

**SUPPLEMENT DATED JANUARY 2025 TO THE  
KY SAVES 529 PROGRAM DESCRIPTION  
DATED JULY 24, 2024**

**This Supplement describes important changes affecting KY Saves 529. Unless otherwise indicated, capitalized terms have the same meaning as those in the KY Saves 529 Program Description.**

**Gift Tax Exclusion Update:**

1. The following replaces the section entitled “Federal Gift/Estate Tax” on page 50 of the Program Description:

**Federal Gift/Estate Tax.** If your contributions, together with any other gifts to your Beneficiary over and above those made to your Account, do not exceed \$19,000 per year (\$38,000 for married couples making a proper election for 2025), no gift tax is imposed for that year. If you wish to move assets into tax-advantaged investments more quickly, you can make gifts of up to \$95,000 in a single year (\$190,000 for married couples making a proper election for 2025) and then elect to apply the contribution against the annual exclusion equally over a five-year period. This allows you to move assets out of your estate more quickly where those assets can grow tax free of federal income tax. For purposes of Federal estate tax, Account assets are generally considered part of your Beneficiary’s – and not your - estate. There are some exceptions as well as further rules regarding gifts and the generation-skipping transfer tax that may apply in the case of withdrawals, changes of Beneficiaries, and other situations. The state law treatment of gift and estate taxes also varies. You should check with your tax advisor for the specific effect of federal and state (if any) gift tax and generation-skipping transfer tax on your situation.

**Average Annual Total Returns Update:**

2. The following “Investment Performance” table replaces the table on page 49 of the Program Description:

<b>AVERAGE ANNUAL TOTAL RETURNS AS OF SEPTEMBER 30, 2024</b>						
<b>Investment Options</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>Since Inception<sup>1</sup></b>	<b>Inception Date</b>
In School Enrollment Option	8.79%	2.60%	2.71%	-	2.94%	2/22/2019
2025 Enrollment Option	11.27%	2.01%	4.10%	-	4.42%	2/22/2019
2028 Enrollment Option	15.81%	3.10%	5.65%	-	5.78%	2/22/2019
2031 Enrollment Option	19.46%	4.12%	6.93%	-	6.92%	2/22/2019
2034 Enrollment Option	22.18%	4.79%	7.95%	-	7.84%	2/22/2019
2037 Enrollment Option	24.82%	5.50%	9.03%	-	8.80%	2/22/2019
2040 Enrollment Option	27.52%	6.20%	-	-	10.01%	8/14/2020
2043 Enrollment Option	28.41%	-	-	-	20.03%	7/07/2023
Equity Index Option	30.38%	7.02%	10.66%	-	10.18%	2/22/2019
Active Equity Option	30.80%	8.01%	11.31%	-	10.60%	2/22/2019
Active Bond Option	12.68%	-1.38%	0.61%	-	1.75%	2/22/2019
Bond Index Option	10.31%	-0.30%	0.62%	-	1.57%	2/22/2019
Capital Preservation Option	4.78%	3.34%	2.37%	-	2.35%	2/22/2019

<sup>1</sup> Since Inception returns for less than one year are not annualized.

**Investment Option performance information represents past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so your Units, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit [www.kysaves.com](http://www.kysaves.com).**





**Program Description**

**JULY 24, 2024**

## Important Notices

This Program Description for the Kentucky Education Savings Plan Trust (“KY Saves 529” or “Program”) is intended to provide substantive disclosure of the terms and conditions of an investment in the Program. This Program Description is designed to comply with the College Savings Plans Network Disclosure Principles, as amended from time to time.

Investing is an important decision. Please read this Program Description in its entirety before making an investment decision.

Before you invest, consider whether your or the Beneficiary’s home state offers any state tax or other state benefits, such as financial aid, scholarship funds, and protection from creditors, that are only available for investments in that state’s qualified tuition program. You also may wish to contact directly your home state’s 529 education savings plan(s), or any other 529 plan, to learn more about those plans’ features, benefits, and limitations. You should also consult your financial, tax, or other advisor to learn more about how state-based benefits (or any limitations) may apply to your specific circumstances. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.

Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind.

The Program Administrators do not insure or guarantee accounts or investment returns on accounts. Investment returns will vary depending upon the performance of the Investment Options you choose. Depending on market conditions, you could lose money (including your contributions) by investing in KY Saves 529. Account Owners assume all investment risks as well as responsibility for any federal and state tax consequences.

KY Saves 529 is administered by the Kentucky Higher Education Assistance Authority (KHEAA). Ascensus College Savings Recordkeeping Services, LLC, is the Program Manager. The Program Manager and its affiliates have overall responsibility for the program’s day-to-day operations, including investment advisory, recordkeeping, and administrative services.

Links to third party websites are provided for informational purposes. The Program Administrators are not responsible for the accuracy of the information contained on any third-party websites, but will, to the best of their ability, ensure third-party website addresses are up-to-date. If you experience a broken link, please contact us at [www.kysaves.com](http://www.kysaves.com) or call 855.840.4855.

Capitalized terms used in this Program Description are defined throughout the document and/or in the *Glossary of Defined Terms* in [Appendix C](#).

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## GETTING STARTED

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Getting started with KY Saves 529 is easy. Just follow these three (3) simple steps:

READ THIS PROGRAM DESCRIPTION	GATHER YOUR INFORMATION	ENROLL ONLINE
<p>Read this Program Description and save it for future reference. It contains important information you should review <b>before opening an Account</b>, including information about the benefits and risks of investing in the Program.</p>	<p>Gather your information:</p> <ol style="list-style-type: none"><li>Your social security number and date of birth;</li><li>Your permanent U.S. street address;</li><li>Your Beneficiary's social security number or taxpayer identification number and date of birth;</li><li>Your email address; and</li><li>Your checking or savings account number and your bank's routing number (if you want to contribute electronically with a bank transfer).</li></ol>	<p>Go online to <a href="http://www.kysaves.com">www.kysaves.com</a>. The easy-to-follow directions will guide you through the enrollment process. In as little as 10 minutes, you can be fully and securely signed up and saving for your Beneficiary's education. Or, if you prefer, you can complete and mail us an Enrollment Form.</p>

## KEY FEATURES

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This section highlights certain key features of KY Saves 529. Please read the Program Description in its entirety before you invest. See [Appendix C](#) for the definition of capitalized terms used throughout this Program Description.

### The Program

The Kentucky Educational Savings Plan Trust, known as KY Saves 529, is a 529 Plan sponsored by the Commonwealth of Kentucky. KY Saves 529 is designed to help you save for your Beneficiary's education in a tax-advantaged way. It offers valuable advantages, including tax-deferred growth, favorable contribution opportunities, attractive investment options, and professional investment management.

### Account Owner and Beneficiary Eligibility

The Program is open to all U.S. citizens and resident aliens with a social security number or taxpayer identification number. An Account Owner must be at least 18 years old and have a permanent U.S. street address that is not a P.O. Box. The Beneficiary may be any age, from newborn to adult. There are no restrictions on state of residence or income.

### Investment Options

KY Saves 529 offers three (3) easy to access investment approaches depending on your preferences:

1. **Year of Enrollment Options.** You will select a Year of Enrollment Option based on the year that you expect your Beneficiary to make their first withdrawal for Qualified Expenses. The asset mix (or allocation) of your selected option will adjust on a recurring fixed schedule automatically over time, becoming progressively more conservative as the year of initial withdrawal approaches. During the calendar year mentioned in the name of your selected Year of Enrollment Option, all assets will transfer out of your selected option and into the In School Enrollment Option (the most conservative option of the Year of Enrollment Options), and the selected Year of Enrollment Option will be closed. For example, in the year 2040, the assets in the 2040 Enrollment Option will be transferred into the In School Enrollment, and the 2040 Enrollment Option will be closed. There are eight (8) Investment Options that comprise the Year of Enrollment Options.
2. **Asset Allocation Options.** These options give you the opportunity to create your own mix of equity and fixed income, and active or index-based allocations. There are four (4) Investment Options that comprise the Asset Allocation Options.
3. **Capital Preservation Option.** This option invests in a Funding Agreement issued by Principal Life Insurance Company.

For more detailed descriptions of the three investment approaches, see [Investment Options](#).



## Fees

KY Saves 529 charges Investment Option fees as follows:

- Annualized investment costs on assets per Investment Option range from 0.20% - 0.80%.
- KY Saves 529 does not charge enrollment or annual maintenance fees.
- Additional fees will also apply if you request certain non-standard services.

For a detailed description of Fees associated with KY Saves 529, see [Fees](#).

## Risk Factors

An investment in the Program may be subject to the following risks: (i) the risk of losing money; (ii) investment risks of the Investment Options which include market risk, interest rate risk, foreign investment risk, credit risk, geographic concentration risk, and other investment risks described in this Program Description; (iii) the risk of changes to the Program, including changes in fees; (iv) the risk of federal or state tax law changes; and (v) the risk that contributions to the Program may adversely affect the eligibility of the Beneficiary or the Account Owner for financial aid or other benefits.

For a detailed description of the general risks associated with KY Saves 529, see [Program Risks](#). For a list of risks associated with the Investment Options and Underlying Funds, see [Investment Option Descriptions](#), [Appendix A](#), and [Appendix B](#).

## Tax Advantages

Earnings on Account assets generally grow free of federal and Kentucky income tax. Withdrawals used to pay for Qualified Expenses are not subject to federal or Kentucky state income tax.

## Benefit for Certain Kentucky Resident Beneficiaries

Beneficiaries who reside in Kentucky for eight (8) consecutive years and are continuously designated on an Account for the entirety of that eight-year period will qualify for Kentucky resident tuition rates at certain Eligible Educational Institutions in Kentucky. Net contributions of at least \$2,400 must be in the Account at the end of the eight-year period. Additional restrictions apply. See [Vested Participation Agreements](#).

## Contributions

You can make contributions to your account by check, recurring contribution, payroll direct deposit, electronic funds transfer (EFT), rolling over assets from another 529 Plan, moving assets from an UGMA/UTMA account or Coverdell ESA, redeeming U.S. Savings Bonds, and through Refunded Distributions.

Subsequent contributions can also be made through Ugift<sup>®</sup> and transfers from a Upromise Program account.

## Withdrawals

You may request a withdrawal online, by telephone or by mailing to us a Withdrawal Request Form, available by logging into [www.kysaves.com](http://www.kysaves.com).

## Investment Exchanges

You may exchange or reallocate your contributions and earnings among available Investment Options up to two (2) times per calendar year for the same Beneficiary and upon a change of the Beneficiary. You may direct future contributions to a different Investment Option(s) at any time. See [Investment Exchanges](#) and [Additional Contributions](#).

## FREQUENTLY ASKED QUESTIONS

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### How does KY Saves 529 work?

Upon opening and funding an Account, you can save money for a Beneficiary's future education costs. Contributions may be made over time and invested in the Investment Options you select. When you use the money in your Account for Qualified Expenses, you can withdraw those funds tax-free. Non-Qualified Withdrawals, used for any other purpose, are subject to state taxes and a 10% federal tax penalty on the earnings component of such withdrawal only, unless such penalty is eligible for a waiver. See [Using Your Account](#).

### How are KY Saves 529 funds invested?

You can choose from three (3) investment approaches (Year of Enrollment, Asset Allocation, and Capital Preservation) based on your preferences, how active you want to be, and the level of risk you are comfortable with. For descriptions of the three (3) investment approaches, see [Investment Options](#).

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KY Saves 529 is a tax-advantaged education savings plan that offers tax-deferred growth, favorable contribution limits, attractive investment options and professional investment management.

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### How do I open an Account?

Complete an Enrollment Form, either online or by mail. Once your information is determined to be complete and accurate, your enrollment will be processed.

### How many Accounts can I open?

You can open an Account for as many Beneficiaries as you wish. Each Account may have only one Account Owner and one Beneficiary, and you must complete a new Enrollment Form for each Beneficiary.

### Can I change the Beneficiary of my Account?

Yes. You can transfer your Account to a Member of the Family of the Beneficiary without incurring taxes or penalties. For more information, please see [Changing a Beneficiary](#).

### When can I enroll a newborn?

Beneficiaries may be enrolled at any time, as long as they have a Social Security number. If you want to start saving before a child's birth or adoption, you can open an Account naming yourself as the Beneficiary and then change the Beneficiary to the child once he or she is born or adopted.

### I heard Account earnings are federal and state tax free if used to pay for Qualified Expenses. What are Qualified Expenses?

The IRS determines which education costs can be considered Qualified Expenses. Qualified Higher Education Expenses, K-12 Tuition Expenses, Qualified Education Loan Repayments, and Apprenticeship Program Expenses are all currently considered Qualified Expenses.

Examples of Qualified Higher Education Expenses include: tuition, books, supplies, fees, and equipment required for enrollment or attendance at an Eligible Educational Institution; room and board (with limitations); and expenses for the purchase of computer or peripheral equipment, computer software, or internet access and related services, if the equipment, software, or services are to be used primarily by the Beneficiary during any of the years enrolled at an Eligible Educational Institution.

K-12 Tuition Expenses include expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school, not to exceed \$10,000 in distributions per tax year per Beneficiary in the aggregate.

Qualified Education Loan Repayments include amounts paid as principal or interest on any qualified education loan (as defined in section 221(d) of the Code) of the Designated Beneficiary or a sibling of the Designated Beneficiary, with respect to the loans of any individual, not to exceed a \$10,000 lifetime aggregate limit.

Apprenticeship Program Expenses include expenses for fees, books, supplies, and equipment required for the participation of a Designated Beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under Section 1 of the National Apprenticeship Act.

See [Using Your Account](#) for a more detailed overview of Qualified Withdrawals.

### **Does my beneficiary have to attend a Kentucky school?**

No. The assets in your Account may be used towards the costs of any college, university, vocational school, graduate school, professional school, or other postsecondary educational institution that the U.S. Department of Education defines as an "Eligible Educational Institution," which includes virtually all accredited public, nonprofit, and private postsecondary institutions. You can ask an educational institution if they are an "Eligible Educational Institution," or visit <https://studentaid.gov> to see if your school qualifies.

Certain educational institutions located outside the United States also participate in the U.S. Department of Education's Federal Student Aid programs, which means that money from your KY Saves 529 Account may be used to pay for Qualified Expenses at those institutions.

The assets in your Account can also be used towards the tuition cost of elementary or secondary public, private, or religious schools.

### **Are any additional benefits available if my Beneficiary chooses to attend college in Kentucky?**

Yes. If your Beneficiary resides in Kentucky for eight years and is continuously designated as the Beneficiary on your Account for the entirety of that eight year period, your Participation Agreement will become a Vested Participation Agreement, and your Beneficiary will qualify for Kentucky resident tuition rates at Kentucky public higher education institutions, even if your Beneficiary moves out of Kentucky after the eight year period. See [Vested Participation Agreements](#).

### **Do my contributions to KY Saves 529 qualify as gifts under federal law?**

Yes. The Internal Revenue Code provides that contributions to an Account are completed gifts for federal gift tax purposes and thus eligible to be contributed tax-free if under the annual exclusion from

gift and generation-skipping transfer taxes. For details on how the exclusion works and the exclusion limits, see [Federal Gift/Estate Tax](#).

