

COMBINED FINANCIAL STATEMENTS

NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST PROGRAM

Investment Options Managed by Franklin Templeton

Annual Report

June 30, 2025



FRANKLIN
TEMPLETON

**NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST PROGRAM
INVESTMENT OPTIONS MANAGED BY FRANKLIN TEMPLETON
ANNUAL REPORT**

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Report of Independent Auditors

To the Trustees of
New Jersey Better Educational Savings Trust Program - Investment Options Managed by Franklin Templeton

Opinion

We have audited the accompanying combined financial statements, which comprise the combined statement of fiduciary net position of the New Jersey Better Educational Savings Trust Program – Investment Options Managed by Franklin Templeton (the “Trust”) as of June 30, 2025, and the related combined statement of changes in fiduciary net position for the year then ended, and the related notes to the combined 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 Trust at June 30, 2025, and the results of its operations and changes in fiduciary net 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 Trust 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 these 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 Trust’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 Trust’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.



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Auditor's Responsibilities for the Audit of the Financial Statements *(Continued)*

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust'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 on pages 3 through 10 are presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the 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 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 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.

Ernst + Young LLP

September 26, 2025

Management’s Discussion and Analysis (Unaudited)

The New Jersey Better Educational Savings Trust Program (Program) is an educational savings program offered by the State of New Jersey and organized and operated in accordance with Section 529 of the Internal Revenue Code. The Program includes two distinct plans, the NJBEST 529 College Savings Plan (NJBEST Plan) and the Franklin Templeton 529 College Savings Plan (Franklin Templeton Plan). The NJBEST Plan is only available to New Jersey residents (or their beneficiaries) and Franklin Templeton employees (or their immediate family members), provided they invest without the assistance of a financial professional. The Franklin Templeton Plan is offered nationwide. While each plan has its own program description and distribution structure, both plans offer a range of common investment portfolios (Franklin Templeton Managed Investment Options) that may invest in underlying assets, including mutual funds, ETFs, and/or institutional separate accounts. The Franklin Templeton Managed Investment Options are structured with multiple share classes, allowing both the NJBEST Plan and the Franklin Templeton Plan to access common investment strategies while maintaining distinct fee and administrative features. However, some options are exclusive to a specific plan. The underlying investments that comprise the investment portfolios are selected by the Program’s investment manager, Franklin Mutual Advisers, LLC, an affiliate of Franklin Templeton Distributors, Inc. (“FD”), the Program Manager, and are approved by the New Jersey Higher Education Student Assistance Authority (HESAA). The New Jersey Department of the Treasury, Division of Investment, serves as investment manager for certain other investment options (the Treasury Managed Investment Options) that are part of the NJBEST Plan, but are no longer available to new investors.

This report includes the combined financial information of the Franklin Templeton Managed Investment Options as of June 30, 2025, and for the year then ended. Combined financial information of the Treasury Managed Investment Options as of June 30, 2025, and for the year then ended, is provided in a separate report.

The following Management’s Discussion and Analysis is intended to provide readers an objective discussion of the combined financial statements of the Franklin Templeton Managed Investment Options as of June 30, 2025, and for the year then ended. This discussion and analysis, which is supplementary information required by the Governmental Accounting Standards Board (GASB), provides a highly summarized overview of the combined financial position and changes therein of the Franklin Templeton Managed Investment Options. Readers should refer to the combined financial statements and notes to the combined financial statements, which are included on pages 11 through 21.

Program Enhancements

During the year ended June 30, 2025, the Program implemented a significant restructuring, designed to streamline and simplify investment options, as well as reduce certain fees. In connection with this restructuring, which took place effective November 15, 2024, the underlying investments and asset allocations of many investment option portfolios were changed, certain investment option portfolios were consolidated into existing or new investment option portfolios, and certain investment options were discontinued. Prior to the restructuring, the investment option portfolios included in the Franklin Templeton Managed Investment Options were as follows:

Franklin Asset Allocations - Growth

Newborn - 4 Years 529 Portfolio
Age 5 - 6 Years 529 Portfolio
Age 7 - 8 Years 529 Portfolio
Age 9 - 10 Years 529 Portfolio
Age 11 - 12 Years 529 Portfolio
Age 13 - 14 Years 529 Portfolio
Age 15 - 16 Years 529 Portfolio
Age 17 Years 529 Portfolio
Age 18 Years 529 Portfolio
Age 19+ Years 529 Portfolio

Franklin Asset Allocations - Conservative

Newborn - 4 Years 529 Portfolio
Age 5 - 6 Years 529 Portfolio
Age 7 - 8 Years 529 Portfolio
Age 9 - 10 Years 529 Portfolio
Age 11 - 12 Years 529 Portfolio
Age 13 - 14 Years 529 Portfolio
Age 15 - 16 Years 529 Portfolio
Age 17 Years 529 Portfolio
Age 18 Years 529 Portfolio
Age 19+ Years 529 Portfolio

Franklin Asset Allocations - Moderate

Newborn - 4 Years 529 Portfolio
Age 5 - 6 Years 529 Portfolio
Age 7 - 8 Years 529 Portfolio
Age 9 - 10 Years 529 Portfolio
Age 11 - 12 Years 529 Portfolio
Age 13 - 14 Years 529 Portfolio
Age 15 - 16 Years 529 Portfolio
Age 17 Years 529 Portfolio
Age 18 Years 529 Portfolio
Age 19+ Years 529 Portfolio

No assurance is provided on the information in Management’s Discussion and Analysis.

