



Legislative Finance Committee
October 1, 2020

Pension Consulting Alliance, Inc.

Education Trust Board of New Mexico
Sandra Liggett, JD - Board Chair
Ted Miller, JD, LLM - Executive Director



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529 COLLEGE SAVINGS PROGRAM OVERVIEW





What is a 529 College Savings Plan?



- A 529 Plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs.



- 529 assets can be used to pay for the expenses of post-secondary education – public or private.



- All earnings and withdrawals from a 529 plan are free from federal and state income taxes if used to pay for qualified educational expenses.



- Contributions by a New Mexico taxpayer may be deducted from income for New Mexico individual income tax purposes if used to pay for qualified higher education expenses.





Qualified Higher Education Expenses

- Tuition and fees (any school nationwide)
- Room and board
- Books and supplies
- Computer technology, equipment, or internet access
- Expenses for special needs services





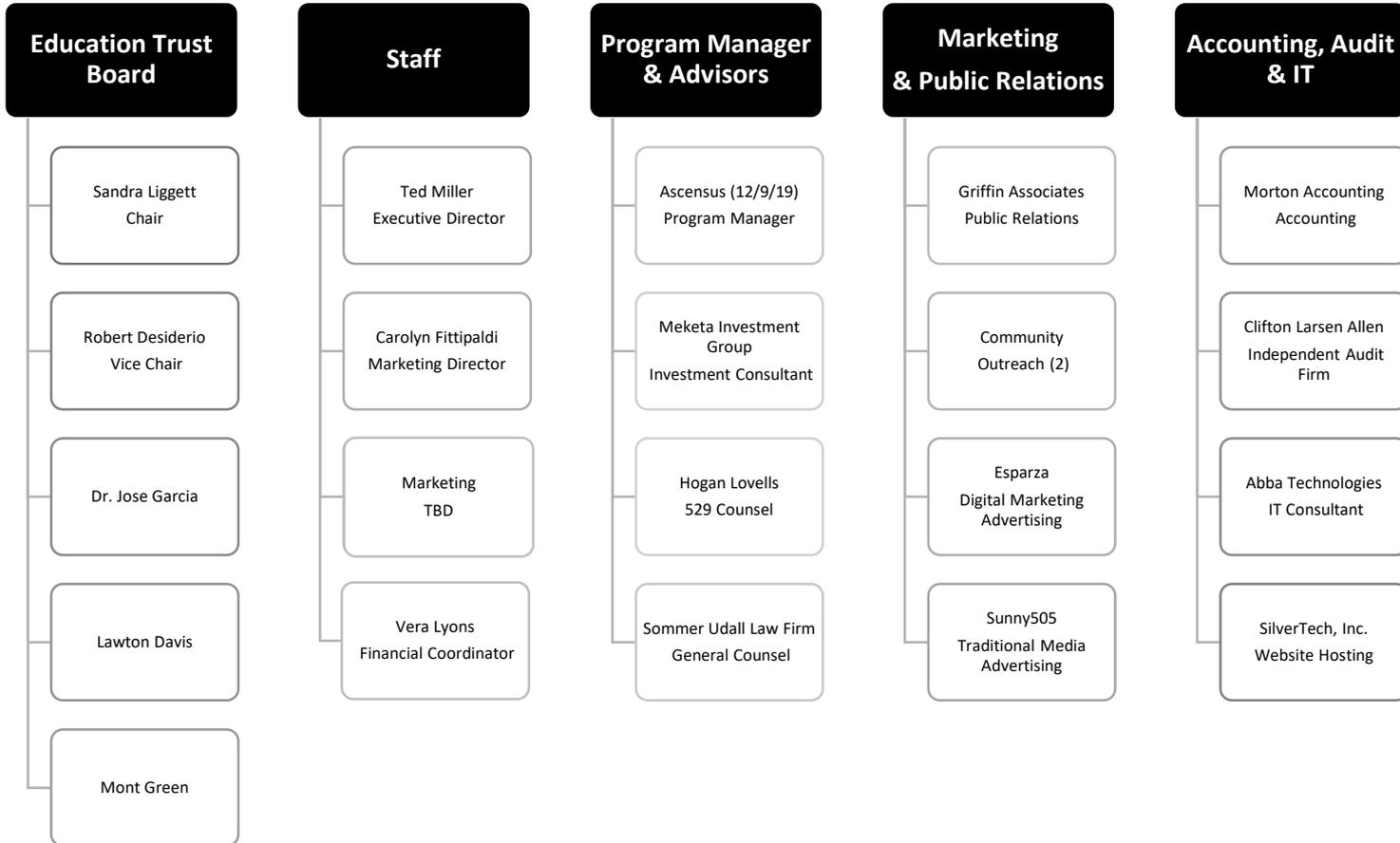
NM ETB Responsibility and Structure

- The Education Trust Board (NM ETB) is the governing body for New Mexico's 529 college savings programs.
- The NM ETB does **not** receive state general funds. By statute NM ETB must fund its efforts **entirely** from program fees.
- The NM ETB Acts as a fiduciary of the Education Trust.
- The NM ETB is responsible for implementation, administration and marketing of the plans established under the Education Trust Act.
- The NM ETB is administratively attached to the New Mexico Higher Education Department.
- Secretary of Higher Education Department or the Secretary's designee is the Board Chair.
- Other members are appointed by the Governor (2), Senate Pro Tem (1), and Speaker of the House of Representatives (1).





