



# Capital Cities

INSTITUTIONAL INVESTING MADE PERSONAL



## CollegeBound Saver and CollegeBound 529 Program Review September 23, 2020

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# Fiduciary Oversight Calendar

## Balancing ongoing performance analysis with comprehensive oversight

The purpose of today's meeting is to review the CollegeBound Program's investment menus, managers, fees and Investment Policy Statement, which are key fiduciary tasks.



Note: Timeline provided above is not inclusive of all meetings/calls and due diligence conducted by Rhode Island and Capital Cities.

# Program Review

## Summary of Findings and Recommendations

### Investment Menus

- CollegeBound Saver (Direct Plan) and CollegeBound 529 (Advisor Plan) offer comprehensive investment menus, including Age-Based, Target Risk and Individual Portfolios.
- No investment menu changes are currently recommended; however, the glide path and portfolio construction of the CollegeBound 529 Age-Based and Target Risk Portfolios are being further examined, with Invesco, during the fourth quarter.

### Manager Due Diligence/Ongoing Monitoring

- The 529 Portfolios are evaluated, on an ongoing basis, per the Investment Policy Statement guidelines.
- Invesco Equally-Weighted S&P 500, Invesco Diversified Dividend, Invesco Global Growth and Invesco International Growth are currently being closely monitored on Watchlist status.
  - The Watchlist Funds will also be further examined as part of the upcoming portfolio construction analysis.
- **Recommendation: Enhance the current CollegeBound Saver Age-Based Portfolios' custom benchmark construction to reflect each underlying fund's respective benchmark and weighting.**

### Fees

- The majority of CollegeBound Saver and CollegeBound 529's fees are low relative to peers, making the Plans attractive solutions for account owners and advisors.
- Rhode Island and Capital Cities are further evaluating the 0.25% Program Management fee that is charged to non-Rhode Island residents, in the CollegeBound Saver Plan.
- The competitiveness and appropriateness of the maximum initial sales charge continues to be assessed, with Invesco, in light of the changing Advisor-sold 529 share class environment.

### Investment Policy Statement

- **Recommendation: Adopt the Amended IPS in light of the SECURE Act (see separate attachment).**

# Investment Menu Review

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# Investment Menu

## Confirming Each Plan's Investment Menu

Are the investment menus:



Providing an investment solution for each type of Account Owner and Advisor?



Offering the optimal number of Portfolios that provides sufficient diversification opportunity while minimizing Account Owner confusion?



Appropriate in light of the current industry trends and regulations?



Meeting the Rhode Island State Investment Commission's (SIC) unique objectives and preferences?

# CollegeBound Saver Plan (Direct Plan)

## Investment Menu Overview

Individual Portfolios (29% of Plan assets)	Target Risk Portfolios (13% of Plan assets)	Age-Based Portfolios (58% of Plan assets)
<b>Capital Preservation:</b>		
<b>Stable Value Portfolio</b> <i>(Invesco Custom Stable Value Separate Account)</i>	<b>Conservative Growth Portfolio</b> <i>(Vanguard LifeStrategy Conservative Growth)</i>	CollegeBound Today Portfolio
<b>Fixed Income:</b>		
<b>Inflation-Protected Bond Portfolio</b> <i>(Vanguard Short-Term Infl Protected Securities Index)</i>	<b>Moderate Growth Portfolio</b> <i>(Vanguard LifeStrategy Moderate Growth)</i>	CollegeBound 2021-2022 Portfolio
<b>Bond Portfolio</b> <i>(Vanguard Total Bond Market Index)</i>	<b>Growth Portfolio</b> <i>(Vanguard LifeStrategy Growth)</i>	CollegeBound 2023-2024 Portfolio
<b>Equity:</b>		
<b>U.S. Stock Portfolio</b> <i>(Vanguard Total Stock Market Index)</i>		CollegeBound 2025-2026 Portfolio
<b>Equally-Weighted S&amp;P 500 Portfolio</b> <i>(Invesco Equally-Weighted S&amp;P 500)</i>		CollegeBound 2027-2028 Portfolio
<b>Global Responsible Equity Portfolio</b> <i>(Invesco MSCI World SRI Index)</i>		CollegeBound 2029-2030 Portfolio
<b>International Stock Portfolio</b> <i>(Vanguard Total International Stock Index)</i>		CollegeBound 2031-2032 Portfolio
<b>U.S. Small-Mid Cap Portfolio</b> <i>(Vanguard Extended Market Index)</i>		CollegeBound 2033-2034 Portfolio
		CollegeBound 2035-2036 Portfolio
		CollegeBound 2037-2038 Portfolio
		CollegeBound 2039-2040 Portfolio

The Plan totals \$295 million in assets and approximately 17,500 funded accounts.

Note: Data is as of June 30, 2020.

# CollegeBound 529 Plan (Advisor Plan)

## Investment Menu Overview

Individual Portfolios (17% of Plan assets)	Target Risk Portfolios (19% of Plan assets)	Age-Based Portfolios (64% of Plan assets)
<b>Capital Preservation:</b>		
Invesco Stable Value Portfolio	Invesco Conservative College Portfolio	Invesco CollegeBound Today Portfolio
<b>Fixed Income:</b>		
Invesco Short Duration Inflation-Protected Portfolio	Invesco Moderate College Portfolio	Invesco CollegeBound 2021-2022 Portfolio
Invesco Core Plus Bond Portfolio	Invesco Growth College Portfolio	Invesco CollegeBound 2023-2024 Portfolio
		Invesco CollegeBound 2025-2026 Portfolio
		Invesco CollegeBound 2027-2028 Portfolio
		Invesco CollegeBound 2029-2030 Portfolio
		Invesco CollegeBound 2031-2032 Portfolio
		Invesco CollegeBound 2033-2034 Portfolio
		Invesco CollegeBound 2035-2036 Portfolio
		Invesco CollegeBound 2037-2038 Portfolio
		Invesco CollegeBound 2039-2040 Portfolio
<b>Balanced:</b>		
Invesco Equity and Income Portfolio		
<b>Equity:</b>		
Invesco Equally Weighted S&P 500 Portfolio		
Invesco Diversified Dividend Portfolio		
Invesco MSCI World SRI Index Portfolio		
Invesco FTSE RAFI Developed Markets ex-US Portfolio		
Invesco International Growth Portfolio		
Invesco FTSE RAFI US 1500 Sm-Mid Portfolio		
Invesco Small Cap Growth Portfolio		

The Plan totals \$4.9 billion in assets and approximately 184,000 funded accounts.

Note: Data is as of June 30, 2020.

# CollegeBound Saver's Individual Portfolios

## Individual Portfolios' Menu

Basic Building Blocks	CollegeBound Saver	Asset Class Coverage
Capital Preservation	<b>Stable Value Portfolio</b> <i>(Invesco Custom Stable Value Separate Account)</i>	✓
Fixed Income	<b>Bond Portfolio</b> <i>(Vanguard Total Bond Market Index)</i>	✓
U.S. Equity	<b>U.S. Stock Portfolio</b> <i>(Vanguard Total Stock Market Index)</i>	✓
International Equity	<b>International Stock Portfolio</b> <i>(Vanguard Total International Stock Index)</i>	✓
Specialty Styles:		
Inflation-Protected Index	<b>Inflation-Protected Bond Portfolio</b> <i>(Vanguard Short-Term Infl Protected Securities Index)</i>	✓
Equally-Weighted S&P 500 Equity	<b>Equally-Weighted S&amp;P 500 Portfolio</b> <i>(Invesco Equally-Weighted S&amp;P 500)</i>	Not Required
Socially Responsible Equity	<b>Global Responsible Equity Portfolio</b> <i>(Invesco MSCI World SRI Index)</i>	Not Required
Small/Mid Cap Equity Index	<b>U.S. Small-Mid Cap Portfolio</b> <i>(Vanguard Extended Market Index)</i>	Not Required

- CollegeBound Saver's Individual Portfolio menu emphasizes a straight-forward, easy to understand approach, allowing account owners to build their own diversified portfolios.

