



State Investment Fund
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2021

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Message from the Portfolio Manager

The State Investment Fund (SIF) is a pool of cash balances of various state and local governmental units that is managed by the State of Wisconsin Investment Board. It includes retirement trust funds, state funds, and funds from over 1,300 Wisconsin municipal units that invest in the Local Government Investment Pool (LGIP). The LGIP was created in 1975 to give local governments an additional investment option providing them with liquidity, active management, and returns offered by larger investments. The investment objectives of the SIF are to provide safety, liquidity, and competitive rates of return. To meet these objectives, the fund primarily invests in obligations of the United States government and its agencies, with a small number of investments in bank debt and corporate debt.

Over the past year, the global pandemic has significantly impacted markets. In response to the crisis, the federal government has continued to engage in both monetary and fiscal policy to ease the impact of the pandemic. The Federal Reserve cut the fed funds target rate lower bound to 0% in 2020, where it has remained over the past fiscal year, decreasing investment earnings over the period. Despite these low interest rates, there is a large volume of cash being invested in the short-term markets, depressing yields.

On March 11, 2021, President Biden signed the \$1.9 trillion American Rescue Plan Act into law. This act stimulated the economy by providing direct assistance to families, businesses, and workers. State and local governments were recipients of a portion of this aid, which they used to help offset the effects of the economic downturn in Wisconsin.

As a result of the swift monetary and fiscal response to the economic downturn, the U.S. economy has experienced growth despite the unique challenges that COVID-19 presents. The labor market has seen a marked improvement, while inflation has picked up.

Due to the strengthening economy, the market expects the Federal Reserve to slowly back away from the accommodative policy that has been in place over the past year and a half. As accommodative measures are removed, we will continue to position the SIF to meet its investment objectives of safety, liquidity, and competitive rates of return.

Andrea Ruiz, CFA, CPA
Portfolio Manager



STATE OF WISCONSIN
Legislative Audit Bureau

Joe Chrisman
State Auditor

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Independent Auditor's Report on the Financial Statements and Other Reporting Required by *Government Auditing Standards*

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

Members of the Board of Trustees, and
Mr. Edwin Denson, Executive Director/Chief Investment Officer
State of Wisconsin Investment Board

Report on the Financial Statements

We have audited the Statement of Net Position, the Statement of Operations and Changes in Net Position, and the related notes of the State of Wisconsin State Investment Fund as of and for the year ended June 30, 2021.

Management's Responsibility for the Financial Statements

Management of the State of Wisconsin Investment Board (SWIB) is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, which is issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on these financial statements.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State Investment Fund as of June 30, 2021, and the respective changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphases of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to in the first paragraph present only the State Investment Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 30, 2021, or the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 5B to the financial statements, the State Investment Fund entered into significant repurchase agreement transactions with the Core Retirement Investment Trust Fund during the fiscal year. The State Investment Fund and the Core Retirement Investment Trust Fund are both administered by SWIB.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information—Accounting principles generally accepted in the United States of America require that the Management Discussion & Analysis, which precedes the financial statements, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be essential for placing the financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information that included inquiries of management about the methods of preparing the information. We further compared the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accompanying Information—Our audit was conducted for the purpose of forming an opinion on the financial statements of the State Investment Fund. The Message from the Portfolio Manager, the Schedule of Investments, and the Agency Information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2021, and published in report 21-20, on our consideration of SWIB's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, and contracts; and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial

reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of SWIB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering SWIB's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU

A handwritten signature in black ink, appearing to read "Joe Chrisman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joe Chrisman
State Auditor

December 2, 2021

Management Discussion & Analysis

The State Investment Fund's (SIF) discussion and analysis of the financial activities for the fiscal year (FY) ended June 30, 2021 is presented by management to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year and a comparison to the prior year's activity. The SIF temporarily invests the operating funds of the Wisconsin State agencies, the Wisconsin Retirement System (WRS), and various local government units (Local Government Investment Pool – LGIP).

Following this section are the financial statements and notes to the financial statements. The **Statement of Net Position** provides information on the financial position of the SIF at June 30, 2021. It presents the investment assets available for use and any liabilities related to the operations of the

SIF. The **Statement of Operations and Changes in Net Position** presents the results of the investing activities for the twelve months ending June 30, 2021. The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the SIF financial statements. Condensed SIF financial information for the FYs ending June 30, 2021 and June 30, 2020 is included in the table entitled **SIF Condensed Financial Information**.

