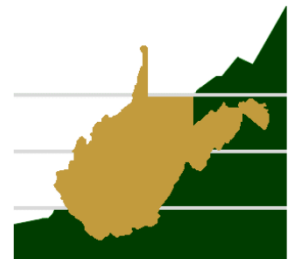


West Virginia Investment Management Board

Financial Statements

March 31, 2020



Financial Statements – Unaudited

March 31, 2020

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

March 31, 2020

Domestic Equity Pool

Financial Statements - Unaudited March 31, 2020

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Domestic Equity Pool

Statement of Net Position - Unaudited

March 31, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 3,906,409
Money market mutual fund	13,575
Securities lending collateral	4,744
Receivables:	
Investments sold	10,677
Dividends and other investment income	3,131
	<hr/>
Total assets	3,938,536

Liabilities

Accrued expenses	678
Payable for investments purchased	60,370
Payable upon return of securities loaned	4,744
	<hr/>
Total liabilities	65,792
	<hr/>
Net position	\$ 3,872,744

Unit data

Units outstanding	144,485,645
Net position, unit price	\$ 26.80

See accompanying notes to financial statements.

Domestic Equity Pool

Statement of Changes in Net Position - Unaudited
Period Ended March 31, 2020*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net decrease in fair value of investments	\$ (634,416)	\$ (612,754)
Interest, dividends, and other investment income	5,741	38,486
Securities lending income	28	583
Total investment income	(628,647)	(573,685)
Expenses		
Investment advisor fees	25	(1,919)
Custodian bank fees	(7)	(62)
Management and other allocated fees	(120)	(1,123)
Securities lending expenses	(6)	(440)
Total expenses	(108)	(3,544)
Net investment loss	(628,755)	(577,229)
Unit transactions		
Proceeds from sale of units	5,875	202,384
Amount paid for repurchase of units	(18,745)	(342,400)
Net decrease from unit transactions	(12,870)	(140,016)
Decrease in net position	(641,625)	(717,245)
Net position, beginning of period	4,514,369	4,589,989
Net position, end of period	\$ 3,872,744	\$ 3,872,744

**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 IMB's Domestic 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'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.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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.

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.

Securities Lending - The IMB, through its lending agent, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. 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.

Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash collateral received is invested in the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. 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.

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 March 31, 2020.

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 March 31, 2020:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 1,679,539	\$ -	\$ -	\$ 1,679,539
Common stock	2,226,870	-	-	2,226,870
Money market mutual fund	13,575	-	-	13,575
Securities lending collateral	4,744	-	-	4,744
Total	<u>\$ 3,924,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,924,728</u>

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at March 31, 2020:

	Fair Value
Securities on loan	\$ 218,814
Collateral received:	
Cash	\$ 4,744
Non-cash	227,762
Total collateral received	<u>\$ 232,506</u>

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under the SLAA which permits NT 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 the SLAA 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 March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,599,425
Public Employees' Retirement System	1,429,932
West Virginia Retiree Health Benefit Trust Fund	233,282
State Police Death, Disability and Retirement Fund	139,059
Workers' Compensation Old Fund	128,504
Deputy Sheriff's Retirement System	49,265
State Police Retirement System	44,842
Judges' Retirement System	44,495
Revenue Shortfall Reserve Fund - Part B	43,471
West Virginia Department of Environmental Protection Agency	32,382
Coal Workers' Pneumoconiosis Fund	28,814
Public Employees Insurance Agency	27,527
Board of Risk and Insurance Management	20,100
Emergency Medical Services Retirement System	17,936
Wildlife Endowment Fund	13,200
Workers' Compensation Self-Insured Employer Security Risk Pool	6,311
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	4,198
Municipal Police Officers' and Firefighters' Retirement System	2,787
West Virginia Department of Environmental Protection Trust	2,535
Workers' Compensation Uninsured Employers' Fund	1,706
Municipal Policemen's or Firemen's Pension and Relief Funds	1,652
Berkeley County Development Authority	1,321
Total	<u>\$ 3,872,744</u>

Financial Statements - Unaudited

March 31, 2020

International Qualified Pool

Financial Statements - Unaudited March 31, 2020

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International Qualified Pool

Statement of Net Position - Unaudited

March 31, 2020

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value	\$	931,985
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Liabilities

Accrued expenses		<u>63</u>
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Net position	\$	<u>931,922</u>
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Unit data

Units outstanding		15,230,362
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Net position, unit price	<u>\$</u>	<u>61.19</u>
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See accompanying notes to financial statements.

International Qualified Pool

Statement of Changes in Net Position - Unaudited
Period Ended March 31, 2020*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net decrease in fair value of investments	\$ (136,871)	\$ (214,675)
Expenses		
Investment advisor fees	(403)	(4,872)
Management and other allocated fees	<u>(28)</u>	<u>(304)</u>
Total expenses	<u>(431)</u>	<u>(5,176)</u>
Net investment loss	(137,302)	(219,851)
Unit transactions		
Proceeds from sale of units	580	1,417
Amount paid for repurchase of units	<u>(150,545)</u>	<u>(151,119)</u>
Net decrease from unit transactions	<u>(149,965)</u>	<u>(149,702)</u>
Decrease in net position	(287,267)	(369,553)
Net position, beginning of period	<u>1,219,189</u>	<u>1,301,475</u>
Net position, end of period	<u>\$ 931,922</u>	<u>\$ 931,922</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.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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 March 31, 2020.

