

TEXAS COLLEGE SAVINGS PLAN[®] & LONESTAR 529 PLAN[®]

Combined Financial Statements
Year Ended August 31, 2021

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Independent Auditor's Report

Members of the Texas Prepaid Higher Education Tuition Board
Texas College Savings Plan® and LoneStar 529 Plan®
Hauppauge, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Texas College Savings Plan® and the LoneStar 529 Plan® (collectively, the Plans), a fiduciary (private-purpose trust) fund of the State of Texas Office of the Comptroller, as of and for the year ended August 31, 2021, and the related notes to the combined financial statements, which collectively comprise the Plans' combined basic combined financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined basic financial statements referred to above present fairly, in all material respects, the financial position of the Plans as of August 31, 2021, and the changes in financial for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the combined basic financial statements present only the Plans and do not purport to, and do not, present fairly the financial position of the State of Texas, or the State of Texas Office of the Comptroller, as of August 31, 2021, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 3 to 12 be presented to supplement the combined basic financial statements.

Such information, although not a part of the combined basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined basic combined financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined basic combined financial statements, and other knowledge we obtained during our audit of the combined basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM VS LLP

Denver, Colorado
October 29, 2021

TEXAS COLLEGE SAVINGS PLAN[®] & LONESTAR 529 PLAN[®]
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2021
(Unaudited)

Management's Discussion and Analysis

Management of the Texas College Savings Plan[®] and the LoneStar 529 Plan[®] (collectively, the "Plans") is pleased to offer readers of the Plans' combined basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2021.

➤ **Overview of the Combined Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Plans' combined basic financial statements. The Plans' combined basic financial statements are comprised of two components: 1) combined the two individual statements not labeled "combined" financial statements and 2) notes to the combined financial statements.

Combined basic financial statements: The combined basic financial statements are designed to provide readers with a broad overview of the Plans' finances in a manner similar to a private-sector business. The combined basic financial statements are prepared using fiduciary fund accounting that uses the similar basis of accounting as private-sector business enterprises. The Plans are reported as a fiduciary fund, not enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The combined basic financial statements include a combined statement of fiduciary net position, and a combined statement of revenues, expenses and changes in fiduciary net position. These are followed by notes to combined financial statements.

The combined statement of fiduciary net position presents information on all of the Plans' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Plans is improving or deteriorating.

The combined statement of revenues, expenses and changes in fiduciary net position reports the operating revenues and expenses of the Plans for the fiscal year with the difference being combined with capital contributions and withdrawals to determine the change in net position for the fiscal year.

The notes to the combined basic financial statements provide additional information that is essential to a full understanding of the data provided in the combined basic financial statements.

➤ **Financial Highlights**

The net position of the direct-sold Texas College Savings Plan and the advisor-sold LoneStar 529 Plan, increased from \$858,472,896.24 as of August 31, 2020 to \$1,033,977,504.40 as of August 31, 2021, an increase of \$175,504,608.16. The increase was partially due to an increase from participant transactions of \$15,817,750.92; with the number of account owners increasing from 45,457 as of August 31, 2020, to 47,593 as of August 31, 2021. The remaining increase in net position was due to net investment earnings of \$159,686,857.24 for the year ended August 31, 2021. The net investment earnings amount is driven by revenues from dividend and interest, and service fees of \$25,602,353.29, realized and unrealized gain on investments of \$140,231,691.84, and

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expenses related to management, distributions and state administrative fees, net of waivers and reimbursements, of \$6,147,187.89.

➤ Fund Performance (Advisor-Sold)

The table below presents the Annual Total Returns for each portfolio in the LoneStar 529 Plan for the 12-month period ended August 31, 2021.

Portfolio name	A unit total return (%)	Advisor unit total return (%)	Benchmark returns (%)
Age Based 0-6 Years Portfolio (Advisor-Sold)	31.91	30.90	28.68
Age Based 7-9 Years Portfolio (Advisor-Sold)	25.03	24.09	22.33
Age Based 10-11 Years Portfolio (Advisor-Sold)	21.24	20.31	19.23
Age Based 12-14 Years Portfolio (Advisor-Sold)	17.71	16.85	16.17
Age Based 15-17 Years Portfolio (Advisor-Sold)	10.84	9.98	10.28
Age Based 18 Years and Over Portfolio (Advisor-Sold)	3.83	3.12	4.52
100% Equity Portfolio (Advisor-Sold)	35.59	34.59	32.06
Balanced Portfolio (Advisor-Sold)	21.39	20.48	19.23
Large Cap Growth Portfolio (Advisor-Sold)	30.54	29.54	28.53
Large Cap Value Portfolio (Advisor-Sold)	41.34	40.31	36.44
All Cap Active Portfolio (Advisor-Sold)	33.11	32.12	33.32
Large Cap Passive Portfolio (Advisor-Sold)	30.03	29.07	31.17
Socially Responsible Portfolio (Advisor-Sold)	32.34	31.37	33.04
Small Cap Portfolio (Advisor-Sold)	52.00	50.84	47.08
Non-U.S. Equity Portfolio (Advisor-Sold)	26.91	25.91	24.87
Fixed Income Portfolio (Advisor-Sold)	(1.00)	(1.69)	-0.09
Inflation Protected Bond Portfolio (Advisor-Sold)	4.78	3.97	5.56
U.S. Government Money Market Portfolio (Advisor-Sold)	0.00	0.00	0.05

The benchmarks for the LoneStar 529 Plan portfolios are based on a blend of benchmarks applicable to each Underlying Investment, as follows:

Underlying Investment	Benchmark
Artisan Value Fund	Russell 1000 Value Index Total Return
DFA Inflation Protected Securities Portfolio	Barclays Inflation Index Total Return
DFA U.S. Small Cap Portfolio	Russell 2000 Index Total Return
Dodge & Cox International Stock Fund	MSCI All Country World ex-U.S. Index (Net)
BNY Mellon Bond Market Index Fund	Barclays Aggregate Bond Index Total Return
Dreyfus Treasury Securities Cash Management	Citigroup 1-Month Treasury Bill Total Return
T. Rowe Price Institutional Large-Cap Growth Fund	Russell 1000 Growth Index Total Return
Templeton Institutional Funds Inc. – International Equity Series	MSCI All Country World ex-U.S. Index (Net)
TIAA-CREF International Equity Index Fund	MSCI EAFE Index (Net)
TIAA-CREF S&P 500 Index Fund	S&P 500 Index Total Return
TIAA-CREF Social Choice Equity Fund	Russell 3000 Index Total Return
William Blair All Cap Growth Fund	Dow Jones U.S. Total Stock Market Index

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The table below presents the Annual Total Returns for each portfolio in the LoneStar 529 Plan for the 12-month period ended August 31, 2020.

