



formerly College Savings Plans of Maryland

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Annual Report Summary and Highlights

for Account Holders

For the Fiscal Year Ended June 30, 2019



¹Morningstar analysts reviewed 62 plans for its 2019 ratings (10/22/19) of which 13 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.

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Annual Report Summary and Highlights

Continued participation in the Maryland 529 plans in fiscal year 2019

Since its inception, Maryland 529 has been committed to helping make higher education more affordable for Maryland families through its two college savings plans, the Maryland Senator Edward J. Kasemeyer Prepaid College Trust (Maryland Prepaid College Trust) and the Maryland Senator Edward J. Kasemeyer College Investment Plan (Maryland College Investment Plan). We are pleased to report another year of strong growth across both plans. At the close of the fiscal year, accounts were held on behalf of approximately 245,000 beneficiaries and assets totaled over \$7.4 billion.

The Maryland Prepaid College Trust closed FY19 with assets at an all-time high. Although the Prepaid Trust trailed its policy benchmark slightly, due primarily to the timing of capital calls within the private equity allocation, Trust investments had an annual return of 5.7% and was valued at over \$1.1 billion. The actuarial surplus of the Prepaid College Trust increased as well. One advantage of having an actuarial surplus is that it can help to reduce the impact of future events that could detract from the Trust's soundness such as lower than expected investment earnings, higher than expected tuition increases, or both. With 31,922 accounts as of June 30, 2019, it is reassuring to know that the Prepaid College Trust is in such strong fiscal health.

Investments in the Maryland College Investment Plan (MCIP) reached approximately \$6.3 billion as of June 30, 2019. With more than \$648.7 million in contributions from account holders and mixed investment markets during the fiscal year, the average account balance was \$20,829 as of June 30, 2019. In addition, the MCIP had a net gain of 17,648 beneficiaries and reached a total of 215,828 beneficiaries at fiscal year-end. MCIP account growth continues to be strong and much of that success can be attributed to the State Contribution Program. The General Assembly created the Save4College State Contribution Program in 2016 and the first application period commenced January 2017. The State Contribution Program is designed to help lower to middle-income families in Maryland save money for higher education and allows qualified account holders to apply for a \$250 or \$500 contribution from the State. Since inception, participation has increased significantly year over year, with an over 400% increase from 2017 to 2018 and a 49% increase from 2018 to 2019. The Program continues to reach savers and encourage families to save starting with younger beneficiaries. In 2019, applications were received for more than 14,000 unique beneficiaries.

Many Maryland families are benefiting from the State's commitment to its 529 programs and healthy financial behaviors are being encouraged. Data shows that most MCIP Account Holders have contributed more than the required minimum contribution for the State Contribution Program and that 37% of 2019 applications received were for unique beneficiaries in the 0-4 age range. Recognizing the benefit of the State's Contribution, recipients of funding in prior years have reapplied with multi-year applications increasing from 9% in 2018 to 46% in 2019.

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

Sincerely,

The Board
Maryland 529

**Read the 2019 Annual Report
by visiting Maryland529.com**

If you or your beneficiary live outside of Maryland, check with your state to learn if it offers tax or other state benefits, such as financial aid, scholarship funds, and protection from creditors, that are only available for investments in such state's plan. The Maryland Senator Edward J. Kasemeyer Prepaid College Trust and Maryland Senator Edward J. Kasemeyer College Investment Plan Disclosure Statements provide investment objectives, risks, fees and expenses, and other information that you should read and consider carefully before investing. T. Rowe Price Investment Services, Inc., Distributor/Underwriter, Maryland Senator Edward J. Kasemeyer College Investment Plan

2019 Snapshot

Prepaid College Trust

Contributions from Account Holders	\$42 million
Investments	\$1.1 billion
Accounts	31,922
Funded Status	163%

College Investment Plan

Contributions from Account Holders	\$648.7 million
Investments	\$6.3 billion
Beneficiaries	215,828
Average Account Size	\$20,829

Maryland 529 Board

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Charles Tharp*

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Public Member

Rev. Dr. Lisa M. Weah

Public Member

*Mr. Tharp left the Maryland 529 Board in the Summer of 2019. Ms. Pratt joined the Board in September 2019.