Because the SIF is used to temporarily invest participants' operating cash flows, investments are in highly liquid, short-term fixed income securities. As of June 30, 2021, the SIF Net Position had increased by \$3.5 billion, or 21.6%, from the prior fiscal year due to the combined increases in the shares of the State of Wisconsin and agencies (increase of \$3.1 billion), and the LGIP (increase

Fiscal Year Ended:	SIF Condensed Financial Information			SIF Annualized Returns (as of June 30)		
	2021	2020	Change%	Year(s)	Return%	Benchmark%
Total Assets	\$19,999,240,726	\$16,232,446,088	23.2	2012	0.14	0.09
Total Liabilities	518,712,076	214,204,187	142.2	2013	0.15	0.10
Net Position	<u>\$19,480,528,650</u>	<u>\$16,018,241,901</u>	21.6	2014	0.09	0.06
				2015	0.11	0.05
Investment Income	\$18,258,908	\$ 201,298,009	(90.9)	2016	0.28	0.19
Investment Expenses	3,422,844	3,256,437	5.1	2017	0.54	0.57
State Working Bank Charges	2,304,937	1,900,936	21.3	2018	1.34	1.42
Net Income	<u>\$ 12,531,127</u>	<u>\$ 196,140,636</u>	(93.6)	2019	2.33	2.28
				2020	1.45	1.25
Average Monthly Balance	\$16,778,247,298	\$14,728,012,043	13.9	2021	0.09	0.06
Weighted Avg. Maturity (WAM)	74	31				
SIF Ownership:				Multi-Year:		
State of Wisconsin & Agencies	52%	43%		Three Year	1.29	1.19
Wisconsin Retirement System	21%	27%		Five Year	1.15	1.12
Local Govt Investment Pool	27%	30%		Ten Year	0.65	0.61
Total	<u>100%</u>	<u>100%</u>				

Management Discussion & Analysis

of \$653 million). The SIF Average Monthly Balance increased by \$2.1 billion in FY 2021 compared to FY 2020. During the fiscal year, the average daily balance peaked in June 2021 at \$19.8 billion. Operating cash flows of participants fluctuate during the year and were higher at fiscal year-end primarily due to federal aid to states and local governments provided through the American Rescue Plan Act in response to the economic impact of COVID-19.

Investment Income decreased by \$183.0 million, or 90.9%, from FY 2020. Interest rates decreased sharply in the second half of FY 2020 because of the economic downturn caused by the global pandemic. During 2021, the Federal Reserve maintained the federal funds target range of 0.0% to 0.25%. The average federal funds effective rate decreased from 1.29% in FY 2020 to 0.08% in FY 2021. Accordingly, the one-year SIF return decreased from 1.45% in FY 2020 to 0.09% in FY 2021.

Investment Expenses increased by 5.1% from the prior fiscal year. Investment Expenses include operating expenses, research and data services,

and consulting expenses incurred by SWIB and allocated to the SIF. Most of the increase in allocated expenses is attributed to an increase in management operating expenses and state working bank charges. State working bank costs are charged to the SIF by the Department of Administration according to banking transaction activity. The increase in state working bank costs were due to a change to the bank contract terms and some prior fiscal year costs included in FY 2021.

The weighted average maturity increased from 31 days in FY 2020 to 74 days in FY 2021. The largest driver of this change was the increase in the weighted average maturity of Government & Agency securities, which increased from 40 days to 101 days from FY 2020 to FY 2021. On June 30, 2021, the SIF held \$4.8 billion in Repurchase Agreements compared to \$4.1 billion at the end of the prior year; an increase of \$724 million, or 17.6%. Government & Agencies and Repurchase Agreements represent 95.5% of the SIF total investments as of June 30, 2021.

Financial Statements

State Investment Fund Statement of Net Position As of June 30, 2021

Assets	
Investments	
Government & Agencies	\$ 14,265,875,886
Repurchase Agreements	4,829,466,270
Commercial Paper	624,868,555
Certificates of Deposit	137,682,001
Corporate Notes	58,415,833
Banker's Acceptances	49,917,736
Time Deposits	25,000,000
Total Investments	<u>19,991,226,281</u>
Other Assets	
Accrued Interest Receivable	8,014,445
Total Other Assets	<u>8,014,445</u>
Total Assets	<u>\$ 19,999,240,726</u>
Liabilities	
Check Float Invested	341,913,513
Payable for Investments Purchased	174,974,030
Accounts Payable	1,250,738
Earnings Distribution Payable	573,795
Total Liabilities	<u>518,712,076</u>
NET POSITION	<u>\$ 19,480,528,650</u>
Net Position consists of:	
Participating Shares	19,481,356,000
Undistributed Unrealized Gains (Losses)	<u>(827,350)</u>
NET POSITION	<u>\$ 19,480,528,650</u>

The accompanying notes are an integral part of this statement.

Financial Statements

State Investment Fund Statement of Operations and Changes in Net Position For the Fiscal Year Ended June 30, 2021		
Additions		
Investment Income		
Net Increase (Decrease) in the Fair Value of Investments	\$	3,649,486
Interest		14,609,422
Total Investment Income		18,258,908
Less		
Investment Expenses		
Management Operating Expenses		2,049,283
Investment Operating Services		516,636
Research and Data Services		463,977
Legal and Consulting Fees		323,032
Custodial Bank Charges		69,916
Total Investment Expenses		3,422,844
Net Investment Income	\$	14,836,064
Less		
State Working Bank Charges		2,304,937
Net Income	\$	12,531,127
Distributions Paid and Payable		12,850,377
Change in Undistributed Unrealized Gains (Losses)		(319,250)
Beginning Undistributed Unrealized Gains (Losses)		(508,100)
Ending Undistributed Unrealized Gains (Losses)		(827,350)
Net Change in Participating Shares		3,462,606,000
Beginning of Period Participating Shares		16,018,750,000
End of Period Participating Shares		19,481,356,000
NET POSITION	\$	19,480,528,650

