

ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION



Arizona Family College Savings Program

2016 ANNUAL REPORT

January 1, 2016 through December 31, 2016

Submitted by Deena Lager, Director of AFCSP
March 1, 2017

Arizona Family College Savings Program (AFCSP)

2016 Annual Report

TABLE OF CONTENTS

ITEM	PAGE
Introduction	3
I. Overview of the Arizona Family College Savings Program	4
II. AFCSP 2016 Operational Report	8
A. Overall AFCSP Results.....	8
B. AFCSP Highlights for 2016.....	10
III. Program Provider Overview and Analysis	18
A. College Savings Bank.....	18
B. Fidelity Investments.....	21
C. Waddell & Reed.....	30
Conclusion	40
 Appendices	
A: Fidelity Arizona College Savings Plan Portfolio Asset Allocations.....	43
B: Fidelity Arizona College Savings Plan Portfolio Target Asset Allocations.....	47
C: Waddell & Reed InvestEd 529 Plan Portfolio Asset Allocation.....	49
D: Waddell & Reed InvestEd 529 Plan Sales Charge Structure.....	50

Arizona Family College Savings Program (AFCSP)

Educating and assisting Arizona families to financially prepare for postsecondary education by providing quality college savings choices.

2016 Annual Report

Introduction

The sixteen Commissioners, fourteen of whom are appointed by the Governor, of the Arizona Commission for Postsecondary Education (ACPE) initiated a strategic planning process to direct the work of the Commission. They began the process by examining the ACPE statutes and ended in identifying a mission to *expand access and increase success in postsecondary education for Arizonans*.

Three goals were named to achieve this mission: (1) maximize student financial assistance available and support efforts to restore and increase student aid, (2) provide support from knowledgeable professionals and accurate and timely information to help students and families take the steps to enroll, finance, and succeed in postsecondary education, and (3) provide a forum where all sectors of postsecondary education dialogue, partner, and problem solve issues of mutual interest.

Goals 1 and 2 reflect the Commission's core responsibility of assisting families achieve a postsecondary education by educating Arizonans about and offering well-managed student financial assistance programs. By statute the Commission is charged with the administration of state and federal student grants and loan programs and administration of the *Arizona Family College Savings Program (AFCSP)*.

The Commissioners also serve as Trustees for the Arizona Family College Savings Program (AFCSP) or 529 plan. At the recommendation of the AFCSP Oversight Committee, the Commissioners identified a mission for the Arizona 529 Plan of *educating and assisting Arizona families financially prepare for postsecondary education by providing quality college savings choices*. This annual report describes the results of the Arizona Family College Savings Program for 2016 and the ways the Program was enhanced by the AFCSP Oversight Committee, the three contracted program managers, the Commissioners, and the staff.

The report is separated into three sections. First is an overview of the Arizona Family College Savings Program. This is followed by the AFCSP operational report for 2016. The third section presents details about each of the three contracted program managers including corporate profiles, investment options, investment performance and fee structures.

I. Overview of the Arizona Family College Savings Program

The Arizona Commission for Postsecondary Education administers the Arizona Family College Savings Program (AFCSP). In 1997, the AFCSP was established as Arizona's qualified tuition program under section 529 of the Internal Revenue Code (also referred to as a QTP or Qualified Tuition Program) and began accepting accounts in 1999. In 2004, State legislation established the Family College Savings Program Trust Fund as a public instrumentality of the State of Arizona, of which the Arizona Commission for Postsecondary Education acts as its sole trustee. All AFCSP accounts are held in trust for its participants and beneficiaries. The AFCSP was established as a multiple provider program, ensuring a variety of investment choices for diverse investment needs and risk tolerances of families saving for college.

A state-sponsored 529 plan is a tax-advantaged program intended to help individuals and families pay the cost of higher education. The AFCSP is designed to encourage savings by allowing 529 plan earnings to grow tax-deferred and distributions to be withdrawn tax-free if used for qualified higher education expenses. Qualified expenses include tuition and fees, books, supplies and equipment, room and board, and education related purchases of computer equipment, software or internet access. Beneficiaries may attend any U.S. Department of Education accredited public or private college/university, community college, or proprietary vocational, career, or technical postsecondary education institution in the United States as well as eligible foreign institutions.

Section 529 plans, including the Arizona Family College Savings Program, offer tax benefits to families. In 2006, the Pension Protection Act made permanent the 529 plan provisions allowing federal income tax-free withdrawals from 529 College Savings Plans for qualified higher education expenses. An additional tax benefit was added on January 1, 2008, when a state income tax deduction was provided to Arizona residents for up to \$750 for individual filers or head of household and \$1,500 per married couple for annual contributions made to a 529 plan. This incentive was set to expire on December 30, 2012 when the State Legislature extended the tax incentive into perpetuity. Further legislative action more than doubled this tax incentive, increasing the tax deduction for Arizona tax payers contributing funds to a 529 plan of up to \$4,000 for married joint-tax filers and up to \$2,000 for individual tax filers, effective January 1, 2013. The goal of the tax incentive is to encourage more Arizona families to participate in college savings. While eighty percent of all student financial aid is provided by the federal government and focused on low-income students, the 529 program offers an important vehicle to save for college expenses and reduce student loan debt for middle-income families.

Two groups comprised largely of Governor-appointed members serve to direct the Arizona Family College Savings Program. First, Commissioners of the Arizona Commission for Postsecondary Education also serve as Trustee for the Arizona Family College Savings Program. They are representative of all sectors of postsecondary education and its constituencies. A membership roster follows on the next page.

Arizona Commission for Postsecondary Education (ACPE) Commissioners

Darin Bargaen * Executive Director Arizona Automotive Institute	Dr. Michael Kearns * President Mohave Community College	Teri Stanfill (By Position) Executive Director Arizona Board for Private Postsecondary Education
Jennifer Brumbach * Director of Education East Valley Medical College	Eileen Klein (By Position) Board President Arizona Board of Regents	Dr. Kasey Urquidez * VP, Enrollment Management, Student Affairs Advancement & Dean of Undergraduate Admissions University of Arizona
Brian Capistran * Superintendent Glendale Union High School District	Jill Kohler * President Penrose Academy	Dr. Manuel Valenzuela * Superintendent Sahuarita Unified Schools
Susan Ciardullo * Regional Director West Coast Ultrasound Institute	Dr. Henry Radda * Provost Grand Canyon University	Edward Vasko * CEO Terra Verde, LLC
Dr. Steven Gonzalez * President Gateway Community College	Dr. James Rund * Senior VP, Educational Outreach & Student Affairs Arizona State University	
Jody Johnson * Superintendent Pointe Schools	Timothy Slottow * President University of Phoenix	

* Governor Appointed

The second group, the AFCSP Oversight Committee, as defined by statute, comprises 10 members with financial, tax, and legal expertise. The main responsibility of the Oversight Committee is to make recommendations to the ACPE, the AFCSP Trustee, regarding selection of providers and to review and advise regarding investment, operational and oversight procedures. The Oversight Committee has identified the following goals:

- 1) Provide flexible and affordable college savings options
- 2) Solicit and recommend appropriate financial institutions
- 3) Undertake a rigorous annual review of providers
- 4) Monitor compliance with all regulatory bodies
- 5) Provide timely communication to the State of Arizona
- 6) Initiate strategic partnerships to enhance the Program
- 7) Create a fair and responsive operating environment for financial institutions
- 8) Recruit, educate, and inspire new Oversight Committee members

A roster of the AFCSP Oversight Committee follows this section.

Arizona Family College Savings Program Oversight Committee Members

Roger D. Curley *
Chairman
Curley & Allison LLP

Henry DeSpain *
MGKS

Jeff DeWit (By Position)
Arizona State Treasurer
State Treasurer's Office

Hope Leibsohn *
Sherman & Howard,
LLC

Jeffrey Ratje *
University of Arizona

Michael Rooney *
Sacks Tierney, PA

Mark P. Stein *, CFP
Galvin, Gaustad and
Stein, LLC

Sally A. Taylor *, CPA,
CFP, PFS
Keats Connelly &
Associates, LLC

Jim Van Houten *, CFP
Retired

David Walser, CPA,
PFS
(By Position)
Grant Thornton, LLP
AZ Private
Postsecondary Board

** Governor Appointed*

In 1999, two financial institutions served as depositories and managers of the AFCSP. By 2003, a total of four financial institutions had been approved by the ACPE as AFCSP providers – College Savings Bank, Securities Management and Research (SM&R), Pacific Life and Waddell & Reed. Fidelity Investments joined the Program as the fifth AFCSP provider in June 2005.

The AFCSP Oversight Committee meets bi-monthly to review investment modification and operational procedure requests from providers and staff and also undertakes an extensive annual review of each provider. This rigorous annual review entails both a written report and an in-person presentation and interview process. Each provider is evaluated on its success in meeting contract identified outcomes. In 2006, this review culminated in a recommendation to the ACPE of the non-renewal of the management contracts of SM&R and Pacific Life.

Transition of accounts from the non-renewed providers was completed in the fall of 2007. The SM&R accounts were converted to Waddell & Reed Financial Services on September 28, 2007 and the Pacific Life, accounts were converted to Fidelity Investments on October 31, 2007. As a result, the AFCSP currently offers an array of investment choices through two direct-sold providers and one advisor-sold provider. The AFCSP investment options provide participants choices to meet a wide variety of investment styles and risk tolerances.

AFCSP Investment Offerings¹	
College Savings Bank (direct-sold, FDIC-insured)	
<ul style="list-style-type: none"> • Fixed Rate CD: • CollegeSure Honors Savings Account:² • CollegeSure CD:³ • InvestorSure CD:⁴ 	<p>fixed rate CD with principle and interest guaranteed</p> <p>high yield interest rate tied to the College Board's Independent College 500 Index (IC500); tax-advantaged savings account; no fees, no penalties, no fixed term</p> <p>variable rate CD indexed to college costs</p> <p>variable rate CD indexed to the Standard & Poor's 500 Composite Index</p>
Fidelity Investments (direct-sold)	
<ul style="list-style-type: none"> • Three Age-Based Portfolio fund types: Fidelity Funds, Fidelity Index Funds, and Multi-Firm Funds • Six Static Portfolios: Conservative, Moderate Growth or Aggressive Growth choices in either Fidelity Funds or Fidelity Index Funds • Five Individual Fund Portfolios: options include a mix of equity, fixed income, and money market • Bank Deposit Portfolio: an FDIC-insured interest bearing account 	
Ivy InvestEd 529 Plan: Waddell & Reed (advisor-sold)	
<ul style="list-style-type: none"> • Three Age-Based Portfolios customized based on college time horizon • Three Static Portfolio options in which investor selects risk level: conservative, moderate or aggressive • Sixteen Individual Fund Portfolios including domestic and international equity funds, specialty funds and fixed income funds 	
<p>¹ Details of individual offerings can be found at www.az529.gov</p> <p>² CollegeSure Honors Savings Account combined previous Accumulator, Savings, and Honors Savings accounts into one savings account type effective 10/21/2016.</p> <p>³ CollegeSure CD no longer issued effective 10/21/2016 due to product line simplification.</p> <p>⁴ InvestorSure CD no longer issued effective 8/2/2016 due to product line simplification.</p>	

II. AFCSP 2016 Operational Report

A. Overall AFCSP Results

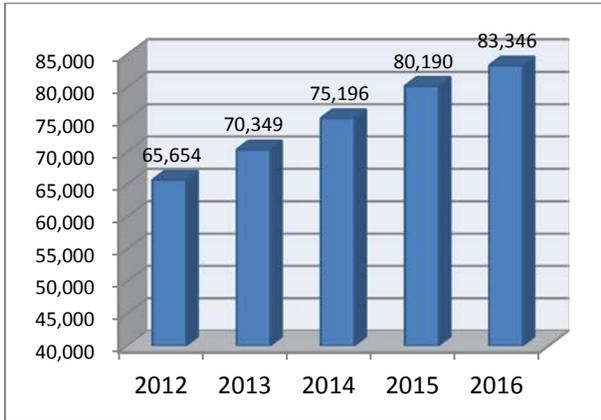
Important measures of success for the Arizona 529 Plan include (1) the number of families opening accounts for prospective students and (2) the amount of funds families are saving and growing in preparation for college expenses. With the exception of the deep recession of 2008, the Arizona Family College Savings Program overall has realized significant growth in both the number of accounts and the total assets under management since its launch in 1999. This growth is driven by Arizona residents and non-residents who recognize the importance of preparing financially for the increasing cost of tuition as well as by the quality of the plan.

The ACPE recognizes that informed consumers make better financial decisions. As such, in 2012 the agency began an on-going campaign to increase public awareness regarding the importance of saving for college. The AFCSP public awareness campaign consists of informational public events, enhanced social media and an enriched web presence promoting the Arizona 529 Plan and the associated tax benefits. The goal is to inform Arizonans that 529 college savings plans are the single most accessible option for families to save for college. Increased levels of public awareness are evident in the July 2016 reported survey results from Fidelity Investments which show a record 64% of Arizona parents have started saving compared to 55% of families surveyed in 2006. In addition, Fidelity reported that 33% of Arizona families are investing in a dedicated 529 college savings plan.

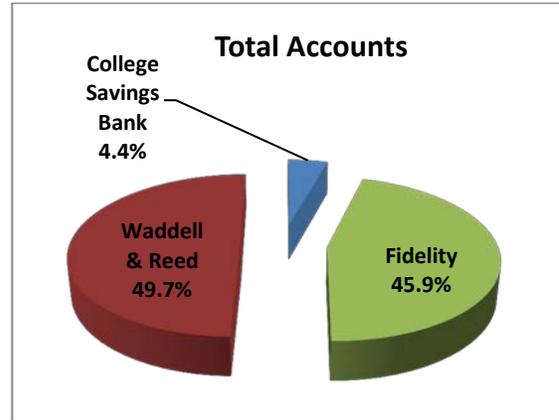
On the following page, Figures 1, 2, and 3 illustrate the growth over time in the number of accounts in the AFCSP. As seen in Figure 1, the Program's total funded accounts grew to 83,346 as of December 31, 2016. This represents an increase of 4% over 2015. The chart in Figure 2 breaks down the Program's total funded accounts by provider for the year ending 2016. It illustrates that Waddell & Reed's InvestEd Plan holds the majority of plan accounts at 50%, followed by Fidelity Investments at 46%, and College Savings Bank with 4% of funded accounts.

Figure 3 illustrates the change in the number of funded accounts by provider for the last five years. As illustrated, during 2016 Fidelity Investments experienced a healthy increase in funded accounts over the prior year while College Savings Bank only had a slight increase in new accounts, and Waddell & Reed experienced a small decline. When considering growth patterns, it is important to remember the ultimate goal of a college savings account is to eventually exhaust all account funds in payment of college expenses. An in depth analysis of each provider's performance will be discussed in a later section.

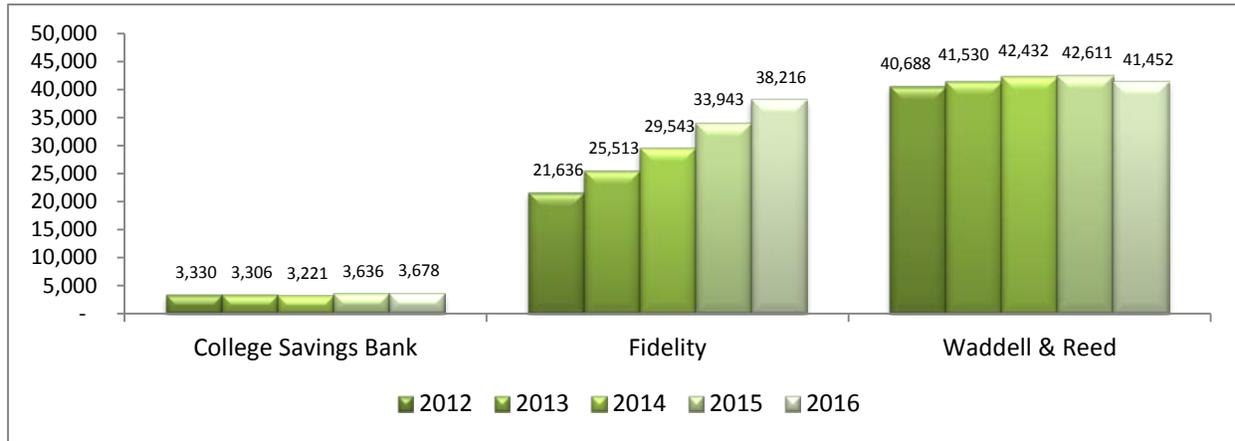
(Figure 1) AFCSP Total Funded Accounts



(Figure 2) Share of Funded Accounts by Provider



(Figure 3) Number of Funded Accounts By Provider at Year End



The discussion of AFCSP assets under management, as depicted in Figure 4, must be prefaced with a reminder of the difficult market conditions of 2008 and economic challenges to market stability continuing into 2012. The severe recession in 2008 contributed to market corrections on a global scale. As part of that correction, the AFCSP assets under management (AUM) decreased for the first time in the Program’s history in 2008, from \$454 million on December 31, 2007 to \$386 million on December 31, 2008, reflecting a \$68 million or 15% decline. Market gains and losses continued through 2012, followed by strong economic performance in 2013 and 2014, which contributed to significant growth in the Arizona 529 Plan assets. Despite the volatile market fluctuations of 2015 and early 2016, the Arizona 529 Plan AUM has continued to experience steady growth from both account holder contributions and positive market performance at the end of 2016.

