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RE: Bright Directions Advisor-Guided 529 College Savings Program Enhancements

The Bright Directions Advisor-Guided 529 College Savings Program (“Bright Directions” or the “Program”) was recognized by Morningstar® as one of only two Silver-rated advisor-sold college savings plans in the nation.¹ This is the highest rating bestowed on an advisor-sold plan by Morningstar®. In our efforts to continue to enhance the Program, we have several upcoming additions to share, all of which will become effective on August 22, 2018.

First, the Voya Global Real Estate Fund will be replaced in the Age-Based, Target, and Individual Fund Portfolios with the Principal Global Real Estate Securities Fund Class R-6 (ticker: PGRSX)

Second, Bright Directions will make modifications to the allocations to certain of the Age-Based and Target Portfolios as reflected in the attached Exhibit C (effective August 22, 2018). These upcoming changes can be described at a high level as:

- Reduce cash and short duration fixed income allocations and increase core fixed income allocations across most Age-Based and Target Portfolios;
- Increase the global real estate allocations;
- Increase allocations to the passive U.S. equity fund and reduce the allocations to the actively managed large cap funds; and,
- Decrease the allocations to the passive international equity fund.

Finally, the aggregate balance limit for Accounts for a single Beneficiary in the Program (and which would include any additional Accounts in other State of Illinois Section 529 programs) will increase to \$450,000.

We have enclosed a July 15, 2018 Supplement to the Bright Directions Advisor-Guided 529 College Savings Program Disclosure Statement. Please review this enclosure and place it with your plan papers. We have also enclosed the updated Investment Policy Statement for your review and records.

This is a great time to increase what you are saving. Log in at BrightDirections.com to start or increase your monthly investment. Every dollar you save today can help reduce future student loan debt payments.

Thank you for investing with Bright Directions!

Bright Directions Advisor-Guided 529 College Savings Program

866.722.7283

The Bright Directions Advisor-Guided 529 College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank & Trust Company serves as Program Manager and Northern Trust Securities, Inc., acts as Distributor. Investments in the Bright Directions Advisor-Guided 529 College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, Union Bank & Trust Company, Northern Trust Securities, Inc., the Federal Deposit Insurance Corporation, or any other entity.

An investor should consider the investment objectives, risks, and charges and expenses before investing. This and other important information is contained in the Bright Directions Advisor-Guided 529 College Savings Program Disclosure Statement, which can be obtained from your financial professional or at BrightDirections.com and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement.

Before you invest, consider whether your or the beneficiary's home state offers any state tax or other benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's 529 plan.

Not FDIC Insured | No Bank Guarantee | May Lose Value

¹ The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's conviction in a fund's prospects for outperformance. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to global.morningstar.com/managerdisclosures/

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause Analyst expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

July 15, 2018 Supplement to Bright Directions Advisor-Guided 529 College Savings Program November 6, 2017 Program Disclosure Statement

The Bright Directions Advisor-Guided 529 College Savings Program (the “Program”) Program Disclosure Statement dated November 6, 2017, as supplemented on January 1, 2018, is hereby amended as set forth below. Except as amended herein, the Program Disclosure Statement, as supplemented, remains in full force and effect. Unless otherwise defined herein, capitalized terms used in this July 15, 2018 Supplement (the “Supplement”) shall have the respective meanings assigned to them in the Program Disclosure Statement. In the event of a conflict between the terms of the Program Disclosure Statement and the terms of this Supplement, the terms of this Supplement shall control.

Maximum Balance Increase from \$400,000 to \$450,000

Effective August 22, 2018, the aggregate balance limit for Accounts for a single Beneficiary in the Program (and which would include any additional Accounts in other State of Illinois Section 529 programs) will be increased to \$450,000.

Changes to the Age-Based & Target Portfolio Underlying Investment Allocations

Effective August 22, 2018, several modifications will be made to the Age-Based and Target Portfolio allocations. For convenience of reference, page 5 of this Supplement (which is Exhibit C - Investment Portfolios and Underlying Investments in the current Program Disclosure Statement) sets forth the asset allocations currently in effect. Page 6 of this Supplement sets forth the form of Exhibit C which will go into effect on August 22, 2018 and contains the revised asset allocations which will become effective after implementation of the modifications.

Underlying Fund to be Replaced in the Age-Based, Target and Individual Fund Portfolios

Effective August 22, 2018, the Voya Global Real Estate Fund (Ticker: IGLIX) will be replaced in the Age-Based, Target, and Individual Fund Portfolios by the Principal Global Real Estate Securities Fund Class R-6 (Ticker: PGRSX). On August 22, 2018, amounts invested in the Voya Global Real Estate Fund in the Age-Based and Target Portfolios will automatically be liquidated and reinvested into the Principal Global Real Estate Securities Fund.

