

TexSTAR

MONTHLY
NEWSLETTER
DECEMBER
2023



PERFORMANCE

As of December 31, 2023

| | |
|---------------------------------------|----------------------|
| Current Invested Balance | \$ 10,557,076,424.02 |
| Weighted Average Maturity (1) | 45 Days |
| Weighted Average Life (2) | 84 Days |
| Net Asset Value | 0.999972 |
| Total Number of Participants | 1037 |
| Management Fee on Invested Balance | 0.06%* |
| Interest Distributed | \$ 47,126,751.44 |
| Management Fee Collected | \$ 522,944.49 |
| % of Portfolio Invested Beyond 1 Year | 5.62% |
| Standard & Poor's Current Rating | AAAm |

Rates reflect historical information and are not an indication of future performance.

December Averages

| | |
|--|----------------------|
| Average Invested Balance | \$ 10,279,903,132.33 |
| Average Monthly Yield, on a simple basis | 5.3378% |
| Average Weighted Maturity (1) | 44 Days |
| Average Weighted Life (2) | 85 Days |

Definition of Weighted Average Maturity (1) & (2)

(1) This weighted average maturity calculation uses the SEC Rule 2a-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. This Rule specifies that a variable rate instruction to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.
(2) This weighted average maturity calculation uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the pool.

The maximum management fee authorized for the TexSTAR Cash Reserve Fund is 12 basis points. This fee may be waived in full or in part in the discretion of the TexSTAR co-administrators at any time as provided for in the TexSTAR Information Statement.

NEW PARTICIPANTS

We would like to welcome the following entities who joined the TexSTAR program in December:

- * Bandera Economic Development Corporation
- * Memorial Point Utility District
- * Quitman Development Corporation

HOLIDAY REMINDER

In observance of Martin Luther King Jr. Day, **TexSTAR will be closed Monday, January 15, 2024.** All ACH transactions initiated on Friday, January 12th will settle on Tuesday, January 16th.

ECONOMIC COMMENTARY

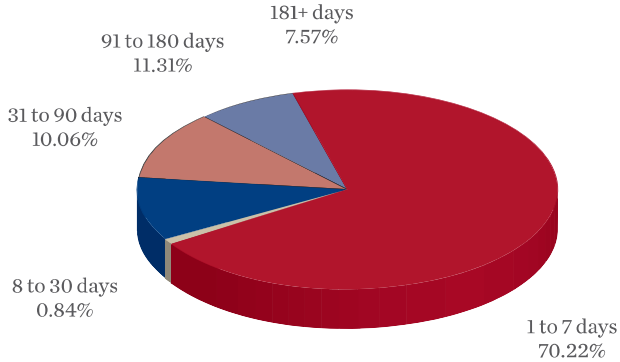
Market review

2023 was a year filled with many twists and turns. Yet, through it all, the U.S. economy remained resilient, posting three quarters of positive GDP growth despite facing aggressive monetary tightening by the Federal Reserve (Fed), heightened geopolitical risks and a regional banking crisis. Data released in December pointed to the continued possibility of the Fed engineering a soft landing while making progress in achieving its goal of 2% inflation. Inflation continued to trend downward with headline CPI rising 0.1% month-over-month (m/m) and 3.1% year-over-year (y/y) in November, slightly above consensus but down from October, while core CPI rose 0.3% m/m and 4.0% y/y. The Fed's preferred measure of inflation, the Personal Consumption Expenditures Price Index (PCE), was softer than expected. Headline PCE fell 0.1% m/m, bringing the year ago level down from 2.9% in October to 2.6% in November. With expectations for a further slowdown in rent inflation in the coming months, this reading provides further evidence that price growth is softening.

