

July 31, 2024

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

Dear Mr. Clark,

In our role as Program Manager for the CollegeAccess 529 Plan, VP Distributors, LLC would like to recommend a series of proposals to enhance the investment profile of the Plan. The recommendations, which are attached for your consideration, were developed by Virtus Fund Advisers.

If approved, the following changes will alter the current asset allocations of the Age-Based and Static Portfolios:

- 1) Maintain an underweight to Cash and Short-Term Bonds compared with the benchmark.
- 2) Increase Nominal Bonds (core US Bonds) to add nominal duration against a backdrop of easing monetary policy.
- 3) Decrease TIPs from current neutral weight to an underweight.
- 4) Increase Global Equities to a small overweight relative to the benchmark. Within Global Equities, increase exposure to Japan and Emerging Markets. Overall, increase allocation to growth and decrease value.
- 5) Modestly decrease Global Real Estate and increase Commodities relative to current positioning in certain portfolios. Maintain a small underweight to both compared to the benchmark.

As part of the recommendation, we recommend adding six new funds to the Plan and removing seven funds from the Plan:

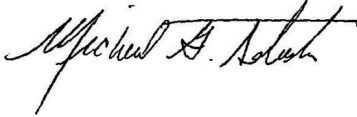
Proposed Fund Additions			Proposed Fund Deletions	
	Ticker	Fund name	Ticker	Fund name
Cash	SIGZX	Virtus Seix US Govt Ultra Short	PGYXX	PIMCO Government Money Market
			PTSHX	PIMCO Short Term Bond
Nominal Bonds	STGZX	Virtus Seix Core Bond R6	MVTSX	Metropolitan West TR Bond
	FUAMX	Fidelity Intermediate Treasury Bond	PIMIX	PIMCO Income
Global Equities	VRMCX	Virtus KAR Mid Cap Core R6	ANDVX	Virtus NFJ Dividend Value R6
	SCZX	Virtus SGA International Growth R6	TCIEX	Nuveen International Equity Index
	VPKIX	Vanguard Pacific Stock Index	DODFX	Dodge & Cox International Stock

As a result of implementing the changes, as outlined, underlying fund fees are flat or down across most age-based and static portfolios. The exceptions are age-based 0-8 and Diversified Equity. In these cases, fees increased by 0.02% in 0-8 and by 0.09% in Diversified Equity due to taking advantage of active managers.

Subject to your approval, as well as the Board's, these changes would take effect on or around September 20, 2024.

Thank you for considering our recommendations for the CollegeAccess 529 Plan. VP Distributors, in collaboration with our colleagues at Virtus Fund Advisers, would be pleased to answer any questions you or your staff may have.

Regards,



Michael G. Sebesta, CFA (404.845.7664)
Managing Director
Virtus Investment Partners

cc:

Heather Bergman (646-923-9784)
Paul Pietranico (646-923-9782)
Michael Rothstein (860-560-8747)
Michelle Gallo (201-802-2367)

COLLEGEACCESS 529 PLAN PROPOSAL FOR 2024-25

Paul Pietranico, CFA, Virtus Multi-Asset, Virtus Fund Advisers, LLC

Heather Bergman, Ph.D., Virtus Multi-Asset, Virtus Fund Advisers, LLC

Michael Rothstein, CFA, FRM, CAIA, Virtus Multi-Asset, Virtus Fund Advisers, LLC

August 15, 2024

2024-25 COLLEGEACCESS 529 AGE-BASED & STATIC PORTFOLIOS

OBJECTIVES OF PROPOSED CHANGES

The main objectives of the proposal are:

- | | |
|--------------------------------|--|
| Fees | <ul style="list-style-type: none">▪ Maintain fees at current level or reduce fees across the age-based and static portfolios |
| Target Asset Allocation | <ul style="list-style-type: none">▪ Implement enhanced process to more efficiently express asset class views across portfolios |
| Fund Changes | <ul style="list-style-type: none">▪ Incorporate new Funds where they help diversify and align with asset allocation targets; remove current funds which are no longer aligned with asset allocation targets▪ Emphasize active strategies subject to fee constraints; utilize passive strategies to manage portfolio average fees and tracking error |

