



Arizona Commission for Postsecondary Education

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March 1, 2019

The Honorable Doug Ducey, Governor
The Honorable Karen Fann, President of the Senate
The Honorable Russell Bowers, Speaker of the House of Representatives
Ms. Susan Leach-Murray, State Documents Librarian

I have the honor of submitting the Arizona Family College Savings Program annual report on behalf of the Arizona Commission for Postsecondary Education (ACPE), as prepared by Deena Lager, Director of the Program. The 2018 annual report provides a calendar year overview of the AFCSP, an operating report, and an overview and analysis of the three program managers including investment options, growth in assets and accounts, performance, and fees.

The ACPE Commissioners (Trustees), staff, and Oversight Committee members are constantly seeking Program enhancements to attract even more families to start saving for college within the Program. In partnership with the three trusted and respected financial institutions and an independent investment consulting firm, the AFCSP continues to improve public awareness of the Program and provide a wide array of investment choices designed to meet the needs of all families who are seeking to financially prepare for college expenses.

Positive outcomes of these productive and stable partnerships in 2018 include: a) the AFSCP's FDIC-insured savings and CD products continue to offer the highest rates of return in the industry; b) the direct-sold mutual fund program no longer requires a minimum deposit to open an account; c) the advisor-sold mutual fund program has further reduced expenses; and d) Morningstar, one of the national 529 rating agencies, positively recognized the advisor-sold program for improvements made in recent years.

The AFCSP is an important program of the Commission that helps families plan and pay for college while contributing to the mission of *expanding access and increasing success in postsecondary education for Arizona citizens*. The ACPE staff is happy to provide further detailed information and answer any questions regarding the Arizona Family College Savings Program or this report.

Respectfully Submitted,

A handwritten signature in blue ink that reads "April L. Osborn".

Dr. April L. Osborn, Executive Director
Arizona Commission for Postsecondary Education

cc: Elizabeth Dagle, JLBC Fiscal Analyst
Kwesi Pasley, OSPB Budget Analyst
Paul Bergelin, House Education Research Analyst
Kelsey Jahntz, House Majority Policy Advisor
Brooke White, Senate Education Policy Advisor

ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION



Arizona Family College Savings Program

2018 ANNUAL REPORT

January 1, 2018 through December 31, 2018

Submitted by Deena Lager, Director of AFCSP
March 1, 2019

Arizona Family College Savings Program (AFCSP)

2018 Annual Report

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Arizona Family College Savings Program (AFCSP)

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

2018 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 to achieve a postsecondary education by educating Arizonans and offering well-managed student financial assistance programs. By statute, the Commission is charged with the administration of state and federal student grants, 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 2018 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 2018. 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. Through the Protecting Americans from Tax Hikes Act, Congress expanded the definition of qualified higher education expenses in 2015 to include computers, internet access, computer software and other related expenses. Effective January 1, 2018, the Tax Cuts and Jobs Act further expanded the definition of qualified higher education expenses to include up to \$10,000 annual in K-12 tuition-related expenses and allows families to rollover up to \$15,000 per year from a 529 college savings plan to a 529 ABLE account if the beneficiary is diagnosed with a significant disability. 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 educational 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 Trustees for the Arizona Family College Savings Program. They are representative of all sectors of postsecondary education and its constituencies. A membership roster follows.

Arizona Commission for Postsecondary Education (ACPE) Commissioners

John Arnold (By Position)
Executive Director
Arizona Board of Regents

Dr. Joel Kostman *
Campus Director
Pima Medical Institute

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

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

Frank Ayers *
Chancellor
Embry-Riddle Aeronautical University

Dr. Colleen Smith *
President
Coconino Community College

Jenifer Brumbach *
Director of Education
East Valley Medical College

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

Brian Capistran *
Superintendent
Glendale Union High School District

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

Susan Ciardullo *
Corporate Director, Community Outreach
West Coast Ultrasound Institute

Dr. Steven Gonzales *
President
Gateway Community College

Edward Vasko *
CEO
Terra Verde, LLC

Dr. Jody Johnson *
Superintendent
Pointe Schools

Dr. Michael Wright *
Superintendent
Blue Ridge Unified School District

Jill Kohler *
President
Penrose Academy

** 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.

Arizona Family College Savings Program Oversight Committee Members

Roger D. Curley *

Chairman
Curley & Allison LLP

Richard Luebke, Jr. (By Position)

Pima Medical Institute
State Board for Private Postsecondary
Education

Mark Swenson (By Position)

Deputy Treasurer
State Treasurer Office

Henry DeSpain *

MGKS

Serida Fong *

Charles Schwab

Jeffrey Ratje *

University of Arizona

Michael Rooney *

Sacks Tierney, PA

Mark P. Stein *, CFP

Galvin, Gaustad and Stein, LLC

Sally A. Taylor *, CPA, CFP, PFS

Keats Connelly & Associates, LLC

Vacant *

Public Member with knowledge, skill and experience in accounting, risk management or investment management or as an actuary

** 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.

AFCSP Investment Offerings¹	
College Savings Bank, a Division of NexBank SSB (direct-sold, FDIC-insured)	
<ul style="list-style-type: none"> • Fixed Rate CD: • Honors Savings Account: 	<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)	
<ul style="list-style-type: none"> • 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)	
<ul style="list-style-type: none"> • Six Age-Based Portfolios customized based on college-bound time horizon • Six Static Portfolio options in which investor selects risk level: fixed income, income, conservative, balanced, growth, or aggressive • Nineteen actively and passively managed Individual Fund Portfolios including domestic and international equity funds, specialty funds and fixed income funds 	
<p>¹ Details of individual offerings can be found at www.az529.gov</p>	

In an effort to proactively strengthen oversight practices, the Commission hired Capital Cities, Inc. as the AFCSP’s independent 529 investment consulting firm in August 2016. Capital Cities, based in Indianapolis, Indiana, has been providing investment consulting expertise in a co-fiduciary capacity for more than 20 years. They solely focus on providing

objective investment advisory services to institutional clients and currently consult to three additional 529 Plans, including Indiana, the District of Columbia, and Rhode Island – representing over \$12 billion in assets and more than 16 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 public body's late fall and early spring meetings in preparation for the Annual Provider Review process scheduled during 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 menu 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 2018 Operational Report

A. Overall AFCSP Results

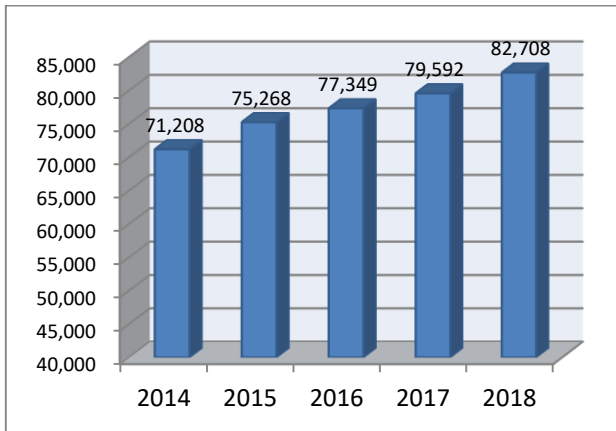
Important measures of success for the Arizona 529 Plan include (1) the number of families opening accounts for prospective students and (2) the amount of funds families are saving and growing in preparation for college expenses. With the exception of the deep recession of 2008, the Arizona Family College 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, web presence and social media 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. To help assess college savings behaviors, attitudes and expectations among families who intend to send their children to college, Fidelity Investments has conducted a College Savings Indicator Study each year since 2007. The August 2018 survey results reported from Fidelity Investments show 68 percent of Arizona parents have started saving for college, up 13 percentage points from 2007. While more families are saving, Fidelity reported that only 31 percent of Arizona families are investing in a dedicated 529 college savings plan which is a decrease of 2 percentage points from the 2016 survey results. Saving for future education expenses continues to be selected as one of the top three savings priorities after retirement and building an emergency fund. A renewed financial literacy effort is needed to increase public awareness levels and promote the simplicity, benefits and flexibility of saving in an Arizona 529 college savings plan.

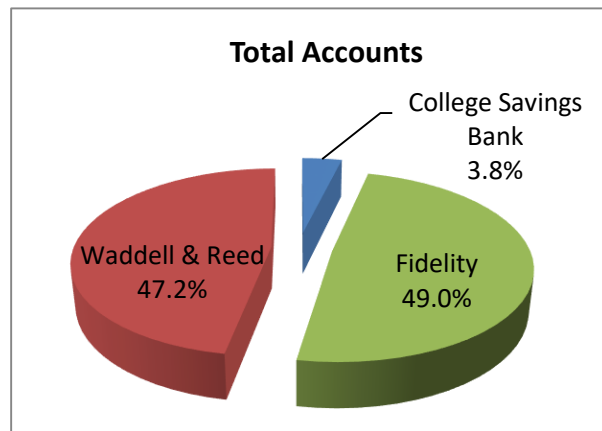
On the following page, Figures 1, 2, and 3 illustrate the growth over time in the number of accounts in the AFCSP. As seen in Figure 1, there were a total of 82,708 AFCSP funded accounts as of December 31, 2018. This represents a 4 percent increase in the number of funded accounts since December 31, 2017. The chart in Figure 2 breaks down the Program's total funded accounts by provider for the year ending 2018. It illustrates that Fidelity Investments holds the majority of plan accounts at 49%, followed by Waddell & Reed's Ivy InvestEd 529 Plan at 47.2%, and College Savings Bank with 3.8% of funded accounts.

Figure 3 illustrates the change in the number of funded accounts by provider for the last five years. As illustrated, during 2018 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 later in this report.