Cooling inflation was also met with strong labor market data as the U.S. labor market continued to demonstrate improved demand/supply balance. The demand for labor, as measured by the Job Openings and Labor Turnover Survey (JOLTS) report, showed openings falling 6.6% to 8.73 million, the lowest level since 2021, but still slightly above pre-pandemic norms. The job openings to unemployed ratio is now at 1.3x, near pre-pandemic levels. The November Jobs report showed healthy employment gains but provided further evidence that the labor market is moderating. Nonfarm payrolls rose by 199,000, beating expectations of 180,000 but were below the 2023 average of 233,000. The unemployment rate declined to 3.7% from 3.9% the prior month, as new workers joined the labor force, but has moved up from its 50-year low of 3.4% earlier in the year. Average hourly earnings came in slightly above expectations, rising 0.4% m/m, with the year ago level unchanged at 4.0%. *(continued page 4)*

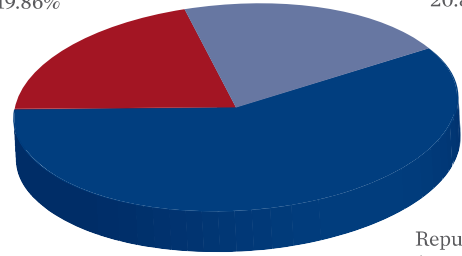
INFORMATION AT A GLANCE

PORTFOLIO BY TYPE OF INVESTMENT AS OF DECEMBER 31, 2023



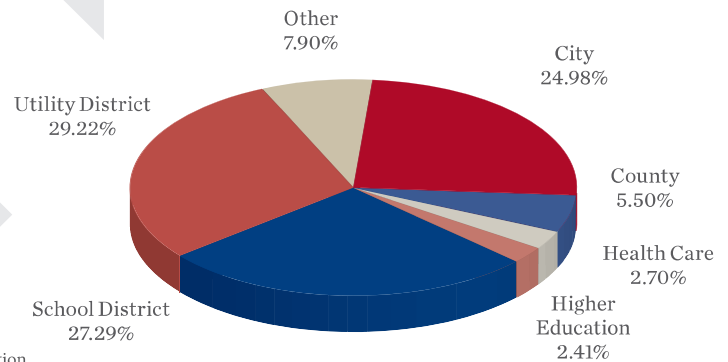
Treasuries
19.86%

Agencies
20.82%



Repurchase Agreements
59.32%

PORTFOLIO BY MATURITY AS OF DECEMBER 31, 2023 (1)



DISTRIBUTION OF PARTICIPANTS BY TYPE AS OF DECEMBER 31, 2023

(1) Portfolio by Maturity is calculated using WAM (1) definition for stated maturity. See page 1 for definition

HISTORICAL PROGRAM INFORMATION

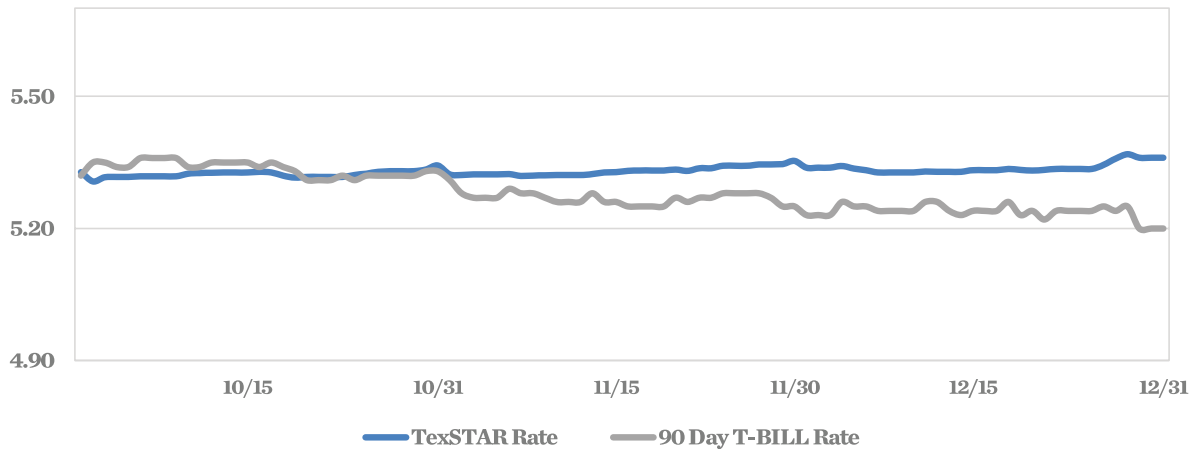
| MONTH | AVERAGE RATE | BOOK VALUE | MARKET VALUE | NET ASSET VALUE | WAM (1) | WAL (2) | NUMBER OF PARTICIPANTS |
|--------|--------------|---------------------|---------------------|-----------------|---------|---------|------------------------|
| Dec 23 | 5.3378% | \$10,557,076,424.02 | \$10,557,101,303.24 | 0.999972 | 44 | 85 | 1037 |
| Nov 23 | 5.3307% | 10,148,883,026.83 | 10,148,191,305.12 | 0.999931 | 33 | 74 | 1034 |
| Oct 23 | 5.3231% | 10,017,668,653.01 | 10,016,121,800.83 | 0.999845 | 29 | 69 | 1031 |
| Sep 23 | 5.3105 % | 9,992,445,950.80 | 9,990,730,955.61 | 0.999816 | 29 | 56 | 1028 |
| Aug 23 | 5.2974% | 10,207,693,267.12 | 10,205,377,223.94 | 0.999773 | 26 | 49 | 1023 |
| Jul 23 | 5.1148% | 10,852,471,505.08 | 10,849,665,890.42 | 0.999741 | 22 | 47 | 1021 |
| Jun 23 | 5.0764% | 10,475,876,514.08 | 10,473,945,855.73 | 0.999806 | 22 | 50 | 1020 |
| May 23 | 5.0471% | 10,704,350,596.85 | 10,702,720,616.60 | 0.999847 | 20 | 45 | 1019 |
| Apr 23 | 4.8292% | 10,940,711,794.05 | 10,941,057,413.24 | 1.000031 | 17 | 42 | 1017 |
| Mar 23 | 4.6066% | 11,042,113,205.98 | 11,042,864,910.32 | 1.000029 | 11 | 39 | 1012 |
| Feb 23 | 4.4919% | 10,962,890,240.57 | 10,961,778,645.78 | 0.999898 | 9 | 38 | 1008 |
| Jan 23 | 4.2515% | 10,451,037,339.95 | 10,450,044,625.54 | 0.999905 | 6 | 41 | 1003 |

