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State Investment Fund  
**ANNUAL FINANCIAL REPORT**  
Fiscal Year Ended June 30, 2022

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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 derived from the U.S. Government and its agencies, with a small number of investments in bank and corporate debt. During FY 2022, the SIF reached a new peak in assets under management following the second payment of aid to state and local governments as part of the 2021 American Rescue Plan Act.

Over the past year, geopolitical tensions have flared, and inflation has increased significantly. As a result, the Federal Reserve modified their response to these changing economic conditions. After determining that the quickly rising inflation was not transitory, the Federal Reserve began aggressively raising rates to combat the soaring inflation. Rates rose from near zero at the beginning of the year to approximately 1.50% by the SIF's fiscal year end of June 30, 2022. Maintaining a short-weighted average maturity has allowed the SIF to quickly capture these rate increases, resulting in higher investment earnings over the period. The market currently expects the Fed to continue raising interest rates through the end of the year.

In the coming year, the market anticipates the Federal Reserve will continue to tighten monetary policy and reduce the size of their balance sheet. We will continue to position the SIF for optimized returns within the fund's objectives, which considers the anticipated interest rate increases this year and next, while maintaining the SIF's investment objectives of safety, liquidity, and competitive rates of return.

Andrea Ruiz, CFA, CPA  
Portfolio Manager



June 30, 2022. 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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance. Therefore, reasonable assurance is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercised professional judgement and maintained professional skepticism throughout the audit. We also identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

In addition, we obtained an understanding of internal control relevant to the audit in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SWIB's internal control. Accordingly, no such opinion is expressed. We also evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluated the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management discussion and analysis found on pages 7 and 8 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and

comparing 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.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Message from the Portfolio Manager, the Schedule of Investments, and the Agency Information as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or provide any other form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, and published in report 22-22, on our consideration of SWIB's internal control over financial reporting; our testing 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 results 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 in considering SWIB's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU



December 1, 2022

# Management Discussion & Analysis

The State Investment Fund's (SIF) discussion and analysis of the financial activities for the fiscal year (FY) ended June 30, 2022 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 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 on June 30, 2022. 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, 2022. 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, 2022 and June 30, 2021 is included in the table entitled **SIF Condensed Financial Information**.

The SIF is used to temporarily invest participants' operating cash flows and its investments are highly liquid, short-term fixed income securities. As of June 30, 2022, the SIF Net Position increased by \$698.2 million, or 3.6% from the prior fiscal year due to a combination of changes in the pool shares of the State

SIF Condensed Financial Information				SIF Annualized Returns (as of June 30)		
Fiscal Year Ended:	2022	2021	Change%	Year(s)	Return%	Benchmark%
Total Assets	\$20,534,209,567	\$19,999,240,726	2.7	2013	0.15	0.10
Total Liabilities	355,530,611	518,712,076	(31.5)	2014	0.09	0.06
Net Position	<u>\$20,178,678,956</u>	<u>\$19,480,528,650</u>	3.6	2015	0.11	0.05
				2016	0.28	0.19
Investment Income	\$ 32,624,084	\$ 18,258,908	78.7	2017	0.54	0.57
Investment Expenses	3,804,880	3,422,844	11.2	2018	1.34	1.42
State Working Bank Charges	2,404,407	2,304,937	4.3	2019	2.33	2.28
Net Income	<u>\$ 26,414,797</u>	<u>\$ 12,531,127</u>	110.8	2020	1.45	1.25
				2021	0.09	0.06
Average Monthly Balance	\$19,854,105,730	\$16,778,247,298	18.3	2022	0.21	0.28
Weighted Avg. Maturity (WAM)	23	74				
SIF Ownership:				Multi-Year:		
State of Wisconsin & Agencies	61%	52%		Three Year	0.59	0.53
Wisconsin Retirement System	9%	21%		Five Year	1.08	1.06
Local Govt Investment Pool	30%	27%		Ten Year	0.66	0.62
Total	<u>100%</u>	<u>100%</u>				

## Management Discussion & Analysis

of Wisconsin and agencies (increase of \$2.3 billion), the LGIP (increase of \$661.5 million) and the WRS (decrease of \$2.3 billion). The SIF Average Monthly Balance increased by \$3.1 billion in FY 2022. During the fiscal year, the month-end balance peaked in January 2022 at \$21.1 billion. Operating cash flows of participants fluctuate during the year for various reasons.

