

Texas College Savings Plans

Financial Statements
Year Ended August 31, 2023

TEXAS COLLEGE SAVINGS PLANS

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RSM US LLP

Independent Auditor's Report

Members of the Texas Prepaid Higher Education Tuition Board
Texas College Savings Plans
Hauppauge, New York

Opinion

We have audited the financial statements of the Texas College Savings Plans (the Plans), a fiduciary fund of the State of Texas, as of and for the year ended August 31, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plans, a fiduciary fund of the State of Texas, as of August 31, 2023, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Plans and do not purport to, and do not, present fairly the financial position of the State of Texas, as of August 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 Responsibilities 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 and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Plans' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate 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's discussion and analysis 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 GAAS, which 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.

RSM US LLP

Kanas City, Missouri
November 1, 2023

TEXAS COLLEGE SAVINGS PLANS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023
(Unaudited)

Management’s Discussion and Analysis

Management of the Texas College Savings Plan[®] and the LoneStar 529 Plan[®] (collectively, the “Plans”) is pleased to offer readers of the Plans’ basic financial statements (the “combined basic financial statements”) this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2023.

➤ **Overview of the Combined Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Plans’ combined basic financial statements. The Plans’ combined basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements.

Combined basic financial statements: The combined basic financial statements are designed to provide readers with a broad overview of the Plans’ finances in a manner similar to a private-sector business. The combined basic financial statements are prepared using fiduciary fund accounting that uses the similar basis of accounting as private-sector business enterprises. The Plans are reported as a fiduciary fund, not enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The combined basic financial statements include a statement of fiduciary net position, and a statement of revenues, expenses and changes in fiduciary net position. These are followed by notes to financial statements.

The statement of fiduciary net position presents information on all of the Plans’ assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Plans is improving or deteriorating.

The statement of revenues, expenses and changes in fiduciary net position reports the operating revenues and expenses of the Plans for the fiscal year with the difference being combined with capital contributions and withdrawals to determine the change in net position for the fiscal year.

The notes to the combined basic financial statements provide additional information that is essential to a full understanding of the data provided in the combined basic financial statements.

➤ **Financial Highlights**

The net position of the direct-sold Texas College Savings Plan and the advisor-sold LoneStar 529 Plan, increased from \$911,582,325.02 as of August 31, 2022 to \$975,580,251.58 as of August 31, 2023, an increase of \$63,997,926.56. The increase in net position was due to net investment gain of \$60,825,915.77 for the year ended August 31, 2023. This increase was partially due to an increase from participant transactions of \$3,172,010.79; with the number of account owners increasing from 48,931 as of August 31, 2022, to 50,054 as of August 31, 2023. The net investment gain amount is driven by revenues from dividend and interest, and service fees of \$30,269,032.06, realized and unrealized gain on investments of \$34,034,943.61, and expenses related to management, distributions and state administrative fees, net of waivers and reimbursements, of \$3,478,059.90.

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➤ **Fund Performance (Advisor-Sold)**

The table below presents the Annual Total Returns for each portfolio in the LoneStar 529 Plan for the 12-month period ended August 31, 2023.

Portfolio name	A Class total return (%)	RIA unit total return (%)	Benchmark returns (%)
LoneStar 2024-2025 Target Date Portfolio	1.64%	2.29%	1.91%
LoneStar 2026-2027 Target Date Portfolio	3.71%	3.91%	3.55%
LoneStar 2028-2029 Target Date Portfolio	5.67%	5.98%	5.44%
LoneStar 2030-2031 Target Date Portfolio	7.85%	8.26%	7.35%
LoneStar 2032-2033 Target Date Portfolio	10.03%	10.45%	9.32%
LoneStar 2034-2035 Target Date Portfolio	11.78%	11.98%	10.77%
LoneStar 2036-2037 Target Date Portfolio	12.21%	12.38%	11.20%
LoneStar 2038-2039 Target Date Portfolio	12.54%	12.75%	11.31%
LoneStar 2040-2041 Target Date Portfolio	1.80%	1.90%	0.75%
LoneStar Enrollment Year Target Date Portfolio	-0.43%	0.00%	0.25%
LoneStar Balanced Allocation Portfolio	8.29%	8.80%	8.15%
LoneStar Diversified Equity Portfolio	15.41%	15.69%	14.69%
LoneStar US Growth Portfolio	21.65%	22.06%	21.94%
LoneStar US Value Portfolio	20.59%	21.19%	8.59%
LoneStar US Total Stock Market Portfolio	13.99%	14.61%	14.70%
LoneStar Socially Responsible Portfolio	16.06%	16.80%	16.88%
LoneStar Small-Cap Portfolio	8.69%	8.98%	4.65%
LoneStar Active International Portfolio	17.78%	18.14%	17.92%
LoneStar Passive Bond Portfolio	-1.21%	-0.55%	-1.05%
LoneStar Conservative Allocation Portfolio	1.41%	1.84%	1.85%
LoneStar Aggressive Allocation Portfolio	10.61%	10.80%	10.50%
LoneStar Diversified Fixed Income Portfolio	1.18%	1.72%	1.66%
LoneStar Active Bond Portfolio	-1.21%	-0.55%	-1.19%
LoneStar Long-Term Fixed Income Portfolio	-7.57%	-7.07%	-9.69%
LoneStar Passive International Portfolio	11.84%	12.35%	12.39%
LoneStar Emerging Markets Portfolio	-3.33%	-2.65%	1.25%
LoneStar Real Estate Portfolio	-7.50%	-6.82%	-7.01%
LoneStar Commodity Portfolio	-12.15%	-11.82%	-8.67%
LoneStar Short-Term Fixed Income Portfolio	1.85%	2.36%	1.57%
LoneStar International Fixed Income Portfolio	1.71%	1.61%	1.78%
LoneStar High Yield Fixed Income Portfolio	5.77%	6.51%	7.19%
LoneStar Capital Preservation Portfolio	2.04%	2.31%	4.25%
LoneStar Inflation Protection	-4.43%	-3.88%	-3.68%

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(Unaudited)

The benchmarks for the LoneStar 529 Plan portfolios are based on a blend of benchmarks applicable to each Underlying Investment, as follows:

