

CONNECTICUT HIGHER EDUCATION TRUST

DIRECT PLAN

Financial Statements

Including

Supplemental Information

June 30, 2018



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June 30, 2018

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Connecticut Higher Education Trust - Direct Plan (the "Direct Plan"), which comprise the statement of fiduciary net position as of June 30, 2018 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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 financial position of the Connecticut Higher Education Trust - Direct Plan, as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

The accompanying management’s discussion and analysis on pages 4 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 an opinion on the financial statements that collectively comprise the Direct Plan’s basic financial statements. The accompanying supplemental information of the statements of fiduciary net position on pages 16 through 23, statements of changes in fiduciary net position on pages 25 through 35 and financial highlights on pages 37 through 47 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 21, 2018 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 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 21, 2018

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
(unaudited)**

As Plan manager of the Connecticut Higher Education Trust – Direct Plan (the “Direct Plan”), TIAA-CREF Tuition Financing, Inc. (“TFF”) offers readers of the Direct Plan’s financial statements this discussion and analysis of the financial performance for the year ended June 30, 2018. 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 14 investment options (the "Options") in which account owners ("Account Owners") may invest.

Financial Highlights

During the period beginning July 1, 2017 and ending August 8, 2017, 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	1.81%	Ages 0-3	2.57%
Ages 4-7	1.51	Ages 4-7	2.26
Ages 8-11	1.24	Ages 8-11	2.01
Ages 12-14	1.02	Ages 12-14	1.83
Ages 15-17	0.67	Ages 15-17	1.61
Ages 18 & Over	0.36	Ages 18 & Over	1.13
<u>Moderate Managed Allocation Option #†</u>			
Ages 0-3	2.27%		
Ages 4-7	1.97		
Ages 8-11	1.60		
Ages 12-14	1.36		
Ages 15-17	1.16		
Ages 18 & Over	0.85		

Based on net position prior to liquidation.

† The percentages shown for this period are not annualized.

During the period of August 8, 2017 to June 30, 2018, the Options within the Direct Plan posted returns as follows:

<u>Conservative Managed Allocation Option</u> *†		<u>Aggressive Managed Allocation Option</u> *†	
Ages 0-4	3.30%	Ages 0-4	6.00%
Ages 5-8	3.00	Ages 5-8	5.70
Ages 9-10	2.60	Ages 9-10	5.40
Ages 11-12	1.90	Ages 11-12	4.80
Ages 13-14	1.70	Ages 13-14	4.20
Ages 15	1.50	Ages 15	3.70
Ages 16	1.50	Ages 16	3.10
Ages 17	1.30	Ages 17	2.70
Ages 18 & Over	1.40	Ages 18 & Over	2.50
<u>Moderate Managed Allocation Option</u> *†		<u>Multi-Fund Investment Options</u>	
Ages 0-4	5.20%	Global Equity Index Option	10.10%
Ages 5-8	4.40	Global Tactical Asset Allocation Option	3.16
Ages 9-10	3.50	International Equity Index Option	6.31
Ages 11-12	3.00	Active Global Equity Option	12.54
Ages 13-14	2.40	U.S. Equity Index Option	14.65
Ages 15	2.10	High Equity Balanced Option	8.43
Ages 16	1.90	Active Fixed-Income Option	0.43
Ages 17	1.90	Social Choice Option	13.52
Ages 18 & Over	1.80	Index Fixed-Income Option	(0.76)
		Money Market Option	1.08
		Principal Plus Interest Option	1.78

* The options converted band structures on August 8, 2017.

† The percentages shown for this period are not annualized.

As of August 8, 2017, the Conservative, Moderate, and Aggressive Managed Allocation Options were converted from six age band structures to nine age band structures ("Band Restructuring") as follows:

<u>Closed Age Bands:</u>	<u>Opened Age Bands:</u>
Ages 0-3	Ages 0-4
Ages 4-7	Ages 5-8
Ages 8-11	Ages 9-10
Ages 12-14	Ages 11-12
Ages 15-17	Ages 13-14
Ages 18 & Over	Age 15
	Age 16
	Age 17
	Ages 18 & Over

The Direct Plan received \$3.2 billion in subscriptions, including \$1.8 billion from Band Restructuring. Redemptions were \$3.0 billion including redemptions to the Direct Plan accounts from Band Restructuring of \$1.8 billion. The result is net subscriptions of \$0.2 billion during the year ended June 30, 2018.

In April and June of 2018, TFI, the CHET Direct Plan manager, advised the Trustee that 33 CHET account holders had online access to their accounts established by unauthorized individuals that resulted in withdrawals of approximately \$1.4 million. Of this amount, more than \$442,000 was recovered or stopped. TFI fully restored the accounts of all impacted CHET accounts, and provided account holders

and beneficiaries with two years of identity fraud protection services, identity restoration services and \$1,000,000 in identity theft insurance coverage. Federal, state and local law enforcement agencies are conducting a coordinated investigation.

Following these incidents, TFI implemented system enhancements, additional internal controls, and extra manual reviews aimed at preventing fraudulent activity. The Trustee is closely monitoring these security initiatives. In addition, at the Trustee's request, TFI has committed to retain an independent auditor to review this incident and make any further recommendations.

The Direct Plan earned \$71.5 million from investment income, incurred \$3.5 million for operating expenses and had a net increase in fair value of investments of \$90.0 million during the year ended June 30, 2018.

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 Governmental Accounting Standards Board.

This report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position and Notes to Financial Statements that explain the information in the financial statements and provide more detailed information. The measurement focus of economic resources is where a set of financial statements report all inflows, outflows and balances effecting an entity's net position.

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, 2018. This statement, along with all of the Direct Plan's financial statements, is prepared using the accrual basis of accounting. Subscriptions are recognized when enrollment in the Direct Plan is finalized; subsequent subscriptions 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 year. Changes in net position are reported as soon as the underlying event giving rise to the current 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 fiscal 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, 2018 and 2017:

	2018	2017
Investments	\$ 3,104,651,513	\$ 2,843,586,663
Cash	80,192	7,596
Receivables	6,057,017	4,716,820
Total Assets	3,110,788,722	2,848,311,079
Payables	7,042,520	4,989,187
Total Liabilities	7,042,520	4,989,187
Total Net Position	\$ 3,103,746,202	\$ 2,843,321,892

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

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

Changes in net position - The following are Statements of Changes in Fiduciary Net Position for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Additions:		
Subscriptions	\$ 3,152,095,014	\$ 960,028,855
Investment income	71,533,382	55,397,894
Net increase in fair value of investments	89,978,934	200,099,531
Total Additions	3,313,607,330	1,215,526,280
Deductions:		
Redemptions	(3,049,657,521)	(868,840,702)
Direct Plan manager fee	(3,254,307)	(2,844,966)
Administrative fee	(271,192)	(237,082)
Total Deductions	(3,053,183,020)	(871,922,750)
Changes in Net Position	260,424,310	343,603,530
Net position - beginning of year	2,843,321,892	2,499,718,362
Net position - end of year	\$ 3,103,746,202	\$ 2,843,321,892

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

ASSETS

Cash	\$	80,192
Investments, at value (Cost: \$2,886,317,887)		3,104,651,513
Dividends and interest receivable		2,716,927
Receivable from securities transactions		993,382
Receivable from Direct Plan units sold		2,346,708
TOTAL ASSETS		<u>3,110,788,722</u>

LIABILITIES

Overdraft payable		77,725
Accrued Direct Plan manager fee		841,674
Accrued administrative fee		70,140
Payable for securities transactions		3,856,338
Payable for Direct Plan units redeemed		2,196,643
TOTAL LIABILITIES		<u>7,042,520</u>

NET POSITION

Held in trust for Account Owners in the Direct Plan	\$	<u>3,103,746,202</u>
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See notes to financial statements

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

ADDITIONS

Subscriptions	\$	3,152,095,014
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Investment income:

Interest		8,134,885
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Dividends		63,398,497
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Total investment income		<u>71,533,382</u>
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Net increase in fair value of investments		<u>89,978,934</u>
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Total additions		<u>3,313,607,330</u>
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DEDUCTIONS

Redemptions		(3,049,657,521)
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Direct Plan manager fee		(3,254,307)
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Administrative fee		(271,192)
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Total deductions		<u>(3,053,183,020)</u>
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Changes in net position		260,424,310
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Net position – beginning of year		<u>2,843,321,892</u>
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Net position – end of year	\$	<u>3,103,746,202</u>
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See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies

The Connecticut Higher Education Trust - Direct Plan (the "Direct Plan") is designed to help people save for the costs of higher education. The Direct Plan is administered by the Treasurer of the State of Connecticut, as the trustee (the "Trustee") of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to establish, develop, implement and maintain the Direct Plan and to make and enter into contracts to service the Direct Plan. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly owned, direct 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"). 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 Life"), an affiliate of TFI, to the Trust, as policyholder. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA Life.

Teachers Advisors, LLC ("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"). TIAA-CREF Individual & Institutional Services, LLC ("Services"), a wholly owned, direct subsidiary of TIAA, serves as the primary distributor and underwriter for the Direct Plan and provides certain underwriting and distribution services in furtherance of TFI's marketing plan for the Direct Plan. Services are registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority.