2024-25 AGE-BASED & STATIC PORTFOLIO PROPOSAL



PROPOSED STRATEGIC ASSET ALLOCATION

Glidepath (Neutral Positioning)

	0-8	9-10	11	12	13	14	15	16	17+	Diversified Equity	Diversified Bond	UltraShort Bond
Cash & Short-Term Bonds	0%	0%	0%	10%	18%	28%	33%	43%	50%	0%	5%	100%
Nominal Bonds	10%	15%	23%	23%	25%	25%	27%	27%	25%	0%	85%	0%
TIPS	5%	10%	12%	12%	12%	12%	15%	15%	15%	0%	10%	0%
Global Equities	73%	64%	55%	47%	38%	29%	20%	11%	7%	90%	0%	0%
Commodities	7%	6%	6%	5%	4%	3%	3%	2%	2%	5%	0%	0%
Real Estate	5%	5%	4%	3%	3%	3%	2%	2%	1%	5%	0%	0%

Proposed Asset Allocation Active Positioning Compared to Glidepath

	0-8	9-10	11	12	13	14	15	16	17+	Diversified Equity	Diversified Bond	UltraShort Bond
Cash & Short-Term Bonds	-	-	-	-2%	-2%	-2%	-3%	-4%	-5%	-	0%	-
Nominal Bonds	5%	5%	5%	5%	5%	5%	7%	8%	10%	-	3%	-
TIPS	-5%	-5%	-5%	-2%	-2%	-2%	-3%	-3%	-4%	-	-3%	-
Global Equities	2%	2%	2%	1%	1%	1%	1%	-	-	2%	-	-
Commodities	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-	-	-1%	-	-
Real Estate	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-	-

Fee Changes of Proposed Portfolios

	0-8	9-10	11	12	13	14	15	16	17+	Diversified Equity	Diversified Bond	UltraShort Bond
Fees (Δ from current)	0.02%	0.00%	0.00%	-0.01%	-0.03%	-0.03%	-0.01%	-0.02%	-0.01%	0.09%	-0.03%	0.00%

Fees: Total net expense ratios lower or unchanged across age-based portfolios (except in the 0-8 portfolio)

Themes driving allocation decisions across age-based & static portfolios:

Expect **moderate growth** in the US while EU remains slow

- While high policy rates keep US growth modestly below potential, we expect GDP growth in the 1.5-2% range twelve months out.

Inflation moderates taking pressure off the Fed

- After the rebound early in 2024, PCE inflation slows in the second half of 2024, led by rent and service prices moderating (but not yet reaching the 2% target)

Expect **Fed to cut rates** and proceed steadily; ECB will also ease

- We expect that the Fed will begin to cut rates in the second half of 2024 as inflation moderates sufficiently and will continue to reduce at a modest pace for the rest of the year. ECB dynamics are similar.

Expect a **moderate recovery in Europe**, growth in Japan to be **resilient** and growth in Emerging Markets to exceed that of Developed ones

- In Europe, the economy has likely bottomed and modest growth acceleration will be supported by easing monetary policy. In Japan, real wage improvements can support consumption, and nominal growth will remain above the trend for the recent decade.

Expect commodity prices to modestly increase

- The cyclical demand case for commodities is solid given expected policy rate cuts and core disinflation supporting a better growth outlook globally. Also, structural support for commodities based on demand for green energy.

