

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM -

DIRECT PLAN

Financial Statements

June 30, 2013



**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM -
DIRECT PLAN
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June 30, 2013**

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Independent Auditor's Report

To the Trustee of the Connecticut Higher Education Trust Program-Direct Plan:

We have audited the accompanying financial statements of the Connecticut Higher Education Trust Program-Direct Plan (the "Direct Plan"), which comprise the Statement of Fiduciary Net Position as of June 30, 2013 and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the Direct Plan's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Fiduciary Net Position of the Connecticut Higher Education Trust Program-Direct Plan, at June 30, 2013, and the Changes in Fiduciary Net Position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 5 through 7 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 Matter

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Direct Plan's basic financial statements. The accompanying supplemental information of the Statements of Net Position on pages 15 through 19, Statements of Operations on pages 21 through 25, Statements of Changes in Net Position on pages 27 through 31 and Financial Highlights on pages 32 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2013 on our consideration of the Direct Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Direct Plan's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

August 22, 2013

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**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM -
DIRECT PLAN
Management's Discussion and Analysis**

As Plan manager of the Connecticut Higher Education Trust Program – Direct Plan (the “Direct Plan”), TIAA-CREF Tuition Financing, Inc. (“TFI”) offers readers of the Direct Plan’s financial statements this discussion and analysis of the financial performance for the year ended June 30, 2013. Readers should consider the information presented in this section in conjunction with the Direct Plan’s financial statements and notes to financial statements. The Direct Plan is comprised of 11 investment options (the “Options”) in which account owners (“Account Owners”) may invest.

Financial Highlights

During the year ended June 30, 2013, the Options within the Direct Plan posted returns as follows:

<u>Conservative Managed Allocation Option</u>		<u>Aggressive Managed Allocation Option</u>	
Ages 0-3	9.95%	Ages 0-3	17.29%
Ages 4-7	7.30	Ages 4-7	14.33
Ages 8-11	4.58	Ages 8-11	11.65
Ages 12-14	3.08	Ages 12-14	9.84
Ages 15-17	1.41	Ages 15-17	7.85
Ages 18 & Over	(0.10)	Ages 18 & Over	4.75
 <u>Moderate Managed Allocation Option</u>		 <u>Additional Investment Options</u>	
Ages 0-3	13.59%	High Equity Option	14.72%
Ages 4-7	10.66	Equity Index Option	17.25
Ages 8-11	8.27	Active Equity Option	17.26
Ages 12-14	6.33	Index Fixed-Income Option	(1.11)
Ages 15-17	4.87	Active Fixed-Income Option	1.12
Ages 18 & Over	3.28	Social Choice Option	24.30
		Money Market Option	0.00
		Principal Plus Interest Option	1.71

The Direct Plan received \$110.3 million in net contributions from Account Owners during the year ended June 30, 2013.

The Direct Plan earned \$37.7 million of investment income and incurred \$3.0 million of operating expenses during the year ended June 30, 2013.

Overview of the Financial Statements

The Direct Plan’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management’s Discussion and Analysis- for State and Local Governments*, as amended.

This report consists of two parts: Management’s Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are composed of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements that explain some of the information in the financial statements and provide more detailed information.

The Statement of Fiduciary Net Position presents information on the Direct Plan’s assets and liabilities, with the difference between the two reported as net position as of June 30, 2013. This statement, along with all of the Direct Plan’s financial statements, is prepared using the accrual basis of accounting. Contributions are recognized when enrollment in the Direct Plan is finalized; subsequent contributions and redemptions are recognized on trade date; expenses and liabilities are recognized when services are provided, regardless of when cash is disbursed.

The Statement of Changes in Fiduciary Net Position presents information showing how the Direct Plan's assets changed during the most recent period. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future years.

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

This report presents the operating results and financial status of the Direct Plan, which the State of Connecticut reports as a fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity.

Financial Analysis

Net position. The following are condensed Statements of Fiduciary Net Position as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Investments	\$ 1,942,079,545	\$ 1,695,382,654
Cash	32,380	1,368
Receivables	2,046,752	4,192,389
Total Assets	<u>1,944,158,677</u>	<u>1,699,576,411</u>
Payables	2,208,108	4,280,948
Total Liabilities	<u>2,208,108</u>	<u>4,280,948</u>
Total Net Position	<u>\$ 1,941,950,569</u>	<u>\$ 1,695,295,463</u>

Net position represents total contributions from Account Owners, plus the net increases (decreases) from operations, less withdrawals and expenses.

Investments are approximately 100% of total net position, and consist of 11 Options, each of which invests in varying percentages in multiple TIAA-CREF Funds and other third-party mutual funds, or the funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company to the Connecticut Higher Education Trust. Other assets consist mainly of cash and receivables for securities sold, contributions, and accrued income. Liabilities consist mainly of payables for securities purchased, withdrawals, and accrued expenses.

Changes in net position. The following are condensed Statements of Changes in Fiduciary Net Position for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Additions:		
Subscriptions	\$ 677,418,979	\$ 587,156,328
Investment income	37,666,830	36,920,799
Net increase in fair value of investments	101,776,110	-
Total Additions	<u>816,861,919</u>	<u>624,077,127</u>
Deductions:		
Redemptions	(567,166,400)	(488,041,584)
Plan management fee	(2,880,777)	(2,474,268)
Administrative fee	(159,636)	(137,284)
Net decrease in fair value of investments	-	(22,456,226)
Total Deductions	<u>(570,206,813)</u>	<u>(513,109,362)</u>
Changes in Net Position	246,655,106	110,967,765
Net Position - beginning of year	1,695,295,463	1,584,327,698
Net Position - end of year	<u>\$ 1,941,950,569</u>	<u>\$ 1,695,295,463</u>

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

ASSETS

Cash	\$ 32,380
Investments, at value (cost: \$1,745,343,544)	1,942,079,545
Dividends and interest receivable	770,635
Receivable from securities transactions	227,367
Receivable for Direct Plan units sold	1,048,750
TOTAL ASSETS	<u>1,944,158,677</u>

LIABILITIES

Accrued Plan management fee	253,465
Accrued Administrative fee	14,068
Payable for securities transactions	1,155,166
Payable for Direct Plan units redeemed	785,409
TOTAL LIABILITIES	<u>2,208,108</u>

NET POSITION

Held in trust for Account Owners in the Direct Plan	<u>\$ 1,941,950,569</u>
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See notes to financial statements

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

ADDITIONS

Subscriptions \$ 677,418,979

Investment income:

Interest 3,578,198

Dividends 34,088,632

Total investment income 37,666,830

Net increase in fair value of investments 101,776,110

Total additions 816,861,919

DEDUCTIONS

Redemptions (567,166,400)

Plan management fee (2,880,777)

Administrative fee (159,636)

Total deductions (570,206,813)

Changes in net position 246,655,106

Net position – beginning of year 1,695,295,463

Net position – end of year \$ 1,941,950,569

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies

The Connecticut Higher Education Trust Program - Direct Plan (the "Direct Plan") was formed on July 1, 1997 by Connecticut law, to help people save for the costs of education after high school. The Direct Plan is administered by the Treasurer of the State of Connecticut, as trustee (the "Trustee") of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to enter into contracts for Direct Plan management services, adopt regulations for the administration of the Direct Plan and establish investment policies for the Direct Plan. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Trustee have entered into a management agreement ("Management Agreement") under which TFI serves as Direct Plan manager. The Direct Plan is intended to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code ("Code") and was established pursuant to the Connecticut Annotated Statutes Sections 3-22f to 3-22o. Investment options (the "Options" or individually "Option") allocations, and fees, as approved by the Trustee, are described in the current Disclosure Booklet for the Direct Plan.

The assets in the Principal Plus Interest Option are allocated to a funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company ("TIAA-CREF Life"), a subsidiary of TIAA. The Funding Agreement provides the Trust a return of principal plus a guaranteed minimum rate of interest and provides the opportunity for additional interest as may be declared periodically by TIAA-CREF Life.