Portfolio name	A unit total return (%)	Advisor unit total return (%)	Benchmark returns (%)
Age Based 0-6 Years Portfolio (Advisor-Sold)	12.43	11.59	13.99
Age Based 7-9 Years Portfolio (Advisor-Sold)	11.79	10.93	13.22
Age Based 10-11 Years Portfolio (Advisor-Sold)	10.95	10.17	12.62
Age Based 12-14 Years Portfolio (Advisor-Sold)	11.42	10.62	12.01
Age Based 15-17 Years Portfolio (Advisor-Sold)	8.49	7.69	9.43
Age Based 18 Years and Over Portfolio (Advisor-Sold)	5.70	4.85	7.60
100% Equity Portfolio (Advisor-Sold)	13.34	12.53	14.73
Balanced Portfolio (Advisor-Sold)	11.08	10.21	12.62
Large Cap Growth Portfolio (Advisor-Sold)	40.56	39.49	44.34
Large Cap Value Portfolio (Advisor-Sold)	7.02	6.22	0.84
All Cap Active Portfolio (Advisor-Sold)	29.58	28.61	21.2
Large Cap Passive Portfolio (Advisor-Sold)	20.87	19.96	21.94
Socially Responsible Portfolio (Advisor-Sold)	20.32	19.38	21.44
Small Cap Portfolio (Advisor-Sold)	0.17	(0.55)	6.02
Non-U.S. Equity Portfolio (Advisor-Sold)	(0.82)	(1.56)	8.31
Fixed Income Portfolio (Advisor-Sold)	5.26	4.48	6.47
Inflation Protected Bond Portfolio (Advisor-Sold)	8.44	7.67	8.99
U.S. Government Money Market Portfolio (Advisor-Sold)	0.97	0.86	1.03

The benchmarks for the LoneStar 529 Plan portfolios are based on a blend of benchmarks applicable to each Underlying Investment, as follows:

Underlying Investment	Benchmark
Artisan Value Fund	Russell 1000 Value Index Total Return
DFA Inflation Protected Securities Portfolio	Barclays Inflation Index Total Return
DFA U.S. Small Cap Portfolio	Russell 2000 Index Total Return
Dodge & Cox International Stock Fund	MSCI All Country World ex-U.S. Index (Net)
BNY Mellon Bond Market Index Fund	Barclays Aggregate Bond Index Total Return
Dreyfus Treasury Securities Cash Management	Citigroup 1-Month Treasury Bill Total Return
T. Rowe Price Institutional Large-Cap Growth Fund	Russell 1000 Growth Index Total Return
Templeton Institutional Funds Inc. – International Equity Series	MSCI All Country World ex-U.S. Index (Net)
TIAA-CREF International Equity Index Fund	MSCI EAFE Index (Net)
TIAA-CREF S&P 500 Index Fund	S&P 500 Index Total Return
TIAA-CREF Social Choice Equity Fund	Russell 3000 Index Total Return
William Blair All Cap Growth Fund	Dow Jones U.S. Total Stock Market Index

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➤ Fund Performance (Direct-Sold)

The table below presents the Annual Total Returns for each portfolio in the Texas College Savings Plan for the 12-month period ended August 31, 2021.

Portfolio name	Direct total return (%)	Benchmark returns (%)
Blended Age Based 0-6 Years Portfolio (Direct-Sold)	30.52	28.75
Blended Age Based 7-9 Years Portfolio (Direct-Sold)	23.41	22.33
Blended Age Based 10-11 Years Portfolio (Direct-Sold)	20.15	19.22
Blended Age Based 12-14 Years Portfolio (Direct-Sold)	16.88	16.17
Blended Age Based 15-17 Years Portfolio (Direct-Sold)	10.69	10.68
Blended Age Based 18 Years and Over Portfolio (Direct-Sold)	4.22	4.54
Blended 100% Equity Portfolio (Direct-Sold)	34.11	32.00
Blended Balanced Portfolio (Direct-Sold)	20.03	19.08
Index Age Based 0-6 Years Portfolio (Direct-Sold)	27.34	28.34
Index Age Based 7-9 Years Portfolio (Direct-Sold)	21.32	22.1
Index Age Based 10-11 Years Portfolio (Direct-Sold)	18.35	19.04
Index Age Based 12-14 Years Portfolio (Direct-Sold)	15.37	16.03
Index Age Based 15-17 Years Portfolio (Direct-Sold)	9.85	10.48
Index Age Based 18 Years and Over Portfolio (Direct-Sold)	4.11	4.52
Index 100% Equity Portfolio (Direct-Sold)	30.51	31.49
Index Balanced Portfolio (Direct-Sold)	18.26	18.9
Fixed Income Portfolio (Direct-Sold)	(0.51)	-0.09
Inflation Protected Bond Portfolio (Direct-Sold)	5.10	5.56
U.S. Government Money Market Portfolio (Direct-Sold)	0.00	0.05

The benchmarks for the Texas College Savings Plan portfolios are based on a blend of benchmarks applicable to each Underlying Investment, as follows:

Underlying Investment	Benchmark
Artisan Value Fund	Russell 1000 Value Index Total Return
DFA Inflation Protected Securities Portfolio	Barclays Inflation Index Total Return
DFA U.S. Small Cap Portfolio	Russell 2000 Index Total Return
Dodge & Cox International Stock Fund	MSCI All Country World ex-U.S. Index (Net)
Dreyfus Treasury Securities Cash Management	Citigroup 1-Month Treasury Bill Total Return
T. Rowe Price Institutional Large-Cap Growth Fund	Russell 1000 Growth Index Total Return
Vanguard Extended Market Index Fund	Russell 2500 Index Total Return
Vanguard Institutional Index Fund	S&P 500 Index Total Return
Vanguard Total Bond Market Index Fund	Barclays Aggregate Bond Index Total Return
Vanguard Total International Stock Index Fund	FTSE Global All Cap ex US Index (Net)

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The table below presents the Annual Total Returns for each portfolio in the Texas College Savings Plan for the 12-month period ended August 31, 2020.

