TexSTAR

MONTHLY NEWSLETTER JULY 2024

PERFORMANCE

As of July 31, 2024

Current Invested Balance	$ 11,614,008,231.39
Weighted Average Maturity (1)	33 Days
Weighted Average Life (2)	62 Days
Net Asset Value	1.000059
Total Number of Participants	1043
Management Fee on Invested Balance	0.06%*
Interest Distributed	$ 51,932,146.86
Management Fee Collected	$ 578,565.66
% of Portfolio Invested Beyond 1 Year	3.81%
Standard & Poor's Current Rating	AAAm

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

July Averages

Average Invested Balance	$ 11,379,796,631.25
Average Monthly Yield, on a simple basis	5.3131%
Average Weighted Maturity (1)	33 Days
Average Weighted Life (2)	64 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 July:

* Gregg County
* Honey Grove Independent School District
* Montgomery County Municipal Utility District No. 123

HOLIDAY REMINDER

In observance of **Labor Day, TexSTAR will be closed on Monday, September 2, 2024.** All ACH transactions initiated on Friday, August 30th will settle on Tuesday, September 3rd. Please plan accordingly for your liquidity needs.

ECONOMIC COMMENTARY

Market review

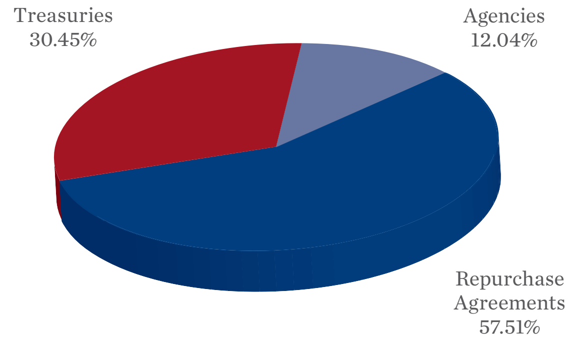
July presented a more balanced economic landscape, albeit with some potential vulnerabilities. GDP growth has been roughly in line with trend growth this year, and inflation has been gradually approaching the Federal Reserve's (Fed's) 2% target. However, higher interest rates have begun to impact the labor market, as evidenced by a slowdown in job growth and an uptick in the unemployment rate. The Fed acknowledged that the economy continues to expand at a solid pace, with job gains moderating and inflation easing, and will consider the broader picture of their dual mandate—stable prices and maximum employment—when determining the timing and pace of rate cuts. Recent data on economic growth remained resilient, with the second quarter's GDP release indicating the economy grew at a robust 2.8% annualized pace. However, while the first-quarter real GDP reading of 1.4% understated economic momentum due to a sharp reduction in inventory growth, the second-quarter number was inflated, as inventory accumulation accelerated. A clearer picture emerges when looking at real final sales, which excludes inventories: real growth was 3.5% for the year ending in fourth quarter of 2023, but it slipped to 1.8% annualized in the first quarter of 2024 and 2.0% in the second quarter. Consumer spending remained robust, growing at a 2.3% annualized rate with gains in both services and goods. This was supported by healthy increases in disposable personal income, which rose 0.3% month-over-month (m/m). However, consumers had to dip into their savings, as the personal savings rate slightly decreased to 3.5%. Overall, the first half of the year saw average GDP growth of 2.1%, which aligns with trend growth.

The June CPI report brought encouraging signs of cooling inflation. Headline CPI fell 0.1% m/m, while core CPI rose just 0.1%, resulting in annual gains of 3.0% and 3.3%, respectively. Energy prices fell 2.0% m/m while lower new and used vehicle prices contributed to a 0.1% m/m decline in core goods prices. In core services, shelter inflation rose just 0.2% m/m, breaking a nearly three-year streak of inflation at or above 0.3%.