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

1. Description of Funds

The State Investment Fund (SIF) pools the cash of the State of Wisconsin and its agencies, the Wisconsin Retirement System (WRS), and various local government units (Local Government Investment Pool – LGIP) into a commingled fund with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. Only State of Wisconsin agencies are required to invest their operating cash in the SIF. In the State's Annual Comprehensive Financial Report (ACFR), the SIF is not reported as a separate fund; rather, each State fund's share in the "pool" is reported on the balance sheet as "Cash and Cash Equivalents." Shares of the SIF belonging to other participating public institutions are presented in the Local Government Investment Pool, an investment trust fund. The staff of the State of Wisconsin Investment Board (SWIB) manages the SIF with oversight by the Board of Trustees as authorized in Wisconsin Statutes 25.14 and 25.17. SWIB is not registered with the SEC as an investment company. The statements are not intended to present the financial activity for the State of Wisconsin as a whole.

Wisconsin Statutes 25.17(3)(b), (ba), (bd), and (dg) enumerate the various types of securities in which the SIF can be invested, which include direct obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, the unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States including solvent financial institutions in Wisconsin and banker's acceptances. The Board of Trustees may specifically approve other prudent legal investments.

2. Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the investment activity of the SIF are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB).

B. Basis of Accounting

The accompanying statements are prepared based upon the flow of economic resources measurement focus and the full accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Security transactions and the related gains and losses are recorded on a trade date basis. Interest income is accrued as earned.

C. Valuation of Securities

For financial statement purposes, the fair value of securities depends on asset class. Repurchase Agreements and non-negotiable Certificates of Deposit and Time Deposits are carried at cost, because they are non-participating contracts that do not capture interest rate changes in their value.

All remaining debt investments (U.S. Government/ Agency securities, Banker's Acceptances, Commercial Paper, Corporate Notes, and negotiable Certificates of Deposit) are carried at fair value. Because quoted market prices for SIF securities are often not available at month end, BNY Mellon, as SWIB's custodial bank, compiles fair values from third party pricing services which use matrix pricing models to estimate a security's fair value.

D. Investment Expenses

Investment Expenses are SWIB's administrative and investment costs that are allocated to the SIF participants which consist of operating expenses, custodial bank charges, research and data services, legal and consulting fees, and investment operating services.

E. State Working Bank Charges

State Working Bank Charges represent charges for various state banking services such as lockbox, ePay, and depository services. These expenses are allocated to SIF participants based on their proportionate usage of banking services and, accordingly, reduce the participant's share of the Net Investment Income.

The table entitled **Summary of Information by**

Notes to the Financial Statements

Investment Classification contains summarized SIF information by investment type as of June 30, 2021.

3. SIF Investment Income and Pool Shares

For reporting purposes, as noted in Note 2C, investments are valued at fair value. For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a constant yield basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments.

Unrealized gains and losses are reflected in the Statement of Operations and Changes in Net Position as "Net Increase (Decrease) in the Fair Value of Investments." The cumulative difference between net income (fair value) and distributions paid (amortized cost) is reported in the Statement of Net Position as "Undistributed Unrealized Gains (Losses)."

SIF pool shares are bought and redeemed at \$1.00 based on the amortized cost of the investments in the SIF. The State of Wisconsin does not provide any legally binding guarantees to support the value of pool shares.

4. Deposit and Investment Risk

SWIB recognizes that risk issues permeate the entire investment process from asset allocation to performance evaluation. SWIB monitors risk through multiple forms of analysis and reporting. For the SIF, evaluations of levels of diversification; nominal risk exposures including sector, maturity, and interest rate exposures; and risk/return plots form the core of the monitoring process. In addition, the portfolio is reviewed daily for compliance with investment

Summary of Information by Investment Classification June 30, 2021

Investment Type	Maturity Dates	Fair Value
Government & Agencies	07/01/21 - 05/20/24	\$ 14,265,875,886
Repurchase Agreements	07/01/21	4,829,466,270
Commercial Paper	07/01/21 - 11/30/21	624,868,555
Certificates of Deposit	07/02/21 - 10/21/21	137,682,001
Corporate Notes	08/04/21 - 05/13/22	58,415,833
Banker's Acceptances	08/10/21 - 11/15/21	49,917,736
Time Deposits	07/13/21	25,000,000
Total Investments		<u>\$ 19,991,226,281</u>

guidelines. At least quarterly, comprehensive reporting is presented to SWIB's Investment Committee and the Board of Trustees.

A. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the SIF. The Board established SIF investment guidelines with maximum exposure limits by security type based on the minimum credit ratings as issued by Nationally Recognized Statistical Rating Organizations (NRSROs). The table entitled **Credit Quality Distribution for Securities** displays the credit ratings and aggregate exposures by investment type for the securities held by the SIF as of June 30, 2021.