### **What if I already have a 529 plan?**

Can I roll over my account to KY Saves 529? Yes. We will accept rollovers of accounts from other 529 Plans. There may be many benefits to moving your account into KY Saves 529, including Kentucky resident tuition rates for Vested Participation Agreements.

Please contact our Client Service Representatives at **855.840.4855** for help with rollovers. Some states may not permit direct rollovers from other 529 Plans. In addition, there may be state income tax consequences (and in some cases state-imposed penalties) resulting from a rollover out of another state's Qualified Tuition Program.

### **Where can I find additional forms and the current Program Description?**

To obtain forms relating to KY Saves 529 or the most up to date Program Description and Supplements, visit the KY Saves 529 website at [www.kysaves.com](http://www.kysaves.com) or call **855.840.4855**.

### **Can I change my Investment Options?**

Yes. You may change your Investment Options up to two (2) times per calendar year per Beneficiary.

### **If I enroll in KY Saves 529, can I still apply for financial aid?**

Yes. Participation in KY Saves 529 will not limit your Beneficiary's receipt of merit-based financial aid, including academic or athletic scholarships. In addition, Account assets are not included when determining Kentucky need-based aid for Kentucky residents. However, in other states, participation in KY Saves 529, like most assets, could affect your ability to receive need-based financial aid.

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Answers to additional questions you may have are also available online at [kysaves.com](http://kysaves.com).

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### **What happens if the Beneficiary receives a college scholarship or grant?**

The assets in your Account are still yours, and you can:

- use the assets to pay any remaining tuition or other Qualified Expenses, such as certain room and board expenses, computers and books;
- change the Beneficiary to a Member of the Family of the current Beneficiary;
- keep any unused funds in your Account to pay for future Qualified Expenses, including graduate school; or
- withdraw any unused funds up to the amount of the scholarship or grant without being subject to the Federal Penalty Tax. Income taxes on earnings, however, will apply.

### **What if I need to withdraw the funds for a purpose other than education expenses?**

You may request a withdrawal at any time. If the funds are not used for Qualified Expenses, the taxable party (you or your beneficiary) will be subject to federal and applicable state income taxes on the earnings portion of the withdrawal, plus the Federal Penalty Tax on any Non-Qualified Withdrawal. (For details, see [Using Your Account](#))

### **How do I contact the Program?**

Phone: **855.840.4855**, Monday through Friday, 8:00 a.m. to 8:00 p.m. Eastern Time

Online: [www.kysaves.com](http://www.kysaves.com)

Email: [clientservice@kysaves.com](mailto:clientservice@kysaves.com)

#### **Regular Mail:**

KY Saves 529

P.O. Box 56014

Boston, MA 02205-6014

#### **Priority Delivery:**

KY Saves 529

95 Wells Avenue, Suite 155

Newton, MA 02459-3204

## At a Glance:

*In this section, you will learn more about:*

**Who can open an Account  
Designating a Successor Account Owner  
Who can be a Beneficiary**

## YOUR ACCOUNT

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### OPENING YOUR ACCOUNT

**Account Basics.** To open an Account, you must complete an Enrollment Form either online or in writing. To be an Account Owner, you must be a U.S. citizen, a resident alien or an entity that is organized in the U.S., be at least 18 years of age, and have a Social Security number or tax identification number and valid permanent U.S. street address. By signing the Enrollment Form, you irrevocably consent and agree that your Account is subject to the terms and conditions of the Enrollment Form and this Program Description. To fund your Account, see [Contributing to Your Account](#).

**Beneficiary.** You can set up an Account for your child, grandchild, spouse, yourself, another relative, or even someone not related to you. Each Account can have only one Beneficiary at any time. However, you may have multiple Accounts for different Beneficiaries. Also, different Account Owners may have separate Accounts for the same Beneficiary within the Program, but contributions to an Account will no longer be accepted if the total assets held in all Accounts for that Beneficiary under all 529 plans offered by Kentucky equal or exceed the [Maximum Account Balance](#). Your Beneficiary may be of any age; however, the Beneficiary must be an individual and not a trust or other entity.

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Account Owners can be U.S. citizens or resident aliens at least 18 years of age, or an entity that is organized in the U.S., and have a valid permanent U.S. street address.

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**Investments.** When establishing your Account, you will choose how you want your contributions invested. You can allocate each contribution among any of the Investment Options; however, the minimum percentage per selected Investment Option is 1% of the contribution amount. Your initial investment choices will serve as the standing investment instruction for all future contributions (Standing Allocation) unless you indicate otherwise. You may view or change your Standing Allocation at any time by logging onto our website at [www.kysaves.com](http://www.kysaves.com), or by calling **855.840.4855**.

**Trusts, Corporations, and Other Entities as Account Owners.** An Account Owner that is a trust, partnership, corporation, association, estate, or another acceptable type of entity must submit documentation to KY Saves 529 to verify the existence of the entity and identify the individuals who are eligible to act on the entity's behalf. This information is required in order to open your account.

**Successor Account Owner.** As an Account Owner, you may designate a Successor Account Owner to succeed to all of your rights, title, and interest in an account (including the right to change the Beneficiary) upon your death, to the extent permissible under applicable law. A Successor Account Owner can be an individual (at least 18 years of age), entity or trust. This designation can be made on the Enrollment Form when opening your Account. If you fail to designate a Successor Account Owner at the time of enrollment and subsequently decide to make a designation, or if you wish to revoke or

change a designation, you may initiate the request online, by calling, or by submitting a Profile Change Form. We must receive and process your request before the Successor Account Owner designation can be effective. Forms may be obtained from our website at [www.kysaves.com](http://www.kysaves.com) or by calling us at **855.840.4855**.

An UGMA/UTMA Custodian will not be permitted to change the Account Owner to anyone other than a successor Custodian during the term of the custodial account under applicable UGMA/UTMA law. For trusts and other entities, a Successor Account Owner cannot be designated. If the individuals who are authorized to act on behalf of the entity change after the Account is established, additional documentation must be submitted with any withdrawal or other transaction request.

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Did you know that you can open an Account for your child, grandchild, spouse, yourself, another relative, or even someone not related to you?

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Upon the death of an Account Owner, the Successor Account Owner must notify KY Saves 529 by submitting a completed Enrollment Form and a certified copy of the death certificate. The Account will become effective for the Successor Account Owner once this form has been received in good order and processed.

If an Account Owner dies without having chosen a Successor Account Owner for the Account and the Beneficiary is younger than age 18, a surviving parent or legal guardian will become the Account Owner. Upon the death of the Account Owner, if the Beneficiary is age 18 or older, the Beneficiary will become the owner of the Account. The surviving parent, legal guardian, or Beneficiary must notify KY Saves 529 by submitting the appropriate paperwork—please contact KY Saves 529 at **855.840.4855** for instructions.

**Customer Identification Verification.** Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an Account. For more on customer identification verification requirements see [Customer Identification Verification](#).

## At a Glance:

*In this section, you will learn more about:*

**Contribution Limits**  
**Maximum Account Balance**  
**Various ways to fund your Account**

## CONTRIBUTING TO YOUR ACCOUNT

### General

**Minimum Contributions.** There is no minimum contribution amount required to make a deposit to your Account.

**Contribution Date.** We will credit any funds contributed to your Account on the same business day if the contribution is received in good order and prior to the close of the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern time. If received after the NYSE's close, contributions will be credited on the next succeeding business day that the NYSE is open.

For tax purposes, contributions sent by U.S. mail will be generally treated as having been made in a given year if checks are received by December 31 of the applicable year and are subsequently paid. EFT contributions will generally be treated as received in the year you initiate them, provided the funds are successfully deducted from your checking or savings account. Recurring Contributions will generally be considered received in the year the debit has been deducted from your checking or savings account at another financial institution. (See [Contribution Methods — Recurring Contributions](#))

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There are a variety of ways to fund your Account: You can contribute in one or more of the following ways:

- Check
  - Payroll Direct Deposit
  - Recurring Contributions
  - Electronic Funds Transfer
  - Rollover from another 529 Plan
  - Refunded Distribution
  - Transfer from an UGMA/UTMA or education savings account\
  - Moving Assets from a Coverdell ESA
  - U.S. Savings Bonds
  - Upromise Program
- 

**Control Over Your Account.** Although any individual or entity may make contributions to your Account, you as Account Owner retain control of all contributions and earnings credited to your Account, up to the date they are directed for withdrawal. A Beneficiary who is not the Account Owner has no control over any of the Account assets. Except as required by law, only you may direct transfers, rollovers, investment changes, withdrawals, and changes of the Beneficiary. You may also grant another person the ability to take certain actions with respect to your Account by completing appropriate form(s).

**Opening an Account with the Assistance of a Registered Investment Advisor.** You may choose to open your Account with the assistance of a registered investment advisor (RIA), who would generally charge a fee for this service. You must consent and agree to authorize your RIA to access your Account and perform certain transactions on your behalf as set forth in the Enrollment Form or separately on the Registered Investment Advisor Authorization Form.



**Opening and Transacting in an Account through a Financial Intermediary.** If you invest through a financial institution, such as an online investment advisor (often referred to a “robo-advisor”), or other financial intermediary that has direct access to the Program’s recordkeeping platform, you will be able to perform certain transactions directly through that financial institution’s portal by linking your Account with your account held at the financial institution. To do so, you must consent and agree to authorize the Program to allow the financial institution to access to your Account, to share Account information with the financial institution, and to accept instructions from the financial institution to open an Account and/or perform transactions on your behalf. Your Account will always be held on the Program’s recordkeeping system and you will always be able to access and transact in your Account through the Program’s website at any time. The Program Manager, in its discretion, may terminate the financial institution’s direct access to the Program’s recordkeeping system.

When accessing and transacting in your Account through your financial institution, there may be features, guidelines, conditions, services, and restrictions that may vary from those discussed in this Program Description. Depending on a particular financial institution’s policies, these differences may include but are not limited to: (i) minimum initial and subsequent contribution amounts; (ii) policies relating to banking instructions; (iii) policies and trade dates for contributions, including one-time EFT and Recurring Contributions, and payroll direct deposit; and (iv) hold periods on contributions. You should ask the financial institution for information on its specific policies and how they may impact your investment in the Program.

Additionally, the financial institution will receive a one-time flat fee for each Account opened and funded through the financial institution. Although such compensation will not be borne by Account Owners, the receipt of this compensation may create a conflict of interest by influencing your financial institution to recommend an investment in the Program over another investment. Ask your financial intermediary or visit its website for more information.

### **Contribution Methods**

**Contributions by Check.** Checks should be made payable to KY Saves 529. Alternatively, you can use third-party personal checks that are payable to the Account Owner or the Beneficiary, in an amount no more than ten thousand dollars (\$10,000), and properly endorsed by you or the Beneficiary to KY Saves 529.

**Payroll Direct Deposit.** If your employer offers this service, you may be eligible to make automatic, periodic contributions to your Account via payroll direct deposit. You may sign up for payroll direct deposit by submitting your payroll direct deposit instructions to the Program either online at [www.kysaves.com](http://www.kysaves.com) or by completing a Payroll Direct Deposit Form and mailing it to KY Saves 529. After you submit your payroll direct deposit instructions to the Program, you will receive a Payroll Direct Deposit Confirmation Form, which you must sign and submit to your employer’s payroll department. You may use payroll direct deposit for both initial and/or additional contributions to your Account.

**Recurring Contributions.** You may contribute to your Account by authorizing periodic automated debits from a checking or savings account if your bank is a member of the Automated Clearing House (ACH), subject to certain processing restrictions. You can initiate a Recurring Contribution either when you enroll or later. At enrollment, simply complete the Recurring Contribution section of the

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Consider establishing a Payroll Direct Deposit and/or Recurring Contribution to make contributing easy and hassle free.

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Enrollment Form. After the Account is already open, you can establish a Recurring Contribution by submitting an online or written form, or over the phone (if your bank information has been previously submitted and is on file). Your Recurring Contribution can be made on a monthly or quarterly basis.

Your Recurring Contribution authorization will remain in effect until we have received notification of its termination from you and we have had a reasonable amount of time to act on it. You may also elect to authorize an annual increase to your Recurring Contribution.

You may terminate your Recurring Contribution at any time. For a change or termination of a Recurring Contribution to take effect, it must be received at least five (5) business days before the next scheduled Recurring Contribution. Recurring Contribution changes are not effective until received and processed by us. See below for [Limitations on Recurring Contributions and EFT Contributions](#).

There is no charge for setting up Recurring Contributions. Recurring Contribution debits from your bank account will occur on the day you indicate, provided the day is a regular business day. If the day you indicate falls on a weekend or a holiday, the Recurring Contribution debit will occur on the next business day. You will receive a trade date of the business day on which the bank debit occurs. You can select the date(s) and the month(s) in which you want a Recurring Contribution to occur. Quarterly Recurring Contribution debits will be made on the day you indicate (or the next business day, if applicable) every three months, not on a calendar quarter basis. If you do not designate a date, your bank account will be debited on the 20th of the applicable month.

The start date for a Recurring Contribution must be at least three (3) business days from the date of submission of the Recurring Contribution request, regardless of the frequency of your Recurring Contribution. If a start date for a Recurring Contribution is less than three (3) business days from the date of the submission of the Recurring Contribution request, the Recurring Contribution will start on the requested day in the next succeeding month.

**Electronic Funds Transfer (EFT).** You may contribute by EFT, subject to certain processing restrictions. You may authorize us to withdraw funds by EFT from a checking or savings account for both initial and additional contributions to your Account, provided you have submitted requested information about the bank account from which the money will be withdrawn. EFT transactions can be completed through the following means: (i) by providing EFT instructions on the Enrollment Form; (ii) by submitting EFT instructions online after enrollment at [www.kysaves.com](http://www.kysaves.com); or (iii) by contacting a Client Service Representative at **855.840.4855**.

**Limitations on Recurring Contributions and EFT Contributions.** We may place a limit on the total dollar amount per day you may contribute to an Account by EFT. Contributions in excess of this limit will be rejected. If you plan to contribute a large dollar amount to your Account by EFT, you may want to contact a Client Service Representative at **855.840.4855** to inquire about the current limit prior to making your contribution.

An EFT or Recurring Contribution may fail because the bank account on which it is drawn lacks sufficient funds or banking instructions are incorrect or incomplete. If either happens, we reserve the right to suspend processing of future Recurring Contribution and EFT contributions. See [Failed Contributions](#).

**Rollover Distributions.** You can take a Rollover Distribution from another Qualified Tuition Program to KY Saves 529. The Beneficiary must remain the same or be a Member of the Family of your current Beneficiary. A tax-free rollover for the same Beneficiary is restricted to once per 12-month period.

To roll over assets from another Qualified Tuition Program into an Account in KY Saves 529, you must complete an Incoming Rollover Form as well as an Enrollment Form. For the Incoming Rollover Form, either you or the previous Qualified Tuition Program must provide an accurate statement issued by the distributing program that reflects in full both the principal and earnings attributable to the rollover amounts. Until this documentation is received, the entire amount of the Rollover Distribution will be treated as earnings, which is subject to taxation in the case of a Non-Qualified Withdrawal.

