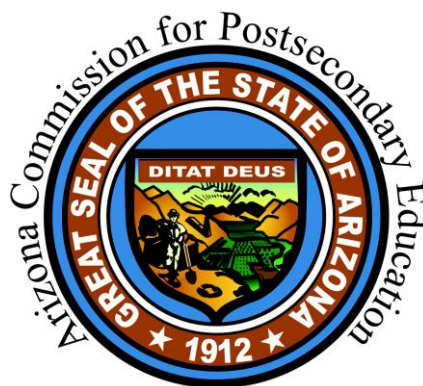


# ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION



## Arizona Family College Savings Program

### ***2017 ANNUAL REPORT***

January 1, 2017 through December 31, 2017

Submitted by Deena Lager, Director of AFCSP  
March 2, 2018

# Arizona Family College Savings Program (AFCSP)

## *2017 Annual Report*

### TABLE OF CONTENTS

ITEM	PAGE
<b>Introduction</b> .....	3
<b>I. Overview of the Arizona Family College Savings Program</b> .....	4
<b>II. AFCSP 2017 Operational Report</b> .....	9
A. Overall AFCSP Results.....	9
B. AFCSP Highlights for 2017.....	12
<b>III. Program Provider Overview and Analysis</b> .....	19
A. College Savings Bank.....	19
B. Fidelity Investments.....	22
C. Waddell & Reed.....	31
<b>Conclusion</b> .....	45
 <b>Appendices</b>	
A: Fidelity Arizona College Savings Plan Portfolio Asset Allocations.....	48
B: Fidelity Arizona College Savings Plan Portfolio Target Asset Allocations.....	51
C: Waddell & Reed InvestEd 529 Plan Portfolio Asset Allocation.....	52

# Arizona Family College Savings Program (AFCSP)

*Educating and assisting Arizona families to financially prepare for postsecondary education by providing quality college savings choices.*

## **2017 Annual Report**

### **Introduction**

The sixteen Commissioners, fourteen of whom are appointed by the Governor, of the Arizona Commission for Postsecondary Education (ACPE) initiated a strategic planning process to direct the work of the Commission. They began the process by examining the ACPE statutes and ended in identifying a mission to *expand access and increase success in postsecondary education for Arizonans*.

Three goals were named to achieve this mission: (1) maximize student financial assistance available and support efforts to restore and increase student aid, (2) provide support from knowledgeable professionals and accurate and timely information to help students and families take the steps to enroll, finance, and succeed in postsecondary education, and (3) provide a forum where all sectors of postsecondary education dialogue, partner, and problem solve issues of mutual interest.

Goals 1 and 2 reflect the Commission's core responsibility of assisting families achieve a postsecondary education by educating Arizonans about and offering well-managed student financial assistance programs. By statute the Commission is charged with the administration of state and federal student grants and loan programs and administration of the *Arizona Family College Savings Program (AFCSP)*.

The Commissioners also serve as Trustees for the Arizona Family College Savings Program (AFCSP) or 529 plan. At the recommendation of the AFCSP Oversight Committee, the Commissioners identified a mission for the Arizona 529 Plan of *educating and assisting Arizona families to financially prepare for postsecondary education by providing quality college savings choices*. This annual report describes the results of the Arizona Family College Savings Program for 2017 and the ways the Program was enhanced by the AFCSP Oversight Committee, the AFCSP's investment consulting firm, the three contracted program managers, the Commissioners, and the Commission staff.

The report is separated into three sections. First is an overview of the Arizona Family College Savings Program. This is followed by the AFCSP operational report for 2017. The third section presents details about each of the three contracted program managers including corporate profiles, investment options, investment performance and fee structures.

## I. Overview of the Arizona Family College Savings Program

The Arizona Commission for Postsecondary Education administers the Arizona Family College Savings Program (AFCSP). In 1997, the AFCSP was established as Arizona's qualified tuition program under section 529 of the Internal Revenue Code (also referred to as a QTP or Qualified Tuition Program) and began accepting accounts in 1999. In 2004, State legislation established the Family College Savings Program Trust Fund as a public instrumentality of the State of Arizona, of which the Arizona Commission for Postsecondary Education acts as its sole trustee. All AFCSP accounts are held in trust for its participants and beneficiaries. The AFCSP was established as a multiple provider program, ensuring a variety of investment choices to meet the diverse investment needs and risk tolerances of families saving for college.

A state-sponsored 529 plan is a tax-advantaged program intended to help individuals and families pay the cost of higher education. The AFCSP is designed to encourage savings by allowing 529 plan earnings to grow tax-deferred and distributions to be withdrawn tax-free if used for qualified higher education expenses. Qualified expenses include tuition and fees, books, supplies and equipment, room and board, and education related purchases of computer equipment, software or internet access. Beneficiaries may attend any U.S. Department of Education accredited public or private college/university, community college, or proprietary vocational, career, or technical postsecondary education institution in the United States as well as eligible foreign institutions.

Section 529 plans, including the Arizona Family College Savings Program, offer tax benefits to families. In 2006, the Pension Protection Act made permanent the 529 plan provisions allowing federal income tax-free withdrawals from 529 College Savings Plans for qualified higher education expenses. An additional tax benefit was added on January 1, 2008, when a state income tax deduction was provided to Arizona residents for up to \$750 for individual filers or head of household and \$1,500 per married couple for annual contributions made to a 529 plan. This incentive was set to expire on December 30, 2012 when the State Legislature extended the tax incentive into perpetuity. Further legislative action more than doubled this tax incentive, increasing the tax deduction for Arizona tax payers contributing funds to a 529 plan of up to \$4,000 for married joint-tax filers and up to \$2,000 for individual tax filers, effective January 1, 2013. The goal of the tax incentive is to encourage more Arizona families to participate in college savings. While eighty percent of all student financial aid is provided by the federal government and focused on low-income students, the 529 program offers an important vehicle to save for college expenses and reduce student loan debt for middle-income families.

Two groups comprised largely of Governor-appointed members serve to direct the Arizona Family College Savings Program. First, Commissioners of the Arizona Commission for Postsecondary Education also serve as Trustee for the Arizona Family College Savings Program. They are representative of all sectors of postsecondary education and its constituencies. A membership roster follows on the next page.

**Arizona Commission for Postsecondary Education (ACPE) Commissioners**

**Dr. Tacy Ashby \***  
Sr. VP, Strategic Educational  
Alliances  
Grand Canyon University

**Jenifer Brumbach \***  
Director of Education  
East Valley Medical College

**Brian Capistran \***  
Superintendent  
Glendale Union High School  
District

**Susan Ciardullo \***  
Regional Director  
West Coast Ultrasound  
Institute

**Dr. Steven Gonzales \***  
President  
Gateway Community College

**Dr. Jody Johnson \***  
Superintendent  
Pointe Schools

**Eileen Klein (By Position)**  
Board President  
Arizona Board of Regents

**Jill Kohler \***  
President  
Penrose Academy

**Dr. James Rund \***  
Senior VP, Educational  
Outreach & Student Affairs  
Arizona State University

**Dr. Colleen Smith \***  
President  
Coconino Community  
College

**Teri Stanfill (By  
Position)**  
Executive Director  
Arizona Board for Private  
Postsecondary  
Education

**Dr. Kasey Urquidez \***  
VP, Enrollment  
Management, Student  
Affairs Advancement &  
Dean of Undergraduate  
Admissions  
University of Arizona

**Edward Vasko \***  
CEO  
Terra Verde, LLC

**Dr. Michael Wright \***  
Superintendent  
Blue Ridge Unified  
School District

*\* Governor Appointed*

The second group, the AFCSP Oversight Committee, as defined by statute, comprises 10 members with financial, tax, and legal expertise. The main responsibility of the Oversight Committee is to make recommendations to the ACPE, the AFCSP Trustee, regarding selection of providers and to review and advise on the subject of investment, operational and oversight procedures. The Oversight Committee has identified the following goals:

- 1) Provide flexible and affordable college savings options
- 2) Solicit and recommend appropriate financial institutions
- 3) Undertake a rigorous annual review of providers
- 4) Monitor compliance with all regulatory bodies
- 5) Provide timely communication to the State of Arizona
- 6) Initiate strategic partnerships to enhance the Program
- 7) Create a fair and responsive operating environment for financial institutions
- 8) Recruit, educate, and inspire new Oversight Committee members

A roster of the AFCSP Oversight Committee follows this section.

**Arizona Family College Savings Program Oversight Committee Members**

**Roger D. Curley \***  
Chairman  
Curley & Allison LLP

**James Dugan**  
(By Position)  
Retired

**Mark P. Stein \***, CFP  
Galvin, Gaustad and  
Stein, LLC

**Henry DeSpain \***  
MGKS

**Jeffrey Ratje \***  
University of Arizona

**Sally A. Taylor \***, CPA,  
CFP, PFS  
Keats Connelly &  
Associates, LLC

**Jeff DeWit** (By Position)  
Arizona State Treasurer  
State Treasurer’s Office

**Michael Rooney \***  
Sacks Tierney, PA

*\* Governor Appointed*

In 1999, two financial institutions served as depositories and managers of the AFCSP. By 2003, a total of four financial institutions had been approved by the ACPE as AFCSP providers – College Savings Bank, Securities Management and Research (SM&R), Pacific Life and Waddell & Reed. Fidelity Investments joined the Program as the fifth AFCSP provider in June 2005.

The AFCSP Oversight Committee meets bi-monthly to review investment modification and operational procedure requests from providers and staff and also undertakes an extensive annual review of each provider. This rigorous annual review entails both a written report and an in-person presentation and interview process. Each provider is evaluated on its success in meeting contract identified outcomes. In 2006, this review culminated in a recommendation to the ACPE of the non-renewal of the management contracts of SM&R and Pacific Life.

Transition of accounts from the non-renewed providers was completed in the fall of 2007. The SM&R accounts were converted to Waddell & Reed Financial Services on September 28, 2007 and the Pacific Life, accounts were converted to Fidelity Investments on October 31, 2007. As a result, the AFCSP currently offers an array of investment choices through two direct-sold providers and one advisor-sold provider. The AFCSP investment options provide participants choices to meet a wide variety of investment styles and risk tolerances.

The following table outlines the current AFCSP Investment Offerings by Program Manager.

<b>AFCSP Investment Offerings<sup>1</sup></b>	
<b>College Savings Bank, a Division of NexBank SSB (direct-sold, FDIC-insured)</b>	
<ul style="list-style-type: none"> <li>• Fixed Rate CD:</li> <li>• Honors Savings Account:</li> </ul>	<p>fixed rate CD with principle and interest guaranteed</p> <p>high yield tax-advantaged savings account; no fees, no penalties, no fixed term</p>

### Fidelity Investments (direct-sold)

- Three Age-Based Portfolio fund types: Fidelity Funds, Fidelity Index Funds, and Multi-Firm Funds
- Six Static Portfolios: Conservative, Moderate Growth or Aggressive Growth choices in either Fidelity Funds or Fidelity Index Funds
- Five Individual Fund Portfolios: options include a mix of equity, fixed income, and money market
- Bank Deposit Portfolio: an FDIC-insured interest bearing account

### Ivy InvestEd 529 Plan: Waddell & Reed (advisor-sold)

- Six Age-Based Portfolios customized based on college-bound time horizon<sup>2</sup>
- Six Static Portfolio options in which investor selects risk level: fixed income, income, conservative, balanced, growth, or aggressive<sup>2</sup>
- Twenty actively and passively managed Individual Fund Portfolios including domestic and international equity funds, specialty funds and fixed income funds<sup>3</sup>

<sup>1</sup> Details of individual offerings can be found at [www.az529.gov](http://www.az529.gov)

<sup>2</sup> Three additional Portfolio options were added to the Ivy InvestEd 529 Program Static and Age-Based Portfolio options effective September 18, 2017.

<sup>3</sup> Five passively managed portfolio options were added to and one actively managed portfolio was removed from the Individual Fund Portfolio options effective September 18, 2017.

In an effort to proactively strengthen oversight practices, the Commission secured Capital Cities, Inc. as the AFCSP's independent 529 investment consulting firm. Capital Cities was hired in August 2016 and is based in Indianapolis, Indiana. Capital Cities has been providing investment consulting expertise in a co-fiduciary capacity for more than 20 years. They currently consult to three other 529 Plans, including Indiana, the District of Columbia, and Rhode Island – representing over \$10 billion in assets and more than 15 years of 529-specific expertise.

Capital Cities is contracted to provide the Oversight Committee and the Commission with a rigorous assessment of all three program providers' product offerings relative to industry standards and trends each year. Capital Cities presents both bodies a quarterly performance and evaluation for each program provider. The investment consulting firm also conducts an in-depth program provider review evaluation. As part of this process, the firm meets with each program manager regularly throughout the year, reviews the AFCSP program provider contracts, and evaluates each provider's investment menus, portfolio construction and glide paths. In addition, Capital Cities' staff also benchmark and analyze the 529 expenses and fee structures of each provider. Results from this work are presented to both the Oversight Committee and the Commission over the course of each body's late fall and early spring meetings in preparation for the Annual Provider Review process scheduled for March. Capital Cities presents to the oversight committee members and Commissioners a professional assessment of each provider relative to industry trends, peers, and best practices for the categories of investment options and performance, manager due diligence, as well as fees and minimum contributions. All

findings, commentary, and recommendations made by the consultant lay the groundwork for the March annual program provider evaluation and performance report.



## II. AFCSP 2017 Operational Report

### A. Overall AFCSP Results

Important measures of success for the Arizona 529 Plan include (1) the number of families opening accounts for prospective students and (2) the amount of funds families are saving and growing in preparation for college expenses. With the exception of the deep recession of 2008, the Arizona Family College Savings Program overall has realized significant growth in both the number of accounts and the total assets under management since its launch in 1999. This growth is driven by Arizona residents and non-residents who recognize the importance of preparing financially for the increasing cost of tuition as well as by the quality of the plan.

The ACPE recognizes that informed consumers make better financial decisions. As such, in 2012 the agency began an on-going campaign to increase public awareness regarding the importance of saving for college. The AFCSP public awareness campaign consists of informational public events, enhanced social media and an enriched web presence promoting the Arizona 529 Plan and the associated tax benefits. The goal is to inform Arizonans that 529 college savings plans are the single most accessible option for families to save for college. Increased levels of public awareness are evident in the August 2017 survey results as reported from Fidelity Investments which show a record 69% of Arizona parents have started saving for college, up five percentage points from 2016. In addition, Fidelity reported that 44% of Arizona families are investing in a dedicated 529 college savings plan, an increase of 11 percentage points from the 2016 survey results.

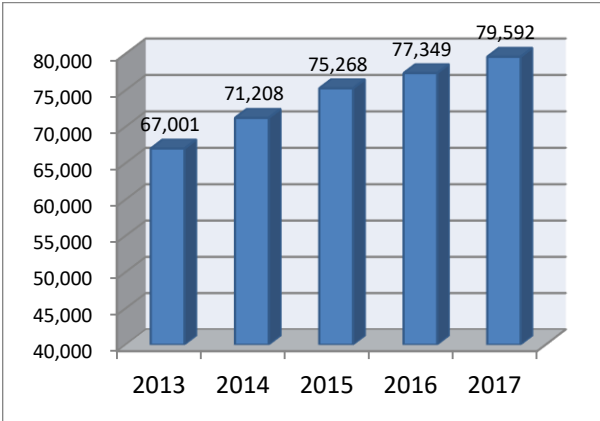
On the following page, Figures 1, 2, and 3 illustrate the growth over time in the number of accounts in the AFCSP. As seen in Figure 1, there were a total of 79,592 AFCSP funded accounts as of December 31, 2017. This represents a 3% increase in the number of funded accounts<sup>4</sup> since December 31, 2016. The chart in Figure 2 breaks down the Program's total funded accounts by provider for the year ending 2017. It illustrates that Waddell & Reed's Ivy InvestEd 529 Plan holds the majority of plan accounts at 50%, followed by Fidelity Investments at 45.7%, and College Savings Bank with 4.3% of funded accounts.

Figure 3 illustrates the change in the number of funded accounts by provider for the last five years. As illustrated, during 2017 Fidelity Investments experienced a healthy increase in funded accounts over the prior year while College Savings Bank and Waddell & Reed experienced a small decline. When considering growth patterns, it is important to remember the ultimate goal of a college savings account is to eventually exhaust all account funds in payment of college expenses. An in depth analysis of each provider's performance will be discussed in a later section.

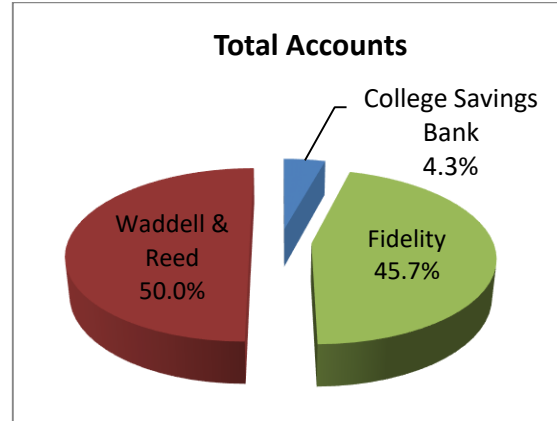
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<sup>4</sup> In early 2017 it was discovered that one provider, Fidelity Investments, had been incorrectly reporting the number of funded accounts to include accounts with a zero balance. The correct number of funded account figures for December 31, 2016 was 77,349 not the 83,346 listed in the 2016 AFCSP Annual Report.