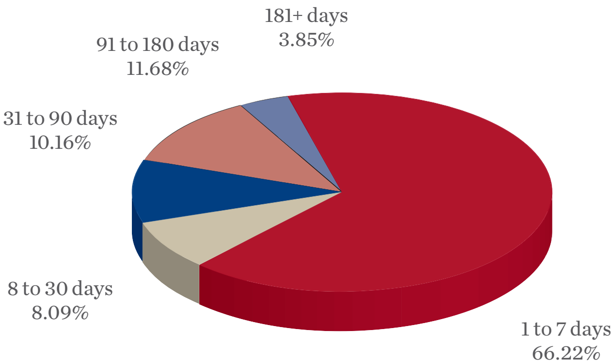
(continued page 4)

INFORMATION AT A GLANCE

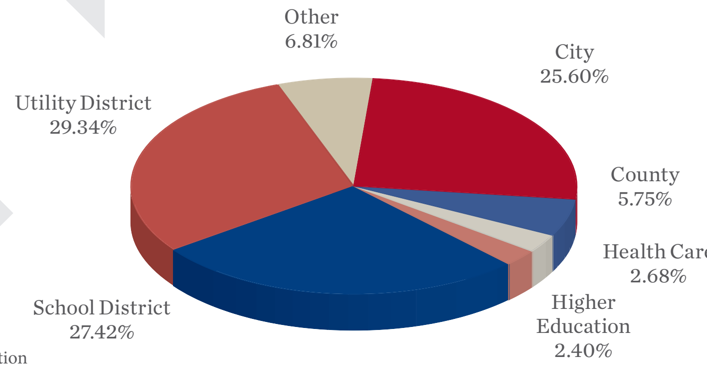
PORTFOLIO BY TYPE OF INVESTMENT AS OF JULY 31, 2024



PORTFOLIO BY MATURITY AS OF JULY 31, 2024 (1)



DISTRIBUTION OF PARTICIPANTS BY TYPE AS OF JULY 31, 2024



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

HISTORICAL PROGRAM INFORMATION

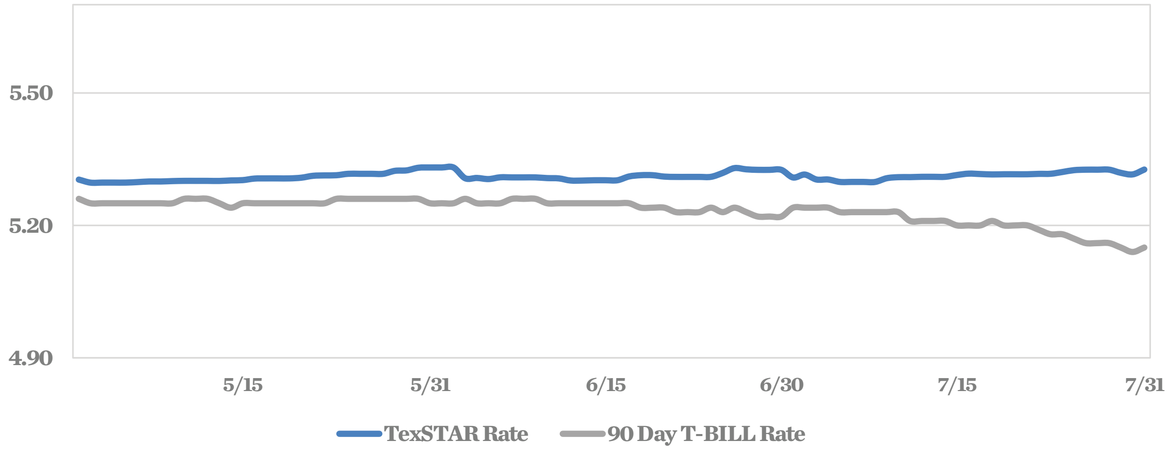
MONTH	AVERAGE RATE	BOOK VALUE	MARKET VALUE	NET ASSET VALUE	WAM (1)	WAL (2)	NUMBER OF PARTICIPANTS
Jul 24	5.3131%	$11,614,008,231.39	$11,614,697,399.72	1.000059	33	64	1043
Jun 24	5.3126%	10,696,510,063.51	10,695,858,054.79	0.999939	36	66	1040
May 24	5.3078%	10,946,135,253.27	10,946,064,280.53	0.999895	37	67	1037
Apr 24	5.3057%	11,388,285,240.44	11,386,977,182.36	0.999885	35	65	1031
Mar 24	5.2986%	11,373,415,394.49	11,372,687,872.41	0.999936	36	68	1025
Feb 24	5.3035%	11,928,691,803.89	11,927,911,436.19	0.999934	36	69	1024
Jan 24	5.3200%	11,483,316,119.03	11,483,741,551.85	1.000037	42	77	1024
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