Investment income increased by \$14.4 million, or 78.7% from FY 2021. Interest rates increased sharply during the first half of 2022 due to the Federal Reserve increasing the federal funds target range of 0.00%-0.25% to 1.50%-1.75% to control inflation. The average federal funds effective rate increased from 0.08% in FY 2021 to 0.26% in FY 2022. Accordingly, the one-year SIF return increased from 0.09% in FY 2021 to 0.21% in FY 2022.

Investment expenses increased by 11.2% during FY 2022. Investment expenses include management operating expenses, research and data services, and consulting expenses incurred by SWIB then 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 2022.

The weighted average maturity of securities held in the SIF decreased from 74 days in FY 2021 to 23 days in FY 2022. The largest driver of this change was the decrease in the weighted average maturity of Government & Agency securities to take advantage of anticipated higher interest rates. The weighted average maturity decreased from 101 days to 42 days from FY 2021 to FY 2022, along with an increase in Repurchase Agreements. On June 30, 2022, the SIF held \$9.0 billion in Repurchase Agreements, compared to \$4.8 billion at the end of the prior year; an increase of \$4.2 billion, or 87.5%. Government & Agencies and Repurchase Agreements represent 95.6% of the SIF total investments as of June 30, 2022.

# Financial Statements

## State Investment Fund Statement of Net Position As of June 30, 2022

<b>Assets</b>	
Investments	
Government & Agencies	\$ 10,607,184,493
Repurchase Agreements	9,023,430,046
Commercial Paper	676,160,028
Time Deposits	150,000,000
Banker's Acceptances	49,951,819
Corporate Notes	22,633,582
Total Investments	<u>\$ 20,529,359,968</u>
Other Assets	
Accrued Interest Receivable	4,849,599
Total Other Assets	<u>4,849,599</u>
Total Assets	<u>\$ 20,534,209,567</u>
<b>Liabilities</b>	
Check Float	\$ 192,004,954
Payable for Investments Purchased	145,131,100
Earnings Distribution Payable	17,280,474
Accounts Payable	1,114,083
Total Liabilities	<u>\$ 355,530,611</u>
<b>NET POSITION</b>	<u>\$ 20,178,678,956</u>
Net Position consists of:	
Participating Shares	\$ 20,194,834,000
Undistributed Unrealized Gains (Losses)	<u>(16,155,044)</u>
<b>NET POSITION</b>	<u>\$ 20,178,678,956</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, 2022

<b>Additions</b>		
<b>Investment Income</b>		
Net Increase (Decrease) in the Fair Value of Investments	\$	(12,610,091)
Interest		45,234,175
Total Investment Income	\$	32,624,084
<b>Less</b>		
<b>Investment Expenses</b>		
Management Operating Expenses	\$	2,334,000
Investment Operating Services		647,985
Research and Data Services		491,000
Legal and Consulting Fees		203,000
Custodial Bank Charges		128,895
Total Investment Expenses	\$	3,804,880
<b>Net Investment Income</b>	<b>\$</b>	<b>28,819,204</b>
<b>Less</b>		
State Working Bank Charges		2,404,407
<b>Net Income</b>	<b>\$</b>	<b>26,414,797</b>
Distributions Paid and Payable	\$	41,742,491
Change in Undistributed Unrealized Gains (Losses)	\$	(15,327,694)
Beginning Undistributed Unrealized Gains (Losses)		(827,350)
Ending Undistributed Unrealized Gains (Losses)	\$	(16,155,044)
Net Change in Participating Shares	\$	713,478,000
Beginning of Period Participating Shares		19,481,356,000
End of Period Participating Shares	\$	20,194,834,000
<b>NET POSITION</b>	<b>\$</b>	<b>20,178,678,956</b>

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 objectives of safety of principal and liquidity while earning a competitive money market rate of return. 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 valuation methodology of securities varies depending on the 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

## Notes to the Financial Statements

participants which consist of management 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 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.