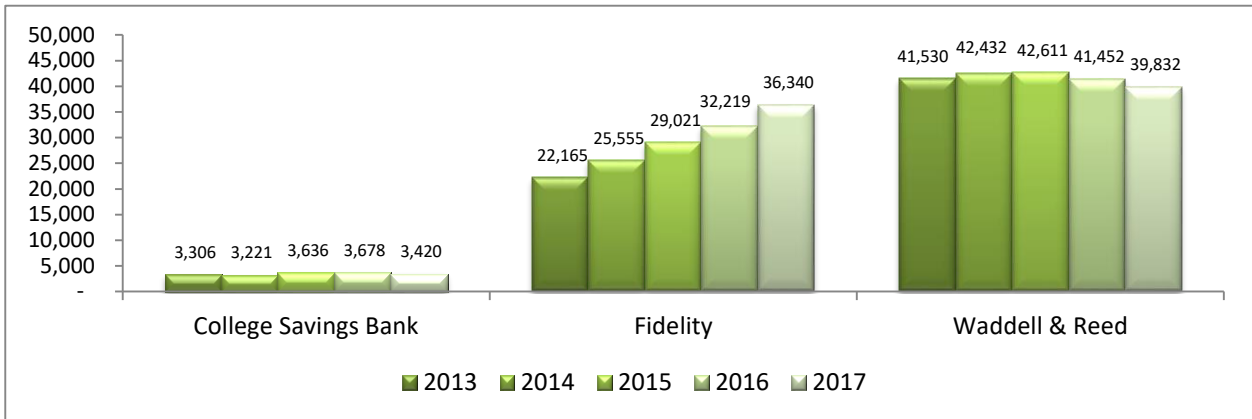
**(Figure 1) AFCSP Total Funded Accounts**



**(Figure 2) Share of Funded Accounts by Provider**



**(Figure 3) Number of Funded Accounts By Provider at Year End**



The discussion of AFCSP assets under management, as depicted in Figure 4, must be prefaced with a reminder of the difficult market conditions of 2008 and economic challenges to market stability continuing into 2012. The severe recession in 2008 contributed to market corrections on a global scale. As part of that correction, the AFCSP assets under management (AUM) decreased for the first time in the Program’s history in 2008, from \$454 million on December 31, 2007 to \$386 million on December 31, 2008, reflecting a \$68 million or 15% decline. Market gains and losses continued through 2012, followed by strong economic performance in 2013 and 2014, which contributed to significant growth in the Arizona 529 Plan assets. Despite the volatile market fluctuations of 2015 and 2016, the Arizona 529 Plan AUM has continued to experience steady growth from both account holder contributions and unprecedented positive market performance throughout 2017.

The following chart shows the plan asset levels since inception. As can be seen in Figure 4, the Program AUM again shows continued growth in 2017 nearing \$1.3 billion in assets under management on December 31, 2017. This represents a positive increase of 17.6%

over 2016. What cannot be deduced from this chart is how much is gain on investments as compared to new accounts and contributions.

**(Figure 4) AFCSP Assets Under Management Since Inception**

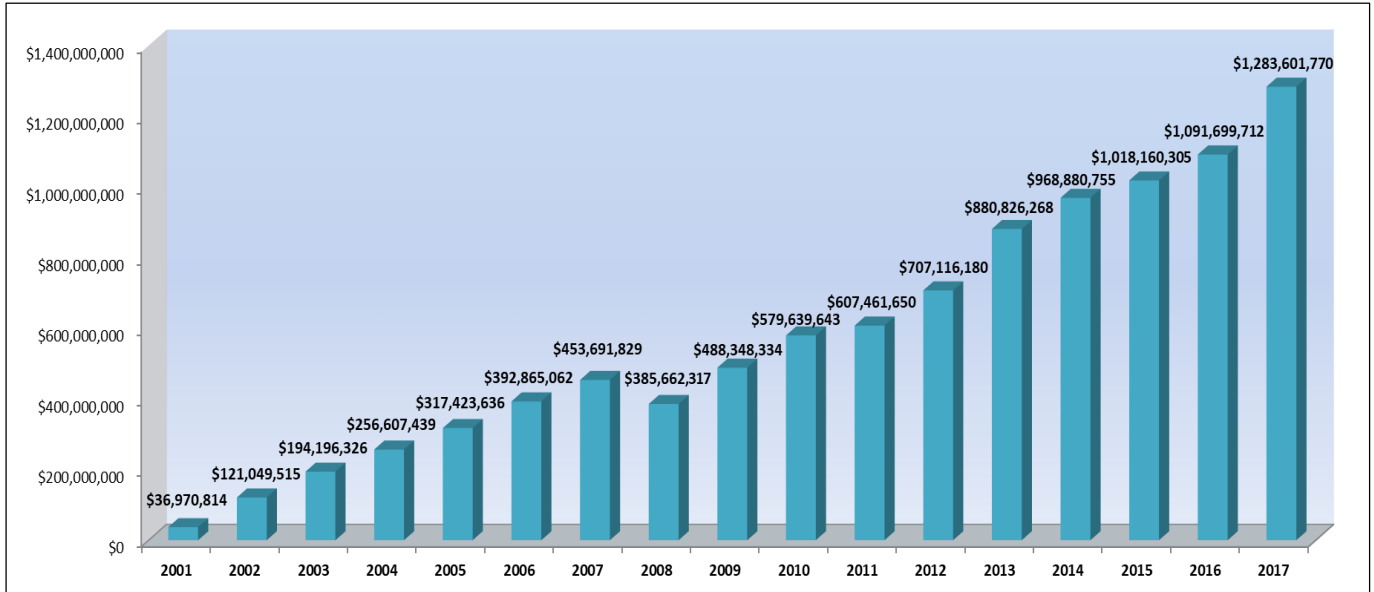
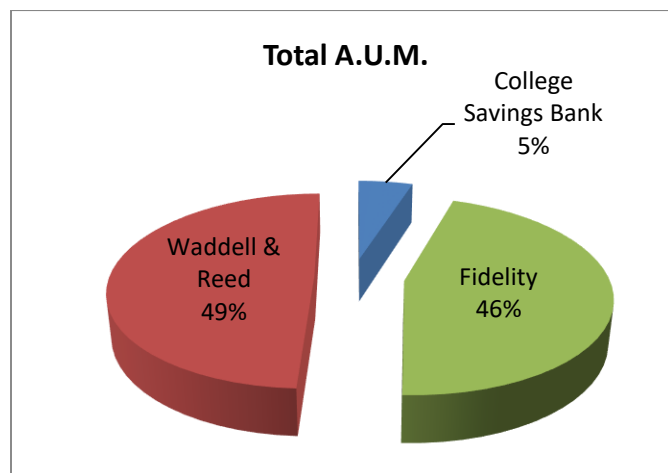


Figure 5 is a representation of the assets held by each of the providers. As illustrated, Waddell & Reed’s Ivy InvestEd 529 Plan holds the majority share of AUM at 49%, followed by Fidelity Investments at 46%, and College Savings Bank at 5% of AUM in the Arizona Family College Savings Program.

**(Figure 5) AFCSP Assets Under Management by Provider (as of 12/31/17)**



## B. AFCSP Highlights for 2017

### Commission and Oversight Committee

Throughout 2017, the ACPE improved the AFCSP in several ways. First, stability and continuity with Waddell & Reed will continue as a new four-year contract with the option for a three-year extension was recommended by the Oversight Committee in July and approved by the Commission in August. The new contract included many improvements to the Ivy InvestEd 529 Program including expansion of the age-based and static investment portfolio options from three to six, diversifying investment options with the addition of five passively managed individual fund portfolios, and reduced fees for account holders. In addition, College Savings Bank and Fidelity have contracts in effect through 2021 and 2020 respectively. Both Trustees and Oversight Committee members sought to ensure investment continuity for account holders who invest with these valued program partners. Likewise, the AFCSP has greatly benefited from the thoughtful actions of the Governor's Office of Boards & Commissions and the resulting appointment of skilled professional Oversight Committee members dedicated to accomplishing the goals of the plan.

Second, the on-going work of the Oversight Committee remains important to the success of the Program and results in consistent and even-handed oversight of the program. This work includes review of all proposed investment or contract modifications, oversight of each provider's annual marketing plan and budget, and the refinement and execution of the annual Provider Review Process. During the fall, committee members reviewed and refined the current Investment Policy Statement, which acts as a comprehensive guide. Updates will be presented to the Commission for approval in the spring of 2018. The Oversight Committee has incorporated Capital Cities' assessments, recommendations, and plan monitoring into their year-long Provider Review Process. In addition, the investment consultant's quarterly performance evaluations and fee assessment reports are presented and used to thoroughly discuss and consider the various elements of each of the programs.

A continued focus is placed on the vision, mission, guiding principles, and objectives developed by the Oversight Committee and approved by the Trustees. This document is re-examined prior to each provider review, guides the focus of the AFCSP Oversight Committee and Trustees, and was incorporated into the Investment Policy Statement. The Mission and Goals follow.

## Mission and Goals

### Arizona Family College Savings Program

**Vision:** *To improve the educational opportunities of Arizonans by providing a high quality 529 plan.*

**Mission:** *To educate and assist Arizona families to financially prepare for postsecondary education by providing quality college savings choices.*

**Guiding Principles:**

- *To fulfill the mandate of the Arizona Revised Statutes (A.R.S.)*
- *To see that the Plan operates according to U.S. and Arizona laws*
- *To see that the Plan is serving the best interests of its current and future investors*
- *To communicate the 529 Plan opportunity to the public*

**The Oversight Committee and the Arizona Family College Saving Program Trustees will promote the following goals:**

1. Provide flexible and affordable college savings options
2. Solicit and recommend appropriate financial institutions
3. Undertake a rigorous annual review of providers
4. Monitor compliance with all regulatory bodies
5. Provide timely communication to the State of Arizona
6. Initiate strategic partnerships to enhance the Program
7. Create a fair and responsive operating environment for financial institutions
8. Recruit, educate and inspire new Oversight Committee members

**Performance Audit**

The Office of the Auditor General conducted a Performance Audit and Sunset Review of the ACPE which began in October 2016 and continued throughout 2017. This audit was conducted as part of the sunset review process prescribed in the Arizona Revised Statutes (A.R.S.). The report issued on December 21, 2017 found that the Commission and Oversight Committee should further strengthen 529 program oversight. While the Auditor General acknowledged that the Oversight Committee actively monitors each of the program providers' performance, they recommended that the review of providers could be enhanced by establishing standardized performance rating expectations for use during the annual provider review process and also by including provisions in all provider contracts that formally require provider participation in the annual performance review. The report also commented that the Commission should ensure compliance with contractual and statutory requirements by documenting procedures which verify if providers have paid the Commission the fee amounts specified by contract and continuing to review the account balances of 529 beneficiaries on a quarterly basis. Lastly, the Auditor General noted that as part of the Commission's duties the agency obtains and stores confidential and sensitive data for financial aid applicants and 529 program participants. It was recommended that the Commission to take steps to better protect confidential and sensitive electronic data by eliminating unnecessary staff access to this data, further strengthen its agreements with external entities that store its data and provide information technology (IT) services, and also by requiring IT security reports to demonstrate that the data is secure. The Commission began implementing procedural documentation, formalizing contract participation requirements, and IT reporting activities during the summer of 2017 and is in the process of working with the Oversight Committee

members and IT security staff to evaluate and incorporate the remaining recommendations.

### Public Awareness

As part of the continuing strategy to educate Arizonans of their college savings options, the AFCSP continued its multi-media campaign at the direction of the Oversight Committee. A combination of print advertising, digital initiatives, and several public relations events targeted at Arizona parents and families complemented an active social media campaign in 2017. During the months of April and May the Commission gained exposure to a broader audience through several live and pre-recorded interviews on local news stations. These interviews were coordinated as public relations activities designed to give the Commission an opportunity to discuss financial literacy activities for children and families while promoting the Arizona 529 Plan. In May, 529 Day was promoted statewide with a month long digital media campaign, through the use of Mommy-bloggers promoting the AZ529 Coloring Contest, and an in-person informational weekend event with representatives from all three providers at the Children's Museum of Phoenix. The museum hosted children's financial literacy activities and the Arizona 529 Plan mascot Pennywise the Pig interacted with families.

Additional public information activities for families continued throughout the summer with the Children's Museum of Phoenix and also through a new partnership with the Maricopa County Library system and their Summer Reading and Activities Program. The months of July, August and September brought financial literacy and awareness of the Arizona 529 Program to more than 3,000 people through additional weekend events at the Children's Museum and hands-on financial literacy themed art activities for children at several libraries around Maricopa county. In addition, the Commission partnered with Univision and Phoenix College to present information about the Arizona 529 Plan as a component of "How to Pay for College" at Univision's spring and fall Finance and Education fairs.

The Commission celebrated "College Savings Month" in Arizona with an extensive digital and social media campaign to increase public awareness throughout the month of October. In addition, College Savings Month activities got an early start at the end of September with a two-day informational event at the Children's Museum of Phoenix where museum staff engaged families in a hands-on money-tree planting activity to learn the financial literacy concept of growth. Another estimated 7,500 family members attended in-person weekend events hosted at the Children's Museum throughout October and into early November where they learned about Arizona's college savings plan options and tax benefits from ACPE staff and provider representatives. These in-person events gave children an opportunity to meet Penny Wise, learn age-appropriate savings tips, receive an AZ529 drawstring backpack, and a children's financial literacy book sponsored by College Savings Bank.

Public awareness efforts in the state of Arizona continued during November and December through the annual Gift Giving Season campaign. Targeted digital ads and KJZZ radio spots were utilized to encourage giving the gift of education. On-going social media postings on Facebook combined with digital media increased awareness of the

Arizona 529 Plan, resulting in 8,042 unique visits to the AZ529.gov website during this timeframe. In 2017, the multi-media outreach efforts of AFCSP's public awareness campaign successfully increased exposure in Arizona of the Arizona 529 Plan to more potential account owners and contributors with a total of 99,443 unique visits to the AZ529.gov website, an increase of 94% over the prior year. The Commission plans to continue the Arizona 529 public awareness campaign in 2018 to further promote the benefits of Arizona 529 college savings accounts.

### Program Managers

In 2017, College Savings Bank increased the rate of interest earned on their investment products. The higher interest rates are attractive to future accountholders and a positive benefit to current CSB investors. SavingForCollege.com, one of two 529 evaluating entities, issued a white paper in April 2017 which assessed FDIC insured savings options offered through 529 programs nationally which confirmed Capital Cities' prior evaluation results in 2016. Both Capital Cities and SavingForCollege.com agree that CSB continues to offer the highest yielding FDIC-insured 1-, 2-, and 3-year CD options and the highest APY when compared respectively to other 529 CD options of the same time length and the 14 other FDIC-insured savings products within the 529 marketplace.

In July, Fidelity introduced a new online feature for accountholders. Their new online distribution request process expedites the way account owners can request a payment to be made from their Fidelity Arizona 529 account for higher education related expenses. The following month, Fidelity reduced the expenses on the Fidelity Index Funds. Fees were reduced on 14 index mutual funds which will provide an overall savings to accountholders on an annual basis. Depending on the portfolio, the fees were reduced from 0.5 up to 3.0 basis points which continues to keep the Arizona Fidelity Index Portfolio expenses among the very lowest in the 529 college savings plan industry. Fidelity maintained its Bronze rating during the 2017 review by Morningstar, one of two 529 evaluating entities. Morningstar cited their continued confidence in Fidelity's tactical asset-allocation approach within its actively managed age-based portfolios, its low priced Index portfolios, and its impressive lineup of Multi-firm portfolios as contributing factors in their evaluation.

During 2017 Waddell & Reed made major improvements to their menu of product offerings in addition to reducing fees for their clientele. The first fee reduction occurred during the spring of 2017, which lowered the front end sales load from a possible maximum of 5.75% to a maximum of 2.5% for Age-based, Static and Individual Portfolios. In September 2017, With the beginning of a new contract in September 2017, Waddell & Reed implemented a series of investment menu changes and cost savings. The minimum initial contribution to invest was also reduced from \$750 per fund to \$250 per fund. While the annual asset-based fees for the Ivy InvestEd 529 Portfolios previously ranged between 0.85% - 1.13% and were evaluated by Morningstar to be materially below their actively managed 529 peers, Waddell & Reed further decreased the annual asset based fee by adjusting the underlying investment option class shares from Class Y to Class R6, which resulted in a savings of 0.03% up to 0.18% depending on the investment. In addition to implementing these cost saving changes for the client during the fall of 2017, Waddell & Reed improved the overall attractiveness of the Ivy InvestEd 529 Plan by further expanding their product

line-up. Three more Age-Based portfolios were added to allow for a smoother glide path, reducing the risk when moving from one portfolio to the next age appropriate portfolio. Also, Ivy ProShares Funds were added as both underlying investment options in the Age-Based Portfolios and as Individual Portfolio options. These passively managed index funds provide another competitive and attractive investment option with a lower expense ratio.

### Annual Provider Review

The Arizona Family College Savings Program Oversight Committee has developed and implemented a comprehensive Annual Provider Review Process that has served as a model for other states. This process is derived from the statutory requirements for evaluation included in A.R.S. 15-1874.

Arizona has received recognition within the industry for its development of a successful method of evaluating varied financial products and diverse financial institutions. The Arizona review process was of interest nationally because in the very young 529 plan industry very few states began their programs with more than one provider; today, many states have contracts with two or more providers. Most importantly, this evaluation process successfully guided the Commission's decision to non-renew two program managers when they no longer met the needs of the State nor the families saving for college in the Arizona 529 Plan.

The AFCSP Annual Provider Review Process is modified annually as necessary to meet the changing state and 529 plan environments. Its main objectives are to communicate clear expectations, hold providers accountable to contract terms, and strengthen the partnership between the provider and the State. Going forward, this process will benefit from the addition of Capital Cities' in-depth research, performance analysis and recommendations which are prepared and presented to the Oversight Committee members in advance of the Annual Provider Review. At the recommendation of the Auditor General's Office the emphasis on customer service has been strengthened. This process measures AFCSP program manager performance in each of the following categories:

- Evaluation of Product Offerings
- Marketing
- Customer Service
- Compliance
- Provider Responsibility and Support

### Industry Wide Ranking

As the 529 industry has evolved since its inception in the mid 1990's, Savingforcollege.com and more recently Morningstar have become widely referenced evaluators of the various 529 plans offered across the country. Savingforcollege.com is a website devoted to researching and evaluating state sponsored 529 college savings plans around the country. Morningstar, an independent investment research firm that



specializes in fund investing, provides an annual review of 529 mutual fund products. In addition, *Barron's*, a premier financial magazine which provides in-depth analysis and commentary on the markets, is another valued resource for performance rankings within the mutual fund industry.



