund	164,360
State Police Death, Disability and Retirement Fund	117,545
Workers' Compensation Old Fund	114,860
Deputy Sheriff's Retirement System	39,168
Judges' Retirement System	36,129
State Police Retirement System	34,745
Revenue Shortfall Reserve Fund - Part B	34,250
West Virginia Department of Environmental Protection Agency	27,062
Coal Workers' Pneumoconiosis Fund	24,688
Public Employees Insurance Agency	19,036
Board of Risk and Insurance Management	15,839
Emergency Medical Services Retirement System	14,302
Wildlife Endowment Fund	11,083
Workers' Compensation Self-Insured Employer Security Risk Pool	5,399
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,493
West Virginia Department of Environmental Protection Trust	1,990
Municipal Police Officers' and Firefighters' Retirement System	1,816
Berkeley County Development Authority	1,354
Workers' Compensation Uninsured Employers' Fund	1,343
Municipal Policemen's or Firemen's Pension and Relief Funds	692
Total	<u>\$ 3,160,678</u>

Financial Statements - Unaudited

January 31, 2019

Short-Term Fixed Income Pool

Financial Statements - Unaudited January 31, 2019

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Short-Term Fixed Income Pool

Statement of Net Position - Unaudited

January 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at amortized cost:

U.S. Treasury and government agency bonds	\$	74,890
Commercial paper		19,470
Repurchase agreement		19,385
Cash		1
Accrued interest receivable		1

Total assets 113,747

Liabilities

Accrued expenses		35
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Net position \$ 113,712

Unit data

Units outstanding		113,712,154
Net position, unit price	\$	1.00

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	Month	Year To Date
Investment income	\$ 320	\$ 1,969
Expenses		
Investment advisor fees	(7)	(47)
Custodian bank fees	-	(6)
Management and other allocated fees	(5)	(30)
Total expenses	(12)	(83)
Net investment income	308	1,886
Distributions to unitholders	(308)	(1,886)
Unit transactions		
Proceeds from sale of units	143,612	818,248
Reinvestment of distributions	308	1,886
Amount paid for repurchase of units	(153,570)	(924,691)
Net decrease from unit transactions	(9,650)	(104,557)
Decrease in net position	(9,650)	(104,557)
Net position, beginning of period	123,362	218,269
Net position, end of period	\$ 113,712	\$ 113,712

**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 January 31, 2019.

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 January 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 19,470	\$ -	\$ 19,470
Repurchase agreement	-	19,385	-	19,385
U.S. Government agency bonds	-	44,931	-	44,931
U.S. Treasury bonds	-	29,959	-	29,959
Total	\$ -	\$ 113,745	\$ -	\$ 113,745

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 January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 43,807
Public Employees' Retirement System	25,005
Teachers' Retirement System	12,055
Coal Workers' Pneumoconiosis Fund	10,306
Board of Risk and Insurance Management	7,484
West Virginia Prepaid Tuition Trust Fund	6,698
Workers' Compensation Self-Insured Employer Security Risk Pool	2,249
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,568
Workers' Compensation Uninsured Employers' Fund	1,316
State Police Retirement System	1,207
Deputy Sheriff's Retirement System	494
Emergency Medical Services Retirement System	406
Judges' Retirement System	332
State Police Death, Disability and Retirement Fund	305
Municipal Police Officers' and Firefighters' Retirement System	258
Wildlife Endowment Fund	136
Municipal Policemen's or Firemen's Pension and Relief Funds	30
Public Employees Insurance Agency	28
West Virginia Retiree Health Benefit Trust Fund	28
Total	<u>\$ 113,712</u>

Financial Statements - Unaudited

January 31, 2019

Total Return Fixed Income Pool

Financial Statements - Unaudited January 31, 2019

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Total Return Fixed Income Pool

Statement of Net Position - Unaudited

January 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 2,084,229
Derivative instruments	15,838
Money market mutual fund	33,738
Equity investments	10,447
Securities lending collateral	195,357
Cash	42,154
Receivables:	
Interest, dividends, and other investment income	17,818
Investments sold	252,264
	<hr/>
Total assets	2,651,845

Liabilities

Investments in derivative instruments at fair value	30,831
Accrued expenses	1,895
Payable for investments purchased	71,129
Payable upon return of securities loaned	195,357
	<hr/>
Total liabilities	299,212
	<hr/>
Net position	\$ 2,352,633