As of August 8, 2017, the Conservative, Moderate and Aggressive Managed Allocation Options were converted from six age band structures to nine age band structures ("Band Restructuring") as follows:

Closed Age Bands:

Ages 0-3
Ages 4-7
Ages 8-11
Ages 12-14
Ages 15-17
Ages 18 & Over

Opened Age Bands:

Ages 0-4
Ages 5-8
Ages 9-10
Ages 11-12
Ages 13-14
Age 15
Age 16
Age 17
Ages 18 & Over

All account owner balances as of August 8, 2017 were transferred to the appropriate band based on the age of the beneficiary, which resulted in \$1,765,248,327 in transfers between bands.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") 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.

Investment income: Securities 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 mutual 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.

Income tax: No provision for federal income tax has been recorded. 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.

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN

NOTES TO FINANCIAL STATEMENTS (continued)

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. The Unit Value for financial reporting purposes may differ from the Unit Value for processing transactions. The Unit Value for financial reporting purposes includes security and shareholder transactions through the date of the report. 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 Direct 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 from the Direct Plan made by Account Owners and any exchanges within the Direct Plan that result in a withdrawal and subsequent reinvestment of assets and redemptions as a result of Band Restructuring. For the year ended June 30, 2018, the Direct Plan had subscriptions and redemptions of \$1,765,248,327 as a result of Band Restructuring.

Note 2 – Valuation of Investments

Fair value measurements are grouped categorically into three levels, as defined by the GASB. The levels are defined as follows:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit spreads, etc.)
- Level 3 – significant unobservable inputs (including the Direct Plan's own assumptions in determining the fair value of investments)

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

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

Investments in registered investment companies: These investments are valued at their published net asset value on the valuation date. These investments are categorized in Level 1 of the fair value hierarchy.

Funding Agreement: The Funding Agreement, to which the Principal Plus Interest Option allocates assets, is considered a nonparticipating interest-earning investment contract and is accounted for at cost. Because the Funding Agreement is valued at cost, it is not included in the fair value hierarchy.

Note 3 – Direct Plan Fees

Each Option (with the exception of the Principal Plus Interest Option) pays TFI a Direct Plan manager fee of 0.12% of the average daily net assets of the Option. The Direct Plan manager fee is subject to reductions if total assets in the Direct Plan reach certain levels. In addition, Advisors is paid investment management fees on the underlying investments in the Funds.

The Principal Plus Interest Option does not pay a Direct Plan manager fee or an administrative fee to the Trustee. TIAA Life, the issuer of the funding agreement in which this Option invests and an affiliate of TFI, makes payments to TFI. As a result, the participant does not incur any expense related to 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 assets of the Option. TIAA Life also pays the Trustee a fee equal to 0.01% of the average daily net assets held by the Principal Plus Interest Option. The fee is deposited in an administrative fund held by the Trustee and then used to pay certain administrative expenses.

These amounts are reflected in the expenses on the Statement of Changes in Fiduciary Net Position.

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (continued)**

Effective August 1, 2011, TFI and the Trustee have agreed to voluntarily waive the Money Market Option's Direct Plan manager fee and administrative fee, respectively, in an attempt to maintain at least a 0.00% return for the Option. TFI and the Trustee may discontinue the waiver at any time without notice. For the year ended June 30, 2018, no fees were waived for the Money Market Option.

Note 4 – Investments

Cash deposits: Cash deposits at June 30, 2018 were covered by federal depository insurance coverage.

Investments: As of June 30, 2018, net unrealized appreciation (depreciation) of portfolio investments was \$218,333,626 consisting of gross unrealized appreciation of \$246,330,178 and gross unrealized depreciation of \$27,996,552.

At June 30, 2018, the Direct Plan's investments consist of the following:

	<u>Units</u>	<u>Cost</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):			
Bond Index Fund	27,320,301	\$ 295,833,715	\$ 286,863,158
Emerging Markets Equity Index Fund	2,789,259	27,501,585	31,239,703
Equity Index Fund	30,257,485	502,248,181	613,621,797
Growth & Income Fund	888,282	10,442,603	13,173,218
High-Yield Fund	10,695,619	105,141,490	102,036,204
Inflation-Linked Bond Fund	20,961,877	239,049,564	236,449,970
International Equity Index Fund	25,406,821	460,629,292	499,752,171
Money Market Fund	43,916,719	43,916,719	43,916,719
S&P 500 Index Fund	3,481,696	42,431,531	105,773,929
Social Choice Equity Fund	2,659,973	38,709,371	52,295,060
BlackRock Strategic Income Opportunities Fund (Institutional Class)	22,335,808	222,269,796	217,997,488
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	5,190,954	108,431,456	109,892,494
GMO Benchmark-Free Allocation Series Fund - R6 Class	456,743	4,650,389	4,759,262
GMO International Equity Allocation Series Fund - R6 Class	1,047,132	10,120,330	10,240,956
Harding Loevner International Equity Portfolio (Institutional Class)	757,284	17,731,279	17,182,765
MetWest Total Return Bond Fund (Institutional Class)	2,259,033	22,665,457	22,070,755
State Street Institutional Small Cap Equity Fund (Institutional Class)	960,059	18,947,496	20,228,445
T. Rowe Price Inst. Large-Cap Growth Fund (Institutional Class)	191,149	5,093,957	7,905,914
T. Rowe Price Inst. Large-Cap Value Fund (Institutional Class)	263,431	5,506,047	6,101,063
Templeton Global Bond Fund (Advisor Class)	3,638,916	44,277,783	41,738,368
Vanguard Mid Cap Index Fund (Institutional Class)	690,239	27,256,037	29,756,209
Vanguard Real Estate Index Fund (Institutional Class)	6,376,838	115,634,500	113,826,556
TIAA-CREF Life Insurance Company:			
Funding Agreements	251,402,846	517,829,309	517,829,309
		<u>\$ 2,886,317,887</u>	<u>\$ 3,104,651,513</u>

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (continued)**

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, unregistered and are held by a custodian in the Direct Plan's name.

Investment policy: The Direct Plan does not have specific investment policies which address credit, interest rate, foreign currency or custodial credit risk. The Direct Plan's Options are managed based on specific investment objectives and strategies which are disclosed in the current Direct Plan Disclosure Booklet.

Custodial credit risk: Custodial credit risk represents the potential inability of a custodian to return Direct Plan deposits and investments in the event of a failure. 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 mitigated.

Credit risk: The 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 mutual funds do not carry a formal credit quality rating. The Funding Agreement is a guaranteed insurance product issued by TIAA Life. TIAA Life had a Standard & Poor's credit rating of AA+ at June 30, 2018.

Interest rate risk: Interest rate risk represents exposure to changes in the fair value of investments due to volatility in interest rates. At June 30, 2018, the average maturities for the fixed income mutual funds are as follows:

<u>Investment</u>	<u>Value</u>	<u>Weighted Average Maturity</u>
TIAA-CREF Funds (Institutional Class):		
Bond Index Fund	\$ 286,863,158	8.30 years
High-Yield Fund	102,036,204	6.60 years
Inflation-Linked Bond Fund	236,449,970	5.47 years
BlackRock Strategic Income Opportunities Fund (Institutional Class)	217,997,488	5.98 years
GMO Benchmark-Free Allocation Series Fund – R6 Class	4,759,262	N/A
MetWest Total Return Bond Fund (Institutional Class)	22,070,755	7.57 years
Templeton Global Bond Fund (Advisor Class)	41,738,368	2.98 years

Foreign currency risk: Foreign currency risk represents exposure to changes in the fair value of investments due to volatility in exchange rates. The Direct Plan does not have any direct investment in foreign securities. Certain Direct Plan Options allocate assets to mutual funds that are exposed to foreign currency risk. At June 30, 2018, the value of investments in mutual funds that significantly invest in foreign denominated contracts are as follows:

<u>Investment</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):	
Emerging Markets Equity Index Fund	\$ 31,239,703
International Equity Index Fund	499,752,171
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	109,892,494
GMO Benchmark-Free Allocation Series Fund – R6 Class	4,759,262
GMO International Equity Allocation Series Fund – R6 Class	10,240,956
Harding Loevner International Equity Portfolio (Institutional Class)	17,182,765
Templeton Global Bond Fund (Advisor Class)	41,738,368

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (concluded)**

Note 6 – Guarantees and Indemnifications

Under the Direct Plan's organizational documents, each officer, employee or other agent of the Direct Plan (including TFI) is indemnified against certain liabilities that may arise out of performance of their duties to the Direct Plan. Additionally, in the normal course of business, the Direct Plan enters into contracts that contain a variety of indemnification clauses. The Direct Plan's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Direct Plan that have not yet occurred. However, the Direct Plan has not had prior claims or losses pursuant to these contracts, and management expects the risk of loss to be remote.

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 – 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, 2018.