Total assets in both Plans

Exceeded \$7.4 billion for 245,000 beneficiaries

Participants in the Prepaid College Trust (Trust) and the College Investment Plan (Plan) contributed over \$690.8 million over the past fiscal year. Over 247,000 beneficiaries had active, funded accounts in at least one plan as of June 30, 2019.

Highlights by Plan include:

Maryland Prepaid College Trust

The funded status in the Prepaid College Trust reached 163% as of June 30, 2019, and the actuarial surplus was \$470.2 million. The Trust's funded status continues to benefit from the lower-than-expected projected tuition growth at Maryland's public colleges. While the trends benefited the soundness of the Trust, the Board is not relying on such positive conditions to persist.

As part of the yearly evaluation of the investment strategy, the Board did not revise any assumptions used in the calculations. The Board continues to anticipate an annual return of 6.3% when reviewing the long-term trends of the financial markets and the asset allocation mix of the portfolio.

Total Accounts: There were 1,164 new enrollments that were received for the 2019 enrollment year as of June 30, 2019, bringing the total number of accounts to 31,922.

Maryland College Investment Plan

Investment Return vs. Benchmark: For the 12-month period ended June 30, 2019, the Maryland College Investment Plan generated positive returns. However, the enrollment portfolios and actively-managed fixed portfolios underperformed their respective benchmarks. Two passively-managed fixed portfolios performed in line with their respective benchmarks, while two underperformed. Security selection among equities in international developed markets was a notable driver of underperformance for the year. The inclusion of real assets stocks in the portfolio, which provide exposure to diversifying sectors outside the benchmark, also had a negative impact on relative returns. Conversely, the portfolios benefited from stock selection and portfolio positioning in other sectors, most notably strong security selection among U.S. small-cap stocks. Longer-term performance in all the portfolios remained solid. Of the 13 actively managed portfolios since inception, nine either outperformed or performed in line with their respective benchmarks, while four trailed. The Extended Equity Market Index Portfolio and U.S. Bond Enhanced Index Portfolio performed in line with their respective benchmarks since inception, whereas the Global Equity Market Index Portfolio and the Equity Index 500 Portfolio underperformed. Account Holders are encouraged to periodically review the performance of their investments on the website. Returns are updated each day after the close of trading on the New York Stock Exchange.

The Maryland College Investment Plan was one of 13 plans to receive a "Silver" rating by Morningstar, Inc. in 2019. Plans with a Silver rating are among the best-in-class options and follow many of the industry's best practices, according to Morningstar analysts.¹





Future Direction*

Increases in tuition and fees were relatively modest in the 2018–2019 academic year, consistent with the trend in recent years. In the decade between the 2008–2009 and 2018–2019 academic year periods, published in-state tuition and fees at public four-year institutions rose at an average rate of 3.1% per year beyond inflation compared with average annual increases of 4.1% and 4.2% over the two previous decades.

While annual cost increases have slowed in recent years, college costs continue to outpace inflation and represent a significant financial commitment for most families. Below are the latest data from the College Board on average higher education costs for 2018–2019 (see also the accompanying table):

- The average total cost of a four-year public university for in-state students rose by 2.8% from the previous academic year to \$21,370.
- The average total cost of a four-year private college rose by 3.2% from the previous academic year to \$48,510.

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 and disciplined saving over time can help make college more affordable and reduce the chances of having sizable student loan debt after graduation.

*Source: Trends in College Pricing 2018 and Trends in Student Aid 2018, published by the College Board.

Financial Highlights — Maryland Prepaid College Trust

Changes in Net Position

The Prepaid College Trust allows families to lock in payments that are based in part on current tuition and mandatory fees at Maryland’s public colleges. The Board pools and invests those payments and commits to pay future tuition benefits when eligible students attend college, whether they attend a Maryland public college or nearly any other public or private college in the country.

Contributions from new and existing account holders exceeded \$42 million for the fiscal year. Nearly \$65 million was paid in tuition benefits for 4,232 beneficiaries.

For the fiscal year ended June 30, 2019, the net position of the Trust increased by \$37.7 million. The largest contributing factor to the increased overall position was the investment performance of the portfolio. The Trust’s assets generated a 5.7% return on investment. It was lower than the 6.3% projected rate of return.

