2022 STAR Fund

ANNUAL REPORT

MassDevelopment

Short Term Asset Reserve Fund

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Report of Independent Auditors

To the Investors of the Massachusetts Development Finance Agency Short Term Asset Reserve Fund

Opinion

We have audited the financial statements of the Massachusetts Development Finance Agency Short Term Asset Reserve Fund (the "Fund"), which comprise the statement of net position as of December 31, 2022, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund at December 31, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of investments but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

Philadelphia, Pennsylvania
April 28, 2023

Management’s Discussion and Analysis

We are pleased to present the Annual Report for the Massachusetts Development Finance Agency Short Term Asset Reserve Fund (the “Fund”) for the year ended December 31, 2022. Management’s Discussion and Analysis is designed to focus the reader on significant financial items and provide an overview of the Fund’s activities for the year ended December 31, 2022. The Fund’s financial statements have been prepared in conformity with the reporting framework prescribed by the Governmental Accounting Standards Board (“GASB”) for local government investment pools.

Economic Update

The growth story of 2021 morphed into a significant inflation problem for the economy and policymakers in 2022. Powered by low interest rates and government stimulus, a strong labor market, record consumer spending, supply chain shortages, and Russia’s invasion of Ukraine which affected prices on energy and other commodities, inflation surged to a 40-year high of 9.1% by June of 2022. To fight inflation, the Federal Reserve (“Fed”) carried out a historic series of rate hikes over the course of the calendar year, including four consecutive 75 basis point (0.75%) increases. That pushed interest rates to the highest levels in 15 years. Higher rates slowed activity in the housing sector, raised the cost of consumer credit, and increased the potential for a recession.

Real gross domestic product (“GDP”) in the U.S. increased 2.1% in 2022, compared with an increase of 5.9% in 2021. The 2022 increase largely reflected increases in consumer spending, exports, private inventory growth, and business investment that were partly offset by decreases in residential fixed investment and federal government spending. The increase in consumer spending reflected an increase in services – such as travel, food services, accommodations, and health care – that was partly offset by a decrease in spending on goods. The economy in the second half of the year finished strong even as questions remain over whether growth will slide into a recession over the next year.

Meanwhile, the labor market has remained extremely tight, with the unemployment rate at a 50-year low, job openings near record highs, and wage growth elevated versus historical standards. The unemployment rate continued to improve, falling from 3.9% in December 2021 to just 3.5% in December 2022. Job openings were plentiful, with nearly two jobs available for each unemployed person in the United States. Wage growth remained elevated, adding to inflationary pressures, as the economy added more than 4.5 million new jobs in 2022.

There were notable gains in education, leisure and hospitality, and health care. Average hourly earnings, an important gauge of wages, rose a strong 4.6% over the year, but trailed the prevailing level of inflation.

Consumer spending accounts for more than two-thirds of U.S. economic activity. Through the early months of 2022, consumers continued to drive demand by deploying excess savings accumulated during the pandemic. As global supply chains were challenged, the economy saw shortages of both raw materials and finished goods that contributed to higher prices. Towards the end of the year, consumer spending began to soften. Some of the moderation in spending reflected a shift in demand from goods to services. Meanwhile the personal savings rate (savings as a percent of personal disposable income), fell from all-time highs to a near all-time low as consumers spent down their savings accumulated during the pandemic.

The combination of high demand and supply shortages led to sharply higher inflation. After reaching a 40-year high of 9.1% in June 2022, the consumer price index moderated in the second half of the year to register a 6.5% year-over-year price gain. Crude oil prices rose modestly but were well off the highs reached after the Russian invasion of Ukraine. Prices for food, transportation and shelter were also up markedly. Inflation was the most worrisome issue for both households and policymakers through the year.

Interest rates began the period at historically low levels as the Fed remained committed to a very accommodative policy with both low rates and continued bond purchases. Short-term rates (under two years) were anchored to the Fed’s near-zero rate policy, and longer-term rates reflected the market’s uncertainty towards future economic growth. As inflation surged, and it became clear the move would not be transitory, the Fed reversed course and pivoted to tighter monetary policy, first tapering its asset purchases, then kicking off an aggressive series of rate hikes, followed by announcing a reduction in its balance sheet.

Short-term rates rose as the Fed followed through with rate hikes at seven consecutive meetings, four of which were 75-basis point hikes (June, July, September, and November), the largest increment since 1994. That put the fed funds rate at a target range of 4.25% to 4.50% at year end. In response to the Fed’s dramatic policy shift, interest rates climbed at the fastest pace seen in recent history. The yield on two-year Treasury notes rose dramatically over the course of the year. Starting from 0.73% at year-end 2021, the yield rose to 2.92% by the end of the second quarter and reached 4.41% at the end of December 2022. The surge in interest rates pushed market values lower on longer-term bonds but created opportunities for short-term investors to earn much higher yields than in recent years.