# CollegeBound 529's Individual Portfolios

## Individual Portfolios' Menu

Basic Building Blocks	CollegeBound 529	Asset Class Coverage
Capital Preservation	Invesco Stable Value Portfolio	✓
Fixed Income	Invesco Core Plus Bond Portfolio	✓
U.S. Equity	Invesco Equally-Weighted S&P 500 Portfolio	✓
	Invesco FTSE RAFI US 1500 Sm-Mid Portfolio	
International Equity	Invesco FTSE RAFI Developed Markets ex-US Portfolio	✓
Specialty Styles:		
Inflation-Protected Index	Invesco Short Duration Inflation-Protected Portfolio	✓
Balanced	Invesco Equity and Income Portfolio	Not Required
Large Cap Value	Invesco Diversified Dividend Portfolio	Not Required
Socially Responsible Equity	Invesco MSCI World SRI Index Portfolio	Not Required
International Growth	Invesco International Growth Portfolio	Not Required
Small Cap Growth	Invesco Small Cap Growth Portfolio	Not Required

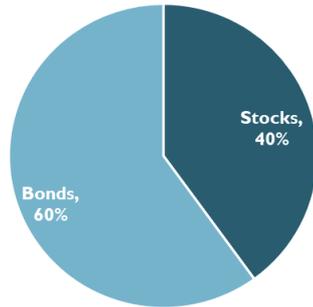
- CollegeBound 529's Individual Portfolio menu provides a comprehensive offering of Invesco-branded strategies.

# Target Risk Portfolios

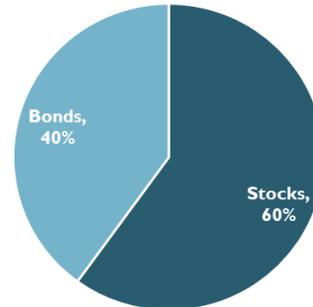
## Target Risk Portfolios' Menu

### CollegeBound Saver: (Direct)

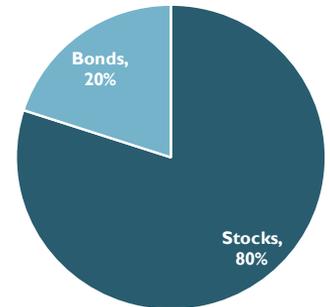
Conservative Growth Portfolio  
(Vanguard LifeStrategy Conservative Growth)



Moderate Growth Portfolio  
(Vanguard LifeStrategy Moderate Growth)

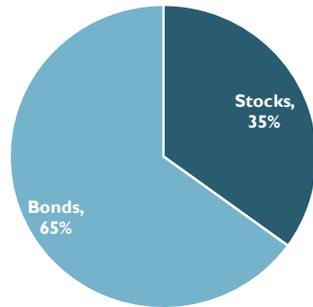


Growth Portfolio  
(Vanguard LifeStrategy Growth)

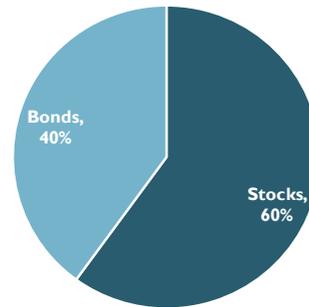


### CollegeBound 529: (Advisor)

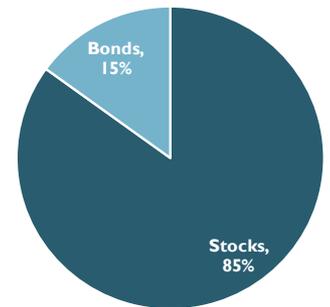
Invesco Conservative College  
Portfolio



Invesco Moderate College Portfolio



Invesco Growth College Portfolio



- Target Risk Portfolios are offered, in both Plans, providing diversified portfolios based on risk tolerance.
- The portfolio construction, of the CollegeBound 529 Target Risk Portfolios, is being further examined, with Invesco, during the fourth quarter.

# Age-Based Portfolios

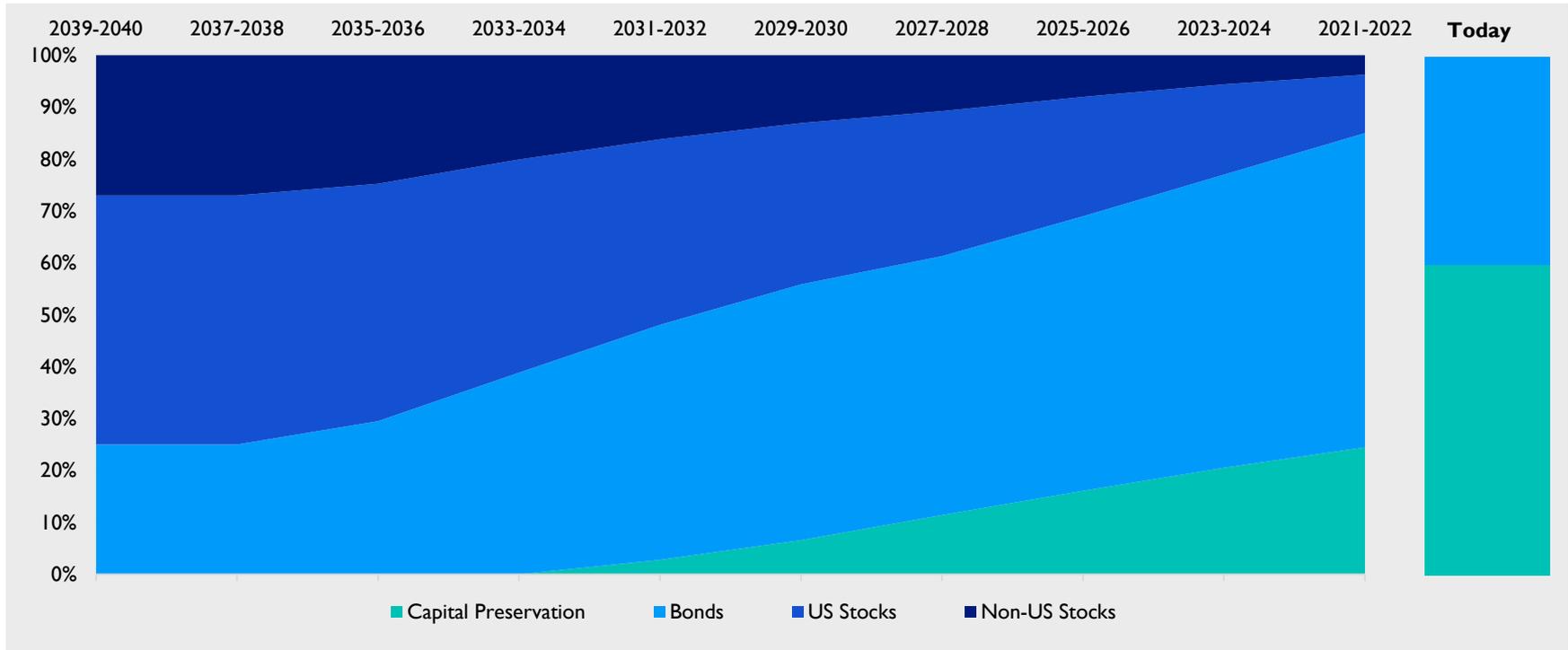
## Age-Based Portfolios' Menu

CollegeBound Saver (Direct) Age-Based Portfolios	CollegeBound 529 (Advisor) Age-Based Portfolios
CollegeBound Today Portfolio	Invesco CollegeBound Today Portfolio
CollegeBound 2021-2022 Portfolio	Invesco CollegeBound 2021-2022 Portfolio
CollegeBound 2023-2024 Portfolio	Invesco CollegeBound 2023-2024 Portfolio
CollegeBound 2025-2026 Portfolio	Invesco CollegeBound 2025-2026 Portfolio
CollegeBound 2027-2028 Portfolio	Invesco CollegeBound 2027-2028 Portfolio
CollegeBound 2029-2030 Portfolio	Invesco CollegeBound 2029-2030 Portfolio
CollegeBound 2031-2032 Portfolio	Invesco CollegeBound 2031-2032 Portfolio
CollegeBound 2033-2034 Portfolio	Invesco CollegeBound 2033-2034 Portfolio
CollegeBound 2035-2036 Portfolio	Invesco CollegeBound 2035-2036 Portfolio
CollegeBound 2037-2038 Portfolio	Invesco CollegeBound 2037-2038 Portfolio
CollegeBound 2039-2040 Portfolio	Invesco CollegeBound 2039-2040 Portfolio

- Age-Based Portfolios are offered to provide diversified portfolios based on time horizon.
- CollegeBound uniquely offers Age-Based Portfolios, in two-year age bands, to best meet designated beneficiaries' demographics, which favorably positions the Program relative to peers.