Incoming rollovers can be direct or indirect. In a direct rollover, the money transfers directly from one Qualified Tuition Program to KY Saves 529. Some states may not permit direct rollovers from their Qualified Tuition Program(s). In those cases, you can do an indirect rollover, withdrawing money from an account in the other state's Qualified Tuition Program and then contributing that money to your KY Saves 529 Account. To avoid federal and state income tax consequences and the Federal Penalty Tax, you must contribute an indirect rollover within sixty (60) days of the withdrawal. You should be aware that there may be state income tax consequences (and in some cases state-imposed penalties) resulting from rolling out of a state's Qualified Tuition Program.

**Refunded Distributions.** Where a withdrawal is made to pay Qualified Higher Education Expenses, and the withdrawal or a portion of the withdrawal is refunded by the Eligible Educational Institution to the Beneficiary, those funds will be eligible for recontribution to your Account if:

- the Beneficiary of your Account is the same beneficiary receiving the refund; and
- the recontribution is made within sixty (60) days of the date of the refund.

The recontributed amount will not be subject to federal or Kentucky state income tax or the Federal Penalty Tax. For tax purposes, please maintain proper documentation evidencing the refund from the Eligible Educational Institution.

Per a notice issued in 2018, the Treasury Department and the IRS intend to issue proposed regulations providing that recontributed amounts, as described above, will be treated as principal and will not count towards the Maximum Account Balance. The notice states that until the proposed regulations are issued, taxpayers and 529 Plans may rely on the rules as described in the notice. However, there is no assurance that the proposed regulations will become the final regulations or that the Treasury Department or IRS will not issue other guidance interpreting Section 529.

No guidance has been issued on the treatment of refunds of amounts originally withdrawn from a 529 Plan to pay for K-12 Tuition Expenses. Consult with your tax advisor if you receive a refund of amounts originally withdrawn from a 529 Plan to pay for K-12 Tuition Expenses.

**Moving Assets from an UGMA/UTMA Account.** If you are the Custodian of a Uniform Gifts to Minors Act/Uniform Transfers to Minors Act (UGMA/UTMA) account, you may be able to open an Account in your custodial capacity, depending on the laws of the state where you opened the UGMA/UTMA account. These types of accounts involve additional restrictions that do not apply to other Accounts in KY Saves 529, and you are solely responsible for complying with these restrictions.

In general, your UGMA/UTMA custodial account is subject to the following additional requirements and restrictions:

1. You must indicate that the Account is an UGMA/UTMA Account by checking the appropriate box on the Enrollment Form;
2. You must establish an Account in your custodial capacity separate from any Accounts you may hold in your individual capacity;
3. You will be permitted to make withdrawals in accordance with the rules applicable to withdrawals under applicable UGMA/UTMA law;
4. You will not be able to change the Beneficiary of the Account (directly or by means of a Rollover Distribution), except as may be permitted by applicable UGMA/UTMA law;
5. You will not be able to change the Account Owner to anyone other than a successor Custodian during the term of the custodial account under applicable UGMA/UTMA law;
6. You must notify us when the custodianship terminates and your Beneficiary is legally entitled to take control of the Account. At that time, the Beneficiary will become the Account Owner and will become subject to the provisions of the Program applicable to non-UGMA/UTMA Account Owners. If you fail to direct the Program to transfer ownership of the Account when the Beneficiary is legally entitled to take control of the Account assets, the Program may freeze the Account and/or refuse to allow you to transact on the Account. Some UGMA/UTMA laws allow for more than one age at which the custodianship terminates (“Age of Termination”). The Program may freeze the account based on the youngest allowable Age of Termination of the custodianship according to the UGMA/UTMA laws where the custodianship account was established, based on the Program’s records. You may be required to provide documentation to the Program if the Age of Termination of the custodianship account is other than the youngest allowable age under the applicable UGMA/UTMA law or if the applicable UGMA/UTMA law differs from Program records;
7. Any tax consequences of a withdrawal from an Account will be imposed on the Beneficiary and not on the Custodian; and
8. We may require you to provide documentation evidencing compliance with the applicable UGMA/UTMA law.

In addition, certain tax consequences described under [Important Tax Information](#) may not be applicable in the case of Accounts opened by a Custodian under UGMA/UTMA. Moreover, because only cash contributions may be used to open an Account in KY Saves 529, the liquidation of non-cash assets held by an UGMA/UTMA account will be required and will generally be a taxable event. Please contact a tax advisor to determine how to transfer assets held in an existing UGMA/UTMA account to KY Saves 529 and what the implications of that transfer may be for your specific situation.

**Moving Assets from a Coverdell ESA.** You may fund your Account by moving assets from a Coverdell ESA. You must complete an Incoming Rollover Form and an Enrollment Form and provide an accurate account statement issued by the financial institution that acted as custodian of the account that reflects in full both the principal and earnings attributable to the rollover amount. Until we receive this documentation, we will treat the entire amount of the rollover contribution as earnings, which is subject to taxation if you take a Non-Qualified Withdrawal. Transferring assets from a Coverdell ESA to fund an Account for the same Beneficiary is not a taxable transaction. Consult your tax advisor for more information.

**Redeeming U.S. Savings Bonds.** You may fund your Account with proceeds from the redemption of certain U.S. Savings Bonds. You must complete an Incoming Rollover Form and an Enrollment Form and provide an accurate account statement or Form 1099-INT issued by the financial institution that redeemed the bond, showing interest from the redemption of the bond. Until we receive this documentation, we will treat the entire amount of the contribution as earnings, which is subject to taxation if you take a Non-Qualified Withdrawal.

In certain cases, you may redeem U.S. Savings Bonds under the education tax exclusion. Please visit [www.savingsbonds.gov](http://www.savingsbonds.gov) to determine if you are eligible for this exclusion.

**Ugift.** You may invite family and friends to contribute to your Account through Ugift to provide a gift to the Account Owner's Beneficiary. You provide a unique contribution code to selected family and friends, and gift givers can either contribute online through a one-time or recurring EFT or by mailing in a gift contribution coupon with a check made payable to "Ugift – KY Saves 529."

Gift contributions received in good order will be held for approximately five (5) business days before being transferred into your Account. Gift contributions through Ugift are subject to the Maximum Account Balance. Gift contributions will be invested according to the Standing Allocation on file for the Account at the time the gift contribution is transferred. There may be potential tax consequences of gift contributions invested in your Account. You and the gift giver should consult a tax advisor for more information. Ugift is an optional service, is separate from KY Saves 529, and is not affiliated with the State Administrators. For more information visit [www.kysaves.com](http://www.kysaves.com) or call us at **855.840.4855**.

**Upromise Program.**<sup>1</sup> You have the option to enroll in the Upromise Program. By participating in this program, you can earn contributions to your Upromise account, which will be automatically transferred to your Account on a periodic basis.

### **Other Funding Considerations**

**Ineligible Funding Sources.** We cannot accept contributions made by cash, money order, travelers check, checks drawn on banks located outside the U.S., checks not in U.S. dollars, checks dated more than 180 days prior to the date of receipt, checks post-dated more than seven (7) days in advance, checks with unclear instructions, starter or counter checks, credit card or bank courtesy checks, third-party personal checks made payable to the Account Owner or Beneficiary over \$10,000, instant loan checks, or any other check we deem unacceptable. We also cannot accept stocks, securities, or other non-cash assets as contributions to your Account.

**Maximum Account Balance.** Once your Account balance reaches the Maximum Account Balance (currently \$450,000), no additional contributions will be accepted. The aggregate market value of all accounts for the same Beneficiary under all Qualified Tuition Programs sponsored by the Commonwealth of Kentucky (KY Saves 529 and KAPT) is counted toward the Maximum Account Balance regardless of the Account Owner. Should the value of your Account fall below the Maximum Account

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<sup>1</sup> Funds in a Upromise Program account will not be transferred until earnings reach a minimum amount. Go to [upromise.com](http://upromise.com) for more information on transfer minimums. The Upromise Program is offered by Upromise, LLC., and is separate from KY Saves 529. The Upromise Program is administered in accordance with the terms and conditions set forth in the Upromise Member Agreement (as amended from time to time), which is subject to change at any time without notice, and is available by going to [upromise.com](http://upromise.com). For more information about the Upromise Program, visit [upromise.com](http://upromise.com).

Balance, additional contributions will then be accepted. If the Maximum Account Balance is increased, additional contributions up to the new Maximum Account Balance will be accepted.

**Failed Contributions.** If you make a contribution by check, EFT, or Recurring Contribution that is returned unpaid by the bank upon which it is drawn, you will be responsible for any losses or expenses incurred by the Investment Options, or the Program and we may charge your Account a Fee. We reserve the right to reject or cancel any contribution due to nonpayment.

**Confirmation of Contribution and Transaction.** You will receive a confirmation for each contribution and transaction to your Account(s), except for Recurring Contributions, payroll direct deposits, Program-initiated changes, and automatic transfers from a Upromise Program account to your Account. These automated transactions will be confirmed on a quarterly basis. Each confirmation statement will indicate the number of Units you own in each Investment Option. If an error has been made in the amount of the contribution or the Investment Option in which a particular contribution is invested, you must promptly notify us. (See [Affirmative Duty to Promptly Notify Us of Errors](#)).

**Processing Delays.** A Force Majeure event (defined in [Appendix C](#)) could delay processing and may affect your trade date. In those instances, your actual trade date for a contribution, withdrawal, or investment exchange, may be after the trade date you would have received, which may negatively affect the value of your Account.

## At a Glance:

*In this section, you will learn more about:*

**Qualified Withdrawals**  
**Non-Qualified Withdrawals**  
**How to request a Withdrawal**

## USING YOUR ACCOUNT

**General.** You can take a withdrawal from your Account or close your Account at any time by notifying us. Withdrawals may be subject to federal and/or state tax withholding depending on whether they are Qualified Withdrawals, Non-Qualified Withdrawals or Other Withdrawals.

**Qualified Withdrawals.** In a Qualified Withdrawal, the proceeds are used for the Qualified Expenses of your Beneficiary. Qualified Expenses is used to mean Qualified Higher Education Expenses, K-12 Tuition Expenses, and Apprenticeship Program Expenses. Qualified Education Loan Repayments are also Qualified Withdrawals, and these proceeds may be used for both the Beneficiary and the Beneficiary's siblings. Withdrawals for Qualified Expenses are exempt from federal and Kentucky state income taxes and the Federal Penalty Tax. As the Account Owner, you are responsible for satisfying the IRS requirements for proof of Qualified Withdrawals, which includes retaining any paperwork and receipts necessary to verify the type of withdrawal you received.

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Withdrawals: Withdrawals from your Account are either Qualified Withdrawals, Non-Qualified Withdrawals, or Other Withdrawals.

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**Qualified Higher Education Expenses.** Qualified Higher Education Expenses currently include tuition, fees, and the cost of books, supplies, and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution (including expenses for special needs services in the case of a special needs Beneficiary which are incurred in connection with such enrollment or attendance), and expenses for the purchase of computer or peripheral equipment (as defined in section 168(i)(2)(B) of the Code), computer software (as defined in section 197(e)(3)(B) of the Code), or internet access and related services, if such equipment, software, or services are to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Eligible Educational Institution.

Also included as a Qualified Higher Education Expense is an amount for the room and board that the Beneficiary may incur while attending an institution at least half-time. Half-time is defined as half the full-time academic workload for the course of study being pursued as determined under the standards of the Eligible Educational Institution where he or she is enrolled. A Beneficiary need not be enrolled at least half-time to use a qualified withdrawal to pay for expenses relating to tuition, fees, books, supplies, equipment, special needs services and computer and related equipment, software, and services.

**K-12 Tuition Expenses.** K-12 Tuition Expenses include expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school, not to exceed \$10,000 in distributions per tax year per Beneficiary in the aggregate across all 529 Plans making distributions for the same Beneficiary in such year. Per a notice issued in 2018, the Treasury Department and the IRS intend to issue proposed regulations defining the term "elementary or secondary" to mean kindergarten through grade 12 as determined under state law, consistent with the definition applicable for

Coverdell education savings accounts in Section 530(b)(3)(B) of the Code. The notice states that until the proposed regulations are issued, taxpayers and 529 Plans may rely on the rules as described in the notice. However, there is no assurance that the proposed regulations will become the final regulations or that the Treasury Department or IRS will not issue other guidance interpreting Section 529. It is the Account Owner's responsibility to ensure that withdrawals for K-12 Tuition Expenses do not exceed the aggregate annual limit for a Beneficiary.

**Qualified Education Loan Repayments.** Qualified Education Loan Repayments include amounts paid as principal or interest on any qualified education loan (as defined in 221(d)) of the Designated Beneficiary or a sibling of the Designated Beneficiary, with respect to the loans of any individual, not to exceed a \$10,000 lifetime aggregate limit (reduced by the amount of distributions so treated for all prior taxable years) ("**Qualified Education Loan Repayments**"). It is the Account Owner's responsibility to ensure that distributions for Qualified Education Loan Repayments do not exceed the \$10,000 aggregate limit for a Designated Beneficiary or the sibling of a Designated Beneficiary. If you make an Education Loan Repayment from your Account, Section 221(e)(1) of the Code provides that you may not also take a federal income tax deduction for any interest included in that Education Loan Repayment.

**Apprenticeship Program Expenses.** Apprenticeship Program Expenses include expenses for fees, books, supplies, and equipment required for the participation of a Designated Beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under Section 1 of the National Apprenticeship Act. Earnings on distributions from your 529 Plan accounts used for Apprenticeship Program Expenses will be considered a qualified withdrawal and will not be subject to federal income tax or the additional 10% Federal Penalty Tax.

State tax treatment of earnings on distributions used for Apprenticeship Program Expenses and Qualified Education Loan Repayments varies. If you pay state income tax, you should consult with a tax advisor regarding your individual situation.

**Non-Qualified Withdrawals.** A withdrawal that does not meet the requirements for a Qualified Withdrawal will be considered a Non-Qualified Withdrawal by the IRS. The earnings portion of a Non-Qualified Withdrawal is subject to federal and Kentucky state income taxes (and may be subject to other taxes) and is taxable to the person receiving the withdrawal. In addition, a Non-Qualified Withdrawal is subject to a Federal Penalty Tax. The person receiving the withdrawal is subject to IRS requirements, including filing applicable forms with the IRS. You will receive reports on the split between earnings and contributions of all withdrawals.

**Other Withdrawals.** In certain cases, withdrawals not made to pay Qualified Expenses are exempt from the Federal Penalty Tax. Tax considerations are complex and depend on individual situations. You should consult a tax advisor regarding the application of federal and state tax laws if you take any of these withdrawals:

- **Death of Beneficiary.** In the event your Beneficiary dies, and you select a new Beneficiary of the Account who is a Member of the Family of the former Beneficiary, you will not owe federal income tax or the Federal Penalty Tax. If you authorize a payment to a beneficiary of, or the estate of, the Beneficiary, or request the return of all or a portion of your Account balance, earnings will generally be subject to federal and any applicable state income tax, but not the Federal Penalty Tax. Special rules apply to UGMA/UTMA custodial accounts.



