

South Dakota Higher Education Savings Trust Investment Policy Statement

Amended and Restated November 14, 2025

I. **PURPOSE**

The purpose of this Investment Policy Statement (the “**Policy**” or “**Investment Policy**”) is to formally document the investment policy of the South Dakota Investment Council (the “**Council**” or “**Trustee**”) regarding the management of funds held in the South Dakota Higher Education Savings Trust (the “**Trust**”).

The Trust was originally established by a Declaration of Trust dated March 12, 2002, executed by the Council (the “**Declaration of Trust**”), attached hereto as Appendix A. It is governed by Chapter 13-63 of the South Dakota Codified Laws (“**SDCL**” or the “**Act**”), which authorized and directed the creation of the South Dakota Higher Education Savings Program (the “**Program**”).

The Declaration of Trust was subsequently amended and restated on February 1, 2021, and again on November 14, 2025, to reflect updates. The current governing document, titled the Amended and Restated Declaration of Trust of the South Dakota Higher Education Savings Trust, is attached hereto as Exhibit C (the “**A&R Declaration of Trust**”). In addition to the Act, the trust is further governed by the Council’s policies, guidelines, procedures, and rules, which are promulgated pursuant to the Act (collectively, the “**Procedures**”).

The higher education savings plan established through the Trust is intended to be a qualified tuition program under Section 529 of the Internal Revenue Code, as amended (the “**Code**”).

This Policy is adopted by the Council pursuant to the Act to define the investment goals, objectives and standards of the Program, and to set forth the guidelines and procedures for investing Trust funds. These investments are managed on behalf of the Trustee by VP Distributors, LLC (“**VPD**”), the financial institution selected by the Council pursuant to SDCL 13-63-2(8). Management is governed by the Amended and Restated Program Management Agreement with the Council, dated February 1, 2021, as extended November 14, 2025 (the “**A&R VPD Program Management Agreement**”), attached hereto as Appendix B.

In the event of any inconsistency between this Policy and the Program Management Agreement, the terms of the Program Management Agreement shall prevail.

This Policy applies solely to the higher education savings plan established through the Trust and does not govern any other funds or programs administered by the Council.

All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Act, the Procedures, the Program Management Agreement, and the Code.

<p><u>NOTICE:</u> The account is not insured by any state. Neither the principal deposited nor the investment return is guaranteed by any state.</p>

II. PRIMARY TRUST INVESTMENT POLICY

The Trust's primary investment policy is to offer Account Owners a variable-return college savings program that allows them to save and invest on a tax-advantaged basis, tailored to their individual preferences and needs, to help fund the higher education tuition and related expenses for a child or other beneficiary.

III. GENERAL TRUST INVESTMENT GUIDELINES

- A. As described below, Account Owners may choose from a range of distinct "Investment Portfolios" or "Series," each with its own investment objectives, strategies, and risk-reward profiles. Generally, portfolios offering higher potential returns also carry greater risk and volatility. The Council recognizes that Account Owners have varying investment goals, risk tolerances, diversification preferences, time horizons, and other individual considerations. Accordingly, the Council, acting as Trustee, has authorized multiple Investment Portfolios, each designed with a unique investment objective and structured to meet diversification standards appropriate for a prudent person with similar goals.
- B. The Trustee will adhere to all investment limitations applicable to "qualified tuition programs" under Section 529 of the Code, as well as any other relevant federal and state laws.

IV. PERMITTED INVESTMENTS; GENERAL LIMITATIONS

- A. The Trustee may invest in any investments permitted by law; however, the Trustee shall not invest directly in the stock or obligations of any single entity, company, state, or political subdivision thereof, except as permitted by subsections B or C of this Section IV, or an obligation of the United States of America or one of its agencies.
- B. The Trustee may invest in one or more open-ended investment companies registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940, as amended ("**Funds**").
- C. The Trustee may also invest, from time to time, in other investment vehicles proposed by the Program Manager, provided that the invested amounts are either:
 - (i) Guaranteed or insured by the United States of America or one of its agencies; or
 - (ii) Guaranteed or insured by a financial institution whose obligations, at the time of investment, carry one of the two highest ratings (excluding modifiers such as "+", "-", or numerical equivalents) from Moody's Investors Service, Inc., S&P Global Inc., A.M. Best Rating Services, Inc., or another nationally recognized rating agency.
- D. The Trustee may, from time to time, authorize additional investments or amend this Investment Policy, provided such actions comply with Section 529 of the Code, the Act, and the Procedures. Some changes may be subject to limitations under the A&R VPD Program Management Agreement, which may limit certain changes.

