

CollegeAccess 529 Plan
Summary of Shareholder Positions and Accounts
as of 9/30/2017

ALLIANZ POSITIONS BY PORTFOLIO	08/31/2017 Positions	08/31/2017 Assets	09/30/2017 Positions	09/30/2017 Assets
<u>Age-Based:</u>				
Aggressive Growth (0-6)	3,259	\$ 51,355,163.58	3,208	\$ 51,634,331.00
Growth (7-10)	4,245	\$ 104,276,916.16	4,208	\$ 104,901,889.83
Growth & Income (11-14)	6,610	\$ 200,275,880.43	6,572	\$ 200,007,489.17
Income (15-17)	4,736	\$ 156,286,495.26	4,763	\$ 158,140,460.33
Capital Preservation (18+)	5,144	\$ 131,802,077.95	5,192	\$ 133,516,867.80
Subtotal	23,994	\$ 643,996,533.38	23,943	\$ 648,201,038.13
<u>Static:</u>				
Diversified Equity	3,437	\$ 91,223,524.19	3,428	\$ 92,684,457.74
Diversified Bond	1,343	\$ 21,880,169.80	1,336	\$ 21,577,958.00
Ultrashort Bond	557	\$ 11,761,979.32	557	\$ 11,633,633.07
Subtotal	5,337	\$ 124,865,673.31	5,321	\$ 125,896,048.81
<u>Individual:</u>				
AllianzGI Best Styles International Equity	1,715	\$ 11,067,601.49	1,712	\$ 11,263,534.98
AllianzGI Global Allocation	631	\$ 7,705,099.93	631	\$ 7,761,442.29
AllianzGI NFJ Dividend Value	2,580	\$ 28,840,247.69	2,571	\$ 29,607,583.86
AllianzGI NFJ Small-Cap Value	2,546	\$ 30,320,846.07	2,530	\$ 31,414,781.12
AllianzGI Focused Growth	1,136	\$ 14,596,067.55	1,141	\$ 14,907,570.98
Dodge & Cox International Stock	1,829	\$ 17,858,796.08	1,840	\$ 18,718,831.36
Metropolitan West Total Return	2,022	\$ 26,802,481.94	2,017	\$ 26,583,424.82
PIMCO All Asset	2,763	\$ 53,710,724.22	2,755	\$ 53,293,835.14
PIMCO Income	1,351	\$ 14,754,832.74	1,370	\$ 15,182,778.56
PIMCO Real Return	984	\$ 10,419,435.30	975	\$ 10,172,314.95
PIMCO Short Asset Investment	524	\$ 16,870,753.76	528	\$ 16,740,630.48
PIMCO StocksPLUS Absolute Return	4,265	\$ 75,672,361.05	4,236	\$ 76,696,858.11
Subtotal	22,346	\$ 308,619,247.82	22,306	\$ 312,343,586.65
TOTAL ALLIANZ POSITIONS	51,677	\$ 1,077,481,454.51	51,570	\$ 1,086,440,673.59

ALLIANZ ACCOUNTS BY SHARE CLASS	08/31/2017 Positions	08/31/2017 Assets	09/30/2017 Positions	09/30/2017 Assets
A Shares	22,227	\$ 506,689,144.60	22,189	\$ 511,107,557.38
C Shares	23,464	\$ 475,705,291.39	23,392	\$ 478,909,456.18
Subtotal	45,691	\$ 982,394,435.99	45,581	\$ 990,017,013.56
SD-A Shares	3,305	\$ 53,309,344.34	3,311	\$ 54,285,667.16
SD-C Shares	945	\$ 12,200,610.88	950	\$ 12,455,591.39
SD-D Shares	1,736	\$ 29,577,063.30	1,728	\$ 29,682,401.48
Subtotal	5,986	\$ 95,087,018.52	5,989	\$ 96,423,660.03
TOTAL ALLIANZ POSITIONS	51,677	\$ 1,077,481,454.51	51,570	\$ 1,086,440,673.59

Total # of Accounts within A, C shares	28,087
Total # of Accounts within SD-A, SD-C and SD-D	4,159
Total # of Accounts Across All Shares	32,246

Higher Education Savings Plan
CollegeAccess 529
11/3/2017

Compliance Schedule: Calendar Year 2017-Q1

	Required Action	Deadline	Date Completed
1.	Quarterly conference call and performance review (qtr. & annual)	January 31	Jan 26
2.	Annual Report to Governor	Feb 1	Jan 31
3.	Confirmation of 65 bps expense for SD-D accts	February 28	Feb 8
5.	Program Mgr. send Annual Report to Municipal Securities Rulemaking Bd.	March 31	March 21
6.	Review of Allianz insurance certificates	March 31	Feb 8
7.	Review CollegeAccess financials	March 31	March 16
8.	Annual Audit Completed	March 31	March 21

Compliance Schedule: Calendar Year 2017-Q2

	Required Action	Deadline	Date Completed
2.	Quarterly conference call and performance review	April 30	May 9
3.	Review AGID financials	April 30	May 10
4.	Review AGIA financials	April 30	May 10

Compliance Schedule: Calendar Year 2017-Q3

	Required Action	Deadline	Date Completed
1.	Wire transfer of scholarship funds from Allianz to Dakota Corps Scholarship Fd.	July 21	July 20
2.	Allianz pay Scholarship Administrator	July 21	August 1
3.	Quarterly conference call and performance review	July 31	July 27
4.	Adjust \$45,000 salary by CPI change and submit expenses to Program Manager	July 30	July 30
6.	Program Mgr. reimburse Council for expenses	August 31	Sept t