The Voya Global Real Estate 529 Portfolio will no longer be offered as an Individual Fund Portfolio in the Plan as of August 22, 2018. If your Account is invested in the Voya Global Real Estate 529 Portfolio on that date, amounts invested in such Portfolio will automatically be transferred to a new Individual Fund Portfolio which will invest solely in the Principal Global Real Estate Securities 529 Portfolio. In addition, any future Contributions that were directed to the Voya Global Real Estate 529 Portfolio will be invested into the Principal Global Real Estate Securities 529 Portfolio.

Fee & Expense Table

| Individual Fund Portfolio | Underlying Fund Expense¹ | Program Management Fee | State Fee | Total Annual Asset-Based Fee |
|---|--|-------------------------------|------------------|-------------------------------------|
| Principal Global Real Estate Securities 529 Portfolio | | | | |
| Fee Structure A ² | 0.88% | 0.15% | 0.03% | 1.31% |
| Fee Structure C | 0.88% | 0.15% | 0.03% | 1.56% |
| Fee Structure E | 0.88% | 0.15% | 0.03% | 1.31% |
| Fee Structure F | 0.88% | 0.15% | 0.03% | 1.06% |
| Fee Structure G | 0.88% | 0.15% | 0.03% | 1.31% |
| Fee Structure H | 0.88% | 0.15% | 0.03% | 1.06% |

¹ For registered mutual funds, in the absence of a change that would materially affect the information, based on the expense ratio reported in the applicable fund's most recent prospectus dated prior to June 22, 2018.

² Fee Structure A has a 3.5% maximum initial sales charge.

Approximate Cost of a \$10,000 Investment

| Individual Fund Portfolio | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---------------|----------------|----------------|-----------------|
| Principal Global Real Estate Securities 529 Portfolio | | | | |
| Fee Structure A | \$480 | \$753 | \$1,047 | \$1,881 |
| Fee Structure C | \$160 | \$496 | \$856 | \$1,867 |
| Fee Structure E | \$134 | \$418 | \$722 | \$1,587 |
| Fee Structure F | \$109 | \$339 | \$587 | \$1,299 |
| Fee Structure G | \$134 | \$418 | \$722 | \$1,587 |
| Fee Structure H | \$109 | \$339 | \$587 | \$1,299 |

Fund Performance

The following table shows the past performance for the Principal Global Real Estate Securities Fund. The performance figures shown below do not reflect the Program's expenses. Due to the expenses of the Program, the performance of the Portfolios would have been lower than the performance of the Underlying Investment shown below.

All of the performance data shown represents past performance, which is not a guarantee or prediction of future results. Investment returns and principal value will fluctuate so that your Account may be worth less than the sum of your Contributions. For performance data of the Portfolios current to the most recent month-end, visit the Program's website at BrightDirections.com

| <i>as of May 31, 2018</i> | Ticker | Year-to-Date | 1 year | 3 year | 5 year | 10 year | Since Inc. | Inc. Date |
|---|---------------|---------------------|---------------|---------------|---------------|----------------|-------------------|------------------|
| Principal Global Real Estate Securities R6 Fund | PGRSX | 0.60% | 9.05% | 4.87% | - | - | 3.83% | 11/25/2014 |

New Underlying Investment Description

"Exhibit C – Investment Portfolios and Underlying Investments" beginning on page 66, is updated to include the summary and descriptions of the investment objectives and strategies, primary risks, and fees and expenses of the new Underlying Investment as set forth below.

The descriptions are taken from the most recent prospectuses of the fund dated prior to June 22, 2018 and are intended to summarize their respective investment objectives and policies.

All information below regarding the Underlying Investments is obtained from the prospectus, fund company, and other public information of the fund, and neither Union Bank & Trust Company nor the Treasurer guarantee the accuracy of such information.

For more complete information regarding any Underlying Investment, you may request a prospectus from the Program Manager or obtain a copy by visiting the website for the respective fund. All investments carry some degree of risk which will affect the value of the fund's investments, investment performance, and price of its shares. It is possible to lose money by investing in the funds. For complete information please see the fund's prospectus.

Principal Global Real Estate Securities Fund (Ticker: PGRSX)

Investment Objective

The fund seeks to generate a total return.

