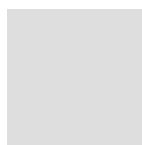
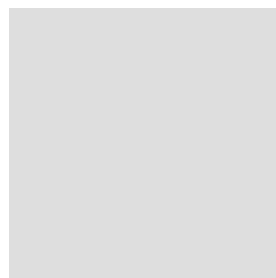
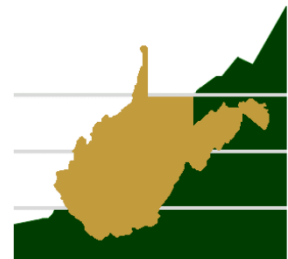


West Virginia Investment Management Board

Financial Statements

May 31, 2019



Financial Statements – Unaudited

May 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

Private Markets

Hedge Fund

Financial Statements - Unaudited

May 31, 2019

Domestic Equity Pool

Financial Statements - Unaudited May 31, 2019

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Domestic Equity Pool

Statement of Net Position - Unaudited

May 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 4,274,708
Money market mutual fund	16,603
Securities lending collateral	195,065
Cash	81,500
Receivables:	
Investments sold	55,771
Dividends and other investment income	3,813
	<hr/>
Total assets	4,627,460

Liabilities

Accrued expenses	498
Payable for investments purchased	11,276
Payable upon return of securities loaned	195,065
	<hr/>
Total liabilities	206,839
	<hr/>
Net position	\$ 4,420,621

Unit data

Units outstanding	152,975,699
Net position, unit price	<u><u>\$ 28.90</u></u>

See accompanying notes to financial statements.

Domestic Equity Pool

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

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ (298,464)	\$ 6,232
Interest, dividends, and other investment income	4,975	37,674
Securities lending income	512	5,350
Total investment income	(292,977)	49,256
Expenses		
Investment advisor fees	(111)	(1,457)
Custodian bank fees	(10)	(98)
Management and other allocated fees	(110)	(1,284)
Securities lending expenses	(428)	(4,444)
Total expenses	(659)	(7,283)
Net investment income (loss)	(293,636)	41,973
Unit transactions		
Proceeds from sale of units	53	341,967
Amount paid for repurchase of units	(36,956)	(527,912)
Net decrease from unit transactions	(36,903)	(185,945)
Decrease in net position	(330,539)	(143,972)
Net position, beginning of period	4,751,160	4,564,593
Net position, end of period	\$ 4,420,621	\$ 4,420,621

**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 May 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 May 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 1,768,616	\$ -	\$ -	\$ 1,768,616
Common stock	2,506,092	-	-	2,506,092
Money market mutual fund	16,603	-	-	16,603
Securities lending collateral	-	195,065	-	195,065
Total	<u>\$ 4,291,311</u>	<u>\$ 195,065</u>	<u>\$ -</u>	<u>\$ 4,486,376</u>

NOTE 4. SECURITIES LENDING

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

	Fair Value
Securities on loan	\$ 578,171
Collateral received:	
Cash	\$ 195,065
Non-cash	412,928
Total collateral received	<u>\$ 607,993</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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,840,217
Public Employees' Retirement System	1,638,220
West Virginia Retiree Health Benefit Trust Fund	238,346
State Police Death, Disability and Retirement Fund	161,194
Workers' Compensation Old Fund	159,654
Deputy Sheriff's Retirement System	55,134
Judges' Retirement System	50,559
State Police Retirement System	48,889
Revenue Shortfall Reserve Fund - Part B	48,614
West Virginia Department of Environmental Protection Agency	38,185
Coal Workers' Pneumoconiosis Fund	34,031
Public Employees Insurance Agency	28,155
Board of Risk and Insurance Management	22,266
Emergency Medical Services Retirement System	19,998
Wildlife Endowment Fund	15,355
Workers' Compensation Self-Insured Employer Security Risk Pool	7,431
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	4,813
West Virginia Department of Environmental Protection Trust	2,787
Municipal Police Officers' and Firefighters' Retirement System	2,487
Workers' Compensation Uninsured Employers' Fund	1,876
Berkeley County Development Authority	1,467
Municipal Policemen's or Firemen's Pension and Relief Funds	943
Total	<u>\$ 4,420,621</u>

Financial Statements - Unaudited

May 31, 2019

International Qualified Pool

Financial Statements - Unaudited May 31, 2019

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International Qualified Pool

Statement of Net Position - Unaudited

May 31, 2019

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 1,232,400

Liabilities

Accrued expenses 61

Net position \$ 1,232,339

Unit data

Units outstanding 17,362,605

Net position, unit price \$ 70.98

See accompanying notes to financial statements.