The following chart shows the plan asset levels since inception. As can be seen in Figure 4, the Program AUM again shows continued growth in 2016 nearing \$1.1 billion in assets under management on December 31, 2016. This represents a positive

increase of 7% over 2015. What cannot be deduced from this chart is how much is gain on investments as compared to new accounts and contributions.

(Figure 4) AFCSP Assets Under Management Since Inception

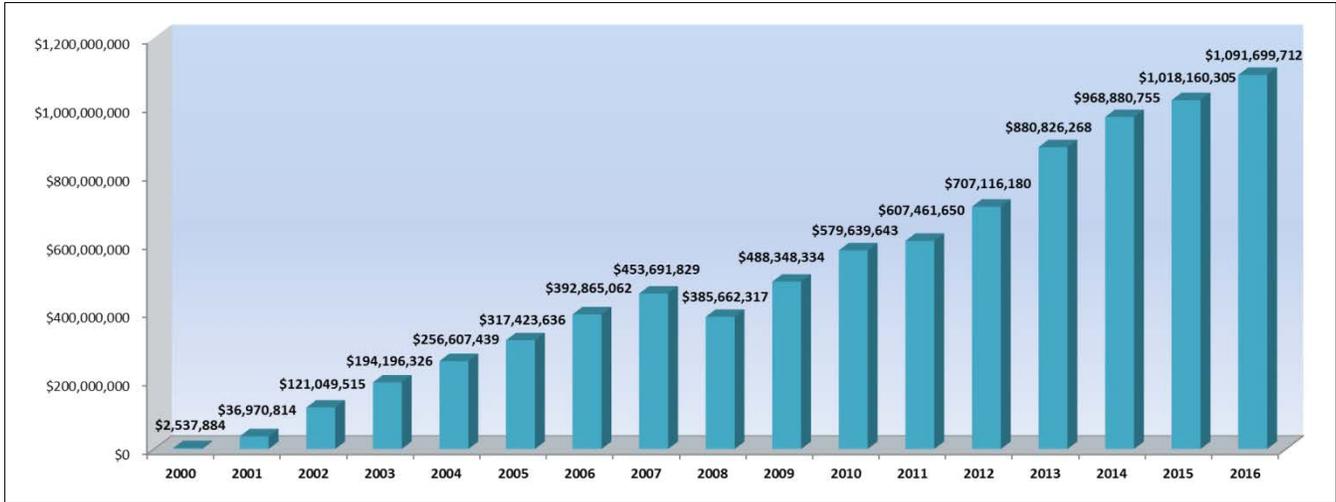
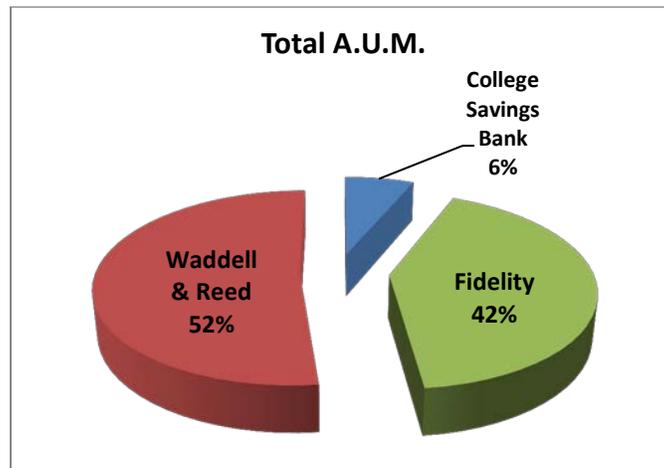


Figure 5 is a representation of the assets held by each of the providers. As illustrated, Waddell & Reed’s Ivy InvestEd 529 Plan holds the majority share of AUM at 52%, followed by Fidelity Investments at 42%, and College Savings Bank at 6% of AUM in the Arizona Family College Savings Program.

(Figure 5) AFCSP Assets Under Management by Provider (as of 12/31/16)



B. AFCSP Highlights for 2016

Commission and Oversight Committee

In 2016, the ACPE improved the AFCSP in several ways. First, stability and continuity with College Savings Bank will continue as a new five-year contract with the option for a

two-year extension was approved by the Oversight Committee and Commission in August. In addition, Fidelity and Waddell & Reed have contracts in effect through 2020 and 2017 respectively. Both Trustees and Oversight Committee members sought to ensure investment continuity for account holders who invest with these valued program partners. Likewise, the AFCSP has greatly benefited from the thoughtful actions of the Governor's Office of Boards & Commissions and the resulting appointment of skilled professional Oversight Committee members dedicated to accomplishing the goals of the plan.

Second, in an effort to proactively strengthen oversight practices the ACPE staff and Oversight Committee worked with the Arizona Department of Administration Procurement office to secure an independent investment consultant. The Commission hired Capital Cities, Inc. as the AFCSP's independent 529 investment consulting firm in August 2016. Capital Cities is based in Indianapolis, Indiana and has been providing investment consulting expertise in a co-fiduciary capacity for more than 20 years. They currently consult to three other 529 Plans, including Indiana, the District of Columbia, and Rhode Island – representing over \$10 billion in assets and more than 14 years of 529-specific expertise.

Capital Cities has been contracted to provide the Oversight Committee and the Commission with a rigorous assessment of all three program providers' product offerings relative to industry standards and trends each year. During the fall of 2016, Capital Cities conducted an in-depth program provider review evaluation. The firm interviewed each program manager, reviewed the AFCSP program provider contracts, and evaluated each provider's investment menus, portfolio construction and glide paths. In addition, Capital Cities' staff also benchmarked and analyzed the 529 expenses and fee structures of each provider. Results from this work were presented to both the Oversight Committee and Commission during their respective January and February meetings in preparation for the Annual Provider Review process scheduled for March. Capital Cities presented to the committee members and Commissioners their professional assessment of each provider relative to industry trends, peers, and best practices for the categories of investment options and performance, manager due diligence, as well as fees and minimum contributions. All findings, commentary, and recommendations made by the consultant lay the groundwork for the March annual program provider evaluation and performance report.

The on-going work of the Oversight Committee remains important to the success of the Program and results in consistent and even-handed oversight of the program. This work includes review of all proposed investment or contract modifications, oversight of each provider's annual marketing plan and budget, and the refinement and execution of the annual Provider Review Process. During the fall, committee members reviewed and recommended for approval to the Commission a comprehensive and guiding Investment Policy Statement which the Commission subsequently approved. The Oversight Committee also worked with Capital Cities to review and clarify evaluation elements of the Provider Review Process, incorporating the investment consultant's assessments, recommendations, and plan monitoring into the process.

Finally, a continued focus is placed on the vision, mission, guiding principles, and objectives developed by the Oversight Committee and approved by the Trustees. This document is re-examined prior to each provider review, guides the focus of the AFCSP Oversight Committee and Trustees, and was incorporated into the new Investment Policy Statement. The Mission and Goals follow.

Mission and Goals

Arizona Family College Savings Program

Vision: *To improve the educational opportunities of Arizonans by providing a high quality 529 plan.*

Mission: *To educate and assist Arizona families financially prepare for postsecondary education by providing quality college savings choices.*

Guiding Principles:

- *To fulfill the mandate of the Arizona Revised Statutes (A.R.S.)*
- *To see that the Plan operates according to U.S. and Arizona laws*
- *To see that the Plan is serving the best interests of its current and future investors*
- *To communicate the 529 Plan opportunity to the public*

The Oversight Committee and the Arizona Family College Saving Program Trustees will promote the following goals:

1. Provide flexible and affordable college savings options
2. Solicit and recommend appropriate financial institutions
3. Undertake a rigorous annual review of providers
4. Monitor compliance with all regulatory bodies
5. Provide timely communication to the State of Arizona
6. Initiate strategic partnerships to enhance the Program
7. Create a fair and responsive operating environment for financial institutions
8. Recruit, educate and inspire new Oversight Committee members

Public Awareness

As part of the continuing strategy to educate Arizonans of their college savings options, the AFCSP maintained its multi-media campaign at the direction of the Oversight Committee. A combination of print advertising, digital initiatives, and several public relations events targeted at Arizona parents and families complemented an active social media campaign in 2016. In May, 529 Day was promoted statewide with a digital media campaign and an in-person informational event on May 29th at the Children's Museum of Phoenix with representatives from all three providers. The museum hosted children's

financial literacy activities throughout the day while Pennywise the Pig, the Arizona 529 Plan mascot, interacted with families.

The Commission kicked off “College Savings Month” in Arizona with an extensive digital and social media campaign to increase public awareness throughout the month of October. In addition, the month began with a two-day informational event at the Children’s Museum of Phoenix, partnering with their staff to engage families in hands-on children’s financial literacy activities. Hundreds of families attended in-person weekend events hosted at the Children’s Museum during July, October and December where they learned about Arizona’s college savings plan options and tax benefits from ACPE staff and provider representatives. These in-person events gave children an opportunity to meet Penny Wise, learn age-appropriate savings tips, receive an AZ529 drawstring backpack, and a children’s financial literacy book sponsored by College Savings Bank. In addition, the Commission partnered with Univision to present information about the Arizona 529 Plan as a component of “How to Pay for College” at Univision’s spring and fall Finance and Education fairs held at Grand Canyon University and Phoenix Community College, respectively.

Additional public awareness efforts in the state of Arizona continued during November and December through a Gift Giving Season campaign. Targeted digital ads and Pandora online radio spots were utilized to encourage giving the gift of education. Ongoing social media postings on Facebook combined with digital media increased awareness of the Arizona 529 Plan, resulting in 12,665 unique visits to the AZ529.gov website during this timeframe. In 2016, the multi-media outreach efforts of AFCSP’s public awareness campaign successfully increased exposure in Arizona of the Arizona 529 Plan to more potential account owners and contributors with a total of 51,168 unique visits to the AZ529.gov website, an increase of 32% over the prior year. The Commission plans to continue the 529 public awareness campaign in 2017 to further promote the benefits of 529 college savings accounts.

Federal Legislation

In early 2016, all three providers implemented enhancements to their recordkeeping and reporting systems to support the Protecting Americans from Tax Hikes (PATH) Act enacted on December 18, 2015. The PATH Act simplified 529 distribution reporting requirements and also allows account owners to recontribute a refund from an eligible educational institution within 60 days. The second enhancement is especially meaningful to parents and students who paid for qualified higher education expenses with funds from a 529 plan, but the student subsequently withdrew from classes and received a full or partial refund from their school. The refund received from the institution can be recontributed to the beneficiary’s 529 plan. This provision gives families more flexibility and tax relief.

Program Managers

In 2016, CSB converted to a new online banking and record keeping platform. The new banking platform was introduced during the third quarter, offering account owners more

online account management features and is expected to improve the accountholder experience while ensuring the highest levels of security and bank industry compliance. CSB also simplified their product line offerings in response to customer feedback, adding a 2-year fixed rate CD option in May 2016, while the CollegeSure and InvestorSure CD options were grandfathered out of the product line in October 2016. The simplification of product offerings combined with attractive interest rates for future accountholders are positive benefits to CSB investors. Capital Cities evaluated and validated that CSB currently offers the highest yielding FDIC-insured 1-, 2-, and 3-year CD options and the highest APY when compared respectively to the three other 529 CD options and the 14 other FDIC-insured savings products within the 529 marketplace.

In July, Fidelity reduced total asset-based fees on their Fidelity Index Portfolios. Fees now range from 0.11 percent to 0.20 percent, depending on the investment portfolio. This 30-52 percent decrease makes the Arizona Fidelity Index Portfolio expenses among the very lowest in the 529 college savings plan industry. This reduction in fees contributed to an upgraded rating of Fidelity from Neutral to Bronze during the 2016 review by Morningstar, one of two 529 evaluating entities. Morningstar also cited their increased familiarity and confidence in Fidelity's tactical asset-allocation approach within its actively managed age-based portfolios.

During 2016 Waddell & Reed made several improvements to reduce fees for their clientele. The first one came in May 2016, a new sales charge break point level was added at the \$50,000 purchase point which allowed investors at a lower level of investment to qualify for a reduced sales charge of 5.25% instead of the standard 5.75%. Second, as of July 31, 2016, nine of the individual portfolios which experienced an asset-based fee reduction in 2015 were further reduced in order to be more competitive and improve the overall attractiveness of the Ivy InvestEd 529 Plan. The new annual asset-based fees for Individual Portfolios are all less than 1.46%, ranging from 0.67% to 1.45%. Prior to the reduction, the affected portfolios had fees between 0.73% and 1.45%. The last fee reduction had the broadest impact. Previously the annual \$20 account maintenance fee was only waived for Arizona residents and accounts with balances greater than \$25,000. As of December 2016, the maintenance fee was also waived for all accounts enrolled with Automatic Investment Service (AIS), resulting in more than half of all Ivy InvestEd 529 Plan investors being relieved of an account maintenance fee.

Annual Provider Review

The Arizona Family College Savings Program Oversight Committee has developed and implemented a comprehensive Annual Provider Review Process that has served as a model for other states. This process is derived from the statutory requirements for evaluation included in A.R.S. 15-1874.

Arizona has received recognition within the industry for its development of a successful method of evaluating varied financial products and diverse financial institutions. The Arizona review process was of interest nationally because in the very young 529 plan industry very few states began their programs with more than one provider; today, many states have contracts with two or more providers. Most importantly, this evaluation

process successfully guided the Commission's decision to non-renew two program managers when they no longer met the needs of the State nor the families saving for college in the Arizona 529 Plan.

The AFCSP Annual Provider Review Process is modified annually as necessary to meet the changing state and 529 plan environments. Its main objectives are to communicate clear expectations, hold providers accountable to contract terms, and strengthen the partnership between the provider and the State. Going forward, this process will benefit from the addition of Capital Cities' in-depth research, performance analysis and recommendations which are prepared and presented to the Oversight Committee members in advance of the Annual Provider Review. At the recommendation of the Auditor General's Office the emphasis on customer service has been strengthened. This process measures AFCSP program manager performance in each of the following categories:

- Evaluation of Product Offerings
- Marketing
- Customer Service
- Compliance
- Provider Responsibility and Support

Industry Wide Ranking

As the 529 industry has evolved since its inception in the mid 1990's, Savingforcollege.com and more recently Morningstar have become widely referenced evaluators of the various 529 plans offered across the country. Savingforcollege.com is a website devoted to researching and evaluating state sponsored 529 college savings plans around the country. Morningstar, an independent investment research firm that specializes in fund investing, provides an annual review of 529 mutual fund products. In addition, *Barron's*, a premier financial magazine which provides in-depth analysis and commentary on the markets, is another valued resource for performance rankings within the mutual fund industry.

Arizona's two mutual fund providers received mixed ratings in this year's Morningstar evaluation process. The Fidelity Arizona College Savings Plan was upgraded from neutral to a Bronze rating while Waddell & Reed's Ivy InvestEd 529 Plan maintained a negative rating. In 2015, Morningstar was critical of the state's oversight of both plans and recommended an investment consultant be hired. This year the concern about state oversight was repeated after Capital Cities was hired. Commission staff are working closely with Waddell & Reed and the new investment consultant to improve this rating.

In contrast, Ivy Investments was again named one of the top five in *Barron's* 2016 ranking of the "*Best Mutual Fund Families*". Ivy Investments moved up two spots to the number three ranked Fund Family over the past ten years, out of 53 firms.

Savingforcollege.com recently ranked the Ivy InvestEd Plan in the top ten of all advisor sold plans over the latest five-year period. Savingforcollege.com uses a "5-Cap Rating"

system to evaluate 529 plans and has provided a rating for each of the three AFCSP providers. The rating system used examines dozens of factors grouped into the following categories:

- performance
- features
- state benefits
- costs
- reliability

The following is a description of the “5-Cap Ratings” system used by Savingforcollege.com:

	This is a program that offers outstanding flexibility, attractive investments, and additional economic benefits (such as generous state tax incentives) that for some people, at least, will provide a substantial boost to their savings. There are few, if any, weaknesses noted in the program.
	An excellent program with many benefits for the participant and positive investment attributes. If it has any significant weaknesses then it also has some particularly good things to recommend it.
	A very good program that offers valuable benefits but may have some limitations or concerns that investors need to know.
	A program that will work for many people who fit the "target" profile but contains potentially significant problems or uncertainties that can hurt the unsuspecting investor.
	A program that contains too many unnecessary restrictions, uncertainties, investment downsides, or other problems so that changes are necessary (in our opinion) for the program to compete effectively against other alternatives.
	Another similar program is offered in this state that is more appropriate in all cases.
	This program is not open to you either because it has residency requirements or because it has stopped accepting new enrollments.
	This is a recent program and does not yet have a 5-Cap Rating assigned.

