Maryland529

Maryland529.com

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Annual Report Summary and Highlights

for Account Holders

For the Fiscal Year
Ended June 30, 2020

ANNUAL REPORT SUMMARY AND HIGHLIGHTS

Continued participation in the Maryland 529 plans in fiscal year 2020

Dear Friends,

Despite the rapidly evolving impact of COVID-19 and market volatility, we are pleased to report another year of strong growth across 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). At the close of the fiscal year, Accounts were held on behalf of 258,977 unique Beneficiaries and assets totaling almost $8 billion.

The Maryland Prepaid College Trust closed the fiscal year with a positive return of 1.6% even after a sharp and unexpected decline in the stock market during the first quarter of 2020. Trust assets were valued at just under $1.1 billion and the actuarial surplus remains strong. As of June 30, 2020, the Prepaid College Trust had 32,394 active Accounts and was in strong fiscal health. While having an actuarial surplus can protect the Trust's soundness from lower than expected investment returns, or higher than expected Tuition increases, the Board is permitted by statute to consider a rebate when the Trust exceeds a certain funding status and plans to explore such an option.

Investments in the Maryland College Investment Plan (MCIP) reached approximately $6.7 billion as of June 30, 2020. With more than $716 million in contributions from Account Holders and fluctuating investment markets during the fiscal year, the average Account balance was $20,177 at the close of the fiscal year. Over 17,000 new Beneficiaries joined the MCIP in FY20 and the Program can attribute much of its growth 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 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, and this year there were over 30,000 applications for 18,000 unique Beneficiaries.

Many Maryland families are benefiting from the State's commitment to its 529 programs, and healthy financial behaviors are being encouraged. We are honored that despite these uncertain times, Marylanders continue to trust Maryland 529 to help make higher education more affordable. Thank you for making college savings a priority for your family and participating with Maryland 529.

Sincerely,

The Maryland 529 Board

2020 Snapshot

Prepaid College Trust

Contributions from Account Holders	$37 million
Investments	$1.1 billion
Accounts	32,394
Funded Status	180.9%

College Investment Plan

Contributions from Account Holders	$716 million
Investments	$6.7 billion
Beneficiaries	233,277
Average Account Size	$20,177

Maryland 529 Board

**Mr. Caret left the Board in June 2020. Dr. Perman joined the Board in July 2020.*

***Ms. Coughlin left the Board in September 2019. Mr. Gallo joined the Board in February 2020.*

****Mr. Persinger left the Board in June 2020. Ms. McClain joined the Board in July 2020.*

TOTAL ASSETS IN BOTH PLANS

Exceeded $7.8 billion for 258,977 Beneficiaries

Participants in the Prepaid College Trust (Trust) and the College Investment Plan (Plan) contributed over $753 million over the past fiscal year.

HIGHLIGHTS BY PLAN INCLUDE

Maryland Prepaid College Trust

The funded status in the Prepaid College Trust reached 180.9% as of June 30, 2020, and the actuarial surplus was $538.7 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 assumptions affecting the valuation of the Trust, the Board revised its projections for future Tuition and Fee increases. The Tuition increase assumption was decreased from 6.0% to 3.0% percent for 5 years and 5.0% percent thereafter for the actuarial valuation as of June 30, 2020. Additionally, the assumed increase in fees was decreased from 8.0% to 6.0%. After review of the long-term trends of the financial markets and the asset allocation mix of the portfolio, the Board lowered the anticipated annual investment return on Trust assets from 6.3% to 6.0%.

Total Accounts: There were 1,119 new enrollments that were received for the 2020 enrollment year as of June 30, 2020, bringing the total number of Accounts to 32,394.