Compliance Schedule: Calendar Year 2017-Q4

	Required Action	Deadline	Date Completed
1.	Quarterly conference call and performance review	October 31	Nov 3
2.	Council approves independent auditor for the current calendar year	Nov/Dec SDIC meeting	
3.	Communication to Allianz approving auditor	Within 2 days of Council approval	
4.	Allianz recommendations for fund and & asset allocation changes	October 15 December 1	Oct 23
5.	Council approves new funds	Nov/Dec SDIC mtg	

South Dakota Investment Council / AGID/ AGI U.S. LLC
3rd Quarter Conference Call Minutes
Friday, November 3rd, 2017

Agenda

Attendees:

Sherry Nelson (SDIC)
 Tammy Otten (SDIC)

Steve Piekara (AGID)
 Heather Bergman (AGI U.S.)
 Nicole Steiner (AGID)

I. AGI Distributors (AGID): Assets under management and sales update.

1. Plan Assets (\$ millions)

	3Q17	2Q17
South Dakota (Advisor Sold)	\$67M	\$65M
South Dakota (Direct)	\$30M	\$29M
National (Advisor Sold)	\$990M	\$995M
Total Plan Assets	\$1,086	\$1,089

2. Plan Sales– *Large redemptions for college expenses take place during 3rd quarter and explain much of the weak net sales for the Plan.*

	3Q17		2Q17	
	Gross	Net	Gross	Net
South Dakota (Advisor Sold)	\$1.4M	(\$640k)	\$1.0M	\$181k
South Dakota (Direct)	\$504k	(\$170k)	\$507k	\$255k
National (Advisor Sold)	\$9.8M	(\$34.3M)	\$11.5M	(\$7.1M)
Total Plan Assets	\$11.7M	(\$35.1M)	\$13.1M	(\$6.6M)

II. AGI U.S. LLC – Quarterly Investment Portfolio Review

Performance of Portfolios – 3Q 2017 – *Investment performance versus the benchmarks is favorable for all the age-based portfolios. The 3rd quarter positive relative performance for the age-based portfolios ranged from 44-71 basis points while the 1-year and 3-year positive relative performance for the same funds ranged from 225-273 basis points and 66-134 basis points, respectively.*

III. Morningstar Review/Rating – *Morningstar rated the CollegeAccess 529 plan as “Neutral” overall. This is an improvement from the “Negative” rating last October.*

IV. Open Discussion on any questions or topics – *Steve said there were no issues with the recent glide-path changes.*

We discussed Heather’s memo that proposed to keep the current fund line-up and make a few modest asset allocation changes. The changes, if approved by the Council on 11/16/17, would lessen the current overweight to credit risk, diversify the short-term funds used, and reduce the weighting of opportunistic credit.

CollegeAccess 529

Morningstar Analyst Rating
Neutral

Morningstar Pillars

Process	○ Neutral
Performance	○ Neutral
People	⊕ Positive
Parent	○ Neutral
Price	⊖ Negative

Analyst Rating Spectrum



Analysis by Leo Acheson 2017-10-24

South Dakota's CollegeAccess 529 made fee reductions and improved the age-based track over the last year. As a result, its Morningstar Analyst Rating has been upgraded to Neutral from Negative.

The plan shows two different price tags to college savers, depending on their home state. South Dakotans can gain access to the plan at a relatively attractive price through the resident-only share classes, but those only account for about 10% of this plan's assets. Most account holders invest in the A and C shares. Program manager Allianz agreed to reduce these share classes' fees by 10 basis points effective October 2017. Both share classes' fees will remain above average after the cuts, but their price tags are no longer egregious. For instance, the age-based portfolios' A shares will cost about 1.10% on average.

Allianz smoothed the steps used by the plan's age-based investment option in 2017. The track previously had steep step-downs in equity exposure at ages 11 and 14: They were 25 and 29 percentage points, respectively. However, Allianz added more portfolios so that no step exceeds 10 percentage points, representing a meaningful improvement.

The underlying fund lineup also recently got a makeover. In 2016, Allianz simplified the lineup by reducing the number of underlying strategies across the plan's age-based, static-allocation, and stand-alone options to 20 from 36. The resulting lineup includes well-regarded strategies from a number of shops, including Allianz, PIMCO, Dodge & Cox, MetWest, and DFA. Eight strategies are Morningstar Medalists, an indication of our analysts' conviction in the funds' long-term potential.

AllianzGI Global Allocation, a Neutral-rated fund, represents one notable addition within the age-based portfolios. It was added as a dynamic core holding to allow the portfolios to continuously reposition based on market conditions. The fund actively adjusts its exposures to 32 asset classes based on opportunities identified through a trend-following approach. Such tactical management is notoriously difficult to get right consistently, but the fund stays between 50% and 70% of assets in equities, keeping shifts in check.

This is a serviceable plan, but better options exist. Residents can gain access to the plan cheaply, but without a state tax incentive, even they have good reason to shop around.