### Summary of Information by Investment Classification June 30, 2022

Investment Type	Maturity Dates	Fair Value
Government & Agencies	07/01/22 - 05/20/24	\$ 10,607,184,493
Repurchase Agreements	07/01/22	9,023,430,046
Commercial Paper	07/01/22 - 08/4/22	676,160,028
Time Deposits	07/01/22	150,000,000
Banker's Acceptances	07/11/22 - 08/17/22	49,951,819
Corporate Notes	08/11/22 - 11/15/22	22,633,582
Total Investments		<u>\$ 20,529,359,968</u>

The table entitled **Summary of Information by Investment Classification** contains summarized SIF information by investment type as of June 30, 2022.

### 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 and can include but not limited to, 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 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 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, 2022.

### 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 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 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. The SIF held time deposits with financial institutions with a fair value of \$150.0 million, all of which were uncollateralized and uninsured on June 30, 2022.

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 \$9.0 billion as of June 30, 2022. Four of the repurchase agreements, totaling \$1.7 billion, were bilateral agreements with the underlying securities, held as collateral at SWIB's custodian. Nine of the repurchase agreements, totaling \$2.6 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 \$4.7 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.

Credit Quality Distribution for Securities June 30, 2022				
Investment Type	Rating	Fair Value	%	
Repurchase Agreements (Collateral):				
U.S. Government and Agencies Debt	AA	\$ 9,023,430,046	44.0	
Government Sponsored Entity U.S. Agency:				
Federal Home Loan Bank (FHLB)	A-1+	7,899,394,028	38.5	
Federal Home Loan Bank (FHLB)	AA	41,084,281	0.2	
Federal Farm Credit Bank (FFCB)	A-1+	483,600,170	2.4	
Federal Farm Credit Bank (FFCB)	AA	14,998,350	0.1	
Federal Home Loan Mortgage Corp (FHLMC)	A-1+	306,934,957	1.5	
U.S. Treasury:				
Short-Term (Bills and Notes)	A-1+	1,727,040,516	8.4	
Long-Term (Notes)	AA	134,132,191	0.7	
Commercial Paper	A-1+	497,169,413	2.4	
Commercial Paper	A-1	178,990,616	0.9	
Time Deposits	A-1+	150,000,000	0.7	
Banker's Acceptances	A-1+	49,951,819	0.2	
Corporate Notes	AA	21,133,897	0.1	
Corporate Notes	AAA	1,499,685	0.0	
Total Investments		\$ 20,529,359,968	100.0	

# Notes to the Financial Statements

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 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, 2022, the SIF had more than five percent of its investments in FHLB (38.7%), U.S. Treasury (9.1%), and Repurchase Agreement collateral (44.0%) consisting of various securities issued by these same U.S. Treasuries. Since the Repurchase Agreements generally mature each day, new collateral, consisting of a different blend of U.S. Treasury 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.

Weighted Average Maturities (WAM) for Securities June 30, 2022		
Investment Type	Fair Value	WAM (Days)
Government & Agencies	\$ 10,607,184,493	42
Repurchase Agreements	9,023,430,046	1
Commercial Paper	676,160,028	16
Time Deposits	150,000,000	1
Banker’s Acceptances	49,951,819	33
Corporate Notes	22,633,582	55
Total Investments	<u>\$ 20,529,359,968</u>	
Portfolio Weighted Average Maturity (Days)		23

## Notes to the Financial Statements

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, 2022.

### 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, 2022, 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 2022, Section 20.002 (11) (b) 2 provides that General Fund borrowings may not exceed 9% of defined revenues (estimated borrowing cap of \$1.7

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 \$2.3 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, 2022, the amount of inter-fund borrowings between statutory funds invested in the SIF is listed in the table entitled **Inter-Fund Loans**.

