

**Monitoring Procedures and Criteria for the**

NEVADA COLLEGE SAVINGS PROGRAM

Board of Trustees

College Savings Plans of Nevada

March 2018

The Nevada College Savings Program (“College Savings Program”) was created as part of the College Savings Plans of Nevada. The College Savings Program is a vehicle for families to save for higher education on a tax-advantaged basis. Under federal law, participants in 529 plans cannot directly control investments, instead investments are held in state trusts. As the administrator of the Plans, Board of Trustees (the “Board”) of the College Savings Plans of Nevada directs investments and has a fiduciary responsibility for the assets invested by the Plan’s Participants.

These monitoring procedures enable the Board to monitor performance and help it achieve consistent long-term investment success for its Participants. In addition, it provides the Board with a road map for action if it is not satisfied with specific aspects of a fund’s activities and/or investment performance.

**A. Monitoring Procedures**

The Board’s monitoring procedures are designed to provide qualitative and quantitative information to the Board on investment performance to aid it in making the best decisions on behalf of account owners and beneficiaries. Specifically, the procedures outline what will be monitored, how it will be monitored, and when it will be monitored; what is acceptable and unacceptable performance; and how underperformance may be addressed.

There are two major groups of monitoring activities: Ongoing Monitoring and Periodic Monitoring. For purposes of these monitoring procedures, the term “fund” shall be deemed to refer to funds and other individual investment vehicles.

**1. Ongoing Monitoring Activities**

Ongoing monitoring activities include measurement and assessment of investment performance and related investment activities. The differences in the structures for individual fund portfolios and multi-fund portfolios require different monitoring procedures as outlined below. Both the Program Manager(s) and independent Investment Consultant will provide quarterly monitoring reports.

**a. Portfolio Construction**

Individual Fund Portfolios Investment Performance – Performance of each individual fund portfolio (each portfolio is made up of a single fund) is monitored relative to its benchmarks for a specific time period. Monitoring criteria can be found in Section D., the Investment Performance Criteria Schedules.

Multi-Fund Portfolios (Age-Based and Goal-Based) Investment Performance – Performance monitoring of portfolios containing multiple funds will occur at the underlying fund level. Each multi-fund portfolio will have its underlying funds monitored and performance compared to their applicable benchmarks. Should underlying fund information not be available, the performance will be monitored at the aggregate portfolio level against custom asset weighted benchmarks. Specific monitoring criteria for each asset class can be found in Section D., the Investment Performance Criteria Schedules.

**b. Quarterly Investment Performance Review by Program Manager**

As part of the ongoing reporting process, the Program Manager will report calendar quarter and trailing annualized performance of the funds to the Board, the State Treasurer’s Office and the Investment Consultant on at least a quarterly basis. The Program Manager will also provide to the Board quarterly performance reports for each portfolio and underlying fund used by the Program against its respective benchmark. In addition, the Program Manager is responsible for providing: i) an explanation of investment activities that caused under- or out-performance each quarter, ii) any major changes in the investment related to personnel, organization and/or investment approach/strategy, and iii) any other reporting as required by law.

**c. Quarterly Investment Performance Evaluation by the Investment Consultant**

Using the data provided by the Program Manager, the Investment Consultant will provide a quarterly report for the Board comparing each individual fund portfolio and each underlying fund in multi-fund portfolios to its respective benchmark according to the investment performance criteria found in the Section D., the Investment Performance Criteria Schedules. The quarterly monitoring report compares each individual fund portfolio to a benchmark and each underlying fund in a multi-fund portfolio against applicable benchmarks. Should the underlying fund information not be available, the performance will be monitored at the aggregate portfolio level against a custom asset-weighted benchmark. Performance for each individual fund portfolio, underlying fund or multi-fund portfolio is then categorized as Positive, Acceptable, Caution, or Watch using the criteria listed in the Investment Status Schedule as detailed in Section B below.