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2018

Conservative Managed Allocation Option
Age Bands within the Conservative Managed Allocation Option

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 1,199,508	\$ 2,450,097	\$ 1,188,824	\$ 1,753,086	\$ 2,122,090	\$ 1,291,566	\$ 1,059,981
Equity Index Fund	2,229,417	3,487,984	1,258,754	1,182,912	1,265,784	585,814	524,235
High Yield Fund	758,614	1,336,629	572,278	718,042	915,421	541,880	389,161
Inflation-Linked Bond Fund	1,409,727	2,490,797	1,065,976	1,337,420	1,703,610	1,156,801	1,003,264
International Equity Index Fund	1,545,332	2,537,760	869,669	816,138	812,582	388,694	318,225
SUBTOTAL	7,142,598	12,303,267	4,955,501	5,807,598	6,819,487	3,964,755	3,294,866
BlackRock Strategic Income Opportunities Fund	1,231,608	2,333,989	1,069,975	1,431,148	1,940,680	1,156,987	778,969
DFA Emerging Markets Core Equity Portfolio	465,911	650,185	208,687	173,957	222,862	148,941	154,339
Templeton Global Bond Fund	91,942	162,085	208,558	434,939	666,088	301,595	226,410
Vanguard Real Estate Index Fund	760,128	1,181,869	435,615	453,913	462,269	237,012	154,825
SUBTOTAL	2,549,589	4,328,128	1,922,835	2,493,957	3,291,899	1,844,535	1,314,543
TIAA-CREF Life Insurance Company:							
Funding Agreements	—	335,163	358,556	719,842	1,376,995	1,941,315	3,206,175
TOTAL INVESTMENTS	9,692,187	16,966,558	7,236,892	9,021,397	11,488,381	7,750,605	7,815,584
Cash	—	16	—	—	—	21,948	—
Dividends and interest receivable	12,447	21,843	9,790	13,293	17,650	11,804	11,797
Receivable from securities transactions	—	—	—	—	19,908	—	—
Receivable from Direct Plan units sold	21,640	25,485	7,670	1,450	2,040	3,333	1,275
TOTAL ASSETS	9,726,274	17,013,902	7,254,352	9,036,140	11,527,979	7,787,690	7,828,656
LIABILITIES							
Overdraft payable	—	—	—	—	21,948	—	—
Accrued Direct Plan manager fee	3,040	5,013	2,130	2,714	3,461	2,193	2,318
Accrued administrative fee	253	418	178	226	288	183	193
Payable for securities transactions	34,088	46,223	17,460	14,744	17,650	37,085	13,072
Payable for Direct Plan units redeemed	—	—	—	—	—	—	—
TOTAL LIABILITIES	37,381	51,654	19,768	17,684	43,347	39,461	15,583
NET POSITION	\$ 9,688,893	\$ 16,962,248	\$ 7,234,584	\$ 9,018,456	\$ 11,484,632	\$ 7,748,229	\$ 7,813,073
UNITS OUTSTANDING	937,950	1,646,023	705,354	884,685	1,129,506	763,594	769,871
NET POSITION VALUE PER UNIT	\$ 10.33	\$ 10.30	\$ 10.26	\$ 10.19	\$ 10.17	\$ 10.15	\$ 10.15
INVESTMENTS AT COST	\$ 9,610,200	\$ 16,942,895	\$ 7,249,744	\$ 9,077,358	\$ 11,584,374	\$ 7,823,630	\$ 7,859,389

† The option commenced operations on August 8, 2017.

	Age 17†	Age 18 & Over†	Total
\$	1,153,028	\$ 2,032,086	\$ 14,250,266
	432,317	562,183	11,529,400
	393,608	776,157	6,401,790
	1,271,235	2,060,479	13,499,309
	296,668	261,608	7,846,676
	3,546,856	5,692,513	53,527,441
	880,887	1,031,999	11,856,242
	93,910	—	2,118,792
	285,331	—	2,376,948
	100,375	263,819	4,049,825
	1,360,503	1,295,818	20,401,807
	4,932,851	18,923,458	31,794,355
	9,840,210	25,911,789	105,723,603
	—	—	21,964
	15,669	36,471	150,764
	—	46,429	66,337
	2,213	9,951	75,057
	9,858,092	26,004,640	106,037,725
	—	—	21,948
	3,238	7,005	31,112
	270	584	2,593
	17,882	36,470	234,674
	—	56,380	56,380
	21,390	100,439	346,707
\$	9,836,702	\$ 25,904,201	\$ 105,691,018
	970,799	2,555,066	
\$	10.13	\$ 10.14	
\$	9,902,692	\$ 25,987,238	\$ 106,037,520

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2018**

Moderate Managed Allocation Option

Age Bands within the Moderate Managed Allocation Option

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 1,894,211	\$ 10,251,015	\$ 12,296,471	\$ 22,799,727	\$ 39,482,866	\$ 24,939,778	\$ 23,107,991
Equity Index Fund	17,990,347	36,496,718	24,948,390	30,749,647	30,140,538	15,808,045	13,889,890
High Yield Fund	2,434,200	5,843,384	4,853,594	6,886,075	8,440,343	5,104,112	6,193,630
Inflation-Linked Bond Fund	964,907	9,273,081	9,625,477	20,483,804	25,110,319	15,207,403	15,345,160
International Equity Index Fund	12,371,593	26,196,582	16,832,757	21,041,650	20,654,852	10,396,423	9,491,015
SUBTOTAL	35,655,258	88,060,780	68,556,689	101,960,903	123,828,918	71,455,761	68,027,686
BlackRock Strategic Income Opportunities Fund	5,346,270	12,843,999	11,640,247	17,878,598	21,922,516	13,262,191	13,411,450
DFA Emerging Markets Core Equity Portfolio	3,811,155	8,040,540	5,733,297	6,752,098	6,638,147	4,015,276	3,052,416
Templeton Global Bond Fund	—	—	4,707,432	4,000,935	4,909,185	2,974,609	2,998,827
Vanguard Real Estate Index Fund	5,866,019	11,740,334	8,776,116	9,687,113	10,181,765	6,167,647	5,171,536
SUBTOTAL	15,023,444	32,624,873	30,857,092	38,318,744	43,651,613	26,419,723	24,634,229
TIAA-CREF Life Insurance Company:							
Funding Agreements	—	—	—	—	3,386,031	5,119,784	11,389,990
TOTAL INVESTMENTS	50,678,702	120,685,653	99,413,781	140,279,647	170,866,562	102,995,268	104,051,905
Cash	—	16	—	—	—	—	28,093
Dividends and interest receivable	51,958	128,066	112,941	171,878	230,257	139,901	153,826
Receivable from securities transactions	—	—	—	—	—	5,453	—
Receivable from Direct Plan units sold	43,973	47,629	60,170	37,721	28,243	23,640	18,916
TOTAL ASSETS	50,774,633	120,861,364	99,586,892	140,489,246	171,125,062	103,164,262	104,252,740
LIABILITIES							
Overdraft payable	—	—	—	—	—	28,093	—
Accrued Direct Plan manager fee	16,377	36,864	30,534	44,216	52,311	29,447	32,356
Accrued administrative fee	1,365	3,072	2,544	3,685	4,359	2,454	2,696
Payable for securities transactions	95,931	175,711	173,111	200,917	256,981	139,901	179,001
Payable for Direct Plan units redeemed	—	—	—	8,682	449	—	20,834
TOTAL LIABILITIES	113,673	215,647	206,189	257,500	314,100	199,895	234,887
NET POSITION	\$ 50,660,960	\$ 120,645,717	\$ 99,380,703	\$ 140,231,746	\$ 170,810,962	\$ 102,964,367	\$ 104,017,853
UNITS OUTSTANDING	4,817,711	11,559,315	9,605,749	13,612,980	16,687,485	10,086,042	10,206,332
NET POSITION VALUE PER UNIT	\$ 10.52	\$ 10.44	\$ 10.35	\$ 10.30	\$ 10.24	\$ 10.21	\$ 10.19
INVESTMENTS AT COST	\$ 49,408,958	\$ 118,646,279	\$ 98,635,170	\$ 139,725,618	\$ 171,222,363	\$ 103,489,105	\$ 104,663,711

† The option commenced operations on August 8, 2017.