Inter-Fund Loans June 30, 2022	
Fund	Loan Amount
Industrial Building Construction Loan Fund	\$ 1,000
Local Government Property Insurance Fund	1,000
Total Loans	<u>\$ 2,000</u>

### 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, 2022, the SIF held \$4.7 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 \$1.4 billion as of June 30, 2022. The Variable Retirement Investment Trust Fund investment in the SIF as of June 30, 2022 was \$377.8 million.

## 6. Fair Value Reporting

Fair value measurements of the investments held by the SIF are categorized by the hierarchy established by GASB. 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.

## Notes to the Financial Statements

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

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, 2022 are found in the table titled **Investments Measured at Fair Value**.

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.

Investments Measured at Fair Value June 30, 2022				
	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	\$ 1,314,144,617	\$9,293,039,876	\$ -	\$ 10,607,184,493
Commercial Paper	-	603,160,028	73,000,000 *	676,160,028
Corporate Notes	-	22,633,582	-	22,633,582
Banker’s Acceptances	-	19,990,277	29,961,542	49,951,819
Total Investments by Fair Value Level	<u>\$ 1,314,144,617</u>	<u>\$9,938,823,764</u>	<u>\$ 102,961,542</u>	<u>\$ 11,355,929,922</u>
Investments Reported at Cost				
Repurchase Agreements				\$ 9,023,430,046
Time Deposits (non-negotiable)				150,000,000
Total Investments				<u>\$ 20,529,359,968</u>
*One-day Commercial Paper and pricing was not available				

## Notes to the Financial Statements

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 with maturity less than 90 days) are not reported within the fair value hierarchy.

State Investment Fund  
**SCHEDULE OF INVESTMENTS**  
Fiscal Year Ended June 30, 2022

## Schedule of Investments

### REPURCHASE AGREEMENTS

SECURITY NAME	COUPON %	MATURITY DATE	FAIR VALUE
AUSTRALIA AND NEW ZEALAND REV REPO	1.05%	7/1/22	\$ 460,000,000
AUSTRALIA AND NEW ZEALAND REV REPO	1.06%	7/1/22	220,000,000
AUSTRALIA AND NEW ZEALAND REV REPO	1.53%	7/1/22	1,020,000,000
CORE FUND DVP REPO	1.55%	7/1/22	4,723,430,046
CREDIT AGRICOLE TRI REPO	1.47%	7/1/22	200,000,000
DAIWA TRI GOVT REPO	1.48%	7/1/22	700,000,000
JEFFERIES TERM REPO	0.91%	7/1/22	100,000,000
JEFFERIES TERM REPO	1.06%	7/1/22	150,000,000
JEFFERIES TRI GOVT REPO	1.49%	7/1/22	200,000,000
ROYAL BANK OF CANADA TERM REPO	0.86%	7/1/22	300,000,000
ROYAL BANK OF CANADA TERM REPO	0.87%	7/1/22	300,000,000
ROYAL BANK OF CANADA TERM REPO	0.89%	7/1/22	150,000,000
ROYAL BANK OF CANADA TERM REPO	0.98%	7/1/22	500,000,000