# Age-Based Portfolios' Glide Path

## Glide Path Approach

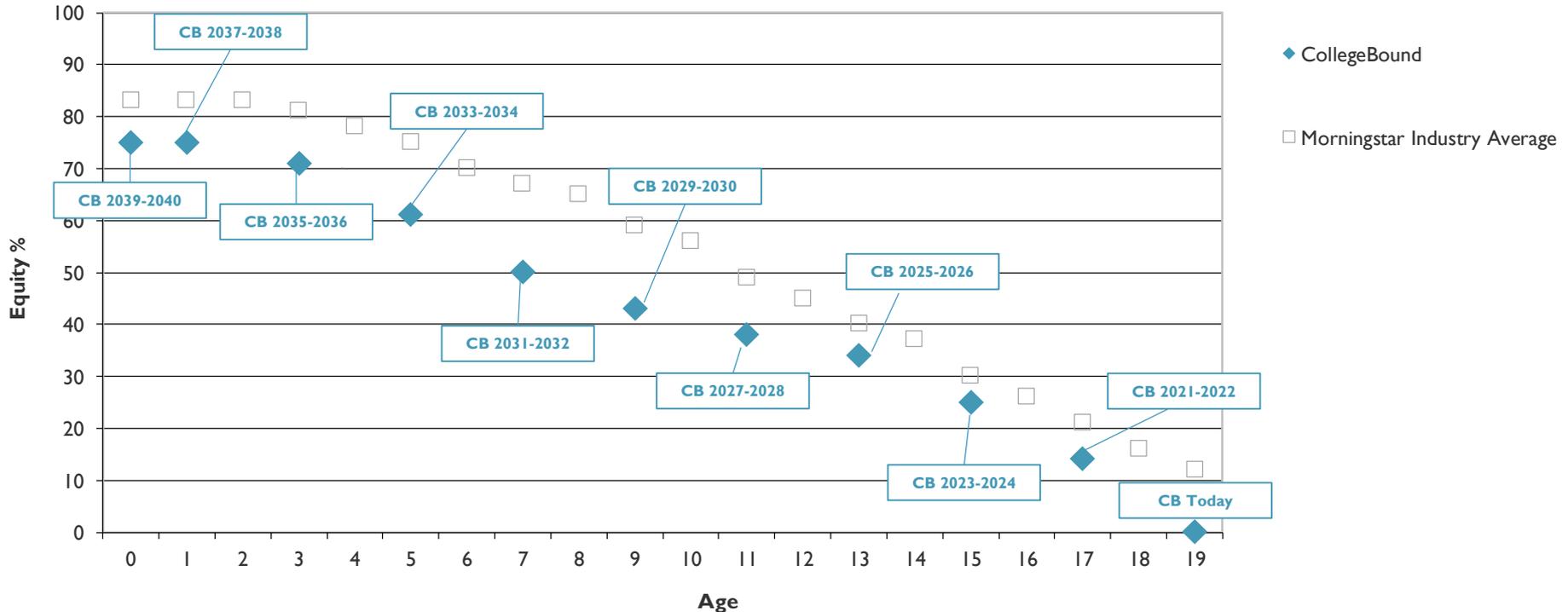


- CollegeBound's Age-Based Portfolios mitigate market timing risk with a smooth, progressive glide path, including quarterly roll downs and monthly rebalancing.
- The glide path of the CollegeBound Age-Based Portfolios is being further examined, with Invesco, during the fourth quarter.

Source: Invesco, as of June 30, 2020.

# Age-Based Portfolios' Glide Path

## Glide Path Peer Comparison



- CollegeBound provides a lower-risk savings plan than many of its peers, given the Plan's Age-Based Portfolios are designed to seek capital preservation and outpace college inflation as measured by the Higher Education Price Index (HEPI).

Sources: CollegeBound Glide Path—Invesco as of June 30, 2020.

Morningstar Industry Average: <https://529.morningstar.com/529p/overview.action?state=RI&planID=5PUSA006B3>

# CollegeBound Saver's Age-Based Portfolios

## Components

Underlying Fund	CollegeBound 2039-2040 Portfolio	CollegeBound 2037-2038 Portfolio	CollegeBound 2035-2036 Portfolio	CollegeBound 2033-2034 Portfolio	CollegeBound 2031-2032 Portfolio	CollegeBound 2029-2030 Portfolio	CollegeBound 2027-2028 Portfolio	CollegeBound 2025-2026 Portfolio	CollegeBound 2023-2024 Portfolio	CollegeBound 2021-2022 Portfolio	CollegeBound Today Portfolio
<b>US Equities</b>	50.0%	50.0%	47.2%	40.7%	33.0%	28.7%	25.3%	22.7%	16.3%	9.3%	0.0%
iShares Core S&P Total US Stock Market ETF	33.3%	33.3%	31.4%	27.1%	22.0%	19.1%	16.9%	15.1%	10.9%	6.2%	0.0%
Invesco Equally-Weighted S&P 500 Fund	16.7%	16.7%	15.7%	13.6%	11.0%	9.6%	8.4%	7.6%	5.4%	3.1%	0.0%
<b>International Equities</b>	25.0%	25.0%	23.6%	20.3%	16.5%	14.3%	12.7%	11.3%	8.2%	4.7%	0.0%
Vanguard Total International Stock Index Fund	15.1%	15.1%	14.2%	12.3%	10.0%	8.7%	7.6%	6.8%	4.9%	2.8%	0.0%
Invesco FTSE RAFI Developed Markets ex-U.S. ETF	7.5%	7.5%	7.1%	6.1%	5.0%	4.3%	3.8%	3.4%	2.5%	1.4%	0.0%
Vanguard Global ex-US Real Estate Index Fund	2.4%	2.4%	2.3%	1.9%	1.6%	1.4%	1.2%	1.1%	0.8%	0.5%	0.0%
<b>Fixed Income</b>	25.0%	25.0%	29.3%	39.0%	50.5%	50.5%	50.8%	49.5%	55.0%	61.5%	40.0%
Vanguard Short-Term Infl Protected Sec Index Fund	2.0%	2.0%	5.0%	9.8%	13.5%	14.8%	15.3%	15.3%	16.0%	18.3%	12.0%
Vanguard Short-Term Investment Grade Fund	2.0%	2.0%	4.8%	6.8%	8.8%	9.0%	9.0%	9.0%	13.5%	17.5%	12.0%
Vanguard Total Bond Market II Index Fund	21.0%	21.0%	19.5%	22.5%	28.3%	26.8%	26.5%	25.3%	25.5%	25.8%	16.0%
<b>Capital Preservation</b>	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%	11.3%	16.5%	20.5%	24.5%	60.0%
Invesco Treasury Collateral ETF	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%	11.3%	16.5%	20.5%	24.5%	60.0%

- CollegeBound Saver's Age-Based Portfolios utilize an open architecture approach with passive, low-cost exposure to iShares, Invesco and Vanguard products.
- The portfolio construction of the CollegeBound Saver's Age-Based Portfolios is being further examined, with Invesco, during the fourth quarter.