Condensed Statements of Net Position as of June 30 (in millions)

	2019	2018
Assets		
Current	\$1,142.5	\$ 1,123.2
Noncurrent	91.8	106.0
Deferred outflows related to pension	.8	.6
Total	<u>1,235.1</u>	<u>1,229.8</u>
Liabilities		
Current	84.7	85.7
Noncurrent	680.0	711.4
Deferred inflows related to pension	.2	.2
Total	<u>764.9</u>	<u>797.3</u>
Net Position	\$ 470.2	\$ 432.5

Maryland Prepaid College Trust

Investment Earnings and Tuition Increases

Net Investment Gains

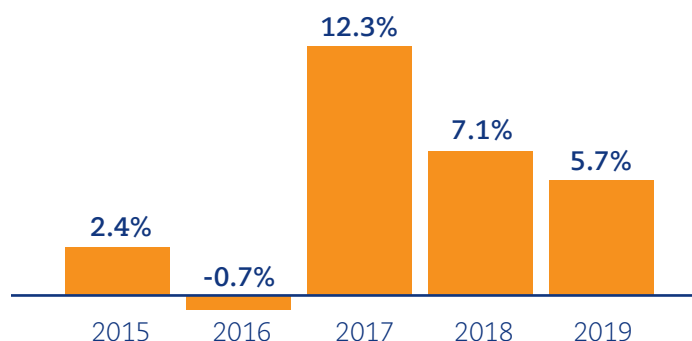
During the fiscal year ended June 30, 2019, the Trust continued to invest contract payments received into its increasingly diversified investment portfolio. The investment balances as of June 30, 2019, and June 30, 2018, are shown below:

Investments (in thousands)

	2019	2018
Intermediate Duration Fixed Income	\$ 226,690	\$ 218,227
Senior Secured Loans	56,331	55,362
High Yield Fixed Income	55,093	51,224
Emerging Market Debt	57,880	52,657
S&P 500 Core	57,244	55,088
Domestic Large Cap Value	43,472	43,683
Domestic Mid Cap Core	46,091	47,532
Domestic Small Cap Core	47,811	55,885
Low Volatility US Equity	60,399	54,676
International Equity	46,674	46,389
Developed Markets Equity-Large Cap	101,416	98,846
Developed Markets Equity-Small Cap Core	57,348	56,447
Emerging Markets Equity	52,417	47,107
Private Real Estate	166,542	162,026
Private Equity	29,765	27,795
Total Investments	\$1,105,173	\$1,072,945

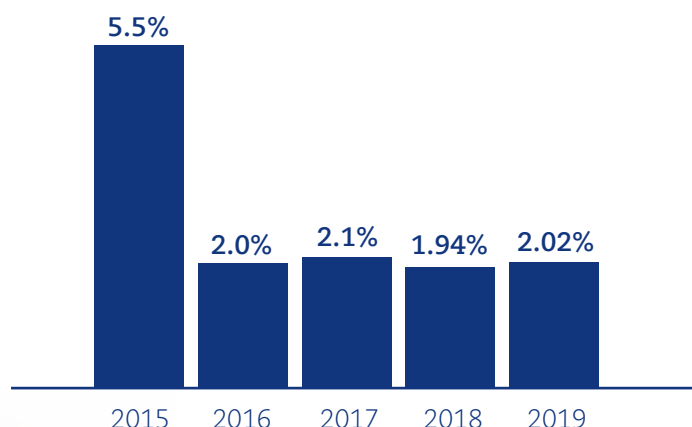
Investment Returns

The Trust's investments were solid, with a 5.7% return on investment for the fiscal year. The chart below shows the rate of return on the Trust's investments for the past five fiscal years:



Tuition Increases

The weighted average tuition at Maryland's public four-year colleges rose by 2.02% for the 2018-2019 academic year, compared with the projected tuition increase of 6% and a mandatory fee increase of 8%. Weighted average tuition increases for the past five fiscal years are shown in the chart below:



*In September 2020, a typographical error was noted and this figure was updated from 1.94% (which was the figure the previous year) to the appropriate 2.02%.