**TOTAL REPURCHASE AGREEMENTS.....** \$ **9,023,430,046**

### GOVERNMENT & AGENCIES

SECURITY NAME	COUPON %	MATURITY DATE	FAIR VALUE
FFCB	DISCOUNT	7/1/22	\$ 60,000,000
FFCB	DISCOUNT	7/5/22	44,993,250
FFCB	DISCOUNT	7/6/22	99,981,000
FFCB	DISCOUNT	7/26/22	24,976,000
FFCB	VARIABLE RATE	7/28/22	75,008,250
FFCB	VARIABLE RATE	8/11/22	69,505,560
FFCB	DISCOUNT	8/18/22	19,954,200
FFCB	VARIABLE RATE	11/16/22	25,002,750
FFCB	0.09%	11/18/22	64,179,160
FFCB	VARIABLE RATE	10/27/23	14,998,350
FHLB	DISCOUNT	7/1/22	1,134,870,000
FHLB	DISCOUNT	7/6/22	612,383,625
FHLB	DISCOUNT	7/8/22	371,899,560
FHLB	DISCOUNT	7/11/22	201,486,390
FHLB	DISCOUNT	7/14/22	299,850,000
FHLB	DISCOUNT	7/15/22	99,946,000
FHLB	DISCOUNT	7/20/22	49,963,500
FHLB	DISCOUNT	7/25/22	49,953,500
FHLB	0.26%	7/28/22	20,531,711
FHLB	VARIABLE RATE	7/28/22	345,000,000
FHLB	VARIABLE RATE	7/29/22	200,000,000
FHLB	DISCOUNT	7/29/22	14,983,650
FHLB	VARIABLE RATE	8/2/22	25,000,500
FHLB	DISCOUNT	8/3/22	278,664,604
FHLB	DISCOUNT	8/4/22	601,579,895
FHLB	VARIABLE RATE	8/5/22	50,000,000
FHLB	DISCOUNT	8/5/22	453,146,526
FHLB	DISCOUNT	8/10/22	10,929,305
FHLB	DISCOUNT	8/12/22	446,110,470
FHLB	DISCOUNT	8/16/22	282,380,230
FHLB	DISCOUNT	8/17/22	454,987,680
FHLB	VARIABLE RATE	8/19/22	142,004,620
FHLB	DISCOUNT	8/19/22	543,735,600
FHLB	DISCOUNT	8/24/22	49,871,500
FHLB	VARIABLE RATE	8/30/22	320,000,000
FHLB	DISCOUNT	9/1/22	99,673,000
FHLB	DISCOUNT	9/7/22	55,699,319
FHLB	DISCOUNT	9/9/22	48,321,035
FHLB	DISCOUNT	9/16/22	199,188,000
FHLB	VARIABLE RATE	9/21/22	25,000,000
FHLB	VARIABLE RATE	10/17/22	50,000,000
FHLB	VARIABLE RATE	11/1/22	130,005,200
FHLB	VARIABLE RATE	11/18/22	19,999,800
FHLB	0.21%	12/2/22	99,137,000
FHLB	VARIABLE RATE	12/8/22	10,001,900
FHLB	0.20%	12/29/22	50,458,890
FHLB	VARIABLE RATE	3/24/23	24,996,500
FHLB	0.22%	4/5/23	19,633,800
FHLB	VARIABLE RATE	5/19/23	8,000,720

# Schedule of Investments

## GOVERNMENT & AGENCIES (cont.)

SECURITY NAME	DISCOUNT	MATURITY DATE	FAIR VALUE
FHLB	0.32%	9/1/23	11,896,200
FHLB	0.40%	3/12/24	9,559,281
FHLB	VARIABLE RATE	4/22/24	9,627,500
FHLB	VARIABLE RATE	5/20/24	10,001,300
FHLMC	VARIABLE RATE	8/3/22	129,009,030
FHLMC	VARIABLE RATE	8/19/22	107,914,027
FHLMC	VARIABLE RATE	9/9/22	70,011,900
TREASURY BILL	DISCOUNT	7/5/22	49,993,500
TREASURY BILL	DISCOUNT	7/7/22	199,976,000
TREASURY BILL	DISCOUNT	7/14/22	99,963,000
TREASURY BILL	DISCOUNT	7/19/22	49,973,500
TREASURY BILL	DISCOUNT	7/26/22	24,981,750
TREASURY BILL	DISCOUNT	7/28/22	24,982,000
TREASURY BILL	DISCOUNT	8/2/22	49,949,000
TREASURY BILL	DISCOUNT	8/9/22	49,931,000
TREASURY BILL	DISCOUNT	8/11/22	104,490,932
TREASURY BILL	DISCOUNT	9/8/22	88,357,685
TREASURY BILL	DISCOUNT	9/15/22	49,832,500
TREASURY BILL	DISCOUNT	10/4/22	99,536,000
TREASURY BILL	DISCOUNT	10/6/22	199,066,000
TREASURY BILL	DISCOUNT	10/11/22	24,867,500
TREASURY BILL	DISCOUNT	11/3/22	99,314,000
TREASURY BILL	DISCOUNT	12/1/22	49,531,500
TREASURY BILL	DISCOUNT	12/8/22	24,750,500
TREASURY BILL	DISCOUNT	1/26/23	24,648,250
TREASURY NOTE	0.13%	10/31/22	59,603,906
TREASURY NOTE	0.13%	11/30/22	29,724,609
TREASURY NOTE	0.13%	1/31/23	49,287,110
TREASURY NOTE	0.13%	2/28/23	63,900,586
TREASURY NOTE	0.13%	3/31/23	73,535,156
TREASURY NOTE	0.13%	4/30/23	136,844,532
TREASURY NOTE	VARIABLE RATE	10/31/23	100,266,957
TREASURY NOTE	0.88%	1/31/24	33,865,235