Web Address	www.collegeaccess529.com
Program Manager	Allianz Global Investors Dist., LLC
Trustee	South Dakota Investment Council
Advisor Sold	Resident and non-resident
Direct Sold	Resident
Fee Range (Age-based)	0.42-1.98
Minimum Initial Investment	\$250
Annual State Tax Deduction	—

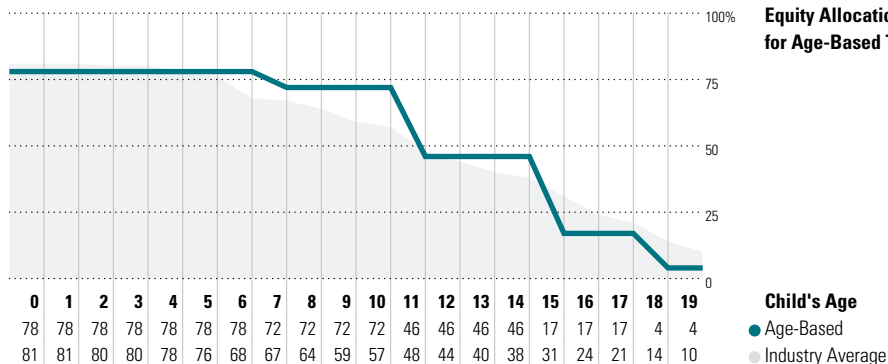
Plan Options

Age-Based Tracks: 1 Static Portfolios/Funds: 15

Issuing State

South Dakota

Equity Allocation % for Age-Based Tracks



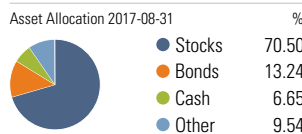
Plan Option Overview 2017-09-30

Option Name	Overall Star Rating	Current Equity %	Total Fees %	Fee Level	YTD		3-Year		5-Year	
					Total Rtn %	Cat Rank %	Total Rtn %	Cat Rank %	Total Rtn %	Cat Rank %
Age-Based										
SD CollAccess AgeBased 0-6 A	★	70.50	1.21	+ Avg	13.98	23	4.76	99	7.15	94
SD CollAccess AgeBased 7-10 A	★★	62.29	1.23	High	13.32	5	4.55	93	6.71	81
SD CollAccess AgeBased 11-14 A	★★	35.74	1.21	High	9.56	67	3.61	98	4.72	98
SD CollAccess AgeBased 15-17 A	★★	11.71	1.19	High	4.97	83	2.14	97	2.26	99
SD CollAccess AgeBased 18+ A	★★	2.68	1.12	High	3.17	67	1.85	72	1.63	72
SD CollAccess Diversified Eq A	★	92.72	1.14	Avg	16.83	4	5.94	99	8.41	99
SD CollAccess PIMCO StksPLUS Abs Ret A	★★★★★	30.49	1.34	High	15.62	24	10.28	34	13.55	41
SD CollAccess PIMCO All Asset Fund A	★★★★	13.42	1.58	High	9.92	1	2.80	20	2.87	13
SD CollAccess AllianzGI NFJ SmCap Val A	★★	93.90	1.44	+ Avg	5.94	87	6.44	97	10.14	97
SD CollAccess AllianzGI NFJ Div Val A	★	99.30	1.36	High	8.40	73	5.00	99	9.60	99
SD CollAccess Met West Ttl Ret Bd A	—	0.00	1.09	+ Avg	2.59	72	—	—	—	—
SD CollAccess Diversified Bond A	★★★★★	0.00	1.15	+ Avg	4.05	25	2.39	46	2.20	23
SD CollAccess Dodge & Cox Intl Stk A	★★★★	99.10	1.34	+ Avg	21.75	33	3.13	88	9.36	18
SD CollAccess PIMCO Shrt Asst Invmt A	—	0.00	0.71	- Avg	1.19	64	—	—	—	—
SD CollAccess AllianzGI Focused Growth A	★★★★★	99.35	1.41	High	21.58	38	11.81	24	—	—
SD CollAccess PIMCO Income A	—	0.00	1.15	+ Avg	6.83	5	—	—	—	—
SD CollAccess AllianzGI BS Intl Eq A	—	97.21	1.15	- Avg	20.75	55	—	—	—	—
SD CollAccess Ultrashort Bond A	★★	0.00	0.81	+ Avg	1.33	58	0.89	62	0.52	73
SD CollAccess PIMCO Real Ret A	★★★★	0.00	1.20	+ Avg	2.02	23	0.60	53	-0.81	67
SD CollAccess AllianzGI Global Allc A	—	48.52	1.43	High	12.78	14	—	—	—	—

Current Equity % is as-of the most recent portfolio date available. For Category Rank %, 1 = highest rank, 100 = lowest rank.

Age-Based Highlights 2017-09-30

SD CollegeAccess 529 Age-Based 0-6 Po

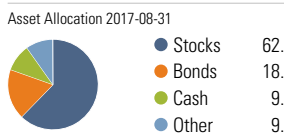


Top Asset Managers	%
Allianz Funds	53.23
TIAA Investments	16.72

529 Category
Age 0-6 Medium Equity

Return vs Category	Low
Risk vs Category	Average

SD CollegeAccess 529 Age-Based 7-10 P

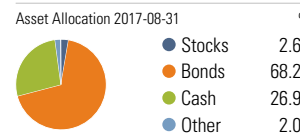


Top Asset Managers	%
Allianz Funds	54.84
TIAA Investments	13.80

529 Category
Age 7-12 Medium Equity

Return vs Category	Low
Risk vs Category	Above Average

SD CollegeAccess 529 Age-Based 18+ Po



Top Asset Managers	%
Pimco	60.99
Allianz Funds	22.59

529 Category
Age 19+ Medium Equity

Return vs Category	Below Average
Risk vs Category	Below Average



SOUTH DAKOTA INVESTMENT COUNCIL

4009 West 49th Street, Suite 300
Sioux Falls, SD 57106-3784 USA
Phone: (605) 362-2820

MEMORANDUM

TO: South Dakota Investment Council
FROM: Sherry Nelson
DATE: November 2, 2017
RE: CollegeAccess 529 Portfolio Update

Council action will be requested on the first two items:

1. Allianz Global Investors is requesting Council approval of PricewaterhouseCoopers as auditor for the higher education savings Plan, CollegeAccess529, for the year ending December 31, 2017.
2. Each year Allianz Global Investors (AGI), as program manager for the CollegeAccess 529 plan, is required to make a proposal if there are any suggested changes to the roster of funds included in the plan or to the asset allocation among the funds in the plan. This year they propose no changes to the funds included in the plan. They do, however, recommend some modest changes to the asset allocation. One of the attached memos details AGI's proposal to adjust weights for five funds within two asset categories. These changes are limited to the age-based portfolios for children age 13-17+ and the diversified bond portfolio.