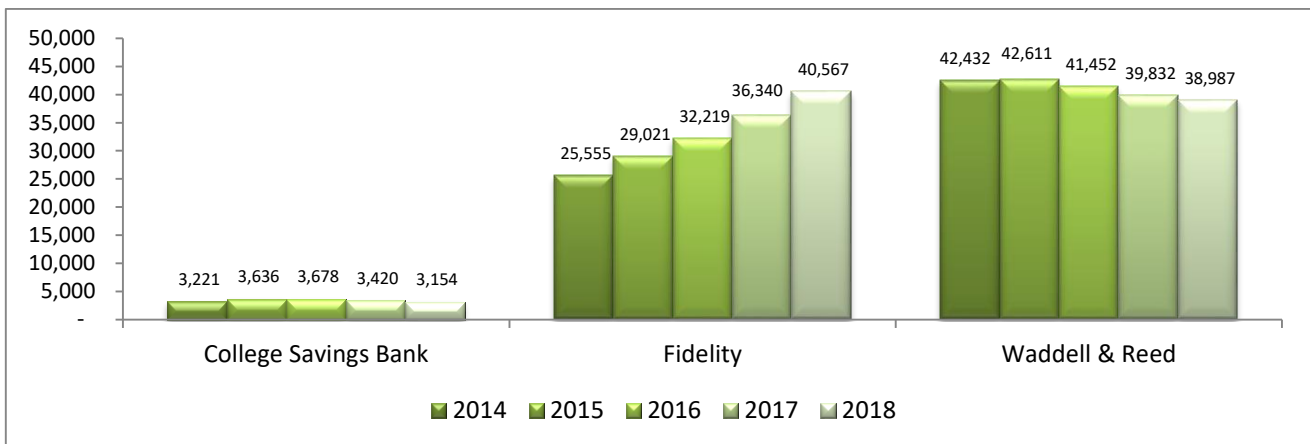
(Figure 1) AFCSP Total Funded Accounts



(Figure 2) Share of Funded Accounts by Provider



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



The chart depicted in Figure 4 shows the plan asset levels since inception. When reviewing the history of AFCSP assets under management, one is reminded of the difficult market conditions of 2008 and economic challenges to market stability which continued 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 percent 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 over the last four years, the Arizona 529 Plan AUM has continued to experience steady growth from both account holder contributions and a net of positive market gains.

As can be seen in Figure 4, the Program Assets Under Management ended the year at \$1.26 billion as of December 31, 2018. Even with record highs experienced during 2018, all markets experienced uncertainty and extreme instability in December, closing 4% to 6% lower for the year in US markets with world markets closing up to 12% lower for the

year. Although AFCSP assets under management decreased for the second time in the Program’s history, it represents a relatively small decline of 1.4 percent from the \$1.28 billion in AUM on December 31, 2017. What cannot be deduced from this chart is the proportion of gains or losses on investments as compared with withdrawals or contributions on new or current accounts.

(Figure 4) AFCSP Assets Under Management Since Inception

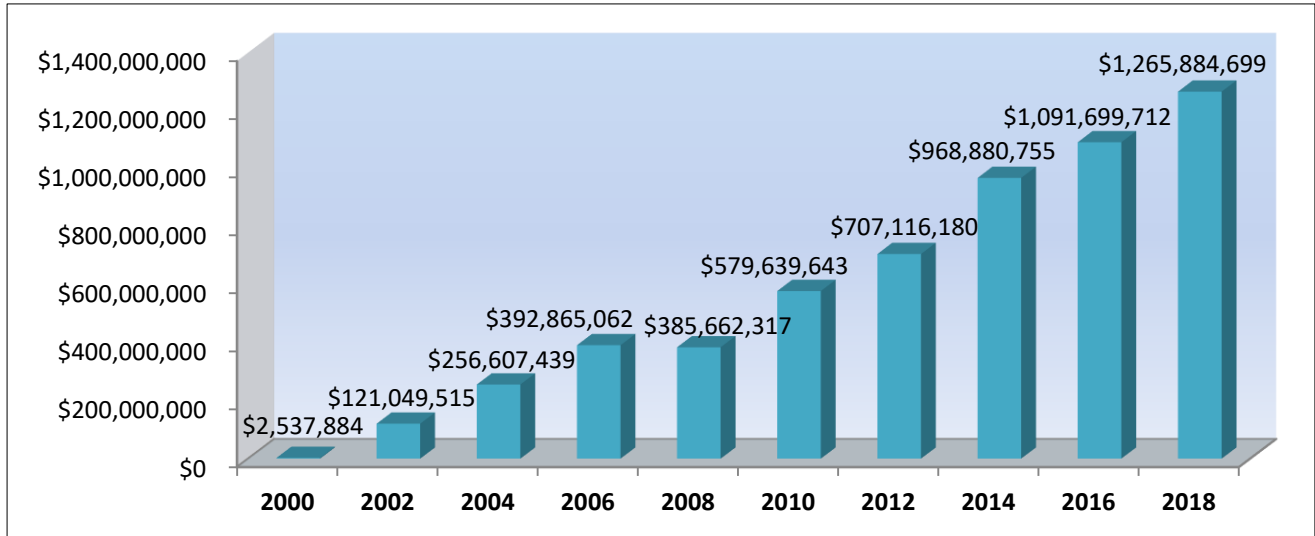
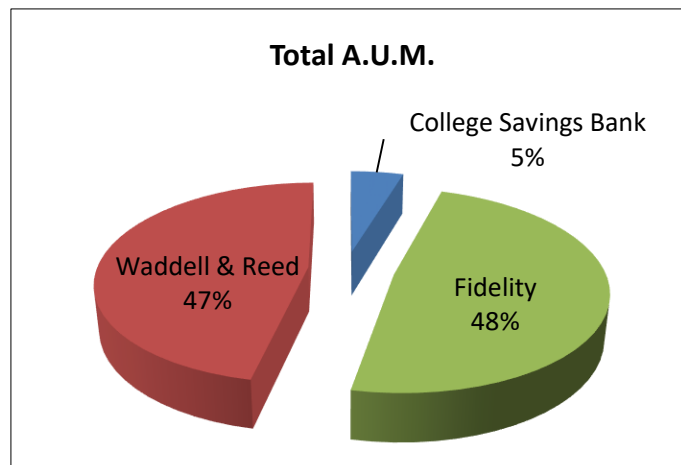


Figure 5 is a representation of the assets held by each of the providers. As illustrated, Fidelity Investments holds the majority share of AUM at 48%, followed by Waddell & Reed’s Ivy InvestEd 529 Plan at 47%, and College Savings Bank at 5% of AUM in the Arizona Family College Savings Program.

(Figure 5) AFCSP Assets Under Management by Provider (as of 12/31/18)



B. AFCSP Highlights for 2018

Commission and Oversight Committee

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. The Oversight Committee has fully incorporated Capital Cities' assessments, recommendations, and plan monitoring into their year-long Provider Review Process. In addition to the investment consultant's quarterly performance evaluations and an annual fee assessment report, Capital Cities provided supplementary presentations upon request to further enlighten both the Commissioners and Oversight Committee members as they discussed and considered the various elements of each of the programs. During the fall, committee members reviewed and updated the current Investment Policy Statement, which acts as a comprehensive guide. Updates were presented to the Commission and approved in December 2018.

Throughout 2018, the ACPE maintained the stability and continuity of the AFCSP with each of the three program providers: College Savings Bank, Fidelity Investments, and Waddell & Reed. Each financial institution has a multi-year contract, effective through 2020 for College Savings Bank, and contracts effective through 2021 for both Fidelity and Waddell & Reed. Trustees and Oversight Committee members alike sought to ensure investment continuity for account holders who invest with these valued program partners. The AFCSP has also greatly benefited from the thoughtful actions of the Governor's Office of Boards & Commissions and the resulting appointment of skilled professional Oversight Committee members who are dedicated to accomplishing the goals of the plan.

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 will continue through 2019. This audit was conducted as part of the sunset review process prescribed in the Arizona Revised Statutes (A.R.S.). The report issued in December 2017 found that the Commission and Oversight Committee should further strengthen 529 program oversight. The Auditor General's evaluation concluded that while 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. The Commission has implemented the steps recommended by the Auditor General 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. To ensure compliance with contractual and statutory requirements the Commission also implemented procedural documentation and is in the process of working with the Oversight Committee members to evaluate and incorporate the remaining recommendations. The Auditor

General's Office followed up with the Commission at 6-months and will follow up again at 18-months regarding the status of those recommendations that have not yet been fully implemented.

Federal Legislation

In late December 2017 Congress passed the Tax Cuts and Jobs Act (TCJA) which was signed into law on December 22nd. The TCJA included a provision to expand the benefits of 529 savings plans. Effective January 1, 2018, the term "qualified higher education expense" was expanded to include up to \$10,000 in annual expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school. The new law also allows up to \$15,000 per calendar year to be rolled over from an existing 529 savings plans into a 529 ABLÉ account for beneficiaries diagnosed with a disability. ABLÉ accounts were first introduced in 2014 to help Americans living with disabilities save for education and other living expenses.

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 2018. January kicked off the year with an inaugural University of Arizona and AZ 529 Diaper Derby held during the halftime of a UA-Oregon basketball game. Over 14,000 attendees and 26,000 Facebook live viewers watched as 6 crawling babies raced to win the Diaper Derby. During the months of April and May the Commission gained exposure to a broader audience through public awareness radio spots on KJZZ and KBAQ as well as several live and pre-recorded interviews on local television news stations. The interviews were coordinated as public relations activities designed to give the Commission an opportunity to discuss early 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, a digital and video partnership with the AMC and Harkins Theaters, 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. The months of July, August and September brought early financial literacy and awareness of the Arizona 529 Program to more than 2,500 people through additional weekend events at the Children's Museum hosting hands-on financial literacy themed activities for children. The Commission continued to partner with Univision and Phoenix College to present information about the Arizona 529 Plan as a component of "How to Pay for College" at both of 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. Throughout the fall, the Arizona 529 Plan had several interviews on Sonoran Living Live to promote the program, provide early financial literacy tips, share the tax benefits of saving for college, and give tips on making saving fun for the family. 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 8,000 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 coloring book sponsored by Waddell & Reed.

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 combined with digital media increased awareness of the Arizona 529 Plan, resulting in 11,927 unique visits to the AZ529.gov website during this timeframe, which was a 48 percent increase in traffic for the same period the year before. Throughout 2018, the multi-media outreach efforts of AFCSP's public awareness campaign continued to reach potential account owners and contributors bringing 58,744 unique visitors to the AZ529.gov website. The Commission plans to continue the Arizona 529 public awareness campaign in 2019 to further promote the benefits of Arizona 529 college savings accounts.