International Qualified Pool

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

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net decrease in fair value of investments	\$ (72,673)	\$ (92,512)
Expenses		
Investment advisor fees	(529)	(6,029)
Management and other allocated fees	<u>(30)</u>	<u>(372)</u>
Total expenses	<u>(559)</u>	<u>(6,401)</u>
Net investment loss	(73,232)	(98,913)
Unit transactions		
Proceeds from sale of units	32	2,052
Amount paid for repurchase of units	<u>-</u>	<u>(1,684)</u>
Net increase from unit transactions	<u>32</u>	<u>368</u>
Decrease in net position	(73,200)	(98,545)
Net position, beginning of period	<u>1,305,539</u>	<u>1,330,884</u>
Net position, end of period	<u>\$ 1,232,339</u>	<u>\$ 1,232,339</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 May 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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 596,063
Public Employees' Retirement System	528,381
State Police Death, Disability and Retirement Fund	52,607
Deputy Sheriff's Retirement System	17,350
Judges' Retirement System	16,113
State Police Retirement System	14,746
Emergency Medical Services Retirement System	6,171
Municipal Police Officers' and Firefighters' Retirement System	589
Municipal Policemen's or Firemen's Pension and Relief Funds	319
Total	<u>\$ 1,232,339</u>

Financial Statements - Unaudited

May 31, 2019

International Nonqualified Pool

Financial Statements - Unaudited May 31, 2019

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International Nonqualified Pool

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

Assets

Investment in commingled equity fund at fair value \$ 199,048

Liabilities

Accrued expenses 10

Net position \$ 199,038

Unit data

Units outstanding 3,066,014

Net position, unit price \$ 64.92

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Position - Unaudited

Period Ended May 31, 2019*

(Amounts in thousands, except unit data)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net decrease in fair value of investments	\$ (11,873)	\$ (15,259)
Expenses		
Investment advisor fees	(98)	(1,110)
Management and other allocated fees	<u>(5)</u>	<u>(60)</u>
Total expenses	<u>(103)</u>	<u>(1,170)</u>
Net investment loss	(11,976)	(16,429)
Unit transactions		
Proceeds from sale of units	5	11,391
Amount paid for repurchase of units	<u>-</u>	<u>(11,332)</u>
Net increase from unit transactions	<u>5</u>	<u>59</u>
Decrease in net position	(11,971)	(16,370)
Net position, beginning of period	<u>211,009</u>	<u>215,408</u>
Net position, end of period	<u>\$ 199,038</u>	<u>\$ 199,038</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 May 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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 78,299
Workers' Compensation Old Fund	53,239
Revenue Shortfall Reserve Fund - Part B	15,972
West Virginia Department of Environmental Protection Agency	12,542
Coal Workers' Pneumoconiosis Fund	11,288
Public Employees Insurance Agency	9,205
Board of Risk and Insurance Management	7,296
Wildlife Endowment Fund	5,100
Workers' Compensation Self-Insured Employer Security Risk Pool	2,465
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,605
West Virginia Department of Environmental Protection Trust	923
Workers' Compensation Uninsured Employers' Fund	623
Berkeley County Development Authority	481
Total	<u>\$ 199,038</u>

Financial Statements - Unaudited

May 31, 2019

International Equity Pool

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

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International Equity Pool

Statement of Net Position - Unaudited

May 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 2,993,032
Money market mutual fund	35,820
Securities lending collateral	74,039
Cash	20,807
Receivables:	
Investments sold	11,710
Dividends and other investment income	<u>26,029</u>
Total assets	3,161,437

Liabilities

Accrued expenses	3,224
Accrued capital gains taxes	1,181
Payable for investments purchased	13,091
Payable upon return of securities loaned	<u>74,039</u>
Total liabilities	<u>91,535</u>
Net position	<u><u>\$ 3,069,902</u></u>

Unit data

Units outstanding	103,580,994
Net position, unit price	<u><u>\$ 29.64</u></u>

See accompanying notes to financial statements.

International Equity Pool

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

	Month	Year To Date
Investment income		
Net decrease in fair value of investments	\$ (209,417)	\$ (280,233)
Interest, dividends, and other investment income	21,559	95,686
Securities lending income	410	3,184
Total investment income	(187,448)	(181,363)
Expenses		
Investment advisor fees	(1,342)	(15,132)
Custodian bank fees	(141)	(1,622)
Management and other allocated fees	(76)	(908)
Securities lending expenses	(132)	(1,293)
Total expenses	(1,691)	(18,955)
Net investment loss	(189,139)	(200,318)
Unit transactions		
Proceeds from sale of units	8,115	427,962
Amount paid for repurchase of units	(3,837)	(144,570)
Net increase from unit transactions	4,278	283,392
Increase (decrease) in net position	(184,861)	83,074
Net position, beginning of period	3,254,763	2,986,828
Net position, end of period	\$ 3,069,902	\$ 3,069,902

**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 May 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 May 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 2,944,656	\$ -	\$ -	\$ 2,944,656
Money market mutual fund	35,820	-	-	35,820
Preferred stock	48,376	-	-	48,376
Securities lending collateral	-	74,039	-	74,039
Total	<u>\$ 3,028,852</u>	<u>\$ 74,039</u>	<u>\$ -</u>	<u>\$ 3,102,891</u>