Looking into 2023, the Federal Open Market Committee's ("FOMC") December economic projections indicated about 75 basis points of additional rate hikes, which would put short-term rates just above 5%. Their projections also show significant expected improvement in the inflation picture by year-end 2023, with a median forecast of 3.1% in the Core PCE inflation index. However, the progress on inflation will come at a cost. The Fed's projections reflect GDP growth of just 0.5% in 2023 and 1.6% in 2024. As the Fed hopes to reduce inflation by loosening the labor market, they also project the unemployment rate to rise to 4.6% in the coming year.

Portfolio Strategy

The aggressive path of Fed rate hikes presented unique opportunities in managing the Fund in 2022. At the beginning of the year, short-term rates were near record lows and supply of attractively priced investment opportunities was limited at times. As always, we prioritized safety of principal and liquidity for investors even as we worked hard to sustain the Fund's yield.

As it became clear that the Fed was beginning a major shift in policy and short-term interest rates began to rise, we moved to a more defensive posture, shortening the maturity profile of the Fund to allow more frequent reinvestments that could quickly capitalize on each rate hike. The sharp rise in rates was also accompanied by a significant widening of yield spreads on credit instruments, like commercial paper and negotiable bank CDs, relative to comparable-maturity U.S. Treasuries. We sought to capitalize on these higher yields and wider yield spreads when we viewed them as fully compensating for expected future rate hikes. We also began to incorporate more floating-rate instruments into the Fund's portfolio, securities on which the interest rate quickly adjusts to any rate increases. The overall yield to participants rose consistently over the past year as it followed short rates higher.

Towards the end of 2022, after seven rate hikes and the inflation level beginning to moderate, we believed the Fed was likely nearing the end of the rate hike cycle. Our active management style performed well this year during a very volatile market and the Fund remains well-positioned in anticipation of slowing rate increases in early 2023. We will continue to manage the maturity profile of the Fund according to the near-term expectations for any future rate hikes.

Given that short-term interest rates are highly dependent on monetary policy, and more recently the inflation outlook, we continually monitor these factors and stand ready to adjust the Fund's portfolio accordingly. As always, our primary objectives are to protect the value of the Fund's shares and to provide liquidity for investors. We will continue to work hard to achieve these goals, while also seeking to increase investment yields in a prudent manner as conditions evolve over coming quarters.

Financial Statement Overview

Management's Discussion and Analysis provides an overview of the financial statements of the Fund. The financial statements for the Fund include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements. In addition, an unaudited Schedule of Investments for the Fund is included as Other Information following the Notes to Financial Statements.

Condensed Financial Information and Analysis

Statement of Net Position: The Statement of Net Position presents the financial position of the Fund at December 31, 2022 and includes all assets and liabilities of the Fund. The difference between total assets and total liabilities, which is equal to the investors' interest in the Fund's net position, is shown below for the current and prior fiscal year-end dates, as applicable:

	December 31, 2022	December 31, 2021
Total Assets	$ 194,876,579	$ 248,527,804
Total Liabilities	(79,735)	(68,589)
Net Position	$ 194,796,844	$ 248,459,215

Total assets of the Fund fluctuate as investable assets rise and fall when capital shares are issued and redeemed. The decrease in total assets of the Fund is primarily comprised of a $53,717,376 decrease in investments. Total liabilities of the Fund increased due to the prior year amount being decreased due to fee waivers in December 2021, however, with waivers ending in March 2022 and reimbursements commencing in May 2022 there were no such decrease due to waivers in December 2022.

Statement of Changes in Net Position: The Statement of Changes in Net Position presents the activity of the Fund for the year ended December 31, 2022. Yearly variances in the gross income generated by the Fund are impacted by the overall rate environment described in the preceding paragraphs. Average net assets also impact the net investment income, as well as certain of the expense line items that are based on a percent of the Fund's net assets. The changes in the Fund's net position for the year primarily relate to a net capital share redemption for the year, as well as net investment income and a net realized gain on sale of investments as outlined below for the current and prior fiscal periods:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Investment Income	$ 3,473,744	$ 452,875
Net Expenses	(479,387)	(399,772)
Net Investment Income	2,994,357	53,103
Net Realized Gain on Sale of Investments	677	9,597
Net Capital Shares Issued/(Redeemed)	(56,657,405)	(91,966,407)
Change in Net Position	$ (53,662,371)	$ (91,903,707)

The investment income of the Fund is driven by a combination of the amount of investable assets and the general short-term interest rate environment that impacts the yields on investments the Fund can purchase. Realized gains on sale of investments occur whenever investments are sold for more than their carrying value. Although average assets decreased approximately 28% year-over-year, reflected in the net capital shares redeemed above, investment income increased due to rapidly increasing rates over the last 10 months of 2022. There was a decrease to gross expenses due to lower average net assets since many expenses are calculated as a percentage of average net assets, however, net expenses were higher due to waivers occurring throughout 2021 but ceasing in March 2022 and reimbursements commencing in May 2022.