Program Managers

In 2018, College Savings Bank continued to increase 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 an updated white paper in May 2018 which assessed FDIC insured savings options offered through 529 programs nationally, confirming Capital Cities' prior evaluation results. 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 24 other FDIC-insured savings products within the 529 marketplace.

In August, Fidelity introduced zero minimums to open an account and start investing, a new feature to remove perceived barriers to saving. The current auto-deposit feature still requires a \$15 minimum, but can be set at more frequent intervals to match account-holders' pay periods and facilitate savings growth. The overall pricing across Fidelity products remains very competitive and the Fidelity Index Fund Portfolios are amongst the lowest in the 529 college savings plan industry. Fidelity maintained its Bronze rating during the 2018 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.

Waddell & Reed made minor adjustments in 2018 to their newly expanded menu of product offerings that debuted in 2017, as well as further reducing fees for their clientele. In February, the Ivy Dividend Opportunities fund was reorganized into the Ivy Global Equity Income Fund as part of a “product rationalization” process designed to streamline individual fund product offerings. The combined new Ivy Global Equity Fund, as approved by shareholders, now provides investors with the potential for exposure to a broader range of securities from global markets, in addition to U.S. markets, and benefits from the cost and operational efficiencies of a larger fund. Waddell & Reed’s notable fee reductions introduced during 2017 included reducing front end sales loads to a maximum of 2.5%, reducing the minimum initial investment contribution from \$750 per fund to \$250 per fund, and adjusting the underlying investment option class shares from Class Y to Class R6, which resulted in an annual asset based fee savings of 0.03% to 0.18% depending on the investment. While the 2017 annual asset-based fees for the Ivy InvestEd 529 Portfolios previously ranged from 0.78% - 1.02% and were evaluated by Morningstar to be materially below their actively managed 529 peers, underlying fees and expenses were further reduced resulting in additional savings of 0.01% to 0.14% depending on the portfolio.

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 reviewed annually and modified 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 in 2007, the emphasis on customer service was 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.

Arizona's two mutual fund providers received affirmative ratings in this year's Morningstar evaluation process. Morningstar identified Waddell & Reed's Ivy InvestEd 529 Plan as one of two most improved plans in 2018, upgrading the plan from Negative to Neutral. Morningstar noted the great strides made to reduce fees and add more age-based portfolio investment options in 2017, which introduced a smoother glide path and is more in line with industry best practices. Morningstar's Neutral rating was based on a positive score in the Price category and neutral scores in the Process, Performance, People and Parent categories. CEO Phil Sanders implemented meaningful improvements beginning in 2016, rebuilding analyst staff, appointing heads of research and risk management, and moving to a team-managed structure. These actions contributed to Waddell & Reed receiving an upgraded Parent score of neutral and Morningstar's improved confidence in the firm's stability.

The Fidelity Arizona College Savings Plan maintained its Bronze rating. According to Morningstar, Gold, Silver and Bronze rated plans for the most part follow industry best practices, offering some combination of low fees, a strong set of underlying investments, a solid manager selection process, a well-researched asset-allocation approach, an appropriate set of investment options to meet investor needs, and strong oversight from the state and program manager. Morningstar has determined that these features improve the odds that a plan will continue to be a strong option for investors. Fidelity's Bronze rated plan embodies most of the aforementioned qualities but has some room for improvement based on scores of positive in the Process and People categories combined with neutral scores in the Performance, Parent and Price categories. Morningstar remained critical of the state's oversight of this plan despite the Commission heeding their recommendation to hire an investment consultant. Although Capital Cities became a consultant to the AFCSP in late 2016, Morningstar continues to report that it is too early to confidently evaluate any efforts made in that time period.

Savingforcollege.com ranks the composite performance of all advisor-sold 529 plans each quarter. The most recently published rankings listed the Ivy InvestEd 529 Plan in the top ten of all advisor sold plans for each of the one-year, three-year, five-year, and ten-year periods. Savingforcollege.com also 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
- Costs
- Features
- Reliability
- Resident Upgrade

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



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.



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.



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.



Not Open

This program is not open to you either because it has residency requirements or because it has stopped accepting new enrollments.



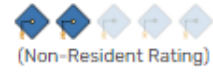
New Plan

This is a recent program and does not yet have a 5-Cap Rating assigned.

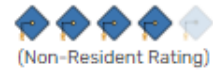
Source: Savingforcollege.com

The Arizona Family College Savings Program was rated by Savingforcollege.com with 3.5 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 an “excellent program” with “positive investment attributes”. The ratings for each of the three program managers follow.

Arizona Family College Savings Program



Fidelity Arizona College Savings Plan



Ivy InvestEd 529 Plan



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 and the Arizona Assistant Attorney General 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 2018 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 four 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 25 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.

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	2.12%	2.12%	\$250
2-Year	2.30%	2.30%	\$250
3-Year	2.55%	2.55%	\$250

Interest Date and APY (Annual Percentage Yield) are accurate as of December 31, 2018. 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 ¹	Honors Savings APR ¹	National Savings Account Average Rate ²
2.28%	2.25%	0.09%

¹ APY (Annual Percentage Yield) and APR (Annual Percentage Rate) are accurate as of December 31, 2018. Any interest rate change will become effective after 2:00 pm Eastern Time.

² 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. Rate Watch gathers data used to calculate the national rates. Savings and interest checking account rates are based on the \$2,500 product tier. The deposit rates of credit unions are not included in the calculation.
www.fdic.gov/regulations/resources/rates/

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 over the last few years, 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 increased the interest rates of all four of their FDIC-insured products each time the Federal Reserve raised interest rates. This occurred four times during 2018: January, April, June and October. These products continue to offer the highest yields nationally when compared respectively to other 529 CD options of the same time length and other FDIC-insured savings products within the 529 marketplace.

College Savings Bank holds the fewest number of accounts of the three program providers. College Savings Bank added 103 new accounts during the year, netting an aggregate of 3,154 active accounts at the end of 2018. Assets under management declined by \$4.8 million, from \$64.3 million on December 31, 2017 to \$59.5 million as of December 31, 2018. This represents a 7.6 percent decrease in AUM.

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 50,000 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. Similar to the broader market indices, each Multi-Firm portfolio underperformed for the 12-month period ending December 31, 2018 however performance remains favorable for over the three- and five-year time periods. For underlying fund information see Appendix A.

(Figure 8) Multi-Firm Funds

Portfolio Name ▲	Inception Date	AS OF 12/31/2018					Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year	Life of Portfolio	
AZ 2018 (Multi-Firm)	09/28/2011	-2.26	3.78	2.97	N/A ¹	5.46	0.89%
AZ 2021 (Multi-Firm)	09/28/2011	-3.43	4.52	3.51	N/A ¹	6.71	0.94%
AZ 2024 (Multi-Firm)	09/28/2011	-4.76	5.11	3.89	N/A ¹	7.76	0.98%
AZ 2027 (Multi-Firm)	09/28/2011	-5.96	5.67	4.21	N/A ¹	8.67	1.01%
AZ 2030 (Multi-Firm)	09/28/2011	-7.24	6.15	4.48	N/A ¹	9.21	1.05%
AZ 2033 (Multi-Firm)	12/18/2013	-8.40	6.59	4.76	N/A ¹	5.12	1.09%
AZ 2036 (Multi-Firm)	12/14/2016	-9.55	N/A ¹	N/A ¹	N/A ¹	5.60	1.13%
AZ College (Multi-Firm)	09/28/2011	-2.22	3.25	2.38	N/A ¹	3.44	0.89%

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 .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.

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

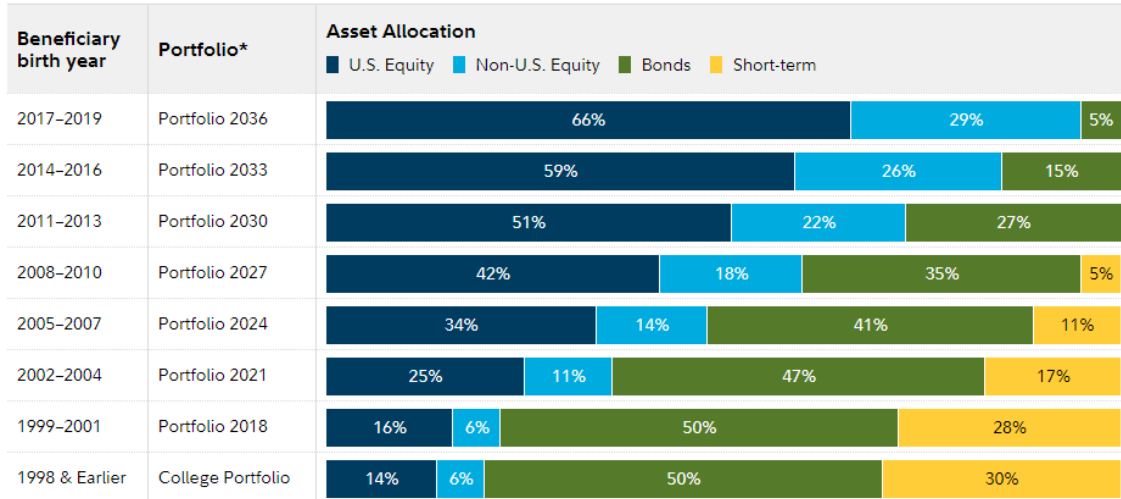
- The plan's index portfolios are among the lowest cost in the 529 industry, ranging from 11 to 20 basis points.
- There is no annual program fee.
- Families can open an account with no minimum initial investment and set up an automatic investment plan with as little as \$15.
- Fidelity offers unlimited, 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 an 11.6% increase in the number of funded accounts from 2017 to 2018 and an increase of 4.8% in assets under management to \$615 million in that same time frame. In addition, Fidelity Investments realized an average account retention rate of 89% and average assets under management retention rate of 96% for 2018. 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 2018 that were relatively consistent with the overall market gains and losses. For 2018, Fidelity's 1-year rate of return on investments ranged anywhere from a high of 0.89% in the AZ Conservative Portfolio Fidelity Index Fund and 1.38% in the AZ Bank Deposit Portfolio, to a low of -9.97% in the AZ Aggressive Growth Portfolio Fidelity Fund and a low of -14.49% in the AZ International Index Portfolio. 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, 2018.