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Maryland Prepaid College Trust

Actuarial Status and Tuition Benefit Payment

The Prepaid College Trust is in Good Standing

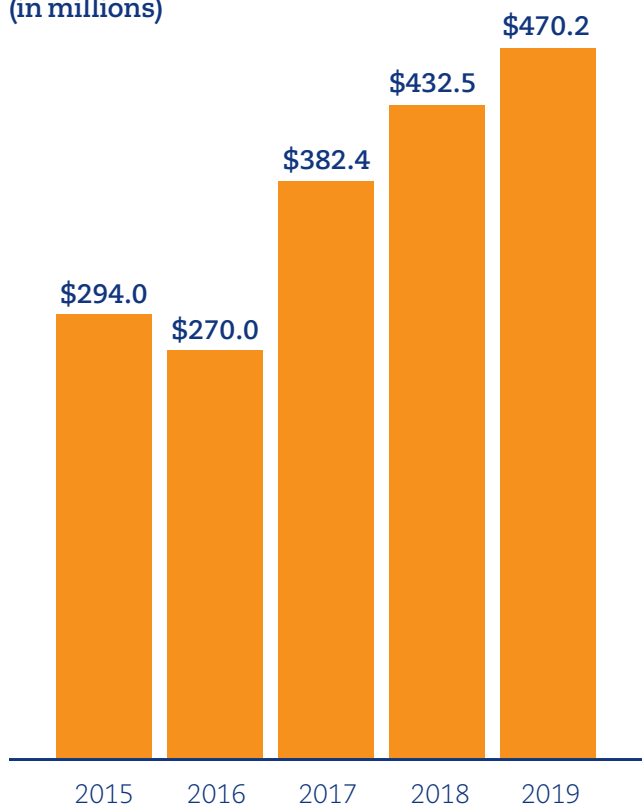
Each year, an actuarial valuation of the Prepaid College Trust is conducted. The purpose of this valuation and resulting Soundness Report is to compare the future value of the Trust's assets with its future liabilities, which are discounted to reflect their present value.

As of June 30, 2019, the Trust was 163% funded, with an actuarial surplus of \$470.2 million. This is an increase from last year based on solid investment returns and lower than anticipated tuition increases.

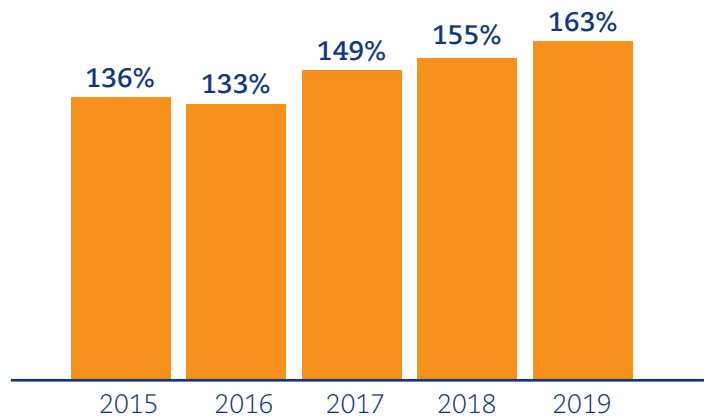
As part of the yearly evaluation of the investment strategy of the Trust, the Board elected to not revise future assumptions used in the calculations.

The key measures of soundness for the past five fiscal years are included in the following chart:

Actuarial Surplus (in millions)



Funded Ratio

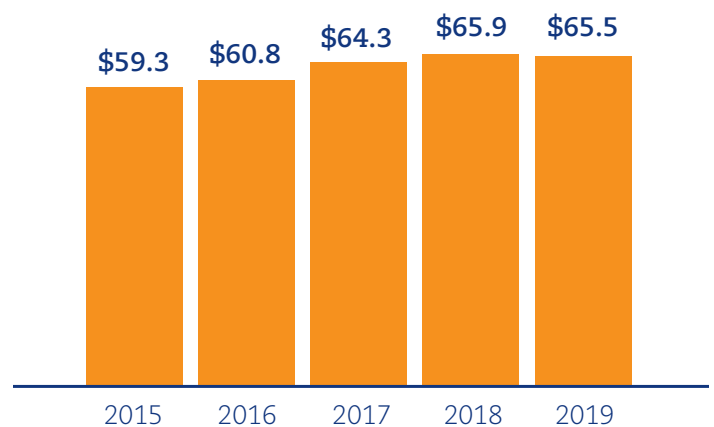


Students Use Tuition Benefits at College Nationwide

As of September 18, 2019, 4,232 students claimed their benefits for the fall 2017 semester. Approximately 60% of these students are attending Maryland public colleges, while 40% are attending a wide variety of private and out-of-state colleges across the country. This is the third year in a row where the number of students attending Maryland public colleges exceeded the number of students attending private or out-of-state colleges.