Underlying Investment	Benchmark
Artisan Value Fund	Russell 1000 Value Index
Baird Short-Term Bond	Blmbg. U.S. Aggregate 1-3 Yrs
DFA US Small Cap Portfolio	Russell 2000 Index
DFA Inflation-Protected Securities	Blmbg. U.S. TIPS
Dodge & Cox International stock	MSCI AC World ex USA Index (Net)
Dodge & Cox Global Stock	MSCI World Index (Net)
Eaton Vance Floating-Rate Fund	Morningstar LSTA US Leveraged Loan
Federated Hermes Institutional High Yield	Blmbg. U.S. High Yield - 2% Issuer Cap
Neuberger Berman Emerging Markets Equity	MSCI Emerging Markets Index (Net)
PIMCO Commodity Real Return	Bloomberg Commodity Index Total Return
PIMCO International Bond (USD-Hdg)	FTSE Non-U.S. World Government Bond
PIMCO Total Return	Blmbg. U.S. Aggregate
T. Rowe Price Global Growth Stock	MSCI AC World Index (Net)
T Rowe Price Large Cap Growth	Russell 1000 Growth Index
Vanguard Total Bond Market Index	Performance Benchmark
Vanguard FTSE Social Index	Performance Benchmark
Vanguard Real Estate Index	Performance Benchmark
Vanguard Long-Term Treasury Index	Blmbg. U.S. Treasury: Long
Vanguard Total Stock Market Index	Performance Benchmark
Vanguard Total International Stock Market	Performance Benchmark

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➤ **Fund Performance (Direct-Sold)**

The table below presents the return for each portfolio in the Texas College Savings Plan for the 12-month period ended August 31, 2023.

Portfolio name	Direct total return (%)	Benchmark returns (%)
TCSP Age-based 0-3 Years Portfolio	12.43%	12.63%
TCSP Age-based 4-6 Years Portfolio	11.56%	11.90%
TCSP Age-based 7-8 Years Portfolio	10.07%	10.35%
TCSP Age-based 9 Years Portfolio	8.46%	8.70%
TCSP Age-based 10-11 Years Portfolio	6.79%	7.13%
TCSP Age-based 12 Years Portfolio	5.14%	5.56%
TCSP Age-based 13-14 Years Portfolio	3.74%	4.00%
TCSP Age-based 15 Years Portfolio	2.35%	2.68%
TCSP Age-based 16-17 Years Portfolio	0.88%	1.48%
TCSP Age-based 18+ Years Portfolio	-0.22%	0.40%
TCSP International Stock Fund Portfolio	11.33%	11.73%
TCSP Aggressive Allocation Portfolio	10.68%	11.13%
TCSP U.S. Stock Fund Portfolio	14.37%	14.70%
TCSP Diversified Equity Portfolio	13.70%	13.86%
TCSP Balanced Allocation Portfolio	8.36%	8.70%
TCSP Conservative Allocation Portfolio	1.66%	2.08%
TCSP Capital Preservation Portfolio	1.84%	4.25%
TCSP Diversified Fixed Income Portfolio	1.10%	1.66%
TCSP Bond Fund Portfolio	-1.35%	-1.05%
TCSP Inflation Protection Fund Portfolio	-4.07%	-3.68%

The benchmarks for the Texas College Savings Plan portfolios are based on a blend of benchmarks applicable to each Underlying Investment, as follows:

Underlying Investment	Benchmark
DFA Inflation Protected Securities Portfolio	Barclays Inflation Index Total Return
Eaton Vance Floating-Rate Fund	Morningstar LSTA US Leveraged Loan
Federated Hermes Institutional High Yield Bond	Blmbg. U.S. High Yield - 2% Issuer Cap
Vanguard Total Stock Market Index Fund Institutional Plus	S&P 500 Index Total Return
Vanguard Total Bond Market Index Fund Plus	Barclays Aggregate Bond Index Total Return
Vanguard Total International Stock Index Fund	FTSE Global All Cap ex US Index (Net)

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➤ **Financial Analysis**

Fiduciary net position information as of August 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 3,119,347.17	\$ 2,953,539.39
Investments	<u>975,542,590.01</u>	<u>911,637,882.85</u>
Total assets	<u>978,661,937.18</u>	<u>914,591,422.24</u>
Liabilities		
Current liabilities	<u>3,081,685.60</u>	<u>3,009,097.22</u>
Total liabilities	<u>3,081,685.60</u>	<u>3,009,097.22</u>
Net position held in trust for participants	\$ <u>975,580,251.58</u>	\$ <u>911,582,325.02</u>

Changes in fiduciary net position information for the years ended August 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Revenue and gains/(losses)		
Contributions from participants	\$ 354,961,729.64	\$ 1,397,537,193.62
Investment gain/(losses)	<u>64,303,975.67</u>	<u>(129,339,358.52)</u>
Total revenue and gains	<u>419,265,705.31</u>	<u>1,268,197,835.10</u>
Expenses		
Withdrawals to participants	351,789,718.85	1,385,911,792.43
Other expenses	<u>3,478,059.90</u>	<u>4,681,222.05</u>
Total expenses	<u>355,267,778.75</u>	<u>1,390,593,014.48</u>
Change in net position	<u>63,997,926.56</u>	<u>(122,395,179.38)</u>
Net position		
Beginning of year	<u>911,582,325.02</u>	<u>1,033,977,504.40</u>
End of year	\$ <u>975,580,251.58</u>	\$ <u>911,582,325.02</u>

Net participant contributions and withdrawals were \$3 million for the year ended August 31, 2023 and \$12 million for the year ended August 31, 2022. Net investment earnings were approximately \$61 million for the year ended August 31, 2023, compared to (\$134) million in earnings/(losses) for the year ended August 31, 2022.

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➤ **Fund Performance (Advisor-Sold)**

The following tables provide the annual return, as of August 31, 2023, for each underlying investment as well as the Portfolios’ relative target allocations to each of the underlying funds.

