2016 Annual Report

Maryland Prepaid College Trust | Maryland College Investment Plan

Maryland 529

formerly College Savings Plans of Maryland

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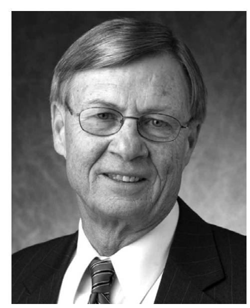

John D. Kenney
Public Member

Keith D. Persinger
Public Member

Dee Anna Sobczak
Public Member

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Public Member

Maryland529

formerly College Savings Plans of Maryland

October 2016

Dear Friends,

You may have noticed a name change from the College Savings Plans of Maryland to Maryland 529. This is a result of legislation that became effective July 1, 2016. We are excited about the name change as it reflects the growth of the agency to include the Achieving a Better Life Experience (ABLE) program in late 2017.

In fiscal year 2016, we are pleased to report another year forward for Maryland 529. The Prepaid College Trust saw continued participation from families across Maryland. The College Investment Plan grew by close to 5%. Total investments in both Plans reached over $5.1 billion as of June 30, 2016 for more than 201,210 beneficiaries.

Investments in the Maryland Prepaid College Trust were relatively flat for the fiscal year with a – 0.7% return with the investment total reaching nearly $868 million as of June 30, 2016. At that time, accounts were held on behalf of more than 31,500 beneficiaries.

The Prepaid College Trust remained fiscally sound and was 133% funded at fiscal year-end. With potential market volatility and forecasted Tuition increases, this actuarial surplus can help to offset potential negative impacts that off-target future investment earnings assumptions or future tuition assumptions may produce.

Understanding our duty to protect the college savings of the Prepaid Trust's 31,593 beneficiaries, the Board, as part of the yearly evaluation of the investment strategy, revised the future investment earnings again in 2016. After careful review of capital market assumptions from several sources including the Plan's actuary and investment advisor, the Board changed the future investment earning assumption downward from 7.0% to 6.3%. While this change reduced the actuarial surplus, the adjustment reflects the Board's prudent assessment of long-term trends and desire to accurately reflect the Trust's future assets.

Investments in the Maryland College Investment Plan reached approximately $4.5 billion as of June 30, 2016. In addition, the College Investment Plan had a net gain of 11,467 beneficiaries and reached a total of 169,617 beneficiaries at fiscal year-end. With more than $488 million in contributions from account holders and mixed investment markets during the fiscal year, the average account balance was $18,933 as of June 30, 2016.

Thank you for making college savings a priority for your family and participating with Maryland 529. We hope that every dollar you save results in achieving your student's higher education goals with a lower amount of student debt.

Sincerely,

The Board
Maryland 529

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Definitions of the benchmarks cited in the report: Barclays 1–3 Year Government/Credit Index—tracks the total return of Treasury bonds, agency securities, U.S. corporate bonds, and some foreign debentures and secured notes, with maturities of one to three years; Barclays 1–5 Year U.S. Treasury TIPS Index—measures the performance of inflation protected public obligations of the U.S. Treasury with maturities of one to five years; Barclays U.S. Aggregate Bond Index—tracks the performance of investment-grade corporate and government bonds; Citigroup 3-Month Treasury Bill Index—tracks the performance of short-term U.S. government debt instruments; Credit Suisse High Yield Index—tracks the performance of domestic noninvestment-grade corporate bonds; FTSE All World Developed ex North America Index—tracks the performance of large-cap non-U.S. companies; IBF Custom Blended Benchmark—tracks an international basket government, corporate, agency, and mortgage-related bonds; J.P. Morgan Emerging Markets Bond Index Global—tracks U.S. dollar-denominated government bonds in emerging markets countries; MSCI EAFE (Europe, Australasia, and Far East) Index—tracks the performance of non-U.S. large-cap developed market stocks; MSCI Emerging Markets Index—tracks stocks from emerging markets countries that can be traded by foreigners; Real Assets Broad Weighted Benchmark—tracks a blend of global natural resources, real estate, metals and mining, and precious metals stocks; Russell 1000 Growth Index—tracks the performance of large-cap U.S. stocks with higher price-to-book ratios and higher forecast growth values; Russell 1000 Value Index—tracks the performance of large-cap U.S. stocks with lower price-to-book ratios and lower forecast growth values; Russell Midcap Growth Index—tracks the performance of mid-cap U.S. stocks with higher price-to-book ratios and higher forecast growth values; Russell Midcap Value Index—tracks the performance of mid-cap U.S. stocks with lower price-to-book ratios and lower forecast growth values; Russell 2000 Index—tracks the performance of 2,000 small-cap U.S. companies; S&P 500 Index—tracks the performance of 500 primarily U.S. companies; S&P Total Market Index—tracks the performance of a broad spectrum of small-, mid-, and large-capitalization U.S. stocks.

Maryland 529 – Features and Benefits

Maryland 529 (formerly College Savings Plans of Maryland) offers affordable and flexible options to help families save for higher education expenses that can help lessen or even eliminate the need to borrow in the future to finance a college education. By choosing one or both plans, families are likely to find an option that suits their individual investing style, comfort level and budget.* Both plans can be used at nearly any public or private college nationwide.

The Maryland Prepaid College Trust (sometimes referred to as Prepaid College Trust or Trust) allows participants to lock in future college tuition at today's prices and is backed by the security of a Maryland Legislative Guarantee. In the event that the Trust ever experiences a financial shortfall, Maryland law requires the Governor to include funds in the State budget to allow the Trust to pay full benefits. As with the entire State budget, the Maryland General Assembly has final approval.

Families can purchase as little as a 1-semester University Plan or a 1-year Community College Plan and can then purchase additional semesters or years at nearly any time at prices in effect at the time of purchase. Account holders can purchase as many as seven years of University tuition benefits, although no more than five years can be purchased on a single account. The Trust is open to 12th graders or younger, including newborns, although beneficiaries must be enrolled in the Trust for at least three years before they can begin to use their tuition benefits.

The Maryland College Investment Plan (sometimes referred to as College Investment Plan or Plan) is overseen by the Maryland 529 Board and managed and distributed by a program manager, currently T. Rowe Price. It allows participants to choose from a variety of mutual fund-based portfolios. These options include Enrollment-Based Portfolios where investment allocations adjust over time to become more conservatively invested as a child ages, and Fixed Portfolios with investment allocations that remain relatively static throughout the life of the investment.

Flexible contribution amounts start at $25 per month with automatic monthly contributions. In addition, the Plan has no sales loads, commissions, or enrollment fee. The College Investment Plan is open for enrollment anytime during the year and is available to children and adults of any age. While most accounts are established for beneficiaries who are 18 years old or younger, the Plan can also be a good choice for adults who wish to save for their own future higher education at the undergraduate or graduate level. This Plan can also be used towards eligible trade and technical schools. Accounts can even be opened for a child who is not yet born. A future parent or grandparent can open an Account with him/herself as both the Account Holder and Beneficiary. When the child or grandchild is born, the Beneficiary can be changed to be the newborn child. This allows an early head start on saving for college.

In the future, another way families can save for college is through the new State Contribution Program. Designed to help lower and middle-income families in Maryland save money for higher education, individuals who open a College Investment Plan after December 31, and submit an application between January 1 and June 1, 2017 may be eligible to receive a $250 contribution from the State. For more information, please visit **maryland529.com/mdmatch250.**

In October 2016 we were pleased to learn the College Investment Plan was one of ten plans in the country to receive a "Silver" rating from Morningstar, Inc. Morningstar believes that plans with a silver rating are among the best-in-class options and follow many of the industry's best practices.[1]

The Prepaid College Trust and the College Investment Plan are Section 529 plans - named after the section of the Internal Revenue Code that permits states to establish and administer tax-advantaged college savings plans. Both plans offer generous Federal and Maryland State tax benefits including:

- Tax-deferred growth at the Federal and Maryland State level;
- Tax-free earnings at the Federal and Maryland State level provided the funds are used for eligible higher education expenses; and
- Maryland State income deduction of contributions to either or both plans, up to $2,500 annually per account or beneficiary, depending on the plan. Contributions in excess of $2,500 annually in either plan may be carried forward and deducted in future years. Beginning in 2016, the income deduction is extended to account owners and contributors. Account Holders that receive a State Contribution to their MCIP account are not eligible for the income deduction in the tax year they receive the contribution.

** Please read our entire Enrollment Kit before deciding to enroll. If you or your beneficiary live outside of Maryland, check with your state to learn if it offers tax or other benefits for investing in its 529 plan. In addition, you should periodically assess and, if appropriate, adjust your Section 529 plan investment choices with your time horizon, risk tolerance and investment objectives in mind.*

Market Commentary

Market performance has a direct effect on the overall performance of investments in the Maryland College Investment Plan and Maryland Prepaid College Trust. The following is designed to provide a summary of market performance for the period ended June 30, 2016.*

U.S. STOCKS GAIN DESPITE ECONOMIC AND POLITICAL TURMOIL

U.S. stocks ended on a mixed note for the year ended June 30, 2016, a volatile period for global financial markets. Major U.S. stock market indexes began the period near record highs, but fell with other global stock markets in the summer of 2015 after a sell-off in mainland Chinese stocks and a devaluation in the country's currency. Global markets stabilized in the final months of 2015 but entered another downturn in early 2016 as tumbling prices for oil and other commodities revived concerns about the world economic outlook. By mid-February, U.S. small-caps and some non-U.S. markets entered a bear market—defined as a drop of at least 20% from recent highs—and oil prices sank to a 13-year low. Stocks advanced in the ensuing months as oil prices rebounded and new stimulus measures in Europe and Japan took effect. Assurances from the Federal Reserve that it would proceed cautiously in raising interest rates after it raised short-term rates in December also boosted sentiment. The June 23 Brexit vote derailed the U.S. market's advance, causing a two-day global stock sell-off that briefly pushed the major U.S. stock indexes into the red for 2016. However, stocks rallied in the last three days of June on optimism that global central banks would take action to contain the post-Brexit fallout, generating a gain for the large-cap S&P 500 Index for our fiscal year.

U.S. small-cap stocks underperformed mid- and large-cap stocks. According to various Russell indexes, value stocks outperformed growth stocks among small- and mid-cap shares, while large-cap growth and value stocks performed roughly even. Among the S&P 500 sectors, utilities and telecommunication services performed the best as investors sought dividend-paying stocks. Financials fell the most as low interest rates globally and Brexit-induced uncertainty weighed on the earnings outlook for many financial companies.

Developed non-U.S. stock markets fell sharply over the year. The MSCI EAFE Index, which measures the performance of stocks in Europe, Australasia, and the Far East, returned -9.72%. In U.S. dollar terms, almost every market in developed Asia and Europe declined. Emerging markets stocks fared even worse than developed markets. All major emerging regions retreated amid concerns including the impact of lower oil prices on commodity-dependent countries, China's management of its slowing economy, and political instability in a few countries.

BONDS BENEFIT FROM POST-BREXIT UNCERTAINTY

U.S. investment-grade bonds produced solid returns over the past year. Uneven U.S. economic data and Brexit-induced uncertainty spurred demand for Treasuries, pushing the yield on the benchmark 10-year note down to near-record lows at the end of June. Longer-term Treasuries surged as ultralow or negative interest rates in Europe and Japan prompted foreign investors to favor the added yield on U.S. government debt and investors sought safe-haven investments after the Brexit vote. Corporate bonds did well, while mortgage-and asset-backed securities trailed with moderate gains.

High yield corporate bonds lagged investment-grade corporates but still produced positive returns. Commodities weakness for much of last year weighed on the natural resources companies that make up a large proportion of the high yield market, but the overall market rebounded with commodity prices in the last few months.

1) Morningstar analysts reviewed 63 plans for its 2016 ratings (10/25/16) of which 10 plans received a "Silver" rating. To determine a plan's rating, Morningstar's analysts considered five factors: the plan's strategy and investment process; the plan's risk-adjusted performance; an assessment of the individuals managing the plan's investment options; the stewardship practices of the plan's administration and parent firm; and whether the plan's investment options are a good value proposition compared to its peers. Plans were then assigned forward-looking ratings of "Gold," "Silver," "Bronze," "Neutral," and "Negative." Each year, certain of the industry's smallest plans are not rated.

Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. Analyst Ratings are based on Morningstar analysts' current expectations about future events and therefore involve unknown risks and uncertainties that may cause Morningstar's expectations not to occur or to differ significantly from what was expected. Morningstar does not represent its Analyst Ratings to be guarantees.

** This discussion is not a comprehensive discussion of all stock market performance. It is also not intended to be a comprehensive discussion of risks associated with the Maryland College Investment Plan and Maryland Prepaid College Trust. For a more detailed discussion of these risks, see the current Enrollment Kit.*

Bonds in developed non-U.S. markets produced strong returns in dollar terms as central banks in Japan and the eurozone continued to buy bonds and push interest rates lower—in some cases, into negative territory. At the end of our fiscal year, uncertainty after Brexit drove bond yields in many developed countries deeper into negative territory. Dollar-denominated emerging markets debt generated positive returns as their relatively high yields and reduced expectations for Federal Market Open Committee (FMOC) attracted strong investor demand. Dollar-denominated emerging markets debt outperformed local currency bonds, which were hurt by currency weakness versus the dollar. Almost all global currencies weakened against the dollar with the exception of the Japanese yen, which surged roughly 19% against the dollar over the past year on safe-haven demand.

College Costs Review*

Increases in tuition and fees were relatively small in 2015–2016, similar to the preceding two years. However, low inflation makes this year's college price increases larger in real (inflation-adjusted) terms than those of the prior two years. Contrary to common assumptions, price increases have not been accelerating over time. Published in-state tuition and fees at public four-year institutions rose at an average annual rate of 3.4% on an inflation-adjusted basis in the decade ending in 2015–2016, compared with an average annual rate of increase of 4.3% in the preceding decade ended in 2005–2006. Despite the declining pace of increases in recent years, college costs are substantial and rising faster than inflation. Below are the College Board's latest figures on average higher education costs for 2015–2016 (also see the accompanying table):

- The average total cost of a four-year public university for in-state students rose by 3.3% from the previous academic year to $19,548.
- The average total cost of a four-year private college rose by 3.5% from the previous academic year to $43,921.

Note that the "average total cost" includes tuition, fees, and room and board. It does not include expenses such as books, supplies, and transportation, which can add several thousand dollars to annual college costs.

Consistent, disciplined saving can give all families the opportunity to finance college educations and allow them to take advantage of any further slowing in future college cost increases.

THE STATE OF FINANCIAL AID

The federal government, which significantly expanded student subsidies in prior years, continues to play a large role in student aid but not an increasing one. Student borrowing remains at historically elevated levels but has declined from the very high levels of a few years ago.

Undergraduate students received an average of $14,210 in financial aid per full-time-equivalent student in 2014–2015 (the most recent available data), including $8,170 in grants from all sources, $4,800 in federal loans, and $1,240 in a combination of tax credits and deductions and the Federal Work-Study Program.

Recent data show a continuation of trends associated with a more stable economy. Total education borrowing fell in 2014–2015 for the fourth consecutive year, resulting in a 14% decline from the peak levels in 2010–2011. The figures seem to indicate that solid financial planning has been paying off and that 529 plans remain an important option in such preparation.

** Statistical information provided is from the College Board's "Trends in College Pricing 2015" and "Trends in Student Aid 2015" for the 2015–2016 academic year.*

PUBLISHED TUITION, FEES, AND ROOM AND BOARD CHARGES – NATIONAL AVERAGE

	Four-Year Private College	Four-Year Public College-In-State
2015-2016 Academic Year	$43,921	$19,548
Change from the previous academic year	3.5%	3.3%
Annual percentage increase over the past decade *above* the rate of inflation	2.3%	2.8%

SOURCE: COLLEGE BOARD

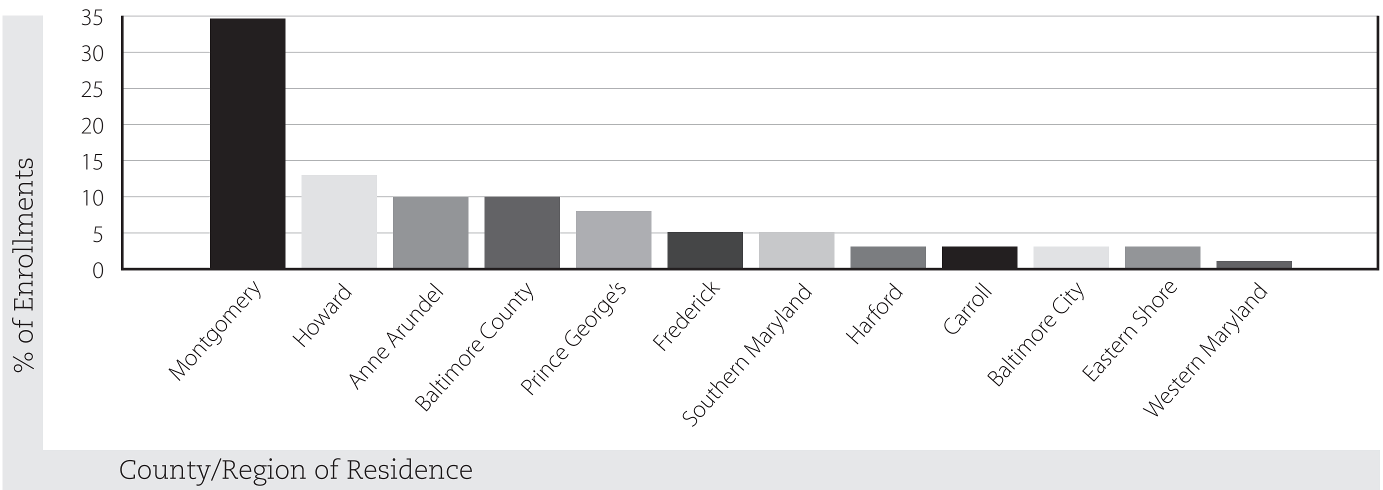
Maryland Prepaid College Trust

PROFILE OF NEW PREPAID COLLEGE TRUST ENROLLMENTS

New Enrollment by County

Of the approximately 1,567 new enrollments that were received in the past fiscal year, Montgomery County residents produced the largest number of account holders, accounting for 35% of all new enrollments. Howard County was the second largest source of new enrollments (13%), followed by Anne Arundel (10%), and Baltimore (10%) counties, as illustrated in the following chart:

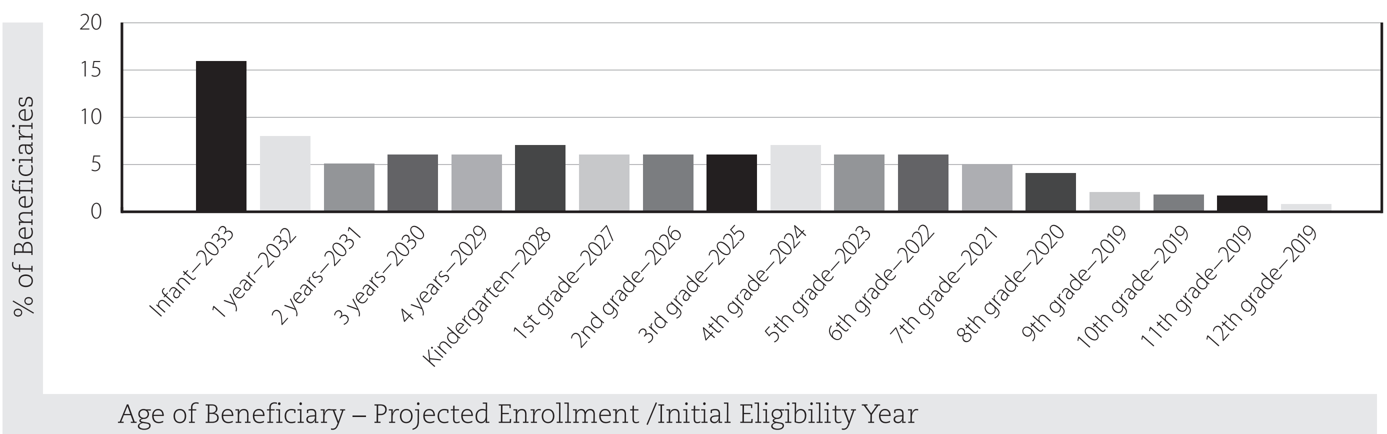
ENROLLMENTS BY COUNTY



Age of New Beneficiaries at Time of Enrollment

The infant age group provided the largest percentage of new enrollments of any age group in 2015-2016, with 16% of new enrollments. This age group can be enrolled anytime during the year and is not limited to an enrollment period.

