



Quarterly Update

TexPool and TexPool Prime



Investor Goal

The investor goal for both TexPool and TexPool Prime is preservation and safety of principal, liquidity and yield.

Pool Features

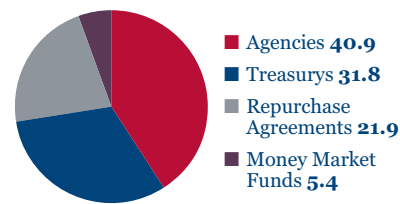
- Administered by the Texas Comptroller of Public Accounts.
- Managed and serviced by Federated Hermes.
- Highest possible ratings from S&P Global Ratings underscores the portfolios' high credit quality, daily liquidity and relative safety.
- High asset levels give the benefit of economies of scale.

Portfolio Overviews as of 6/30/24

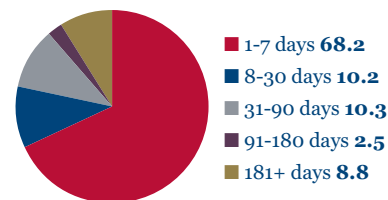
TexPool

Pool Assets \$33.2 billion

Portfolio Composition (%)



Effective Maturity Schedule (%)



Weighted Average Maturity

38 Days

Credit Rating

AAAm S&P Global Ratings

Portfolio Managers

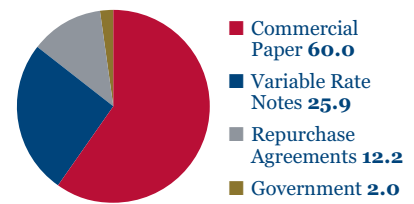
Susan Hill

Deborah Cunningham

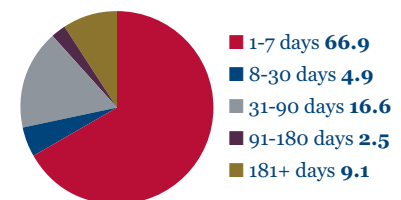
TexPool Prime

Pool Assets \$15.1 billion

Portfolio Composition (%)



Effective Maturity Schedule (%)



Weighted Average Maturity

43 Days

Credit Rating

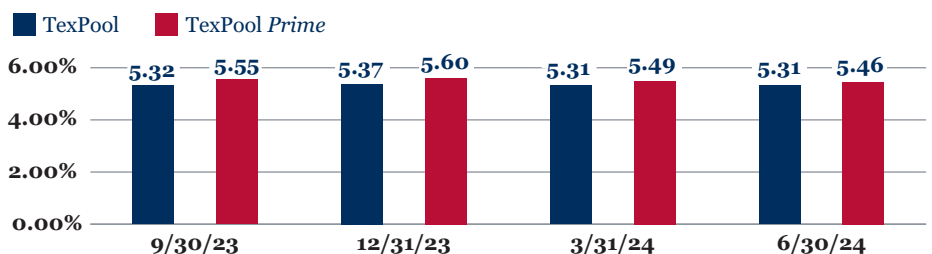
AAAm S&P Global Ratings

Portfolio Managers

Paige Wilhelm

Deborah Cunningham

Pool Performance: 7-Day Net Yields (%)



Performance data quoted represents past performance which is no guarantee of future results. Investment return will vary. The value of an investment, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than what is stated.

Portfolio Manager Commentary

Reality seemed to catch up with the Federal Reserve in the second quarter. Consecutive updates to its Summary of Economic Projections in December and March indicated policymakers still thought three 25 basis point cuts in the fed funds rate would be appropriate by year-end, despite inflation proving sticky. But Federal Open Market Committee (FOMC) members capitulated in the May meeting. Not only did they keep rates in the target range of 5.25-5.50%, but they also sounded almost despondent in their post-meeting statement: “In recent months, there has been a lack of further progress toward the Committee’s 2% inflation objective.” Indeed, the annualized growth rate of both the Consumer Price Index and the Personal Consumption Expenditures Index remained in the tight range observed for many months. The dour mood was confirmed in the revised projections released at the June meeting. The new “dot plot” showed that policymakers now think only a single quarter-point cut this year would fit the bill.

These lowered expectations were overall positive news for liquidity products across the industry. An extension of elevated rates likely translates into an extension of elevated yields, offering the potential for prolonging their attractiveness as an investment. Money market funds, in particular, appeared to benefit as assets under management remained around historically lofty levels.

Two other shifts in assets took place in the second quarter. The first was the Fed’s decision to reduce the monthly reduction, known as tapering, of its balance sheet, which had grown from huge to colossal during the pandemic. Since June of 2022, the Fed had allowed \$60 billion of Treasuries and \$35 billion of mortgage-backed securities (MBS) to mature without replacing them. Determined to avert any liquidity issues in the vast Treasury market, the FOMC slowed that pace in June of 2024, lowering the monthly cap on Treasuries from \$60 billion to \$25 billion, while keeping the MBS cap at \$35 billion.

The second change emanated from a building a few blocks from Fed headquarters in Washington, D.C. In May, the U.S. Treasury Department announced a program to purchase U.S. Treasuries in the coming months. By purchasing certain maturities of securities, the Dept. intends to facilitate market making, provide liquidity support and mitigate volatility in bill issuance. The latter can occur when it reduces the magnitude of bill auctions because it is flush with cash (primarily on tax collection dates).

At the end of the quarter, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 5.35%, 5.37%, 5.33% and 5.12%, respectively.

Portfolio composition is subject to change.

An investment in the Pool is not insured or guaranteed by any government or government agency. Although the manager of the Pool seeks to preserve principal, it is possible to lose money by depositing money in the Pool.

An AAAM rating by S&P Global Ratings is obtained after S&P Global Ratings evaluates a number of factors, including credit quality, market price exposure and management. Ratings are subject to change, and do not remove market risk. For more information on credit ratings, visit spglobal.com.

For more complete information, see the investment policy and information statement available at www.texpool.com. You should consider the investment’s objectives, risks, charges, and expenses carefully before you invest. Information about these and other important subjects is in the investment policy and information statement, which you should read carefully before investing.