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 March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 447,380
Public Employees' Retirement System	399,701
State Police Death, Disability and Retirement Fund	38,436
Deputy Sheriff's Retirement System	14,136
State Police Retirement System	13,149
Judges' Retirement System	12,586
Emergency Medical Services Retirement System	5,259
Municipal Police Officers' and Firefighters' Retirement System	807
Municipal Policemen's or Firemen's Pension and Relief Funds	468
Total	<u>\$ 931,922</u>

Financial Statements - Unaudited

March 31, 2020

International Nonqualified Pool

Financial Statements - Unaudited March 31, 2020

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International Nonqualified Pool

Statement of Net Position - Unaudited

March 31, 2020

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 147,813

Liabilities

Accrued expenses 10

Net position \$ 147,803

Unit data

Units outstanding 2,646,022

Net position, unit price \$ 55.86

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Position - Unaudited

Period Ended March 31, 2020*

(Amounts in thousands, except unit data)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net decrease in fair value of investments	\$ (21,907)	\$ (34,473)
Expenses		
Investment advisor fees	(76)	(895)
Management and other allocated fees	<u>(4)</u>	<u>(49)</u>
Total expenses	<u>(80)</u>	<u>(944)</u>
Net investment loss	(21,987)	(35,417)
Unit transactions		
Proceeds from sale of units	452	4,747
Amount paid for repurchase of units	<u>(27,446)</u>	<u>(31,699)</u>
Net decrease from unit transactions	<u>(26,994)</u>	<u>(26,952)</u>
Decrease in net position	(48,981)	(62,369)
Net position, beginning of period	<u>196,784</u>	<u>210,172</u>
Net position, end of period	<u>\$ 147,803</u>	<u>\$ 147,803</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.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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 March 31, 2020.

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 March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 65,332
Workers' Compensation Old Fund	31,258
Revenue Shortfall Reserve Fund - Part B	13,832
West Virginia Department of Environmental Protection Agency	8,742
Public Employees Insurance Agency	7,950
Coal Workers' Pneumoconiosis Fund	7,486
Board of Risk and Insurance Management	5,376
Wildlife Endowment Fund	3,548
Workers' Compensation Self-Insured Employer Security Risk Pool	1,655
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,121
West Virginia Department of Environmental Protection Trust	686
Workers' Compensation Uninsured Employers' Fund	456
Berkeley County Development Authority	361
Total	<u>\$ 147,803</u>

Financial Statements - Unaudited

March 31, 2020

International Equity Pool

**Financial Statements - Unaudited
March 31, 2020**

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International Equity Pool

Statement of Net Position - Unaudited

March 31, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 2,660,627
Money market mutual fund	10,855
Securities lending collateral	25,051
Cash	10,335
Receivables:	
Investments sold	12,177
Dividends and other investment income	19,392
	<hr/>
Total assets	2,738,437

Liabilities

Accrued expenses	4,176
Accrued capital gains taxes	15
Payable for investments purchased	17,046
Payable upon return of securities loaned	25,051
	<hr/>
Total liabilities	46,288
	<hr/>
Net position	\$ 2,692,149

Unit data

Units outstanding	105,769,836
Net position, unit price	<hr/> <hr/> \$ 25.45

See accompanying notes to financial statements.

International Equity Pool

Statement of Changes in Net Position - Unaudited
Period Ended March 31, 2020*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net decrease in fair value of investments	\$ (555,717)	\$ (673,353)
Interest, dividends, and other investment income	10,706	67,407
Securities lending income	22	583
Total investment income	(544,989)	(605,363)
Expenses		
Investment advisor fees	(1,134)	(12,502)
Custodian bank fees	(56)	(867)
Management and other allocated fees	(86)	(787)
Securities lending expenses	4	(119)
Total expenses	(1,272)	(14,275)
Net investment loss	(546,261)	(619,638)
Unit transactions		
Proceeds from sale of units	165,681	301,045
Amount paid for repurchase of units	-	(252,595)
Net increase from unit transactions	165,681	48,450
Decrease in net position	(380,580)	(571,188)
Net position, beginning of period	3,072,729	3,263,337
Net position, end of period	\$ 2,692,149	\$ 2,692,149

**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. The objective of the Pool is to outperform the international equity market as measured by the Morgan Stanley Capital International's All Country World Free Ex US Index over a full market cycle (three- to five-years), net of external investment management fees. Assets are managed by Acadian Asset Management, LLC, Allianz Global Investors, Axiom International Investors, LLC, Brandes Investment Partners, L.P., LSV Asset Management, and Oberweis Asset Management, Inc.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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, commingled equity funds, and 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.

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 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.

Securities Lending - The IMB, through its lending agent, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. 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 the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. 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.

International Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 U.S. federal or state income taxes is required as of March 31, 2020.

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)

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 March 31, 2020. The Pool's investment in a commingled equity fund was 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
Common stock	\$ 2,177,574	\$ -	\$ -	\$ 2,177,574
Money market mutual fund	10,855	-	-	10,855
Preferred stock	29,162	-	-	29,162
Securities lending collateral	25,051	-	-	25,051
Total	<u>\$ 2,242,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,242,642</u>
Commingled equity fund				453,891
Total				<u>\$ 2,696,533</u>

The Pool's commingled equity fund investment was measured at the NAV as of March 31, 2020. The fund invests primarily in Chinese A-Share publicly listed equity securities. The IMB defines the investment style as growth at a reasonable price with limited concentration to any single issuer or sector. Redemptions can be made daily with five international business days advance written notice of the withdrawal date, subject to maximum withdrawal restrictions. The fund will pay withdrawal proceeds within thirty days following the withdrawal date.

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at March 31, 2020.