AGE OF BENEFICIARIES

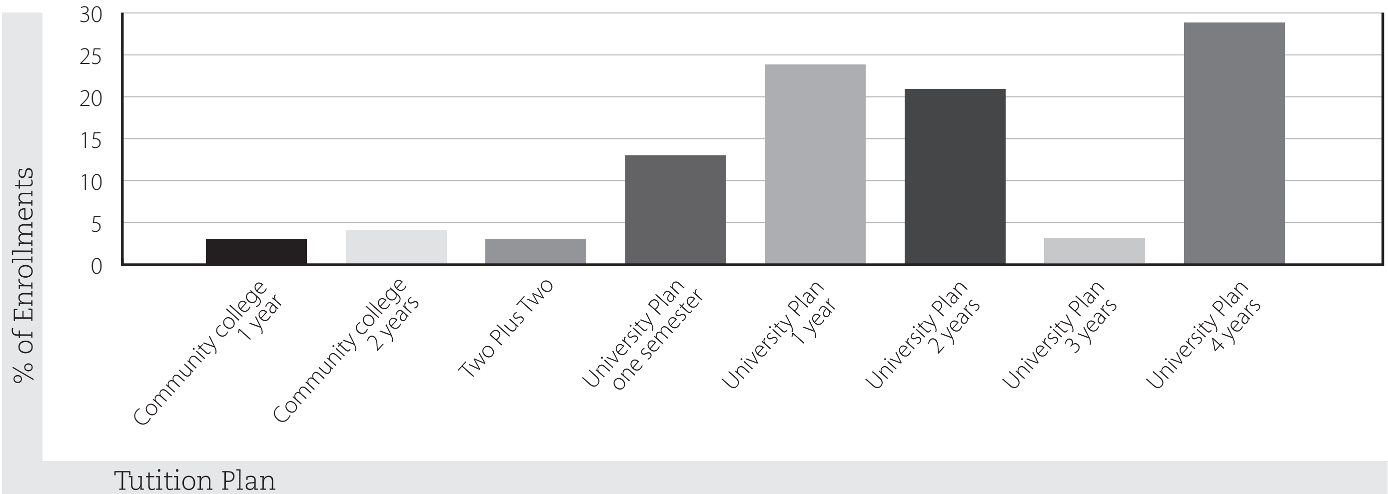


Maryland Prepaid College Trust

Tuition Plan Selected

The four-year University Plan was our most popular enrollment option in 2015-2016, with 29% of new enrollments. The next most popular options were the one-year University Plan (24%) and the two-year University Plan (21%). Together, these three tuition plans comprised 74% of total tuition plans purchased.

PORTFOLIO SELECTION



STUDENTS USE PREPAID COLLEGE TRUST TUITION BENEFITS AT COLLEGES NATIONWIDE

As of September 28, 2016, 4,732 students claimed their benefits for the fall 2016 semester. Approximately 51% of these students are attending Maryland public colleges, while 49% are attending a wide variety of private and out-of-state colleges across the country. This is the first time in nine years where the number of students attending Maryland public colleges exceeded the number of students attending private or out-of-state colleges.

ACTUARIAL SOUNDNESS REPORT

The summary of the actuarial valuation issued by Gabriel Roeder Smith & Company dated October 4, 2016 appears on page 6. The purpose of the actuarial valuation is to assess the future value of the Trust's assets and its liabilities, and is discounted to reflect their present value. As of June 30, 2016, the Trust was 133% funded with an actuarial surplus of $270 million, as compared with the previous fiscal year, where the Trust was 136% funded with an actuarial surplus of $294 million.

As part of the yearly evaluation of the investment strategy of the Prepaid Trust, the Board revised future assumption calculations downward again in 2016. These changes reduced the actuarial surplus because rather than anticipating investment returns to average 7%, the Board is anticipating returns of only 6.3%. The adjustment reflects the Board's prudent assessment of long-term trends and a dedication to accurately reflect the Trust's future assets.

The key measures of soundness as of June 30 for each of the most recent five fiscal years are included in the chart below:

	2012	2013	2014	2015	2016
Actuarial Surplus/(Deficit) (mil)	$124.9	$187.5	$321.5	$294.7	$270.0
Funded Ratio	117%	125%	143%	136%	133%

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October 4, 2016

Treasurer Nancy K. Kopp
Board Chair
Maryland 529
217 E. Redwood Street, Suite 1350
Baltimore, MD 21202

Re: Maryland Prepaid College Trust Actuarial Valuation as of June 30, 2016

Dear Treasurer Kopp:

At the request of the Maryland 529 ("MD529"), Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the Maryland Prepaid College Trust ("MPCT") as of June 30, 2016. Although the term "actuarial soundness" is not specifically defined, the purpose of this actuarial valuation is to evaluate the financial status of the MPCT as of June 30, 2016. This report should not be relied on for any other purpose.

The attached full actuarial report presents the principal results of the actuarial valuation of the MPCT, including the following:

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2016, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

As of June 30, 2016, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $810.7 million. Fund assets as of June 30, 2016, including the market value of program assets and the present value of installment contract receivables, is $1,080.7 million. The present value of all future tuition obligations and installment contract receivables are based on the most recent actuarial assumptions adopted for use in the actuarial soundness valuation as of June 30, 2016, including a discount rate assumption of 6.30%, which was reduced from 7.00% as of June 30, 2015.

The difference between the market value of assets of $1,080.7 million and program obligations of $810.7 million represents a program surplus of $270.0 million as of June 30, 2016. The comparable program surplus as of the last actuarial valuation as of June 30, 2015, was $294.0 million.

The funded ratio of the program as of June 30, 2016, is 133.3%. This compares with a funded ratio as of June 30, 2015, of 136.2%.

To the best of our knowledge, the information contained in the full actuarial report is accurate and fairly presents the actuarial position of the Maryland Prepaid College Trust as of June 30, 2016.

The valuation results set forth in the full actuarial report are based upon data and information, furnished by MD529, concerning program benefits, financial transactions and beneficiaries of the MPCT. We reviewed this information for internal year-to-year consistency, but did not audit the data. Further, the data and information provided is through June 30, 2016, and does not reflect subsequent market volatility. The major actuarial assumptions used in the actuarial valuation were provided by and are the responsibility of MD529.

All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

This is one of multiple documents comprising the actuarial report for the MPCT actuarial valuation. Additional information regarding actuarial assumptions and methods, and important additional disclosures are provided in the full actuarial valuation report as of June 30, 2016.

The signing actuaries are independent of MD529. Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Lance J. Weiss
Amy Williams

Lance J. Weiss, EA, MAAA, FCA
Senior Consultant and Team Leader

Amy Williams, ASA, MAAA, FCA
Consultant

SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of
College Savings Plans of Maryland

Report on the Financial Statements

We have audited the accompanying statement of net position of the Maryland Prepaid College Trust (the Trust), as of June 30, 2016, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Trust's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2016, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of proportionate share of net pension liability and the schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The other data and information in the Annual Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
October 26, 2016

SB + Company, LLC

Maryland Prepaid College Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Prepaid College Trust's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2016. This discussion is designed to provide a general overview of the Trust's operations and Maryland 529's management analysis of its financial statements. The discussion should be read in conjunction with the Trust's financial statements and notes, which begin on page 15. Inquiries may be directed to the Trust at **Maryland529.com** or by mailing your request to 217 E. Redwood Street, Suite 1350, Baltimore, MD 21202. The financial statements of the Trust for the fiscal year ended June 30, 2016 have been audited by SB & Company, LLC who are also the independent public accountants for the State of Maryland.

Prepaid College Trust Financial Statements

We have prepared the Prepaid College Trust financial statements in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). Financial statements provide information about the operation of the Trust as a whole and present a long-term view of the Trust's finances.

Financial Highlights

- The Prepaid College Trust began receiving payments in fiscal year 2016 from approximately 1,916 new enrollments received during fiscal year 2015. This is because the initial payments for these accounts were due on August 1, 2015. Contract receipts were slightly higher than the past fiscal year; however, overall contract sales were slightly lower than fiscal year 2015. Participants may be electing to enroll in the College Investment Plan which experienced increased contributions over the past year.
- Enrollment and other fees, as well as administrative expenses of Maryland 529, are accounted for in the financial statements of the Prepaid College Trust. Each account holder enters into a contract with the Prepaid College Trust for the prepayment of tuition. Each contract is for one or two years of community college and/or a semester or year(s) of university tuition benefits, which become available based on the enrollment year(s) purchased and after the contract has matured for at least three years. The Trust uses fees from three sources to pay administrative expenses of Maryland 529:

  (1) A portion of all contract payments made to the Prepaid College Trust – this fee has been 2.5% since the 2001 enrollment period;

  (2) Enrollment and other fees paid to the Prepaid College Trust; and

  (3) Payments from the Program Manager of the College Investment Plan. Earnings calculations for Fiscal Year 2016 were as follows:

  July 1, 2015 – June 30, 2016: 7 basis points (.07%) on all College Investment Plan assets with a guaranteed minimum annual payment of $2 million for the remaining life of the Services Agreement with the Program Manager.

Contract Receipts from Participants (in thousands)

Fiscal Year Ended June 30, 2016
$52,540

Fiscal Year Ended June 30, 2015
$51,853

Revenues from enrollment fees have decreased due to a higher number of new enrollments being completed online at a fee of $50 fee versus a fee of $75 by paper/mail, and due to a lower number of completed new enrollments by the end of the fiscal year as compared to the prior year. Fees received from the College Investment Plan decreased approximately 6% from fiscal year 2015 due to a decrease in Plan assets.

ENROLLMENT AND ADMINISTRATIVE FEES (in thousands)

Fiscal Year Ended	June 30, 2016	June 30, 2015
Prepaid College Trust	$ 77	$ 89
College Investment Plan	2,906	3,090
Total	$ 2,983	$ 3,179

INVESTMENTS (in thousands)

	As of June 30, 2016		As of June 30, 2015	
	AMOUNT	PERCENT	AMOUNT	PERCENT
S&P 500 Core	$ 175,476	20.2%	$ 183,959	19.9%
Domestic Large Cap Value	69,177	8.0%	72,886	7.9%
Domestic Large Cap Growth	21	0.0%	74,771	8.1%
Domestic Small Cap Value	69,495	8.0%	79,618	8.6%
Private Equity	17,015	2.0%	15,944	1.7%
International Equity	36,378	4.2%	39,466	4.3%
Developed Markets Equity	64,319	7.4%	57,567	6.2%
Emerging Markets Equity	24,461	2.8%	25,203	2.7%
Intermediate Duration Fixed Income	155,468	17.9%	124,867	13.5%
High Yield Fixed Income	56,152	6.5%	56,374	6.1%
Global Real Estate	39,272	4.5%	35,707	3.9%
Private Real Estate	51,032	5.9%	46,155	5.0%
Emerging Market Debt	80,920	9.3%	78,509	8.5%
Commodities	28,912	3.3%	33,234	3.6%
Total investments	$ 868,098	100.0%	$ 924,260	100.0%

Maryland Prepaid College Trust

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Trust as of June 30, 2016. Net position is defined as total assets less total liabilities. The Statement of Net Position, along with all of the Trust's financial statements, is prepared using the accrual basis of accounting. Under this method of accounting, revenues and assets are recognized when the enrollment materials are received in good order, benefit distributions and refunds are recognized when paid, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Trust classifies assets and liabilities as current and noncurrent. Current assets consist primarily of investments, tuition contracts receivable, as well as cash and cash equivalents. Of these amounts, investments comprise approximately 88% of current assets. Tuition contracts receivable represent virtually all of the noncurrent assets. Current liabilities consist of the current portion of the Trust's accrued tuition benefits. Also included in this category are payments received in advance of their due date, accounts payable and accrued expenses. Noncurrent liabilities consist of accrued tuition benefits.

For the fiscal year ended June 30, 2016, the net position of the Trust decreased by $23.1 million. Several factors contributed to the decrease in net position: Investment performance decreased fund balance by a -0.7% return on investment which was lower than the 7% projected rate of return. An additional factor was a change in the discount rate used to determine the present value of accrued tuition payments from 7% in 2015 to 6.3% in 2016. The Board made this change after a prudent assessment of long-term investment trends through discussions with its investment advisor and actuary. The impact of reducing the discount rate 0.7% negatively impacted net position by approximately $33.4 million. One additional adjustment that impacted the liabilities of the Trust was a change in several assumptions used to value the future assets. Those changes were:

1) an additional assumption for differential tuition assessed at the University of Maryland College Park; and
2) a 3% bias load to the community college Weighted Average Tuition for usage at higher cost schools.

The following chart presents the condensed Statement of Net Position as of June 30, 2016 and June 30, 2015:

(in millions)	As of June 30, 2016	As of June 30, 2015
ASSETS		
Current	$ 986.7	$ 1,007.7
Noncurrent	116.5	117.8
Total	1,103.2	1,125.5
LIABILITIES		
Current	83.6	101.1
Noncurrent	747.0	728.8
Total	830.6	829.9
Net Position	$ 272.5	$ 295.6

Statement of Revenues, Expenses and Changes in Net Position

Changes in net position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present both operating and non-operating revenues received by the Trust and the expenses, gains and losses incurred by the Trust.

Operating revenues consist of tuition contract revenue and administrative fees, both of which are primarily generated by new enrollments in the Trust. Operating expenses are those expenses paid to acquire goods or services and tuition benefits. Non-operating revenues are primarily revenues received from investments.

For the fiscal year ended June 30, 2016, the Trust reported an operating loss of $13.5 million. The loss for fiscal year 2016 was substantially less, than the previous year, a difference of $46.2 million. The loss was the result of tuition benefit expense exceeding tuition contract revenue by $15.1 million in 2016 as opposed to $61.5 million in 2015. This more favorable result was a completion, in 2015, of a multi-year efficiency project to return excess contributions made by account holders. The Trust also saw a decrease in the number of new contracts.

The Board, after careful analysis of tuition and fee increases, reduced the fee increase assumption from 10% to 8% which further reduced tuition contract revenue. Also, as previously described, after making a prudent assessment of long-term investment trends through discussions with its investment advisor the Board determined that a change in the discount rate used to determine the present value of accrued tuition payments from 7.0% in 2015 to 6.3% in 2016 was necessary. Non-operating revenue which includes investment losses of $25.1 million and $15.5 million of other investment income declined $38.5 million from the prior year. This was primarily a result of negative market fluctuations resulting in a return on investment of -0.7% in 2016 versus 2.4% in 2015. Combined, operating loss and non-operating revenue resulted in a decrease in net position of $23.1 million.

The chart below presents the condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2016 and June 30, 2015:

	FISCAL YEAR END	
(in millions)	June 30, 2016	June 30, 2015
OPERATING REVENUES		
Tuition contracts	$ 45.0	$ 55.2
Administrative fees	4.3	4.5
Total	49.3	59.7
OPERATING EXPENSES		
Tuition benefits	60.0	116.8
Administrative expenses	2.8	2.6
Total	62.8	119.4
OPERATING LOSS	**(13.5)**	**(59.7)**
NON-OPERATING REVENUES		
Change in fair value of investments (loss) gain	(25.1)	1.7
Investment income	15.5	27.2
Total	(9.6)	28.9
Change in net position	$ (23.1)	$ (30.8)

Maryland Prepaid College Trust

Statement of Cash Flows

The Statement of Cash Flows presents cash flows by the following categories: operating, investing, and capital and related financing activities. The net cash provided by or used by the Trust by category is also presented.

Increases in cash were due primarily to proceeds from sales of the Trust's investment portfolio to be held as cash or cash equivalents. Decreases in cash were due to tuition benefit payments in excess of contract payments received by account holders.

The condensed Statement of Cash Flows for the fiscal years ended June 30, 2016 and June 30, 2015 is presented below:

(in millions)	FISCAL YEAR END June 30, 2016	June 30, 2015
CASH PROVIDED (USED) BY:		
Operating activities	$ (7.8)	$ (6.7)
Investing activities	46.6	(5.3)
Net change in cash and cash equivalents	38.8	(12.0)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17.1	29.1
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 55.9	$ 17.1

Budgetary Control and Financial Oversight

The Prepaid College Trust is administered by Maryland 529, an independent State agency that does not receive an appropriation from the State of Maryland for the purposes of the college savings plans. The Board, however, in accordance with the enabling legislation for the Prepaid College Trust, prepares and submits an annual budget to the Maryland General Assembly for informational purposes. Also, in accordance with its fiduciary obligations, each quarter, the Board reviews a comparison of actual and budgeted expenditures in connection with its administration of the Trust.

Economic Factors

Long-term variances in projections, particularly for tuition and investment returns, can affect the Trust's financial position. The Board and its actuarial consultant and investment advisor review the assumptions used for tuition increases and projected rate of return on investments at least annually.

This review includes an analysis of prior year trends in tuition prices and investment performance. Specifically, the Board reviewed the weighted average tuition for Maryland resident students at four-year Maryland public universities, which increased 2.02% from the 2015-2016 academic year and 5.5% from the 2014-2015 academic year. The Board also reviewed the rate of return on the Prepaid College Trust investments, which was a loss of -0.7% and 2.4% for fiscal year 2016 and 2015, respectively.

As part of the Board's review of these trends, it consults with its investment advisor and actuary and thoroughly reviews various potential scenarios when developing future projections that it believes to be reasonable. This year's projections were used in developing the Actuarial Soundness Report as of June 30, 2016.

While both the Actuarial Soundness Report and the contract prices are based on many projections, two key projections are those for future tuition prices and investment returns. In fiscal year 2016, the Board's actuary conducted an in-depth experience study to help determine if the Board's assumptions closely correlate with the actual financial environment, and the purchase and distribution figures of the Plan. Based on this study, the Board adjusted two key figures. The first adjustment was lowering the assumed rate of mandatory fees increase from 10% to 8%. The assumed tuition increase remained at 6%. The second was the Board selecting a projected 6.3% annual rate of return for the Actuarial Soundness Report and the calculated prices. These projections reflect the Board's prudent assessment of long-term trends as recommended by the Board's investment advisor and actuary. The Board believes that these key projections, while subject to sudden and unexpected changes in the future, are reasonable.

CAPITAL ASSETS

The Trust had no significant capital asset additions during the fiscal years ended June 30, 2015 and June 30, 2016.