Advisor-Sold Portfolios:							
				Target Allocation			
Investment	Investment Return	Benchmark	Benchmark Return	2040-2041	2038-2039	2036-2037	2034-2035
Artisan Value Fund	21.40%	Russell 1000 Value Index	8.59%	9.69%	9.69%	9.52%	9.18%
DFA US Small Cap Portfolio	9.25%	Russell 2000 Index	4.65%	2.42%	2.42%	2.38%	2.30%
T Rowe Price Large Cap Growth	22.37%	Russell 1000 Growth Index	21.94%	9.69%	9.69%	9.52%	9.18%
Vanguard Total Stock Market Index	14.72%	Performance Benchmark	14.70%	16.15%	16.15%	15.89%	15.29%
T. Rowe Price Global Growth Stock	9.97%	MSCI AC World Index (Net)	13.95%	14.13%	14.13%	13.88%	13.39%
Dodge & Cox Global Stock	17.10%	MSCI World Index (Net)	13.95%	14.13%	14.13%	13.88%	13.39%
Dodge & Cox International stock	18.46%	MSCI AC World ex USA Index (Net)	11.89%	6.46%	6.46%	6.35%	6.12%
Vanguard Total International Stock Market	12.17%	Performance Benchmark	11.73%	8.08%	8.08%	7.93%	7.65%
Eaton Vance Floating-Rate Fund	8.48%	Morningstar LSTA US Leveraged Loan	9.08%	3.80%	3.80%	3.73%	3.60%
Federated Hermes Institutional High Yield	6.94%	Blmbg. U.S. High Yield - 2% Issuer Cap	7.19%	3.80%	3.80%	3.73%	3.60%
PIMCO Total Return	-0.70%	Blmbg. U.S. Aggregate	-1.19%	2.50%	2.50%	3.33%	5.00%
Vanguard Total Bond Market Index	-1.00%	Performance Benchmark	-1.05%	2.50%	2.50%	3.33%	5.00%
Vanguard Real Estate Index	-7.13%	Performance Benchmark	-7.01%	6.65%	6.65%	6.53%	6.30%
Investment	Investment Return	Benchmark	Benchmark Return	2032-2033	2030-2031	2028-2029	2026-2027
Artisan Value Fund	21.40%	Russell 1000 Value Index	8.59%	7.82%	6.46%	5.10%	3.74%
DFA US Small Cap Portfolio	9.25%	Russell 2000 Index	4.65%	1.96%	1.62%	1.28%	0.94%
T Rowe Price Large Cap Growth	22.37%	Russell 1000 Growth Index	21.94%	7.82%	6.46%	5.10%	3.74%
Vanguard Total Stock Market Index	14.72%	Performance Benchmark	14.70%	13.04%	10.77%	8.50%	6.23%
T. Rowe Price Global Growth Stock	9.97%	MSCI AC World Index (Net)	13.95%	11.40%	9.42%	7.44%	5.45%
Dodge & Cox Global Stock	17.10%	MSCI World Index (Net)	13.95%	11.40%	9.42%	7.44%	5.45%
Dodge & Cox International stock	18.46%	MSCI AC World ex USA Index (Net)	11.89%	5.21%	4.31%	3.40%	2.49%

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Vanguard Total International Stock Market	12.17%	Performance Benchmark	11.73%	6.52%	5.38%	4.25%	3.12%
DFA Inflation-Protected Securities	-3.81%	Blmbg. U.S. TIPS	-3.68%	5.18%	12.99%	19.15%	25.33%
Eaton Vance Floating-Rate Fund	8.48%	Morningstar LSTA US Leveraged Loan	9.08%	3.07%	2.53%	2.00%	1.47%
Federated Hermes Institutional High Yield	6.94%	Blmbg. U.S. High Yield - 2% Issuer Cap	7.19%	3.07%	2.53%	2.00%	1.47%
PIMCO Total Return	-0.70%	Blmbg. U.S. Aggregate	-1.19%	9.07%	11.84%	15.42%	19.00%
Vanguard Total Bond Market Index	-1.00%	Performance Benchmark	-1.05%	9.07%	11.84%	15.42%	19.00%
Vanguard Real Estate Index	-7.13%	Performance Benchmark	-7.01%	5.37%	4.43%	3.50%	2.57%
Investment	Investment Return	Benchmark	Benchmark Return	2024-2025	Enrollment Year	Aggressive Allocation Portfolio	Balanced Allocation Portfolio
Artisan Value Fund	21.40%	Russell 1000 Value Index	8.59%	2.38%	1.02%	8.64%	7.08%
DFA US Small Cap Portfolio	9.25%	Russell 2000 Index	4.65%	0.60%	0.26%	2.16%	1.77%
T Rowe Price Large Cap Growth	22.37%	Russell 1000 Growth Index	21.94%	2.38%	1.02%	8.64%	7.08%
Vanguard Total Stock Market Index	14.72%	Performance Benchmark	14.70%	3.97%	1.69%	14.40%	11.79%
T. Rowe Price Global Growth Stock	9.97%	MSCI AC World Index (Net)	13.95%	3.47%	1.49%	12.60%	10.33%
Dodge & Cox Global Stock	17.10%	MSCI World Index (Net)	13.95%	3.47%	1.49%	12.60%	10.33%
Dodge & Cox International stock	18.46%	MSCI AC World ex USA Index (Net)	11.89%	1.59%	0.68%	5.76%	4.72%
Vanguard Total International Stock Market	12.17%	Performance Benchmark	11.73%	1.98%	0.85%	7.20%	5.90%
DFA Inflation-Protected Securities	-3.81%	Blmbg. U.S. TIPS	-3.68%	28.12%	30.00%	1.00%	10.00%
Eaton Vance Floating-Rate Fund	8.48%	Morningstar LSTA US Leveraged Loan	9.08%	0.93%	0.40%	3.50%	3.00%
Federated Hermes Institutional High Yield	6.94%	Blmbg. U.S. High Yield - 2% Issuer Cap	7.19%	0.93%	0.40%	3.50%	3.00%
PIMCO Total Return	-0.70%	Blmbg. U.S. Aggregate	-1.19%	21.08%	22.50%	7.00%	10.00%
Vanguard Total Bond Market Index	-1.00%	Performance Benchmark	-1.05%	21.08%	22.50%	7.00%	10.00%
Vanguard Real Estate Index	-7.13%	Performance Benchmark	-7.01%	1.63%	0.70%	6.00%	5.00%
New York Life Guaranteed Interest	1.86%	90 Day U.S. Treasury Bill	4.25%	6.39%	15.00%		
Investment	Investment Return	Benchmark	Benchmark Return	Conservative Allocation Portfolio	Diversified Equity Portfolio	Diversified Fixed Income Portfolio	US Growth Portfolio
Artisan Value Fund	21.40%	Russell 1000 Value Index	8.59%	2.52%	12.00%		
DFA US Small Cap Portfolio	9.25%	Russell 2000 Index	4.65%	0.63%	3.00%		
T Rowe Price Large Cap Growth	22.37%	Russell 1000 Growth Index	21.94%	2.52%	12.00%		100.00%