**2. Periodic Monitoring Activities**

As part of its ongoing fiduciary responsibilities, the Investment Consultant will regularly (annually or more often if needed) review and report to the State Treasurer’s Office several qualitative aspects of the Program Manager’s practices and underlying investment funds. Key factors include, but are not limited to a review of:

1. Fund investment guidelines to ensure they are consistent with the Board’s mandate for

the fund

2. Fund investment strategy and style, especially the buy/sell disciplines

3. Portfolio activity, specifically the turnover rate, number of holdings, and execution costs

4. Risk profile relative to the fund’s benchmark

5. Organizational structure

6. Stability of fund personnel and organization

7. Contractual obligations to Board

8. Each underlying fund within the multi-fund portfolios against appropriate benchmarks

9. Multi-fund portfolios against an appropriate custom asset-weighted benchmark

10. Efficacy of active versus passive management in the age-based portfolios

**B. Investment Status**

**1. Investment Status Schedule**

The quarterly investment reports provided by the Investment Consultant will rate all individual fund portfolios, each underlying fund within the multi-fund portfolios, and the multi-fund portfolios when the underlying funds are not available, as Positive, Acceptable, Caution or Watch as detailed in the table below. These ratings will serve to summarize performance for each fund or asset class.

***Investment Status Schedule***

|  |  |  |
| --- | --- | --- |
| **Performance**  **Category** | **Actively Managed Portfolios** | **Passively Managed Portfolios** |
| Positive |  Performance exceeds the benchmark |  Performance exceeds the benchmark (first  1-12 month period), or   Tracking error is within the allowable range1 (short, medium and long time periods) |
| Acceptable |  Performance meets or is under the benchmark and is within the allowable range1 |  Performance does not exceed the benchmark but is within the allowable range (first 1-12 month period only) |
| Caution |  Performance is below allowable range,  but for less than six consecutive months2. |  Tracking error falls outside of the allowable range, but for less than six consecutive months |
| Watch |  Performance is below allowable range for more than six consecutive months and the Investment Consultant has recommended placing the asset class or individual fund on Watch status.   The Investment Consultant has recommended placing the individual fund or portfolio on Watch status due to non- investment performance related reasons  (i.e., qualitative issues). |  Tracking error falls outside of the allowable range for more than six consecutive months and the Investment Consultant has formally recommended placing the individual fund or portfolio on Watch status. |

**2. Caution Status**

Individual fund portfolios or multi-fund portfolios that meet the criteria in the Investment Status Schedule for Caution will be identified in the quarterly monitoring report. The Investment Consultant will provide a heightened level of monitoring for the funds meeting

1 Ranges are shown in the Investment Performance Criteria Schedules

2 The amount of time generally required before an investment is put on Watch

the criteria for Caution and report to the State Treasurer’s Office if conditions do not improve. In some cases, certain funds may exhibit underperformance, but don’t meet the Watch status criteria (i.e., for less than 6 consecutive months). Such funds require a higher level of scrutiny and monitoring, but to a slightly lesser degree than those exhibiting a clear trend of underperformance. In these cases, the Investment Consultant will provide regular updates via the quarterly monitoring report of such funds and report to State Treasurer’s Office if performance conditions do not improve.

**3. Watch Status**

On at least a quarterly basis, the Investment Consultant will provide a report to the State Treasurer’s Office and Board detailing those funds that have exhibited a clear path of declining performance results, as defined in the Investment Status Schedule, and qualifying for Watch status. The Board will then determine the funds to be officially placed on Watch status after reviewing this report. Once on Watch status, the individual fund portfolio, each underlying fund within the multi-fund portfolios, or multi-fund portfolio will receive continual monitoring by the Investment Consultant. Specifically, the Program Manager will provide a quarterly report explaining causes of underperformance or improvement. Additionally, the Investment Consultant will monitor the individual fund portfolios, underlying funds and multi- fund portfolios carefully and provide additional reports as necessary. This heightened level of monitoring continues during the Watch status period until the individual fund portfolio, underlying fund or multi-fund portfolio no longer meets the Watch status criteria or if other corrective measures are taken as detailed in the following sections.

Generally, once an individual fund portfolio, underlying fund within the multi-fund portfolio, or a multi-fund portfolio is placed on Watch status, it should be able to exhibit improvement within a time frame of 9 to 18 months. However, extenuating market circumstances may require a fund on Watch status to extend beyond this time frame (or action taken sooner). These instances will be documented in the Investment Consultant reports and presented to the Board for approval. The Investment Consultant will endeavor to recommend a final action for a fund on Watch status which has met or exceeded the time frame of 9 to 18 months during the annual investment review. Funds placed on Watch status will be subject to enhanced scrutiny during the annual investment review and action taken, if appropriate. Regardless, an individual fund portfolio, underlying fund or multi-fund portfolio will remain on Watch status until the Investment Consultant provides details of its improvement to the State Treasurer’s Office, and, based on conditions stated in the following section, the Board releases the fund from Watch status.