NOTE 4. SECURITIES LENDING

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

	Fair Value
Securities on loan	\$ 401,591
Collateral received:	
Cash	\$ 74,039
Non-cash	368,984
Total collateral received	<u>\$ 443,023</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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,276,629
Public Employees' Retirement System	1,142,902
West Virginia Retiree Health Benefit Trust Fund	163,362
State Police Death, Disability and Retirement Fund	111,748
Workers' Compensation Old Fund	108,088
Deputy Sheriff's Retirement System	38,913
Judges' Retirement System	35,362
State Police Retirement System	35,148
Revenue Shortfall Reserve Fund - Part B	33,554
West Virginia Department of Environmental Protection Agency	26,346
Coal Workers' Pneumoconiosis Fund	23,296
Public Employees Insurance Agency	19,279
Board of Risk and Insurance Management	15,266
Emergency Medical Services Retirement System	14,276
Wildlife Endowment Fund	10,591
Workers' Compensation Self-Insured Employer Security Risk Pool	5,069
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,228
Municipal Police Officers' and Firefighters' Retirement System	1,931
West Virginia Department of Environmental Protection Trust	1,930
Workers' Compensation Uninsured Employers' Fund	1,313
Berkeley County Development Authority	1,014
Municipal Policemen's or Firemen's Pension and Relief Funds	657
Total	<u>\$ 3,069,902</u>

Financial Statements - Unaudited

May 31, 2019

Short-Term Fixed Income Pool

Financial Statements - Unaudited May 31, 2019

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Short-Term Fixed Income Pool

Statement of Net Position - Unaudited

May 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at amortized cost:

U.S. Treasury and government agency bonds	\$	88,849
Repurchase agreement		24,024
Accrued interest receivable		<u>5</u>

Total assets 112,878

Liabilities

Accrued expenses		24
Other payable		<u>28</u>

Total liabilities 52

Net position \$ 112,826

Unit data

Units outstanding		112,826,021
Net position, unit price	\$	<u><u>1.00</u></u>

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

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

	Month	Year To Date
Investment income	\$ 346	\$ 3,208
Expenses		
Investment advisor fees	(7)	(71)
Custodian bank fees	(1)	(10)
Management and other allocated fees	(4)	(46)
Total expenses	(12)	(127)
Net investment income	334	3,081
Distributions to unitholders	(334)	(3,081)
Unit transactions		
Proceeds from sale of units	112,430	1,317,781
Reinvestment of distributions	334	3,081
Amount paid for repurchase of units	(118,482)	(1,426,305)
Net decrease from unit transactions	(5,718)	(105,443)
Decrease in net position	(5,718)	(105,443)
Net position, beginning of period	118,544	218,269
Net position, end of period	\$ 112,826	\$ 112,826

**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 May 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 May 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Repurchase agreement	\$ -	\$ 24,024	\$ -	\$ 24,024
U.S. Government agency bonds	-	63,874	-	63,874
U.S. Treasury bonds	-	24,975	-	24,975
Total	\$ -	\$ 112,873	\$ -	\$ 112,873

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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 38,580
Teachers' Retirement System	30,164
Public Employees' Retirement System	10,832
Coal Workers' Pneumoconiosis Fund	9,728
Board of Risk and Insurance Management	7,839
West Virginia Prepaid Tuition Trust Fund	6,775
Workers' Compensation Self-Insured Employer Security Risk Pool	2,097
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,522
Workers' Compensation Uninsured Employers' Fund	1,343
State Police Retirement System	1,140
State Police Death, Disability and Retirement Fund	819
Deputy Sheriff's Retirement System	426
Emergency Medical Services Retirement System	269
Municipal Police Officers' and Firefighters' Retirement System	256
Judges' Retirement System	252
Revenue Shortfall Reserve Fund - Part B	203
Wildlife Endowment Fund	184
Public Employees Insurance Agency	127
Revenue Shortfall Reserve Fund	109
Municipal Policemen's or Firemen's Pension and Relief Funds	80
West Virginia Retiree Health Benefit Trust Fund	33
West Virginia Department of Environmental Protection Agency	32
West Virginia Department of Environmental Protection Trust	15
Berkeley County Development Authority	1
Total	<u>\$ 112,826</u>

Financial Statements - Unaudited

May 31, 2019

Total Return Fixed Income Pool

Financial Statements - Unaudited May 31, 2019

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Total Return Fixed Income Pool

Statement of Net Position - Unaudited

May 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 2,111,117
Derivative instruments	14,038
Money market mutual fund	48,781
Equity investments	9,891
Securities lending collateral	117,204
Cash	46,030
Receivables:	
Interest, dividends, and other investment income	18,917
Investments sold	123,531
	<hr/>
Total assets	2,489,509

Liabilities

Investments in derivative instruments at fair value	30,894
Accrued expenses	986
Payable for investments purchased	45,135
Payable upon return of securities loaned	117,204
	<hr/>
Total liabilities	194,219
	<hr/>
Net position	\$ 2,295,290

Unit data

Units outstanding	147,757,981
Net position, unit price	\$ <u>15.53</u>

See accompanying notes to financial statements.