Management's Discussion and Analysis (Unaudited) (Continued)

Program Enhancements (Continued)

Individual Fund Portfolios

Ariel 529 Portfolio
Brandywine GLOBAL - Global Opportunities 529 Portfolio
ClearBridge International Growth 529 Portfolio
ClearBridge Large Cap Value 529 Portfolio
ClearBridge Sustainability Leaders 529 Portfolio
Franklin DynaTech 529 Portfolio
Franklin Growth 529 Portfolio
Franklin Income 529 Portfolio
Franklin Small-Mid Cap Growth 529 Portfolio
Franklin U.S. Government Money 529 Portfolio
Franklin U.S. Large Cap Index 529 Portfolio
Martin Currie International Sustainable Equity 529 Portfolio
Western Asset Core Plus Bond 529 Portfolio
Western Asset Short Term Bond 529 Portfolio

Objective-Based Asset Allocation Portfolios

Franklin Aggressive Growth Allocation 529 Portfolio
Franklin Conservative Allocation 529 Portfolio
Franklin Conservative Growth Allocation 529 Portfolio
Franklin Growth Allocation 529 Portfolio
Franklin Moderate Allocation 529 Portfolio
Franklin Moderate Growth Allocation 529 Portfolio

Subsequent to the restructuring and at June 30, 2025, the investment option portfolios included in the Franklin Templeton Managed Investment Options were as follows:

Target Enrollment Portfolios

Franklin Target 2025 529 Portfolio
Franklin Target 2026 529 Portfolio
Franklin Target 2027 529 Portfolio
Franklin Target 2029 529 Portfolio
Franklin Target 2031 529 Portfolio
Franklin Target 2033 529 Portfolio
Franklin Target 2035 529 Portfolio
Franklin Target 2037 529 Portfolio
Franklin Target 2039 529 Portfolio
Franklin Target 2041 529 Portfolio
Franklin Target Enrolled 529 Portfolio

Objective-Based Asset Allocation Portfolios

Franklin Aggressive Growth Allocation 529 Portfolio
Franklin Growth Allocation 529 Portfolio
Franklin Moderate Growth Allocation 529 Portfolio

Individual Fund Portfolios

Ariel 529 Portfolio ⁽¹⁾
ClearBridge International Growth 529 Portfolio
Putnam Sustainable Leaders 529 Portfolio ⁽²⁾
Franklin DynaTech 520 Portfolio ⁽¹⁾
Franklin Income 529 Portfolio ⁽¹⁾
Franklin Small-Mid Cap Growth 529 Portfolio ⁽¹⁾
Franklin U.S. Core Bond ETF 529 Portfolio
Franklin U.S. Government Money 529 Portfolio
Franklin U.S. Large Cap Index 529 Portfolio
iShares Core MSCI EAFE ETF 529 Portfolio
Martin Currie International Sustainable Equity 529 Portfolio ⁽¹⁾
Putnam Core Bond 529 Portfolio ⁽¹⁾
Putnam Large Cap Growth 529 Portfolio
Putnam Large Cap Value 529 Portfolio

⁽¹⁾ These Portfolios are not available under the NJBEST Plan.

⁽²⁾ Formerly ClearBridge Sustainability Leaders 529 Portfolio until renamed on January 31, 2025.

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Management’s Discussion and Analysis (Unaudited) (Continued)

Financial Highlights

The following tables summarize returns (net of fees) posted by each of the Franklin Templeton Managed Investment Options during the year ended June 30, 2025, along with returns relevant to the year ended June 30, 2024, as applicable, at their respective net asset values (NAV).

Target Enrollment Investment Options	Year Ended June 30, 2025	Year Ended June 30, 2024
Franklin Target Enrolled 529 Portfolio ⁽¹⁾		
A Unit Class	4.03%	N/A
C Unit Class	3.50%	N/A
Direct Unit Class	4.22%	N/A
Advisor Class Units	4.17%	N/A
Franklin Target 2025 529 Portfolio ⁽¹⁾		
A Unit Class	4.30%	N/A
C Unit Class	3.82%	N/A
Direct Unit Class	4.62%	N/A
Advisor Class Units	4.50%	N/A
Franklin Target 2026 529 Portfolio ⁽¹⁾		
A Unit Class	4.99%	N/A
C Unit Class	4.55%	N/A
Direct Unit Class	5.28%	N/A
Advisor Class Units	5.17%	N/A
Franklin Target 2027 529 Portfolio ⁽¹⁾		
A Unit Class	5.65%	N/A
C Unit Class	5.19%	N/A
Direct Unit Class	5.97%	N/A
Advisor Class Units	5.82%	N/A
Franklin Target 2029 529 Portfolio ⁽¹⁾		
A Unit Class	6.43%	N/A
C Unit Class	5.93%	N/A
Direct Unit Class	6.69%	N/A
Advisor Class Units	6.58%	N/A
Franklin Target 2031 529 Portfolio ⁽¹⁾		
A Unit Class	7.03%	N/A
C Unit Class	6.53%	N/A
Direct Unit Class	7.37%	N/A
Advisor Class Units	7.18%	N/A
Franklin Target 2033 529 Portfolio ⁽¹⁾		
A Unit Class	7.62%	N/A
C Unit Class	7.13%	N/A
Direct Unit Class	7.89%	N/A
Advisor Class Units	7.79%	N/A
Franklin Target 2035 529 Portfolio ⁽¹⁾		
A Unit Class	8.21%	N/A
C Unit Class	7.72%	N/A
Direct Unit Class	8.49%	N/A
Advisor Class Units	8.35%	N/A

No assurance is provided on the information in Management’s Discussion and Analysis.