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Vanguard Total Stock Market Index	14.72%	Performance Benchmark	14.70%	4.19%	20.00%		
T. Rowe Price Global Growth Stock	9.97%	MSCI AC World Index (Net)	13.95%	3.68%	17.50%		
Dodge & Cox Global Stock	17.10%	MSCI World Index (Net)	13.95%	3.68%	17.50%		
Dodge & Cox International stock	18.46%	MSCI AC World ex USA Index (Net)	11.89%	1.68%	8.00%		
Vanguard Total International Stock Market	12.17%	Performance Benchmark	11.73%	2.10%	10.00%		
DFA Inflation-Protected Securities	-3.81%	Blmbg. U.S. TIPS	-3.68%	28.00%			
Eaton Vance Floating-Rate Fund	8.48%	Morningstar LSTA US Leveraged Loan	9.08%	1.00%		15.00%	
Federated Hermes Institutional High Yield	6.94%	Blmbg. U.S. High Yield - 2% Issuer Cap	7.19%	1.00%		15.00%	
PIMCO Total Return	-0.70%	Blmbg. U.S. Aggregate	-1.19%	20.50%		35.00%	
Vanguard Total Bond Market Index	-1.00%	Performance Benchmark	-1.05%	20.50%		35.00%	
Vanguard Real Estate Index	-7.13%	Performance Benchmark	-7.01%	2.00%			
New York Life Guaranteed Interest	1.86%	90 Day U.S. Treasury Bill	4.25%	6.00%			
Investment	Investment Return	Benchmark	Benchmark Return	US Value Portfolio	US Total Stock Market Portfolio	Socially Responsible Portfolio	Small-Cap Portfolio
Artisan Value Fund	21.40%	Russell 1000 Value Index	8.59%	100.00%			
DFA US Small Cap Portfolio	9.25%	Russell 2000 Index	4.65%				100.00%
Vanguard Total Stock Market Index	14.72%	Performance Benchmark	14.70%		100.00%		
Vanguard FTSE Social Index	16.74%	Performance Benchmark	16.88%			100.00%	
Investment	Investment Return	Benchmark	Benchmark Return	Passive Int'l Portfolio	Active Int'l Portfolio	Emerging Markets Portfolio	Passive Bond Portfolio
Dodge & Cox International stock	18.46%	MSCI AC World ex USA Index (Net)	11.89%		100.00%		
Neuberger Berman Emerging Markets Equity	-2.63%	MSCI Emerging Markets Index (Net)	1.25%			100.00%	
Vanguard Total International Stock Market	12.17%	Performance Benchmark	11.73%	100.00%			
Vanguard Total Bond Market Index	-1.00%	Performance Benchmark	-1.05%				100.00%
Investment	Investment Return	Benchmark	Benchmark Return	Active Bond Portfolio	Inflation Protection Portfolio	Long-Term Fixed Income Portfolio	Short-Term Fixed Income Portfolio
Baird Short-Term Bond	2.53%	Blmbg. U.S. Aggregate 1-3 Yrs	1.60%				100.00%
DFA Inflation-Protected Securities	-3.81%	Blmbg. U.S. TIPS	-3.68%		100.00%		
PIMCO Total Return	-0.70%	Blmbg. U.S. Aggregate	-1.19%	100.00%			

TEXAS COLLEGE SAVINGS PLANS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023
(Unaudited)

Vanguard Long-Term Treasury Index	-9.73%	Blmbg. U.S. Treasury: Long	-9.69%			100.00%	
Investment	Investment Return	Benchmark	Benchmark Return	Int'l Fixed Income Portfolio	High Yield Fixed Income Portfolio	Real Estate Portfolio	Commodity Portfolio
Federated Hermes Institutional High Yield	6.94%	Blmbg. U.S. High Yield - 2% Issuer Cap	7.19%		100.00%		
PIMCO International Bond (USD-Hdg)	2.30%	FTSE Non-U.S. World Government Bond	1.78%	100.00%			
PIMCO Commodity Real Return	-11.76%	Bloomberg Commodity Index Total Return	-8.67%				100.00%
Vanguard Real Estate Index	-7.13%	Performance Benchmark	-7.01%			100.00%	
Investment	Investment Return	Benchmark	Benchmark Return	Capital Preservation Portfolio			
New York Life Guaranteed Interest	1.86%	90 Day U.S. Treasury Bill	4.25%	100.00%			

➤ **Direct-Sold Fund Performance**

The following tables provide the annual return, as of August 31, 2023, for each underlying investment as well as the Portfolios’ relative target allocations to each of the underlying funds.

Direct-Sold Portfolios:							
Investment	Investment Return	Benchmark	Benchmark Return	Target Allocation			
				Blended Age Based 0-3 Years Portfolio	Blended Age Based 4-6 Years Portfolio	Blended Age Based 7-8 Years Portfolio	Blended Age Based 9 Years Portfolio
Vanguard Total Stock Market Index	14.72%	Vanguard Spliced Total Stock Market Index	14.70%	57.00%	54.00%	48.00%	42.00%
Vanguard Total Intl Stock Market Index	12.17%	Vanguard Spliced Total International Stock Index	11.73%	28.50%	27.00%	24.00%	21.00%
Vanguard Total Bond Market Index	-1.00%	Vanguard Splice Blmbg. US Agg Flt Adj (N)	-1.05%	5.00%	10.00%	16.48%	20.00%
DFA Inflation-Protected Securities	-3.81%	Blmbg. U.S. TIPS	-3.68%	0.00%	0.00%	3.52%	10.00%
Federated Hermes High Yield Bond	6.94%	Blmbg. U.S. High Yield - 2% Issuer Cap	7.19%	4.75%	4.50%	4.00%	3.50%

TEXAS COLLEGE SAVINGS PLANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)