Portfolio name	Direct total return (%)	Benchmark returns (%)
Blended Age Based 0-6 Years Portfolio (Direct-Sold)	13.74	14.23
Blended Age Based 7-9 Years Portfolio (Direct-Sold)	13.36	13.43
Blended Age Based 10-11 Years Portfolio (Direct-Sold)	12.52	12.81
Blended Age Based 12-14 Years Portfolio (Direct-Sold)	11.88	12.13
Blended Age Based 15-17 Years Portfolio (Direct-Sold)	9.58	9.79
Blended Age Based 18 Years and Over Portfolio (Direct-Sold)	7.31	7.57
Blended 100% Equity Portfolio (Direct-Sold)	14.60	15.20
Blended Balanced Portfolio (Direct-Sold)	13.21	12.95
Index Age Based 0-6 Years Portfolio (Direct-Sold)	15.73	14.80
Index Age Based 7-9 Years Portfolio (Direct-Sold)	14.25	13.75
Index Age Based 10-11 Years Portfolio (Direct-Sold)	13.42	13.08
Index Age Based 12-14 Years Portfolio (Direct-Sold)	12.73	12.35
Index Age Based 15-17 Years Portfolio (Direct-Sold)	10.06	10.04
Index Age Based 18 Years and Over Portfolio (Direct-Sold)	7.40	7.60
Index 100% Equity Portfolio (Direct-Sold)	16.48	15.85
Index Balanced Portfolio (Direct-Sold)	13.27	13.22
Fixed Income Portfolio (Direct-Sold)	5.67	6.47
Inflation Protected Bond Portfolio (Direct-Sold)	8.96	8.99
U.S. Government Money Market Portfolio (Direct-Sold)	0.97	1.03

The benchmarks for the Texas College Savings Plan portfolios are based on a blend of benchmarks applicable to each Underlying Investment, as follows:

Underlying Investment	Benchmark
Artisan Value Fund	Russell 1000 Value Index Total Return
DFA Inflation Protected Securities Portfolio	Barclays Inflation Index Total Return
DFA U.S. Small Cap Portfolio	Russell 2000 Index Total Return
Dodge & Cox International Stock Fund	MSCI All Country World ex-U.S. Index (Net)
Dreyfus Treasury Securities Cash Management	Citigroup 1-Month Treasury Bill Total Return
T. Rowe Price Institutional Large-Cap Growth Fund	Russell 1000 Growth Index Total Return
Vanguard Extended Market Index Fund	Russell 2500 Index Total Return
Vanguard Institutional Index Fund	S&P 500 Index Total Return
Vanguard Total Bond Market Index Fund	Barclays Aggregate Bond Index Total Return
Vanguard Total International Stock Index Fund	FTSE Global All Cap ex US Index (Net)

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➤ **Financial Analysis**

Combined fiduciary net position information as of August 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	\$ 3,283,479.71	\$ 2,854,247.80
Long-term assets	<u>1,034,419,671.26</u>	<u>858,608,587.10</u>
Total assets	<u>1,037,703,150.97</u>	<u>861,462,834.90</u>
Liabilities		
Current liabilities	3,725,646.57	2,989,938.66
Long-term liabilities	<u>0.00</u>	<u>0.00</u>
Total liabilities	<u>3,725,646.57</u>	<u>2,989,938.66</u>
Net position held in trust for participants	\$ <u>1,033,977,504.40</u>	\$ <u>858,472,896.24</u>

Combined changes in fiduciary net position information for the years ended August 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Revenue and gains		
Contributions from participants	\$ 312,424,543.84	\$ 274,452,410.86
Investment earnings	<u>165,834,045.13</u>	<u>97,303,496.67</u>
Total revenue and gains	<u>478,258,588.97</u>	<u>371,755,907.53</u>
Expenses and losses		
Withdrawals to participants	296,606,792.92	258,050,538.58
Other expenses and losses	<u>6,147,187.89</u>	<u>5,145,715.00</u>
Total expenses and losses	<u>302,753,980.81</u>	<u>263,196,253.58</u>
Change in net position	<u>175,504,608.16</u>	<u>108,559,653.95</u>
Change in net position		
Beginning of year	<u>858,472,896.24</u>	<u>749,913,242.29</u>
End of year	\$ <u>1,033,977,504.40</u>	\$ <u>858,472,896.24</u>

Net participant contributions and withdrawals were approximately \$16 million for the year ended August 31, 2021 and \$16 million for the year ended August 31, 2020. Net investment earnings were approximately \$160 million for the year ended August 31, 2021 and \$92 million for the year ended August 31, 2020.

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➤ **Advisor-Sold Fund Performance**

The following tables provide the annual return, as of August 31, 2021, for each underlying investment as well as the Portfolios' relative target allocations to each of the underlying funds.