The return of the Fund for the year ended December 31, 2022 was 1.63%, up from 0.02% for the year ended December 31, 2021. Select financial highlights for the Fund for the current fiscal period, as compared to the prior fiscal period, are as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Ratio of Net Investment Income to Average Net Assets Before Fees Waived/Reimbursed	1.50%	(0.02%)
Ratio of Net Investment Income to Average Net Assets	1.50%	0.02%
Ratio of Expenses to Average Net Assets Before Fees Waived/Reimbursed	0.24%	0.19%
Ratio of Expenses to Average Net Assets	0.24%	0.15%

The increase in the ratio of net investment income to average net assets is due to the previously noted increase in rates by the Fed that caused yields to increase on investments the Fund can purchase. The ratio of expenses to average net assets increased due to reimbursements to investment advisory fee waivers and a matching reimbursement amount in administration fees.

Statement of Net Position

December 31, 2022

Assets	
Investments	$ 194,383,477
Cash and Cash Equivalents	94,216
Interest Receivable	392,915
Prepaid Expenses	5,971
Total Assets	194,876,579
Liabilities	
Investment Advisory Fees Payable	23,432
Administration Fees Payable	15,564
Audit Fees Payable	29,300
Other Accrued Expenses	11,439
Total Liabilities	79,735
Net Position	
(applicable to 194,796,844 outstanding shares of beneficial interest; unlimited authorization; no par value; equivalent to $1.00 per share)	$ 194,796,844

Statement of Changes in Net Position

For the Year Ended December 31, 2022

Income	
Investment Income	$ 3,473,744
Expenses	
Investment Advisory Fees	258,908
Administration Fees	176,369
Audit Fees	28,733
Other Expenses	6,490
Total Expenses	470,500
Investment Advisory Fee Waivers Reimbursed, Net of Fees Waived	8,887
Net Expenses	479,387
Net Investment Income	2,994,357
Other Income	
Net Realized Gain on Sale of Investments	677
Net Increase from Investment Operations Before Capital Transactions	2,995,034
Capital Shares Issued	238,678,803
Capital Shares Redeemed	(295,336,208)
Change in Net Position	(53,662,371)
Net Position – Beginning of Year	248,459,215
Net Position – End of Year	$ 194,796,844

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

A. Organization and Reporting Entity

The Massachusetts Development Finance Agency Short Term Asset Reserve Fund (formerly known as the Massachusetts Health and Educational Facilities Authority Short Term Asset Reserve Fund) (the "STAR Fund" or the "Fund") was established on July 16, 1991 under the laws of the Commonwealth of Massachusetts, Chapter 614, of the Acts of 1968, to make available comprehensive investment management of proceeds of bonds and other obligations issued by the Massachusetts Health and Educational Facilities Authority (the "Authority") on behalf of its institutional borrowers. Pursuant to Chapter 240 of the Acts of 2010, Commonwealth of Massachusetts, the Authority was merged into the Massachusetts Development Finance Agency (the "Agency") effective October 1, 2010. All rights, powers, duties and properties of the Authority related to the STAR Fund transferred to the Agency as of this date and the Fund's name was changed commensurate with this change. The Agency provides oversight for the STAR Fund.

The STAR Fund's investment earnings are not taxable to the Fund but may be subject to arbitrage rebate payments by Investors. An objective of the STAR Fund is to maintain a net asset value of $1.00 per share, but there can be no assurance that the NAV per share will not vary from $1.00. Shares are issued and redeemed at the NAV per share next determined after receipt of a request. The STAR Fund has not provided or obtained any legally binding guarantees to support the value of shares. All participation in the STAR Fund is voluntary. The STAR Fund is not required to register as an investment company with the Securities & Exchange Commission ("SEC").

The Fund's financial statements presented herein have been prepared in conformity with the reporting framework prescribed by the Governmental Accounting Standards Board ("GASB") for local government investment pools.

B. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Measurement Focus and Basis of Accounting

The Fund reports transactions and balances using the economic resources management focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

The Fund reflects cash on deposit in bank accounts which is available within one business day as cash and cash equivalents. Certificates of deposit are disclosed separately as investments in the financial statements.

Valuation of Investments

In accordance with the authoritative guidance on fair value measurements and disclosures under GASB Statement No. 72, as amended, the Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and like factors.

Level 3 – Unobservable inputs for the assets, including the Fund's own assumptions for determining fair value.