Total Return Fixed Income Pool

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

	Month	Year To Date
Investment income		
Net increase in fair value of investments	\$ 7,787	\$ 42,911
Interest, dividends, and other investment income	8,072	87,796
Securities lending income	302	3,487
Total investment income	16,161	134,194
Expenses		
Investment advisor fees	(423)	(4,701)
Custodian bank fees	(19)	(194)
Management and other allocated fees	(53)	(672)
Securities lending expenses	(272)	(3,070)
Total expenses	(767)	(8,637)
Net investment income	15,394	125,557
Unit transactions		
Proceeds from sale of units	2,266	177,866
Amount paid for repurchase of units	(5,804)	(373,607)
Net decrease from unit transactions	(3,538)	(195,741)
Increase (decrease) in net position	11,856	(70,184)
Net position, beginning of period	2,283,434	2,365,474
Net position, end of period	\$ 2,295,290	\$ 2,295,290

**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 May 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 May 31, 2019:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments
Forwards:		
Foreign currency forward contracts	\$ (806)	\$ 770
Futures contracts:		
Fixed income futures long	7,829	23,918
Fixed income futures short	(9,443)	(39,522)
Options contracts:		
Fixed income options purchased	2,501	(10,368)
Fixed income options written	(1,860)	13,725
Credit default swaptions purchased	195	(888)
Credit default swaptions written	(505)	(46)
Interest rate swaptions purchased	-	(491)
Swaps:		
Basis swaps	45	374
Credit default swaps	(2,215)	1,622
Interest rate swaps	(12,334)	(5,705)
Total return swaps	(263)	573
Total	<u>\$ (16,856)</u>	<u>\$ (16,038)</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 May 31, 2019:

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Foreign currency forwards	\$ 60	\$ (38)	\$ (22)	\$ -	\$ -
Swaptions	195	(195)	-	-	-
Swaps	1,282	-	(1,130)	-	152
Total	<u>\$ 1,537</u>	<u>\$ (233)</u>	<u>\$ (1,152)</u>	<u>\$ -</u>	<u>\$ 152</u>

Total Return Fixed Income Pool

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

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At May 31, 2019, the Pool had pledged cash, net of amounts received from counterparties, of \$34,791 to cover margin requirements on open derivative contracts and counterparties had deposited, in segregated accounts, securities with a fair value of \$1,229 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 May 31, 2019:

Derivative Type	Counterparty Rating	Fair Value
Foreign currency forward contracts	BBB	\$ 596
Credit default swaptions purchased	A	100
Credit default swaptions purchased	BBB	95
Credit default swaps	A	37

Interest Rate Risk

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

Derivative Type	Investment Maturities (in years)				
	Fair Value	Under-1	1-5	6-10	10+
Futures contracts:					
Fixed income futures long	\$ 7,829	\$ 5,903	\$ 1,926	\$ -	\$ -
Fixed income futures short	(9,443)	(6,104)	(3,339)	-	-
Options contracts:					
Fixed income options purchased	2,501	2,467	34	-	-
Fixed income options written	(1,860)	(1,152)	(708)	-	-
Swaps:					
Basis swaps	45	-	-	45	-
Interest rate swaps	(12,334)	1,245	(2,488)	(4,848)	(6,243)
Total	\$ (13,262)	\$ 2,359	\$ (4,575)	\$ (4,803)	\$ (6,243)

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 May 31, 2019, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

Maturity Date	Reference Rate	Notional	Fair Value
4/26/2022	Receive Fixed 2.25%, Pay Floating 3-Month Libor	\$ 119,482	\$ 552
2/15/2036	Receive Fixed 3.00%, Pay Floating 3-Month Libor	9,956	1,039
4/26/2023	Receive Floating 3-Month Libor, Pay Fixed 2.30%	121,723	(487)
12/31/2025	Receive Floating 3-Month Libor, Pay Fixed 2.25%	28,768	(477)
12/31/2025	Receive Floating Fed Funds, Pay Fixed 2.25%	37,192	(1,167)
1/31/2026	Receive Floating 3-Month Libor, Pay Fixed 2.50%	99,252	(3,204)
5/15/2044	Receive Floating 3-Month Libor, Pay Fixed 2.88%	14,208	(1,541)
5/15/2044	Receive Floating 3-Month Libor, Pay Fixed 3.00%	7,400	(984)
8/15/2044	Receive Floating 3-Month Libor, Pay Fixed 2.75%	12,240	(1,033)
		\$ 450,221	\$ (7,302)