2024-25 AGE-BASED & STATIC PORTFOLIO PROPOSAL



ASSET ALLOCATION CHANGES

Allocation Change	Rationale
Maintain an underweight to Cash and Short-Term Bonds compared with the benchmark.	In an environment in which we expect rates to eventually stabilize at higher levels relative to recent history, we see value in ultra short bond strategies but will reduce cash in the near-college portfolios to fund an overweight in nominal duration.
Increase Nominal Bonds (core US Bonds) to add nominal duration against a backdrop of easing monetary policy.	The combination of a higher cost of lending and the expectation of lower inflation means global central banks are poised to initiate a rate-cutting cycle. We expect that the Fed, ECB and other major central banks will pivot to easing before year-end, laying the groundwork for nominal yields to continue their move down, with uncertainty around the magnitude and timing of the move.
Decrease TIPs from current neutral weight to a pronounced underweight and tilt toward Index strategy.	Given that breakeven rates are approximating the Fed's target, in a soft-landing scenario, we expect TIPs and Nominal bonds to behave similarly. TIPs duration is currently converging to that of the aggregate bond index. However, in a recession, we expect nominal bonds to outperform and therefore, act as a hedge should such a scenario play out.
Increase Global Equities to a small overweight relative to the benchmark. Within Global Equities, increase exposure to Japan and Emerging Markets. Overall, increase allocation to growth and decrease value.	We expect global equities to benefit from a moderate – but positive – growth environment, along with the initiation of a rate cutting cycle. Given valuations, as interest rates fall, small and mid-cap stocks should rally and outperform large cap equities. We expect equities in Japan to be a bright spot given a deflation trend and strong nominal growth, rising productivity at the macro level and improved corporate governance at the micro level. A stronger Yen versus US dollar will also be supportive. We expect Europe to modestly underperform other developed markets as structural challenges weigh on the area's potential growth and the Euro weakens versus the US dollar.
Modestly decrease Global Real Estate and increase Commodities relative to current positioning but maintain a small underweight to both compared to benchmark.	We move to a small underweight in Global REITs to fund an overweight in global equities. While REITs can be expected to benefit in a declining rate environment, we expect greater performance potential from growth equities. In a recession event (which is not our base case), expected returns for global REITs would be below that of core bonds. We maintain a benchmark weight in commodities.

As of April 30, 2024

Note: Positioning descriptions are in relation to the program benchmark, which is static.

ALL MATERIALS ARE PRESENTED FOR THE STATE OF SOUTH DAKOTA INVESTMENT COUNCIL.

2024-25 AGE-BASED & STATIC PORTFOLIO PROPOSAL



SUMMARY OF PROPOSED FUND CHANGES

Proposed Fund Additions			Fee	AUM (mm)	Inception	Rationale
Ticker	Fund name					
Cash	SIGZX	Virtus Seix US Govt Ultra Short	0.26%	\$263	8/1/2016	Manager diversification; more flexibility vs. money market
Nominal Bonds	STGZX	Virtus Seix Core Bond R6	0.36%	\$45	8/3/2015	Manager diversification and conservative risk profile
	FUAMX	Fidelity Inter Treasury Bond ¹	0.03%	\$8,572	10/4/2017	Efficient way to manage duration in age-based/static
Global Equities	VRMCX	Virtus KAR Mid Cap Core R6	0.87%	\$2,693	1/30/2018	Opportunity to incorporate exposure to Mid Cap
	SCIZX	Virtus SGA International Growth R6	0.95%	\$602	9/1/2015 ²	Diversifier in global equities; geographic exposure
	VPKIX	Vanguard Pacific Stock Index ¹	0.08%	\$9,775	5/15/2000	Efficient way to gain exposure to Japanese Equities

Proposed Fund Deletions			Fee	Rationale
Ticker	Fund name			
Cash	PGYXX	PIMCO Government Money Market	0.19%	Manager diversification
	PTSHX	PIMCO Short Term Bond	0.47%	Helps to lower the risk in the Cash /Ultra Short category to use Seix + PIMCO SAIF
Nominal Bonds	MWTSX	Metropolitan West TR Bond	0.37%	Recent PM changes (and CIO change), combined with performance challenges
	PIMIX	PIMCO Income	0.62%	Manage risk; and redundancies with VMFRX
Global Equities	ANDVX	Virtus NFJ Dividend Value R6	0.65%	Asset Allocation targeting a more core/growth-oriented portfolio
	TCIEX	Nuveen International Equity Index	0.05%	Replaced by Vanguard Pacific Stock Index given our positive view on Japan equities
	DODFX	Dodge & Cox International Stock	0.62%	Regional misalignments with targets; value investment style and underweight Japan