Arizona's two mutual fund providers continued to receive mixed ratings in this year's Morningstar evaluation process. The Fidelity Arizona College Savings Plan maintained its Bronze rating. This rating was based on scores of positive in the Process and People categories combined with neutral scores in the Performance, Parent and Price categories. Waddell & Reed's Ivy InvestEd 529 Plan maintained a negative rating despite Morningstar noting the great strides made to reduce fees and improvements to its product line-up, which is now more in line with industry best practices. Morningstar's negative rating was based on a positive score in the Price category, a neutral score in the Process, Performance and People categories, and a negative Parent score. Morningstar remained critical of the state's oversight of both plans despite the Commission heeding their recommendation to hire an investment consultant. Although Capital Cities came on board in late 2016, Morningstar reported that it is too early to confidently evaluate any efforts made in that time period. Commission staff continue to work closely with Waddell & Reed and Capital Cities to improve this rating.







In contrast, Ivy Investments has consistently been named within the top ten of *Barron's "Best Mutual Fund Families"* in the 10-year performance category. As of the date of this report, *Barron's* had not yet released their 2017 ranking list. In the 2016 list, Ivy Investments moved up two spots to be the number three ranked Fund Family over the past ten years, out of 53 firms.

Savingforcollege.com recently ranked the Ivy InvestEd Plan in the top ten of all advisor sold plans over the latest one-year, five-year, and ten-year period rankings. Savingforcollege.com uses a "5-Cap Rating" system to evaluate 529 plans and has provided a rating for each of the three AFCSP providers. The rating system used examines dozens of factors grouped into the following categories:

- performance
- features
- state benefits
- costs
- reliability







The following is a description of the "5-Cap Ratings" system used by Savingforcollege.com:

	<p>This is a program that offers outstanding flexibility, attractive investments, and additional economic benefits (such as generous state tax incentives) that for some people, at least, will provide a substantial boost to their savings. There are few, if any, weaknesses noted in the program.</p>
	<p>An excellent program with many benefits for the participant and positive investment attributes. If it has any significant weaknesses then it also has some particularly good things to recommend it.</p>

	A very good program that offers valuable benefits but may have some limitations or concerns that investors need to know.
	A program that will work for many people who fit the "target" profile but contains potentially significant problems or uncertainties that can hurt the unsuspecting investor.
	A program that contains too many unnecessary restrictions, uncertainties, investment downsides, or other problems so that changes are necessary (in our opinion) for the program to compete effectively against other alternatives.
	Another similar program is offered in this state that is more appropriate in all cases.
	This program is not open to you either because it has residency requirements or because it has stopped accepting new enrollments.
	This is a recent program and does not yet have a 5-Cap Rating assigned.

Source: Savingforcollege.com

The Arizona Family College Savings Program was rated by Savingforcollege.com with 3.67 points out of a total of 5 possible points, in the resident rating category (this is the average of the three provider specific rankings). This evaluation rounds up to 4 Caps which describes the AFCSP overall as both an “excellent program”, as well as a program that offers significant investment flexibility. The ratings for each of the three program managers follow.

<b>Arizona Family College Savings Program – College Savings Bank 529 Plan</b>	 (Resident Rating)	 (Non-Resident Rating)
<b>Fidelity Arizona College Savings Plan</b>	 (Resident Rating)	 (Non-Resident Rating)
<b>Ivy Funds InvestEd 529 Plan</b>	 (Resident Rating)	 (Non-Resident Rating)

Source: savingforcollege.com

### III. Program Provider Overview and Analysis

The Arizona Family College Savings Program currently offers investment options through three program managers: College Savings Bank, Fidelity Investments and Waddell & Reed. This section includes a summary of each of the program providers including a brief corporate description, investment options, provider results (investment returns and plan growth), and fee structure. The State of Arizona and the AFCSP require these program managers to comply with voluntary industry standard principles of disclosure developed by the College Savings Plan Network (CSPN). CSPN is the dominant industry professional association for 529 plans to which most states belong. Investment results and fees are reported in the AFCSP disclosure materials in accordance with these disclosure principles. Offering materials are reviewed by staff members to ensure these standards are maintained.

#### A. COLLEGE SAVINGS BANK

##### Corporate Description

College Savings Bank, a Division of NexBank SSB (CSB) is located in Dallas, Texas. College Savings Bank has been helping families fund education for more than 20-years and has been a program manager since the AFCSP's inception. Formerly a wholly owned subsidiary of Pacific LifeCorp based in Newport Beach, California, College Savings Bank was sold on January 12, 2012 to a group of investors unrelated to CSB or Pacific Life. This change of ownership was approved by the Commission inclusive of a letter which noted that the transactions would not result in a change of management at CSB. Recently, another change in ownership was completed through the acquisition of CSB by NexBank SSB in November 2015. The Oversight Committee recommended and the Commission approved assignment of the remaining CSB contract to NexBank upon completion of the acquisition. CSB is now a Division of NexBank.

##### Investment Options

Under the Arizona Family College Savings Program, College Savings Bank originates and markets certificates of deposit (CDs) and a basic savings account. During 2017 the available investment options included:

- 1) Fixed Rate CDs
- 2) CollegeSure Honors Savings Account

All College Savings Bank investment options feature principal protection with FDIC insurance up to \$250,000 for amounts held in the same right and capacity. College Savings Bank accepts funds daily for investment. A brief description of each College Savings Bank investment option managed by CSB follows.

## Fixed Rate CDs

Offered since 2008, the College Savings Bank Fixed Rate CD earns a fixed rate for the term of the CD. The rate is determined by the prevailing interest rate environment at the time the CD is opened. CSB's fixed rate CD includes a 1-year, 2-year and 3-year option. College Savings Bank currently offers the highest yielding FDIC-insured 1-, 2-, and 3-year CD options compared to the three other 529 CD options within the marketplace.

## CollegeSure Honors Savings Account

In 2016, CSB simplified their product offerings by consolidating their three previous savings account types (Accumulator, Savings, and Honors Savings) into one savings account with a high yield interest rate. The interest rate for the CollegeSure Honors Savings Account provides the highest APY among the 15 FDIC-insured savings products offered within the 529 marketplace. This savings account is offered without enrollment fees, annual fees or other expenses, has no fixed term, and does not require state residency. This type of account is designed for matured CDs and money to be used for college expenses within one year or less.

## CollegeSure CD

The CollegeSure CD was a certificate of deposit indexed to college costs designed to meet tuition, fees, and room & board expenses for future students. CollegeSure CDs had maturities between one and twenty-two years allowing investors the ability to choose maturity dates consistent with the years the student is expected to utilize the funds for college expenses. The CollegeSure CD had received Standard & Poor's highest rating, AAA. Beginning on October 21, 2016, no new CollegeSure CDs were issued. CollegeSure CDs issued prior to this date will continue to be managed and serviced by College Savings Bank until their maturity dates.

## InvestorSure CD

Offered since 2008, the InvestorSure CD is a variable rate certificate of deposit indexed to the Standard & Poor's 500 Composite Index (S&P 500). The CD was issued 4-times a year on the first business day of each new quarter. InvestorSure CDs were designed to pay between 70% and 100% of the increase in the S&P 500 at maturity; using a calculated average of 20 quarterly measurement points throughout the term of the CD. This averaging protected the investment from wide swings in the S&P 500 as the investment approached maturity.

This CD was offered with a 5-year maturity. At maturity, the funds can be used to pay qualified higher education expenses, re-invested in another CD, or moved to an Honors Savings Account until the beneficiary is ready to attend college. Beginning on August 2, 2016, no new InvestorSure CDs were issued. InvestorSure CDs issued prior to this date will continue to be managed and serviced by College Savings Bank until their maturity dates.

### Provider Results (Investment Results and Plan Growth)

College Savings Bank CD's proved to be popular throughout 2008, 2009 and early 2010 during the prolonged recession accompanied by stock market declines. However, from late 2010 through 2014, there was a softening of demand for the CD products as investors shifted back to the equities market. The volatile market conditions of 2015 and early 2016 showcased the advantage that College Savings Bank investments offer during uncertain times: the FDIC insurance on AFCSP Certificate of Deposit options. Although market conditions greatly improved in 2017, some 529 plan investors continue to seek more conservative options and CSB meets that demand with their complement of straight-forward FDIC insured CD options, which are attractive alternatives to Money Market funds.

College Savings Bank holds the fewest number of accounts of the three program providers. College Savings Bank added 131 new accounts during the year, netting an aggregate of 3,420 active accounts at the end of 2017. Assets under management declined by \$5.6 million to \$64.3 million representing an 8% decrease since 2016.

Figure 6 illustrates the Fixed Rate CD projected Annual Percentage Yield for each term.

**(Figure 6) College Savings Bank Fixed Rate CD 1-, 2- and 3-year Options**

CD Term	APY	Interest Rate	Minimum Deposit
1-Year	1.25%	1.25%	\$250
2-Year	1.45%	1.45%	\$250
3-Year	1.55%	1.55%	\$250

Interest Date and APY (Annual Percentage Yield) are accurate as of December 31, 2017. Any interest rate change will become effective after 2:00 pm Eastern Time.

Figure 7 illustrates the CollegeSure Honors Savings Annual Percentage Yield.

**(Figure 7) College Savings Bank CollegeSure Honors Savings Account**

Honors Savings APY <sup>1</sup>	Honors Savings Interest Rate <sup>1</sup>	National Savings Account Average Rate <sup>2</sup>
0.90%	0.90%	0.06%

<sup>1</sup> APY (Annual Percentage Yield) and interest rate are accurate as of December 31, 2017. Any interest rate change will become effective after 2:00 pm Eastern Time.

<sup>2</sup> National average savings account rate based upon data published by the FDIC. National rates are calculated based on a simple average of rates paid (uses annual percentage yield) by all insured depository institutions and branches for which data are available.  
[www.fdic.gov/regulations/resources/rates/](http://www.fdic.gov/regulations/resources/rates/)

### Fee and Expense Structure

Due to the nature of the bank's products, College Savings Bank's CD options do not charge annual asset-based fees and investor expenses. There are no program manager fees, state fees, miscellaneous asset-based fees, distributions fees, maximum initial sales charges or annual account maintenance fees that may be found with other investment options. College Savings Bank's Fixed Rate CDs do not charge fees. Withdrawals prior to the Maturity Date are subject to an Early Withdrawal Penalty equal to three (3) months of interest. The APY applied to a Fixed Rate CD assumes the funds remain on deposit until the Maturity Date. An early withdrawal will reduce earnings.

## **B. FIDELITY INVESTMENTS**

### Corporate Description

Established in 1946, Fidelity Investments is one of the world's largest providers of financial services. With headquarters in Boston, Massachusetts, Fidelity employs over 45,000 employees and is the nation's No. 1 provider of 401(K) retirement savings plans as well as an established provider in the 529 industry.

### Investment Options

Fidelity Investments manages the Fidelity Arizona College Savings Plan's 36 investment options consisting of a range of professionally managed portfolios created for the use of education investors. This wide range of investment options includes:

- 1) Three Age-Based Portfolio fund types: Fidelity Funds, Fidelity Index Funds, and Multi-Firm Funds
- 2) Six Static Portfolios: Conservative, Moderate Growth or Aggressive Growth choices in either Fidelity Funds or Fidelity Index Funds

- 3) Five Individual Fund Portfolios: options include a mix of equity, fixed income, and money market
- 4) Bank Deposit Portfolio: an FDIC-insured interest bearing savings account

The newest Fidelity product, a Multi-Firm or open architecture age-based portfolio was approved by the Commission and initiated late in the fourth quarter of 2011. The Multi-Firm portfolios provide access to a broader range of underlying funds offered by different investment companies. For the 12-month period ending December 31, 2017, each Multi-Firm portfolio delivered positive results. For underlying fund information see Appendix A.

**(Figure 8) Multi-Firm Funds**

Portfolio Name ▲	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ 2018 (Multi-Firm)	09/28/2011	8.82	4.29	5.40	N/A <sup>1</sup>	6.74	0.95%	
AZ 2021 (Multi-Firm)	09/28/2011	11.71	5.44	6.94	N/A <sup>1</sup>	8.43	1.01%	
AZ 2024 (Multi-Firm)	09/28/2011	14.44	6.50	8.37	N/A <sup>1</sup>	9.91	1.06%	
AZ 2027 (Multi-Firm)	09/28/2011	17.10	7.45	9.65	N/A <sup>1</sup>	11.21	1.11%	
AZ 2030 (Multi-Firm)	09/28/2011	19.74	8.39	10.62	N/A <sup>1</sup>	12.09	1.15%	
AZ 2033 (Multi-Firm)	12/18/2013	22.30	9.27	N/A <sup>1</sup>	N/A <sup>1</sup>	8.77	1.2%	
AZ 2036 (Multi-Firm)	12/14/2016	24.10	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	22.44	1.2%	
AZ College (Multi-Firm)	09/28/2011	7.66	3.73	3.70	N/A <sup>1</sup>	4.37	0.91%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your units. Current performance may be higher or lower than the performance data quoted.

1. Portfolio has not been in existence long enough to provide performance.
2. Life of Portfolio data will be available after one full year of existence.
3. Expense Ratio is the total annual portfolio operating expense ratio from the portfolio's most recent Fact Kit. The total annual operating expense ratio includes a program administration fee of .08% for Fidelity Index Funds portfolios, .20% for Fidelity Funds portfolios, .35% for Multi-Firm Funds portfolios, and 0.05-0.50% for the Bank Deposit Portfolio. This ratio may be higher or lower depending on the allocation of the portfolio's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. Annual Percentage Yield and Interest Rate for the Bank Deposit Portfolio reflects previous business date close.

Average annual total returns include changes in unit price, reinvestment of dividends and capital gains, and the deduction of all applicable portfolio and mutual fund expenses.

Additional features of the Fidelity Arizona Family College Savings Program include:

- The plan's index portfolios are among the lowest cost in the 529 industry, ranging from 11 to 21 basis points.
- There is no annual program fee.
- Families can open an account with a minimum initial investment of \$50, or as little as \$15 per month with an automatic investment plan.
- Fidelity offers unlimited, complimentary planning and guidance services.
- Fidelity Investments 529 College Rewards® Visa Signature® card allows families to earn 2 percent on all eligible retail purchases, with no annual fee.

### Age-Based Portfolios

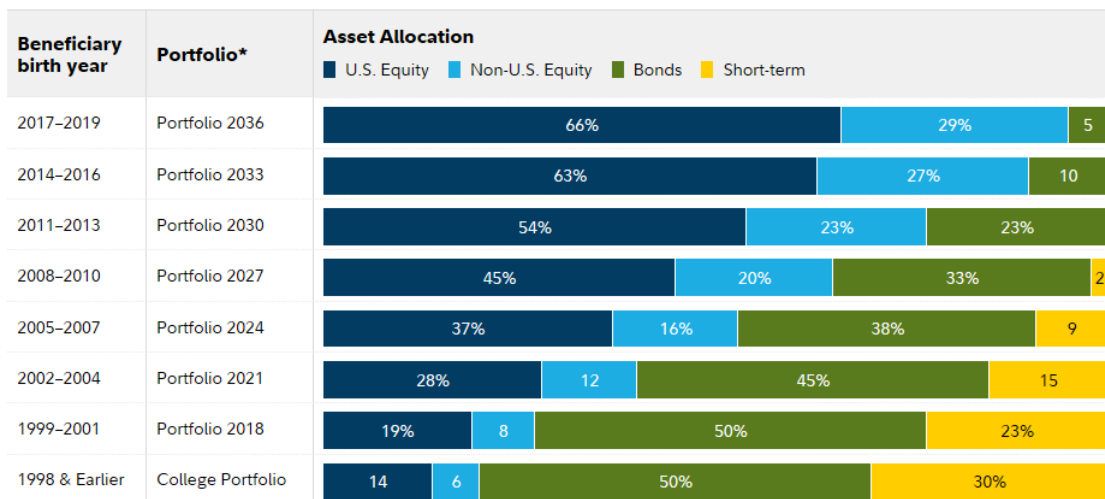
The Age-Based Strategy includes portfolios that are managed according to the beneficiary's birth year with the asset allocation automatically becoming more conservative as the beneficiary nears college age. Each portfolio begins with a growth-oriented allocation, then gradually shifts to an allocation that is oriented more toward income and capital preservation. These portfolios are designed to ensure that at any given point in its life cycle, an Age-Based Portfolio will have an allocation that is neither



overly aggressive nor overly conservative in relation to its time horizon. When the beneficiary is anticipated to turn 18 and start college, the selected Age-Based Portfolio should reach the end of its time horizon. At this time, assets will be transferred to the College Portfolio, which has a fixed allocation that is designed to be appropriate for the time when a beneficiary is withdrawing money to attend college.

Fidelity offers three types of portfolios for its Age-Based Strategy: 1) Fidelity Funds – a portfolio managed by dedicated Fidelity portfolio managers, invested solely in Fidelity funds; 2) Fidelity Index Funds – passively managed securities held in the respective index; and 3) Multi-Firm Funds – a portfolio managed by dedicated portfolio managers, invested across multiple fund companies. Refer to Appendix B for a description of the Fidelity Arizona College Savings Plan portfolio target asset allocations for all Age-Based Portfolios, Static Portfolios and Individual Fund Portfolios. The following chart illustrates the asset allocation for each of the Fidelity Age-Based portfolios.

**(Figure 9) Fidelity Age-Based Portfolios Asset Allocation**



\* The Age-Based Fidelity Funds, Multi-Firm, and Fidelity Index portfolios take a more aggressive approach during the early years of saving for college to take advantage of potential growth opportunities, while investing to preserve capital as the need to pay for qualified higher education expenses approaches. Keep in mind that the investment risk of each Age-Based Portfolio changes along with the target asset allocation.