Unit data

Units outstanding	155,346,191
Net position, unit price	<hr/> <hr/> \$ 15.14

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase in fair value of investments	\$ 36,011	\$ 15,120
Interest, dividends, and other investment income	8,221	56,500
Securities lending income	402	2,132
Total investment income	44,634	73,752
Expenses		
Investment advisor fees	(431)	(3,039)
Custodian bank fees	(24)	(125)
Management and other allocated fees	(66)	(453)
Securities lending expenses	(368)	(1,835)
Total expenses	(889)	(5,452)
Net investment income	43,745	68,300
Unit transactions		
Proceeds from sale of units	10,779	89,658
Amount paid for repurchase of units	(10,694)	(170,799)
Net increase (decrease) from unit transactions	85	(81,141)
Increase (decrease) in net position	43,830	(12,841)
Net position, beginning of period	2,308,803	2,365,474
Net position, end of period	\$ 2,352,633	\$ 2,352,633

**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 January 31, 2019.

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 and the year to date net increase (decrease) in fair value of derivative financial instruments outstanding as of January 31, 2019:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments
Forwards:		
Foreign currency forward contracts	\$ (477)	\$ (445)
Futures contracts:		
Fixed income futures long	8,194	8,728
Fixed income futures short	(18,233)	(13,359)
Options contracts:		
Fixed income options purchased	1,636	(8,195)
Fixed income options written	(1,125)	11,052
Credit default swaptions purchased	197	(522)
Credit default swaptions written	(2)	85
Interest rate swaptions purchased	-	(491)
Swaps:		
Basis swaps	72	244
Credit default swaps	(3,015)	701
Interest rate swaps	(2,240)	1,501
Total return swaps	-	836
Total	<u>\$ (14,993)</u>	<u>\$ 135</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 January 31, 2019:

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Swaptions	\$ 197	\$ (197)	\$ -	\$ -	\$ -
Swaps	1,161	(24)	(764)	(285)	88
Total	<u>\$ 1,358</u>	<u>\$ (221)</u>	<u>\$ (764)</u>	<u>\$ (285)</u>	<u>\$ 88</u>

Total Return Fixed Income Pool

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

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At January 31, 2019, the Pool had pledged cash, net of amounts received from counterparties, of \$31,256 to cover margin requirements on open derivative contracts and counterparties had deposited, in segregated accounts, securities with a fair value of \$976 in connection with open derivative contracts.

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 January 31, 2019:

Derivative Type	Counterparty Rating	Fair Value
Foreign currency forward contracts	BBB	\$ 293
Credit default swaptions purchased	A	197
Credit default swaps	A	24

Interest Rate Risk

The following table provides the time to maturity for investment derivatives that are subject to interest rate risk as of January 31, 2019:

Derivative Type	Investment Maturities (in years)				
	Fair Value	Under-1	1-5	6-10	10+
Futures contracts:					
Fixed income futures long	\$ 8,194	\$ 6,293	\$ 1,901	\$ -	\$ -
Fixed income futures short	(18,233)	(16,681)	(1,552)	-	-
Options contracts:					
Fixed income options purchased	1,636	1,257	379	-	-
Fixed income options written	(1,125)	(699)	(426)	-	-
Swaps:					
Basis swaps	72	-	-	72	-
Interest rate swaps	(2,240)	1,137	577	-	(3,954)
Total	<u>\$ (11,696)</u>	<u>\$ (8,693)</u>	<u>\$ 879</u>	<u>\$ 72</u>	<u>\$ (3,954)</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 January 31, 2019, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

Maturity Date	Reference Rate	Notional	Fair Value
8/31/2022	Receive Fixed 2.85%, Pay Floating 3-Month Libor	\$ 80,760	\$ 883
2/15/2036	Receive Fixed 3.00%, Pay Floating 3-Month Libor	9,956	267
12/18/2021	Receive Fixed 3.23%, Pay Floating 3-Month Libor	213,822	2,972
5/15/2044	Receive Floating 3-Month Libor, Pay Fixed 2.88%	14,208	(120)
		<u>\$ 318,746</u>	<u>\$ 4,002</u>

Total Return Fixed Income Pool

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

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At January 31, 2019, the open positions in interest rate swaps denominated in foreign currencies were as follows:

Maturity Date	Reference Rate	Notional (USD)	Fair Value
4/6/2022	Receive Fixed 7.33%, Pay Floating MXN TIE	\$ 64,010	\$ (1,483)
4/5/2021	Receive Fixed 7.35%, Pay Floating MXN TIE	93,373	(1,657)
1/2/2020	Receive Fixed 8.41%, Pay Floating Brazil CDI	42,766	1,136
10/30/2021	Receive Floating 3-Month GBP Libor, Pay Fixed 1.39%	36,938	(79)
5/15/2044	Receive Floating 3-Month Libor, Pay Fixed 3.00%	7,400	(234)
12/18/2029	Receive Floating 3-Month Libor, Pay Fixed 3.30%	47,173	(2,437)
10/26/2021	Receive Floating 6-Month GBP Libor, Pay Fixed 1.27%	30,111	(59)
4/19/2047	Receive Floating 6-Month JPY Libor, Pay Fixed 0.79%	43,213	(1,429)
		\$ 364,984	\$ (6,242)

At January 31, 2019, the open position in a basis swap was as follows:

Maturity Date	Reference Rate	Notional	Fair Value
3/20/2024	Receive Floating Fed Funds plus 0.31%, Pay Floating 3-Month Libor	\$ 55,788	\$ 72

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 January 31, 2019, are as follows:

Currency	Foreign Currency Forward Contracts	Futures Contracts	Swap Contracts	Total
Australian Dollar	\$ (14)	\$ -	\$ -	\$ (14)
Brazil Real	(73)	-	1,137	1,064
British Pound	(118)	-	(137)	(255)
Euro Currency Unit	27	(9,423)	-	(9,396)
Japanese Yen	24	-	(1,429)	(1,405)
Mexican Peso	(32)	-	(3,141)	(3,173)
Russian Ruble	(291)	-	-	(291)
Total foreign denominated derivatives	(477)	(9,423)	(3,570)	(13,470)
U.S. Dollar	-	(616)	(1,613)	(2,229)
Total	\$ (477)	\$ (10,039)	\$ (5,183)	\$ (15,699)

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:

Total Return Fixed Income Pool

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

NOTE 4. 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.

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 January 31, 2019. 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	\$ -	\$ 4,491	\$ -	\$ 4,491
Corporate asset backed issues	-	92,652	-	92,652
Corporate CMO	-	61,713	-	61,713
Corporate preferred securities	10,420	-	-	10,420
Foreign asset backed issues	-	19,115	-	19,115
Foreign corporate bonds	-	295,742	-	295,742
Foreign currency forward contracts	-	293	-	293
Foreign equity investments	27	-	-	27
Foreign government bonds	-	289,239	-	289,239
Futures contracts	8,358	-	-	8,358
Money market mutual fund	33,738	-	-	33,738
Municipal bonds	-	43,863	-	43,863
Options contracts purchased	1,636	197	-	1,833
Securities lending collateral	-	195,357	-	195,357
Swaps	-	5,354	-	5,354
U.S. corporate bonds	-	430,970	-	430,970
U.S. Government agency bonds	-	2,760	-	2,760
U.S. Government agency CMO	-	59,540	-	59,540
U.S. Government agency CMO interest-only	-	5,706	-	5,706
U.S. Government agency MBS	-	302,996	-	302,996
U.S. Government agency TBAs	-	104	-	104
U.S. Treasury bonds	-	224,661	-	224,661
U.S. Treasury inflation protected securities	-	32,625	-	32,625
Total	<u>\$ 54,179</u>	<u>\$ 2,067,378</u>	<u>\$ -</u>	<u>\$ 2,121,557</u>
Commingled debt funds				218,052
Total				<u>\$ 2,339,609</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	\$ -	\$ (770)	\$ -	\$ (770)
Futures contracts	(18,397)	-	-	(18,397)
Options contracts written	(1,125)	(2)	-	(1,127)
Swaps	-	(10,537)	-	(10,537)
Total	<u>\$ (19,522)</u>	<u>\$ (11,309)</u>	<u>\$ -</u>	<u>\$ (30,831)</u>

The Pool's investments in commingled debt funds were measured at the NAV as of January 31, 2019. 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 January 31, 2019:

	Fair Value
Securities on loan	\$ 258,944
Collateral received:	
Cash	\$ 195,357
Non-cash	70,289
Total collateral received	<u>\$ 265,646</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 January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 706,419
Public Employees' Retirement System	630,833
Workers' Compensation Old Fund	302,662
Revenue Shortfall Reserve Fund - Part B	172,930
West Virginia Retiree Health Benefit Trust Fund	95,246
Revenue Shortfall Reserve Fund	66,515
State Police Death, Disability and Retirement Fund	62,611
Public Employees Insurance Agency	59,935
Coal Workers' Pneumoconiosis Fund	53,509
West Virginia Department of Environmental Protection Agency	52,542
Board of Risk and Insurance Management	35,444
Deputy Sheriff's Retirement System	21,843
Judges' Retirement System	19,794
State Police Retirement System	19,419
West Virginia Prepaid Tuition Trust Fund	13,786
Workers' Compensation Self-Insured Employer Security Risk Pool	11,724
Emergency Medical Services Retirement System	7,824
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	7,760
Wildlife Endowment Fund	6,227
Workers' Compensation Uninsured Employers' Fund	2,558
Municipal Police Officers' and Firefighters' Retirement System	960
West Virginia Department of Environmental Protection Trust	815
Berkeley County Development Authority	778
Municipal Policemen's or Firemen's Pension and Relief Funds	499
Total	<u>\$ 2,352,633</u>

Financial Statements - Unaudited

January 31, 2019

Core Fixed Income Pool

Financial Statements - Unaudited January 31, 2019

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Core Fixed Income Pool

Statement of Net Position - Unaudited
January 31, 2019
(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Fixed income investments	\$	918,529
Money market mutual fund		13,931
Securities lending collateral		88,791
Receivables:		
Interest, dividends, and other investment income		4,509
Investments sold		<u>81,434</u>
Total assets		<u>1,107,194</u>

Liabilities

Cash overdraft		57
Accrued expenses		454
Payable for investments purchased		1,594
Payable upon return of securities loaned		<u>88,791</u>
Total liabilities		<u>90,896</u>
Net position	\$	<u><u>1,016,298</u></u>

Unit data

Units outstanding		91,770,576
Net position, unit price	\$	<u><u>11.07</u></u>

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Change in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase in fair value of investments	\$ 6,963	\$ 9,527
Interest, dividends, and other investment income	2,623	18,853
Securities lending income	190	1,427
Total investment income	9,776	29,807
Expenses		
Investment advisor fees	(89)	(664)
Custodian bank fees	(6)	(39)
Management and other allocated fees	(29)	(199)
Securities lending expenses	(177)	(1,304)
Total expenses	(301)	(2,206)
Net investment income	9,475	27,601
Unit transactions		
Proceeds from sale of units	4,032	49,423
Amount paid for repurchase of units	(3,997)	(102,736)
Net increase (decrease) from unit transactions	35	(53,313)
Increase (decrease) in net position	9,510	(25,712)
Net position, beginning of period	1,006,788	1,042,010
Net position, end of period	\$ 1,016,298	\$ 1,016,298

**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 January 31, 2019.

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 January 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 138,481	\$ -	\$ 138,481
Corporate CMO	-	35,290	-	35,290
Corporate CMO interest-only	-	325	-	325
Corporate CMO principal-only	-	99	-	99
Foreign asset backed issues	-	2,863	-	2,863
Foreign corporate bonds	-	57,704	-	57,704
Foreign government bonds	-	3,793	-	3,793
Money market mutual fund	13,931	-	-	13,931
Municipal bonds	-	8,990	-	8,990
Securities lending collateral	-	88,791	-	88,791
U.S. Corporate bonds	-	165,959	-	165,959
U.S. Government agency bonds	-	19,030	-	19,030
U.S. Government agency CMO	-	113,618	-	113,618
U.S. Government agency CMO interest-only	-	2,104	-	2,104
U.S. Government agency CMO principal-only	-	5,200	-	5,200
U.S. Government agency MBS	-	156,499	-	156,499
U.S. Treasury bonds	-	208,137	-	208,137
U.S. Treasury inflation protected securities	-	437	-	437
Total	<u>\$ 13,931</u>	<u>\$ 1,007,320</u>	<u>\$ -</u>	<u>\$ 1,021,251</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 January 31, 2019:

	Fair Value
Securities on loan	\$ 91,889
Collateral received:	
Cash	\$ 88,791
Non-cash	5,254
Total collateral received	\$ 94,045