(Figure 11) Fidelity Arizona Plan Portfolio Performance – As of December 31, 2018**Fidelity Funds****Age-Based Portfolios**

Portfolio Name ▲	Inception Date	AS OF 12/31/2018					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ 2018 (Fid Funds)	06/14/2005	-2.13	3.76	3.12	7.22	4.40	0.65%	
AZ 2021 (Fid Funds)	06/14/2005	-3.40	4.49	3.74	8.36	4.86	0.72%	
AZ 2024 (Fid Funds)	06/14/2005	-4.76	5.07	4.19	9.24	5.17	0.78%	
AZ 2027 (Fid Funds)	12/14/2007	-5.98	5.64	4.59	9.94	4.08	0.83%	
AZ 2030 (Fid Funds)	12/28/2010	-7.22	6.12	4.93	N/A ¹	7.12	0.89%	
AZ 2033 (Fid Funds)	12/18/2013	-8.34	6.56	5.23	N/A ¹	5.65	0.93%	
AZ 2036 (Fid Funds)	12/14/2016	-9.38	N/A ¹	N/A ¹	N/A ¹	6.20	0.97%	
AZ College Port (Fid Fnd)	06/14/2005	-2.20	3.16	2.43	4.52	3.32	0.65%	

Static Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2018					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Agrsv Gro (Fid Funds)	06/14/2005	-9.97	6.41	5.23	10.44	5.84	0.99%	
AZ Consvr (Fid Funds)	06/14/2005	0.51	1.70	1.46	2.71	2.38	0.53%	
AZ Mod Growth (Fid Funds)	06/14/2005	-7.21	5.54	4.50	9.41	5.61	0.89%	

Individual And Bank Deposit Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2018					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Bank Deposit	09/16/2010	1.38	0.76	0.49	N/A ¹	0.35	0.5%	
AZ Money Market	10/23/2006	1.37	0.58	0.35	0.21	0.84	0.57%	

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 .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 12/31/2018					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ 2018 (Fid Index)	10/23/2006	-1.06	3.16	2.74	6.23	3.84	0.17%	
AZ 2021 (Fid Index)	10/23/2006	-2.12	3.97	3.37	7.51	4.25	0.16%	
AZ 2024 (Fid Index)	10/23/2006	-3.24	4.68	3.88	8.56	4.61	0.15%	
AZ 2027 (Fid Index)	12/14/2007	-4.37	5.37	4.31	9.29	4.45	0.14%	
AZ 2030 (Fid Index)	12/28/2010	-5.44	5.97	4.66	N/A ¹	7.41	0.13%	
AZ 2033 (Fid Index)	12/18/2013	-6.47	6.56	4.96	N/A ¹	5.38	0.13%	
AZ 2036 (Fid Index)	12/14/2016	-7.61	N/A ¹	N/A ¹	N/A ¹	5.56	0.13%	
AZ College (Fid Index)	10/23/2006	-1.13	2.59	2.16	3.36	3.33	0.17%	

Fidelity Index Funds (continued)

Static Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2018					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Agrsv Gro (Fid Index)	10/23/2006	-8.21	6.91	5.19	10.64	5.30	0.13%	
AZ Consvr (Fid Index)	10/23/2006	0.89	1.34	1.34	1.41	2.51	0.2%	
AZ Mod Growth (Fid Index)	10/23/2006	-5.60	5.50	4.37	8.49	5.43	0.13%	

Individual And Bank Deposit Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2018					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ 500 Index	10/23/2006	-4.47	9.14	8.35	12.91	7.11	0.11%	
AZ Bank Deposit	09/16/2010	1.38	0.76	0.49	N/A ¹	0.35	0.5%	
AZ International Index	10/23/2006	-14.49	2.72	0.27	5.83	1.62	0.15%	
AZ Intmdt Treasury Index	10/23/2006	1.10	1.37	2.35	2.45	4.18	0.12%	
AZ Total Market Index	10/23/2006	-5.37	8.85	7.75	13.02	7.16	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.

- 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 Multi-Firm Funds

Age-Based Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2018					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ 2018 (Multi-Firm)	09/28/2011	-2.26	3.78	2.97	N/A ¹	5.46	0.89%	
AZ 2021 (Multi-Firm)	09/28/2011	-3.43	4.52	3.51	N/A ¹	6.71	0.94%	
AZ 2024 (Multi-Firm)	09/28/2011	-4.76	5.11	3.89	N/A ¹	7.76	0.98%	
AZ 2027 (Multi-Firm)	09/28/2011	-5.96	5.67	4.21	N/A ¹	8.67	1.01%	
AZ 2030 (Multi-Firm)	09/28/2011	-7.24	6.15	4.48	N/A ¹	9.21	1.05%	
AZ 2033 (Multi-Firm)	12/18/2013	-8.40	6.59	4.76	N/A ¹	5.12	1.09%	
AZ 2036 (Multi-Firm)	12/14/2016	-9.55	N/A ¹	N/A ¹	N/A ¹	5.60	1.13%	
AZ College (Multi-Firm)	09/28/2011	-2.22	3.25	2.38	N/A ¹	3.44	0.89%	

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.

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 9/30/18 – Fidelity Funds

Portfolio	Estimated Underlying Fund Expenses ¹	Program Manager Fee ²	State Fee ³	Miscellaneous Fee ⁴	Total Annual Asset-Based Fee ⁵	Annual Account Maintenance Fee ⁶
Portfolio 2036 (Fidelity Funds)	0.77%	0.16%	0.04%	N/A	0.97%	N/A
Portfolio 2033 (Fidelity Funds)	0.73%	0.16%	0.04%	N/A	0.93%	N/A
Portfolio 2030 (Fidelity Funds)	0.69%	0.16%	0.04%	N/A	0.89%	N/A
Portfolio 2027 (Fidelity Funds)	0.63%	0.16%	0.04%	N/A	0.83%	N/A
Portfolio 2024 (Fidelity Funds)	0.58%	0.16%	0.04%	N/A	0.78%	N/A
Portfolio 2021 (Fidelity Funds)	0.52%	0.16%	0.04%	N/A	0.72%	N/A
Portfolio 2018 (Fidelity Funds)	0.45%	0.16%	0.04%	N/A	0.65%	N/A
College Portfolio (Fidelity Funds)	0.45%	0.16%	0.04%	N/A	0.65%	N/A
Aggressive Growth Portfolio (Fidelity Funds)	0.79%	0.16%	0.04%	N/A	0.99%	N/A
Moderate Growth Portfolio (Fidelity Funds)	0.69%	0.16%	0.04%	N/A	0.89%	N/A
Conservative Portfolio (Fidelity Funds)	0.33%	0.16%	0.04%	N/A	0.53%	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 September 30, 2018. 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.

(Figure 13) Fidelity Arizona College Savings Plan Fee and Expense Structure 9/30/18 – Fidelity Index Funds

Portfolio	Estimated Underlying Fund Expenses ¹	Program Manager Fee ²	State Fee ³	Miscellaneous Fee ⁴	Total Annual Asset-Based Fee ⁵	Annual Account Maintenance Fee ⁶
Portfolio 2036 (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)	0.05%	0.07%	0.02%	N/A	0.14%	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 (Fidelity Index)	0.08%	0.07%	0.02%	N/A	0.17%	N/A
Aggressive Growth Portfolio (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Moderate Growth Portfolio (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Conservative Portfolio (Fidelity Index)	0.11%	0.07%	0.02%	N/A	0.20%	N/A
Intermediate Treasury Index Portfolio	0.03%	0.07%	0.02%	N/A	0.12%	N/A
International Index Portfolio	0.06%	0.07%	0.02%	N/A	0.15%	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 September 30, 2018. 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.

(Figure 14) Fidelity Arizona College Savings Plan Fee and Expense Structure 9/30/18 – Multi-Firm Funds

Portfolio	Estimated Underlying Fund Expenses ¹	Program Manager Fee ²	State Fee ³	Miscellaneous Fee ⁴	Total Annual Asset-Based Fee ⁵	Annual Account Maintenance Fee ⁶
Portfolio 2036 (Multi-Firm)	0.78%	0.30%	0.05%	N/A	1.13%	N/A
Portfolio 2033 (Multi-Firm)	0.74%	0.30%	0.05%	N/A	1.09%	N/A
Portfolio 2030 (Multi-Firm)	0.70%	0.30%	0.05%	N/A	1.05%	N/A
Portfolio 2027 (Multi-Firm)	0.66%	0.30%	0.05%	N/A	1.01%	N/A
Portfolio 2024 (Multi-Firm)	0.63%	0.30%	0.05%	N/A	0.98%	N/A
Portfolio 2021 (Multi-Firm)	0.59%	0.30%	0.05%	N/A	0.94%	N/A
Portfolio 2018 (Multi-Firm)	0.54%	0.30%	0.05%	N/A	0.89%	N/A
College Portfolio (Multi-Firm)	0.54%	0.30%	0.05%	N/A	0.89%	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 September 30 2018. 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.

(Figure 15) Fidelity Arizona College Savings Plan Fee and Expense Structure 9/30/18: Bank Deposit Portfolio

Portfolio	Estimated Underlying Fund Expenses ¹	Program Manager Fee ²	State Fee ³	Miscellaneous Fee ⁴	Total Annual Asset-Based Fee ⁵	Annual Account Maintenance Fee ⁶
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) Nineteen 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



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:

Fixed Income Funds

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
 Ivy Securian Core Bond Fund

Global/International Equity Funds

Ivy Global Equity Income Fund
 Ivy International Core Equity Fund
 Ivy ProShares MSCI ACWI Index Fund

Specialty Funds

Ivy Asset Strategy Fund
 Ivy Natural Resources Fund
 Ivy Science and Technology Fund

Ivy Securian Real Estate Securities Fund

U.S. Equity Funds

Ivy Core Equity Fund

Ivy Large Cap Growth Fund

Ivy Mid Cap Growth Fund

Ivy Small Cap Growth Fund

Ivy ProShares Russell 2000 Dividend Growers Index Fund

Ivy ProShares S&P 500 Dividend

Aristocrats Index Fund

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

Provider Results (Investment Results and Plan Growth)

Similar to other brokerage firms, Waddell & Reed produced returns in 2018 that were relatively consistent with overall market performance. In 2018 all equity styles except for fixed income displayed negative returns over the last one-year period. Despite negative returns for the year across the broader market, Waddell & Reed's InvestEd Portfolios slightly outperformed their benchmarks. Relative outperformance was primarily driven by domestic allocations, including the Ivy Value Fund and the ProShares S&P 500 Dividend Aristocrats Index Fund. The InvestEd Fixed Income Portfolio delivered modest positive returns although it trailed its benchmark index by 41 basis points. The Federal Open Market Committee continued to clearly communicate pending rate changes prior to raising the federal funds rate several times during the year, resulting in a year-end level rate of 2.25% - 2.5%. The Federal Reserve has tempered expectations for the pace of future increases in 2019 to help minimize market disruption.