Source: Savingforcollege.com

The Arizona Family College Savings Program was rated by Savingforcollege.com with 3.83 points out of a total of 5 possible points, in the resident rating category (this is the average of the three provider specific rankings). This evaluation rounds up to 4 Caps which describes the AFCSP as both an “excellent program”, as well as a program that offers significant investment flexibility. The ratings for each of the three program managers follow.

<p>Arizona Family College Savings Program – College Savings Bank 529 Plan</p>	 (Resident Rating)	 (Non-Resident Rating)
<p>Fidelity Arizona College Savings Plan</p>	 (Resident Rating)	 (Non-Resident Rating)
<p>Ivy Funds InvestEd 529 Plan</p>	 (Resident Rating)	 (Non-Resident Rating)

Source: savingforcollege.com

III. Program Provider Overview and Analysis

The Arizona Family College Savings Program currently offers investment options through three program managers: College Savings Bank, Fidelity Investments and Waddell & Reed. This section includes a summary of each of the program providers including a brief corporate description, investment options, provider results (investment returns and plan growth), and fee structure. The State of Arizona and the AFCSP require these program managers to comply with voluntary industry standard principles of disclosure developed by the College Savings Plan Network (CSPN). CSPN is the dominant industry professional association for 529 plans to which most states belong. Investment results and fees are reported in the AFCSP disclosure materials in accordance with these disclosure principles. Offering materials are reviewed by staff members to ensure these standards are maintained.

A. COLLEGE SAVINGS BANK

Corporate Description

College Savings Bank, a Division of NexBank SSB (CSB) is located in Dallas, Texas. College Savings Bank has been helping families fund education for more than 20-years and has been a program manager since the AFCSP's inception. Formerly a wholly owned subsidiary of Pacific LifeCorp based in Newport Beach, California, College Savings Bank was sold on January 12, 2012 to a group of investors unrelated to CSB or Pacific Life. This change of ownership was approved by the Commission inclusive of a letter which noted that the transactions would not result in a change of management at CSB. Recently, another change in ownership was completed through a merger with NexBank SSB in November 2015. The Oversight Committee recommended and the Commission approved assignment of the remaining CSB contract to NexBank upon completion of the merger.

Investment Options

Under the Arizona Family College Savings Program, College Savings Bank originates and markets certificates of deposit (CDs) and a basic savings account. During 2016 these included:

- 1) Fixed Rate CDs
- 2) CollegeSure Honors Savings Account
- 3) CollegeSure CD – no new offerings as of 10/21/2016
- 4) InvestorSure CD – no new offerings as of 8/2/2016

All College Savings Bank investment options feature principal protection with FDIC insurance up to \$250,000 for amounts held in the same right and capacity. College Savings Bank accepts funds daily for investment. In response to customer feedback CSB simplified their product line offerings during 2016. After thorough review and analysis, it was determined that the complicated investment models of the CollegeSure and InvestorSure CD options were deterring potential investors. CSB ceased issuing

new InvestorSure and CollegeSure CDs in August and October respectively. CollegeSure and InvestorSure CD previously issued to account owners will be maintained and supported through maturity. To further respond to customer demand, CSB added a 2-year fixed rate CD option in May 2016. A brief description of each College Savings Bank investment option offered during 2016 follows.

Fixed Rate CDs

Offered since 2008, the College Savings Bank Fixed Rate CD earns a fixed rate for the term of the CD. The rate is determined by the prevailing interest rate environment at the time the CD is opened. CSB's fixed rate CD includes a 1-year, 2-year and 3-year option. College Savings Bank currently offers the highest yielding FDIC-insured 1-, 2-, and 3-year CD options compared to the three other 529 CD options within the marketplace.

CollegeSure Honors Savings Account

In 2012, College Savings Bank launched an additional savings account. In October, CSB simplified their product offerings by consolidating their three previous savings account types (Accumulator, Savings, and Honors Savings) into one savings account with a high yield interest rate. The interest rate for the CollegeSure Honors Savings Account is tied to the College Board's Independent College 500 Index (IC500) and provides the highest APY among the 15 FDIC-insured savings products offered within the 529 marketplace. This savings account is offered without enrollment fees, annual fees or other expenses and has no fixed term. This type of account is designed for matured CDs and money to be used for college expenses within one year or less.

CollegeSure CD

The CollegeSure CD was a certificate of deposit indexed to college costs designed to meet tuition, fees, and room & board expenses for future students. CollegeSure CDs had maturities between one and twenty-two years allowing investors the ability to choose maturity dates consistent with the years the student is expected to utilize the funds for college expenses. The CollegeSure CD had received Standard & Poor's highest rating, AAA. Beginning on October 21, 2016, no new CollegeSure CDs were issued. CollegeSure CDs issued prior to this date will continue to be managed and serviced by College Savings Bank until their maturity dates.

InvestorSure CD

Offered since 2008, the InvestorSure CD is a variable rate certificate of deposit indexed to the Standard & Poor's 500 Composite Index (S&P 500). The CD was issued 4-times a year on the first business day of each new quarter. InvestorSure CDs were designed to pay between 70% and 100% of the increase in the S&P 500 at maturity; using a calculated average of 20 quarterly measurement points throughout the term of the CD.

This averaging protected the investment from wide swings in the S&P 500 as the investment approached maturity.

This CD was offered with a 5-year maturity. At maturity, the funds can be used to pay qualified higher education expenses, re-invested in another CD, or moved to an Honors High Yield Savings Account until the beneficiary is ready to attend college. Beginning on August 2, 2016, no new InvestorSure CDs were issued. InvestorSure CDs issued prior to this date will continue to be managed and serviced by College Savings Bank until their maturity dates.

Provider Results (Investment Results and Plan Growth)

College Savings Bank CD's proved to be popular throughout 2008, 2009 and early 2010 during the prolonged recession accompanied by stock market declines. However, from late 2010 through 2014, there was a softening of demand for the CD products as investors shifted back to the equities market. The volatile market conditions of 2015 and early 2016 showcased the advantage that College Savings Bank investments offer during uncertain times: the FDIC insurance on AFCSP Certificate of Deposit options. Some 529 plan investors continue to seek more conservative options and CSB' meets that demand with their complement of straight-forward FDIC insured CD options, which are attractive alternatives to Money Market funds.

College Savings Bank holds the fewest number of accounts of the three program providers. College Savings Bank added 331 new accounts during the year, netting an aggregate of 3,678 active accounts at the end of 2016. In addition, assets under management grew by \$170,000 to \$70 million representing a 0.2% increase over 2015.

Figure 6 illustrates the Fixed Rate CD projected Annual Percentage Yield for each term.

(Figure 6) College Savings Bank Fixed Rate CD 1-, 2- and 3-year Options

CD Term	APY	Interest Rate	Minimum Deposit
1-Year	1.25%	1.25%	\$250
2-Year	1.45%	1.45%	\$250
3-Year	1.40%	1.40%	\$250

Interest Date and APY (Annual Percentage Yield) are accurate as of December 31, 2016. Any interest rate change will become effective after 2:00 pm Eastern Time.

Figure 7 illustrates the CollegeSure Honors Savings Annual Percentage Yield.

(Figure 7) College Savings Bank CollegeSure Honors Savings Account

Honors Savings APY ¹	Honors Savings Interest Rate ¹	National Savings Account Average Rate ²
0.90%	0.90%	0.06%

¹ APY (Annual Percentage Yield) and interest rate are accurate as of December 31, 2016.

Any interest rate change will become effective after 2:00 pm Eastern Time.

² National average savings account rate based upon data published by the FDIC. National rates are calculated based on a simple average of rates paid (uses annual percentage yield) by all insured depository institutions and branches for which data are available.

www.fdic.gov/regulations/resources/rates/

Fee and Expense Structure

Due to the nature of the bank's products, College Savings Bank's CD options do not charge annual asset-based fees and investor expenses. There are no program manager fees, state fees, miscellaneous asset-based fees, distributions fees, maximum initial sales charges or annual account maintenance fees that may be found with other investment options. College Savings Bank's Fixed Rate CDs do not charge fees. Withdrawals prior to the Maturity Date are subject to an Early Withdrawal Penalty equal to three (3) months of interest. The APY applied to a Fixed Rate CD assumes the funds remain on deposit until the Maturity Date. An early withdrawal will reduce earnings.

B. FIDELITY INVESTMENTS

Corporate Description

Established in 1946, Fidelity Investments is one of the world's largest providers of financial services. With headquarters in Boston, Massachusetts, Fidelity employs over 40,000 employees and is the nation's No. 1 provider of 401(K) retirement savings plans as well as an established provider in the 529 industry.

Investment Options

Fidelity Investments manages the Fidelity Arizona College Savings Plan's 36 investment options consisting of a range of professionally managed portfolios created for the use of education investors. This wide range of investment options includes:

- 1) Three Age-Based Portfolio fund types: Fidelity Funds, Fidelity Index Funds, and Multi-Firm Funds
- 2) Six Static Portfolios: Conservative, Moderate Growth or Aggressive Growth choices in either Fidelity Funds or Fidelity Index Funds

- 3) Five Individual Fund Portfolios: options include a mix of equity, fixed income, and money market
- 4) Bank Deposit Portfolio: an FDIC-insured interest bearing savings account

The newest Fidelity product, a Multi-Firm or open architecture age-based portfolio was approved by the Commission and initiated late in the fourth quarter of 2011. The Multi-Firm portfolios provide access to a broader range of underlying funds offered by different investment companies. For the 12-month period ending December 31, 2016, each Multi-Firm portfolio delivered positive results. For underlying fund information see Appendix A.

(Figure 8) Multi-Firm Funds

Portfolio Name ▲	Inception Date	AS OF 12/31/2016				Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year		
AZ Coll Port (Multi-Firm)	09/28/2011	4.57	2.24	3.44	N/A ¹	3.75	0.91%
AZ Port 2018 (Multi-Firm)	09/28/2011	5.09	2.86	5.87	N/A ¹	6.35	0.95%
AZ Port 2021 (Multi-Firm)	09/28/2011	5.84	3.28	7.23	N/A ¹	7.82	1.01%
AZ Port 2024 (Multi-Firm)	09/28/2011	6.55	3.55	8.42	N/A ¹	9.07	1.06%
AZ Port 2027 (Multi-Firm)	09/28/2011	7.16	3.73	9.42	N/A ¹	10.12	1.11%
AZ Port 2030 (Multi-Firm)	09/28/2011	7.70	3.88	9.98	N/A ¹	10.69	1.15%
AZ Port 2033 (Multi-Firm)	12/18/2013	8.10	4.05	N/A ¹	N/A ¹	4.65	1.2%
AZ Port 2036 (Multi-Firm)	12/14/2016	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ²	1.2%

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your units. Current performance may be higher or lower than the performance data quoted.

1. Portfolio has not been in existence long enough to provide performance.

2. Life of Portfolio data will be available after one full year of existence.

3. Expense Ratio is the total annual portfolio operating expense ratio from the portfolio's most recent Fact Kit. The total annual operating expense ratio includes a program administration fee of .09% for Fidelity Index Funds portfolios, .20% for Fidelity Funds portfolios, .35% for Multi-Firm Funds portfolios, and 0.05-0.50% for the Bank Deposit Portfolio. This ratio may be higher or lower depending on the allocation of the portfolio's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. Annual Percentage Yield and Interest Rate for the Bank Deposit Portfolio reflects previous business date close.

Average annual total returns include changes in unit price, reinvestment of dividends and capital gains, and the deduction of all applicable portfolio and mutual fund expenses.

Additional features of the Fidelity Arizona Family College Savings Program include:

- The plan's index portfolios are among the lowest cost in the 529 industry, ranging from 11 to 21 basis points.
- There is no annual program fee.
- Families can open an account with a minimum initial investment of \$50, or as little as \$15 per month with an automatic investment plan.
- Fidelity offers unlimited, complimentary planning and guidance services.
- Fidelity Investments 529 College Rewards® Visa Signature® card allows families to earn 2 percent on all eligible retail purchases, with no annual fee.

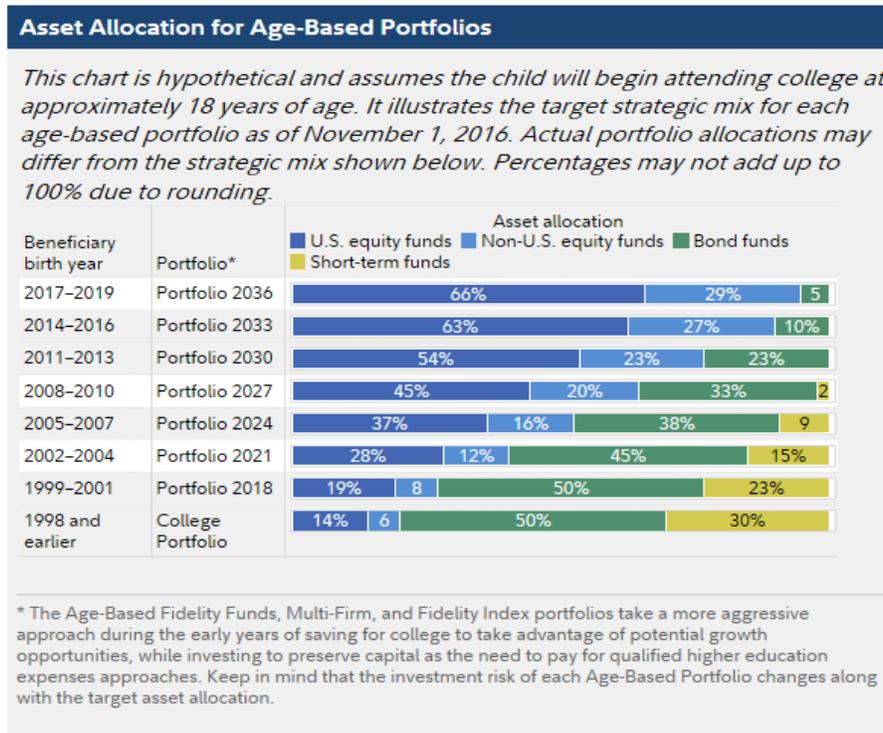
Age-Based Portfolios

The Age-Based Strategy includes portfolios that are managed according to the beneficiary's birth year with the asset allocation automatically becoming more conservative as the beneficiary nears college age. Each portfolio begins with a growth-oriented allocation, then gradually shifts to an allocation that is oriented more toward income and capital preservation. These portfolios are designed to ensure that at any given point in its life cycle, an Age-Based Portfolio will have an allocation that is neither

overly aggressive nor overly conservative in relation to its time horizon. When the beneficiary is anticipated to turn 18 and start college, the selected Age-Based Portfolio should reach the end of its time horizon. At this time, assets will be transferred to the College Portfolio, which has a fixed allocation that is designed to be appropriate for the time when a beneficiary is withdrawing money to attend college.

Fidelity offers three types of portfolios for its Age-Based Strategy: 1) Fidelity Funds – a portfolio managed by dedicated Fidelity portfolio managers, invested solely in Fidelity funds; 2) Fidelity Index Funds – passively managed securities held in the respective index; and 3) Multi-Firm Funds – a portfolio managed by dedicated portfolio managers, invested across multiple fund companies. Refer to Appendix B for a description of the Fidelity Arizona College Savings Plan portfolio target asset allocations for all Age-Based Portfolios, Static Portfolios and Individual Fund Portfolios. The following chart illustrates the asset allocation for each of the Fidelity Age-Based portfolios.

(Figure 9) Fidelity Age-Based Portfolios Asset Allocation



Custom Strategy

For investors who prefer to manage their own asset allocations, a Custom Strategy provides the flexibility to create a customized investment mix from four portfolio categories: Static, Individual Fund, Age-Based, and Bank Deposit. Static Portfolios include both Fidelity Funds and Fidelity Index Funds, and the asset mix remains the same over time. Individual Fund Portfolios include several index fund options as well as a money market fund option. Similar to the Age-Based strategy, participants can select from Fidelity Funds, which are managed by dedicated Fidelity portfolio managers, or from the passively-managed Fidelity Index Funds. Refer to Appendix A for a description

of the Fidelity Arizona College Savings Plan Portfolio Allocation for Fidelity Funds and Fidelity Index Fund Portfolios. The following chart lists Fidelity Arizona College Savings Plan Custom Strategy allocation choices. Investors who choose the Custom Strategy have the opportunity to allocate funds in 5% increments among these options.