Maryland Prepaid College Trust

STATEMENT OF NET POSITION AS OF JUNE 30, 2016

(amounts in thousands)

	Tuition and Investments	Administration/ Operating	Total
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	$ 45,949	$ 9,986	$ 55,935
Investments, at fair value	868,098	-	868,098
Tuition contracts receivable	61,040	-	61,040
Interest receivable	1,027	-	1,027
Accounts receivable	-	569	569
Total current assets	976,114	10,555	986,669
NONCURRENT ASSETS:			
Capital assets, net	-	14	14
Tuition contracts receivable, net of current portion	116,149	-	116,149
Total noncurrent assets	116,149	14	116,163
Total assets	1,096,853	5,979	1,102,832
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSION			
Deferred contribution related to pensions	-	345	345
Total deferred outflows	-	345	345
Total assets and deferred outflows	1,092,263	10,914	1,103,177
Liabilities			
CURRENT LIABILITIES:			
Accrued tuition benefits	65,172	-	65,172
Advance tuition contract payments	18,257	-	18,257
Accounts payable and accrued expenses	-	125	125
Compensated absences	-	69	69
Total current liabilities	83,429	194	83,623
NONCURRENT LIABILITIES:			
Accrued tuition benefits, net of current portion	745,528	-	745,528
Net Pension Liability	-	1,401	1,401
Total noncurrent liabilities	745,528	1,401	746,929
Total liabilities	828,957	1,595	830,552
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION			
Unamortized investment performance from pensions	-	93	93
Total deferred inflows	-	93	93
Total liabilities and deferred inflows	828,957	1,688	830,645
Net Position			
Net investment in capital assets	-	14	14
Unrestricted:	260,729	9,212	269,941
Restricted:			
Administration	2,577	-	2,577
Total net position	$ 263,306	$ 9,226	$ 272,532

See accompanying Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(amounts in thousands)

	Tuition and Investments	Administration/ Operating	Total
OPERATING REVENUES			
Tuition contracts	$ 44,967	$ -	$ 44,967
Management fee	-	1,315	1,315
Maryland College Investment Plan fees	-	2,906	2,906
Enrollment and other fees	-	77	77
Total operating revenues	44,967	4,298	49,265
OPERATING EXPENSES			
Tuition benefits	60,055	-	60,055
Salaries, wages and benefits	-	1,069	1,069
Pension Expense	-	467	467
Technical and special fees	-	53	53
Communication	-	129	129
Travel	-	14	14
Marketing	-	207	207
Contractual services	-	565	565
Supplies	-	35	35
Fixed charges	-	186	186
Depreciation	-	32	32
Total operating expenses	60,055	2,757	62,812
Operating income (loss)	(15,088)	1,541	(13,547)
NON-OPERATING REVENUES			
Net decrease in the fair value of investments	(25,101)	-	(25,101)
Investment income	15,548	-	15,548
Total non-operating revenues, net	(9,553)	-	(9,553)
Change in net position	(24,641)	1,541	(23,100)
Total net position, beginning of year	287,947	7,685	295,632
Total net position, end of year	$ 263,306	$ 9,226	$ 272,532

See accompanying Notes to Financial Statements.

Maryland Prepaid College Trust

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(amounts in thousands)

	Amount
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from:	
Account holders	$ 52,540
Maryland College Investment Plan fees	2,915
Payments to:	
Employees	(1,302)
Marketing	(168)
Contract vendors	(561)
Communication	(137)
Universities and account holders	(60,857)
Other operating expenses	(262)
Net cash from operating activities	(7,832)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	2
Custodial Fees	(144)
Proceeds from investments	46,775
Net cash from for investing activities	46,632
Net Increase in cash and cash equivalents	38,801
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,134
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 55,935
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:	
Operating loss	$ (13,547)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITES:	
Depreciation	31
EFFECT FROM CHANGE IN NON-CASH OPERATING ASSETS AND LIABILITIES:	
Accounts payable	(203)
Compensated absences	(22)
Accounts receivable	157
Tuition contracts receivable	4,949
Advance contract payments	2,552
Accrued tuition benefits payable	(2,117)
Pension Liability	369
Net cash from operating activities	$ (7,832)
NON-CASH TRANSACTIONS:	
Unrealized loss on investments	$ (33,521)

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016

1. ORGANIZATION AND PURPOSE

The purpose of the Maryland Prepaid College Trust (Trust) is to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. It provides for the payment of tuition and mandatory fees based in part on current costs of Maryland public colleges and universities. An account holder enters into a contract for the future payment of tuition and mandatory fees for a beneficiary. When the beneficiary enrolls in college, the Trust will pay the contract benefits. The beneficiary has 10 years after the projected enrollment year, plus the number of years purchased, to use the contract Benefits. This time period may be extended by any time served in active U.S. military duty. The contract benefits are based on State of Maryland resident rates for Maryland four-year public colleges and universities and in-county rates for Maryland community colleges. Contract benefits can be used towards these costs at any accredited, degree granting, private or out-of-state college or university that is considered a Qualified Higher Education Institution.

The Maryland General Assembly created the Trust during the 1997 legislative session. The Trust is a program of Maryland 529 (formerly the College Savings Plans of Maryland), a component unit and independent agency of the State of Maryland (State), authorized by the Maryland Annotated Code (Code), Education Article, Section 18, Subtitle 19 (Enabling Legislation). The Maryland 529 Board (Board) directs the Trust. The Board consists of 11 members; six of which are ex-officio members. The ex-officio members are the Comptroller of the State of Maryland, the Treasurer of the State of Maryland, the Secretary of Higher Education, the State Superintendent of Schools, the Chancellor of the University System of Maryland, and the Secretary of Disabilities. The five remaining members are public members appointed by the Governor.

By law, the Trust's funds are not considered moneys of the State and may not be deposited into the General Fund of the State of Maryland. Funds remaining in the Trust at the end of any fiscal year remain in the Trust rather than reverting to the State General Fund. In addition, all administrative costs for Maryland 529 (including the Maryland College Investment Plan), are accounted for in the financial statements of the Trust.

Legislation passed in 2000 established an additional financial guarantee that requires the Governor to include in his/her budget the amount of any shortfall of Trust assets needed to pay current contract liabilities. As with all aspects of the Governor's budget, the Maryland General Assembly has final approval of any amount included therein. Based on information contained within the Actuarial Soundness Report dated October 4, 2016 and issued by Gabriel Roeder Smith & Company, as of June 30, 2016, the Governor would not be required to include an amount in any future budget. If a future appropriation would be required and the Maryland General Assembly does not fully fund the budget request, the Board may adjust the terms of subsequent or current contracts to ensure continued actuarial soundness of the Trust. As of June 30, 2016, the Trust assets exceeded its discounted estimated liability for future tuition and mandatory fee payments.

Legislation passed in 1998 and 1999 established tax incentives for Maryland residents participating in the Trust. Contributions made by an account holder to the Trust may be deducted from Maryland State adjusted gross income in an amount up to $2,500 for each contract annually. Contributions made in excess of $2,500 per account in a single year may be carried forward and deducted from an account holder's State adjusted gross income in consecutive future years until the full amount contributed to the account has been deducted. Beginning January 1, 2002, earnings on contributions are tax free for Federal and State purposes when used toward eligible qualified higher education expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The activities operated by the Trust are accounted for as an enterprise fund. An enterprise fund focuses on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator. The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure as of the date of the financial statements. Actual results could differ from those estimates. Therefore, the accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

The Trust's tuition and investment net position is classified as unrestricted assets. It distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Trust's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the Trust are tuition contract payments and enrollment fees. The principal non-operating revenues are investment gains and income.

Maryland Prepaid College Trust

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Trust records revenue for tuition contracts in the year the Trust enters into contracts with the account holder. Tuition contracts receivable is recorded at the present value of future expected contract payments. The Trust uses a 6.3% discount rate, which is based on the anticipated rate of return on investments over the life of the prepaid contract. This rate was adjusted from 7.0% in Fiscal Year 2015. The adjustment reflects the Board's prudent assessment of long-term trends as recommended by the Board's investment advisor. The Trust recognizes revenue for enrollment fees when an enrollment fee is received and the contract is accepted by the Board. Payments received in advance of due dates from account holders are recorded as a deferred liability.

Tuition Contracts Receivable

Tuition contracts receivable as of June 30, 2016 represents management's best estimate of the present value of future contract payments. This is calculated by using a 6.3% discount rate. This rate was adjusted from 7.0% in Fiscal Year 2015. The adjustment reflects the Board's prudent assessment of long-term trends as recommended by the Board's investment advisor.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Capital assets are depreciated on a straight-line basis over the following useful lives:

Computers	3 years
Furniture	10 years
Equipment	5 years
Software	3 years
Perpetual software license	7 years

The capitalization threshold for all capital assets is $500.

Tuition Contracts payable

Tuition contracts payable as of June 30, 2016 as reported on the Statement of Net Position represents management's best estimate of the present value of future tuition benefit payments. This is calculated by using a 6.3% discount rate. This rate was adjusted from 7.0% in Fiscal Year 2015. The adjustment reflects the Board's prudent assessment of long-term trends as recommended by the Board's investment advisor.

Compensated Absences

The Trust accrues for obligations that may arise in connection with compensated absences for annual leave at the current rate. Employees fully vested in all earned but unused annual leave, up to a maximum of 600 hours, are eligible to receive compensation, at the current rate, on termination of State employment.

Risk Management

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illness of employees; and natural disasters. The Trust participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers compensation and certain employee health benefits. In addition, the Trust and the Board are covered under the Maryland Tort Claims Act, Md. State Gov't Code Ann. §§ 12-101 et seq.

The State allocates the cost of providing claims servicing and claims payment by charging a "premium" to the Trust based on a percentage of the Trust's estimated current year payroll or based on the average loss experienced by the Trust. This charge considers recent trends in actual claims experience of the State as a whole and makes provisions for catastrophic losses.

The Trust is also exposed to various risks of loss related to securities fraud.

There have been no significant reductions in insurance coverage from the prior year. There have never been any insurance claims against the Trust; therefore, the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Recent Accounting Pronouncement

GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Trust will be analyzing the effect of this pronouncement and plans to adopt it as applicable by its effective date.

3. DEPOSITS AND INVESTMENTS

Custodial Risk

Cash and cash equivalents consist of amounts maintained in bank accounts controlled by the Trust, pooled cash maintained by the Maryland State Treasurer and overnight investments with original maturities of 90 days or less. Cash deposits of the Trust are made in accordance with the Code, which requires approved depositories to pledge collateral as provided in the Code for these deposits.

As of June 30, 2016, the carrying amount of the Trust's cash and cash equivalents was $55,934,719. This higher balance at the close of fiscal year 2016 was the result of securities sales in the investment portfolio. The bank balance totaled $56,764,250 and pooled cash balance due to be transferred to the State Treasurer of $77,029. The Prepaid College Trust periodically deposits funds into pooled cash accounts maintained by the State Treasurer for the purpose of paying Prepaid College Trust administrative expenses.

4. INVESTMENTS

The Maryland Prepaid College Trust Statement of Investment Policy (Investment Policy), adopted by the Board as required by the Enabling Legislation, allows the Trust to purchase investments including domestic, international and private equities; domestic, foreign and high yield bonds; global real estate equities; private real estate; commodities and other governmental agency instruments, as well as money market deposits based on the Investment Policy's specified portfolio allocation.

The Board approves the portfolio allocation, which considers the investment safety and liquidity characteristics while aiming for the specified yield target of the Trust. It is management's practice to have no investments with longer maturities than what is expected to fund tuition obligations based on actuarial projections.

Investments are stated at fair value. Unrealized appreciation and depreciation on investments due to changes in fair value is recognized in the Trust's operations each year. Investments are valued on a daily basis except for private equity, private real estate and the global REIT fund. Private equity and global REITs are valued no less frequently than monthly and private real estate is valued quarterly ($107,318,430 or 12.4% of net investments as of June 30, 2016).

As of June 30, 2016, the Trust had the following investment maturities (amounts in thousands):

DURATION (amounts in thousands)

Security Type	Fair Value	< 1 Year	1-5 Years	6-10 Years	10-15+ Years
Large Cap Core	$ 175,476	$ 175,476	$ -	$ -	$ -
Large Cap Value	69,177	69,177	-	-	-
Large Cap Growth	21	21	-	-	-
Small Cap Growth	69,495	69,495	-	-	-
International Developed Markets	64,319	64,319	-	-	-
International Equity	36,378	36,378	-	-	-
International Emerging Equity	24,461	24,461	-	-	-
Private Equity	17,015	17,015	-	-	-
Total Bond Market	30,770	30,770	-	-	-
Core Fixed Income	124,700	26,173	57,665	26,047	14,815
High Yield Fixed Income	56,152	56,152	-	-	-
Emerging Market Debt	80,920	80,920	-	-	-
Global Real Estate	39,272	39,272	-	-	-
Private Real Estate	51,032	51,032	-	-	-
Commodities	28,912	28,912	-	-	-
Total	$ 868,098	$ 769,571	$ 57,665	$ 26,047	$ 14,815

Maryland Prepaid College Trust

4. INVESTMENTS (CONTINUED)

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; Level 3 inputs are significant unobservable inputs.

The Trust has the following recurring fair value measurements as of June 30, 2016:

INVESTMENTS BY FAIR VALUE LEVEL (in thousands)

Security Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Large Cap Core	$ 175,476	$ 175,476	$ -	$ -
Large Cap Value	69,177	69,177	-	-
Large Cap Growth	21	21	-	-
Small Cap Growth	69,495	69,495	-	-
International Developed Markets	64,319	64,319	-	-
International Equity	36,378	36,378	-	-
International Emerging Equity	24,461	-	24,461	-
Private Equity	17,015	-	-	17,015
Total Bond Market	30,770	30,770	-	-
Core Fixed Income	124,700	124,700	-	-
High Yield Fixed Income	56,152	-	56,152	-
Emerging Market Debt	80,920	-	80,920	-
Global Real Estate	39,272	-	39,272	-
Private Real Estate	51,032	-	51,032	-
Commodities	28,912	-	28,912	-
Total	$ 868,098	$ 540,522	$ 310,561	$ 17,015

Credit Risk

The investment Policy details the minimum quality standards for the Trust's bond portfolios. The Trust continually monitors the portfolios to ensure the minimum quality standards are met. If a particular portfolio falls below these standards, the Trust monitors the assets and makes prudent changes where required. The Trust's mutual fund investments are not subject to classification by credit risk because the Trust owns units rather than specific securities. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. In reviewing the ratings of the Trust's bond portfolios, the Trust assesses quality based on the highest ratings from two of three ratings agencies utilized by the Trust.

As of June 30, 2016, the holdings in the Trust's bond portfolios were rated as follows:

Fair Value (amounts in thousands)	Average Rating	RATINGS BY ORGANIZATION Moody's	Standard & Poors	Fitch
$ 73,888	AAA	Aaa	AAA	AAA
0	AA+	Aa2	AA+	AA
5,412	AA	Aa3	AA	AA
1,361	AA-	A1	AA-	A+
2,138	A+	A1	A+	A+
6,612	A	A3	A-	A-
10,360	A-	Baa1	BBB+	A-
19,570	BBB+	Baa1	BBB+	BBB+
8,385	BBB	Baa2	BBB	BBB
2,285	BBB-	Baa3	BBB-	BBB-

Concentration of Credit Risk

The Trust's policy for reducing the risk of loss is detailed in the Investment Policy and in the investment guidelines for separately managed accounts. These guidelines limit a single investment to 5% of each bond portfolio's market value, except U.S. Treasury notes and bonds. It also limits a single investment to 7.5% of the equity portfolio's market value. Furthermore, the Investment Policy defines the maximum allocation allowed in a single sector.

Custodial Risk

The Trust's securities are issued in the Trust's name and are maintained in separate accounts held by U.S. Bank, the Trust's custodian since June 30, 2015.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows (amounts in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
CAPITAL ASSETS BEING DEPRECIATED:				
Computers	$ 263	$ -	$ -	$ 263
Furniture	29	-	-	29
Equipment	5	-	-	5
Software	57	-	-	57
Perpetual software license	561	-	-	561
Total capital assets at historical cost	915	-	-	915
LESS ACCUMULATED DEPRECIATION FOR:				
Computers	226	31	-	257
Furniture	21	-	-	21
Equipment	5	-	-	5
Software	57	-	-	57
Perpetual software license	561	-	-	561
Total accumulated depreciation	870	31	-	901
Capital assets, net	$ 45	$ (31)	$ -	$ 14

Maryland Prepaid College Trust

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2016, accounts payable and accrued expenses consisted of the following (amounts in thousands)

Due to vendors	$ 92
Salaries and employee benefits	102
Total	$ 194

7. PENSION AND POST-RETIREMENT BENEFITS

Pensions

Certain employees of the Trust are members of the Maryland State Retirement and Pension System. Employees are members of the Employees Retirement System of the State of Maryland (ERS). ERS is part of the State of Maryland Retirement and Pension System which is considered a multiple employer cost sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of ERS and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources:

- In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.
- In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension and Other Post-Retirement Benefits

Employees of the Trust who were members of the State Employees Retirement or Pension systems on June 30, 1993, continue to participate in the Employees' Retirement and Pension Systems. These systems are part of the Maryland State Retirement and Pension System (the System), and are cost-sharing multiple employer public employee retirement systems. The System, which is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, consists of several plans, which are managed by the Board of Trustees for the System. The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completion of five or ten years of service based on the system in which an employee is enrolled. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of Service Credit, regardless of age. Members of the Pension system may retire with full benefits after attaining the age and years of eligibility service designated by the system in which they are enrolled. The State Employees Retirement and Pension System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202. Employees of the Trust are all members of the State's Contributory Pension System and are required to contribute to the System 7% of their regular salaries and wages. Employer contribution rates are determined by the State annually. The Trust's share of the cost of participation was $143,103 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, due to the full implementation of GASB 68, requiring the reporting of pension liability, the Trust reported a liability of $1,401,417 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Trust's proportion of the ERS net pension liability was based on a projection of the Trust's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2016, the Trust's proportion for ERS was .007 percent. For the year ended June 30, 2016, the Trust recognized pension expense for ERS of $466,936.

The $143,103 reported in our Required Supplementary Information below as deferred outflows of resources related to ERS is resulting from the Trust's contributions subsequent to the measurement date that will be recognized as a reduction of the ERS net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

Years Ended June 30,	Amount
2017	$ 163,000
2018	20,000
2019	28,000
2020	41,000
Net Deferred	$ 252,000

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at **sra.state.md.us/Agency/Downloads/CAFR/**.

Sensitivity of the Trust's proportionate share of the net pension liability to changes in the discount rate

The Trust's proportionate share of the ERS net pension liability calculated using the discount rate of 7.55 percent is $1,401,417. Additionally, the Trust's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) is $2,106,951 or 1-percentage-point higher (8.55 percent) is $979,802.

Other Post Retirement Benefits

Eligible employees of the Trust, as employees of the State, are also entitled to certain healthcare benefits upon retirement. These other post employment benefits are administered by the State Office of Personnel through a trust established by the State to accumulate funds to pay benefits as a cost sharing multiple employer plan. Under the plan, retired employees are able to purchase health insurance benefits with the State paying a portion of the costs. As of June 30, 2016, there were no retirees from the Trust. The Postemployment Health Benefits Trust Fund of the State of Maryland prepares separate audited financial statements and the plan is included in the State's CAFR, both of which can be obtained from the Comptroller of the Maryland.

Maryland Prepaid College Trust

8. TAX EXEMPT STATUS

The Trust is exempt from Federal taxation in accordance with Section 529 of the Internal Revenue Code. Additionally, the Trust is exempt from State and local taxation in accordance with the Enabling Legislation.

9. ACCRUED TUITION BENEFITS

The Trust's consulting actuary independently determines the Trust's actuarial present value of future contract tuition benefit payments. The actuarial calculation is based on the present value of estimated future tuition benefit payments to be made from the Trust, which includes assumptions for future tuition and mandatory fee increases and contract terminations that are determined by the Board and its actuary. The Board, based on an evaluation of historical trends, decreased the fees increase assumption from 10% in 2015 to 8% in 2016. A 6.3% discount rate is used in determining the value of the future contract tuition benefits. This rate was adjusted from 7% in Fiscal Year 2015. The adjustment reflects the Board's prudent assessment of long-term trends as recommended by the Board's investment advisor. The significant assumptions used for this calculation are:

Tuition and Mandatory Fee Increases: The Weighted Average Tuition (WAT) is the in-state or in-county tuition and mandatory fees at each Maryland public college times the number of full- time equivalent in-state or in-county students enrolled at that college, added together. This total is then divided by the number of full-time equivalent in-state or in-county students enrolled at all Maryland public colleges. For the fiscal year ended June 30, 2016, the tuition component of the WAT for Maryland public universities and community colleges is projected to increase 6% per annum, and the mandatory fee component of the WAT is projected to increase 8% per annum, adjusted from 10% based on the Board's evaluation of historical trends. In addition, based on actual benefit usage, the Board adopted a 3% bias load to the community college contract WAT to recognize the bias toward enrollment at more expensive schools.