	Age 17†	Age 18 & Over†	Total
\$	18,750,686	\$ 18,876,739	\$ 172,399,484
	12,628,898	24,563,390	207,215,863
	6,792,810	19,256,623	65,804,771
	16,844,066	47,892,167	160,746,384
	9,237,169	16,293,153	142,515,194
	64,253,629	126,882,072	748,681,696
	14,707,768	32,037,158	143,050,197
	2,228,417	6,266,621	46,537,967
	3,291,161	6,233,537	29,115,686
	4,542,124	9,766,569	71,899,223
	24,769,470	54,303,885	290,603,073
	24,986,568	141,543,965	186,426,338
	114,009,667	322,729,922	1,225,711,107
	—	—	28,109
	165,386	434,075	1,588,288
	—	385,630	391,083
	30,160	120,987	411,439
	114,205,213	323,670,614	1,228,130,026
	—	—	28,093
	35,123	88,960	366,188
	2,927	7,413	30,515
	168,520	434,075	1,824,148
	27,026	505,617	562,608
	233,596	1,036,065	2,811,552
\$	113,971,617	\$ 322,634,549	\$ 1,225,318,474
	11,188,322	31,678,172	
\$	10.19	\$ 10.18	
	114,633,159	323,776,168	1,224,200,531

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2018

Aggressive Managed Allocation Option

Age Bands within the Aggressive Managed Allocation Option

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 1,311,722	\$ 3,423,224	\$ 3,181,552	\$ 5,905,564	\$ 6,903,066	\$ 3,869,622	\$ 6,474,766
Equity Index Fund	29,062,584	48,122,807	31,317,477	25,810,473	20,910,453	8,733,508	7,228,486
High Yield Fund	2,690,343	4,680,015	3,253,718	3,022,689	3,528,966	1,980,445	1,982,715
Inflation-Linked Bond Fund	667,554	5,804,978	5,658,005	6,757,014	9,822,597	4,918,809	4,931,637
International Equity Index Fund	21,094,155	34,512,151	22,272,544	19,139,730	15,724,418	6,364,184	5,362,042
SUBTOTAL	54,826,358	96,543,175	65,683,296	60,635,470	56,889,500	25,866,568	25,979,646
BlackRock Strategic Income Opportunities Fund	4,026,320	8,180,130	6,495,615	7,540,177	7,748,619	4,615,462	4,623,942
DFA Emerging Markets Core Equity Portfolio	5,232,920	8,028,563	5,555,979	4,413,920	3,436,938	1,614,126	1,294,028
Templeton Global Bond Fund	—	—	—	—	—	—	—
Vanguard Real Estate Index Fund	6,102,344	9,417,166	6,576,663	5,342,001	4,278,911	1,661,757	1,664,269
SUBTOTAL	15,361,584	25,625,859	18,628,257	17,296,098	15,464,468	7,891,345	7,582,239
TIAA-CREF Life Insurance Company:							
Funding Agreements	—	—	—	—	—	—	—
TOTAL INVESTMENTS	70,187,942	122,169,034	84,311,553	77,931,568	72,353,968	33,757,913	33,561,885
Cash	—	—	—	—	—	—	—
Dividends and interest receivable	54,590	93,867	68,001	70,954	69,909	38,520	40,604
Receivable from securities transactions	—	—	11,975	—	—	2,798	29,119
Receivable from Direct Plan units sold	137,476	76,774	23,025	47,930	30,111	8,613	8,637
TOTAL ASSETS	70,380,008	122,339,675	84,414,554	78,050,452	72,453,988	33,807,844	33,640,245
LIABILITIES							
Overdraft payable	—	—	—	—	—	11,411	15,988
Accrued Direct Plan manager fee	22,015	37,189	24,687	23,550	21,149	9,975	9,146
Accrued administrative fee	1,835	3,099	2,057	1,963	1,762	831	762
Payable for securities transactions	192,066	165,641	68,001	118,884	84,632	38,520	40,604
Payable for Direct Plan units redeemed	—	6,122	35,000	—	15,388	—	21,769
TOTAL LIABILITIES	215,916	212,051	129,745	144,397	122,931	60,737	88,269
NET POSITION	\$ 70,164,092	\$ 122,127,624	\$ 84,284,809	\$ 77,906,055	\$ 72,331,057	\$ 33,747,107	\$ 33,551,976
UNITS OUTSTANDING	6,620,057	11,556,900	7,997,641	7,434,642	6,940,649	3,252,765	3,255,492
NET POSITION VALUE PER UNIT	\$ 10.60	\$ 10.57	\$ 10.54	\$ 10.48	\$ 10.42	\$ 10.37	\$ 10.31
INVESTMENTS AT COST	\$ 68,055,415	\$ 118,636,477	\$ 82,431,626	\$ 76,542,826	\$ 71,499,392	\$ 33,464,480	\$ 33,487,692

† The option commenced operations on August 8, 2017.

	Age 17†	Age 18 & Over†	Total
\$	6,763,685	\$ 7,728,954	\$ 45,562,155
	5,421,542	8,544,498	185,151,828
	1,105,301	2,249,374	24,493,566
	3,849,100	6,720,665	49,130,359
	3,629,534	6,254,417	134,353,175
	20,769,162	31,497,908	438,691,083
	3,858,633	6,733,263	53,822,161
	803,435	1,638,444	32,018,353
	—	1,093,165	1,093,165
	1,118,909	1,715,488	37,877,508
	5,780,977	11,180,360	124,811,187
	1,385,673	14,095,707	15,481,380
	27,935,812	56,773,975	578,983,650
	27,399	—	27,399
	36,281	70,680	543,406
	—	42,406	86,298
	7,446	25,656	365,668
	28,006,938	56,912,717	580,006,421
	—	—	27,399
	8,154	15,422	171,287
	680	1,285	14,274
	49,461	70,680	828,489
	21,665	68,062	168,006
	79,960	155,449	1,209,455
\$	27,926,978	\$ 56,757,268	\$ 578,796,966
	2,719,307	5,537,788	
\$	10.27	\$ 10.25	
	27,931,483	56,763,057	568,812,448

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2018

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option	International Equity Index Option	Active Global Equity Option	U.S. Equity Index Option	High Equity Balanced Option
ASSETS						
Investments, at value:						
TIAA-CREF Funds (Institutional Class):						
Bond Index Fund	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 34,620,730
Emerging Markets Equity Index Fund	31,239,703	—	—	—	—	—
Equity Index Fund	110,812,417	—	—	—	98,912,289	—
Growth & Income Fund	—	—	—	13,173,218	—	—
High-Yield Fund	—	—	—	—	—	—
Inflation-Linked Bond Fund	—	—	—	—	—	8,463,281
International Equity Index Fund	99,684,588	—	13,130,643	—	—	102,221,895
Money Market Fund	—	—	—	—	—	—
S&P 500 Index Fund	—	—	—	—	—	105,773,929
Social Choice Equity Fund	—	—	—	—	—	—
SUBTOTAL	241,736,708	—	13,130,643	13,173,218	98,912,289	251,079,835
BlackRock Strategic Income Opportunities Fund	—	—	—	—	—	—
DFA Emerging Markets Core Equity Portfolio	—	—	—	—	—	29,217,382
GMO Benchmark-Free Allocation Series Fund – R6	—	4,759,262	—	—	—	—
GMO International Equity Allocation Fund Class – R6	—	—	—	10,240,956	—	—
Harding Loevner International Equity Portfolio	—	—	—	17,182,765	—	—
MetWest Total Return Bond Fund	—	—	—	—	—	—
State Street Institutional Small Cap Equity Fund	—	—	—	2,617,166	—	17,611,279
T. Rowe Price Inst. Large-Cap Growth Fund	—	—	—	7,905,914	—	—
T. Rowe Price Inst. Large-Cap Value Fund	—	—	—	6,101,063	—	—
Templeton Global Bond Fund	—	—	—	—	—	4,649,228
Vanguard Mid-Cap Index Fund	—	—	—	1,796,899	—	27,959,310
SUBTOTAL	—	4,759,262	—	45,844,763	—	79,437,199
TIAA-CREF Life Insurance Company:						
Funding Agreement	—	—	—	—	—	—
TOTAL INVESTMENTS	241,736,708	4,759,262	13,130,643	59,017,981	98,912,289	330,517,034
Cash	—	5	—	—	—	—
Dividends and interest receivable	—	—	—	—	—	226,248
Receivable from securities transactions	19,455	—	155,071	—	—	156,160
Receivable from Direct Plan units sold	62,387	171,683	3,937	37,572	268,610	206,193
TOTAL ASSETS	241,818,550	4,930,950	13,289,651	59,055,553	99,180,899	331,105,635
LIABILITIES						
Overdraft payable	—	—	—	285	—	—
Accrued Direct Plan manager fee	73,320	1,329	4,097	17,704	28,677	100,120
Accrued administrative fee	6,110	111	342	1,476	2,389	8,343
Payable for securities transactions	—	171,683	—	19,913	32,638	226,248
Payable for Direct Plan units redeemed	81,842	—	159,008	17,659	235,972	362,353
TOTAL LIABILITIES	161,272	173,123	163,447	57,037	299,676	697,064
NET POSITION	\$ 241,657,278	\$ 4,757,827	\$ 13,126,204	\$ 58,998,516	\$ 98,881,223	\$ 330,408,571
UNITS OUTSTANDING	12,178,240	442,136	1,129,225	3,001,895	7,140,451	14,041,118
NET POSITION VALUE PER UNIT	\$ 19.84	\$ 10.76	\$ 11.62	\$ 19.65	\$ 13.85	\$ 23.53
INVESTMENTS AT COST	\$ 160,636,418	\$ 4,650,389	\$ 12,500,396	\$ 53,005,068	\$ 82,696,086	\$ 240,170,329