Management's Discussion and Analysis (Unaudited) (Continued)

Financial Highlights (Continued)

Target Enrollment Portfolios	Year Ended June 30, 2025	Year Ended June 30, 2024
Franklin Target 2037 529 Portfolio ⁽¹⁾		
A Unit Class	8.73%	N/A
C Unit Class	8.25%	N/A
Direct Unit Class	9.01%	N/A
Advisor Class Units	8.89%	N/A
Franklin Target 2039 529 Portfolio ⁽¹⁾		
A Unit Class	9.60%	N/A
C Unit Class	9.10%	N/A
Direct Unit Class	9.90%	N/A
Advisor Class Units	9.70%	N/A
Franklin Target 2041 529 Portfolio ⁽¹⁾		
A Unit Class	9.36%	N/A
C Unit Class	8.86%	N/A
Direct Unit Class	9.62%	N/A
Advisor Class Units	9.53%	N/A

⁽¹⁾ Effective November 15, 2024, the Target Enrollment Portfolios were added to the Plan, replacing the Franklin Asset Allocation Portfolios. The returns for the Target Enrollment Portfolios are for the period from November 15, 2024, through June 30, 2025. In connection with the Program restructuring, the previously existing Conservative Age-Based Asset Allocations and the Moderate Age-Based Allocations consolidated into the Growth Age-Based Asset Allocations for the applicable age bracket, and the Growth Age-Based Asset Allocation for each age bracket changed its name and investment strategy to become a Target Enrollment Portfolio with a specified year in which qualified distributions are expected to begin. As such, calculation of returns for the entire fiscal year ended June 30, 2025, would not be practicable.

Objective-Based Allocation Portfolio Investment Options	Year Ended June 30, 2025	Year Ended June 30, 2024
Franklin Aggressive Growth Allocation 529 Portfolio		
A Unit Class	14.60%	20.76%
C Unit Class	13.75%	19.90%
Direct Unit Class	15.03%	21.27%
Advisor Class Units	14.85%	21.11%
Franklin Growth Allocation 529 Portfolio		
A Unit Class	12.48%	17.45%
C Unit Class	11.65%	16.55%
Direct Unit Class	12.93%	17.90%
Advisor Class Units	12.77%	17.73%
Franklin Moderate Growth Allocation 529 Portfolio		
A Unit Class	10.41%	13.74%
C Unit Class	9.60%	12.84%
Direct Unit Class	10.88%	14.13%
Advisor Class Units	10.76%	13.98%

No assurance is provided on the information in Management's Discussion and Analysis.

Management's Discussion and Analysis (Unaudited) (Continued)

Financial Highlights (Continued)

Individual Fund Trust Portfolio Investment Options	Year Ended June 30, 2025	Year Ended June 30, 2024
Ariel 529 Portfolio		
A Unit Class	9.64%	5.59%
C Unit Class	8.82%	4.79%
Advisor Class Units	9.89%	5.81%
ClearBridge International Growth 529 Portfolio		
A Unit Class	16.69%	8.88%
C Unit Class	15.89%	8.04%
Direct Unit Class	17.15%	9.34%
Advisor Class Units	17.05%	9.19%
Franklin DynaTech 529 Portfolio		
A Unit Class	16.30%	34.02%
C Unit Class	15.37%	33.02%
Advisor Class Units	16.55%	34.40%
Franklin Income 529 Portfolio		
A Unit Class	8.54%	8.33%
C Unit Class	7.72%	7.55%
Advisor Class Units	8.80%	8.63%
Franklin Small-Mid Cap Growth 529 Portfolio		
A Unit Class	12.95%	12.76%
C Unit Class	12.10%	11.91%
Advisor Class Units	13.22%	13.04%
Franklin U.S. Core Bond ETF 529 Portfolio ⁽²⁾		
Direct Unit Class	3.70%	N/A
Franklin U.S. Government Money 529 Portfolio		
A Unit Class	4.42%	4.63%
C Unit Class	4.42%	4.63%
Direct Unit Class	4.42%	4.63%
Franklin U.S. Large Cap Index 529 Portfolio		
A Unit Class	14.94%	23.86%
C Unit Class	14.09%	22.92%
Direct Unit Class	15.41%	24.36%
Advisor Class Units	15.23%	24.16%
iShares Core MSCI EAFE 529 Portfolio ⁽²⁾		
Direct Unit Class	19.90%	N/A
Martin Currie International Sustainable Equity 529 Portfolio		
A Unit Class	-1.87%	0.60%
C Unit Class	-2.67%	-0.17%
Advisor Class Units	-1.69%	0.85%
Putnam Core Bond 529 Portfolio ⁽²⁾		
A Unit Class	3.56%	N/A
C Unit Class	3.07%	N/A
Advisor Class Units	3.73%	N/A
Putnam Large Cap Growth 529 Portfolio ⁽²⁾		
A Unit Class	8.38%	N/A
C Unit Class	7.88%	N/A
Direct Unit Class	8.63%	N/A
Advisor Class Units	8.54%	N/A

No assurance is provided on the information in Management's Discussion and Analysis.

Management’s Discussion and Analysis (Unaudited) (Continued)

Financial Highlights (Continued)

Individual Fund Trust Portfolio Investment Options	Year Ended June 30, 2025	Year Ended June 30, 2024
Putnam Large Cap Value 529 Portfolio ⁽²⁾		
A Unit Class	2.88%	N/A
C Unit Class	2.42%	N/A
Direct Unit Class	3.16%	N/A
Advisor Class Units	3.07%	N/A
Putnam Sustainable Leaders 529 Portfolio ⁽²⁾		
A Unit Class	-0.12%	N/A
C Unit Class	-0.57%	N/A
Advisor Class Units	0.04%	N/A

⁽²⁾ Effective November 15, 2024, the Franklin U.S. Core Bond ETF 529 Portfolio, the iShares Core MSCI EAFE 529 Portfolio, the Putnam Core Bond 529 Portfolio, the Putnam Large Cap Growth Portfolio, the Putnam Large Cap Value 529 Portfolio and the Putnam Sustainable Leaders 529 Portfolio were added to the Plan. The returns for these portfolios are for the period from November 15, 2024, through June 30, 2025, as it is not practicable to calculate returns for the entire fiscal year ended June 30, 2025.