Read the 2020 Annual Report by visiting Maryland529.com

Maryland College Investment Plan

Investment Return vs. Benchmark: For the 12-month period ended June 30, 2020, the Maryland College Investment Plan generated positive returns. However, performance among the various portfolios relative to their respective benchmarks was mixed. Most of the portfolios underperformed their benchmark, while some portfolios, such as the longer-dated enrollment-based portfolios, outperformed. Security selection was a notable driver of underperformance for the year, particularly for those portfolios which invest in the Spectrum Income Fund. 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 international equities and U.S. small-cap stocks. Longer-term performance in all the portfolios remained solid. Since inception, eleven of the 13 non-index portfolios either outperformed or performed in line with their respective benchmarks, while only two trailed. Performance among the four index portfolios, which consist only of passively managed index funds, was also mixed. The Global Equity Market Index Portfolio, Extended Equity Market Index Portfolio, and Equity Index 500 Portfolio trailed their respective benchmarks since inception, whereas the U.S. Bond Enhanced Index Portfolio performed in line. We encourage Account Holders to periodically review the performance of their investments on our 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 11 plans to receive a "Silver" rating by Morningstar, Inc. in 2020. 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]

[1]Morningstar analysts reviewed 61 plans for its 2020 ratings (10/27/20) of which 11 plans received a "Silver" rating. To determine a plan's rating, Morningstar's analysts organized their research around four key pillars: Process, People, Parent, and Price. 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. ***Visit this site*** *for additional information about Morningstar's methodology.*

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.

FUTURE DIRECTION*

Increases in Tuition and fees were relatively modest in the 2019-2020 academic year, consistent with the trend in recent years. In the decade between the 2009–2010 and 2019–2020 Academic Year periods, published in-state Tuition and fees at public four-year institutions rose at an average rate of 2.2% per year beyond inflation compared with average annual increases of 3.9% and 5.0% 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. The latest information from the College Board on average higher education costs for 2019–2020 follows:

- The average total cost of a four-year public university for in-state students rose by 2.6% from the previous academic year to $21,950.
- The average total cost of a four-year private college rose by 3.3% from the previous academic year to $49,870.

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 2019 and Trends in Student Aid 2019, 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 $37 million including fees for the fiscal year. Nearly $69 million was paid in Tuition benefits for 3,137 Beneficiaries.

For the fiscal year ended June 30, 2020, the net position of the Trust increased by $68.5 million. Actuarial assumptions and valuations were the largest contributing factors to the increased overall position. While the Trust's assets generated a 1.6% return on investments, it was lower than the 6.0% projected rate of return.

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

	2020	2019
Assets		
Current	$1,126.5	$1,142.5
Noncurrent	88.5	91.7
Deferred outflows related to pension	0.9	0.7
Total	**$1,215.9**	**$1,235.1**
Liabilities		
Current	$71.3	$84.7
Noncurrent	605.7	680
Deferred inflows related to pension	0.2	0.2
Total	**$677.2**	**$764.9**
Net Position	$538.7	$470.2

MARYLAND PREPAID COLLEGE TRUST
Investment Earnings and Tuition Increases

Net Investment Gains

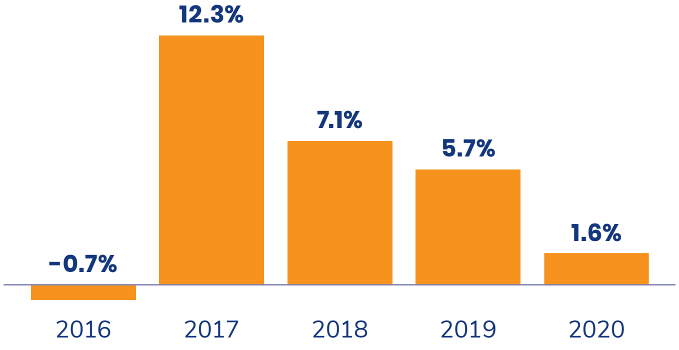
During the fiscal year ended June 30, 2020, the Trust continued to invest contract payments received into its increasingly diversified investment portfolio. The investment balances as of June 30, 2020, and June 30, 2019, are shown below:

Investments (in thousands)

	2020	2019
Intermediate Duration Fixed Income	$223,865	$226,690
Senior Secured Loans	48,927	56,331
High Yield Fixed Income	53,838	55,093
Emerging Market Debt	52,352	57,880
S&P 500 Core	98,006	57,244
Domestic Large Cap Value	0	43,472
Domestic Mid Cap Core	43,243	46,091
Domestic Small Cap Core	47,490	47,811
Low Volatility US Equity	54,578	60,399
International Equity	40,332	46,674
Developed Markets Equity-Large Cap	104,045	101,416
Developed Markets Equity-Small Cap Core	61,411	57,348
Emerging Markets Equity	55,047	52,417
Private Real Estate	165,880	166,542
Private Equity	33,366	29,765
Total Investments	**$1,082,380**	**$1,105,173**