Within the cash and short-term bond asset class, they propose to reallocate from AllianzGI Short Duration High Income Fund to the PIMCO Short-Term Fund. This change would lessen the current overweight to credit risk. Additionally, they propose shifting some weight from the PIMCO Short Asset Investment Fund to the PIMCO Short-Term Fund. This change would help diversify the short-term funds used.

Within the core bond category, AGI proposes to reduce the weight of the PIMCO Income Fund which focuses on opportunistic credit and to increase the weight of the Metropolitan West Total Return Fund which a more diversified core bond fund.

The State Investment Officer believes the changes proposed by Allianz Global Investors to be reasonable and recommends Council approval.

3. There were significant changes implemented on February 25, 2016 that reduced the number of underlying funds in the age-based portfolios and static portfolios from 27 to 14 and lowered expenses as well. The Plan's performance was ranked #3 by savingforcollege.com for the year ended June 30, 2017, due to favorable more recent investment performance. Additionally, Allianz has indicated they will be lowering the program management fee from 35 basis points to 25 basis points.

szn
Enclosure

November 1, 2017

Mr. Matt Clark
South Dakota Investment Council
4009 West 49 Street, Suite 300
Sioux Falls, SD 57106

Dear Matt:

In Allianz Global Investors Distributors' (AGID) role as Program Manager for the CollegeAccess 529 Plan, we are recommending changes to the Plan for your consideration. The attached proposal, developed by Allianz Global Investors Multi-Asset U.S., details our recommendations.

In light of the enhancements made to the CollegeAccess 529 program in February 2016, Allianz Global Investors proposes to maintain the current selection of underlying mutual funds utilized in the age-based, static and individual investment portfolios. Although we are satisfied with the mutual funds utilized in our investment lineup, we propose to change the allocation weights as it relates to two asset allocation groups: Cash + Ultrashort Bonds and Core US Bonds. The proposed changes are limited to the five age-based portfolios spanning ages 13 to 17+ and the Diversified Bond static investment portfolio.

The effect of the recommended changes will reduce the weighted average underlying fund fees by 1 basis point in the Age-Based 6 (Age 14) and Age-Based 9 (Ages 17+) portfolios. The recommended changes will also reduce the weighted average underlying fund fees by 2 basis points in the Diversified Bond static investment portfolio.

Subject to your approval, as well as the Board's, these changes would be implemented on or around February 28, 2018.

Thank you for considering our proposed changes to the CollegeAccess 529 Plan. We, and our colleagues at Allianz Global Investors Multi-Asset U.S., would be pleased to answer any questions you or your staff may have about these recommendations.

Regards,

Steven M. Piekara – 212.739.4130

cc:

Rick Lavery – 212.739.4201
Giorgio Carlino – 212.739.3799
Paul Pietranico – 619.687.2798
Heather Bergman – 619.687.2785

Allianz Global Investors U.S. LLC

Date: November 1, 2017

To: South Dakota Investment Council

From: Allianz Global Investors Multi-Asset US
Giorgio Carlino, Heather Bergman, Paul Pietranico

Subject: Recommendations to the South Dakota Investment Council

I. Executive Summary

In light of the changes in the CollegeAccess 529 program (“program”) approved in November 2015, Allianz Global Investors (AllianzGI) proposes to maintain the current underlying mutual funds in the age-based, static and individual investment portfolios. We are satisfied with the existing funds in the program. However, we propose to change the weights for the near-college age-based portfolios and the Diversified Bond portfolio as it relates to two Asset Allocation groups: Cash + Ultrashort Bonds and Core US Bonds. The proposed changes will result in a modest decrease in the underlying fund expenses in the 14 and 17+ age-based portfolios and the Diversified Bond static investment portfolio.

II. Review of 2016 Changes, 2017 Performance and Outlook

A. Review of 2016-17 Changes

In November 2015, the South Dakota Investment Council approved changes that reduced the underlying funds in the age-based and static portfolios from 27 to 14. In addition to streamlining the portfolios by reducing the number of funds within each asset class, we also incorporated a low-tracking error, cost efficient, enhanced beta strategy to gain exposure to global equities. The changes also included the addition of a dynamic asset allocation strategy, the AllianzGI Global Allocation Fund. As a result of the changes, fees were reduced across nearly all of the age-based and static investment portfolios.

The dynamic process through which the AllianzGI Global Allocation Fund is managed has varied the Fund’s exposures to global equities and bonds. Since the Fund was added to the program, its exposure to global equities has fluctuated between 50% and 69% of the Fund’s market value while exposure to bonds has fluctuated between 30% and 50%.