Source: Invesco, as of July 1, 2020.

# CollegeBound 529's Age-Based Portfolios

## Components

Underlying Fund	Invesco CollegeBound 2039-2040 Portfolio	Invesco CollegeBound 2037-2038 Portfolio	Invesco CollegeBound 2035-2036 Portfolio	Invesco CollegeBound 2033-2034 Portfolio	Invesco CollegeBound 2031-2032 Portfolio	Invesco CollegeBound 2029-2030 Portfolio	Invesco CollegeBound 2027-2028 Portfolio	Invesco CollegeBound 2025-2026 Portfolio	Invesco CollegeBound 2023-2024 Portfolio	Invesco CollegeBound 2021-2022 Portfolio	Invesco CollegeBound Today Portfolio
<b>US Equities</b>	<b>48.0%</b>	<b>48.0%</b>	<b>45.8%</b>	<b>41.1%</b>	<b>35.7%</b>	<b>31.1%</b>	<b>27.9%</b>	<b>23.0%</b>	<b>17.4%</b>	<b>11.3%</b>	<b>0.0%</b>
Invesco Diversified Dividend Class R6	13.5%	13.5%	12.1%	9.8%	7.8%	6.0%	4.7%	3.3%	2.3%	1.6%	0.0%
Invesco Equally Weighted S&P 500 Fund Class R6	10.5%	10.5%	10.1%	9.1%	8.4%	8.4%	9.4%	9.2%	8.0%	5.3%	0.0%
Invesco S&P 500 Pure Growth ETF	15.0%	15.0%	14.6%	13.6%	12.0%	10.6%	9.6%	8.2%	6.4%	4.3%	0.0%
Invesco S&P 500 Low Volatility ETF	0.0%	0.0%	0.4%	1.4%	2.1%	2.5%	2.5%	1.6%	0.8%	0.1%	0.0%
Invesco S&P MidCap Low Volatility ETF	2.5%	2.5%	2.5%	2.5%	1.9%	1.5%	1.5%	0.6%	0.0%	0.0%	0.0%
Invesco FTSE RAFI US 1500 Small-Mid ETF	6.5%	6.5%	6.0%	4.7%	3.5%	2.1%	0.2%	0.0%	0.0%	0.0%	0.0%
<b>International Equities</b>	<b>27.0%</b>	<b>27.0%</b>	<b>24.8%</b>	<b>20.1%</b>	<b>16.2%</b>	<b>13.1%</b>	<b>10.8%</b>	<b>8.1%</b>	<b>5.6%</b>	<b>3.7%</b>	<b>0.0%</b>
Invesco Global Growth Class R6	8.8%	8.8%	8.0%	6.2%	4.8%	3.8%	3.1%	2.1%	1.4%	1.0%	0.0%
Invesco FTSE RAFI Developed Markets ex-U.S. ETF	7.0%	7.0%	7.0%	5.7%	4.9%	4.2%	3.6%	2.9%	2.3%	1.6%	0.0%
Invesco S&P International Developed Low Volatility ETF	3.9%	3.9%	3.4%	3.0%	2.4%	2.0%	1.8%	1.3%	1.0%	1.0%	0.0%
Invesco Global Real Estate Income Fund Class R6	2.4%	2.4%	2.2%	1.9%	1.6%	1.4%	1.2%	1.0%	0.6%	0.1%	0.0%
Invesco FTSE RAFI Emerging Markets ETF	2.5%	2.5%	1.9%	1.5%	1.2%	0.9%	0.5%	0.5%	0.4%	0.0%	0.0%
Invesco S&P Emerging Markets Low Volatility ETF	2.6%	2.6%	2.3%	1.7%	1.3%	0.9%	0.5%	0.2%	0.0%	0.0%	0.0%
<b>Fixed Income</b>	<b>25.0%</b>	<b>25.0%</b>	<b>29.5%</b>	<b>38.8%</b>	<b>45.3%</b>	<b>49.3%</b>	<b>49.9%</b>	<b>52.9%</b>	<b>56.5%</b>	<b>60.5%</b>	<b>40.0%</b>
Invesco Core Plus Bond Class R6	17.5%	17.5%	18.8%	22.1%	22.2%	21.5%	20.2%	19.7%	19.4%	19.0%	12.5%
Invesco Short Term Bond Class R6	3.5%	3.5%	4.4%	6.7%	8.8%	10.3%	10.9%	12.2%	13.5%	14.8%	9.9%
Invesco Floating Rate Class R6	2.0%	2.0%	3.6%	5.3%	7.3%	8.6%	9.0%	10.2%	11.5%	12.8%	8.5%
Invesco Short Duration Inflation Protected Fund Class R6	2.0%	2.0%	2.8%	4.8%	7.0%	8.9%	9.9%	10.9%	12.1%	13.8%	9.2%
<b>Capital Preservation</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.8%</b>	<b>6.6%</b>	<b>11.4%</b>	<b>16.1%</b>	<b>20.5%</b>	<b>24.5%</b>	<b>60.0%</b>
Invesco Stable Value Fund	0.0%	0.0%	0.0%	0.0%	1.9%	4.5%	7.6%	10.8%	13.7%	16.4%	40.0%
Invesco Short Term Gov & Agency	0.0%	0.0%	0.0%	0.0%	0.9%	2.1%	3.8%	5.3%	6.8%	8.1%	20.0%
	0.43%	0.43%	0.43%	0.43%	0.42%	0.42%	0.40%	0.40%	0.40%	0.41%	0.38%

- CollegeBound Saver's Age-Based Portfolios are diversified across Invesco's proprietary products, utilizing active and passive strategies.
- The portfolio construction of the CollegeBound 529's Age-Based Portfolios is being further examined, with Invesco, during the fourth quarter.

Source: Invesco, as of July 1, 2020.

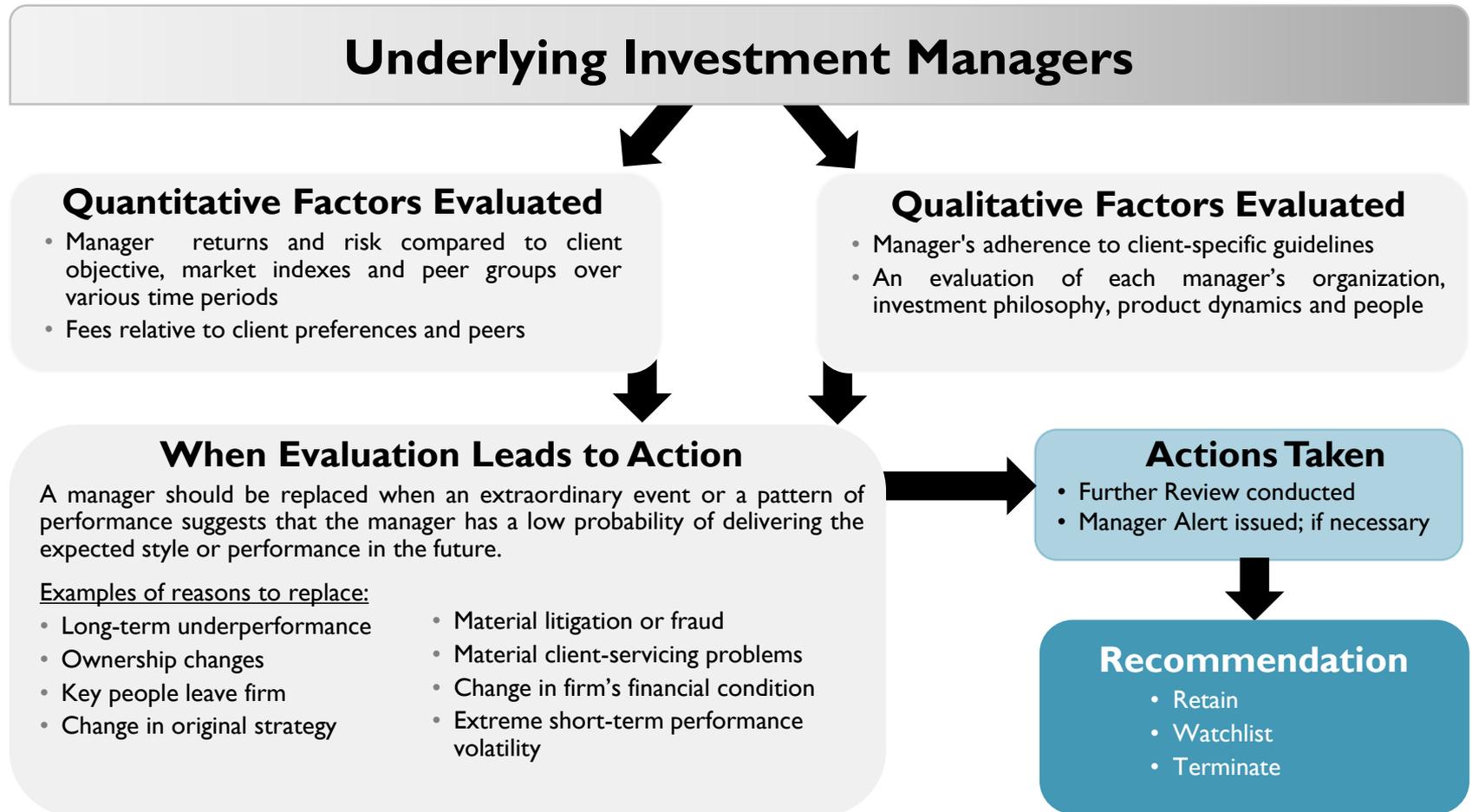
# Manager Due Diligence/Ongoing Monitoring