**4. Improvement Occurs – Release from Watch Status**

If an individual fund portfolio, underlying fund within a multi-fund portfolio, or a multi-fund portfolio shows indications of improvement in one or more of the factors that caused it to be placed on Watch status, the Investment Consultant provides updated details to the State Treasurer’s Office. Examples of improvements warranting a change in status are:

1. Improved investment performance;

2. Investment style and/or risk characteristics return to, and remain at, levels originally agreed upon; or,

3. Other factors such as organizational structure stabilizes, personnel adjustments, compliance requirements, etc. are met/satisfied.

The Investment Consultant will provide reports on at least a quarterly basis to the State Treasurer’s Office on any individual fund portfolio, each underlying fund within the multi-fund portfolio or the multi-fund portfolio on Watch status. These reports will highlight the original reasons for placing the individual fund portfolio, underlying fund, or multi-fund portfolio on Watch status and discuss how these issues have been addressed. If improvement occurs in an appropriate amount of time (generally 9 to 18 months) the Investment Consultant may make a recommendation to the State Treasurer’s Office to release the individual fund portfolio underlying fund, or multi-fund portfolio from Watch status. The Board will then make the determination to release the individual fund portfolio, underlying fund or multi-fund portfolio from Watch status.

**C. Corrective Measures**

**1. Improvement Does Not Occur – Corrective Measures**

If an individual fund portfolio, underlying fund or multi-fund portfolio is not released from Watch status within an appropriate period (generally 9 to 18 months), corrective action may be necessary. Differences in structure between the individual fund portfolios, underlying funds and the multi-fund portfolios mean that corrective action will take different forms as explained below.

**a. Individual Fund Portfolios**

If the quantitative and/or qualitative performance of an individual fund portfolio does not improve, the Investment Consultant will conduct an analysis and provide the Board with options and a recommendation for action. Options include:

1. Giving the fund more time,

2. Closing it to new investment, or

3. Replacing it (replacement specifics are outlined below).

If the Board decides that funds must be replaced the process is outlined in Section C.2. below.

**b. Multi-Fund Portfolios**

In a multi-fund portfolio, it may not feasible to replace an entire portfolio or all underlying funds with the portfolio. However, the procedures outlined in this document are structured to bring attention to the particular underlying fund(s) that is the cause(s) for the under- or outperformance.. If the underlying fund is not released from Watch status within a period of 9 to 18 months, the Investment Consultant may recommend to the Board that the Program Manager replace one or more of the underlying funds. Multi- fund portfolios are diversified among several underlying funds; however, replacing underlying funds does require the same caution as with the individual fund portfolios.

**2. Fund Replacement**

The Board may replace funds on Watch status as part of its fiduciary responsibility to monitor and take corrective action if required. If a fund replacement is necessary, the Program Manager will provide the Board with one or more recommended replacement

funds. The Investment Consultant will also provide the Board with its opinion of the

Program Manager’s recommendation.

For individual fund portfolios, if the Board determines that a fund must be removed, generally it will direct the Program Manager to provide advance notice to all account owners and financial advisors. This notice will be provided within a reasonable time frame, or upon a shorter time frame as directed by the Board. The notice will provide information regarding the upcoming actions, the steps that will occur, and the timing of the removal, addition, and/or replacement of the fund(s). In normal conditions the fund will be removed, added, and/or replaced within a 60-90 day time frame to allow for adequate advance notice to investors and financial advisors. In the event immediate action is required, the fund(s) may be replaced immediately and the Program Manager will provide notice after the change has occurred.

For multi-fund portfolios, if the Board determines that an underlying fund must be removed, the State Treasurer’s Office will work with the Investment Consultant and Program Manager on a case-by-case basis to consider removal of the fund from the portfolio’s fund allocation. A new investment in a multi-fund portfolio must have more competitive performance characteristics than the fund that is being replaced while also maintaining (or enhancing) the integrity and expected results of the asset allocation processes used to construct the portfolio.

To the extent possible, and with the exception of changes that require immediate action, all changes to individual fund portfolios and/or multi-fund portfolios shall be made in conjunction with the Program Manager’s annual review to the Board.