### Custom Strategy

For investors who prefer to manage their own asset allocations, a Custom Strategy provides the flexibility to create a customized investment mix from four portfolio categories: Static, Individual Fund, Age-Based, and Bank Deposit. Static Portfolios include both Fidelity Funds and Fidelity Index Funds, and the asset mix remains the same over time. Individual Fund Portfolios include several index fund options as well as a money market fund option. Similar to the Age-Based strategy, participants can select from Fidelity Funds, which are managed by dedicated Fidelity portfolio managers, or from the passively-managed Fidelity Index Funds. Refer to Appendix A for a description of the Fidelity Arizona College Savings Plan Portfolio Allocation for Fidelity Funds and Fidelity Index Fund Portfolios. The following chart lists Fidelity Arizona College Savings Plan



Custom Strategy allocation choices. Investors who choose the Custom Strategy have the opportunity to allocate funds in 5% increments among these options.

**(Figure 10) Fidelity Custom Strategy Allocation Choices**

Portfolio type	Allocation choices
Static Portfolios	Aggressive Growth Portfolio (Fidelity Funds)
	Moderate Growth Portfolio (Fidelity Funds)
	Conservative Portfolio (Fidelity Funds)
	Aggressive Growth Portfolios (Fidelity Index)
	Moderate Growth Portfolios (Fidelity Index)
	Conservative Portfolio (Fidelity Index)
Individual Fund Portfolios	Money Market Portfolio
	Fidelity 500 Index Portfolio
	Total Market Index Portfolio
	International Index Portfolio
	Intermediate Treasury Index Portfolio
Bank Deposit Portfolio	Bank Deposit Portfolio
Age-Based Portfolios	Age-Based Portfolio (Fidelity Funds)
	Age-Based Portfolio (Fidelity Index)
	Age-Based Portfolio (Multi-Firm)

### Provider Results (Investment Results and Plan Growth)

In terms of its contribution to the AFCSP, Fidelity realized a 12% increase in the number of funded accounts from 2016 to 2017 and an increase of 28% in assets under management to \$587 million in that same time frame. In addition, Fidelity Investments realized an average account retention rate of 93% and average assets under management retention rate of 98% for 2017. These high retention rates signify that Fidelity Investments is providing high quality products and services and is able to retain investors in the AFCSP.

Like other mutual fund companies, Fidelity Investments generally produced returns in 2017 that were consistent with the overall market gains and losses. For 2017, Fidelity's 1-year rate of return on investments ranged anywhere from a high of 24.92% in the AZ 2036 Fidelity Funds Portfolio and 25.18% in the AZ International Index Fund Portfolio, to a low of 1.9% in the AZ Conservative Portfolio Fidelity Index Fund and 2.16% in the AZ Conservative Portfolio of Fidelity Funds. The charts on the following pages illustrate Fidelity's 1-Year, 3-Year, 5-Year, 10-Year, and Life of Portfolio performance for the AFCSP year ending December 31, 2017.

**(Figure 11) Fidelity Arizona Plan Portfolio Performance – As of December 31, 2017****Fidelity Funds****Age-Based Portfolios**

Portfolio Name ▲	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ 2018 (Fid Funds)	06/14/2005	8.72	4.36	5.69	3.52	4.94	0.75%	
AZ 2021 (Fid Funds)	06/14/2005	11.80	5.62	7.38	4.01	5.55	0.81%	
AZ 2024 (Fid Funds)	06/14/2005	14.74	6.77	8.94	4.48	6.00	0.87%	
AZ 2027 (Fid Funds)	12/14/2007	17.63	7.83	10.34	5.10	5.14	0.93%	
AZ 2030 (Fid Funds)	12/28/2010	20.49	8.87	11.38	N/A <sup>1</sup>	9.33	0.98%	
AZ 2033 (Fid Funds)	12/18/2013	23.20	9.84	N/A <sup>1</sup>	N/A <sup>1</sup>	9.43	1.03%	
AZ 2036 (Fid Funds)	12/14/2016	24.92	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	23.58	1.04%	
AZ College Port (Fid Fnd)	06/14/2005	7.56	3.69	3.72	3.44	3.78	0.71%	

**Static Portfolios**

Portfolio Name	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ Consvr (Fid Funds)	06/14/2005	2.16	1.43	1.18	2.31	2.53	0.56%	
AZ Mod Growth (Fid Funds)	06/14/2005	18.32	8.20	9.93	5.77	6.71	0.93%	
AZ Agrsv Gro (Fid Funds)	06/14/2005	24.77	10.40	12.94	5.75	7.21	1.03%	

**Individual And Bank Deposit Portfolios**

Portfolio Name	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ Money Market	10/23/2006	0.37	0.12	0.07	0.34	0.80	0.57%	
AZ Bank Deposit	09/16/2010	0.50	0.33	0.24	N/A <sup>1</sup>	0.20	0.05%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your units. Current performance may be higher or lower than the performance data quoted.

- Portfolio has not been in existence long enough to provide performance.
- Life of Portfolio data will be available after one full year of existence.
- Expense Ratio is the total annual portfolio operating expense ratio from the portfolio's most recent Fact Kit. The total annual operating expense ratio includes a program administration fee of .09% for Fidelity Index Funds portfolios, .20% for Fidelity Funds portfolios, .35% for Multi-Firm Funds portfolios, and 0.05-0.50% for the Bank Deposit Portfolio. This ratio may be higher or lower depending on the allocation of the portfolio's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. Annual Percentage Yield and Interest Rate for the Bank Deposit Portfolio reflects previous business date close.

Average annual total returns include changes in unit price, reinvestment of dividends and capital gains, and the deduction of all applicable portfolio and mutual fund expenses.

**Fidelity Index Funds****Age-Based Portfolios**

Portfolio Name ▲	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ 2018 (Fid Index)	10/23/2006	6.88	3.50	4.94	3.70	4.29	0.17%	
AZ 2021 (Fid Index)	10/23/2006	9.55	4.71	6.61	4.27	4.84	0.16%	
AZ 2024 (Fid Index)	10/23/2006	12.09	5.81	8.15	4.84	5.34	0.15%	
AZ 2027 (Fid Index)	12/14/2007	14.55	6.90	9.53	5.50	5.38	0.13%	
AZ 2030 (Fid Index)	12/28/2010	17.04	7.89	10.48	N/A <sup>1</sup>	9.38	0.13%	
AZ 2033 (Fid Index)	12/18/2013	19.48	8.79	N/A <sup>1</sup>	N/A <sup>1</sup>	8.53	0.13%	
AZ 2036 (Fid Index)	12/14/2016	21.14	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	19.88	0.13%	
AZ College (Fid Index)	10/23/2006	5.89	2.92	3.12	3.32	3.74	0.18%	

## Fidelity Index Funds (continued)

### Static Portfolios

Portfolio Name	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ Conserv (Fid Index)	10/23/2006	1.90	1.09	0.94	2.16	2.66	0.21%	
AZ Mod Growth (Fid Index)	10/23/2006	16.10	7.50	9.31	6.13	6.48	0.13%	
AZ Agrsv Gro (Fid Index)	10/23/2006	22.08	9.84	12.49	6.37	6.60	0.12%	

### Individual And Bank Deposit Portfolios

Portfolio Name	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ 500 Index	10/23/2006	21.69	11.25	15.61	8.25	8.20	0.11%	
AZ Bank Deposit	09/16/2010	0.50	0.33	0.24	N/A <sup>1</sup>	0.20	0.05%	
AZ International Index	10/23/2006	25.18	7.87	7.58	1.87	3.19	0.14%	
AZ Intmdt Treasury Index	10/23/2006	2.19	1.50	1.10	3.87	4.46	0.18%	
AZ Total Market Index	10/23/2006	21.09	10.99	15.37	8.44	8.36	0.11%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your units. Current performance may be higher or lower than the performance data quoted.

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- Expense Ratio is the total annual portfolio operating expense ratio from the portfolio's most recent Fact Kit. The total annual operating expense ratio includes a program administration fee of .09% for Fidelity Index Funds portfolios, .20% for Fidelity Funds portfolios, .35% for Multi-Firm Funds portfolios, and 0.05-0.50% for the Bank Deposit Portfolio. This ratio may be higher or lower depending on the allocation of the portfolio's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. Annual Percentage Yield and Interest Rate for the Bank Deposit Portfolio reflects previous business date close.

Average annual total returns include changes in unit price, reinvestment of dividends and capital gains, and the deduction of all applicable portfolio and mutual fund expenses.

## Fidelity Multi-Firm Funds

### Age-Based Portfolios

Portfolio Name	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ 2018 (Multi-Firm)	09/28/2011	8.82	4.29	5.40	N/A <sup>1</sup>	6.74	0.95%	
AZ 2021 (Multi-Firm)	09/28/2011	11.71	5.44	6.94	N/A <sup>1</sup>	8.43	1.01%	
AZ 2024 (Multi-Firm)	09/28/2011	14.44	6.50	8.37	N/A <sup>1</sup>	9.91	1.06%	
AZ 2027 (Multi-Firm)	09/28/2011	17.10	7.45	9.65	N/A <sup>1</sup>	11.21	1.11%	
AZ 2030 (Multi-Firm)	09/28/2011	19.74	8.39	10.62	N/A <sup>1</sup>	12.09	1.15%	
AZ 2033 (Multi-Firm)	12/18/2013	22.30	9.27	N/A <sup>1</sup>	N/A <sup>1</sup>	8.77	1.2%	
AZ 2036 (Multi-Firm)	12/14/2016	24.10	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	22.44	1.2%	
AZ College (Multi-Firm)	09/28/2011	7.66	3.73	3.70	N/A <sup>1</sup>	4.37	0.91%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your units. Current performance may be higher or lower than the performance data quoted.

- Portfolio has not been in existence long enough to provide performance.
- Life of Portfolio data will be available after one full year of existence.
- Expense Ratio is the total annual portfolio operating expense ratio from the portfolio's most recent Fact Kit. The total annual operating expense ratio includes a program administration fee of .09% for Fidelity Index Funds portfolios, .20% for Fidelity Funds portfolios, .35% for Multi-Firm Funds portfolios, and 0.05-0.50% for the Bank Deposit Portfolio. This ratio may be higher or lower depending on the allocation of the portfolio's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. Annual Percentage Yield and Interest Rate for the Bank Deposit Portfolio reflects previous business date close.

Average annual total returns include changes in unit price, reinvestment of dividends and capital gains, and the deduction of all applicable portfolio and mutual fund expenses.

## Fidelity Individual and Bank Deposit Portfolios

### Individual And Bank Deposit Portfolios

Portfolio Name	Inception Date	AS OF 12/31/2017					Life of Portfolio	Expense Ratio <sup>3</sup>
		1 Year	3 Year	5 Year	10 Year			
AZ Bank Deposit	09/16/2010	0.50	0.33	0.24	N/A <sup>1</sup>	0.20	0.05%	
AZ Money Market	10/23/2006	0.37	0.12	0.07	0.34	0.80	0.57%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

## Fee and Expense Structure

The following charts illustrate the AFCSP's fee and expense structures for the Fidelity Funds and Fidelity Index Funds Portfolios. The "total annual asset-based fee" illustrates the total fees assessed against net assets annually.

### Fidelity Arizona Plan Fees and Expenses

**(Figure 12) Fidelity Arizona College Savings Plan Fee and Expense Structure 12/31/17 – Fidelity Funds**

Portfolio	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee <sup>2</sup>	State Fee <sup>3</sup>	Miscellaneous Fee <sup>4</sup>	Total Annual Asset-Based Fee <sup>5</sup>	Annual Account Maintenance Fee <sup>6</sup>
Portfolio 2036 <sup>7</sup> (Fidelity Funds)	0.84%	0.16%	0.04%	N/A	1.04%	N/A
Portfolio 2033 (Fidelity Funds)	0.83%	0.16%	0.04%	N/A	1.03%	N/A
Portfolio 2030 (Fidelity Funds)	0.78%	0.16%	0.04%	N/A	0.98%	N/A
Portfolio 2027 (Fidelity Funds)	0.73%	0.16%	0.04%	N/A	0.93%	N/A
Portfolio 2024 (Fidelity Funds)	0.67%	0.16%	0.04%	N/A	0.87%	N/A
Portfolio 2021 (Fidelity Funds)	0.61%	0.16%	0.04%	N/A	0.81%	N/A
Portfolio 2018 (Fidelity Funds)	0.55%	0.16%	0.04%	N/A	0.75%	N/A
College Portfolio <sup>8</sup> (Fidelity Funds)	0.51%	0.16%	0.04%	N/A	0.71%	N/A
Aggressive Growth Portfolio (Fidelity Funds)	0.83%	0.16%	0.04%	N/A	1.03%	N/A
Moderate Growth Portfolio (Fidelity Funds)	0.73%	0.16%	0.04%	N/A	0.93%	N/A
Conservative Portfolio (Fidelity Funds)	0.36%	0.16%	0.04%	N/A	0.56%	N/A
Money Market Portfolio*	0.37%	0.16%	0.04%	N/A	0.57%	N/A

1. The "Estimated Underlying Fund Expenses" are based on a weighted average of the expenses of the mutual funds before reductions in which the portfolio invests as of October 1, 2017. The underlying mutual fund expense data was from each fund's most recent financial statement.

2. The "Program Manager Fee" is the percentage of net assets paid to Fidelity for performing services for the Fidelity Arizona Plan.

3. The "State Fee" is the percentage of net assets retained by the Trust. Fidelity pays the Trustee \$10 per account during the month an account is opened with the Trust (New Account Fee). This fee is paid to the Trustee by Fidelity; the state sponsor does not deduct this New Account Fee from your account.

4. The "Miscellaneous Fee" represents any other type of fee or expense imposed by the Fidelity Arizona College Savings Plan.

5. The "Total Annual Asset-Based Fee" illustrates the total fees assessed against net assets annually. Please refer to the "Hypothetical \$10,000 Investment Cost Chart" in the Fact Kit to review the impact of fees and expenses on a hypothetical \$10,000 investment over 1-, 3-, 5-, and 10-year periods.

6. The "Annual Account Maintenance Fee" is the annual fee deducted from an account balance each year. The Fidelity Arizona College Savings Plan does NOT assess an annual account maintenance fee.

7. Anticipated fee and expense structure for Portfolio 2036 (Fidelity Funds) at portfolio inception on December 14, 2016.

8. Portfolio 2015 (Fidelity Funds) assets were transferred to College Portfolio (Fidelity Funds) on December 9, 2016.

**(Figure 13) Fidelity Arizona College Savings Plan Fee and Expense Structure 12/31/17 – Fidelity Index Funds**

Portfolio	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee <sup>2</sup>	State Fee <sup>3</sup>	Miscellaneous Fee <sup>4</sup>	Total Annual Asset-Based Fee <sup>5</sup>	Annual Account Maintenance Fee <sup>6</sup>
Portfolio 2036 <sup>7</sup> (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Portfolio 2033 (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Portfolio 2030 (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Portfolio 2027 (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Portfolio 2024 (Fidelity Index)	0.06%	0.07%	0.02%	N/A	0.15%	N/A
Portfolio 2021 (Fidelity Index)	0.07%	0.07%	0.02%	N/A	0.16%	N/A
Portfolio 2018 (Fidelity Index)	0.08%	0.07%	0.02%	N/A	0.17%	N/A
College Portfolio <sup>8</sup> (Fidelity Index)	0.09%	0.07%	0.02%	N/A	0.18%	N/A
Aggressive Growth Portfolio (Fidelity Index)	0.03%	0.07%	0.02%	N/A	0.12%	N/A
Moderate Growth Portfolio (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Conservative Portfolio (Fidelity Index)	0.12%	0.07%	0.02%	N/A	0.21%	N/A
Intermediate Treasury Index Portfolio	0.09%	0.07%	0.02%	N/A	0.18%	N/A
International Index Portfolio	0.05%	0.07%	0.02%	N/A	0.14%	N/A
Fidelity 500 Index Portfolio	0.02%	0.07%	0.02%	N/A	0.11%	N/A
Total Market Index Portfolio	0.02%	0.07%	0.02%	N/A	0.11%	N/A

1. The "Estimated Underlying Fund Expenses" are based on a weighted average of the expenses of the mutual funds before reductions in which the portfolio invests as of November 1, 2016. The underlying mutual fund expense data was obtained from each fund's most recent prospectus.

2. The "Program Manager Fee" is the percentage of net assets paid to Fidelity for performing services for the Fidelity Arizona Plan.

3. The "State Fee" is the percentage of net assets retained by the Trust. Fidelity pays the Trustee \$10 per account during the month an account is opened with the Trust (New Account Fee). This fee is paid to the Trustee by Fidelity; the state sponsor does not deduct this New Account Fee from your account.

4. The "Miscellaneous Fee" represents any other type of fee or expense imposed by the Fidelity Arizona Plan.

5. The "Total Annual Asset-Based Fee" illustrates the total fees assessed against net assets annually. Please refer to the "Hypothetical \$10,000 Investment Cost Chart" in the Fact Kit to review the impact of fees and expenses on a hypothetical \$10,000 investment over 1-, 3-, 5-, and 10-year periods.

6. The "Annual Account Maintenance Fee" is the annual fee deducted from an account balance each year. The Fidelity Arizona Plan does NOT assess an annual account maintenance fee.

7. Anticipated fee and expense structure for Portfolio 2036 (Fidelity Index) at portfolio inception on December 14, 2016.