Investment Return: The actuarial valuation of the Trust fund was determined using an assumed 6.3% rate of return on investments. It is further assumed that the Trust fund is exempt from Federal income tax.

Enrollment of Trust Beneficiaries: It is assumed that beneficiaries will attend college full-time, commencing with their expected matriculation date. Contract beneficiaries are assumed to attend the various colleges and universities in the same proportion as the headcount information that was used to determine the 2015-2016 WAT with an 11% bias load added to university plan contracts.

Bias Load: The term bias load is a reference to the expectation that more beneficiaries of the Trust will attend a Maryland public 4-year university with tuition and mandatory fees that are higher than the WAT. The 11% bias load used relates to the estimated percentage increase in expenditures by the Trust over the WAT as a result of the attendance by beneficiaries at these colleges.

Changes in accrued tuition benefits payable for the year ended June 30, 2016 are as follows (amounts in thousands):

July 1, 2015	Increase	Decrease	June 30, 2016	Amount due within one year
$812,817	$58,739	$60,856	$810,700	$65,172

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability (amounts in thousands)	2016	2015
The Trust's proportionate share of the ERS net pension liability	0.007%	0.005%
The Trust's proportionate share of the ERS net liability	$ 1,401	$ 883
The Trust's covered-employee payroll	$ 830	$ 798
The Trust's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.89%	110.65%
Plan fiduciary net position as a percentage of total pension liability	68.78%	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

Schedule of Contributions (amounts in thousands)	2016	2015
The Trust's contractually required contribution	$ 143	$ 142
The Trust's contribution in relation to the contractually required contribution	$ (143)	$ (142)
Contribution deficiency (excess)	None	None
The Trust's covered-employee payroll	$ 830	$ 798
The Trust's contribution as a percentage of covered-employee payroll	17.25%	17.81%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

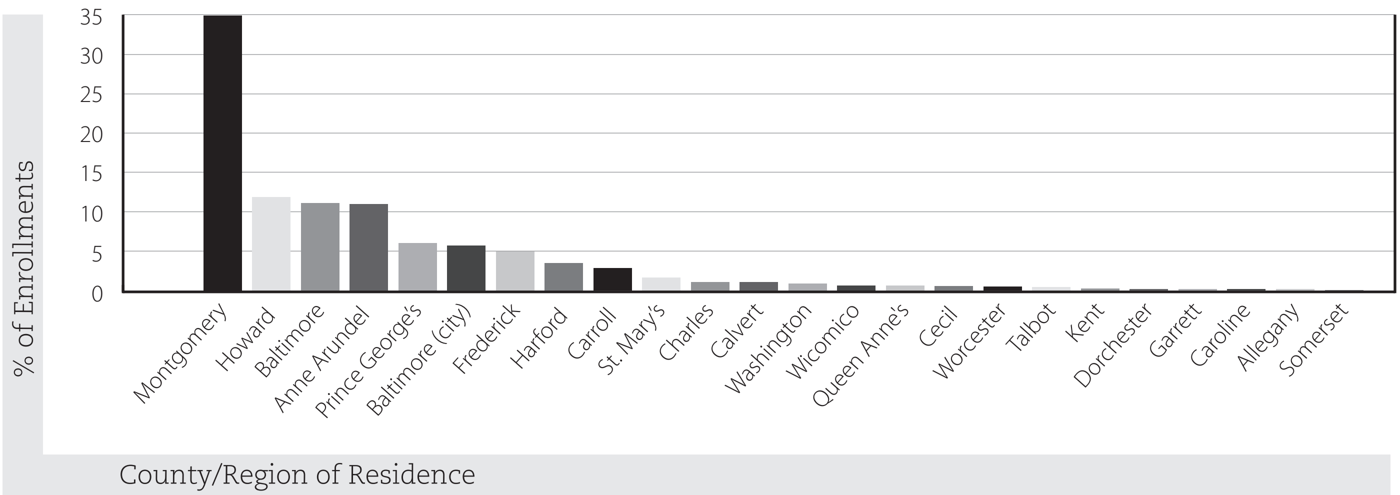
Maryland College Investment Plan

PROFILE OF NEW COLLEGE INVESTMENT PLAN ENROLLMENTS

New Enrollment by County/Region

Of the 26,436 new accounts by Maryland residents in the College Investment Plan for the year ended June 30, 2016, Montgomery County had the highest number of any Maryland county or region at 34% of the total. Approximately 33% of new accounts were concentrated in Baltimore County (11%), Howard County (12%), and Anne Arundel County (10%). The following chart shows a breakdown of the counties and regions of residence for the College Investment Plan account holders.

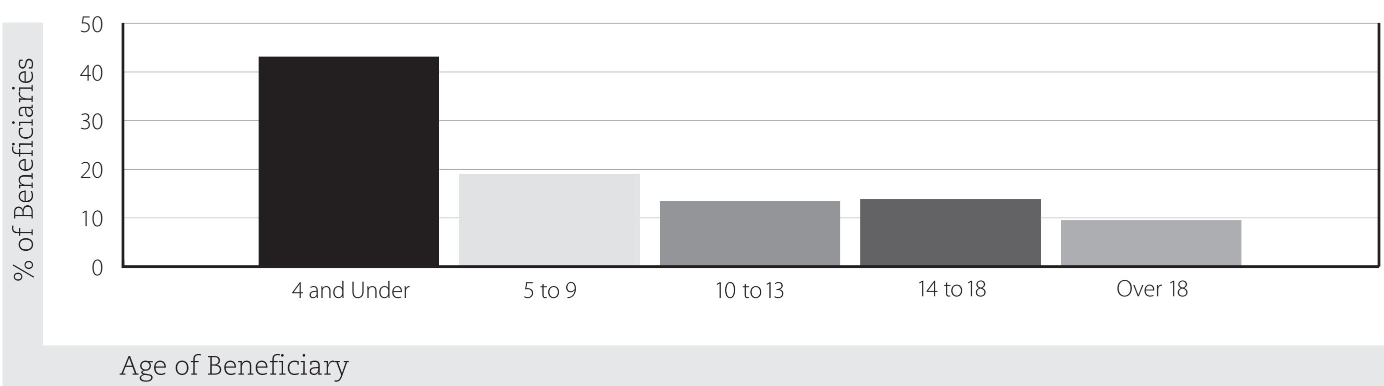
ENROLLMENTS BY COUNTY



Age of New Beneficiaries at time of Enrollment

Approximately 43% of all new beneficiaries were 4 years old or younger, and approximately 63% of beneficiaries were 9 years old or younger. The College Investment Plan permits beneficiaries of any age, with 9% of new beneficiaries over 18 years of age, as shown in the chart below.

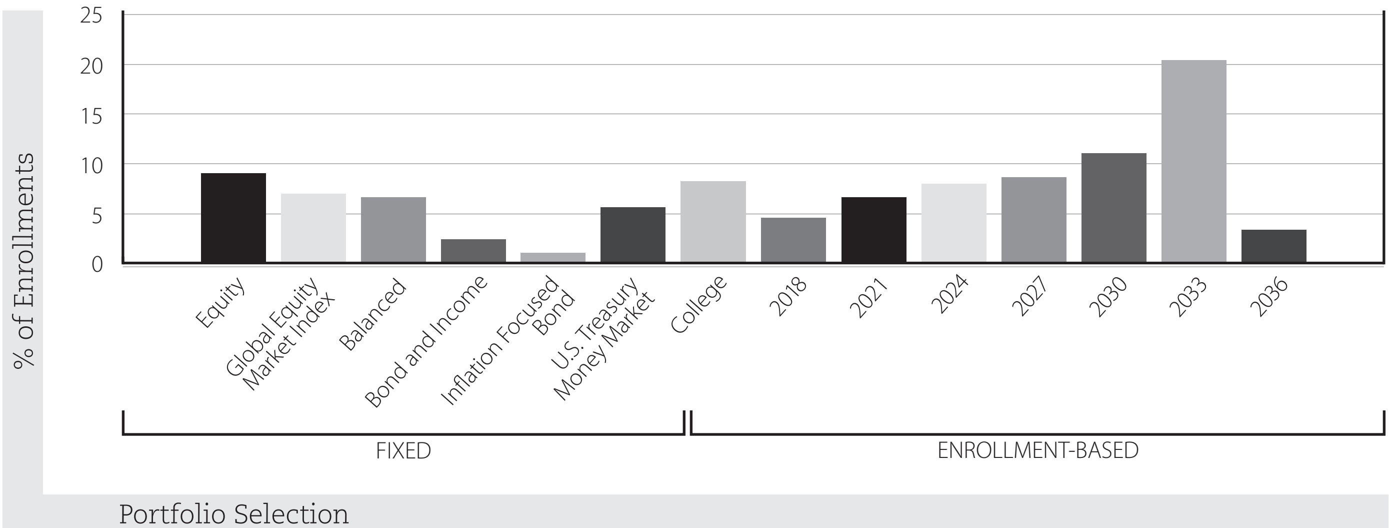
AGE OF BENEFICIARIES



Investment Portfolio Selections

Trends in investment selection by new account holders during the fiscal year show that the Enrollment-Based Portfolios, with investment mixes that generally adjust automatically to be more conservative over time, continue to be a popular choice. Portfolio 2033 was selected for approximately 20% of new accounts, the most of any investment portfolio. Among the Fixed Portfolios, the Equity Portfolio and the Global Equity Market Index Portfolio were also popular choices, having together been selected for approximately 15% of new accounts.

PORTFOLIO SELECTION



Systematic Investing

Approximately 47% of accounts in the College Investment Plan are funded by the automatic monthly contribution feature. Automatic monthly contributions are made by automatically debiting a bank account or making a payroll deduction.

Students Using Accounts toward College Expenses

Many beneficiaries who were enrolled in the College Investment Plan in the initial years after the Plan's launch in December 2001 are now reaching college age. From July 1, 2015, through June 30, 2016, excluding rollovers to other 529 plans, distributions were taken for 19,548 unique beneficiaries totaling approximately $288.9 million.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of
College Savings Plans of Maryland

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position of the Maryland College Investment Plan (the Plan), as of June 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of June 30, 2016, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The other data and information, including the individual portfolio statement of net position as of June 30, 2016, and the individual portfolio statement of operations and changes in net position for the year then ended, in the Annual Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
October 26, 2016

SB + Company, LLC

Maryland College Investment Plan

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the College Investment Plan's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2016. This discussion is designed to provide a general overview of the College Investment Plan operations and the Board's insight into its financial statements. This discussion was prepared by Maryland 529 and should be read in conjunction with the Maryland College Investment Plan's financial statements and notes, which begin on page 51. Inquiries may be directed to the College Investment Plan at **Maryland529.com** or by mailing your request to 217 E. Redwood Street, Suite 1350, Baltimore, MD 21202. The financial statements of the Plan for the fiscal year ended June 30, 2016, have been audited by SB & Company, LLC, which is also the independent public accountant for the State of Maryland.

College Investment Plan Financial Statements and Other Financial Information

The College Investment Plan financial statements were prepared in accordance with generally accepted accounting principles.

The financial statements contained in this Annual Report provide information about the activities of the College Investment Plan as a whole and present a long-term view of the Plan's finances. Portfolio financial statements are presented as Supplementary Information beginning on page 55.

FINANCIAL HIGHLIGHTS BY PORTFOLIO

As of June 30, 2016

General Commentary

To assist in reviewing the performance of the portfolios, we have established a weighted benchmark for each. The weighted benchmark, which varies by portfolio, is an unmanaged composite of the benchmark associated with each asset class and investment style contained within the portfolio. In addition, each asset class benchmark is selected as an appropriate representation of the assets in underlying T. Rowe Price mutual funds and is weighted at the strategic neutral allocation of the asset class within each fund.

Additionally, the portfolios invest in securities that are outside of the designated benchmark. These securities have been strategically incorporated to potentially add long-term performance benefits while also helping to limit portfolio volatility.

Target allocations of Enrollment-Based Portfolios (except the Portfolio for College) shift each quarter to more conservative allocations through increased exposure to fixed income securities.

The following table sets forth the relevant dates for all portfolios. Portfolios are not always open to new investors as of their inception date.

Inception	Portfolio Performance Start Date
Portfolio 2036	November 30, 2015
Portfolio 2033	December 31, 2012
Portfolio 2030	December 31, 2009
Portfolio 2027	June 30, 2006
Portfolio 2024	October 31, 2003
Portfolio 2021	November 26, 2001
Portfolio 2018	November 26, 2001
Portfolio for College	November 26, 2001
Equity Portfolio	November 26, 2001
Global Equity Market Index Portfolio	June 30, 2006
Balanced Portfolio	November 26, 2001
Bond and Income Portfolio	November 26, 2001
Inflation Focused Bond Portfolio	October 31, 2013
U.S. Treasury Money Market Portfolio	December 31, 2009

Further information about the performance of the underlying T. Rowe Price mutual funds, including a thorough review of market conditions and the impact of the portfolio manager's investment strategies on performance, can be found in their annual and semiannual shareholder reports. Copies of the funds' shareholder reports can be obtained through **troweprice.com** *or by calling* **888.4MD.GRAD** *(463.4723). For consistency, numbers have been rounded to the nearest 10th of a percent.*

ASSET DISTRIBUTION 6.30.16

The relative distribution of assets invested by portfolio for the fiscal year ended June 30, 2016, rounded to the nearest tenth of a percent, is shown below. Assets in Enrollment-Based Portfolios composed approximately 74.6% of total Plan assets, which is slightly higher than at the end of fiscal year 2015. The Portfolio for College decreased by 3.1% during the fiscal year, primarily due to withdrawals for beneficiaries who have reached college age. All remaining Enrollment-Based Portfolios grew slightly during the fiscal year, from 0.1% to 0.8%. Among the fixed/static portfolios, the Equity Portfolio declined 0.8%. The Global Equity Market Index Portfolio and the U.S. Treasury Money Market Portfolio each grew 0.2% and 0.3%, respectively. The Bond and Income Portfolio declined 0.1%. The Balanced Portfolio declined 0.2%, and the Inflation Focused Bond Portfolio declined 0.1%.

PORTFOLIO 2036

Performance Comparison as of June 30, 2016

	6 Months	Annualized Since Inception
Portfolio 2036 (1)	**1.93%**	**0.10%**
Weighted Benchmark (2)	2.92%	0.88%

Portfolio 2036 generated a near-flat return and underperformed its weighted benchmark for the since-inception period ended June 30, 2016. (Portfolio 2036 was added to the investment lineup on November 30, 2015; therefore, the following commentary is applicable to the seven months ended June 30, 2016).

The portfolio is focused on long-term capital appreciation. The majority of its assets are held in a diversified selection of U.S. and international stocks, including emerging markets. Later in the portfolio's life cycle, it will incorporate more lower-volatility investments. Initially, this will include the Spectrum Income Fund, a multi-sector income fund that includes investments in high yield bonds, non-U.S. dollar bonds, emerging markets bonds, and dividend-paying stocks. Beginning five years prior to the portfolio's target maturity date, the fixed income component of the portfolio will start to transition to the Short-Term Bond Fund, a shorter-duration U.S. investment-grade bond fund.

The portfolio's underperformance was primarily due to security selection across U.S. large-cap stocks. Within U.S. large-cap stocks, both growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, underperformed their respective style-specific benchmarks. This was partially offset by strong relative performance within our U.S. mid-cap value and small-cap stock portfolios, which outperformed their respective benchmarks. Our international stock portfolios also contributed to relative returns.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the reporting period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

6/30/16

MUTUAL FUND ALLOCATION

	6/30/16
Equity Index 500 Fund	29.6%
Blue Chip Growth Fund	11.2%
Value Fund	10.6%
Overseas Stock Fund	9.4%
International Growth & Income Fund	9.0%
International Stock Fund	8.2%
Small-Cap Stock Fund	6.1%
Emerging Markets Stock Fund	5.4%
Real Assets Fund	3.7%
Mid-Cap Value Fund	3.6%
Mid-Cap Growth Fund	3.2%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—30.70%; Russell 1000 Growth Index—10.24%; Russell 1000 Value Index—10.24%; Russell Midcap Growth Index—3.99%; Russell Midcap Value Index—3.99%; Russell 2000 Index—7.32%; MSCI EAFE (Europe, Australasia, and Far East) Index—24.24%; MSCI Emerging Markets Index—4.28%; and Real Assets Broad Weighted Benchmark—5.00%.

PORTFOLIO 2033

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Portfolio 2033 (1)	**1.83%**	**-2.25%**	**9.88%**
Weighted Benchmark (2)	2.92%	-1.23%	10.04%

Portfolio 2033 generated a single-digit negative return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

The portfolio is focused on long-term capital appreciation. The majority of its assets are held in a diversified selection of U.S. and international stocks, including emerging markets. Later in the portfolio's life cycle, it will incorporate more lower-volatility investments. Initially, this will include the Spectrum Income Fund, a multi-sector income fund that includes investments in high yield bonds, non-U.S. dollar bonds, emerging markets bonds, and dividend-paying stocks. Beginning five years prior to the portfolio's target maturity date, the fixed income component of the portfolio will start to transition to the Short-Term Bond Fund, a shorter-duration U.S. investment-grade bond fund.

The portfolio's underperformance was primarily due to security selection across U.S. large-cap stocks. Within U.S. large-cap stocks, both growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, underperformed their respective style-specific benchmarks. This was partially offset by strong relative performance within our U.S. mid- and small-cap stock portfolios, which outperformed their respective benchmarks. Select international stock portfolios, including the Emerging Markets Stock Fund and International Growth & Income Fund, also aided relative results.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the 12-month period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

6/30/15

6/30/16

MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Equity Index 500 Fund	30.5%	29.7%
Blue Chip Growth Fund	12.0%	11.2%
Value Fund	11.2%	10.6%
Overseas Stock Fund	8.7%	9.4%
International Growth & Income Fund	9.4%	8.9%
International Stock Fund	7.9%	8.2%
Small-Cap Stock Fund	4.5%	6.1%
Emerging Markets Stock Fund	5.1%	5.4%
Real Assets Fund	3.8%	3.7%
Mid-Cap Value Fund	3.6%	3.6%
Mid-Cap Growth Fund	3.3%	3.2%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—30.70%; Russell 1000 Growth Index—10.24%; Russell 1000 Value Index—10.24%; Russell Midcap Growth Index—3.99%; Russell Midcap Value Index—3.99%; Russell 2000 Index—7.32%; MSCI EAFE (Europe, Australasia, and Far East) Index—24.24%; MSCI Emerging Markets Index—4.28%; and Real Assets Broad Weighted Benchmark—5.00%.

PORTFOLIO 2030

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Portfolio 2030(1)	**1.98%**	**-2.16%**	**10.00%**
Weighted Benchmark(2)	3.03%	-1.12%	10.08%

Portfolio 2030 generated a single-digit negative return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

The portfolio is focused on long-term capital appreciation. The majority of its assets are held in a diversified selection of U.S. and international stocks, including emerging markets. Later in the portfolio's life cycle, it will incorporate more lower-volatility investments. Initially, this will include the Spectrum Income Fund, a multi-sector income fund that includes investments in high yield bonds, non-U.S. dollar bonds, emerging markets bonds, and dividend-paying stocks. Beginning five years prior to the portfolio's target maturity date, the fixed income component of the portfolio will start to transition to the Short-Term Bond Fund, a shorter-duration U.S. investment-grade bond fund.