- **Disability of Beneficiary.** If your Beneficiary becomes Disabled, you may change the Beneficiary of your Account or request the return of all or a portion of your Account balance. A withdrawal due to the Disability of the Beneficiary is not subject to the Federal Penalty Tax, but earnings will be subject to federal and any applicable state income tax at your tax rate. If you select a new Beneficiary who is a Member of the Family of the former Beneficiary, you will not owe federal income tax or the Federal Penalty Tax. Special rules apply to UGMA/UTMA custodial accounts.
- **Receipt of Scholarship or other Educational Assistance.** If the Beneficiary received a qualified scholarship or other Educational Assistance which decreases the amount of Qualified Expenses, a portion of the earnings attributable to any withdrawal from your Account will be included in the income of the Beneficiary but will not be subject to the Federal Penalty Tax.
- **Attendance at a U.S. Military Academy.** Withdrawals on account of the Beneficiary's attendance at a United States military academy, such as the United States Naval Academy, made in an amount equal to the costs of the Beneficiary's attendance at the institution are not subject to the additional Federal Penalty Tax. The Beneficiary must include in income the portion of the earnings attributable to the Withdrawal.
- **Rollover Distribution.** To qualify, you must reinvest the amount distributed from your Account into a Qualified Tuition Plan not sponsored by Kentucky, or an ABLÉ Account (discussed below) within sixty (60) days of the withdrawal date. Rollover Distributions may be subject to certain state taxes, but are generally exempt from federal income taxes and the Federal Penalty Tax.
- **Refunded Distribution.** Refunds received from an Eligible Educational Institution that are recontributed to an Account and qualify as a "Refunded Distribution" will not be subject to federal or Kentucky state income tax or the Federal Penalty Tax.

**Rollovers From KY Saves 529 to an ABLÉ Program.** Prior to January 1, 2026, distributions made from your Account to an ABLÉ account will not be subject to income tax or the Federal Tax Penalty on earnings if (i) within 60 days of the distribution, the distributed funds are transferred to an ABLÉ Account for the same Beneficiary on your Account or for a different Beneficiary that is a Member of the Family of the Beneficiary on your Account, and (ii) the sum of the distribution and all other contributions to the ABLÉ Account for the taxable year do not exceed the annual contribution limits for ABLÉ Accounts. To the extent that any such contribution or transfer would cause the ABLÉ Account to exceed the annual contribution limits for that taxable year, it would be subject to income tax and the Federal Tax Penalty on earnings. Contact the ABLÉ Program before contributing to the ABLÉ Account to ensure that your rollover contribution will not cause the ABLÉ Account to exceed the annual contribution limit for the current taxable year. You should consult your tax advisor regarding your individual situation, including whether to rollover to an ABLÉ account.

**Rollovers from KY Saves 529 to a Roth IRA.** An Account Owner may transfer funds in a 529 plan account directly to a Roth IRA account maintained for the benefit of the Beneficiary without incurring federal income tax or penalties if certain conditions are met. These conditions are established by the Code and include, but are not limited to, the following:

- The 529 plan account must be open for 15 or more years.
- Contributions and associated earnings that you transfer to the Roth IRA must be in the 529 plan account for more than 5 years.

- An aggregate (lifetime) maximum amount of \$35,000 per designated beneficiary may be rolled over from 529 plan accounts to Roth IRAs.
- 529 plan assets can only be rolled over into a Roth IRA maintained for the benefit of the designated Beneficiary on the 529 plan account.
- 529 plan assets must be sent directly in a trustee-to-trustee transfer to the Roth IRA.
- The Roth IRA rollover is subject to the applicable contribution limits for the taxable year.

The IRS may issue guidance that may impact 529 plan account rollovers to Roth IRAs, including the above referenced conditions.

State law treatment of a Roth IRA Rollover may differ from the federal tax treatment. Kentucky law does not currently address the state income tax consequences of a Roth IRA Rollover. Residents and taxpayers of other states should consider the tax treatments of their jurisdiction.

Account Owners and Beneficiaries should each consult a qualified financial professional or tax advisor regarding the applicability of these rollovers to their personal situations. You are responsible for determining the eligibility of a 529 plan to Roth IRA rollover including tracking and documenting the length of time the 529 plan account has been opened and the amount of assets in your 529 plan account eligible to be rolled into a Roth IRA. The amount of a Roth IRA rollover processed according to your instructions cannot be modified after the funds have left your Account. The taxpayer has the responsibility to maintain records to document the use of funds associated with this new provision, and any reporting that may be required. To request a rollover to a Roth IRA, please submit the appropriate form to the Plan.

**Procedures for Withdrawals.** You may direct withdrawals from an Account. Withdrawals may be requested online or by phone. Alternatively, you can mail us a completed Withdrawal Request Form. Once a completed Withdrawal Request Form and any additional documentation required (as noted on the Form) is received, the withdrawal will be processed. Forms can be requested by calling us at **855.840.4855** or downloaded by logging into our website at [www.kysaves.com](http://www.kysaves.com).

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Withdrawals can be requested online at [www.kysaves.com](http://www.kysaves.com) or by calling us at 855.840.4855.

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Withdrawal requests received in good order before the close of the NYSE (generally 4 p.m. Eastern time) on any day the NYSE is open for business are processed that day based on the Unit Values of the Investment Options underlying your Account for that day. Requests received after the close of the NYSE are processed the next business day using the Unit Values on that day.

Please allow up to ten (10) business days for the proceeds to reach the payee. We generally process withdrawals within three (3) business days of accepting the request. During periods of market volatility and at year-end, withdrawal requests may take up to five (5) business days to process. For security purposes, there will be a hold of ten (10) business days on withdrawal requests when there is a change to your address and a hold of fifteen (15) calendar days on withdrawal requests following a change to your banking information. Withdrawals of contributions made by check, Recurring Contribution, or EFT will not be available for withdrawal for five (5) business days.

Please note that we may establish a minimum withdrawal amount.

**Methods of Payment.** Withdrawals may be payable by:

- check to the Account Owner, Beneficiary, or the educational institution;
- ACH to the Account Owner; or
- expedited electronic payment to the Eligible Educational Institution (where available).

A withdrawal taken to pay K-12 tuition expenses or a Qualified Education Loan will be made payable to the Account Owner only.

**Systematic Withdrawal Program (SWP).** You may choose to establish periodic, pre-scheduled withdrawals for Qualified Expenses from your Account. You can have up to two (2) SWPs on your Account. If the balance in your Account is less than the SWP amount that you have specified, the SWP instructions will be stopped.

**Uncashed Withdrawal Checks.** If you fail to cash a withdrawal received by check for more than 180 days, the Program may reinvest the amount of the check as a new contribution. In this event the reinvestment will be allocated according to the allocation of future contribution instructions reflected in Program records, at the Unit Value calculated on the day of reinvestment. When reinvested, those amounts are subject to the risk of loss like any investment. We will include the amount of the check on your IRS Form 1099-Q as part of the gross distributions paid to you from your Account. Please consult your tax advisor regarding calculating and reporting any tax liability that may be associated with this distribution.

## At a Glance:

*In this section, you will learn more about:*

- Account Statements**
- Vested Participation Agreements**
- Options for unused money**
- Changing your Beneficiary**
- Changing investments**
- Safeguarding your Account**

## MAINTAINING YOUR ACCOUNT

**Account Statements.** You will receive quarterly statements only if you have made financial transactions within the quarter. Transactions that generate statements include: Contributions made to your Account, any other exchanges, automatic transfers from a Upromise Program account to your Account, withdrawals made from your Account, and transaction fees incurred by your Account. The total value of your Account at the end of the quarter will also be included in your quarterly statements. You will receive an annual Account statement even if you have made no financial transactions within the year. In the event you close your account prior to the fourth quarter, your statement for that quarter will represent your final statement for the year.

You can choose to receive periodic Account statements, transaction confirmations, and other personal correspondence via electronic delivery or in paper format. You may request duplicate copies of Account statements to be provided to another party. We reserve the right to charge a Fee for duplicate copies of historical statements.

Your Account statement is not a tax document and should not be submitted with your tax forms. However, you could use your Account statement(s) to determine how you paid or contributed during the previous tax year.

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Account Maintenance: Did you know that most transactions and changes to your Account can be handled online by going to [www.kysaves.com](http://www.kysaves.com) and logging into your Account?

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**Vested Participation Agreements.** A Beneficiary of a Vested Participation Agreement who enrolls in an Eligible Educational Institution in Kentucky will qualify for state resident tuition rates, if available. A Participation Agreement will be considered a Vested Participation Agreement if it meets the following requirements:

1. The Beneficiary is a resident of Kentucky for eight (8) continuous years (the “Vesting Period”);
2. The Beneficiary is the designated Beneficiary on the Account for the entirety of the Vesting Period;
3. The total net contributions remaining in the Account at the end of the Vesting Period total at least \$2,400; and
4. The Participation Agreement is still in effect at the time that the Beneficiary first enrolls in an Eligible Educational Institution.

Once a Participation Agreement is vested, it will remain vested even if the Beneficiary moves out of Kentucky prior to enrollment at an Eligible Educational Institution.

In order to establish a Vested Participation Agreement, you will be required to submit to KHEAA evidence of the Beneficiary's residence in Kentucky during the eight-year Vesting Period. For more information on submitting evidence of residence, including a list of documentation that will be accepted, contact KHEAA. Although you may change the Beneficiary on your Account (see [Changing a Beneficiary](#) below), the residency status acquired by a Beneficiary of a Vested Participation Agreement cannot be transferred to a new Beneficiary. As such, a Vested Participation Agreement will no longer be vested upon the change of a Beneficiary. Any Participant interested in vesting their Participation Agreement for the purpose of obtaining residential tuition rates for their Beneficiary should contact KHEAA directly at **502.696.7383**.

**Options for Unused Money.** If your Beneficiary does not use all of the money in your Account for Qualified Expenses, you may name a new Beneficiary or take a withdrawal of your Account assets. Any Non-Qualified Withdrawal from your Account will be subject to applicable income taxes and may be subject to the Federal Penalty Tax. You may also roll over unused assets to a Roth IRA established for the Beneficiary, subject to certain restrictions, without incurring federal income taxes or the Penalty. (See [Using Your Account](#))

**Changing a Beneficiary.** You can change your Beneficiary at any time. To avoid undesirable tax consequences, the new Beneficiary must be a Member of the Family of the original Beneficiary (defined in [Appendix C](#)). Any change of the Beneficiary to a person who is not a Member of the Family of the current Beneficiary is treated as a withdrawal subject to applicable federal and state income taxes, but will not be subject to the Federal Penalty Tax if the change in Beneficiary is made following the death of the original Beneficiary. An Account Owner who is an UGMA/UTMA Custodian will not be able to change the Beneficiary of the Account, except as may be permitted under applicable UGMA/UTMA law. (See [Moving Assets from an UGMA/UTMA Account](#))

To initiate a change of Beneficiary, you can complete the transaction online or by completing and submitting a Transfer Form. The change will be effective once we have received and processed all the required information.

We reserve the right to suspend the processing of a Beneficiary change if we suspect that the change is intended to avoid the Program's exchange and reallocation limits and/or the tax laws. Also, a Beneficiary change or transfer of assets may be denied or limited if it causes one or more Accounts to exceed the Maximum Account Balance for a Beneficiary.

When you change a Beneficiary, we will invest your assets in accordance with the Standing Allocation for the new Beneficiary's Account, unless you indicate otherwise. You can also transfer existing assets in your Account to a new Investment Option when you change the Beneficiary for your Account. When changing Beneficiaries, in choosing new Investment Options you should consider relevant factors such as your investment objectives, risk tolerance, time horizon, age of the Beneficiary and other factors you determine to be important.

**Investment Exchanges.** You can change the investment strategy for each Beneficiary—i.e. make an exchange—up to two (2) times per calendar year. This is a federal rule that applies to all Qualified Tuition Programs. You can initiate these transactions online, over the telephone by contacting a Client

Service Representative at **855.840.4855**, or by downloading the appropriate form from our website at [www.kysaves.com](http://www.kysaves.com).

Because you may make only two exchanges per year in an Account, it is important that you select an Investment Option that will meet your comfort level for risk in a variety of market conditions.

**Additional Contributions.** We will invest all additional contributions according to your Standing Allocation, unless you provide different instructions. You may view or change your Standing Allocation at any time by logging onto our website at [www.kysaves.com](http://www.kysaves.com), by submitting the Change of Investment Form by mail, or by calling **855.840.4855**. Future contributions may be invested in different investment options at any time and are not subject to the twice per calendar year investment exchange limit placed on existing assets in your Account.

**Changing or Removing a Custodian.** For an Account funded with assets originally held in an UGMA/UTMA account, the Custodian may be released or replaced upon written notice to the Program. (See [Moving Assets from an UGMA/ UTMA Account](#))

**Change of Account Owner.** Except as discussed below, you may transfer control of your Account assets to a new Account Owner. However, your right of control may not be sold, transferred, used as collateral, or pledged or exchanged for money or anything of value.

Your right of control may be transferred under an appropriate court order as part of divorce proceedings or other legal proceedings. The new Account Owner must agree to be bound by the terms and conditions of the Program Description and Enrollment Form. Transferring an Account to a new Account Owner may have significant tax consequences. Before doing so, you may want to check with your tax advisor regarding your particular situation.

To transfer your Account to another Account Owner, submit a Transfer Form by mail. For assistance, contact us at **855.840.4855**. We may require supporting documentation, as necessary.

**Recovery of Incorrect Amounts.** If an incorrect amount is paid to or on behalf of you or your Beneficiary, we may recover this amount from you or your Beneficiary, or any remaining balances may be adjusted to correct the error. The processing of adjustments resulting from clerical errors or other causes that are nominal in amount may be waived at the discretion of the Program Manager.

**Safeguarding Your Account.** To safeguard your Account, it is important that you keep your Account information confidential, including your username and password. The Program has implemented reasonable processes, procedures, and internal controls to confirm that transaction requests are genuine, but these measures do not guarantee that fraudulent or unauthorized instructions received by the Program will be detected. Neither the Program nor any of its Program Administrators will be responsible for losses resulting from fraudulent or unauthorized instructions received by the Program, provided we reasonably believed the instructions were genuine. For more information about how we protect your information and important information about how you can protect your information, see the "Security Center" link on [www.kysaves.com](http://www.kysaves.com).

**Affirmative Duty to Promptly Notify Us of Errors.** If you receive a confirmation that you believe contains an error or does not accurately reflect your authorized instructions—e.g., the amount invested differs from the amount contributed or the contribution was not invested in the particular Investment Options you selected—you must promptly notify us of the error. We will work to resolve any errors as

promptly as possible. If you do not notify us promptly, you will be considered to have approved the information in the confirmation and to have released the Program and the Program Administrators from all responsibility for matters covered by the confirmation. You should regularly review your Account statements and transaction confirmations. Moreover, any liability due to such an error resulting from participation in KY Saves 529 for which the Program or any Program Administrators are determined to be responsible shall be limited to an amount equal to gains due to market movement that would have resulted from the transaction during the period in which you should have acted.