Teachers Advisors, Inc. ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission as an investment adviser and provides investment advisory services to the TIAA-CREF Funds (the "Funds").

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board ("GASB") Statement No. 34 which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Direct Plan.

Investments and investment income: Investment transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned. Dividend income and capital gain distributions from the underlying mutual funds are recorded on the ex-dividend date. Income distributions from underlying funds are included in total investment income and gain distributions are included in net increase in fair value of investments. Realized gains and losses are based upon the specific identification method.

Investment valuation: All investments, excluding the Funding Agreement, are recorded at their estimated fair value as described in the Valuation of Investments note to the financial statements. The Funding Agreement is considered a nonparticipating interest-earning investment contract and is accounted for at cost. There is no impairment of the underlying issuer that affects the contract.

Income tax: No provision for federal income tax has been made. The Direct Plan is designed to constitute a qualified tuition program under Section 529 of the Code and does not expect to have any unrelated business income subject to tax.

Units: The beneficial interests for each account owner ("Account Owner") in the Options are represented by Direct Plan units. Subscriptions and redemptions are recorded upon receipt of Account Owner's instructions in good order, based on the next determined net position value per unit ("Unit Value"). Unit Values for each Option are determined at the close of business of the New York Stock Exchange. There are no distributions of net investment gains or net investment income to the Option's Account Owners or beneficiaries.

Subscriptions and Redemptions: Subscriptions on the Statement of Changes in Fiduciary Net Position include any subscriptions to the Plan made by Account Owners and any exchanges within the Direct Plan that result in a reinvestment of assets. Redemptions on the Statement of Changes in Fiduciary Net Position include any redemptions to the Direct Plan made by Account Owners and any exchanges within the Direct Plan that result in a reinvestment of assets.

Note 2 – Valuation of Investments

A description of the valuation techniques applied to the Direct Plan's investments follows:

Investments in registered investment companies: These investments are valued at their net asset value on the valuation date.

CONNECTICUT HIGHER EDUCATION TRUST COLLEGE SAVINGS PROGRAM NOTES TO FINANCIAL STATEMENTS (continued)

Funding Agreement: The Funding Agreement, to which the Principal Plus Option allocates assets, is stated at the principal contributed and earnings credited less any withdrawals to date.

Note 3 – Direct Plan Expenses

For its services as Direct Plan manager with respect to the Conservative Managed Allocation Option, the Moderate Managed Allocation Option, the Aggressive Managed Allocation Option, the High Equity Option, the Equity Index Option, the Active Equity Option, the Index Fixed-Income Option, the Active Fixed-Income Option, the Social Choice Option, and the Money Market Option, TFI is paid an annual aggregate Direct Plan management fee of 0.18% of the average daily net position of the Direct Plan, invested in such Options. In addition, Advisors is paid investment management fees on the underlying investments in the Funds. The Direct Plan management fee indicated applies on total assets in the Plan up to \$2.0 billion. The Direct Plan management fee will revert to 0.20%, however, if total assets in the Direct Plan decrease to below \$1.5 billion for a period of at least 90 consecutive days. If, however, total assets in the Direct Plan reach \$2.0 billion or above for a period of at least 90 days, the Direct Plan management fee indicated will be further reduced to 0.15% and will remain at such level for as long as such assets do not decline to below \$2.0 billion for 90 consecutive days.

No fee is charged on the assets invested in the Principal Plus Interest Option; however, a fee is paid to TFI by TIAA-CREF Life. TIAA-CREF Life also pays the Trustee a fee, equal to 0.01% of the average daily net position held by the Principal Plus Interest Option, for expenses related to the oversight of the Trust for this Option.

For its services administering the Direct Plan, each Option (with the exception of the Principal Plus Interest Option) pays to the Trustee an administrative fee at an annual rate of 0.01% of the average daily net position of the Option. The fee is deposited in the Administrative Account and then used to pay certain Direct Plan administrative expenses.

Beginning August 1, 2011, TFI and the Trustee began voluntarily waiving the Money Market Option's Direct Plan management fee and administrative fee, respectively, in an attempt to maintain a 0.00% return for the Option. TFI and the Trustee may discontinue the waiver at any time without notice.

Note 4 – Investments

Cash deposits: Cash deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits-in-transit) at \$32,465 at June 30, 2013. The entire amount was covered by federal depository insurance coverage.

Investments: As of June 30, 2013, net unrealized appreciation (depreciation) of portfolio investments was \$196,736,001 consisting of gross unrealized appreciation of \$207,394,139 and gross unrealized depreciation of \$(10,658,138).

An Account Owner has an investment in an Option and not a direct investment in any underlying mutual funds or other investment vehicle.

CONNECTICUT HIGHER EDUCATION TRUST COLLEGE SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS (continued)

At June 30, 2013, the Direct Plan's investments consist of the following:

	<u>Units</u>	<u>Cost</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):			
Bond Fund	2,569,497	\$ 26,062,088	\$ 26,414,430
Bond Index Fund	35,966,254	379,030,439	381,961,623
Emerging Markets Equity Index Fund	1,529,719	15,586,134	14,914,756
Equity Index Fund	26,250,054	206,317,937	323,400,658
Growth & Income Fund	226,109	2,191,979	2,559,550
High-Yield Fund	490,299	4,824,442	4,991,246
Inflation-Linked Bond Fund	10,924,455	115,884,583	125,085,015
International Equity Index Fund	20,315,590	315,742,232	341,098,749
Large-Cap Value Fund	74,847	1,007,497	1,234,220
Mid-Cap Growth Fund	437,979	6,620,870	9,788,841
Mid-Cap Value Fund	490,171	7,779,239	10,440,638
Money Market Fund	55,798,589	55,798,589	55,798,589
Real Estate Securities Fund	4,525,909	43,061,958	58,112,673
S&P 500 Index Fund	4,685,370	59,535,619	84,758,341
Short-Term Bond Fund	9,461,643	98,484,477	97,927,999
Social Choice Equity Fund	781,153	8,161,925	10,701,798
TIAA-CREF Funds (Retail Class):			
Money Market Fund*	679,812	679,812	679,812
Non-Proprietary Funds:			
DFA Emerging Markets Core Equity Portfolio	3,182,309	64,722,510	58,299,909
GE Institutional Small-Cap Equity Fund	651,611	9,294,433	12,009,193
GMO International Equity Allocation Series Fund	181,766	1,815,260	1,861,287
T. Rowe Price Institutional Large-Cap Growth Fund	56,301	987,930	1,203,161
Templeton Global Bond Fund	7,076,831	94,369,564	91,361,887
Thornburg International Value Fund	104,442	2,841,588	2,932,731
TIAA-CREF Life Insurance Company:			
Funding Agreement	15,121,029	224,542,439	224,542,439
		<u>\$ 1,745,343,544</u>	<u>\$ 1,942,079,545</u>

*Represents the assets of the Administrative Account.

Note 5 – Investment Risks

Certain investments are subject to a variety of investment risks based on the amount of risk in the underlying funds. GASB requires that entities disclose certain essential risk information about deposits and investments. All of the Direct Plan's Options are uninsured and unregistered and are held by a custodian in the Direct Plan's name.

Custodial credit risk: Custodial credit risk is the risk that in the event of a failure, the Direct Plan deposits and investments may not be returned. An Account Owner has an investment in an Option and not a direct investment in any underlying mutual fund or other investment vehicle to which funds in that Option may be allocated. Because of this ownership structure, the custodial credit risk is significantly mitigated.

Credit risk: The underlying mutual funds investing primarily in fixed income securities are subject to credit risk. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The underlying mutual funds do not carry a formal credit quality rating. The underlying Funding Agreement is a guaranteed insurance product issued by TIAA-CREF Life. TIAA-CREF Life had a AA+ credit rating at June 30, 2013.