PORTFOLIO ASSET SUMMARY AS OF DECEMBER 31, 2023

| | BOOK VALUE | MARKET VALUE |
|--------------------------------------|-----------------------------|-----------------------------|
| Uninvested Balance | \$ 688.68 | \$ 688.68 |
| Accrual of Interest Income | 24,725,480.61 | 24,725,480.61 |
| Interest and Management Fees Payable | (47,137,068.19) | (47,137,068.19) |
| Payable for Investment Purchased | 0.00 | 0.00 |
| Repurchase Agreement | 6,275,567,999.86 | 6,275,567,999.86 |
| Government Securities | 4,303,919,323.06 | 4,303,944,202.28 |
| TOTAL | \$ 10,557,076,424.02 | \$ 10,557,101,303.24 |

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank in the name of TexSTAR. The only source of payment to the Participants are the assets of TexSTAR. There is no secondary source of payment for the pool such as insurance or guarantee. Should you require a copy of the portfolio, please contact TexSTAR Participant Services.

TEXSTAR VERSUS 90-DAY TREASURY BILL



This material is for information purposes only. This information does not represent an offer to buy or sell a security. The above rate information is obtained from sources that are believed to be reliable; however, its accuracy or completeness may be subject to change. The TexSTAR management fee may be waived in full or in part at the discretion of the TexSTAR co-administrators and the TexSTAR rate for the period shown reflects waiver of fees. This table represents historical investment performance/return to the customer, net of fees, and is not an indication of future performance. An investment in the security is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment of \$1.00 per share, it is possible to lose money by investing in the security. Information about these and other program details are in the fund's Information Statement which should be read carefully before investing. The yield on the 90-Day Treasury Bill ("T-Bill Yield") is shown for comparative purposes only. When comparing the investment returns of the TexSTAR pool to the T-Bill Yield, you should know that the TexSTAR pool consists of allocations of specific diversified securities as detailed in the respective Information Statements. The T-Bill Yield is taken from Bloomberg Finance L.P. and represents the daily closing yield on the then current 90-Day T-Bill. The TexSTAR yield is calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940 as promulgated from time to time by the federal Securities and Exchange Commission.