**You are expected to regularly and promptly review all transaction confirmations, Account statements, and any email or paper correspondence sent by the Program. Contact us immediately at 855.840.4855 if you believe someone has obtained unauthorized access to your Account or if there is a discrepancy between a transaction you requested and your confirmation statement.**

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Access your Account  
online 24-hours a day  
at [www.kysaves.com](http://www.kysaves.com).

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**Internet Access.** You have the option to perform Account-related transactions and activity electronically via the internet. You can securely access and manage Account information — including quarterly statements, transaction confirmations, and tax forms—virtually 24 hours a day at [www.kysaves.com](http://www.kysaves.com) once you have created an online username and password. Please note that if you elect to receive documents electronically, the only way to get paper copies of these documents will be to print them from a computer. **You should not elect to conduct transactions electronically if you do not have regular and continuous internet access.**

You should not share your user ID or password with anyone else. We will honor instructions from any person who provides correct identifying information, and we are not responsible for fraudulent transactions we believe to be genuine according to these procedures. Accordingly, you bear the risk of loss if unauthorized persons obtain your user ID and password and conduct any transaction on your Account. You can reduce this risk by checking your Account information regularly. You should avoid using passwords that can be guessed and should consider changing your password frequently. For security purposes, our Client Service Representatives will not ask you for your password. It is your responsibility to review your Account information and to notify us promptly of any unusual activity. You can withdraw your consent to receive documents electronically at any time by contacting Client Service at **855.840.4855** or making the change online.

Because we cannot guarantee the privacy or reliability of email, we cannot honor requests for transfers or changes received by email, nor will we send Account information through email. All electronic requests for transfers or changes should be made through our secure website. Our website uses generally accepted and available encryption software and protocols. This is designed to prevent unauthorized people from intercepting information sent by or received from us. Our website may require that you use certain readily available versions of web browsers.

The Program Description (including any Supplements) and information concerning the Investment Options are available on our website. We expect to update information concerning the Investment Option and Underlying Funds and the Program Description at least annually. The Program Description may be updated and supplemented throughout the year.

If you have elected electronic delivery, we may, from time to time, notify you by email that documents, including Account statements and transaction confirmations, have been delivered. However, email

notification is not a substitute for regularly checking your Account at [www.kysaves.com](http://www.kysaves.com). We may archive these documents and cease providing access to them on our website. You should, therefore, consider retaining any Account information that you wish to save before it is removed. After these documents are archived, you will be able to obtain a copy for a fee by contacting us at **855.840.4855**.

**Unclaimed Accounts.** Each state has unclaimed property laws that may require a dormant account to be turned over to the applicable state in the event that there has been no activity on such Account for a period of time. The applicable state for this purpose is usually determined by the most recent address on file of the Account Owner. If your property is considered abandoned, it may, without proper claim by the Account Owner within a certain period of years, be transferred to the State or your state. Maintaining and ensuring your account information is up to date will assist the State or your state with properly contacting you should your Account be considered abandoned.

**Account Restrictions.** We reserve the right to: (1) freeze an Account and/or suspend Account services if (i) we receive notice of a dispute regarding Account assets or Account ownership, including notice of the death of an Account Owner (until appropriate documentation is received and we reasonably believe that it is lawful to transfer Account ownership to the Successor Account Owner) and (ii) we reasonably believe a fraudulent transaction may occur or has occurred; (2) redeem an Account, without the Account Owner's permission, in cases of threatening conduct or suspicious, fraudulent or illegal activity; (3) refuse to establish or terminate an Account if we determine that it is in the best interest of KY Saves 529 or required by law; (4) close your Account if we determine that you provided false or misleading information to the Program Administrators in establishing or maintaining an Account, or that you are restricted by law from participating in KY Saves 529; and (5) reject a contribution for any reason, including contributions to the Program that the Investment Managers, the Program Manager, or the State Administrators believe are not in the best interests of the Program, an Investment Option, or the Account Owners. The risk of market loss, tax implications, penalties, and any other expenses as a result of the above will be solely the Account Owner's responsibility.



## At a Glance:

*In this section, you will learn more about:*

### Descriptions of fees and expenses associated with KY Saves 529 Illustrations of Investment Costs

## FEES

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Fees and expenses for KY Saves 529 depend on your investment choices. The schedule of fees is described below. Fees and expenses for KY Saves 529 may change from time to time. Any changes to Fees will be described in updated Program Descriptions or Supplements.

**Total Annual Asset-Based Fee.** Each Investment Option has a Total Annual Asset-Based Fee that is deducted from the assets in the Investment Option. The Fee reduces the return you receive from your Program investments. As an Account Owner, you indirectly bear a pro rata share of the annual costs and expenses associated with each Investment Option in which you are invested. The Total Annual Asset-Based Fee consists of the following fees:

**Underlying Fund Fee.** Includes investment advisory fees, administrative, and other expenses of the Underlying Fund, which are paid to the Investment Managers. An Underlying Fund's expense ratio measures the total annual operating expenses of the Underlying Fund as a percentage of its average daily net assets. The Underlying Fund Fee is subject to fluctuation from time to time based on changes in the total annual operating expenses of the Underlying Fund(s) in the Investment Option, which can cause fluctuation in the Total Annual Asset-Based Fee of the Investment Option.

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There are no enrollment or maintenance fees to participate in KY Saves 529. KY Saves 529 charges a Total Annual Asset-Based Fee per Investment Option that ranges from 0.20% - 0.80%.

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**Program Management Fee.** Ascensus receives the Program Management Fee to cover the costs of administering and managing KY Saves 529.

**State Administration Fee.** KHEAA receives an annual fee for administering the KY Saves 529. The fee will be used to offset the costs of administering the program by KHEAA. The fee equals 0.07% per year, except for the Capital Preservation Option which is not subject to the fee. The fee is accrued daily and is factored into each Year of Enrollment and Asset Allocation Investment Option's Unit Value.

**Fee Structure Table.** The following table describes the total Fees charged. The annualized Underlying Fund Fee plus the Program Management Fee and the State Administration Fee equal the Total Annual Asset-Based Fee.

**Fee Structure Table (As of May 31, 2024)**

	<b>ANNUALIZED ASSET-BASED FEES</b>			
<b>Investment Options</b>	<b>Estimated Annualized Underlying Fund Fee<sup>1</sup></b>	<b>Program Management Fee</b>	<b>Annualized State Administrative Fee</b>	<b>Total Annual-Asset Based Fee</b>
2043 Enrollment Option	0.03%	0.36%	0.07%	0.46%
2040 Enrollment Option	0.03%	0.36%	0.07%	0.46%
2037 Enrollment Option	0.03%	0.36%	0.07%	0.46%
2034 Enrollment Option	0.03%	0.36%	0.07%	0.46%
2031 Enrollment Option	0.03%	0.36%	0.07%	0.46%
2028 Enrollment Option	0.03%	0.36%	0.07%	0.46%
2025 Enrollment Option	0.02%	0.36%	0.07%	0.45%
In School Enrollment Option	0.02%	0.36%	0.07%	0.45%
Active Equity Option	0.27%	0.40%	0.07%	0.74%
Equity Index Option	0.03%	0.40%	0.07%	0.50%
Active Bond Option	0.33%	0.40%	0.07%	0.80%
Bond Index Option	0.05%	0.40%	0.07%	0.52%
Capital Preservation Option	N/A <sup>22</sup>	0.20%	0.00%	0.20%

<sup>1</sup> The Estimated Annualized Underlying Fund Fee is derived from the expense ratio disclosed in each Underlying Fund’s most recent prospectus as of June 30, 2023 (except for the Capital Preservation Option, which does not have a prospectus as of June 30, 2023). The Estimated Annualized Underlying Fund Fee includes investment advisory fees, administrative, and other expenses, which are paid to each of the Investment Managers of their respective Underlying Funds. The expenses for Investment Options with multiple Underlying Funds represent a weighted average of the expenses of the Underlying Funds. The Estimated Annualized Underlying Fund Fees may increase or decrease over time.

<sup>2</sup> The Principal Life Insurance Company Funding Agreement (Funding Agreement) does not have an expense ratio like other Underlying Funds. The Funding Agreement is issued by Principal Life Insurance Company (Principal Life) and provides a guaranteed interest rate to the KY Saves 529 Program for a specified period of time that is backed by Principal Life’s general account. While the calculation by Principal Life of the current interest rate under the contract is impacted by various costs and expenses borne by Principal Life, such as losses incurred on the investments of the general account and lower investment return due to timing of contract cash flows relative to market conditions, such costs and expense cannot be expressed as an expense ratio.

**Service-Based and Other Fees.** We reserve the right to charge reasonable additional fees if you request incremental, non-standard services. In particular, if you request delivery of withdrawal proceeds by priority delivery service, outgoing wire or expedited electronic payment to schools, the Program will deduct the applicable fee directly from your Account, and will include this fee amount on your annual IRS Form 1099-Q as part of the gross distribution paid to you during the year. In its discretion and without further notice, the Program may deduct directly from your Account the other fees and expenses incurred by you and identified in this chart or similar fees or charges. Please consult your tax advisor regarding calculating and reporting any tax liability associated with the payment of any of these fees out of your Account in a year.

**Additional fees include:**

Transaction	Fee Amount*
Returned Check	\$25
Rejected Recurring Contribution Payment	\$25
Rejected EFT	\$25
Priority Delivery	\$15 Weekday/\$25 Saturday/\$50 Foreign
Outgoing Wires	\$15 Domestic/\$25 International
Reissue of Disbursement Checks	\$15
Request for Historical Statement	\$10 per yearly statement/\$30 maximum per household
Expedited Electronic Payment to Schools (where available)	\$10

\* Subject to change.

We reserve the right to not reimburse fees charged by financial institutions for contributions made either via Recurring Contribution or EFT that are cancelled due to insufficient funds in the bank account from which the money is withdrawn.

**Float Income.** Ascensus also receives indirect compensation for the trustee (or custodial) services that it provides to your Account. This compensation, known as “float” income, is paid by the financial organization at which Ascensus maintains “clearing accounts” or by the investments in which Ascensus invests in such clearing accounts. Float income typically arises from interest that is earned on contributions or withdrawals during the time that these assets are held by Ascensus but are not invested in an income-producing account. For example, if you receive a withdrawal check but do not cash it for several days, some interest is earned while those funds remain in the disbursement account.

These clearing accounts generally earn interest at a rate between the money market rate and that of U.S. Treasury Notes. The interest paid on each of these transactions is small, and it is likely to represent a minor portion of the overall compensation paid to Ascensus. By opening an Account through KY Saves 529, you understand that float income may be retained by Ascensus.

## Illustration of Investment Costs

The following table illustrates the approximate cost of the Program over time, using the following assumptions:

- A \$10,000 initial contribution is invested for the time periods shown.
- A 5% annually compounded rate of return on the amount invested throughout the period.
- The total funds available in the Account are withdrawn at the end of the period shown to pay for Qualified Expenses (the table does not consider the impact of any potential state or federal taxes on the withdrawal).
- The total annual asset-based fee remains the same as that shown in the [Fee Structure Table](#).

This hypothetical is not intended to predict or project investment performance. Past performance is no guarantee of future results. Your actual cost may be higher or lower.

HYPOTHETICAL \$10,000 INVESTMENT COST CHART				
Investment Option	1 Year	3 Year	5 Year	10 Year
2043 Enrollment Option	\$47	\$148	\$259	\$582
2040 Enrollment Option	\$47	\$148	\$258	\$581
2037 Enrollment Option	\$47	\$148	\$258	\$580
2034 Enrollment Option	\$47	\$148	\$258	\$579
2031 Enrollment Option	\$47	\$148	\$257	\$579
2028 Enrollment Option	\$47	\$147	\$257	\$578
2025 Enrollment Option	\$46	\$145	\$252	\$568
In School Enrollment Option	\$46	\$143	\$250	\$563
Active Equity Option	\$75	\$235	\$409	\$914
Equity Index Option	\$51	\$160	\$280	\$628
Active Bond Option	\$82	\$256	\$446	\$993
Bond Index Option	\$53	\$165	\$289	\$648
Capital Preservation Option	\$20	\$64	\$113	\$255

## At a Glance:

*In this section, you will learn more about:*

### The risks involved with an investment in KY Saves 529 General Investment Option risks

## PROGRAM RISKS

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You should carefully consider the information in this section, as well as the other information in the Program Description before making any decisions about opening an Account or making any additional contributions. You should consult an attorney or a qualified financial or tax advisor with any legal, business, or tax questions you may have. We are not providing investment recommendations or advice. The contents of the Program Description should not be construed as legal, financial, or tax advice.

The Program is an investment vehicle. As such, Accounts in the Program are subject to investment risks. In addition, certain Investment Options carry more and/or different risks than others. You should weigh these risks with the understanding that they could arise at any time during the life of your Account. A discussion of the investment risks related to each Investment Option can be found in [Investment Options – Investment Option Descriptions](#).

**Principal and Returns Not Guaranteed.** Neither your contributions to an Account nor any investment return earned on your contributions is guaranteed. You could lose money (including your contributions) or not make any money by investing in KY Saves 529.

An investment in KY Saves 529 is not a bank deposit. Investments in KY Saves 529 are not insured or guaranteed by the FDIC or any other government agency. Investments are not insured by Program Administrators. Relative to investing for retirement, the holding period for investors saving for education is short (i.e., 5-20 years versus 30-60 years). Also, the need for liquidity at specific times (to pay for Qualified Expenses) is generally very important. You should strongly consider the level of risk you wish to assume and your investment time horizon prior to selecting an Investment Option.

**Suitability.** We make no representation regarding the suitability or appropriateness of the Investment Options as an investment for your situation. Other types of investments may be more appropriate depending upon your financial status, tax situation, risk tolerance, age, investment goals, saving needs, time horizons of you or your Beneficiary, and other factors you determine to be important. You should consult a tax or investment advisor to seek advice concerning the appropriateness of this investment.

**Market Uncertainties.** The overall market value of your Account may exhibit volatility in response to external factors affecting market stability, including Force Majeure events (defined in [Appendix C](#)). Such events may cause the value of your Account to decrease or fluctuate regardless of our performance or any systematic investing on your part.

**General Investment Option Risks.** Each Investment Option has its own investment strategy, risks and performance characteristics. In choosing the appropriate Investment Option(s) for your Account, you should consider your financial status, tax situation, risk tolerance, age, investment goals, time horizons of you or your Beneficiary, and other factors you determine to be important.

An Investment Option's risk and potential return are functions of its relative weightings of stock, bond, and money market investments. Certain Investment Options carry more and/or different risks than others. In general, the greater an Investment Option's exposure to stock investments, the higher its risk (especially short-term volatility) and the higher its potential for superior long-term performance. The more exposure an Investment Option has to bond and money market investments, the lower its risk and its potential long-term returns. There are also variations in risk/return levels within the stock and bond categories. For example, international stocks typically have higher risk levels than domestic stocks.