¹denotes passive, index strategy; ²SGA assumed management responsibilities in June 2019

2024-25 AGE-BASED & STATIC PORTFOLIO PROPOSAL



PROPOSED EXPOSURES

		Expense Ratio	0-8	9-10	11	12	13	14	15	16	17+	Div Equity	Div Bond	UltraShort Bond
Cash & Short-Term Bonds	PGYXX PIMCO Government Money Market	0.19%	-	-	-	-	-	-	-	-	-	-	-	-
	PAIDX PIMCO Short Asset Investment	0.36%	-	-	-	4%	8%	13%	15%	20%	23%	-	2%	50%
	SIGZX Virtus Seix US Govt Secs Ultra Short Bd	0.26%	-	-	-	4%	8%	13%	15%	19%	22%	-	3%	50%
	PTSHX PIMCO Short Term Bond	0.47%	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash & Short-Term Bonds						8%	16%	26%	30%	39%	45%		5%	100%
Nominal Bonds	MWT SX Metropolitan West TR Bond P	0.37%	-	-	-	-	-	-	-	-	-	-	-	-
	STGZX Virtus Seix Core Bond R6	0.36%	1%	3%	4%	3%	4%	5%	6%	7%	7%	-	28%	-
	PTTRX PIMCO Total Return Instl	0.49%	2%	2%	5%	5%	5%	5%	6%	8%	9%	-	28%	-
	FUAMX Fidelity Intermediate Treasury Bond	0.03%		1%	2%	2%	3%	3%	3%	5%	5%	-	16%	-
	VMFRX Virtus Newfleet Multisector Inter Bond	0.60%	1%	2%	5%	5%	5%	5%	6%	8%	9%	-	16%	-
	PIMIX PIMCO Income	0.62%	-	-	-	-	-	-	-	-	-	-	-	-
AGASX Virtus Global Allocation-Bond (40%)		11%	12%	12%	13%	13%	12%	13%	7%	5%	0%	0%	0%	
Total Nominal Bonds			15%	20%	28%	28%	30%	30%	34%	35%	35%	0%	88%	0%
Inflation-Linked Bond	PRRIX PIMCO Real Return	0.67%		1%	2%	3%	3%	3%	4%	4%	3%		2%	-
	DIPSX DFA Inflation-Protected Securities	0.11%		4%	5%	7%	7%	7%	8%	8%	8%		5%	-
Total Inflation-Linked Bonds			0%	5%	7%	10%	10%	10%	12%	12%	11%	0%	7%	0%
Global Equities	AGASX Virtus Global Allocation - Equity (60%)	0.42%	17%	19%	19%	19%	19%	18%	20%	11%	7%	0%	0%	0%
	FNPFX American Funds New Perspective F-3	0.42%	8%	7%	6%	4%	3%	2%	1%	-	-	15%	-	-
	AFGFX Virtus Silvant Focused Growth R	0.62%	9%	8%	6%	5%	3%	2%	-	-	-	14%	-	-
	ANDVX Virtus NFJ Dividend Value	0.65%	-	-	-	-	-	-	-	-	-	-	-	-
	VRMCX Virtus KAR Mid Cap Core R6	0.87%	3%	2%	2%	2%	1%		-	-	-	5%	-	-
	SCIZX Virtus SGA International Growth R6	0.95%	6%	4%	4%	3%	2%	1%	-	-	-	9%	-	-
	TCIEX Nuveen International Equity Index	0.05%	-	-	-	-	-	-	-	-	-	-	-	-
	TISPX Nuveen S&P 500 Index Instl	0.05%	17%	14%	10%	8%	6%	4%	-	-	-	27%	-	-
	VPKIX Vanguard Pacific Stock Index	0.08%	9%	7%	6%	4%	3%	2%	-	-	-	13%	-	-
	DODFX Dodge & Cox International Stock	0.62%	-	-	-	-	-	-	-	-	-	-	-	-
AEMOX Virtus Emerging Market Opportunities	0.89%	6%	5%	4%	3%	2%	1%				9%			
Total Global Equities			75%	66%	57%	48%	39%	30%	20%	11%	7%	92%		
Commodities	DCMSX DFA Commodity Strategy	0.32%	6%	5%	5%	4%	3%	2%	2%	2%	2%	4%		
	Total Commodities		6%	5%	5%	4%	3%	2%	2%	2%	2%	4%		
Real Estate	VRGEX Virtus Duff & Phelps Global Real Estate	0.89%	4%	4%	3%	2%	2%	2%	1%	1%		4%		
	Total Real Estate		4%	4%	3%	2%	2%	2%	1%	1%		4%		