B. Custodial Credit Risk

Deposits — Custodial credit risk related to deposits is the risk that, in the event of the failure of a depository financial institution, SWIB will not be able to recover deposits that are in possession of an outside party.

The Certificates of Deposit (CD) held as of June 30, 2021 are negotiable CDs and are not insured by the Federal Deposit Insurance Corporation (FDIC). The State of Wisconsin appropriation for losses on public deposits protects a depositing municipality up to \$400,000 (or less if the appropriation is exhausted) on its proportionate share of all losses

Notes to the Financial Statements

of principal invested, if the local governing body has designated the LGIP as a public depository. The actual coverage of these deposits can fluctuate daily based on the allocable share of participants' accounts. In addition, the SIF held time deposits with financial institutions with a fair value of \$25 million, all of which were uncollateralized and uninsured on June 30, 2021.

Investments — Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, SWIB will not be able to recover the value of investments that are in the possession of an outside party. The SIF held repurchase agreements totaling \$4.8 billion as of June 30, 2021. Three of the repurchase agreements,

totaling \$622 million, were bilateral agreements with the underlying securities (collateral) for these held at SWIB's custodian. Five of the repurchase agreements, totaling \$1.4 billion, were tri-party agreements. The underlying securities (collateral) for these repurchase agreements were held by the tri-party's agent and not in SWIB's name. The remaining repurchase agreements, totaling \$2.8 billion, were related-party, bilateral agreements. The underlying securities for these repurchase agreements were held by SWIB's custodian, in SWIB's name. The related party transaction is discussed in Note 5B.

SWIB requires the execution of a Master Repurchase Agreement (MRA) prior to engaging

in repurchase agreements with a counterparty. MRAs are negotiated contracts containing terms in which SWIB seeks to minimize counterparty credit risk. The counterparty credit exposure is managed through the transfer of margin, in the form of cash or securities, between SWIB and the counterparty.

The market value of securities utilized as collateral for repurchase agreements must be at least 102% of the value of the repurchase agreement. SWIB also controls credit exposures by performing a credit analysis on each counterparty and by establishing maximum exposure

Credit Quality Distribution for Securities June 30, 2021

Investment Type	Rating	Fair Value	%
U.S. Treasury:			
Short-Term (Bills and Notes)	A-1+	\$ 8,000,722,927	40.0
Long-Term (Notes)	AA	259,634,376	1.3
Government Sponsored Entity U.S. Agency:			
Federal Home Loan Bank (FHLB)	A-1+	4,872,912,689	24.4
Federal Home Loan Bank (FHLB)	AA	123,652,205	0.6
Federal Home Loan Mortgage Corp (FHLMC)	A-1+	252,557,715	1.3
Federal National Mortgage Association (FNMA)	A-1+	451,598,588	2.3
Federal Farm Credit Bank (FFCB)	A-1+	240,179,737	1.2
Federal Farm Credit Bank (FFCB)	AA	64,617,651	0.3
Repurchase Agreements (Collateral):			
U.S. Government and Agencies Debt	AA	4,829,466,270	24.2
Commercial Paper	A-1+	349,882,206	1.8
Commercial Paper	A-1	274,986,349	1.4
Certificates of Deposit:			
Negotiable	A-1	75,003,000	0.4
Negotiable	A-1+	62,679,001	0.3
Corporate Notes	AAA	39,639,371	0.2
Corporate Notes	AA	18,776,461	0.1
Banker's Acceptances	A-1+	49,917,736	0.3
Time Deposits	A-1	25,000,000	0.1
Total Investments		<u>\$ 19,991,226,281</u>	<u>100.0</u>

Notes to the Financial Statements

limits with any one counterparty based on their creditworthiness.

SWIB's custodial credit risk policy addresses the primary risks associated with safekeeping and custody. It requires that SWIB's custodial institution be selected through a competitive bid process and that the institution be designated a "Systematically Important Financial Institution" by the U.S. Federal Reserve. The policy also requires that SWIB be reflected as beneficial owner on all securities entrusted to the custodian and that SWIB have access to safekeeping and custody accounts.

The custodian is also required to be insured for errors and omissions and must provide SWIB with an annual report on internal controls, prepared in accordance with the Statement on Standards for Attestation Engagements. Furthermore, SWIB management has established a system of controls for the oversight of services and related processes of the custodian. SWIB's current custodial bank was selected in accordance with these guidelines and meets all requirements stipulated in the custodial credit risk policy.

C. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. The SIF's investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or issue exposure limits based on credit rating. These guidelines do not place a limit on maximum exposure for U.S. Treasury bills or agency discount notes. As of June 30, 2021, the SIF had more than five percent of its investments in FHLB (25.0%), U.S. Treasury (41.3%), and Repurchase Agreement collateral (24.2%) consisting of various securities issued by these same U.S. Treasuries and agencies. Since the Repurchase Agreements generally mature each day, new collateral,

consisting of a different blend of U.S. Treasury and Agency securities, is assigned each day.

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The SIF uses the Weighted Average Maturity (WAM) method to analyze interest rate risk and investment guidelines mandate that the weighted average maturity for the entire portfolio will not exceed one year.