NM ETB Members, Staff, & Advisors





Transparency – Online at nmetb.org

- Investment Policy Statement and Monitoring Procedures and Criteria
- Program Manager Quarterly Reports – including asset and account numbers and investment performance
- Current RFPs and supporting materials
- IPRA Policy
- Audited Financials (unmodified with no findings for last two years)
- ETB Open Meeting Resolution, Agendas and Minutes
- Plan expenses and detailed program information contained in plan disclosure documents (online at theeducationplan.com and scholarsedge529.com)





New Mexico 529 Program

- The New Mexico 529 Program consist of two separate plans
 -  **The Education Plan**[®] (TEP) – sold directly to the public
Save today for your child's tomorrow
 - Direct-Sold Plan
 - Assets – \$580 million
 - Accounts – 23,981
 - **SCHOLAR'S EDGE**[™] (SE) – sold through commission-based investment advisors
 - Advisor-Sold Plan
 - Assets – \$1.84 billion
 - Accounts – 94,240

Data as of June 30, 2020





NM ETB Program Manager

Ascensus currently serves as the program manager for the NM college savings program and is responsible for:

- Program Administration
- Customer Service and Recordkeeping
- Investment Management
- Marketing and Distribution

Ascensus replaced OppenheimerFunds as program manager on December 9, 2019





NM ETB Program Manager

Ascensus

- Administers \$154 billion in 529 assets
- Service provider for 27 states and the District of Columbia
- Successfully completed 38 conversions of 529 plans
- Contractual Marketing Commitment to NM ETB (7 years)
 - TEP -- \$6,896,216
 - SE -- \$9,594,952





NM ETB Program Manager

Principal Financial Group

- Ascensus subcontracted with Principal for SE investment management, marketing and distribution
- \$701 billion in assets under management
- Strong Morningstar investment performance, with 75% of Principal investment options above median on a one-year basis, 81% on a three-year basis, and 80% on a five-year basis. Additionally, 77% of fund level AUM had a 4- or 5-star rating.
- Relationships with 1,100 broker-dealers
- Leading provider of employee benefits, including retirement plans and group benefits plans





ACCOMPLISHMENTS AND GOALS





NM ETB Mission, Vision & Goals

MISSION

The New Mexico Education Trust Board (NM ETB) is responsible for New Mexico's 529 College Savings Program. Our mission is to make post-secondary education more attainable by offering a flexible, low-cost, tax-efficient way to save for the costs of higher education.

VISION

NM ETB believes that higher education improves the lives of our children and ultimately benefits the citizens and the economy of New Mexico. Our vision is to enable as many New Mexican children as possible to become beneficiaries of 529 College Savings Accounts before age 10, and to promote continued contributions to the Accounts until post-secondary education is complete.

GOALS

To show consistent year-over-year growth in new account owners in New Mexico.
To be recognized by industry experts/national rating services as a top rated program for both in-state and out-of-state residents.
By the end of FY 2023, to become one of the top 15 college savings programs in the country by assets and accounts.





Accomplishments and Goals

FY20 Redesign and Repricing of Investment Offerings

- Year of Enrollment Portfolios replaced Age-Based Portfolios in both TEP and SE
- Fund lineups for both TEP and SE simplified
- TEP fees further reduced from last year's significant fee reduction (down 12.5% for Year of Enrollment Portfolios)
- More “best of breed” managers added to TEP
- Addition of ESG Portfolio to TEP
- Passive or index funds introduced to SE for the first time
- Significant SE fee reductions as a result (down 21% for Year of Enrollment Portfolios)





Accomplishments and Goals

FY20 Marketing and Outreach:

- Total of 1,991 new accounts in FY20 compared to 1,506 new accounts in FY19 (a 32% YOY increase)
- In partnership with Esparza (digital marketing and analytics) and Sunny 505 (traditional marketing, advertising and PR), we developed and implemented marketing strategies and tactics to convert prospects to new account owners.
- Improved account holder communication
- Improved website and SEO
- Improved digital analytic capabilities
- Increased public relations efforts statewide and nationally
- Increased focus on education
- Increased partnership with NM nonprofits, municipal and governmental agencies, and schools
- Increased partnership with NM employers





Accomplishments and Goals

FY20 Outreach Highlights

- Six (6) TV & radio interviews on the importance of saving for education and the benefits and unique features of the 529 plan in Albuquerque, Las Cruces and Las Vegas, NM
- Participated in NM Coalition of Educational Leaders 7/23/19-7/26/19
- Participated in Aging and Long Term Care event 8/13/19-8/14/19
- Participated in NM Municipal League Conference 8/27/19-8/30/19
- Presented at the New Mexico Association of School Business Officials (NMASBO) Fall Conference in Las Cruces on 9/18-9/20/19 (~300 attendees)
- Participated in Albuquerque Public Schools (APS) Back to School Health Fair on 9/6/19 and several back-to-school, curriculum night and wellness events at various APS schools in September
- Presented to Board of Directors at Albuquerque Hispano Chamber of Commerce on 9/26/19– interest in possible public-private partnership 529 scholarship fund
- Presented at Innovate-Integrate-Motivate Native American Conference held at Isleta Resort & Casino on 10/14-10/15/19 (~350 attendees from NM & AZ)
- Participated in “What’s Up in NM?” panel discussion at annual Close-It Summit (hosted by Innovate+Educate) in Santa Fe on 10/15-10/16/19 (~700 attendees from across U.S.)
- Presented at CNM to class in Certified Financial Coach program on 10/16/19 (26 students, including some from out of state)





Accomplishments and Goals

FY20 Outreach Highlights (continued)

- Participated and presented at Family Friendly New Mexico HR Rocks event 11/19
- Participated in HRMA NM Conference 11/19/19
- Participated in Albuquerque Business First Economic Summit 1/9/20
- Participated in Ed Uprising Conference/Future Focused Education 1/10/20
- Participated in NMAC Legislative Conference 1/21/20-1/23/20
- Participated in NMASBO Winter Conference 2/19/20-2/21/20
- Participated in Nuclear Science Museum Discover STEM Week 2/19
- Participated in NM Association for the Education of Young Children Conference 3/6/20-3/7/20
- Presentation during the Dona Ana County open enrollment 5/26/20-6/5/20
- Presented a live webinar to Sandia National Labs employees 6/23/20





Accomplishments and Goals

FY21 Marketing Goals

- 2,170 new accounts targeted to open (a goal of 9% YOY increase).
- Monthly target of 180 new accounts. We are averaging 231 accounts monthly so far in FY21.
- Grow contributions to existing accounts.
- Add 10 new employers in New Mexico offering the 529 plan as an employee “benefit” (payroll direct deposit option)
- Brand messaging & positioning:
 - A 529 plan can help anyone – regardless of age, career path or socio-economics
 - Higher education costs are much more than just tuition
 - Savings helps reduce the burden of student debt
 - A 529 plan is a smart, tax-advantaged way to grow savings
 - It’s never too late or too early to start a 529 plan
 - 529 plans can be “crowd-funded” with gift contributions from family & friends for birthdays and holidays, which helps fuel savings
 - A 529 employee benefit is free, easy and smart for employers to offer
 - The Education Plan can help make New Mexico stronger





