

## New Mexico 529 College Savings 529 plans

The Education Plan (TEP-Direct-sold) / Scholar's Edge (SE-Advisor-sold)

### Investment Change Summary and Time Line (2009-2011)

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**Summary:** Beginning in February, 2009 and continuing up through August, 2011, The Education Trust Board of New Mexico along with its Program Manager, OFI Private Investments (OFIPI) made many substantive changes to the investment line ups within the 2 College Savings/529 plans offered by the state. The objective was to improve the plans by adding funds with better historical track records, provide more investment choice, and/or to lower fees thus make the plans more appealing to the investing public.

Within TEP's Blended Portfolios (a combination of active and passive investments) there are 7 non-money market investment funds. Of the 4 active funds in the plan at the beginning of this period, 1 was replaced by a passive fund-Dreyfus Bond Market Index Fund and 2 active funds had a change in Portfolio Management instituted by Oppenheimer. The 3 passive private portfolios managed by Oppenheimer were replaced by passive index funds managed by Vanguard, Dreyfus and TIAA-CREF. These changes were made to bring more familiar and well-known fund managers to the investing public. A complete new set of low cost Index-Only investment portfolios was also added to the plan in April, 2010.

**(Summary: 6 of the 7 funds were replaced or had portfolio management changes.)**

Within SE's portfolios there are 12 active non-money market investment funds. Of those 12 funds currently in the plan, 4 were added as new funds to the plan (American Century Diversified Bond Fund, Invesco Mid Cap Core Equity Fund, Oppenheimer International Growth Fund, and Thornburg International Value Fund). All 4 active funds added to SE had a Morningstar 5-Star rating at the time of inclusion. An additional 3 funds had a change in Portfolio Management instituted by Oppenheimer.

**(Summary: 7 of the 12 funds were replaced or had portfolio management changes.)**

#### **Time Line:**

February 17, 2009 SE: The American Century Diversified Bond Fund-Institutional share class was introduced into the Age Based Portfolios, the Custom Choice Portfolios, and in an individual fund Portfolio. The American Century Diversified Bond Fund was in the top decile of its Peer group and a Morningstar 5-Star rated fund at the time of inclusion. This fund replaced the Oppenheimer Core Bond Fund for new monies at this time and SE's position in the Core Bond Fund was sold over approximately the next 6 months.

March 2, 2009 TEP: The Dreyfus Bond Market Index Fund- BASIC share class was introduced into the Blended Age Based Portfolios and the Blended Custom Choice Portfolios. This fund replaced the Oppenheimer Core Bond Fund for new monies at this time and TEP's position in the Core Bond Fund was sold over approximately the next 6 months.

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April 1, 2009 SE: Krishna Memani, Senior Vice President and Head of Fixed Income was hired by OppenheimerFunds. Among his other duties, he became the Portfolio Manager of the Oppenheimer Limited Term Government Fund, an investment sleeve in the Age Based Portfolios and the Custom Choice Portfolios. Prior to joining OppenheimerFunds, Mr. Memani was a Managing Director and Head of the US and European Credit Analyst Team at Deutsche Bank, managing over 60 analysts. Prior to that he managed various fixed income portfolios at Putnam. He has over 25 years of investment experience. As of 10/31/11 the Oppenheimer Limited Term Government Fund is in the 13% for the 1-Year period and 18% for the 3-year period in the Lipper Peer group rankings.

May 19, 2009 SE/TEP: Matthew Ziehl was hired by OppenheimerFunds (as part of the Mani Govil 12 member team lift-out from RS Investments) as lead Portfolio Manager of the Oppenheimer Main Street Small- and Mid- Cap Fund. This fund is an investment sleeve in TEP in the Blended Age Based Portfolios and the Custom Choice Portfolios. It is also an investment sleeve in SE in the Age Based Portfolios, the Custom Choice Portfolios, and in an individual fund Portfolio. Prior to joining OppenheimerFunds, he managed the RS Small Cap Core Fund beginning in January, 2002. Previously Matt was a team leader and co-Portfolio Manager of Salomon Brothers Small Cap Growth Fund. As of 10/31/11 the Oppenheimer Main Street Small- and Mid- Cap Fund is in the 48% for the 1-Year period and the 35% for the 3-Year period in the Lipper Peer group rankings.

November 30, 2009 SE: The Invesco Mid Cap Core Equity Fund- I shares was introduced into the Age Based Portfolios and the Custom Choice Portfolios. The Invesco Mid Cap Core Equity Fund was in the top decile of its peer group and a Morningstar 5-Star rated fund at the time of inclusion. The fund replaced the Main Stay Mid Cap Growth Fund.

April 4, 2010 TEP: A complete set of low cost Index-only Age Based Portfolios and Custom Choice Portfolios were added to the plan. Various Vanguard and Dreyfus index funds were included in the Portfolios.

April 26, 2010 TEP/SE: Julie Van Cleave was hired by OppenheimerFunds as the new portfolio manager of the Oppenheimer Capital Appreciation Fund. At the time of her hiring, Ms. Van Cleave had over 25 years of investment experience. Most recently she was a managing director at Deutsche Asset Management where she served as lead Portfolio Manager of the DWS Capital Growth Fund (SCGSX) from December 2002 through February 2009. Prior to that, she worked at Mason Street Advisors, a wholly owned subsidiary of Northwestern Mutual for 18 years. She was the lead Portfolio Manager of the Mason Street Growth Fund from April 1997 to November 2002. Her 11+ year linked track record placed her in the top quartile in the Lipper large Growth Peer Group, substantially outperforming the Russell 1000 Growth Index with lower volatility. As of 10/31/11 the Oppenheimer Capital Appreciation Fund is in the 57% for the 1-Year period in the Lipper Peer group rankings.

August 26, 2011 TEP: The 3 passive index strategies managed by Oppenheimer, the OFIPI Large Cap Core Index strategy, OFIPI International Index strategy, and the OFIPI Small Cap Index strategy were replaced

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by index funds managed by Vanguard, Dreyfus, and TIAA-CREF (the Vanguard Extended market Index Fund, the Dreyfus BASIC S & P 500 Stock Index Fund, and the TIAA-CREF International Equity Index Fund). These well-known index fund managers provide more name recognition to the investor public.

August 26, 2011 TEP: The TIAA-CREF International Equity Index Fund – I share class was introduced into the Blended Age Based Portfolios and the Custom Choice Portfolios. The fund replaced the Baring International strategy.

August 26, 2011 SE: The Oppenheimer International Growth Fund – Y share class and the Thornburg International Value Fund – Institutional share class were introduced into the Age Based Portfolios, the Custom Choice Portfolios, and as an individual fund Portfolio. The Oppenheimer International Growth Fund was in the top quartile of its peer group, was a Morningstar 5-Star rated fund, and a Morningstar Analyst Pick. The Thornburg International Value Fund was a Morningstar 5-Star rated fund and a Morningstar Analyst Pick.