DAILY SUMMARY FOR DECEMBER 2023

| DATE | MNY MKT FUND EQUIV. [SEC Std.] | DAILY ALLOCATION FACTOR | INVESTED BALANCE | MARKET VALUE PER SHARE | WAM DAYS (1) | WAL DAYS (2) |
|------------|-----------------------------------|----------------------------|---------------------|---------------------------|-----------------|-----------------|
| 12/1/2023 | 5.3378% | 0.000146240 | \$10,203,701,066.79 | 0.999970 | 39 | 83 |
| 12/2/2023 | 5.3378% | 0.000146240 | \$10,203,701,066.79 | 0.999970 | 39 | 83 |
| 12/3/2023 | 5.3378% | 0.000146240 | \$10,203,701,066.79 | 0.999970 | 39 | 83 |
| 12/4/2023 | 5.3419% | 0.000146354 | \$10,298,532,269.96 | 0.999917 | 41 | 83 |
| 12/5/2023 | 5.3359% | 0.000146189 | \$10,293,580,332.14 | 0.999917 | 41 | 83 |
| 12/6/2023 | 5.3322% | 0.000146087 | \$10,309,778,751.67 | 0.999934 | 42 | 83 |
| 12/7/2023 | 5.3270% | 0.000145944 | \$10,337,629,021.66 | 0.999925 | 42 | 85 |
| 12/8/2023 | 5.3274% | 0.000145957 | \$10,553,898,549.12 | 0.999906 | 41 | 82 |
| 12/9/2023 | 5.3274% | 0.000145957 | \$10,553,898,549.12 | 0.999906 | 41 | 82 |
| 12/10/2023 | 5.3274% | 0.000145957 | \$10,553,898,549.12 | 0.999906 | 41 | 82 |
| 12/11/2023 | 5.3290% | 0.000145999 | \$10,497,667,862.02 | 0.999896 | 42 | 82 |
| 12/12/2023 | 5.3285% | 0.000145985 | \$10,526,303,023.75 | 0.999894 | 42 | 83 |
| 12/13/2023 | 5.3284% | 0.000145984 | \$10,479,118,212.65 | 0.999955 | 43 | 83 |
| 12/14/2023 | 5.3285% | 0.000145987 | \$10,210,000,118.08 | 0.999964 | 45 | 87 |
| 12/15/2023 | 5.3326% | 0.000146098 | \$10,040,954,152.19 | 0.999935 | 45 | 87 |
| 12/16/2023 | 5.3326% | 0.000146098 | \$10,040,954,152.19 | 0.999935 | 45 | 87 |
| 12/17/2023 | 5.3326% | 0.000146098 | \$10,040,954,152.19 | 0.999935 | 45 | 87 |
| 12/18/2023 | 5.3349% | 0.000146162 | \$10,013,927,198.87 | 0.999942 | 47 | 89 |
| 12/19/2023 | 5.3332% | 0.000146115 | \$10,049,726,823.48 | 0.999950 | 47 | 89 |
| 12/20/2023 | 5.3314% | 0.000146067 | \$10,071,552,003.60 | 0.999969 | 46 | 88 |
| 12/21/2023 | 5.3329% | 0.000146107 | \$9,976,329,288.08 | 0.999994 | 47 | 90 |
| 12/22/2023 | 5.3352% | 0.000146170 | \$10,174,866,975.33 | 0.999982 | 45 | 87 |
| 12/23/2023 | 5.3352% | 0.000146170 | \$10,174,866,975.33 | 0.999982 | 45 | 87 |
| 12/24/2023 | 5.3352% | 0.000146170 | \$10,174,866,975.33 | 0.999982 | 45 | 87 |
| 12/25/2023 | 5.3352% | 0.000146170 | \$10,174,866,975.33 | 0.999982 | 45 | 87 |
| 12/26/2023 | 5.3443% | 0.000146419 | \$10,341,300,231.56 | 1.000016 | 47 | 87 |
| 12/27/2023 | 5.3586% | 0.000146811 | \$10,288,904,584.37 | 0.999998 | 47 | 87 |
| 12/28/2023 | 5.3684% | 0.000147080 | \$10,216,288,902.58 | 0.999974 | 47 | 88 |
| 12/29/2023 | 5.3606% | 0.000146866 | \$10,557,076,424.02 | 0.999972 | 45 | 84 |
| 12/30/2023 | 5.3606% | 0.000146866 | \$10,557,076,424.02 | 0.999972 | 45 | 84 |
| 12/31/2023 | 5.3606% | 0.000146866 | \$10,557,076,424.02 | 0.999972 | 45 | 84 |
| Average | 5.3378% | 0.000146240 | \$10,279,903,132.33 | | 44 | 85 |



ECONOMIC COMMENTARY (cont.)