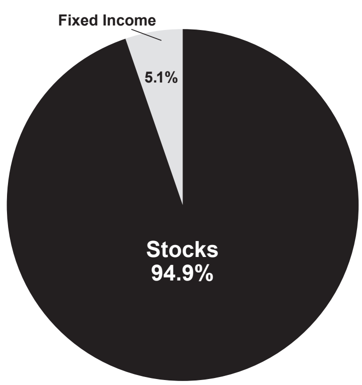
The portfolio's underperformance was primarily due to security selection across U.S. large-cap stocks. Within U.S. large-cap stocks, both growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, underperformed their respective style-specific benchmarks. This was partially offset by strong relative performance within our U.S. mid- and small-cap stock portfolios, which outperformed their respective benchmarks. Select international stock portfolios, including the Emerging Markets Stock Fund and International Growth & Income Fund, also aided relative results.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the 12-month period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

6/30/15

6/30/16



MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Equity Index 500 Fund	30.5%	29.7%
Blue Chip Growth Fund	12.0%	11.2%
Value Fund	11.2%	10.6%
Overseas Stock Fund	8.7%	9.4%
International Growth & Income Fund	9.4%	8.9%
International Stock Fund	7.9%	8.2%
Small-Cap Stock Fund	4.5%	6.1%
Emerging Markets Stock Fund	5.1%	5.4%
Real Assets Fund	3.8%	3.7%
Mid-Cap Value Fund	3.6%	3.6%
Mid-Cap Growth Fund	3.3%	3.2%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—30.70%; Russell 1000 Growth Index—10.24%; Russell 1000 Value Index—10.24%; Russell Midcap Growth Index—3.99%; Russell Midcap Value Index—3.99%; Russell 2000 Index—7.32%; MSCI EAFE (Europe, Australasia, and Far East) Index—24.24%; MSCI Emerging Markets Index—4.28%; and Real Assets Broad Weighted Benchmark—5.00%.

PORTFOLIO 2027

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Portfolio 2027[1]	**2.77%**	**-1.06%**	**5.94%**
Weighted Benchmark[2]	3.45%	0.06%	5.76%

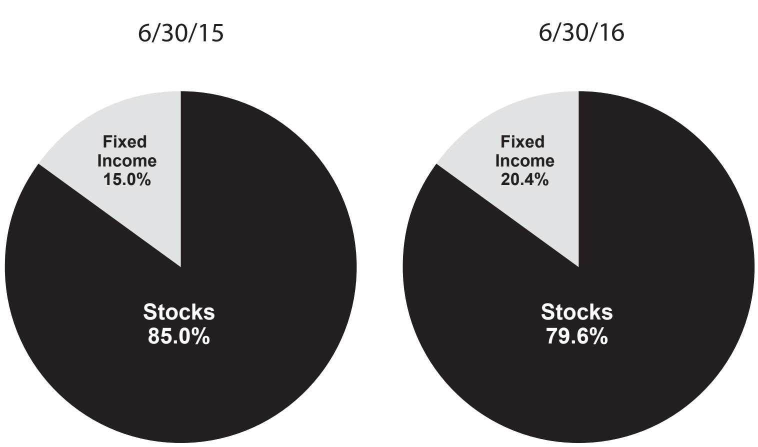
Portfolio 2027 generated a single-digit negative return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

The portfolio is focused on long-term capital appreciation. The majority of its assets are held in a diversified selection of U.S. and international stocks, including emerging markets. The portfolio has an allocation to lower-volatility investments. Currently, this includes a 20% allocation to the Spectrum Income Fund, a multi-sector income fund that includes investments in high yield bonds, non-U.S. dollar bonds, emerging markets bonds, and dividend-paying stocks. Beginning five years prior to the portfolio's target maturity date, the fixed income component of the portfolio will start to transition to the Short-Term Bond Fund, a shorter-duration U.S. investment-grade bond fund.

The portfolio's underperformance was primarily due to security selection across U.S. large-cap stocks. Within U.S. large-cap stocks, both growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, underperformed their respective style-specific benchmarks. The Spectrum Income Fund also underperformed its style-specific benchmark, the Barclays U.S. Aggregate Bond Index, due to weak security selection within some of the underlying portfolios. This was partially offset by strong relative performance within our U.S. mid- and small-cap stock portfolios, which outperformed their respective benchmarks. Select international stock portfolios, including the Emerging Markets Stock Fund and International Growth & Income Fund, also aided relative results.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the 12-month period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.



MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Equity Index 500 Fund	25.9%	23.7%
Spectrum Income Fund	14.6%	20.4%
Blue Chip Growth Fund	10.2%	8.9%
Value Fund	9.5%	8.4%
Overseas Stock Fund	7.4%	7.5%
International Growth & Income Fund	8.0%	7.1%
International Stock Fund	6.8%	6.5%
Small-Cap Stock Fund	3.8%	4.8%
Emerging Markets Stock Fund	4.3%	4.3%
Real Assets Fund	3.2%	2.9%
Mid-Cap Value Fund	3.1%	2.9%
Mid-Cap Growth Fund	2.8%	2.6%
Limited Duration Inflation Focused Bond Fund	0.4%	0.0%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—24.59%; Russell 1000 Growth Index—8.19%; Russell 1000 Value Index—8.19%; Russell Midcap Growth Index—3.19%; Russell Midcap Value Index—–3.19%; Russell 2000 Index—5.85%; MSCI EAFE (Europe, Australasia, and Far East) Index—19.38%; MSCI Emerging Markets Index—3.42%; Barclays U.S. Aggregate Bond Index—20.00%; and Real Assets Broad Weighted Benchmark—4.00%.

PORTFOLIO 2024

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Portfolio 2024 (1)	**3.53%**	**0.00%**	**6.75%**
Weighted Benchmark (2)	3.86%	1.25%	6.65%

Portfolio 2024 generated a flat absolute return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

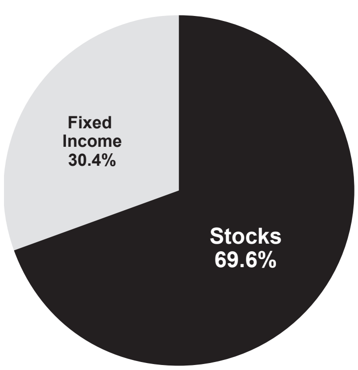
The portfolio is focused on long-term capital appreciation. The majority of its assets are held in a diversified selection of U.S. and international stocks, including emerging markets. The portfolio has an allocation to lower-volatility investments. Currently, this includes an allocation to the Spectrum Income Fund, a multi-sector income fund that includes investments in high yield bonds, non-U.S. dollar bonds, emerging markets bonds, and dividend-paying stocks. Beginning five years prior to the portfolio's target maturity date, the fixed income component of the portfolio will start to transition to the Short-Term Bond Fund, a shorter-duration U.S. investment-grade bond fund.

The portfolio's underperformance was primarily due to security selection across U.S. large-cap stocks. Within U.S. large-cap stocks, both growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, underperformed their respective style-specific benchmarks. The Spectrum Income Fund also underperformed its style-specific benchmark, the Barclays U.S. Aggregate Bond Index, due to weak security selection within some of the underlying portfolios. This was partially offset by strong relative performance within our U.S. mid- and small-cap stock portfolios, which outperformed their respective benchmarks. Select international stock portfolios, including the Emerging Markets Stock Fund and International Growth & Income Fund, also aided relative results.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the 12-month period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

6/30/2015



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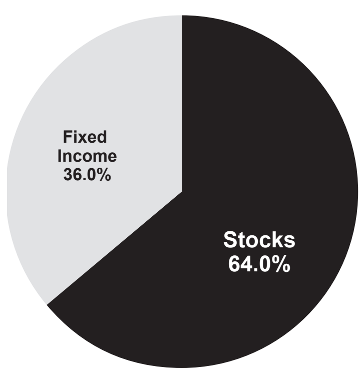


MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Equity Index 500 Fund	21.3%	19.0%
Spectrum Income Fund	30.0%	36.0%
Blue Chip Growth Fund	8.3%	7.2%
Value Fund	7.8%	6.8%
Overseas Stock Fund	6.0%	6.0%
International Growth & Income Fund	6.5%	5.7%
International Stock Fund	5.5%	5.3%
Small-Cap Stock Fund	3.1%	3.9%
Emerging Markets Stock Fund	3.6%	3.4%
Real Assets Fund	2.6%	2.3%
Mid-Cap Value Fund	2.5%	2.3%
Mid-Cap Growth Fund	2.3%	2.1%
Limited Duration Inflation Focused Bond Fund	0.5%	0.0%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—19.80%; Russell 1000 Growth Index—6.61%; Russell 1000 Value Index—6.61%; Russell Midcap Growth Index—2.57%; Russell Midcap Value Index—2.57%; Russell 2000 Index—4.72%; MSCI EAFE (Europe, Australasia, and Far East) Index—15.63%; MSCI Emerging Markets Index—2.76%; Barclays U.S. Aggregate Bond Index—35.50%; and Real Assets Broad Weighted Benchmark—3.23%.

PORTFOLIO 2021

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Portfolio 2021 (1)	**4.38%**	**1.16%**	**5.59%**
Weighted Benchmark (2)	4.30%	2.57%	5.69%

Portfolio 2021 generated a low-single-digit absolute return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

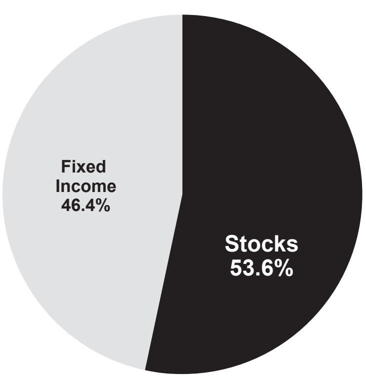
The portfolio systematically increases its allocation to fixed income investments as part of its long-term strategy of becoming more conservative over time. Currently, that allocation is focused on the Spectrum Income Fund, a multi-sector bond fund that includes investments in high yield bonds, non-U.S. dollar bonds, emerging markets bonds, and dividend-paying stocks. Beginning five years prior to the portfolio's target maturity date, the fixed income component of the portfolio will start to transition to the Short-Term Bond Fund, a shorter-duration U.S. investment-grade bond fund.

The portfolio's underperformance was primarily due to the Spectrum Income Fund, which underperformed its style-specific benchmark, the Barclays U.S. Aggregate Bond Index, due to weak security selection within some of the underlying portfolios. Security selection across U.S. large-cap stocks also contributed to relative underperformance. Within U.S. large-cap stocks, both growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, trailed their respective style-specific benchmarks. This was partially offset by strong relative performance within certain international stock portfolios, including the Emerging Markets Stock Fund and International Growth & Income Fund.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the 12-month period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

6/30/2015



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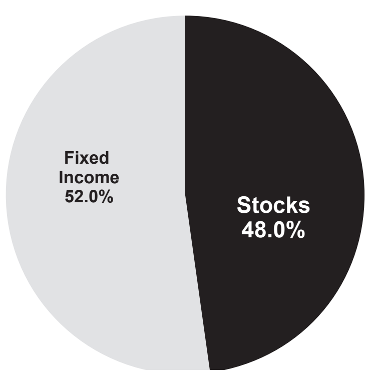


MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Equity Index 500 Fund	16.4%	18.1%
Spectrum Income Fund	46.0%	50.0%
Blue Chip Growth Fund	6.4%	4.9%
Value Fund	6.0%	4.6%
Overseas Stock Fund	4.6%	4.1%
International Growth & Income Fund	5.0%	3.9%
International Stock Fund	4.2%	3.6%
Small-Cap Stock Fund	2.4%	2.4%
Emerging Markets Stock Fund	2.7%	1.9%
Real Assets Fund	2.0%	1.7%
Mid-Cap Value Fund	2.0%	1.4%
Mid-Cap Growth Fund	1.8%	1.4%
Limited Duration Inflation Focused Bond Fund	0.5%	2.0%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—18.92%; Russell 1000 Growth Index—4.45%; Russell 1000 Value Index—4.45%; Russell Midcap Growth Index—1.64%; Russell Midcap Value Index—1.64%; Russell 2000 Index—3.00%; MSCI EAFE (Europe, Australasia, and Far East) Index—10.53%; MSCI Emerging Markets Index—1.44%; Barclays U.S. Aggregate Bond Index—50.00%; Barclays U.S. 1–5 Year Treasury TIPS Index—1.50%; and Real Assets Broad Weighted Benchmark—2.43%. Benchmark performance commenced on November 30, 2001, for the Investment Portfolios with an inception date of November 26, 2001.

PORTFOLIO 2018

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Portfolio 2018 (1)	**3.39%**	**1.54%**	**5.43%**
Weighted Benchmark (2)	3.57%	2.85%	5.45%

Portfolio 2018 generated a low-single-digit absolute return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

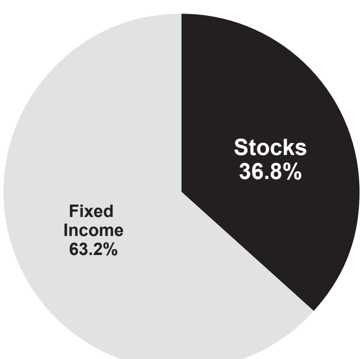
The portfolio systematically increases its allocation to fixed income investments as part of its long-term strategy of becoming more conservative over time. Approximately two-thirds of the portfolio is invested in fixed income investments. These investments comprise the Short-Term Bond Fund, a shorter-duration U.S. investment-grade bond fund; the Spectrum Income Fund, a multi-sector bond fund that includes investments in high yield bonds, non-U.S. dollar bonds, emerging markets bonds, and dividend-paying stocks; and the Limited Duration Inflation Focused Bond Fund, which invests in short- and intermediate-term investment-grade inflation-linked securities.

Security selection within the portfolio was the primary detractor from relative performance. Due to the portfolio's relatively more conservative nature, it has a higher fixed income allocation through a multi-sector strategy. That particular strategy, the Spectrum Income Fund, underperformed its style-specific benchmark, the Barclays U.S. Aggregate Bond Index, due to security selection within some of the underlying portfolios. U.S. large-cap stocks in growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, underperformed their respective style-specific benchmarks. However, the portfolio's decreasing allocation to stocks in favor of fixed income helped offset this negative impact.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the 12-month period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

6/30/2015



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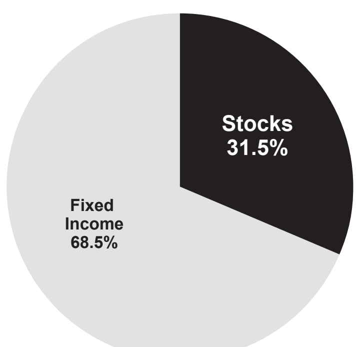

MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Short-Term Bond Fund	16.0%	23.6%
Equity Index 500 Fund	21.2%	21.3%
Spectrum Income Fund	33.6%	22.9%
Blue Chip Growth Fund	3.1%	1.8%
Value Fund	2.8%	1.5%
Overseas Stock Fund	2.2%	1.8%
International Growth & Income Fund	2.4%	1.7%
International Stock Fund	2.1%	1.6%
Emerging Markets Stock Fund	0.6%	0.3%
Real Assets Fund	1.4%	1.1%
Mid-Cap Value Fund	0.5%	0.2%
Mid-Cap Growth Fund	0.5%	0.2%
Limited Duration Inflation Focused Bond Fund	13.6%	22.0%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—22.59%; Russell 1000 Growth Index—0.98%; Russell 1000 Value Index—0.98%; Russell Midcap Growth Index—0.31%; Russell Midcap Value Index—0.31%; Russell 2000 Index—0.57%; MSCI EAFE (Europe, Australasia, and Far East) Index—4.05%; MSCI Emerging Markets Index—0.13%; Barclays U.S. Aggregate Bond Index—23.00%; Barclays 1–3 Year Government/Credit Index—24.00%; Barclays U.S. 1–5 Year Treasury TIPS Index—21.50%; and Real Assets Broad Weighted Benchmark—1.58%. Benchmark performance commenced on November 30, 2001, for the Investment Portfolios with an inception date of November 26, 2001.

PORTFOLIO FOR COLLEGE

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Portfolio for College (1)	**2.49%**	**1.58%**	**3.16%**
Weighted Benchmark (2)	2.76%	2.09%	3.23%

The Portfolio for College generated a low-single-digit absolute return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

The portfolio invests in a diversified blend of fixed income securities, representing about 80% of assets. It also holds about a 20% allocation in stocks, mostly in the Equity Index 500 Fund. This structure is designed to allow investors to generate growth in their college savings accounts while minimizing the risk of principal loss through a combination of diversification and conservative fixed income investments. The Equity Index 500 Fund, which invests in all S&P 500 companies and closely tracks the index's performance, generated a single-digit positive return.

Security selection detracted from relative performance. Roughly half of the portfolio's fixed income allocation is invested in the Limited Duration Inflation Focused Bond Fund, which holds short- and intermediate-term investment-grade inflation-linked securities, including Treasury inflation protected securities (TIPS), as well as corporate, government, and mortgage- and asset-backed securities. The fund underperformed its style-specific benchmark due to yield curve positioning in TIPS. Inflation protected bonds faced a difficult environment in the past year due to low inflation, low or negative real yields, and falling inflation expectations, which caused these securities to underperform.

The balance of the portfolio's fixed income allocation is invested in the Short-Term Bond Fund, which primarily holds investment-grade corporate, government, and mortgage-backed debt securities. The fund outperformed its style-specific benchmark, lifted by sector allocation and favorable positioning in the maturities of its holdings.

The portfolio has exposure to international stocks through small allocations to the Overseas Stock Fund, International Growth & Income Fund, and International Stock Fund. From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our real assets stocks exposure, while small, still lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

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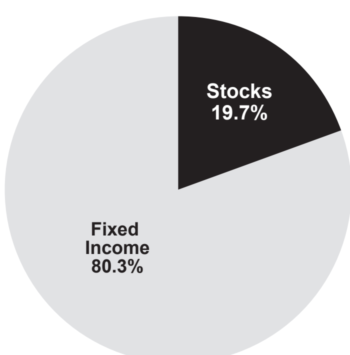

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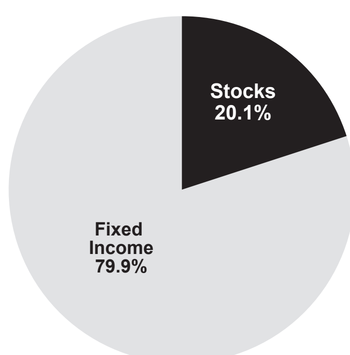


MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Short-Term Bond Fund	39.6%	39.8%
Equity Index 500 Fund	16.5%	16.6%
Overseas Stock Fund	0.8%	0.9%
International Growth & Income Fund	0.8%	0.9%
International Stock Fund	0.8%	0.9%
Real Assets Fund	0.8%	0.8%
Limited Duration Inflation Focused Bond Fund	40.7%	40.1%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—17.11%; MSCI EAFE (Europe, Australasia, and Far East) Index—1.89%; Barclays 1–3 Year Government/Credit Index—40.00%; Barclays U.S. 1–5 Year Treasury TIPS Index—40.00%; and Real Assets Broad Weighted Benchmark—1.00%. Benchmark performance commenced on November 30, 2001, for the Investment Portfolios with an inception date of November 26, 2001.

EQUITY PORTFOLIO

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Equity Portfolio(1)	**1.85%**	**-2.20%**	**6.03%**
Weighted Benchmark(2)	2.92%	-1.23%	6.12%

The Equity Portfolio generated a single-digit negative return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

The portfolio is focused on long-term capital appreciation. The majority of its assets are held in a diversified selection of U.S. and international stocks, including emerging markets. The portfolio's underperformance was primarily due to security selection across U.S. large-cap stocks. Within U.S. large-cap stocks, both growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, underperformed their respective style-specific benchmarks. This was partially offset by strong relative performance within our U.S. mid- and small-cap stock portfolios, which outperformed their respective benchmarks. Select international stock portfolios, including the Emerging Markets Stock Fund and International Growth & Income Fund, also aided relative results.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks over the 12-month period. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

6/30/2015

6/30/16

MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Equity Index 500 Fund	30.5%	29.7%
Blue Chip Growth Fund	12.0%	11.2%
Value Fund	11.2%	10.6%
Overseas Stock Fund	8.7%	9.4%
International Growth & Income Fund	9.4%	8.9%
International Stock Fund	7.9%	8.2%
Small-Cap Stock Fund	4.5%	6.1%
Emerging Markets Stock Fund	5.1%	5.4%
Real Assets Fund	3.8%	3.7%
Mid-Cap Value Fund	3.6%	3.6%
Mid-Cap Growth Fund	3.3%	3.2%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—30.70%; Russell 1000 Growth Index—10.24%; Russell 1000 Value Index—10.24%; Russell Midcap Growth Index—3.99%; Russell Midcap Value Index—3.99%; Russell 2000 Index—7.32%; MSCI EAFE (Europe, Australasia, and Far East) Index—24.24%; MSCI Emerging Markets Index—4.28%; and Real Assets Broad Weighted Benchmark—5.00%. Benchmark performance commenced on November 30, 2001, for the Investment Portfolios with an inception date of November 26, 2001.