The Fund's investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. In accordance with GASB Statement No. 79, the Fund's securities are valued at amortized cost, which approximates fair value. GASB Statement No. 79 requires a comparison of the Fund's investments on an amortized cost basis to fair values determined on a market value basis at least monthly. The market prices used to determine fair values in this comparison are derived from closing bid prices as of the last business day of the month as supplied by third-party pricing services. Where prices are not available from these generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Since the value is not obtained from a quoted price in an active market, all securities held by the Fund at December 31, 2022 are categorized as Level 2.

Investment Transactions

Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Costs used in determining realized gains and losses on the sale of investment securities are those of specific securities sold. Interest income is recorded using the accrual method. Discounts and premiums are accreted and amortized, respectively, to interest income over the lives of the respective securities.

Repurchase Agreements

Repurchase agreements entered into with broker-dealers are secured by U.S. government or agency obligations. The Fund's custodian takes possession of the collateral pledged for investments in repurchase agreements. The Fund also enters into tri-party repurchase agreements. Collateral pledged for tri-party repurchase agreements is held for the Fund by an independent third-party custodian bank until the maturity of the repurchase agreement. Repurchase agreements are collateralized at 102% of the obligation's principal and interest value. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. If the seller defaults and the value of the collateral declines, realization of the value of the obligation by the Fund may be delayed. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to delays from legal proceedings.

Share Valuation and Participant Transactions

The net asset value ("NAV") per share of the STAR Fund is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the STAR Fund's objective to maintain a NAV of $1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Dividends and Distributions

On a daily basis, the Fund declares dividends and distributions from its net investment income, and net realized gains or losses from securities transactions, if any. Such dividends and distributions are payable to investors of record at the time of the previous computation of the Fund's NAV and are distributed to each investor's account by purchase of additional shares of the Fund on the last day of each month. For the year ended December 31, 2022, the Fund distributed dividends totaling $2,995,034.

Redemption Restrictions

Shares of the Fund are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as an investor has a sufficient number of units to meet their redemption request. The Agency reserves the right to suspend the right of withdrawal or to postpone the date of payment of redemption proceeds of units if the New York Stock Exchange is closed other than for customary weekend and holiday closing, if trading on that Exchange is restricted or if, in the opinion of the Agency, an emergency or other situation exists such that disposal of the Fund's securities or determination of its net asset value is not reasonably practical.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Tax Status

The Fund is not subject to Federal or state income tax upon the income realized by it. Accordingly, no provision for income taxes is required in the financial statements.

Representations and Indemnifications

In the normal course of business, the Fund may enter into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience the Fund expects the risk of loss to be remote.

Subsequent Events Evaluation

The Fund has evaluated subsequent events through April 28, 2023, the date through which procedures were performed to prepare the financial statements for issuance. No events have taken place that meet the definition of a subsequent event requiring adjustment or disclosure in these financial statements.

C. Investment Risks

Under GASB Statement No. 40, as amended, state and local governments and other municipal entities are required to disclose credit risk, concentration of credit risk, and interest rate risk for investment portfolios. The following risk disclosures of the Fund as of December 31, 2022 have been provided for the information of the Fund's investors.

Credit Risk

The Fund’s investment policies, as outlined in its Information Statement, limit the Fund’s investments to those which investors in the Fund can invest under the laws of the Commonwealth of Massachusetts. As of December 31, 2022, the Fund was comprised of investments which were, in aggregate, rated by S&P Global Ratings (“S&P”) as follows:

S&P Rating	%
AAAm	5.15%
AA+	12.09%
A-1+	24.23%
A-1	40.66%
A	2.06%
Exempt (1)	15.81%

(1) *Represents investments in U.S. Treasury securities, or repurchase agreements collateralized by U.S. Treasury securities, which are not considered to be exposed to overall credit risk per GASB.*

The ratings in the preceding chart include the ratings of collateral underlying repurchase agreements in effect at December 31, 2022. Securities with a long-term rating of A or higher are equivalent to the highest short-term rating category based on S&P rating methodology.

Concentration of Credit Risk

As outlined in the Fund’s Information Statement, the Fund’s investment policy establishes certain restrictions on investments and limitations on portfolio composition. At December 31, 2022, the Fund’s portfolio included the following issuers, aggregated by affiliated issuers where applicable, which individually represented greater than 5% of the Fund’s total investment portfolio:

Issuer	%
BNP Paribas (1)	13.89%
BofA Securities Inc. (1)	10.55%
Federal Home Bank Notes	5.25%

(1) *This issuer is also counterparty to repurchase agreements entered into by the Fund. These repurchase agreements are collateralized by U.S. Government Agency and/or U.S. Treasury obligations.*

Interest Rate Risk

The Fund’s investment policy limits its exposure to market value fluctuations due to changes in interest rates by requiring that: (1) it maintain a dollar-weighted average maturity of not greater than 60 days; (2) requiring that any investment securities purchased by the STAR Fund have remaining maturities of 397 days or less at the time of purchase (except for variable rate notes issued by the United States government or its agencies or instrumentalities, which must have remaining maturities of 762 days or less); and (3) limiting the remaining maturity of any commercial paper purchased by the STAR Fund to 270 days or less. At December 31, 2022, the weighted average maturity of the Fund, including cash and cash equivalents and certificates of deposit, was 30 days.