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# Investment Manager Reviews

Comprehensive Ongoing Monitoring per IPS Guidelines



# Manager Due Diligence

## Stoplight Grid Summary

### College Bound Saver (Direct)

Criteria	CollegeBound Age-Based Portfolios	Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio
Qualitative Review	●	●	●	●
Long Term Performance (5-Yr)	--	●	●	●
Short Term Performance (3-Yr)	●	●	●	●

Legend	
●	Everything is good to excellent in this area
●	Caution is warranted but action is not required at this time
WL	Watchlist Status
●	Action is required or is being taken
	White background indicates a Change in Status

Criteria	U.S. Stock Portfolio	Equally-Weighted S&P 500 Portfolio	U.S. Small-Mid Cap Portfolio	Global Responsible Equity Portfolio	International Stock Portfolio	Bond Portfolio	Inflation-Protected Bond Portfolio	Stable Value Portfolio
Qualitative Review	●	WL	●	●	●	●	●	●
Long Term Performance (5-Yr)	●	●	●	--	●	●	--	--
Short Term Performance (3-Yr)	●	●	●	●	●	●	●	●

### College Bound 529 (Advisor)

Criteria	Invesco CollegeBound Age-Based Portfolios	Invesco Growth College Portfolio	Invesco Moderate College Portfolio	Invesco Conservative College Portfolio
Qualitative Review	●	●	●	●
Long Term Performance (5-Yr)	--	--	--	--
Short Term Performance (3-Yr)	●	●	●	●

Criteria	Invesco Equally-Weighted S&P 500 Portfolio	Invesco Diversified Dividend Portfolio	Invesco FTSE RAFI US 1500 Small-Mid Portfolio	Invesco Small Cap Growth Portfolio	Invesco MSCI World SRI Index Portfolio	Invesco FTSE RAFI Dev Mkts ex-U.S. Portfolio	Invesco International Growth Portfolio	Invesco Equity and Income Portfolio	Invesco Core Plus Bond Portfolio	Invesco Short Duration Inflation Protected Portfolio	Invesco Stable Value Portfolio
Qualitative Review	WL	●	●	●	●	●	●	●	●	●	●
Long Term Performance (5-Yr)	●	●	●	●	--	●	●	●	●	●	--
Short Term Performance (3-Yr)	●	WL	●	●	●	●	WL	●	●	●	●

Notes: Information is as of June 30, 2020. Portfolios with a July, 2016 inception are denoted with a "--" for long-term performance given the limited track record. Invesco Global Growth is an underlying component of CollegeBound 529's Age-Based and Target Risk Portfolios (not offered as an Individual Portfolio).

# New Watchlist: Invesco Eq-Wtd S&P 500

## Situation Overview

- The CollegeBound Program offers the Invesco Equally-Weighted S&P 500 Fund, as an Individual Portfolio and as an underlying Fund, within the Target Risk Portfolios (CollegeBound 529) and Age-Based Portfolios.
  - The Fund seeks to replicate the S&P 500 Equal Weight Index.
  - The S&P Dow Jones Indices communicated a decision to delay rebalancing dates for its indices, including the S&P 500 Equal Weight Index, in March 2020 due to equity market volatility.
  - Invesco missed the new April 24<sup>th</sup> S&P 500 Equal Weight Index rebalance and subsequently completed it, for the Invesco Equally-Weighted S&P 500 Fund, on April 29<sup>th</sup>.
    - This caused the Fund to lag the Index by up to 1.8%.
    - The Fund booked an accrual, to account for the performance dispersion, on May 6<sup>th</sup>.
    - Invesco has replaced the portfolio management team, who was responsible for the error.
  - Account Owners who were adversely affected by the delayed rebalancing have been made whole by either receiving checks in the mail (for those who redeemed shares during the rebalancing period) or by receiving additional units in the exchanged Portfolio (for those who exchanged shares during the rebalancing period).
- The Invesco Equally-Weighted S&P 500 Fund will be closely monitored on Watchlist status, due to qualitative and quantitative concerns.
  - The Fund will also be further addressed as part of the portfolio construction analysis being done, in the fourth quarter, with Invesco.

Source: Invesco

# Existing Watchlist Funds (CollegeBound 529)

## Background

- The Invesco Diversified Dividend, Global and International Growth Funds were placed on Watchlist status, in June 2018, due to short-term underperformance (last three-year time period).
  - The Invesco Diversified Dividend (0%-13.5% weighting) and Global Growth (0%-9.0% weighting) Funds are underlying components of the Age-Based and Target Risk Portfolios.
    - Exposure to the Funds was reduced by ~50%, in April 2019, as part of a broader glide path construction analysis (as previously approved by the SIC in December 2018).
  - The Invesco Diversified Dividend Fund is also offered as an Individual Portfolio, along with the Invesco International Growth Fund.
- As part of the Watchlist process, more frequent updates have been provided by the portfolio management teams to the State of Rhode Island and Capital Cities.
  - Capital Cities also produces in-depth quarterly performance reports on the Funds.
- Performance has been mixed for the strategies since being placed on Watchlist. While Diversified Dividend has outpaced its stated benchmark, Global and International Growth have not kept pace (see Appendix for further details).

- The Invesco Diversified Dividend, Global and International Growth Funds will remain closely monitored on Watchlist status, seeking improved short-term performance (last three-year time period).
- The Watchlist Funds will also be further addressed as part of the portfolio construction analysis being done, in the fourth quarter, with Invesco.