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 January 31, 2019:

Participant	Account Value
Teachers' Retirement System	\$ 303,826
Public Employees' Retirement System	270,264
Workers' Compensation Old Fund	129,837
Revenue Shortfall Reserve Fund - Part B	73,596
West Virginia Retiree Health Benefit Trust Fund	40,539
Revenue Shortfall Reserve Fund	28,314
State Police Death, Disability and Retirement Fund	26,782
Public Employees Insurance Agency	25,518
Coal Workers' Pneumoconiosis Fund	23,215
West Virginia Department of Environmental Protection Agency	22,592
Board of Risk and Insurance Management	15,185
West Virginia Prepaid Tuition Trust Fund	13,691
Deputy Sheriff's Retirement System	9,341
Judges' Retirement System	8,460
State Police Retirement System	8,329
Workers' Compensation Self-Insured Employer Security Risk Pool	5,024
Emergency Medical Services Retirement System	3,352
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,340
Wildlife Endowment Fund	2,685
Workers' Compensation Uninsured Employers' Fund	1,105
Municipal Police Officers' and Firefighters' Retirement System	409
West Virginia Department of Environmental Protection Trust	348
Berkeley County Development Authority	332
Municipal Policemen's or Firemen's Pension and Relief Funds	214
Total	\$ 1,016,298

Financial Statements - Unaudited

January 31, 2019

TIPS Pool

Financial Statements - Unaudited January 31, 2019

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TIPS Pool

Statement of Net Position - Unaudited
January 31, 2019
(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Commingled bond fund	\$ 385,093
Money market mutual fund	<u>3,500</u>
Total assets	388,593

Liabilities

Accrued expenses	<u>44</u>
Net position	<u>\$ 388,549</u>

Unit data

Units outstanding	34,002,880
Net position, unit price	<u><u>\$ 11.43</u></u>

See accompanying notes to financial statements.

TIPS Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase in fair value of investments	\$ 5,221	\$ 402
Interest, dividends, and other investment income	-	1
Total investment income	5,221	403
Expenses		
Investment advisor fees	(6)	(39)
Management and other allocated fees	(11)	(74)
Total expenses	(17)	(113)
Net investment income	5,204	290
Unit transactions		
Proceeds from sale of units	1,990	15,306
Amount paid for repurchase of units	(1,979)	(18,281)
Net increase (decrease) from unit transactions	11	(2,975)
Increase (decrease) in net position	5,215	(2,685)
Net position, beginning of period	383,334	391,234
Net position, end of period	\$ 388,549	\$ 388,549

**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 January 31, 2019.

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 January 31, 2019:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commingled bond fund	\$ 385,093	\$ -	\$ -	\$ 385,093
Money market mutual fund	3,500	-	-	3,500
	<u>\$ 388,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,593</u>

NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 113,919
Revenue Shortfall Reserve Fund - Part B	99,503
Revenue Shortfall Reserve Fund	93,696
Public Employees Insurance Agency	32,190
Coal Workers' Pneumoconiosis Fund	24,034
Board of Risk and Insurance Management	15,278
Workers' Compensation Self-Insured Employer Security Risk Pool	5,236
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,391
Workers' Compensation Uninsured Employers' Fund	1,302
Total	<u>\$ 388,549</u>

Financial Statements - Unaudited

January 31, 2019

TRS Annuity Pool

Financial Statements - Unaudited January 31, 2019

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TRS Annuity Pool

Statement of Net Position - Unaudited
January 31, 2019
(Amounts in thousands)

Assets		\$	-
Liabilities			
Accrued expenses			<u>19</u>
	Net position	\$	<u><u>(19)</u></u>

See accompanying notes to financial statements.

TRS Annuity Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income	\$ -	\$ -
Expenses		
Professional service fees	<u>(17)</u>	<u>(92)</u>
Net investment loss	<u>(17)</u>	<u>(92)</u>
Capital transactions		
Contributions by TRS	<u>17</u>	<u>203</u>
Increase in net position	-	111
Net position, beginning of period	<u>(19)</u>	<u>(130)</u>
Net position, end of period	<u>\$ (19)</u>	<u>\$ (19)</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. 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 January 31, 2019.