	Fair Value
Securities on loan	\$ 60,951
Collateral received:	
Cash	\$ 25,051
Non-cash	39,039
Total collateral received	<u>\$ 64,090</u>

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under the SLAA which permits NT 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 the SLAA 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 March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,116,275
Public Employees' Retirement System	992,453
West Virginia Retiree Health Benefit Trust Fund	161,199
State Police Death, Disability and Retirement Fund	97,133
Workers' Compensation Old Fund	90,113
Deputy Sheriff's Retirement System	34,308
State Police Retirement System	31,115
Judges' Retirement System	31,049
Revenue Shortfall Reserve Fund - Part B	28,013
West Virginia Department of Environmental Protection Agency	22,282
Coal Workers' Pneumoconiosis Fund	19,712
Public Employees Insurance Agency	18,877
Board of Risk and Insurance Management	13,666
Emergency Medical Services Retirement System	12,553
Wildlife Endowment Fund	9,135
Workers' Compensation Self-Insured Employer Security Risk Pool	4,375
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	2,954
Municipal Police Officers' and Firefighters' Retirement System	1,924
West Virginia Department of Environmental Protection Trust	1,774
Workers' Compensation Uninsured Employers' Fund	1,169
Municipal Policemen's or Firemen's Pension and Relief Funds	1,156
Berkeley County Development Authority	914
Total	<u>\$ 2,692,149</u>

Financial Statements - Unaudited

March 31, 2020

Short-Term Fixed Income Pool

Financial Statements - Unaudited March 31, 2020

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Short-Term Fixed Income Pool

Statement of Net Position - Unaudited

March 31, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at amortized cost:

U.S. Treasury and government agency bonds	\$	70,242
Commercial paper		14,987
Repurchase agreement		22,997
Money market mutual fund		<u>1</u>

Total assets 108,227

Liabilities

Accrued expenses		<u>30</u>
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Total liabilities 30

Net position \$ 108,197

Unit data

Units outstanding		108,197,213
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 March 31, 2020*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income	\$ 116	\$ 2,286
Expenses		
Investment advisor fees	(6)	(64)
Custodian bank fees	(1)	(9)
Management and other allocated fees	(3)	(40)
	<u>(10)</u>	<u>(113)</u>
Net investment income	106	2,173
Distributions to unitholders	(106)	(2,173)
Unit transactions		
Proceeds from sale of units	137,354	1,262,305
Reinvestment of distributions	106	2,173
Amount paid for repurchase of units	(131,390)	(1,342,311)
	<u>6,070</u>	<u>(77,833)</u>
Net increase (decrease) from unit transactions	<u>6,070</u>	<u>(77,833)</u>
Increase (decrease) in net position	6,070	(77,833)
Net position, beginning of period	<u>102,127</u>	<u>186,030</u>
Net position, end of period	<u>\$ 108,197</u>	<u>\$ 108,197</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.*

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 meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other IMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investment management fees, is the Citigroup 90-Day Treasury Bill Index. JP Morgan Investment Advisors, Inc. manages the Pool.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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 March 31, 2020.

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 March 31, 2020:

Assets	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 14,987	\$ -	\$ 14,987
Money market mutual fund	-	1	-	1
Repurchase agreement	-	22,997	-	22,997
U.S. Government agency bonds	-	9,995	-	9,995
U.S. Treasury bonds	-	60,247	-	60,247
Total	<u>\$ -</u>	<u>\$ 108,227</u>	<u>\$ -</u>	<u>\$ 108,227</u>

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 March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 41,405
West Virginia Retiree Health Benefit Trust Fund	20,005
Teachers' Retirement System	12,268
Public Employees' Retirement System	11,051
Board of Risk and Insurance Management	8,340
Coal Workers' Pneumoconiosis Fund	6,688
Workers' Compensation Self-Insured Employer Security Risk Pool	2,026
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,396
Workers' Compensation Uninsured Employers' Fund	1,376
West Virginia Department of Environmental Protection Agency	1,094
State Police Retirement System	594
State Police Death, Disability and Retirement Fund	566
Emergency Medical Services Retirement System	436
Judges' Retirement System	357
Municipal Police Officers' and Firefighters' Retirement System	341
Wildlife Endowment Fund	121
West Virginia Prepaid Tuition Trust Fund	79
Municipal Policemen's or Firemen's Pension and Relief Funds	53
Public Employees Insurance Agency	1
Total	<u>\$ 108,197</u>

Financial Statements - Unaudited

March 31, 2020

Total Return Fixed Income Pool

Financial Statements - Unaudited March 31, 2020

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Total Return Fixed Income Pool

Statement of Net Position - Unaudited

March 31, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 2,041,060
Derivative instruments	43,233
Money market mutual fund	222,783
Equity investments	12,268
Securities lending collateral	6,836
Cash	22,598
Deposits with brokers for derivative contracts	63,066
Receivables:	
Interest, dividends, and other investment income	11,647
Investments sold	114,663
	<hr/>
Total assets	2,538,154

Liabilities

Investments in derivative instruments at fair value	65,007
Securities sold short at fair value	8,246
Accrued expenses	1,510
Payable for investments purchased	45,792
Payable upon return of securities loaned	6,836
	<hr/>
Total liabilities	127,391
	<hr/>
Net position	\$ 2,410,763

Unit data

Units outstanding	155,856,866
Net position, unit price	\$ 15.47

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Changes in Net Position - Unaudited
Period Ended March 31, 2020*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net decrease in fair value of investments	\$ (168,070)	\$ (120,312)
Interest, dividends, and other investment income	6,292	64,527
Securities lending income	15	239
Total investment income	(161,763)	(55,546)
Expenses		
Investment advisor fees	(425)	(3,856)
Custodian bank fees	(16)	(130)
Management and other allocated fees	(68)	(554)
Securities lending expenses	1	(174)
Total expenses	(508)	(4,714)
Net investment loss	(162,271)	(60,260)
Unit transactions		
Proceeds from sale of units	76	560,117
Amount paid for repurchase of units	(38,001)	(308,587)
Net increase (decrease) from unit transactions	(37,925)	251,530
Increase (decrease) in net position	(200,196)	191,270
Net position, beginning of period	2,610,959	2,219,493
Net position, end of period	\$ 2,410,763	\$ 2,410,763

**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 enhance diversification but not at the expense of total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Universal Bond Index over three- to five-year periods, net of external investment management fees. Dodge & Cox, Franklin Templeton Investments, and Western Asset Management Company manage the Pool.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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, commingled debt funds, and 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, interest rate, and total return 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 prevailing market exchange rates at month-end.
- Repurchase agreements are valued at cost, provided such amount approximates fair value.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.