8. Portfolio 2015 (Fidelity Index) assets were transferred to College Portfolio (Fidelity Index) on December 9, 2016.

**(Figure 14) Fidelity Arizona College Savings Plan Fee and Expense Structure 12/31/17 – Multi-Firm Funds**

Portfolio	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee <sup>2</sup>	State Fee <sup>3</sup>	Miscellaneous Fee <sup>4</sup>	Total Annual Asset-Based Fee <sup>5</sup>	Annual Account Maintenance Fee <sup>6</sup>
Portfolio 2036 <sup>7</sup> (Multi-Firm)	0.85%	0.30%	0.05%	N/A	1.20%	N/A
Portfolio 2033 (Multi-Firm)	0.85%	0.30%	0.05%	N/A	1.20%	N/A
Portfolio 2030 (Multi-Firm)	0.80%	0.30%	0.05%	N/A	1.15%	N/A
Portfolio 2027 (Multi-Firm)	0.76%	0.30%	0.05%	N/A	1.11%	N/A
Portfolio 2024 (Multi-Firm)	0.71%	0.30%	0.05%	N/A	1.06%	N/A
Portfolio 2021 (Multi-Firm)	0.66%	0.30%	0.05%	N/A	1.01%	N/A
Portfolio 2018 (Multi-Firm)	0.60%	0.30%	0.05%	N/A	0.95%	N/A
College Portfolio <sup>8</sup> (Multi-Firm)	0.56%	0.30%	0.05%	N/A	0.91%	N/A

1. The "Estimated Underlying Fund Expenses" are based on a weighted average of the expenses of the mutual funds before reductions in which the portfolio invests as of November 1, 2016. The underlying mutual fund expense data was from each fund's most recent financial statement.

2. The "Program Manager Fee" is the percentage of net assets paid to Fidelity by the trust for performing services for the Fidelity Arizona College Savings Plan.

3. The "State Fee" is the percentage of net assets retained by the Trust. Fidelity pays the Trustee \$10 per account during the month an account is opened with the Trust (New Account Fee). This fee is paid to the Trustee by Fidelity; the state sponsor does not deduct this New Account Fee from your account.

4. The "Miscellaneous Fee" represents any other type of fee or expense imposed by the Fidelity Arizona College Savings Plan.

5. The "Total Annual Asset-Based Fee" illustrates the total fees assessed against net assets annually. Please refer to the "Hypothetical \$10,000 Investment Cost Chart" in the Fact Kit to review the impact of fees and expenses on a hypothetical \$10,000 investment over 1-, 3-, 5-, and 10-year periods.

6. The "Annual Account Maintenance Fee" is the annual fee deducted from an account balance each year. The Fidelity Arizona College Savings Plan does NOT assess an annual account maintenance fee.

7. Anticipated fee and expense structure for Portfolio 2036 (Multi-Firm) on December 9, 2016.

8. Portfolio 2015 (Multi-Firm) assets were transferred to College Portfolio (Multi-Firm) on December 9, 2016.



**(Figure 15)****Fidelity Arizona College Savings Plan Fee and Expense Structure 12/31/17: Bank Deposit Portfolio**

Portfolio	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee <sup>2</sup>	State Fee <sup>3</sup>	Miscellaneous Fee <sup>4</sup>	Total Annual Asset-Based Fee <sup>5</sup>	Annual Account Maintenance Fee <sup>6</sup>
Bank Deposit Portfolio	0.00%-0.40%	0.00%-0.05%	0.05%	N/A	0.05%-0.50%	N/A

1. The "Bank Administration Fee" is the fee paid to Fidelity for the performance of administrative services related to the Bank Deposit Portfolio. The fee is a daily charge against the net assets of the Bank Deposit Portfolio at an annual rate of 0.00%-0.40% depending on the daily Federal Funds Target Rate and is as follows: (a) 0.00% if the Federal Funds Target Rate is 0.00% to < 0.50%; (b) 0.20% if the Federal Funds Target Rate is 0.50% to < 0.75%; and (c) 0.40% if the Federal Funds Target Rate is 0.75+.

2. The "Program Manager Fee" is the percentage of net assets paid to Fidelity by the Trust for performing services for the Fidelity Arizona Plan. The fee is a daily charge against the net assets of the Bank Deposit Portfolio at an annual rate of 0.00% to 0.05% depending on the daily Federal Funds Target Rate and is as follows: (a) 0.00% if the Federal Funds Target Rate is 0.00% to < 0.50%; (b) 0.05% if the Federal Funds Target Rate is 0.50% to < 0.75%; and (c) 0.05% if the Federal Funds Target Rate is 0.75%+.

3. The "State Fee" is the percentage of net assets retained by the Trust. Fidelity pays the Trustee \$10 per account during the month an account is opened with the Trust (New Account Fee). This fee is paid to the Trustee by Fidelity; the state sponsor does not deduct this New Account Fee from your account.

4. The "Miscellaneous Fee" represents any other type of fee or expense imposed by the Fidelity Arizona College Savings Plan.

5. The "Total Annual Asset-Based Fee" illustrates the total fees assessed against net assets annually. This fee will range between 0.05% to 0.50% depending on the daily Federal Funds Target Rate, as described above in footnote 1 and 3. Please refer to the "Hypothetical \$10,000 Investment Cost Chart" in the Fact Kit to review the impact of fees and expenses on a hypothetical \$10,000 investment over 1-, 3-, 5-, and 10-year periods.

6. The "Annual Account Maintenance Fee" is the annual fee deducted from an account balance each year. The Fidelity Arizona College Savings Plan does NOT assess an annual account maintenance fee.

**C. WADDELL & REED, INC.**Corporate Description

Founded in 1937, Waddell & Reed is one of the oldest mutual fund companies in the United States. Waddell & Reed provides personal comprehensive financial planning and investment products delivered to investors through financial advisors located across the country. The Arizona Family College Savings Program is the only 529 program that Waddell & Reed represents and it is therefore sold by their advisors across the nation.

In 2012 Waddell & Reed decided to capitalize on the remarkable success of Ivy Funds, and changed their plan name to *Ivy Funds InvestEd 529 Plan*. As expected, the Ivy Funds name recognition has made the product more recognizable to the public. In 2016, Waddell & Reed rebranded with a new logo and further simplified their plan name to *Ivy InvestEd 529 Plan*.

Investment Options

The Ivy InvestEd 529 Plan (InvestEd Plan) is offered by Waddell & Reed as part of the Arizona Family College Savings Program. The InvestEd Plan offers multiple investment options, including:

- 1) Six Age-Based Portfolios (Waddell & Reed Advisors and Ivy Funds family)
- 2) Six Static Portfolios (Waddell & Reed Advisors and Ivy Funds family)
- 3) Twenty Individual Fund Portfolios (Ivy Funds family)

A plan participant may select an Age-Based Portfolio, a Static Portfolio, an Individual Fund Portfolio, or a combination of these options.

### Age-Based Portfolios

The Age-Based Portfolios are based on a beneficiary's college time horizon and seek an appropriate level of investment risk for the planned number of years prior to college attendance. Organized as a "fund of funds", the Age-Based Portfolios diversify investments across a variety of mutual funds within the Waddell & Reed Advisors Funds family. The Age-Based Portfolios consist of the Aggressive Portfolio (ages 0 through 4), the Growth Portfolio (ages 5 through 8), the Balanced Portfolio (ages 9 through 11), the Conservative Portfolio (ages 12 through 14), the Income Portfolio (ages 15 through 18), and the Fixed Income Portfolio (ages 19 and older). Each portfolio is a series of Ivy InvestEd Plan Portfolios.

### Static Portfolios

The Static Portfolios option offers the actively managed Age-Based portfolios listed above but allows the investor to stay in the chosen investment portfolio based on risk tolerance. Unlike the Age-Based Portfolios, an investment in a Static Portfolio will not automatically change as the beneficiary grows older.

A graphic representation of both the Age-Based and Static Portfolios follows.



**(Figure 16) Ivy InvestEd 529 Plan Age-Based and Static Portfolios**

## Ivy InvestEd 529 Plan Age-Based &amp; Static Portfolios

**Aggressive Portfolio**

0 - 4 YEARS OLD  
 ● 58% U.S. Equity  
 ● 32% International Equity  
 ● 10% Fixed Income

**Growth Portfolio**

5 - 8 YEARS OLD  
 ● 49% U.S. Equity  
 ● 26% International Equity  
 ● 25% Fixed Income

**Balanced Portfolio**

9 - 11 YEARS OLD  
 ● 40% U.S. Equity  
 ● 20% International Equity  
 ● 40% Fixed Income

**Conservative Portfolio**

12 - 14 YEARS OLD  
 ● 27% U.S. Equity  
 ● 13% International Equity  
 ● 60% Fixed Income

**Income Portfolio**

15 - 18 YEARS OLD  
 ● 18% U.S. Equity  
 ● 7% International Equity  
 ● 75% Fixed Income

**Fixed Income Portfolio**

19+ YEARS OLD  
 ● 100% Fixed Income

**Individual Fund Portfolios - Ivy Funds**

In addition to the six Age-Based portfolios, the InvestEd Plan offers individual mutual funds from the Ivy Funds family. These mutual funds give financial advisors and plan participants more choice and pricing flexibility. The offered funds include domestic, international and global equity funds, specialty funds, and fixed-income funds offered through a combination of investment managers. The following is a list of the mutual fund options offered through the Ivy Funds family:

**U.S. Equity Funds**

Ivy Core Equity Fund  
 Ivy Dividend Opportunities Fund  
 Ivy Large Cap Growth Fund  
 Ivy ProShares Russell 2000 Dividend  
 Growers Index Fund  
 Ivy ProShares S&P 500 Dividend  
 Aristocrats Index Fund

Ivy Mid Cap Growth Fund  
 Ivy Small Cap Growth Fund

**Global/International Equity Funds**

Ivy International Core Equity Fund  
 Ivy ProShares MSCI ACWI Index Fund

**Fixed Income Funds**

Ivy Advantus Bond Fund  
 Ivy Government Money Market Fund  
 Ivy High Income Fund  
 Ivy Limited-Term Bond Fund  
 Ivy ProShares Interest Rate Hedged  
 High Yield Index Fund  
 Ivy ProShares S&P 500 Bond Index  
 Fund

**Specialty Funds**

Ivy Advantus Real Estate Securities  
 Fund  
 Ivy Asset Strategy Fund  
 Ivy Global Income Allocation Fund  
 Ivy Natural Resources Fund  
 Ivy Science and Technology Fund

For a list of Waddell & Reed's InvestEd Plan portfolio allocations refer to Appendix C.

**Provider Results (Investment Results and Plan Growth)**

In 2017, the Waddell & Reed InvestEd Plan delivered modest positive returns although several portfolios trailed their benchmark indices with a small handful of portfolios outperforming their corresponding bond or equities benchmark. The equity markets rose significantly during 2017. The S&P 500 index had gained 16% by mid-year and ended the year climbing even higher after Congress pushed through tax reform legislation. Although the volatility in fixed income markets remained near historic lows, bond prices struggled throughout the period finishing roughly flat for the year. The Federal Open Market Committee minimized market disruption by clearly communicating pending rate changes prior to raising the federal funds rate several times during the year, resulting in a year-end level rate of 1.25% - 1.5%. In terms of contributions to the AFCSP, Waddell & Reed realized a 3.9% decrease in the number of funded accounts from 2016 to 2017. By the end of 2017, InvestEd Plan assets under management had increased by 12% from the previous year to \$633 million. The InvestEd Plan realized an average account retention rate of 95% and an average assets-under-management retention rate of 95% for 2017. Similar to Fidelity Investments, these high retention rates signify that Waddell & Reed is providing the quality of products and services its clientele are seeking and is able to retain investors in the AFCSP.

As of December 31, 2017, the InvestEd Plan rate of return on investments ranged anywhere from 29.5% for Ivy Science and Technology Fund, inclusive of sales load, to a -0.95% in the Ivy Limited Term Bond Fund, inclusive of sales load. Figure 17 illustrates the InvestEd Plan's 1-Year, 3-Year, 5-Year, 10-Year and Life of Portfolio performances for the AFCSP year ending June 30, 2017. In addition to promoting the Ivy InvestEd 529 Plan through the Waddell & Reed advisor network, Waddell & Reed continues to actively seek affiliate agreements with other distributors and investment firms to expand its marketing capacity.

**(Figure 17) Waddell & Reed InvestEd 529 Plan Average Annual Returns**Average Annual Total Returns as of June 30, 2017<sup>1,2,3</sup>

	Class	Including Sales Charges <sup>4</sup>					Excluding Sales Charges				
		Annualized Returns %					Annualized Returns %				
		1-Year	3-Year	5-Year	10-Year	Inception	1-Year	3-Year	5-Year	10-Year	Inception
<b>AGE-BASED<sup>5</sup> AND STATIC PORTFOLIOS</b>											
InvestEd Growth	A	9.25	3.40	8.99	5.44	10/01/01	15.92	5.46	10.29	6.06	10/01/01
Growth Benchmark prior to 9/18/17 <sup>6</sup>		14.61	6.72	11.12	6.05		14.61	6.72	11.12	6.05	
Growth Benchmark after 9/18/17 <sup>6</sup>		14.39	5.67	9.92	5.72		14.39	5.67	9.92	5.72	
InvestEd Balanced	A	4.91	1.76	6.51	4.19	10/01/01	11.31	3.79	7.79	4.81	10/01/01
Balanced Benchmark prior to 9/18/17 <sup>7</sup>		10.61	6.16	9.20	6.20		10.61	6.16	9.20	6.20	
Balanced Benchmark after 9/18/17 <sup>7</sup>		11.53	5.19	8.54	5.71		11.53	5.19	8.54	5.71	
InvestEd Conservative	A	1.14	0.28	4.04	4.15	10/01/01	5.67	1.75	4.94	4.60	10/01/01
Conservative Benchmark prior to 9/18/17 <sup>8</sup>		3.16	4.04	4.74	5.43		3.16	4.04	4.74	5.43	
Conservative Benchmark after 9/18/17 <sup>8</sup>		7.82	4.41	6.58	5.46		7.82	4.41	6.58	5.46	
<b>INDIVIDUAL FUND PORTFOLIOS</b>											
<b>U.S. Equity Funds</b>											
Ivy Core Equity	E	4.23	1.69	9.56	5.95	04/02/07	10.56	3.72	10.86	6.58	04/02/07
S&P 500 Index		17.90	9.61	14.63	7.18		17.90	9.61	14.63	7.18	
Ivy Dividend Opportunities	E	4.39	2.23	9.12	3.99	04/02/07	10.74	4.27	10.41	4.60	04/02/07
Russell 1000 Index		18.03	9.26	14.67	7.29		18.03	9.26	14.67	7.29	
Ivy Large Cap Growth	E	12.49	7.03	12.49	7.47	04/02/07	19.37	9.16	13.83	8.11	04/02/07
Russell 1000 Growth Index		20.42	11.11	15.30	8.91		20.42	11.11	15.30	8.91	
Ivy Mid Cap Growth	E	10.58	3.14	9.73	7.05	04/02/07	17.31	5.20	11.03	7.69	04/02/07
Russell Mid Cap Growth Index		17.05	7.83	14.19	7.87		17.05	7.83	14.19	7.87	
Ivy Small Cap Growth	E	17.04	6.24	12.07	8.17	04/02/07	24.17	8.36	13.41	8.81	04/02/07
Russell 2000 Growth Index		24.40	7.64	13.98	7.82		24.40	7.64	13.98	7.82	
<b>Global/ International Equity Funds</b>											
Ivy International Core Equity	E	14.93	0.11	8.58	2.83	04/02/07	21.93	2.11	9.87	3.44	04/02/07
MSCI EAFE Index		20.27	1.15	8.69	1.03		20.27	1.15	8.69	1.03	

<sup>1</sup> The following Ivy InvestEd 529 Plan investment options became available in the Ivy InvestEd 529 Plan on 9/18/17: InvestEd Aggressive, InvestEd Income, InvestEd Fixed Income, Ivy ProShares Russell 2000 Div Growers Index, Ivy ProShares SP500 Div Aristocrats Index, Ivy ProShares MSCI ACWI Index, Ivy ProShares Interest Rate Hedged High Yield Index, and Ivy ProShares S&P 500 Bond Index. Updated performance information is available online at [ivyinvestments.com](http://ivyinvestments.com)

<sup>2</sup> The performance data shown represents past performance. Past performance is not a guarantee of future results. Investment returns and principal value will fluctuate, so that investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited.

<sup>3</sup> A \$20 account maintenance fee is not included in the calculations.

<sup>4</sup> Assumes the maximum sales load charged for each applicable share class. Assumes a complete redemption at the end of the reported periods and the deduction of all nonrecurring charges deducted at the end of each period.