Active Fixed- Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option	Total
\$ —	\$ —	\$ 20,030,523	\$ —	\$ —	\$ 54,651,253
—	—	—	—	—	31,239,703
—	—	—	—	—	209,724,706
—	—	—	—	—	13,173,218
5,336,077	—	—	—	—	5,336,077
4,610,637	—	—	—	—	13,073,918
—	—	—	—	—	215,037,126
—	—	—	43,916,719	—	43,916,719
—	—	—	—	—	105,773,929
—	52,295,060	—	—	—	52,295,060
9,946,714	52,295,060	20,030,523	43,916,719	—	744,221,709
9,268,888	—	—	—	—	9,268,888
—	—	—	—	—	29,217,382
—	—	—	—	—	4,759,262
—	—	—	—	—	10,240,956
—	—	—	—	—	17,182,765
22,070,755	—	—	—	—	22,070,755
—	—	—	—	—	20,228,445
—	—	—	—	—	7,905,914
—	—	—	—	—	6,101,063
4,503,341	—	—	—	—	9,152,569
—	—	—	—	—	29,756,209
35,842,984	—	—	—	—	165,884,208
—	—	—	—	284,127,236	284,127,236
45,789,698	52,295,060	20,030,523	43,916,719	284,127,236	1,194,233,153
2,685	30	—	—	—	2,720
103,231	—	44,530	60,460	—	434,469
—	—	7,673	—	111,305	449,664
12,518	87,768	17,472	412,743	213,661	1,494,544
45,908,132	52,382,858	20,100,198	44,389,922	284,452,202	1,196,614,550
—	—	—	—	—	285
13,595	15,448	5,898	12,899	—	273,087
1,133	1,287	492	1,075	—	22,758
104,544	71,230	44,530	298,241	—	969,027
11,204	16,538	25,145	174,962	324,966	1,409,649
130,476	104,503	76,065	487,177	324,966	2,674,806
\$ 45,777,656	\$ 52,278,355	\$ 20,024,133	\$ 43,902,745	\$ 284,127,236	\$ 1,193,939,744
2,808,648	2,247,849	1,693,784	4,272,699	17,700,774	
\$ 16.30	\$ 23.26	\$ 11.82	\$ 10.28	\$ 16.05	
\$ 46,440,329	\$ 38,709,371	\$ 20,415,047	\$ 43,916,719	\$ 284,127,236	\$ 987,267,388

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**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-3*	Ages 4-7*	Ages 8-11*	Ages 12-14*	Ages 15-17*	Ages 18 & Over*	Total
ADDITIONS							
Subscriptions	\$ 424,502	\$ 356,854	\$ 430,122	\$ 903,769	\$ 1,357,729	\$ 837,517	\$ 4,310,493
Increase from investment operations:							
Dividends from underlying funds	5,771	18,740	20,520	21,802	35,936	41,306	144,075
Net realized gain on investments in underlying fund shares	1,306,269	1,323,610	922,841	788,887	714,155	147,659	5,203,421
Net increase from investment operations	1,312,040	1,342,350	943,361	810,689	750,091	188,965	5,347,496
TOTAL ADDITIONS	<u>\$ 1,736,542</u>	<u>\$ 1,699,204</u>	<u>\$ 1,373,483</u>	<u>\$ 1,714,458</u>	<u>\$ 2,107,820</u>	<u>\$ 1,026,482</u>	<u>\$ 9,657,989</u>
DEDUCTIONS							
Redemptions	\$ 6,628,305	\$ 14,423,005	\$ 12,263,757	\$ 12,919,000	\$ 20,507,155	\$ 23,131,985	\$ 89,873,207
Expenses:							
Direct Plan manager fee	804	1,804	1,525	1,568	2,488	2,733	10,922
Administrative fee	67	150	127	131	207	228	910
Total expenses	871	1,954	1,652	1,699	2,695	2,961	11,832
Net unrealized depreciation on underlying fund shares	1,199,303	1,129,519	799,923	693,603	615,990	106,038	4,544,376
TOTAL DEDUCTIONS	<u>\$ 7,828,479</u>	<u>\$ 15,554,478</u>	<u>\$ 13,065,332</u>	<u>\$ 13,614,302</u>	<u>\$ 21,125,840</u>	<u>\$ 23,240,984</u>	<u>\$ 94,429,415</u>
NET POSITION							
Net decrease in fiduciary net position	(6,091,937)	(13,855,274)	(11,691,849)	(11,899,844)	(19,018,020)	(22,214,502)	(84,771,426)
Beginning of year	6,091,937	13,855,274	11,691,849	11,899,844	19,018,020	22,214,502	84,771,426
End of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
UNITS							
Sold	27,165	24,306	31,183	70,203	112,765	75,160	340,782
Redeemed	(421,632)	(977,343)	(882,694)	(999,634)	(1,697,739)	(2,071,321)	(7,050,363)
NET DECREASE	<u>(394,467)</u>	<u>(953,037)</u>	<u>(851,511)</u>	<u>(929,431)</u>	<u>(1,584,974)</u>	<u>(1,996,161)</u>	<u>(6,709,581)</u>

*For the period July 1, 2017 to August 8, 2017 (date of liquidation).

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-3*	Ages 4-7*	Ages 8-11*	Ages 12-14*	Ages 15-17*	Ages 18 & Over*	Total
ADDITIONS							
Subscriptions	\$ 1,273,964	\$ 1,678,422	\$ 2,119,704	\$ 2,440,873	\$ 3,263,304	\$ 4,442,747	\$ 15,219,014
Increase from investment operations:							
Dividends from underlying funds	14,936	78,787	249,887	360,103	488,666	422,345	1,614,724
Net realized gain on investments in underlying fund shares	13,294,434	32,692,057	51,478,191	46,070,753	42,714,733	28,114,819	214,364,987
Net increase from investment operations	13,309,370	32,770,844	51,728,078	46,430,856	43,203,399	28,537,164	215,979,711
TOTAL ADDITIONS	\$ 14,583,334	\$ 34,449,266	\$ 53,847,782	\$ 48,871,729	\$ 46,466,703	\$ 32,979,911	\$ 231,198,725
DEDUCTIONS							
Redemptions	\$ 33,956,518	\$ 101,574,353	\$ 215,055,669	\$ 252,632,414	\$ 328,733,624	\$ 299,046,465	\$ 1,230,999,043
Expenses:							
Direct Plan manager fee	4,211	12,782	27,210	31,998	41,463	36,058	153,722
Administrative fee	351	1,065	2,267	2,667	3,455	3,005	12,810
Total expenses	4,562	13,847	29,477	34,665	44,918	39,063	166,532
Net unrealized depreciation on underlying fund shares	12,569,201	30,807,640	48,395,353	43,022,327	39,486,973	26,001,486	200,282,980
TOTAL DEDUCTIONS	\$ 46,530,281	\$ 132,395,840	\$ 263,480,499	\$ 295,689,406	\$ 368,265,515	\$ 325,087,014	\$ 1,431,448,555
NET POSITION							
Net decrease in fiduciary net position	(31,946,947)	(97,946,574)	(209,632,717)	(246,817,677)	(321,798,812)	(292,107,103)	(1,200,249,830)
Beginning of year	31,946,947	97,946,574	209,632,717	246,817,677	321,798,812	292,107,103	1,200,249,830
End of year	—	—	—	—	—	—	—
UNITS							
Sold	52,724	81,589	102,037	118,013	170,819	250,113	775,295
Redeemed	(1,394,531)	(4,903,771)	(10,287,190)	(12,144,068)	(17,130,979)	(16,792,842)	(62,653,381)
NET DECREASE	(1,341,807)	(4,822,182)	(10,185,153)	(12,026,055)	(16,960,160)	(16,542,729)	(61,878,086)

*For the period July 1, 2017 to August 8, 2017 (date of liquidation).

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Aggressive Managed Allocation Option						
	Age Bands within the Aggressive Managed Allocation Option						
	Ages 0-3*	Ages 4-7*	Ages 8-11*	Ages 12-14*	Ages 15-17*	Ages 18 & Over*	Total
ADDITIONS							
Subscriptions	\$ 1,704,526	\$ 1,636,041	\$ 1,847,995	\$ 2,033,636	\$ 1,189,799	\$ 1,435,390	\$ 9,847,387
Increase from investment operations:							
Dividends from underlying funds	—	32,113	95,826	85,219	91,537	63,802	368,497
Net realized gain on investments in underlying fund shares	16,287,676	27,170,911	24,546,709	14,366,525	10,282,669	3,712,409	96,366,899
Net increase from investment operations	16,287,676	27,203,024	24,642,535	14,451,744	10,374,206	3,776,211	96,735,396
TOTAL ADDITIONS	\$ 17,992,202	\$ 28,839,065	\$ 26,490,530	\$ 16,485,380	\$ 11,564,005	\$ 5,211,601	\$ 106,582,783
DEDUCTIONS							
Redemptions	\$ 44,156,937	\$ 99,476,024	\$ 139,599,934	\$ 92,314,280	\$ 78,335,297	\$ 46,427,582	\$ 500,310,054
Expenses:							
Direct Plan manager fee	5,475	12,495	17,586	11,542	9,802	5,551	62,451
Administrative fee	456	1,041	1,465	962	817	463	5,204
Total expenses	5,931	13,536	19,051	12,504	10,619	6,014	67,655
Net unrealized depreciation on underlying fund shares	15,187,053	24,981,317	21,907,493	12,837,357	9,147,802	3,280,982	87,342,004
TOTAL DEDUCTIONS	\$ 59,349,921	\$ 124,470,877	\$ 161,526,478	\$ 105,164,141	\$ 87,493,718	\$ 49,714,578	\$ 587,719,713
NET POSITION							
Net decrease in fiduciary net position	(41,357,719)	(95,631,812)	(135,035,948)	(88,678,761)	(75,929,713)	(44,502,977)	(481,136,930)
Beginning of year	41,357,719	95,631,812	135,035,948	88,678,761	75,929,713	44,502,977	481,136,930
End of year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
UNITS							
Sold	102,695	101,251	114,462	126,226	75,817	100,580	621,031
Redeemed	(2,634,302)	(6,116,487)	(8,584,735)	(5,706,957)	(4,965,439)	(3,241,520)	(31,249,440)
NET DECREASE	(2,531,607)	(6,015,236)	(8,470,273)	(5,580,731)	(4,889,622)	(3,140,940)	(30,628,409)

*For the period July 1, 2017 to August 8, 2017 (date of liquidation).