Principal Investment Strategies

Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of U.S. and non-U.S. companies principally engaged in the real estate industry at the time of purchase. For the fund's investment policies, a real estate company has at least 50% of its assets, income or profits derived from products or services related to the real estate industry. Real estate companies include real estate investment trusts ("REITs") and companies with substantial real estate holdings such as paper, lumber, hotel and entertainment companies as well as those whose products and services relate to the real estate industry such as building supply manufacturers, mortgage lenders, and mortgage servicing companies. The fund invests in equity securities regardless of market capitalization (small, medium or large). The fund invests in value equity securities, which is an investment strategy that emphasizes buying equity securities that appear to be undervalued.

REITs are pooled investment vehicles that invest in income producing real estate, real estate related loans, or other types of real estate interests. REITs in the U.S. are corporations or business trusts that are permitted to eliminate corporate level federal income taxes by meeting certain requirements of the Internal Revenue Code.

Some foreign countries have adopted REIT structures that are very similar to those in the United States. Similarities include pass through tax treatment and portfolio diversification. Other countries may have REIT structures that are significantly different than the U.S. or may not have adopted a REIT like structure at all. The fund invests a significant percentage of its portfolio in REITs and foreign REIT-like entities.

The fund typically invests in foreign securities of at least three countries and at least 30% of its net assets in foreign securities.

The fund concentrates its investments (invest more than 25% of its net assets) in securities in the real estate industry.

Principal Risks

The value of your investment in the fund changes with the value of the fund's investments. Many factors affect that value, and it is possible to lose money by investing in the fund. An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The principal risks of investing in the Fund, in alphabetical order, are:

Equity Securities Risk. The value of equity securities could decline if the issuer's financial condition declines or in response to overall market and economic conditions. A fund's principal market segment(s) (such as market capitalization or style) may underperform other market segments or the equity markets as a whole.

- **Small and Medium Market Capitalization Companies Risk.** Investments in small and medium sized companies may involve greater risk and price volatility than investments in larger, more mature companies.
- **Value Stock Risk.** Value stocks may continue to be undervalued by the market for extended periods, including the entire period during which the stock is held by a fund, or the events that would cause the stock price to increase may not occur as anticipated or at all. Moreover, a stock that appears to be undervalued actually may be appropriately priced at a low level and therefore would not be profitable for the fund.

Foreign Currency Risk. Risks of investing in securities denominated in, or that trade in, foreign (non-U.S.) currencies include changes in foreign exchange rates and foreign exchange restrictions.

Foreign Securities Risk. The risks of foreign securities include loss of value as a result of: political or economic instability; nationalization, expropriation or confiscatory taxation; settlement delays; and limited government regulation (including less stringent reporting, accounting, and disclosure standards than are required of U.S. companies).

Industry Concentration Risk.

A fund that concentrates investments in a particular industry or group of industries has greater exposure than other funds to market, economic and other factors affecting that industry or group of industries.

- **Real Estate.** A fund concentrating in the real estate industry can be subject to the risks associated with direct ownership of real estate, securities of companies in the real estate industry, and/or real estate investment trusts.

Real Estate Investment Trusts ("REITs") Risk. In addition to risks associated with investing in real estate securities, REITs are dependent upon management skills, are not diversified, and are subject to heavy cash flow dependency, risks of default by borrowers, and self-liquidation. Investment in REITs also involves risks similar to risks of investing in small market capitalization companies, such as limited financial resources, less frequent and limited volume trading, and may be subject to more abrupt or erratic price movements than larger company securities. A REIT could fail to qualify for tax-free pass-through of income under the Internal Revenue Code. Fund shareholders will indirectly bear their proportionate share of the expenses of REITs in which the fund invests.

Real Estate Securities Risk. Investing in real estate securities subjects the fund to the risks associated with the real estate market (which are similar to the risks associated with direct ownership in real estate), including declines in real estate values, loss due to casualty or condemnation, property taxes, interest rate changes, increased expenses, cash flow of underlying real estate assets, regulatory changes (including zoning, land use and rents), and environmental problems, as well as to the risks related to the management skill and creditworthiness of the issuer.

Redemption Risk. A fund that serves as an underlying fund for a fund of funds is subject to certain risks. When a fund of funds reallocates or rebalances its investments, an underlying fund may experience relatively large redemptions or investments. These transactions may cause the underlying fund to sell portfolio securities to meet such redemptions, or to invest cash from such investments, at times it would not otherwise do so, and may as a result increase transaction costs, result in changes to expense ratios and increased expenses, and adversely affect underlying fund performance. Moreover, a fund of fund's redemptions or reallocations among share classes of an underlying fund may result in changes to the expense ratios of affected classes, which may increase the expenses paid by shareholders of the class that experienced the redemption.

