TexSTAR

MONTHLY NEWSLETTER SEPTEMBER 2023

PERFORMANCE

As of September 30, 2023

Current Invested Balance	$ 9,992,445,950.80
Weighted Average Maturity (1)	30 Days
Weighted Average Life (2)	57 Days
Net Asset Value	0.999816
Total Number of Participants	1028
Management Fee on Invested Balance	0.06%*
Interest Distributed	$ 44,553,431.86
Management Fee Collected	$ 496,951.28
% of Portfolio Invested Beyond 1 Year	3.63%
Standard & Poor's Current Rating	AAAm

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

September Averages

Average Invested Balance	$ 10,093,864,488.70
Average Monthly Yield, on a simple basis	5.3105%
Average Weighted Maturity (1)	29 Days
Average Weighted Life (2)	56 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 waved 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 September:

* City of Blue Mound
* Galveston County Municipal Utility District No. 79
* Jacksboro Independent School District
* Montgomery County Municipal Utility District No. 211
* Pantego Economic Development Corporation

HOLIDAY REMINDER

In observance of **Columbus Day, TexSTAR will be closed on Monday, October 9, 2023.** All ACH transactions initiated on Friday, October 6th will settle on Tuesday, October 10th. Standard transaction deadlines will be observed on Friday, October 6th. Please plan accordingly for your liquidity needs.

ECONOMIC COMMENTARY

Market review

In the third quarter, easing inflation and stronger economic growth helped fuel optimism for a soft landing of the U.S. economy. However, monthly data suggest economic momentum is slowing, and we may not be out of the woods just yet. The quarter was less exciting for financial markets, which struggled as investors re-positioned for higher rates for longer. In fact, one of the few asset classes that saw positive gains short term fixed income portfolios and funds.

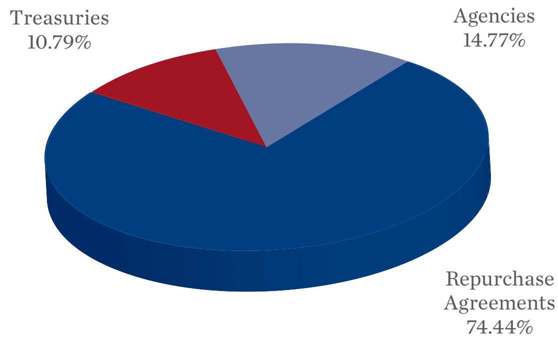
After nearly two years of hot inflation, a sustained inflation downtrend is now underway. The August CPI report showed continued progress on core inflation while energy contributed to a bounce in headline inflation. Headline CPI rose 0.6% month-over-month (m/m) seasonally adjusted and 3.7% year-over-year (y/y) non-seasonally adjusted, an acceleration compared to last month. This increase was largely anticipated and primarily driven by a 5.6% surge in energy prices, as consumer prices rose a more modest 0.3% excluding energy. Core CPI rose 0.3% m/m and eased to 4.3% on a y/y basis. In the details, shelter inflation continued to moderate while transportation services saw strong gains. However, moderating new and used vehicle prices in the months ahead should help ease core inflationary pressures. Similarly, headline PCE inflation accelerated to 3.5% y/y while core PCE eased to 3.9%. Moving forward, we expect that the impact of oil price spikes will be limited.

Labor market strength is gradually easing. The pace of job gains, while still robust, has been trending lower since last year. Improved labor force participation has so far supported job growth, with the participation rate for adults aged 25-54 having fully recovered to pre-pandemic levels. Wage inflation remains sticky but has been moderating. Wage growth has now come down to 4.3% y/y in August from a peak of 5.9% in March 2022. Weekly initial jobless claims for unemployment averaged 232K in the third quarter.