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
ADDITIONS							
Subscriptions	\$ 13,781,863	\$ 20,332,266	\$ 11,098,181	\$ 13,030,268	\$ 17,519,245	\$ 13,770,941	\$ 15,790,961
Increase from investment operations:							
Interest	—	4,871	5,183	10,355	20,802	25,025	53,257
Dividends from underlying funds	279,475	416,491	175,997	213,261	280,724	134,584	136,246
Realized gain distributions from underlying funds	12,068	16,112	6,018	5,626	6,747	2,490	3,104
Net unrealized appreciation on underlying fund shares	81,987	23,663	—	—	—	—	—
Net increase from investment operations	373,530	461,137	187,198	229,242	308,273	162,099	192,607
TOTAL ADDITIONS	\$ 14,155,393	\$ 20,793,403	\$ 11,285,379	\$ 13,259,510	\$ 17,827,518	\$ 13,933,040	\$ 15,983,568
DEDUCTIONS							
Redemptions	\$ 4,416,522	\$ 3,803,857	\$ 4,025,368	\$ 4,155,108	\$ 6,208,658	\$ 6,100,901	\$ 8,093,956
Expenses:							
Direct Plan manager fee	10,870	16,674	7,077	8,779	11,756	6,763	8,789
Administrative fee	906	1,390	590	732	980	563	732
Total expenses	11,776	18,064	7,667	9,511	12,736	7,326	9,521
Net unrealized depreciation on underlying fund shares	—	—	12,852	55,961	95,993	73,025	43,805
Net realized loss on investments in underlying fund shares	38,202	9,234	4,908	20,474	25,499	3,559	23,213
TOTAL DEDUCTIONS	\$ 4,466,500	\$ 3,831,155	\$ 4,050,795	\$ 4,241,054	\$ 6,342,886	\$ 6,184,811	\$ 8,170,495
NET POSITION							
Net increase in fiduciary net position	9,688,893	16,962,248	7,234,584	9,018,456	11,484,632	7,748,229	7,813,073
Beginning of year	—	—	—	—	—	—	—
End of year	\$ 9,688,893	\$ 16,962,248	\$ 7,234,584	\$ 9,018,456	\$ 11,484,632	\$ 7,748,229	\$ 7,813,073
UNITS							
Sold	1,366,034	2,015,570	1,098,790	1,292,410	1,740,253	1,366,167	1,569,812
Redeemed	(428,084)	(369,547)	(393,436)	(407,724)	(610,747)	(602,573)	(799,941)
NET INCREASE	937,950	1,646,023	705,354	884,686	1,129,506	763,594	769,871

† The option commenced operations on August 8, 2017.

Age 17†	Age 18 & Over†	Total
\$ 17,890,026	\$ 34,344,596	\$ 157,558,347
73,219	245,766	438,478
128,817	162,367	1,927,962
2,231	2,731	57,127
—	—	105,650
204,267	410,864	2,529,217
\$ 18,094,293	\$ 34,755,460	\$ 160,087,564

\$ 8,163,604	\$ 8,741,760	\$ 53,709,734
9,876	22,694	103,278
823	1,891	8,607
10,699	24,585	111,885
62,482	75,449	419,567
20,806	9,465	155,360
\$ 8,257,591	\$ 8,851,259	\$ 54,396,546

9,836,702	25,904,201	105,691,018
—	—	—
\$ 9,836,702	\$ 25,904,201	\$ 105,691,018

1,778,378	3,422,907	15,650,321
(807,579)	(867,841)	(5,287,472)
970,799	2,555,066	10,362,849

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
ADDITIONS							
Subscriptions	\$68,332,506	\$155,593,599	\$152,734,877	\$207,307,077	\$258,279,770	\$193,210,485	\$206,262,231
Increase from investment operations:							
Interest	—	—	—	—	55,193	77,409	192,085
Dividends from underlying funds	1,411,382	3,248,062	2,804,519	3,897,437	4,643,232	2,539,447	2,730,730
Realized gain distributions from underlying funds	95,454	189,597	132,905	164,402	168,305	83,612	82,956
Net unrealized appreciation on underlying fund shares	1,269,744	2,039,374	778,611	554,029	—	—	—
Net increase from investment operations	2,776,580	5,477,033	3,716,035	4,615,868	4,866,730	2,700,468	3,005,771
TOTAL ADDITIONS	<u>\$71,109,086</u>	<u>\$161,070,632</u>	<u>\$156,450,912</u>	<u>\$211,922,945</u>	<u>\$263,146,500</u>	<u>\$195,910,953</u>	<u>\$209,268,002</u>
DEDUCTIONS							
Redemptions	\$20,265,290	\$40,147,739	\$56,876,880	\$71,331,079	\$91,589,273	\$92,279,499	\$104,368,317
Expenses:							
Direct Plan manager fee	57,389	132,016	110,721	156,444	188,615	105,553	118,868
Administrative fee	4,782	11,001	9,227	13,037	15,718	8,796	9,906
Total expenses	62,171	143,017	119,948	169,481	204,333	114,349	128,774
Net unrealized depreciation on underlying fund shares	—	—	—	—	355,801	493,837	611,806
Net realized loss on investments in underlying fund shares	120,665	134,159	73,381	190,639	186,131	58,901	141,252
TOTAL DEDUCTIONS	<u>\$20,448,126</u>	<u>\$40,424,915</u>	<u>\$57,070,209</u>	<u>\$71,691,199</u>	<u>\$92,335,538</u>	<u>\$92,946,586</u>	<u>\$105,250,149</u>
NET POSITION							
Net increase in fiduciary net position	50,660,960	120,645,717	99,380,703	140,231,746	170,810,962	102,964,367	104,017,853
Beginning of year	—	—	—	—	—	—	—
End of year	<u>50,660,960</u>	<u>120,645,717</u>	<u>99,380,703</u>	<u>140,231,746</u>	<u>170,810,962</u>	<u>102,964,367</u>	<u>104,017,853</u>
UNITS							
Sold	6,749,823	15,415,818	15,116,691	20,545,322	25,644,095	19,139,847	20,459,616
Redeemed	(1,932,112)	(3,856,502)	(5,510,942)	(6,932,342)	(8,956,610)	(9,053,805)	(10,253,284)
NET INCREASE	<u>4,817,711</u>	<u>11,559,316</u>	<u>9,605,749</u>	<u>13,612,980</u>	<u>16,687,485</u>	<u>10,086,042</u>	<u>10,206,332</u>

† The option commenced operations on August 8, 2017.

Ages 17†	Ages 18 & Over†	Total
\$ 224,161,604	\$ 411,456,938	\$ 1,877,339,087
409,526	1,955,426	2,689,639
2,564,805	4,582,796	28,422,410
69,725	108,361	1,095,317
—	—	4,641,758
3,044,056	6,646,583	36,849,124
\$ 227,205,660	\$ 418,103,521	\$ 1,914,188,211

\$ 112,348,975	\$ 93,979,288	\$ 683,186,340
126,504	301,480	1,297,590
10,542	25,123	108,132
137,046	326,603	1,405,722
623,492	1,046,246	3,131,182
124,530	116,835	1,146,493
\$ 113,234,043	\$ 95,468,972	\$ 688,869,737

113,971,617	322,634,549	1,225,318,474
—	—	—
113,971,617	322,634,549	1,225,318,474

22,240,102	40,954,666	186,265,980
(11,051,779)	(9,276,494)	(66,823,870)
11,188,323	31,678,172	119,442,110

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

Aggressive Managed Allocation Option
Age Bands within the Aggressive Managed Allocation Option