Accomplishments and Goals

FY21 Outreach Highlights

- Two radio interviews on the importance of saving for education and the benefits and unique features of the 529 plan. One was a 30-minute public affairs show airing on seven Albuquerque radio stations on 7/11/20 and the other was a 14-minute interview on a Santa Fe talk station on 9/4/20.
- National PR coverage in July and August valued at \$14,145,850 with total circulation of 152,515,899.
- Live webinar presentation at the Los Alamos ScienceFest 7/11/20.
- Presentation to Lovelace Health Systems management and employees 7/14/20
- Presentation to Families & Youth, Inc management and employees 8/18/20
- Presented an educational webinar for CE credit for New Mexico Society of Enrolled Agents on 9/18/20.
- Sponsor of the Nuclear Museum Extended Care Tudor Program to support distance learning for children K-7 9/8/20-12/31/20
- Live webinar presentation to ABCWUA (Water Authority) employees 9/23/20.
- Live webinar presentation at the APS Financial Wellness Fair on 10/1/20. Plan to participate in APS Wellness Fair on 10/8/20-10/9/20.
- Scheduled to participate in an expert panel discussion webinar about College Savings with middle school and high school students and their families hosted by the National Association of Secondary School Principals (NASSP) on 10/1/20.
- Recorded presentation and Q & A sessions scheduled during the CNM open enrollment period 10/5/20-10/26/20.
- Presentation scheduled during the Economic Forum of Albuquerque webinar on 10/14/20.
- As lead sponsor, we're scheduled to present during the New Mexico Society of Association Executives (NMSAE) Growing Leaders Academy on 10/22/20, 10/27/20, 11/10/20 & 11/17/20.
- Scheduled to participate in the City of Albuquerque Health & Benefits Fair 10/30/20





Accomplishments and Goals

Current Active Employer Partners

- Sandia National Labs
- ABCWUA (Water Authority)
- Lovelace Health Systems
- University of New Mexico
- APS
- Central New Mexico Community College
- City of Albuquerque
- Dona Ana County
- Dekker/Perich/Sabatini
- Sunny 505
- HB Construction
- Curry County
- Main Bank





Accomplishments and Goals

Employer Partners In Discussion

- State of New Mexico
- Los Alamos National Laboratories & Foundation
- Bernalillo County
- KOB-TV
- PNM
- Presbyterian Health Services
- Christus St. Vincent Hospital
- MVD Express
- Dreamstyle Remodeling
- Southwestern Title & Escrow
- Families & Youth, Inc
- Big Brothers Big Sisters of New Mexico





NEW MEXICO 529 PROGRAM DESIGN AND DATA





Current Plan Options



- 3.7★'s Avg. Morningstar rating
- 84% funds medal rated



- 4.1★'s Avg. Morningstar rating
- 73% funds medal rated

- 11 Year of Enrollment Portfolios
 - Passive
- 8 Asset Allocation Portfolios
 - 4 Active
 - 4 Passive
- 5 Individual Portfolios
 - 3 Passive
 - 1 Active (Social Choice)
 - 1 Capital Preservation

- 11 Year of Enrollment Portfolios
 - Active/Passive Blend
- 4 Asset Allocation Portfolios
 - Active/Passive Blend
- 16 Individual Portfolios
 - 9 Active
 - 6 Passive
 - 1 Capital Preservation





Underlying Money Managers



- Vanguard
- Black Rock
- DFA
- American Funds
- New York Life
- Prudential
- Schwab
- SSgA
- TIAA-CREF



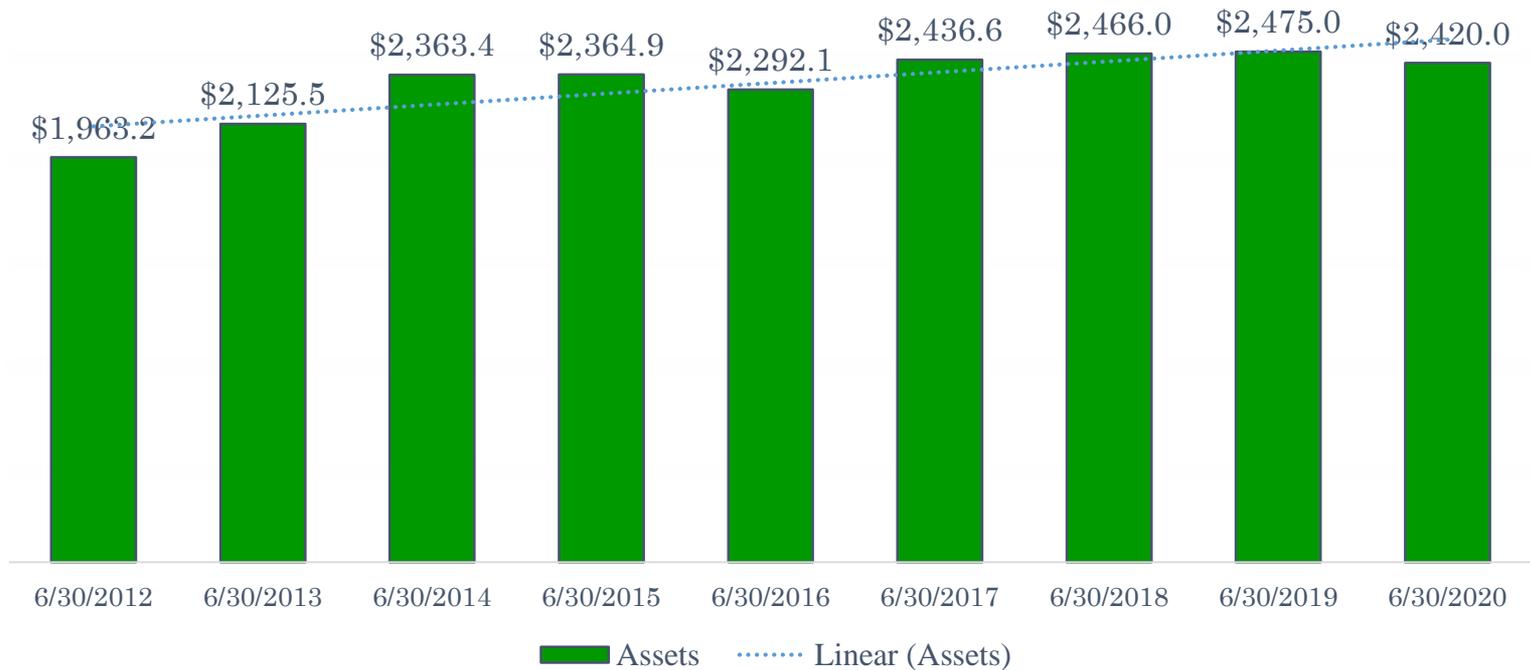
- Principal
- Vanguard
- Black Rock
- JP Morgan
- MainStay