Eaton Vance Floating-Rate Fund	8.48%	Morningstar LSTA US Leveraged Loan	9.08%	4.75%	4.50%	4.00%	3.50%
NYL Guaranteed Interest	1.86%	90 Day U.S. Treasury Bill	4.25%	0.00%	0.00%	0.00%	0.00%
Investment	Investment Return	Benchmark	Benchmark Return	Blended Age Based 10-11 Years Portfolio	Blended Age Based 12 Years Portfolio	Blended Age Based 13-14 Years Portfolio	Blended Age Based 15 Years and Over Portfolio
Vanguard Total Stock Market Index	14.72%	Vanguard Spliced Total Stock Market Index	14.70%	36.00%	30.00%	24.00%	18.00%
Vanguard Total Intl Stock Market Index	12.17%	Vanguard Spliced Total International Stock Index	11.73%	18.00%	15.00%	12.00%	9.00%
Vanguard Total Bond Market Index	-1.00%	Vanguard Spliced Blmgb. US Agg Flt Adj (N)	-1.05%	25.38%	30.83%	36.24%	40.25%
DFA Inflation-Protected Securities	-3.81%	Blmgb. U.S. TIPS	-3.68%	14.62%	19.17%	23.76%	26.65%
Federated Hermes High Yield Bond	6.94%	Blmgb. U.S. High Yield - 2% Issuer Cap	7.19%	3.00%	2.50%	2.00%	1.50%
Eaton Vance Floating-Rate Fund	8.48%	Morningstar LSTA US Leveraged Loan	9.08%	3.00%	2.50%	2.00%	1.50%
NYL Guaranteed Interest	1.86%	90 Day U.S. Treasury Bill	4.25%	0.00%	0.00%	0.00%	3.10%
Investment	Investment Return	Benchmark	Benchmark Return	Blended Age Based 16-17 Years and Over Portfolio	Blended Age Based 18+ Years and Over Portfolio	Conservative Allocation Portfolio	Balanced Allocation Portfolio
Vanguard Total Stock Market Index	14.72%	Vanguard Spliced Total Stock Market Index	14.70%	12.00%	6.00%	15.00%	42.00%
Vanguard Total Intl Stock Market Index	12.17%	Vanguard Spliced Total International Stock Index	11.73%	6.00%	3.00%	7.00%	21.00%
Vanguard Total Bond Market Index	-1.00%	Vanguard Spliced Blmgb. US Agg Flt Adj (N)	-1.05%	42.96%	45.00%	41.00%	20.00%
DFA Inflation-Protected Securities	-3.81%	Blmgb. U.S. TIPS	-3.68%	28.90%	30.00%	28.00%	10.00%
Federated Hermes High Yield Bond	6.94%	Blmgb. U.S. High Yield - 2% Issuer Cap	7.19%	1.00%	0.50%	1.50%	3.50%
Eaton Vance Floating-Rate Fund	8.48%	Morningstar LSTA US Leveraged Loan	9.08%	1.00%	0.50%	1.50%	3.50%

TEXAS COLLEGE SAVINGS PLANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023

(Unaudited)

NYL Guaranteed Interest	1.86%	90 Day U.S. Treasury Bill	4.25%	8.14%	15.00%	6.00%	0.00%
Investment	Investment Return	Benchmark	Benchmark Return	Aggressive Allocation Portfolio	Diversified Equity Portfolio	Diversified Fixed Income Portfolio	U.S. Bond Fund Portfolio
Vanguard Total Stock Market Index	14.72%	Vanguard Spliced Total Stock Market Index	14.70%	51.00%	67.00%		
Vanguard Total Intl Stock Market Index	12.17%	Vanguard Spliced Total International Stock Index	11.73%	25.00%	33.00%		
Vanguard Total Bond Market Index	-1.00%	Vanguard Spliced Blmbg. US Agg Flt Adj (N)	-1.05%	14.00%		70.00%	100.00%
DFA Inflation-Protected Securities	-3.81%	Blmbg. U.S. TIPS	-3.68%	1.00%			
Federated Hermes High Yield Bond	6.94%	Blmbg. U.S. High Yield - 2% Issuer Cap	7.19%	4.50%		15.00%	
Eaton Vance Floating-Rate Fund	8.48%	Morningstar LSTA US Leveraged Loan	9.08%	4.50%		15.00%	
NYL Guaranteed Interest	1.86%	90 Day U.S. Treasury Bill	4.25%	0.00%			
Investment	Investment Return	Benchmark	Benchmark Return	US Stock Fund Portfolio	International Stock Fund Portfolio	Inflation Protection Portfolio	Capital Preservation Portfolio
Vanguard Total Stock Market Index	14.72%	Vanguard Spliced Total Stock Market Index	14.70%	100.00%			
Vanguard Total Intl Stock Market Index	12.17%	Vanguard Spliced Total International Stock Index	11.73%		100.00%		
DFA Inflation-Protected Securities	-3.81%	Blmbg. U.S. TIPS	-3.68%			100.00%	
NYL Guaranteed Interest	1.86%	90 Day U.S. Treasury Bill	4.25%				100.00%

TEXAS COLLEGE SAVINGS PLANS
STATEMENT OF FIDUCIARY NET POSITION
AS OF AUGUST 31, 2023

Assets:

Investments, at fair value (cost \$1,039,681,224.58)	\$ 975,542,590.01
Cash and cash equivalents	575,030.15
Receivable for securities sold	686,508.87
Dividends and interest receivable	812,144.09
Contributions receivable	<u>1,045,664.06</u>
Total assets	<u>978,661,937.18</u>

Liabilities and Net Position:

Liabilities:

Cash overdraft	\$ 613,270.00
Payables and other liabilities:	
Payable for securities purchased	895,688.02
Withdrawals payable	1,265,217.79
Accrued expenses	<u>307,509.79</u>
Total liabilities	<u>3,081,685.60</u>
Net position held in trust for participants	<u>\$ 975,580,251.58</u>

See accompanying notes to the combined financial statements

TEXAS COLLEGE SAVINGS PLANS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2023

Investment income (expense):		
Dividends and interest	\$	26,585,642.78
Distributions received from underlying investment companies		3,655,389.24
Realized and unrealized gain on investments		34,034,943.61
Service fees		28,000.04
Management fees		(2,396,912.05)
Distribution fees		(520,914.49)
State administrative fees		(560,233.36)
Net investment gain		<u>60,825,915.77</u>
Participant transactions:		
Contributions from participants		354,961,729.64
Withdrawals to participants		<u>(351,789,718.85)</u>
Total increase from participant transactions		3,172,010.79
Total increase in net position held in trust for participants		<u>63,997,926.56</u>
Net Position:		
Beginning of year		<u>911,582,325.02</u>
End of year	\$	<u><u>975,580,251.58</u></u>