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
ADDITIONS							
Subscriptions	\$ 88,532,418	\$ 154,337,876	\$ 118,403,177	\$ 109,680,382	\$ 101,400,631	\$ 62,720,738	\$ 59,207,638
Increase from investment operations:							
Interest	—	—	—	—	—	—	—
Dividends from underlying funds	1,691,013	3,038,861	1,928,950	1,826,737	1,681,172	833,587	778,133
Realized gain distributions from underlying funds	138,816	238,647	140,770	117,796	93,776	41,459	33,238
Net unrealized appreciation on underlying fund shares	2,132,527	3,532,557	1,879,927	1,388,742	854,576	293,433	74,193
Net increase from investment operations	3,962,356	6,810,065	3,949,647	3,333,275	2,629,524	1,168,479	885,564
TOTAL ADDITIONS	\$ 92,494,774	\$ 161,147,941	\$ 122,352,824	\$ 113,013,657	\$ 104,030,155	\$ 63,889,217	\$ 60,093,202
DEDUCTIONS							
Redemptions	\$ 22,042,545	\$ 38,723,966	\$ 37,960,797	\$ 34,960,240	\$ 31,578,140	\$ 30,075,671	\$ 26,479,395
Expenses:							
Direct Plan manager fee	73,981	130,436	83,454	78,834	70,764	34,387	31,560
Administrative fee	6,165	10,870	6,954	6,569	5,897	2,866	2,630
Total expenses	80,146	141,306	90,408	85,403	76,661	37,253	34,190
Net realized loss on investments in underlying fund shares	207,991	155,045	16,810	61,959	44,297	29,186	27,641
TOTAL DEDUCTIONS	\$ 22,330,682	\$ 39,020,317	\$ 38,068,015	\$ 35,107,602	\$ 31,699,098	\$ 30,142,110	\$ 26,541,226
NET POSITION							
Net increase in fiduciary net position	70,164,092	122,127,624	84,284,809	77,906,055	72,331,057	33,747,107	33,551,976
Beginning of year	—	—	—	—	—	—	—
End of year	\$ 70,164,092	\$ 122,127,624	\$ 84,284,809	\$ 77,906,055	\$ 72,331,057	\$ 33,747,107	\$ 33,551,976
UNITS							
Sold	8,705,750	15,229,733	11,617,570	10,775,358	9,974,706	6,155,114	5,830,685
Redeemed	(2,085,692)	(3,672,833)	(3,619,929)	(3,340,717)	(3,034,057)	(2,902,349)	(2,575,193)
NET INCREASE	6,620,058	11,556,900	7,997,641	7,434,641	6,940,649	3,252,765	3,255,492

† The option commenced operations on August 8, 2017.

Ages 17†	Ages 18 & Over†	Total
\$ 48,596,443	\$ 71,561,723	\$ 814,441,026
19,258	183,903	203,161
586,761	921,047	13,286,261
23,750	34,910	863,162
4,329	10,918	10,171,202
634,098	1,150,778	24,523,786
\$ 49,230,541	\$ 72,712,501	\$ 838,964,812
\$ 21,248,481	\$ 15,876,896	\$ 258,946,131
26,298	50,189	579,903
2,192	4,182	48,325
28,490	54,371	628,228
26,592	23,966	593,487
\$ 21,303,563	\$ 15,955,233	\$ 260,167,846
27,926,978	56,757,268	578,796,966
—	—	—
\$ 27,926,978	\$ 56,757,268	\$ 578,796,966
4,792,613	7,094,694	80,176,223
(2,073,306)	(1,556,905)	(24,860,981)
2,719,307	5,537,789	55,315,242

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option	International Equity Index Option	Active Global Equity Option	U.S. Equity Index Option	High Equity Balanced Option
ADDITIONS						
Subscriptions	\$ 31,450,768	\$ 2,358,657	\$ 9,023,774	\$ 16,617,567	\$ 38,405,078	\$ 32,273,892
Increase from investment operations:						
Interest	—	—	—	—	—	—
Dividends from underlying funds	5,084,734	75,702	243,603	673,091	1,290,316	7,148,564
Realized gain distributions from underlying funds	530,272	—	—	1,390,447	391,630	1,768,334
Net unrealized appreciation on underlying fund shares	16,114,217	—	48,132	246,474	8,730,782	7,508,748
Net realized gain on investments in underlying fund shares	287,927	—	—	3,429,228	—	10,924,611
Net increase from investment operations	22,017,150	75,702	291,735	5,739,240	10,412,728	27,350,257
TOTAL ADDITIONS	\$ 53,467,918	\$ 2,434,359	\$ 9,315,509	\$ 22,356,807	\$ 48,817,806	\$ 59,624,149
DEDUCTIONS						
Redemptions	\$ 29,289,173	\$ 279,044	\$ 2,222,902	\$ 7,342,229	\$ 14,561,329	\$ 56,248,943
Expenses:						
Direct Plan manager fee	283,646	4,280	12,432	63,777	97,854	400,993
Administrative fee	23,637	357	1,036	5,315	8,154	33,416
Net expenses	307,283	4,637	13,468	69,092	106,008	434,409
Net unrealized depreciation on underlying fund shares	—	17,921	—	—	—	—
Net realized loss on investments in underlying fund shares	—	3,857	60,482	—	32,700	—
TOTAL DEDUCTIONS	\$ 29,596,456	\$ 305,459	\$ 2,296,852	\$ 7,411,321	\$ 14,700,037	\$ 56,683,352
NET POSITION						
Net increase in fiduciary net position	23,871,462	2,128,900	7,018,657	14,945,486	34,117,769	2,940,797
Beginning of year	217,785,816	2,628,927	6,107,547	44,053,030	64,763,454	327,467,774
End of year	\$ 241,657,278	\$ 4,757,827	\$ 13,126,204	\$ 58,998,516	\$ 98,881,223	\$ 330,408,571
UNITS						
Sold	1,589,797	215,749	759,161	862,016	2,885,459	1,385,271
Redeemed	(1,499,035)	(25,654)	(188,498)	(383,572)	(1,104,011)	(2,432,239)
NET INCREASE (DECREASE)	90,762	190,095	570,663	478,444	1,781,448	(1,046,968)

Active Fixed-Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option	Total
\$ 11,347,783	\$ 9,035,927	\$ 8,492,673	\$ 23,788,354	\$ 90,585,187	\$ 273,379,660
—	—	—	—	4,803,607	4,803,607
1,397,332	757,445	469,574	494,207	—	17,634,568
—	1,117,382	6,460	—	—	5,204,525
—	4,113,112	—	—	—	36,761,465
—	28,022	—	—	—	14,669,788
1,397,332	6,015,961	476,034	494,207	4,803,607	79,073,953
\$ 12,745,115	\$ 15,051,888	\$ 8,968,707	\$ 24,282,561	\$ 95,388,794	\$ 352,453,613
\$ 8,784,831	\$ 7,421,412	\$ 5,441,324	\$ 19,810,423	\$ 81,231,402	\$ 232,633,012
52,987	58,573	22,358	49,541	—	1,046,441
4,416	4,881	1,863	4,129	—	87,204
57,403	63,454	24,221	53,670	—	1,133,645
668,936	—	569,496	—	—	1,256,353
510,511	—	47,015	—	—	654,565
\$ 10,021,681	\$ 7,484,866	\$ 6,082,056	\$ 19,864,093	\$ 81,231,402	\$ 235,677,575
2,723,434	7,567,022	2,886,651	4,418,468	14,157,392	116,776,038
43,054,222	44,711,333	17,137,482	39,484,277	269,969,844	1,077,163,706
\$ 45,777,656	\$ 52,278,355	\$ 20,024,133	\$ 43,902,745	\$ 284,127,236	\$ 1,193,939,744
693,073	401,125	711,655	2,330,308	5,693,671	17,527,285
(536,657)	(334,871)	(456,441)	(1,941,261)	(5,113,773)	(14,016,012)
156,416	66,254	255,214	389,047	579,898	3,511,273

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**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-3*	Ages 4-7*	Ages 8-11*	Ages 12-14*	Ages 15-17*	Ages 18 & Over*
FOR A UNIT OUTSTANDING THROUGHOUT THE PERIOD						
Net position value, beginning of period	\$ 15.44	\$ 14.54	\$ 13.73	\$ 12.80	\$ 12.00	\$ 11.13
Gain (loss) from investment operations:						
Net investment income ^(a)	0.01	0.02	0.02	0.02	0.02	0.02
Net realized and unrealized loss on investments	0.27	0.20	0.15	0.11	0.06	0.02
Total gain (loss) from investment operations	0.28	0.22	0.17	0.13	0.08	0.04
Net position value, end of period	<u>\$ 15.72</u>	<u>\$ 14.76</u>	<u>\$ 13.90</u>	<u>\$ 12.93</u>	<u>\$ 12.08</u>	<u>\$ 11.17</u>
 TOTAL RETURN ^(b)	 <u>1.81%</u>	 <u>1.51%</u>	 <u>1.24%</u>	 <u>1.02%</u>	 <u>0.67%</u>	 <u>0.36%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ratio of expenses to average net position ^{(c)(d)}	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position ^(d)	0.75%	1.15%	1.52%	1.58%	1.65%	1.73%

*For the period July 1, 2017 to August 8, 2017 (date of liquidation).

- (a) Based on average units outstanding
- (b) The percentages shown for this period are not annualized
- (c) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds
- (d) Periods less than one year are annualized and are not necessarily indicative of a full year of operations

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-3*	Ages 4-7*	Ages 8-11*	Ages 12-14*	Ages 15-17*	Ages 18 & Over*
FOR A UNIT OUTSTANDING THROUGHOUT THE PERIOD						
Net position value, beginning of period	\$ 23.81	\$ 20.31	\$ 20.58	\$ 20.52	\$ 18.97	\$ 17.66
Gain (loss) from investment operations:						
Net investment income ^(a)	0.01	0.01	0.02	0.03	0.03	0.03
Net realized and unrealized loss on investments	0.53	0.39	0.31	0.25	0.19	0.12
Total gain (loss) from investment operations	0.54	0.40	0.33	0.28	0.22	0.15
Net position value, end of period	\$ 24.35	\$ 20.71	\$ 20.91	\$ 20.80	\$ 19.19	\$ 17.81
 TOTAL RETURN ^(b)	 2.27%	 1.97%	 1.60%	 1.36%	 1.16%	 0.85%
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ratio of expenses to average net position ^{(c)(d)}	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position ^(d)	0.30%	0.63%	1.00%	1.25%	1.32%	1.31%

*For the period July 1, 2017 to August 8, 2017 (date of liquidation).