(Figure 10) Fidelity Custom Strategy Allocation Choices

Portfolio type	Allocation choices
Static Portfolios	Aggressive Growth Portfolio (Fidelity Funds)
	Moderate Growth Portfolio (Fidelity Funds)
	Conservative Portfolio (Fidelity Funds)
	Aggressive Growth Portfolios (Fidelity Index)
	Moderate Growth Portfolios (Fidelity Index)
	Conservative Portfolio (Fidelity Index)
Individual Fund Portfolios	Money Market Portfolio
	Fidelity 500 Index Portfolio
	Total Market Index Portfolio
	International Index Portfolio
	Intermediate Treasury Index Portfolio
Bank Deposit Portfolio	Bank Deposit Portfolio
Age-Based Portfolios	Age-Based Portfolio (Fidelity Funds)
	Age-Based Portfolio (Fidelity Index)
	Age-Based Portfolio (Multi-Firm)

Provider Results (Investment Results and Plan Growth)

In terms of its contribution to the AFCSP, Fidelity realized a 13% increase in the number of funded accounts from 2015 to 2016 and an increase of 20% in assets under management to \$457 million in that same time frame. In addition, Fidelity Investments realized an average account retention rate of 97% and average assets under management retention rate of 98% for 2016. These high retention rates signify that Fidelity Investments is providing high quality products and services and is able to retain investors in the AFCSP.

Like other mutual fund companies, Fidelity Investments generally produced returns in 2016 that were consistent with the overall market gains and losses. For 2016, Fidelity's 1-year rate of return on investments ranged anywhere from a high of 9.04% in the AZ Aggressive Growth Fidelity Index Funds Portfolio and 7.25% in the AZ Aggressive Growth in the Fidelity Funds Portfolio, to a low of 1.23% in the AZ Conservative Portfolio Fidelity Index Fund and 2.45% in the AZ Conservative Portfolio of Fidelity Funds. The

charts on the following pages illustrate Fidelity's 1-Year, 3-Year, 5-Year, 10-Year, and Life of Portfolio performance for the AFCSP year ending December 31, 2016.

(Figure 11) Fidelity Arizona Plan Portfolio Performance – As of December 31, 2016

Fidelity Funds

Age-Based Portfolios

Portfolio Name [▲]	Inception Date	AS OF 12/31/2016					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ College Port (Fid Fnd)	06/14/2005	4.37	2.33	3.40	3.18	3.46	0.71%	
AZ Port 2018 (Fid Funds)	06/14/2005	4.98	3.09	6.17	3.53	4.62	0.75%	
AZ Port 2021 (Fid Funds)	06/14/2005	5.64	3.61	7.70	3.79	5.02	0.81%	
AZ Port 2024 (Fid Funds)	06/14/2005	6.15	3.95	9.03	3.99	5.28	0.87%	
AZ Port 2027 (Fid Funds)	12/14/2007	6.59	4.22	10.14	N/A ¹	3.84	0.93%	
AZ Port 2030 (Fid Funds)	12/28/2010	6.89	4.40	10.74	N/A ¹	7.58	0.98%	
AZ Port 2033 (Fid Funds)	12/18/2013	7.16	4.55	N/A ¹	N/A ¹	5.24	1.03%	
AZ Port 2036 (Fid Funds)	12/14/2016	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ²	1.04%	

Static Portfolios

Portfolio Name [▲]	Inception Date	AS OF 12/31/2016					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Agrsv Gro (Fid Funds)	06/14/2005	7.25	4.73	11.59	4.47	5.82	1.03%	
AZ Cons Port (Fid Funds)	06/14/2005	2.45	1.54	1.37	2.47	2.56	0.56%	
AZ Mod Gro (Fid Funds)	06/14/2005	7.06	4.31	9.27	4.85	5.76	0.93%	

Individual And Bank Deposit Portfolios

Portfolio Name [▲]	Inception Date	AS OF 12/31/2016					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Bank Deposit Portfolio	09/16/2010	0.40	0.20	0.16	N/A ¹	0.16	0.05%	
AZ Money Market	10/23/2006	0.00	0.00	0.00	0.77	0.84	0.57%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your units. Current performance may be higher or lower than the performance data quoted.

- Portfolio has not been in existence long enough to provide performance.
- Life of Portfolio data will be available after one full year of existence.
- Expense Ratio is the total annual portfolio operating expense ratio from the portfolio's most recent Fact Kit. The total annual operating expense ratio includes a program administration fee of .09% for Fidelity Index Funds portfolios, .20% for Fidelity Funds portfolios, .35% for Multi-Firm Funds portfolios, and 0.05-0.50% for the Bank Deposit Portfolio. This ratio may be higher or lower depending on the allocation of the portfolio's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. Annual Percentage Yield and Interest Rate for the Bank Deposit Portfolio reflects previous business date close.

Average annual total returns include changes in unit price, reinvestment of dividends and capital gains, and the deduction of all applicable portfolio and mutual fund expenses.

Fidelity Index Funds

Age-Based Portfolios

Portfolio Name [▲]	Inception Date	AS OF 12/31/2016					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ College Port (Fid Ind)	10/23/2006	3.11	2.05	2.82	3.44	3.53	0.18%	
AZ Port 2018 (Fid Index)	10/23/2006	3.81	2.68	5.38	3.77	4.04	0.17%	
AZ Port 2021 (Fid Index)	10/23/2006	4.80	3.25	6.93	4.11	4.39	0.16%	
AZ Port 2024 (Fid Index)	10/23/2006	5.76	3.70	8.36	4.31	4.70	0.15%	
AZ Port 2027 (Fid Index)	12/14/2007	6.79	4.08	9.50	N/A ¹	4.41	0.13%	
AZ Port 2030 (Fid Index)	12/28/2010	7.52	4.30	10.08	N/A ¹	8.15	0.13%	
AZ Port 2033 (Fid Index)	12/18/2013	8.27	4.46	N/A ¹	N/A ¹	5.15	0.13%	
AZ Port 2036 (Fid Index)	12/14/2016	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ²	0.13%	

Fidelity Index Funds (continued)

Static Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2016					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Agrsv Gro (Fid Index)	10/23/2006	9.04	4.75	11.44	4.88	5.19	0.12%	
AZ Cons Port (Fid Index)	10/23/2006	1.23	1.30	0.84	2.67	2.73	0.21%	
AZ Mod Gro (Fid Index)	10/23/2006	7.15	4.16	8.60	5.35	5.58	0.13%	

Individual And Bank Deposit Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2016					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Bank Deposit Portfolio	09/16/2010	0.40	0.20	0.16	N/A ¹	0.16	0.05%	
AZ Fidelity 500 Index	10/23/2006	11.82	8.70	14.45	6.73	6.97	0.11%	
AZ Inter Treas Index	10/23/2006	0.82	2.83	1.29	4.62	4.68	0.18%	
AZ International Index	10/23/2006	1.25	-1.81	6.40	0.59	1.26	0.14%	
AZ Ttl Mkt Index	10/23/2006	12.53	8.22	14.41	6.92	7.18	0.11%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your units. Current performance may be higher or lower than the performance data quoted.

- Portfolio has not been in existence long enough to provide performance.
- Life of Portfolio data will be available after one full year of existence.
- Expense Ratio is the total annual portfolio operating expense ratio from the portfolio's most recent Fact Kit. The total annual operating expense ratio includes a program administration fee of .09% for Fidelity Index Funds portfolios, .20% for Fidelity Funds portfolios, .35% for Multi-Firm Funds portfolios, and 0.05-0.50% for the Bank Deposit Portfolio. This ratio may be higher or lower depending on the allocation of the portfolio's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. Annual Percentage Yield and Interest Rate for the Bank Deposit Portfolio reflects previous business date close.

Average annual total returns include changes in unit price, reinvestment of dividends and capital gains, and the deduction of all applicable portfolio and mutual fund expenses.

Fidelity Multi-Firm Funds

Age-Based Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2016					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Coll Port (Multi-Firm)	09/28/2011	4.57	2.24	3.44	N/A ¹	3.75	0.91%	
AZ Port 2018 (Multi-Firm)	09/28/2011	5.09	2.86	5.87	N/A ¹	6.35	0.95%	
AZ Port 2021 (Multi-Firm)	09/28/2011	5.84	3.28	7.23	N/A ¹	7.82	1.01%	
AZ Port 2024 (Multi-Firm)	09/28/2011	6.55	3.55	8.42	N/A ¹	9.07	1.06%	
AZ Port 2027 (Multi-Firm)	09/28/2011	7.16	3.73	9.42	N/A ¹	10.12	1.11%	
AZ Port 2030 (Multi-Firm)	09/28/2011	7.70	3.88	9.98	N/A ¹	10.69	1.15%	
AZ Port 2033 (Multi-Firm)	12/18/2013	8.10	4.05	N/A ¹	N/A ¹	4.65	1.2%	
AZ Port 2036 (Multi-Firm)	12/14/2016	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ²	1.2%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your units. Current performance may be higher or lower than the performance data quoted.

- Portfolio has not been in existence long enough to provide performance.
- Life of Portfolio data will be available after one full year of existence.
- Expense Ratio is the total annual portfolio operating expense ratio from the portfolio's most recent Fact Kit. The total annual operating expense ratio includes a program administration fee of .09% for Fidelity Index Funds portfolios, .20% for Fidelity Funds portfolios, .35% for Multi-Firm Funds portfolios, and 0.05-0.50% for the Bank Deposit Portfolio. This ratio may be higher or lower depending on the allocation of the portfolio's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. Annual Percentage Yield and Interest Rate for the Bank Deposit Portfolio reflects previous business date close.

Average annual total returns include changes in unit price, reinvestment of dividends and capital gains, and the deduction of all applicable portfolio and mutual fund expenses.

Fidelity Individual and Bank Deposit Portfolios

Individual And Bank Deposit Portfolios

Portfolio Name ▲	Inception Date	AS OF 12/31/2016					Life of Portfolio	Expense Ratio ³
		1 Year	3 Year	5 Year	10 Year			
AZ Bank Deposit Portfolio	09/16/2010	0.40	0.20	0.16	N/A ¹	0.16	0.05%	

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

Fee and Expense Structure

The following charts illustrate the AFCSP's fee and expense structures for the Fidelity Funds and Fidelity Index Funds Portfolios. The "total annual asset-based fee" illustrates the total fees assessed against net assets annually.

Fidelity Arizona Plan Fees and Expenses

(Figure 12)

Fidelity Arizona College Savings Plan Fee and Expense Structure 12/31/16: Fidelity Funds

Portfolio	Estimated Underlying Fund Expenses ¹	Program Manager Fee ²	State Fee ³	Miscellaneous Fee ⁴	Total Annual Asset-Based Fee ⁵	Annual Account Maintenance Fee ⁶
Portfolio 2036 ⁷ (Fidelity Funds)	0.84%	0.17%	0.03%	N/A	1.04%	N/A
Portfolio 2033 (Fidelity Funds)	0.83%	0.17%	0.03%	N/A	1.03%	N/A
Portfolio 2030 (Fidelity Funds)	0.78%	0.17%	0.03%	N/A	0.98%	N/A
Portfolio 2027 (Fidelity Funds)	0.73%	0.17%	0.03%	N/A	0.93%	N/A
Portfolio 2024 (Fidelity Funds)	0.67%	0.17%	0.03%	N/A	0.87%	N/A
Portfolio 2021 (Fidelity Funds)	0.61%	0.17%	0.03%	N/A	0.81%	N/A
Portfolio 2018 (Fidelity Funds)	0.55%	0.17%	0.03%	N/A	0.75%	N/A
College Portfolio ⁸ (Fidelity Funds)	0.51%	0.17%	0.03%	N/A	0.71%	N/A
Aggressive Growth Portfolio (Fidelity Funds)	0.83%	0.17%	0.03%	N/A	1.03%	N/A
Moderate Growth Portfolio (Fidelity Funds)	0.73%	0.17%	0.03%	N/A	0.93%	N/A
Conservative Portfolio (Fidelity Funds)	0.36%	0.17%	0.03%	N/A	0.56%	N/A
Money Market Portfolio	0.37%	0.17%	0.03%	N/A	0.57%	N/A

1. The "Estimated Underlying Fund Expenses" are based on a weighted average of the expenses of the mutual funds before reductions in which the portfolio invests as of November 1, 2016. The underlying mutual fund expense data was from each fund's most recent financial statement.

2. The "Program Manager Fee" is the percentage of net assets paid to Fidelity for performing services for the Fidelity Arizona Plan.

3. The "State Fee" is the percentage of net assets retained by the Trust. Fidelity pays the Trustee \$10 per account during the month an account is opened with the Trust (New Account Fee). This fee is paid to the Trustee by Fidelity; the state sponsor does not deduct this New Account Fee from your account.

4. The "Miscellaneous Fee" represents any other type of fee or expense imposed by the Fidelity Arizona College Savings Plan.

5. The "Total Annual Asset-Based Fee" illustrates the total fees assessed against net assets annually. Please refer to the "Hypothetical \$10,000 Investment Cost Chart" in the Fact Kit to review the impact of fees and expenses on a hypothetical \$10,000 investment over 1-, 3-, 5-, and 10-year periods.

6. The "Annual Account Maintenance Fee" is the annual fee deducted from an account balance each year. The Fidelity Arizona College Savings Plan does NOT assess an annual account maintenance fee.

7. Anticipated fee and expense structure for Portfolio 2036 (Fidelity Funds) at portfolio inception on December 14, 2016.

8. Portfolio 2015 (Fidelity Funds) assets were transferred to College Portfolio (Fidelity Funds) on December 9, 2016.

(Figure 13)**Fidelity Arizona College Savings Plan Fee and Expense Structure 12/31/16: Fidelity Index Funds**

Portfolio	Estimated Underlying Fund Expenses ¹	Program Manager Fee ²	State Fee ³	Miscellaneous Fee ⁴	Total Annual Asset-Based Fee ⁵	Annual Account Maintenance Fee ⁶
Portfolio 2036 ⁷ (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Portfolio 2033 (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Portfolio 2030 (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Portfolio 2027 (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Portfolio 2024 (Fidelity Index)	0.06%	0.07%	0.02%	N/A	0.15%	N/A
Portfolio 2021 (Fidelity Index)	0.07%	0.07%	0.02%	N/A	0.16%	N/A
Portfolio 2018 (Fidelity Index)	0.08%	0.07%	0.02%	N/A	0.17%	N/A
College Portfolio ⁸ (Fidelity Index)	0.09%	0.07%	0.02%	N/A	0.18%	N/A
Aggressive Growth Portfolio (Fidelity Index)	0.03%	0.07%	0.02%	N/A	0.12%	N/A
Moderate Growth Portfolio (Fidelity Index)	0.04%	0.07%	0.02%	N/A	0.13%	N/A
Conservative Portfolio (Fidelity Index)	0.12%	0.07%	0.02%	N/A	0.21%	N/A
Intermediate Treasury Index Portfolio	0.09%	0.07%	0.02%	N/A	0.18%	N/A
International Index Portfolio	0.05%	0.07%	0.02%	N/A	0.14%	N/A
Fidelity 500 Index Portfolio	0.02%	0.07%	0.02%	N/A	0.11%	N/A
Total Market Index Portfolio	0.02%	0.07%	0.02%	N/A	0.11%	N/A

1. The "Estimated Underlying Fund Expenses" are based on a weighted average of the expenses of the mutual funds before reductions in which the portfolio invests as of November 1, 2016. The underlying mutual fund expense data was obtained from each fund's most recent prospectus.

2. The "Program Manager Fee" is the percentage of net assets paid to Fidelity for performing services for the Fidelity Arizona Plan.

3. The "State Fee" is the percentage of net assets retained by the Trust. Fidelity pays the Trustee \$10 per account during the month an account is opened with the Trust (New Account Fee). This fee is paid to the Trustee by Fidelity; the state sponsor does not deduct this New Account Fee from your account.

4. The "Miscellaneous Fee" represents any other type of fee or expense imposed by the Fidelity Arizona Plan.

5. The "Total Annual Asset-Based Fee" illustrates the total fees assessed against net assets annually. Please refer to the "Hypothetical \$10,000 Investment Cost Chart" in the Fact Kit to review the impact of fees and expenses on a hypothetical \$10,000 investment over 1-, 3-, 5-, and 10-year periods.

6. The "Annual Account Maintenance Fee" is the annual fee deducted from an account balance each year. The Fidelity Arizona Plan does NOT assess an annual account maintenance fee.

7. Anticipated fee and expense structure for Portfolio 2036 (Fidelity Index) at portfolio inception on December 14, 2016.