See accompanying notes to the combined financial statements

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

1. Nature of the Plans

The Texas College Savings Plans, which include the Texas College Savings Plan® and the LoneStar 529 Plan® (collectively known as the “Plans”), is a fiduciary fund of the State of Texas and is administered by the Texas Prepaid Higher Education Tuition Board (the “Board”). The Board is the Trustee of the assets which are held in trust by the Texas Comptroller of Public Accounts (“Comptroller”). The Board is comprised of seven members with the Comptroller of Public Accounts serving as the presiding officer of the Board. Two Board members are appointed by the Governor and four members are appointed by the Lieutenant Governor, with two of the Lieutenant Governor’s appointees recommended by the Speaker of the Texas House of Representatives. The Plans are established under Section 529 of the Internal Revenue Code of 1986 as amended (“Section 529”) to allow individuals to contribute to savings accounts to pay for qualified education expenses. Any earnings are tax free if used for qualified education expenses. Orion Advisor Solutions, Inc. (“Orion” or the “Plan Manager”), serves as Plan Manager, responsible for the day-to-day operation and marketing of the Plans.

The Plans offer different asset allocation mixes to provide for investors that have different needs, time frames, and tolerances to risk. The Texas College Savings Plan is a direct-sold plan, while the LoneStar 529 Plan is advisor-sold. The current Plans include thirty-three advisor-sold and twenty direct-sold portfolios.

The LoneStar 529 Plan includes the following advisor-sold portfolios with each portfolio offered in two unit classes: Class A and Advisor Class. All classes of units have identical right to earnings and assets, except for class-specific expenses.

LoneStar 529 Advisor-Sold Portfolios	
LoneStar 2024-2025 Target Date Portfolio	LoneStar US Total Stock Market
LoneStar 2026-2027 Target Date Portfolio	LoneStar Socially Responsible
LoneStar 2028-2029 Target Date Portfolio	LoneStar Small-Cap
LoneStar 2030-2031 Target Date Portfolio	LoneStar Passive International
LoneStar 2032-2033 Target Date Portfolio	LoneStar Active International
LoneStar 2034-2035 Target Date Portfolio	LoneStar Emerging Markets
LoneStar 2036-2037 Target Date Portfolio	LoneStar Passive Bond
LoneStar 2038-2039 Target Date Portfolio	LoneStar Active Bond
LoneStar 2040-2041 Target Date Portfolio	LoneStar Inflation Protection
LoneStar Enrollment Year Target Date Portfolio	LoneStar Long-Term Fixed Income
LoneStar Aggressive Allocation	LoneStar Short-Term Fixed Income
LoneStar Balanced Allocation	LoneStar International Fixed Income
LoneStar Conservative Allocation	LoneStar High Yield Fixed Income
LoneStar Diversified Equity	LoneStar Real Estate
LoneStar Diversified Fixed Income	LoneStar Commodity
LoneStar US Growth	LoneStar Capital Preservation
LoneStar US Value	

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

Texas College Savings Plan 529 Direct-Sold Portfolios	
Blended Age Based 0-3 Years	Conservative Allocation Portfolio
Blended Age Based 4-6 Years	Balanced Allocation Portfolio
Blended Age Based 7-8 Years	Aggressive Allocation Portfolio
Blended Age Based 9 Years	Diversified Equity Portfolio
Blended Age Based 10-11 Years	Diversified Fixed Income Portfolio
Blended Age Based 12 Years	U.S. Bond Fund Portfolio
Blended Age Based 13-14 Years	US Stock Fund Portfolio
Blended Age Based 15 Years	International Stock Fund Portfolio
Blended Age Based 16-17 Years	Inflation Protection Portfolio
Blended Age Based 18+ Years and Over	Capital Preservation Portfolio

2. Summary of Significant Accounting Policies

a) Basis of Presentation

The accompanying basic financial statements have been prepared using the “economic resources” measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board (“GASB”). Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The financial statements include the statement of fiduciary net position, the statement of revenues, expenses and changes in fiduciary net position and notes to (the “combined financial statements”). The statement of fiduciary net position is a measure of the Plans’ assets and liabilities at the close of the fiscal year. The statement of revenues, expenses and changes in fiduciary net position includes contributions to and withdrawals from the Plans, as well as additions and deductions due to administration of the Plans during the fiscal year.

The accompanying combined financial statements include each of the twenty portfolios of the Texas College Savings Plan and each of the thirty-three portfolios of the LoneStar 529 Plan.

b) Investment Valuation

The Plans record investments, other than money market funds, at fair value based on quoted market prices. Money market funds are reported at amortized cost. The difference between the cost basis and the fair value of investments is reflected as unrealized gain/(loss) on investments, and any change in that amount from previous fiscal year end is reflected in the accompanying statement of revenues, expenses and changes in fiduciary net position as realized and unrealized loss on investments, see note 4.

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

c) Investment Earnings

Investment transactions are recorded on trade date. Realized gains and losses on investments sold are recognized as the difference between proceeds received and the original cost basis as determined using the first-in-first-out method. Dividend income is recorded on the ex-dividend date. Noncash dividends included in dividend income, if any, are recorded at fair market value of the noncash dividend as of the date received. Income and capital gain distributions from the underlying investments are recorded on the ex-dividend date. Dividend income is included in investment income and capital gain distributions received are included in realized and unrealized loss on investments in the accompanying statement of revenues, expenses and changes in fiduciary net position.

d) Income Taxes

The Plans were established under Section 529 of the Internal Revenue Code, which provides that the Plans shall be exempt from income taxes. Therefore, no income tax provision is required.

e) Contributions and Withdrawals

Contributions and withdrawals are recorded at the unit value determined on the valuation date following receipt of notice of the contribution or withdrawal. Contributions and withdrawals are subject to sufficient advance notifications as outlined in the Plan Description and Savings Trust Agreements. The Plans' unit values (net asset values) are determined daily.

f) Use of Estimates

The preparation of the combined financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of combined financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

3. Related-Party Transactions

Plan participants bear ongoing fees, which are charged against the participants' accounts, to provide for the cost associated with the distribution, servicing, and administration of the Plans. There are also asset-based fees and expenses charged by the underlying investment funds in which the Plans invest.

