

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options

Combined Financial Statements
June 30, 2018



New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options

Combined Financial Statements and Supplemental Information

Year ended June 30, 2018

Contents

Report of Independent Auditors	2
Management's Discussion and Analysis	4
Combined Financial Statements:	
Combined Statement of Fiduciary Net Position	7
Combined Statement of Changes in Fiduciary Net Position	8
Notes to Combined Financial Statements	9
Supplemental Information for the Portfolios:	
Schedules of Fiduciary Net Position	16
Schedules of Changes in Fiduciary Net Position	18
Statement of Investments - NJBEST Pooled Equity Fund	20



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Report of Independent Auditors

To the Trustees of

New Jersey Better Educational Savings Trust Program - New Jersey Division of Investments Managed Investment Options:

We have audited the accompanying combined financial statements, which are comprised of the combined statement of fiduciary net position of the New Jersey Better Educational Savings Trust Program - New Jersey Division of Investments Managed Investment Options (the "Trust") as of June 30, 2018, and the related combined statement of changes in fiduciary net position for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 the auditor's 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, the auditor considers internal control relevant to the Trust'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 Trust'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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the New Jersey Better Educational Savings Trust Program - New Jersey Division of Investments Managed Investment Options at June 30, 2018, and the combined statement of changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the 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.



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Supplemental Information including the statement of investments – NJBest Pooled Equity Fund, the schedule of each portfolio's fiduciary net position as of June 30, 2018, and the schedule of changes in each portfolio's fiduciary net position indicated therein are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Ernst + Young LLP

September 14, 2018

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Management's Discussion and Analysis (unaudited)

The New Jersey Better Educational Savings Trust Program ("Program") includes investment portfolios managed by the New Jersey Department of Treasury, Division of Investments ("Division of Investments") for accounts open prior to March 17, 2003 and portfolios managed by Franklin Templeton Investments for accounts opened after March 17, 2003. The financial data for the Program for the year ended June 30, 2018 is contained in two separate audited financial reports: 1) the New Jersey Division of Investments Managed Investment Options (the "Division of Investments Options") and 2) the Franklin Templeton Managed Investments Options.

These financial statements pertain solely to the Division of Investments Options and offer readers of the 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 combined financial statements and notes to combined financial statements. The Division of Investments Options consist of six (6) investment portfolios (the "Portfolios") in which account owners ("Account Owners") may invest.

Financial Highlights

During the year ended June 30, 2018, the Portfolios within the Program posted returns below. The expense ratio for all Portfolios is 0.40% per annum based on the average daily net assets of each portfolio.

NJ Best Trust A	2.89%
NJ Best Trust B	2.80%
NJ Best Trust C	2.51%
NJ Best Trust D	3.76%
NJ Best Trust E	4.09%
NJ Best Better Educational Savings Trust	4.81%

Overview of the Combined Financial Statements

The Division of Investments Options combined financial statements are prepared in accordance with the Government Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended.

The Combined Statement of Fiduciary Net Position presents information on the Division of Investments Options' 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 Division of Investments Options combined financial statements, is prepared using the accrual basis of accounting. Contributions are recognized when enrollment in the Division of Investments Options 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 Combined Statement of Changes in Fiduciary Net Position presents information showing how the Division of Investments Options' assets changed during the year ended June 30, 2018. 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 in a future period.

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

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Management's Discussion and Analysis (unaudited) (continued)

Financial Analysis

The following are condensed Statements of Fiduciary Net Position as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investments	\$ 315,678,303	\$ 352,553,714
Receivables	345,495	330,856
Total assets	<u>316,023,798</u>	<u>352,884,570</u>
Payables	<u>311,362</u>	<u>318,820</u>
Total liabilities	<u>311,362</u>	<u>318,820</u>
Fiduciary Net Position held in trust for Account Owners in the Program	<u>\$ 315,712,436</u>	<u>\$ 352,565,750</u>

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

The investments in the six (6) Portfolios of the Division of Investments Options comprise 99.9% of total assets. Other assets consist of receivables for shares sold and accrued income. Liabilities consist of payables for shares redeemed and accrued expenses.

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Management's Discussion and Analysis (unaudited) (continued)

Financial Analysis (continued)

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

	<u>2018</u>	<u>2017</u>
Additions:		
Subscriptions	\$ 19,322,008	\$ 21,833,317
Net increase in Fiduciary Net Position resulting from operations	<u>26,545,325</u>	<u>40,233,526</u>
Total additions	<u>45,867,333</u>	<u>62,066,843</u>
Deductions:		
Redemptions	69,186,662	67,794,437
Net decrease in Fiduciary Net Position resulting from operations	<u>13,533,985</u>	<u>13,822,976</u>
Total deductions	<u>82,720,647</u>	<u>81,617,413</u>
Changes in Fiduciary Net Position held in trust for Account Owners in the Program	<u>(36,853,314)</u>	<u>(19,550,570)</u>
Fiduciary Net Position - beginning of year	<u>352,565,750</u>	<u>372,116,320</u>
Fiduciary Net Position - end of year	<u>\$ 315,712,436</u>	<u>\$ 352,565,750</u>

The Division of Investments Options paid \$49.9 million in net redemptions to Account Owners during the year ended June 30, 2018.