8. Portfolio 2015 (Fidelity Index) assets were transferred to College Portfolio (Fidelity Index) on December 9, 2016.

(Figure 14)**Fidelity Arizona College Savings Plan Fee and Expense Structure 12/31/16: Multi-Firm Funds**

Portfolio	Estimated Underlying Fund Expenses ¹	Program Manager Fee ²	State Fee ³	Miscellaneous Fee ⁴	Total Annual Asset-Based Fee ⁵	Annual Account Maintenance Fee ⁶
Portfolio 2036 ⁷ (Multi-Firm)	0.85%	0.30%	0.05%	N/A	1.20%	N/A
Portfolio 2033 (Multi-Firm)	0.85%	0.30%	0.05%	N/A	1.20%	N/A
Portfolio 2030 (Multi-Firm)	0.80%	0.30%	0.05%	N/A	1.15%	N/A
Portfolio 2027 (Multi-Firm)	0.76%	0.30%	0.05%	N/A	1.11%	N/A
Portfolio 2024 (Multi-Firm)	0.71%	0.30%	0.05%	N/A	1.06%	N/A
Portfolio 2021 (Multi-Firm)	0.66%	0.30%	0.05%	N/A	1.01%	N/A
Portfolio 2018 (Multi-Firm)	0.60%	0.30%	0.05%	N/A	0.95%	N/A
College Portfolio ⁸ (Multi-Firm)	0.56%	0.30%	0.05%	N/A	0.91%	N/A

1. The "Estimated Underlying Fund Expenses" are based on a weighted average of the expenses of the mutual funds before reductions in which the portfolio invests as of November 1, 2016. The underlying mutual fund expense data was from each fund's most recent financial statement.

2. The "Program Manager Fee" is the percentage of net assets paid to Fidelity by the trust for performing services for the Fidelity Arizona College Savings Plan.

3. The "State Fee" is the percentage of net assets retained by the Trust. Fidelity pays the Trustee \$10 per account during the month an account is opened with the Trust (New Account Fee). This fee is paid to the Trustee by Fidelity; the state sponsor does not deduct this New Account Fee from your account.

4. The "Miscellaneous Fee" represents any other type of fee or expense imposed by the Fidelity Arizona College Savings Plan.

5. The "Total Annual Asset-Based Fee" illustrates the total fees assessed against net assets annually. Please refer to the "Hypothetical \$10,000 Investment Cost Chart" in the Fact Kit to review the impact of fees and expenses on a hypothetical \$10,000 investment over 1-, 3-, 5-, and 10-year periods.

6. The "Annual Account Maintenance Fee" is the annual fee deducted from an account balance each year. The Fidelity Arizona College Savings Plan does NOT assess an annual account maintenance fee.

7. Anticipated fee and expense structure for Portfolio 2036 (Multi-Firm) on December 9, 2016.

8. Portfolio 2015 (Multi-Firm) assets were transferred to College Portfolio (Multi-Firm) on December 9, 2016.

(Figure 15)**Fidelity Arizona College Savings Plan Fee and Expense Structure 12/31/16: Bank Deposit Portfolio**

Portfolio	Estimated Underlying Fund Expenses ¹	Program Manager Fee ²	State Fee ³	Miscellaneous Fee ⁴	Total Annual Asset-Based Fee ⁵	Annual Account Maintenance Fee ⁶
Bank Deposit Portfolio	0.00%-0.40%	0.00%-0.05%	0.05%	N/A	0.05%-0.50%	N/A

1. The "Bank Administration Fee" is the fee paid to Fidelity for the performance of administrative services related to the Bank Deposit Portfolio. The fee is a daily charge against the net assets of the Bank Deposit Portfolio at an annual rate of 0.00%-0.40% depending on the daily Federal Funds Target Rate and is as follows: (a) 0.00% if the Federal Funds Target Rate is 0.00% to < 0.50%; (b) 0.20% if the Federal Funds Target Rate is 0.50% to < 0.75%; and (c) 0.40% if the Federal Funds Target Rate is 0.75+.

2. The "Program Manager Fee" is the percentage of net assets paid to Fidelity by the Trust for performing services for the Fidelity Arizona Plan. The fee is a daily charge against the net assets of the Bank Deposit Portfolio at an annual rate of 0.00% to 0.05% depending on the daily Federal Funds Target Rate and is as follows: (a) 0.00% if the Federal Funds Target Rate is 0.00% to < 0.50%; (b) 0.05% if the Federal Funds Target Rate is 0.50% to < 0.75%; and (c) 0.05% if the Federal Funds Target Rate is 0.75+.

3. The "State Fee" is the percentage of net assets retained by the Trust. Fidelity pays the Trustee \$10 per account during the month an account is opened with the Trust (New Account Fee). This fee is paid to the Trustee by Fidelity; the state sponsor does not deduct this New Account Fee from your account.

4. The "Miscellaneous Fee" represents any other type of fee or expense imposed by the Fidelity Arizona College Savings Plan.

5. The "Total Annual Asset-Based Fee" illustrates the total fees assessed against net assets annually. This fee will range between 0.05% to 0.50% depending on the daily Federal Funds Target Rate, as described above in footnote 1 and 3. Please refer to the "Hypothetical \$10,000 Investment Cost Chart" in the Fact Kit to review the impact of fees and expenses on a hypothetical \$10,000 investment over 1-, 3-, 5-, and 10-year periods.

6. The "Annual Account Maintenance Fee" is the annual fee deducted from an account balance each year. The Fidelity Arizona College Savings Plan does NOT assess an annual account maintenance fee.

C. WADDELL & REED, INC.

Corporate Description

Founded in 1937, Waddell & Reed is one of the oldest mutual fund companies in the United States. Waddell & Reed provides personal comprehensive financial planning and investment products delivered to investors through financial advisors located across the country. The Arizona Family College Savings Program is the only 529 program that Waddell & Reed represents and it is therefore sold by their advisors across the nation.

In 2012 Waddell & Reed decided to capitalize on the remarkable success of Ivy Funds, and changed their plan name to *Ivy Funds InvestEd 529 Plan*. As expected, the Ivy Funds name recognition has made the product more recognizable to the public. In 2016, Waddell & Reed rebranded with a new logo and further simplified their plan name to *Ivy InvestEd 529 Plan*.

Investment Options

The Ivy InvestEd 529 Plan (InvestEd Plan) is offered by Waddell & Reed as part of the Arizona Family College Savings Program. The InvestEd Plan offers multiple investment options, including:

- 1) Three Age-Based Portfolios (Waddell & Reed Advisors Funds family)
- 2) Three Static Portfolios (Waddell & Reed Advisors Funds family)
- 3) Sixteen Individual Fund Portfolios (Ivy Funds family)

A plan participant may select an Age-Based Portfolio, a Static Portfolio, an Individual Fund Portfolio, or a combination of these options.

Age-Based Portfolios

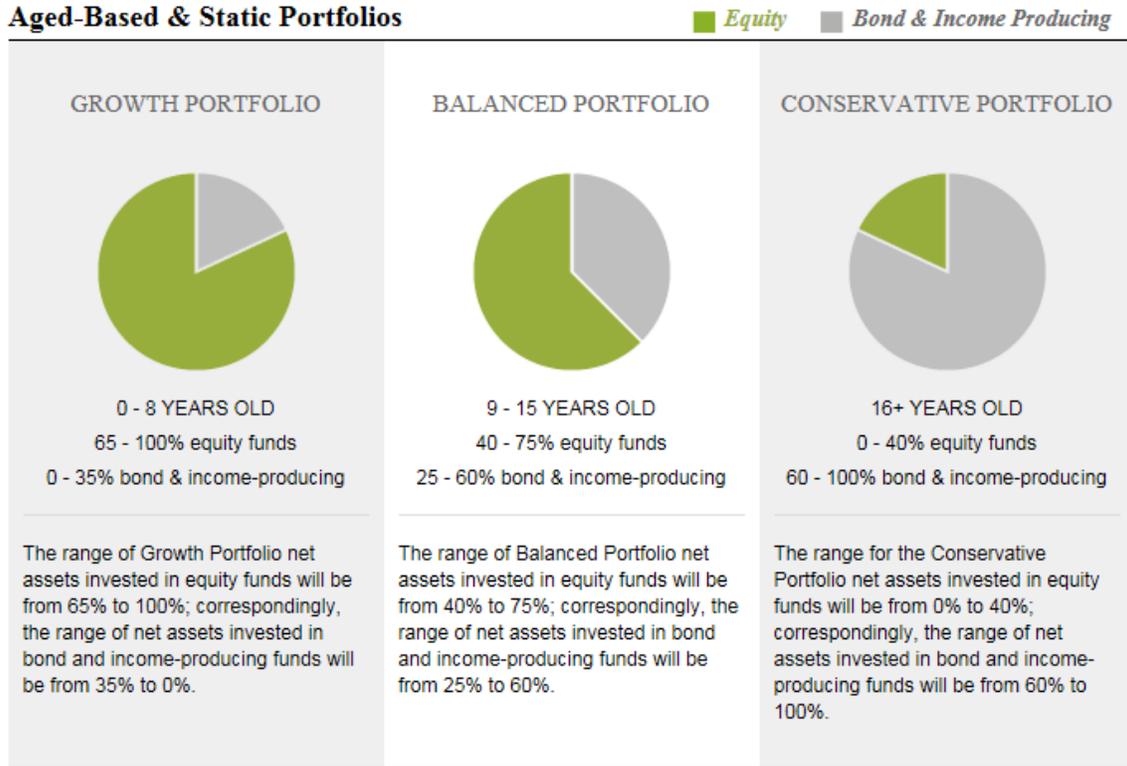
The Age-Based Portfolios are based on a beneficiary's college time horizon and seek an appropriate level of investment risk for the planned number of years prior to college attendance. Organized as a "fund of funds", the Age-Based Portfolios diversify investments across a variety of mutual funds within the Waddell & Reed Advisors Funds family. The Age-Based Portfolios consist of the Growth Portfolio (ages 0 through 8), the Balanced Portfolio (ages 9 through 15), and the Conservative Portfolio (ages 16 and older). Each portfolio is a series of Ivy InvestEd Plan Portfolios.

Static Portfolios

The Static Portfolios option offers three actively managed portfolios that allow the investor to select an investment portfolio based on risk tolerance, whether it be growth, balanced or conservative. Unlike the Age-Based Portfolios, an investment in a Static Portfolio will not automatically change as the beneficiary grows older.

A graphic representation of both the Age-Based and Static Portfolios follows.

(Figure 16) Ivy InvestEd 529 Plan Age-Based and Static Portfolios



Individual Fund Portfolios - Ivy Funds

In addition to the three Age-Based portfolios, the InvestEd Plan offers individual mutual funds from the Ivy Funds family. These mutual funds give financial advisors and plan participants more choice and pricing flexibility. The offered funds include domestic and international equity funds, specialty funds, and fixed-income funds offered through a combination of investment managers. The following is a list of the mutual fund options offered through the Ivy Funds family:

- | | | |
|---------------------------------|------------------------------------|---------------------------------|
| Ivy Asset Strategy Fund | Ivy Global Income Allocation Fund | Ivy Large Cap Growth Fund |
| Ivy Bond Fund | Ivy Global Natural Resources Fund | Ivy Limited-Term Bond Fund |
| Ivy Core Equity Fund | Ivy Government Money Market Fund | Ivy Mid Cap Growth Fund |
| Ivy Cundill Global Value Fund | Ivy High Income Fund | Ivy Real Estate Securities Fund |
| Ivy Dividend Opportunities Fund | Ivy International Core Equity Fund | Ivy Science & Technology Fund |
| | | Ivy Small Cap Growth Fund |

For a list of Waddell & Reed’s InvestEd Plan portfolio allocations refer to Appendix C.

Provider Results (Investment Results and Plan Growth)

In 2016, the Waddell & Reed InvestEd Plan delivered mostly modest positive returns although many portfolios trailed their benchmark indexes with a small handful of portfolios outperforming their corresponding bond or equities benchmark. Both the

equity and fixed income markets experienced volatility during 2016. The S&P 500 index declined almost 10% to start the year, but ended the year climbing higher after volatility surrounding the election process while bond yields declined through mid-year then began rebounding in the third quarter, moving market yields to close the year slightly higher than they began. In terms of its contribution to the AFCSP, Waddell & Reed realized a 2.7% decrease in the number of funded accounts from 2015 to 2016. By the end of 2016, InvestEd Plan assets under management had decreased by 0.3% from the previous year to \$565 million. The InvestEd Plan realized an average account retention rate of 95% and an average assets-under-management retention rate of 96% for 2016. Similar to Fidelity Investments, these high retention rates signify that Waddell & Reed is providing the quality of products and services its clientele are seeking and is able to retain investors in the AFCSP.

For 2016, indicative of other mutual fund companies in the industry, the InvestEd Plan rate of return on investments ranged anywhere from 24.37% for Ivy Global Natural Resources Fund, inclusive of sales load, to a -5.41% in the Ivy Asset Strategy Fund, inclusive of sales load. Figure 17 illustrates the InvestEd Plan's 1-Year, 3-Year, 5-Year, 10-Year and Life of Portfolio performances for the AFCSP year ending September 30, 2016. Waddell & Reed continues to actively seek affiliate agreements with other investment firms to expand its marketing capacity beyond the Waddell & Reed advisor network.

(Figure 17) Waddell & Reed InvestEd 529 Plan Average Annual Returns**Average Annual Total Returns as of September 30, 2016^{2,3}**

Investment Option	Share Class	Including Sales Charges ⁴						Excluding Sales Charges					
		One Year	Three Year Return	Five Year Return	Ten Year Return	Since Inception	Inception Date	One Year	Three Year Return	Five Year Return	Ten Year Return	Since Inception	Inception Date
Age-Based⁵ and Static Option													
InvestEd Growth	A	1.99%	3.47%	9.49%	5.82%	6.47%	10/1/01	8.22%	5.54%	10.80%	6.45%	6.89%	10/1/01
InvestEd Balanced	A	1.33%	2.71%	7.46%	4.62%	5.25%	10/1/01	7.53%	4.75%	8.73%	5.24%	5.67%	10/1/01
InvestEd Conservative	A	1.50%	1.94%	4.42%	4.35%	3.97%	10/1/01	6.01%	3.43%	5.34%	4.80%	4.27%	10/1/01
Individual Options													
Domestic Equity													
Ivy Core Equity	E	4.49%	5.00%	12.88%	—	6.47%	4/2/07	10.85%	7.10%	14.22%	—	7.13%	4/2/07
Ivy Dividend Opportunities	E	4.26%	4.40%	11.50%	—	3.84%	4/2/07	10.60%	6.49%	12.82%	—	4.49%	4/2/07
Ivy Large Cap Growth	E	3.43%	8.50%	13.80%	—	7.26%	4/2/07	9.76%	10.66%	15.17%	—	7.93%	4/2/07
Ivy Mid Cap Growth	E	3.12%	2.60%	10.75%	—	6.85%	4/2/07	9.44%	4.64%	12.07%	—	7.52%	4/2/07
Ivy Small Cap Growth	E	5.58%	3.61%	12.88%	—	7.42%	4/2/07	12.02%	5.66%	14.24%	—	8.09%	4/2/07
Fixed Income													
Ivy Bond	E	-0.29%	2.10%	2.58%	—	3.11%	4/2/07	5.77%	4.13%	3.81%	—	3.76%	4/2/07
Ivy Government Money Market	E	0.02%	0.02%	0.02%	—	0.65%	4/2/07	0.02%	0.02%	0.02%	—	0.65%	4/2/07
Ivy High Income	E	0.63%	0.76%	5.99%	—	6.35%	4/2/07	6.84%	2.78%	7.26%	—	7.01%	4/2/07
Ivy Limited-Term Bond	E	0.17%	0.73%	0.82%	—	2.93%	4/2/07	2.76%	1.58%	1.34%	—	3.21%	4/2/07
Global/International													
Ivy Cundill Global Value	E	-1.41%	-5.29%	5.63%	—	-0.05%	4/2/07	4.57%	-3.40%	6.88%	—	0.58%	4/2/07
Ivy Global Income Allocation	E	2.93%	0.99%	4.85%	—	1.97%	4/2/07	9.21%	3.01%	6.09%	—	2.60%	4/2/07
Ivy International Core Equity	E	0.22%	0.74%	7.13%	—	2.39%	4/2/07	6.32%	2.74%	8.40%	—	3.03%	4/2/07
Specialty													
Ivy Asset Strategy	E	-7.23%	-4.88%	4.48%	—	4.11%	4/2/07	-1.57%	-2.99%	5.72%	—	4.76%	4/2/07
Ivy Global Natural Resources	E	4.57%	-8.52%	-1.53%	—	-4.17%	4/2/07	10.98%	-6.70%	-0.36%	—	-3.57%	4/2/07
Ivy Real Estate Securities	E	9.31%	11.10%	13.34%	—	3.38%	4/2/07	15.97%	13.31%	14.69%	—	4.03%	4/2/07
Ivy Science and Technology	E	1.52%	2.54%	14.22%	—	9.15%	4/2/07	7.70%	4.58%	15.58%	—	9.84%	4/2/07

¹ Updated performance information is available online at ivyinvestments.com² The performance data shown represents past performance. Past performance is not a guarantee of future results. Investment returns and principal value will fluctuate, so that investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited.³ A \$20 account maintenance fee is not included in the calculations.⁴ Assumes the maximum sales load charged for each applicable share class. Assumes a complete redemption at the end of the reported periods and the deduction of all nonrecurring charges deducted at the end of each period.⁵ Assets invested in applicable portfolios on behalf of particular beneficiaries are automatically transferred to another portfolio when beneficiaries reach a specified age, and may not remain invested in the referenced portfolio for a portion of the period reported in the performance chart.