a) Management Fees

From the fees assessed against participants' accounts, the Plans paid a management fee based on the average daily net position of the Plans in combination with one other plan administered by the state, the Texas Tuition Promise Fund[®], which is paid on a monthly basis to the Plan Manager for plan manager services at the following levels:

Texas College Savings Plan	
Average Daily Total Net Position Under Management	Annual Management Fee %
Up to \$1.0B	0.25%
In excess of \$1.0B, but less than \$2.0B	0.24%
In excess of \$2.5B, but less than \$3.0B	0.2325%
In excess of \$3.0B	0.225%

LoneStar 529 Plan	
Average Daily Total Net Position Under Management	Annual Management Fee %
Up to \$0.5B	0.28%
In excess of \$0.5B, but less than \$1.0B	0.27%
In excess of \$1.0B, but less than \$1.5B	0.2625%
In excess of \$1.5B	0.255%

The asset management fee was \$2,396,912.05 for the year ended August 31, 2023.

b) State Administrative Fees

From the fees assessed against participants' accounts, an administrative fee at the annual rate of 0.06% of the average daily net position of the Plans is paid to the Board on a monthly basis, to offset the Board's costs of administering the Plans.

The administrative fee was \$560,233.36 for the year ended August 31, 2023.

c) Distribution Fees

Northern Lights Distributor, LLC, (the "Plan Distributor") is a subcontractor of the Plan Manager. The distribution fee, which varies based on participant class, as a percentage of the average daily net position of the participant class, is paid to the Plan Distributor on a monthly basis.

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

Financial advisors and brokers who sell Class A units receive ongoing compensation, which is paid by the Plan Manager or one of its affiliates, of 0.25% (beginning in the first month after the contribution is made) of the average daily net position of Class A units sold by such financial advisor or broker in accounts.

Financial advisors and brokers who sold Advisor Class units before they were combined into Class A units on March 7, 2022 received ongoing compensation, which was paid by the Plan Manager or one of its affiliates, of 1.00% of the average daily net position of Advisor Class units sold by such financial advisor or broker in accounts commencing 13 months following the purchase of such Advisor Class units.

The distribution fee was \$520,914.49 for the year ended August 31, 2023.

d) Sales Charges

Front-end sales charges and contingent deferred sales charges (“CDSC”) do not represent expenses of the account owners. They are deducted from the proceeds of the sales of units prior to investment or from withdrawal proceeds prior to remittance, as applicable. Effective March 7, 2022, Class A units include a maximum initial sales charge of 2.75%. Advisor Class units included the CDSC of 1.00% for the first year. RIA and Direct-sold units are sold at their offering price, which is the net position value per unit without any initial sales charge.

4. Investments

The Plans invest primarily in investments of registered mutual funds which include: DFA Inflation Protected Securities, Eaton Vance Floating-Rate Fund, Federated Hermes Institutional High Yield, PIMCO International Bond (USD-Hdg), PIMCO Total Return, Vanguard Long-Term Treasury Index, Vanguard Total Bond Market Index, Artisan Value Fund, Baird Short-Term Bond, DFA US Small Cap Portfolio, Dodge & Cox International Stock Fund, T. Rowe Price Large Cap Growth Fund, Dodge & Cox Global Stock, Neuberger Berman Emerging Markets Equity, PIMCO Commodity Real Return, Vanguard Total Inst. Stock Index, T. Rowe Price Global Growth Stock, Vanguard FTSE Social Index, Vanguard Real Estate Index, Vanguard Total Stock Market Index Fund Institutional Plus Shares.

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

The fair value of investments held, and the corresponding shares owned as of August 31, 2023 were as follows:

	<u>Shares</u>	<u>Fair Value</u>
Fixed income mutual fund investments:		
DFA Inflation Protected Securities	12,769,398	\$ 138,164,881.13
Eaton Vance Floating-Rate Fund	1,700,136	14,298,140.16
Federated Hermes Institutional High Yield	1,701,868	14,567,990.88
PIMCO International Bond (USD-Hdg)	337	3,203.57
PIMCO Total Return	2,446,058	20,571,349.25
Vanguard Long-Term Treasury Index	72	1,451.70
Vanguard Total Bond Market Index	21,386,285	201,886,532.54
		<u>389,493,549.23</u>
Equity mutual fund investments:		
Artisan Value Fund	948,976	12,953,526.53
Baird Short-Term Bond	13,344	123,566.82
DFA US Small Cap Portfolio	224,411	9,423,019.53
Dodge & Cox International Stock Fund	142,792	6,911,110.88
T. Rowe Price Large Cap Growth Fund	503,213	31,128,767.26
Dodge & Cox Global Stock	760,103	10,998,687.96
Neuberger Berman Emerging Markets Equity	7,084	121,139.96
PIMCO Commodity Real Return	9,595	130,198.08
Vanguard Total Inst. Stock Index	1,102,185	131,733,095.49
T. Rowe Price Global Growth Stock	315,880	11,024,201.77
Vanguard FTSE Social Index	69,451	2,941,929.20
Vanguard Real Estate Index	30,718	3,590,023.17
Vanguard Total Stock Market Index Fund Institutional Plus Shares	1,464,124	299,384,019.08
		<u>520,463,285.73</u>
Short Term Investments:		
New York Life Guaranteed Interest	65,585,755	65,585,755.05
		<u>975,542,590.01</u>
Investments, at fair value (cost \$1,039,681,224.58)		\$ <u>975,542,590.01</u>

The Plans utilize various methods to measure the fair value of investments on a recurring basis. The definition of fair value is the price 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. GASB Statement No. 72, “Fair Value Measurement and Application”, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of input are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Plans have the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Plans’ own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables summarize the inputs used as of August 31, 2023 for the Plans’ assets and liabilities measured at fair value:

Assets	Totals	Level 1	Level 2	Level 3
Fixed income mutual fund investments	\$ 389,493,549.23	\$ 389,493,549.23	-	-
Equity mutual fund investments	520,463,285.73	520,463,285.73	-	-
Short Term Investments	65,585,755.05	65,585,755.05	-	-
Total	\$ 975,542,590.01	\$ 975,542,590.01	-	-

There were no transfers between levels during the current period presented. It is the Plans’ policy to record transfers into and out of any level at the end of the reporting period. The Plan did not hold any Level 2 or Level 3 securities during the period.