The Division of Investments Options earned \$3.9 million of investment income and incurred \$1.3 million of operating expenses during the year ended June 30, 2018.

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Combined Financial Statements

Combined Statement of Fiduciary Net Position

June 30, 2018

Assets:

Investments, at fair value (Cost: \$247,504,354)	\$ 315,678,303
Interest and dividend receivable	237,994
Receivable from Plan shares sold	<u>107,501</u>
Total assets	<u>316,023,798</u>

Liabilities:

Accrued expenses	104,492
Payable for Plan shares redeemed	<u>206,870</u>
Total liabilities	<u>311,362</u>

Fiduciary Net Position held in trust for Account Owners in the Program	<u><u>\$ 315,712,436</u></u>
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The accompanying notes are an integral part of these combined financial statements.

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Combined Financial Statements *(continued)*

Combined Statement of Changes in Fiduciary Net Position for the year ended June 30, 2018

Additions:	
Subscriptions	\$ 19,322,008
Increase from investment operations:	
Dividend income	2,624,246
Interest income	1,258,368
Net realized gain from sale of investments	<u>22,662,711</u>
Net increase in net position resulting from operations	<u>26,545,325</u>
Total additions	<u>45,867,333</u>
Deductions:	
Redemptions	69,186,662
Decrease from investment operations:	
Net change in unrealized depreciation on investments	12,219,291
Program management fees (Note 2)	<u>1,314,694</u>
Net decrease in net position resulting from operations	<u>13,533,985</u>
Total deductions	<u>82,720,647</u>
Changes in Fiduciary Net Position held in trust for Account Owners in the Program	(36,853,314)
Fiduciary Net Position - beginning of year	<u>352,565,750</u>
Fiduciary Net Position - end of year	<u><u>\$ 315,712,436</u></u>

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

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Notes to Combined Financial Statements

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The State of New Jersey (the "State") established the New Jersey Better Educational Savings Trust Program (the "Program") to allow Account Owners and beneficiaries under the Program to qualify for federal tax benefits as participants in a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended. The New Jersey Higher Education Student Assistance Authority ("HESAA") is responsible for establishing and maintaining the Program on behalf of the State. HESAA serves as a trustee of the Program, administers the Program and is authorized to establish investment policies, select investment managers and the Program Manager, and adopt regulations and provide for the performance of other functions necessary for the operation of the Program and the various plans included in the Program.

Pursuant to a service agreement, Franklin Templeton Distributors, Inc. ("FTDI"), a wholly-owned subsidiary of Franklin Resources, Inc. serves as the Program Manager. FTDI provides, directly, or through affiliated or non-affiliated subcontractors, certain administrative services relating to the Program.

The Program is a private-purpose trust fund, which is a type of fiduciary fund. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support a government's own programs. Revenues are mainly derived from investment income. Because the Program is a fiduciary fund, the Program's combined financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

These combined financial statements provide the combined financial results of the Portfolios, as defined below, managed by the New Jersey Department of the Treasury, Division of Investment ("Division of Investment") which serves as investment manager for the investment options ("Division of Investment Options") that are part of the NJBEST 529 College Savings Plan ("NJBEST" or "Plan") but are no longer available to new shareholders. The Division of Investment Options consists of six portfolios ("Portfolios"). The NJ Better Educational Savings Portfolio, the original portfolio, is available only to accounts opened prior to July 1, 2000 and is open to all birth years. For accounts opened after July 1, 2000 and prior to March 17, 2003, there are the NJBEST Portfolios A – E. These are age-based portfolios where contributions are allocated based on the birth year of the Beneficiary as follows:

Portfolio	Birth Year
NJBEST Portfolio A	1985 and prior
NJBEST Portfolio B	1986 - 1989
NJBEST Portfolio C	1990 - 1993
NJBEST Portfolio D	1994 - 1997
NJBEST Portfolio E	1998 - 2003

All common stocks and certain other investments held by the Program and managed by the Division of Investment are maintained in a managed equity Portfolio called the NJBEST Pooled Equity Fund. Each of the six portfolios owns a portion of the NJBEST Pooled Equity Fund. The net assets and related dividend and interest income of the NJBEST Pooled Equity Fund have been allocated among the portfolios. This allows for a high level of diversification and reduces the costs of managing the Plan.