**TOTAL GOVERNMENT & AGENCIES.....** \$ **10,607,184,493**

## COMMERCIAL PAPER

SECURITY NAME	COUPON %	MATURITY DATE	FAIR VALUE
APPLE INC	DISCOUNT	7/29/22	\$ 49,935,999
APPLE INC	DISCOUNT	8/4/22	49,921,493
BANK OF MONTREAL	DISCOUNT	7/5/22	49,989,049
CANADIAN IMPERIAL BANK	DISCOUNT	7/1/22	99,995,694
COCA COLA CO	DISCOUNT	8/2/22	14,978,069
COLGATE PALMOLIVE	DISCOUNT	7/1/22	24,998,958
COLGATE PALMOLIVE	DISCOUNT	7/6/22	24,993,671
COMMONWEALTH BANK OF AUSTRALIA	DISCOUNT	7/15/22	2,748,155
COMMONWEALTH BANK OF AUSTRALIA	DISCOUNT	8/2/22	9,160,828
NATIONAL AUSTRALIA BANK	DISCOUNT	8/2/22	2,196,598
PROCTOR & GAMBLE CO	DISCOUNT	7/25/22	24,972,622
PROCTOR & GAMBLE CO	DISCOUNT	8/1/22	49,430,348
TORONTO-DOMINION	DISCOUNT	7/7/22	49,984,834
TORONTO-DOMINION	DISCOUNT	7/28/22	49,935,795
TOYOTA MTR CR	DISCOUNT	7/5/22	49,989,028
US BANK MINNEAPOLIS	1.55%	7/1/22	73,000,000
WALMART STORES	DISCOUNT	8/1/22	49,928,889

**TOTAL COMMERCIAL PAPER.....** \$ **676,160,028**

## TIME DEPOSITS

SECURITY NAME	COUPON %	MATURITY DATE	FAIR VALUE
AUSTRALIA AND NEW ZEALAND BANK	1.09%	7/1/22	\$ 25,000,000
AUSTRALIA AND NEW ZEALAND BANK	1.57%	7/1/22	75,000,000
ROYAL BANK OF CANADA	1.08%	7/1/22	50,000,000

**TOTAL TIME DEPOSITS.....** \$ **150,000,000**

## BANKER'S ACCEPTANCES

SECURITY NAME	COUPON %	MATURITY DATE	FAIR VALUE
US BANK	DISCOUNT	7/11/22	\$ 19,990,277
US BANK	DISCOUNT	8/17/22	29,961,542

**TOTAL BANKER'S ACCEPTANCES.....** \$ **49,951,819**

## Schedule of Investments

<b>CORPORATE NOTES</b>			
<b>SECURITY NAME</b>	<b>COUPON %</b>	<b>MATURITY DATE</b>	<b>FAIR VALUE</b>
APPLE INC	2.10%	9/12/22	\$ 4,522,738
MICROSOFT CORP	2.13%	11/15/22	1,499,685
PROCTER & GAMBLE CO	2.15%	8/11/22	16,611,159
<b>TOTAL CORPORATE NOTES.....</b>			<b>\$ 22,633,582</b>
<b>GRAND TOTAL STATE INVESTMENT FUND.....</b>			<b>\$ 20,529,359,968</b>

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#### Agency Information

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