Total Return Fixed Income Pool

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

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

Maturity Date	Reference Rate	Notional (USD)	Fair Value
1/2/2020	Receive Fixed 8.41%, Pay Floating Brazil CDI	\$ 39,799	\$ 1,244
4/5/2021	Receive Fixed 7.35%, Pay Floating MXN TIE	90,596	(1,193)
4/6/2022	Receive Fixed 7.33%, Pay Floating MXN TIE	62,106	(947)
10/30/2021	Receive Floating 3-Month GBP Libor, Pay Fixed 1.39%	35,392	(192)
10/26/2021	Receive Floating 6-Month GBP Libor, Pay Fixed 1.27%	28,851	(220)
4/19/2047	Receive Floating 6-Month JPY Libor, Pay Fixed 0.79%	43,315	(3,724)
		\$ 300,059	\$ (5,032)

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

Maturity Date	Reference Rate	Notional	Fair Value
6/19/2024	Receive Floating Fed Funds plus 0.25%, Pay Floating 3-Month Libor	\$ 24,246	\$ 45

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 May 31, 2019, are as follows:

Currency	Foreign Currency Forward Contracts	Futures Contracts	Swap Contracts	Total
Australian Dollar	\$ 19	\$ -	\$ -	\$ 19
Brazil Real	23	-	1,245	1,268
British Pound	162	(193)	(412)	(443)
Canadian Dollar	-	(317)	-	(317)
Euro Currency Unit	224	(1,667)	-	(1,443)
Japanese Yen	(1,124)	-	(3,724)	(4,848)
Mexican Peso	39	-	(2,141)	(2,102)
Russian Ruble	(149)	-	-	(149)
Total foreign denominated derivatives	(806)	(2,177)	(5,032)	(8,015)
U.S. Dollar	-	563	(9,735)	(9,172)
Total	\$ (806)	\$ (1,614)	\$ (14,767)	\$ (17,187)

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 May 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	\$ -	\$ 3,950	\$ -	\$ 3,950
Corporate asset backed issues	-	83,887	-	83,887
Corporate CMO	-	44,389	-	44,389
Corporate preferred securities	9,878	-	-	9,878
Foreign asset backed issues	-	26,682	-	26,682
Foreign corporate bonds	-	292,603	-	292,603
Foreign currency forward contracts	-	596	-	596
Foreign equity investments	13	-	-	13
Foreign government bonds	-	301,475	-	301,475
Futures contracts	7,829	-	-	7,829
Money market mutual fund	48,781	-	-	48,781
Municipal bonds	-	39,606	-	39,606
Options contracts purchased	2,501	195	-	2,696
Repurchase agreement	-	6,000	-	6,000
Securities lending collateral	-	117,204	-	117,204
Short term investments	-	6,071	-	6,071
Swaps	-	2,917	-	2,917
U.S. corporate bonds	-	410,018	-	410,018
U.S. Government agency bonds	-	34,327	-	34,327
U.S. Government agency CMO	-	57,554	-	57,554
U.S. Government agency CMO interest-only	-	5,661	-	5,661
U.S. Government agency MBS	-	332,982	-	332,982
U.S. Government agency TBAs	-	715	-	715
U.S. Treasury bonds	-	189,570	-	189,570
U.S. Treasury inflation protected securities	-	47,492	-	47,492
Total	<u>\$ 69,002</u>	<u>\$ 2,003,894</u>	<u>\$ -</u>	<u>\$ 2,072,896</u>
Commingled debt funds				228,135
Total				<u>\$ 2,301,031</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	\$ -	\$ (1,402)	\$ -	\$ (1,402)
Futures contracts	(9,443)	-	-	(9,443)
Options contracts written	(1,860)	(505)	-	(2,365)
Swaps	-	(17,684)	-	(17,684)
Total	<u>\$ (11,303)</u>	<u>\$ (19,591)</u>	<u>\$ -</u>	<u>\$ (30,894)</u>

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

	Fair Value
Securities on loan	\$ 179,299
Collateral received:	
Cash	\$ 117,204
Non-cash	67,476
Total collateral received	<u>\$ 184,680</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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 671,574
Public Employees' Retirement System	602,940
Workers' Compensation Old Fund	298,953
Revenue Shortfall Reserve Fund - Part B	175,932
West Virginia Retiree Health Benefit Trust Fund	95,782
Revenue Shortfall Reserve Fund	67,630
Public Employees Insurance Agency	66,303
State Police Death, Disability and Retirement Fund	56,659
Coal Workers' Pneumoconiosis Fund	55,150
West Virginia Department of Environmental Protection Agency	55,073
Board of Risk and Insurance Management	37,246
Deputy Sheriff's Retirement System	21,024
State Police Retirement System	19,020
Judges' Retirement System	18,826
West Virginia Prepaid Tuition Trust Fund	13,605
Workers' Compensation Self-Insured Employer Security Risk Pool	12,170
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	8,032
Emergency Medical Services Retirement System	7,723
Wildlife Endowment Fund	5,884
Workers' Compensation Uninsured Employers' Fund	2,719
Municipal Police Officers' and Firefighters' Retirement System	1,064
West Virginia Department of Environmental Protection Trust	896
Berkeley County Development Authority	597
Municipal Policemen's or Firemen's Pension and Relief Funds	488
Total	<u>\$ 2,295,290</u>