Average Annual Total Returns as of June 30, 2017<sup>1,2,3</sup>

	Class	Including Sales Charges <sup>4</sup>					Excluding Sales Charges				
		1-Year	3-Year	5-Year	10-Year	Inception	1-Year	3-Year	5-Year	10-Year	Inception
<b>INDIVIDUAL FUND PORTFOLIOS</b> (Continued)											
<b>Fixed Income Funds</b>											
Ivy Advantus Bond	E	-3.48	0.77	1.79	3.12	04/02/07	2.45	2.78	3.01	3.74	04/02/07
Bloomberg Barclays U.S. Aggregate Bond Index		-0.31	2.48	2.21	4.48		-0.31	2.48	2.21	4.48	
Ivy Government Money Market	E	0.03	0.02	0.02	0.51	04/02/07	0.03	0.02	0.02	0.51	04/02/07
No Benchmark											
Ivy High Income	E	7.73	1.08	4.96	6.84	04/02/07	14.36	3.08	6.21	7.47	04/02/07
Bank of America Merrill Lynch High Yield Index		12.75	4.48	6.91	7.54		12.75	4.48	6.91	7.54	
Ivy Limited-Term Bond	E	-2.15	0.19	0.40	2.80	04/02/07	0.35	1.04	0.92	3.06	04/02/07
Bloomberg Barclays 1-5 Year U.S. Government/Credit Index		0.11	1.35	1.29	2.97		0.11	1.35	1.29	2.97	
<b>Specialty Funds</b>											
Ivy Advantus Real Estate Securities	E	-8.80	5.39	7.18	4.22	04/02/07	-3.23	7.49	8.45	4.84	04/02/07
Wilshire U.S. Real Estate Securities Index		-1.21	8.83	9.70	5.70		-1.21	8.83	9.70	5.70	
Ivy Asset Strategy	E	0.76	-5.59	3.13	3.74	04/02/07	6.89	-3.70	4.36	4.35	04/02/07
S&P 500 Index		17.90	9.61	14.63	7.18		17.90	9.61	14.63	7.18	
Bloomberg Barclays U.S. Aggregate Bond Index		-0.31	2.48	2.21	4.48		-0.31	2.48	2.21	4.48	
Bloomberg Barclays U.S. Treasury Bills: 1-3 Month Index		0.45	0.20	0.14	0.50		0.45	0.20	0.14	0.50	
Ivy Global Income Allocation	E	6.27	-0.28	5.01	2.17	04/02/07	12.77	1.70	6.26	2.77	04/02/07
60% MSCI World High Dividend Yield/40% Barclays Multiverse Index		6.37	1.90	6.09	3.52		6.37	1.90	6.09	3.52	
Ivy Natural Resources	E	-5.11	-14.44	-3.09	-5.55	04/02/07	0.71	-12.72	-1.94	-4.99	04/02/07
MSCI ACWI IMI 55%Energy+ 45% Materials Index		10.36	-6.66	1.11	-0.41		10.36	-6.66	1.11	-0.41	
Ivy Science and Technology	E	23.09	2.09	13.19	9.63	04/02/07	30.59	4.13	14.54	10.28	04/02/07
S&P North American Technology Sector Index		33.11	16.47	18.72	11.11		33.11	16.47	18.72	11.11	

<sup>5</sup> Assets invested in applicable portfolios on behalf of particular beneficiaries are automatically transferred to another portfolio when beneficiaries reach a specified age, and may not remain invested in the referenced portfolio for a portion of the period reported in the performance chart.

<sup>6</sup> Growth Benchmark prior to 9/18/17 = 60% S&P 500 + 20% MSCI EAFE + 20% BB US Agg Bond. Growth Benchmark after 9/18/17 = 6% Barclays US Govt/Credit 1-5 Yr + 19% Barc US Universal + 24% MSCI ACWI ex USA + 51% Russell 3000.

<sup>7</sup> Balanced Benchmark prior to 9/18/17 = 50% S&P 500 + 10% MSCI EAFE + 40% BB US Agg Bond. Balanced Benchmark after 9/18/17 = 9% Barclays US Govt/Credit 1-5 Yr + 31% Barc US Universal + 18% MSCI ACWI ex USA + 42% Russell 3000.

<sup>8</sup> Conservative Benchmark prior to 9/18/17 = 20% S&P 500 + 80% BB US Agg Bond. Conservative Benchmark after 9/18/17 = 14% Barclays US Govt/Credit 1-5 Yr + 46% Barc US Universal + 11% MSCI ACWI ex USA + 29% Russell 3000.

In late October 2017, Morningstar issued its annual 529 plan ratings and again gave Waddell & Reed an overall negative rating. Morningstar gave Waddell & Reed two upgraded scores, resulting in a positive Price and a neutral Process. However, they continued to be rated as neutral in the categories of Performance and People, and negative in the Parent category. Morningstar cited significant improvements over the last year, including the lowering of fees and reducing the size of the equity step-downs in the age-based track thereby decreasing asset-allocation changes. Although Morningstar noted several positive steps the firm has taken to become more institutional-focused after personnel departures in the last few years, including rebuilding its analyst staff, appointing heads of research and risk management, and transitioning many funds to a team-managed structure, a negative rating in the parent category persisted. The rating agency

sees the changes as largely positive, but would like to see more stability in the investment teams. These comments echo Morningstar's 2016 evaluation which also noted positive changes at the firm and praised the newly appointed CEO for implementing sensible changes such as hiring a chief risk officer and appointing a dedicated director of research, stating that while these were steps in the right direction, it was too early to judge a turnaround. There no longer seem to be lingering concerns about Arizona's disengagement and lack of plan oversight as this topic was not mentioned in the 2017 rating assessment. In response to the negative evaluation of 2016, Waddell & Reed management delivered a multi-faceted improvement plan to address Morningstar's concerns at both the January 2017 Oversight Committee meeting and the February 2017 Commission meeting. Proposed steps for improvement were discussed thoroughly among committee members and the Commissioners to their satisfaction. The proposed plan included improved communications with Morningstar, implementing more age-based portfolios to improve the rate of capital preservation during asset allocation changes, and including less expensive index fund options. At the direction of the Trustees, Waddell & Reed continued working closely with the Oversight Committee, Commission Staff and Capital Cities to evaluate, design and implement a significantly improved advisor-sold college savings program for investors. Waddell & Reed spent much of 2017 improving its communication relationship with Morningstar and sharing updates of these efforts with Oversight Committee and the Commission members. During the July and August respective Oversight Committee and Commission meetings, the committee members and Trustees reviewed and approved the revised product menu line up and enhancements as part of a new four-year contract cycle with Waddell & Reed. The new line-up of expanded investment options and cost-saving features were implemented in September 2017.

According to Savingforcollege.com in its most recent quarterly review, Ivy InvestEd 529 Plan, the largest 529 plan sponsored by Arizona, was named as one of the top 10 best performing advisor-sold 529 plans during each of the standard evaluation time periods ended December 31, 2017. Out of 28 plans evaluated, Arizona's Ivy InvestEd 529 Plan was ranked number two in 1-year performance, number seven in 3-year performance, number nine in 5-year performance, and number two in the 10-year performance period. Since 2010, Ivy Investments has also appeared as a strong performing Fund Family in *Barron's* annual ranking of the "*Best Mutual Fund Families*". Traditionally falling in the top five of the 10-year ranking, the most recent report issued in February of 2016 listed Ivy Investments as number 3 out of 53 firms. The *Barron's* and Savingforcollege.com ranking reports follow on the next five pages.

## Barron's Best Mutual Fund Families 2016

### 10-Year Ranking: Pimco Again, Plus Strong Showings from MFS

The 10-year ranking shows more consistency; Pimco was No. 1 last year, as well, and MFS was No. 2. AMG slipped just two spots, making room for little-known RidgeWorth Funds, which oversees \$40 billion. Manning & Napier holds steady at the bottom on both our five- and 10-year lists, as it did last year.

Rank	Family	Weighted Score	Rank	Family	Weighted Score	Rank	Family	Weighted Score
1.	Pimco	86.92	19.	Lord Abbett	61.97	37.	BNY Mellon/Dreyfus	51.86
2.	MFS Investment Management	79.91	20.	Franklin Templeton Investments	61.02	38.	Thrivent Financial	51.62
3.	Ivy Investment Management	76.67	21.	American Funds	60.94	39.	Goldman Sachs Asset Management	51.07
4.	RidgeWorth Funds	76.60	22.	Hartford Funds	60.17	40.	OppenheimerFunds	50.61
5.	Affiliated Managers Group	74.42	23.	MainStay Funds	59.92	41.	Putnam Investment Management	50.36
6.	J.P. MorganAsset Management	74.25	24.	Fidelity Management & Research	59.43	42.	Foresters Investment Management	50.19
7.	T. Rowe Price	73.19	25.	Eaton Vance	59.12	43.	Northern Trust Investments	49.86
8.	John Hancock	72.80	26.	Dimensional Fund Advisors	58.03	44.	USAA Asset Management	47.60
9.	Vanguard Group	71.84	27.	Virtus Investment Partners	57.68	45.	Pioneer Investment Management	47.57
10.	Invesco	69.78	28.	Principal Management	57.60	46.	Federated Investors	45.59
11.	Nuveen Fund Advisors	68.19	29.	American Century Investment Mgmt	57.35	47.	Nationwide Fund Advisors	45.04
12.	Wells Fargo Funds Management	67.78	30.	State Street Bank & Trust	57.25	48.	UBS Asset Management	42.94
13.	Waddell & Reed Investment Mgmt	67.31	31.	Charles Schwab Investment Mgmt	56.84	49.	Russell Investments	39.64
14.	Delaware Management	67.01	32.	Legg Mason	55.91	50.	State Farm Investment Mgmt	39.13
15.	Columbia Threadneedle Investments	65.02	33.	PNC Funds	54.45	51.	SEI Investments	38.05
16.	Prudential Investments	63.58	34.	Guggenheim Investments	53.59	52.	Deutsche Asset & Wealth Mgmt	37.44
17.	BlackRock	62.58	35.	Victory Capital Management	53.13	53.	Manning & Napier Advisors	30.36
18.	TIAA	62.55	36.	AllianceBernstein	53.12			

Source: <http://online.wsj.com/public/resources/documents/FundFamilies5And10YearRanking.pdf>





Plan Composite Performance Rankings as of December 31, 2017  
 Advisor-sold 529 Plans  
 Ranked by 1 Yr performance **including** max sales charges (Class A)

The Savingforcollege.com Plan Composite Rankings are derived using the plans' relevant portfolio performance in seven unique asset allocation categories. The asset allocation categories used are 100% Equity, 80% Equity, 60% Equity, 40% Equity, 20% Equity, 100% Fixed, and 100% Short Term. The plan composite ranking is determined by the average of its performance score in the seven categories.

Rank	Plan	Performance Score
1	North Dakota: College SAVE (Advisor)	37.62
2	Arizona: Ivy InvestEd 529 Plan	50.31
3	Indiana: CollegeChoice Advisor 529 Savings Plan	63.73
4	West Virginia: The Hartford SMART529	64.10
5	Illinois: Bright Directions Advisor-Guided 529 College Savings Program	70.56
6	Oklahoma: Oklahoma Dream 529 Plan	71.74
7	Maine: NextGen College Investing Plan – Client Select Series	71.82
8	Nebraska: Nebraska Education Savings Trust – Advisor College Savings Plan	72.22
9	South Dakota: CollegeAccess 529 (Advisor-sold)	74.25
10	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	75.30
11	Alabama: CollegeCounts 529 Fund Advisor Plan	75.63
12	Colorado: Scholars Choice College Savings Program	75.98
13	New York: New York's 529 Advisor-Guided College Savings Plan	77.42
14	Alaska: John Hancock Freedom 529	78.98
15	Wisconsin: Tomorrow's Scholar 529 Plan	79.56
16	Virginia: CollegeAmerica	80.20
17	New Hampshire: Fidelity Advisor 529 Plan	80.26
18	Connecticut: Connecticut Higher Education Trust (CHET) – Advisor Plan	83.15
19	Ohio: BlackRock CollegeAdvantage Advisor 529 Savings Plan	83.30
20	Oregon: MFS 529 Savings Plan	83.98
21	Texas: Lonestar 529 Plan	84.59
22	Iowa: IAdvisor 529 Plan	84.67
23	New Jersey: Franklin Templeton 529 College Savings Plan	85.92
24	Nevada: Putnam 529 for America	86.01
25	New Mexico: Scholar'sEdge	86.22
26	Nebraska: State Farm College Savings Plan	86.73
27	Kansas: Learning Quest Advisor	88.42
28	Rhode Island: CollegeBound 529 (Advisor-sold)	93.25
-	Arkansas: iShares 529 Plan	NA
-	Michigan: MI 529 Advisor Plan	NA
-	Nevada: Wealthfront 529 College Savings Plan	NA

NA = Not Applicable = Program does not have at least one portfolio with sufficiently long performance in a minimum of four asset allocation categories under our ranking model.

The performance data underlying these rankings represents past performance and is not a guarantee of future performance. Current performance may be lower or higher than the performance data used. A plan portfolio's investment return and principal value will fluctuate so that an investor's shares or units, when redeemed, may be worth more or less than their original cost. Investors should carefully consider plan investment goals, risks, charges and expenses, by obtaining and reading the plan's official program description before investing. Investors should also consider whether their or their beneficiary's home state offers any tax or other benefits that are available for investments only in such state's 529 plan.

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Plan Composite Performance Rankings as of December 31, 2017  
 Advisor-sold 529 Plans  
 Ranked by 3 Yr performance including max sales charges (Class A)

The Savingforcollege.com Plan Composite Rankings are derived using the plans' relevant portfolio performance in seven unique asset allocation categories. The asset allocation categories used are 100% Equity, 80% Equity, 60% Equity, 40% Equity, 20% Equity, 100% Fixed, and 100% Short Term. The plan composite ranking is determined by the average of its performance score in the seven categories.

Rank	Plan	Performance Score
1	North Dakota: College SAVE (Advisor)	45.85
2	Indiana: CollegeChoice Advisor 529 Savings Plan	51.56
3	Nebraska: Nebraska Education Savings Trust – Advisor College Savings Plan	60.62
4	Illinois: Bright Directions Advisor-Guided 529 College Savings Program	63.00
5	Maine: NextGen College Investing Plan – Client Select Series	68.29
6	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	69.25
7	Arizona: Ivy InvestEd 529 Plan	70.38
8	West Virginia: The Hartford SMART529	70.49
9	Virginia: College America	72.67
10	Colorado: Scholars Choice College Savings Program	74.24
11	Wisconsin: Tomorrow's Scholar 529 Plan	75.37
12	Alaska: John Hancock Freedom 529	79.71
13	Oregon: MFS 529 Savings Plan	80.23
14	New Hampshire: Fidelity Advisor 529 Plan	81.07
15	New York: New York's 529 Advisor-Guided College Savings Plan	81.20
16	New Mexico: Scholar'sEdge	82.82
17	Ohio: BlackRock CollegeAdvantage Advisor 529 Savings Plan	83.32
18	Alabama: CollegeCounts 529 Fund Advisor Plan	83.55
19	Connecticut: Connecticut Higher Education Trust (CHET) – Advisor Plan	83.71
20	South Dakota: CollegeAccess 529 (Advisor-sold)	85.61
21	Iowa: IAdvisor 529 Plan	87.04
22	Oklahoma: Oklahoma Dream 529 Plan	88.02
23	Texas: Lonestar 529 Plan	88.94
24	Nevada: Putnam 529 for America	89.09
25	New Jersey: Franklin Templeton 529 College Savings Plan	89.16
26	Nebraska: State Farm College Savings Plan	92.65
-	Arkansas: iShares 529 Plan	NA
-	Kansas: Learning Quest Advisor	NA
-	Michigan: MI 529 Advisor Plan	NA
-	Nevada: Wealthfront 529 College Savings Plan	NA
-	Rhode Island: CollegeBound 529 (Advisor-sold)	NA

NA = Not Applicable = Program does not have at least one portfolio with sufficiently long performance in a minimum of four asset allocation categories under our ranking model.

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Plan Composite Performance Rankings as of December 31, 2017  
 Advisor-sold 529 Plans  
 Ranked by 5 Yr performance **including** max sales charges (Class A)

The Savingforcollege.com Plan Composite Rankings are derived using the plans' relevant portfolio performance in seven unique asset allocation categories. The asset allocation categories used are 100% Equity, 80% Equity, 60% Equity, 40% Equity, 20% Equity, 100% Fixed, and 100% Short Term. The plan composite ranking is determined by the average of its performance score in the seven categories.

Rank	Plan	Performance Score
1	Indiana: CollegeChoice Advisor 529 Savings Plan	27.52
2	Nevada: Putnam 529 for America	34.36
3	Maine: NextGen College Investing Plan – Client Select Series	51.44
4	North Dakota: College SAVE (Advisor)	53.29
5	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	54.88
6	Nebraska: Nebraska Education Savings Trust – Advisor College Savings Plan	56.95
7	Virginia: CollegeAmerica	57.20
8	Colorado: Scholars Choice College Savings Program	58.00
9	Arizona: Ivy InvestEd 529 Plan	58.21
10	Illinois: Bright Directions Advisor-Guided 529 College Savings Program	66.34
11	New Hampshire: Fidelity Advisor 529 Plan	67.57
12	Ohio: BlackRock CollegeAdvantage Advisor 529 Savings Plan	71.99
13	West Virginia: The Hartford SMART529	72.72
14	Oregon: MFS 529 Savings Plan	74.35
15	New Mexico: Scholar'sEdge	75.97
16	New York: New York's 529 Advisor-Guided College Savings Plan	77.40
17	Alaska: John Hancock Freedom 529	79.37
18	New Jersey: Franklin Templeton 529 College Savings Plan	80.41
19	Connecticut: Connecticut Higher Education Trust (CHET) – Advisor Plan	82.93
20	Oklahoma: Oklahoma Dream 529 Plan	85.09
21	Alabama: CollegeCounts 529 Fund Advisor Plan	86.20
22	Nebraska: State Farm College Savings Plan	86.64
23	Texas: Lonestar 529 Plan	89.77
24	South Dakota: CollegeAccess 529 (Advisor-sold)	92.69
-	Arkansas: iShares 529 Plan	NA
-	Iowa: IAdvisor 529 Plan	NA
-	Kansas: Learning Quest Advisor	NA
-	Michigan: MI 529 Advisor Plan	NA
-	Nevada: Wealthfront 529 College Savings Plan	NA
-	Rhode Island: CollegeBound 529 (Advisor-sold)	NA
-	Wisconsin: Tomorrow's Scholar 529 Plan	NA

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## Plan Composite Performance Rankings as of December 31, 2017

Advisor-sold 529 Plans

Ranked by 10 Yr performance **including** max sales charges (Class A)

The Savingforcollege.com Plan Composite Rankings are derived using the plans' relevant portfolio performance in seven unique asset allocation categories. The asset allocation categories used are 100% Equity, 80% Equity, 60% Equity, 40% Equity, 20% Equity, 100% Fixed, and 100% Short Term. The plan composite ranking is determined by the average of its performance score in the seven categories.