**3. Other Possible Actions**

When a fund is being considered for replacement, the State Treasurer’s staff will work with the Program Manager and Investment Manager(s) to evaluate options, including those other than replacement such as:

a) Replacing a fund’s sub-manager - when the fund uses one or more sub-managers and one of the sub-managers’ poor performance has negatively affected the overall performance of a fund. This may require a separately managed account.

b) No action to replacement – State Treasurer’s staff could recommend retaining a fund to continue to provide exposure to an asset class or section when a fund has underperformed its benchmark but outperformed its peer group (i.e., top quartile) and/or there are no available suitable replacements.

c) Temporarily Closing a Fund to New Investors – if a fund’s performance or market circumstances warrant, a fund could be closed to all new investors while existing investors are permitted to choose to stay invested in the fund to “ride it out”

d) Restructuring multi-fund portfolios by changing the percentages attributed to each underlying fund by either over or under-weighting certain funds in an effort to improve the portfolio’s risk/return metrics. Similarly, the recommendation could be to eliminate an underlying fund from the portfolio and reallocate among the remaining funds.

**D. Investment Performance Criteria Schedules**

***The Vanguard 529 College Savings Plan Schedules***

**Table 1a: Passively Managed Individual Stand Alone Funds**

(Based on net of fee3 fund performance)

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset Class** | **Short-Term**  **(rolling 12-month periods)** | **Medium-term**  **(rolling 36-month periods)** | **Long-term**  **(rolling 60-month periods)** |
| Domestic Equity | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.25% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.30% for 6 consecutive months |
| Domestic Equity –  Large Cap Value | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.25% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.30% for 6 consecutive months |
| Domestic Equity –  Large Cap Growth | Tracking Error >  0.20% for 6 consecutive months | Tracking Error>  0.15% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.25% for 6 consecutive months |
| Domestic Equity –  Mid Cap | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.25% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.50% for 6 consecutive months |
| Domestic Equity –  Small Cap | Tracking Error >  0.40% for 6 consecutive months | Tracking Error>  0.35% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.60% for 6 consecutive months |
| International Equity | Tracking Error >  0.75% for 6 consecutive months | Tracking Error>  0.70% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.30% for 6 consecutive months |
| Fixed Income | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.50% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.35% for 6 consecutive months |

|  |  |  |
| --- | --- | --- |
| **Monitors:**  Fund | Asset Class | Benchmark |
| Vanguard 500 Index Fund | Domestic Equity | S&P 500 Index |
| Vanguard Total Stock Market Index Fund | Domestic Equity | CRSP US Total Market Index |
| Vanguard Value Index Fund | Domestic Equity | CRSP US Large Cap Value Index |
| Vanguard Growth Index Fund | Domestic Equity | CRSP US Large Cap Growth Index |
| Vanguard Mid-Cap Index Fund | Domestic Equity | CRSP Mid Cap Index |
| Vanguard Small Cap Index Fund | Domestic Equity | CRSP US Small Cap Index |
| Vanguard Total Intl Stock Index Fund | International Equity | FTSE Global All Cap Ex US Index |
| Vanguard Total Bond Market | Fixed Income | BC US Agg Float Adj Bond Index |
| Vanguard Total Bond Market II | Fixed Income | BC US Agg Float Adj Bond Index |

***The Vanguard 529 College Savings Plan Schedules***

**Table 1b: Actively Managed Individual Stand Alone Funds**

(Based on net of fee4 fund performance)

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset Class** | **Short-Term**  **(rolling 12-month periods)** | **Medium-term**  **(rolling 36-month periods)** | **Long-term**  **(rolling 60-month periods)** |
| Domestic Equity | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.25% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.30% for 6 consecutive months |
| International Equity | Tracking Error >  0.75% for 6 consecutive months | Tracking Error>  0.70% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.30% for 6 consecutive months |
| Fixed Income | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.50% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.35% for 6 consecutive months |
| High Yield | Fd return < bench  return -6.5% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -3.25% for 6 consecutive months | VRR < 0.96 for 6  consecutive months |
| Short-Term | Fd return < bench return -0.7% for 6  consecutive months | Fd annlzd return <  bench annlzd return  -0.2% for 6 consecutive months | VRR < 0.99 for 6 consecutive months |

Annualized return is the average annual return of either the fund or its benchmark.

VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

**Monitors:**

Fund Asset Class Benchmark

|  |  |  |
| --- | --- | --- |
| Vanguard Morgan Growth | Domestic Equity | Russell 3000 Growth Index |
| Vanguard Windsor | Domestic Equity | Russell 1000 Value Index |
| Vanguard STAR | Blend | Composite\* |
| Vanguard Inflation-Protected Securities | Fixed Income | BC US TIPS Index |
| Vanguard High Yield Bond | High Yield | BC US Corporate High Yield Index |

\*43.75% MSCI US Broad Market Index, 25% BC US Agg Bond Index, 12.5% BC US 1-5 Year Cr Bond Index, and 18.75% MSCI ACWI ex USA

***SSgA Upromise 529 Plan Schedules***

**Table 2a: Passively Managed Underlying Fund/Individual Stand Alone Funds**

(Based on net-of-fee5 fund performance)

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset Class** | **Short-Term**  **(rolling 12-month periods)** | **Medium-term**  **(rolling 36-month periods)** | **Long-term**  **(rolling 60-month periods)** |
| Domestic Equity | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.25% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.30% for 6 consecutive months |
| Domestic Equity –  Mid Cap | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.25% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.50% for 6 consecutive months |
| Domestic Equity –  Small Cap | Tracking Error >  0.40% for 6 consecutive months | Tracking Error>  0.35% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.60% for 6 consecutive months |
| International Equity | Tracking Error >  0.75% for 6 consecutive months | Tracking Error>  0.70% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.30% for 6 consecutive months |
| Emerging Markets  Equity | Tracking Error >  2.75% for 6 consecutive months | Tracking Error >  2.75% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.75% for 6 consecutive months |
| Real Estate | Tracking Error >  0.30% for 6 consecutive months | Tracking Error >  0.60% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.20% for 6 consecutive months |
| Fixed Income | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.50% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.35% for 6 consecutive months |
| High Yield | Tracking Error >  1.25% for 6 consecutive months | Tracking Error >  0.75% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.50% for 6 consecutive months |
| International Fixed  Income | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.50% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.35% for 6 consecutive months |
| Short-Term | Tracking Error >  0.30% for 6 consecutive months | Tracking Error>  0.50% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.35% for 6 consecutive months |

|  |  |  |
| --- | --- | --- |
| **Monitors:**  Fund  SPDR S&P 500 ETF | Asset Class  Domestic Equity | Benchmark  S&P 500 Index |
| SPDR S&P Mid Cap 400 ETF | Domestic Equity | S&P Mid Cap 400 Index |
| SPDR S&P 600 Small Cap ETF | Domestic Equity | S&P Small Cap 600 Index |
| SPDR S&P World ex-US ETF | International Equity | S&P Developed ex-US BMI Index |
| SPDR S&P International Small Cap ETF | International Equity | S&P Developed ex-US MCAP BMI |
| SPDR S&P Emerging Markets ETF | International Equity | S&P Emerging Markets BMI Index |
| SPDR S&P Emerging Markets Small Cap ETF | International Equity | S&P Emerging Markets MCAP BMI |
| SPDR S&P Dow Jones REIT ETF | Real Estate | Dow Jones US Select REIT Index |
| SPDR S&P Dow Jones International REIT ETF | Real Estate | Dow Jones Global ex-US t REIT Index |
| SPDR Barclays Capital Aggregate Bond ETF | Fixed Income | Barclays Capital US Aggregate Bond Ind |
| SPDR Barclays Capital TIPS ETF | Fixed Income | Barclays Capital Inflation-Linked Bond |
| SPDR DB International TIPS ETF | Fixed Income | DB Global ex-US TIPS Capped Index |
| SPDR Barclays Capital High Yield Bond ETF | High Yield | Barclays Capital US High Yield Index |
| SPDR Barclays Capital ST Corporate Bond ETF  SPDR US 1-3 Month T-Bill ETF | Fixed Income  Fixed Income | Barclays Capital 1-3 Year Corp. Index  Barclays Capital 1-3 Month T-Bill Index |

***USAA 529 College Savings Plan Schedules***

**Table 3a: Actively Managed Individual Stand Alone Funds**

(Based on net-of-fee6 fund performance)