GLOBAL EQUITY MARKET INDEX PORTFOLIO

Performance Comparison as of June 30, 2016

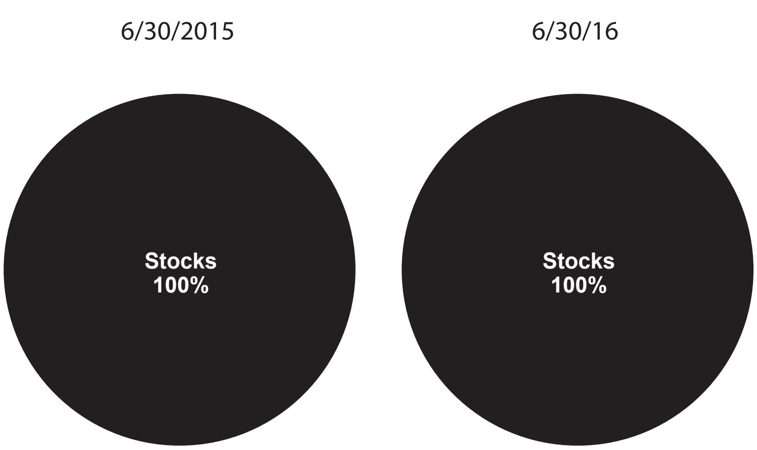
	6 Months	12 Months	Annualized Since Inception
Global Equity Market Index Portfolio[1]	**1.27%**	**-1.97%**	**6.27%**
Weighted Benchmark[2]	1.36%	-1.40%	6.62%

The Global Equity Market Index Portfolio generated a single-digit negative return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016. Portfolio performance tends to slightly lag that of the benchmark due to operating and management expenses.

The portfolio holds roughly two-thirds of its assets in the Total Equity Market Index Fund and one-third of its assets in the International Equity Index Fund. Because these are passively managed index funds, each fund's sector allocations are consistent with those of its respective benchmark. The portfolio does not become more conservative over time.

The Total Equity Market Index Fund represents the entire U.S. stock market and offers broad exposure to large-, mid-, and small-cap companies. Stocks in the S&P 500 represent about 80% of the S&P Total Equity Market Index's overall value. U.S. stocks posted a slight gain over the past year, aided by improving economic data, a rebound in oil prices starting in February, and assurances from the Federal Reserve that it would move cautiously in raising interest rates. Among the S&P 500 sectors, utilities and telecommunication services performed the best as investors sought dividend-paying stocks. Financials fell the most as low interest rates globally and financial markets volatility weighed on earnings for many companies. Mid- and large-cap stocks outperformed small-cap stocks.

The International Equity Index Fund invests in non-U.S. companies in developed markets by closely matching the structure of its benchmark, the FTSE All World Developed ex North America Index. Virtually all developed markets outside the U.S. fell over the past year amid uneven global economic growth and uncertainty following the UK's decision to leave the European Union, otherwise known as Brexit. European markets declined as investors deemed that Brexit-induced uncertainty would jeopardize the region's fragile recovery. UK stocks fell sharply as the pound weakened 15% against the dollar, while markets in Germany and France also retreated. Japanese shares declined as the yen surged more than 19% against the dollar, hurting the outlook for exporters and Japan's already tepid recovery.



MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Total Equity Market Index Fund	67.3%	67.1%
International Equity Index Fund	32.7%	32.9%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P Total Market Index—70.00% and FTSE All World Developed ex North America Index—30.00%.

BALANCED PORTFOLIO

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Balanced Portfolio(1)	**3.92%**	**1.14%**	**6.22%**
Weighted Benchmark(2)	4.61%	2.01%	5.95%

The Balanced Portfolio generated a low-single-digit positive return and underperformed its weighted benchmark over the 12-month period ended June 30, 2016.

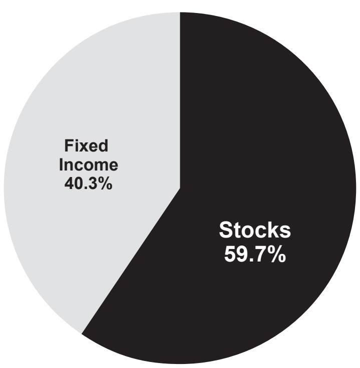
The portfolio's underperformance was primarily due to security selection across U.S. large-cap stocks. Within U.S. large-cap stocks, both growth and value portfolios, including the Blue Chip Growth Fund and Value Fund, underperformed their respective style-specific benchmarks. This was partially offset by strong relative performance within our U.S. mid- and small-cap stock portfolios, which outperformed their respective benchmarks. Select international stock portfolios, including the Emerging Markets Stock Fund and International Growth & Income Fund, also aided relative results.

The portfolio's fixed income allocation, which represents about 40% of assets, detracted from relative performance due to security selection. The New Income Fund and International Bond Fund both underperformed their respective benchmarks.

From an allocation perspective, an overweight to international relative to U.S. stocks detracted from relative performance as U.S. stocks outperformed international stocks. The portfolio reduced its overweight to international stocks as the prospects for improved earnings growth have moderated with lowered global growth expectations. An underweight to U.S. small-cap stocks benefited performance as small-cap stocks continued to underperform their large-cap counterparts.

The inclusion of diversifying sectors—particularly an exposure to real assets—contributed to relative performance. Our exposure to real assets stocks lifted relative results as oil, metal, and agricultural commodity prices rallied and real estate investment trusts posted solid returns.

6/30/2015



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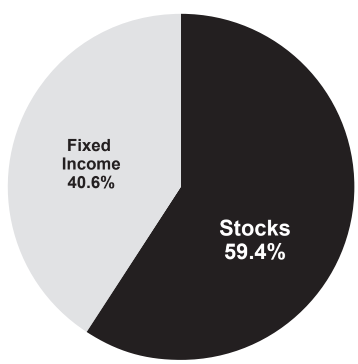


MUTUAL FUND ALLOCATION

	6/30/14	6/30/15
New Income Fund	27.5%	28.4%
Equity Index 500 Fund	18.2%	17.6%
Blue Chip Growth Fund	7.1%	6.7%
Value Fund	6.7%	6.3%
Overseas Stock Fund	5.2%	5.6%
International Growth & Income Fund	5.6%	5.3%
International Stock Fund	4.7%	4.9%
Emerging Markets Bond Fund	4.0%	4.2%
High Yield Fund	4.8%	4.0%
International Bond Fund	3.5%	4.0%
Small-Cap Stock Fund	2.7%	3.6%
Emerging Markets Stock Fund	3.1%	3.2%
Real Assets Fund	2.2%	2.2%
Mid-Cap Value Fund	2.2%	2.1%
Mid-Cap Growth Fund	2.0%	1.9%
Limited Duration Inflation Focused Bond Fund	0.5%	0.0%

(1) Performance information reflected is net of fees and expenses.

(2) As of June 30, 2016, the weighted benchmark was composed of: S&P 500 Index—18.42%; Russell 1000 Growth Index—6.14%; Russell 1000 Value Index—6.14%; Russell Midcap Growth Index—2.39%; Russell Midcap Value Index—2.39%; Russell 2000 Index—4.40%; MSCI EAFE (Europe, Australasia, and Far East) Index—14.55%; MSCI Emerging Markets Index—2.57%; Barclays U.S. Aggregate Bond Index—28.00%; Real Assets Broad Weighted Benchmark—3.00%; Credit Suisse High Yield Index—4.00%; IBF Custom Blended Benchmark—4.00%; and J.P. Morgan Emerging Markets Bond Index Global—4.00%. Benchmark performance commenced on November 30, 2001, for the Investment Portfolios with an inception date of November 26, 2001.

BOND AND INCOME PORTFOLIO

Performance Comparison as of June 30, 2016

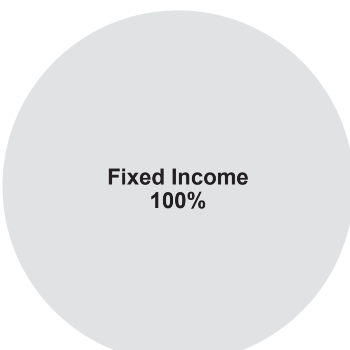
	6 Months	12 Months	Annualized Since Inception
Bond and Income Portfolio[1]	**6.91%**	**4.58%**	**5.89%**
Barclays U.S. Aggregate Bond Index	5.31%	6.00%	4.85%

The Bond and Income Portfolio generated a single-digit positive return and underperformed its benchmark, the Barclays U.S. Aggregate Bond Index, over the 12-month period ended June 30, 2016.

The portfolio invests in the Spectrum Income Fund, which holds a diverse array of fixed income mutual funds and an income-oriented stock mutual fund. This allocation blends core investment-grade bonds included in the benchmark with out-of-benchmark securities from diversifying sectors, such as high yield bonds, non-U.S. dollar-denominated bonds, emerging markets bonds, and dividend-paying stocks.

Security selection within the underlying portfolios was the primary detractor from relative performance. Specifically, the High Yield Fund, International Bond Fund, New Income Fund, and Equity Income Fund all underperformed their style-specific benchmarks. Tactical positioning also weighed on relative performance. This was principally due to an underweight to long-term U.S. Treasuries, which generated strong returns as interest rates fell, and an overweight to floating rate bonds. Finally, the inclusion of diversifying asset classes such as high yield and short-term bonds and dividend-paying stocks detracted from relative performance, though the inclusion of nondollar bonds and long-term Treasuries helped offset this impact.

6/30/2015



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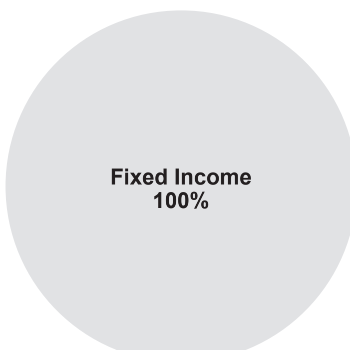


MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Spectrum Income Fund	100%	100%

(1) Performance information reflected is net of fees and expenses.

INFLATION FOCUSED BOND PORTFOLIO

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
Inflation focused Bond Portfolio(1)	**2.59%**	**1.24%**	**2.13%**
Barclays 1–5 Year U.S. Treasury TIPS Index	3.12%	1.86%	2.27%

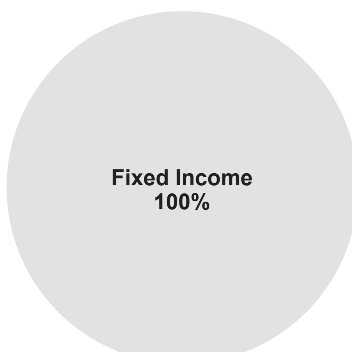
The Inflation Focused Bond Portfolio generated a low-single-digit positive return and underperformed its benchmark, the Barclays U.S. 1–5 Year Treasury TIPS Index, over the 12-month period ended June 30, 2016.

The portfolio invests all of its assets in the Limited Duration Inflation Focused Bond Fund, which primarily invests in short- and intermediate-term investment-grade inflation-linked securities, including Treasury inflation protected securities (TIPS), as well as corporate, government, and mortgage- and asset-backed debt. The fund can invest in bonds of any maturity or duration, but normally maintains its duration within plus or minus two years of the duration of the Barclays U.S. 1–5 Year Treasury TIPS Index. Compared with strategies benchmarked to the full TIPS index, the fund's shorter duration should provide some protection in a rising rate environment. The fund periodically invests in inflation-indexed bonds outside the U.S., since these securities provide diversification and, in most cases, offer higher yields than comparable TIPS.

The fund trailed its style-specific benchmark due to underweight allocation to shorter-maturity TIPS, which are more sensitive to swings in energy prices and detracted from performance as oil prices rebounded in early 2016. Its absolute returns were constrained by the difficult environment for inflation protected bonds over the past year due to low inflation, low or negative real yields, and falling inflation expectations.

6/30/2015

6/30/16



MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
Limited Duration Inflation Focused Bond Fund	100.0%	100.0%

(1) Performance information reflected is net of fees and expenses.

U.S. TREASURY MONEY MARKET PORTFOLIO

Performance Comparison as of June 30, 2016

	6 Months	12 Months	Annualized Since Inception
US Treasury Money Market Portfolio[1]	**0.00%**	**0.00%**	**0.00%**
Citigroup 3-Month Treasury Bill Index	0.12%	0.14%	0.08%

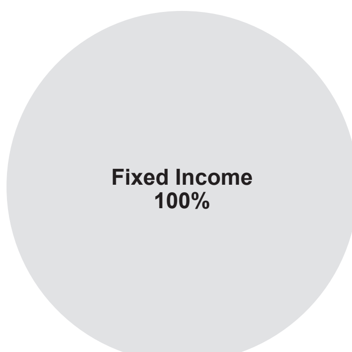
The U.S. Treasury Money Market Portfolio generated a flat return for the 12 months ended June 30, 2016, reflecting a very low interest rate environment. The portfolio performed in line with its benchmark, the Citigroup 3-Month Treasury Bill Index. The portfolio continued to offer investors principal stability and liquidity.

Money market rates stayed very low over the past year. In December 2015, the Federal Reserve (Fed) raised its target for short-term interest rates to a 0.25% to 0.50% range from a previous 0.00% to 0.25% range—the first change in U.S. monetary policy in seven years. In the first half of 2016 the Fed refrained from additional rate hikes due to uneven U.S. growth early this year and global risks whose consequences could impact the U.S. economy.

Overwhelming demand for, and a smaller supply of, short-term, high-quality investments kept the Treasury yield curve very flat over the year. Three-month Treasury bill yields rose from 0.16% to 0.26% in the first six months of 2016, while one-year Treasury bill yields declined from 0.64% to 0.46%.

6/30/2015

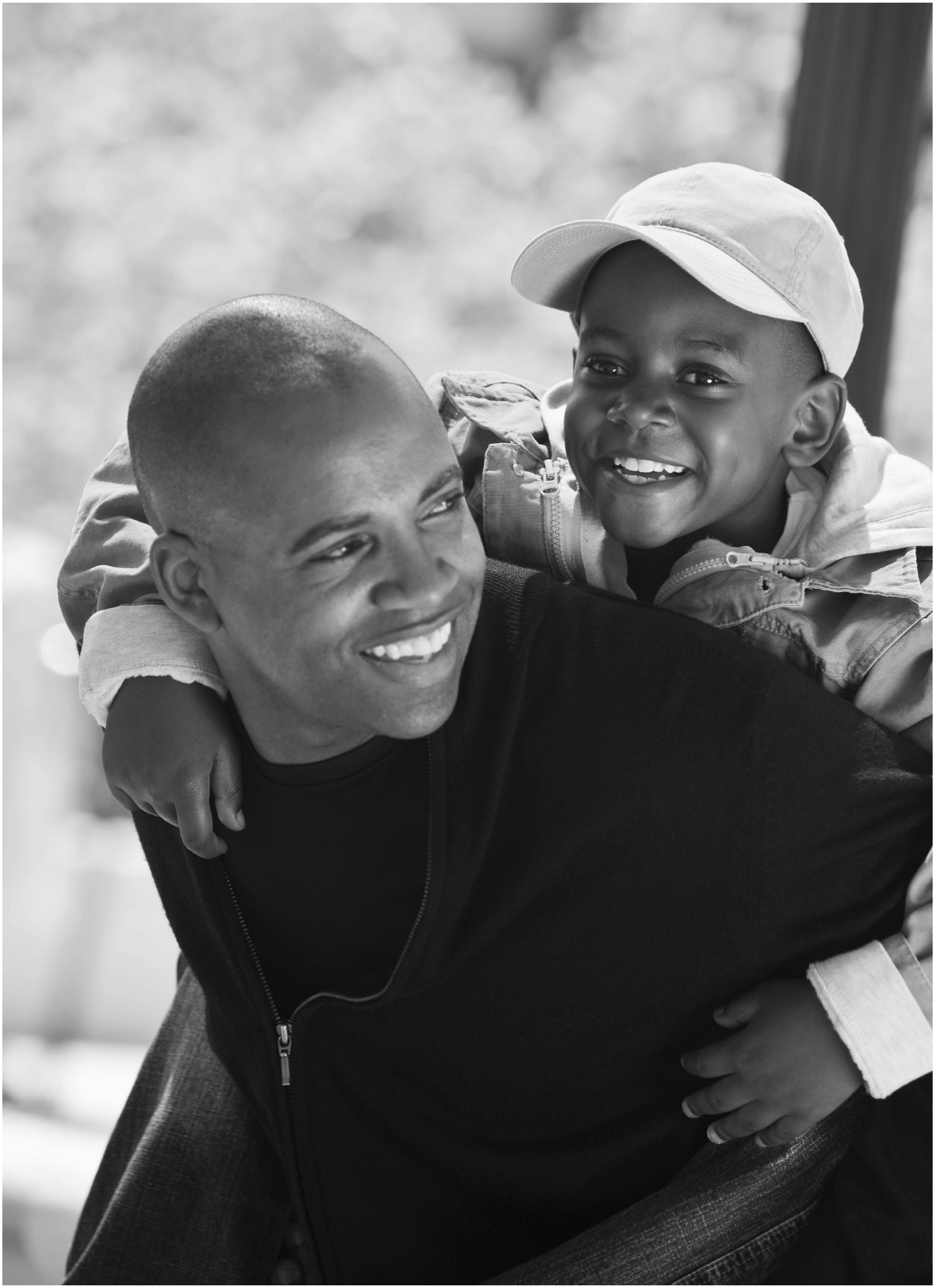
6/30/16



MUTUAL FUND ALLOCATION

	6/30/15	6/30/16
US Treasury Money Fund	100%	100%

(1) Performance information reflected is net of fees and expenses.



Maryland College Investment Plan

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

STATEMENT OF FIDUCIARY NET POSITION

The Statement of Fiduciary Net Position presents the assets, liabilities, and net position of the College Investment Plan as of June 30, 2016. This statement, along with the College Investment Plan's Statement of Changes in Fiduciary Net Position, is prepared using the accrual basis of accounting. Under this method of accounting, revenues and assets are recognized when enrollment materials and contributions are received in good order, distributions from an account are recognized when paid, and expenses and liabilities are recognized when services are provided, regardless of when cash is exchanged. We classify assets as current and noncurrent. Current assets consist primarily of investments, which comprise in excess of 99% of current assets. Net position consists primarily of contributions to accounts and investment earnings or losses, net of distributions from accounts. Additions to net position resulted from 29,176 new accounts, $488 million in account holder contributions to portfolios, $163 million in exchanges and transfers, and $22 million in net investment income. Deductions from net position include $275 million in distributions to account holders, $163 million in exchanges and transfer from portfolios for the fiscal year, and $13 million in rollovers to other 529 plans. This resulted in an increase in net position of $294 million for the Plan.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Changes in net position as presented on the Statement of Changes in Fiduciary Net Position are based on the activity of the College Investment Plan. The purpose of this statement is to present account contributions, increases or decreases in the fair value of investments, and distributions from the Plan. Additions represent contributions to accounts in the College Investment Plan and investment income. Deductions represent distributions from accounts.