B. Review of Program Performance 2017

During the 12 month period through September 30, 2017 the age-based and static portfolios outperformed their respective benchmarks by between 4.4% and 1.3% (all based on SD-D and SD-A share class returns). The Diversified Bond Portfolio had the most outperformance returning 4.2% compared to -0.2% for its benchmark. At the other end of the spectrum, Ultrashort Bond Portfolio returned 1.9% compared with 0.6% for its benchmark (Please see Table 1 for performance of all age-based and static portfolios). In the bond heavy portfolios, both allocation to asset classes and selection of securities made positive contributions to performance. In the equity heavy portfolios, allocation to asset classes was roughly flat while selection of securities made positive contributions to performance.

Over the 12 month period, the 0-6 portfolio returned 16.1% (based on SD-D share class returns) compared to 13.4% for its blended benchmark. In this case, most of the performance is attributable to selection of securities. In particular, the biggest contribution came from selection in US and developed market equities attributable to the AllianzGI Best Styles Global Equity Fund, which is both a holding in the portfolio and is a holding in the AllianzGI Global Allocation Fund. Over this time period, the AllianzGI Best Styles Global Equity Fund has outperformed its benchmark, the MSCI All Country World Index, by 3.8%. Given that the AllianzGI Best Styles Global Equity Fund has recently accounted for about 40% of the equity exposure in the AllianzGI Global Allocation Fund, its positive performance contribution in the past 12 months was effectively magnified across the age-based portfolios.

The 18+ portfolio returned 3.4% (based on SD-D share class returns) compared to 0.7% for its blended benchmark. Most of the outperformance is attributable to exposure to opportunistic credit strategies through the PIMCO Income Fund within the

Core US Bond Asset group and, within the Ultrashort Bond and Cash Asset group, exposure to a short duration high yielding strategy.

Table 1: Performance of CollegeAccess 529 Portfolios

All Data As Of: 09/29/17	Total Returns (net of fees) (Annualized for periods greater than 1 year)							
	MTD	QTD	YTD	1 Mo	1 Yr	3 Yr	5 Yr	10 Yr
South Dakota								
529 - Age-Based 0-6 SD-D	1.70	4.76	14.58	2.66	16.08	5.35	7.91	3.94
NEW Blended Benchmark for South Dakota 0-6	1.31	4.12	12.83	2.04	13.42	5.29	7.25	3.43
<i>Variance from Bmk</i>	<i>39</i>	<i>64</i>	<i>175</i>	<i>62</i>	<i>266</i>	<i>6</i>	<i>66</i>	<i>51</i>
529 - Age-Based 7-10 SD-D	1.56	4.56	13.89	2.42	14.93	5.15	7.46	4.22
NEW Blended Benchmark for South Dakota 7-10	1.16	3.85	11.96	1.84	12.20	5.10	6.80	3.62
<i>Variance from Bmk</i>	<i>40</i>	<i>71</i>	<i>193</i>	<i>58</i>	<i>273</i>	<i>5</i>	<i>66</i>	<i>60</i>
529 - Age-Based 11-14 SD-D	1.06	3.38	10.17	1.62	10.50	4.28	5.45	4.00
NEW Blended Benchmark for South Dakota 11-14	0.67	2.67	8.17	1.14	7.77	3.75	4.64	3.37
<i>Variance from Bmk</i>	<i>39</i>	<i>71</i>	<i>200</i>	<i>48</i>	<i>273</i>	<i>53</i>	<i>81</i>	<i>63</i>
529 - Age-Based 15-17 SD-D	0.33	1.83	5.47	0.66	4.99	2.83	2.97	3.45
NEW Blended Benchmark for South Dakota 15-17	0.10	1.31	3.75	0.35	2.74	1.96	1.97	2.56
<i>Variance from Bmk</i>	<i>23</i>	<i>52</i>	<i>172</i>	<i>31</i>	<i>225</i>	<i>87</i>	<i>100</i>	<i>89</i>
529 - Age-Based 18+ SD-D	0.12	1.14	3.69	0.18	3.38	2.58	2.35	3.45
NEW Blended Benchmark for South Dakota 18+	-0.14	0.70	1.98	-0.02	0.66	1.37	1.01	2.25
<i>Variance from Bmk</i>	<i>26</i>	<i>44</i>	<i>171</i>	<i>20</i>	<i>272</i>	<i>121</i>	<i>134</i>	<i>120</i>
Diversified Equity A	2.25	5.35	16.83	3.21	19.71	5.76	8.41	2.65
NEW Blended Benchmark for South Dakota Div Eq	1.72	4.83	15.49	2.52	16.82	6.37	8.98	3.35
<i>Variance from Bmk</i>	<i>53</i>	<i>52</i>	<i>134</i>	<i>69</i>	<i>289</i>	<i>-61</i>	<i>-57</i>	<i>-70</i>
Diversified Bond SD-D	0.06	1.27	4.68	0.12	4.23	3.15	2.92	---
NEW Blended Benchmark for South Dakota Div Bond	-0.46	0.82	2.87	-0.34	-0.19	2.46	1.77	---
<i>Variance from Bmk</i>	<i>52</i>	<i>45</i>	<i>181</i>	<i>46</i>	<i>442</i>	<i>69</i>	<i>115</i>	<i>---</i>
UltraShort Bond - A	0.25	0.41	1.33	0.33	1.92	0.89	0.52	0.88
U.S. Treasury Bills: 1-3 Months USD Unhedged	0.09	0.25	0.56	0.09	0.62	0.28	0.19	0.41
<i>Variance from Bmk</i>	<i>16</i>	<i>16</i>	<i>77</i>	<i>24</i>	<i>130</i>	<i>61</i>	<i>33</i>	<i>47</i>

C. Market Outlook

We expect that the global economy will continue to expand slightly above expectation for the next year. But the data suggest that momentum is beginning to slow. We have also received evidence that inflation has begun to incrementally pick up around the globe. As anticipated, the Fed began to hike the policy rate in December of 2016. Since then, it has hiked two additional times and expects one additional hike this year and two in 2018. In addition, the Fed announced that it would start to unwind its balance sheet. In the next 12 months, we expect that other major central banks including the European Central Bank and the Bank of England will follow through on their rhetoric to tighten monetary policy and eventually reduce the assets held on their respective balance sheets as well. Even in the context of tighter monetary policy, however, we expect risk assets, including global equities to remain supported over the period. This is in part based on current valuations and in part based on our view that global growth will persist and be relatively broad based.