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 Pool's custodian 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.

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, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. 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 the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 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.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Rate Swaps - Interest rate swaps are 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. Upfront payments received or made by the Pool on interest rate swap agreements are capitalized. Interest is paid or received periodically.

Total Return Swaps - Total return swaps are agreements in which one party makes payments based on a fixed or variable rate, while the other party makes payments based on the total return of an underlying referenced instrument, applied to a notional principal amount for a specified period. The underlying referenced instrument can be either a security or market index. A total return swap allows the party receiving the total return to obtain exposure to the underlying referenced instrument without actually owning the underlying position.

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. 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 March 31, 2020.

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 total return 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 and for the year ended March 31, 2020:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments
Forwards:		
Foreign currency forward contracts	\$ 7,578	\$ 9,823
Futures contracts:		
Fixed income futures long	16,016	59,768
Fixed income futures short	(19,348)	(61,003)
Options contracts:		
Fixed income options purchased	698	(10,225)
Fixed income options written	(4,300)	8,436
Credit default swaptions purchased	138	(172)
Credit default swaptions written	(1,607)	(1,097)
Interest rate swaptions purchased	43	(222)
Interest rate swaptions written	(2)	342
Swaps:		
Credit default swaps protection buyer	1,765	8,106
Credit default swaps protection seller	(302)	(321)
Interest rate swaps	(27,684)	(34,855)
Total return swaps	5,231	4,564
Total	<u>\$ (21,774)</u>	<u>\$ (16,856)</u>

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 March 31, 2020:

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Foreign currency					
forwards	\$ 6,474	\$ (5)	\$ (4,030)	\$ (2,117)	\$ 322
Swaptions	181	(140)	-	-	41
Swaps	5,469	(196)	(857)	-	4,416
Total	<u>\$ 12,124</u>	<u>\$ (341)</u>	<u>\$ (4,887)</u>	<u>\$ (2,117)</u>	<u>\$ 4,779</u>

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 March 31, 2020:

Derivative Type	Counterparty Rating	Fair Value
Foreign currency forward contracts	A	\$ 83
Foreign currency forward contracts	BBB	7,998
Credit default swaptions purchased	A	138
Interest rate swaptions purchased	BBB	43
Credit default swaps protection buyer	A	195
Credit default swaps protection seller	A	23

Interest Rate Risk

The following table provides the time to maturity for investment derivatives that are subject to interest rate risk as of March 31, 2020:

Derivative Type	Investment Maturities (in years)				
	Fair Value	Under-1	1-5	6-10	10+
Futures contracts:					
Fixed income futures long	\$ 16,016	\$ 16,016	\$ -	\$ -	\$ -
Fixed income futures short	(19,348)	(10,896)	(8,452)	-	-
Options contracts:					
Fixed income options purchased	698	698	-	-	-
Fixed income options written	(4,300)	(4,300)	-	-	-
Interest rate swaptions purchased	43	43	-	-	-
Interest rate swaptions written	(2)	(2)	-	-	-
Swaps:					
Interest rate swaps	(27,684)	-	554	(7,170)	(21,068)
Total	<u>\$ (34,577)</u>	<u>\$ 1,559</u>	<u>\$ (7,898)</u>	<u>\$ (7,170)</u>	<u>\$ (21,068)</u>

Total Return Fixed Income Pool

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

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate 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 March 31, 2020, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

Maturity Date	Reference Rate	Notional	Fair Value
3/23/2022	Receive Fixed 0.60%, Pay Floating 3-Month Libor	\$ 192,785	\$ 562
9/18/2025	Receive Fixed 0.65%, Pay Floating 3-Month Libor	9,449	65
9/18/2025	Receive Fixed 0.66%, Pay Floating 3-Month Libor	7,331	55
3/23/2025	Receive Fixed 0.70%, Pay Floating 3-Month Libor	112,300	1,054
3/24/2027	Receive Fixed 0.77%, Pay Floating 3-Month Libor	36,730	412
11/15/2045	Receive Floating 3-Month Libor, Pay Fixed 0.60%	22,320	1,533
2/15/2027	Receive Floating 3-Month Libor, Pay Fixed 0.75%	41,798	(475)
3/18/2050	Receive Floating 3-Month Libor, Pay Fixed 0.79%	2,063	63
3/19/2050	Receive Floating 3-Month Libor, Pay Fixed 0.82%	2,048	48
9/18/2050	Receive Floating 3-Month Libor, Pay Fixed 0.84%	1,720	32
9/18/2050	Receive Floating 3-Month Libor, Pay Fixed 0.86%	1,329	19
3/17/2050	Receive Floating 3-Month Libor, Pay Fixed 0.90%	4,023	3
8/15/2024	Receive Floating 3-Month Libor, Pay Fixed 1.50%	55,290	(2,396)
7/31/2026	Receive Floating 3-Month Libor, Pay Fixed 1.52%	30,939	(1,798)
6/30/2026	Receive Floating 3-Month Libor, Pay Fixed 1.55%	67,977	(4,095)
11/15/2026	Receive Floating 3-Month Libor, Pay Fixed 1.60%	29,220	(1,924)
11/15/2026	Receive Floating 3-Month Libor, Pay Fixed 1.65%	10,852	(750)
8/23/2049	Receive Floating 3-Month Libor, Pay Fixed 1.66%	21,760	(4,377)
11/15/2044	Receive Floating 3-Month Libor, Pay Fixed 1.81%	6,079	(1,273)
11/15/2044	Receive Floating 3-Month Libor, Pay Fixed 1.85%	23,123	(5,056)
5/15/2044	Receive Floating 3-Month Libor, Pay Fixed 2.88%	10,941	(4,880)
2/15/2027	Receive Floating Fed Funds, Pay Fixed 0.30%	37,009	124
		<u>\$ 727,086</u>	<u>\$ (23,054)</u>