Financial Statements - Unaudited

May 31, 2019

Core Fixed Income Pool

Financial Statements - Unaudited May 31, 2019

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Core Fixed Income Pool

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

Assets

Investments, at fair value:		
Fixed income investments	\$	949,299
Money market mutual fund		42,324
Securities lending collateral		56,065
Receivables:		
Interest, dividends, and other investment income		4,591
Investments sold		<u>14,616</u>
Total assets		1,066,895

Liabilities

Cash overdraft		3
Accrued expenses		251
Payable for investments purchased		853
Payable upon return of securities loaned		<u>56,065</u>
Total liabilities		<u>57,172</u>
Net position	\$	<u><u>1,009,723</u></u>

Unit data

Units outstanding		87,596,635
Net position, unit price	\$	<u><u>11.53</u></u>

See accompanying notes to financial statements.

Core Fixed Income Pool

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

	Month	Year To Date
Investment income		
Net increase in fair value of investments	\$ 16,810	\$ 39,095
Interest, dividends, and other investment income	2,788	29,159
Securities lending income	143	2,103
Total investment income	19,741	70,357
Expenses		
Investment advisor fees	(97)	(1,053)
Custodian bank fees	(5)	(60)
Management and other allocated fees	(24)	(294)
Securities lending expenses	(135)	(1,934)
Total expenses	(261)	(3,341)
Net investment income	19,480	67,016
Unit transactions		
Proceeds from sale of units	2,118	97,018
Amount paid for repurchase of units	(1,804)	(196,321)
Net increase (decrease) from unit transactions	314	(99,303)
Increase (decrease) in net position	19,794	(32,287)
Net position, beginning of period	989,929	1,042,010
Net position, end of period	\$ 1,009,723	\$ 1,009,723

**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 May 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 May 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 131,771	\$ -	\$ 131,771
Corporate CMO	-	33,703	-	33,703
Corporate CMO interest-only	-	308	-	308
Corporate CMO principal-only	-	75	-	75
Foreign asset backed issues	-	2,714	-	2,714
Foreign corporate bonds	-	62,955	-	62,955
Foreign government bonds	-	3,933	-	3,933
Money market mutual fund	42,324	-	-	42,324
Municipal bonds	-	10,184	-	10,184
Securities lending collateral	-	56,065	-	56,065
U.S. Corporate bonds	-	180,884	-	180,884
U.S. Government agency bonds	-	18,762	-	18,762
U.S. Government agency CMO	-	116,025	-	116,025
U.S. Government agency CMO interest-only	-	2,139	-	2,139
U.S. Government agency CMO principal-only	-	5,094	-	5,094
U.S. Government agency MBS	-	152,175	-	152,175
U.S. Treasury bonds	-	228,131	-	228,131
U.S. Treasury inflation protected securities	-	446	-	446
Total	\$ 42,324	\$ 1,005,364	\$ -	\$ 1,047,688

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 May 31, 2019:

	<u>Fair Value</u>
Securities on loan	\$ 60,827
Collateral received:	
Cash	\$ 56,065
Non-cash	6,199
Total collateral received	<u>\$ 62,264</u>

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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 294,279
Public Employees' Retirement System	262,041
Workers' Compensation Old Fund	132,028
Revenue Shortfall Reserve Fund - Part B	76,010
West Virginia Retiree Health Benefit Trust Fund	41,743
Revenue Shortfall Reserve Fund	29,332
Public Employees Insurance Agency	28,675
State Police Death, Disability and Retirement Fund	24,589
Coal Workers' Pneumoconiosis Fund	24,018
West Virginia Department of Environmental Protection Agency	23,976
Board of Risk and Insurance Management	16,213
West Virginia Prepaid Tuition Trust Fund	13,729
Deputy Sheriff's Retirement System	9,187
State Police Retirement System	8,454
Judges' Retirement System	8,194
Workers' Compensation Self-Insured Employer Security Risk Pool	5,298
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,499
Emergency Medical Services Retirement System	3,367
Wildlife Endowment Fund	2,564
Workers' Compensation Uninsured Employers' Fund	1,199
Municipal Police Officers' and Firefighters' Retirement System	460
West Virginia Department of Environmental Protection Trust	391
Berkeley County Development Authority	262
Municipal Policemen's or Firemen's Pension and Relief Funds	215
Total	<u>\$ 1,009,723</u>

Financial Statements - Unaudited

May 31, 2019

TIPS Pool

Financial Statements - Unaudited May 31, 2019

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TIPS Pool

Statement of Net Position - Unaudited

May 31, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Commingled bond fund	\$	399,896
Money market mutual fund		2,800
Interest, dividends, and other investment income		<u>1</u>
	Total assets	402,697

Liabilities

Accrued expenses		<u>30</u>
	Net position	<u><u>\$ 402,667</u></u>

Unit data

Units outstanding		33,928,791
Net position, unit price	<u>\$</u>	<u>11.87</u>

See accompanying notes to financial statements.