**The Target Indices of Certain Underlying Funds may Change.** Many of the Underlying Funds are index funds. Each index fund reserves the right to substitute a different index for the index it currently tracks. This could happen if the current index is discontinued, if the index fund's agreement with the sponsor of its current index is terminated, or for any other reason determined in good faith by the index fund's board of trustees. In any such instance, a substitute index would measure substantially the same market segment (e.g., large-, mid-, or small- capitalization) as the current index.

For additional information on the risks that may affect an Investment Option's performance, please read [Investment Option Descriptions](#).

**No Indemnification.** The Program Administrators will not indemnify any Account Owner or Beneficiary against losses or other claims arising from the official or unofficial acts, negligent or otherwise, of the Program Administrators.

**Tax Considerations Generally; Income Tax on Earnings.** The federal and state tax consequences associated with participating in the Program can be complex. Therefore, you should consult a tax advisor regarding the application of tax laws to your particular circumstances. For example, federal and state income taxes will be imposed on the earnings portion of certain withdrawals not used to pay Qualified Expenses. Additionally, the Federal Penalty Tax applies to any Non-Qualified Withdrawal unless certain exceptions apply.

**Limited Investment Direction; Liquidity.** Investments in a Qualified Tuition Program like KY Saves 529 are less liquid than many other types of investments (e.g., investments in mutual fund shares) because the ability to withdraw money from your Account without a penalty or adverse tax consequences is significantly more limited. Also, once you select an Investment Option for a particular contribution, Section 529 of the Code (Section 529) provides that you can move money to another Investment Option no more than two (2) times per calendar year for the same Beneficiary. Any additional transfers within that calendar year are treated as Non-Qualified Withdrawals, and they will be subject to federal taxes (including the Federal Penalty Tax, if applicable) and any applicable state income taxes.

**Securities Laws.** Units held by the Accounts in the Program are considered municipal fund securities. The Units will not be registered as securities with the Securities and Exchange Commission (SEC) or any state securities regulator. In addition, the Investment Options will not be registered as investment companies under the Investment Company Act of 1940. Neither the SEC nor any state securities commission has approved or disapproved the Units or passed upon the adequacy of the Program Description.

**Potential Changes to the Program.** We may change the Investment Options available in the Program without prior notice to you. These changes could include, without limitation:

- changes in the Program's Fees;
- addition or removal of an Investment Option;
- changes in the share class of the Underlying Funds within the Investment Options;
- mergers or changes in the Underlying Funds within the Investment Options;

- closure of an Investment Option to new investors; or
- changes in the Program Manager or an Investment Manager.

If changes are made to the Investment Options, your contributions may be reinvested in an Investment Option that is different from your original Investment Option. Depending on the nature of a particular change, your Account may be required to participate, or be prohibited from participating, in such changes. The policies, objectives, and guidelines of the Investment Options may also change from time to time with Board approval.

If the Program is terminated, a distribution of Account funds may be considered a Non-Qualified Withdrawal for which federal income tax and penalties, including the Federal Penalty Tax, will be assessed. If the Program is terminated, you will receive written notice in advance and the funds in your Account will be distributed to you. Any amounts distributed are subject to any charges due; any charge, payment, or penalty required by law to be withheld; and allowances for any terminating or winding up expenses.

In the event of a change in Underlying Funds, during the transition from one Underlying Fund to another, we may sell all the securities in the corresponding Investment Option before purchasing new securities. Therefore, the Investment Option may temporarily not be invested in one of its asset classes. During a transition period, an Investment Option may temporarily hold a basket of securities if the Underlying Fund from which it is transitioning chooses to complete the transition by exchanging one security for another. The transaction costs associated with this type of liquidation, as well as any market impact on the value of the securities being liquidated will be borne by the Investment Option and Accounts invested in the Investment Option. In this case, the Program Manager will seek to liquidate the securities received from the Underlying Fund and invest the proceeds in the replacement Underlying Fund as promptly as practicable in order to minimize transaction costs. An Underlying Fund from which an Investment Option redeems may also impose redemption fees. In this case, the Investment Option will bear the cost of the redemption fees.

There is no guarantee that the Investment Managers will continue to provide the Underlying Funds for KY Saves 529 or manage the Investment Option's assets, as applicable, or that the Program Manager will be able to negotiate their continued services in the future. Neither you, your Beneficiary, nor any contributor to your Account, may direct the Underlying Funds of an Investment Option.

**Meeting Educational Expenses Not Guaranteed.** Even if you fund your Account(s) to the Maximum Account Balance, there is no assurance that the money in your Account will be sufficient to cover all the education expenses your Beneficiary may incur, or that the rate of return on your investment will match or exceed the rate at which education expenses rise each year.

**Death of Account Owner.** If an Account Owner dies, control and ownership of a funded Account will be transferred to the Successor Account Owner. If no Successor Account Owner has been named or the Successor Account Owner dies without taking control of the Account, control and ownership of the Account will become subject to applicable estate and guardianship laws. If the Account Owner dies, the Successor Account Owner must notify the Program and submit a completed Enrollment Form, a certified copy of the death certificate, a Transfer Form, and such other information requested by the Program. The Account will become effective for the Successor Account Owner once the appropriate documentation has been received and is processed.

**Relationship to Financial Aid.** Participation in KY Saves 529 for Kentucky residents does not limit your Beneficiary's receipt of school merit-based financial aid, including academic or athletic scholarships. If you are a resident of Kentucky, KY Saves 529 savings are not included in determining the amount of Kentucky need-based student aid that a beneficiary may receive. However, other state, federal and institutional aid programs may take amounts in your account into consideration when determining eligibility.

In making decisions about eligibility for financial aid programs offered by the U.S. government and the amount of financial aid required, the U.S. Department of Education takes into consideration a variety of factors, including, among other things, the assets owned by your Beneficiary and the assets owned by your Beneficiary's parents.

Because the federal and nonfederal aid program treatment of Account assets are subject to change and may have a material adverse effect on your Beneficiary's eligibility to receive valuable benefits under financial aid programs, you or your Beneficiary should check and periodically monitor the applicable laws or other official guidance, as well as Program rules and requirements, and consult with the financial aid office of an Eligible Educational Institution and/or with your tax or financial professional to determine the impact of an investment in the Program on financial aid programs.

KY Saves 529 accounts are not considered when determining eligibility for state financial aid programs in Kentucky but should be recorded where appropriate based on filing status. If you are not a Kentucky resident, check with the financial aid office of an Eligible Educational Institution for more information.

**Relationship of Your Account to Medicaid Eligibility.** It is unclear how local and state government agencies will treat Qualified Tuition Program assets for the purpose of Medicaid eligibility. Although there are federal guidelines under Title XIX of the Social Security Act of 1965, how each state administers its Medicaid program and rules could vary greatly from one state to the next. You should check with an attorney, a tax advisor, or your local Medicaid administrator regarding the impact of an investment in the Program on Medicaid eligibility.

**IRS Regulations Not Final.** As of the date of this Program Description, the IRS has not issued final tax regulations regarding Qualified Tuition Programs. Final tax regulations could affect the tax considerations under Section 529 or require changes to KY Saves 529.

**Effect of Future Law Changes.** It is possible that future changes in federal or state laws, regulations, court decisions, or interpretive guidance and rulings could adversely affect the terms and conditions of the Program or the value of your Account, even retroactively.

In addition, it is the Board's intention to take advantage of Section 529 and therefore, KY Saves 529 is subject to tax law changes or court or interpretive rulings that might alter the tax considerations described in [Federal Tax Issues](#).

**Cybersecurity Risk.** The Program is highly dependent upon the computer systems of its service providers and their subcontractors. This makes the Program susceptible to operational and information security risks resulting from cyber threats and cyberattacks which may adversely affect your Account and cause it to lose value. For instance, cyber threats and cyberattacks may interfere with your ability to access your Account, make contributions or exchanges, or request and receive distributions; they may also impact the ability to calculate net asset values and/or impede trading. Cybersecurity risks include security or privacy incidents, such as human error, unauthorized release, theft, misuse, corruption, or destruction of Account data maintained online or digitally by the Program. Cybersecurity risks also include denial of service, viruses, malware, hacking, bugs, security vulnerabilities in software, attacks on technology operations, and other disruptions that could impede the Program's ability to maintain routine operations. Although the Program undertakes efforts to protect its computer systems from cyber threats and cyberattacks, including internal processes and technological defenses that are preventative in nature, and other controls designed to provide a multi-layered security posture, there are no guarantees that the Program, Program Administrators, or your Account will avoid losses due to cyberattacks or cyber threats.



## At a Glance:

*In this section, you will learn more about:*

### **Investment Options and Underlying Funds in KY Saves 529 Investment Allocation of the Investment Options**

## **INVESTMENT OPTIONS**

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In this section, you will find information about the Investment Options, including a discussion of the Year of Enrollment Options, the Asset Allocation Options, and the Capital Preservation Option. You should consider the information in this section carefully before choosing to invest in KY Saves 529. Information about each Investment Option's objective, strategy and risks has been provided by the appropriate Investment Managers. If you have questions about any of the investment-related information in this section, please call us at **855.840.4855** or contact the Investment Manager prior to making an investment decision. Investment Manager contact details can be found in the [Additional Investment Information](#) section.

### **Investments Overview**

Your Account assets are held by the Program for your exclusive benefit and cannot be transferred or used by the Program for any purpose other than those of the Program. You are purchasing Units in the Investment Options, not shares of the Underlying Funds. Those Investment Options invest your contributions in one or more of the Underlying Funds.

You can choose from three (3) investment approaches:

- **Year of Enrollment.** Eight (8) Year of Enrollment Options that are designed to correspond with the expected date of your Beneficiary's first withdrawal for Qualified Expenses. The asset mix (or allocation) of the options adjust automatically (semi-annually) over time, becoming progressively more conservative as the target date of enrollment approaches. Each option invests in multiple Underlying Funds managed by BlackRock, Principal Life Insurance Company, Schwab, State Street Global Advisors, and Vanguard;
- **Asset Allocation.** Four (4) Asset Allocation Options, each of which focuses on a single investment strategy or asset class. The risk profile of each Investment Option will be fixed over time. Each option invests in multiple Underlying Funds managed by American Funds, Baird Advisors, BlackRock, Cohen & Steers, Dimensional Fund Advisors (DFA), PGIM Investments, Schwab, State Street Global Advisors, and Vanguard; and
- **Capital Preservation.** One (1) Capital Preservation Option that invests in a Funding Agreement issued by Principal Life Insurance Company. This option focuses on protecting the principal you invest and offers a guaranteed return.

There is no limit on the number of the Investment Options you can choose. The minimum amount contributed per selected Investment Option is 1% of the amount of your contribution.

## Year of Enrollment Options

The Year of Enrollment Options are made up of eight (8) Investment Options. Specifically, the eight options are:

1. 2043 Enrollment Option;
2. 2040 Enrollment Option;
3. 2037 Enrollment Option;
4. 2034 Enrollment Option;
5. 2031 Enrollment Option;
6. 2028 Enrollment Option;
7. 2025 Enrollment Option; and
8. In School Enrollment Option.

With the exception of the In School Enrollment Option, each option becomes more conservative and likewise generally offers lower return potential and less potential for loss over time based on the target year of first withdrawal. To select this strategy, simply open an Account with a contribution to one of the eight Year of Enrollment Options, selecting the option that most closely matches the target year for your first withdrawal of Qualified Expenses for the Beneficiary for whom you are saving. The allocation of the Underlying Funds will automatically become more conservative as the Beneficiary nears the pre-determined year of enrollment. Consequently, as the anticipated year of initial withdrawal approaches, a greater portion of the asset allocation in a Year of Enrollment option shifts from equity investments to fixed income investments and a cash equivalent component that provides, at the minimum, for stability of principal. As this shift occurs, the potential for greater return is reduced but the risk for loss is also reduced. You may choose to invest in any of these Year of Enrollment Options as you deem appropriate, regardless of the Beneficiary's age.

The asset mix (or target allocation) of the Investment Options is scheduled to change semiannually. Market fluctuations in the value of each Underlying Fund's investments may also cause the Investment Options to temporarily deviate from their target allocations within each period. In addition, the Program, with the Board's approval, may adjust each of the individual asset classes and the overall allocation between and among asset classes periodically in order to take advantage of short- to medium-term opportunities through a combination of positions in Underlying Funds by increasing their exposure to certain asset classes or sub-asset classes (e.g. emerging markets; real estate; high-yield bonds, etc.) that the Program expects to outperform and decreasing exposure to those that the Program expects to underperform. As a result of these changes, one or more sub-asset classes in each Year of Enrollment Option may deviate from its target allocation at any given time.

The sub-asset class allocation will remain within certain ranges as mutually agreed upon by the Board and the Program Manager. Any such sub-asset class allocation adjustment within the applicable range will be approved by the Board prior to implementation by the Program Manager. These ranges are consistent within each asset class for each Year of Enrollment Option.

The objectives, strategies and principal risks of the Underlying Funds in the Year of Enrollment Options are discussed in [Year of Enrollment Options](#) and the Underlying Fund Descriptions in [Appendix A](#).

The Year of Enrollment options use daily cash flows to try to maintain the target allocations. The Program Manager rebalances the Year of Enrollment Options on a quarterly basis, and only when they fall outside the strategic targets by more than 1%, or new target allocations are being implemented.

The table below provides a summary of the asset allocation targets for each Year of Enrollment Option, please visit [www.kysaves.com](http://www.kysaves.com) for up-to-date information.

Underlying Funds	2043 Enrollment Option	2040 Enrollment Option	2037 Enrollment Option	2034 Enrollment Option	2031 Enrollment Option	2028 Enrollment Option	2025 Enrollment Option	In School Enrollment Option
iShares Total U.S. Stock Market Index Fund	53.82%	50.83%	44.85%	38.87%	31.40%	20.93%	8.97%	6.00%
Schwab U.S. REIT ETF	4.68%	4.42%	3.90%	3.38%	2.73%	1.82%	0.78%	0.50%
SPDR® Portfolio Developed World ex-US ETF	22.05%	20.83%	18.38%	15.93%	12.86%	8.58%	3.68%	2.45%
SPDR® Portfolio Emerging Markets ETF	9.45%	8.93%	7.88%	6.83%	5.51%	3.68%	1.58%	1.05%
Schwab U.S. Aggregate Bond Index Fund	5.50%	7.50%	10.50%	13.50%	18.00%	24.00%	21.00%	18.00%
Vanguard Short-Term Inflation Protected Securities Index Fund	0.50%	0.63%	0.88%	1.13%	1.50%	2.00%	1.75%	1.50%
SPDR® Portfolio High Yield Bond ETF	2.00%	2.50%	3.50%	4.50%	6.00%	8.00%	7.00%	6.00%
iShares Core International Aggregate Bond ETF	2.00%	1.88%	2.63%	3.38%	4.50%	6.00%	5.25%	4.50%
Principal Life Insurance Company Funding Agreement	0.00%	2.50%	7.50%	12.50%	17.50%	25.00%	50.00%	60.00%

Please note that total allocations may reflect rounding. From time to time the Program may maintain an amount of cash or cash equivalents to meet liquidity needs.

