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MEMORANDUM

TO: South Dakota Investment Council
FROM: Sherry Nelson
DATE: August 9, 2022
RE: CollegeAccess 529 Change Proposal

Each year the program manager for the CollegeAccess 529 plan is required to obtain Council approval for any proposed changes to the asset allocation and/or roster of funds included in the plan. A memo from VP Distributors, the program manager, is included and summarizes the proposed asset allocation and fund level changes. A Power Point presentation from the plan's allocation advisor, Virtus Fund Advisers, is also attached and provides details of the proposed asset allocation changes, including their rationale for the changes and the associated impact on investor fees.

Three of the funds currently included as investment options were affected by the allocation advisor change approved at the last Council meeting. The proposal will allow VP Distributors to rename two funds: the AllianzGI Global Allocation fund to the Virtus Global Allocation fund and the Virtus AllianzGI Emerging Market Opportunities fund to the Virtus Emerging Market Opportunities fund. The teams that managed the funds recently moved to Virtus from Allianz and continue to manage the funds as before.

The AllianzGI Focused Growth fund will be renamed to Virtus Silvant Focused Growth fund. There will be a new management team from Silvant, a Virtus affiliate, because the previous managers moved to another firm. The Silvant team has several years' experience at Silvant, in addition to experience at prior investment firms. The strategies are similar. The returns and Morningstar ratings are similar overall with some variation depending on the specific time period. The main difference in approach is that Silvant may have more concentrated portfolios.

All three funds continue to be overseen by the investment oversight committee which includes top management of Virtus Investment Partners. They have a rigorous process to monitor and evaluate investment strategies. The product management committee oversees product management initiatives as well as subadvisor and portfolio manager reassignments.

The State Investment Officer believes the changes proposed by VP Distributors to be reasonable and recommends Council approval.

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Enclosures