Interest rate risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At June 30, 2013, the average maturities for the underlying fixed income mutual funds are as follows:

CONNECTICUT HIGHER EDUCATION TRUST COLLEGE SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS (concluded)

<u>Investment</u>	<u>Market Value</u>	<u>Average Maturity</u>
TIAA-CREF Funds (Institutional Class):		
Bond Fund	\$ 26,414,430	6.43 years
Bond Index Fund	381,961,623	6.95 years
High-Yield Fund	4,991,246	7.86 years
Inflation-Linked Bond Fund	125,085,015	8.59 years
Short-Term Bond Fund	97,927,999	3.04 years
Non-Proprietary Funds:		
Templeton Global Bond Fund	91,361,887	2.4 years

Foreign currency and investment risk: Foreign currency and investment risk is the risk that changes in exchange rates will adversely affect the fair value of investments in foreign securities. The Direct Plan does not have any direct investment in foreign securities. Certain Direct Plan Options allocate assets to underlying mutual funds that are exposed to foreign currency and investment risk. At June 30, 2013, the value of investments in underlying mutual funds that primarily invest in foreign securities are as follows:

<u>Investment</u>	<u>Market Value</u>
TIAA-CREF Funds (Institutional Class):	
Emerging Markets Equity Index Fund	\$ 14,914,756
International Equity Index Fund	341,098,749
Money Market Fund	55,798,589
Short-Term Bond Fund	97,927,999
Non-Proprietary Funds:	
DFA Emerging Markets Core Equity Portfolio	58,299,909
GMO International Equity Allocation Series Fund	1,861,287
Templeton Global Bond Fund	91,361,887
Thornburg International Value Fund	2,932,731

Note 6 – Subsequent Event

On May 15, 2013, the total assets of the Direct Plan reached \$2.0 billion. Effective August 12, 2013, TFI has agreed to waive the requirement that total assets in the Direct Plan be equal to or greater than \$2.0 billion for a period of at least 90 consecutive days, thereby reducing the management fee to 0.15%. Such management fee will be in effect for as long as such assets do not decline below \$2.0 billion for 90 consecutive days.

SUPPLEMENTAL INFORMATION

The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Connecticut Higher Education Trust Program – Direct Plan (“Direct Plan”). It shows financial information relating to the investment options, which are included in the Direct Plan during the year ended June 30, 2013.

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF NET POSITION
JUNE 30, 2013**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 981,367	\$ 947,582	\$ 1,386,727	\$ 1,541,658	\$ 1,855,033	\$ 1,423,970	\$ 8,136,337
Equity Index Fund	1,227,675	657,452	504,261	428,335	309,944	—	3,127,667
Inflation-Linked Bond Fund	292,522	282,852	414,989	460,982	553,730	424,683	2,429,758
International Equity Index Fund	893,925	475,667	362,851	304,477	225,282	—	2,262,202
Money Market Fund	—	—	—	222,396	654,926	976,183	1,853,505
Real Estate Securities Fund	255,024	136,575	105,369	89,249	64,623	—	650,840
Short-Term Bond Fund	—	—	—	561,586	1,615,898	2,313,460	4,490,944
SUBTOTAL	<u>3,650,513</u>	<u>2,500,128</u>	<u>2,774,197</u>	<u>3,608,683</u>	<u>5,279,436</u>	<u>5,138,296</u>	<u>22,951,253</u>
Non-Proprietary Funds:							
DFA Emerging Markets Core Equity Portfolio	194,840	103,723	79,111	65,975	48,815	—	492,464
Templeton Global Bond Fund	237,052	229,552	335,331	368,732	449,991	344,727	1,965,385
SUBTOTAL	<u>431,892</u>	<u>333,275</u>	<u>414,442</u>	<u>434,707</u>	<u>498,806</u>	<u>344,727</u>	<u>2,457,849</u>
TOTAL INVESTMENTS	<u>4,082,405</u>	<u>2,833,403</u>	<u>3,188,639</u>	<u>4,043,390</u>	<u>5,778,242</u>	<u>5,483,023</u>	<u>25,409,102</u>
Cash	—	—	—	—	—	—	—
Dividends and interest receivable	1,446	1,417	2,059	3,210	4,938	4,538	17,608
Receivable from Plan units sold	5,520	1,696	2,330	1,455	2,620	5,816	19,437
TOTAL ASSETS	<u>4,089,371</u>	<u>2,836,516</u>	<u>3,193,028</u>	<u>4,048,055</u>	<u>5,785,800</u>	<u>5,493,377</u>	<u>25,446,147</u>
LIABILITIES							
Accrued Plan management fee	594	418	466	640	883	730	3,731
Accrued administrative fee	33	23	26	36	49	41	208
Payable for securities transactions	6,321	2,105	3,343	4,470	7,270	9,661	33,170
Payable for Plan units redeemed	—	776	—	—	—	—	776
TOTAL LIABILITIES	<u>6,948</u>	<u>3,322</u>	<u>3,835</u>	<u>5,146</u>	<u>8,202</u>	<u>10,432</u>	<u>37,885</u>
NET POSITION	<u>\$ 4,082,423</u>	<u>\$ 2,833,194</u>	<u>\$ 3,189,193</u>	<u>\$ 4,042,909</u>	<u>\$ 5,777,598</u>	<u>\$ 5,482,945</u>	<u>\$ 25,408,262</u>
UNITS OUTSTANDING	<u>345,443</u>	<u>244,025</u>	<u>279,403</u>	<u>366,016</u>	<u>535,727</u>	<u>524,514</u>	
NET POSITION VALUE PER UNIT	<u>\$ 11.82</u>	<u>\$ 11.61</u>	<u>\$ 11.41</u>	<u>\$ 11.05</u>	<u>\$ 10.78</u>	<u>\$ 10.45</u>	
INVESTMENTS AT COST	<u>\$ 3,829,577</u>	<u>\$ 2,695,747</u>	<u>\$ 3,091,662</u>	<u>\$ 3,979,972</u>	<u>\$ 5,761,406</u>	<u>\$ 5,550,882</u>	<u>\$ 24,909,246</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF NET POSITION
JUNE 30, 2013**

**Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 3,804,371	\$ 21,797,160	\$ 65,130,614	\$ 90,118,294	\$ 77,854,797	\$ 42,601,625	\$ 301,306,861
Equity Index Fund	11,074,187	35,003,734	48,716,087	44,228,481	36,516,242	20,911,409	196,450,140
Inflation-Linked Bond Fund	857,511	8,471,892	19,244,226	26,565,939	23,051,716	13,789,069	91,980,353
International Equity Index Fund	8,127,925	26,365,913	39,125,532	32,393,442	25,844,468	13,703,704	145,560,984
Money Market Fund	—	—	—	—	11,423,702	22,135,801	33,559,503
Real Estate Securities Fund	2,664,237	6,524,930	10,614,172	10,060,802	8,007,262	4,639,738	42,511,141
Short-Term Bond Fund	—	—	—	—	32,254,045	58,728,323	90,982,368
SUBTOTAL	<u>26,528,231</u>	<u>98,163,629</u>	<u>182,830,631</u>	<u>203,366,958</u>	<u>214,952,232</u>	<u>176,509,669</u>	<u>902,351,350</u>
Non-Proprietary Funds:							
DFA Emerging Markets Core Equity Portfolio	1,879,605	4,413,842	6,756,338	6,429,124	5,054,836	2,873,133	27,406,878
Templeton Global Bond Fund	510,969	5,361,269	14,622,362	20,209,581	17,572,600	10,265,787	68,542,568
SUBTOTAL	<u>2,390,574</u>	<u>9,775,111</u>	<u>21,378,700</u>	<u>26,638,705</u>	<u>22,627,436</u>	<u>13,138,920</u>	<u>95,949,446</u>
TOTAL INVESTMENTS	<u>28,918,805</u>	<u>107,938,740</u>	<u>204,209,331</u>	<u>230,005,663</u>	<u>237,579,668</u>	<u>189,648,589</u>	<u>998,300,796</u>
Cash	—	1,010	5	27,719	3,600	—	32,334
Dividends and interest receivable	5,744	34,457	100,856	137,245	158,641	127,535	564,478
Receivable from securities transactions	—	—	—	—	—	140,466	140,466
Receivable from Plan units sold	39,247	53,733	56,324	56,826	81,459	71,641	359,230
TOTAL ASSETS	<u>28,963,796</u>	<u>108,027,940</u>	<u>204,366,516</u>	<u>230,227,453</u>	<u>237,823,368</u>	<u>189,988,231</u>	<u>999,397,304</u>
LIABILITIES							
Overdraft payable	—	—	—	—	—	85	85
Accrued Plan management fee	4,714	16,799	31,213	34,533	35,602	26,108	148,969
Accrued administrative fee	262	933	1,734	1,919	1,978	1,450	8,276
Payable for securities transactions	41,078	79,391	140,564	202,317	165,943	127,535	756,828
Payable for Plan units redeemed	—	794	1,500	2,300	57,358	184,418	246,370
TOTAL LIABILITIES	<u>46,054</u>	<u>97,917</u>	<u>175,011</u>	<u>241,069</u>	<u>260,881</u>	<u>339,596</u>	<u>1,160,528</u>
NET POSITION	<u>\$ 28,917,742</u>	<u>\$ 107,930,023</u>	<u>\$ 204,191,505</u>	<u>\$ 229,986,384</u>	<u>\$ 237,562,487</u>	<u>\$ 189,648,635</u>	<u>\$ 998,236,776</u>
UNITS OUTSTANDING	<u>1,678,962</u>	<u>7,023,175</u>	<u>12,584,916</u>	<u>13,825,952</u>	<u>14,912,503</u>	<u>12,294,213</u>	
NET POSITION VALUE PER UNIT	<u>\$ 17.22</u>	<u>\$ 15.37</u>	<u>\$ 16.23</u>	<u>\$ 16.63</u>	<u>\$ 15.93</u>	<u>\$ 15.43</u>	
INVESTMENTS AT COST	<u>\$ 20,340,602</u>	<u>\$ 87,527,412</u>	<u>\$ 176,632,278</u>	<u>\$ 208,362,540</u>	<u>\$ 220,148,020</u>	<u>\$ 177,912,083</u>	<u>\$ 890,922,935</u>

Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ —	\$ 4,513,933	\$ 8,032,227	\$ 8,253,649	\$ 8,494,483	\$ 4,025,178	\$ 33,319,470
Equity Index Fund	11,059,570	21,064,455	15,489,473	8,959,756	6,238,925	2,248,307	65,060,486
Inflation-Linked Bond Fund	—	1,496,940	2,580,805	2,289,415	2,668,650	1,334,829	10,370,639
International Equity Index Fund	8,479,066	16,083,609	11,576,398	6,532,207	4,619,974	1,560,068	48,851,322
Money Market Fund	—	—	—	—	—	935,963	935,963
Real Estate Securities Fund	2,239,702	4,947,140	3,595,522	2,149,087	1,509,195	510,046	14,950,692
Short-Term Bond Fund	—	—	—	—	—	2,454,687	2,454,687
SUBTOTAL	<u>21,778,338</u>	<u>48,106,077</u>	<u>41,274,425</u>	<u>28,184,114</u>	<u>23,531,227</u>	<u>13,069,078</u>	<u>175,943,259</u>
Non-Proprietary Funds:							
DFA Emerging Markets Core Equity Portfolio	1,322,895	3,106,022	2,231,663	1,236,228	926,037	341,937	9,164,782
Templeton Global Bond Fund	—	809,630	1,932,791	1,792,942	1,851,147	967,456	7,353,966
SUBTOTAL	<u>1,322,895</u>	<u>3,915,652</u>	<u>4,164,454</u>	<u>3,029,170</u>	<u>2,777,184</u>	<u>1,309,393</u>	<u>16,518,748</u>
TOTAL INVESTMENTS	<u>23,101,233</u>	<u>52,021,729</u>	<u>45,438,879</u>	<u>31,213,284</u>	<u>26,308,411</u>	<u>14,378,471</u>	<u>192,462,007</u>
Cash	—	25	—	70	—	—	95
Dividends and interest receivable	—	6,888	11,857	12,644	11,731	8,421	51,541
Receivable from securities transactions	—	—	—	—	425	8,863	9,288
Receivable from Plan units sold	41,967	34,822	27,207	17,527	12,511	4,479	138,513
TOTAL ASSETS	<u>23,143,200</u>	<u>52,063,464</u>	<u>45,477,943</u>	<u>31,243,525</u>	<u>26,333,078</u>	<u>14,400,234</u>	<u>192,661,444</u>
LIABILITIES							
Accrued Plan management fee	3,707	7,827	6,614	4,718	3,762	1,969	28,597
Accrued administrative fee	206	435	367	262	209	109	1,588
Payable for securities transactions	39,426	29,224	31,186	27,988	11,731	8,421	147,976
Payable for Plan units redeemed	—	10,099	4,375	—	11,000	12,202	37,676
TOTAL LIABILITIES	<u>43,339</u>	<u>47,585</u>	<u>42,542</u>	<u>32,968</u>	<u>26,702</u>	<u>22,701</u>	<u>215,837</u>
NET POSITION	<u>\$ 23,099,861</u>	<u>\$ 52,015,879</u>	<u>\$ 45,435,401</u>	<u>\$ 31,210,557</u>	<u>\$ 26,306,376</u>	<u>\$ 14,377,533</u>	<u>\$ 192,445,607</u>
UNITS OUTSTANDING	<u>2,038,673</u>	<u>4,558,767</u>	<u>3,825,507</u>	<u>2,564,236</u>	<u>2,151,776</u>	<u>1,207,205</u>	
NET POSITION VALUE PER UNIT	<u>\$ 11.33</u>	<u>\$ 11.41</u>	<u>\$ 11.88</u>	<u>\$ 12.17</u>	<u>\$ 12.23</u>	<u>\$ 11.91</u>	
INVESTMENTS AT COST	<u>\$ 16,177,824</u>	<u>\$ 44,698,713</u>	<u>\$ 39,747,735</u>	<u>\$ 27,657,054</u>	<u>\$ 24,091,461</u>	<u>\$ 13,673,123</u>	<u>\$ 166,045,910</u>

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF NET POSITION
JUNE 30, 2013