The range of yields to maturity, actual maturity dates, principal values, fair values and weighted average maturities of these types of investments the Fund held at December 31, 2022 are as follows:

Type of Deposits and Investments	Yield-to-Maturity Range	Maturity Range	Principal	Fair Value	Weighted Average Maturity
Asset-Backed Commercial Paper	3.91%-5.18%	1/9/23-6/29/23	$ 18,250,000	$ 18,115,482	57 Days
Cash and Cash Equivalents	n/a	n/a	94,216	94,216	1 Day
Certificates of Deposit – Negotiable	2.67%-5.33%	1/3/23-10/2/23	46,500,000	46,483,261	32 Days
Commercial Paper	4.44%-5.43%	1/3/23-9/5/23	51,650,000	51,328,475	46 Days
Corporate Notes	4.75%	3/1/23-9/28/23	4,034,000	4,012,941	39 Days
Government Agency and Instrumentality Obligations:					
Agency Notes	4.33%	2/15/23	10,269,000	10,213,804	46 Days
U.S. Treasury Notes	4.62%	1/15/23	7,745,520	7,729,514	15 Days
Money Market Funds	4.14%-4.22%	n/a	10,000,000	10,000,000	7 Days
Repurchase Agreements	4.00%-4.30%	1/3/23-2/2/23	46,500,000	46,500,000	5 Days
			$ 195,042,736	$ 194,477,693	

The yields shown in the preceding table represent the yield-to-maturity at original cost except for adjustable-rate instruments, for which the rate shown is the coupon rate in effect at December 31, 2022, and money market funds, for which the rate shown represents the current seven-day yield in effect at December 31, 2022.

The weighted average maturities shown in the preceding table are calculated based on the stated maturity dates with the following exceptions: (1) floating or variable rate securities are assumed to have an effective maturity of the date upon which the securities interest rate next resets; (2) the effective maturity of callable securities is assumed to be its stated maturity unless the security had been called as of the reporting date, in which case the effective maturity would be assumed to be its called date; (3) for instruments subject to demand features, the effective maturity is assumed to be the period remaining until the principal amount of the security may be recovered through the demand feature; (4) the effective maturity of money market instruments is assumed to be the date upon which the collection of redemption proceeds is due, typically seven days; and (5) the effective maturity of cash and cash equivalents is assumed to be one day. Refer to the Schedule of Investments included in the unaudited Other Information that follows for further information.

D. Fees and Charges

Administration Fees

The Agency, as Administrator of the Fund may charge an administration fee up to a maximum of 0.10% of the average daily net assets of the Fund so long as the aggregate expenses of the STAR Fund are not greater than 0.25% of the average daily net assets of the Fund. The Administrator pays the custodial and cash management fees of the STAR Fund. For the year ended December 31, 2022, fees paid to the Administrator represent an effective annual rate of 0.09% after factoring in a net $2,812 reimbursement of administration fees during the current year in light of the increasing rate environment. These fees are computed daily and payable monthly.

Investment Advisory Fees

PFM Asset Management LLC ("PFMAM") provides investment management services to the STAR Fund, including investment advisory, distribution, shareholder accounting and certain administrative services pursuant to an investment advisory agreement ("Management Agreement") with the Fund. Fees for such services are calculated at an annual rate which is determined as follows:

STAR Fund Average Daily Net Assets	Rate
First $100,000,000	0.14%
$100,000,001 to $300,000,000	0.12%
Over $300,000,000	0.10%

Such fees are calculated daily and payable monthly. Units of the Fund are distributed by PFM Fund Distributors, Inc., an affiliate of PFMAM. PFM Fund Distributors, Inc. is not compensated by the Fund for these services.

PFMAM is a subsidiary of U.S. Bancorp Asset Management Inc. ("USBAM"). USBAM is a subsidiary of U.S. Bank, National Association ("U.S. Bank"). U.S. Bank serves as the Fund's custodian.

Fee Reduction Agreement

The Agency, on behalf of the Fund, has entered into a Fee Reduction Agreement with PFMAM, pursuant to which PFMAM may, but shall not be obligated to, temporarily reduce a portion of its fees to assist the Fund in an attempt to maintain a positive yield. In the event that PFMAM elects to initiate a temporary fee waiver ("Fee Deferral"), under the terms of the Fee Deferral Agreement such Fee Deferral shall be applicable to the computation of the NAV of the Fund on any business day on which PFMAM elects to temporarily waive its fees. PFMAM shall provide prompt notice to the Agency on the initial instances of a Fee Deferral and provide reporting at least quarterly on the aggregate amount of Fee Deferrals during the quarter, as well as any Fee Deferrals restored to PFMAM and any amount of Fee Deferrals which are no longer able to be restored to PFMAM in accordance with the terms of the Fee Reduction Agreement.