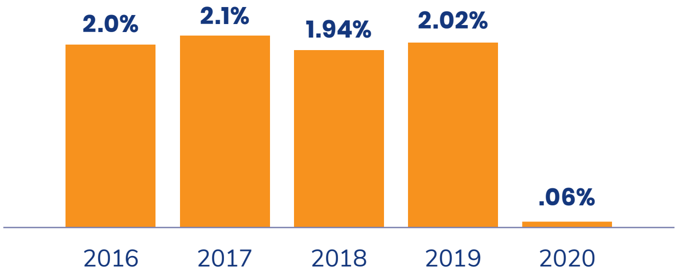
Investment Returns

The Trust's investments were solid, with a 1.6% 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 .06% for the 2019-2020 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:



Help your family and friends learn about our Plans and saving for college by telling them about our website Maryland529.com

MARYLAND PREPAID COLLEGE TRUST
Actuarial Status and Tuition Benefit Payment

The Prepaid College Trust is in Good Standing

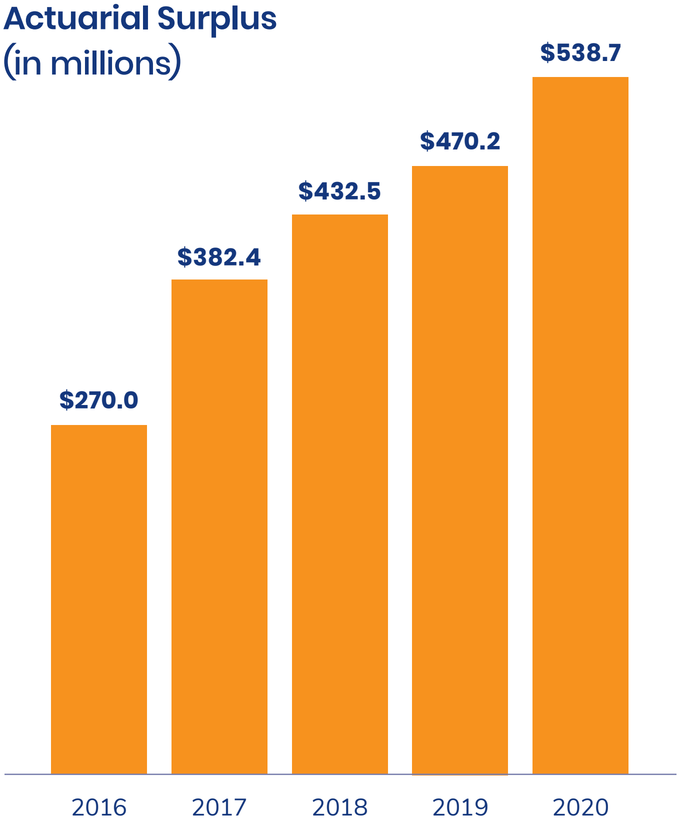
Each year, an actuarial valuation of the Prepaid College Trust is conducted. The purpose of this valuation and resulting Soundness Report is to compare the future value of the Trust's assets with its future liabilities, which are discounted to reflect their present value.

As of June 30, 2020, the Trust was 180.9% funded, with an actuarial surplus of $538.7 million. This is an increase from last year based on the difference in actual and assumed rate of increases in Tuition and fees.