Certain investments are subject to investment risk based on the amount of risk in the underlying investments. GASB Statement No. 40, *Deposit and Investment Risk Disclosures* requires that entities disclose essential risk information about deposits and investments. The Plan Description and Savings Trust Agreements provide greater detail about the investment policies and practices of the Plans.

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

a) Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plans will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. None of the Plans' deposits as of August 31, 2023 were exposed to custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plans will not be able to recover the value of investment or collateral securities that are in the possession of the outside party. Constellation Trust Company, the Custodian, is an affiliate of the Plan Manager. Other than cash, all investments are held direct to the Plans. The Plans do not have a formal policy for limiting its exposure to custodial credit risk. Because the Plans' investments are generally in mutual funds, this risk is significantly mitigated.

b) Credit Risk

Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations. In order to monitor credit risk, on a quarterly basis the Board utilizes an investment consultant to review and report to the Board detailed performance reporting and risk assessments on each of the underlying holdings of the Plans. The Plans invest directly in mutual funds, which are registered under the Investment Company Act of 1940 ("40 Act"). Each mutual fund's prospectus provides greater detail about the investment strategies and practices of the mutual funds, in compliance with federal regulations and specifically, the Form N-1A of the 40 Act. Form N-1A discloses information and policies about the mutual funds and its investment objectives, as well as information on the company structure and operations.

The Plans' investment pools had the following credit risk structure as of August 31, 2023 based on the Nationally Recognized Statistical Rating Organization (NSRO). Data obtained from Morningstar:

	DFA Inflation Protected Securities Portfolio	Eaton Vance Floating- Rate Fund	Federated Hermes Institutional High Yield
AAA	0.00%	0.00%	3.80%
AA	100.00%	0.00%	0.00%
A	0.00%	0.00%	0.00%
BBB	0.00%	6.41%	2.00%
BB	0.00%	30.52%	26.20%
B	0.00%	48.35%	41.00%
Below B	0.00%	8.56%	26.20%
Not Rated	0.00%	6.16%	0.80%

TEXAS COLLEGE SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS

	PIMCO International Bond (USD-Hdg)	PIMCO Total Return	Vanguard Long-Term Treasury Index
AAA	52.85%	67.43%	99.90%
AA	16.62%	5.60%	0.00%
A	16.00%	6.03%	0.00%
BBB	11.32%	14.22%	0.00%
BB	1.25%	3.80%	0.00%
B	0.31%	1.35%	0.00%
Below B	1.64%	1.57%	0.00%
Not Rated	0.01%	0.00%	0.10%

	Vanguard Total Bond Market Index
AAA	70.48%
AA	3.23%
A	12.55%
BBB	13.76%
BB	0.00%
B	0.00%
Below B	0.00%
Not Rated	-0.02%

The credit risk ratings presented above relate to each of the fixed income mutual funds' underlying portfolio holdings as of August 31, 2023. Mutual funds themselves are unrated.

c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of August 31, 2023, all investments held by the Plans were in mutual funds or other pooled investments, therefore the Plans did not have any investments subject to the concentration of credit risk.

d) Interest Rate Risk

Interest rate risk refers to the value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the Plans already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Plans' net position. In order to monitor interest rate risk, on a quarterly basis the Board utilizes an investment consultant to review and report to the Board detailed performance reporting and risk assessments on each of the underlying holdings of the Plans.

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The Plans' investment pools had the following interest rate risk structure as of August 31, 2023:

Holding	Duration in Years¹
DFA Inflation Protected Securities Portfolio	6.88
Eaton Vance Floating-Rate Fund	0.49
Federated Hermes Institutional High Yield	3.80
PIMCO International Bond (USD-Hdg)	6.10
PIMCO Total Return	5.86
Vanguard Long-Term Treasury Index	15.62
Vanguard Total Bond Market Index	6.41

e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. In order to monitor foreign currency risk, on a quarterly basis the Board utilizes an investment consultant to review and report to the Board detailed performance reporting and risk assessments on each of the underlying holdings of the Plans. The registered underlying investments' prospectuses provide greater detail about the investment strategies and practices of the underlying investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the underlying investment and its investment objectives, as well as information on the company structure and operations. The Plans are not exposed to foreign currency risks.

f) General Geopolitical Unrest

General geopolitical unrest, including terrorist attacks, military conflicts, and related events, such as commodity shortages, supply-chain disruptions, and inflation, have led to increased short-term market volatility and may have long-term effects on U.S. and world economies and markets. The program does not know the extent to which and how long the securities markets may be affected by such events and cannot predict the effects of such events on the economies of the U.S., or of other countries, or on investment option or underlying investment values.

¹ Measure of the sensitivity of the price to a change in interest rates, expressed in years.

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5. Participant Transactions

Participant unit transactions for each class of shares within the Plans, including the corresponding unit activity for the year ended August 31, 2023, and balances outstanding as of August 31, 2023 were as follows:

	<u>Units</u>		<u>Value</u>
Class A:			
Balance as of August 31, 2022	22,791,184	\$	209,302,119.38
Contributions	3,818,466	\$	35,666,392.04
Withdrawals	(4,978,538)	\$	(46,325,399.82)
Balance as of August 31, 2023	21,631,112	\$	214,482,997.88
RIA Class:			
Balance as of August 31, 2022	7,706	\$	70,484.39
Contributions	115,010	\$	1,120,879.00
Withdrawals	(9,822)	\$	(96,189.87)
Balance as of August 31, 2023	112,894	\$	1,134,129.50
Direct Sold Class:			
Balance as of August 31, 2022	80,159,933	\$	702,209,721.25
Contributions	35,688,466	\$	318,174,458.60
Withdrawals	(34,228,111)	\$	(305,368,129.16)
Balance as of August 31, 2023	81,620,288	\$	759,963,124.20
Total:			
Balance as of August 31, 2022	102,958,823	\$	911,582,325.02
Contributions	39,621,942	\$	354,961,729.64
Withdrawals	(39,216,471)	\$	(351,789,718.85)
Balance as of August 31, 2023	103,364,294	\$	975,580,251.58

6. Subsequent Events

Subsequent events after the date of the statement of fiduciary net position have been evaluated through November 1, 2023 the date the combined financial statements were available to be issued. Management has concluded there are no subsequent events requiring adjustment or disclosure in the combined financial statements.