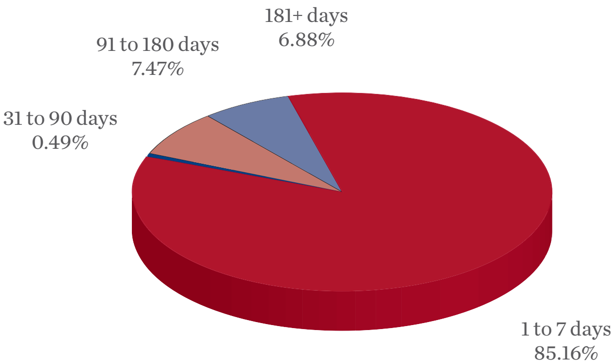
(continued page 4)

INFORMATION AT A GLANCE

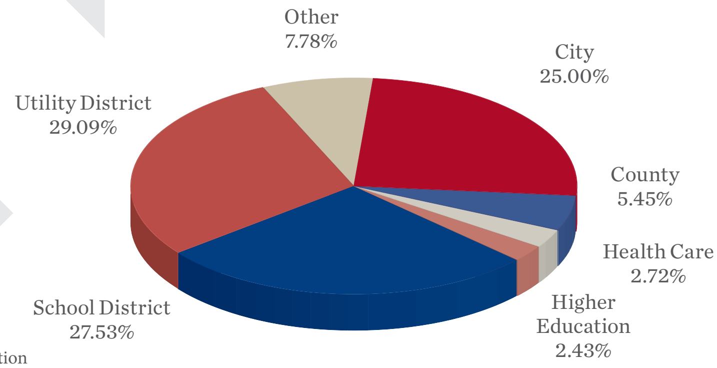
PORTFOLIO BY TYPE OF INVESTMENT AS OF SEPTEMBER 30, 2023



PORTFOLIO BY MATURITY AS OF SEPTEMBER 30, 2023 (1)



DISTRIBUTION OF PARTICIPANTS BY TYPE AS OF SEPTEMBER 30, 2023



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

HISTORICAL PROGRAM INFORMATION

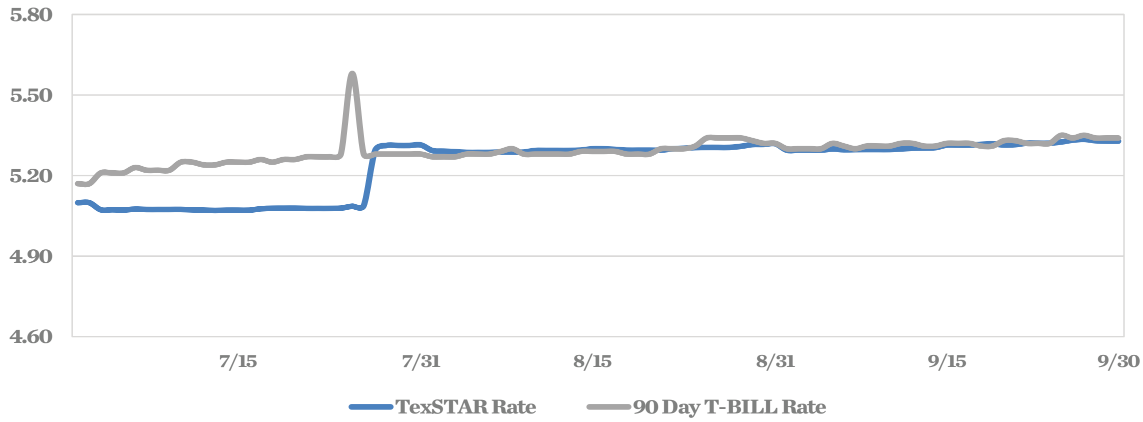
MONTH	AVERAGE RATE	BOOK VALUE	MARKET VALUE	NET ASSET VALUE	WAM (1)	WAL (2)	NUMBER OF PARTICIPANTS
Sep 23	5.3105 %	$9,992,445,950.80	$9,990,730,955.61	0.999816	29	56	1028
Aug 23	5.2974%	10,207,693,267.12	10,205,377,223.94	0.999773	26	49	1023
Jul 23	5.1148%	10,852,471,505.08	10,849,665,890.42	0.999741	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
Dec 22	3.9681%	9,016,826,910.67	9,015,709,981.89	0.999855	5	43	999
Nov 22	3.5588%	8,393,118,851.17	8,390,786,906.73	0.999722	6	47	998
Oct 22	2.8531%	8,388,414,626.87	8,384,901,873.82	0.999581	10	46	996