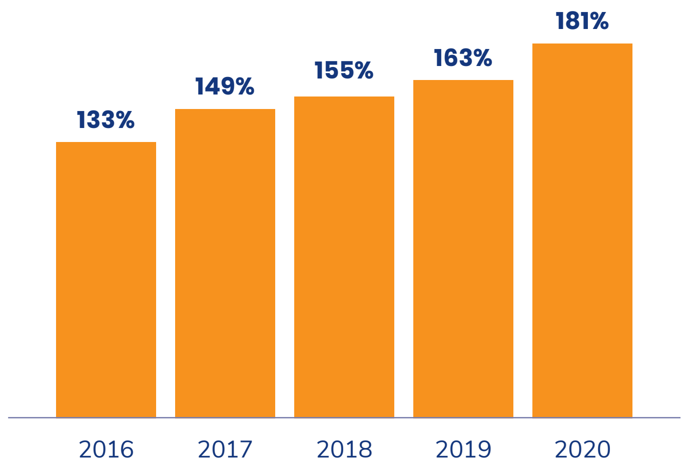
As part of the yearly evaluation of the investment strategy of the Trust, the Board elected to not revise future assumptions used in the calculations. Assumptions concerning increases in Tuition were revised down to 0% and 3% for Academic Years 2020-2021 and 2021-2022, respectively. Assumptions concerning increases in fees were revised down to 6% and 8% for Academic Years 2020-2021 and 2021-2022, respectively.

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

Actuarial Surplus (in millions)



Funded Ratio

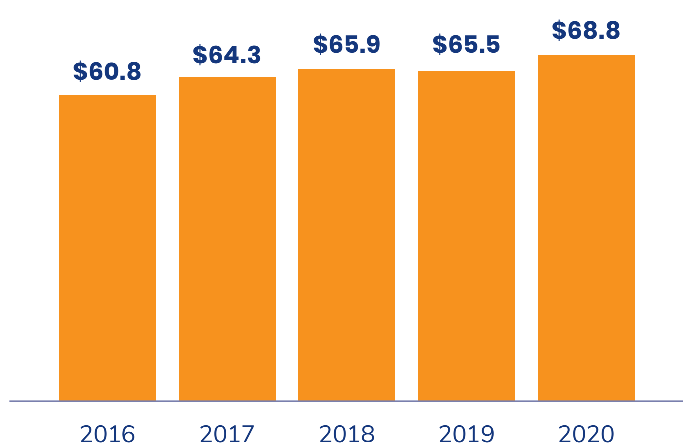


Students Use Tuition Benefits at College Nationwide

As of September 10, 2020, 3,137 students claimed their benefits for the fall 2020 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 fourth 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 $413 million for the Plan for fiscal year 2020. Net additions to net position resulted from 38,309 new accounts, $716 million in account holder contributions to portfolios, and $191 million in net investment income. Net deductions from the Plan's net position include $469 million in distributions to account holders and $24 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 the 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, 2020.*

U.S. Stocks Advance for Fiscal Year Despite Extraordinary Volatility

U.S. stocks rose in the 12 months ended June 30, 2020, weathering unprecedented volatility in the year's second fiscal half after steadily advancing in the first fiscal half. By the end of 2019, the Federal Reserve had announced three rate cuts, and a thaw in U.S.-China trade relations increased investor optimism that helped many major indexes hit all-time highs. However, sentiment turned sharply in late February, as fears that the nascent coronavirus, which was spreading far more rapidly than anticipated, could disrupt the global economy. Stocks sold off sharply in March, and the longest bull market in U.S. history came to a swift end, as the rapid spread of the coronavirus domestically prompted government officials to close schools, nonessential businesses, and public facilities. In the face of a steep contraction in economic activity, the Fed and the U.S. government responded with extraordinary monetary and fiscal stimulus in an effort to stabilize financial markets and provide relief to businesses and consumers. By the end of June, major indexes had retraced most of their losses from their lows hit in late March, despite concerns over rising infections and a fading tailwind from fiscal stimulus measures that were set to end in July.

U.S. large-cap stocks performed the best for the year, according to various Russell indices. Large-cap stocks delivered positive returns and outperformed both mid- and small-cap stocks, which declined. Growth stocks significantly outpaced value stocks across all market capitalizations. Sector performance in the S&P 500 Index was widely mixed. Information technology led all sectors, driven by cyclical tailwinds from shifting consumer behavior amid the pandemic. The consumer discretionary, communication services, and health care sectors also posted double-digit returns. The energy sector declined sharply, battered by an oil price war between Russia and Saudi Arabia in March followed by a collapse in global demand as the coronavirus dampened economic activity worldwide. The financials and industrials and business services sectors were also notable laggards.