COLLEGE INVESTMENT PLAN FEES

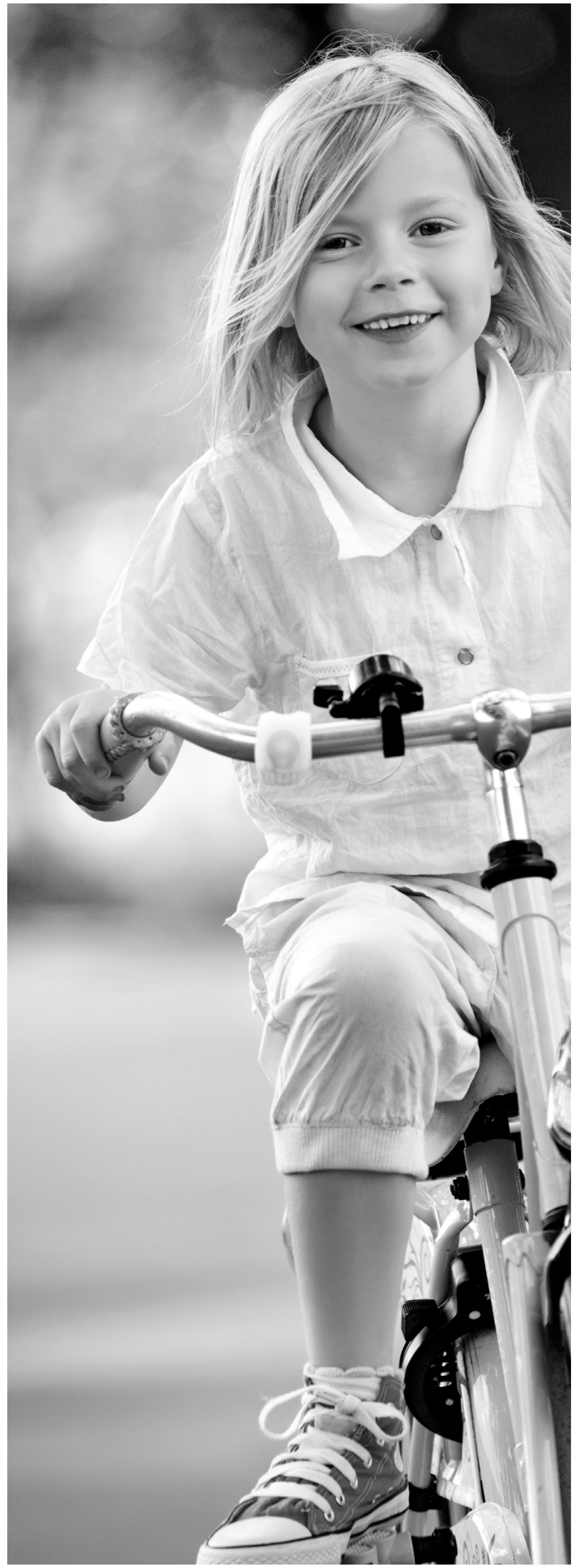
The College Investment Plan charges fees to Account Holders, including fees of the underlying mutual funds and a program fee. For additional information, see footnote 5 of the Notes to the Financial Statements on page 51 and the Supplementary Information beginning on page 55. Each investment portfolio indirectly bears its pro-rata share of the fees and expenses of the underlying mutual funds in which it invests. These fees are not charged directly to a portfolio, but are included in the net asset value of the mutual funds held by the College Investment Plan. The pro-rata share of the fees and expenses is calculated based on the amount that each portfolio invests in a mutual fund and the expense ratio (the ratio of expenses to average net assets) of that mutual fund. Each portfolio is charged a program fee for administration and management of the College Investment Plan. T. Rowe Price Associates, Inc. (Program Manager) receives the program fee which equals 0.11% for the Global Equity Market Index Portfolio and 0.13% for all other funds per year of the assets of each investment portfolio. Payment of the program fee by a portfolio is already reflected in the portfolio's net asset value. The College Investment Plan's aggregate program fees plus its pro-rata share of expenses from the underlying mutual funds may not exceed 0.80% of the College Investment Plan's average net assets in any year. If necessary to remain at the 0.80% limit, the Program Manager will reduce the rate of the program fee charged to each portfolio. Program fees reduced in any year will be repaid by the College Investment Plan to the Program Manager in the following years if repayment would not cause the College Investment Plan's effective expense ratio to exceed the 0.80% limit.

PORTFOLIO FINANCIAL STATEMENTS

The Statement of Net Position, the Statement of Operations and Changes in Net Position and the Financial Highlights for each portfolio are included in this Annual Report as supplementary statements. These statements contain certain information for each of the portfolios within the College Investment Plan as of June 30, 2016. The Statement of Net Position details the investments and net position of each portfolio. This statement also contains information regarding the investments in the underlying mutual funds for each of the portfolios. Net position consists of account contributions and investment earnings and losses, net of distributions from accounts. The Statements of Operations and Changes in Net Position report the net investment income and the realized and unrealized gains and losses for each portfolio. This statement also includes information regarding account contributions and distributions from accounts for each portfolio. An account holder's interest in a portfolio is represented as a number of units. The Financial Highlights statement includes net asset value information, total return, and various ratios for each individual portfolio.

BUDGETARY CONTROL AND FINANCIAL OVERSIGHT

The College Investment Plan is administered by Maryland 529. The Board, in accordance with the Enabling Legislation for the College Investment Plan, prepares and submits an annual budget to the Maryland Governor and the General Assembly for informational purposes only. In accordance with its fiduciary obligations, each quarter, the Board reviews a comparison of actual and budgeted expenses in connection with its administration of Maryland 529.



Maryland College Investment Plan

STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2016

(amounts in thousands)

ASSETS	
Current Assets:	
Investments, at fair value	$ 4,462,679
LIABILITIES	
Current Liabilities:	
Other Liabilities	474
NET POSITION	
Total	$ 4,462,205

See accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(amounts in thousands)

ADDITIONS	
Contributions:	
Account holder contributions to portfolios	$ 488,268
Exchanges and transfers	162,799
Account holder contributions to portfolios	651,067
Investment Income:	
Net decrease in fair value of investments	(46,676)
Investment income	68,964
Net investment income	22,288
Total Additions	$ 673,355
DEDUCTIONS	
Distributions:	
Payments in accordance with trust agreements	$ 289,161
Exchanges and transfers	162,799
Account holder distributions	451,960
Change in net position	221,395
Net position, beginning of year	4,240,810
Net position, end of year	$4,462,205

See accompanying Notes to Financial Statements.

Maryland College Investment Plan

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

1. ORGANIZATION AND PURPOSE

The Maryland College Investment Plan (Plan) was established under the Maryland College Investment Trust (Trust) to allow investors to save for qualified higher education expenses on a tax-advantaged basis in accordance with the provisions of Section 529 of the Internal Revenue Code. The Plan is a private purpose trust fund, used to account for resources legally held in trust for individual investors. The Maryland 529 Board (Board) serves as trustee for the Trust, and T. Rowe Price Associates, Inc. (Price Associates or the Program Manager), serves as the program manager. The Plan is marketed directly to investors without sales charges and offers eight enrollment-based and six fixed portfolios (individually, a Portfolio and collectively, the Portfolios). Each Portfolio invests in predetermined underlying equity, fixed income, fund-of-funds, and/or money market mutual funds (Underlying Mutual Funds) managed by Price Associates, and/or its affiliated investment advisors. Each Underlying Mutual Fund is registered with the Securities and Exchange Commission under the Investment Company Act of 1940.

The Maryland General Assembly passed House Bill 11, which created the Plan, during the 2000 legislative session. The Plan is a separate program, authorized by the Maryland Code Annotated Education Article, Section 18, Subtitle 19A (Enabling Legislation). The Board directs the Trust and consists of 11 members, six of whom are ex-officio members. The ex-officio members are the Comptroller of the state of Maryland, the Treasurer of the state of Maryland, the Secretary of Higher Education, the State Superintendent of Schools, the Chancellor of the University System of Maryland, and the Secretary of Disabilities. The five remaining members are public members appointed by the Governor.

The Enabling Legislation allows that all contributions made by an account holder to the Plan may be deducted from Maryland state income in an amount up to $2,500 for each beneficiary annually. Effective January 1, 2002, earnings on contributions are tax-free for federal and state purposes when used toward eligible qualified higher education expenses. The federal exemption was made permanent by the Pension Protection Act of 2006.

All administrative costs for Maryland 529, including the Plan, are accounted for in the financial statements of the Maryland Prepaid College Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying Plan financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the use of estimates. The Program Manager believes that estimates and valuations of the Underlying Mutual Funds are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately received upon sale of the Underlying Mutual Funds. The financial statements of the Plan use an economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

Units

Each investor's beneficial interest in the net assets of a Portfolio is represented by units, an unlimited number of which are authorized. Contributions to, distributions from, and exchanges between Portfolios of the Plan are recorded upon receipt of participant instructions in good order, based on the next determined net asset value per unit. Participant contributions and redemptions, as disclosed in the Statement of Operations and Changes in Net Position, include new contributions made to the Plan as well as exchanges and transfers between Portfolios. For the year ended June 30, 2016, new contributions to the Plan were approximately $488 million. For all Portfolios other than the U.S. Treasury Money Market Portfolio, net investment income and net realized gains accumulate in the net asset value of the Portfolio and are not separately distributed to participants. The U.S. Treasury Money Market Portfolio declares a daily dividend of net investment income, which is automatically reinvested in the participant's account monthly.

Investment Income and Transactions

Income and capital gain distributions from the Underlying Mutual Funds are recorded on the ex-dividend date, which is the date that an investor is required to be a shareholder of record in order to receive the dividend. Investment transactions in shares of the Underlying Mutual Funds are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

GASB issued GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Plan will be analyzing the effect of this pronouncement and plans to adopt it as applicable by its effective date.

3. INVESTMENTS

The Maryland College Investment Plan's Investment Policy, adopted by the Board, specifies the number of Portfolios and the general character and composition of each Portfolio. Based on these guidelines, detailed asset allocations have been developed and Underlying Mutual Funds have been selected for each Portfolio. The Plan is not restricted in its investments by legal or contractual provisions.

Investments are stated at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan invests solely in mutual funds, which are valued at the mutual fund's closing net asset value per share on the date of valuation.

Various valuation techniques and inputs are used to determine the fair value of investments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

LEVEL 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the Plan can access at the reporting date

LEVEL 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

LEVEL 3 – unobservable inputs

Because the Plan invests in mutual funds that are actively traded at publicly available NAVs, all investments are classified as Level 1 on June 30, 2016.

Changes in unrealized gain/loss resulting from changes in the fair values of investments are recognized daily in each Portfolio's net asset value per unit and, for the fiscal year, are reflected in the Plan's accompanying Statement of Changes in Fiduciary Net Position.

The Plan's investments in mutual funds expose it to certain risks, including market risk in the form of equity price risk—that is, the potential future loss of value that would result from a decline in the fair values of the Underlying Mutual Funds. Each Underlying Mutual Fund and its underlying net assets are also subject to market risk that may arise from changes in equity prices, credit ratings, foreign currency exchange rates, and interest rates. The Plan's investments in mutual fund shares are not subject to classification by credit risk.

Each Underlying Mutual Fund that invests in bonds is subject to certain risks, including interest rate risk, which is the decline in bond prices that usually accompanies a rise in interest rates. The weighted average maturity and weighted average effective duration of the underlying net assets of applicable Underlying Mutual Funds were as follows on June 30, 2016 (in years):

	Weighted Average Maturity	Weighted Average Duration
DOMESTIC BOND FUNDS		
T. Rowe Price Short-Term Bond Fund	2.11	1.83
BLENDED ASSET FUNDS		
T. Rowe Price Spectrum Income Fund	8.23	5.22

Maryland College Investment Plan

3. INVESTMENTS (CONTINUED)

On June 30, 2016, the Plan held the following aggregate investments in mutual funds (amounts in thousands):

	Aggregate Cost	Unrealized Gain/(Loss)	Aggregate Fair Value
DOMESTIC STOCK FUNDS			
T. Rowe Price Blue Chip Growth Fund	$ 127,862	$ 101,636	$ 229,498
T. Rowe Price Equity Index 500 Fund	539,189	329,924	869,113
T. Rowe Price Mid-Cap Growth Fund	43,187	20,356	63,543
T. Rowe Price Mid-Cap Value Fund	55,349	14,878	70,227
T. Rowe Price Small-Cap Stock Fund	95,362	20,161	115,523
T. Rowe Price Total Equity Market Index Fund	73,555	43,252	116,807
T. Rowe Price Value Fund	156,366	58,483	214,849
Total domestic stock funds	1,090,870	588,690	1,679,560
GLOBAL STOCK FUND			
T. Rowe Price Real Assets Fund	81,535	2,545	84,080
INTERNATIONAL STOCK FUNDS			
T. Rowe Price Emerging Markets Stock Fund	92,898	9,379	102,277
T. Rowe Price Int'l. Equity Index Fund	62,957	(5,789)	57,168
T. Rowe Price Int'l. Growth & Income Fund	193,010	(3,448)	189,562
T. Rowe Price International Stock Fund	154,238	20,827	175,065
T. Rowe Price Overseas Stock Fund	199,946	433	200,379
Total international stock funds	703,049	21,402	724,451
DOMESTIC BOND FUNDS			
T. Rowe Price High Yield Fund	12,727	(772)	11,955
T. Rowe Price Limited Duration Inflation Focused Bond Fund	454,447	5,083	459,530
T. Rowe Price New Income Fund	82,169	1,988	84,157
T. Rowe Price Short-Term Bond Fund	424,025	1,026	425,051
Total domestic bond funds	973,368	7,325	980,693
INTERNATIONAL BOND FUNDS			
T. Rowe Price Emerging Markets Bond Fund	12,560	(195)	12,365
T. Rowe Price Int'l. Bond Fund	11,605	162	11,767
Total international bond funds	24,165	(33)	24,132
BLENDED ASSET FUND			
T. Rowe Price Spectrum Income Fund	889,421	11,844	901,265
MONEY MARKET FUNDS			
T. Rowe Price Summit Cash Reserves Funds	6	-	6
T. Rowe Price U.S. Treasury Money Fund	68,492	-	68,492
Total money market funds	68,498	-	68,498
Total investments in Mutual Funds	$ 3,830,906	$ 631,773	$ 4,462,679

4. TAX-EXEMPT STATUS

The Plan is exempt from federal taxation in accordance with Section 529 of the Internal Revenue Code and is exempt from Maryland state and local taxation in accordance with the Enabling Legislation. Accordingly, the Plan makes no provision for income taxes.

5. RELATED PARTIES

Price Associates is a wholly owned subsidiary of T. Rowe Price Group, Inc. Price Associates and its wholly owned subsidiaries provide investment management, recordkeeping and account servicing, administrative, distribution and marketing, custodial, and certain other services to the Plan. Price Associates and its wholly owned subsidiaries also serve as investment manager for each of the Underlying Mutual Funds, and certain officers and directors of Price Associates and its subsidiaries are also officers and directors of the Underlying Mutual Funds.

Each Portfolio pays an all-inclusive program fee to Price Associates, which is accrued daily and paid monthly. The program fee is equal to 0.13% of each Portfolio's average daily net assets for all portfolios except the Global Equity Market Index Portfolio, which is 0.11% of average daily net assets. At June 30, 2016, program fees payable by the Portfolios totaled $474,000.

Each Portfolio indirectly bears its pro-rata share of the fees and expenses of the Underlying Mutual Funds in which it invests (indirect expenses). The Portfolios pay no investment management fees; however, Price Associates receives asset-based management fees from the Underlying Mutual Funds in which the Portfolios invest. The costs associated with recordkeeping and related account servicing for the Portfolios are borne by each Underlying Mutual Fund in proportion to the average daily value of its shares owned by the Portfolios. During the year ended June 30, 2016, the Underlying Mutual Funds incurred $8,172,000 related to services provided to Plan accounts. The impact of Portfolio related costs borne by the Underlying Mutual Funds is reflected in the valuations of the Underlying Mutual Funds, which, in turn, affect the net asset values of the Portfolios.

Price Associates has agreed to limit the ratio of the Plan's direct and indirect expenses to average net assets (Plan's effective expense ratio) to 0.80% per year (expense limit). For purposes of the limitation, direct expenses are the program fees charged to the Portfolios and indirect expenses reflect the weighted average expense ratios of the Underlying Mutual Funds in which the Portfolios invest. Expenses in excess of the limit are borne by Price Associates (expense waivers) in the form of reduced program fees paid by each Portfolio to Price Associates. Expense waivers are allocated to the Portfolios on the basis of relative average net assets and are subject to later repayment by the Portfolios to the extent that repayment would not cause the Plan's effective expense ratio to exceed the expense limit. The expense limit has no effect on the computation of the Program Manager Contribution. During the fiscal year ended June 30, 2016, there were no waivers or repayments of program fees pursuant to this limit and there were no amounts subject to future repayment by the Portfolios at year end.

Price Associates has agreed to limit the direct and indirect expenses of the U.S. Treasury Money Market Portfolio (the Money Market Portfolio). Price Associates will waive all or a portion of the program fees charged to the Money Market Portfolio to the extent payment of the program fee would result in a negative return for the Money Market Portfolio. Any program fees waived under this agreement will not be reimbursed to Price Associates by the Money Market Portfolio or the Plan. Pursuant to this arrangement, $68,000 of the Money Market Portfolio's program fee was waived during the year ended June 30, 2016.

Price Associates has further agreed to remit a portion of the program fees earned to the Board, as trustee, to support certain administrative and marketing efforts provided by the Board to the Plan (Program Manager Contribution). Under this agreement, the Board receives an annual amount equal to the greater of: (1) $2 million or (2) 0.07% of the average monthly net assets of the Plan (average Plan assets). When any part of the program fee is waived for the Money Market Portfolio, the assets of this portfolio will not be included in the calculation of the Program Manager Contribution. During the year ended June 30, 2016, the Program Manager paid the Board $2,906,000 in accordance with this agreement.

The staff of the Board supports Price Associates' management of the Plan in accordance with applicable laws and regulations, Board policy, and the Board's contract with Price Associates. Employees of the Board review and obtain Board approval of all Plan disclosure documents, review and approve all marketing initiatives in accordance with the approved marketing plan, and monitor the implementation and employee training of operational procedures. The Trust coordinates several contracts between the Board and its service providers for services to both the Trust and the Plan.