# CBS Age-Based Portfolios' Benchmarks (Direct)

## Enhancing the Benchmark Construction

CollegeBound Saver Age-Based Portfolios		
Underlying Funds:	Current Benchmarks:	Proposed Benchmarks:
iShares Core S&P Total U.S. Stock Market ETF (ITOT)	Russell 1000 Index	S&P Total Market
Invesco Equally-Weighted S&P 500 Fund - R6 (VADFX)		S&P 500 Eq Wt
Vanguard Total International Stock Index Fund Instl Class (VTSNX)	MSCI EAFE Index	FTSE Global All Cap ex-U.S.
Invesco FTSE RAFI Developed Markets ex-U.S. ETF (PXF)		FTSE RAFI Developed Markets ex-U.S.
Vanguard Global ex-U.S. Real Estate Index Fund (VGRLX)		S&P Global ex-U.S. Property
Vanguard Total Bond Market II Index Institutional Class (VTBNX)	Bloomberg Barclays Aggregate Bond	Bloomberg Barclays Aggregate Bond
Vanguard Short-Term Investment Grade (VFSIX)		Bloomberg Barclays U.S. 1-5 Year Credit
Vanguard Short-Term Inflation-Protected Secs Index Instl Fund (VTSPX)		Bloomberg Barclays U.S. 0-5 Year TIPS
Invesco Treasury Collateral ETF (CLTL)		Bloomberg Barclays 3-Month Treasury Index

- The current CollegeBound Saver Age-Based Portfolios' custom benchmark construction is based on broad market indices, which has caused meaningful tracking error given the Portfolios' passive underlying construction.
- **Recommendation: Enhance the current CollegeBound Saver Age-Based Portfolios' custom benchmark construction to reflect each underlying fund's respective benchmark and weighting.**
- Enhancements will be reflected in Capital Cities' quarterly Performance & Evaluation Reports; however, no Program Description Supplement or account owner communication is required.

# Fee Review



# CollegeBound Program Fee Overview

## Competitively Priced Portfolios

	CollegeBound Saver (Direct Plan)	Morningstar Fee Level Distribution	CollegeBound 529 (Advisor Plan)	Morningstar Fee Level Distribution
Age-Based Portfolios	Age-Based Portfolios	Low	Age-Based Portfolios	Below Average: 8 Portfolios Average: 3 Portfolios
Target Risk Portfolios	Target Risk Portfolios	Low	Target Risk Portfolios	Low: 1 Portfolio Below Average: 2 Portfolios
Individual Portfolios	Equally-Weighted S&P 500 Portfolio	Below Average	Invesco Equally-Weighted S&P 500 Portfolio	Low
	U.S. Stock Portfolio	Low	Invesco Diversified Dividend Portfolio	Below Average
	U.S. Small-Mid Cap Portfolio	Low	Invesco FTSE RAFI US 1500 Sm-Mid Portfolio	Below Average
	International Stock Portfolio	Low	Invesco Small Cap Growth Portfolio	Average
	Global Responsible Equity Portfolio	Below Average	Invesco MSCI World SRI Index Portfolio	Low
	Bond Portfolio	Low	Invesco International Growth Portfolio	Above Average
	Inflation-Protected Bond Portfolio	Low	Invesco Equity and Income Portfolio	Below Average
	Stable Value Portfolio	Above Average	Invesco FTSE RAFI Dev Mkts ex-US Portfolio	Below Average
			Invesco Core Plus Bond Portfolio	Average
			Invesco Short Duration Inflation-Protected Portfo	Below Average
			Invesco Stable Value Portfolio	High

- The CollegeBound Program's fees are favorably positioned relative to peers, making it an attractive 529 solution for account owners and advisors.

Source: Morningstar Direct as of July 31, 2020.

Notes: Advisor Plan A Share Class and Direct Plan RI Resident Share Class are used for representative purposes.

Invesco International Growth's Broad Peer Group (Non-US Stock Advisor-Sold) and the Invesco Stable Value Portfolio's diversified construction and transparent fee structure are impacting relative fee rankings.

# CollegeBound Saver (Direct)

## Rhode Island Residents' Fee Overview

RHODE ISLAND RESIDENT ACCOUNTS:					
Age-Based Portfolios	Program Management Fee	Estimated Underlying Fund Fee	Total Annual Asset-Based Fee	Rhode Island Straight Average Fee	Rhode Island Asset-Weighted Fee
CollegeBound Portfolios	0.00%	0.06%-0.09%	0.06%-0.09%	0.08%	0.07%
<b>Target Risk Portfolios</b>					
Conservative Growth Portfolio	0.00%	0.12%	0.12%	0.13%	0.13%
Moderate Growth Portfolio	0.00%	0.13%	0.13%		
Growth Portfolio	0.00%	0.14%	0.14%		
<b>Individual Portfolios</b>					
Stable Value Portfolio	0.00%	0.31%	0.31%	0.25%	0.31%
Global Responsible Equity Portfolio	0.00%	0.19%	0.19%		
Bond Portfolio	0.00%	0.035%	0.035%	0.07%	0.06%
Inflation Protected Bond Portfolio	0.00%	0.04%	0.04%		
U.S. Stock Portfolio	0.00%	0.03%	0.03%		
Equally-Weighted S&P 500 Portfolio	0.00%	0.16%	0.16%		
U.S. Small-Mid Cap Portfolio	0.00%	0.05%	0.05%		
International Stock Portfolio	0.00%	0.08%	0.08%		

- The CollegeBound Saver (Direct) Plan's fees are extremely low for Rhode Island residents, given a primarily passive investment menu is offered and no program management fee is charged.

# CollegeBound Saver (Direct)

## Non-Rhode Island Residents' Fee Overview

RHODE ISLAND NON-RESIDENT ACCOUNTS:					
Age-Based Portfolios	Program Management Fee	Estimated Underlying Fund Fee	Total Annual Asset-Based Fee	Rhode Island Straight Average Fee	Rhode Island Asset-Weighted Fee
CollegeBound Portfolios	0.25%	0.06%-0.09%	0.31%-0.34%	0.33%	0.32%
<b>Target Risk Portfolios</b>					
Conservative Growth Portfolio	0.25%	0.12%	0.37%	0.38%	0.38%
Moderate Growth Portfolio	0.25%	0.13%	0.38%		
Growth Portfolio	0.25%	0.14%	0.39%		
<b>Individual Portfolios</b>					
Stable Value Portfolio	0.25%	0.31%	0.56%	0.50%	0.56%
Global Responsible Equity Portfolio	0.25%	0.19%	0.44%		
Bond Portfolio	0.25%	0.035%	0.285%	0.32%	0.31%
Inflation Protected Bond Portfolio	0.25%	0.04%	0.29%		
U.S. Stock Portfolio	0.25%	0.03%	0.28%		
Equally-Weighted S&P 500 Portfolio	0.25%	0.16%	0.41%		
U.S. Small-Mid Cap Portfolio	0.25%	0.05%	0.30%		
International Stock Portfolio	0.25%	0.08%	0.33%		

- Rhode Island and Capital Cities are further evaluating the 0.25% Program Management fee that is charged to non-Rhode Island residents, in the CollegeBound Saver Plan.

# CollegeBound 529 (Advisor)

## Rhode Island Residents' Fee Overview

CLASS RA UNITS - RHODE ISLAND RESIDENT ACCOUNTS:							
	Program Management Fee	Estimated Underlying Fund Fee	Distribution and Service Fee	Administrative Fee	Total Annual Asset-Based Fee	Rhode Island Straight Average Total Asset-Based Fee	Rhode Island Asset-Weighted Fee
<b>Age-Based Portfolios</b>							
Invesco CollegeBound Portfolios	0.00%	0.19%	0.25%	0.00%	0.44%	0.44%	0.44%
<b>Target Risk Portfolios</b>							
Invesco Conservative Growth Portfolio	0.00%	0.41%	0.25%	0.00%	0.66%	0.67%	0.67%
Invesco Moderate Growth Portfolio	0.00%	0.42%	0.25%	0.00%	0.67%		
Invesco Growth Portfolio	0.00%	0.42%	0.25%	0.00%	0.67%		
<b>Individual Portfolios</b>							
Invesco Stable Value Portfolio	0.00%	0.31%	0.25%	0.00%	0.56%	0.70%	0.61%
Invesco Short Duration Inflation Protected Portfolio	0.00%	0.26%	0.25%	0.00%	0.51%		
Invesco Core Plus Bond Portfolio	0.00%	0.45%	0.25%	0.00%	0.70%		
Invesco Small Cap Growth Portfolio	0.00%	0.71%	0.25%	0.00%	0.96%		
Invesco International Growth Portfolio	0.00%	0.90%	0.25%	0.00%	1.15%		
Invesco Diversified Dividend Portfolio	0.00%	0.42%	0.25%	0.00%	0.67%		
Invesco Equity and Income Portfolio	0.00%	0.39%	0.25%	0.00%	0.64%		
Invesco MSCI World SRI Index Portfolio	0.00%	0.19%	0.25%	0.00%	0.44%		
<b>Individual Portfolios</b>							
Invesco Equally-Weighted S&P 500 Portfolio	0.00%	0.16%	0.25%	0.00%	0.41%	0.58%	0.55%
Invesco FTSE RAFI US 1500 Small-Mid Portfolio	0.00%	0.39%	0.25%	0.00%	0.64%		
Invesco FTSE RAFI Developed Markets ex-U.S. Portfolio	0.00%	0.45%	0.25%	0.00%	0.70%		

- The CollegeBound 529 (Advisor) Plan offers a low-cost program, to Rhode Island residents, particularly given the Program Management fee is waived, along with a portion of the Age-Based Portfolios' underlying fund fees.