Advisor-Sold Portfolios:							
				Target Allocation			
Investment	Investment Return	Benchmark	Benchmark Return	Age Based 0-6 Years	Age Based 7-9 Years	Age Based 10-11 Years	Age Based 12-14 Years
T Rowe Price Institutional Large-Cap Growth Fund	31.60%	Russell 1000 Growth Index	28.53%	17.00%	14.50%	13.00%	9.50%
Artisan Value Fund	42.65%	Russell 1000 Value Index	36.44%	17.00%	14.50%	13.00%	9.50%
William Blair All Cap Growth Fund	33.93%	DJ U.S. Total Stock Market Index	33.32%	13.00%	9.00%	7.00%	9.00%
DFA US Small Cap Portfolio	53.34%	Russell 2000 Index	47.08%	13.00%	9.00%	7.00%	5.00%
Dodge & Cox International Stock Fund	31.55%	MSCI All Country World ex-US Index	24.87%	25.00%	23.00%	20.00%	17.00%
TIAA-CREF International Equity Index Fund	26.33%	MSCI EAFE Index	26.12%	5.00%	-	-	-
BNY Mellon Bond Market Index Fund	-0.17%	Barclays Aggregate Bond Index	-0.09%	10.00%	20.00%	25.00%	30.00%
DFA Inflation Protected Securities Portfolio	5.70%	Barclays Inflation Index	5.56%	-	10.00%	15.00%	20.00%
Investment	Investment Return	Benchmark	Benchmark Return	Age Based 15-17 Years	Age Based 18 and Over	100% Equity	Balanced
T Rowe Price Institutional Large-Cap Growth Fund	31.60%	Russell 1000 Growth Index	28.53%	6.00%	2.00%	20.50%	13.00%
Artisan Value Fund	42.65%	Russell 1000 Value Index	36.44%	6.00%	2.00%	20.50%	13.00%
William Blair All Cap Growth Fund	33.93%	DJ U.S. Total Stock Market Index	33.32%	5.00%	2.00%	13.00%	7.00%
DFA US Small Cap Portfolio	53.34%	Russell 2000 Index	47.08%	3.00%	1.00%	13.00%	7.00%
Dodge & Cox International Stock Fund	31.55%	MSCI All Country World ex-US Index	24.87%	10.00%	3.00%	25.00%	20.00%
TIAA-CREF International Equity Index Fund	26.33%	MSCI EAFE Index	26.12%	-	-	8.00%	-
BNY Mellon Bond Market Index Fund	-0.17%	Barclays Aggregate Bond Index	-0.09%	30.00%	30.00%	-	25.00%
DFA Inflation Protected Securities Portfolio	5.70%	Barclays Inflation Index	5.56%	25.00%	25.00%	-	15.00%
Dreyfus Treasury Securities Cash Management	0.01%	Citigroup 1-Month Treasury Bill Index	0.05%	15.00%	35.00%	-	-
Investment	Investment Return	Benchmark	Benchmark Return	Large Cap Growth	Large Cap Value	All Cap Active	All Cap Passive
T Rowe Price Institutional Large-Cap Growth Fund	31.60%	Russell 1000 Growth Index	28.53%	100.00%	-	-	-
Artisan Value Fund	42.65%	Russell 1000 Value Index	36.44%	-	100.00%	-	-
William Blair All Cap Growth Fund	33.93%	DJ U.S. Total Stock Market Index	33.32%	-	-	100.00%	-
TIAA-CREF S&P 500 Index Fund	31.09%	S&P 500 Index	31.17%	-	-	-	100.00%

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➤ **Advisor-Sold Fund Performance Continued**

The following tables provide the annual return, as of August 31, 2021, for each underlying investment as well as the Portfolios’ relative target allocations to each of the underlying funds.

				Target Allocation			
Investment	Investment Return	Benchmark	Benchmark Return	Socially Responsible	Small Cap	Non-U.S. Equity	Fixed Income
TIAA-CREF Social Choice Equity Fund	33.40%	Russell 3000 Index	33.04%	100.00%	-	-	-
DFA US Small Cap Portfolio	53.34%	Russell 2000 Index	47.08%	-	100.00%	-	-
Templeton Institutional Funds Inc. – International Equity Series	27.76%	MSCI All Country World ex-US Index	24.87%	-	-	100.00%	-
BNY Mellon Bond Market Index Fund	-0.17%	Barclays Aggregate Bond Index	-0.09%	-	-	-	100.00%
Investment	Investment Return	Benchmark	Benchmark Return	Inflation Protected Bond	U.S. Government Money Market		
DFA Inflation Protected Securities Portfolio	5.70%	Barclays Inflation Index	5.56%	100.00%	-		
Dreyfus Treasury Securities Cash Management	0.01%	Citigroup 1-Month Treasury Bill Index	0.05%	-	100.00%		

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➤ **Direct-Sold Fund Performance**

The following tables provide the annual return, as of August 31, 2021, for each underlying investment as well as the Portfolios' relative target allocations to each of the underlying funds.