Outside the U.S., stocks in developed markets declined, as the pandemic-induced sell-off was more acute in Europe and Asia, which experienced broad virus transmission earlier than the U.S. The MSCI EAFE Index—which measures the performance of stocks in Europe, Australasia, and the Far East—declined by -4.73%. The eurozone economy experienced a significant contraction over the latter half of the period, though the easing of government-mandated social distancing measures and improving economic data offered cause for optimism by the end of the fiscal year. Stocks in Latin America declined sharply, as concerns over the impact of the coronavirus were exacerbated by poor economic data, diminished commodities demand, and broad currency weakness. Developing markets stocks in Asia held up better, driven by strength in China, which produced solid returns due to the country's success in containing the coronavirus's spread almost entirely to Wuhan province, where it originated. By the end of June, many economic indicators showed that China was nearing full economic activity.

U.S. Bonds Rise as Risk Appetite Recedes

U.S. investment-grade bonds advanced, particularly in the first half of 2020, as historic volatility in equity markets drove investor preference for relatively safe assets. The Bloomberg Barclays U.S. Aggregate Bond Index, which measures the performance of taxable U.S. investment-grade bonds, climbed 8.74%. U.S. Treasuries were the best performers within fixed income. High yield bonds declined, significantly underperforming investment-grade bonds. Noninvestment-grade bonds—whose returns tend to be closely linked to stock market performance—turned lower in the final quarter of 2020 but rallied over the remainder of the fiscal year, buoyed by a strong recovery in the stock market.

The Treasury yield curve steepened as shorter-term yields plummeted, outpacing declines in longer-term yields, particularly as the period drew to a close. Entering the fiscal year, market participants expected that the Fed would turn more accommodative as escalating U.S.-China trade tensions exacerbated fears over slowing global growth. In August, the Fed delivered its first rate decrease in a decade, followed by further cuts in September and October. As 2019 closed, trade risks appeared to recede, and the lower interest rate environment seemed poised to provide a tailwind for growth in the coming year.

In March, as the pandemic's devastating toll on the U.S. economy became clear, the Fed took sweeping steps to mitigate the worst of these effects. By mid-March, the Fed had slashed its benchmark fed funds rate to a range of 0.00% to 0.25%, compared with a range of 2.25% to 2.50% at the beginning of the fund's fiscal year. The central bank also resumed purchasing securities such as Treasuries and asset-backed securities, a key tool employed in the wake of the global financial crisis. These asset purchases amounted to trillions of dollars and, in combination with additional lending and repurchase facilities, provided badly needed liquidity and stability in financial markets. Fed Chair Jerome Powell all but ruled out near-term rate increases when he stated in April, "We expect to maintain interest rates at this level until we're confident that the economy has weathered recent events and is on track to achieve our maximum-employment and price-stability goals." The yield on the 10-year U.S. Treasury note—a benchmark for long-term borrowing costs—declined to an all-time low of 0.32% in March before climbing slightly to 0.66% by period-end. (Bond prices and yields move in opposite directions.)

Overseas, bonds in developed markets delivered modest gains in U.S. dollar terms but lagged the strong returns of U.S. bonds as heightened volatility and uncertainty led investors to seek safety in traditional safe-haven assets. The European Central Bank (ECB) moved in tandem with the Fed and other major central banks to provide a forceful intervention in response to the economic impacts of the pandemic. However, with a policy rate that has been negative since 2014, the ECB had a more limited toolkit at hand. In March, ECB President Christine Lagarde announced a substantial asset purchasing program that, by June, amounted to a commitment to spend EUR 1.35 trillion over the coming year. While prices for 10-year government bonds in Japan, Germany, and several other European countries declined in March, accommodative monetary policy and optimism for an economic recovery helped send yields lower by June.

Emerging markets bonds fared worse than other fixed income sectors as investors shunned assets perceived to be higher risk. Local currency-denominated emerging markets debt declined, pressured by weak currencies in Brazil, Turkey, and a few other developing countries. Dollar-denominated emerging markets bonds, however, rose slightly, supported by the strength of the dollar and a global pivot to dovish monetary policy.

**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 the 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 2020 Annual Report for explanations of performance versus the benchmark for each individual portfolio, as well as for the composition of each benchmark.