Rank	Plan	Performance Score
1	Virginia: CollegeAmerica	45.80
2	Arizona: Ivy InvestEd 529 Plan	46.21
3	Oregon: MFS 529 Savings Plan	47.50
4	North Dakota: College SAVE (Advisor)	49.07
5	Illinois: Bright Directions Advisor-Guided 529 College Savings Program	50.94
6	Colorado: Scholars Choice College Savings Program	52.65
7	Maine: NextGen College Investing Plan – Client Select Series	54.32
8	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	58.45
9	Alaska: John Hancock Freedom 529	59.73
10	West Virginia: The Hartford SMART529	64.83
11	New Jersey: Franklin Templeton 529 College Savings Plan	65.25
12	New Hampshire: Fidelity Advisor 529 Plan	76.17
13	South Dakota: CollegeAccess 529 (Advisor-sold)	84.34
14	New Mexico: Scholar'sEdge	85.37
15	Texas: Lonestar 529 Plan	97.53
-	Alabama: CollegeCounts 529 Fund Advisor Plan	NA
-	Arkansas: iShares 529 Plan	NA
-	Connecticut: Connecticut Higher Education Trust (CHET) – Advisor Plan	NA
-	Indiana: CollegeChoice Advisor 529 Savings Plan	NA
-	Iowa: IAdvisor 529 Plan	NA
-	Kansas: Learning Quest Advisor	NA
-	Michigan: MI 529 Advisor Plan	NA
-	Nebraska: Nebraska Education Savings Trust – Advisor College Savings Plan	NA
-	Nebraska: State Farm College Savings Plan	NA
-	Nevada: Putnam 529 for America	NA
-	Nevada: Wealthfront 529 College Savings Plan	NA
-	New York: New York's 529 Advisor-Guided College Savings Plan	NA
-	Ohio: BlackRock College Advantage Advisor 529 Savings Plan	NA
-	Oklahoma: Oklahoma Dream 529 Plan	NA
-	Rhode Island: CollegeBound 529 (Advisor-sold)	NA
-	Wisconsin: Tomorrow's Scholar 529 Plan	NA

NA = Not Applicable = Program does not have at least one portfolio with sufficiently long performance in a minimum of four asset allocation categories under our ranking model.

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## Fee and Expense Structure

Figure 18 illustrates the InvestEd Plan's fee and expense structure for the Age-Based, Static, and Individual portfolios through Ivy Investments. As of December 31, 2017 the InvestEd Plan's total annual asset-based fees for the Age-Based and Static portfolios range from 0.78% for the InvestEd Fixed Income portfolio to 1.02% for the InvestEd Aggressive portfolio. The InvestEd Plan's Individual portfolios fee and expense structures ranged from 0.60% for the Ivy ProShares S&P 500 Bond Index Fund to 1.43% for the Ivy Advantus Real Estate Securities Fund. In 2017, the maximum sales charge structure was simplified across all equity funds and reduced to 2.5% for purchases under \$250,000 and 0.00% for purchases of \$250,000 or more.

**(Figure 18) Waddell & Reed InvestEd Fee and Expense Structure**

### Fees and Expenses

	Annual Asset-Based Fee					Additional Investor Expense	
	Estimated Underlying Fund Expense <sup>1</sup>	Program Manager Fee	State Fee <sup>2</sup>	Annual Distribution Fee <sup>3</sup>	Total Annual Asset-Based Fees <sup>4</sup>	Maximum Sales Charge (load) <sup>5</sup>	Annual Account Fee <sup>6</sup>
<b>Age-Based and Static Portfolios</b>							
InvestEd Aggressive	0.77%	None	None	0.25%	1.02%	2.50%	\$20
InvestEd Growth	0.77%	None	None	0.25%	1.02%	2.50%	\$20
InvestEd Balanced	0.71%	None	None	0.25%	0.96%	2.50%	\$20
InvestEd Conservative	0.66%	None	None	0.25%	0.91%	2.50%	\$20
InvestEd Income	0.61%	None	None	0.25%	0.86%	2.50%	\$20
InvestEd Fixed Income	0.53%	None	None	0.25%	0.78%	2.50%	\$20
<b>Individual Fund Portfolios</b>							
<b>U.S. Equity Funds</b>							
Ivy Core Equity	0.88%	None	None	0.25%	1.13%	2.50%	\$20
Ivy Dividend Opportunities	0.88%	None	None	0.25%	1.13%	2.50%	\$20
Ivy Large Cap Growth	0.90%	None	None	0.25%	1.15%	2.50%	\$20
Ivy Mid Cap Growth	1.05%	None	None	0.25%	1.30%	2.50%	\$20
Ivy ProShares Russell 2000 Div Growers Index	0.55%	None	None	0.25%	0.80%	2.50%	\$20
Ivy ProShares SP500 Div Aristocrats Index	0.50%	None	None	0.25%	0.75%	2.50%	\$20
Ivy Small Cap Growth	1.10%	None	None	0.25%	1.35%	2.50%	\$20
<b>Global/ International Equity Funds</b>							
Ivy International Core Equity	1.03%	None	None	0.25%	1.28%	2.50%	\$20
Ivy ProShares MSCI ACWI Index	0.50%	None	None	0.25%	0.75%	2.50%	\$20
<b>Fixed Income Funds</b>							
Ivy Advantus Bond	0.77%	None	None	0.25%	1.02%	2.50%	\$20
Ivy Government Money Market	0.70%	None	None	None	0.70%	None	\$20
Ivy High Income	0.86%	None	None	0.25%	1.11%	2.50%	\$20
Ivy Limited-Term Bond	0.73%	None	None	0.25%	0.98%	2.50%	\$20
Ivy ProShares Interest Rate Hedged HY Index	0.65%	None	None	0.25%	0.90%	2.50%	\$20
Ivy ProShares S&P 500 Bond Index	0.35%	None	None	0.25%	0.60%	2.50%	\$20
<b>Specialty Funds</b>							
Ivy Advantus Real Estate Securities	1.18%	None	None	0.25%	1.43%	2.50%	\$20
Ivy Asset Strategy	0.75%	None	None	0.25%	1.00%	2.50%	\$20
Ivy Global Income Allocation	1.06%	None	None	0.25%	1.31%	2.50%	\$20
Ivy Natural Resources	1.02%	None	None	0.25%	1.27%	2.50%	\$20
Ivy Science and Technology	1.05%	None	None	0.25%	1.30%	2.50%	\$20

<sup>1</sup>For the InvestEd Aggressive, InvestEd Growth, InvestEd Balanced, InvestEd Conservative, InvestEd Income, and InvestEd Fixed Income Portfolios, the Portfolio will indirectly bear a pro rata share of the fees and expenses of each underlying fund in which it invests. Typically, the table above shows the Portfolio's indirect expense from investing in the underlying funds based on the allocation of the Portfolio's assets among the underlying funds during the Portfolio's last fiscal year. However, since some of the Portfolios did not exist or are being materially modified, the table shows the Portfolio's indirect expense of the underlying funds based on a model portfolio allocation. This expense may be higher or lower over time depending on the allocation of the Portfolio's assets among the underlying funds and the actual expenses of the underlying funds. The Total Annual Asset-Based Fee ratio shown in this table does not correlate to the expense ratio shown in the Financial Highlights table of the Prospectus because that ratio does not include the Acquired Fund Fees and Expenses (Underlying Funds). Fees and expenses are subject to change at any time.

<sup>2</sup>No state fee is charged to Account Owners. Waddell & Reed pays to the ACPE a \$10 application fee for each Ivy InvestEd 529 Plan account that is opened to be used to offset administrative costs associated with the Trust. Waddell & Reed also pays a fee to the ACPE based upon a percentage of the average value of the assets invested in Ivy InvestEd 529 Plan accounts opened on or after November 18, 2006, at an annual rate of 0.15% for Ivy InvestEd 529 Plan assets invested in InvestEd Portfolios, and 0.10% on the first \$100 million of assets and 0.05% thereafter for Ivy InvestEd 529 Plan assets invested in the Ivy Funds. These fees are paid to the ACPE by Waddell & Reed and are not directly paid by the Account Owner.

<sup>3</sup>The annual distribution fee is the distribution and service (12b-1) fee assessed on the shares of InvestEd Portfolios and Ivy Funds that are included in an Ivy InvestEd 529 Plan account. A 12b-1 fee is not assessed on the underlying mutual funds included in the Age-Based or Static Portfolios.

<sup>4</sup>Total annual asset-based fees are assessed against assets over the course of the year and does not include sales charges, annual account maintenance fee, or enrollment fees. To see the total cost associated with the investment, please see the table below. Through July 31, 2018, Ivy Distributors, Inc. (IDI) the Ivy Funds' distributor, and Waddell & Reed Services Company, doing business as WI Services Company (WISC) the Ivy Funds' transfer agent, have contractually agreed to reimburse each of the individual portfolios sufficient 12b-1 and/or shareholder servicing fees to cap the expenses for Class E shares at the specified amounts. Prior to that date, the expense limitation may not be terminated by IFDI, WISC or the Board of Trustees. Waivers during future periods are subject to the discretion of IDI and WISC.

<sup>5</sup>The chart on page 19 shows the breakpoint amount for sales charges of shares.

<sup>6</sup>An annual account maintenance fee of \$20 per account is automatically deducted from your account each year in December (or upon liquidation of the account prior to December). The account maintenance fee will not be prorated for accounts that are not owned for the full year in which the fee is deducted. The account maintenance fee will be waived for all Accounts that meet at least one of the following conditions: the Account Owner or Designated Beneficiary is a resident of Arizona; or the Account balance is \$25,000 or greater at the time the account maintenance fee is deducted from the Account; or the Account Owner qualifies for NAV treatment as specified on page 19 under the section "Shares may be purchased at NAV" or accounts enrolled with automatic investment or Automatic Investment Service (AIS).

**Note:** Page number listed in footnotes can be found in the September 2017 Ivy InvestEd 529 Plan Program Overview.



## Conclusion

This report reflects the actions taken by the ACPE Commissioners and Oversight Committee to strengthen and maintain the Arizona Family College Savings Program for the benefit of families. Advancement of the Arizona Family College Savings program in 2017 included reduced sales load fees, a wider variety of investment options, reduced mutual fund expense fees, a reduced advisor-sold minimum amount to participate, and the growth of the Arizona 529 public awareness campaign. The expertise and collaboration of the Oversight Committee and independent investment consultant Capital Cities assured the continued integrity of the Arizona Family College Savings Program. The continued health and success of the Program was maintained through diligent oversight of program manager contracts, compliance with industry regulatory requirements, and execution and follow-up of a rigorous annual provider review.

Much progress was accomplished this year. As Arizona's direct-sold mutual fund investment option, Fidelity Investments maintained its Bronze rating with a continued recognition of its tactical asset-allocation approach and reduced fees. Despite Morningstar's negative rating of Waddell & Reed, the rating agency recognized the significant changes made to advisor-sold investment plan to reduce costs, reduce risk and improve options for account owners. Waddell & Reed's organizational structure changes and 529 investment plan enhancements have poised the Ivy InvestEd 529 Plan for a more favorable review in 2018. The Commission staff and the Oversight Committee worked closely with Capital Cities, the independent investment consultant, and program partner Waddell & Reed to develop and implement an improved advisor-sold program investment menu. Capital Cities, the Oversight Committee, and the Commissioners have closely monitored the improvement plan implementation and have been satisfied with the overall results to date. Plan assets continued to increase in 2017 with new Arizona 529 plan accounts being opened in addition to healthy investment performance gains in the market throughout the year. Providing flexible initial terms within a seven-year contract for all three program providers allows the AFCSP to achieve an operational stability that should endure for the upcoming years. Furthermore, the program managers have continued to strengthen the 529 plan by reducing expenses to the program, providing resources to improve investor knowledge, and improved technology for participant access.

All aspects of administration of the Arizona Family College Savings Program (AFCSP) continue to progress. For example, as the program has matured we are able to support more public awareness activities and events to encourage Arizona families to save for college. Promotions of 529 Day, College Savings Month, Gift Giving Season and the broad digital reach of social media continue to make inroads into educating the public regarding the benefits of the Arizona 529 savings plan. The Oversight Committee is focused on continued program improvement in order to make the AFCSP one of the leading plans in the nation.

Results of these improvements are supported by Arizona families in a July 2017 survey by Fidelity Investments. Fidelity Investments collects this information regarding college savings behavior through their annual *College Savings IQ Survey* and provides the results of this research to the Commission. This report found that saving for college has moved

up and is now a parent's second priority, behind saving for retirement. Additional good news is that the number of parents saving and planning is at an all-time high with 69 percent of Arizona parents surveyed stating they have started saving for college, up from 64 percent in 2016. According to the study, 44 percent of Arizona parents reported they are saving for college in a dedicated 529 college savings plan. National survey data shows that 93 percent of 529 plan owners believe that saving in a dedicated college savings account helps them to stay on track with their college goals. Of the Arizona families who reported saving regularly, 57 percent said they were saving \$250 per month. The study also found that 76 percent of Arizona parents were motivated to save by concerns about their child taking on significant student loan debt.

In conclusion, since its inception in 1999, the Arizona Family College Savings Program has judiciously implemented improvements designed to position the Program competitively in the 529 plan landscape. Key to this progress has been the valuable contributions of the Oversight Committee along with the stewardship exhibited by the ACPE Commissioners. Both the Governor's support and actions taken by the Arizona State Legislature have been critical to the success of the program. These actions have included legislation establishing the Arizona Family College Savings Program Trust Fund in 2004, strengthening the AFCSP Oversight Committee membership, providing Arizona residents the benefits of a tax-incentive in early 2008, extending the tax benefit into perpetuity and the increase of this tax benefit in 2013.

The ACPE Commissioners and staff will continue to identify improvements and support initiatives that will lead to the AFSCP mission of *educating and assisting Arizona families financially prepare for postsecondary education by providing quality college savings choices*. To request a copy of the Arizona Family College Savings Program's Annual Report please send an email to [acpe@azhighered.gov](mailto:acpe@azhighered.gov).

# Appendices

## APPENDIX A: FIDELITY ARIZONA COLLEGE SAVINGS PLAN PORTFOLIO – ASSET ALLOCATIONS

### Fidelity Funds Asset Allocations

Portfolio Weights as of December 31, 2017

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser- vative
<b>U.S. Equities</b>											
Fidelity Blue Chip Growth Fund	5.70	5.09	4.32	3.53	2.76	1.96	1.14	0.98	6.03	4.14	0.00
Fidelity Contrafund	3.79	3.39	2.87	2.35	1.83	1.30	0.76	0.65	4.01	2.75	0.00
Fidelity Growth Company Fund	8.26	7.35	6.24	5.10	3.98	2.83	1.65	1.42	8.71	5.98	0.00
Fidelity Large Cap Stock Fund	6.06	5.42	4.60	3.76	2.93	2.09	1.21	1.04	6.42	4.41	0.00
Fidelity Low-Priced Stock Fund	3.20	2.86	2.43	1.98	1.55	1.10	0.64	0.55	3.39	2.33	0.00
Fidelity Mega Cap Stock Fund	4.49	3.99	3.38	2.77	2.16	1.54	0.89	0.77	4.72	3.24	0.00
Fidelity Real Estate Investment Portfolio	0.94	0.84	0.72	0.59	0.46	0.32	0.19	0.16	0.99	0.69	0.00
Fidelity Stock Selector All Cap Fund	11.46	10.22	8.67	7.09	5.53	3.94	2.29	1.97	12.11	8.32	0.00
Fidelity Stock Selector Large Cap Value Fu	8.31	7.37	6.25	5.12	3.99	2.84	1.65	1.42	8.73	6.00	0.00
Fidelity Stock Selector Small Cap Fund	3.18	2.83	2.40	1.97	1.53	1.09	0.63	0.55	3.36	2.31	0.00
Fidelity Value Discovery Fund	8.26	7.38	6.26	5.12	3.99	2.84	1.65	1.42	8.74	6.01	0.00
<b>Non-U.S. Equities</b>											
Fidelity Canada Fund	1.00	0.90	0.78	0.66	0.53	0.41	0.27	0.25	1.03	0.73	0.00
Fidelity Diversified International Fund	10.74	9.67	8.35	7.04	5.71	4.34	2.93	2.66	11.02	7.81	0.00
Fidelity Emerging Markets Fund	9.49	8.62	7.65	6.61	5.62	4.49	3.18	2.99	8.70	6.64	0.00
Fidelity Overseas Fund	10.78	9.71	8.39	7.07	5.73	4.36	2.94	2.67	11.07	7.84	0.00
<b>Commodities</b>											
Fidelity Commodity Strategy Fund	1.28	2.02	2.03	2.04	2.05	2.06	2.07	2.08	0.99	1.00	0.00
<b>High Yield Debt</b>											
Fidelity High Income Fund	0.84	1.36	1.38	1.40	1.43	1.46	1.49	1.51	0.00	1.00	1.00
<b>Floating Rate Debt</b>											
Fidelity Floating Rate High Income Fund	0.14	0.19	0.22	0.22	0.23	0.24	0.25	0.25	0.00	0.49	0.50
<b>Emerging Market Debt</b>											
Fidelity New Markets Income Fund	0.34	0.47	0.57	0.59	0.61	0.63	0.65	0.70	0.00	0.49	0.50
<b>Real Estate Debt</b>											
Fidelity Real Estate Income Fund	0.27	0.46	0.41	0.42	0.43	0.45	0.47	0.48	0.00	0.73	0.50
<b>Investment Grade Debt</b>											
Fidelity Corporate Bond Fund	0.00	0.00	0.34	0.90	1.41	1.73	2.30	2.11	0.00	1.05	2.31
Fidelity Government Income Fund	0.00	0.00	1.23	3.18	4.88	5.98	8.01	7.32	0.00	3.62	7.93
Fidelity Investment Grade Bond Fund	0.00	7.22	15.53	17.98	20.39	22.87	22.29	28.06	0.00	18.02	21.61
Fidelity Mortgage Securities Fund	0.00	0.00	0.30	0.73	1.13	1.40	1.87	1.71	0.00	0.84	1.85
Fidelity Total Bond Fund	0.00	0.28	2.26	4.82	6.46	8.64	8.96	4.15	0.00	2.77	6.92
<b>Inflation Protected Debt</b>											
Fidelity Inflation-Protected Bond Fund	0.50	0.79	0.78	0.94	2.14	3.15	3.81	3.80	0.00	0.74	1.89
<b>Short Term Debt</b>											
Fidelity Investments Money Market Governme	0.79	1.25	1.29	4.48	7.59	11.31	18.23	19.31	0.00	0.00	42.83
Fidelity Short-Term Bond Fund	0.20	0.32	0.34	1.46	2.86	4.54	7.48	8.94	0.00	0.00	12.04
Net Other Assets	-0.01	0.01	0.03	0.05	0.07	0.08	0.10	0.10	-0.02	0.04	0.12