TOTAL 529 TRUST ASSETS (Both Plans)

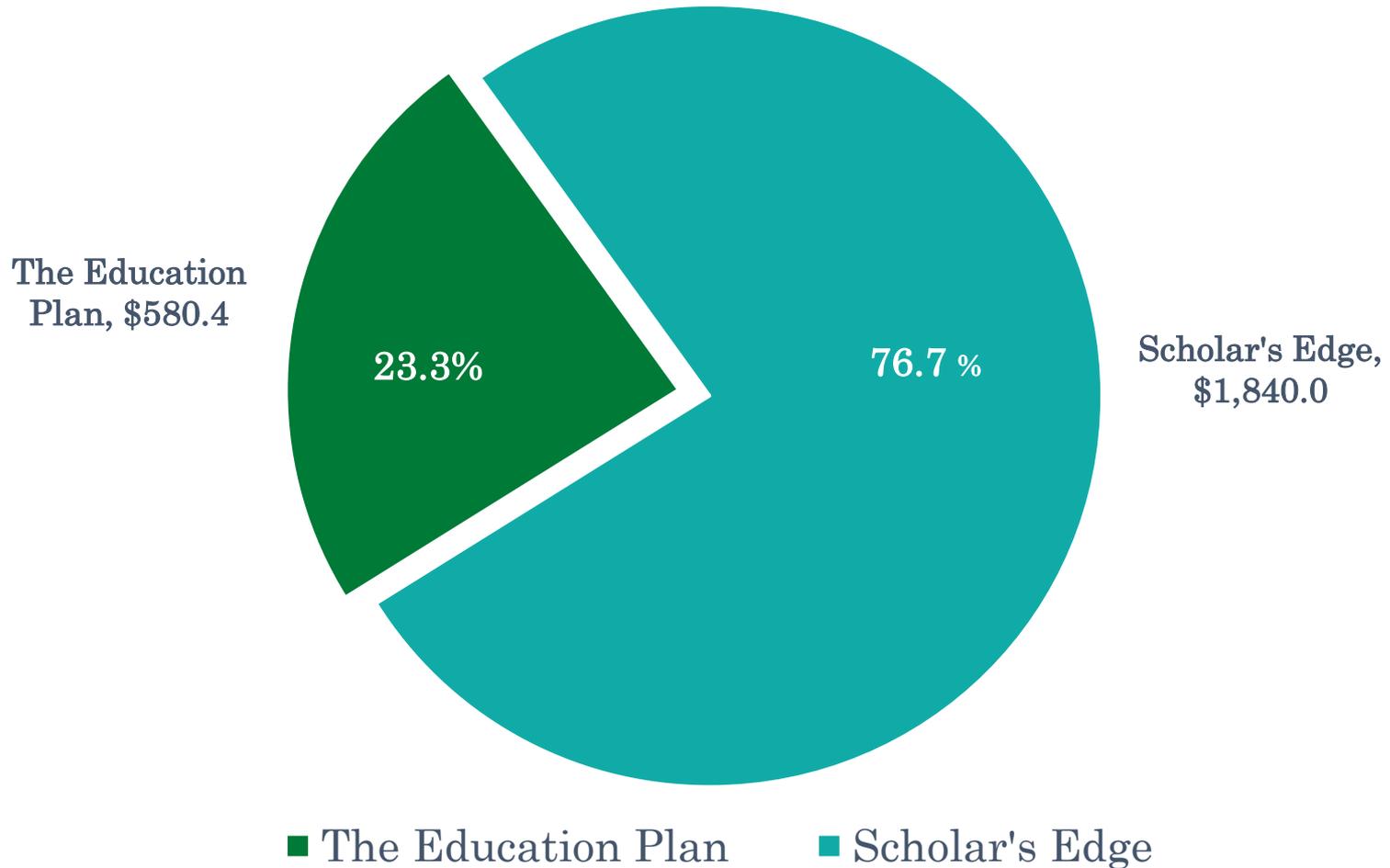
(IN MILLIONS)





TOTAL EDUCATION TRUST ASSETS BY PLAN

(IN MILLIONS)





NM RESIDENT 529 TRUST ASSETS (Both Plans)

(IN MILLIONS)





FY2019 New Mexico Resident Utilization

NM Account Summary

23,465
NM Total Accounts

\$489.2 million
NM Total Assets

\$8,500(TEP) \$9,000(SE)
Median NM Account
Balance

13.7 Years
Average Beneficiary Age
Per NM Account

NM Account Activity (12/9/2019 – 6/30/2020)

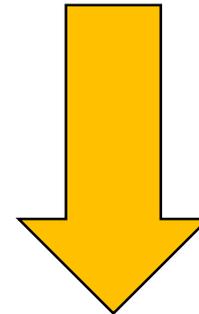
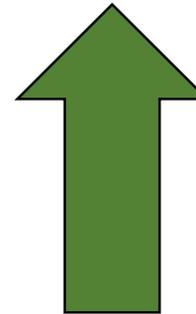
Contributions

\$31.1 million

\$409 avg. contribution
for the period

Redemptions (To pay for college expenses)