# CollegeBound 529 (Advisor)

## Non-Rhode Island Residents' Fee Overview

CLASS A UNITS - NON-RHODE ISLAND RESIDENT ACCOUNTS:							
	Program Management Fee	Estimated Underlying Fund Fee	Distribution and Service Fee	Administrative Fee	Total Annual Asset-Based Fee	Rhode Island Straight Average Total Asset-Based Fee	Rhode Island Asset-Weighted Fee
<b>Age-Based Portfolios</b>							
Invesco CollegeBound Portfolios	0.15%	0.38%-0.43%	0.25%	0.02%	0.80%-0.85%	0.83%	0.81%
<b>Target Risk Portfolios</b>							
Invesco Conservative Growth Portfolio	0.15%	0.41%	0.25%	0.02%	0.83%	0.84%	0.84%
Invesco Moderate Growth Portfolio	0.15%	0.42%	0.25%	0.02%	0.84%		
Invesco Growth Portfolio	0.15%	0.42%	0.25%	0.02%	0.84%		
<b>Individual Portfolios</b>							
Invesco Stable Value Portfolio	0.15%	0.41%	0.25%	0.02%	0.83%	0.89%	0.84%
Invesco Short Duration Inflation Protected Portfolio	0.15%	0.26%	0.25%	0.02%	0.68%		
Invesco Core Plus Bond Portfolio	0.15%	0.45%	0.25%	0.02%	0.87%		
Invesco Small Cap Growth Portfolio	0.15%	0.71%	0.25%	0.02%	1.13%		
Invesco International Growth Portfolio	0.15%	0.90%	0.25%	0.02%	1.32%		
Invesco Diversified Dividend Portfolio	0.15%	0.42%	0.25%	0.02%	0.84%		
Invesco Equity and Income Portfolio	0.15%	0.39%	0.25%	0.02%	0.81%		
Invesco MSCI World SRI Index Portfolio	0.15%	0.19%	0.25%	0.02%	0.61%		
Invesco Equally-Weighted S&P 500 Portfolio	0.15%	0.16%	0.25%	0.02%	0.58%	0.75%	0.72%
Invesco FTSE RAFI US 1500 Small-Mid Portfolio	0.15%	0.39%	0.25%	0.02%	0.81%		
Invesco FTSE RAFI Developed Markets ex-U.S. Portfolio	0.15%	0.45%	0.25%	0.02%	0.87%		

- The CollegeBound 529 Plan's fees, for Non-Rhode Island Residents, are low, particularly given the product offerings (e.g., lowest expensive mutual fund share class and exchange-traded fund offerings).

# CollegeBound 529 (Advisor)

## Other Fees & Minimum Contributions

- CollegeBound 529 charges an annual account fee of \$20; however, Account Owners have many opportunities to have this fee waived (e.g., account > \$25k, recurring contribution, payroll direct deposit).
- The Plan also implements a C share conversion to A shares at NAV after five years, which mitigates risk of Account Owners paying excessive fees.
- The competitiveness and appropriateness of the maximum initial sales charge continues to be assessed, with Invesco, in light of the changing Advisor-sold 529 share class environment.



# Investment Policy Statement Review

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# Investment Policy Statement

## IPS Review

An Investment Policy Statement fulfills the most important function a Fiduciary performs.



**To set investment policy and implementation guidelines.**

### Sections of a Well-Written IPS

1. Purpose
2. Program Summary
3. Statement of Objectives
4. Responsibilities
5. Guidelines and Investment Policy
6. Securities Guidelines
7. Selection of Investment Managers
8. Control Procedures
9. Monitoring of Investment Managers
10. Signatures
11. Appendix with Key Detail

### Additional Benefits of an IPS

- Supports the “Paper Trail” and Provides the Best Defense in Litigation
- Provides Continuity During Personnel Turnover
- Keeps Investment Process Intact During Periods of Market Upheaval
- Reassures Account Owners and Advisors of Investment Stewardship

- The Investment Policy Statement has been amended in light of the SECURE Act (see separate attachment).
- **Recommendation: Adopt the Amended Investment Policy Statement.**

# Next Steps



# Appendix

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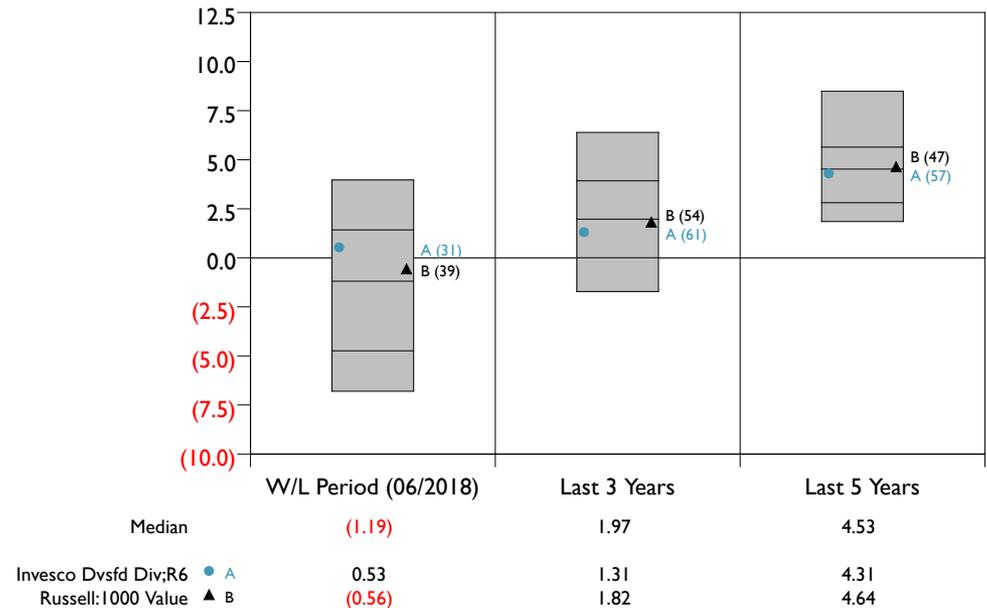
# Invesco Diversified Dividend

## Watchlist Update

- The Invesco Diversified Dividend Fund is an active strategy that seeks to deliver value through dividend investing by employing a total return approach—emphasizing appreciation, income and preservation over a full market cycle.
- The Fund’s process has resulted in an underweight to the Information Technology sector and other higher growth areas of the markets.
- As volatility has returned to the market, the Fund has outpaced its stated benchmark (Russell 1000 Value) and ranked favorably versus peers.
- Kristina Bradshaw has stepped down as a comanager of the strategy and retired August 31, 2020. Caroline Le Feuvre, who has been with the team since 2014, was named as comanager on June 29, 2020.
  - Lead manager Meggan Walsh, and comanagers Robert Botard and Chris McCeans, remain with the strategy.