Against this backdrop, we also recognize that latent risks abound even if they have not yet become “priced-in” across asset classes. These risks include geopolitical tensions and a busy political calendar in emerging markets, which adds to uncertainty. There is also uncertainty related to US policy changes in healthcare, tax, and infrastructure spending and trade policy. In addition, we see a greater risk of credit spreads widening as opposed to tightening going forward given the level to which

spreads have contracted. For example, as of early October, high yield spreads over comparable maturity US Treasury bonds have declined to their lowest levels since mid-2014.

Therefore, we are comfortable with our current asset allocation for the portfolios, which remains neutral on a market value basis in each of the seven asset classes versus our Strategic Asset Allocation (SAA). This takes into account the AllianzGI Global Allocation Fund's long term average goal of 60%/40% equities and bonds with some deviations.

In light of the proposed changes, the portfolios will remain in line with the SAA with the same two exceptions. First, within the cash and ultra-short bond category, in certain cases, we maintain an underweight to cash in favor of an overweight to short-term high yield bonds. The proposed changes outlined below *reduce the underweight to cash*. We continue to believe this modified underweight positioning is justified given the persistent low levels of short-term interest rates and the objective to have exposure to high quality, higher yielding assets. Second, in certain portfolios, within the core bond category we propose to lower the underweight to US Treasuries by lowering our exposure to opportunistic credit. This proposal is aimed at reducing overall risk. We still maintain an allocation to opportunistic credit at the expense of US Treasuries due to the flexibility inherent in those strategies to adapt to changing market conditions. Exposure to opportunistic credit also increases the yield of the portfolios.

Overall, the portfolios remain consistent with the smoother glidepath for the South Dakota CollegeAccess 529 Program approved in April 2017.

III. Proposal for 2018

The proposed changes are limited to the five age-based portfolios spanning age 13 to 17+ (the "near college" portfolios) and the Diversified Bond static investment portfolio. We proposed to reallocate among existing underlying funds in two asset classes in light of the outlook summarized in the previous section:

1. Cash + Ultrashort Bond:
 - *Proposal:* To reallocate from a strategy focused on short-term yield to a mix of short duration bond strategies that emphasize risk management.
 - *Rationale:* In the cash & short term bond portion of the portfolios, there is currently an overweight to short term high yield and underweight to cash-like instruments justified by the unprecedentedly low interest rate environment since 2009. It is also based on the goal to gain exposure to higher yielding instruments. In light of the current Fed tightening cycle and the likelihood that other developed central banks are following suit, going forward, we propose to reduce this overweight in the near-college portfolios.
 - *Underlying Fund Changes:* To reduce the weight of the AllianzGI Short Duration High Income Fund and the PIMCO Short Asset Investment Fund and increase the weight of the PIMCO Short Term Fund.

2. US (Core) Bond
 - *Proposal:* To re-allocate from a strategy focused on opportunistic credit to a core US bond fund that has tended to perform well in the past during periods of slowly increasing interest rates.
 - *Rationale:* In the Core Bond portion of the portfolios, there is currently an underweight to US Treasuries in favor of opportunistic credit, gained through exposure to the PIMCO Income Fund. Going forward, we propose to reduce the tilt toward opportunistic credit in the near-college portfolios.
 - *Underlying Fund Changes:* To reduce the weight of the PIMCO Income Fund and increase the weight of the Metropolitan West Total Return Bond Fund.

Table 2: Proposed Underlying Fund Weight Changes for 2018

On October 13, 2017, AllianzGI expanded the number of age-based options from five to nine based on the glidepath approved by the South Dakota Investment Council in April 2017. The tables below are based on the nine current age-based portfolios and may differ from the number of portfolios highlighted in previous examples throughout this memo.

			0-8	9-10	11	12	13	14	15	16	17+	Div Equity	Div Bond	UltraShort Bond
Cash & Short Term Bonds	PIMCO Short Asset Investment Instl	0.29%	0%	0%	0%	8%	16%	25%	27%	30%	36%	-	5%	50%
	PIMCO Short-Term Instl	0.53%	0%	0%	0%	0%	0%	0%	3%	8%	10%	-	-	50%
	AllianzGI Short Duration High Inc R6	0.57%	0%	0%	0%	2%	2%	3%	3%	4%	4%	-	5%	-
Nominal Bonds	Metropolitan West TR Bond P	0.38%	0%	3%	6%	6%	8%	8%	10%	14%	15%	-	50%	-
	PIMCO Income Instl	0.53%	0%	0%	5%	5%	5%	5%	5%	5%	5%	-	30%	-
TIPS	PIMCO Real Return Instl	0.64%	5%	10%	12%	12%	12%	12%	15%	15%	15%	-	10%	-
Multi-Asset Class	AllianzGI Global Allocation R6	0.73%	26%	30%	30%	30%	30%	30%	29%	20%	12%	-	-	-
Global Equities	AllianzGI Best Styles Global Eq R6	0.40%	30%	26%	21%	19%	15%	7%	3%	0%	0%	48%	-	-
	Dreyfus/T Boston Co Sm/Md Cp Gr I	0.79%	2%	2%	1%	1%	0%	0%	0%	0%	0%	4%	-	-
	Dodge & Cox International Stock	0.64%	9%	7%	6%	4%	2%	2%	0%	0%	0%	17%	-	-
	TIAA-CREF S&P 500 Index Instl	0.05%	14%	10%	8%	5%	3%	2%	0%	0%	0%	19%	-	-
	Morgan Stanley Inst Emerging Mkts I	1.03%	2%	1%	1%	0%	0%	0%	0%	0%	0%	2%	-	-
Commodities	DFA Commodity Strategy I	0.33%	7%	6%	6%	5%	4%	3%	3%	2%	2%	5%	-	-
Real Estate	Voya Global Real Estate I	1.01%	5%	5%	4%	3%	3%	3%	2%	2%	1%	5%	-	-
			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