- (a) Based on average units outstanding
- (b) The percentages shown for this period are not annualized
- (c) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds
- (d) Periods less than one year are annualized and are not necessarily indicative of a full year of operations

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-3*	Ages 4-7*	Ages 8-11*	Ages 12-14*	Ages 15-17*	Ages 18 & Over*
FOR A UNIT OUTSTANDING THROUGHOUT THE PERIOD						
Net position value, beginning of period	\$ 16.34	\$ 15.90	\$ 15.94	\$ 15.89	\$ 15.53	\$ 14.17
Gain (loss) from investment operations:						
Net investment income ^(a)	0.00 ^(e)	0.00 ^(e)	0.01	0.01	0.02	0.02
Net realized and unrealized loss on investments	0.42	0.36	0.31	0.28	0.23	0.14
Total gain (loss) from investment operations	0.42	0.36	0.32	0.29	0.25	0.16
Net position value, end of period	<u>\$ 16.76</u>	<u>\$ 16.26</u>	<u>\$ 16.26</u>	<u>\$ 16.18</u>	<u>\$ 15.78</u>	<u>\$ 14.33</u>
 TOTAL RETURN ^(b)	 <u>2.57 %</u>	 <u>2.26%</u>	 <u>2.01%</u>	 <u>1.83%</u>	 <u>1.61%</u>	 <u>1.13%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ratio of expenses to average net position ^{(c)(d)}	0.13 %	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position ^(d)	(0.13)%	0.18%	0.54%	0.78%	1.02%	1.28%

*For the period July 1, 2017 to August 8, 2017 (date of liquidation).

- (a) Based on average units outstanding
- (b) The percentages shown for this period are not annualized
- (c) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds
- (d) Periods less than one year are annualized and are not necessarily indicative of a full year of operations
- (e) Amount represents less than \$0.01 per share

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR							
Net position value, beginning of year	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Gain (loss) from investment operations:							
Net investment income ^(a)	0.27	0.27	0.27	0.27	0.27	0.24	0.22
Net realized and unrealized loss on investments	0.06	0.03	(0.01)	(0.08)	(0.10)	(0.09)	(0.07)
Total gain (loss) from investment operations	0.33	0.30	0.26	0.19	0.17	0.15	0.15
Net position value, end of year	\$ 10.33	\$ 10.30	\$ 10.26	\$ 10.19	\$ 10.17	\$ 10.15	\$ 10.15
TOTAL RETURN ^(b)	3.30%	3.00%	2.60%	1.90%	1.70%	1.50%	1.50%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 9,689	\$ 16,962	\$ 7,235	\$ 9,018	\$ 11,485	\$ 7,748	\$ 7,813
Ratio of expenses to average net position ^{(c)(d)}	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position ^(d)	2.95%	2.9%	2.94%	2.92%	2.95%	2.7%	2.46%

† The options commenced operations on August 8, 2017.

- (a) Based on average units outstanding
- (b) The percentages shown for this period are not annualized
- (c) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds
- (d) Periods less than one year are annualized and are not necessarily indicative of a full year of operations

Age 17†	Age 18 & Over†
\$ 10.00	\$ 10.00
0.21	0.18
(0.08)	(0.04)
0.13	0.14
\$ 10.13	\$ 10.14
1.30%	1.40%

\$ 9,837	\$ 25,904
0.13%	0.13%
2.32%	2.03%

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 FINANCIAL HIGHLIGHTS
 FOR THE YEAR ENDED JUNE 30, 2018

Moderate Managed Allocation Option
Age Bands within the Moderate Managed Allocation Option

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR							
Net position value, beginning of year	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Gain (loss) from investment operations:							
Net investment income ^(a)	0.26	0.26	0.27	0.26	0.26	0.26	0.26
Net realized and unrealized loss on investments	0.26	0.18	0.08	0.04	(0.02)	(0.05)	(0.07)
Total gain (loss) from investment operations	0.52	0.44	0.35	0.30	0.24	0.21	0.19
Net position value, end of year	\$ 10.52	\$ 10.44	\$ 10.35	\$ 10.30	\$ 10.24	\$ 10.21	\$ 10.19
TOTAL RETURN ^(b)	5.20%	4.40%	3.50%	3.00%	2.40%	2.10%	1.90%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 50,661	\$ 120,646	\$ 99,381	\$ 140,232	\$ 170,811	\$ 102,964	\$ 104,018
Ratio of expenses to average net position ^{(c)(d)}	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position ^(d)	2.82%	2.82%	2.91%	2.86%	2.86%	2.84%	2.82%

† The options commenced operations on August 8, 2017.

- (a) Based on average units outstanding
- (b) The percentages shown for this period are not annualized
- (c) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds
- (d) Periods less than one year are annualized and are not necessarily indicative of a full year of operations

Age 17†	Age 18 & Over†
\$ 10.00	\$ 10.00
0.24 (0.05)	0.22 (0.04)
0.19	0.18
\$ 10.19	\$ 10.18

1.90%	1.80%
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\$ 113,972	\$ 322,635
0.13%	0.13%
2.69%	2.47%

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Ages 0-4†	Ages 5-8†	Ages 9-10†	Ages 11-12†	Ages 13-14†	Age 15†	Age 16†
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR							
Net position value, beginning of year	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Gain (loss) from investment operations:							
Net investment income ^(a)	0.25	0.25	0.25	0.25	0.25	0.26	0.26
Net realized and unrealized loss on investments	0.35	0.32	0.29	0.23	0.17	0.11	0.05
Total gain (loss) from investment operations	0.60	0.57	0.54	0.48	0.42	0.37	0.31
Net position value, end of year	\$ 10.60	\$ 10.57	\$ 10.54	\$ 10.48	\$ 10.42	\$ 10.37	\$ 10.31
TOTAL RETURN ^(b)	6.00%	5.70%	5.40%	4.80%	4.20%	3.70%	3.10%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 70,164	\$ 122,128	\$ 84,285	\$ 77,906	\$ 72,331	\$ 33,747	\$ 33,552
Ratio of expenses to average net position ^{(c)(d)}	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position ^(d)	2.61%	2.66%	2.64%	2.65%	2.72%	2.78%	2.83%

† The options commenced operations on August 8, 2017.

- (a) Based on average units outstanding
- (b) The percentages shown for this period are not annualized
- (c) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds
- (d) Periods less than one year are annualized and are not necessarily indicative of a full year of operations

Age 17†	Age 18 & Over†
\$ 10.00	\$ 10.00
0.24	0.23
0.03	0.02
0.27	0.25
\$ 10.27	\$ 10.25
2.70%	2.50%

\$ 27,927	\$ 56,757
0.13%	0.13%
2.63%	2.51%

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 FINANCIAL HIGHLIGHTS
 FOR THE YEAR ENDED JUNE 30, 2018

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option	International Equity Index Option	Active Global Equity Option	U.S. Equity Index Option	High Equity Balanced Option
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net position value, beginning of year	18.02	10.43	10.93	17.46	12.08	21.7
Gain (loss) from investment operations:						
Net investment income(a)	0.40	0.22	0.26	0.22	0.19	0.47
Net realized and unrealized loss on investments	1.42	0.11	0.43	1.97	1.58	1.36
Total gain (loss) from investment operations	1.82	0.33	0.69	2.19	1.77	1.83
Net position value, end of year	\$ 19.84	\$ 10.76	\$ 11.62	\$ 19.65	\$ 13.85	\$ 23.53
TOTAL RETURN	10.10%	3.16%	6.31%	12.54%	14.65%	8.43%
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ 241,657	\$ 4,758	\$ 13,126	\$ 58,999	\$ 98,881	\$ 330,409
Ratio of expenses to average net position ^(b)	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position	2.02%	1.99%	2.22%	1.14%	1.45%	2.01%

(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

Active Fixed- Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option
\$ 16.23	\$ 20.49	\$ 11.91	\$ 10.17	\$ 15.77
0.50 (0.43)	0.32 2.45	0.28 (0.37)	0.11 —	0.28 —
0.07	2.77	(0.09)	0.11	0.28
\$ 16.30	\$ 23.26	\$ 11.82	\$ 10.28	\$ 16.05
0.43%	13.52%	(0.76)%	1.08%	1.78%

\$ 45,778	\$ 52,278	\$ 20,024	\$ 43,903	\$ 284,127
0.13%	0.13%	0.13 %	0.13%	—%
3.03%	1.42%	2.39 %	1.07%	1.78%



Report of Independent Auditors 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 - 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 financial statements of the Connecticut Higher Education Trust - Direct Plan (the "Direct Plan"), which comprise the statement of fiduciary net position as of June 30, 2018, 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 21, 2018.

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 entity'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, contracts and grant agreements, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

PricewaterhouseCoopers LLP

August 21, 2018