Direct-Sold Portfolios:							
				Target Allocation			
Investment	Investment Return	Benchmark	Benchmark Return	Age Based 0-6 Blended	Age Based 7-9 Blended	Age Based 10-11 Blended	Age Based 12-14 Blended
T Rowe Price Institutional Large-Cap Growth Fund	31.60%	Russell 1000 Growth Index	28.53%	14.00%	12.00%	10.00%	8.50%
Artisan Value Fund	42.65%	Russell 1000 Value Index	36.44%	14.00%	12.00%	10.00%	8.50%
Vanguard Institutional Index Fund	31.14%	S&P 500 Index	31.17%	18.00%	14.00%	13.00%	11.00%
DFA US Small Cap Portfolio	53.34%	Russell 2000 Index	47.08%	7.00%	4.50%	3.50%	2.50%
Vanguard Extended Market Index Fund	43.77%	Russell 2500 Index	45.87%	7.00%	4.50%	3.50%	2.50%
Dodge & Cox International Stock Fund	31.55%	MSCI All Country World ex-US Index	24.87%	12.00%	9.00%	8.00%	7.00%
Vanguard Total International Stock Index Fund	26.38%	FTSE Global ex USA All Cap Index (Net)	26.45%	18.00%	14.00%	12.00%	10.00%
Vanguard Total Bond Market Index Fund	0.09%	Barclays Aggregate Bond Index	-0.09%	10.00%	20.00%	25.00%	30.00%
DFA Inflation Protected Securities Portfolio	5.70%	Barclays Inflation Index	5.56%	-	10.00%	15.00%	20.00%
Investment	Investment Return	Benchmark	Benchmark Return	Age Plan 15-17 Blended	Age Based Over 18 Blended	100% Equity Blended	Balanced Blended
T Rowe Price Institutional Large-Cap Growth Fund	31.60%	Russell 1000 Growth Index	28.53%	4.50%	1.50%	18.00%	10.00%
Artisan Value Fund	42.65%	Russell 1000 Value Index	36.44%	4.50%	1.50%	18.00%	10.00%
Vanguard Institutional Index Fund	31.14%	S&P 500 Index	31.17%	7.00%	3.00%	18.00%	14.00%
DFA US Small Cap Portfolio	53.34%	Russell 2000 Index	47.08%	2.00%	-	6.50%	3.00%
Vanguard Extended Market Index Fund	43.77%	Russell 2500 Index	45.87%	2.00%	1.00%	6.50%	3.00%
Dodge & Cox International Stock Fund	31.55%	MSCI All Country World ex-US Index	24.87%	4.00%	1.00%	13.00%	8.00%
Vanguard Total International Stock Index Fund	26.38%	FTSE Global ex USA All Cap Index (Net)	26.45%	6.00%	2.00%	20.00%	12.00%
Vanguard Total Bond Market Index Fund	0.09%	Barclays Aggregate Bond Index	-0.09%	30.00%	45.00%	-	25.00%
DFA Inflation Protected Securities Portfolio	5.70%	Barclays Inflation Index	5.56%	30.00%	30.00%	-	15.00%
Dreyfus Treasury Securities Cash Management	0.01%	Citigroup 1-Month Treasury Bill Index	0.05%	10.00%	15.00%	-	-

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2021

(Unaudited)

➤ **Direct-Sold Fund Performance Continued**

The following tables provide the annual return, as of August 31, 2021, for each underlying investment as well as the Portfolios' relative target allocations to each of the underlying funds.

				Target Allocation			
Investment	Investment Return	Benchmark	Benchmark Return	Age Based 0-6 Indexed	Age Based 7-9 Indexed	Age Based 10-11 Indexed	Age Based 12-14 Indexed
Vanguard Institutional Index Fund	31.14%	S&P 500 Index	31.17%	47.00%	38.00%	33.00%	28.00%
Vanguard Extended Market Index Fund	43.77%	Russell 2500 Index	45.87%	13.00%	9.00%	7.00%	5.00%
Vanguard Total International Stock Index Fund	26.38%	FTSE Global ex USA All Cap Index (Net)	26.45%	30.00%	23.00%	20.00%	17.00%
Vanguard Total Bond Market Index Fund	0.09%	Barclays Aggregate Bond Index	-0.09%	10.00%	20.00%	25.00%	30.00%
DFA Inflation Protected Securities Portfolio	5.70%	Barclays Inflation Index	5.56%	-	10.00%	15.00%	20.00%
Investment	Investment Return	Benchmark	Benchmark Return	Age Plan 15-17 Indexed	Age Based Over 18 Indexed	100% Equity Indexed	Balanced Indexed
Vanguard Institutional Index Fund	31.14%	S&P 500 Index	31.17%	17.00%	6.00%	55.00%	34.00%
Vanguard Extended Market Index Fund	43.77%	Russell 2500 Index	45.87%	3.00%	1.00%	12.00%	6.00%
Vanguard Total International Stock Index Fund	26.38%	FTSE Global ex USA All Cap Index (Net)	26.45%	10.00%	3.00%	33.00%	20.00%
Vanguard Total Bond Market Index Fund	0.09%	Barclays Aggregate Bond Index	-0.09%	30.00%	45.00%	-	25.00%
DFA Inflation Protected Securities Portfolio	5.70%	Barclays Inflation Index	5.56%	30.00%	30.00%	-	15.00%
Dreyfus Treasury Securities Cash Management	0.01%	Citigroup 1-Month Treasury Bill Index	0.05%	10.00%	15.00%	-	-
Investment	Investment Return	Benchmark	Benchmark Return	Fixed Income	Inflation Protected Bond	U.S. Government Money Market	
Vanguard Total Bond Market Index Fund	0.09%	Barclays Aggregate Bond Index	-0.09%	100.00%	-	-	
DFA Inflation Protected Securities Portfolio	5.70%	Barclays Inflation Index	5.56%	-	100.00%	-	
Dreyfus Treasury Securities Cash Management	0.01%	Citigroup 1-Month Treasury Bill Index	0.05%	-	-	100.00%	

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®
COMBINED STATEMENT OF FIDUCIARY NET POSITION
AS OF AUGUST 31, 2021

Assets:

Investments, at fair value (cost \$813,488,908.87)	\$ 1,034,419,671.26
Cash and cash equivalents	1,002,167.22
Receivable for securities sold	1,123,505.25
Dividends and interest receivable	304,686.00
Contributions receivable	839,579.92
Receivable for waived and reimbursed expenses	13,541.32
Total assets	<u>1,037,703,150.97</u>

Liabilities and Net Position:

Liabilities:

Cash overdraft	\$ 1,123,505.25
Payables and other liabilities:	
Payable for securities purchased	1,074,254.57
Withdrawals payable	932,983.22
Accrued expenses	594,903.53
Total liabilities	<u>3,725,646.57</u>
Net position held in trust for participants	<u>1,033,977,504.40</u>

See accompanying notes to the combined financial statements

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2021

Investment income (expense):

Dividends and interest	\$ 25,551,703.86
Realized and unrealized gain on investments	140,231,691.84
Service fees	50,649.43
Management fees	(4,839,333.25)
Distribution fees	(906,370.81)
State administrative fees	(561,077.32)
Waiver and reimbursement of expenses	159,593.49
Net investment earnings	<u>159,686,857.24</u>