The following highlight some of the key financial results of the Franklin Templeton Managed Investment Options as of June 30, 2025 and 2024, and for the years then ended:

- At June 30, 2024, the combined fiduciary net position in the Franklin Templeton Managed Investment Options totaled almost \$6.8 billion. During the year ended June 30, 2025, combined fiduciary net position increased \$485.7 million, or 7%, resulting in a combined total fiduciary net position of just over \$7.2 billion at June 30, 2025.
- During the year ended June 30, 2025, withdrawals and exchanges out exceeded contributions and exchanges in by \$217.8 million. During the year ended June 30, 2024, withdrawals and exchanges out exceeded contributions and exchanges in by \$179.4 million.
- During the year ended June 30, 2025, the Franklin Templeton Managed Investment Options experienced net investment income of \$730.7 million. For the year ended June 30, 2024, the Franklin Templeton Managed Investment Options experienced net investment income of \$827.7 million.

Management’s Discussion and Analysis (Unaudited) (Continued)

Overview of the Combined Financial Statements

This report includes the Combined Statement of Fiduciary Net Position, the Combined Statement of Changes in Fiduciary Net Position and the related Notes to the Combined Financial Statements of the Franklin Templeton Managed Investment Options. The Combined Statement of Fiduciary Net Position presents information on the aggregated amounts of assets and liabilities of the Franklin Templeton Managed Investment Options, with the difference between them representing net position held in trust for account owners and their beneficiaries. The Combined Statement of Changes in Fiduciary Net Position shows how the combined fiduciary net position changed during the periods presented. The Notes to the Combined Financial Statements provide additional explanatory information about the amounts presented in the combined financial statements. It is essential that readers of this report consider the information in the Notes to the Combined Financial Statements to obtain a full understanding of the amounts presented in the combined financial statements.

The combined financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) prescribed by the GASB. Accordingly, the combined financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Investments are reported at fair value, and all investment transactions are recorded on a trade-date basis. Realized and unrealized gains and losses, as well as dividends, capital gain distributions and interest income, are reported as “net investment income (loss)” on the Combined Statement of Changes in Fiduciary Net Position. Contributions are generally recognized when they are received, and withdrawals are recognized when the withdrawal request has been received and approved for payment. Program management fees and sales fees are recognized when the related services are provided, regardless of when cash is paid.

Financial Analysis

Fiduciary Net Position

The following condensed Combined Statements of Fiduciary Net Position provide a “snapshot” of the combined financial position of the Franklin Templeton Managed Investment Options:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Total assets	\$ 7,324,728,717	\$ 6,793,932,250
Total liabilities	<u>82,957,248</u>	<u>37,855,847</u>
Net position held in trust for account owners and beneficiaries	<u>\$ 7,241,771,469</u>	<u>\$ 6,756,076,403</u>

The reported balance of fiduciary net position held in trust for account owners and their beneficiaries represents the cumulative total of contributions and exchanges into the Franklin Templeton Managed Investment Options, increased (decreased) by net investment income (loss) experienced by the underlying assets in the Franklin Templeton Managed Investment Options, net of related investment advisory fees, and decreased by withdrawals, exchanges out, Program management fees and sales fees.

Investments of the Franklin Templeton Managed Investment Options totaled approximately \$7.3 billion at June 30, 2025, and included common stock, mutual funds and exchange-traded funds. Of the \$7.3 billion, investments in common stock and a certain mutual fund totaling \$2.1 billion are held in separately managed accounts. Investments at June 30, 2024, totaled almost \$6.8 billion and included mutual funds, exchange-traded funds and a short-term investment fund.

Other assets generally include amounts to be invested or distributed on behalf of account owners and their beneficiaries, receivables for proceeds from investment sales transactions and investment income receivable. Liabilities generally include accrued investment advisory fees, accrued Program management fees and sales fees, payables to settle investment purchase transactions and payables for withdrawals approved but not yet paid.

Management's Discussion and Analysis (Unaudited) (Continued)

Financial Analysis (Continued)

Changes in Fiduciary Net Position

The following condensed Combined Statements of Changes in Fiduciary Net Position summarize how the combined amount of net position held in trust for account owners and their beneficiaries changed during the periods presented:

	Year Ended June 30, 2025	Year Ended June 30, 2024
Contributions and exchanges in	\$ 1,601,422,751	\$ 2,953,048,257
Net investment income	730,733,987	827,658,512
Withdrawals and exchanges out	(1,819,191,558)	(3,132,489,227)
Program management fees	(13,824,420)	(12,699,879)
Sales fees	(13,445,694)	(12,708,464)
Net increase	485,695,066	622,809,199
Net position held in trust for account owners and beneficiaries, beginning of year	<u>6,756,076,403</u>	<u>6,133,267,204</u>
Net position held in trust for account owners and beneficiaries, end of year	<u>\$ 7,241,771,469</u>	<u>\$ 6,756,076,403</u>

No assurance is provided on the information in Management's Discussion and Analysis.

Combined Statement of Fiduciary Net Position

June 30, 2025

ASSETS

Investments	\$	7,315,650,191
Cash and cash equivalents		901,992
Receivables from investments sold		5,281,256
Investment income receivable		2,895,278
Total Assets		<u>7,324,728,717</u>

LIABILITIES

Payables for investments purchased		74,835,172
Withdrawals payable		4,620,909
Accrued investment advisory fees		1,007,237
Accrued Program management fees		1,186,982
Accrued sales fees		1,125,563
Foreign currency contracts payable, net		181,385
Total Liabilities		<u>82,957,248</u>

NET POSITION HELD IN TRUST FOR

ACCOUNT OWNERS AND BENEFICIARIES	\$	<u>7,241,771,469</u>
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See accompanying notes to the combined financial statements.

Combined Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

ADDITIONS	
Contributions	\$ 1,262,655,891
Exchanges in	338,766,860
Investment income:	
Dividends and interest	271,977,324
Net increase in the fair value of investments	461,704,238
Investment advisory fees and other direct investment expenses	<u>(2,947,575)</u>
Net investment income	<u>730,733,987</u>
Total Additions	<u>2,332,156,738</u>
DEDUCTIONS	
Withdrawals	1,486,275,267
Exchanges out	332,916,291
Program management fees	13,824,420
Sales fees	<u>13,445,694</u>
Total Deductions	<u>1,846,461,672</u>
NET INCREASE	485,695,066
NET POSITION HELD IN TRUST FOR	
ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR	<u>6,756,076,403</u>
NET POSITION HELD IN TRUST FOR	
ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR	<u>\$ 7,241,771,469</u>

See accompanying notes to the combined financial statements.