At March 31, 2020, the open positions in interest rate swaps denominated in foreign currencies were as follows:

Maturity Date	Reference Rate	Notional (USD)	Fair Value
8/13/2024	Receive Fixed 1.55%, Pay Floating 3-Month CAD CDOR	\$ 51,281	\$ 1,334
1/4/2027	Receive Fixed 7.02%, Pay Floating Brazil CDI	6,676	14
1/4/2027	Receive Fixed 7.04%, Pay Floating Brazil CDI	1,600	5
7/20/2029	Receive Fixed 7.44%, Pay Floating MXN TIE	17,040	603
7/18/2029	Receive Fixed 7.45%, Pay Floating MXN TIE	16,370	593
4/19/2047	Receive Floating 6-Month JPY Libor, Pay Fixed 0.79%	43,564	(7,179)
		<u>\$ 136,531</u>	<u>\$ (4,630)</u>

Total Return Fixed Income Pool

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

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 March 31, 2020, are as follows:

Currency	Foreign Currency Forward Contracts	Futures Contracts	Swap Contracts	Total
Australian Dollar	\$ 78	\$ -	\$ -	\$ 78
Brazil Real	2,852	-	19	2,871
British Pound	497	(1,070)	-	(573)
Canadian Dollar	46	-	1,334	1,380
Euro Currency Unit	119	3,051	(109)	3,061
Japanese Yen	(110)	-	(7,179)	(7,289)
Mexican Peso	480	-	1,196	1,676
Russian Ruble	3,616	-	-	3,616
Total foreign denominated derivatives	7,578	1,981	(4,739)	4,820
U.S. Dollar	-	(5,313)	(16,251)	(21,564)
Total	<u>\$ 7,578</u>	<u>\$ (3,332)</u>	<u>\$ (20,990)</u>	<u>\$ (16,744)</u>

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

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

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

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.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 4. 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 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 March 31, 2020. The Pool's investments in commingled debt 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	\$ -	\$ 2,300	\$ -	\$ 2,300
Corporate asset backed issues	-	62,820	-	62,820
Corporate CMO	-	46,720	-	46,720
Corporate CMO interest-only	-	170	-	170
Corporate preferred securities	9,957	-	-	9,957
Foreign asset backed issues	-	21,267	-	21,267
Foreign corporate bonds	-	247,430	-	247,430
Foreign currency forward contracts	-	8,081	-	8,081
Foreign equity investments	11	-	-	11
Foreign government bonds	-	238,939	-	238,939
Futures contracts	20,735	-	-	20,735
Money market mutual fund	222,783	-	-	222,783
Municipal bonds	-	34,198	-	34,198
Options contracts purchased	698	181	-	879
Securities lending collateral	6,836	-	-	6,836
Swaps	-	13,538	-	13,538
U.S. corporate bonds	-	437,138	-	437,138
U.S. Government agency bonds	-	12,817	-	12,817
U.S. Government agency CMO	-	85,444	-	85,444
U.S. Government agency CMO interest-only	-	6,937	-	6,937
U.S. Government agency MBS	-	352,091	-	352,091
U.S. Government agency TBAs	-	12,635	-	12,635
U.S. Treasury bonds	-	164,207	-	164,207
U.S. Treasury inflation protected securities	-	101,968	-	101,968
Total	<u>\$ 261,020</u>	<u>\$ 1,848,881</u>	<u>\$ -</u>	<u>\$ 2,109,901</u>
Commingled debt funds				216,279
Total				<u>\$ 2,326,180</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	\$ -	\$ (503)	\$ -	\$ (503)
Futures contracts	(24,067)	-	-	(24,067)
Options contracts written	(4,300)	(1,609)	-	(5,909)
Securities sold short	-	(8,246)	-	(8,246)
Swaps	-	(34,528)	-	(34,528)
Total	<u>\$ (28,367)</u>	<u>\$ (44,886)</u>	<u>\$ -</u>	<u>\$ (73,253)</u>

The Pool's investments in commingled debt funds were measured at the NAV as of March 31, 2020. These commingled debt funds invest in certain niche sectors, particularly those 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 March 31, 2020:

	Fair Value
Securities on loan	<u>\$ 100,955</u>
Collateral received:	
Cash	\$ 6,836
Non-cash	<u>96,972</u>
Total collateral received	<u>\$ 103,808</u>

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under the SLAA which permits NT 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 the SLAA 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 March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 721,017
Public Employees' Retirement System	648,125
Workers' Compensation Old Fund	277,735
Revenue Shortfall Reserve Fund - Part B	175,814
West Virginia Retiree Health Benefit Trust Fund	110,425
Revenue Shortfall Reserve Fund	87,318
Public Employees Insurance Agency	71,511
State Police Death, Disability and Retirement Fund	59,333
Coal Workers' Pneumoconiosis Fund	54,090
West Virginia Department of Environmental Protection Agency	54,012
Board of Risk and Insurance Management	38,125
Deputy Sheriff's Retirement System	22,597
State Police Retirement System	20,690
Judges' Retirement System	20,106
Workers' Compensation Self-Insured Employer Security Risk Pool	11,949
West Virginia Prepaid Tuition Trust Fund	8,599
Emergency Medical Services Retirement System	8,221
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	8,016
Wildlife Endowment Fund	6,070
Workers' Compensation Uninsured Employers' Fund	2,763
Municipal Policemen's or Firemen's Pension and Relief Funds	1,343
Municipal Police Officers' and Firefighters' Retirement System	1,317
West Virginia Department of Environmental Protection Trust	976
Berkeley County Development Authority	611
Total	<u>\$ 2,410,763</u>