Weighted average maturity is the maturity of each position in a portfolio weighted by the dollar value of the position to compute an average maturity for the portfolio as a whole. This measure indicates a portfolio's sensitivity to interest rate changes: a longer weighted average maturity implies greater volatility in response to interest rate changes.

Depending on the types of securities held in a fund, certain maturity shortening devices (e.g., interest rate resets, call options, and demand features) are considered when calculating the weighted average maturity.

The table entitled **Weighted Average Maturities (WAM) for Securities** presents the aggregated weighted average maturity by investment type for securities held by the SIF on June 30, 2021.

Weighted Average Maturities (WAM) for Securities June 30, 2021		
Investment Type	Fair Value	WAM (Days)
Government & Agencies	\$ 14,265,875,886	101
Repurchase Agreements	4,829,466,270	1
Commercial Paper	624,868,555	24
Certificates of Deposit	137,682,001	19
Corporate Notes	58,415,833	99
Banker's Acceptances	49,917,736	102
Time Deposits	25,000,000	13
Total Investments	<u>\$ 19,991,226,281</u>	
Portfolio Weighted Average Maturity (Days)		74

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. As of June 30, 2021, the SIF was not exposed to foreign currency risk.

5. Related Party Transactions

A. Inter-Fund Loans

Wisconsin Statutes 20.002 (11) provides for the short-term temporary reallocation of surplus moneys between statutory funds, provided that the borrowing fund anticipates receiving future revenues to pay back the temporary loan. For fiscal year 2021, Section 20.002 (11) (b) 2 provides that General Fund borrowings may not exceed 9% of defined revenues (estimated borrowing cap of \$1.728 billion). Section 20.002 (11) (b) 3 permits an additional temporary allocation not to exceed 3% of defined revenues for a period of up to 30 days (estimated total borrowing cap of \$2.304 billion). Further, Section 20.002 (11) (b) 1 limits the total amount of any temporary reallocations to a fund other than the General Fund to \$400 million. The borrowing fund is charged interest on the inter-fund loan at the SIF monthly interest rate. As of June 30, 2021, the amount of inter-fund borrowings between statutory funds invested in the SIF is listed in the table entitled **Inter-Fund Loans**.

B. Inter-Fund Transactions

The Wisconsin Legislature created SWIB for the sole purpose of providing professional investment management for the funds entrusted to it, including the assets of the SIF and the Core Retirement Investment Trust Fund (Core Fund). During the fiscal year, the SIF entered into repurchase agreement transactions with the Core Fund as a counterparty. Transactions are governed by an MRA and credit exposure is also managed through the transfer of margin between the Core Fund and SIF. As of June 30, 2021, the SIF held \$2.8 billion in a bilateral repurchase agreement with the Core Fund. The repurchase agreement was an overnight agreement collateralized with U.S. Treasury securities. The SIF has similar repurchase agreement transactions with other counterparties. The Core Fund is also a participant in the SIF, with an investment totaling \$3.9 billion as of June 30,

Inter-Fund Loans June 30, 2021	
Fund	Loan Amount
Police and Fire Protection	\$ 230,000
Veterans Trust	41,000
Industrial Building Construction Loan Fund	1,000
	<hr/>
Total Loans	\$ 272,000

2021. The Variable Fund holding in the SIF as of June 30, 2021 was \$134 million.

6. Fair Value Reporting

Fair value measurements of the investments held by the SIF are categorized by the hierarchy established by generally accepted accounting principles. The hierarchy, which has three levels, is based on the valuation inputs used to measure the fair value of the asset.

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon valuation techniques in which significant inputs or significant value drivers are unobservable.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to fair value. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and does not represent the investment's overall risk.

The fair value measurements of investments held by the SIF as of June 30, 2021 are found in the table titled **Investments Measured at Fair Value**.

Notes to the Financial Statements

Securities classified in Level 1 are generally valued at the official closing price (usually the last trade prices) or the last bid price on the security's primary exchange. Such investments include U.S. Treasury bills and only the most recently issued U.S. Treasury notes and bonds are classified as Level 1 because available pricing for these securities is similarly reliable to exchange-traded securities.

Securities classified as Level 2 are valued using observable inputs, by third-party pricing services using a matrix-pricing technique. Matrix-pricing is used to value securities based on their relationship to quoted market prices for securities with similar interest rates, maturities, and credit ratings. Most

debt securities are classified as Level 2 because they are generally traded using a dealer market, with lower trading volumes than Level 1 securities.

Level 3 investments are generally valued using significant inputs that are unobservable to the marketplace. Banker's Acceptances included in Level 3 represent securities that derive their fair value from cost. Typically, due to their short-term nature, cost approximates fair value for these investments.

Investments held at cost (Repurchase Agreements and Time Deposits) are not reported within the fair value hierarchy.