Supplementary Information

MARYLAND COLLEGE INVESTMENT PLAN

For the fiscal year ended June 30, 2016

Statement of Net Position (in thousands, except net asset values per unit and shares)	PORTFOLIO 2036[2] Shares	PORTFOLIO 2036[2] Value	PORTFOLIO 2033 Shares	PORTFOLIO 2033 Value	PORTFOLIO 2030 Shares	PORTFOLIO 2030 Value
INVESTMENTS AT VALUE						
T. Rowe Price Blue Chip Growth Fund	4,594	$313	129,392	$8,828	315,497	$21,526
T. Rowe Price Emerging Markets Bond Fund	-	-	-	-	-	-
T. Rowe Price Emerging Markets Stock Fund	4,763	150	134,476	4,228	327,036	10,282
T. Rowe Price Equity Index 500 Fund	14,691	830	414,605	23,413	1,008,533	56,952
T. Rowe Price High Yield Fund	-	-	-	-	-	-
T. Rowe Price International Bond Fund	-	-	-	-	-	-
T. Rowe Price International Equity Index Fund	-	-	-	-	-	-
T. Rowe Price International Growth & Income Fund	19,801	251	555,600	7,034	1,344,830	17,026
T. Rowe Price International Stock Fund	15,124	230	426,230	6,474	1,037,926	15,766
T. Rowe Price Limited Duration Inflation Focused Bond Fund	-	-	-	-	-	-
T. Rowe Price Mid-Cap Growth Fund	1,223	91	34,163	2,543	84,772	6,310
T. Rowe Price Mid-Cap Value Fund	3,631	100	102,412	2,836	250,182	6,928
T. Rowe Price New Income Fund	-	-	-	-	-	-
T. Rowe Price Overseas Stock Fund	30,233	264	851,869	7,437	2,067,125	18,046
T. Rowe Price Real Assets Fund	9,538	102	266,675	2,872	654,970	7,054
T. Rowe Price Short-Term Bond Fund	-	-	-	-	-	-
T. Rowe Price Small-Cap Stock Fund	4,255	171	120,053	4,823	292,517	11,750
T. Rowe Price Spectrum Income Fund	-	-	-	-	826,574	10,340
T. Rowe Price Summit Cash Reserves Fund	-	-	-	-	-	-
T. Rowe Price Total Equity Market Index Fund	-	-	-	-	-	-
T. Rowe Price U.S. Treasury Money Fund	-	-	-	-	-	-
T. Rowe Price Value Fund	9,294	297	262,733	8,386	637,511	20,349
Total investments at value		2,799		78,874		202,329
Other assets less liabilities		-		(8)		(21)
NET POSITION		**$2,799**		**$78,866**		**$202,308**
Composition of Net Position:						
Paid-in capital		$ 2,709		$ 75,930		$ 175,267
Retained earnings		90		2,936		27,041
Number of Units Outstanding		280		5,673		10,893
NET ASSET VALUE PER UNIT [1]		**$ 10.01**		**$ 13.90**		**$ 18.57**
Investments at cost		$ 2,713		$ 78,458		$ 187,348

(1) The net asset value (NAV) per unit is calculated at the close of the New York Stock Exchange on each day the exchange is open for business. Each Portfolio's NAV is computed by dividing the value of its net position by the number of Portfolio units outstanding. A Portfolio's investments in the Underlying Mutual Funds are valued at each Underlying Mutual Fund's closing net asset value per share on the date of valuation.

(2) The portfolio commenced operations on November 30, 2015 and was available for investment by the public on December 1, 2015.

PORTFOLIO 2027		PORTFOLIO 2024		PORTFOLIO 2021		PORTFOLIO 2018	
Shares	Value	Shares	Value	Shares	Value	Shares	Value
526,908	$35,951	599,698	$40,917	510,989	$34,865	195,681	$13,351
-	-	-	-	-	-	-	-
548,752	17,253	624,444	19,632	423,785	13,324	63,973	2,011
1,691,096	95,496	1,915,201	108,151	2,271,914	128,295	2,748,888	155,230
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,260,959	28,624	2,578,671	32,646	2,173,931	27,522	971,681	12,302
1,734,771	26,351	1,974,673	29,995	1,663,840	25,274	754,013	11,454
-	-	-	-	2,748,120	13,960	31,570,522	160,378
142,262	10,589	161,158	11,995	129,598	9,646	15,215	1,132
419,730	11,622	476,801	13,203	368,877	10,214	63,266	1,752
-	-	-	-	-	-	-	-
3,468,810	30,283	3,933,114	34,336	3,342,293	29,178	1,497,276	13,071
1,066,023	11,481	1,219,566	13,135	1,126,976	12,137	773,454	8,330
-	-	-	-	-	-	36,212,095	172,007
486,631	19,548	552,990	22,214	416,177	16,718	-	-
6,582,102	82,342	16,399,787	205,161	28,294,947	353,970	13,366,664	167,217
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,066,622	34,046	1,208,981	38,591	1,014,311	32,377	339,466	10,836
	403,586		569,976		707,480		729,071
	(43)		(71)		(75)		(77)
	$403,543		**$569,905**		**$707,405**		**$728,994**
	$ 298,135		$ 405,079		$ 477,461		$ 481,674
	105,408		164,826		229,944		247,320
	22,669		24,903		29,077		30,635
	$ 17.80		**$ 22.88**		**$ 24.33**		**$ 23.80**
	$ 335,395		$ 519,495		$ 595,162		$ 623,319

Supplementary Information

MARYLAND COLLEGE INVESTMENT PLAN

For the fiscal year ended June 30, 2016

Statement of Net Position (in thousands, except net asset values per unit and shares)	PORTFOLIO FOR COLLEGE		EQUITY PORTFOLIO		GLOBAL EQUITY MARKET INDEX PORTFOLIO	
	Shares	Value	Shares	Value	Shares	Value
INVESTMENTS AT VALUE						
T. Rowe Price Blue Chip Growth Fund	-	$	792,531	$54,074	-	$
T. Rowe Price Emerging Markets Bond Fund	-	-	-	-	-	-
T. Rowe Price Emerging Markets Stock Fund	-	-	822,872	25,871	-	-
T. Rowe Price Equity Index 500 Fund	1,867,143	105,438	2,536,099	143,214	-	-
T. Rowe Price High Yield Fund	-	-	-	-	-	-
T. Rowe Price International Bond Fund	-	-	-	-	-	-
T. Rowe Price International Equity Index Fund	-	-	-	-	4,949,625	57,168
T. Rowe Price International Growth & Income Fund	433,553	5,489	3,394,548	42,975	-	-
T. Rowe Price International Stock Fund	361,050	5,484	2,609,838	39,644	-	-
T. Rowe Price Limited Duration Inflation Focused Bond Fund	50,265,035	255,346	-	-	-	-
T. Rowe Price Mid-Cap Growth Fund	-	-	208,091	15,488	-	-
T. Rowe Price Mid-Cap Value Fund	-	-	623,232	17,257	-	-
T. Rowe Price New Income Fund	-	-	-	-	-	-
T. Rowe Price Overseas Stock Fund	652,652	5,698	5,215,345	45,530	-	-
T. Rowe Price Real Assets Fund	449,807	4,844	1,647,011	17,738	-	-
T. Rowe Price Short-Term Bond Fund	53,272,492	253,044	-	-	-	-
T. Rowe Price Small-Cap Stock Fund	-	-	736,825	29,598	-	-
T. Rowe Price Spectrum Income Fund	-	-	-	-	-	-
T. Rowe Price Summit Cash Reserves Fund	-	-	-	-	-	-
T. Rowe Price Total Equity Market Index Fund	-	-	-	-	4,897,560	116,807
T. Rowe Price U.S. Treasury Money Fund	-	-	-	-	-	-
T. Rowe Price Value Fund	-	-	1,609,481	51,375	-	-
Total investments at value		635,343		482,764		173,975
Other assets less liabilities		(67)		(51)		(16)
NET POSITION		**$635,276**		**$482,713**		**$173,959**
Composition of Net Position:						
Paid-in capital		$ 542,579		$ 247,365		$ 126,009
Retained earnings		92,697		235,348		47,950
Number of Units Outstanding		36,710		18,680		9,468
NET ASSET VALUE PER UNIT (1)		**$ 17.31**		**$ 25.84**		**$ 18.37**
Investments at cost		$ 602,957		$ 335,157		$ 136,512

(1) The net asset value (NAV) per unit is calculated at the close of the New York Stock Exchange on each day the exchange is open for business. Each Portfolio's NAV is computed by dividing the value of its net position by the number of Portfolio units outstanding. A Portfolio's investments in the Underlying Mutual Funds are valued at each Underlying Mutual Fund's closing net asset value per share on the date of valuation.

BALANCED PORTFOLIO Shares	BALANCED PORTFOLIO Value	BOND AND INCOME PORTFOLIO Shares	BOND AND INCOME PORTFOLIO Value	INFLATION FOCUSED BOND PORTFOLIO Shares	INFLATION FOCUSED BOND PORTFOLIO Value	U.S.TREASURY MONEY MARKET PORTFOLIO Shares	U.S.TREASURY MONEY MARKET PORTFOLIO Value	TOTAL Shares	TOTAL Value
288,330	$19,673	-	$	-	$	-	$	3,363,620	$229,498
998,797	12,365	-	-	-	-	-	-	998,797	12,365
302,976	9,526	-	-	-	-	-	-	3,253,077	102,277
922,502	52,094	-	-	-	-	-	-	15,390,672	869,113
1,865,054	11,955	-	-	-	-	-	-	1,865,054	11,955
1,284,634	11,767	-	-	-	-	-	-	1,284,634	11,767
-	-	-	-	-	-	-	-	4,949,625	57,168
1,239,573	15,693	-	-	-	-	-	-	14,973,147	189,562
947,515	14,393	-	-	-	-	-	-	11,524,980	175,065
-	-	-	-	5,875,247	29,846	-	-	90,458,924	459,530
77,238	5,749	-	-	-	-	-	-	853,270	63,543
228,075	6,315	-	-	-	-	-	-	2,536,206	70,227
8,658,173	84,157	-	-	-	-	-	-	8,658,173	84,157
1,894,157	16,536	-	-	-	-	-	-	22,952,874	200,379
593,004	6,387	-	-	-	-	-	-	7,807,024	84,080
-	-	-	-	-	-	-	-	89,484,587	425,051
266,392	10,701	-	-	-	-	-	-	2,875,840	115,523
-	-	6,573,529	82,235	-	-	-	-	72,043,603	901,265
6,243	6	-	-	-	-	-	-	6,243	6
-	-	-	-	-	-	-	-	4,897,560	116,807
-	-	-	-	-	-	68,491,959	68,492	68,491,959	68,492
582,456	18,592	-	-	-	-	-	-	6,730,855	214,849
	295,909		82,235		29,846		68,492		4,462,679
	(32)		(9)		(3)		(1)		(474)
	$295,877		**$82,226**		**$29,843**		**$68,491**		**$4,462,205**
	$ 171,464		$ 48,316		$ 23,113		$ 68,491		$ 3,143,592
	124,413		33,910		6,730		-		1,318,613
	11,151		3,242		2,285		68,491		274,337
	$ 26.53		**$ 25.36**		**$ 13.06**		**$ 1.00**		
	$ 239,482		$ 76,348		$ 30,068		$ 68,492		$ 3,830,906

Supplementary Information

MARYLAND COLLEGE INVESTMENT PLAN

For the fiscal year ended June 30, 2016

Statement of Operations and Changes in Net Position (amounts in thousands)	PORTFOLIO 2036(1)	PORTFOLIO 2033	PORTFOLIO 2030	PORTFOLIO 2027	PORTFOLIO 2024
OPERATIONS					
Net investment income					
Income distributions from Underlying Mutual Funds	$ 8	$ 815	$ 2,568	$ 6,457	$ 10,871
Program management fee expense	1	76	228	476	681
Expenses waived by program manager	-	-	-	-	-
Net investment income	7	739	2,340	5,981	10,190
Net realized and unrealized gain/loss					
Net realized gain (loss)					
Sales of Underlying Mutual Fund shares	(6)	(557)	(1,666)	(1,824)	8,632
Capital gain distributions from Underlying Mutual Funds	3	1,142	3,555	6,985	9,277
Net realized gain (loss)	(3)	585	1,889	5,161	17,909
Change in unrealized gain / loss	86	(1,306)	(6,429)	(13,189)	(26,097)
Net realized and change in unrealized gain / loss	83	(721)	(4,540)	(8,028)	(8,188)
Increase (decrease) in net position from investments	90	18	(2,200)	(2,047)	2,002
UNIT TRANSACTIONS* - see Unit Information below					
Units issued					
Account Holder contributions	2,174	35,970	46,282	54,375	58,889
Account Holder transfers from other portfolios	696	1,784	2,986	6,826	11,885
Units redeemed					
Account Holder distributions	(103)	(392)	(1,742)	(2,782)	(4,883)
Account Holder transfers to other portfolios	(58)	(2,753)	(3,075)	(5,236)	(10,732)
Increase (decrease) in net position from unit transactions	2,709	34,609	44,451	53,183	55,159
NET POSITION					
Increase (decrease) during period	2,799	34,627	42,251	51,136	57,161
Beginning of period	-	44,239	160,057	352,407	512,744
End of period	**$2,799**	**$78,866**	**$202,308**	**$403,543**	**$569,905**
*Unit information					
Units outstanding, beginning of period	-	3,112	8,434	19,588	22,405
Units issued					
Account Holder contributions and transfers from other portfolios	296	2,792	2,723	3,544	3,203
Units redeemed					
Account Holder distributions and transfers to other portfolios	(16)	(231)	(264)	(463)	(705)
Units outstanding, end of period	280	5,673	10,893	22,669	24,903

(1) The portfolio commenced operations on November 30, 2015 and was available for investment by the public on December 1, 2015.

PORTFOLIO 2021	PORTFOLIO 2018	PORTFOLIO FOR COLLEGE	EQUITY PORTFOLIO	GLOBAL EQUITY MARKET INDEX PORTFOLIO	BALANCED PORTFOLIO	BOND AND INCOME PORTFOLIO	INFLATION FOCUSED BOND PORTFOLIO	U.S. TREASURY MONEY MARKET PORTFOLIO	TOTAL
$ 15,740	$ 12,792	$ 6,434	$ 6,696	$ 3,285	$ 6,018	$ 2,638	$ -	$ 6	$ 74,328
852	900	849	612	178	366	101	38	74	5,432
-	-	-	-	-	-	-	-	(68)	(68)
14,888	11,892	5,585	6,084	3,107	5,652	2,537	(38)	-	68,964
1,295	4,721	(4,100)	4,166	(633)	(897)	(346)	(151)	-	8,634
10,133	4,162	14	9,933	321	3,521	871	-	-	49,917
11,428	8,883	(4,086)	14,099	(312)	2,624	525	(151)	-	58,551
(16,950)	(9,559)	7,827	(30,392)	(5,356)	(4,832)	424	546	-	(105,227)
(5,522)	(676)	3,741	(16,293)	(5,668)	(2,208)	949	395	-	(46,676)
9,366	11,216	9,326	(10,209)	(2,561)	3,444	3,486	357	-	22,288
60,480	55,076	60,000	41,299	23,334	28,422	7,572	3,177	11,218	488,268
17,543	20,052	30,316	13,009	10,144	10,722	5,077	3,374	28,385	162,799
(8,855)	(21,847)	(164,755)	(27,065)	(4,971)	(20,439)	(9,128)	(5,706)	(16,493)	(289,161)
(14,997)	(23,331)	(34,348)	(27,629)	(9,525)	(15,350)	(5,975)	(2,914)	(6,876)	(162,799)
54,171	29,950	(108,787)	(386)	18,982	3,355	(2,454)	(2,069)	16,234	199,107
63,537	41,166	(99,461)	(10,595)	16,421	6,799	1,032	(1,712)	16,234	221,395
643,868	687,828	734,737	493,308	157,538	289,078	81,194	31,555	52,257	4,240,810
$707,405	**$728,994**	**$635,276**	**$482,713**	**$173,959**	**$295,877**	**$82,226**	**$29,843**	**$68,491**	**$4,462,205**
26,767	29,340	43,128	18,672	8,405	11,019	3,348	2,447	52,257	
3,326	3,249	5,327	2,160	1,864	1,528	522	511	39,603	
(1,016)	(1,954)	(11,745)	(2,152)	(801)	(1,396)	(628)	(673)	(23,369)	
29,077	30,635	36,710	18,680	9,468	11,151	3,242	2,285	68,491	

Supplementary Information

MARYLAND COLLEGE INVESTMENT PLAN

For the fiscal year ended June 30, 2016

Financial Highlights (For a unit outstanding throughout the period)	PORTFOLIO 2036[8]	PORTFOLIO 2033	PORTFOLIO 2030	PORTFOLIO 2027	PORTFOLIO 2024
NET ASSET VALUE [1]					
Beginning of period	$ 10.00	$ 14.22	$ 18.98	$ 17.99	$ 22.88
Investment activities [2]					
Net investment income (loss) [3]	0.04	0.17	0.24	0.28	0.43
Net realized and unrealized gain / loss	(0.03)[7]	(0.49)	(0.65)	(0.47)	(0.43)
Total from investment activities	0.01	(0.32)	(0.41)	(0.19)	0.00
NET ASSET VALUE [1]					
End of period	**$10.01**	**$13.90**	**$18.57**	**$17.80**	**$22.88**
RATIOS [4]					
Total Return	**0.10%**	**(2.25)%**	**(2.16)%**	**(1.06)%**	**0.00%**
Ratio of expenses to average net assets	0.13%	0.13%[9]	0.13%	0.13%	0.13%
Ratio of net investment income (loss) to average net assets	0.73%	1.26%[9]	1.34%	1.63%	1.94%
Portfolio turnover rate	9.5%	9.6%	11.1%	10.8%	10.1%
SUPPLEMENTAL INFORMATION					
Weighted-average expense ratio of the Underlying Mutual Funds [5]	0.68%	0.68%	0.68%	0.68%	0.68%
Effective expense ratio	0.81%	0.81%	0.81%	0.81%	0.81%
Net Assets, end of period (in millions)	$ 2.8	$ 78.9	$ 202.3	$ 403.5	$ 569.9

(1) The net asset value (NAV) per unit is calculated at the close of the New York Stock Exchange on each day the exchange is open for business. Each Portfolio's NAV is computed by dividing the value of its net position by the number of Portfolio units outstanding. A Portfolio's investments in the Underlying Mutual Funds are valued at each Underlying Mutual Fund's closing net asset value per share on the date of valuation.

(2) Per unit amounts were calculated based on average units outstanding during the fiscal year.

(3) Recognition of the Portfolios' net investment income is affected by the timing of the dividend declarations by the Underlying Mutual Funds in which the Portfolios invest.

(4) Ratios reflect the activity of each Portfolio, and do not include the activity of the Underlying Mutual Funds in which the Portfolios invest.

(5) Reflects the indirect expense impact to the Portfolio from its investment(s) in the Underlying Mutual Funds, based on the actual expense ratio of each Underlying Mutual Fund weighted for the Portfolio's relative average investment therein.

(6) Includes the effect of voluntary program management fee waivers of 0.12% of average net assets. See Note 5 to the Financial Statements for details.

(7) The amount presented is inconsistent with the portfolio's aggregate gains and losses because of the timing of sales and redemptions of portfolio units in relation to fluctuating market values for the investment portfolio.

(8) The portfolio commenced operations on November 30, 2015 and was available for investment by the public on December 1, 2015.

(9) Annualized

PORTFOLIO 2021	PORTFOLIO 2018	PORTFOLIO FOR COLLEGE	EQUITY PORTFOLIO	GLOBAL EQUITY MARKET INDEX PORTFOLIO	BALANCED PORTFOLIO	BOND AND INCOME PORTFOLIO	INFLATION FOCUSED BOND PORTFOLIO	U.S. TREASURY MONEY MARKET PORTFOLIO
$ 24.05	$ 23.44	$ 17.04	$ 26.42	$ 18.74	$ 26.23	$ 24.25	$ 12.90	$ 1.00
0.53	0.40	0.14	0.33	0.35	0.51	0.79	(0.02)	0.00[6]
(0.25)	(0.04)	0.13	(0.91)	(0.72)	(0.21)	0.32	0.18	0.00
0.28	0.36	0.27	(0.58)	(0.37)	0.30	1.11	0.16	0.00
$24.33	**$23.80**	**$17.31**	**$25.84**	**$18.37**	**$26.53**	**$25.36**	**$13.06**	**$ 1.00**
1.16%	**1.54%**	**1.58%**	**(2.20)%**	**(1.97)%**	**1.14%**	**4.58%**	**1.24%**	**0.00%**[6]
0.13%	0.13%	0.13%	0.13%	0.11%	0.13%	0.13%	0.13%	0.01%[6]
2.27%	1.72%	0.86%	1.29%	1.92%	2.01%	3.28%	(0.13)%	0.00%[6]
9.4%	20.8%	8.5%	11.1%	5.9%	15.0%	9.5%	10.5%	10.1%
0.67%	0.55%	0.48%	0.68%	0.36%	0.67%	0.70%	0.50%	0.24%
0.80%	0.68%	0.61%	0.81%	0.47%	0.80%	0.83%	0.63%	0.25%
$ 707.4	$ 729.0	$635.3	$ 482.7	$ 174.0	$ 295.9	$ 82.2	$ 29.8	$ 68.5

NOTES