



Memorandum

To: Rhode Island State Investment Commission

From: Capital Cities, L.L.C.

Date: December 6, 2023

Re: Annual CollegeBound Program Review

Capital Cities prepared an independent review of the CollegeBound Saver (Direct) and CollegeBound 529 (Advisor) Plans. As part of the analysis, the Plans' fees were documented and benchmarked. In addition, an investment structure review was conducted, evaluating the 529 Plans' menus and investment options. As result of ongoing investment menu discussions between Invesco, the Rhode Island Office of the General Treasurer, and Capital Cities, Invesco proposed CollegeBound 529 enhancements that will allow the Age-Based and Target Risk Portfolios to adjust more quickly to changing market conditions, while generally maintaining existing fee levels. Additionally, Invesco proposed changes to the CollegeBound 529 Individual Portfolio menu, including two new Individual Portfolios and one replacement. Capital Cities is in favor of the following recommendations being made within Invesco's CollegeBound 529 Plan Investment Enhancement Proposal presentation that require the State Investment Commission's vote during the December 6, 2023 meeting:

- **Optimize the Age-Based and Target Risk Portfolios within the Program while maintaining existing fee levels by the following actions:**
 - Remove the Invesco S&P 500 Pure Value ETF (RPV), the Invesco S&P 500 Pure Growth ETF (RPG), and the Invesco S&P 500 Low Volatility ETF (SPLV) and reallocate USA static factor allocations into the Invesco Russell 1000 Dynamic Multifactor ETF (OMFL)
 - Remove the Invesco S&P International Developed Low Volatility ETF (IDLV) and reallocate non-USA developed market static factor allocations into the Invesco International Developed Dynamic Multifactor ETF (IMFL)
 - Remove the Invesco Taxable Municipal Bond ETF (BAB) and reallocate into the Invesco Equal Weight 0-30 Year Treasury ETF (GOVI)
 - Remove the Invesco Fundamental High Yield Corporate Bond ETF (PHB) and reallocate into the Invesco High Yield Fund (HYIFX)

- **Enhance the Individual Portfolio lineup by the following actions:**
 - Addition of two dynamic multi-factor ETFs: the Invesco Russell 1000 Dynamic Multifactor ETF (OMFL) and the Invesco International Developed Dynamic Multifactor ETF (IMFL)
 - Remove the Invesco Fundamental High Yield Corporate Bond Portfolio and move existing assets to a newly created Invesco High Yield Portfolio. This will affect approximately 134 account owners with assets of approximately \$525,000 which represents .02% of all assets within the Plan (data as of 10/31/23)

- **Reweight the Program's Strategic Asset Allocation once per annum to more closely align with Invesco's current Capital Market Assumptions and resultant Strategic Asset Allocation, subject to the constraint that aggregate expense ratios remain within +/- 3 bps of current expense ratios.**