Performance Comparison as of June 30, 2020

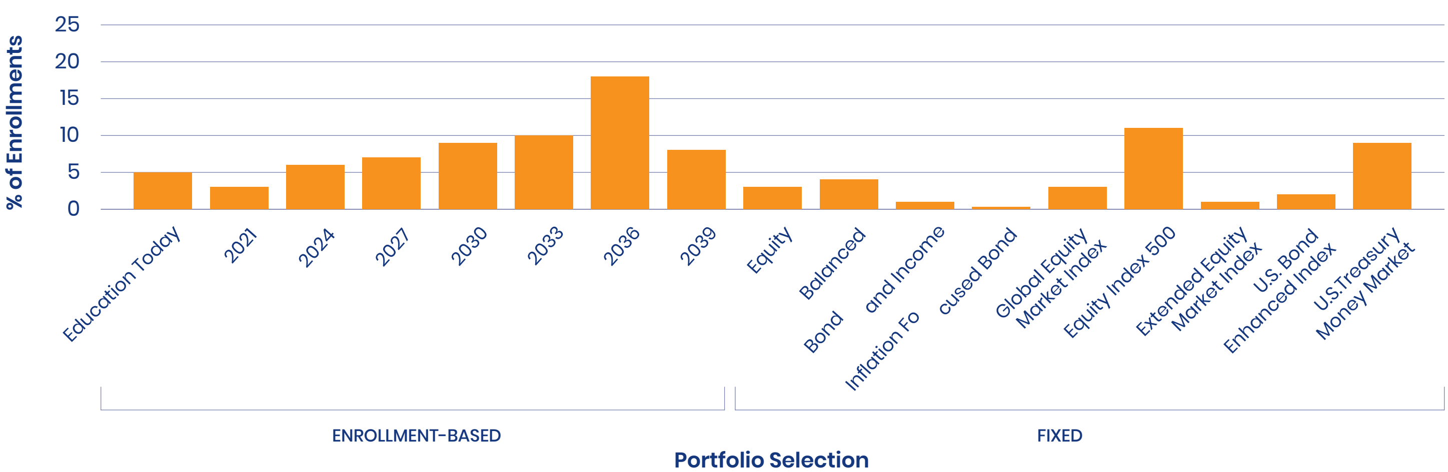
Portfolio	1-Year Return %	Weighted Benchmark %*	Annualized Since Portfolio Inception Return %	Weighted Benchmark %*	Inception Date
Portfolio 2039	2.08	1.05	3.81	3.43	5/31/18
Portfolio 2036	2.11	1.05	8.53	8.33	11/30/15
Portfolio 2033	2.27	1.75	9.89	9.72	12/31/12
Portfolio 2030	2.36	3.15	9.72	9.70	12/31/09
Portfolio 2027	2.25	4.46	6.61	6.48	6/30/06
Portfolio 2024	2.93	5.79	6.94	6.85	10/31/03
Portfolio 2021	4.25	5.29	5.80	5.68	11/26/01
Portfolio for Education Today	4.55	4.55	3.33	3.42	11/26/01
Equity Portfolio	2.09	1.03	6.83	6.67	11/26/01
Global Equity Market Index Portfolio	2.47	3.08	7.21	7.58	6/30/06
Balanced Portfolio	3.26	3.58	6.45	6.19	11/26/01
Bond & Income Portfolio	1.22	8.74	5.38	4.70	11/26/01
Inflation Focused Bond Portfolio	2.94	3.67	2.04	2.23	10/31/03
U.S. Treasury Money Market Portfolio	1.07	1.56	0.37	0.58	12/31/09
Equity Index 500 Portfolio	7.29	7.51	9.26	9.53	3/29/18
Extended Equity Market Index Portfolio	0.65	1.08	3.69	3.93	3/29/18
U.S. Bond Enhanced Index Portfolio	8.64	8.74	7.17	7.26	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 adjust automatically to be more conservative over time, continue to be a popular choice and were selected for approximately 66% of new Accounts. Portfolio 2036 was selected for approximately 18% of new Accounts. Among the fixed Portfolios, the U.S. Treasury Money Market Portfolio was selected for 9% of new Accounts which is a 7% decrease from the prior year. The most popular fixed Portfolio, Equity Index 500 Portfolio, was selected for approximately 11% of new Accounts.

PORTFOLIO SELECTION



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