TIPS Pool

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

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase in fair value of investments	\$ 6,545	\$ 15,426
Interest, dividends, and other investment income	<u>1</u>	<u>2</u>
Total investment income	6,546	15,428
Expenses		
Investment advisor fees	(6)	(61)
Custodian bank fees	-	(1)
Management and other allocated fees	<u>(9)</u>	<u>(112)</u>
Total expenses	<u>(15)</u>	<u>(174)</u>
Net investment income	6,531	15,254
Unit transactions		
Proceeds from sale of units	25	20,183
Amount paid for repurchase of units	<u>-</u>	<u>(24,004)</u>
Net increase (decrease) from unit transactions	<u>25</u>	<u>(3,821)</u>
Increase in net position	6,556	11,433
Net position, beginning of period	<u>396,111</u>	<u>391,234</u>
Net position, end of period	<u>\$ 402,667</u>	<u>\$ 402,667</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.*

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 May 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 May 31, 2019:

Assets	Level 1	Level 2	Level 3	Total
Commingled bond fund	\$ 399,896	\$ -	\$ -	\$ 399,896
Money market mutual fund	2,800	-	-	2,800
	<u>\$ 402,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,696</u>

NOTE 4. SCHEDULE OF PARTICIPATION

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

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 114,285
Revenue Shortfall Reserve Fund - Part B	103,974
Revenue Shortfall Reserve Fund	97,946
Public Employees Insurance Agency	36,015
Coal Workers' Pneumoconiosis Fund	24,431
Board of Risk and Insurance Management	15,856
Workers' Compensation Self-Insured Employer Security Risk Pool	5,331
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,476
Workers' Compensation Uninsured Employers' Fund	1,353
Total	<u>\$ 402,667</u>

Financial Statements - Unaudited

May 31, 2019

Private Markets Pool

Financial Statements - Unaudited May 31, 2019

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Private Markets Pool

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

Assets

Investments, at fair value:	
Alternative investments	\$ 3,935,799
Equity investments	211,091
Fixed income investments	13,818
Money market mutual fund	129,186
Securities lending collateral	4,469
Cash	6,035
Receivables:	
Investments sold	897
Interest, dividends, and other investment income	691
	<hr/>
Total assets	4,301,986

Liabilities

Accrued expenses	608
Payable for investments purchased	794
Payable upon return of securities loaned	4,469
	<hr/>
Total liabilities	5,871
	<hr/>
Net position	\$ 4,296,115

Unit data

Units outstanding	230,744,035
Net position, unit price	<hr/> <hr/> \$ 18.62

See accompanying notes to financial statements.

Private Markets Pool

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

	Month	Year To Date
Investment income		
Net increase in fair value of investments	\$ 84,627	\$ 255,922
Income from partnerships and funds	4,865	102,587
Interest, dividends, and other investment income	694	7,348
Fund closing interest	361	1,277
Securities lending income	13	171
Total investment income	90,560	367,305
Expenses		
Investment advisor fees	(86)	(898)
Custodian bank fees	(8)	(79)
Management and other allocated fees	(98)	(1,174)
Professional service fees - direct	(119)	(1,244)
Management fees - external	-	(4,154)
Fund closing costs	-	(2,806)
Securities lending expenses	2	(58)
Total expenses	(309)	(10,413)
Net investment income	90,251	356,892
Unit transactions		
Proceeds from sale of units	4,676	106,071
Amount paid for repurchase of units	(154)	(318,348)
Net increase (decrease) from unit transactions	4,522	(212,277)
Increase in net position	94,773	144,615
Net position, beginning of period	4,201,342	4,151,500
Net position, end of period	\$ 4,296,115	\$ 4,296,115

**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 May 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 May 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 May 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	\$ 75,192	\$ -	\$ -	\$ 75,192
Foreign common stock	39,411	-	-	39,411
Money market mutual fund	129,186	-	-	129,186
Securities lending collateral	-	4,469	-	4,469
U.S. common stock	84,295	-	-	84,295
U.S. corporate bonds	-	13,818	-	13,818
U.S. preferred stock	12,193	-	-	12,193
Total	<u>\$ 340,277</u>	<u>\$ 18,287</u>	<u>\$ -</u>	<u>\$ 358,564</u>
Opportunistic income funds				560,313
Private equity partnerships				1,693,275
Real estate limited partnerships and funds				1,682,211
Total				<u>\$ 4,294,363</u>