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset Class** | **Short-Term**  **(rolling 12-month periods)** | **Medium-term**  **(rolling 36-month periods)** | **Long-term**  **(> 60-months)** |
| Domestic Equity | Fd return < bench return -2.75% for 6  consecutive months | Fd annlzd return <  bench annlzd return  -1.5% for 6 consecutive months | VRR < 0.97 for 6 consecutive months |
| International Equity | Fd return < bench  return -4.5% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -2.0% for 6 consecutive months | VRR < 0.97 for 6  consecutive months |
| Emerging Markets  Equity | Fd return < bench  return -4.5% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -2.75% for 6 consecutive months | VRR < 0.97 for 6  consecutive months |
| Fixed Income | Fd return < bench  return -0.75% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.5% for 6 consecutive months | VRR < 0.98 for 6  consecutive months |
| High Yield | Fd return < bench  return -6.5% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -3.25% for 6 consecutive months | VRR < 0.96 for 6  consecutive months |
| Precious Metals | Fd return < bench  return -6.5% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -3.25% for 6 consecutive months | VRR < 0.96 for 6  consecutive months |
| Short-Term | Fd return < bench  return -0.7% for 6 consecutive months | Fd annlzd return <  bench annlzd return  -0.2% for 6 consecutive months | VRR < 0.99 for 6  consecutive months |

Annualized return is the average annual return of either the fund or its benchmark.

VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

6 Net of underlying mutual fund fees, but not net of the State’s Administrative Fee or Program Manager Fee

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|  |  |  |
| --- | --- | --- |
| **Monitors:**  Fund | Asset Class | Benchmark |
| USAA Aggressive Growth Fund | Domestic Equity | Russell 1000 Growth Index |
| USAA Growth Fund | Domestic Equity | Russell 1000 Growth Index |
| USAA Growth & Income | Domestic Equity | Russell 3000 Growth Index |
| USAA Value Funds | Domestic Equity | Russell 3000 Value Index |
| USAA Income Stock Fund | Domestic Equity | Russell 1000 Value Index |
| USAA Small Cap Stock Fund | Domestic Equity | Russell 2000 Index |
| USAA International Fund | International Equity | MSCI EAFE Index |
| USAA Emerging Markets Fund | International Equity | MSCI Emerging Markets Index |
| USAA Income Fund | Fixed Income | BC USA Aggregate Bond Index |
| USAA Intermediate-Term Bond Fund | Fixed Income | BC USA Aggregate Bond Index |
| USAA High Yield Opportunities Fund | High Yield | Credit Suisse High Yield |
| USAA Short-Term Bond Fund | Short-Term | BC 1-3 Year Treasury Bond Index |
| USAA Precious Metals & Minerals | Other | PHLX Gold & Silver Index |
| USAA Real Return | Other | BCUS Treasury Inflation Protected Notes (TIPS) |

***Putnam 529 for America Plan Schedules***

**Table 4a: Age/Goal Based Portfolio**

(Based on net-of-fee7 fund performance)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset Class** | **1st 12-months**  **(rolling 3-month periods)** | **Short-Term**  **(rolling 12-month periods)** | **Medium-term**  **(rolling 36-month periods)** | **Long-term**  **(> 60-months)** |
| Domestic Equity | Fd return < bench  return -2.0% for 6 consecutive months | Fd return < bench  return -2.75% for 6 consecutive months | Fd annlzd return <  bench annlzd return -1.5% for 6 consecutive months | VRR < 0.97 for 6  consecutive months |
| International  Equity | Fd return < bench  return -3.0% for 6 consecutive months | Fd return < bench  return -4.5% for 6 consecutive months | Fd annlzd return <  bench annlzd return -2.0% for 6 consecutive months | VRR < 0.97 for 6  consecutive months |
| Fixed Income | Fd return < bench  return -1.0% for 6 consecutive months | Fd return < bench  return -0.75% for 6 consecutive months | Fd annlzd return <  bench annlzd return -0.5% for 6 consecutive months | VRR < 0.98 for 6  consecutive months |
| High Yield | Fd return < bench  return -4.0% for 6 consecutive months | Fd return < bench  return -6.5% for 6 consecutive months | Fd annlzd return <  bench annlzd return -3.25% for 6 consecutive months | VRR < 0.96 for 6  consecutive months |
| Short-Term | Fd return < bench  return -0.60% for 6 consecutive months | Fd return < bench  return -0.7% for 6 consecutive months | Fd annlzd return <  bench annlzd return -0.2% for 6 consecutive months | VRR < 0.99 for 6  consecutive months |

1st 1-12 month performance criteria is not annualized; all other criteria is on an annualized basis. Annualized return is the average annual return of either the fund or its benchmark.

VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

|  |  |  |
| --- | --- | --- |
| **Monitors:**  Fund | Asset Class | Benchmark |
| GAA All Equity | Blend | Custom AA Equity Index\* |
| GAA Growth | Blend | Custom AA Global Growth Index\*\* |
| GAA Balanced | Blend | Custom AA Global Balanced Index\*\*\* |
| GAA Conservative | Blend | Custom AA Global Conservative Index\*\*\*\* |

\*75% Russell 3000, 19% MSCI EAFE, 6% MSCI EM

\*\*60% Russell 3000, 15% MSCI EAFE, 5% MSCI EM, 15% BC Aggregate Bond, 5% Chase High Yield

\*\*\*50% Russell 3000, 10% MSCI EAFE, 35% BC Aggregate Bond, 5% Chase High Yield

\*\*\*\*25% Russell 3000, 5% MSCI EAFE, 65% BC Aggregate Bond, 5% Chase High Yield

**Table 4b: Actively Managed Individual Stand Alone Funds**

(Based on net-of-fee8 fund performance)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset Class** | **1st 12-months**  **(rolling 3-month periods)** | **Short-Term**  **(rolling 12-month periods)** | **Medium-term**  **(rolling 36-month periods)** | **Long-term**  **(> 60-months)** |
| Domestic Equity | Fd return < bench  return -2.0% for 6 consecutive months | Fd return < bench  return -2.75% for 6 consecutive months | Fd annlzd return <  bench annlzd return -1.5% for 6 consecutive months | VRR < 0.97 for 6  consecutive months |
| International  Equity | Fd return < bench return -3.0% for 6  consecutive months | Fd return < bench return -4.5% for 6  consecutive months | Fd annlzd return <  bench annlzd return -2.0% for 6 consecutive months | VRR < 0.97 for 6 consecutive  months |
| Fixed Income | Fd return < bench return -1.0% for 6 consecutive  months | Fd return < bench return -0.75% for 6 consecutive  months | Fd annlzd return < bench annlzd return -0.5% for 6  consecutive  months | VRR < 0.98 for 6 consecutive months |
| High Yield | Fd return < bench  return -4.0% for 6 consecutive months | Fd return < bench  return -6.5% for 6 consecutive months | Fd annlzd return <  bench annlzd return -3.25% for 6 consecutive months | VRR < 0.96 for 6  consecutive months |
| Short-Term | Fd return < bench  return -0.60% for 6 consecutive months | Fd return < bench  return -0.7% for 6 consecutive months | Fd annlzd return <  bench annlzd return -0.2% for 6 consecutive months | VRR < 0.99 for 6  consecutive months |

1st 1-12 month performance criteria is not annualized; all other criteria is on an annualized basis. Annualized return is the average annual return of either the fund or its benchmark.

VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

**Monitors:**

Fund Asset Class Benchmark

Putnam Equity Income Fund Domestic Equity Russell 1000 Value Index Putnam Voyager Fund Domestic Equity Russell 1000 Growth Index Principal MidCap Blend Fund Domestic Equity Russell MidCap Index Fidelity Advisor Small Cap Fund Domestic Equity Russell 2000 Index

MFS Institutional International Equity Fund International Equity MSCI EAFE Index

Putnam International Cap Opportunities Fund International Equity S&P Developed xUS Small Cap Index Putnam Income Fund Fixed Income BC US Aggregate Bond Index Federated U.S. Govt Securities: 2-5 Years Fixed Income BofA ML 3-5 Year Treasury Index Putnam High Yield Trust High Yield JP Morgan Developed High Yield Index

**Table 4c: Absolute Return Individual Stand Alone Funds**

(Based on net-of-fee9 fund performance)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset Class** | **1st 12-months**  **(rolling 3-month periods)** | **Short-Term**  **(rolling 12-month periods)** | **Medium-term**  **(rolling 36-month periods)** | **Long-term**  **(rolling 60-month periods)** |
| Absolute Return | Fd return < 0.0%  for 6 consecutive months | Fd return < 0.0%  for 6 consecutive months | Fd annlzd return <  bench annlzd return for 6 consecutive months | Fd annlzd return <  bench annlzd return for 6 consecutive months |

1st 1-12 month performance criteria is not annualized; all other criteria is on an annualized basis. Annualized return is the average annual return of either the fund or its benchmark.

VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

|  |  |  |
| --- | --- | --- |
| **Monitors:**  Fund | Asset Class | Benchmark |
|  |  |  |
| Fixed Income Absolute Return Fund | Absolute Return | T-Bills + 2.0% + 3.0% |
|  |  |  |
| Multi-Asset Absolute Return Fund | Absolute Return | T-Bills + 4.0% |