For information regarding the Franklin Templeton Managed Investment Options, including those within the Franklin Templeton 529 College Savings Plan, please see the combined financial statements entitled "New Jersey Better Educational Savings Trust Program – Franklin Templeton Managed Investment Options" or refer to the Investor

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Notes to Combined Financial Statements (*continued*)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Handbook for either the Franklin Templeton 529 College Savings Plan (for investors who invest through a financial advisor) or the NJBEST 529 College Savings Plan (for New Jersey residents investing without a financial advisor).

The Following summarizes the Program's significant accounting policies.

a. Financial Instrument Valuation

The Program's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Program calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by HESAA, the Program's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The VC provides administration and oversight of the Program's valuation policies and procedures. Among other things, these procedures allow the Program to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in non-registered money market funds and managed equity accounts are valued at the closing NAV.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Program's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

The Program has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VC

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Notes to Combined Financial Statements (*continued*)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (*continued*)

a. Financial Instrument Valuation (*continued*)

employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

b. Income Taxes

The Program is established to be a qualified tuition program under Section 529 of the Internal Revenue Code, which is exempt from federal and state income tax, and does not expect to have any unrelated business income subject to tax. Accordingly, no provision has been made for income taxes.

The Division of Investment Options may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2018, the Division of Investment Options have determined that no tax liability is required in its combined financial statements related to uncertain tax positions for any open tax years, (or expected to be taken in future tax returns). Open tax years are those that remain subject to examination and are based on the statute of limitation in each jurisdiction which the fund invests.

c. Security Transactions, Investment Income and Expenses

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a average cost basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as interest income on the Combined Statement of Changes in Fiduciary Net Position.

d. Accounting Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

e. Guarantees and Indemnifications

Under the Program's organizational documents, its trustee is indemnified by the Program against certain liabilities arising out of the performance of their duties to the Program. Additionally, in the normal course of business, the Program, on behalf of the Portfolios, enters into contracts with service providers that contain general indemnification clauses. The Program's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Program that have not yet occurred. Currently, the Program expects the risk of loss to be remote.

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Notes to Combined Financial Statements (continued)

2. MANAGEMENT AGREEMENTS

The Division of Investment Options pays a total program management fee of 0.40% per annum based on the average daily net assets of each portfolio.

Franklin Templeton Services, LLC (“FTS”) an affiliate of FTDI provides administrative services for the Program. Franklin Templeton Investor Services, LLC (“FTI”), an affiliate of FTDI and FTS, performs transfer agency services for the Program. No fees are paid by the Division of Investment Options for administrative or transfer agency services.

3. INVESTMENTS

At June 30, 2018, net unrealized appreciation of portfolio investments was \$68,173,949 consisting of gross unrealized appreciation of \$68,173,949 and gross unrealized depreciation of \$0.

Purchases and sales of Portfolio securities (excluding short term securities) for the year ended June 30, 2018, aggregated \$0 and \$43,262,255, respectively.

For a list of each Portfolio’s investments at June 30, 2018, please see the Schedule of Fiduciary Net Position for each Portfolio in the Supplemental Information.

As of June 30, 2018, the investments held by the Portfolios consisted of the following:

	Shares	Cost	Value
Equity			
NJBEST Pooled Equity Fund	3,619,062	\$ 31,192,926	\$ 96,669,713
	Principal Amount		
Fixed Income			
Time Warner Inc., 6.50%, 11/15/36	3,000,000	2,129,354	3,376,335
U.S. Treasury Bonds,			
7.25%, 8/15/22	1,235,000	1,319,092	1,454,020
6.25%, 8/15/23	1,100,000	1,162,469	1,283,885
6.00%, 2/15/26	1,000,000	1,000,486	1,217,773
U.S. Treasury Notes, Index Linked,			
2.375%, 1/15/25	\$ 11,961,039	12,289,840	13,266,390
	Shares		
Short Term Investment			
^a State of New Jersey Cash Management Fund, 1.93%	198,410,187	198,410,187	198,410,187
		\$ 247,504,354	\$ 315,678,303

^aThe rate shown is the average monthly rate of return at year end.