Participant transactions:

Contributions from participants	312,424,543.84
Withdrawals to participants	<u>(296,606,792.92)</u>
Total increase from participant transactions	15,817,750.92
Total increase in net position held in trust for participants	<u>175,504,608.16</u>

Net Position:

Beginning of year	<u>858,472,896.24</u>
End of year	\$ <u><u>1,033,977,504.40</u></u>

See accompanying notes to the combined financial statements

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of the Plans

The Texas College Savings Plan and the LoneStar 529 Plan (individually or collectively known as the “Plans”) are fiduciary funds of the State of Texas which are administered by the Texas Prepaid Higher Education Tuition Board (the “Board”). The Board is the Trustee of the assets which are held in trust by the Texas Comptroller of Public Accounts (“Comptroller”). The Board is comprised of seven members with the Comptroller of Public Accounts serving as the presiding officer of the Board. Two Board members are appointed by the Governor and four members are appointed by the Lieutenant Governor, with two of the Lieutenant Governor’s appointees recommended by the Speaker of the Texas House of Representatives. The Plans are established under Section 529 of the Internal Revenue Code of 1986 as amended (“Section 529”) to allow individuals to contribute to savings accounts to pay for qualified education expenses. Any earnings are tax-free if used for qualified education expenses. Orion Advisor Solutions, Inc (“Orion” or the “Plan Manager”), serves as Plan Manager, responsible for the day-to-day operation and marketing of the Plan.

The Plans offer different asset allocation mixes to provide for investors that have different needs, time frames, and tolerances to risk. The Texas College Savings Plan is a direct-sold plan, while the LoneStar 529 Plan is advisor-sold. The current Plans include 18 advisor-sold and 19 direct-sold portfolios.

The LoneStar 529 Plan includes the following advisor-sold portfolios with each portfolio offered in two unit classes: Class A and Advisor Class. All classes of units have identical right to earnings and assets, except for class-specific expenses.

LoneStar 529 Advisor-Sold Portfolios	Texas College Savings Plan Direct-Sold Portfolios
Age Based 0-6 Years Portfolio	Blended Age Based 0-6 Years Portfolio
Age Based 7-9 Years Portfolio	Blended Age Based 7-9 Years Portfolio
Age Based 10-11 Years Portfolio	Blended Age Based 10-11 Years Portfolio
Age Based 12-14 Years Portfolio	Blended Age Based 12-14 Years Portfolio
Age Based 15-17 Years Portfolio	Blended Age Based 15-17 Years Portfolio
Age Based 18 Years and Over Portfolio	Blended Age Based 18 Years and Over Portfolio
100% Equity Portfolio	Blended 100% Equity Portfolio
Balanced Portfolio	Blended Balanced Portfolio
Large Cap Growth Portfolio	Index Age Based 0-6 Years Portfolio
Large Cap Value Portfolio	Index Age Based 7-9 Years Portfolio
All Cap Active Portfolio	Index Age Based 10-11 Years Portfolio
Large Cap Passive Portfolio	Index Age Based 12-14 Years Portfolio
Socially Responsible Portfolio	Index Age Based 15-17 Years Portfolio
Small Cap Portfolio	Index Age Based 18 Years and Over Portfolio
Fixed Income Portfolio	Index 100% Equity Portfolio
Inflation Protected Bond Portfolio	Index Balanced Portfolio
Non-U.S. Equity Portfolio	Fixed Income Portfolio
U.S. Government Money Market Portfolio	Inflation Protected Bond Portfolio
	U.S. Government Money Market Portfolio

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

a) Basis of Presentation

The accompanying combined basic financial statements have been prepared using the “economic resources” measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board (“GASB”). Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The combined financial statements include the combined statement of fiduciary net position, the combined statement of revenues, expenses and changes in fiduciary net position and notes to the combined financial statements. The combined statement of fiduciary net position is a measure of the Plans’ assets and liabilities at the close of the fiscal year. The combined statement of revenues, expenses and changes in fiduciary net position includes contributions to and withdrawals from the Plans, as well as additions and deductions due to administration of the Plans during the fiscal year.

The accompanying combined financial statements include each of the nineteen portfolios of the Texas College Savings Plan and each of the eighteen portfolios of the LoneStar 529 Plan. No significant accounts or transactions exist between the Plans.

b) Investment Valuation

The Plans record investments, other than money market funds, at fair value based on quoted market prices. Money market funds are reported at amortized cost. The difference between the cost basis and the fair value of investments is reflected as unrealized gain/(loss) on investments, and any change in that amount from previous fiscal year end is reflected in the accompanying combined statement of revenues, expenses and changes in fiduciary net position as realized and unrealized loss on investments, see note 4.

c) Investment Earnings

Investment transactions are recorded on trade date. Realized gains and losses on investments sold are recognized as the difference between proceeds received and the original cost basis as determined using first-in-first-out method. Dividend income is recorded on the ex-dividend date. Noncash dividends included in dividend income, if any, are recorded at fair market value of the noncash dividend as of the date received. Income and capital gain distributions from the underlying investments are recorded on the ex-dividend date. Dividend income is included in investment income and capital gain distributions received are included in realized and unrealized loss on investments in the accompanying combined statement of revenues, expenses and changes in fiduciary net position.

d) Income Taxes

The Plans were established under Section 529 of the Internal Revenue Code, which provides that the Plans shall be exempt from income taxes. Therefore, no income tax provision is required.