Financial Statements - Unaudited

January 31, 2019

Private Markets Pool

Financial Statements - Unaudited January 31, 2019

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Private Markets Pool

Statement of Net Position - Unaudited January 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Alternative investments	\$ 3,710,920
Equity investments	205,644
Fixed income investments	9,661
Money market mutual fund	177,679
Securities lending collateral	5,928
Cash	386
Receivables:	
Investments sold	1,526
Interest, dividends, and other investment income	696
	<hr/>
Total assets	4,112,440

Liabilities

Accrued expenses	771
Payable for investments purchased	941
Payable upon return of securities loaned	5,928
	<hr/>
Total liabilities	7,640
	<hr/>
Net position	\$ 4,104,800

Unit data

Units outstanding	231,316,465
Net position, unit price	<u>\$ 17.75</u>

See accompanying notes to financial statements.

Private Markets Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase in fair value of investments	\$ 11,621	\$ 87,618
Income from partnerships and funds	15,067	67,773
Interest, dividends, and other investment income	487	4,478
Fund closing interest	-	246
Securities lending income	14	102
Total investment income	27,189	160,217
Expenses		
Investment advisor fees	(82)	(559)
Custodian bank fees	(6)	(52)
Management and other allocated fees	(116)	(767)
Professional service fees - direct	(108)	(788)
Management fees - external	(994)	(2,619)
Securities lending expenses	(7)	(40)
Total expenses	(1,313)	(4,825)
Net investment income	25,876	155,392
Unit transactions		
Proceeds from sale of units	34,261	88,645
Amount paid for repurchase of units	(583)	(290,737)
Net increase (decrease) from unit transactions	33,678	(202,092)
Increase (decrease) in net position	59,554	(46,700)
Net position, beginning of period	4,045,246	4,151,500
Net position, end of period	\$ 4,104,800	\$ 4,104,800

**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 January 31, 2019.
- 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 January 31, 2019.

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 January 31, 2019. 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	\$ 73,587	\$ -	\$ -	\$ 73,587
Foreign common stock	38,155	-	-	38,155
Money market mutual fund	177,679	-	-	177,679
Securities lending collateral	-	5,928	-	5,928
U.S. common stock	82,174	-	-	82,174
U.S. corporate bonds	-	9,661	-	9,661
U.S. preferred stock	11,728	-	-	11,728
Total	<u>\$ 383,323</u>	<u>\$ 15,589</u>	<u>\$ -</u>	<u>\$ 398,912</u>
Opportunistic income funds				480,053
Private equity partnerships				1,568,794
Real estate limited partnerships and funds				1,662,073
Total				<u>\$ 4,109,832</u>

The following table presents information on investments measured at the NAV as of January 31, 2019:

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range (a)	Redemption Frequency	Redemption Notice Period
Opportunistic income:					
Middle Market Loan Funds (b)	\$ 310,107	\$ 48,188	N/A	N/A	N/A
Real Estate Income Funds (c)	169,946	182,151	2021 to 2028	Quarterly	45 days
Private equity partnerships:					
Corporate Finance - Buyout (d)	905,114	602,167	2019 to 2033	N/A	N/A
Corporate Finance - Distressed Debt (e)	71,055	14,430	2019 to 2020	N/A	N/A
Corporate Finance - Growth Equity (f)	47,582	30,706	2020 to 2027	N/A	N/A
Corporate Finance - Hard Assets (g)	104,949	59,818	2019 to 2028	N/A	N/A
Corporate Finance - Mezzanine (h)	72,366	56,036	2019 to 2028	N/A	N/A
Corporate Finance - Turnaround (i)	94,081	55,480	2019 to 2026	N/A	N/A
Venture Capital (j)	273,647	86,996	2023 to 2033	N/A	N/A
Real estate limited partnerships and funds:					
Core Funds (k)	936,240	11,600	2020 to 2022	Quarterly	30-60 days
Opportunistic Funds (l)	261,112	196,298	2019 to 2028	N/A	N/A
Value Funds (m)	464,721	437,145	2019 to 2028	N/A	N/A
Total	<u>\$ 3,710,920</u>	<u>\$ 1,781,015</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 – Hard Assets funds acquire controlling or influential interests in companies operating in natural resources or infrastructure.
- (h) Corporate Finance - Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another Fund.
- (i) 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.
- (j) Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.
- (k) 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.
- (l) 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.
- (m) 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 January 31, 2019:

	Fair Value
Securities on loan	\$ 18,439
Collateral received:	
Cash	\$ 5,928
Non-cash	13,196
Total collateral received	<u>\$ 19,124</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 January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,872,834
Public Employees' Retirement System	1,649,900
West Virginia Retiree Health Benefit Trust Fund	225,392
State Police Death, Disability and Retirement Fund	165,332
Deputy Sheriff's Retirement System	54,396
Judges' Retirement System	50,375
State Police Retirement System	47,195
Emergency Medical Services Retirement System	19,550
Wildlife Endowment Fund	14,945
Municipal Police Officers' and Firefighters' Retirement System	2,149
Berkeley County Development Authority	1,920
Municipal Policemen's or Firemen's Pension and Relief Funds	812
Total	<u>\$ 4,104,800</u>

Financial Statements - Unaudited

January 31, 2019

Hedge Fund Pool

Financial Statements - Unaudited January 31, 2019

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Hedge Fund Pool

Statement of Net Position - Unaudited
January 31, 2019
(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Hedge funds	\$	2,103,339
Money market mutual fund		103,645
Cash		620
Receivables:		
Investment funds redeemed		11,874
Accrued interest and dividends		<u>195</u>
	Total assets	2,219,673

Liabilities

Accrued expenses		<u>201</u>
	Net position	<u><u>\$ 2,219,472</u></u>

Unit data

Units outstanding		150,198,321
Net position, unit price	\$	<u><u>14.78</u></u>

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Changes in Net Position - Unaudited
Period Ended January 31, 2019*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase (decrease) in fair value of investments	\$ 26,740	\$ (21,065)
Interest, dividends, and other investment income	<u>63</u>	<u>289</u>
Total investment income	26,803	(20,776)
Expenses		
Professional service fees - direct	(38)	(252)
Custodian bank fees	(1)	(1)
Management and other allocated fees	<u>(62)</u>	<u>(416)</u>
Total expenses	<u>(101)</u>	<u>(669)</u>
Net investment income (loss)	26,702	(21,445)
Unit transactions		
Proceeds from sale of units	24	100,525
Amount paid for repurchase of units	<u>(146)</u>	<u>(99,766)</u>
Net increase (decrease) from unit transactions	<u>(122)</u>	<u>759</u>
Increase (decrease) in net position	26,580	(20,686)
Net position, beginning of period	<u>2,192,892</u>	<u>2,240,158</u>
Net position, end of period	<u>\$ 2,219,472</u>	<u>\$ 2,219,472</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 January 31, 2019.
- 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 January 31, 2019.

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 January 31, 2019. 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	\$ 103,645	\$ -	\$ -	\$ 103,645
Hedge funds				2,103,339
Total				\$ 2,206,984

The following table presents information on investments measured at the NAV as of January 31, 2019:

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 212,615	Monthly, Quarterly	3 to 30 days
Equity long/short (b)	260,455	Monthly, Quarterly, Every 3 years	30 to 60 days
Event-driven (c)	38,318	Quarterly	65 days
Long-biased (d)	61,089	Monthly	90 days
Multi-strategy (e)	1,246,455	Monthly, Quarterly, Annually	3 to 95 days
Relative-value (f)	284,407	Weekly, Monthly, Quarterly	5 to 60 days
Total	\$ 2,103,339		

- (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 60 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 44 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. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at January 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 834,835
Public Employees' Retirement System	738,593
Workers' Compensation Old Fund	192,642
West Virginia Retiree Health Benefit Trust Fund	98,088
State Police Death, Disability and Retirement Fund	72,016
Coal Workers' Pneumoconiosis Fund	54,733
Public Employees Insurance Agency	43,680
West Virginia Department of Environmental Protection Agency	43,203
Board of Risk and Insurance Management	33,374
Deputy Sheriff's Retirement System	23,868
Judges' Retirement System	22,325
State Police Retirement System	20,463
Workers' Compensation Self-Insured Employer Security Risk Pool	11,890
Emergency Medical Services Retirement System	8,565
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	7,523
Wildlife Endowment Fund	6,711
Workers' Compensation Uninsured Employers' Fund	2,833
West Virginia Department of Environmental Protection Trust	1,994
Municipal Police Officers' and Firefighters' Retirement System	898
Berkeley County Development Authority	842
Municipal Policemen's or Firemen's Pension and Relief Funds	396
Total	<u>\$ 2,219,472</u>