In terms of contributions to the AFCSP, Waddell & Reed opened 2,411 new accounts during the year, netting an aggregate of in 2018 yet realized a modest 2% decrease in the number of funded accounts from 2017 to 2018. By the end of 2018, InvestEd Plan assets under management had decreased by 6.5% from the previous year to \$591 million. The InvestEd Plan realized an average account retention rate of 95% and an average assets-under-management retention rate of 97% for 2018. 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, 2018, the InvestEd Plan rate of return on investments ranged anywhere from 2.01% for the Ivy Large Cap Growth Fund to a -23.56% in the Ivy Natural Resources Fund. 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, 2018. 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 ReturnsAverage Annual Total Returns as of June 30, 2018^{1,2}

Class	Inception	Including Sales Charges ³					Excluding Sales Charges					
		Annualized Returns %					Annualized Returns %					
		1-Year	3-Year	5-Year	10-Year	Since Inception	1-Year	3-Year	5-Year	10-Year	Since Inception	
AGE-BASED⁴ AND STATIC PORTFOLIOS												
InvestEd Aggressive	A	9/18/17	—	—	—	—	3.70	—	—	—	—	6.40
InvestEd Aggressive Benchmark ⁵			—	—	—	—	6.71	—	—	—	—	6.71
InvestEd Growth	A	10/01/01	7.57	5.93	8.96	7.16	—	10.35	6.82	9.51	7.43	—
Growth Benchmark prior to 9/18/17 ⁶			9.28	7.80	8.95	7.33	—	9.28	7.80	8.95	7.33	—
Growth Benchmark after 9/18/17 ⁶			9.99	8.70	9.97	7.99	—	9.99	8.70	9.97	7.99	—
InvestEd Balanced	A	10/01/01	5.88	4.69	6.96	5.51	—	8.62	5.56	7.50	5.77	—
Balanced Benchmark prior to 9/18/17 ⁷			7.44	6.73	7.74	6.86	—	7.44	6.73	7.74	6.86	—
Balanced Benchmark after 9/18/17 ⁷			7.74	7.35	8.42	7.49	—	7.74	7.35	8.42	7.49	—
InvestEd Conservative	A	10/01/01	2.66	2.44	3.97	4.49	—	5.30	3.33	4.50	4.75	—
Conservative Benchmark prior to 9/18/17 ⁸			4.93	5.19	6.01	6.00	—	4.93	5.19	6.01	6.00	—
Conservative Benchmark after 9/18/17 ⁸			2.54	3.85	4.57	5.37	—	2.54	3.85	4.57	5.37	—
Ivy InvestEd Income Portfolio	A	9/18/17	—	—	—	—	-1.36	—	—	—	—	1.20
InvestEd Income Benchmark ⁹			—	—	—	—	1.29	—	—	—	—	1.29
Ivy InvestEd Fixed Income Portfolio	A	9/18/17	—	—	—	—	-3.22	—	—	—	—	-0.70
InvestEd Fixed Income Benchmark ¹⁰			—	—	—	—	-0.90	—	—	—	—	-0.90
INDIVIDUAL FUND PORTFOLIOS												
U.S. Equity Funds¹												
Ivy Core Equity	E	4/2/07	16.46	7.91	10.47	8.58	—	19.44	8.82	11.04	8.86	—
S&P 500 Index			14.37	11.93	13.42	10.17	—	14.37	11.93	13.42	10.17	—
Ivy Large Cap Growth	E	4/2/07	22.79	12.47	15.59	9.74	—	25.94	13.42	16.18	10.02	—
Russell 1000 Growth Index			22.51	14.98	16.36	11.83	—	22.51	14.98	16.36	11.83	—
Ivy Mid Cap Growth	E	4/2/07	22.24	9.96	11.63	11.23	—	25.37	10.89	12.19	11.52	—
Russell Mid Cap Growth Index			18.52	10.73	13.37	10.45	—	18.52	10.73	13.37	10.45	—
Ivy Proshares Russell 2000 Div Growers Index Fund	E	4/20/17	3.76	—	—	—	4.24	6.43	—	—	—	6.50
Russell 2000 Dividend Growth Index			7.39	—	—	—	7.53	7.39	—	—	—	7.53
Ivy Proshares SP500 Div Aristocrats Index Fund	E	4/20/17	7.05	—	—	—	8.36	9.75	—	—	—	10.72
S&P 500 Dividend Aristocrats Index			10.71	—	—	—	11.69	10.71	—	—	—	11.69
Ivy Small Cap Growth	E	4/2/07	19.45	12.13	13.18	12.36	—	22.50	13.08	13.75	12.65	—
Russell 2000 Growth Index			21.86	10.60	13.65	11.24	—	21.86	10.60	13.65	11.24	—
Global/ International Equity Funds												
Ivy Global Equity Income	E	2/26/18	—	—	—	—	-6.64	—	—	—	—	-4.23
FTSE AW High Dividend Yield Index			—	—	—	—	-5.83	—	—	—	—	-5.83
Ivy International Core Equity	E	4/2/07	2.01	2.80	6.86	4.13	—	4.63	3.67	7.41	4.39	—
MSCI EAFE Index			6.84	4.90	6.44	2.84	—	6.84	4.90	6.44	2.84	—
Ivy ProShares MSCI ACWI Index Fund	E	4/20/17	7.47	—	—	—	10.10	10.25	—	—	—	12.49
MSCI ACWI Index			10.73	—	—	—	13.02	10.73	—	—	—	13.02

¹ 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.

² A \$20 account maintenance fee is not included in the calculations.

³ 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.

⁴ 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.

⁵ Aggressive Benchmark = 10% Barclay US Universal + 29% MSCI ACWI ex USA + 61% Russell 3000

INDIVIDUAL FUND PORTFOLIOS (Continued)

Fixed Income Funds												
Ivy Government Money Market	E	4/2/07	0.76	0.27	0.17	0.24	—	0.76	0.27	0.17	0.24	—
No Benchmark												
Ivy High Income	E	4/2/07	1.51	4.10	4.27	7.74	—	4.17	4.97	4.80	8.02	—
ICE Bank of America Merrill Lynch US High Yield Index			2.53	5.55	5.51	8.03	—	2.53	5.55	5.51	8.03	—
Ivy Limited-Term Bond	E	4/2/07	-2.85	0.03	0.44	2.08	—	-0.34	0.88	0.94	2.34	—
BloombergBarclays 1–5 Year US Govt./Credit Index			-0.20	0.84	1.13	2.24	—	-0.20	0.84	1.13	2.24	—
Ivy Proshares Interest Rate Hedged HY Index Fund	E	4/20/17	0.54	—	—	—	1.24	3.14	—	—	—	3.44
FTSE High Yield (Treasury Rated-Hedged) Index			4.47	—	—	—	5.40	4.47	—	—	—	5.40
Ivy ProShares S&P 500 Bond Index Fund	E	4/20/17	-4.77	—	—	—	-3.37	-2.30	—	—	—	-1.28
S&P 500 MarketAxess Investment Grade Corporate Bond Index			-1.13	—	—	—	0.31	-1.13	—	—	—	0.31
Ivy Securian Core Bond Fund	E	4/2/07	-2.34	1.54	2.27	3.80	—	0.21	2.40	2.80	4.07	—
BloombergBarclays U.S. Aggregate Bond Index			-0.40	1.72	2.27	3.72	—	-0.40	1.72	2.27	3.72	—
Specialty Funds												
Ivy Asset Strategy	E	4/2/07	8.62	0.52	3.00	2.95	—	11.42	1.38	3.52	3.21	—
MSCI ACWI Index			10.73	8.19	9.41	5.80	—	10.73	8.19	9.41	5.80	—
Ivy Global Income Allocation	E	4/2/07	1.13	2.84	4.67	3.61	—	3.74	3.72	5.19	3.88	—
60% FTSE AW Hi Div Yield / 40% BBBar Global Credit Yield			3.18	4.75	5.21	4.85	—	3.18	4.75	5.21	4.85	—
Ivy Natural Resources	E	4/2/07	9.22	-1.78	-1.66	-6.11	—	12.02	-0.94	-1.16	-5.87	—
S&P North American Natural Resources Index			19.80	3.29	1.74	-1.08	—	19.80	3.29	1.74	-1.08	—
Ivy Science and Technology	E	4/2/07	21.24	10.11	12.85	12.23	—	24.34	11.05	13.43	12.52	—
S&P North American Technology Index			34.81	24.56	22.63	15.31	—	34.81	24.56	22.63	15.31	—
Ivy Securian Real Estate Securities Fund	E	4/2/07	-0.74	5.69	6.84	6.49	—	1.79	6.58	7.38	6.76	—
FTSE NAREIT Equity REITs Index			3.50	8.06	8.31	7.94	—	3.50	8.06	8.31	7.94	—

⁶ 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. Growth Benchmark prior to 9/18/17 = 60% S&P 500 + 20% MSCI EAFE + 20% BB US Agg Bond.

⁷ 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. Balanced Benchmark prior to 9/18/17 = 50% S&P 500 + 10% MSCI EAFE + 40% BB US Agg Bond.

⁸ 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. Conservative Benchmark prior to 9/18/17 = 20% S&P 500 + 80% BB US Agg Bond.

