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

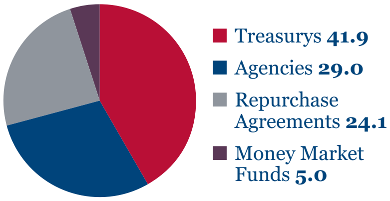
- Administered by the Texas Comptroller of Public Accounts.
- Managed and serviced by Federated Hermes.
- Highest possible ratings from S&P Global Ratings underscores the portfolios' high credit quality, daily liquidity and relative safety.
- High asset levels give the benefit of economies of scale.

Portfolio Overviews as of 3/31/24

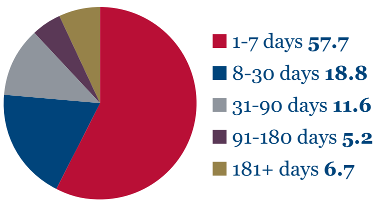
TexPool

Pool Assets $35.5 billion

Portfolio Composition (%)



Effective Maturity Schedule (%)



Weighted Average Maturity

38 Days

Credit Rating

AAAm S&P Global Ratings

Portfolio Managers

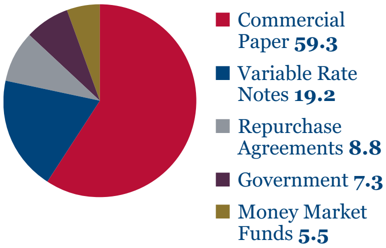
Susan Hill

Deborah Cunningham

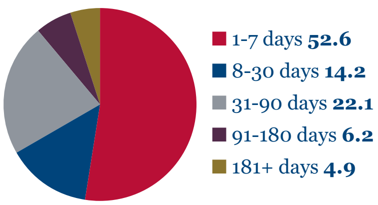
TexPool *Prime*

Pool Assets $15.0 billion

Portfolio Composition (%)



Effective Maturity Schedule (%)



Weighted Average Maturity

39 Days

Credit Rating

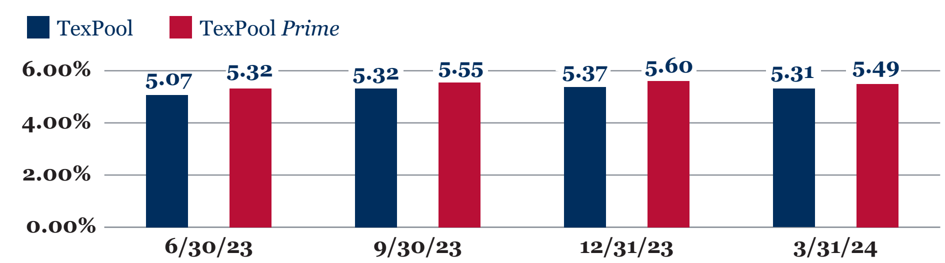
S&P Global Ratings

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

Greatly exaggerated in late 2023, the report of the death of "higher for longer" interest rates turned out to be mistaken in the first quarter of 2024.

Going into the quarter, the markets resisted Federal Reserve expectations for the pace and timing of easing monetary policy. The rate forecast "dot plot" in the December Summary of Economic Projections (SEP) indicated three quarter-point cuts could come later this year; the futures markets called for as many as seven, starting in March. No amount of communications from Fed officials dented this investor enthusiasm, including speeches and appearances by Chair Jerome Powell. But measures of consumer and producer inflation, which had been declining, began to level off and even reverse course slightly, the exuberance faded and markets fell in line. By the time of the Federal Open Market Committee's mid-March meeting, out of which the updated SEP again indicated a likely 75 basis-points worth of cuts in 2024, the markets had conceded. Policymakers kept the target federal funds range at 5.25-5.5% throughout the quarter.

Other factors contributed to the shift in sentiment. One was sentiment itself, as consumers displayed confidence and continued to spend despite the inflation, especially food prices. Economists' opinions on the reasons varied, but most agreed that the robust employment situation played a key role, due to the time-tested adage that Americans spend if they have a dependable source of income. In this case, the labor shortage not only provided that, but also helped to increase wages—particularly for those changing jobs—and reduce the size of inflation's bite into paychecks.

The strength of the economy, once viewed skeptically by many in the financial sphere, began to convert skeptics into believers that the U.S. might not only avoid a recession, but also even a marked slowdown. This is the scenario that Powell had frequently mentioned as potentially achievable, though the longer the Fed leaves the target range as is, the greater the risk it will end up damaging the economy. For investors, the high rate environment contributed to the continued attractiveness of the preponderance of liquidity products across the industry, including money market funds remaining at historically elevated assets under management.

At the end of the quarter, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 5.36%, 5.36%, 5.33% and 5.03%, respectively; the 1-, 3-, 6- and 12-month Bloomberg Short-Term Bank Yield Index rates (BSBY) were 5.47%, 5.45%, 5.36% and 5.17%, 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.

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Managed and Serviced by Federated Hermes

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