		Changes												
Cash & Short Term Bonds	PIMCO Short Asset Investment Instl	-	-	-	-	-	-	-	0%	-2%	-3%	-	-	-
	PIMCO Short-Term Instl	-	-	-	-	-	-	-	3%	8%	10%	-	-	-
	AllianzGI Short Duration High Inc R6	-	-	-	-	-	-	-	-3%	-6%	-7%	-	-10%	-
Nominal Bonds	Metropolitan West TR Bond P	-	-	-	-	-	1%	1%	2%	4%	5%	-	15%	-
	PIMCO Income Instl	-	-	-	-	-	-1%	-1%	-2%	-4%	-5%	-	-5%	-

D. Asset Allocation

Each of the portfolios was constructed based upon a Strategic Asset Allocation that also serves as the benchmark for that portfolio.

Table 3: Strategic Asset Allocation aligned with current Glidepath

Strategic Asset Allocation (SAA) Asset Classes and Weights													
Benchmark	Asset Class	0-8	9-10	11	12	13	14	15	16	17+	Div Equity	Div Bond	Ultra-short bond
Barclays US T-Bill 1-3M	Cash + Ultrashort	0%	0%	0%	10%	18%	28%	33%	43%	50%	0%	5%	100%
Barclays US Treasury Inflation Protected Index	TIPS	5%	10%	12%	12%	12%	12%	15%	15%	15%	0%	10%	0%
Barclays US Aggregate Bond Index	US Bonds	10%	15%	23%	23%	25%	25%	27%	27%	25%	0%	85%	0%
MSCI All Country World Index	Global Equities	73%	64%	55%	47%	38%	29%	20%	11%	7%	90%	0%	0%
Bloomberg Commodity Total Return Index	Commodities Futures	7%	6%	6%	5%	4%	3%	3%	2%	2%	5%	0%	0%
DJ Global Select REIT Total Return (USD)	Global Real Estate	5%	5%	4%	3%	3%	3%	2%	2%	1%	5%	0%	0%

The asset allocation for the proposed portfolios will be neutral on a market value basis versus the SAA, taking into account the AllianzGI Global Allocation Fund's long term average goal of 60%/40% equities and bonds with certain deviations.

Table 4: Comparison of Proposed Portfolio Asset Allocation and Strategic Asset Allocation Benchmark

		0-8	9-10	11	12	13	14	15	16	17+	Diversif ied Equity	Diversi fied Bond	UltraShort Bond
Cash + Ultra Short Bonds	Cash + Ultra Short Bonds	0%	0%	0%	8%	16%	25%	30%	38%	46%	0%	5%	100%
		0%	0%	0%	10%	18%	28%	33%	43%	50%	0%	5%	100%
		0%	0%	0%	-2%	-2%	-3%	-3%	-5%	-4%	0%	0%	0%
	Short Term High Yield	0%	0%	0%	2%	2%	3%	3%	4%	4%	0%	5%	0%
		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Nominal Bonds	Core US Bonds	10%	15%	18%	18%	20%	20%	22%	22%	20%	0%	50%	0%
		10%	15%	23%	23%	25%	25%	27%	27%	25%	0%	85%	0%
		0%	0%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	0%	-35%	0%
	Opportunistic Credit	0%	0%	5%	5%	5%	5%	5%	5%	5%	0%	30%	0%
		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TIPS	0%	0%	5%	5%	5%	5%	5%	5%	5%	0%	30%	0%	
	5%	10%	12%	12%	12%	12%	15%	15%	15%	0%	10%	0%	
	5%	10%	12%	12%	12%	12%	15%	15%	15%	0%	10%	0%	
Global Equities	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
	73%	64%	55%	47%	38%	29%	20%	12%	7%	90%	0%	0%	
	73%	64%	55%	47%	38%	29%	20%	11%	7%	90%	0%	0%	
Commodities	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
	7%	6%	6%	5%	4%	3%	3%	2%	2%	5%	0%	0%	
	7%	6%	6%	5%	4%	3%	3%	2%	2%	5%	0%	0%	
Real Estate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
	5%	5%	4%	3%	3%	3%	2%	2%	1%	5%	0%	0%	
	5%	5%	4%	3%	3%	3%	2%	2%	1%	5%	0%	0%	
		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	

Funds weights in blue; strategic asset allocation benchmark denoted in black; overweights and underweights shaded in green, red respectively

E. Fees

The following table lists the fees included in the program disclosure statement, as well as the current estimated fees as of September 30, 2017.