⁹ Income Benchmark = 31% Barclays US Govt/Credit 1-5 Yr + 44% Barc US Universal + 6% MSCI ACWI ex USA + 19% Russell 3000

¹⁰ Fixed Income Benchmark = 75% Barclays US Govt/Credit 1-5 Yr + 25% Barc US Universal

In late October 2018, Morningstar issued its annual 529 plan ratings recognizing Waddell & Reed as one of two “most improved” plans and upgrading it to a neutral rating. Morningstar upgraded Waddell & Reed’s Parent pillar score in 2018 to neutral, adding to their previous scores of positive in Price and neutral in the other categories of Process, Performance and People. 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 which improved the rate of capital preservation during asset allocation changes. 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. These comments echo Morningstar’s 2017 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. The rating agency saw these changes as largely positive and over the last year has become more confident in the stability of the firm overall.

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 ten in the 10-year performance period. The Savingforcollege.com ranking reports follow on the next four pages.



Plan Composite Performance Rankings as of September 30, 2018
 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)	37.34
2	Arizona: Ivy InvestEd 529 Plan	52.83
3	Nebraska: Nebraska Education Savings Trust -- Advisor College Savings Plan	64.86
4	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	64.90
5	Ohio: BlackRock CollegeAdvantage Advisor 529 Savings Plan	67.11
6	Alabama: CollegeCounts 529 Fund Advisor Plan	71.01
7	Colorado: Scholars Choice College Savings Program	71.82
8	West Virginia: The Hartford SMART529	72.61
9	Maine: NextGen College Investing Plan -- Client Select Series	73.28
10	Illinois: Bright Directions Advisor-Guided 529 College Savings Program	73.37
11	Michigan: MI 529 Advisor Plan	75.95
12	Indiana: CollegeChoice Advisor 529 Savings Plan	76.80
13	New Jersey: Franklin Templeton 529 College Savings Plan	77.49
14	Nevada: Putnam 529 for America	78.26
15	New Hampshire: Fidelity Advisor 529 Plan	78.64
16	Wisconsin: Tomorrow's Scholar 529 Plan	80.02
17	Connecticut: Connecticut Higher Education Trust (CHET) -- Advisor Plan	80.03
18	Iowa: IAdvisor 529 Plan	80.29
19	Kansas: Learning Quest Advisor	80.36
20	Virginia: CollegeAmerica	80.43
21	Oregon: MFS 529 Savings Plan	81.99
22	New York: New York's 529 Advisor-Guided College Savings Plan	83.54
23	Texas: Lonestar 529 Plan	83.76
24	Oklahoma: Oklahoma Dream 529 Plan	86.32
25	South Dakota: CollegeAccess 529 (Advisor-sold)	88.19
26	Alaska: John Hancock Freedom 529	88.73
27	New Mexico: Scholar's Edge	89.63
28	Rhode Island: CollegeBound 529 (Advisor-sold)	91.78
-	Arkansas: iShares 529 Plan	NA
-	Nebraska: State Farm College Savings 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 September 30, 2018
 Advisor-sold 529 Plans
 Ranked by 3 Yr performance including max sales charges (Class A)

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	45.12
2	Nebraska: Nebraska Education Savings Trust -- Advisor College Savings Plan	54.65
3	North Dakota: College SAVE (Advisor)	55.01
4	Virginia: CollegeAmerica	61.52
5	Illinois: Bright Directions Advisor-Guided 529 College Savings Program	62.15
6	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	63.50
7	Arizona: Ivy InvestEd 529 Plan	64.75
8	Maine: NextGen College Investing Plan -- Client Select Series	68.46
9	New Hampshire: Fidelity Advisor 529 Plan	70.12
10	West Virginia: The Hartford SMART529	70.70
11	Colorado: Scholars Choice College Savings Program	71.51
12	New Jersey: Franklin Templeton 529 College Savings Plan	72.66
13	Wisconsin: Tomorrow's Scholar 529 Plan	73.42
14	Ohio: BlackRock CollegeAdvantage Advisor 529 Savings Plan	73.60
15	Alabama: CollegeCounts 529 Fund Advisor Plan	74.85
16	Oregon: MFS 529 Savings Plan	76.75
17	Nevada: Putnam 529 for America	77.27
18	Oklahoma: Oklahoma Dream 529 Plan	79.54
19	Alaska: John Hancock Freedom 529	80.29
20	Texas: Lonestar 529 Plan	80.44
21	Connecticut: Connecticut Higher Education Trust (CHET) -- Advisor Plan	82.24
22	New Mexico: Scholar's Edge	83.63
23	New York: New York's 529 Advisor-Guided College Savings Plan	84.20
24	South Dakota: CollegeAccess 529 (Advisor-sold)	84.60
25	Iowa: IAdvisor 529 Plan	85.51
-	Arkansas: iShares 529 Plan	NA
-	Kansas: Learning Quest Advisor	NA
-	Michigan: MI 529 Advisor Plan	NA
-	Nebraska: State Farm College Savings Plan	NA
-	Nevada: Wealthfront 529 College Savings Plan	NA
-	Rhode Island: CollegeBound 529 (Advisor-sold)	NA

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Plan Composite Performance Rankings as of September 30, 2018
 Advisor-sold 529 Plans
 Ranked by 5 Yr performance including max sales charges (Class A)

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	Nevada: Putnam 529 for America	38.76
2	Indiana: CollegeChoice Advisor 529 Savings Plan	38.79
3	North Dakota: College SAVE (Advisor)	50.46
4	Nebraska: Nebraska Education Savings Trust -- Advisor College Savings Plan	50.55
5	Virginia: CollegeAmerica	53.76
6	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	54.32
7	Maine: NextGen College Investing Plan -- Client Select Series	56.10
8	Colorado: Scholars Choice College Savings Program	61.98
9	Arizona: Ivy InvestEd 529 Plan	62.40
10	Wisconsin: Tomorrow's Scholar 529 Plan	65.76
11	Illinois: Bright Directions Advisor-Guided 529 College Savings Program	67.66
12	Ohio: BlackRock CollegeAdvantage Advisor 529 Savings Plan	69.33
13	New Hampshire: Fidelity Advisor 529 Plan	69.57
14	Oregon: MFS 529 Savings Plan	73.30
15	West Virginia: The Hartford SMART529	74.59
16	New Mexico: Scholar's Edge	77.18
17	New York: New York's 529 Advisor-Guided College Savings Plan	78.31
18	Iowa: IAdvisor 529 Plan	78.43
19	Alabama: CollegeCounts 529 Fund Advisor Plan	80.29
20	Alaska: John Hancock Freedom 529	81.04
21	New Jersey: Franklin Templeton 529 College Savings Plan	84.09
22	Oklahoma: Oklahoma Dream 529 Plan	85.36
23	Texas: Lonestar 529 Plan	86.81
24	Connecticut: Connecticut Higher Education Trust (CHET) -- Advisor Plan	87.47
25	South Dakota: CollegeAccess 529 (Advisor-sold)	92.61
-	Arkansas: iShares 529 Plan	NA
-	Kansas: Learning Quest Advisor	NA
-	Michigan: MI 529 Advisor Plan	NA
-	Nebraska: State Farm College Savings Plan	NA
-	Nevada: Wealthfront 529 College Savings Plan	NA
-	Rhode Island: CollegeBound 529 (Advisor-sold)	NA

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Plan Composite Performance Rankings as of September 30, 2018
 Advisor-sold 529 Plans
 Ranked by 10 Yr performance including max sales charges (Class A)

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	30.34
2	Virginia: CollegeAmerica	37.31
3	Colorado: Scholars Choice College Savings Program	42.92
4	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	47.18
5	Maine: NextGen College Investing Plan -- Client Select Series	50.45
6	Oregon: MFS 529 Savings Plan	51.30
7	Illinois: Bright Directions Advisor-Guided 529 College Savings Program	53.52
8	Alaska: John Hancock Freedom 529	54.87
9	North Dakota: College SAVE (Advisor)	56.24
10	Arizona: Ivy InvestEd 529 Plan	57.75
11	New Jersey: Franklin Templeton 529 College Savings Plan	61.16
12	New Hampshire: Fidelity Advisor 529 Plan	63.52
13	West Virginia: The Hartford SMART529	63.56
14	New Mexico: Scholar's Edge	77.91
15	South Dakota: CollegeAccess 529 (Advisor-sold)	84.92
16	Texas: Lonestar 529 Plan	95.69
-	Alabama: CollegeCounts 529 Fund Advisor Plan	NA
-	Arkansas: iShares 529 Plan	NA
-	Connecticut: Connecticut Higher Education Trust (CHET) -- Advisor 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 CollegeAdvantage 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, 2018 the InvestEd Plan's total annual asset-based fees for the Age-Based and Static portfolios range from 0.74% for the InvestEd Fixed Income portfolio to 1.01% 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 1.42% for the Ivy Securian 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 ¹	Program Manager Fee	State Fee ²	Annual Distribution Fee ³	Total Annual Asset-Based Fees ⁴	Maximum Sales Charge (load) ⁵	Annual Account Fee ⁶
Age-Based and Static Portfolios							
InvestEd Aggressive	0.76%	None	None	0.25%	1.01%	2.50%	\$20
InvestEd Growth	0.73%	None	None	0.25%	0.98%	2.50%	\$20
InvestEd Balanced	0.63%	None	None	0.25%	0.88%	2.50%	\$20
InvestEd Conservative	0.63%	None	None	0.25%	0.88%	2.50%	\$20
InvestEd Income	0.49%	None	None	0.25%	0.74%	2.50%	\$20
InvestEd Fixed Income	0.49%	None	None	0.25%	0.74%	2.50%	\$20
Individual Fund Portfolios							
U.S. Equity Funds							
Ivy Core Equity	0.85%	None	None	0.25%	1.10%	2.50%	\$20
Ivy Large Cap Growth	0.90%	None	None	0.25%	1.15%	2.50%	\$20
Ivy Mid Cap Growth	1.03%	None	None	0.25%	1.28%	2.50%	\$20
Ivy Proshares Russell 2000 Div Growers Index	0.48%	None	None	0.25%	0.73%	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
Global/ International Equity Funds							
Ivy Global Equity Income Fund	0.88%	None	None	0.25%	1.13%	2.50%	\$20
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
Fixed Income Funds							
Ivy Government Money Market	0.56%	None	None	None	0.56%	None	\$20
Ivy High Income	0.83%	None	None	0.25%	1.08%	2.50%	\$20
Ivy Limited-Term Bond	0.70%	None	None	0.25%	0.95%	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
Ivy Securian Core Bond	0.76%	None	None	0.25%	1.01%	2.50%	\$20
Specialty Funds							
Ivy Asset Strategy	0.76%	None	None	0.25%	1.01%	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
Ivy Securian Real Estate Securities	1.17%	None	None	0.25%	1.42%	2.50%	\$20

¹For 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.