Investments Measured at Fair Value June 30, 2021				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments by Fair Value Level:				
Government & Agencies	\$ 7,628,995,965	\$6,636,879,921	\$ -	\$ 14,265,875,886
Commercial Paper	-	624,868,555	-	624,868,555
Certificates of Deposit (negotiable)	-	137,682,001	-	137,682,001
Corporate Notes	-	58,415,833	-	58,415,833
Banker's Acceptances	-	-	49,917,736	49,917,736
Total Investments by Fair Value Level	<u>\$ 7,628,995,965</u>	<u>\$7,457,846,310</u>	<u>\$ 49,917,736</u>	<u>\$ 15,136,760,011</u>
Investments Reported at Cost				
Repurchase Agreements				\$ 4,829,466,270
Time Deposits (non-negotiable)				25,000,000
Total Investments				<u>\$ 19,991,226,281</u>

State Investment Fund
SCHEDULE OF INVESTMENTS
Fiscal Year Ended June 30, 2021

Schedule of Investments

REPURCHASE AGREEMENTS

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
AUSTRALIA AND NEW ZEALAND REV REPO	0.01	7/1/21	\$ 322,000,000
AUSTRALIA AND NEW ZEALAND REV REPO	0.04	7/1/21	300,000,000
CORE FUND DVP REPO	0.11	7/1/21	2,789,466,270
CREDIT AGRICOLE TRI REPO	0.05	7/1/21	68,000,000
DAIWA TRI GOVT REPO	0.04	7/1/21	500,000,000
JEFFERIES TERM REPO	0.02	7/1/21	600,000,000
MITSUBISHI TERM REPO	0.04	7/1/21	250,000,000
TOTAL REPURCHASE AGREEMENTS.....			\$ 4,829,466,270

GOVERNMENT & AGENCIES

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
FFCB	DISCOUNT	7/9/21	\$ 7,999,920
FFCB	DISCOUNT	7/19/21	999,990
FFCB	VARIABLE RATE	9/17/21	10,002,900
FFCB	DISCOUNT	10/4/21	9,998,700
FFCB	1.58	12/13/21	1,006,750
FFCB	VARIABLE RATE	12/23/21	4,902,940
FFCB	2.60	1/18/22	18,248,040
FFCB	2.03	2/3/22	3,033,600
FFCB	DISCOUNT	2/15/22	54,979,100
FFCB	0.15	2/24/22	2,000,600
FFCB	0.38	4/8/22	101,996,947
FFCB	VARIABLE RATE	11/16/22	25,010,250
FFCB	0.09	11/18/22	64,617,651
FHLB	DISCOUNT	7/1/21	67,860,000
FHLB	DISCOUNT	7/2/21	100,000,000
FHLB	1.88	7/7/21	2,260,768
FHLB	DISCOUNT	7/7/21	118,703,000
FHLB	VARIABLE RATE	7/8/21	84,001,680
FHLB	DISCOUNT	7/9/21	106,763,932
FHLB	VARIABLE RATE	7/9/21	25,000,500
FHLB	DISCOUNT	7/12/21	49,999,500
FHLB	1.13	7/14/21	1,175,458
FHLB	DISCOUNT	7/14/21	37,497,625
FHLB	DISCOUNT	7/15/21	1,399,986
FHLB	DISCOUNT	7/16/21	330,296,697
FHLB	VARIABLE RATE	7/16/21	30,000,600
FHLB	VARIABLE RATE	7/20/21	20,000,000
FHLB	DISCOUNT	7/21/21	148,581,028
FHLB	VARIABLE RATE	7/23/21	17,000,510
FHLB	DISCOUNT	7/26/21	320,610,588
FHLB	DISCOUNT	7/28/21	136,997,260
FHLB	DISCOUNT	8/2/21	199,992,000
FHLB	DISCOUNT	8/4/21	17,074,317
FHLB	DISCOUNT	8/5/21	99,996,000
FHLB	DISCOUNT	8/6/21	39,998,400
FHLB	DISCOUNT	8/11/21	83,995,800
FHLB	DISCOUNT	8/13/21	77,496,125
FHLB	DISCOUNT	8/16/21	27,998,600
FHLB	DISCOUNT	8/18/21	138,193,090
FHLB	VARIABLE RATE	8/18/21	25,004,250
FHLB	VARIABLE RATE	8/23/21	25,000,500
FHLB	VARIABLE RATE	8/24/21	9,155,549
FHLB	DISCOUNT	8/26/21	17,598,944
FHLB	DISCOUNT	8/27/21	1,119,933
FHLB	DISCOUNT	9/1/21	265,156,134
FHLB	DISCOUNT	9/2/21	74,993,250
FHLB	DISCOUNT	9/3/21	143,160,114
FHLB	VARIABLE RATE	9/3/21	23,005,750
FHLB	DISCOUNT	9/8/21	80,291,970
FHLB	2.38	9/10/21	2,033,951
FHLB	DISCOUNT	9/10/21	225,711,427
FHLB	VARIABLE RATE	9/10/21	25,003,750
FHLB	DISCOUNT	9/15/21	384,957,650
FHLB	DISCOUNT	9/29/21	49,994,000
FHLB	DISCOUNT	10/1/21	49,993,500
FHLB	3.00	10/12/21	6,644,565
FHLB	VARIABLE RATE	10/13/21	50,017,000
FHLB	DISCOUNT	10/20/21	69,989,500
FHLB	0.04	10/22/21	10,399,792
FHLB	DISCOUNT	11/10/21	26,394,192
FHLB	DISCOUNT	11/12/21	176,561,148
FHLB	DISCOUNT	11/17/21	109,974,700
FHLB	1.88	11/29/21	220,047,898
FHLB	5.00	12/10/21	255,480
FHLB	0.05	2/1/22	76,394,368

Schedule of Investments

GOVERNMENT & AGENCIES (cont.)