Total tuition benefits paid during the past five fiscal years are as follows:

in millions



Financial Highlights—Maryland College Investment Plan

The Maryland College Investment Plan is managed and distributed by T. Rowe Price and offers families the opportunity to choose from a variety of investment options ranging from conservative to aggressive with no commissions, loads, sales charges, enrollment fees or annual account fee. Account holders choose how much they wish to invest, starting with as little as \$25.

Changes in Net Position

There was an increase in net position of \$557 million for the Plan for fiscal year 2019. Net additions to net position resulted from 37,126 new accounts, \$648.7 million in account holder contributions to portfolios, and \$364.1 million in net investment income. Net deductions from the Plan's net position include \$435.1 million in distributions to account holders and \$24.0 million in rollovers to other 529 plans.

Market Commentary

Market performance has a direct effect on the overall performance of investments in the Maryland Senator Edward J. Kasemeyer College Investment Plan and Maryland Senator Edward J. Kasemeyer Prepaid College Trust. *The following is designed to provide a summary of market performance for the period ended June 30, 2019.**

U.S. Stocks Advance For Fiscal Year As Global Central Banks Turn Accommodative:

U.S. stocks posted solid gains in the 12 months ended June 30, 2019, but the market's advance masked high volatility as a rally in this year's first half erased the steep declines amid a global stock sell-off at the end of 2018. At the start of the Program's fiscal year, U.S. stocks rose steadily until October, when concerns about slowing global growth, tightening monetary policy, and the U.S.-China trade impasse began to curb investors' risk appetite. Global growth headwinds intensified toward the end of 2018, leaving the major U.S. stock indices with their steepest annual declines since the global financial crisis. Shortly after the start of 2019, however, U.S. stocks began to retrace their losses after the Federal Reserve and other central banks backpedaled on their plans to raise interest rates as the global growth outlook darkened. Expectations for a U.S.-China trade deal also fueled the stock market's gains. Though hopes for an accord fizzled in May after trade talks fell apart, stocks resumed climbing toward record levels after it was announced that the U.S. and China would meet at the G-20 summit. By the end of June, U.S. stocks had recorded their best first-half performance since 1997, more than making up for losses in 2018.

U.S. large-cap stocks performed the best for the year, according to various Russell indices. Large-cap stocks outperformed both mid-cap stocks, which posted a slimmer gain, and small-cap stocks, which declined. Growth stocks outpaced value stocks across all market capitalizations. Ten of 11 sectors in the S&P 500 Index rose, led by utilities. The real estate, consumer staples, information technology, communication services, health care, and industrials and business services sectors posted double-digit gains and outperformed the broad market. Energy was the sole decliner, reflecting volatility in oil prices. After rising sharply in the first quarter of 2019, U.S. crude oil prices fell into a bear market in June amid fears that U.S.-China trade tensions would curb global activity and dampen oil demand.

Outside the U.S., stocks in developed markets recorded a slight gain but lagged the U.S.'s strong returns. The MSCI EAFE Index—which measures the performance of stocks in Europe, Australasia, and the Far East—added 1.60%. The eurozone economy stayed weak as flagging export demand and global trade tensions curbed activity

in the region, which was already contending with Brexit-related uncertainty and fallout from unrest in Italy and France last year. Emerging markets stocks eked out a small gain. Stocks in Latin America performed the best, driven by strength in Brazil, where economic reform hopes and expectations for interest rate cuts drove the stock market to record levels. On the other hand, developing Asian stocks fared the worst due to weakness in China, as trade tensions and signs of slowing domestic growth led investors to retreat from Chinese stocks.

U.S. Bonds Gain As Geopolitical Risks Spur Global Bond Rally; High Yield Shines:

U.S. investment-grade bonds advanced as trade tensions, slowing global growth, and falling inflation expectations spurred demand for relatively safe assets. The Bloomberg Barclays U.S. Aggregate Bond Index, which measures the performance of taxable U.S. investment-grade bonds, climbed 7.87%. High yield bonds outperformed investment-grade bonds. Noninvestment-grade bonds—whose returns tend to be closely linked to stock market performance—fell in the final quarter of 2018 but rallied in this year's first half, helped by a resurgent stock market.