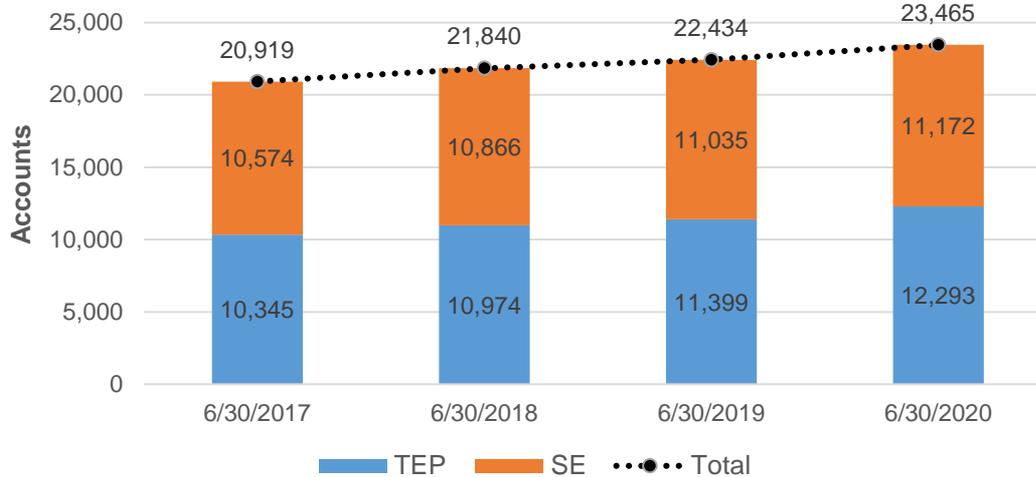
\$17.0 million





FY2020 New Mexico Resident Utilization

NM Resident 529 Accounts



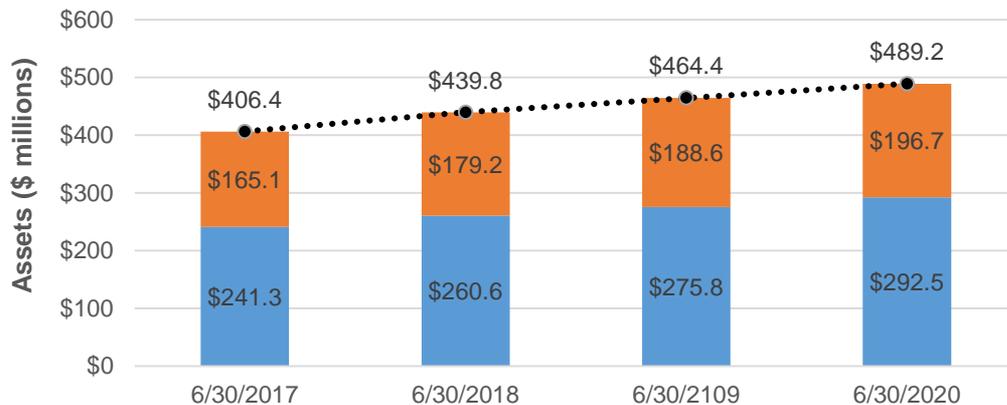
NM SE Accounts

- Increased 1.24% year-over-year
- Averaging 1.85% growth rate over last 3 FYs

NM TEP accounts

- Increased 7.84% year-over-year
- Averaging 5.93% growth rate over last 3 FYs

NM Resident 529 Assets



NM SE Assets

- Increased 4.29% year-over-year
- Averaging 6.03% growth rate over last 3 FYs

NM TEP Assets

- Increased 6.06% year-over-year
- Averaging 6.63% growth rate over last 3 FYs





Thank You





APPENDIX



The Education Plan

Year of enrollment-based portfolios



Asset class	Product	Year of enrollment portfolio										
		2038-2039	2036-2037	2034-2035	2032-2033	2030-2031	2028-2029	2026-2027	2024-2025	2022-2023	2020-2021	Enrollment portfolio
US Equity	Vanguard Total Stock Market Index Inst Plus	48.60%	48.60%	45.00%	41.40%	37.80%	34.20%	29.70%	24.30%	17.10%	10.80%	5.40%
US Real Estate	Schwab US REIT ETF	5.40%	5.40%	5.00%	4.60%	4.20%	3.80%	3.30%	2.70%	1.90%	1.20%	0.60%
Non-US Equity	Vanguard Developed Markets Index Inst	27.00%	27.00%	25.00%	23.00%	21.00%	19.00%	16.50%	13.50%	9.50%	6.00%	3.00%
Emerging Market Equity	SPDR® Portfolio Emerging Markets ETF	9.00%	9.00%	8.33%	7.67%	7.00%	6.33%	5.50%	4.50%	3.17%	2.00%	1.00%
Core Fixed Income	Vanguard Total Bond Market II Index I	5.00%	5.00%	6.67%	8.33%	10.00%	11.67%	14.17%	17.50%	20.83%	20.00%	15.00%
Short Term Inflation Protected	Vanguard Short Term Inflation Protected Securities Fund Inst	1.50%	1.50%	2.00%	2.50%	3.00%	3.50%	4.25%	5.25%	6.25%	6.00%	4.50%
High Yield Corporate	Vanguard High Yield Corporate Fund Adm	1.00%	1.00%	1.33%	1.67%	2.00%	2.33%	2.84%	3.50%	4.17%	4.00%	3.00%
Non-US Fixed Income	iShares International Aggregate ETF	2.50%	2.50%	3.33%	4.17%	5.00%	5.83%	7.08%	8.75%	10.42%	10.00%	7.50%
Short-Term Government	Vanguard Short Term Treasury Index Inst	0.00%	0.00%	1.67%	3.33%	5.00%	6.67%	8.33%	10.00%	13.33%	20.00%	30.00%
Capital Preservation	New York Life GIA 10	0.00%	0.00%	1.67%	3.33%	5.00%	6.67%	8.33%	10.00%	13.33%	20.00%	30.00%
	Equity	90.00%	90.00%	83.33%	76.67%	70.00%	63.33%	55.00%	45.00%	31.67%	20.00%	10.00%
	Fixed Income/Short-Term Marketable Securities	10.00%	10.00%	16.67%	23.33%	30.00%	36.67%	45.00%	55.00%	68.33%	80.00%	90.00%
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Weighted Average Expense	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.03%
	Plan Management Fee	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
	State Administrative Fee	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
	Total Annual Asset-Based Fees	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.13%

As of June 30, 2020.