EXHIBIT C – INVESTMENT PORTFOLIOS AND UNDERLYING INVESTMENTS - Current

The following table shows the target investment allocations for the Age-Based and Target Portfolios. These target allocations were designed by the Treasurer in consultation with Marquette Associates, the Program Manager and Wilshire Associates. The Program Manager rebalances the Portfolios on an ongoing basis. The Treasurer may amend or supplement the Investment Policy Statement at any time which may change the Portfolios, the asset allocation within the Portfolios, and the Underlying Investments in which the Portfolios invest, including the Underlying Investments in which the Individual Fund Portfolios invest.

Age-Based & Target Portfolios - Asset Allocations

| Age-Based Portfolios | Age of beneficiary | | | | | | | | | | |
|--|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| Aggressive Age-Based Option | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 plus | | |
| Moderate Age-Based Option | | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 plus | |
| Conservative Age-Based Option | | | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 plus |
| | | | | | | | | | | | |
| Target Portfolios | Fund 100 | | Fund 80 | | Fund 60 | | Fund 40 | | Fund 20 | Fund 10 | Fixed Income Fund |
| Underlying Mutual Funds | | | | | | | | | | | |
| Invesco Government & Agency Portfolio | | | | | | | | 10.0% | 20.0% | 40.0% | 50.0% |
| MONEY MARKET TOTAL | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 10.0% | 20.0% | 40.0% | 50.0% |
| PIMCO Short-Term Fund | | | | | | 8.0% | 20.0% | 22.0% | 23.0% | 25.0% | 28.0% |
| Baird Short-Term Bond Fund | | | | 8.0% | 20.0% | 20.0% | 19.0% | 18.0% | 17.0% | 15.0% | 12.0% |
| American Century Short Duration Inflation Protection Bond Fund | | | | 2.0% | 3.0% | 5.0% | 7.0% | 8.0% | 8.0% | 10.0% | 10.0% |
| Northern Funds Bond Index Fund | | 4.0% | 8.0% | 8.0% | 7.0% | 7.0% | 6.0% | 6.0% | 6.0% | | |
| MainStay Total Return Bond Fund | | 4.0% | 8.0% | 8.0% | 7.0% | 7.0% | 6.0% | 6.0% | 6.0% | | |
| Templeton International Bond Fund | | 2.0% | 4.0% | 4.0% | 3.0% | 3.0% | 2.0% | | | | |
| FIXED INCOME TOTAL | 0.0% | 10.0% | 20.0% | 30.0% | 40.0% | 50.0% | 60.0% | 60.0% | 60.0% | 50.0% | 50.0% |
| Voya Global Real Estate Fund | 3.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 1.5% | | |
| REAL ESTATE TOTAL | 3.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 1.5% | 0.0% | 0.0% |
| DFA U.S. Large Cap Value Portfolio | 19.0% | 17.0% | 15.0% | 13.0% | 11.0% | 9.0% | 7.0% | 5.0% | 3.5% | 2.0% | |
| Northern Funds Stock Index Strategy | 16.0% | 15.0% | 13.0% | 12.0% | 10.5% | 8.0% | 7.0% | 5.0% | 3.5% | 2.0% | |
| T. Rowe Price Large-Cap Growth Strategy | 19.0% | 17.0% | 15.0% | 13.0% | 11.0% | 9.0% | 7.0% | 5.0% | 3.5% | 2.0% | |
| Northern Funds Small Cap Value Strategy | 3.0% | 3.0% | 2.5% | 2.0% | 1.5% | 2.0% | 2.0% | 1.0% | 1.0% | 0.5% | |
| Delaware Small Cap Core Fund | 4.0% | 3.0% | 3.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 1.0% | 0.5% | |
| Harbor Small Cap Growth Opportunities Fund | 3.0% | 3.0% | 2.5% | 2.0% | 1.5% | 2.0% | 2.0% | 1.0% | 1.0% | 0.5% | |
| DOMESTIC EQUITY TOTAL | 64.0% | 58.0% | 51.0% | 44.0% | 37.5% | 32.0% | 27.0% | 19.0% | 13.5% | 7.5% | 0.0% |
| Dodge & Cox International Stock Fund | 6.25% | 6.0% | 5.25% | 5.0% | 4.0% | 3.0% | 2.5% | 2.0% | 1.25% | 0.5% | |
| Northern Funds International Equity Index Fund | 12.5% | 11.0% | 10.5% | 9.0% | 8.5% | 7.0% | 5.0% | 4.0% | 2.5% | 1.5% | |
| Oppenheimer International Growth Fund | 6.25% | 6.0% | 5.25% | 5.0% | 4.0% | 3.0% | 2.5% | 2.0% | 1.25% | 0.5% | |
| DFA International Small Company Portfolio | 4.0% | 3.0% | 3.0% | 2.0% | 2.0% | 1.0% | | | | | |
| Causeway Emerging Markets Fund | 4.0% | 4.0% | 3.0% | 3.0% | 2.0% | 2.0% | 1.0% | 1.0% | | | |
| INTERNATIONAL EQUITY TOTAL | 33.0% | 30.0% | 27.0% | 24.0% | 20.5% | 16.0% | 11.0% | 9.0% | 5.0% | 2.5% | 0.0% |
| | | | | | | | | | | | |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