Additions
Deletions

Note that for asset class totals, Virtus Global Allocation splits 60% equity and 40% nominal bonds.

ALL MATERIALS ARE PRESENTED FOR THE STATE OF SOUTH DAKOTA INVESTMENT COUNCIL.

2024-25 AGE-BASED & STATIC PORTFOLIO PROPOSAL



DIFFERENCES FROM CURRENT 2023-24 PORTFOLIOS

		0-8	9-10	11	12	13	14	15	16	17+	Div Equity	Div Bond	UltraShort Bond
Cash & Short-Term Bonds	PGYXX PIMCO Government Money Market	-	-	-	-5%	-9%	-12%	-14%	-17%	-19%	-	-	-40%
	PAIDX PIMCO Short Asset Investment	-	-	-	1%	2%	2%	2%	7%	8%	-	2%	10%
	SIGZX Virtus Seix US Govt Secs Ultra Short Bd	-	-	-	4%	8%	13%	15%	19%	22%	-	3%	50%
	PTSHX PIMCO Short Term Bond	-	-	-	-	-	-	-	-6%	-7%	-	-	-20%
Total Cash & Short-Term Bonds						1%	3%	3%	3%	4%		5%	
Nominal Bonds	MWTSX Metropolitan West TR Bond P	-1%	-3%	-11%	-11%	-13%	-13%	-14%	-15%	-17%	-	-50%	-
	STGZX Virtus Seix Core Bond R6	1%	3%	4%	3%	4%	5%	6%	7%	7%	-	28%	-
	PTTRX PIMCO Total Return Instl	2%	2%	5%	5%	5%	3%	1%	-3%	-2%	-	-7%	-
	FUAMX Fidelity Intermediate Treasury Bond	-	1%	2%	2%	3%	3%	3%	5%	5%	-	16%	-
	VMFRX Virtus Newfleet Multisector Inter Bond	-	1%	3%	2%	2%	2%	4%	6%	7%	-	13%	-
	PIMIX PIMCO Income	-	-	-	-	-1%	-2%	-2%	-2%	-2%	-	-2%	-
AGASX Virtus Global Allocation-Bond (40%)	-	-	-	-	-	-	2%	1%	1%	-	-	-	
Total Nominal Bonds		2%	3%	3%	1%	1%	2%	1%	1%			-2%	
Inflation-Linked Bond	PRRIX PIMCO Real Return	-2%	-5%	-5%	-4%	-4%	-4%	-5%	-4%	-5%	-	-3%	-
	DIPXS DFA Inflation-Protected Securities	-1%	-	-	2%	2%	2%	2%	1%	1%	-	-	-
Total Inflation-Linked Bonds		-3%	-5%	-5%	-2%	-2%	-2%	-3%	-3%	-4%		-3%	
Global Equities	AGASX Virtus Global Allocation - Equity (60%)	-	-	-	-	-	-	2%	2%	2%	-	-	-
	FNPFX American Funds New Perspective F-3	-3%	-2%	-	-1%	-2%	-1%	1%	-	-	1%	-	-
	AFGFY Virtus Silvant Focused Growth R	3%	3%	1%		-2%	-	-	-	-	2%	-	-
	ANDVX Virtus NFJ Dividend Value	-2%	-2%	-2%	-1%	-	-	-	-	-	-4%	-	-
	VRMCX Virtus KAR Mid Cap Core R6	3%	2%	2%	2%	1%	-	-	-	-	5%	-	-
	SCIZX Virtus SGA International Growth R6	6%	4%	4%	3%	2%	1%	-	-	-	9%	-	-
	TCIEY Nuveen International Equity Index	-8%	-5%	-2%	-1%	-	-	-	-	-	-17%	-	-
	TISPY Nuveen S&P 500 Index Instl	-1%		-1%		2%	1%	-1%	-	-	-3%	-	-
	VPKIX Vanguard Pacific Stock Index	9%	7%	6%	4%	3%	2%	-	-	-	13%	-	-
	DODFX Dodge & Cox International Stock	-5%	-4%	-3%	-2%	-	-	-	-	-	-7%	-	-
AEMOX Virtus Emerging Market Opportunities	1%		-1%	-1%	-1%	-	-	-	-	3%	-	-	
Total Global Equities		3%	4%	4%	3%	3%	3%	1%	2%	2%	2%		
Commodities	DCMSX DFA Commodity Strategy	-	-	-	-	-	-	-	1%	1%		-	-
Total Commodities									1%	1%			
Real Estate	VRGEX Virtus Duff & Phelps Global Real Estate	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-	-
Total Real Estate		-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%		