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Notes to Combined Financial Statements (continued)

4. INVESTMENT RISKS

Certain investments are subject to a variety of investment risks. GASB requires that entities disclose certain essential risk information about deposits and investments.

a. Interest Rate and Credit Risk

Interest rate risk is the risk that the value of bond investments will decrease as a result of a rise in interest rates. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The following instruments were held by the Division of Investment Options at June 30, 2018, were exposed to interest rate and credit risk:

Investment	Value	Credit Rating
Fixed Income		
Time Warner Inc., 6.50%, 11/15/36	3,376,335	BBB
U.S. Treasury Bonds,		
7.25%, 8/15/22	1,454,020	AA+
6.25%, 8/15/23	1,283,885	AA+
6.00%, 2/15/26	1,217,773	AA+
U.S. Treasury Notes, Index Linked,		
2.375%, 1/15/25	13,266,390	AA+

Investment	Value	Average Maturity
Short Term Investment		
^a State of New Jersey Cash Management Fund, 1.93%	198,410,187	0.18 years

^aThe rate shown is the average monthly rate of return at year end.

b. Custodial Credit Risk

Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the custodian, the Division of Investment Options will not be able to recover the value of investments that are in the possession of the custodian. The Division of Investment Options' investment securities are not exposed to custodial credit risk as they are held in a segregated trust account with the custodian.

5. FAIR VALUE MEASUREMENTS

The Program follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Program's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Program's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Program's own assumptions in determining the fair value of financial instruments)

New Jersey Better Educational Savings Trust Program

New Jersey Division of Investments Managed Investment Options

Notes to Combined Financial Statements *(continued)*

5. FAIR VALUE MEASUREMENTS *(continued)*

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Program has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

At June 30, 2018, all of the Portfolio's investments in financial instruments carried at fair value were valued using Level 2 inputs.

6. SUBSEQUENT EVENTS

The Program has evaluated subsequent events through September 14, 2018, the date the financial statements were available to be issued, and determined that no events have occurred that require disclosure.

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 New Jersey Better Educational Savings Trust Program, New Jersey Division of Investments Managed Investment Options. It shows financial information relating to the investment Portfolios, which were included in the Program during the year ended June 30, 2018.

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

Schedules of Fiduciary Net Position

June 30, 2018

	NJ BEST Portfolio A	NJ BEST Portfolio B	NJ BEST Portfolio C	NJ BEST Portfolio D
Assets				
Investments, at fair value:				
Equity				
NJBEST Pooled Equity Fund	\$ 192,876	\$ 634,423	\$ 3,580,810	\$ 11,549,260
Fixed Income				
Time Warner Inc., 6.50%, 11/15/36	-	-	1,125,445	1,125,445
U.S. Treasury Bonds,				
7.25%, 8/15/22	-	-	-	588,672
6.25%, 8/15/23	-	-	-	700,301
6.00%, 2/15/26	-	-	-	-
U.S. Treasury Notes, Index Linked,				
2.375%, 1/15/25	-	-	-	-
Subtotal	-	-	1,125,445	2,414,418
Short Term Investment				
^a State of New Jersey Cash Management Fund, 1.93%	741,036	2,363,092	11,940,029	34,617,223
Total investments	933,912	2,997,515	16,646,284	48,580,901
Interest receivable	-	-	8,306	36,013
Receivable from Plan shares sold	-	180	730	57,556
Total assets	933,912	2,997,695	16,655,320	48,674,470
Liabilities				
Accrued expenses	308	993	5,497	16,167
Payable for Plan shares redeemed	-	-	3,496	98,913
Total liabilities	308	993	8,993	115,080
Fiduciary Net Position held in trust for Account Owners in the Program	\$ 933,604	\$ 2,996,702	\$ 16,646,327	\$ 48,559,390
Shares Outstanding	56,937	159,795	799,624	2,173,683
Net Position Value per Share	\$ 16.40	\$ 18.75	\$ 20.82	\$ 22.34
Investments at cost	\$ 788,649	\$ 2,526,928	\$ 13,836,286	\$ 39,999,907

^aThe rate shown is the average monthly rate of return at year end.

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

Schedules of Fiduciary Net Position (continued)

June 30, 2018

	NJ BEST Portfolio E	NJ Better Educational Savings Trust	TOTAL
Assets			
Investments, at fair value:			
Equity			
NJBEST Pooled Equity Fund	\$ 79,108,680	\$ 1,603,664	\$ 96,669,713
Fixed Income			
Time Warner Inc., 6.50%, 11/15/36	1,125,445	-	3,376,335
U.S. Treasury Bonds,			
7.25%, 8/15/22	865,348	-	1,454,020
6.25%, 8/15/23	583,584	-	1,283,885
6.00%, 2/15/26	1,217,773	-	1,217,773
U.S. Treasury Notes, Index Linked,			
2.375%, 1/15/25	13,266,390	-	13,266,390
Subtotal	17,058,540	-	20,598,403
Short Term Investment			
^a State of New Jersey Cash Management Fund, 1.93%	146,764,700	1,984,107	198,410,187
Total investments	242,931,920	3,587,771	315,678,303
Interest receivable	193,675	-	237,994
Receivable from Plan shares sold	48,780	255	107,501
Total assets	243,174,375	3,588,026	316,023,798
Liabilities			
Accrued expenses	80,294	1,233	104,492
Payable for Plan shares redeemed	104,461	-	206,870
Total liabilities	184,755	1,233	311,362
Fiduciary Net Position held in trust for Account Owners in the Program	\$ 242,989,620	\$ 3,586,793	\$ 315,712,436
Shares Outstanding	10,388,056	167,867	
Net Position Value per Share	\$ 23.39	\$ 21.37	
Investments at cost	\$ 187,823,626	\$ 2,528,958	\$ 247,504,354

^aThe rate shown is the average monthly rate of return at year end.