Notes to the Combined Financial Statements

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

General

The New Jersey Better Educational Savings Trust Program (Program) is an educational savings program offered by the State of New Jersey (the State) and organized and operated in accordance with Section 529 of the Internal Revenue Code. The Program includes two distinct plans, the NJBEST 529 College Savings Plan (NJBEST Plan) and the Franklin Templeton 529 College Savings Plan (Franklin Templeton Plan). The NJBEST Plan is only available to New Jersey residents (or their beneficiaries) and Franklin Templeton employees (or their immediate family members), provided they invest without the assistance of a financial professional. The Franklin Templeton Plan is offered nationwide. While each plan has its own program description and distribution structure, both plans offer a range of common investment portfolios (Franklin Templeton Managed Investment Options) that may invest in underlying assets, including mutual funds, ETFs, and/or institutional separate accounts. The Franklin Templeton Managed Investment Options are structured with multiple share classes, allowing both the NJBEST Plan and the Franklin Templeton Plan to access common investment strategies while maintaining distinct fee and administrative features. However, some options are exclusive to a specific plan. The underlying investments that comprise the investment portfolios are selected by the Program's investment manager, Franklin Mutual Advisers, LLC, an affiliate of Franklin Templeton Distributors, Inc. (FD), the Program Manager and are approved by the New Jersey Higher Education Student Assistance Authority (HESAA). The New Jersey Department of the Treasury, Division of Investment, serves as investment manager for certain other investment options (the Treasury Managed Investment Options) that are part of the NJBEST Plan, but are no longer available to new investors. The Bank of New York Mellon Corporation (BNY) serves as the custody agent for the Program.

These combined financial statements report only the combined financial position and changes therein of the Franklin Templeton Managed Investment Options and do not include any information related to the Treasury Managed Investment Options. These combined financial statements are not intended to and do not present a complete representation of the financial statements of the Program as a whole.

Details regarding Plan administration and oversight, investment options, fees and expenses, enrollment, and contribution and withdrawal requirements are set forth in each Plan's respective Program Description and Participation Agreement. Individuals choosing to establish an account in the NJBEST Plan may do so by contacting the Plan directly, without the use of a broker-dealer or other financial intermediary. Individuals choosing to establish an account in the Franklin Templeton Plan may only do so through an eligible broker-dealer or other financial intermediary. Contributions to an account may be invested in one or more investment option portfolios.

Effective November 15, 2024, the Program implemented a significant restructuring, designed to streamline and simplify investment options, as well as reduce certain fees. In connection with this restructuring, the underlying investments and asset allocations of many investment option portfolios were changed, certain investment option portfolios were consolidated into existing or new investment option portfolios, and certain investment option portfolios were discontinued.

Notes to the Combined Financial Statements (*Continued*)

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS (*Continued*)

General (*Continued*)

Prior to the restructuring, the Franklin Templeton Managed Investment Options included the following investment option portfolios:

Franklin Asset Allocations - Growth

Newborn - 4 Years 529 Portfolio
Age 5 - 6 Years 529 Portfolio
Age 7 - 8 Years 529 Portfolio
Age 9 - 10 Years 529 Portfolio
Age 11 - 12 Years 529 Portfolio
Age 13 - 14 Years 529 Portfolio
Age 15 - 16 Years 529 Portfolio
Age 17 Years 529 Portfolio
Age 18 Years 529 Portfolio
Age 19+ Years 529 Portfolio

Franklin Asset Allocations - Conservative

Newborn - 4 Years 529 Portfolio
Age 5 - 6 Years 529 Portfolio
Age 7 - 8 Years 529 Portfolio
Age 9 - 10 Years 529 Portfolio
Age 11 - 12 Years 529 Portfolio
Age 13 - 14 Years 529 Portfolio
Age 15 - 16 Years 529 Portfolio
Age 17 Years 529 Portfolio
Age 18 Years 529 Portfolio
Age 19+ Years 529 Portfolio

Franklin Asset Allocations - Moderate

Newborn - 4 Years 529 Portfolio
Age 5 - 6 Years 529 Portfolio
Age 7 - 8 Years 529 Portfolio
Age 9 - 10 Years 529 Portfolio
Age 11 - 12 Years 529 Portfolio
Age 13 - 14 Years 529 Portfolio
Age 15 - 16 Years 529 Portfolio
Age 17 Years 529 Portfolio
Age 18 Years 529 Portfolio
Age 19+ Years 529 Portfolio

Individual Fund Portfolios

Ariel 529 Portfolio
Brandywine GLOBAL - Global Opportunities 529 Portfolio
ClearBridge International Growth 529 Portfolio
ClearBridge Large Cap Value 529 Portfolio
ClearBridge Sustainability Leaders 529 Portfolio
Franklin DynaTech 529 Portfolio
Franklin Growth 529 Portfolio
Franklin Income 529 Portfolio
Franklin Small-Mid Cap Growth 529 Portfolio
Franklin U.S. Government Money 529 Portfolio
Franklin U.S. Large Cap Index 529 Portfolio
Martin Currie International Sustainable Equity 529 Portfolio
Western Asset Core Plus Bond 529 Portfolio
Western Asset Short Term Bond 529 Portfolio

Objective-Based Asset Allocation Portfolios

Franklin Aggressive Growth Allocation 529 Portfolio
Franklin Conservative Allocation 529 Portfolio
Franklin Conservative Growth Allocation 529 Portfolio
Franklin Growth Allocation 529 Portfolio
Franklin Moderate Allocation 529 Portfolio
Franklin Moderate Growth Allocation 529 Portfolio

Notes to the Combined Financial Statements *(Continued)*

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS *(Continued)*

General *(Continued)*

Subsequent to the restructuring and at June 30, 2025, the Franklin Templeton Managed Investment Options included the following investment option portfolios:

Target Enrollment Portfolios

Franklin Target 2025 529 Portfolio
Franklin Target 2026 529 Portfolio
Franklin Target 2027 529 Portfolio
Franklin Target 2029 529 Portfolio
Franklin Target 2031 529 Portfolio
Franklin Target 2033 529 Portfolio
Franklin Target 2035 529 Portfolio
Franklin Target 2037 529 Portfolio
Franklin Target 2039 529 Portfolio
Franklin Target 2041 529 Portfolio
Franklin Target Enrolled 529 Portfolio

Objective-Based Asset Allocation Portfolios

Franklin Aggressive Growth Allocation 529 Portfolio
Franklin Growth Allocation 529 Portfolio
Franklin Moderate Growth Allocation 529 Portfolio

Individual Fund Portfolios

Ariel 529 Portfolio ⁽¹⁾
ClearBridge International Growth 529 Portfolio
Putnam Sustainable Leaders 529 Portfolio ⁽²⁾
Franklin DynaTech 520 Portfolio ⁽¹⁾
Franklin Income 529 Portfolio ⁽¹⁾
Franklin Small-Mid Cap Growth 529 Portfolio ⁽¹⁾
Franklin U.S. Core Bond ETF 529 Portfolio
Franklin U.S. Government Money 529 Portfolio
Franklin U.S. Large Cap Index 529 Portfolio
iShares Core MSCI EAFE ETF 529 Portfolio
Martin Currie International Sustainable Equity 529 Portfolio ⁽¹⁾
Putnam Core Bond 529 Portfolio ⁽¹⁾
Putnam Large Cap Growth 529 Portfolio
Putnam Large Cap Value 529 Portfolio

⁽¹⁾ These Portfolios are not available under the NJBEST Plan.

⁽²⁾ Formerly ClearBridge Sustainability Leaders 529 Portfolio until renamed on January 31, 2025.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Accounting

The Program and the education savings plans offered under the Program are included in the reporting entity of the State as a private-purpose trust fund, which is a type of fiduciary fund, as defined by the Governmental Accounting Standards Board (GASB). Fiduciary funds are used to report assets held in a trustee or agency capacity for others that cannot be used to support a government's own programs. In accordance with accounting principles generally accepted in the United States (U.S. GAAP) relevant to fiduciary funds prescribed by the GASB, the combined financial statements of the Franklin Templeton Managed Investment Options are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

(b) Income Taxes

The Program and the education savings plans offered under the Program have been designed and are operated to comply with the requirements for treatment as a qualified tuition program under Section 529. As such, the Program and the education savings plans offered under the Program are exempt from federal and state income tax. The Program has not engaged in any unrelated activities that would generate income subject to tax.

(c) Estimates

The preparation of the combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Notes to the Combined Financial Statements (*Continued*)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(d) Indemnification

Neither the Program, the Program Manager, the Investment Manager, the State nor any other person or entity, indemnifies any account owner or designated beneficiary against losses or other claims arising from the official or unofficial acts, negligent or otherwise, of the Program, the Program Manager, the Investment Manager, the State or any other person or entity acting on behalf of the Program. The Program, the Program Manager, the Investment Manager and the State have entered into contracts related to the operation and administration of the Program that contain a variety of representations and warranties that provide general indemnifications. The maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Program, the Program Manager, the Investment Manager, the State or other persons or entities acting on behalf of the Program that have not yet occurred. However, the Program, the Program Manager, the Investment Manager and the State have not experienced any prior claims or losses pursuant to these contracts, and the risk of loss is expected to be remote.

(e) Investments and Investment Transactions

Investments include common stock, exchange-traded funds (ETFs) and mutual funds. The common stock and a certain mutual fund are held in separately managed accounts.

Investments are reported at fair value. Equity securities and ETFs listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sell price or the official closing price of the day. Mutual funds are reported at their net asset values as of the reporting date.

Accounting standards categorize fair value measurements according to a hierarchy that is based on valuation inputs that are used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable. The inputs or methodologies used for valuing investments are not necessarily an indication of risk. The fair values of all investments are determined using Level 1 inputs.

Purchases and sales are recorded on a trade-date basis. Realized gains and losses are determined on an average cost basis. Net realized and unrealized gains (losses) are included in "net investment income (loss)" on the Combined Statement of Changes in Fiduciary Net Position. Dividends are recorded on the ex-dividend date, and interest is accrued as it is earned.

(f) Cash and Cash Equivalents

Cash and cash equivalents generally include contributions received from account owners that have not yet been invested and/or redemption proceeds from the sales of investments necessary to satisfy withdrawal requests that have not yet been distributed in accordance with account owners' instructions. In addition, cash and cash equivalents includes foreign currency and U.S. Treasury bills with original maturities of one year or less, both of which are held in the Program's separately managed accounts.

(g) Foreign Currency Contracts

The Franklin Templeton Plan enters into forward foreign currency contracts to manage the risk of exchange rate volatility on investment transactions denominated in foreign currencies occurring within the separately managed accounts. Contracts are generally short-term in nature and are entered into concurrently with investment purchase or sale decisions. For purposes of presentation in the Combined Statement of Fiduciary Net Position, the fair values of open contracts receivable and payable at the financial reporting date are netted. Fair values are determined using observable Level 2 inputs, such as forward exchange rates quoted by counterparties or third-party pricing services, spot exchange rates, contract maturity dates and notional amounts. Gains and losses are reported as part of net investment income (loss) on the Combined Statement of Changes in Fiduciary Net Position.

Notes to Combined Financial Statements (*Continued*)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(h) Contributions

Individuals or entities meeting eligibility requirements that have properly executed a participation agreement with the Franklin Templeton Plan may establish an account to which cash contributions may be made, subject to certain minimum contribution requirements and limitations on the aggregate amount of contributions. Contributions received prior to the close of the New York Stock Exchange are recorded as increases in fiduciary net position on the date they are received, provided that all related documentation is found to be in good order.