PORTFOLIO ASSET SUMMARY AS OF JULY 31, 2024

	BOOK VALUE	MARKET VALUE
Uninvested Balance	$ 536.64	$ 536.64
Accrual of Interest Income	7,515,653.46	7,515,653.46
Interest and Management Fees Payable	(51,951,382.34)	(51,951,382.34)
Payable for Investment Purchased	(117,008,374.87)	(117,008,374.87)
Repurchase Agreement	6,774,069,999.96	6,774,069,999.96
Government Securities	5,001,381,798.54	5,002,070,966.87
TOTAL	**$ 11,614,008,231.39**	**$ 11,614,697,399.72**

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 JULY 2024

DATE	MNY MKT FUND EQUIV. [SEC Std.]	DAILY ALLOCATION FACTOR	INVESTED BALANCE	MARKET VALUE PER SHARE	WAM DAYS (1)	WAL DAYS (2)
7/1/2024	5.3084%	0.000145436	$10,955,819,587.90	0.999981	34	68
7/2/2024	5.3150%	0.000145617	$10,979,651,688.69	0.999980	34	67
7/3/2024	5.3038%	0.000145309	$10,994,947,967.30	0.999987	33	66
7/4/2024	5.3038%	0.000145309	$10,994,947,967.30	0.999987	33	66
7/5/2024	5.2983%	0.000145159	$10,998,595,564.72	0.999989	32	66
7/6/2024	5.2983%	0.000145159	$10,998,595,564.72	0.999989	32	66
7/7/2024	5.2983%	0.000145159	$10,998,595,564.72	0.999989	32	66
7/8/2024	5.2982%	0.000145157	$10,933,543,702.94	0.999999	32	66
7/9/2024	5.3067%	0.000145388	$10,989,713,286.83	1.000000	33	66
7/10/2024	5.3091%	0.000145455	$11,074,954,963.53	0.999996	34	66
7/11/2024	5.3092%	0.000145458	$11,022,525,574.84	1.000044	34	67
7/12/2024	5.3099%	0.000145477	$11,094,779,857.06	1.000031	33	65
7/13/2024	5.3099%	0.000145477	$11,094,779,857.06	1.000031	33	65
7/14/2024	5.3099%	0.000145477	$11,094,779,857.06	1.000031	33	65
7/15/2024	5.3140%	0.000145590	$11,029,055,728.61	1.000040	34	66
7/16/2024	5.3171%	0.000145675	$11,346,067,424.49	1.000038	34	65
7/17/2024	5.3162%	0.000145648	$11,307,883,696.80	1.000041	33	64
7/18/2024	5.3153%	0.000145626	$11,868,058,540.92	1.000032	32	62
7/19/2024	5.3157%	0.000145636	$11,841,733,346.38	1.000007	31	61
7/20/2024	5.3157%	0.000145636	$11,841,733,346.38	1.000007	31	61
7/21/2024	5.3157%	0.000145636	$11,841,733,346.38	1.000007	31	61
7/22/2024	5.3166%	0.000145659	$11,741,745,066.60	1.000020	32	62
7/23/2024	5.3168%	0.000145666	$11,762,913,497.04	1.000033	32	61
7/24/2024	5.3208%	0.000145776	$11,763,177,542.21	1.000040	33	61
7/25/2024	5.3250%	0.000145891	$11,754,072,352.16	1.000037	33	62
7/26/2024	5.3261%	0.000145921	$11,743,927,057.79	1.000039	32	60
7/27/2024	5.3261%	0.000145921	$11,743,927,057.79	1.000039	32	60
7/28/2024	5.3261%	0.000145921	$11,743,927,057.79	1.000039	32	60
7/29/2024	5.3189%	0.000145722	$11,809,600,570.56	1.000053	33	61
7/30/2024	5.3154%	0.000145628	$11,793,900,700.77	1.000056	33	61
7/31/2024	5.3264%	0.000145930	$11,614,008,231.39	1.000059	33	62
Average	5.3131%	0.000145565	$11,379,796,631.25		33	64

ECONOMIC COMMENTARY (cont.)