Financial Statements - Unaudited

March 31, 2020

Core Fixed Income Pool

Financial Statements - Unaudited March 31, 2020

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Core Fixed Income Pool

Statement of Net Position - Unaudited March 31, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 1,067,870
Money market mutual fund	65,810
Securities lending collateral	11,140
Receivables:	
Interest, dividends, and other investment income	5,641
Investments sold	<u>4,635</u>
Total assets	1,155,096

Liabilities

Accrued expenses	275
Payable for investments purchased	12,963
Payable upon return of securities loaned	<u>11,140</u>
Total liabilities	<u>24,378</u>
Net position	<u><u>\$ 1,130,718</u></u>

Unit data

Units outstanding	92,609,307
Net position, unit price	<u><u>\$ 12.21</u></u>

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Change in Net Position - Unaudited
Period Ended March 31, 2020*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ (24,562)	\$ 22,802
Interest, dividends, and other investment income	2,830	24,450
Securities lending income	6	136
Total investment income	(21,726)	47,388
Expenses		
Investment advisor fees	15	(803)
Custodian bank fees	(3)	(30)
Management and other allocated fees	(31)	(240)
Securities lending expenses	(2)	(122)
Total expenses	(21)	(1,195)
Net investment income (loss)	(21,747)	46,193
Unit transactions		
Proceeds from sale of units	30	266,693
Amount paid for repurchase of units	-	(150,376)
Net increase from unit transactions	30	116,317
Increase (decrease) in net position	(21,717)	162,510
Net position, beginning of period	1,152,435	968,208
Net position, end of period	\$ 1,130,718	\$ 1,130,718

**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 enhance diversification but not at the expense of total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over three- to five-year periods, net of external investment management fees. JP Morgan Investment Advisors, Inc. manages this Pool.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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.

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.

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, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. 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.

Cash collateral received is invested in the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. 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 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 March 31, 2020.

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 March 31, 2020:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 122,097	\$ -	\$ 122,097
Corporate CMO	-	43,633	-	43,633
Corporate CMO interest-only	-	218	-	218
Corporate CMO principal-only	-	64	-	64
Foreign asset backed issues	-	2,227	-	2,227
Foreign corporate bonds	-	55,527	-	55,527
Foreign government bonds	-	4,426	-	4,426
Money market mutual fund	65,810	-	-	65,810
Municipal bonds	-	11,626	-	11,626
Securities lending collateral	11,140	-	-	11,140
U.S. corporate bonds	-	160,767	-	160,767
U.S. Government agency bonds	-	3,168	-	3,168
U.S. Government agency CMO	-	106,025	-	106,025
U.S. Government agency CMO interest-only	-	2,126	-	2,126
U.S. Government agency CMO principal-only	-	4,600	-	4,600
U.S. Government agency MBS	-	189,278	-	189,278
U.S. Government agency TBAs	-	12,153	-	12,153
U.S. Treasury bonds	-	349,485	-	349,485
U.S. Treasury inflation protected securities	-	450	-	450
Total	<u>\$ 76,950</u>	<u>\$ 1,067,870</u>	<u>\$ -</u>	<u>\$ 1,144,820</u>

Core Fixed Income Pool

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

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at March 31, 2020:

	Fair Value
Securities on loan	\$ 62,361
Collateral received:	
Cash	\$ 11,140
Non-cash	52,737
Total collateral received	\$ 63,877

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under the SLAA which permits NT 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 the SLAA 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 March 31, 2020:

Participant	Account Value
Teachers' Retirement System	\$ 330,972
Public Employees' Retirement System	298,822
Workers' Compensation Old Fund	132,228
Revenue Shortfall Reserve Fund - Part B	81,513
West Virginia Retiree Health Benefit Trust Fund	53,972
Revenue Shortfall Reserve Fund	40,334
Public Employees Insurance Agency	34,522
State Police Death, Disability and Retirement Fund	29,524
Coal Workers' Pneumoconiosis Fund	25,888
West Virginia Department of Environmental Protection Agency	25,081
Board of Risk and Insurance Management	18,107
Deputy Sheriff's Retirement System	10,818
State Police Retirement System	10,233
Judges' Retirement System	9,665
West Virginia Prepaid Tuition Trust Fund	9,376
Workers' Compensation Self-Insured Employer Security Risk Pool	5,709
Emergency Medical Services Retirement System	3,988
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,839
Wildlife Endowment Fund	2,799
Workers' Compensation Uninsured Employers' Fund	1,329
Municipal Police Officers' and Firefighters' Retirement System	629
Municipal Policemen's or Firemen's Pension and Relief Funds	622
West Virginia Department of Environmental Protection Trust	463
Berkeley County Development Authority	285
Total	\$ 1,130,718

Financial Statements - Unaudited

March 31, 2020

TIPS Pool

Financial Statements - Unaudited March 31, 2020

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TIPS Pool

Statement of Net Position - Unaudited
March 31, 2020
(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Commingled bond fund	\$	427,852
Money market mutual fund		<u>19,000</u>
	Total assets	446,852

Liabilities

Accrued expenses		<u>42</u>
	Net position	<u><u>\$ 446,810</u></u>

Unit data

Units outstanding		35,946,086
Net position, unit price	\$	<u><u>12.43</u></u>

See accompanying notes to financial statements.