V. DETERMINATION OF TRUST INVESTMENT PORTFOLIOS

- A. The Trustee shall establish the Investment Portfolios as outlined in Section VII below. Any modifications to existing Investment Portfolios or the introduction of new ones shall be made in accordance with this Investment Policy and the A&R VPD Program Management Agreement, or through joint consultation and agreement between the Trustee and the Program Manager.
- B. From time to time, the Program Manager may propose, and the Trustee may consider and, if deemed appropriate, authorize, “private label” arrangements as contemplated under the A&R VPD Program Management Agreement. These arrangements may include, but are not limited to:
- (i) The addition of new Investment Portfolios and underlying Funds;
 - (ii) Modifications of existing Investment Portfolios and Underlying Funds;
 - (iii) Differing fee structures and share classes in the program;
 - (iv) Alternative administration, servicing, and distribution methods; and
 - (v) Other appropriate program changes.

Any changes resulting from such private label arrangements, as agreed upon by the Program Manager and the Trustee, shall be documented in a Supplement to this Investment Policy. Each Investment Portfolio added through a private label arrangement will constitute a “Series” of the Trust and be subject to all applicable laws, rules, procedures, and agreements governing the Program, including, but not limited to, the Declaration of Trust, the Code, the Act, the Rules, the Procedures, and this Investment Policy.

- C. Not less than annually, the Program Manager shall provide the Trustee with a report detailing the performance of all Underlying Funds included in the Investment Portfolios. The Trustee shall review this report and evaluate fund performance in accordance with the A&R VPD Program Management Agreement, using reasonable performance standards established by the Program Manager after consultation with the Trustee.
- D. As part of the annual performance review, the Program Manager shall provide the Trustee with recommendations for asset allocations and Underlying Funds for each Investment Portfolio that utilizes Equity Funds (the “**Equity Investment Portfolios**”) for the upcoming Program Year. These recommendations shall be informed by the guidance of an asset allocation advisor. They shall consider a range of factors the Program Manager deems appropriate, including, but not limited to: expense ratios, risks (including beta, tracking error, and concentration), investment strategies and process, performance, risk-adjusted performance, portfolio manager tenure, and contribution to diversification when added to other Funds within the same asset allocation category and particular offering.

The goal of these recommendations is to present Investment Portfolios designed to outperform benchmarks identified by the Program Manager as appropriate for each portfolio. If any recommendations differ from, or are not addressed by, the asset allocation

advisor, the Program Manager shall identify and explain such differences to the Trustee.

The Program Manager shall also provide the Trustee with the full analysis of all asset allocation advisors engaged in the Program. Following the Trustee's approval of asset allocations and Underlying Funds, the Program Manager shall take all necessary actions under the A&R VPD Program Management Agreement to implement the Trustee's Approved Allocations and Approved Underlying Funds for the Equity Investment Portfolios.

VI. INVESTMENT OF TRUST ASSETS

The Trustee shall invest assets of the Trust in accordance with the terms of the A&R Declaration of Trust, as it may be amended from time to time.

VII. INVESTMENT PORTFOLIOS

The investment policy outlined in Section II shall be implemented through two categories of Investment Portfolios held within the Trust, in addition to any portfolios offered through private label arrangements as contemplated in Section V(B):

- A. **Category One.** Investment Portfolios designed for direct investment by Account Owners and do not require the involvement of a financial advisor. However, all potential Account Owners shall be advised in the Plan Disclosure Statement to consult with a financial advisor regarding any questions they may have before making an investment decision.
- B. **Category Two.** Investment Portfolios intended to complement an Account Owner's overall strategy for higher education savings and therefore warrant the additional involvement and guidance of a financial advisor. These portfolios may include or supplement those offered in Category One and are available exclusively through financial intermediaries or financial advisors.

The specific Investment Portfolios included in Category One and Category Two Investment Portfolios are detailed in Exhibit A, Exhibit B, and Schedule A, each of which is attached hereto.