Under the terms of the Fee Reduction Agreement, at any time after a Fee Deferral has been terminated, and if the monthly distribution yield of the Fund was in excess of 0.10% per annum for the preceding calendar month, PFMAM may elect to have the amount of its Fee Deferrals restored in whole or in part under the conditions described in the Fee Reduction Agreement with the Fund by way of a payment of fees in excess of the rate it was entitled to, prior to any Fee Deferral. In all cases, the total fees paid to PFMAM for a given month, inclusive of the amount of any Fee Deferrals restored, may not exceed 115% of the fees payable under the terms of PFMAM's related agreement with the Fund, and any Fee Deferrals restored under the Fee Reduction Agreement may only be restored during the three years from the calendar month to which they relate.

The chart that follows depicts the cumulative Fee Deferrals by and Reimbursements to PFMAM during the current and prior fiscal years which remain potentially recoverable as of December 31, 2022.

	Investment Advisory Fees
Fee Deferrals:	
Prior Years	$ 122,211
Current Year	15,011
Cumulative Fee Deferrals	$ 137,222
Amounts Reimbursed	(23,898)
Amounts Unrecoverable	-
Remaining Recoverable	$ 113,324
Fee Deferrals Not Reimbursed Become Unrecoverable in Fiscal Year-end	
December 31, 2023	$ -
December 31, 2024	98,313
December 31, 2025	15,011
Total	$113,324

Other Information (unaudited)

Schedule of Investments (unaudited)

December 31, 2022

Rate[1]	Maturity Date[2]		Principal	Fair Value[3]
Asset-Backed Commercial Paper (9.30%)				
Bedford Row Funding Corp.				
4.73% [4]	4/6/23		$1,000,000	$1,000,000
CAFCO LLC				
4.93%	3/14/23		1,000,000	990,300
Collaterized Commercial Paper Flex Co. LLC				
4.88% [4]	2/1/23		1,000,000	1,000,000
4.90% [4]	2/28/23		1,000,000	1,000,000
Liberty Street Funding LLC				
4.81%	2/7/23		750,000	746,339
5.18%	6/29/23		1,000,000	974,890
LMA-Americas LLC				
3.91%	3/8/23		1,000,000	992,978
3.93%	3/10/23		1,500,000	1,489,092
Matchpoint Finance PLC				
5.03%	5/30/23		2,000,000	1,959,273
Old Line Funding LLC				
4.81% [4]	1/9/23		2,000,000	2,000,000
4.84%	4/17/23		2,000,000	1,971,910
4.81% [4]	6/5/23		2,000,000	2,000,000
Ridgefield Funding Co. LLC				
4.71%	2/6/23		2,000,000	1,990,700
Total Asset-Backed Commercial Paper				18,115,482
Certificates of Deposit (23.86%)				
Bank of America				
5.15%	7/17/23		1,500,000	1,500,000
Bank of Montreal (Chicago)				
5.00% [4]	5/8/23		2,000,000	2,000,000
Bank of Nova Scotia (Houston)				
4.82% [4]	3/14/23		1,000,000	1,000,020
4.85% [4]	9/21/23		1,000,000	1,000,000
Barclays Bank (NY)				
4.75%	2/2/23		2,000,000	2,000,000
4.87% [4]	2/13/23		2,000,000	2,000,000
4.74% [4]	2/28/23		1,000,000	1,000,000
BNP Paribas (NY)				
4.94% [4]	5/10/23		2,000,000	2,000,000
Canadian Imperial Bank of Commerce (NY)				
4.73% [4]	1/3/23		1,000,000	1,000,000
Citibank				
3.93%	5/25/23		1,000,000	1,000,000
Commonwealth Bank of Australia (NY)				
4.64% [4]	3/27/23		1,500,000	1,500,000
5.27%	7/3/23		1,250,000	1,250,000
4.87% [4]	7/31/23		750,000	750,000

The notes to the financial statements are an integral part of the schedule of investments.