The Treasury yield curve flattened over our fiscal year as shorter-term yields increased more than longer-term yields, continuing a trend that gained prominence in 2017. In March, an inversion in a closely watched part of the yield curve—where shorter-term yields are higher than longer-term yields, a phenomenon that has historically preceded a recession—for the first time since 2007 raised expectations that the Fed would start cutting interest rates. Though some economic indicators weakened in the spring, other data showed that the U.S. economy remained on firm footing. Inflation remained below the Fed's 2% target and wages picked up, while the jobless rate held at a 49-year low at the end of June.

The Fed raised its benchmark fed funds rate by one-quarter percentage point four times in 2018, bringing it to a range from 2.25% to 2.50% at year-end. After projecting more interest rate hikes in 2019 as recently as December, the Fed surprised markets by shelving its plans for rate increases this year. Expectations for a rate cut were cemented in June, when Fed Chair Jerome Powell stated that "the case for somewhat more accommodative policy has strengthened." The Fed's pivot toward looser monetary policy came as other global central banks also reduced their key interest rates this year. The yield on the 10-year U.S. Treasury note—a benchmark for long-term borrowing costs—increased to a 12-month high of 3.24% in early November but decreased in subsequent months to 2.00% at the end of June, its lowest level since 2016. (Bond prices and yields move in opposite directions.)

*This discussion is provided by T. Rowe Price and is not a comprehensive discussion of all stock and bond market performance. It is also not a comprehensive discussion of risks associated with the Maryland Senator Edward J. Kasemeyer College Investment Plan and Maryland Senator Edward J. Kasemeyer Prepaid College Trust. For more detailed discussion of these risks, see the current Enrollment Kit.

Investment Earnings by Portfolio

The investment earnings for each portfolio are listed below. Please read the 2019 Annual Report for explanations of performance versus the benchmark for each individual portfolio.

Performance Comparison as of June 30, 2019

Portfolio	1-Year Return %	Weighted Benchmark %*	Annualized Since Portfolio Inception Return %	Weighted Benchmark %*	Inception Date
Portfolio 2039	6.11	6.38	5.44	5.86	5/31/18
Portfolio 2036	6.18	6.38	10.39	10.64	11/30/15
Portfolio 2033	6.27	6.47	11.11	11.18	12/31/12
Portfolio 2030	6.47	6.88	10.52	10.56	12/31/09
Portfolio 2027	6.63	7.22	6.95	6.74	6/30/06
Portfolio 2024	6.75	7.55	7.20	7.00	10/31/03
Portfolio 2021	6.02	6.62	5.89	5.76	11/26/01
Portfolio for College	5.00	5.16	3.26	3.36	11/26/01
Equity Portfolio	6.15	6.38	7.10	7.11	11/26/01
Global Equity Market Index Portfolio	5.98	6.39	7.59	8.00	6/30/06
Balanced Portfolio	7.08	7.31	6.63	6.40	11/26/01
Bond & Income Portfolio	6.91	7.87	5.62	4.47	11/26/01
Inflation Focused Bond Portfolio	3.50	3.41	1.98	2.72	10/31/03
U.S. Treasury Money Market Portfolio	1.86	2.30	0.30	0.48	12/31/09
Equity Index 500 Portfolio	10.06	10.42	10.86	11.18	3/29/18
Extended Equity Market Index Portfolio	1.60	1.88	6.17	6.27	3/29/18
U.S. Bond Enhanced Index Portfolio	7.71	7.87	6.01	6.09	3/29/18

*Benchmark performance commenced on November 30, 2001, for the portfolios with an inception date of November 26, 2001. Benchmark performance for all other portfolios commenced on the same date as the portfolio's inception date.

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 2036 was selected for approximately 17% of new accounts. Among the fixed Portfolios, the U.S. Treasury Money Market Portfolio was selected for 16% of new accounts which is consistent with the prior year and reflects its popularity amongst the State Contribution Program applicants. The Equity Index 500 Portfolio was also a popular choice, having been selected for approximately 9% of new accounts.

Portfolio Selection