## APPENDIX A: FIDELITY ARIZONA COLLEGE SAVINGS PLAN PORTFOLIO – ASSET ALLOCATIONS

### Index Funds Asset Allocations

Portfolio Weights as of December 31, 2017

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser- vative
<b>U.S. Equities</b>											
Fidelity Total Market Index Fund Instituti	65.05	58.24	49.73	41.26	32.77	24.00	14.81	13.08	68.51	47.75	0.00
<b>Non-U.S. Equities</b>											
Fidelity International Index Fund Institut	28.57	25.65	21.97	18.29	14.59	10.77	6.84	6.08	30.10	21.12	0.00
<b>Commodities</b>											
Fidelity Commodity Strategy Fund	1.42	1.34	1.31	1.23	1.16	1.07	1.09	1.08	1.40	1.31	0.00
<b>Investment Grade Debt</b>											
Fidelity U.S. Bond Index Fund Institutiona	4.95	14.75	26.95	34.41	40.63	47.04	49.89	49.83	0.00	29.76	45.00
<b>Short Term Debt</b>											
Fidelity Investments Money Market Governme	0.00	0.00	0.00	4.73	10.76	17.01	27.25	29.81	0.00	0.00	54.87
Net Other Assets	0.00	0.02	0.05	0.07	0.09	0.11	0.12	0.13	-0.01	0.06	0.13

## APPENDIX A: FIDELITY ARIZONA COLLEGE SAVINGS PLAN PORTFOLIO – ASSET ALLOCATIONS

### Multi-Firm Asset Allocations

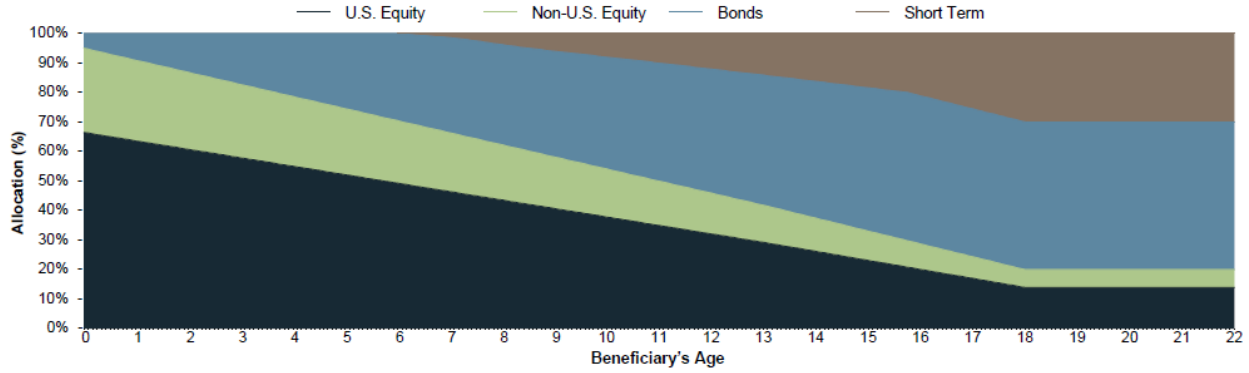
Portfolio Weights as of December 31, 2017

	2036	2033	2030	2027	2024	2021	2018	College
<b>U.S. Equities</b>								
AB Select U.S. Equity Portfolio Advisor CI	9.57	8.51	7.22	5.91	4.60	3.28	1.91	1.64
BBH Core Select Fund - Retail Class	5.12	4.55	3.86	3.16	2.46	1.75	1.02	0.88
Fidelity Growth Company Fund	6.32	5.65	4.80	3.92	3.06	2.18	1.27	1.09
Fidelity Large Cap Value Enhanced Index Fu	11.12	9.93	8.42	6.89	5.37	3.83	2.22	1.91
JPMorgan Small Cap Equity Fund Class R6	8.22	7.33	6.22	5.09	3.97	2.82	1.64	1.41
JPMorgan U.S. Equity Fund Class R6	18.43	16.45	13.96	11.42	8.91	6.34	3.69	3.17
Loomis Sayles Growth Fund	4.76	4.21	3.57	2.92	2.28	1.62	0.94	0.81
<b>Non-U.S. Equities</b>								
Acadian Emerging Markets Portfolio Institu	5.60	5.16	4.58	3.97	3.38	2.70	1.92	1.80
Causeway International Value Fund Institut	4.30	3.88	3.35	2.82	2.28	1.74	1.17	1.06
Fidelity Canada Fund	1.48	1.33	1.15	0.97	0.79	0.60	0.40	0.37
MFS International Value Fund Class I	4.78	4.32	3.72	3.13	2.54	1.93	1.30	1.18
MFS Research International Fund Class I	4.16	3.76	3.24	2.73	2.21	1.68	1.14	1.03
T. Rowe Price Emerging Markets Stock Fund	3.83	3.43	3.05	2.64	2.25	1.79	1.27	1.19
T. Rowe Price Overseas Stock Fund I Class	3.78	3.40	2.94	2.47	2.01	1.53	1.03	0.93
William Blair International Growth Fund CI	4.06	3.66	3.16	2.66	2.16	1.64	1.11	1.00
<b>Commodities</b>								
Credit Suisse Commodity Return Strategy Fu	0.94	1.46	1.47	1.48	1.50	1.50	1.51	1.51
PIMCO CommoditiesPLUS Strategy Fund Instit	0.33	0.53	0.56	0.57	0.55	0.55	0.55	0.55
<b>High Yield Debt</b>								
BlackRock High Yield Bond Fund Institution	0.30	0.48	0.48	0.49	0.50	0.51	0.52	0.52
Hotchkis & Wiley High Yield Fund Class I	0.30	0.47	0.48	0.49	0.49	0.51	0.52	0.52
MainStay High Yield Corporate Bond Fund CI	0.26	0.40	0.41	0.42	0.42	0.43	0.44	0.44
<b>Floating Rate Debt</b>								
Fidelity Floating Rate High Income Fund	0.14	0.19	0.21	0.22	0.23	0.24	0.24	0.25
<b>Emerging Market Debt</b>								
Fidelity New Markets Income Fund	0.35	0.49	0.56	0.57	0.59	0.62	0.64	0.69
<b>Real Estate Debt</b>								
Fidelity Real Estate Income Fund	0.27	0.45	0.41	0.42	0.44	0.45	0.46	0.47
<b>Investment Grade Debt</b>								
Fidelity Investment Grade Bond Fund	0.00	0.75	1.96	2.76	3.42	4.06	4.33	4.32
Fidelity Total Bond Fund	0.00	1.12	2.95	4.14	5.14	6.09	6.51	6.50
Metropolitan West Total Return Bond Fund C	0.00	1.50	3.93	5.52	6.85	8.12	8.68	8.67
PIMCO Total Return Fund Institutional Clas	0.00	1.50	3.93	5.53	6.86	8.13	8.69	8.68
Prudential Total Return Bond Fund Class Z	0.00	1.13	2.96	4.16	5.16	6.11	6.53	6.52
Western Asset Core Bond Fund Class I	0.00	1.50	3.93	5.53	6.86	8.13	8.69	8.68
<b>Inflation Protected Debt</b>								
PIMCO Real Return Fund Institutional Class	0.50	0.78	0.78	0.94	2.14	3.14	3.81	3.80
<b>Short Term Debt</b>								
Fidelity Conservative Income Bond Fund Ins	0.51	0.78	0.82	2.97	5.22	7.93	12.86	14.14
Fidelity Investments Money Market Governme	0.30	0.47	0.49	1.78	3.13	4.75	7.70	8.47
Fidelity Short-Term Bond Fund	0.20	0.31	0.33	1.19	2.08	3.16	5.12	5.63
Net Other Assets	0.08	0.10	0.12	0.13	0.14	0.16	0.17	0.17

## APPENDIX B: FIDELITY ARIZONA COLLEGE SAVINGS PLAN PORTFOLIO TARGET ASSET ALLOCATIONS

### Asset Allocations for Active Age-Based and Static Portfolios

#### Active Age-Based 529 Portfolios (Fidelity Funds and Multi-Firm Funds) Asset Allocation Rolldown\*

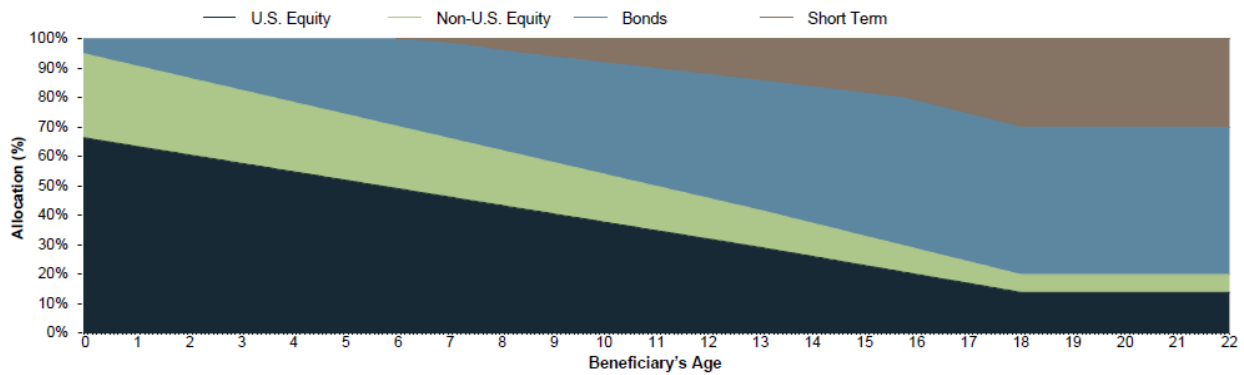


#### PORTFOLIO ALLOCATIONS

As of December 31, 2017

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser-vative
U.S. Equities	63.65%	55.75%	48.14%	39.39%	30.72%	21.86%	12.70%	10.92%	67.21%	45.18%	0.00%
Non-U.S. Equities	32.01%	28.90%	25.17%	21.38%	17.60%	13.60%	9.33%	8.56%	31.82%	23.03%	0.00%
Commodities	1.28%	2.02%	2.03%	2.04%	2.05%	2.06%	2.07%	2.08%	0.99%	1.00%	0.00%
Bonds	2.09%	10.76%	23.01%	31.20%	39.12%	46.54%	50.10%	50.09%	0.00%	29.75%	45.01%
High Yield Debt	0.84%	1.36%	1.38%	1.40%	1.43%	1.46%	1.49%	1.51%	0.00%	1.00%	1.00%
Floating Rate Debt	0.14%	0.19%	0.22%	0.22%	0.23%	0.24%	0.25%	0.25%	0.00%	0.49%	0.50%
Emerging Market Debt	0.34%	0.47%	0.57%	0.59%	0.61%	0.63%	0.65%	0.70%	0.00%	0.49%	0.50%
Real Estate Debt	0.27%	0.46%	0.41%	0.42%	0.43%	0.45%	0.47%	0.48%	0.00%	0.73%	0.50%
Investment Grade Debt	0.00%	7.49%	19.65%	27.62%	34.27%	40.62%	43.43%	43.35%	0.00%	26.30%	40.62%
Inflation Protected Debt	0.50%	0.79%	0.78%	0.94%	2.14%	3.15%	3.81%	3.80%	0.00%	0.74%	1.89%
Short Term Debt	0.99%	1.57%	1.63%	5.94%	10.45%	15.86%	25.70%	28.24%	0.00%	0.00%	54.87%

#### Age-Based 529 Portfolios (Fidelity Index Funds) Asset Allocation Rolldown\*



#### ACTUAL PORTFOLIO ALLOCATIONS

As of December 31, 2017

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser-vative
U.S. Equities	65.05%	58.24%	49.73%	41.26%	32.77%	24.00%	14.81%	13.08%	68.51%	47.75%	0.00%
Non-U.S. Equities	28.57%	25.65%	21.97%	18.29%	14.59%	10.77%	6.84%	6.08%	30.10%	21.12%	0.00%
Commodities	1.42%	1.34%	1.31%	1.23%	1.16%	1.07%	1.09%	1.08%	1.40%	1.31%	0.00%
Bonds	4.95%	14.75%	26.95%	34.41%	40.63%	47.04%	49.89%	49.83%	0.00%	29.76%	45.00%
Short Term Debt	0.00%	0.00%	0.00%	4.73%	10.76%	17.01%	27.25%	29.81%	0.00%	0.00%	54.87%

\*This chart illustrates the target asset allocations among stocks, bonds and short-term funds. This chart also illustrates how these allocations may change over time. The future target asset allocations may differ from this approximate illustration. Within the glide path graphic U.S. Equities represents the total of Commodities and U.S. Equities.

## APPENDIX C: WADDELL & REED IVY INVESTED 529 PLAN PORTFOLIO ASSET ALLOCATION

### Underlying Portfolio Holdings and Investment Ranges

	Aggressive	Growth	Balanced	Conservative	Income	Fixed Income
	Ages 0-4	Ages 5-8	Ages 9-11	Ages 12-14	Ages 15-18	Ages 19+
<b>US Equity Funds</b>	<b>50-65%</b>	<b>40-55%</b>	<b>30-45%</b>	<b>20-35%</b>	<b>10-25%</b>	
Ivy Core Equity Fund	0-25%	0-25%	0-25%	0-25%	0-25%	
Ivy Dividend Opportunities Fund	0-25%	0-25%	0-25%	0-25%	0-25%	
Ivy Large Cap Growth Fund	0-25%	0-25%	0-25%	0-25%	0-25%	
Ivy ProShares S&P 500 Dividend Aristocrats Index Fund	0-25%	0-25%	0-25%	0-25%	0-25%	
Ivy Value Fund	0-25%	0-25%	0-25%	0-25%	0-25%	
Ivy Mid Cap Growth Fund	0-10%	0-10%	0-10%	0-10%	0-10%	
Ivy Mid Cap Income Opportunities Fund	0-10%	0-10%	0-10%	0-10%	0-10%	
Ivy ProShares Russell 2000 Dividend Growers Index	0-10%	0-10%	0-10%	0-10%	0-10%	
Ivy Small Cap Core Fund	0-10%	0-10%	0-10%	0-10%	0-10%	
Ivy Small Cap Growth Fund	0-10%	0-10%	0-10%	0-10%	0-10%	
<b>Global/ International Equity Funds</b>	<b>20-50%</b>	<b>15-45%</b>	<b>10-35%</b>	<b>5-25%</b>	<b>0-20%</b>	
Ivy Global Growth Fund	0-30%	0-25%	0-25%	0-20%	0-15%	
Ivy International Core Equity Fund	0-30%	0-25%	0-25%	0-20%	0-15%	
Ivy ProShares MSCI ACWI Index Fund	0-30%	0-25%	0-25%	0-20%	0-15%	
Ivy Emerging Markets Equity Fund	0-15%	0-15%	0-15%	0-10%	0-5%	
Ivy LaSalle Global Real Estate Fund	0-15%	0-15%	0-10%	0-10%	0-5%	
<b>Fixed Income Funds</b>	<b>0-30%</b>	<b>5-45%</b>	<b>20-60%</b>	<b>35-75%</b>	<b>55-90%</b>	<b>100%</b>
<b>Investment Grade Bonds Funds</b>	<b>0-30%</b>	<b>5-40%</b>	<b>10-55%</b>	<b>20-75%</b>	<b>25-65%</b>	<b>0-25%</b>
Ivy Advantus Bond Fund	0-25%	0-25%	0-25%	0-35%	0-35%	0-10%
Waddell & Reed Advisors Bond Fund*	0-25%	0-25%	0-25%	0-35%	0-35%	0-10%
Waddell & Reed Advisors Government Securities Fund*	0-25%	0-25%	0-25%	0-35%	0-35%	0-10%
Ivy ProShares S&P 500 Bond Index	0-25%	0-25%	0-25%	0-35%	0-35%	0-10%
<b>Non-Investment Grade Bond Funds</b>	<b>0-10%</b>	<b>0-15%</b>	<b>0-25%</b>	<b>0-30%</b>	<b>0-25%</b>	<b>0-15%</b>
Ivy Apollo Strategic Income Fund	0-10%	0-15%	0-15%	0-20%	0-20%	0-10%
Ivy Global Bond Fund	0-10%	0-15%	0-15%	0-20%	0-20%	0-10%
Ivy High Income Fund	0-10%	0-15%	0-15%	0-20%	0-20%	0-10%
Ivy ProShares Interest Rate Hedged High Yield Index Fund	0-10%	0-15%	0-15%	0-20%	0-20%	0-10%
<b>Short-Term Bond Funds</b>	<b>0-10%</b>	<b>0-15%</b>	<b>0-20%</b>	<b>0-25%</b>	<b>25-40%</b>	<b>70-100%</b>
Ivy Government Money Market Fund	0-10%	0-15%	0-20%	0-25%	0-40%	0-70%
Ivy Limited-Term Bond Fund	0-10%	0-15%	0-20%	0-25%	0-40%	0-100%

\*Waddell & Reed Financial, Inc., parent firm to Waddell & Reed, Inc. and Ivy Distributors, Inc., announced that it intends to seek board approval to merge the funds in its WADDELL & REED ADVISORS FUNDS\* (WRA Funds) family into funds with substantially similar objectives and strategies in the affiliated IVY FUNDS® mutual funds family (Ivy Funds). The first phase will involve nine funds, including Waddell & Reed Advisors Bond Fund and Waddell & Reed Advisors Government Securities Fund, that are targeted to merge in early October.