In late October 2016, Morningstar issued its annual 529 plan ratings and again gave Waddell & Reed an overall negative rating. Morningstar rated the categories of Performance, People and Price as neutral, but rated the categories of Process and Parent category as negative. Process received a negative rating based on the plan having only three age-based portfolios, leading to large asset-allocation changes. In the Parent category, Morningstar cited several reasons for the poor rating including a lack of investment in its fixed-income resources, continued concerns regarding recent portfolio manager turnover and lingering concerns about Arizona's disengagement and

lack of plan oversight. Morningstar did comment on a positive change at the firm, praising a newly appointed CEO who has implemented sensible changes which include hiring a chief risk officer and appointing a dedicated director of research. The reviewer noted that while these are steps in the right direction, it was too early to judge a turnaround. At the November 3, 2016 Oversight Committee meeting, the committee requested that Waddell & Reed submit a performance improvement plan in response to the negative evaluation. Commission members also shared their concerns over the Morningstar review during the November 8, 2016 Commission meeting. Waddell & Reed management delivered a multi-faceted improvement plan to address Morningstar's concerns at both the January 26th Oversight Committee meeting and the February 8th Commission meeting. Proposed steps for improvement were discussed thoroughly among committee members and the Commissioners to their satisfaction. Capital Cities has also evaluated the proposed plan to improve communications with Morningstar, implement four more age-based portfolios to improve the rate of capital preservation during asset allocation changes, and begin offering less expensive index fund options and will assist the with monitoring the implementation process.

In contrast, Ivy Investments continues to have a positive showing in *Barron's* annual ranking of the "*Best Mutual Fund Families*". Ivy Investments ranked number 3 over the past ten years, out of 53 firms. The strong performance of Ivy Investments as a Fund Family has appeared in the top five on the 10-year ranking since 2010. Additionally, according to Savingforcollege.com in its most recent quarterly review, Ivy InvestEd 529 Plan, the largest 529 plan sponsored by Arizona, was named the eighth best performing advisor-sold 529 plan during the five-year period ended December 31, 2016, out of 26 plans. The *Barron's* and Savingforcollege.com ranking reports follow on the next two pages.

Barron's Best Mutual Fund Families 2016

10-Year Ranking: Pimco Again, Plus Strong Showings from MFS

The 10-year ranking shows more consistency; Pimco was No. 1 last year, as well, and MFS was No. 2. AMG slipped just two spots, making room for little-known RidgeWorth Funds, which oversees \$40 billion. Manning & Napier holds steady at the bottom on both our five- and 10-year lists, as it did last year.

Rank	Family	Weighted Score	Rank	Family	Weighted Score	Rank	Family	Weighted Score
1.	Pimco	86.92	19.	Lord Abbett	61.97	37.	BNY Mellon/Dreyfus	51.86
2.	MFS Investment Management	79.91	20.	Franklin Templeton Investments	61.02	38.	Thrivent Financial	51.62
3.	Ivy Investment Management	76.67	21.	American Funds	60.94	39.	Goldman Sachs Asset Management	51.07
4.	RidgeWorth Funds	76.60	22.	Hartford Funds	60.17	40.	OppenheimerFunds	50.61
5.	Affiliated Managers Group	74.42	23.	MainStay Funds	59.92	41.	Putnam Investment Management	50.36
6.	J.P. MorganAsset Management	74.25	24.	Fidelity Management & Research	59.43	42.	Foresters Investment Management	50.19
7.	T. Rowe Price	73.19	25.	Eaton Vance	59.12	43.	Northern Trust Investments	49.86
8.	John Hancock	72.80	26.	Dimensional Fund Advisors	58.03	44.	USAA Asset Management	47.60
9.	Vanguard Group	71.84	27.	Virtus Investment Partners	57.68	45.	Pioneer Investment Management	47.57
10.	Invesco	69.78	28.	Principal Management	57.60	46.	Federated Investors	45.59
11.	Nuveen Fund Advisors	68.19	29.	American Century Investment Mgmt	57.35	47.	Nationwide Fund Advisors	45.04
12.	Wells Fargo Funds Management	67.78	30.	State Street Bank & Trust	57.25	48.	UBS Asset Management	42.94
13.	Waddell & Reed Investment Mgmt	67.31	31.	Charles Schwab Investment Mgmt	56.84	49.	Russell Investments	39.64
14.	Delaware Management	67.01	32.	Legg Mason	55.91	50.	State Farm Investment Mgmt	39.13
15.	Columbia Threadneedle Investments	65.02	33.	PNC Funds	54.45	51.	SEI Investments	38.05
16.	Prudential Investments	63.58	34.	Guggenheim Investments	53.59	52.	Deutsche Asset & Wealth Mgmt	37.44
17.	BlackRock	62.58	35.	Victory Capital Management	53.13	53.	Manning & Napier Advisors	30.36
18.	TIAA	62.55	36.	AllianceBernstein	53.12			

Source: <http://online.wsj.com/public/resources/documents/FundFamilies5And10YearRanking.pdf>



Plan Composite Performance Rankings as of December 31, 2016

Advisor sold 529 Plans

Ranked by 5 Yr performance including max sales charges (Class A)

The Savingforcollege.com Plan Composite Rankings are derived using the plans relevant portfolio performance in seven unique asset allocation categories. The asset allocation categories used are 100% Equity, 80% Equity, 60% Equity, 40% Equity, 20% Equity, 100% Fixed, and 100% Short Term. The plan composite ranking is determined by the average of its performance score in the seven categories.

Rank	Plan	Performance Score
1	Nevada: Putnam 529 for America	33.49
2	District of Columbia: DC 529 College Savings Program (Advisor-sold)	34.26
3	Colorado: Scholars Choice College Savings Program	50.20
4	South Carolina: Future Scholar 529 College Savings Plan (Advisor-sold)	51.83
5	Virginia: CollegeAmerica	56.26
6	Maine: NextGen College Investing Plan -- Client Select Series	59.06
7	Indiana: CollegeChoice Advisor 529 Savings Plan	61.30
8	Arizona: Ivy InvestEd 529 Plan	67.11
9	Nebraska: Nebraska Education Savings Trust - Advisor College Savings Plan	67.60
10	Illinois: Bright Directions College Savings Program	68.07
11	New Mexico: Scholar'sEdge	68.44
12	New Jersey: Franklin Templeton 529 College Savings Plan	69.90
13	West Virginia: The Hartford SMART529	70.25
14	New Hampshire: Fidelity Advisor 529 Plan	70.89
15	Oregon: MFS 529 Savings Plan	71.49
16	Ohio: BlackRock CollegeAdvantage Advisor 529 Plan	72.74
17	Alaska: John Hancock Freedom 529	74.16
18	Connecticut: Connecticut Higher Education Trust (CHET)-- Advisor Plan	75.06
19	Oklahoma: Oklahoma Dream 529 Plan	79.13
20	Michigan: MI 529 Advisor Plan	81.08
21	Illinois: Bright Start College Savings Program -- Advisor-sold Plan	81.27
22	Kansas: Learning Quest Advisor	81.78
23	Nebraska: State Farm College Savings Plan	82.64
24	Alabama: CollegeCounts 529 Fund Advisor Plan	83.26
25	Texas: Lonestar 529 Plan	84.74
26	South Dakota: CollegeAccess 529 (Advisor-sold)	84.76
-	Arkansas: iShares 529 Plan	NA
-	Iowa: IAdvisor 529 Plan	NA
-	Nevada: Wealthfront 529 College Savings Plan	NA
-	New York: New York's 529 Advisor-Guided College Savings Plan	NA
-	Rhode Island: CollegeBound 529 (Advisor-sold)	NA
-	Wisconsin: Tomorrow's Scholar 529 Plan	NA

NA = Not Applicable = Program does not have at least one portfolio with sufficiently-long performance in a minimum of four asset allocation categories under our ranking model.

The performance data underlying these rankings represents past performance and is not a guarantee of future performance. Current performance may be lower or higher than the performance data used. A plan portfolio's investment return and principal value will fluctuate so that an investor's shares or units when redeemed may be worth more or less than their original cost. Investors should carefully consider plan investment goals, risks, charges and expenses, by obtaining and reading the plan's official program description before investing. Investors should also consider whether their or their beneficiary's home state offers any tax or other benefits that are available for investments only in such state's 529 plan.

Brokers please note: For internal use only and not for use with or to be shown to the investing public.

Disclaimer: Savingforcollege.com shall not be liable for any errors or omissions in this report. Users should rely on official program disclosures.

Copyright © 2017 Saving For College, LLC

Updated 2-10-17

Fee and Expense Structure

Figure 18 illustrates the InvestEd Plan's fee and expense structure for the Age-Based, Static, and Individual portfolios through Ivy Investments. For 2016, the InvestEd Plan's total annual asset-based fees for the Age-Based and Static portfolios range from 0.85% for the InvestEd Conservative portfolio to 1.13% for the InvestEd growth portfolio. The InvestEd Plan's Individual portfolios fee and expense structures ranged from 0.67% for the Ivy Government Money Market Fund to 1.45% for the Ivy Real Estate Securities Fund. For a list of Waddell & Reed's Ivy Funds InvestEd sales charge structure refer to Appendix D.

(Figure 18) Waddell & Reed InvestEd Fee and Expense Structure

Fees and Expenses

Investment Options	ANNUAL ASSET-BASED FEE					ADDITIONAL INVESTOR EXPENSE	
	Estimated Underlying Fund Expense ¹	Program Manager Fee	State Fee ²	Annual Distribution Fee ³	Total Annual Asset-Based Fees ⁴	Maximum Sales Charge (load) ⁵	Annual Account Fee ⁶
Age-Based and Static Portfolios							
InvestEd Growth	0.88%	None	None	0.25%	1.13%	5.75%	\$20
InvestEd Balanced	0.77%	None	None	0.25%	1.02%	5.75%	\$20
InvestEd Conservative	0.60%	None	None	0.25%	0.85%	4.25%	\$20
Individual Portfolios							
Domestic Equity							
Ivy Core Equity	0.88%	None	None	0.25%	1.13%	5.75%	\$20
Ivy Dividend Opportunities	0.88%	None	None	0.25%	1.13%	5.75%	\$20
Ivy Large Cap Growth	0.90%	None	None	0.25%	1.15%	5.75%	\$20
Ivy Mid Cap Growth	1.05%	None	None	0.25%	1.30%	5.75%	\$20
Ivy Small Cap Growth	1.18%	None	None	0.25%	1.43%	5.75%	\$20
Fixed Income							
Ivy Bond	0.80%	None	None	0.25%	1.05%	5.75%	\$20
Ivy Government Money Market Fund	0.67%	None	None	None	0.67%	None	\$20
Ivy High Income Fund	0.94%	None	None	0.25%	1.19%	5.75%	\$20
Ivy Limited-Term Bond	0.73%	None	None	0.25%	0.98%	2.50%	\$20
Global/International							
Ivy Cundill Global Value	1.06%	None	None	0.25%	1.31%	5.75%	\$20
Ivy Global Income Allocation	1.08%	None	None	0.25%	1.33%	5.75%	\$20
Ivy International Core Equity	1.06%	None	None	0.25%	1.31%	5.75%	\$20
Specialty Funds							
Ivy Asset Strategy	0.75%	None	None	0.25%	1.00%	5.75%	\$20
Ivy Global Natural Resources	1.02%	None	None	0.25%	1.27%	5.75%	\$20
Ivy Real Estate Securities	1.20%	None	None	0.25%	1.45%	5.75%	\$20
Ivy Science and Technology	1.05%	None	None	0.25%	1.30%	5.75%	\$20

¹For the InvestEd Growth, InvestEd Balanced and InvestEd Conservative Portfolios, the Portfolio will indirectly bear a pro rata share of the fees and expenses of each underlying fund in which it invests. This table above shows the Portfolio's indirect expense from investing in the underlying funds based on the allocation of the Portfolio's assets among the underlying funds during the Portfolio's last fiscal year. This expense may be higher or lower over time depending on the allocation of the Portfolio's assets among the underlying funds and the actual expenses of the underlying funds. The Total Annual Asset-Based Fee ratio shown in this table does not correlate to the expense ratio shown in the Financial Highlights table of the Prospectus because that ratio does not include the Acquired Fund Fees and Expenses (Underlying Funds). Fees and expenses are subject to change at any time.

²No state fee is charged to account owners. Waddell & Reed pays to the ACPE a \$10 application fee for each Ivy InvestEd 529 Plan account that is opened to be used to offset administrative costs associated with the Trust. Waddell & Reed also pays a fee to the ACPE based upon a percentage of the average value of the assets invested in Ivy InvestEd 529 Plan accounts opened on or after November 18, 2006, at an annual rate of 0.15% for Ivy InvestEd 529 Plan assets invested in InvestEd Portfolios, and 0.10% on the first \$100 million of assets and 0.05% thereafter for Ivy InvestEd 529 Plan assets invested in the Ivy Funds. The fee is subject to annual negotiations between Waddell & Reed and the Trustee. These fees are paid to the ACPE by Waddell & Reed and are not directly paid by the account owner.

³The annual distribution fee is the distribution and service (12b-1) fee assessed on the shares of InvestEd Portfolios and Ivy Funds that are included in an Ivy InvestEd 529 Plan account. A 12b-1 fee is not assessed on the underlying mutual funds included in the Age-Based or Static Portfolios.

⁴Total annual asset-based fees are assessed against assets over the course of the year and does not include sales charges, annual account maintenance fee, or enrollment fees. To see the total cost associated with the investment, please see the table below. Through July 31, 2017, Ivy Distributors, Inc. (IDI) the Ivy Funds' distributor, and Waddell & Reed Services Company, doing business as WI Services Company (WISC) the Ivy Funds' transfer agent, have contractually agreed to reimburse each of the individual portfolios sufficient 12b-1 and/or shareholder servicing fees to cap the expenses for Class E shares at the specified amounts. Prior to that date, the expense limitation may not be terminated by IFDI, WISC or the Board of Trustees. Waivers during future periods are subject to the discretion of IDI and WISC.

⁵The chart on page 16 shows the breakpoint amount for sales charges of shares.

Note: Page number listed in footnotes can be found in the October 2016 Ivy InvestEd 529 Plan Program Overview.

Conclusion

This report reflects the actions taken by the ACPE Commissioners and Oversight Committee to strengthen and maintain the Arizona Family College Savings Program for the benefit of families. Advancement of the Arizona Family College Savings program in 2016 included account maintenance fee waivers, reduced mutual fund expense fees, improved public awareness, and ensuring the integrity of the Program through the addition of an independent investment consultant, diligent oversight of program manager contracts, compliance with industry regulatory requirements, and execution of a rigorous annual provider review.

This year saw both progress and challenges. While Fidelity Investments was upgraded to a Bronze rating in recognition of its tactical asset-allocation approach and reduced fees, all providers were challenged by an unpredictable election-year market, and a negative rating continued to plague Waddell & Reed. In response to the unfavorable evaluation received in October 2016 from Morningstar, one of two national evaluators of 529 plans, the Commission staff and the Oversight Committee are working closely with Capital Cities, the new independent investment consultant, as well as with program partner Waddell & Reed to develop an improved advisor-sold program investment menu and closely monitor its improvement plan implementation. Despite market instability, plan assets continued to increase in 2016 with a modest amount of new Arizona 529 plan accounts being opened in addition to healthy investment performance gains in the market at year end. Providing flexible initial terms within a seven-year contract for all three program providers allows the AFCSP to achieve an operational stability that should endure for the upcoming years. Furthermore, the program managers have continued to strengthen the 529 plan by reducing expenses to the program and providing resources to improve investor knowledge.

All aspects of administration of the Arizona Family College Savings Program (AFCSP) continue to progress. For example, as the program has matured we are able to support more public awareness activities and events to encourage Arizona families to save for college. Promotions of 529 Day, College Savings Month, Gift Giving Season and the broad digital reach of social media continue to make inroads into educating the public regarding the benefits of the 529 savings plan. The Oversight Committee is focused on continued program improvement in order to make the AFCSP one of the leading plans in the nation.