Schedule of Investments (unaudited)

December 31, 2022

Rate[1]	Maturity Date[2]		Principal	Fair Value[3]
Credit Agricole Corporate & Investment Bank (NY)				
4.79% [4]	2/3/23	...	$1,000,000	$1,000,000
Mitsubishi UFJ Trust and Banking Corporation (NY)				
4.92% [4]	2/27/23	...	2,000,000	1,999,983
Mizuho Bank Ltd. (NY)				
4.85% [4]	1/6/23	...	2,000,000	2,000,000
4.84% [4]	2/15/23	...	1,000,000	1,000,000
4.90% [4]	5/22/23	...	2,000,000	2,000,000
Nordea Bank (NY)				
4.85% [4]	2/1/23	...	2,000,000	2,000,000
4.95% [4]	4/28/23	...	2,000,000	2,000,000
State Street Bank and Trust				
4.98% [4]	7/14/23	...	1,000,000	1,000,000
Sumitomo Mitsui Banking Corp. (NY)				
4.82% [4]	6/22/23	...	2,000,000	1,999,616
4.85% [4]	10/2/23	...	1,000,000	1,000,000
Sumitomo Mitsui Trust Ltd. (Singapore)				
4.85% [4]	1/9/23	...	3,000,000	3,000,000
Svenska Handelsbanken (NY)				
4.80% [4]	1/6/23	...	2,000,000	2,000,000
4.59%	4/6/23	...	1,000,000	1,000,013
5.33%	8/15/23	...	2,000,000	1,983,629
Toronto Dominion Bank (NY)				
2.67%	3/1/23	...	1,000,000	1,000,000
4.45%	4/3/23	...	1,000,000	1,000,000
UBS AG (CT)				
4.85% [4]	2/16/23	...	1,500,000	1,500,000
4.88% [4]	5/30/23	...	1,000,000	1,000,000
Total Certificates of Deposit		...		46,483,261
Commercial Paper (26.35%)				
ABN AMRO Funding USA LLC				
4.83%	3/9/23	...	2,000,000	1,982,319
Australia and New Zealand Banking Group				
4.62% [4]	2/3/23	...	1,250,000	1,249,991
Bank of Montreal (Chicago)				
4.76% [4]	1/3/23	...	2,000,000	2,000,000
4.53% [4]	5/5/23	...	1,000,000	1,000,000
5.40%	9/5/23	...	1,000,000	964,390
Bank of Nova Scotia (Houston)				
4.83% [4]	7/7/23	...	1,500,000	1,500,000
BofA Securities Inc.				
4.69% [4]	4/3/23	...	1,000,000	1,000,000
4.82% [4]	6/2/23	...	2,000,000	2,000,000
BPCE SA				
4.61%	2/3/23	...	1,000,000	995,820
Canadian Imperial Bank of Commerce (NY)				
4.95% [4]	4/19/23	...	2,000,000	2,000,000

The notes to the financial statements are an integral part of the schedule of investments.

Schedule of Investments (unaudited)

December 31, 2022

Rate[1]	Maturity Date[2]		Principal	Fair Value[3]
Citigroup Global Markets Inc.				
5.08% [4]	5/22/23		$1,000,000	$1,000,000
5.26%	6/20/23		1,000,000	975,917
5.30%	8/15/23		1,000,000	967,858
DNB Bank (NY)				
4.82% [4]	2/6/23		1,000,000	1,000,000
ING (US) Funding LLC				
4.92% [4]	4/21/23		1,000,000	1,000,000
4.89% [4]	5/23/23		2,000,000	2,000,000
Llyods Bank				
4.76% [4]	1/9/23		1,000,000	1,000,000
Macquarie Bank Ltd.				
4.77% [4]	2/24/23		2,000,000	2,000,000
4.80%	3/29/23		2,000,000	1,977,090
Metlife Short Term Funding LLC				
4.44%	2/6/23		2,000,000	1,991,180
Mitsubishi UFJ Trust and Banking Corporation (NY)				
4.99%	4/3/23		1,000,000	987,478
MUFG Bank Ltd. (NY)				
4.90%	3/16/23		1,000,000	990,092
5.23%	5/15/23		1,000,000	981,017
5.12%	6/26/23		1,000,000	975,604
National Australia Bank (NY)				
4.65% [4]	1/6/23		1,000,000	1,000,000
5.20%	7/6/23		1,000,000	973,908
National Bank of Canada (NY)				
5.28%	6/1/23		500,000	489,220
Natixis (NY)				
5.16%	5/17/23		1,000,000	980,998
4.88% [4]	6/1/23		2,000,000	2,000,000
Pricoa Short Term Funding LLC				
5.43%	7/3/23		1,000,000	973,313
Skandinaviska Enskilda Banken (NY)				
4.97% [4]	4/28/23		2,000,000	2,000,000
Sumitomo Mitsui Trust Ltd. (Singapore)				
4.82%	4/18/23		1,000,000	985,912
Suncorp Metway Ltd.				
4.58%	1/9/23		800,000	799,193
4.83%	3/14/23		1,350,000	1,337,175
Toronto Dominion Bank (NY)				
4.83% [4]	2/3/23		1,000,000	1,000,000
4.91% [4]	9/1/23		1,000,000	1,000,000
Toyota Credit Puerto Rico Corp.				
4.87% [4]	1/9/23		1,250,000	1,250,000
4.92% [4]	4/24/23		1,000,000	1,000,000
Toyota Motor Credit Corp.				
4.83% [4]	2/1/23		3,000,000	3,000,000
Total Commercial Paper				51,328,475

The notes to the financial statements are an integral part of the schedule of investments.