Additions
Deletions

Note that for asset class totals, Virtus Global Allocation splits 60% equity and 40% nominal bonds.

ALL MATERIALS ARE PRESENTED FOR THE STATE OF SOUTH DAKOTA INVESTMENT COUNCIL.

SUMMARY OF PROPOSED CHANGES

The proposed changes achieve the following:

- | | |
|-------------------------------------|---|
| Fees | <ul style="list-style-type: none">▪ Underlying fund fees are flat or down across most age-based and static portfolios. The exceptions are age-based 0-8 and Diversified Equity. In these cases, fees increased by 0.02% in 0-8 and by 0.09% in Diversified Equity due to taking advantage of active managers. |
| Target Asset Allocation | <ul style="list-style-type: none">▪ We modestly increase the duration nominal overweight across the age-based portfolios. We decrease exposure to TIPs to return the allocation to benchmark underweight. We increase global equities with an emphasis on Japan and emerging markets, as well as an emphasis on growth factors globally. We maintain diversification overall with a modest underweight to commodities and global REITs compared to the benchmark. |
| Proposed Fund Additions Info | <ul style="list-style-type: none">▪ In the age-based and static portfolios, we propose to add six new funds and remove seven funds. |

2024-25 COLLEGEACCESS 529 STANDALONE PORTFOLIOS

2024-25 STANDALONE PROPOSAL

SUMMARY OF PROPOSED FUND CHANGES



Proposed Fund Additions		Fee	AUM (mm)	Inception	Rationale
Ticker	Fund name				
VRMCX	Virtus KAR Mid-Cap Core¹	0.87%	\$2,693	1/30/2018	Add an option for a Mid Cap growth Fund to complement the large cap options in the program in light of the strategic view that small/mid cap could be set to outperform.
VVERX	Virtus Ceredex Small Cap Value¹	0.88%	\$102	2/26/2019	Superior process and performance
TCIEX	Nuveen International Equity Index	0.05%	\$24,919	10/1/2002	Efficient means of accessing non-US, EAFE-bench equities
PTTRX	PIMCO Total Return	0.49%	\$51,046	5/11/1987	Well-known core bond option
VMFRX	Virtus Newfleet Multisector Inter Bond	0.60%	\$563	11/2/2014	Increase manager diversification in standalone lineup

Proposed Fund Deletions		Fee	Rationale
Ticker	Fund name		
PRRIX	PIMCO Real Return	0.67%	Simplification of standalone menu options
PSVIX	Virtus NFJ Small Cap Value	0.82%	Process and Performance challenges
ESISX	Parametric Intl. Equity	0.47%	Process and Performance challenges
MWTSX	MetWest Total Return	0.37%	Recent PM changes (and CIO change), combined with performance challenges
PIMIX	PIMCO Income	0.62%	Manager diversification in light of proposal; concern over large Fund size (\$147bb)

¹Proposed fund additions to Program (i.e. are not currently held in age-based or static portfolios).