Headline PCE increased 0.1% m/m and 2.5% year-over-year (y/y), while core PCE increased 0.2% m/m and 2.6% y/y. The three-month annualized moving average of core PCE moderated to 2.3%, edging closer to the Fed's 2% target. Overall, these reports indicate that disinflationary momentum is regaining strength. At its July 31st meeting, the Federal Open Market Committee (FOMC) voted to leave the federal funds rate unchanged at a target range of 5.25%-5.50%. The statement included a few adjustments from the June statement, noting that job gains have moderated, and the unemployment rate has moved up recently, though it remains low. Additionally, it mentioned that inflation has eased over the past year but remains "somewhat" elevated and noted that there has been "some" progress towards the committee's 2% goal. During the press conference, Chairman Powell acknowledged that if the data continues to progress as expected, it would be appropriate to begin cutting rates at the September meeting. He clarified that "no decisions have been made about future meetings," including the September meeting. The Committee believes the economy is nearing a point where it might be appropriate to reduce the policy rate, but this decision will be data-dependent, considering the totality of data, the evolving outlook, and the balance of risks. Powell emphasized that the decision will not hinge on one or two specific data releases but on a broader assessment of economic conditions, including inflation and the labor market.

Shortly after Powell indicated that the Fed would place greater emphasis on its employment mandate compared to the past two years, the July employment report significantly underperformed expectations. Nonfarm payrolls rose by 114,000, falling short of the consensus of 175,000 and marking the slowest growth in over three years. Additionally, 29,000 jobs were removed from the prior two months, bringing the three-month moving average of payroll gains to 170,000. For the fourth consecutive month, the unemployment rate increased, this time by 0.2% to 4.3%. Average hourly earnings moderated to 3.6% y/y, down from the previous month's 3.9%, in line with the disinflationary narrative. This, along with the softer 0.9% quarter-over-quarter (q/q) increase in the Employment Cost Index in the second quarter, showed that easing wage pressures are well established moving into the third quarter. Despite the Bureau of Labor Statistics (BLS) stating that the hurricane in Texas had no impact on this report, Hurricane Beryl may have had some negative affect, with the number of people not at work due to bad weather jumping to 461k, the second highest print since 2021.

This disappointing data, coupled with other weak economic indicators, reinforced the case for a rate cut in September. Consequently, Treasury yields declined and ended the month significantly lower as the market began to pull forward expectations for Fed rate cuts. Three- and six-month Treasury bill yields fell by 7 basis points (bps) and 24 bps to 5.29% and 5.09%, respectively. Longer-term Treasury yields fell even further, with one- and two-year Treasury yields dropping 37 bps and 50 bps to 4.75% and 4.26%, respectively.

Outlook

For over two years, the Federal Reserve's primary objective has been to bring inflation back to its 2% target. As the disinflationary trend has persisted and economic data has shown signs of moderation, the Fed has indicated that the risks to achieving its dual mandate are becoming more balanced. For the first time in this cycle, the Committee has underscored its focus on both mandates, whereas previous statements primarily highlighted inflation risks. This dovish stance has bolstered market expectations for a September rate cut. Markets began to price even more cuts following the softer July Jobs report.

The July Jobs report casts doubt on the Fed's assumption of a labor market gradually returning to balance. The data appears weak, heightening the risk of a more significant labor market decline. The noticeable rise in the unemployment rate and the downward trend in wages, although broadly in line with the Fed's expectations, suggest that the labor market's impact on future policy may have been underestimated. With various labor market indicators showing softness, the Fed may need to implement rate cuts sooner to maintain a balanced economy. In our view, three rate cuts this year are probable, with the first likely in September. If the August employment report confirms that July's data was not an outlier, a 50-basis point cut in September becomes a distinct possibility, along with a faster and larger cutting cycle.

This information is an excerpt from an economic report dated July 2024 provided to TexSTAR by JP Morgan Asset Management, Inc., the investment manager of the TexSTAR pool.