The Education Plan

Static allocation passive portfolios



Asset class	Product	Static allocation passive portfolio			
		100% Equity Index Portfolio	75% Equity Index Portfolio	50% Equity Index Portfolio	25% Equity Index Portfolio
US Equity	Vanguard Total Stock Market Index Inst Plus	54.00%	40.50%	27.00%	13.50%
US Real Estate	Schwab US REIT ETF	6.00%	4.50%	3.00%	1.50%
Non-US Equity	Vanguard Developed Markets Index Inst	30.00%	22.50%	15.00%	7.50%
Emerging Market Equity	SPDR® Portfolio Emerging Markets ETF	10.00%	7.50%	5.00%	2.50%
Core Fixed Income	Vanguard Total Bond Market II Index I	0.00%	8.75%	16.25%	22.50%
Short Term Inflation Protected	Vanguard Short Term Inflation Protected Securities Fund Inst	0.00%	2.63%	4.87%	6.75%
High Yield Corporate	Vanguard High Yield Corporate Fund Adm	0.00%	1.75%	3.25%	4.50%
Non-US Fixed Income	iShares International Aggregate ETF	0.00%	4.38%	8.13%	11.25%
Short-Term Government	Vanguard Short Term Treasury Index Inst	0.00%	7.50%	17.50%	30.00%
	Equity	100%	75%	50%	25%
	Fixed Income/Short-Term Marketable Securities	0%	25%	50%	75%
	Total	100%	100%	100%	100%
	Weighted Average Expenses	0.04%	0.04%	0.05%	0.05%
	Plan Management Fee	0.05%	0.05%	0.05%	0.05%
	State Administrative Fee	0.05%	0.05%	0.05%	0.05%
	Total Annual Asset-Based Fees	0.14%	0.14%	0.15%	0.15%

As of June 30, 2020.

The Education Plan

Static allocation active portfolios



Asset class	Product	Static Allocation Active Portfolio			
		100% Active Equity Portfolio	75% Active Equity Portfolio	50% Active Equity Portfolio	25% Active Equity Portfolio
US Equity	American Funds Fundamental Invs F3	54.00%	40.50%	27.00%	13.50%
US Real Estate	TIAA CREF Real Estate Sec Instl	6.00%	4.50%	3.00%	1.50%
Non-US Equity	DFA International Core Equity I	30.00%	22.50%	15.00%	7.50%
Emerging Market Equity	DFA Emerging Markets Core Equity I	10.00%	7.50%	5.00%	2.50%
Core Fixed Income	TIAA CREF Bond Plus Instl	0.00%	8.75%	16.25%	22.50%
Inflation Protected	DFA Inflation-Protected Securities I	0.00%	2.63%	4.87%	6.75%
Ultra Short-Term Bond	Vanguard Ultra Short Term Bond Admiral	0.00%	4.38%	8.13%	11.25%
Global Fixed Income	Prudential Global Total Return R6	0.00%	1.75%	3.25%	4.50%
Stable Value	New York Life GIA 10	0.00%	7.50%	17.50%	30.00%
	Equity	100%	75%	50%	25%
	Fixed Income/Short-Term Marketable Securities	0%	25%	50%	75%
	Total	100%	100%	100%	100%
	Weighted Average Expense	0.32%	0.29%	0.26%	0.22%
	Plan Management Fee	0.05%	0.05%	0.05%	0.05%
	State Administrative Fee	0.05%	0.05%	0.05%	0.05%
	Total Annual Asset-Based Fees	0.42%	0.39%	0.36%	0.32%

As of June 30, 2020.

The Education Plan

Individual fund portfolios



Asset class	Fund/ETF	Fund fee	Plan management fee	State administrative fee	Total annual asset-based fees
US Equity Index Portfolio	Vanguard Total Stock Market Index Instl Plus	0.02%	0.05%	0.05%	0.12%
Bond Index Portfolio	Vanguard Total Bond Market Index ETF	0.04%	0.05%	0.05%	0.14%
Short Term Bond Index Portfolio	Vanguard Short Term Treasury Index Instl	0.05%	0.05%	0.05%	0.15%
Social Choice Portfolio	TIAA-CREF Social Equity Instl	0.17%	0.05%	0.05%	0.27%
Capital Preservation Portfolio	New York Life GIA 10	0.00%	0.05%	0.05%	0.10%

As of June 30, 2020.

The Education Plan

Morningstar evaluation

	Investment Option	Star Rating	Analyst Rating	Morningstar Pillar ¹				
				Parent	Performance ¹	Price ¹	People	Process
Passive	Vanguard Total Stock Market Index	★★★★	Gold	Positive	Positive	Positive	Positive	Positive
	Schwab US REIT ETF TM	★★	Neutral ^Q	--	--	--	--	--
	Vanguard Developed Markets Index	★★★★	Gold	High	--	--	Above Average	High
	SPDR® Portfolio Emerging Markets ETF	★★★	Gold ^Q	--	--	--	--	--
	Vanguard Total Bond Market II Index	★★★★	Silver	Positive	Neutral	Positive	Positive	Positive
	Vanguard Total Bond Market Index ETF	★★★★	Silver	Positive	Neutral	Positive	Positive	Positive
	Vanguard Short-Term Infl-Prot Sec Index	★★	Gold	High	--	--	Above Average	Above Average
	Vanguard High-Yield Corporate	★★★★★	Gold	High	--	--	Above Average	Above Average
	iShares Core International Agg Bond ETF	★★★★	Bronze ^Q	--	--	--	--	--
	Vanguard Short-Term Treasury Index	★★★	Silver	Positive	Neutral	Positive	Positive	Positive
Vanguard Ultra-Short-Term Bond Index	★★★★	Neutral ^Q	--	--	--	--	--	
Active	American Funds Fundamental Investors	★★★	Gold	High			High	Above Average
	TIAA-CREF Real Estate Securities	★★★★★	Gold ^Q	--	--	--	--	--
	DFA International Core Equity	★★★	Silver	High	--	--	Above Average	Above Average
	DFA Emerging Markets Core Equity	★★★	Silver	High	--	--	Above Average	Above Average
	TIAA-CREF Bond Plus	★★★★	Silver	Average	--	--	Above Average	Above Average
	DFA Inflation-Protected Securities	★★★★★	Neutral ^Q		--	--		---
	PGIM Global Total Return	★★★★★	Silver	Above Average	--	--	Above Average	Above Average
TIAA-CREF Social Equity Instl	★★★	Bronze	Average	--	--	Above Average	Average	