TIPS Pool

Statement of Changes in Net Position - Unaudited
Period Ended March 31, 2020*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase (decrease) in fair value of investments	\$ (8,283)	\$ 15,358
Expenses		
Investment advisor fees	(6)	(53)
Custodian bank fees	-	(1)
Management and other allocated fees	(12)	(98)
Total expenses	<u>(18)</u>	<u>(152)</u>
Net investment income (loss)	(8,301)	15,206
Unit transactions		
Proceeds from sale of units	11	43,968
Amount paid for repurchase of units	-	(15,674)
Net increase from unit transactions	<u>11</u>	<u>28,294</u>
Increase (decrease) in net position	(8,290)	43,500
Net position, beginning of period	<u>455,100</u>	<u>403,310</u>
Net position, end of period	<u>\$ 446,810</u>	<u>\$ 446,810</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 was established to offer an additional level of diversification over and above nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal, and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- 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.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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.

TIPS 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 income taxes is required as of March 31, 2020.

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 March 31, 2020:

Assets	Level 1	Level 2	Level 3	Total
Commingled bond fund	\$ 427,852	\$ -	\$ -	\$ 427,852
Money market mutual fund	19,000	-	-	19,000
Total	\$ 446,852	\$ -	\$ -	\$ 446,852

TIPS 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 March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
Revenue Shortfall Reserve Fund	\$ 133,828
Revenue Shortfall Reserve Fund - Part B	110,529
Workers' Compensation Old Fund	109,451
Public Employees Insurance Agency	41,886
Coal Workers' Pneumoconiosis Fund	24,182
Board of Risk and Insurance Management	16,649
Workers' Compensation Self-Insured Employer Security Risk Pool	5,323
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,545
Workers' Compensation Uninsured Employers' Fund	1,417
Total	<u>\$ 446,810</u>

Financial Statements - Unaudited

March 31, 2020

Private Markets Pool

Financial Statements - Unaudited March 31, 2020

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Private Markets Pool

Statement of Net Position - Unaudited

March 31, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Alternative investments	\$ 4,323,028
Equity investments	138,371
Fixed income investments	9,701
Money market mutual fund	76,658
Securities lending collateral	1,568
Cash	227
Receivables:	
Investments sold	688
Interest, dividends, and other investment income	822
	<hr/>
Total assets	4,551,063

Liabilities

Accrued expenses	864
Payable for investments purchased	1,347
Payable upon return of securities loaned	1,568
	<hr/>
Total liabilities	3,779
	<hr/>
Net position	\$ 4,547,284

Unit data

Units outstanding	225,962,042
Net position, unit price	<u>\$ 20.12</u>

See accompanying notes to financial statements.

Private Markets Pool

Statement of Changes in Net Position - Unaudited
Period Ended March 31, 2020*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase in fair value of investments	\$ 52,013	\$ 113,018
Income from partnerships and funds	3,839	81,247
Interest, dividends, and other investment income	906	5,764
Fund closing interest	63	106
Securities lending income	4	27
Total investment income	56,825	200,162
Expenses		
Investment advisor fees	(156)	(726)
Custodian bank fees	(4)	(34)
Management and other allocated fees	(120)	(1,056)
Professional service fees - direct	(159)	(1,099)
Management fees - external	-	(3,238)
Fund closing costs	-	(4)
Securities lending expenses	-	2
Total expenses	(439)	(6,155)
Net investment income	56,386	194,007
Unit transactions		
Proceeds from sale of units	47,867	123,970
Amount paid for repurchase of units	(51,323)	(242,798)
Net decrease from unit transactions	(3,456)	(118,828)
Increase in net position	52,930	75,179
Net position, beginning of period	4,494,354	4,472,105
Net position, end of period	\$ 4,547,284	\$ 4,547,284

**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 IMB's Private Markets 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 objective of the Pool is to enhance the diversification and stability of the portfolio, while generating a higher level of income than generally available in the public fixed income markets and to provide for long-term growth of participants' assets and risk-reduction through diversification. 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 Pool are approved by the Board of Trustees or by its established committees.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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 March 31, 2020.
- 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.

Private Markets Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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, commingled equity funds, and 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.

Securities Lending - The IMB, through its lending agent, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. 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 the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. 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 Pool's custodian 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.

Private Markets Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 March 31, 2020.

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.

Private Markets 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 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.

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 March 31, 2020. 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	\$ 19,553	\$ -	\$ -	\$ 19,553
Foreign common stock	31,675	-	-	31,675
Money market mutual fund	76,658	-	-	76,658
Securities lending collateral	1,568	-	-	1,568
U.S. common stock	73,494	-	-	73,494
U.S. corporate bonds	-	9,701	-	9,701
U.S. preferred stock	13,649	-	-	13,649
Total	<u>\$ 216,597</u>	<u>\$ 9,701</u>	<u>\$ -</u>	\$ 226,298
Opportunistic income funds				622,077
Private equity partnerships				1,911,729
Real estate limited partnerships and funds				1,789,222
Total				<u>\$ 4,549,326</u>

Private Markets Pool

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

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The following table presents information on investments measured at the NAV as of March 31, 2020:

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range (a)	Redemption Frequency	Redemption Notice Period
Opportunistic income:					
Middle Market Loan Funds (b)	\$ 325,017	\$ 49,178	N/A	N/A	N/A
Real Estate Income Funds (c)	297,060	108,802	2021 to 2029	Quarterly	45 days
Private equity partnerships:					
Corporate Finance - Buyout (d)	1,247,143	647,891	2020 to 2034	N/A	N/A
Corporate Finance - Distressed Debt (e)	58,623	14,678	2020 to 2021	N/A	N/A
Corporate Finance - Growth Equity (f)	63,176	55,126	2020 to 2029	N/A	N/A
Corporate Finance - Hard Assets (g)	87,354	49,162	2020 to 2028	N/A	N/A
Corporate Finance - Mezzanine (h)	70,615	49,968	2020 to 2028	N/A	N/A
Corporate Finance - Turnaround (i)	79,312	100,442	2020 to 2031	N/A	N/A
Venture Capital (j)	305,506	81,484	2023 to 2034	N/A	N/A
Real estate limited partnerships and funds:					
Core Funds (k)	1,006,233	84,552	2020 to 2022	Quarterly	30-60 days
Opportunistic Funds (l)	282,194	224,000	2020 to 2029	N/A	N/A
Value Funds (m)	500,795	466,415	2020 to 2031	N/A	N/A
Total	<u>\$ 4,323,028</u>	<u>\$ 1,931,698</u>			

- (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.