### Asset Allocation Options

Asset Allocation Options give you the opportunity to invest based on a single investment strategy or asset class. In these options, the risk profile is set and does not evolve as the Beneficiary nears school enrollment (as in the Year of Enrollment Options). Because the Investment Option's risk profile is fixed throughout the life of your investment, subject to the changes discussed in the following paragraph, your asset allocation will not shift unless you direct us to move your assets to another Investment Option, or the Underlying Funds change.

The Program may select from among the available Underlying Funds for each Investment Option within the target asset allocation. In addition, the Program, with the Board's approval, may adjust the sub-asset allocations (e.g. emerging markets; real estate; high-yield bonds, etc.) periodically within equities or fixed-income in order to take advantage of short- to medium-term opportunities through a combination of positions in the Underlying Funds by increasing exposure to certain sub-asset classes that the Program expects to outperform and decreasing exposure to those that the Program expects to underperform.

Market fluctuations in the value of each Underlying Fund’s investments may cause the Investment Options to temporarily deviate from their target allocations.

Depending on its investment objective, the Underlying Fund may strive to maximize capital appreciation or to generate income and preserve principal. In general, stocks offer a potentially greater return than other investments, but they also carry greater risk and volatility. Hence, the appropriate asset allocation among the different Asset Allocation Options depends on the investment goals and risk tolerance of the Account Owner and the time horizon of when the Beneficiary will begin making withdrawals.

If you choose to invest in Asset Allocation Options that invest in Underlying Funds with a significant weighting in stocks, such as the Active Equity Option, you might consider moving your assets to the more conservative Asset Allocation Option, Year of Enrollment Option, or Capital Preservation Option as your Beneficiary approaches the year of withdrawal. Please note that there are limitations on your ability to move assets from one Investment Option to another. (Please see [Maintaining Your Account](#))

The table below illustrates the percentages by asset class of the Underlying Funds within each Asset Allocation Option. Please visit [www.kysaves.com](http://www.kysaves.com) for up-to-date information.

Underlying Funds	Active Equity Option	Equity Index Option	Active Bond Option	Bond Index Option	Capital Preservation Option
Vanguard Growth and Income Fund	60.00%				
DFA International Core Equity Portfolio	25.00%				
DFA Emerging Markets Core Equity Portfolio	10.00%				
Cohen & Steers Institutional Realty Shares	5.00%				
Baird Core Plus Bond			55.00%		
DFA Inflation-Protected Securities Portfolio			5.00%		
American High-Income Trust			20.00%		
PGIM Global Total Return Fund			15.00%		
BlackRock Low Duration Bond			5.00%		
iShares Total U.S. Stock Market Index Fund		60.00%			
Schwab U.S. REIT ETF		5.00%			
SPDR® Portfolio Developed World ex-US ETF		25.00%			
SPDR® Portfolio Emerging Markets ETF		10.00%			
Schwab U.S. Aggregate Bond Index Fund				55.00%	
Vanguard Short-Term Inflation Protected Securities Index Fund				5.00%	
SPDR® Portfolio High Yield Bond ETF				20.00%	
iShares Core International Aggregate Bond ETF				15.00%	
Schwab Short-Term U.S. Treasury ETF				5.00%	
Principal Life Insurance Company Funding Agreement					100%

Please note that total allocations may reflect rounding. From time to time the Program may maintain an amount of cash or cash equivalents to meet liquidity needs.

## **Capital Preservation Option**

This option focuses on protecting the principal you invest and offers a guaranteed return. It is the most conservative Investment Option and invests in a funding agreement issued by the Principal Life Insurance Company.

## **Investment Option Descriptions**

The following descriptions highlight the investment objective, strategy, and principal risks of each Investment Option. The Investment Options in KY Saves 529 are more likely to meet their goals if each Underlying Fund in which each Investment Option invests achieves its stated investment objectives.

As with any investment, your Investment Options' performance could trail that of other investments or lose money. Each Investment Option has a different level of risk. The information below is provided by the Investment Managers and only lists the principal risks of the Investment Option. Descriptions of the risks listed can be found in [Appendix B](#). Except for the Capital Preservation Option, each Underlying Fund's current prospectus and statement of additional information contains information not summarized here and identifies additional risks that are not discussed below. You may wish to speak to an investment advisor to understand the specific risks associated with each Investment Option.

## **Year of Enrollment Options**

2043 Enrollment Option; 2040 Enrollment Option; 2037 Enrollment Option; 2034 Enrollment Option; 2031 Enrollment Option; 2028 Enrollment Option; 2025 Enrollment Option; In School Enrollment Option

### **Objective:**

The Year of Enrollment Options seek to achieve capital appreciation, income and preservation of capital as appropriate for proximity to its applicable target date. The target date is the year which corresponds to the potential enrollment year of the Beneficiary. The objective of this option becomes more focused on capital preservation and income as it approaches its target date.

### **Strategy:**

The option allocates its assets to Underlying Funds consisting of ETFs, mutual funds, and a cash equivalent component. The cash equivalent component may invest in a Funding Agreement issued by Principal Life Insurance Company. The Year of Enrollment Options seek to provide a diversified allocation to broad asset classes, including domestic and international stocks and bonds, real estate, and capital preservation. The Underlying Funds represent different investment objectives and strategies. The allocations to the asset classes and the Underlying Funds are expected to change, reducing exposure to stocks and increasing exposure to fixed income and cash equivalents until the Beneficiary's enrollment year. The Underlying Funds in this Enrollment Option will rebalance on an ongoing basis if they drift from their target allocations. The option will de-risk the asset class allocations on a semi-annual basis.

### **Risks:**

Your investment in these options could lose money, or the options performance could trail that of other investments. Each Option has a different level of risk. Risks for the Year of Enrollment Options include: Asset Class Risk, Authorized Participant Concentration Risk, Below Investment-Grade Securities Risk, Call Risk, Cash Transactions Risk, China Risk, Commodity Regulatory Risk, Commodity Risk, Communication Services Sector Risk, Concentration Risk, Consumer Cyclical Sector Risk, Credit Risk, Currency Hedging

Risk, Currency Risk, Custody Risk, Cyber Security Risk, Debt Securities Risk, Depository Receipts Risk, Derivatives Risk, Emerging Markets Risk, Equity Investing Risk, Equity Risk, Equity Securities Risk, Europe Risk, Extension Risk, Financial Sector Risk, Fluctuation of Net Asset Value, Share Premiums and Discount Risk, Futures Contract Risk, Geographic Focus Risk, Geographic Risk, Illiquid Investment Risk, Income Fluctuations Risk, Income Risk, Index Fund Risk, Index Strategy/Index Track Risk, Index-Related Risk, Indexing Investment Risk, India Risk, Industrial Sector Risk, Infectious Illness Risk, Interest Rate Risk, Investment Style Risk, Issuer Risk, Japan Risk, Large-Capitalization Companies Risk, Leverage Risk, Liquidity Risk, Management Risk, Market Capitalization Risk, Market Risk, Market Risk and Selection Risk, Market Trading Risk, Mid-Capitalization Company Risk, Money Market Fund Risk, Mortgage Backed and Mortgage Pass-Through Securities Risk, Mortgage Dollar Rolls Risk, Non-Diversification Risk, Non-US Issuers Risk, Non-US Securities Risk, Operational Risk, Passive Investment Risk, Portfolio Turnover Risk, Prepayment and Extension Risk, Privately Issued Securities Risk, Privatization Risk, Real Estate Investment Risk, Real Interest Rate Risk, REITs Risk, Reliance on Trading Partners Risk, Restricted Securities Risk, Risk of Investing in China, Risk of Investing in China A Shares, Risk of Investing in China Bond Market, Risk of Investing in Developed Countries, Risk of Investing in Emerging Markets, Risk of investing in Russia, Risk of Investing in Saudi Arabia, Risk of Investing in the United States, Sampling Index Tracking Risk, Securities Lending Risk, Shares of Fund May Trade at Prices other than NAV, Small and Mid-Capitalization Company Risk, Small-Cap Company Risk, Sovereign and Quasi-Sovereign Obligations Risk, Structural Risk, Tax Risk, Technology Sector Risk, Tracking Error Risk, Unconstrained Sector Risk, and Valuations Risk.

### **Asset Allocation Options**

Active Equity Option; Equity Index Option; Active Bond Option; Bond Index Option

### **ACTIVE EQUITY OPTION**

#### **Objective:**

The Active Equity Option seeks to achieve long-term growth of capital and income.

#### **Strategy:**

The option allocates its assets to underlying mutual funds, seeking to provide a diversified allocation to broad asset classes, including domestic stocks, international stocks and real estate. The Underlying Funds represent different investment objectives and strategies and are actively managed. The Underlying Funds in this option will rebalance on an ongoing basis if they drift from their target allocations.

#### **Risks:**

Your investment in this option could lose money, or the option's performance could trail that of other investments. Risks for the Active Equity Option include: Active Management Risk, China Investments Risk, Common Stock Risk, Cyber Security Risk, Derivatives Risk, Emerging Markets Risk, Equity Markets Risk, Foreign Securities and Currencies Risk, Geopolitical Risk, Investment Risk, Investment Style Risk, Large Shareholder Risk, Manager Risk, Market Risk, Non-Diversification Risk, Operational Risk, Other Investment Companies Risk, Preferred Securities Risk, Profitability Investment Risk, Real Estate Market Risk, Regulatory Risk, REIT Risk, Securities Lending Risk, Small and Medium Sized Company Risk, Stock Market Risk and Value Investment Risk.

## **EQUITY INDEX OPTION**

### **Objective:**

The Equity Index Option seeks to achieve long-term growth of capital and income.

### **Strategy:**

The option allocates its assets to underlying ETFs and mutual funds, seeking to provide a diversified allocation to broad asset classes, including domestic stocks, international stocks and real estate. The Underlying Funds represent different investment objectives and strategies, and are each managed to track their prospective benchmark index. The Underlying Funds in this option will rebalance on an ongoing basis if they drift from their target allocations.

### **Risks:**

Your investment in this option could lose money, or the option's performance could trail that of other investments. Risks for the Equity Index Option include: Asset Class Risk, Authorized Participant Concentration Risk, China Risk, Concentration Risk, Consumer Discretionary Sector Risk, Currency Risk, Depository Receipts Risk, Derivatives Risk, Emerging Markets Risk, Equity Investing Risks, Equity Risk, Equity Securities Risk, Europe Risk, Financials Sector Risk, Fluctuation of Net Asset Value, Share Premiums and Discounts Risk, Futures Contract Risk, Geographic Focus Risk, Index Fund Risk, Index-Related Risk, Index Strategy/Index Tracking Risk, India Risk, Industrial Sector Risk, Investment Style Risk, Issuer Risk, Japan Risk, Large Capitalization Companies Risk, Liquidity Risk, Management Risk, Market Capitalization Risk, Market Risk, Market Risk and Selection Risk, Market Trading Risk, Mid Cap Company Risk, Non-Diversification Risk, Non-US Securities Risk, Passive Investment Risk, Real Estate Investment Risk, REITs Risk, Risk of Investing in China A Shares, Risk of Investing in the United States, Securities Lending Risk, Shares of Fund May Trade at Prices other than NAV, Small Cap Company Risk, Technology Sector Risk, Tracking Error Risk, Unconstrained Sector Risk, and Valuations Risk.

## **ACTIVE BOND OPTION**

### **Objective:**

The Active Bond Option seeks to achieve total return made up of current income and capital appreciation, along with some protection from inflation.

### **Strategy:**

The option allocates its assets to underlying mutual funds, seeking to provide a diversified allocation to broad asset classes and maturities, including domestic and international bonds, as well as inflation protected securities. The Underlying Funds represent different investment objectives and strategies and are actively managed. The Underlying Funds in this option will rebalance on an ongoing basis if they drift from their target allocations.

### **Risks:**

Your investment in this option could lose money, or the option's performance could trail that of other investments. Risks for the Active Bond option include: Bond Market Risk, Borrowing Risk, Call Risk, Credit Risk, Currency Risk, Cyber Security Risk, Debt Obligations Risk, Debt Securities Risk, Derivatives Risk, Dollar Rolls Risk, Economic and Market Events Risk, Emerging Markets Risk, Extension Risk, Foreign

Securities Risk, Government Obligations Risk, High Portfolio Turnover Risk, High Yield Bonds Risk, Illiquid Investments Risk, Income Risk, Increase in Expenses Risk, Inflation-Protected Securities Interest Rate Risk, Inflation-Protected Securities Tax Risk, Interest Rate Risk, Investing in Debt Instruments Risk, Investing in Derivatives Risk, Investing in Lower Rated Debt Instruments Risk, Investing Outside the United States, Issuer Risks, Junk Bonds Risk, Large Shareholder and Large-Scale Redemption Risk, Leverage Risk, Liquidity Risk, Management Risk, Market Conditions Risk, Market Disruption and Geopolitical Risks, Market and Selection Risk, Market Risk, Market Trading Risk, Mortgage and Asset Backed Debt Obligations Risk, Mortgage and Asset-Backed Securities Risk, Municipal Obligations Risk, Non-Investment Grade Quality Risk, Operational Risk, Premium/Discount Risk, Recent Market Events Risk, Repurchase Agreements and Purchase and Sales Contract Risk, Reverse Repurchase and Sales Agreements Risk, Risks of Investing for Inflation Protection, Risk of Investing in the United States, Sector Risk, Securities Lending, Selection Risk, US Government and Agency Securities Risk, US Government Issuer Risk, and Valuation Risk.

## **BOND INDEX OPTION**

### **Objective:**

The Bond Index Option seeks to achieve total return made up of current income and capital appreciation, along with some protection from inflation.

### **Strategy:**

The option allocates its assets to underlying ETFs and mutual funds, seeking to provide a diversified allocation to broad asset classes and maturities, including domestic and international bonds, as well as inflation protected securities. The Underlying Funds represent different investment objectives and strategies, and are each managed to track their prospective benchmark index. The Underlying Funds in this option will rebalance on an ongoing basis if they drift from their target allocations.