Account owners may elect to invest their contributions in one or more investment option portfolios offered by the Plans. In exchange for contributions to the Program, account owners receive full and/or fractional interests, or "Trust Shares", issued by the trust in which Program assets are held. These Trust Shares are municipal fund securities.

Subject to certain exceptions and conditions, account owners investing in the Franklin Templeton Plan must select a unit class. Contributions to Class A Trust Shares are generally subject to an initial sales charge of up to 3.75%, and account balances invested in Class A Trust Shares are subject to an annual sales fee of 0.25%. Reduced sales charges may be available for eligible investors. Contributions to Class C Trust Shares are not subject to an initial sales charge, but will generally be subject to a contingent deferred sales charge of 1% if withdrawn within twelve months of making the contribution. Account balances invested in Class C Trust Shares are subject to an annual sales charge of 1%. Certain eligible investors may direct their contributions into an Advisor Trust Share, which is not subject to any sales charges or annual sales fees. Contributions are reported net of any applicable sales charges. All or a portion of these sales charges may be paid to the financial advisors through whom account owners invest in the Franklin Templeton Plan. Account owners investing in the NJBEST Plan receive Direct Trust Shares, which are not subject to sales charges or annual sales fees.

Although contributions to the investment option portfolios are ultimately invested in various investment securities, the Trust Shares themselves are not direct investments in the underlying investment securities. The Trust Shares are not insured by the FDIC or the State, nor have they been registered with the Securities and Exchange Commission or any state commission.

In addition, although account owners can select the investment option portfolios in which their contributions are invested, they cannot direct the selection or allocation of investments composing each investment option portfolio.

(i) Withdrawals

Account owners may request withdrawals for qualified or non-qualified expenses. It is the responsibility of the account owner to determine whether the withdrawal is for qualified higher educational expenses and to calculate the applicable amount of federal or state tax or penalties for non-qualified withdrawals, if any. Withdrawals are recorded as deductions from fiduciary net position on the date the withdrawal request is found to be in good order. As explained in Note 2(h) above, certain withdrawals of contributions may be subject to contingent deferred sales charges, a portion of which is paid to financial advisors through whom account owners invest in the Franklin Templeton Plan. These contingent deferred sales charges are included in the reported amount of withdrawals, along with other fees, such as fees associated with returned checks, rejected transactions, wires and electronic disbursements and priority delivery of checks.

(j) Exchanges

Subject to certain limitations and restrictions, account owners may generally direct that their account balance be reinvested in one or more different investment option portfolios twice per calendar year. In addition, Class C Trust Shares automatically convert into Class A Trust Shares after six years (or sooner in some cases). Transfers of funds between investment option portfolios and Trust Shares are referred to as "exchanges."

Notes to Combined Financial Statements (*Continued*)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(k) Trust Share Valuation

Each account owner's full and/or fractional interest in an investment option portfolio is evidenced by a Trust Share. The net asset value of a Trust Share in an investment option portfolio is calculated daily based on the fair value investments held in that investment option portfolio, adjusted for the effects of such transactions as accrued Program management and sales fees and accrued investment income. The value of any individual account is determined by multiplying the number of Trust Shares in an investment option portfolio attributable to that account owner by the net asset value per Trust Share of that investment option portfolio.

NOTE 3: INVESTMENTS

(a) Investments by Type

Program assets are invested in accordance with an Investment Policy developed by HESAA, with approval by the State Investment Council, which is the entity responsible for oversight of the Division of Investment. The Investment Policy sets forth investment objectives, permitted investments, asset allocation strategies and performance monitoring requirements applicable to all investment option portfolios offered under the Program. The overarching objective is to provide account owners with a range of investment options, allowing for diverse levels of risk tolerance, return expectations and time horizons. Permissible broad asset classes include domestic equity, non-domestic equity, fixed-income (which may include global or international fixed-income) and cash equivalents. There are no provisions of the Investment Policy that specifically address credit risk, interest rate risk, concentrations of credit risk or foreign currency risk.

At June 30, 2025, investments held in the Franklin Templeton Managed Investment Options are as follows:

Common Stock, at fair value	\$ 2,088,391,294
Mutual Funds, at fair value	1,651,444,902
ETFs, at fair value	<u>3,575,813,995</u>
Total Investments	<u><u>\$ 7,315,650,191</u></u>

(b) Investment Risk

Investments are exposed to interest rate, market and credit risk, and it is at least reasonably possible that changes in their fair values could occur in the near term, materially affecting account owner balances and the amounts reported in the combined financial statements.

U.S. GAAP requires that certain disclosures be made related to the Franklin Templeton Managed Investment Options' investment policy and its exposure to credit risk, interest rate risk and foreign currency risk, which are included in the paragraphs that follow.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of an investment that is in the possession of an outside party. Mutual funds and ETFs are not generally subject to custodial credit risk, and the assets held in the separately managed accounts are not exposed to custodial credit risk as they are held in a segregated account with the custodian in the name of the Program.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Through its investment in bond mutual funds and ETFs, the Franklin Templeton Managed Investment Options are indirectly exposed to credit risk. None of the bond mutual funds or ETFs in which the Franklin Templeton Managed Investment Options invests are rated as to credit quality by a nationally recognized statistical rating organization.

Notes to Combined Financial Statements (Continued)

NOTE 3: INVESTMENTS (Continued)

(b) Investment Risk (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Average maturity, which is a measure of interest rate risk, is the average length of time until fixed-income securities held by a fund reach maturity and will be repaid, taking into consideration the possibility that the issuer may call a bond before its maturity date. In general, the longer the average maturity, the more a fund's share price will fluctuate in response to changes in interest rates.