Table 5

Estimated Weighted Average Underlying Fund Fees (in basis points)												
	0-8	9-10	11	12	13	14	15	16	17+	Div Equity	Div Bond	UltraShort Bond
Current ¹	52	54	55	54	53	53	53	50	47	43	48	41
Proposal estimate ²	52	54	55	54	53	52	53	50	46	43	46	41
Proposed reduction	0	0	0	0	0	-1	0	0	-1	0	-2	0

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1. Current based on 9/30/2017 underlying fund fees. Note that differences in fees are rounded in the table.

2. Proposal estimate based on underlying fund fees as of 9/30/2017 which is displayed in the most recent supplement dated October 24, 2017.

Allianz Global Investors U.S. LLC

Current Allocations

Current South Dakota CollegeAccess 529 Portfolio

			Net Expense Ratio	0-8	9-10	11	12	13	14	15	16	17+	Div Equity	Div Bond	Ultra Short
Cash & Short Term Bonds	PAIDX	PIMCO Short Asset Investment Instl	0.29%	-	-	-	8%	16%	25%	27%	32%	39%	-	5%	50%
	PTSHX	PIMCO Short-Term Instl	0.53%	-	-	-	-	-	-	-	-	-	-	-	50%
	ASHIX	AllianzGI Short Duration High Inc R6	0.57%	-	-	-	2%	2%	3%	6%	10%	11%	-	15%	-
Nominal Bonds	MWTSX	Metropolitan West Total Return Bond P	0.38%	-	3%	6%	6%	7%	7%	8%	10%	10%	-	35%	-
	PIMIX	PIMCO Income Instl	0.53%	-	-	5%	5%	6%	6%	7%	9%	10%	-	35%	-
TIPS	PRRIX	PIMCO Real Return Instl	0.64%	5%	10%	12%	12%	12%	12%	15%	15%	15%	-	10%	-
Multi-Asset Class	AGASX	AllianzGI Global Allocation R6	0.73%	26%	30%	30%	30%	30%	30%	29%	20%	12%	-	-	-
	AGERX	AllianzGI Best Styles Global Eq R6	0.40%	30%	26%	21%	19%	15%	7%	3%	-	-	48%	-	-
Global Equities	SDSCX	Dreyfus/The Boston Co Sm/Md Cp Gr I	0.79%	2%	2%	1%	1%	-	-	-	-	-	4%	-	-
	DODFX	Dodge & Cox International Stock	0.64%	9%	7%	6%	4%	2%	2%	-	-	-	17%	-	-
	TISPX	TIAA-CREF S&P 500 Index Instl	0.05%	14%	10%	8%	5%	3%	2%	-	-	-	19%	-	-
	MGEMX	Morgan Stanley Inst Emerging Mkts I	1.03%	2%	1%	1%	-	-	-	-	-	-	2%	-	-
Commodities	DCMSX	DFA Commodity Strategy Institutional	0.33%	7%	6%	6%	5%	4%	3%	3%	2%	2%	5%	-	-
Real Estate	IGLIX	Voya Global Real Estate I	1.01%	5%	5%	4%	3%	3%	3%	2%	2%	1%	5%	-	-

Underlying Fund net expense ratios are as of 9/30/2017. Fees for PIMCO Funds include interest expense.

Proposed Allocations

Proposed South Dakota CollegeAccess 529 Portfolio

			Net Expense Ratio	0-8	9-10	11	12	13	14	15	16	17+	Div Equity	Div Bond	Ultra Short
Cash & Short Term Bonds	PAIDX	PIMCO Short Asset Investment Instl	0.29%	-	-	-	8%	16%	25%	27%	30%	36%	-	5%	50%
	PTSHX	PIMCO Short-Term Instl	0.53%	-	-	-	-	-	-	3%	8%	10%	-	-	50%
	ASHIX	AllianzGI Short Duration High Inc R6	0.57%	-	-	-	2%	2%	3%	3%	4%	4%	-	5%	-
Nominal Bonds	MWTSX	Metropolitan West Total Return Bond P	0.38%	-	3%	6%	6%	8%	8%	10%	14%	15%	-	50%	-
	PIMIX	PIMCO Income Instl	0.53%	-	-	5%	5%	5%	5%	5%	5%	5%	-	30%	-
TIPS	PRRIX	PIMCO Real Return Instl	0.64%	5%	10%	12%	12%	12%	12%	15%	15%	15%	-	10%	-
Multi-Asset Class	AGASX	AllianzGI Global Allocation R6	0.73%	26%	30%	30%	30%	30%	30%	29%	20%	12%	-	-	-
	AGERX	AllianzGI Best Styles Global Eq R6	0.40%	30%	26%	21%	19%	15%	7%	3%	-	-	48%	-	-
Global Equities	SDSCX	Dreyfus/The Boston Co Sm/Md Cp Gr I	0.79%	2%	2%	1%	1%	-	-	-	-	-	4%	-	-
	DODFX	Dodge & Cox International Stock	0.64%	9%	7%	6%	4%	2%	2%	-	-	-	17%	-	-
	TISPX	TIAA-CREF S&P 500 Index Instl	0.05%	14%	10%	8%	5%	3%	2%	-	-	-	19%	-	-
	MGEMX	Morgan Stanley Inst Emerging Mkts I	1.03%	2%	1%	1%	-	-	-	-	-	-	2%	-	-
Commodities	DCMSX	DFA Commodity Strategy Institutional	0.33%	7%	6%	6%	5%	4%	3%	3%	2%	2%	5%	-	-
Real Estate	IGLIX	Voya Global Real Estate I	1.01%	5%	5%	4%	3%	3%	3%	2%	2%	1%	5%	-	-

Underlying Fund net expense ratios are as of 9/30/2017. Fees for PIMCO Funds include interest expense.