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

Schedules of Changes in Fiduciary Net Position
for the year ended June 30, 2018

	NJ BEST Portfolio A	NJ BEST Portfolio B	NJ BEST Portfolio C	NJ BEST Portfolio D
Additions:				
Subscriptions	\$ 45,066	\$ 93,953	\$ 773,016	\$ 4,943,433
Increase from investment operations:				
Dividend income	10,264	34,426	159,238	450,767
Interest income	-	-	144,809	318,226
Net realized gain from sale of investments	29,395	127,659	636,687	6,211,570
Net increase in net position resulting from operations	<u>39,659</u>	<u>162,085</u>	<u>940,734</u>	<u>6,980,563</u>
Total additions	<u>84,725</u>	<u>256,038</u>	<u>1,713,750</u>	<u>11,923,996</u>
Deductions:				
Redemptions	115,201	702,009	3,780,258	27,266,710
Decrease from investment operations:				
Net change in unrealized depreciation on investments	9,127	57,061	412,587	4,571,154
Program management fees (Note 2)	<u>3,824</u>	<u>12,970</u>	<u>71,603</u>	<u>222,803</u>
Net decrease in net position resulting from operations	<u>12,951</u>	<u>70,031</u>	<u>484,190</u>	<u>4,793,957</u>
Total deductions	<u>128,152</u>	<u>772,040</u>	<u>4,264,448</u>	<u>32,060,667</u>
Changes in Net Position held in trust for Account				
Owners in the Program	(43,427)	(516,002)	(2,550,698)	(20,136,671)
Net Position - beginning of period	<u>977,031</u>	<u>3,512,704</u>	<u>19,197,025</u>	<u>68,696,061</u>
Net Position - end of period	<u>\$ 933,604</u>	<u>\$ 2,996,702</u>	<u>\$ 16,646,327</u>	<u>\$ 48,559,390</u>

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

Schedules of Changes in Fiduciary Net Position (*continued*)
for the year ended June 30, 2018

	NJ BEST Portfolio E	NJ Better Educational Savings Trust	TOTAL
Additions:			
Subscriptions	\$ 13,338,591	\$ 127,949	\$ 19,322,008
Increase from investment operations:			
Dividend income	1,939,299	30,252	2,624,246
Interest income	795,333	-	1,258,368
Net realized gain from sale of investments	15,333,868	323,532	22,662,711
Net increase in net position resulting from operations	<u>18,068,500</u>	<u>353,784</u>	<u>26,545,325</u>
Total additions	<u>31,407,091</u>	<u>481,733</u>	<u>45,867,333</u>
Deductions:			
Redemptions	36,043,856	1,278,628	69,186,662
Decrease from investment operations:			
Net change in unrealized depreciation on investments	7,029,203	140,159	12,219,291
Program management fees (Note 2)	<u>987,393</u>	<u>16,101</u>	<u>1,314,694</u>
Net decrease in net position resulting from operations	<u>8,016,596</u>	<u>156,260</u>	<u>13,533,985</u>
Total deductions	<u>44,060,452</u>	<u>1,434,888</u>	<u>82,720,647</u>
Changes in Net Position held in trust for Account			
Owners in the Program	(12,653,361)	(953,155)	(36,853,314)
Net Position - beginning of period	<u>255,642,981</u>	<u>4,539,948</u>	<u>352,565,750</u>
Net Position - end of period	<u><u>\$ 242,989,620</u></u>	<u><u>\$ 3,586,793</u></u>	<u><u>\$ 315,712,436</u></u>