Results of these improvements are supported by Arizona families in a June 2016 survey by Fidelity Investments. Fidelity Investments collects this information regarding college savings behavior through their *Annual College Savings Indicator Study* and provides the results of this research to the Commission. This report found that saving for college has moved up and is now a parent's second priority, behind saving for retirement. Additional good news is that the number of parents savings and planning is at an all-time high with 64 percent of Arizona parents surveyed stating they have started saving for college, up from 55 percent in 2006. According to the study, the typical Arizona family is currently on track to meet 29 percent of their college savings goal which is similar to 29 percent nationally. Parents reported saving a median of \$2,000 last year for their children's college education, compared to 2006, when parents reported saving

a median of \$1,500 during the previous year. Seventy-four percent of respondents who are saving say they are putting away \$200 per month. On average, parents report that their child was 5.6 years old when they started to save for their college. This year 33 percent of the Arizona parents reported they are saving in a dedicated 529 college savings plan, almost 93 percent of these families have either increased their annual contributions or continued to save at the same rate over the past 12 months. What is more, 26 percent of Arizona parents have asked family and friends to consider gifting to college savings accounts in lieu of traditional gifts at birthdays or other holidays, to help reach their college goals.

In conclusion, since its inception in 1999, the Arizona Family College Savings Program has judiciously implemented improvements designed to position the Program competitively in the 529 plan landscape. Key to this progress has been the valuable contributions of the Oversight Committee along with the stewardship exhibited by the ACPE Commissioners. Both the Governor's support and actions taken by the Arizona State Legislature have been critical to the success of the program. These actions have included legislation establishing the Arizona Family College Savings Program Trust Fund in 2004, strengthening the AFCSP Oversight Committee membership, providing Arizona residents the benefits of a tax-incentive in early 2008, extending the tax benefit into perpetuity and the increase of this tax benefit in 2013.

The ACPE Commissioners and staff will continue to identify improvements and support initiatives that will lead to the AFSCP mission of *educating and assisting Arizona families financially prepare for postsecondary education by providing quality college savings choices*. To request a copy of the Arizona Family College Savings Program's Annual Report please send an email to acpe@azhighered.gov.

Appendices

APPENDIX A: FIDELITY ARIZONA COLLEGE SAVINGS PLAN PORTFOLIO - ASSET ALLOCATIONS

Fidelity Funds Asset Allocations

529 AZ FIDELITY FUNDS: 11/01/2016		STATIC PORTFOLIOS			AGE-BASED PORTFOLIOS							
Fund Name	Mutual Fund Symbol	Aggressive Growth Portfolio (Fidelity Funds)	Moderate Growth Portfolio (Fidelity Funds)	Conservative Portfolio (Fidelity Funds)	College Portfolio (Fidelity Funds)	Portfolio 2018 (Fidelity Funds)	Portfolio 2021 (Fidelity Funds)	Portfolio 2024 (Fidelity Funds)	Portfolio 2027 (Fidelity Funds)	Portfolio 2030 (Fidelity Funds)	Portfolio 2033 (Fidelity Funds)	Portfolio 2036 (Fidelity Funds)*
Asset Class: US Equity Funds		69.13	47.71	0.00	12.88	18.17	27.29	35.96	44.84	53.68	62.65	65.94
Fidelity Blue Chip Growth Fund	FBGRX	6.20	4.28	0.00	1.15	1.63	2.45	3.22	4.02	4.81	5.69	5.93
Fidelity Contrafund	FCNTX	4.16	2.87	0.00	0.78	1.09	1.64	2.17	2.70	3.23	3.77	3.96
Fidelity Equity Dividend Income Fund	FEQTX	4.89	3.38	0.00	0.91	1.29	1.93	2.55	3.18	3.80	4.47	4.62
Fidelity Equity-Income Fund	FEQIX	13.31	9.19	0.00	2.48	3.50	5.26	6.92	8.63	10.34	11.93	12.53
Fidelity Growth Company Fund	FDGRX	8.85	6.11	0.00	1.65	2.33	3.49	4.60	5.74	6.87	8.00	8.57
Fidelity Large Cap Stock Fund	FLCSX	6.65	4.59	0.00	1.24	1.75	2.63	3.46	4.32	5.17	6.01	6.26
Fidelity Low Priced Stock Fund	FLPSX	3.45	2.38	0.00	0.64	0.91	1.36	1.80	2.24	2.68	3.14	3.30
Fidelity Mega Cap Stock Fund	FGRTX	4.92	3.40	0.00	0.92	1.30	1.95	2.56	3.20	3.82	4.46	4.62
Fidelity Real Estate Investment Portfolio	FRESX	0.97	0.67	0.00	0.18	0.25	0.38	0.50	0.63	0.75	0.88	0.99
Fidelity Stock Selector All Cap Fund	FDSSX	12.35	8.52	0.00	2.30	3.25	4.88	6.42	8.01	9.59	11.17	11.87
Fidelity Stock Selector Small Cap Fund	FDSCX	3.37	2.32	0.00	0.63	0.88	1.33	1.75	2.18	2.62	3.13	3.29
Asset Class: Non-US Developed Equity Funds		21.89	14.91	0.00	4.30	6.19	9.15	11.97	14.79	17.66	20.77	21.83
Fidelity Canada Fund	FICDX	2.08	1.41	0.00	0.42	0.57	0.84	1.10	1.36	1.64	1.89	1.95
Fidelity Diversified International Fund	FDIVX	9.91	6.75	0.00	1.94	2.81	4.16	5.44	6.72	8.01	9.43	9.94
Fidelity Overseas Fund	FOSFX	9.90	6.75	0.00	1.94	2.81	4.15	5.43	6.71	8.01	9.46	9.94
Asset Class: Emerging Markets Equity Funds		7.92	5.82	0.00	4.42	5.09	6.31	7.27	8.12	9.05	9.93	10.31
Fidelity Emerging Markets Equity Fund	FEMOX	7.92	5.82	0.00	4.42	5.09	6.31	7.27	8.12	9.05	9.93	10.31
Asset Class: Commodities		1.07	1.06	0.00	1.71	1.72	1.73	1.73	1.74	1.75	1.86	0.51
Fidelity Series Commodity Strategy Fund	FCSSX	1.07	1.06	0.00	1.71	1.72	1.73	1.73	1.74	1.75	1.86	0.51
Asset Class: US High Yield Bonds Funds		0.00	4.17	1.99	2.40	2.39	2.40	2.41	2.44	2.43	1.88	0.72
Fidelity High Income Fund	SPHIX	0.00	4.17	1.99	2.40	2.39	2.40	2.41	2.44	2.43	1.88	0.72
Asset Class: Emerging Market Bonds Funds		0.00	0.44	0.45	0.67	0.66	0.66	0.65	0.65	0.65	0.50	0.18
Fidelity New Markets Income Fund	FNMX	0.00	0.44	0.45	0.67	0.66	0.66	0.65	0.65	0.65	0.50	0.18
Asset Class: Real Estate Income		0.00	0.97	0.51	0.47	0.47	0.47	0.46	0.46	0.46	0.56	0.14
Fidelity Real Estate Income Fund	FRIFX	0.00	0.97	0.51	0.47	0.47	0.47	0.46	0.46	0.46	0.56	0.14
Asset Class: US Leveraged Loans		0.00	1.03	0.52	0.26	0.26	0.26	0.26	0.26	0.26	0.20	0.07
Fidelity Floating Rate High Income Fund	FFRHX	0.00	1.03	0.52	0.26	0.26	0.26	0.26	0.26	0.26	0.20	0.07
Asset Class: US Investment Grade Bonds Funds		0.00	23.39	40.96	41.66	41.92	36.28	30.19	23.55	13.01	0.64	0.00
Fidelity Corporate Bond Fund	FCBFX	0.00	1.38	2.37	3.05	2.47	2.09	1.73	1.17	0.50	0.00	0.00
Fidelity Mortgage Securities Fund	FMSFX	0.00	1.14	1.98	2.59	2.09	1.76	1.45	0.99	0.46	0.00	0.00
Fidelity Government Income Fund	FGOVX	0.00	5.01	8.57	11.15	9.06	7.60	6.31	4.34	1.92	0.00	0.00
Fidelity Investment Grade Bond Fund	FBNDX	0.00	10.76	15.84	18.10	15.98	14.30	12.38	11.02	7.38	0.64	0.00
Fidelity Total Bond Fund	FTBFX	0.00	5.10	12.20	6.77	12.32	10.54	8.31	6.02	2.75	0.00	0.00
Asset Class: US TIPS		0.00	0.51	0.50	3.87	3.66	3.03	2.00	0.61	0.82	0.81	0.24
Fidelity Inflation-Protected Bond Fund	FINPX	0.00	0.51	0.50	3.87	3.66	3.03	2.00	0.61	0.82	0.81	0.24
Asset Class: US Short Term		0.00	0.00	55.07	27.36	19.47	12.41	7.10	2.55	0.23	0.20	0.06
Fidelity Institutional Money Market	FRGDX	0.00	0.00	35.80	17.78	12.68	8.07	4.62	1.66	0.15	0.13	0.04
Fidelity Short-Term Bond Fund	FSHBX	0.00	0.00	19.28	9.58	6.79	4.34	2.49	0.89	0.08	0.07	0.02
		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Asset allocation is subject to change without notice.* Portfolio 2036 estimated positioning.

The Fidelity Arizona College Savings Plan is not insured by the state of Arizona or Fidelity Investments and neither the principal deposited nor the investment return is guaranteed by the state of Arizona or Fidelity Investments.

The Fidelity Arizona College Savings Plan is offered by the Arizona Commission for Postsecondary Education and managed by Fidelity Investments. If you or the designated beneficiary is not an Arizona resident, you may want to consider, before investing, whether your state or the beneficiary's home state offers its residents a plan with alternate state tax advantages or other benefits.

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

Please carefully consider the plan's investment objectives, risks, charges and expenses before investing. For this and other information on any 529 College Savings Plan managed by Fidelity, contact fidelity for a free Fact Kit, or view the 529 Fact Kit online. Read it carefully before you invest or send money.

APPENDIX A: FIDELITY ARIZONA COLLEGE SAVINGS PLAN PORTFOLIO - ASSET ALLOCATIONS

Index Funds Asset Allocations

529 AZ FIDELITY INDEX FUNDS: 11/01/2016		STATIC PORTFOLIOS			AGE-BASED PORTFOLIOS							
Fund Name	Mutual Fund Symbol	Aggressive Growth Portfolio (Fidelity Index)	Moderate Growth Portfolio (Fidelity Index)	Conservative Portfolio (Fidelity Index)	College Portfolio (Fidelity Index)	Portfolio 2018 (Fidelity Index)	Portfolio 2021 (Fidelity Index)	Portfolio 2024 (Fidelity Index)	Portfolio 2027 (Fidelity Index)	Portfolio 2030 (Fidelity Index)	Portfolio 2033 (Fidelity Index)	Portfolio 2036 (Fidelity Index)*
Asset Class: US Equity Funds		68.49	47.51	0.00	12.85	17.92	27.05	35.60	44.08	52.64	61.16	65.10
Fidelity Total Market Index Fund	FSKAX	68.49	47.51	0.00	12.85	17.92	27.05	35.60	44.08	52.64	61.16	65.10
Asset Class: Non-US Developed Equity Funds		30.10	20.97	0.00	5.97	8.17	12.10	15.82	19.50	23.21	26.91	28.50
Fidelity International Index Fund	FSPSX	30.10	20.97	0.00	5.97	8.17	12.10	15.82	19.50	23.21	26.91	28.50
Asset Class: Commodities		1.41	1.31	0.00	1.04	1.06	1.08	1.17	1.27	1.32	1.41	1.40
Fidelity Series Commodity Strategy Fund	FCSSX	1.41	1.31	0.00	1.04	1.06	1.08	1.17	1.27	1.32	1.41	1.40
Asset Class: US Investment Grade Bonds Funds		0.00	30.20	45.00	50.08	50.26	44.92	38.77	33.08	22.83	10.51	5.00
Fidelity US Bond Index Fund	FXNAJ	0.00	30.20	45.00	50.08	50.26	44.92	38.77	33.08	22.83	10.51	5.00
Asset Class: US Short Term		0.00	0.00	55.00	30.06	22.60	14.86	8.64	2.08	0.00	0.00	0.00
Fidelity Institutional Money Market	FRGXX	0.00	0.00	55.00	30.06	22.60	14.86	8.64	2.08	0.00	0.00	0.00
		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Asset allocation is subject to change without notice. * Portfolio 2036 estimated positioning.

The Fidelity Arizona College Savings Plan is not insured by the state of Arizona or Fidelity Investments and neither the principal deposited nor the investment return is guaranteed by the state of Arizona or Fidelity Investments.

The Fidelity Arizona College Savings Plan is offered by the Arizona Commission for Postsecondary Education and managed by Fidelity Investments. If you or the designated beneficiary is not an Arizona resident, you may want to consider, before investing, whether your state or the beneficiary's home state offers its residents a plan with alternate state tax advantages or other benefits.

Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

Please carefully consider the plan's investment objectives, risks, charges and expenses before investing. For this and other information on any 529 College Savings Plan managed by Fidelity, contact Fidelity for a free Fact Kit, or view the 529 Fact Kit online. Read it carefully before you invest or send money.

APPENDIX A: FIDELITY ARIZONA COLLEGE SAVINGS PLAN PORTFOLIO - ASSET ALLOCATIONS

Multi-Firm Asset Allocations

529 AZ MULTI-FIRM FUNDS: 11/01/2016		AGE-BASED PORTFOLIOS							
Fund Name	Mutual Fund Symbol	College Portfolio (Multi-firm)	Portfolio 2018 (Multi-firm)	Portfolio 2021 (Multi-firm)	Portfolio 2024 (Multi-firm)	Portfolio 2027 (Multi-firm)	Portfolio 2030 (Multi-firm)	Portfolio 2033 (Multi-firm)	Portfolio 2036 (Multi-firm)*
Asset Class: US Equity Funds		12.81	18.18	27.28	35.92	44.75	53.43	62.15	65.94
AB Select U.S. Equity Portfolio	AUUYX	1.93	2.75	4.12	5.43	6.76	8.07	9.32	9.89
BBH Core Select Fund	BBTRX	1.02	1.45	2.18	2.87	3.58	4.26	5.01	5.28
Fidelity Growth Company Fund	FDGRX	1.27	1.79	2.68	3.53	4.40	5.26	6.16	6.59
JPMorgan Small Cap Equity Fund	VSENX	1.63	2.32	3.48	4.59	5.72	6.82	8.00	8.57
JPMorgan U.S. Equity Fund	JUEMX	3.76	5.33	8.00	10.53	13.12	15.67	18.05	19.12
Fidelity Large Cap Value Enhanced Index Fund	FLVEX	2.25	3.19	4.79	6.31	7.86	9.38	10.94	11.54
Loomis Sayles Growth Fund	LSGRX	0.96	1.35	2.02	2.66	3.32	3.97	4.66	4.95
Asset Class: Non-US Developed Equity Funds		4.30	6.23	9.21	12.03	14.86	17.70	20.76	21.84
Fidelity Canada Fund	FICDX	0.15	0.28	0.42	0.55	0.68	0.81	0.94	1.42
Causeway International Value Fund	CMVX	0.97	1.42	2.09	2.73	3.38	4.02	4.71	4.77
MFS International Value Fund	MINIX	1.00	1.39	2.06	2.69	3.32	3.95	4.65	4.86
MFS Research International Fund	MRSIX	1.35	1.93	2.86	3.73	4.61	5.49	6.43	6.64
William Blair International Growth Fund	BIGIX	0.82	1.21	1.78	2.33	2.87	3.42	4.03	4.15
Asset Class: Emerging Markets Equity Funds		4.53	5.23	6.55	7.58	8.38	9.36	10.29	10.31
Acadian Emerging Markets Portfolio	AEMGX	2.72	3.13	3.94	4.57	5.02	5.61	6.20	6.19
T. Rowe Price Emerging Markets Stock Fund	PRZIK	1.81	2.10	2.61	3.01	3.36	3.76	4.09	4.12
Asset Class: Commodities		1.71	1.74	1.76	1.76	1.78	1.76	1.80	0.51
Credit Suisse Commodity Return Strategy Fund	CRSOX	1.29	1.31	1.32	1.31	1.33	1.32	1.34	0.38
PIMCO CommoditiesPLUS Strategy Fund	PCLIX	0.42	0.44	0.44	0.44	0.45	0.44	0.46	0.13
Asset Class: US High Yield Bonds Funds		2.58	2.38	2.38	2.39	2.40	2.41	2.09	0.72
BlackRock High Yield Bond Portfolio	BHYX	0.83	0.83	0.83	0.83	0.84	0.84	0.72	0.25
Hotchkis & Wiley High Yield Fund	HWHIX	1.03	0.84	0.83	0.84	0.84	0.84	0.74	0.25
MainStay High Yield Corporate Bond Fund	MHYX	0.72	0.72	0.72	0.72	0.72	0.72	0.63	0.22
Asset Class: Emerging Market Bonds Funds		0.70	0.66	0.65	0.64	0.64	0.64	0.50	0.18
Fidelity New Markets Income Fund	FNMIK	0.70	0.66	0.65	0.64	0.64	0.64	0.50	0.18
Asset Class: Real Estate Income		0.48	0.47	0.47	0.46	0.46	0.46	0.56	0.14
Fidelity Real Estate Income Fund	FRIFX	0.48	0.47	0.47	0.46	0.46	0.46	0.56	0.14
Asset Class: US Leveraged Loans		0.26	0.26	0.25	0.25	0.25	0.25	0.20	0.07
Fidelity Floating Rate High Income	FFRHX	0.26	0.26	0.25	0.25	0.25	0.25	0.20	0.07
Asset Class: US Investment Grade Bonds Funds		41.41	41.79	36.10	30.09	23.44	12.97	0.64	0.00
Fidelity Investment Grade Bond Fund	FBNDX	4.14	4.18	3.59	3.00	2.33	1.29	0.06	0.00
Metropolitan West Total Return Bond Fund	MWTIX	8.27	8.35	7.22	6.02	4.69	2.60	0.13	0.00
PIMCO Total Return Fund	PTTRX	8.31	8.38	7.25	6.04	4.70	2.60	0.13	0.00
Prudential Total Return Bond Fund	PDBZX	6.19	6.25	5.40	4.50	3.50	1.94	0.10	0.00
Fidelity Total Bond	FTBFX	6.23	6.28	5.42	4.52	3.52	1.95	0.10	0.00
Western Asset Core Bond Fund	WATFX	8.27	8.35	7.22	6.02	4.69	2.60	0.13	0.00
Asset Class: US TIPS		3.88	3.67	2.99	1.94	0.61	0.81	0.81	0.24
PIMCO Real Return Fund	PRRIX	3.88	3.67	2.99	1.94	0.61	0.81	0.81	0.24
Asset Class: US Short Term		27.34	19.40	12.36	6.95	2.44	0.23	0.20	0.05
Fidelity Conservative Income Bond Fund	FCNVX	10.94	7.78	4.95	2.79	0.98	0.09	0.08	0.02
Fidelity Institutional Money Market Fund	FRGXX	8.20	5.81	3.70	2.08	0.73	0.07	0.06	0.01
Fidelity Short-Term Bond Fund	FSHBX	8.20	5.81	3.71	2.08	0.73	0.07	0.06	0.02
		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Asset allocation is subject to change without notice.* Portfolio 2036 estimated positioning.