¹ In late 2019 Morningstar enhanced their analyst rating methodology, which moved to a 3 pillar process from 5. They now focus on the Parent, People, and Process pillars. This change has been implemented over time with the expectation that all funds will be transitioned to the new rating methodology by the end of 2020.

^Q Indicates quantitative analyst rating, which is an estimated analyst rating using a series of quantitative models.

As of June 30, 2020. Source: Morningstar.

Scholar's Edge

Year-of-Enrollment portfolio holdings

Year of Enrollment		2038-2039	2036-2037	2034-2035	2032-2033	2030-2031	2028-2029	2026-2027	2024-2025	2022-2023	2020-2021	Principal Today
Asset Class	Fund/ETF											
U.S Equity	iShares S&P 500 Stock Index ETF (IVV)	26.05%	25.75%	24.40%	22.95%	23.40%	21.05%	17.20%	14.10%	8.70%	2.50%	0.00%
	Principal Blue Chip R6 Fund (PGBHX)	13.05%	12.90%	12.20%	11.50%	11.70%	10.50%	8.65%	7.05%	4.40%	1.25%	0.00%
	Principal Equity Income Inst Fund (PEIIX)	13.05%	12.90%	12.20%	11.50%	11.70%	10.50%	8.65%	7.05%	4.40%	1.25%	0.00%
	Vanguard Mid-Cap Index Fund Institutional Shares (VMCIX)	10.45%	10.30%	9.75%	8.20%	5.50%	4.95%	3.15%	0.00%	0.00%	0.00%	0.00%
	iShares Small Cap Index ETF (IJR)	6.95%	6.90%	6.50%	5.25%	2.75%	2.50%	1.60%	0.00%	0.00%	0.00%	0.00%
International Equity	Principal Diversified International R6 Fund (PDIFX)	22.35%	22.20%	21.15%	19.90%	19.30%	17.10%	13.80%	10.90%	6.40%	1.50%	0.00%
	JPMorgan Emerging Markets Equity R6 (JEMWX)	5.60%	5.55%	5.30%	4.30%	2.15%	1.90%	1.20%	0.00%	0.00%	0.00%	0.00%
Fixed Income	Principal Core Fixed Income R6 Fund (PICNX)	0.00%	0.80%	4.80%	10.40%	14.10%	20.15%	27.00%	29.20%	35.75%	39.20%	40.00%
	iShares Core U.S. Aggregate Bond (AGG)	0.00%	0.20%	1.20%	2.60%	3.50%	5.05%	6.75%	7.30%	8.95%	9.80%	10.00%
	Principal Short-Term Income Inst Fund (PSHIX)	0.00%	0.00%	0.00%	0.50%	2.20%	3.15%	6.00%	12.20%	15.20%	18.70%	20.00%
GIC	Scholar's Edge Guaranteed Contract	0.00%	0.00%	0.00%	0.50%	2.20%	3.15%	6.00%	12.20%	16.20%	25.80%	30.00%
Real Estate	Principal Real Estate Securities R6 Fund (PFRSX)	2.50%	2.50%	2.50%	2.40%	1.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity		100.0%	99.0%	94.0%	86.0%	78.0%	68.5%	54.3%	39.1%	23.9%	6.5%	0.0%
Total Fixed Income/Short-Term Marketable Securities		0.0%	1.0%	6.0%	14.0%	22.0%	31.5%	45.8%	60.9%	76.1%	93.5%	100.0%
Proprietary Fund Allocation		51.0%	51.3%	52.9%	56.7%	62.7%	64.6%	70.1%	78.6%	82.4%	87.7%	90.0%
Non-Proprietary Fund Allocation		49.1%	48.7%	47.2%	43.3%	37.3%	35.5%	29.9%	21.4%	17.7%	12.3%	10.0%
Weighted Fund Fee		0.39%	0.39%	0.39%	0.39%	0.39%	0.38%	0.37%	0.36%	0.34%	0.30%	0.29%
Total Annual Asset-Based Fees for Class A		0.92%	0.92%	0.92%	0.92%	0.92%	0.91%	0.90%	0.89%	0.87%	0.83%	0.82%
Total Annual Asset-Based Fees for Class C		1.67%	1.67%	1.67%	1.67%	1.67%	1.66%	1.65%	1.64%	1.62%	1.58%	1.57%
Total Annual Asset-Based Fees for Class R		0.67%	0.67%	0.67%	0.67%	0.67%	0.66%	0.65%	0.64%	0.62%	0.58%	0.57%

As of June 30, 2020.

