



Memorandum

To: Rhode Island State Investment Commission

From: Capital Cities, L.L.C.

Date: February 14, 2023

Re: CollegeBound 529 Investment Changes

In late January, the Rhode Island Office of the General Treasurer and Capital Cities were notified of upcoming changes at Invesco that impact the CollegeBound 529 Plan (Advisor Plan). These changes affect the Plan's Age-Based and Target Risk Portfolios' construction. In particular, Invesco announced the future closure of the Invesco PureBeta FTSE Developed ex-North America ETF (PBDM), which will be liquidated and terminated on or about March 30, 2023. The Invesco PureBeta FTSE Developed ex-North America ETF currently represents 1.4% to 5% of the Age-Based and Target Risk Portfolios' assets.

In addition, it was announced that the Invesco International Select Equity Fund would be managed such that it would substantially replicate the Invesco Oppenheimer International Growth Fund prior to the end of March 2023. The allocation to Invesco International Select Equity ranges from 0.5% to 5% within the Age-Based and Target Risk Portfolios. The Invesco Oppenheimer International Growth Fund also currently serves as an underlying component of the Age-Based and Target Risk Portfolios.

These announcements required the Rhode Island Office of the General Treasurer, Capital Cities, Ascensus and Invesco to reevaluate the Age-Based and Target Risk Portfolios' construction. The Portfolios were reoptimized for a fee-neutral solution that also preserves the desired investment exposures utilizing the Plan's existing strategies. Capital Cities is in favor of the following recommendations being made within Invesco's CollegeBound 529 Program Investment Changes Proposal presentation that require the State Investment Commission's vote during the February 22, 2023 meeting:

- **Remove Invesco PureBeta FTSE Developed ex-North America ETF (PBDM) and Invesco International Select Equity Fund (IZISX) from the Age-Based and Target Risk Portfolios' construction.**

- **Adjust remaining holdings in Invesco S&P 500 Low Volatility ETF (SPLV), Invesco S&P 500 Pure Growth ETF (RPG), Invesco Oppenheimer International Growth Fund (OIGIX) and Invesco S&P International Developed Low Volatility ETF (IDLV), while maintaining existing fee levels and targeting existing underlying portfolio characteristics exposures such as Low Volatility, Value, Momentum and Quality.**