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

NJBest Pooled Equity Fund

Statement of Investments, June 30, 2018

	SHARES	VALUE
Common Stocks 98.3%		
Aerospace & Defense 2.6%		
Arconic Inc.	15,000	\$ 255,150
The Boeing Co.	1,800	603,918
General Dynamics Corp.	1,400	260,974
Huntington Ingalls Industries Inc.	1,800	390,222
L3 Technologies Inc.	1,800	346,176
Raytheon Co.	2,000	386,360
Rockwell Collins Inc.	2,000	269,360
		<u>2,512,160</u>
Air Freight & Logistics 1.0%		
Atlas Air Worldwide Holdings Inc.	8,000	573,600
FedEx Corp.	1,000	227,060
United Parcel Service Inc., B	2,000	212,460
		<u>1,013,120</u>
Airlines 1.0%		
American Airlines Group Inc.	10,000	379,600
Southwest Airlines Co.	11,000	559,680
		<u>939,280</u>
Auto Components 0.4%		
LCI Industries	4,000	360,600
Automobiles 0.7%		
Harley-Davidson Inc.	3,000	126,240
Thor Industries Inc.	6,000	584,340
		<u>710,580</u>
Banks 7.5%		
Bank of America Corp.	68,000	1,916,920
Bank of the Ozarks Inc.	6,000	270,240
Citigroup Inc.	13,000	869,960
Fifth Third Bancorp	8,000	229,600
JPMorgan Chase & Co.	21,000	2,188,200
PNC Financial Services Group Inc.	4,000	540,400
SVB Financial Group	1,000	288,760
Wells Fargo & Co.	18,000	997,920
		<u>7,302,000</u>
Beverages 1.2%		
Molson Coors Brewing Co., B	7,000	476,280
Monster Beverage Corp.	4,000	229,200
PepsiCo Inc.	4,000	435,480
		<u>1,140,960</u>
Biotechnology 3.3%		
AbbVie Inc.	8,000	741,200
Amgen Inc.	2,700	498,393
Biogen Inc.	1,800	522,432
Celgene Corp.	5,000	397,100
Clovis Oncology Inc.	4,000	181,880
Gilead Sciences Inc.	6,000	425,040
Sarepta Therapeutics Inc.	2,000	264,360
Tesaro Inc.	4,000	177,880
		<u>3,208,285</u>
Building Products 0.4%		
Patrick Industries Inc.	6,000	341,100

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

NJBest Pooled Equity Fund (continued)

Statement of Investments, June 30, 2018

	SHARES	VALUE
Common Stocks (continued)		
Capital Markets 1.4%		
Affiliated Managers Group Inc.	2,000	\$ 297,340
Blackstone Group LP	12,000	386,040
GSV Capital Corp.	36,000	246,960
Legg Mason Inc.	11,000	382,030
		<u>1,312,370</u>
Chemicals 1.1%		
Albemarle Corp.	1,000	94,330
DowDuPont Inc.	10,000	659,200
Koppers Holdings Inc.	8,000	306,800
		<u>1,060,330</u>
Communications Equipment 1.4%		
Cisco Systems Inc.	18,000	774,540
Echostar Corp., A	3,000	133,200
Extreme Networks Inc.	34,000	270,640
Oclaro Inc.	20,000	178,600
		<u>1,356,980</u>
Construction & Engineering 1.5%		
AECOM	11,000	363,330
KBR Inc.	16,000	286,720
Limbach Holdings Inc.	44,000	520,080
MasTec Inc.	5,000	253,750
		<u>1,423,880</u>
Construction Materials 0.9%		
Summit Materials Inc., A	20,000	525,000
US Concrete Inc.	6,000	315,000
		<u>840,000</u>
Consumer Finance 0.3%		
SLM Corp.	22,000	251,900
		<u>251,900</u>
Diversified Financial Services 0.2%		
Altaba Inc.	3,000	219,630
		<u>219,630</u>
Diversified Telecommunication Services 2.4%		
AT&T Inc.	46,118	1,480,849
Verizon Communications Inc.	16,000	804,960
		<u>2,285,809</u>
Electrical Equipment, Instruments & Component 1.0%		
Coherent Inc.	1,800	281,556
Control4 Corp.	18,000	437,580
Jabil Inc.	10,000	276,600
		<u>995,736</u>
Electrical Equipment 0.6%		
Plug Power Inc.	120,000	242,400
Rockwell Automation Inc.	2,200	365,706
		<u>608,106</u>
Energy Equipment & Services 1.1%		
Baker Hughes a GE Co., A	11,000	363,330
Nabors Industries Ltd.	44,000	282,040
ProPetro Holding Corp.	24,000	376,320
		<u>1,021,690</u>

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

NJBEST Pooled Equity Fund (continued)