Scholar's Edge

Static allocation portfolio holdings

Static Allocation (Custom Choice) Portfolios		Aggressive	Moderate	Conservative	Fixed Income
Asset Class	Fund/ETF				
U.S Equity	iShares S&P 500 Stock Index ETF (IVV)	22.65%	17.80%	10.00%	0.00%
	Principal Blue Chip R6 Fund (PGBHX)	11.35%	8.95%	5.00%	0.00%
	Principal Equity Income Inst Fund (PEIIX)	11.35%	8.95%	5.00%	0.00%
	Vanguard Mid-Cap Index Fund Institutional Shares (VMCIX)	9.10%	4.20%	0.00%	0.00%
	iShares Small Cap Index ETF (IJR)	6.05%	2.10%	0.00%	0.00%
International Equity	Principal Diversified International R6 Fund (PDIFX)	20.00%	14.40%	7.50%	0.00%
	JPMorgan Emerging Markets Equity R6 (JEMWX)	5.00%	1.60%	0.00%	0.00%
Fixed Income	Principal Core Fixed Income R6 Fund (PICNX)	9.60%	26.90%	34.80%	40.00%
	iShares Core U.S. Aggregate Bond (AGG)	2.40%	6.70%	8.70%	10.00%
	Principal Short-Term Income Inst Fund (PSHIX)	0.00%	4.20%	14.50%	20.00%
GIC	Scholar's Edge Guaranteed Contract	0.00%	4.20%	14.50%	30.00%
Real Estate	Principal Real Estate Securities R6 Fund (PFRSX)	2.50%	0.00%	0.00%	0.00%
<i>Total Equity</i>		88.0%	58.0%	27.5%	0.0%
<i>Total Fixed Income/Short-Term Marketable Securities</i>		12.0%	42.0%	72.5%	100.0%
<i>Proprietary Fund Allocation</i>		59.3%	71.1%	83.3%	90.0%
<i>Non-Proprietary Fund Allocation</i>		40.7%	28.9%	16.7%	10.0%
<i>Weighted Fund Fee</i>		0.39%	0.38%	0.35%	0.29%
<i>Total Annual Asset-Based Fees for Class A</i>		0.92%	0.91%	0.88%	0.82%
<i>Total Annual Asset-Based Fees for Class C</i>		1.67%	1.66%	1.63%	1.57%
<i>Total Annual Asset-Based Fees for Class R</i>		0.67%	0.66%	0.63%	0.57%

As of June 30, 2020.

Scholar's Edge

Individual portfolios

Individual Portfolios					
Asset Class	Fund/ETF	Fund Fee	Total Annual Asset-Based Fees for Class A	Total Annual Asset-Based Fees for Class C	Total Annual Asset-Based Fees for Class R
U.S. Large Cap	iShares S&P 500 Stock Index ETF (IVV)	0.04%	0.57%	1.32%	0.32%
U.S. Large Cap	Principal Blue Chip R6 Fund (PGBHX)	0.56%	1.09%	1.84%	0.84%
U.S. Large Cap	Principal Equity Income Inst Fund (PEIIX)	0.52%	1.05%	1.80%	0.80%
U.S. Mid Cap	Vanguard Mid-Cap Index Fund Institutional Shares (VMCIX)	0.04%	0.57%	1.32%	0.32%
U.S. Small Cap	iShares Small Cap Index ETF (IJR)	0.07%	0.60%	1.35%	0.35%
Non-U.S. Equity	Principal Diversified International R6 Fund (PDIFX)	0.73%	1.26%	2.01%	1.01%
Emerging Market Equity	JPMorgan Emerging Markets Equity R6 (JEMWX)	0.79%	1.32%	2.07%	1.07%
Core Fixed Income	Principal Core Fixed Income R6 Fund (PICNX)	0.49%	1.02%	1.77%	0.77%
Core Fixed Income	iShares Core U.S. Aggregate Bond (AGG)	0.05%	0.58%	1.33%	0.33%
Short Term Fixed Income	Principal Short-Term Income Inst Fund (PSHIX)	0.43%	0.96%	1.71%	0.71%
Global Equity	Vanguard Total World Stock ETF (VT)	0.09%	0.62%	1.37%	0.37%
Non-U.S. Small Cap	Principal International Small Company R-6 (PFISX)	1.08%	1.61%	2.36%	1.36%
Non-U.S. Fixed Income	Vanguard Total International Bond ETF (BNDX)	0.09%	0.62%	1.37%	0.37%
U.S. High Yield	MainStay MacKay High Yield Corporate Bond (MHYSX)	0.58%	1.11%	1.86%	0.86%
GIC	Scholar's Edge Guaranteed Contract	0.00%	0.53%	1.28%	0.28%
U.S. Real Estate	Principal Real Estate Securities R6 Fund (PFRSX)	0.81%	1.34%	2.09%	1.09%

As of June 30, 2020

Scholar's Edge

Individual portfolios Morningstar evaluation

	Investment Option	Star Rating	Analyst Rating	Morningstar Pillar ¹				
				Parent	Performance ¹	Price ¹	People	Process
Passive	iShares S&P 500 Stock Index ETF	★★★★	Gold	Above Average	--	--	Above Average	High
	Vanguard Mid Cap Index InstitutionalPlus	★★★★	Gold	Positive	Positive	Positive	Positive	Positive
	iShares Small Cap Index ETF	★★★★	Silver	Above Average	--	--	Above Average	Above Average
	iShares Core U.S. Aggregate Bond ETF	★★★★	Gold	Above Average	--	--	Above Average	Above Average
	Vanguard Total World Stock ETF	★★★	Gold	High	--	--	Above Average	High
	Vanguard Total International Bond ETF	★★★★	Silver	Positive	Positive	Positive	Positive	Positive
Active	Principal Blue Chip R6 Fund	★★★★★	Silver	Average	--	--	Above Average	Above Average
	Principal Equity Income Inst Fund	★★★★	Silver	Average	--	--	Above Average	Above Average
	Principal Diversified International R6 Fund	★★★★	Bronze	--	--	--	--	--
	JPMorgan Emerging Markets Equity R6	★★★★★	Silver	Above Average	--	--	Above Average	Above Average
	Principal Income R6 Fund	★★★★	Neutral	Average	--	--	Average	Average
	Principal Short-Term Income Inst Fund	★★★★	Neutral	Average	--	--	Average	Average
	Principal International Small Company R6 Fund	★★★★	Neutral ^Q	--	--	--	--	--
	MainStay MacKay High Yield Corp Bond R6 Fund	★★★★★	Neutral	Average	--	--	Above Average	Average
Principal Real Estate Securities R6 Fund	★★★★	Bronze	Average	--	--	Above Average	Above Average	

¹ In late 2019 Morningstar enhanced their analyst rating methodology, which moved to a 3 pillar process from 5. They now focus on the Parent, People, and Process pillars. This change has been implemented over time with the expectation that all funds will be transitioned to the new rating methodology by the end of 2020.

^Q Indicates quantitative analyst rating, which is an estimated analyst rating using a series of quantitative models.

As of June 30, 2020. Source: Morningstar.