PORTFOLIO ASSET SUMMARY AS OF SEPTEMBER 30, 2023

	BOOK VALUE	MARKET VALUE
Uninvested Balance	$ 688.21	$ 688.21
Accrual of Interest Income	22,688,328.56	22,688,328.56
Interest and Management Fees Payable	(44,540,141.00)	(44,540,141.00)
Payable for Investment Purchased	0.00	0.00
Repurchase Agreement	7,454,316,999.79	7,454,316,999.79
Government Securities	2,559,980,075.24	2,558,265,080.05
TOTAL	**$ 9,992,445,950.80**	**$ 9,990,730,955.61**

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 SEPTEMBER 2023

DATE	MNY MKT FUND EQUIV. [SEC Std.]	DAILY ALLOCATION FACTOR	INVESTED BALANCE	MARKET VALUE PER SHARE	WAM DAYS (1)	WAL DAYS (2)
9/1/2023	5.2947%	0.000145060	$10,150,289,718.88	0.999804	27	50
9/2/2023	5.2947%	0.000145060	$10,150,289,718.88	0.999804	27	50
9/3/2023	5.2947%	0.000145060	$10,150,289,718.88	0.999804	27	50
9/4/2023	5.2947%	0.000145060	$10,150,289,718.88	0.999804	27	50
9/5/2023	5.2989%	0.000145174	$10,187,547,284.60	0.999777	27	53
9/6/2023	5.2962%	0.000145100	$10,163,186,946.99	0.999779	27	53
9/7/2023	5.2968%	0.000145119	$10,122,935,905.70	0.999773	27	53
9/8/2023	5.2971%	0.000145126	$10,155,877,098.53	0.999786	27	52
9/9/2023	5.2971%	0.000145126	$10,155,877,098.53	0.999786	27	52
9/10/2023	5.2971%	0.000145126	$10,155,877,098.53	0.999786	27	52
9/11/2023	5.2992%	0.000145183	$10,200,180,265.84	0.999778	28	53
9/12/2023	5.3018%	0.000145256	$10,278,685,601.56	0.999790	28	56
9/13/2023	5.3025%	0.000145275	$10,337,867,157.92	0.999810	28	56
9/14/2023	5.3041%	0.000145317	$10,211,821,190.92	0.999808	28	56
9/15/2023	5.3135%	0.000145575	$10,166,408,096.27	0.999811	29	57
9/16/2023	5.3135%	0.000145575	$10,166,408,096.27	0.999811	29	57
9/17/2023	5.3135%	0.000145575	$10,166,408,096.27	0.999811	29	57
9/18/2023	5.3163%	0.000145652	$10,069,542,232.34	0.999801	30	58
9/19/2023	5.3181%	0.000145702	$10,087,639,347.86	0.999807	31	59
9/20/2023	5.3140%	0.000145589	$10,063,497,654.15	0.999803	31	59
9/21/2023	5.3153%	0.000145624	$9,929,491,072.90	0.999799	32	60
9/22/2023	5.3207%	0.000145772	$9,853,526,609.39	0.999801	32	60
9/23/2023	5.3207%	0.000145772	$9,853,526,609.39	0.999801	32	60
9/24/2023	5.3207%	0.000145772	$9,853,526,609.39	0.999801	32	60
9/25/2023	5.3251%	0.000145893	$9,952,707,704.94	0.999797	31	59
9/26/2023	5.3318%	0.000146077	$10,063,656,735.35	0.999792	31	58
9/27/2023	5.3349%	0.000146163	$10,087,419,330.05	0.999788	30	57
9/28/2023	5.3299%	0.000146024	$9,946,270,040.13	0.999792	31	58
9/29/2023	5.3282%	0.000145978	$9,992,445,950.80	0.999816	30	57
9/30/2023	5.3282%	0.000145978	$9,992,445,950.80	0.999816	30	57
Average	5.3105%	0.000145492	$10,093,864,488.70		29	56

While this is above its average of 214K in 2022, the levels are still indicative of a healthy labor market and have been trending lower more recently. The Job Openings and Labor Turnover Survey (JOLTS) data for August surprised to the upside as job openings surged 7.7% to 9.6 million, up from 8.8 million in the month prior, while quits rose a modest 0.5%. The ratio of vacancies to unemployed workers remained unchanged from July at 1.5. Job openings have been volatile around a declining trend, but the data remain well above pre-pandemic norms.