	High Equity Option	Equity Index Option	Active Equity Option	Index Fixed- Income Option	Active Fixed- Income Option	Social Choice Option
ASSETS						
Investments, at value:						
TIAA-CREF Funds (Institutional Class):						
Bond Fund	\$ —	\$ —	\$ —	\$ —	\$ 26,414,430	\$ —
Bond Index Fund	31,883,039	—	—	7,315,916	—	—
Emerging Markets Equity Index Fund	—	14,914,756	—	—	—	—
Equity Index Fund	—	58,762,365	—	—	—	—
Growth & Income Fund	—	—	2,559,550	—	—	—
High-Yield Fund	—	—	—	—	4,991,246	—
Inflation-Linked Bond Fund	10,562,723	—	—	—	9,741,542	—
International Equity Index Fund	86,473,802	57,950,439	—	—	—	—
Large-Cap Value Fund	—	—	1,234,220	—	—	—
Mid-Cap Growth Fund	9,617,477	—	171,364	—	—	—
Mid-Cap Value Fund	10,266,730	—	173,908	—	—	—
Money Market Fund	—	—	—	—	—	—
S&P 500 Index Fund	84,758,341	—	—	—	—	—
Social Choice Equity Fund	—	—	—	—	—	10,701,798
SUBTOTAL	233,562,112	131,627,560	4,139,042	7,315,916	41,147,218	10,701,798
TIAA-CREF Mutual Funds (Retail Class):						
Money Market Fund	—	—	—	—	—	—
Non-Proprietary Funds:						
DFA Emerging Markets Core Equity Portfolio	21,235,785	—	—	—	—	—
GE Institutional Small-Cap Equity Fund	11,535,570	—	473,623	—	—	—
GMO International Equity Allocation Series Fund	—	—	1,861,287	—	—	—
T. Rowe Price Inst. Large-Cap Growth Fund	—	—	1,203,161	—	—	—
Templeton Global Bond Fund	6,118,338	—	—	—	7,381,630	—
Thornburg International Value fund	—	—	2,932,731	—	—	—
SUBTOTAL	38,889,693	—	6,470,802	—	7,381,630	—
TIAA-CREF Life Insurance Company:						
Funding Agreement	—	—	—	—	—	—
TOTAL INVESTMENTS	272,451,805	131,627,560	10,609,844	7,315,916	48,528,848	10,701,798
Cash	—	—	6	—	—	30
Dividends and interest receivable	48,341	—	—	11,132	77,292	—
Receivable from securities transactions	10,054	—	—	—	41,612	—
Receivable from Plan units sold	141,333	141,488	8,846	2,435	20,020	45,183
TOTAL ASSETS	272,651,533	131,769,048	10,618,696	7,329,483	48,667,772	10,747,011
LIABILITIES						
Accrued Plan management fee	40,754	19,614	1,548	1,096	7,343	1,570
Accrued administrative fee	2,264	1,090	86	61	408	87
Payable for securities transactions	48,341	26,432	7,397	13,281	77,293	37,541
Payable for Plan units redeemed	139,164	108,043	816	—	57,195	6,293
TOTAL LIABILITIES	230,523	155,179	9,847	14,438	142,239	45,491
NET POSITION	\$ 272,421,010	\$ 131,613,869	\$ 10,608,849	\$ 7,315,045	\$ 48,525,533	\$ 10,701,520
UNITS OUTSTANDING	17,223,587	10,295,113	892,329	682,557	3,354,882	807,385
NET POSITION VALUE PER UNIT	\$ 15.82	\$ 12.78	\$ 11.89	\$ 10.72	\$ 14.46	\$ 13.25
INVESTMENTS AT COST	\$ 236,179,374	\$ 109,875,221	\$ 9,540,476	\$ 7,416,617	\$ 47,619,971	\$ 8,161,925

Money Market Option	Principal Plus Interest Option	Administrative Account	Total
\$ —	\$ —	\$ —	\$ 26,414,430
—	—	—	39,198,955
—	—	—	14,914,756
—	—	—	58,762,365
—	—	—	2,559,550
—	—	—	4,991,246
—	—	—	20,304,265
—	—	—	144,424,241
—	—	—	1,234,220
—	—	—	9,788,841
—	—	—	10,440,638
19,449,618	—	—	19,449,618
—	—	—	84,758,341
—	—	—	10,701,798
<u>19,449,618</u>	<u>—</u>	<u>—</u>	<u>447,943,264</u>
—	—	679,812	679,812
—	—	—	21,235,785
—	—	—	12,009,193
—	—	—	1,861,287
—	—	—	1,203,161
—	—	—	13,499,968
—	—	—	2,932,731
<u>—</u>	<u>—</u>	<u>—</u>	<u>52,742,125</u>
—	224,542,439	—	224,542,439
19,449,618	224,542,439	679,812	725,907,640
—	—	—	36
243	—	—	137,008
—	25,947	—	77,613
34,565	137,700	—	531,570
<u>19,484,426</u>	<u>224,706,086</u>	<u>679,812</u>	<u>726,653,867</u>
243	—	—	72,168
—	—	—	3,996
6,907	—	—	217,192
25,429	163,647	—	500,587
<u>32,579</u>	<u>163,647</u>	<u>—</u>	<u>793,943</u>
<u>\$ 19,451,847</u>	<u>\$ 224,542,439</u>	<u>\$ 679,812</u>	<u>\$ 725,859,924</u>
<u>1,920,439</u>	<u>15,121,029</u>	<u>—</u>	
<u>\$ 10.13</u>	<u>\$ 14.85</u>	<u>—</u>	
<u>\$ 19,449,618</u>	<u>\$ 224,542,439</u>	<u>\$ 679,812</u>	<u>\$ 663,465,453</u>

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**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
INVESTMENT INCOME							
Dividends from underlying funds	\$ 63,888	\$ 47,571	\$ 57,224	\$ 64,370	\$ 85,940	\$ 55,065	\$ 374,058
TOTAL INCOME	<u>63,888</u>	<u>47,571</u>	<u>57,224</u>	<u>64,370</u>	<u>85,940</u>	<u>55,065</u>	<u>374,058</u>
EXPENSES							
Plan management fee	5,476	3,978	4,537	5,810	8,742	6,514	35,057
Administrative fee	304	221	252	323	486	362	1,948
TOTAL EXPENSES	<u>5,780</u>	<u>4,199</u>	<u>4,789</u>	<u>6,133</u>	<u>9,228</u>	<u>6,876</u>	<u>37,005</u>
NET INVESTMENT INCOME (LOSS)	<u>58,108</u>	<u>43,372</u>	<u>52,435</u>	<u>58,237</u>	<u>76,712</u>	<u>48,189</u>	<u>337,053</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS							
Net realized gain (loss) on investments in underlying fund shares	(11,504)	(5,268)	(4,833)	(21,880)	(17,682)	(2,363)	(63,530)
Realized gain distributions from underlying mutual funds	7,879	6,162	8,229	8,507	10,978	5,855	47,610
Net realized gain (loss) on total investments	<u>(3,625)</u>	<u>894</u>	<u>3,396</u>	<u>(13,373)</u>	<u>(6,704)</u>	<u>3,492</u>	<u>(15,920)</u>
Net change in unrealized appreciation (depreciation) on investments in underlying fund shares	<u>193,879</u>	<u>81,460</u>	<u>26,873</u>	<u>(4,087)</u>	<u>(44,145)</u>	<u>(87,897)</u>	<u>166,083</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>190,254</u>	<u>82,354</u>	<u>30,269</u>	<u>(17,460)</u>	<u>(50,849)</u>	<u>(84,405)</u>	<u>150,163</u>
NET INCREASE (DECREASE) IN NET POSITION FROM OPERATIONS	<u>\$ 248,362</u>	<u>\$ 125,726</u>	<u>\$ 82,704</u>	<u>\$ 40,777</u>	<u>\$ 25,863</u>	<u>\$ (36,216)</u>	<u>\$ 487,216</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

**Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
INVESTMENT INCOME							
Dividends from underlying funds	\$ 648,454	\$ 2,410,453	\$ 4,691,197	\$ 4,908,247	\$ 4,542,022	\$ 2,723,807	\$ 19,924,180
TOTAL INCOME	<u>648,454</u>	<u>2,410,453</u>	<u>4,691,197</u>	<u>4,908,247</u>	<u>4,542,022</u>	<u>2,723,807</u>	<u>19,924,180</u>
EXPENSES							
Plan management fee	54,423	197,974	378,578	403,147	414,070	290,870	1,739,062
Administrative fee	3,024	10,998	21,032	22,397	23,004	16,160	96,615
TOTAL EXPENSES	<u>57,447</u>	<u>208,972</u>	<u>399,610</u>	<u>425,544</u>	<u>437,074</u>	<u>307,030</u>	<u>1,835,677</u>
NET INVESTMENT INCOME (LOSS)	<u>591,007</u>	<u>2,201,481</u>	<u>4,291,587</u>	<u>4,482,703</u>	<u>4,104,948</u>	<u>2,416,777</u>	<u>18,088,503</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS							
Net realized gain (loss) on investments in underlying fund shares	852,067	170,712	2,753,973	542,347	260,620	(335,535)	4,244,184
Realized gain distributions from underlying mutual funds	75,698	311,165	634,816	692,317	610,800	328,541	2,653,337
Net realized gain (loss) on total investments	<u>927,765</u>	<u>481,877</u>	<u>3,388,789</u>	<u>1,234,664</u>	<u>871,420</u>	<u>(6,994)</u>	<u>6,897,521</u>
Net change in unrealized appreciation (depreciation) on investments in underlying fund shares	2,316,747	8,225,876	8,811,102	7,530,011	5,405,605	2,350,208	34,639,549
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>3,244,512</u>	<u>8,707,753</u>	<u>12,199,891</u>	<u>8,764,675</u>	<u>6,277,025</u>	<u>2,343,214</u>	<u>41,537,070</u>
NET INCREASE (DECREASE) IN NET POSITION FROM OPERATIONS	<u>\$ 3,835,519</u>	<u>\$10,909,234</u>	<u>\$ 16,491,478</u>	<u>\$ 13,247,378</u>	<u>\$10,381,973</u>	<u>\$ 4,759,991</u>	<u>\$ 59,625,573</u>

Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
INVESTMENT INCOME							
Dividends from underlying funds	\$ 514,749	\$ 894,824	\$ 804,575	\$ 568,292	\$ 444,979	\$ 211,389	\$ 3,438,808
TOTAL INCOME	<u>514,749</u>	<u>894,824</u>	<u>804,575</u>	<u>568,292</u>	<u>444,979</u>	<u>211,389</u>	<u>3,438,808</u>
EXPENSES							
Plan management fee	41,650	78,496	67,845	48,508	38,181	19,980	294,660
Administrative fee	2,314	4,361	3,769	2,695	2,121	1,110	16,370
TOTAL EXPENSES	<u>43,964</u>	<u>82,857</u>	<u>71,614</u>	<u>51,203</u>	<u>40,302</u>	<u>21,090</u>	<u>311,030</u>
NET INVESTMENT INCOME (LOSS)	<u>470,785</u>	<u>811,967</u>	<u>732,961</u>	<u>517,089</u>	<u>404,677</u>	<u>190,299</u>	<u>3,127,778</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS							
Net realized gain (loss) on investments in underlying fund shares	93,922	(114,439)	(70,918)	(32,709)	(28,903)	(29,661)	(182,708)
Realized gain distributions from underlying mutual funds	56,251	98,483	97,175	73,123	58,094	26,864	409,990
Net realized gain (loss) on total investments	<u>150,173</u>	<u>(15,956)</u>	<u>26,257</u>	<u>40,414</u>	<u>29,191</u>	<u>(2,797)</u>	<u>227,282</u>
Net change in unrealized appreciation (depreciation) on investments in underlying fund shares	<u>3,035,031</u>	<u>4,577,011</u>	<u>3,055,146</u>	<u>1,728,393</u>	<u>995,717</u>	<u>232,389</u>	<u>13,623,687</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>3,185,204</u>	<u>4,561,055</u>	<u>3,081,403</u>	<u>1,768,807</u>	<u>1,024,908</u>	<u>229,592</u>	<u>13,850,969</u>
NET INCREASE (DECREASE) IN NET POSITION FROM OPERATIONS	<u>\$ 3,655,989</u>	<u>\$ 5,373,022</u>	<u>\$ 3,814,364</u>	<u>\$ 2,285,896</u>	<u>\$ 1,429,585</u>	<u>\$ 419,891</u>	<u>\$ 16,978,747</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

	High Equity Option	Equity Index Option	Active Equity Option	Index Fixed- Income Option	Active Fixed- Income Option	Social Choice Option
INVESTMENT INCOME						
Interest	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Dividends from underlying funds	6,027,647	2,489,251	127,957	109,103	1,434,176	155,975
TOTAL INCOME	<u>6,027,647</u>	<u>2,489,251</u>	<u>127,957</u>	<u>109,103</u>	<u>1,434,176</u>	<u>155,975</u>
EXPENSES						
Plan management fee	468,514	208,122	14,723	11,016	86,961	15,221
Administrative fee	26,029	11,562	818	612	4,831	846
TOTAL EXPENSES	<u>494,543</u>	<u>219,684</u>	<u>15,541</u>	<u>11,628</u>	<u>91,792</u>	<u>16,067</u>
Less: Fee waived by Plan Manager	—	—	—	—	—	—
Less: Administrative fee waiver	—	—	—	—	—	—
NET EXPENSES	<u>494,543</u>	<u>219,684</u>	<u>15,541</u>	<u>11,628</u>	<u>91,792</u>	<u>16,067</u>
NET INVESTMENT INCOME (LOSS)	<u>5,533,104</u>	<u>2,269,567</u>	<u>112,416</u>	<u>97,475</u>	<u>1,342,384</u>	<u>139,908</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS						
Net realized gain (loss) on investments in underlying fund shares	2,485,620	(683,998)	(140,702)	(7,403)	(91,578)	(5,256)
Realized gain distributions from underlying mutual funds	1,481,130	247,178	108,140	5,546	828,443	—
Net realized gain (loss) on total investments	<u>3,966,750</u>	<u>(436,820)</u>	<u>(32,562)</u>	<u>(1,857)</u>	<u>736,865</u>	<u>(5,256)</u>
Net change in unrealized appreciation (depreciation) on investments in underlying fund shares	<u>25,540,324</u>	<u>15,580,943</u>	<u>1,129,100</u>	<u>(217,730)</u>	<u>(1,719,380)</u>	<u>1,697,531</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>29,507,074</u>	<u>15,144,123</u>	<u>1,096,538</u>	<u>(219,587)</u>	<u>(982,515)</u>	<u>1,692,275</u>
NET INCREASE (DECREASE) IN NET POSITION FROM OPERATIONS	<u>\$ 35,040,178</u>	<u>\$ 17,413,690</u>	<u>\$ 1,208,954</u>	<u>\$ (122,112)</u>	<u>\$ 359,869</u>	<u>\$ 1,832,183</u>

Money Market Option	Principal Plus Interest Option	Administrative Account	Total
\$ —	\$ 3,578,198	\$ —	\$ 3,578,198
7,477	—	—	10,351,586
<u>7,477</u>	<u>3,578,198</u>	<u>—</u>	<u>13,929,784</u>
31,355	—	—	835,912
1,742	—	—	46,440
<u>33,097</u>	<u>—</u>	<u>—</u>	<u>882,352</u>
(23,914)	—	—	(23,914)
(1,737)	—	—	(1,737)
<u>7,446</u>	<u>—</u>	<u>—</u>	<u>856,701</u>
<u>31</u>	<u>3,578,198</u>	<u>—</u>	<u>13,073,083</u>
—	—	—	1,556,683
<u>—</u>	<u>—</u>	<u>—</u>	<u>2,670,437</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>4,227,120</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>42,010,788</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>46,237,908</u>
<u>\$ 31</u>	<u>\$ 3,578,198</u>	<u>\$ —</u>	<u>\$ 59,310,991</u>

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**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
FROM OPERATIONS							
Net investment income (loss)	\$ 58,108	\$ 43,372	\$ 52,435	\$ 58,237	\$ 76,712	\$ 48,189	\$ 337,053
Net realized gain (loss) on investments	(3,625)	894	3,396	(13,373)	(6,704)	3,492	(15,920)
Net change in unrealized appreciation (depreciation) on total investments	193,879	81,460	26,873	(4,087)	(44,145)	(87,897)	166,083
NET INCREASE (DECREASE) FROM OPERATIONS	<u>248,362</u>	<u>125,726</u>	<u>82,704</u>	<u>40,777</u>	<u>25,863</u>	<u>(36,216)</u>	<u>487,216</u>
ACCOUNT OWNER TRANSACTIONS							
Subscriptions	2,655,825	2,086,082	2,278,786	2,919,203	4,721,602	4,811,860	19,473,358
Redemptions	(746,168)	(785,342)	(893,300)	(1,307,331)	(2,612,402)	(2,160,140)	(8,504,683)
NET INCREASE (DECREASE) FROM TRANSACTIONS	<u>1,909,657</u>	<u>1,300,740</u>	<u>1,385,486</u>	<u>1,611,872</u>	<u>2,109,200</u>	<u>2,651,720</u>	<u>10,968,675</u>
NET INCREASE (DECREASE) IN NET POSITION	2,158,019	1,426,466	1,468,190	1,652,649	2,135,063	2,615,504	11,455,891
NET POSITION							
Beginning of year	<u>1,924,404</u>	<u>1,406,728</u>	<u>1,721,003</u>	<u>2,390,260</u>	<u>3,642,535</u>	<u>2,867,441</u>	<u>13,952,371</u>
End of year	<u>\$ 4,082,423</u>	<u>\$ 2,833,194</u>	<u>\$ 3,189,193</u>	<u>\$ 4,042,909</u>	<u>\$ 5,777,598</u>	<u>\$ 5,482,945</u>	<u>\$ 25,408,262</u>
UNITS							
Sold	230,008	181,535	198,847	260,789	433,152	454,239	1,758,570
Redeemed	(63,514)	(67,515)	(77,200)	(117,692)	(240,166)	(203,775)	(769,862)
NET INCREASE (DECREASE)	<u>166,494</u>	<u>114,020</u>	<u>121,647</u>	<u>143,097</u>	<u>192,986</u>	<u>250,464</u>	<u>988,708</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

**Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
FROM OPERATIONS							
Net investment income (loss)	\$ 591,007	\$ 2,201,481	\$ 4,291,587	\$ 4,482,703	\$ 4,104,948	\$ 2,416,777	\$ 18,088,503
Net realized gain (loss) on investments	927,765	481,877	3,388,789	1,234,664	871,420	(6,994)	6,897,521
Net change in unrealized appreciation (depreciation) on total investments	<u>2,316,747</u>	<u>8,225,876</u>	<u>8,811,102</u>	<u>7,530,011</u>	<u>5,405,605</u>	<u>2,350,208</u>	<u>34,639,549</u>
NET INCREASE (DECREASE) FROM OPERATIONS	<u>3,835,519</u>	<u>10,909,234</u>	<u>16,491,478</u>	<u>13,247,378</u>	<u>10,381,973</u>	<u>4,759,991</u>	<u>59,625,573</u>
ACCOUNT OWNER TRANSACTIONS							
Subscriptions	14,990,763	36,880,097	63,779,868	93,813,696	98,092,110	91,556,476	399,113,010
Redemptions	<u>(17,683,771)</u>	<u>(41,764,250)</u>	<u>(76,763,566)</u>	<u>(83,631,320)</u>	<u>(84,355,414)</u>	<u>(73,447,722)</u>	<u>(377,646,043)</u>
NET INCREASE (DECREASE) FROM TRANSACTIONS	<u>(2,693,008)</u>	<u>(4,884,153)</u>	<u>(12,983,698)</u>	<u>10,182,376</u>	<u>13,736,696</u>	<u>18,108,754</u>	<u>21,466,967</u>
NET INCREASE (DECREASE) IN NET POSITION	1,142,511	6,025,081	3,507,780	23,429,754	24,118,669	22,868,745	81,092,540
NET POSITION							
Beginning of year	<u>27,775,231</u>	<u>101,904,942</u>	<u>200,683,725</u>	<u>206,556,630</u>	<u>213,443,818</u>	<u>166,779,890</u>	<u>917,144,236</u>
End of year	<u>\$ 28,917,742</u>	<u>\$ 107,930,023</u>	<u>\$ 204,191,505</u>	<u>\$ 229,986,384</u>	<u>\$ 237,562,487</u>	<u>\$ 189,648,635</u>	<u>\$ 998,236,776</u>
UNITS							
Sold	906,859	2,462,101	3,988,128	5,670,687	6,171,722	5,931,093	25,130,590
Redeemed	<u>(1,060,143)</u>	<u>(2,775,150)</u>	<u>(4,789,280)</u>	<u>(5,051,920)</u>	<u>(5,312,521)</u>	<u>(4,801,326)</u>	<u>(23,790,340)</u>
NET INCREASE (DECREASE)	<u>(153,284)</u>	<u>(313,049)</u>	<u>(801,152)</u>	<u>618,767</u>	<u>859,201</u>	<u>1,129,767</u>	<u>1,340,250</u>

Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
FROM OPERATIONS							
Net investment income (loss)	\$ 470,785	\$ 811,967	\$ 732,961	\$ 517,089	\$ 404,677	\$ 190,299	\$ 3,127,778
Net realized gain (loss) on investments	150,173	(15,956)	26,257	40,414	29,191	(2,797)	227,282
Net change in unrealized appreciation (depreciation) on total investments	3,035,031	4,577,011	3,055,146	1,728,393	995,717	232,389	13,623,687
NET INCREASE (DECREASE) FROM OPERATIONS	3,655,989	5,373,022	3,814,364	2,285,896	1,429,585	419,891	16,978,747
ACCOUNT OWNER TRANSACTIONS							
Subscriptions	12,044,575	24,372,206	22,330,857	18,439,429	14,862,769	8,902,872	100,952,708
Redemptions	(11,995,070)	(12,099,249)	(12,178,458)	(11,592,871)	(7,917,834)	(4,019,403)	(59,802,885)
NET INCREASE (DECREASE) FROM TRANSACTIONS	49,505	12,272,957	10,152,399	6,846,558	6,944,935	4,883,469	41,149,823
NET INCREASE (DECREASE) IN NET POSITION	3,705,494	17,645,979	13,966,763	9,132,454	8,374,520	5,303,360	58,128,570
NET POSITION							
Beginning of year	19,394,367	34,369,900	31,468,638	22,078,103	17,931,856	9,074,173	134,317,037
End of year	<u>\$ 23,099,861</u>	<u>\$ 52,015,879</u>	<u>\$ 45,435,401</u>	<u>\$ 31,210,557</u>	<u>\$ 26,306,376</u>	<u>\$ 14,377,533</u>	<u>\$ 192,445,607</u>
UNITS							
Sold	1,128,527	2,209,899	1,922,858	1,541,120	1,225,516	749,516	8,777,436
Redeemed	(1,098,061)	(1,093,508)	(1,053,729)	(970,083)	(655,625)	(340,104)	(5,211,110)
NET INCREASE (DECREASE)	30,466	1,116,391	869,129	571,037	569,891	409,412	3,566,326

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	High Equity Option	Equity Index Option	Active Equity Option	Index Fixed- Income Option	Active Fixed- Income Option	Social Choice Option
FROM OPERATIONS						
Net investment income (loss)	\$ 5,533,104	\$ 2,269,567	\$ 112,416	\$ 97,475	\$ 1,342,384	\$ 139,908
Net realized gain (loss) on investments	3,966,750	(436,820)	(32,562)	(1,857)	736,865	(5,256)
Net change in unrealized appreciation (depreciation) on total investments	<u>25,540,324</u>	<u>15,580,943</u>	<u>1,129,100</u>	<u>(217,730)</u>	<u>(1,719,380)</u>	<u>1,697,531</u>
NET INCREASE (DECREASE) FROM OPERATIONS	<u>35,040,178</u>	<u>17,413,690</u>	<u>1,208,954</u>	<u>(122,112)</u>	<u>359,869</u>	<u>1,832,183</u>
ACCOUNT OWNER TRANSACTIONS						
Subscriptions	28,228,006	28,626,721	5,245,740	4,291,335	14,854,977	2,651,717
Redemptions	<u>(33,015,440)</u>	<u>(11,868,261)</u>	<u>(1,941,277)</u>	<u>(1,445,797)</u>	<u>(11,129,808)</u>	<u>(864,245)</u>
NET INCREASE (DECREASE) FROM TRANSACTIONS	<u>(4,787,434)</u>	<u>16,758,460</u>	<u>3,304,463</u>	<u>2,845,538</u>	<u>3,725,169</u>	<u>1,787,472</u>
NET INCREASE (DECREASE) IN NET POSITION	30,252,744	34,172,150	4,513,417	2,723,426	4,085,038	3,619,655
NET POSITION						
Beginning of year	<u>242,168,266</u>	<u>97,441,719</u>	<u>6,095,432</u>	<u>4,591,619</u>	<u>44,440,495</u>	<u>7,081,865</u>
End of year	<u>\$ 272,421,010</u>	<u>\$ 131,613,869</u>	<u>\$ 10,608,849</u>	<u>\$ 7,315,045</u>	<u>\$ 48,525,533</u>	<u>\$ 10,701,520</u>
UNITS						
Sold	1,869,273	2,350,605	465,804	391,050	999,795	218,009
Redeemed	<u>(2,210,382)</u>	<u>(992,298)</u>	<u>(174,339)</u>	<u>(131,940)</u>	<u>(751,972)</u>	<u>(74,656)</u>
NET INCREASE (DECREASE)	<u>(341,109)</u>	<u>1,358,307</u>	<u>291,465</u>	<u>259,110</u>	<u>247,823</u>	<u>143,353</u>