Statement of Investments, June 30, 2018

	SHARES	VALUE
Common Stocks (continued)		
Equity Real Estate Investment Trusts 2.3%		
Crown Castle International Corp.	9,000	\$ 970,380
EPR Properties	14,000	907,060
The Geo Group Inc.	12,000	330,480
		<u>2,207,920</u>
Food & Staples Retailing 0.4%		
Walgreens Boots Alliance Inc.	7,000	420,105
Food Products 2.4%		
Freshpet Inc.	18,000	494,100
Hain Celestial Group Inc.	22,000	655,600
Limoneira Co.	21,000	516,810
Mondelez International Inc., A	6,000	246,000
Pinnacle Foods Inc.	7,000	455,420
		<u>2,367,930</u>
Health Care Providers & Services 2.2%		
Acadia Healthcare Co. Inc.,	5,000	204,550
Aetna Inc.	2,400	440,400
BioScrip Inc., cvt. pfd., A	495	49,214
Cigna Corp.	2,000	339,900
Express Scripts Holding Co.	4,000	308,840
PetIQ Inc.	28,000	752,080
		<u>2,094,984</u>
Health Care Services 0.4%		
CVS Health Corp.	6,000	386,100
Health Care Technology 0.2%		
athenahealth Inc.	1,000	159,140
Hotels, Restaurants & Leisure 1.1%		
Carnival Corp.	9,000	515,790
McDonald's Corp.	2,000	313,380
MGM Resorts International	8,000	232,240
SeaWorld Entertainment Inc.	2,000	43,640
		<u>1,105,050</u>
Household Durables 1.5%		
Lennar Corp., B	12,000	512,280
Newell Brands Inc.	9,000	232,110
Toll Brothers Inc.	12,000	443,880
Whirlpool Corp.	2,000	292,460
		<u>1,480,730</u>
Household Products 1.0%		
Colgate-Palmolive Co.	6,000	388,860
The Procter & Gamble Co.	8,000	624,480
		<u>1,013,340</u>
Independent Power & Renewable Electricity 0.3%		
NRG Energy Inc.	8,000	245,600
Industrial Conglomerates 0.6%		
Carlisle Cos. Inc.	1,500	162,465
General Electric Co.	33,000	449,130
		<u>611,595</u>

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

NJBest Pooled Equity Fund (continued)

Statement of Investments, June 30, 2018

	SHARES	VALUE
Common Stocks (continued)		
Insurance 3.4%		
American International Group Inc.	10,000	\$ 530,200
BrightHouse Financial Inc.	11,000	440,770
Genworth Financial Inc., A	30,000	135,000
Lincoln National Corp.	8,000	498,000
MetLife Inc.	10,000	436,000
Prudential Financial Inc.	10,000	935,100
Trupanion Inc.	7,000	270,200
		<u>3,245,270</u>
Internet & Catalog Retail 3.9%		
Amazon.com Inc.	2,200	<u>3,739,560</u>
Internet Software & Services 7.7%		
Alphabet Inc., C	2,500	2,789,125
ComScore Inc.	24,000	523,200
Dropbox Inc., A	9,000	291,780
eBay Inc.	6,000	217,560
Facebook Inc., A	16,000	3,109,120
Hortonworks Inc.	17,000	309,740
Tencent Holdings Ltd., ADR	4,000	201,000
		<u>7,441,525</u>
Information Technology Services 1.7%		
International Business Machines Corp.	3,500	488,950
MoneyGram International Inc.	28,000	187,320
Visa Inc., A	7,000	927,150
		<u>1,603,420</u>
Machinery 2.1%		
Astec Industries Inc.	6,000	358,800
Caterpillar Inc.	3,000	407,010
Deere & Co.	2,000	279,600
Harsco Corp.	20,000	442,000
Parker-Hannifin Corp.	2,000	311,700
Titan International Inc.	22,000	236,060
		<u>2,035,170</u>
Media 5.1%		
CBS Corp., B	17,000	955,740
Comcast Corp., A	16,000	524,960
DISH Network Corp., A	10,000	336,100
Eros International PLC	30,000	390,000
Grupo Televisa SAB, ADR	21,000	397,950
MSG Networks Inc., A	18,000	431,100
National CineMedia Inc.	31,000	260,400
Viacom Inc., B	21,000	633,360
The Walt Disney Co.	10,000	1,048,100
		<u>4,977,710</u>
Metals & Mining 0.6%		
AK Steel Holding Corp.	85,000	368,900
Hecla Mining Co.	60,000	208,800
		<u>577,700</u>

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

NJBest Pooled Equity Fund (continued)