As of June 30, 2025, the fair values and average maturities of holdings of the bond funds in which the Franklin Templeton Managed Investment Options invest are as follows:

	<u>Fair Value</u>	<u>Average Maturity</u>
Franklin High Yield Corporate ETF	\$ 173,102,082	3.6 years
Franklin International Aggregate Bond ETF	\$ 156,409,998	7.7 years
Franklin U.S. Core Bond ETF	\$ 845,858,676	7.4 years
Franklin U.S. Treasury Bond ETF	\$ 429,432,732	7.6 years
iShares Broad USD Investment Grade Corporate Bond ETF	\$ 256,469,114	9.9 years
iShares Floating Rate Bond ETF	\$ 124,644,760	1.9 years
Putnam Core Bond Fund	\$ 23,484,273	8.4 years
Vanguard Total Bond Market Index Fund ETF	\$ 262,737,969	8.2 years

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Franklin Templeton Managed Investment Options are directly exposed to foreign currency risk primarily through international equity holdings in the separately managed accounts and indirectly exposed through holdings in certain mutual funds and ETFs that include international equity and fixed income securities in their underlying assets. Direct exposure to foreign currency risk through assets held at June 30, 2025 is as follows:

<u>Currency</u>	<u>Cash and Cash Equivalents</u>	<u>Common Stock</u>
Australian Dollar	\$ -	\$ 31,317,563
Canadian Dollar	(136,478)	8,260,768
Danish Krone	-	19,053,610
Euro Currency Unit	(14,204)	244,718,791
Hong Kong Dollar	3,824	21,081,592
Japanese Yen	29,209	124,628,827
New Zealand Dollar	-	664,075
Norwegian Krone	285	4,885,600
Pound Sterling	(722,696)	151,188,319
Singapore Dollar	-	4,209,854
Swedish Krona	-	13,136,579
Swiss Franc	51,366	58,203,398
Total	<u>\$ (788,694)</u>	<u>\$ 681,348,976</u>

Notes to Combined Financial Statements (Continued)

NOTE 3: INVESTMENTS (Continued)

(b) Investment Risk (Continued)

Foreign Currency Risk (Continued)

Indirect exposure to foreign currency risk through investments in mutual funds and ETFs that include 5% or more of their underlying assets in foreign investments at June 30, 2025, is as follows:

	<u>Fair Value</u>	<u>International Holdings %</u>
ClearBridge International Growth Fund	\$ 90,606,903	86%
Franklin DynaTech Fund	\$ 31,258,717	10%
Franklin High Yield Corporate ETF	\$ 173,102,082	16%
Franklin Income Fund	\$ 198,327,738	9%
Franklin International Aggregate Bond ETF	\$ 156,409,998	93%
iShares Broad USD Investment Grade Corporate Bond Fund ETF	\$ 256,469,114	25%
iShares Core MSCI EAFE ETF	\$ 84,186,268	98%
iShares Floating Rate Bond ETF	\$ 124,644,760	62%
Martin Currie Sustainable International Equity Fund	\$ 361,707	66%
Putnam Core Bond Fund	\$ 23,484,273	8%
Putnam Large Cap Value Fund	\$ 93,396,040	5%
Vanguard Total Bond Market Index Fund ETF	\$ 262,737,969	7%

NOTE 4: FOREIGN CURRENCY CONTRACTS, NET

Open foreign currency contracts receivable and payable at June 30, 2025, are as follows:

	<u>Notional Amount</u>	<u>Fair Value</u>		<u>Net</u>
		<u>Receivable</u>	<u>Payable</u>	
Canadian Dollar	\$ 186,715	\$ 66,199	\$ 136,838	\$ (70,639)
Danish Krone	696,092	109,345	109,521	(176)
Euro	1,722,900	1,976,742	2,032,520	(55,778)
Japanese Yen	69,717,810	483,161	482,660	501
Pound Sterling	2,630,726	3,552,493	3,606,747	(54,254)
Swiss Franc	206,010	257,768	258,807	(1,039)
Net Contracts Payable	<u>\$ 75,160,253</u>	<u>\$ 6,445,708</u>	<u>\$ 6,627,093</u>	<u>\$ (181,385)</u>

Foreign currency contracts present some degree of credit risk in the event that one or more counterparties to the contracts are unable to meet the terms of the contracts. Counterparties to these contracts are limited financial institutions with high credit ratings.

NOTE 5: PROGRAM MANAGEMENT FEES, SALES FEES, INVESTMENT ADVISORY FEES AND OTHER EXPENSES

(a) Program Management Fees

The Program management fee is accrued daily and calculated based on the net position attributable to each investment option portfolio, excluding the Franklin U.S. Government Money 529 Portfolio. The annualized fee is 0.25%. This fee is paid to the Program Manager as compensation for performing Program management services.

(b) Sales Fees

The sales fee is accrued daily and calculated based on the net position attributable to each investment option portfolio, excluding the Franklin U.S. Government Money 529 Portfolio. The annualized fee is 0.25% on Class A Trust Shares and 1% on Class C Trust Shares. This fee is paid to the Program Manager, and the Program Manager then pays a portion or the entire amount to others as compensation for providing distribution and related services.

Notes to Combined Financial Statements *(Continued)*

NOTE 5: PROGRAM MANAGEMENT FEES, SALES FEES, INVESTMENT ADVISORY FEES AND OTHER EXPENSES *(Continued)*

(c) Investment Advisory Fees

Investment advisory fees are paid to the manager of the separately managed accounts. These fees are accrued daily and calculated based on assets under management in the separately managed accounts. As such fees are directly related to the management of assets held in the Franklin Templeton Managed Investment Options, these fees are netted against investment income for purposes of presentation in the Combined Statement of Changes in Fiduciary Net Position.

(d) Other Expenses

Expenses related to management of the mutual funds and ETFs in which the Franklin Templeton Managed Investment Options are invested reduce the amount of income available for distribution to the Franklin Templeton Managed Investment Options in the form of dividends and capital gain distributions. These underlying fund expenses are not reported as expenses in the accompanying combined financial statements.

Certain employees of the HESAA may perform duties related to the administration of the Program, including marketing and outreach. Any such costs are not reported as expenses in the accompanying combined financial statements.