² 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.

³ 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.

⁴ 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, 2019, 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.

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

⁶ 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 2018 Ivy InvestEd 529 Plan Program Overview.

Conclusion

This report reflects the commitment of the ACPE Commissioners and Oversight Committee to maintain a strong Arizona Family College Savings Program for the benefit of families. Advancement of the Arizona Family College Savings program in 2018 included reduced mutual fund expense fees, increased interest rates, removal of barriers to entry and savings growth, and an expansion 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.

The program has much to be proud of 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. Morningstar gave Waddell & Reed an upgraded rating of Neutral, recognizing the significant changes made to the advisor-sold investment plan which reduced costs, reduced risk, and improved options for account owners. The Commission staff and the Oversight Committee worked closely with Capital Cities, the independent investment consultant, and program partner Waddell & Reed to offer an improved advisor-sold program investment menu. Waddell & Reed's organizational structure changes and 529 investment plan enhancements resulted in a more favorable review of the Ivy InvestEd 529 Plan in 2018.

All three program managers have continued to strengthen the 529 plan by reducing expenses, improving rates of return, and providing resources to improve public awareness and investor knowledge. Capital Cities, the Oversight Committee, and the Commissioners have been satisfied with the overall results to date but will continue to work with each program providers to continuously improve.

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 throughout the year to encourage Arizona families to save for college. Promotions of Financial Literacy Month, 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 importance of saving and the benefits of using an Arizona 529 College 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 from a Fidelity Investments survey of Arizona families issued in August 2018 continue to inform and direct the AFCSP's early awareness initiatives. 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 continues to be one of the top three saving priorities for Arizona parents, after saving for retirement and an emergency fund. While 68 percent of Arizona parents surveyed state they have started saving for

college, only 40 percent of Arizona parents reported they are saving in a dedicated 529 college savings plan. There is room to grow as only 27 percent of Arizona parents say they are “very familiar” with 529 plans. The Arizona survey data shows that 76 percent of parents are motivated to save toward their child’s future college costs due to concerns about significant student loan debt. Many cite their own experiences with student loan debt as influencing their commitment to help pay for college.

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 a subsequent increase of this tax benefit in 2013.

The ACPE Commissioners and staff will continue to identify improvements and support initiatives that are consistent with 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.

Appendices

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

Fidelity Funds Asset Allocations

Portfolio Weights as of December 31, 2018

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser- vative
U.S. Equities											
Fidelity Blue Chip Growth Fund	5.60	4.76	3.94	3.11	2.32	1.51	0.82	0.82	6.15	4.09	0.00
Fidelity Contrafund	3.66	3.11	2.57	2.03	1.51	0.98	0.53	0.53	4.02	2.67	0.00
Fidelity Growth Company Fund	7.85	6.65	5.49	4.35	3.24	2.10	1.14	1.14	8.59	5.71	0.00
Fidelity Large Cap Stock Fund	5.60	4.74	3.92	3.10	2.31	1.50	0.81	0.81	6.12	4.07	0.00
Fidelity Low-Priced Stock Fund	3.02	2.56	2.12	1.67	1.25	0.81	0.44	0.44	3.31	2.20	0.00
Fidelity Mega Cap Stock Fund	4.18	3.54	2.92	2.31	1.72	1.12	0.61	0.61	4.57	3.04	0.00
Fidelity Real Estate Investment Portfolio	0.91	0.77	0.64	0.51	0.38	0.24	0.13	0.13	1.00	0.66	0.00
Fidelity Stock Selector All Cap Fund	10.76	9.12	7.53	5.96	4.43	2.88	1.56	1.56	11.78	7.83	0.00
Fidelity Stock Selector Large Cap Value Fu	7.81	6.62	5.47	4.32	3.22	2.09	1.13	1.13	8.57	5.68	0.00
Fidelity Stock Selector Small Cap Fund	2.97	2.52	2.08	1.64	1.22	0.80	0.43	0.43	3.25	2.16	0.00
Fidelity Value Discovery Fund	7.85	6.66	5.50	4.35	3.24	2.11	1.14	1.14	8.62	5.72	0.00
Non-U.S. Equities											
Fidelity Canada Fund	0.95	0.82	0.70	0.58	0.46	0.33	0.21	0.21	1.01	0.71	0.00
Fidelity Diversified International Fund	10.71	9.28	7.87	6.50	5.15	3.77	2.58	2.58	11.39	7.95	0.00
Fidelity Emerging Markets Fund	10.24	9.24	8.15	7.07	5.99	4.66	3.58	3.59	9.24	6.85	0.00
Fidelity Overseas Fund	10.70	9.27	7.86	6.49	5.15	3.76	2.57	2.57	11.38	7.94	0.00
Commodities											
Fidelity Commodity Strategy Fund	1.49	1.96	1.96	1.94	1.92	1.90	1.88	1.87	1.01	0.98	0.00
High Yield Debt											
Fidelity High Income Fund	0.98	1.35	1.36	1.34	1.31	1.28	1.26	1.26	0.00	1.05	0.95
Floating Rate Debt											
Fidelity Floating Rate High Income Fund	0.12	0.18	0.15	0.15	0.15	0.15	0.15	0.15	0.00	0.41	0.48
Emerging Market Debt											
Fidelity New Markets Income Fund	0.46	0.62	0.61	0.61	0.60	0.60	0.62	0.62	0.00	0.51	0.46
Real Estate Debt											
Fidelity Real Estate Income Fund	0.34	0.48	0.47	0.47	0.47	0.46	0.47	0.47	0.00	0.76	0.49
Investment Grade Debt											
Fidelity Corporate Bond Fund	0.00	0.00	0.12	0.84	1.34	1.65	2.45	0.03	0.00	0.15	0.00
Fidelity Government Income Fund	0.00	0.00	0.63	3.06	4.80	5.87	8.88	0.35	0.00	1.04	0.69
Fidelity Investment Grade Bond Fund	0.45	10.10	21.62	23.10	25.70	28.82	27.84	41.87	0.00	24.61	39.21
Fidelity Long Term Treasury Bond Index Fun	1.40	3.06	2.98	2.48	2.14	1.89	1.64	1.65	0.00	2.22	1.05
Fidelity Mortgage Securities Fund	0.00	0.00	0.11	0.71	1.12	1.37	2.06	0.05	0.00	0.15	0.00
Fidelity Total Bond Fund	0.00	0.00	0.00	1.53	2.80	4.47	1.07	0.00	0.00	0.00	0.00
Inflation Protected Debt											
Fidelity Inflation-Protected Bond Index Fu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Inflation-Protected Bond Index Fu	0.24	0.32	0.32	0.51	1.66	2.71	3.38	3.39	0.00	0.79	1.87
Short Term Debt											
Fidelity Investments Money Market Governme	1.35	1.78	2.29	7.38	11.46	16.00	24.32	24.33	0.00	0.00	43.65
Fidelity Short-Term Bond Fund	0.34	0.45	0.57	1.82	2.85	4.01	6.12	6.12	0.00	0.00	10.95
Net Other Assets	0.01	0.03	0.06	0.09	0.11	0.14	0.16	0.16	-0.02	0.06	0.20

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

Index Funds Asset Allocations

Portfolio Weights as of December 31, 2018

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser- vative	
U.S. Equities												
Fidelity Total Market Index Fund Instituti	62.47	53.47	44.65	36.19	27.82	19.21	11.87	11.87	67.54	45.54	0.00	
Non-U.S. Equities												
Fidelity Global ex U.S. Index Fund Institu	28.80	24.69	20.69	16.82	13.03	9.13	5.77	5.77	31.06	21.08	0.00	
Commodities												
Fidelity Commodity Strategy Fund	1.39	1.30	1.27	1.11	1.07	1.00	0.98	0.98	1.41	1.27	0.00	
Investment Grade Debt												
Fidelity U.S. Bond Index Fund Institutiona	7.33	20.50	32.72	38.71	44.71	50.97	51.11	51.11	0.00	32.04	45.40	
Short Term Debt												
Fidelity Investments Money Market Governme	0.00	0.00	0.60	7.07	13.24	19.54	30.10	30.10	0.00	0.00	54.40	
Net Other Assets	0.01	0.04	0.07	0.10	0.12	0.15	0.17	0.17	-0.01	0.07	0.20	