Statement of Investments, June 30, 2018

	SHARES	VALUE
Common Stocks (continued)		
Multi-Utilities 1.2%		
American Electric Power Co. Inc.	6,000	\$ 415,500
NextEra Energy Inc.	3,000	501,090
PG&E Corp.	5,000	212,800
		<u>1,129,390</u>
Office Services & Supplies 0.2%		
Pitney Bowes Inc.	20,000	<u>171,400</u>
Oil, Gas & Consumable Fuels 5.6%		
Apache Corp.	11,000	514,250
Cheniere Energy Inc.	7,000	456,330
Chesapeake Energy Corp.	60,000	314,400
Chevron Corp.	4,000	505,720
ConocoPhillips	5,000	348,100
Devon Energy Corp.	10,000	439,600
Exxon Mobil Corp.	20,000	1,654,600
Kinder Morgan Inc.	18,000	318,060
Range Resources Corp.	28,000	468,440
Southwestern Energy Co.	80,000	424,000
		<u>5,443,500</u>
Personal Products 0.2%		
Avon Products Inc.	110,000	<u>178,200</u>
Pharmaceuticals 6.1%		
Allergan PLC	3,500	583,520
Aratana Therapeutics Inc.	50,000	212,500
Bristol-Myers Squibb Co.	11,000	608,740
Eli Lilly & Co.	6,000	511,980
Johnson & Johnson	12,000	1,456,080
Mallinckrodt PLC	7,000	130,620
Merck & Co. Inc.	13,000	789,100
Pfizer Inc.	31,000	1,124,680
Teligent Inc.	90,000	311,400
Zoetis Inc.	2,000	170,380
		<u>5,899,000</u>
Road & Rail 0.8%		
Daseke Inc.	21,000	208,530
Kansas City Southern	5,000	529,800
		<u>738,330</u>
Semiconductors & Semiconductor Equipment 3.3%		
Advanced Micro Devices Inc.	10,000	149,900
Applied Materials Inc.	5,000	230,950
Broadcom Inc.	2,200	533,808
Cypress Semiconductor Corp.	15,000	233,700
MACOM Technology Solutions Holdings Inc.	9,000	207,360
Microchip Technology Inc.	2,000	181,900
Micron Technology Inc.	2,000	104,880
NVIDIA Corp.	2,800	663,320
NXP Semiconductors NV	2,000	218,540
ON Semiconductor Corp.	10,000	222,350
Ultra Clean Holdings Inc.	27,000	448,200
		<u>3,194,908</u>

New Jersey Better Educational Savings Trust Program
New Jersey Division of Investments Managed Investment Options
Supplemental Information

NJBest Pooled Equity Fund (continued)

Statement of Investments, June 30, 2018

	SHARES	VALUE
Common Stocks (continued)		
Software 5.0%		
Activision Blizzard Inc.	2,000	\$ 152,640
Autodesk Inc.	1,200	157,308
Dell Technologies Inc., V	1,000	84,580
Microsoft Corp.	32,000	3,155,520
Oracle Corp.	6,000	264,360
PTC Inc.	1,000	93,810
Red Hat Inc.	2,000	268,740
Synchronoss Technologies Inc.	31,000	191,270
Synopsys Inc.	4,000	342,280
TiVo Corp.	12,000	161,400
		<u>4,871,908</u>
Specialty Retail 1.0%		
L Brands Inc.	2,000	73,760
The Home Depot Inc.	4,400	858,440
		<u>932,200</u>
Technology Hardware Storage & Peripheral 4.3%		
Apple Inc.	18,000	3,331,980
Cray Inc.	7,000	172,200
Western Digital Corp.	9,000	696,690
		<u>4,200,870</u>
Thriffs & Mortgage Finance 0.3%		
LendingTree Inc.	1,200	256,560
		<u>256,560</u>
Tobacco 1.6%		
Altria Group Inc.	13,000	738,270
Philip Morris International Inc.	10,500	847,770
		<u>1,586,040</u>
Trading Companies & Distributors 0.7%		
Fortress Transportation and Infrastructure Investors LLC	22,000	397,540
United Rentals Inc.	2,000	295,240
		<u>692,780</u>
Water Utilities 0.3%		
Consolidated Water Co. Ltd.	25,000	322,500
		<u>322,500</u>
Wireless Telecommunication Services 0.8%		
Boingo Wireless Inc.	20,000	451,800
T-Mobile U.S. Inc.	6,000	358,500
		<u>810,300</u>
Total Common Stocks (Cost \$84,980,444) 98.3%		<u>95,045,251</u>
Warrants 0.0%†		
Health Care Providers & Services 0.0%†		
BioScrip Inc., wts., A, 9/09/25	1,425	709
BioScrip Inc., wts., B, 9/09/25	1,425	481
Total Warrants (Cost \$5,225) 0.0%†		<u>1,190</u>
Short Term Investments (Cost \$1,783,435) 1.8%		
^a State of New Jersey Cash Management Fund, 1.93%	1,783,435	<u>1,783,435</u>

New Jersey Better Educational Savings Trust Program
 New Jersey Division of Investments Managed Investment Options
 Supplemental Information

NJBest Pooled Equity Fund (continued)

Statement of Investments, June 30, 2018

	VALUE
Total Investments (Cost \$86,769,104) 100.2%	\$ 96,829,876
Other Assets, less Liabilities (0.2)%	<u>(160,163)</u>
Net Assets 100.0%	<u>\$ 96,669,713</u>

[†] Rounds to less than 0.1% of net assets.

^a The rate shown is the average monthly rate of return at year end.