Schedule of Investments (unaudited)

December 31, 2022

Rate[1]	Maturity Date[2]		Principal	Fair Value[3]
Corporate Notes (2.07%)				
Caterpillar Financial Services Corp.				
4.75%	3/1/23	....	$2,555,000	$2,536,350
Toronto Dominion Bank (NY)				
4.75% [4]	9/28/23	....	1,479,000	1,476,591
Total Corporate Notes		....		4,012,941
Government Agency & Instrumentality Obligations (9.21%)				
Federal Home Bank Notes				
4.33%	2/15/23	....	10,269,000	10,213,804
U.S. Treasury Notes				
4.62%	1/15/23	....	7,745,520	7,729,514
Total Government Agency & Instrumentality Obligations		....		17,943,318
Repurchase Agreements (23.87%)				
BNP Paribas SA				
4.24%	1/3/23	....	15,000,000	15,000,000
	(Dated 12/30/22, repurchase price $15,007,067, collateralized by U.S. Treasury securities, 0.00% - 2.75%, maturing 1/15/23-5/15/44, fair value $15,307,231)			
4.18%	1/9/23[5]	....	2,000,000	2,000,000
	(Dated 11/22/22, repurchase price $2,016,720, collateralized by U.S. Treasury securities, 0.00%, maturing 11/15/44-11/15/45, fair value $4,252; Ginnie Mae securities, 2.00%-6.50%, maturing 9/15/24-12/20/52, fair value $2,016,820; and Fannie mae securities, 2.41%-6.00%, maturing 7/1/30-12/1/51, fair value $28,876)			
4.22%	1/9/23[5]	....	3,000,000	3,000,000
	(Dated 12/5/22, repurchase price $3,020,748, collateralized by U.S. Treasury securities, 0.00% - 2.50%, maturing 5/15/23-11/15/45, fair value $3,070,484)			
4.30%	1/9/23[5]	....	5,000,000	5,000,000
	(Dated 12/15/22, repurchase price $5,029,264, collateralized by U.S. Treasury securities, 0.00%-4.435%, maturing 8/15/23-5/15/52, fair value $5,111,606)			
BofA Securities Inc.				
4.00%	1/3/23	....	2,500,000	2,500,000
	(Dated 11/8/22, repurchase price $2,515,556, collateralized by FFCB securities, 2.50%, maturing 11/1/41, fair value $2,566,491)			
4.30%	1/3/23	....	15,000,000	15,000,000
	(Dated 12/30/22, repurchase price $15,007,167, collateralized by FHLB securities,3.94%-4.25%, maturing 8/8/23-11/29/38, fair value $15,309,005)			
Goldman Sachs & Co.				
4.28%	1/9/23[5]	....	4,000,000	4,000,000
	(Dated 12/15/22, repurchase price $4,023,302, collateralized by: Fannie Mae securities, 3.00%-6.00%, maturing 10/1/28-7/1/38, fair value $102,854 and Freddie Mac securities, 2.50%-6.50%, maturing 1/1/33-8/1/48, fair value $3,986,362)			
Total Repurchase Agreements		....		46,500,000

The notes to the financial statements are an integral part of the schedule of investments.

Schedule of Investments (unaudited)

December 31, 2022

Rate[1]	Maturity Date[2]		Principal	Fair Value[3]
Money Market Funds (5.13%)			**Shares**	**Fair Value [3]**
Dreyfus Government Cash Management Fund, Institutional Class				
4.20%	1/7/23	……	4,000,000	$4,000,000
Goldman Sachs Financial Square Government Fund, Insitutional Class				
4.14%	1/7/23	……	1,000,000	1,000,000
Invesco Government & Agency Portfolio, Institutional Class				
4.22%	1/7/23	……	5,000,000	5,000,000
Total Money Market Funds ……				10,000,000
Total Investments (99.79%) (Amortized Cost $194,383,477) ……				194,383,477
Other Assets and Liabilities, Net (0.21%) ……				413,367
Net Position (100.00%) ……				$194,796,844

(1) Yield-to-maturity at original cost unless otherwise noted. Money market fund rates represent the annualized 7-day yield as of December 31, 2022.

(2) Actual maturity dates, unless otherwise noted.

(3) See Note B to the financial statements.

(4) Adjustable rate security. Rate shown is that which was in effect at December 31, 2022.

(5) Subject to put with 7-day notice.

The notes to the financial statements are an integral part of the schedule of investments.

STAR
fund

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