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

Multi-Firm Asset Allocations

Portfolio Weights as of December 31, 2018

	2036	2033	2030	2027	2024	2021	2018	College
U.S. Equities								
AB Select US Equity Portfolio Class I	4.86	4.13	3.41	2.70	2.01	1.30	0.71	0.70
AQR Large Cap Defensive Style Class R6	2.76	2.35	1.94	1.53	1.14	0.74	0.40	0.40
BrandywineGLOBAL Diversified US Large Cap	6.87	5.82	4.80	3.80	2.82	1.84	1.00	0.98
Fidelity Growth Company Fund	6.05	5.13	4.24	3.35	2.49	1.62	0.88	0.87
JPMorgan Small Cap Equity Fund Class R6	7.65	6.47	5.34	4.22	3.14	2.04	1.11	1.09
JPMorgan U.S. Equity Fund Class R6	17.43	14.77	12.19	9.64	7.18	4.67	2.53	2.50
LSV Value Equity Fund Institutional Class	6.68	5.65	4.66	3.69	2.74	1.79	0.97	0.96
Loomis Sayles Growth Fund Class Y	4.61	3.91	3.23	2.55	1.90	1.24	0.67	0.67
PIMCO StocksPLUS Absolute Return Fund Inst	3.00	2.55	2.10	1.66	1.24	0.81	0.44	0.43
Non-U.S. Equities								
Acadian Emerging Markets Portfolio Investo	6.01	5.38	4.75	4.09	3.46	2.75	2.05	2.04
Causeway International Value Fund Institut	4.23	3.66	3.10	2.56	2.03	1.48	1.02	1.01
Fidelity Canada Fund	1.45	1.25	1.06	0.87	0.69	0.51	0.35	0.35
MFS International Value Fund Class I	4.84	4.19	3.55	2.93	2.32	1.70	1.17	1.17
MFS Research International Fund Class I	4.16	3.59	3.04	2.51	1.99	1.46	1.00	0.99
T. Rowe Price Emerging Markets Stock Fund	4.08	3.62	3.20	2.75	2.33	1.85	1.38	1.38
T. Rowe Price Overseas Stock Fund I Class	3.78	3.28	2.78	2.29	1.82	1.33	0.91	0.91
William Blair International Growth Fund CI	4.04	3.49	2.96	2.44	1.94	1.42	0.97	0.97
Commodities								
Credit Suisse Commodity Return Strategy Fu	1.51	1.99	1.96	1.93	1.92	1.90	1.88	1.88
High Yield Debt								
BlackRock High Yield Bond Portfolio Instit	0.34	0.47	0.47	0.46	0.46	0.45	0.44	0.44
Hotchkis & Wiley High Yield Fund Class I	0.34	0.47	0.47	0.46	0.46	0.45	0.44	0.44
MainStay High Yield Corporate Bond Fund CI	0.30	0.41	0.41	0.41	0.40	0.39	0.38	0.38
Floating Rate Debt								
Fidelity Floating Rate High Income Fund	0.12	0.16	0.15	0.15	0.15	0.15	0.15	0.15
Emerging Market Debt								
Fidelity New Markets Income Fund	0.42	0.61	0.61	0.60	0.59	0.58	0.56	0.56
Real Estate Debt								
Fidelity Real Estate Income Fund	0.36	0.52	0.53	0.52	0.51	0.50	0.49	0.49
Investment Grade Debt								
Fidelity Investment Grade Bond Fund	0.06	1.02	2.25	2.93	3.58	4.21	4.25	4.26
Fidelity Long Term Treasury Bond Index Fun	1.41	3.10	3.02	2.50	2.14	1.89	1.65	1.66
Fidelity Total Bond Fund	0.07	1.53	3.38	4.38	5.36	6.31	6.33	6.34
Metropolitan West Total Return Bond Fund C	0.10	2.05	4.54	5.89	7.20	8.48	8.50	8.52
PIMCO Total Return Fund Institutional Clas	0.10	2.04	4.51	5.85	7.16	8.42	8.45	8.46
Prudential Total Return Bond Fund Class Z	0.07	1.54	3.39	4.40	5.39	6.34	6.36	6.37
Western Asset Core Bond Fund Class I	0.10	2.05	4.53	5.88	7.19	8.46	8.49	8.51
Inflation Protected Debt								
PIMCO Real Return Fund Institutional Class	0.25	0.32	0.32	0.51	1.66	2.71	3.38	3.39

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

Multi-Firm Asset Allocations (continued)

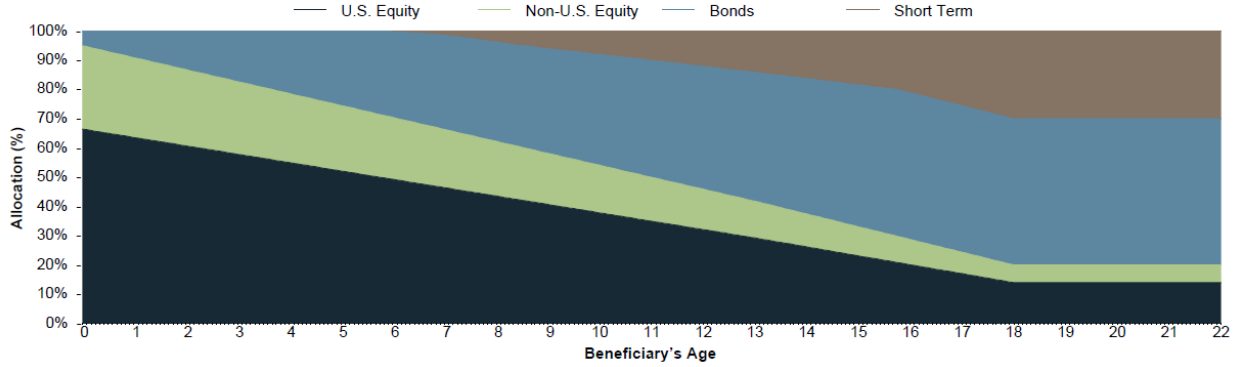
Portfolio Weights as of December 31, 2018

	2036	2033	2030	2027	2024	2021	2018	College
Short Term Debt								
Fidelity Conservative Income Bond Fund Ins	0.85	1.12	1.45	4.64	7.19	10.00	15.24	15.25
Fidelity Investments Money Market Governme	0.51	0.67	0.87	2.79	4.32	6.01	9.16	9.17
Net Other Assets	0.24	0.24	0.25	0.25	0.25	0.24	0.24	0.25
PIMCO Short-Term Fund Institutional Class	0.34	0.44	0.58	1.85	2.86	3.98	6.06	6.07

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

Asset Allocations for Active Age-Based and Static Portfolios

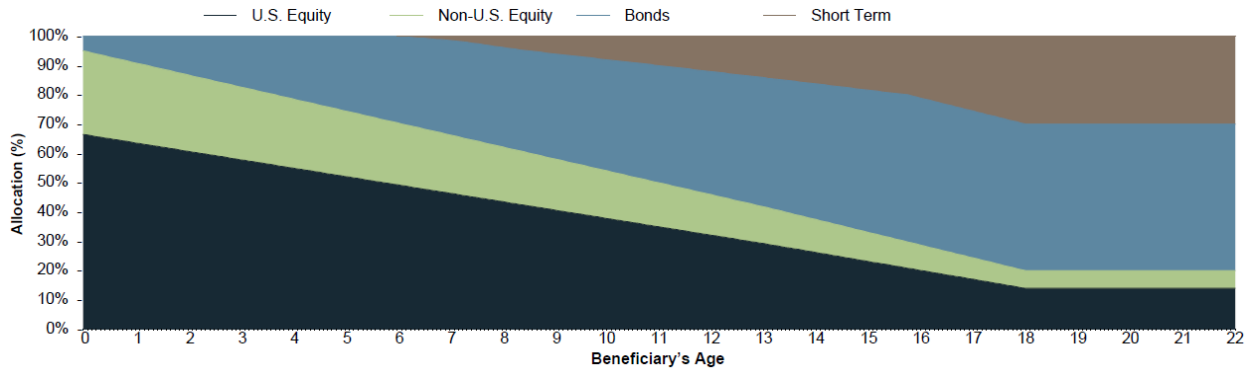
Active Age-Based 529 Portfolios (Fidelity Funds and Multi-Firm Funds) Asset Allocation Rolldown*



PORTFOLIO ALLOCATIONS As of December 31, 2018

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser-vative
U.S. Equities	60.22%	51.06%	42.16%	33.35%	24.83%	16.15%	8.74%	8.73%	65.98%	43.82%	0.00%
Non-U.S. Equities	32.60%	28.62%	24.57%	20.63%	16.74%	12.53%	8.95%	8.96%	33.02%	23.43%	0.00%
Commodities	1.49%	1.96%	1.96%	1.94%	1.92%	1.90%	1.88%	1.87%	1.01%	0.98%	0.00%
Bonds	3.99%	16.10%	28.38%	34.79%	42.09%	49.28%	49.83%	49.83%	0.00%	31.70%	45.19%
High Yield Debt	0.98%	1.35%	1.36%	1.34%	1.31%	1.28%	1.26%	1.26%	0.00%	1.05%	0.95%
Floating Rate Debt	0.12%	0.18%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.00%	0.41%	0.48%
Emerging Market Debt	0.46%	0.62%	0.61%	0.61%	0.60%	0.60%	0.62%	0.62%	0.00%	0.51%	0.46%
Real Estate Debt	0.34%	0.48%	0.47%	0.47%	0.47%	0.46%	0.47%	0.47%	0.00%	0.76%	0.49%
Investment Grade Debt	1.85%	13.16%	25.47%	31.71%	37.90%	44.07%	43.96%	43.95%	0.00%	28.18%	40.95%
Inflation Protected Debt	0.24%	0.32%	0.32%	0.51%	1.66%	2.71%	3.38%	3.39%	0.00%	0.79%	1.87%
Short Term Debt	1.68%	2.23%	2.86%	9.21%	14.31%	20.01%	30.44%	30.45%	0.00%	0.00%	54.61%

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



ACTUAL PORTFOLIO ALLOCATIONS As of December 31, 2018

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser-vative
U.S. Equities	62.47%	53.47%	44.65%	36.19%	27.82%	19.21%	11.87%	11.87%	67.54%	45.54%	0.00%
Non-U.S. Equities	28.80%	24.69%	20.69%	16.82%	13.03%	9.13%	5.77%	5.77%	31.06%	21.08%	0.00%
Commodities	1.39%	1.30%	1.27%	1.11%	1.07%	1.00%	0.98%	0.98%	1.41%	1.27%	0.00%
Bonds	7.33%	20.50%	32.72%	38.71%	44.71%	50.97%	51.11%	51.11%	0.00%	32.04%	45.40%
Short Term Debt	0.00%	0.00%	0.60%	7.07%	13.24%	19.54%	30.10%	30.10%	0.00%	0.00%	54.40%

*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+
US Equity Funds	50-65%	40-55%	30-45%	20-35%	10-25%	
Ivy Core Equity 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%	
Global/ International Equity Funds	20-50%	15-45%	10-35%	5-25%	0-20%	
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%	
Fixed Income Funds	0-30%	5-45%	20-60%	35-75%	55-90%	100%
Investment Grade Bonds Funds	0-30%	5-40%	10-55%	20-75%	25-65%	0-25%
Ivy Corporate Bond Fund	0-25%	0-25%	0-25%	0-35%	0-35%	0-10%
Ivy Government Securities Bond 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%
Ivy Securian Core Bond Fund	0-25%	0-25%	0-25%	0-35%	0-35%	0-10%
Non-Investment Grade Bond Funds	0-10%	0-15%	0-25%	0-30%	0-25%	0-15%
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%
Short-Term Bond Funds	0-10%	0-15%	0-20%	0-25%	25-40%	70-100%
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%