Given the strength in the labor market is not surprising that the consumer has been the primary driver of the economy so far, but consumer confidence has begun to falter. The Conference Board Consumer Confidence Index fell for the second straight month, from 106.1 in August to 103 in September, reflecting a decline in consumers' assessment of future business conditions. Personal spending in August showed a deceleration relative to July, at a 0.4% m/m change, down from 0.8%. The GDP revisions had limited impact on the headline growth profile, as second quarter GDP was unchanged at a 2.1% annualized rate. In the details of the revision, the composition shifted from consumption to business investment: consumption grew a modest 0.8% annualized rate while business fixed investment spending grew 5.2%, its best pace since 1Q22. Comprehensive GDP revisions painted a picture of private sector resilience and improved household savings with softer consumption growth than previously reported.

In a widely anticipated move, the Federal Open Market Committee (FOMC) voted to leave the federal funds rate unchanged at a range of 5.25% to 5.50% at its September meeting and reiterated its commitment to a data-driven approach. The updated "dot plot" remained hawkish, with the median FOMC member now expecting only two cuts in 2024, reinforcing the "higher for longer" message. Notably, its updated economic forecasts leaned strongly into the soft-landing narrative. In the Summary of Economic Projections, real GDP growth expectations rose meaningfully for 2023 and 2024. Elsewhere, the median forecast for the unemployment rate fell to 3.8% while the core PCE forecast ticked lower.

September was a challenging month for markets and for Congress. As the month ended, in a surprise turnaround just 3 hours before the deadline, Congress averted a government shutdown, passing a short-term continuing resolution to keep the government running through November 17th. Improved prospects for growth and incoming supply, against the backdrop of 'higher for longer' policy rates pushed longer term yields to their highest levels since 2007, with two-year and 10-year Treasury yields up 18 bps and 47 bps on the month to 5.05% and 4.57% respectively. Meanwhile three-month Treasury bill yields remained unchanged at 5.45%, and six-month T-bill yields increased a modest 4 bps to 5.55%. Moreover, the potential government shutdown (which was averted in the 11th hour), United Auto Workers (UAW) labor strikes and higher oil prices have weighed on investor sentiment.

Outlook

"Resiliency" has been the buzzword of 2023, with better-than-expected economic growth and corporate profits coupled with milder drags from credit tightening and business spending contraction raising hopes for a soft landing. Economic data has underscored the strength of U.S. consumers and labor markets, aided by falling inflation.

Nevertheless, the clouds of recession have not departed, as growing drags from higher energy prices, declining pandemic excess savings and the lagged effects of monetary policy suggest it is far too soon to call an "all clear" on a U.S. recession.

Business spending has held up more strongly than expected due to higher spending on manufacturing and slowing corporate profits could still constrain growth in capital expenditures. Consumers have remained resilient in the third quarter, supported by solid job growth and rising real wages. So far in 2023, excess consumer savings and the use of credit have kept consumption as a pillar of strength in the U.S. economy.

However, consumer savings balances have shrunk as they take on more debt to maintain current spending, and delinquencies are starting to rise. By our measures, pandemic excess savings has declined to $1.1 trillion from its peak of $2.3 trillion, leading consumers to draw on revolving credit to finance their spending habits.

(continued page 5)

ECONOMIC COMMENTARY (cont.)

Revolving credit as a share of disposable income doesn't look too worrying yet (at 6.3% in June compared to 6.5% pre-pandemic), but delinquencies for credit cards and auto loans are starting to rise. This, along with the lagged impacts of monetary tightening, higher energy prices, and the forthcoming resumption of student loan payments, should weigh on consumer spending in the coming months.

Other risks to growth are accumulating as we enter the fall. While a U.S. government shutdown was averted, Congress merely kicked the can down the road until November. The odds of a government shutdown later this year have arguably risen but would probably be temporary if it happens (a few weeks at most) until political and market pressures force everyone to keep the government open. Historically, the economic impact has tended to be short-lived and reversed the following period. Additionally, the United Auto Workers (UAW) strike continues to escalate, as progress between the UAW and automakers has not improved yet. Should it build further, the strike could negatively impact economic activity and pressure inflation upward.

Overall, the U.S. economy should continue to grow at a moderate but slowing pace from here, and while a near-term recession is not guaranteed, a slower-moving economy will be increasingly sensitive to shocks. With risks remaining on the horizon, we see at least a 50/50 chance of a recession starting by the end of 2024, and a greater chance of a recession in 2025 if one fails to materialize earlier.

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