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
FHLB	VARIABLE RATE	2/10/22	73,035,770
FHLB	VARIABLE RATE	2/11/22	50,007,500
FHLB	VARIABLE RATE	2/28/22	215,120,400
FHLB	VARIABLE RATE	5/20/22	10,004,200
FHLB	VARIABLE RATE	5/26/22	40,018,800
FHLB	0.26	7/28/22	20,550,617
FHLB	VARIABLE RATE	12/8/22	10,003,600
FHLB	0.20	12/29/22	50,918,400
FHLB	VARIABLE RATE	3/24/23	24,989,500
FHLB	0.22	4/5/23	19,960,200
FHLB	VARIABLE RATE	5/19/23	7,993,840
FHLB	0.32	9/1/23	12,245,482
FHLB	0.40	3/12/24	9,985,006
FHLB	VARIABLE RATE	4/22/24	9,992,500
FHLB	VARIABLE RATE	5/20/24	9,986,300
FHLMC	2.38	1/13/22	252,557,715
FNMA	DISCOUNT	9/1/21	18,331,350
FNMA	2.00	1/5/22	185,045,850
FNMA	2.63	1/11/22	60,759,368
FNMA	1.88	4/5/22	48,770,653
FNMA	2.25	4/12/22	138,691,367
TREASURY BILL	DISCOUNT	7/1/21	510,000,000
TREASURY BILL	DISCOUNT	7/6/21	450,000,000
TREASURY BILL	DISCOUNT	7/8/21	399,996,000
TREASURY BILL	DISCOUNT	7/15/21	49,999,000
TREASURY BILL	DISCOUNT	7/20/21	249,995,000
TREASURY BILL	DISCOUNT	7/22/21	219,993,400
TREASURY BILL	DISCOUNT	7/27/21	274,991,750
TREASURY BILL	DISCOUNT	8/3/21	299,988,000
TREASURY BILL	DISCOUNT	8/5/21	324,987,000
TREASURY BILL	DISCOUNT	8/10/21	24,998,750
TREASURY BILL	DISCOUNT	8/12/21	24,998,500
TREASURY BILL	DISCOUNT	8/17/21	399,976,000
TREASURY BILL	DISCOUNT	8/19/21	174,989,500
TREASURY BILL	DISCOUNT	8/24/21	299,982,000
TREASURY BILL	DISCOUNT	8/26/21	24,998,250
TREASURY BILL	DISCOUNT	8/31/21	224,982,000
TREASURY BILL	DISCOUNT	9/2/21	149,986,500
TREASURY BILL	DISCOUNT	9/7/21	149,986,500
TREASURY BILL	DISCOUNT	9/9/21	174,984,250
TREASURY BILL	DISCOUNT	9/14/21	74,993,250
TREASURY BILL	DISCOUNT	9/16/21	69,993,700
TREASURY BILL	DISCOUNT	9/21/21	249,972,500
TREASURY BILL	DISCOUNT	9/23/21	149,983,500
TREASURY BILL	DISCOUNT	10/5/21	149,982,000
TREASURY BILL	DISCOUNT	10/7/21	24,996,750
TREASURY BILL	DISCOUNT	10/12/21	249,967,500
TREASURY BILL	DISCOUNT	10/19/21	99,983,000
TREASURY BILL	DISCOUNT	10/21/21	99,986,000
TREASURY BILL	DISCOUNT	11/2/21	149,975,415
TREASURY BILL	DISCOUNT	11/4/21	319,942,400
TREASURY BILL	DISCOUNT	11/12/21	24,995,000
TREASURY BILL	DISCOUNT	11/18/21	324,938,250
TREASURY BILL	DISCOUNT	11/26/21	24,994,500
TREASURY BILL	DISCOUNT	12/2/21	59,986,800
TREASURY BILL	DISCOUNT	12/9/21	49,988,500
TREASURY BILL	DISCOUNT	12/16/21	324,922,000
TREASURY BILL	DISCOUNT	3/24/22	199,930,000
TREASURY BILL	DISCOUNT	5/19/22	249,842,500
TREASURY BILL	DISCOUNT	6/16/22	299,790,000
TREASURY NOTE	VARIABLE RATE	7/31/21	50,009,093
TREASURY NOTE	VARIABLE RATE	10/31/21	70,069,785
TREASURY NOTE	VARIABLE RATE	1/31/22	125,108,044
TREASURY NOTE	1.88	3/31/22	25,334,961
TREASURY NOTE	1.88	5/31/22	25,407,227
TREASURY NOTE	1.75	6/15/22	50,791,016
TREASURY NOTE	0.13	6/30/22	25,006,836
TREASURY NOTE	0.13	10/31/22	9,996,875
TREASURY NOTE	0.13	11/30/22	9,995,313
TREASURY NOTE	0.13	2/28/23	64,926,367
TREASURY NOTE	0.13	3/31/23	74,891,602
TREASURY NOTE	0.13	4/30/23	99,824,219