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

e) Contributions and Withdrawals

Contributions and withdrawals are recorded at the unit value determined on the valuation date following receipt of notice of the contribution or withdrawal. Contributions and withdrawals are subject to sufficient advance notifications as outlined in the Plan Description and Savings Trust Agreements. The Plans' unit values (net asset values) are determined daily.

f) Use of Estimates

The preparation of the combined financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of combined financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

3. Related-Party Transactions

Plan participants bear ongoing fees, which are charged against the participants' accounts, to provide for the cost associated with the distribution, servicing, and administration of the Plan. There are also asset-based fees and expenses charged by the underlying investment funds in which the Plan invests.

a) Management Fees

From the fees assessed against participants' accounts, the Plans pay a management fee based on the average daily net position of the Plans in combination with one other plan administered by the state, the Texas Tuition Promise Fund®, which is paid on a monthly basis to the Plan Manager for plan administration and investment management services at the following levels:

Average Daily Total Net Position Under Management	Annual Management Fee %
Up to \$1.0B	0.535%
In excess of \$1.0B, but less than \$2.5B	0.485%
In excess of \$2.5B, but less than \$5.0B	0.435%
In excess of \$5.0B	0.385%

The asset management fee was \$4,839,333.25 for the year ended August 31, 2021.

b) State Administrative Fees

From the fees assessed against participants' accounts, an administrative fee at the annual rate of 0.0843% of the average daily net position of the Plan is paid to the Board on a monthly basis, to offset the Board's costs of administering the Plans on all portfolios except the eight index portfolios, which do not incur an administrative fee.

The administrative fee was \$561,077.32 for the year ended August 31, 2021.

The Plan Manager and Board have agreed to voluntarily waive the program management fee and the administrative fee respectively, (but not below zero) to the extent necessary to assist the U.S. Government Money Market

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

Portfolios in attempting to maintain at least a 0.00% return. There is no guarantee that the U.S. Government Money Market Portfolios will maintain this return. This undertaking may be amended or withdrawn at any time. The amount for the period ended August 31, 2021, is shown as “Waiver and reimbursement of expenses” on the accompanying financial statements.

c) Distribution Fees

Northern Lights Distributor, LLC, (the “Plan Distributor”) is a subcontractor of the Plan Manager. The distribution fee, which varies based on participant class, as a percentage of the average daily net position of the participant class, is paid to the Plan Distributor on a monthly basis.

Financial advisors and brokers who sell Class A units receive ongoing compensation, which is paid by the Plan Manager or one of its affiliates, of 0.25% (beginning in the first month after the contribution is made) of the average daily net position of Class A units sold by such financial advisor or broker in accounts.

Financial advisors and brokers who sell Advisor Class units receive ongoing compensation, which is paid by the Plan Manager or one of its affiliates, of 1.00% of the average daily net position of Advisor Class units sold by such financial advisor or broker in accounts commencing 13 months following the purchase of such Advisor Class units.

The distribution fee was \$906,370.81 for the year ended August 31, 2021.

d) Sales Charges

Front-end sales charges and contingent deferred sales charges (“CDSC”) do not represent expenses of the account owners. They are deducted from the proceeds of the sales of units prior to investment or from withdrawal proceeds prior to remittance, as applicable. Class A units include a maximum initial sales charge of 5.75%. Advisor Class units include the CDSC of 1% for the first year. Direct-sold units are sold at their offering price, which is the net position value per unit without any initial sales charge.

4. Investments

The Plans invest primarily in investments of registered mutual funds which include: Artisan Value Fund, DFA Inflation Protected Securities Portfolio, DFA US Small Cap Portfolio, Dreyfus Treasury Securities Cash Management, Dodge & Cox International Stock Fund, BNY Mellon Bond Market Index Fund, T Rowe Price Institutional Large-Cap Growth Fund, Templeton Institutional Funds Inc. - Foreign Equity Series, TIAA-CREF International Equity Index Fund, TIAA-CREF S&P 500 Index Fund, TIAA-CREF Social Choice Equity Fund, Vanguard Extended Market Index Fund, Vanguard Institutional Index Fund, Vanguard Total Bond Market Index Fund, Vanguard Total International Stock Index Fund, and William Blair All Cap Growth Fund.

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

The fair value of investments held, and the corresponding shares owned as of August 31, 2021 were as follows:

	<u>Shares</u>	<u>Fair Value</u>
Fixed income mutual fund investments:		
DFA Inflation Protected Securities	11,069,331	\$ 150,321,511.94
BNY Mellon Bond Market Index Fund	3,997,053	43,288,086.46
Vanguard Total Bond Market Index	14,924,491	169,989,957.89
		<u>363,599,556.29</u>
Equity mutual fund investments:		
Artisan Value Fund	3,516,479	59,709,821.60
DFA U.S. Small Cap Portfolio	682,168	32,450,718.92
Dodge & Cox International Stock Fund	1,120,697	54,633,977.04
T. Rowe Price Institutional Large Cap Growth Fund	1,006,436	75,271,327.20
Templeton Institutional Funds Foreign Equity Series	126,938	2,083,044.74
TIAA-CREF International Equity Index	97,428	2,303,187.16
TIAA-CREF S&P 500 Index Fund	538,813	26,994,509.41
TIAA-CREF Social Choice Equity Fund	123,646	3,677,236.83
Vanguard Extended Market Index	274,269	39,568,775.63
Vanguard Institutional Index	416,262	164,818,982.46
Vanguard Total International Stock Index	813,598	115,189,170.85
William Blair Growth Fund	1,393,594	22,952,487.22
		<u>599,653,239.06</u>
Money market fund investments (amortized cost):		
Dreyfus Treasury Securities Cash Management	71,166,876	71,166,875.91
		<u>71,166,875.91</u>
Investments, at fair value (cost \$813,488,908.87)		<u>\$ 1,034,419,671.26</u>

The Plans utilize various methods to measure the fair value of investments on a recurring basis. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72, Fair Value Measurement and Application, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of input are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Plans have the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Plans' own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables summarize the inputs used as of August 31, 2021 for the Plans' assets and liabilities measured at fair value:

Assets	Totals	Level 1	Level 2	Level 3
Fixed income mutual fund investments	363,599,556.29	363,599,556.29	-	-
Equity mutual fund investments	599,653,239.06	599,653,239.06	-	-
Total	963,252,795.35	963,252,795.35	-	-
Money market fund investments (amortized cost)	71,166,875.91	-	-	-
Total	1,034,419,671.26	963,252,795.35	-	-

There were no transfers between levels during the current period presented. It is the Plans' policy to record transfers into and out of any level at the end of the reporting period. The Plan did not hold any Level 2 or Level 3 securities during the period.