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

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range (a)	Redemption Frequency	Redemption Notice Period
Opportunistic income:					
Middle Market Loan Funds (b)	\$ 311,617	\$ 50,168	N/A	N/A	N/A
Real Estate Income Funds (c)	248,696	106,654	2021 to 2029	Quarterly	45 days
Private equity partnerships:					
Corporate Finance - Buyout (d)	1,035,261	674,357	2019 to 2034	N/A	N/A
Corporate Finance - Distressed Debt (e)	63,678	14,687	2019 to 2020	N/A	N/A
Corporate Finance - Growth Equity (f)	54,675	24,214	2020 to 2027	N/A	N/A
Corporate Finance - Hard Assets (g)	103,183	59,578	2019 to 2028	N/A	N/A
Corporate Finance - Mezzanine (h)	73,546	49,887	2020 to 2028	N/A	N/A
Corporate Finance - Turnaround (i)	81,682	56,206	2019 to 2026	N/A	N/A
Venture Capital (j)	281,250	101,963	2023 to 2034	N/A	N/A
Real estate limited partnerships and funds:					
Core Funds (k)	975,809	32,850	2020 to 2022	Quarterly	30-60 days
Opportunistic Funds (l)	259,831	259,663	2019 to 2028	N/A	N/A
Value Funds (m)	446,571	440,537	2020 to 2028	N/A	N/A
Total	<u>\$ 3,935,799</u>	<u>\$ 1,870,764</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 May 31, 2019:

	Fair Value
Securities on loan	\$ 17,348
Collateral received:	
Cash	\$ 4,469
Non-cash	14,187
Total collateral received	<u>\$ 18,656</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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,952,081
Public Employees' Retirement System	1,726,494
West Virginia Retiree Health Benefit Trust Fund	243,576
State Police Death, Disability and Retirement Fund	172,181
Deputy Sheriff's Retirement System	57,275
Judges' Retirement System	52,879
State Police Retirement System	50,150
Emergency Medical Services Retirement System	20,659
Wildlife Endowment Fund	15,955
Municipal Police Officers' and Firefighters' Retirement System	2,524
Berkeley County Development Authority	1,498
Municipal Policemen's or Firemen's Pension and Relief Funds	843
Total	<u>\$ 4,296,115</u>

Financial Statements - Unaudited

May 31, 2019

Hedge Fund Pool

Financial Statements - Unaudited May 31, 2019

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Hedge Fund Pool

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

Assets

Investments, at fair value:		
Hedge funds	\$	2,135,098
Money market mutual fund		10,643
Receivables:		
Investment funds redeemed		2,495
Accrued interest and dividends		<u>155</u>
	Total assets	2,148,391

Liabilities

Accrued expenses		<u>171</u>
	Net position	<u>\$ 2,148,220</u>

Unit data

Units outstanding		141,841,522
Net position, unit price	\$	<u>15.15</u>

See accompanying notes to financial statements.

Hedge Fund Pool

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

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase (decrease) in fair value of investments	\$ (5,623)	\$ 32,380
Interest, dividends, and other investment income	24	461
Total investment income	(5,599)	32,841
Expenses		
Professional service fees - direct	(33)	(388)
Custodian bank fees	-	(1)
Management and other allocated fees	(51)	(629)
Total expenses	(84)	(1,018)
Net investment income (loss)	(5,683)	31,823
Unit transactions		
Proceeds from sale of units	72	103,187
Amount paid for repurchase of units	(12,330)	(226,948)
Net decrease from unit transactions	(12,258)	(123,761)
Decrease in net position	(17,941)	(91,938)
Net position, beginning of period	2,166,161	2,240,158
Net position, end of period	<u>\$ 2,148,220</u>	<u>\$ 2,148,220</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 May 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 May 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 May 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	\$ 10,643	\$ -	\$ -	\$ 10,643
Hedge funds				2,135,098
Total				\$ 2,145,741

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

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 216,767	Monthly, Quarterly	3 to 30 days
Equity long/short (b)	271,851	Monthly, Quarterly, Every 3 years	30 to 60 days
Event-driven (c)	35,404	Quarterly	65 days
Long-biased (d)	61,192	Monthly	90 days
Multi-strategy (e)	1,261,762	Monthly, Quarterly, Annually	3 to 95 days
Relative-value (f)	288,122	Weekly, Monthly, Quarterly	5 to 60 days
Total	\$ 2,135,098		

- (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 37 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 May 31, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 805,041
Public Employees' Retirement System	711,918
Workers' Compensation Old Fund	183,374
West Virginia Retiree Health Benefit Trust Fund	98,314
State Police Death, Disability and Retirement Fund	70,027
Coal Workers' Pneumoconiosis Fund	51,966
Public Employees Insurance Agency	47,172
West Virginia Department of Environmental Protection Agency	42,055
Board of Risk and Insurance Management	32,597
Deputy Sheriff's Retirement System	23,399
Judges' Retirement System	21,710
State Police Retirement System	20,329
Workers' Compensation Self-Insured Employer Security Risk Pool	11,323
Emergency Medical Services Retirement System	8,434
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	7,262
Wildlife Endowment Fund	6,592
Workers' Compensation Uninsured Employers' Fund	2,773
West Virginia Department of Environmental Protection Trust	1,918
Municipal Police Officers' and Firefighters' Retirement System	1,022
Berkeley County Development Authority	598
Municipal Policemen's or Firemen's Pension and Relief Funds	396
Total	<u>\$ 2,148,220</u>