TOTAL GOVERNMENT & AGENCIES..... \$ 14,265,875,886

COMMERCIAL PAPER

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
APPLE INC	DISCOUNT	7/1/21	\$ 71,999,920
AUSTRALIA & NEW ZEALAND BANK	DISCOUNT	7/1/21	63,999,876
AUSTRALIA & NEW ZEALAND BANK	DISCOUNT	7/26/21	10,999,444

Schedule of Investments

COMMERCIAL PAPER (cont.)

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
BANK OF MONTREAL	DISCOUNT	7/1/21	24,999,951
CANADIAN IMPERIAL BANK	DISCOUNT	8/4/21	24,998,056
COCA COLA CO	DISCOUNT	7/20/21	21,999,389
COCA COLA CO	DISCOUNT	9/20/21	2,999,727
JOHNSON & JOHNSON	DISCOUNT	8/6/21	49,997,945
METLIFE SHORT	DISCOUNT	7/1/21	9,999,986
NATIONAL AUSTRALIA BANK	DISCOUNT	8/4/21	30,197,945
NATIONAL AUSTRALIA BANK	DISCOUNT	9/1/21	44,494,393
NATIONAL AUSTRALIA BANK	VARIABLE RATE	7/19/21	300,012
NESTLE CAP CORP	DISCOUNT	7/1/21	24,399,984
PROCTOR & GAMBLE	DISCOUNT	7/6/21	24,999,833
PROCTOR & GAMBLE	DISCOUNT	7/7/21	49,999,611
ROYAL BANK CANADA	DISCOUNT	7/2/21	999,997
ROYAL BANK CANADA	DISCOUNT	7/23/21	8,999,569
ROYAL BANK CANADA	DISCOUNT	8/9/21	1,999,822
ROYAL BANK CANADA	DISCOUNT	9/8/21	2,499,597
ROYAL BANK CANADA	DISCOUNT	11/2/21	3,998,444
ROYAL BANK CANADA	DISCOUNT	11/30/21	4,997,429
SIEMENS CAP CORP	DISCOUNT	7/20/21	19,999,422
TORONTO-DOMINION	DISCOUNT	7/1/21	32,999,927
TORONTO-DOMINION	DISCOUNT	9/20/21	41,990,721
TOYOTA MTR CR CP	DISCOUNT	7/2/21	24,999,917
TOYOTA MTR CR CP	DISCOUNT	8/12/21	24,997,641
TOTAL COMMERCIAL PAPER.....			\$ 624,868,555

CERTIFICATES OF DEPOSIT (CDs)

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
BANK OF MONTREAL	0.13	7/2/21	\$ 25,000,000
CANADIAN IMPERIAL BANK	0.15	8/31/21	25,002,500
COMMONWEALTH BANK AUSTRALIA	0.14	7/8/21	25,000,500
ROYAL BANK OF CANADA	VARIABLE RATE	7/30/21	7,676,151
ROYAL BANK OF CANADA	VARIABLE RATE	10/21/21	5,001,850
TORONTO DOMINION BK	0.15	7/12/21	50,001,000
TOTAL CERTIFICATES OF DEPOSIT.....			\$ 137,682,001

TIME DEPOSITS

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
AUSTRALIA AND NEW ZEALAND BK	0.19	7/13/21	\$ 25,000,000
TOTAL TIME DEPOSITS.....			\$ 25,000,000

BANKER'S ACCEPTANCES (BAs)

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
US BANK	DISCOUNT	8/10/21	\$ 3,901,644
US BANK	DISCOUNT	8/17/21	14,960,624
US BANK	DISCOUNT	10/25/21	1,094,347
US BANK	DISCOUNT	11/1/21	2,155,663
US BANK	DISCOUNT	11/15/21	27,805,458
TOTAL BANKER'S ACCEPTANCES.....			\$ 49,917,736

CORPORATE NOTES

SECURITY NAME	COUPON RATE	MATURITY DATE	FAIR VALUE
APPLE INC	1.55	8/4/21	\$ 12,657,012
APPLE INC	VARIABLE RATE	2/9/22	1,705,287
APPLE INC	2.70	5/13/22	302,326
JOHNSON & JOHNSON	2.45	12/5/21	1,592,092
MICROSOFT CORP	1.55	8/8/21	23,138,552
MICROSOFT CORP	2.40	2/6/22	3,950,067
MICROSOFT CORP	2.38	2/12/22	10,958,660
PROCTER & GAMBLE CO	1.70	11/3/21	2,312,144
PROCTER & GAMBLE CO	2.30	2/6/22	1,799,692
TOTAL CORPORATE NOTES.....			\$ 58,415,833

GRAND TOTAL STATE INVESTMENT FUND..... \$ 19,991,226,281



Agency Information

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