Certain investments are subject to investment risk based on the amount of risk in the underlying investments. GASB Statement No. 40, *Deposit and Investment Risk Disclosures* requires that entities disclose essential risk information about deposits and investments. The Plan Description and Savings Trust Agreements provide greater detail about the investment policies and practices of the Plans.

a) Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plans will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. None of the Plans' deposits as of August 31, 2021 were exposed to custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plans will not be able to recover the value of investment or collateral securities that are in the possession of the outside party. Constellation Trust & Company, the Custodian, is an affiliate of the Plan Manager. Other than cash, all investments are held direct to the Plans. The Plans do not have a formal policy for limiting its exposure to custodial credit risk. Because the Plans' investments are generally in mutual funds, this risk is significantly mitigated.

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

b) Credit Risk

Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations. In order to monitor credit risk, on a quarterly basis the Board utilizes an investment consultant to review and report to the Board detailed performance reporting and risk assessments on each of the underlying holdings of the Plans. The Plans invest directly in mutual funds, which are registered under the Investment Company Act of 1940 (“40 Act”). Each mutual fund’s prospectus provides greater detail about the investment strategies and practices of the mutual funds, in compliance with federal regulations and specifically, the Form N-1A of the 40 Act. Form N-1A discloses information and policies about the mutual funds and its investment objectives, as well as information on the company structure and operations.

The Plans’ investment pools had the following credit risk structure as of August 31, 2021 based on the Nationally Recognized Statistical Rating Organization (NSRO). Data obtained from Morningstar:

	DFA Inflation Protected Securities Portfolio	BNY Mellon Bond Market Index Fund	Vanguard Total Bond Market Index Fund
AAA	100.00%	69.44%	68.97%
AA	0.00%	3.45%	3.27%
A	0.00%	11.33%	11.98%
BBB	0.00%	15.78%	15.81%
BB	0.00%	0.00%	0.00%
B	0.00%	0.00%	0.00%
Below B	0.00%	0.00%	0.01%
Not Rated	0.00%	0.00%	-0.04%

The credit risk ratings presented above relate to each of the fixed income mutual funds' underlying portfolio holdings as of August 31, 2021. Mutual funds themselves are unrated.

c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. As of August 31, 2021, all investments held by the Plans were in mutual funds or other pooled investments, therefore the Plans did not have any investments subject to the concentration of credit risk.

d) Interest Rate Risk

Interest rate risk refers to the value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the Plans already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Plans’ net position. In order to monitor interest rate risk, on a quarterly basis the Board utilizes an investment consultant to review and report to the Board detailed performance reporting and risk assessments on each of the underlying holdings of the Plans.

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

The Plans' investment pools had the following interest rate risk structure as of August 31, 2021:

Holding	Duration in Years ¹
DFA Inflation Protected Securities Portfolio	7.81
BNY Mellon Bond Market Index Fund	6.59
Vanguard Total Bond Market Index Fund	6.84

e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. In order to monitor foreign currency risk, on a quarterly basis the Board utilizes an investment consultant to review and report to the Board detailed performance reporting and risk assessments on each of the underlying holdings of the Plans. The registered underlying investments' prospectuses provide greater detail about the investment strategies and practices of the underlying investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the underlying investment and its investment objectives, as well as information on the company structure and operations. The Plans are not exposed to foreign currency risks.

f) Coronavirus (COVID-19) Pandemic

The COVID-19 pandemic has caused financial markets to experience significant volatility and uncertainty exists as to its long-term impact. COVID-19 has resulted in closing borders, quarantines, disruptions to supply chains and customer activity, as well as general concern and economic uncertainty. The impact of the outbreak may be short term or may last for an extended period of time. The impact of epidemics and pandemics such as COVID-19 could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time. As a result, the Plans' performance and the ability to achieve their investment objectives may be adversely impacted. Management is monitoring the development of the pandemic and evaluating its impact on the financial position and operating results of the Plans.

¹ Measure of the sensitivity of the price to a change in interest rates, expressed in years.

TEXAS COLLEGE SAVINGS PLAN® & LONESTAR 529 PLAN®

NOTES TO COMBINED FINANCIAL STATEMENTS

5. Participant Transactions

Participant unit transactions for each class of shares within the Plans, including the corresponding unit activity for the year ended August 31, 2021, and balances outstanding as of August 31, 2021 were as follows:

	<u>Units</u>		<u>Value</u>
Class A:			
Balance as of August 31, 2020	10,230,395	\$	181,140,325.50
Contributions	3,496,146	\$	53,234,616.61
Withdrawals	(3,582,345)	\$	(59,146,003.16)
Balance as of August 31, 2021	10,144,196	\$	212,269,854.78
Advisor Class:			
Balance as of August 31, 2020	2,553,130	\$	40,265,462.66
Contributions	814,409	\$	11,412,570.67
Withdrawals	(858,942)	\$	(12,640,239.91)
Balance as of August 31, 2021	2,508,597	\$	47,139,962.50
Direct Sold Class:			
Balance as of August 31, 2020	37,373,896	\$	637,067,108.08
Contributions	14,672,299	\$	247,777,356.56
Withdrawals	(13,148,645)	\$	(224,820,549.85)
Balance as of August 31, 2021	38,897,550	\$	774,567,687.12
Total:			
Balance as of August 31, 2020	50,157,421	\$	858,472,896.24
Contributions	18,982,854	\$	312,424,543.84
Withdrawals	(17,589,932)	\$	(296,606,792.92)
Balance as of August 31, 2021	51,550,343	\$	1,033,977,504.40

6. Subsequent Events

Subsequent events after the date of the combined statement of fiduciary net position have been evaluated through October 29, 2021 the date the combined financial statements were available to be issued. Management has concluded there are no subsequent events requiring adjustment or disclosure in the combined financial statements.