EXHIBIT C – INVESTMENT PORTFOLIOS AND UNDERLYING INVESTMENTS - Effective August 22, 2018

The following table shows the target investment allocations for the Age-Based and Target Portfolios. These target allocations were designed by the Treasurer in consultation with Marquette Associates, the Program Manager and Wilshire Associates. The Program Manager rebalances the Portfolios on an ongoing basis. The Treasurer may amend or supplement the Investment Policy Statement at any time which may change the Portfolios, the asset allocation within the Portfolios, and the Underlying Investments in which the Portfolios invest, including the Underlying Investments in which the Individual Fund Portfolios invest.

Age-Based & Target Portfolios - Asset Allocations

| Age-Based Portfolios | Age of beneficiary | | | | | | | | | | |
|--|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| Aggressive Age-Based Option | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 plus | | |
| Moderate Age-Based Option | | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 plus | |
| Conservative Age-Based Option | | | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 plus |
| | | | | | | | | | | | |
| Target Portfolios | Fund 100 | | Fund 80 | | Fund 60 | | Fund 40 | | Fund 20 | Fund 10 | Fixed Income Fund |
| Underlying Mutual Funds | | | | | | | | | | | |
| Invesco Government & Agency Portfolio | | | | | | | | 5.0% | 14.5% | 31.5% | 50.0% |
| MONEY MARKET TOTAL | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 5.0% | 14.5% | 31.5% | 50.0% |
| PIMCO Short-Term Fund | | 0.5% | 1.0% | 2.0% | 2.5% | 7.5% | 14.0% | 17.5% | 19.0% | 19.0% | 20.0% |
| Baird Short-Term Bond Fund | | 0.5% | 1.0% | 5.0% | 12.0% | 12.0% | 12.5% | 13.5% | 13.5% | 12.0% | 10.0% |
| American Century Short Duration Inflation Protection Bond Fund | | 1.0% | 1.5% | 3.0% | 3.5% | 4.5% | 8.0% | 10.5% | 9.5% | 12.0% | 12.5% |
| Northern Funds Bond Index Fund | | 3.0% | 5.5% | 6.5% | 7.0% | 8.0% | 8.5% | 9.5% | 9.5% | 6.5% | 4.0% |
| MainStay Total Return Bond Fund | | 3.5% | 7.5% | 9.5% | 11.0% | 13.5% | 13.0% | 11.5% | 11.5% | 7.5% | 3.5% |
| Templeton International Bond Fund | | 1.5% | 3.5% | 4.0% | 4.0% | 4.5% | 4.0% | 2.5% | 2.5% | 1.5% | |
| FIXED INCOME TOTAL | 0.0% | 10.0% | 20.0% | 30.0% | 40.0% | 50.0% | 60.0% | 65.0% | 65.5% | 58.5% | 50.0% |
| Principal Global Real Estate Securities Fund | 5.0% | 4.0% | 3.5% | 3.5% | 3.5% | 2.5% | 2.5% | 2.0% | 1.75% | 0.5% | |
| REAL ESTATE TOTAL | 5.0% | 4.0% | 3.5% | 3.5% | 3.5% | 2.5% | 2.5% | 2.0% | 1.75% | 0.5% | 0.0% |
| DFA U.S. Large Cap Value Portfolio | 15.5% | 14.5% | 13.0% | 11.0% | 9.5% | 8.0% | 6.5% | 4.5% | 3.25% | 2.0% | |
| Northern Funds Stock Index Strategy | 20.5% | 18.5% | 17.0% | 14.5% | 12.75% | 10.5% | 8.5% | 6.5% | 4.75% | 2.0% | |
| T. Rowe Price Large-Cap Growth Strategy | 15.5% | 14.5% | 13.0% | 11.0% | 9.5% | 8.0% | 6.5% | 4.5% | 3.25% | 2.0% | |
| Northern Funds Small Cap Value Strategy | 3.0% | 3.0% | 2.25% | 2.0% | 1.75% | 2.0% | 1.5% | 1.0% | 1.00% | 0.25% | |
| Delaware Small Cap Core Fund | 3.0% | 2.5% | 2.5% | 2.5% | 1.5% | 1.5% | 1.5% | 1.5% | 0.50% | 0.75% | |
| Harbor Small Cap Growth Opportunities Fund | 3.0% | 3.0% | 2.25% | 2.0% | 1.75% | 2.0% | 1.5% | 1.0% | 1.00% | 0.25% | |
| DOMESTIC EQUITY TOTAL | 60.5% | 56.0% | 50.0% | 43.0% | 36.75% | 32.0% | 26.0% | 19.0% | 13.75% | 7.25% | 0.0% |
| Dodge & Cox International Stock Fund | 7.125% | 6.5% | 5.625% | 5.0% | 4.0% | 3.5% | 2.75% | 2.0% | 1.125% | 0.25% | |
| Northern Funds International Equity Index Fund | 10.75% | 9.0% | 8.25% | 7.5% | 6.75% | 5.0% | 4.0% | 3.0% | 1.75% | 1.75% | |
| Oppenheimer International Growth Fund | 7.125% | 6.5% | 5.625% | 5.0% | 4.0% | 3.5% | 2.75% | 2.0% | 1.125% | 0.25% | |
| DFA International Small Company Portfolio | 4.5% | 3.5% | 3.0% | 2.5% | 2.0% | 1.0% | 0.5% | 0.5% | | | |
| Causeway Emerging Markets Fund | 5.0% | 4.5% | 4.0% | 3.5% | 3.0% | 2.5% | 1.5% | 1.5% | 0.5% | | |
| INTERNATIONAL EQUITY TOTAL | 34.5% | 30.0% | 26.5% | 23.5% | 19.75% | 15.5% | 11.5% | 9.0% | 4.5% | 2.25% | 0.0% |
| | | | | | | | | | | | |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |



**State of Illinois
Office of the Treasurer
BRIGHT DIRECTIONS COLLEGE SAVINGS PROGRAM
INVESTMENT POLICY STATEMENT
Effective August 2018**



1.0 Statement of Purpose of Investment Policy

The purpose of this Investment Policy Statement (the “Policy”) is to assist contractors retained by the Office of the Illinois State Treasurer (“Treasurer”) to provide services related to the management of the assets of the Illinois College Savings Pool that are contributed to the Bright Directions College Savings Program (the “Program”) and to assist the Treasurer in evaluating the performance of such contractors by:

- Describing the Treasurer’s investment philosophy for the Program;
- Describing the Treasurer’s investment objectives for the Program;
- Specifying the responsibilities of the Treasurer and any contractors that provide investment management services to the Program to thereby provide a basis to evaluate the performance of contractors that provide services to the Program;
- Providing investment parameters for the investment of assets of the Program; and
- Detailing the investment plan options available through the Program and the applicable performance benchmarks.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Treasurer.

2.0 Establishment and Authority of Entity

The Bright Directions College Savings Program has been established as part of the Illinois College Savings Pool, and is intended to qualify as a qualified tuition program in accordance with Section 529 of the Internal Revenue Code of 1986, as amended. The Program is sold through financial advisors and was established to complement the existing Bright Start College Savings Program by allowing families to utilize a financial advisor to assist them with investing toward future college education expenses.

3.0 Participating Financial Institution

Accounts in the Program will be distributed through registered broker-dealers and financial institutions that have entered into a Selling Agent Agreement with the designated distributor for the Program. All new accounts in the Program will be processed through the designated participating financial institution.

4.0 Investment Philosophy

The Treasurer has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program's objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

As part of its investment strategy, the Treasurer has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

Contributions to the Program will be directed to one or more of the available Age-Based, Target, Individual, or Female- and Minority-Owned Portfolios ("Portfolios"), each composed of a designated mix of investments or an individual investment fund. The determination of the investment parameters of each Portfolio shall be made by the Treasurer and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 18 years.

The Treasurer will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Fixed Income Investments
- Real Estate Investments
- Domestic Equity Investments
- International Equity Investments

The Treasurer will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Treasurer, participants bear the risk of investment results. Individual participants who seek investments materially different from those offered may wish to select an investment alternative outside of the Program.

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it is the policy of the Treasurer to endeavor to actively identify and evaluate investment managers that are more than 50% owned and/or managed by minorities, women, military veterans, or disabled persons.

Consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer will prudently exercise investment stewardship to fulfill its fiduciary duty, increase expected financial returns, minimize projected risk, and contribute to a more just, accountable and sustainable State of Illinois. Sustainability factors shall be implemented within a framework predicated on the following:

- A. Prudent integration of material sustainability factors, including, but not limited to environmental, social capital, human capital, business model and innovation, and leadership and governance factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership given that these tangible and intangible factors may have a material and relevant financial impacts;
- B. Recurring evaluation of sustainability factors to ensure the factors are relevant to the Program and the evolving marketplace; and
- C. Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through engagement with entities, such as investment funds, investment holdings, portfolio companies, government bodies, and other organizations, and move the marketplace toward more prudent sustainability investment practices.

Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

5.0 Investment Objectives

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

6.0 Investment Responsibilities

The Treasurer is responsible for the investment policy statement, the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Treasurer may rely on one or more contractors to assist in the administration of the Program. The Treasurer will engage and plan to rely on said contractor (the “Manager”) for administrative services as well as the contractor’s pertinent investment advisor, should they retain one, for certain investment management services. The Treasurer also plans to rely heavily on an external investment consultant for investment advisory services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Age-Based and Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands.

With the Treasurer's approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Treasurer and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

In addition, the Treasurer may engage an independent investment consultant that will:

- Measure investment performance results, evaluate the investment program, and advise the Treasurer as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Treasurer regarding significant matters pertaining to the investment program.

7.0 Investment Parameters

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments or an individual investment fund, which is appropriate for the age of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, fixed-income, and/or short-term investments. The asset allocation of each Portfolio will be established by the Treasurer and managed by the Manager. The Treasurer may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Age-Based and Target Portfolios are shown in the following table. There is a permissible range of plus or minus 10% of the target allocation for each underlying investment fund.

| Age-Based Portfolios | | Age of Beneficiary | | | | | | | | | | |
|-----------------------|--|--------------------|-------|---------|--------|---------|---------|---------|---------|---------|---------|--------------|
| Aggressive Option | | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 + | | |
| Moderate Option | | | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 + | |
| Conservative Option | | | | 0 - 2 | 3 - 5 | 6 - 8 | 9 - 10 | 11 - 12 | 13 - 14 | 15 - 16 | 17 - 18 | 19 + |
| Target Portfolios | | Fund 100 | | Fund 80 | | Fund 60 | | Fund 40 | | Fund 20 | Fund 10 | Fixed Income |
| Asset Class | | | | | | | | | | | | |
| Benchmark | | | | | | | | | | | | |
| Domestic Equity | Russell 1000 Value | 15.5% | 14.5% | 13.0% | 11.0% | 9.5% | 8.0% | 6.5% | 4.5% | 3.3% | 2.0% | 0.0% |
| | S & P 500 Index | 20.5% | 18.5% | 17.0% | 14.5% | 12.8% | 10.5% | 8.5% | 6.5% | 4.8% | 2.0% | 0.0% |
| | Russell 1000 Growth | 15.5% | 14.5% | 13.0% | 11.0% | 9.5% | 8.0% | 6.5% | 4.5% | 3.3% | 2.0% | 0.0% |
| | Russell 2000 Value | 3.0% | 3.0% | 2.3% | 2.0% | 1.8% | 2.0% | 1.5% | 1.0% | 1.0% | 0.3% | 0.0% |
| | Russell 2000 | 3.0% | 2.5% | 2.5% | 2.5% | 1.5% | 1.5% | 1.5% | 1.5% | 0.5% | 0.8% | 0.0% |
| | Russell 2000 Growth | 3.0% | 3.0% | 2.3% | 2.0% | 1.8% | 2.0% | 1.5% | 1.0% | 1.0% | 0.3% | 0.0% |
| | | | | | | | | | | | | |
| Global Real Estate | FTSE EPRA/NAREIT Global | 5.0% | 4.0% | 3.5% | 3.5% | 3.5% | 2.5% | 2.5% | 2.0% | 1.8% | 0.5% | 0.0% |
| | | | | | | | | | | | | |
| International Equity | MSCI EAFE | 25.0% | 22.0% | 19.5% | 17.5% | 14.8% | 12.0% | 9.6% | 7.0% | 4.0% | 2.4% | 0.0% |
| | MSCI World ex- U.S. Small Cap | 4.5% | 3.5% | 3.0% | 2.5% | 2.0% | 1.0% | 0.5% | 0.5% | 0.0% | 0.0% | 0.0% |
| | MSCI Emerging Markets | 5.0% | 4.5% | 4.0% | 3.5% | 3.0% | 2.5% | 1.5% | 1.5% | 0.5% | 0.0% | 0.0% |
| | | | | | | | | | | | | |
| Domestic Fixed Income | 3-month T-Bills | | | | | | | | | | | |
| | Bloomberg Barclays U.S. Gov't/Credit 1-3yr | 0.0% | 0.5% | 1.0% | 2.0% | 2.5% | 7.5% | 14.0% | 17.5% | 19.0% | 19.0% | 20.0% |
| | ML 1-3 yr Treasury | 0.0% | 0.5% | 1.0% | 5.0% | 12.0% | 12.0% | 12.5% | 13.5% | 13.5% | 12.0% | 10.0% |
| | Bloomberg Barclays U.S. Aggregate Bond | 0.0% | 6.5% | 13.0% | 16.0% | 18.0% | 21.5% | 21.5% | 21.0% | 21.0% | 14.0% | 7.5% |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Foreign Bonds | Bloomberg Barclays U.S. TIPS | 0.0% | 1.0% | 1.5% | 3.0% | 3.5% | 4.5% | 8.0% | 10.5% | 9.5% | 12.0% | 12.5% |
| | CitiGroup Non-U.S. World Gov't Bond | 0.0% | 1.5% | 3.5% | 4.0% | 4.0% | 4.5% | 4.0% | 2.5% | 2.5% | 1.5% | 0.0% |
| | | | | | | | | | | | | |
| Money Market | 3-month T-Bills | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 5.0% | 14.5% | 31.5% | 50.0% |