Money Market Option	Principal Plus Interest Option	Administrative Account	Total
\$ 31	\$ 3,578,198	\$ —	\$ 13,073,083
—	—	—	4,227,120
—	—	—	42,010,788
31	3,578,198	—	59,310,991
10,707,855	63,096,984	176,568	157,879,903
(7,437,120)	(53,378,591)	(132,250)	(121,212,789)
3,270,735	9,718,393	44,318	36,667,114
3,270,766	13,296,591	44,318	95,978,105
16,181,081	211,245,848	635,494	629,881,819
<u>\$ 19,451,847</u>	<u>\$ 224,542,439</u>	<u>\$ 679,812</u>	<u>\$ 725,859,924</u>
1,057,045	4,285,302	176,568	11,813,451
(734,168)	(3,631,354)	(132,250)	(8,833,359)
<u>322,877</u>	<u>653,948</u>	<u>44,318</u>	<u>2,980,092</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2013**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net position value, beginning of year	\$ 10.75	\$ 10.82	\$ 10.91	\$ 10.72	\$ 10.63	\$ 10.46
Gain (loss) from investment operations:						
Net investment income(a)	0.22	0.23	0.24	0.20	0.17	0.14
Net realized and unrealized gain (loss) on investments	<u>0.85</u>	<u>0.56</u>	<u>0.26</u>	<u>0.13</u>	<u>(0.02)</u>	<u>(0.15)</u>
Total gain (loss) from investment operations	<u>1.07</u>	<u>0.79</u>	<u>0.50</u>	<u>0.33</u>	<u>0.15</u>	<u>(0.01)</u>
Net position value, end of year	<u>\$ 11.82</u>	<u>\$ 11.61</u>	<u>\$ 11.41</u>	<u>\$ 11.05</u>	<u>\$ 10.78</u>	<u>\$ 10.45</u>
 TOTAL RETURN	 <u>9.95%</u>	 <u>7.30%</u>	 <u>4.58%</u>	 <u>3.08%</u>	 <u>1.41%</u>	 <u>(0.10%)</u>
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of period (in thousands)	\$ 4,082	\$ 2,833	\$ 3,189	\$ 4,043	\$ 5,778	\$ 5,483
Ratio of expenses to average net position(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
Ratio of net investment income to average net position	1.91%	1.96%	2.08%	1.80%	1.58%	1.33%

(a) Based on average units outstanding.

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds.

Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net position value, beginning of year	\$ 15.16	\$ 13.89	\$ 14.99	\$ 15.64	\$ 15.19	\$ 14.94
Gain (loss) from investment operations:						
Net investment income(a)	0.32	0.30	0.33	0.33	0.28	0.23
Net realized and unrealized gain on investments	<u>1.74</u>	<u>1.18</u>	<u>0.91</u>	<u>0.66</u>	<u>0.46</u>	<u>0.26</u>
Total gain from investment operations	<u>2.06</u>	<u>1.48</u>	<u>1.24</u>	<u>0.99</u>	<u>0.74</u>	<u>0.49</u>
Net position value, end of year	<u>\$ 17.22</u>	<u>\$ 15.37</u>	<u>\$ 16.23</u>	<u>\$ 16.63</u>	<u>\$ 15.93</u>	<u>\$ 15.43</u>
TOTAL RETURN	<u>13.59%</u>	<u>10.66%</u>	<u>8.27%</u>	<u>6.33%</u>	<u>4.87%</u>	<u>3.28%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of period (in thousands)	\$ 28,918	\$ 107,930	\$ 204,192	\$ 229,986	\$ 237,562	\$ 189,649
Ratio of expenses to average net position(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
Ratio of net investment income to average net position	1.95%	2.00%	2.04%	2.00%	1.78%	1.50%

(a) Based on average units outstanding.

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds.

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2013**

**Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net position value, beginning of year	\$ 9.66	\$ 9.98	\$ 10.64	\$ 11.08	\$ 11.34	\$ 11.37
Gain (loss) from investment operations:						
Net investment income(a)	0.22	0.20	0.22	0.23	0.23	0.20
Net realized and unrealized gain on investments	<u>1.45</u>	<u>1.23</u>	<u>1.02</u>	<u>0.86</u>	<u>0.66</u>	<u>0.34</u>
Total gain from investment operations	<u>1.67</u>	<u>1.43</u>	<u>1.24</u>	<u>1.09</u>	<u>0.89</u>	<u>0.54</u>
Net position value, end of year	<u>\$ 11.33</u>	<u>\$ 11.41</u>	<u>\$ 11.88</u>	<u>\$ 12.17</u>	<u>\$ 12.23</u>	<u>\$ 11.91</u>
 TOTAL RETURN	 <u>17.29%</u>	 <u>14.33%</u>	 <u>11.65%</u>	 <u>9.84%</u>	 <u>7.85%</u>	 <u>4.75%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of period (in thousands)	\$ 23,100	\$ 52,016	\$ 45,435	\$ 31,211	\$ 26,306	\$ 14,378
Ratio of expenses to average net position(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
Ratio of net investment income to average net position	2.03%	1.86%	1.94%	1.92%	1.91%	1.71%

(a) Based on average units outstanding.

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds.

	High Equity Option	Equity Index Option	Active Equity Option	Index Fixed- Income Option	Active Fixed- Income Option	Social Choice Option	Money Market Option	Principal Plus Interest Option
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR								
Net position value, beginning of year	\$ 13.79	\$ 10.90	\$ 10.14	\$ 10.84	\$ 14.30	\$ 10.66	\$ 10.13	\$ 14.60
Gain (loss) from investment operations:								
Net investment income(a)	0.32	0.24	0.16	0.17	0.41	0.20	—	0.25
Net realized and unrealized gain (loss) on investments	1.71	1.64	1.59	(0.29)	(0.25)	2.39	—	—
Total gain (loss) from investment operations	2.03	1.88	1.75	(0.12)	0.16	2.59	—	0.25
Net position value, end of year	\$ 15.82	\$ 12.78	\$ 11.89	\$ 10.72	\$ 14.46	\$ 13.25	\$ 10.13	\$ 14.85
 TOTAL RETURN	 14.72%	 17.25%	 17.26%	 (1.11%)	 1.12%	 24.30%	 —%	 1.71%
RATIOS AND SUPPLEMENTAL DATA								
Net position at end of period (in thousands)	\$ 272,421	\$ 131,614	\$ 10,609	\$ 7,315	\$ 48,526	\$ 10,702	\$ 19,452	\$ 224,542
Ratio of expenses to average net position before expense waiver(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	—%
Ratio of expenses to average net position after expense waiver(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.04%	—%
Ratio of net investment income to average net position	2.13%	1.96%	1.37%	1.59%	2.78%	1.65%	0.00%	1.68%

(a) Based on average units outstanding.

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Trustee of the Connecticut Higher Education Trust Program-Direct Plan:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Connecticut Higher Education Trust Program-Direct Plan (the "Direct Plan"), which comprise the Statement of Fiduciary Net Position as of June 30, 2013, and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Direct Plan's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Direct Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Direct Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Direct Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Direct Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Direct Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Direct Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

August 22, 2013