Private Markets Pool

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

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

(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 March 31, 2020:

	<u>Fair Value</u>
Securities on loan	\$ 10,983
Collateral received:	
Cash	\$ 1,568
Non-cash	10,039
Total collateral received	<u>\$ 11,607</u>

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under the SLAA which permits NT 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 the SLAA 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 March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 2,052,553
Public Employees' Retirement System	1,816,924
West Virginia Retiree Health Benefit Trust Fund	280,335
State Police Death, Disability and Retirement Fund	179,247
Deputy Sheriff's Retirement System	61,686
Judges' Retirement System	56,207
State Police Retirement System	55,384
Emergency Medical Services Retirement System	22,537
Wildlife Endowment Fund	16,586
Municipal Police Officers' and Firefighters' Retirement System	3,268
Berkeley County Development Authority	1,640
Municipal Policemen's or Firemen's Pension and Relief Funds	917
Total	<u>\$ 4,547,284</u>

Financial Statements - Unaudited

March 31, 2020

Hedge Fund Pool

Financial Statements - Unaudited March 31, 2020

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Hedge Fund Pool

Statement of Net Position - Unaudited
March 31, 2020
(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Hedge funds	\$ 1,856,002
Money market mutual fund	73
Advance on investments in hedge funds	35,000
Receivables:	
Investment funds redeemed	14,794
Interest and dividends	<u>180</u>
Total assets	1,906,049

Liabilities

Accrued expenses	<u>176</u>
Net position	<u>\$ 1,905,873</u>

Unit data

Units outstanding	132,305,960
Net position, unit price	<u><u>\$ 14.41</u></u>

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Changes in Net Position - Unaudited
Period Ended March 31, 2020*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net decrease in fair value of investments	\$ (159,915)	\$ (113,374)
Interest, dividends, and other investment income	<u>16</u>	<u>453</u>
Total investment income	(159,899)	(112,921)
Expenses		
Professional service fees - direct	(33)	(301)
Custodian bank fees	-	(2)
Management and other allocated fees	<u>(55)</u>	<u>(522)</u>
Total expenses	<u>(88)</u>	<u>(825)</u>
Net investment loss	(159,987)	(113,746)
Unit transactions		
Proceeds from sale of units	42,366	54,443
Amount paid for repurchase of units	<u>(54,049)</u>	<u>(406,857)</u>
Net decrease from unit transactions	<u>(11,683)</u>	<u>(352,414)</u>
Decrease in net position	(171,670)	(466,160)
Net position, beginning of period	<u>2,077,543</u>	<u>2,372,033</u>
Net position, end of period	<u>\$ 1,905,873</u>	<u>\$ 1,905,873</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. The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the Citigroup 90-Day Treasury Bill Index plus 400 basis points. Albourne America, LLC has been retained by the IMB to provide consulting services for this investment strategy.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

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 March 31, 2020.
- 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.

Hedge Fund Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 March 31, 2020.

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 March 31, 2020. 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	\$ 73	\$ -	\$ -	\$ 73
Hedge funds				1,856,002
Total				<u>\$ 1,856,075</u>

The following table presents information on investments measured at the NAV as of March 31, 2020:

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 189,669	Monthly, Quarterly	5 to 30 days
Equity long/short (b)	167,089	Monthly, Quarterly	30 to 60 days
Event-driven (c)	67,663	Quarterly, Every 2 years	45 to 180 days
Long-biased (d)	76,255	Monthly	90 days
Multi-strategy (e)	1,082,867	Monthly, Quarterly, Semiannually, Annually	30 to 95 days
Relative-value (f)	272,459	Weekly, Quarterly	5 to 60 days
Total	<u>\$ 1,856,002</u>		

- (a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions. 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 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.
- (c) Event-driven funds 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. All of the funds in this investment strategy are 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 funds 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 40 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 funds 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 39 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

NOTE 4. ADVANCE ON INVESTMENTS IN HEDGE FUNDS

The subscription terms of hedge funds often require contributions to be received in advance of the subscription day. Prior to March 31, 2020, the IMB funded \$35,000 to hedge funds that had a subscription date of April 1, 2020. As of March 31, 2020, these amounts have been recorded as an advance on investments in hedge funds.

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at March 31, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 709,716
Public Employees' Retirement System	632,822
Workers' Compensation Old Fund	143,291
West Virginia Retiree Health Benefit Trust Fund	102,257
State Police Death, Disability and Retirement Fund	62,233
Public Employees Insurance Agency	49,451
Coal Workers' Pneumoconiosis Fund	42,551
West Virginia Department of Environmental Protection Agency	36,610
Board of Risk and Insurance Management	29,768
Deputy Sheriff's Retirement System	21,803
State Police Retirement System	19,762
Judges' Retirement System	19,722
Workers' Compensation Self-Insured Employer Security Risk Pool	9,370
Emergency Medical Services Retirement System	7,987
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	6,262
Wildlife Endowment Fund	5,791
Workers' Compensation Uninsured Employers' Fund	2,528
West Virginia Department of Environmental Protection Trust	1,754
Municipal Police Officers' and Firefighters' Retirement System	1,222
Berkeley County Development Authority	580
Municipal Policemen's or Firemen's Pension and Relief Funds	393
Total	<u>\$ 1,905,873</u>