**Morningstar Medalist: Silver**

Returns for Periods Ended June 30, 2020  
Group: Callan Large Cap Value Mutual Funds



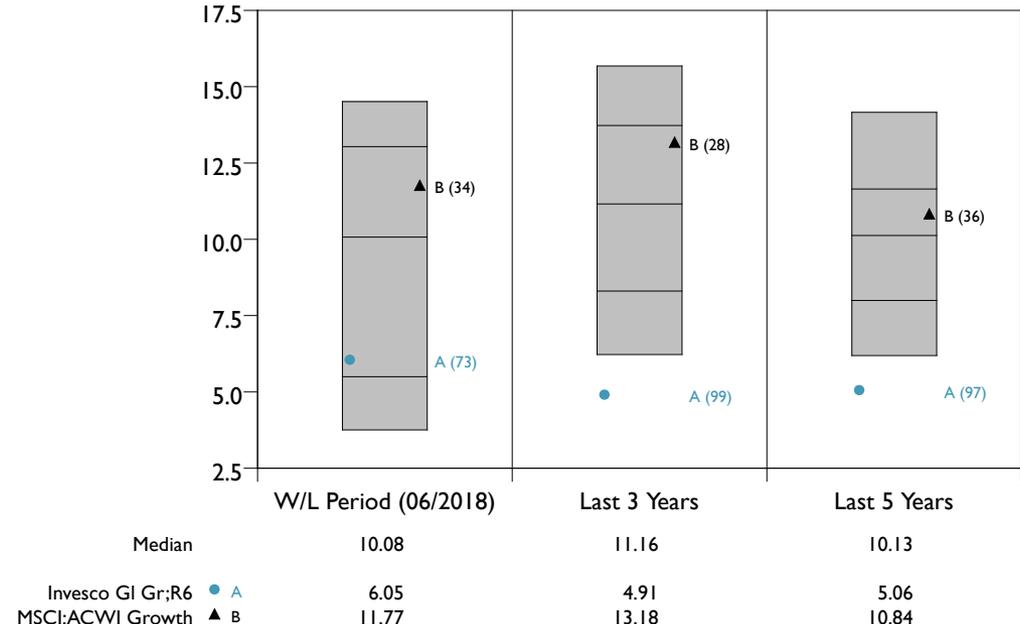
# Invesco Global Growth

## Watchlist Update

- The Invesco Global Growth Fund utilizes a long-term investment strategy that seeks exposure to high-quality growth opportunities, primarily in the global large-cap equity universe, across both developed and emerging markets.
- The Fund utilizes a proprietary earnings, quality and valuation methodology when evaluating companies. Valuation sensitivity has weighed on relative returns, over the Watchlist period; particularly adverse security selection within Information Technology and Consumer Discretionary.
- Since being placed on Watchlist status, the Fund has underperformed its MSCI ACWI Growth benchmark and peers.

**Morningstar Rating: Neutral**

Returns for Periods Ended June 30, 2020  
Group: Callan Global Large Cap Growth Mut Funds



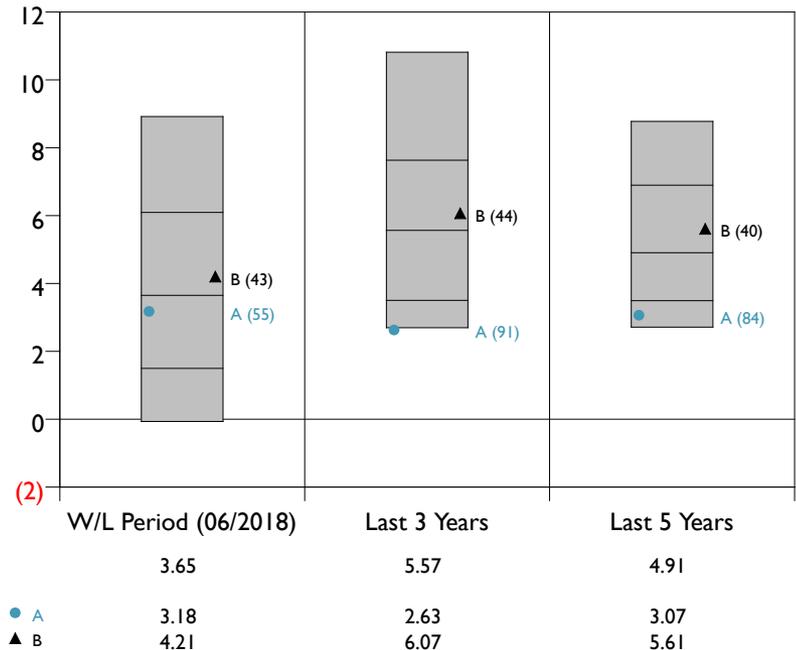
# Invesco International Growth

## Watchlist Update

- The Invesco International Growth Fund utilizes a long-term investment strategy that seeks exposure to high-quality growth opportunities, in the international large- and mid-cap equity universe, across both developed and emerging markets.
- The Fund utilizes a proprietary earnings, quality and valuation methodology when evaluating companies. These factors have been out of favor over this market cycle. In particular, the valuation factor has resulted in adverse security selection within Information Technology, Communication Services, and Consumer Discretionary, which have weighed on recent relative returns.
- Since being placed on Watchlist status, the Fund has underperformed its MSCI ACWI ex US Growth benchmark and peers.

**Morningstar Medalist: Silver**

Returns for Periods Ended June 30, 2020  
Group: Callan Intl Large Cap Growth MFs



# CollegeBound Saver Target Risk Portfolios

## Construction

	<b>Growth</b> Vanguard LifeStrategy Growth Fund	<b>Moderate</b> Vanguard LifeStrategy Moderate Growth Fund	<b>Conservative</b> Vanguard LifeStrategy Conservative Growth Fund
<b>Equities</b>	<b>80%</b>	<b>60%</b>	<b>40%</b>
Vanguard Total Stock Market Index	48%	36%	24%
Vanguard International Stock Index	32%	24%	16%
<b>Fixed Income</b>	<b>20%</b>	<b>40%</b>	<b>60%</b>
Vanguard Total Bond Market II Index	14%	28%	42%
Vanguard Total International Bond Index	6%	12%	18%

# CollegeBound 529 Target Risk Portfolios

## Construction

	Growth College Portfolio	Moderate College Portfolio	Conservative College Portfolio
<b>Equities</b>	<b>85.0%</b>	<b>60.0%</b>	<b>34.0%</b>
Invesco Diversified Dividend Class R6	15.0%	9.5%	4.0%
Invesco Equally Weighted S&P 500 Fund Class R6	11.5%	9.1%	9.0%
Invesco S&P 500® Pure Growth ETF	18.0%	13.5%	8.0%
Invesco S&P 500 Low Volatility ETF	0.0%	1.5%	2.0%
Invesco S&P MidCap Low Volatility ETF	3.0%	2.5%	1.0%
Invesco FTSE RAFI US 1500 Small-Mid ETF	7.0%	4.5%	0.0%
Invesco Global Growth Class R6	9.5%	6.0%	2.5%
Invesco FTSE RAFI Developed Markets ex-U.S. ETF	8.0%	5.5%	3.0%
Invesco S&P International Developed Low Volatility ETF	4.0%	3.0%	1.5%
Invesco Global Real Estate Income Fund Class R6	3.0%	1.9%	3.0%
Invesco FTSE RAFI Emerging Markets ETF	3.0%	1.5%	0.0%
Invesco S&P Emerging Markets Low Volatility ETF	3.0%	1.5%	0.0%
<b>Fixed Income</b>	<b>15.0%</b>	<b>40.0%</b>	<b>51.5%</b>
Invesco Core Plus Bond Class R6	8.0%	22.5%	20.0%
Invesco Short Term Bond Class R6	2.0%	7.0%	11.5%
Invesco Floating Rate Class R6	1.0%	5.5%	9.5%
Invesco Short Duration Inflation Protected Fund Class R6	4.0%	5.0%	10.5%
<b>Capital Preservation</b>	<b>0.0%</b>	<b>0.0%</b>	<b>14.5%</b>
Invesco Stable Value Portfolio	0.0%	0.0%	9.5%
Government & Agency Portfolio	0.0%	0.0%	5.0%