At its final meeting of the year, the Federal Open Market Committee (FOMC) delivered an early holiday gift with a dovish shift in policy expectations, leaving the federal funds rate target range unchanged at 5.25%-5.50%, while strongly hinting that rates are at their cycle peak and the next move will be a rate cut. The median FOMC member now expects three rate cuts next year to 4.6%, an extra cut compared to the dot plot in September's Summary of Economic Projections (SEP). Moreover, updates to the SEP showed lower inflation forecasts for 2023, 2024 and 2025 without material revisions to the growth or employment forecasts, suggesting that the Fed is forecasting a soft landing. In the press conference, Chair Powell did not push back on dovish market pricing and said the Fed had started to discuss cuts at this meeting. Markets interpreted the December FOMC meeting as a pivot in policy and began to price in more aggressive rate cuts for 2024. Consequently, Treasury yields rallied across the curve in December and with longer maturities declining more. The three-month Treasury bill yield declined 5 basis points (bps) on the month to 5.34%, while one-year T-bill and two-year Treasury yields fell 35 bps and 43 bps to end the year at 4.77% and 4.25%, respectively.

Outlook

The U.S. economy is entering the new year in a better place than expected as the largely anticipated recession did not occur. Strong consumption, supported by a solid labor market has led to economic resilience despite significant monetary policy tightening by the Fed. The Fed's recent dovish pivot has tipped the odds away from recession toward a soft landing. Following the December FOMC announcement, investors are breathing a sigh of relief now that the Fed is done raising interest rates. Indeed, yields fell based on a more accommodative interest rate outlook for 2024. Markets are now pricing in 150 bps of easing in 2024, with the first rate cut as early as March. We believe these expectations have gone too far and are anticipating something closer to the Fed's projections with rate cuts beginning in May or June this year.

Looking ahead, it is reasonable to expect that the balance of risks is now skewed towards the impact higher rates will have on growth and labor markets, not necessarily inflation. That said, the past two years have shown that inflation can come down even with tight labor markets and above trend growth. If this dynamic continues, a less restrictive monetary policy stance should allow for a soft landing in the U.S. economy.

This information is an excerpt from an economic report dated December 2023 provided to TexSTAR by JP Morgan Asset Management, Inc., the investment manager of the TexSTAR pool.



TEXSTAR BOARD MEMBERS

| | | |
|----------------|---|----------------------------------|
| Monte Mercer | North Central TX Council of Government | Governing Board President |
| David Pate | Richardson ISD | Governing Board Vice President |
| Anita Cothran | City of Frisco | Governing Board Treasurer |
| David Medanich | Hilltop Securities | Governing Board Secretary |
| Jennifer Novak | J.P. Morgan Asset Management | Governing Board Asst. Sec./Treas |
| Brett Starr | City of Irving | Advisory Board |
| Sandra Newby | Tarrant Regional Water Dist/Non-Participant | Advisory Board |
| Ron Whitehead | Qualified Non-Participant | Advisory Board |

The material provided to TexSTAR from J.P. Morgan Asset Management, Inc., the investment manager of the TexSTAR pool, is for informational and educational purposes only, as of the date of writing and may change at any time based on market or other conditions and may not come to pass. While we believe the information presented is reliable, we cannot guarantee its accuracy. HilltopSecurities is a wholly owned subsidiary of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Hardwood Street, Suite 3400, Dallas, TX 75201, (214) 859-1800. Member NYSE/FINRA/SIPC. Past performance is no guarantee of future results. Investment Management Services are offered through J.P. Morgan Asset Management Inc. and/or its affiliates. Marketing and Enrollment duties are offered through HilltopSecurities and/or its affiliates. HilltopSecurities and J.P. Morgan Asset Management Inc. are separate entities.