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Treasurer having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

Individual Fund Portfolios

Participants in the Program open their Accounts through registered broker-dealers and other financial advisors. As a result, the Treasurer deems it appropriate to offer individual funds as separate Portfolios in the Program. The Individual Fund Portfolios and underlying investment funds the Treasurer selects will be described in the Program's current Program Disclosure Statement and may include the following asset classes:

| Asset Class | Benchmark |
|----------------------|--|
| Money Market | 3 Month T-Bill |
| Ultra Short Bond | Bloomberg Barclays U.S. Gov't/Credit 1-3yr Index |
| Low Duration | ML 1-3 Treasury Index |
| Corporate Bond | Bloomberg Barclays U.S. Credit Index |
| Intermediate Bond | Bloomberg Barclays U.S. Aggregate Bond Index |
| Foreign Bonds | Citigroup Non-U.S. World Government Bond Index |
| U.S. TIPS | Bloomberg Barclays U.S. TIPS Index |
| Balanced | Bloomberg Barclays U.S. Aggregate Bond Index; S&P 500; MSCI EAFE |
| Large Cap Value | Russell 3000 Value Index, Russell 1000 Value Index |
| Large Cap Growth | Russell 1000 Growth Index |
| Large Cap Blend | Russell 1000 Index, S&P 500 |
| Mid-Cap Value | Russell 2500 Value Index |
| Mid-Cap Growth | Russell Mid-Cap Growth Index |
| Mid-Cap Blend | Wilshire 4500 Index |
| Small-Cap Value | Russell 2000 Value Index |
| Small-Cap Growth | Russell 2000 Growth Index |
| Small-Cap Blend | Russell 2000 Index |
| Foreign Stock | MSCI EAFE, MSCI World ex U.S. Small Cap, and MSCI Emerging Markets |
| Socially Responsible | S&P 500 |
| Real Estate | DJ Wilshire Real Estate Securities |

8.0 Female- and Minority-Owned Portfolios

The Program has included the Female- and Minority-Owned Portfolios for participants who would like to have a more diverse set of investment options. The female- and minority-owned underlying investment funds utilized in the program were screened on the following initial criteria: (1) firms with at least 50% female and/or racial minority ownership or (2) funds that have a female and/or racial minority investment manager that makes the portfolio management decisions (*i.e.*, a minority-owned subadvisor), and (3) funds that delivered above median returns over a 3-year and/or 5-year time period. The female- and minority-owned options provided in the program include relatively high scoring female- and minority-owned investment managers representing a diverse set of asset classes.

Contributions will be invested in one or more of the available Portfolios, each composed of an individual investment fund, which is appropriate for the investment objective of the Portfolio. The Treasurer may change the underlying investment funds within specially designated portfolios, such as the Female- and Minority-Owned Portfolios, consistent with this Policy.

The Treasurer may also add additional portfolios – for example, a veteran- or disabled-owned and/or managed portfolio – as new viable options become available.