The Fidelity Arizona College Savings Plan is not insured by the state of Arizona or Fidelity Investments and neither the principal deposited nor the investment return is guaranteed by the state of Arizona or Fidelity Investments.

The Fidelity Arizona College Savings Plan is offered by the Arizona Commission for Postsecondary Education and managed by Fidelity Investments. If you or the designated beneficiary is not an Arizona resident, you may want to consider, before investing, whether your state or the beneficiary's home state offers its residents a plan with alternate state tax advantages or other benefits.

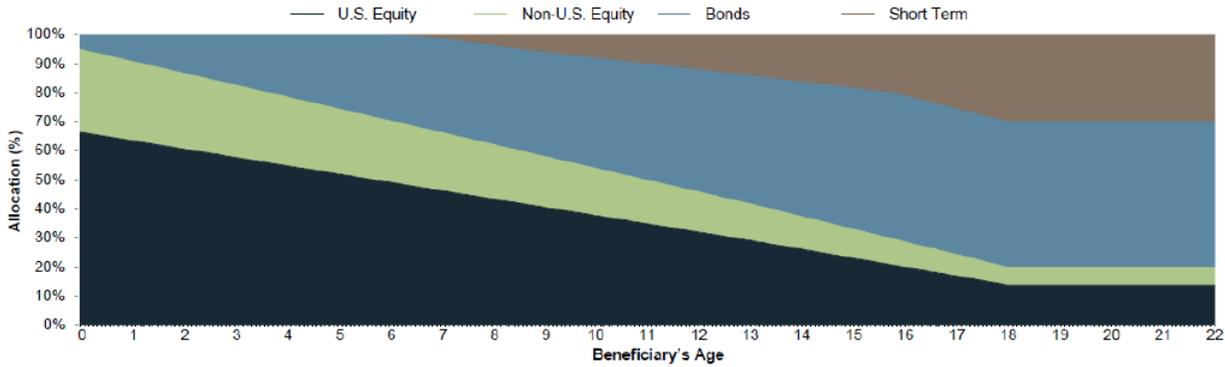
Units of the Portfolios are municipal securities and may be subject to market volatility and fluctuation.

Please carefully consider the plan's investment objectives, risks, charges and expenses before investing. For this and other information on any 529 College Savings Plan managed by Fidelity, contact Fidelity for a free Fact Kit, or view the 529 Fact Kit online. Read it carefully before you invest or send money.

APPENDIX B: FIDELITY ARIZONA COLLEGE SAVINGS PLAN PORTFOLIO TARGET ASSET ALLOCATIONS

Asset Allocations for Active Age-Based and Static Portfolios

Active Age-Based 529 Portfolios (Fidelity Funds and Multi-Firm Funds)
Asset Allocation Rolldown*



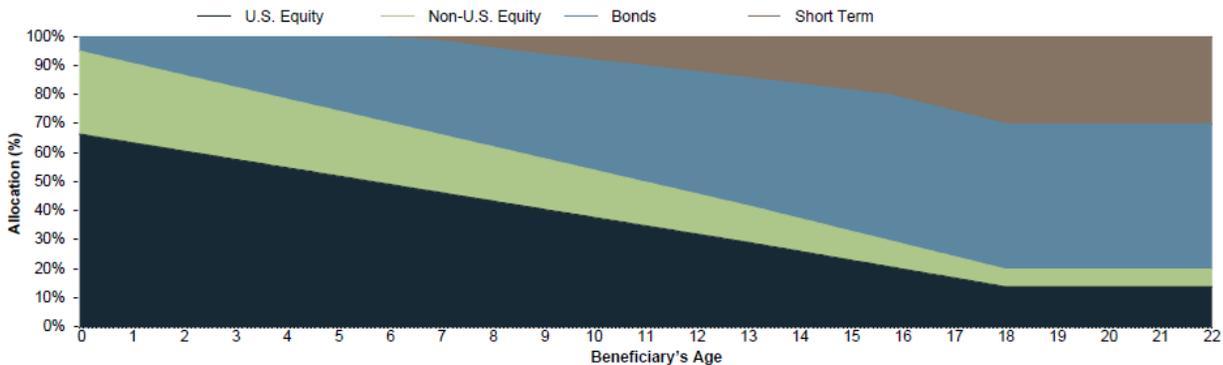
*This chart illustrates the target asset allocations among stocks, bonds and short-term funds. This chart also illustrates how these allocations may change over time. The future target asset allocations may differ from this approximate illustration.

PORTFOLIO ALLOCATIONS

As of December 31, 2016

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser-vative
U.S. Equities	65.77%	62.67%	53.46%	44.93%	36.07%	27.37%	18.19%	13.25%	69.05%	48.15%	0.00%
Non-U.S. Equities	32.31%	30.25%	26.65%	22.92%	19.18%	15.34%	11.11%	8.94%	29.92%	20.93%	0.00%
Commodities	0.51%	1.87%	1.79%	1.83%	1.77%	1.77%	1.78%	1.71%	1.05%	1.05%	0.00%
Bonds	1.36%	5.02%	17.83%	27.64%	35.67%	42.94%	48.75%	48.99%	0.00%	29.80%	44.99%
High Yield Debt	0.72%	1.83%	2.31%	2.36%	2.38%	2.38%	2.39%	2.43%	0.00%	4.15%	2.04%
Floating Rate Debt	0.07%	0.19%	0.25%	0.25%	0.25%	0.26%	0.26%	0.26%	0.00%	1.01%	0.53%
Emerging Market Debt	0.18%	0.47%	0.63%	0.63%	0.64%	0.64%	0.65%	0.66%	0.00%	0.42%	0.45%
Real Estate Debt	0.14%	0.55%	0.45%	0.46%	0.46%	0.47%	0.47%	0.48%	0.00%	0.96%	0.51%
Investment Grade Debt	0.00%	1.23%	13.40%	23.33%	30.01%	36.24%	41.39%	41.36%	0.00%	22.77%	40.97%
Inflation Protected Debt	0.24%	0.76%	0.78%	0.59%	1.93%	2.95%	3.59%	3.80%	0.00%	0.49%	0.49%
Short Term Debt	0.06%	0.20%	0.23%	2.64%	7.24%	12.49%	20.06%	27.01%	0.00%	0.00%	54.87%

Age-Based 529 Portfolios (Fidelity Index Funds)
Asset Allocation Rolldown*



ACTUAL PORTFOLIO ALLOCATIONS

As of December 31, 2016

	2036	2033	2030	2027	2024	2021	2018	College	Aggr Growth	Mod Growth	Conser- vative
U.S. Equities	64.97%	61.01%	52.60%	44.21%	35.77%	27.17%	17.96%	13.11%	68.43%	47.83%	0.00%
Non-U.S. Equities	28.77%	26.99%	23.32%	19.65%	15.96%	12.20%	8.25%	6.11%	30.18%	21.25%	0.00%
Commodities	1.39%	1.39%	1.32%	1.27%	1.16%	1.09%	1.09%	1.07%	1.40%	1.32%	0.00%
Bonds	4.87%	10.59%	22.72%	32.55%	38.31%	44.59%	49.81%	49.75%	0.00%	29.54%	44.94%
Short Term Debt	0.00%	0.00%	0.00%	2.26%	8.72%	14.87%	22.78%	29.86%	0.00%	0.00%	54.95%

*This chart illustrates the target asset allocations among stocks, bonds and short-term funds. This chart also illustrates how these allocations may change over time. The future target asset allocations may differ from this approximate illustration. Within the glide path graphic U.S. Equities represents the total of Commodities and U.S. Equities.

APPENDIX C: WADDELL & REED IVY INVESTED 529 PLAN PORTFOLIO ASSET ALLOCATION

Age-Based and Static Portfolios Allocation Ranges

The Board of Trustees of InvestEd Portfolios (Board) has established the target ranges for the allocation of each Age-Based and Static Portfolio's assets in specific underlying funds. The Fund's investment manager, Ivy Investment Management Company, selects from among the available underlying funds for each portfolio within the target ranges. Please consult Ivy Funds' website, IvyInvestments.com, for portfolio composition. Please refer to the "Principal Investment Strategies" section of the Fund prospectus for more detailed information, including the risks associated with each of the investment options.

Growth Portfolio (Ages 0 Through 8)

The range of Growth Portfolio net assets invested in equity funds will be from 65% to 100%; correspondingly, the range of net assets invested in bond and income-producing funds will be from 35% to 0%. Within the ranges, holdings of the following underlying funds may be as follows:

UNDERLYING FUND	MINIMUM	MAXIMUM
Ivy International Core Equity Fund	0%	60%
Waddell & Reed Advisors Core Investment Fund	0%	60%
Waddell & Reed Advisors Dividend Opportunities Fund	0%	60%
Waddell & Reed Advisors Value Fund	0%	40%
Ivy Limited-Term Bond Fund	0%	35%
Ivy Government Money Market Fund	0%	35%
Waddell & Reed Advisors Global Growth Fund	0%	30%
Waddell & Reed Advisors Vanguard Fund	0%	30%
Waddell & Reed Advisors New Concepts Fund	0%	25%
Waddell & Reed Advisors Small Cap Fund	0%	20%
Waddell & Reed Advisors Bond Fund	0%	25%
Waddell & Reed Advisors Government Securities Fund	0%	25%
Waddell & Reed Advisors High Income Fund	0%	25%
Waddell & Reed Advisors Global Bond Fund	0%	25%

Balanced Portfolio (Ages 9 Through 15)

The range of Balanced Portfolio net assets invested in equity funds will be from 40% to 75%; correspondingly, the range of net assets invested in bond and income-producing funds will be from 60% to 25%.

UNDERLYING FUND	MINIMUM	MAXIMUM
Ivy Limited-Term Bond Fund	0%	60%
Ivy Government Money Market Fund	0%	60%
Waddell & Reed Advisors Dividend Opportunities Fund	0%	50%
Ivy International Core Equity Fund	0%	40%
Waddell & Reed Advisors Core Investment Fund	0%	40%
Waddell & Reed Advisors Value Fund	0%	30%
Waddell & Reed Advisors Bond Fund	0%	30%
Waddell & Reed Advisors Government Securities Fund	0%	30%
Waddell & Reed Advisors Global Growth Fund	0%	25%
Waddell & Reed Advisors Vanguard Fund	0%	25%
Waddell & Reed Advisors High Income Fund	0%	25%
Waddell & Reed Advisors Global Bond Fund	0%	25%
Waddell & Reed Advisors New Concepts Fund	0%	20%

Conservative Portfolio (Ages 16 And Older)

The range of Conservative Portfolio net assets invested in equity funds will be from 0% to 40%; correspondingly, the range of net assets invested in bond and income-producing funds will be from 100% to 60%.

UNDERLYING FUND	MINIMUM	MAXIMUM
Ivy Limited-Term Bond Fund	0%	100%
Ivy Government Money Market Fund	0%	100%
Waddell & Reed Advisors Government Securities Fund	0%	50%
Waddell & Reed Advisors Core Investment Fund	0%	40%
Waddell & Reed Advisors Dividend Opportunities Fund	0%	30%
Waddell & Reed Advisors Value Fund	0%	30%
Waddell & Reed Advisors Global Bond Fund	0%	30%
Waddell & Reed Advisors Bond Fund	0%	25%
Waddell & Reed Advisors High Income Fund	0%	25%

APPENDIX D: WADDELL & REED INVESTED 529 PLAN SALES CHARGE STRUCTURE

The maximum up-front sales charge you pay will differ depending upon the amount you invest. You pay a lower charge as the size of your investment increases to certain levels, which are called breakpoints. The sales charge you pay will be deducted directly from your investment. The table shows the rate of sales charge depending on the amount you invest.

All Portfolios except InvestEd Conservative Portfolio, Ivy Limited-Term Bond and Ivy Government Money Market Portfolio

SIZE OF PURCHASE	UP-FRONT SALES CHARGE PERCENT ¹
Under \$50,000	5.75%
\$50,000 to less than \$100,000	5.25%
\$100,000 to less than \$200,000	4.75%
\$200,000 to less than \$300,000	3.50%
\$300,000 to less than \$500,000	2.50%
\$500,000 to less than \$1,000,000	1.50%
\$1,000,000 and over ²	0.00%

Ivy Limited-Term Bond Portfolio

SIZE OF PURCHASE	UP-FRONT SALES CHARGE PERCENT ¹
Under \$250,000	2.50%
\$250,000 and over ²	0.00%

InvestEd Conservative Portfolio

SIZE OF PURCHASE	UP-FRONT SALES CHARGE PERCENT ¹
Under \$50,000	4.25%
\$50,000 to less than \$100,000	3.75%
\$100,000 to less than \$300,000	3.25%
\$300,000 to less than \$500,000	2.50%
\$500,000 to less than \$1,000,000	1.50%
\$1,000,000 and over ²	0.00%

¹ Due to the rounding of the NAV and the offering price of a fund to two decimal places, the actual sales charge percentage calculated on a particular purchase may be higher or lower than the percentage stated above.

² No sales charge is payable at the time of purchase on investments of \$1 million or more (\$250,000 or more for Ivy Limited-Term Bond), although for such investments the Fund will impose a CDSC of 1.00% on certain redemptions made within 12 months of the purchase. The CDSC is assessed on an amount equal to the lesser of the then current market value or the cost of the shares being redeemed. Accordingly, no sales charge is imposed on increases in net asset value above the initial purchase price.

Lower Sales charges are available by:

- Combining additional purchases of shares of any of the funds in Waddell & Reed Advisor Funds, Ivy Family of Funds and/or InvestEd Portfolios except Class A shares of Waddell & Reed Advisors Cash Management or Class A shares of Ivy Government Money Market Fund, unless acquired by exchange for Class A shares on which a sales charge was paid (or as dividend or distribution on such acquired shares), with the NAV of Class A, Class B or Class C shares already held (Rights of Accumulation).
- Grouping all purchases of shares of Waddell & Reed Advisor Funds, Ivy Family of Funds and/or shares of InvestEd Portfolios except Class A shares of Waddell & Reed Advisors Cash Management or Class A shares of Ivy Government Money Market Fund, made during a thirteen-month period (Letter of Intent).
- Grouping purchases by certain related persons.

Additional information regarding the investment options can be found on their distributors website: ivyinvestments.com