### **Risks:**

Your investment in this option could lose money, or the option's performance could trail that of other investments. Risks for the bond index option include: Asset Class Risk, Authorized Participant Concentration Risk, Below Investment-Grade Securities Risk, Call Risk, Cash Transactions Risk, Commodity Regulatory Risk, Commodity Risk, Communication Services Sector Risk, Concentration Risk, Consumer Cyclical Sector Risk, Credit Risk, Currency Hedging Risk, Currency Risk, Custody Risk, Cyber Security Risk, Debt Securities Risk, Derivatives Risk, Extension Risk, Fluctuation of NAV Share Premiums and Discounts Risk, Europe Risk, Geographic Focus Risk, Geographic Risk, Illiquid Investment Risk, Income Fluctuations Risk, Income Risk, Index-Related Risk, Indexing Investment Risk, Indexing Strategy/Index Tracking Risk, Infectious Illness Risk, Interest Rate Risk, Investment Style Risk, Issuer Risk, Leverage Risk, Liquidity Risk, Management Risk, Market Risk, Market Trading Risk, Money Market Fund Risk, Mortgage Dollar Roll Risk, Mortgage-Backed and Mortgage-Pass Through Securities Risk, Non-Diversification Risk, Non-US Issuer Risk, Non-US Securities Risk, Operational Risk, Passive Investment Risk, Portfolio Turnover Risk, Prepayment and Extension Risk, Privately Issued Securities Risk, Privatization Risk, Real Interest Rate Risk, Reliance on Trading Partners Risk, Restricted Securities Risk, Risk of Investing in China, Risk of Investing in China Bond Market, Risk of Investing in Developed Countries, Risk of Investing in Emerging Markets, Risk of Investing in Russia, Risk of Investing in Saudi Arabia, Sampling Index Tracking Risk, Securities Lending Risk, Shares of the Fund may trade at Prices other than the NAV, Sovereign and Quasi-Sovereign Obligations Risk, Structural Risk, Swaps Risk, Tax Risk, Tracking Error Risk, Unconstrained Sector Risk, and Valuations Risk.



## Capital Preservation Option

### Objective:

The Capital Preservation Option seeks a stable principal while providing interest.

### Strategy:

The Capital Preservation Option invests 100% of its assets in a funding agreement issued to the Kentucky Higher Education Assistance Authority Board of Directors by Principal Life Insurance Company (Principal Life). Under the Funding Agreement, principal and a rate of interest are guaranteed to the Program by Principal Life. Principal Life guarantees the interest rate under the Funding Agreement provided to the KY Saves 529 plan will be at least 1%.

### Risks:

There is a risk that Principal Life could fail to perform its obligations under the Funding Agreement for financial or other reasons and be unable to make its payment obligations. For Principal Life's current credit ratings, visit <https://investors.principal.com/investor-relations/our-business/credit-ratings/default.aspx>.

## Underlying Fund Descriptions

Underlying Fund descriptions are provided in [Appendix A](#) of this Program Description. The related risks are described in [Appendix B](#).

## Additional Investment Information

**How Your Units Are Valued.** The Unit Value of each Investment Option is normally calculated as of the close of the New York Stock Exchange (NYSE) each day. If securities held by an Underlying Fund in your Investment Options are traded in other markets on days when the NYSE is closed, that Investment Option's value may fluctuate on days when you do not have access to it to purchase or redeem Units. If events that are expected to materially affect the value of securities traded in other markets occur between the close of those markets and the close of business on the NYSE, those securities may be valued at their fair value. In the event of Force Majeure, we may experience processing delays, which may affect your trade date. In those instances, your actual trade date may be after the trade date you would have received, which may negatively affect the value of your Account.

**Investment Oversight.** The Program investments are managed based on guidance provided in 11 Kentucky Administrative Regulations 12:020. The Program Manager, third party independent investment consultant, and KHEAA Board have developed Investment Options and selected the Underlying Funds for each Investment Option based on the guidelines set forth in the administrative regulation. The Investment Options have been approved by the Board.

**Treatment of Dividends and Capital Gains.** Some Underlying Funds may distribute dividends and capital gains. Any dividends and capital gains will be reinvested into the Investment Options containing the Underlying Funds and will be reflected as increases or decreases in the Investment Option's Unit Value.

**Differences between Performance of the Investment Options and Underlying Funds.** The performance of the Investment Options will differ from the performance of the Underlying Funds. For more details, see [Investment Performance](#).

**Requesting Additional Information about certain Underlying Funds.** Additional information about the investment strategies and risks of each Underlying Fund that is a mutual fund or ETF is available in its current prospectus and Statement of Additional Information (SAI). You can request a copy of the current prospectus, the SAI, or the most recent semiannual or annual report of any Underlying Fund that is a mutual fund or ETF by visiting the following Investment Managers' websites or calling the numbers referenced below.

Investment Manager	Website	Phone Number
Baird Advisors	<a href="http://www.bairdassetmanagement.com">www.bairdassetmanagement.com</a>	866-442-2473
BlackRock	<a href="http://www.ishares.com">www.ishares.com</a>	800-474-2737
Capital Group (American Funds)	<a href="http://www.capitalgroup.com">www.capitalgroup.com</a>	800.421.9900
Cohen & Steers	<a href="http://www.cohenandsteers.com">www.cohenandsteers.com</a>	800-330-7348
Dimensional Fund Advisors	<a href="http://www.dimensional.com">www.dimensional.com</a>	512.306.7400
Principal Life Insurance Company	<a href="http://www.principal.com">www.principal.com</a>	800.986.3343
PGIM Investments	<a href="http://www.pgim.com">www.pgim.com</a>	800.225.1852
Schwab Asset Management	<a href="http://www.schwabassetmanagement.com">www.schwabassetmanagement.com</a>	877.519.1403
State Street Global Advisors	<a href="http://www.ssga.com">www.ssga.com</a>	800-997-7327
Vanguard	<a href="http://www.vanguard.com">www.vanguard.com</a>	877-662-7447

## INVESTMENT PERFORMANCE

The following table shows how the performance of the Investment Options has varied over the periods listed.

AVERAGE ANNUAL TOTAL RETURNS AS OF MARCH 31, 2024						
Investment Options	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
In School Enrollment Option	5.50%	1.64%	2.39%		2.46%	2/22/2019
2025 Enrollment Option	6.73%	1.43%	3.91%		3.99%	2/22/2019
2028 Enrollment Option	9.48%	2.21%	5.13%		5.17%	2/22/2019
2031 Enrollment Option	12.12%	3.04%	6.19%		6.21%	2/22/2019
2034 Enrollment Option	14.18%	3.69%	7.09%		7.07%	2/22/2019
2037 Enrollment Option	16.43%	4.36%	8.04%		8.00%	2/22/2019
2040 Enrollment Option	18.54%	4.93%			8.89%	8/14/2020
2043 Enrollment Option					14.60%	7/7/2023
Equity Index Option	20.94%	5.68%	9.35%		9.26%	2/22/2019
Active Equity Option	22.64%	6.72%	9.92%		9.84%	2/22/2019
Active Bond Option	3.37%	-2.49%	0.51%		0.81%	2/22/2019
Bond Index Option	2.47%	-1.55%	0.49%		0.75%	2/22/2019
Capital Preservation Option	4.61%	2.62%	2.11%		2.10%	2/22/2019

The performance of the Investment Options will differ from the performance of the Underlying Funds. The Investment Options may have higher expense ratios than the Underlying Funds. However, they may receive more advantageous tax treatment. Investment Option performance may also be affected by cash flows into and out of the Investment Options; typically, the Investment Options purchase Underlying Fund shares one business day after the date funds are contributed. Depending on market conditions, the collective impact of these differences may cause the Investment Option's performance to trail or exceed the Underlying Funds' returns.

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Performance:  
Current performance  
information is  
available online at  
[www.kysaves.com](http://www.kysaves.com).

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The performance data is net of each Investment Option's Total Annual Asset-Based Fee, but does not include other charges associated with an investment in the Program. See **Fees**. For up-to-date price and performance information, go to [www.kysaves.com](http://www.kysaves.com) or call us at **855.840.4855**.

**Investment Option performance information represents past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so your Units, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit [www.kysaves.com](http://www.kysaves.com).**

## At a Glance:

*In this section, you will learn more about:*

**Federal tax benefits  
Gift/Estate Tax Limits  
Transfers and Rollovers**

## IMPORTANT TAX INFORMATION

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### Federal Tax Issues

**General.** This section describes some of the federal tax considerations to be aware of when investing in KY Saves 529. This information is by no means exhaustive and is not meant as tax advice. The federal tax consequences associated with an investment in KY Saves 529 can be complex. Additionally, KY Saves 529 should not be used for the purposes of avoiding federal taxes or penalties. **Before you invest, you may wish to consult an independent tax advisor regarding the application of tax laws to your particular circumstances.**

States other than Kentucky may impose taxes and/or penalties on investments in or withdrawals from a Qualified Tuition Program offered by those other states. These penalties and taxes may, in certain cases, have the effect of offsetting some or all of the federal tax benefits discussed below.

**Risk of Tax Law Changes.** The IRS has issued only proposed regulations and certain other guidance under Section 529. See [IRS Regulations Not Final](#), for a discussion of the risk of tax law changes.

**Federal Tax-Deferred and Tax-Free Earnings.** Any earnings on contributions are tax-deferred, which means your Account assets grow free of current federal income tax and are tax-free if withdrawn to pay for Qualified Expenses, as described below.

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Federal Taxes: The federal taxation of your KY Saves 529 Account can be complex. Make sure you understand the federal tax benefits and obligations before you invest.

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**Federal Gift/Estate Tax.** If your contributions, together with any other gifts to your Beneficiary over and above those made to your Account, do not exceed \$18,000 per year (\$36,000 for married couples making a proper election for 2024), no gift tax is imposed for that year. If you wish to move assets into tax-advantaged investments more quickly, you can make gifts of up to \$90,000 in a single year (\$180,000 for married couples making a proper election for 2024) and then elect to apply the contribution against the annual exclusion equally over a five-year period. This allows you to move assets out of your estate more quickly where those assets can grow tax free of federal income tax. For purposes of Federal estate tax, Account assets are generally considered part of your Beneficiary's—and not your—estate. There are some exceptions as well as further rules regarding gifts and the generation-skipping transfer tax that may apply in the case of withdrawals, changes of Beneficiaries, and other situations. The state law treatment of gift and estate taxes also varies. You should check with your tax advisor for the specific effect of federal and state (if any) gift tax and generation-skipping transfer tax on your situation.

**Transfers and Rollovers.** You can transfer assets for the same Beneficiary from another Qualified Tuition Program to your Account without adverse tax consequences if no other rollovers have occurred within the prior twelve (12) months, and you contribute the withdrawal into another Account or Qualified Tuition Program within sixty (60) days of receipt. Changes in your Beneficiary could potentially cause federal gift and/or generation-skipping transfer tax consequences to you and your Beneficiary. Because gift and generation-skipping transfer tax issues are complex, you should consult with your tax advisor.

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Earnings grow tax-deferred and withdrawals are tax-free if used for Qualified Expenses.

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**Rollovers From KY Saves 529 to an ABLÉ Program.** For a discussion of federal tax consequences, see [Rollovers from KY Saves 529 to an ABLÉ Program](#).

**Rollovers from KY Saves 529 to a Roth IRA.** For a discussion of federal tax consequences, see [Rollovers from KY Saves 529 to a Roth IRA](#).

**Refunded Distributions.** For a discussion of federal tax considerations, see [Refunded Distributions](#).

**Coverdell ESA.** Generally, contributions may be made to both a Coverdell ESA (defined in Section 530 of the Code) and a Qualified Tuition Program in the same year on behalf of the same Beneficiary. However, the same educational expenses cannot be claimed for a tax-exempt withdrawal from both the Coverdell ESA and the Qualified Tuition Program. See [Moving Assets from a Coverdell ESA](#).

**Education Tax Credits.** If eligible, you can claim the American Opportunity Tax Credit and Lifetime Learning Tax Credits (collectively, Education Tax Credits) in the same year that a tax-exempt withdrawal is taken from a Qualified Tuition Program provided the withdrawal is not used for the same educational expenses for which the Education Tax Credit was claimed.

**All Withdrawals.** Withdrawals may be comprised of: (1) principal, which is not taxable, and (2) earnings, if any, which may be subject to federal income tax. We determine the earnings portion applying IRS rules and report to the IRS and the recipient. However, we do not report whether the withdrawal is a Qualified Withdrawal or a Non-Qualified Withdrawal. The earnings portion of a withdrawal will generally be calculated on an Account-by-Account basis. An Account Owner may only open one Account for the same Beneficiary. If you do not select a specific Investment Option(s) from which to take a withdrawal, the withdrawal will be taken proportionally from all the Investment Options in the Account. If you request that a withdrawal be taken from one or more specific Portfolio(s), the earnings, for tax reporting purposes, will be calculated based on the earnings of all the Investment Options in your Account. You are responsible for preparing and filing the appropriate forms when completing your federal income tax return and for paying any applicable tax directly to the IRS or your state tax authority.

**Qualified Withdrawals.** If you take a withdrawal from your Account to pay for Qualified Expenses, your Beneficiary generally does not have to include as income any earnings attributable to that withdrawal for the applicable taxable year if the total withdrawals for that year are less than or equal to the total withdrawals for Qualified Expenses for that year minus any tax-free Educational Assistance and expenses considered in determining any Education Tax Credits claimed for that taxable year.

You, or your Beneficiary, as applicable, are responsible for determining the amount of the earnings portion of any withdrawal from your Account that may be taxable and are responsible for reporting any earnings that must be included in taxable income. You should consult with your tax advisor and IRS Publication 970 available at <http://www.irs.gov/publications/p970> for further information.

**Non-Qualified Withdrawals.** You, or your Beneficiary, as applicable, are subject to federal and state income tax and the Federal Penalty Tax on the earnings portion of any withdrawal.

**Other Withdrawals.** For federal income tax purposes, Withdrawals in the event of the death or Disability of a Beneficiary, the receipt by the Beneficiary of a scholarship, grant, or other tax-free Educational Assistance, attendance at a U.S. military academy, or a Refunded Withdrawal are not subject to the Federal Penalty Tax. For a more detailed discussion of each of these situations, see [Other Withdrawals](#).

**Determination of Taxable Earnings.** The earnings portion of a withdrawal will generally be calculated on an Account-by-Account basis. An Account Owner may only open one account in the Program for the same Beneficiary. If you do not select a specific Investment Option(s) from which to take a withdrawal, the withdrawal will be taken proportionally from all the Investment Options in the Account. If you request that a withdrawal be taken from one or more specific Investment Option(s), the earnings, for tax reporting purposes, will be calculated based on the earnings of all the Investment Options in your Account.

**Records Retention.** Under current federal tax law, you are responsible for obtaining and retaining records, invoices, or other documentation relating to your Account. This includes records adequate to substantiate that you have met the requirements for (i) any Qualified Expenses claimed on your tax return, (ii) the death or Disability of a Beneficiary, (iii) the receipt by a Beneficiary of Educational Assistance, (iv) the attendance by a Beneficiary at a U.S. military academy (v) a Refunded Withdrawal, or (vi) the earnings component of and compliance with the timing or other requirements applicable to rollovers, savings bonds, or education savings accounts.

## At a Glance:

*In this section, you will learn more about:*

**Gift/Estate tax limits**  
**State tax benefits**

### State Tax Issues

**General.** The Kentucky state tax consequences associated with an investment in KY Saves 529 can be complex. KY Saves 529 should not be used for the purposes of avoiding state tax or tax penalties. This discussion is by no means exhaustive and is not meant as tax advice. **Before you invest, you may wish to consult an independent tax advisor regarding the application of tax laws to your particular circumstances.**

**Kentucky Tax-Free Earnings.** Contributions to an Account are not includable in the Kentucky taxable income of the Beneficiary. Earnings credited to your Account are not subject to federal or Kentucky income tax while held in your Account.

**Kentucky Gift/Estate Tax.** Kentucky currently has no gift, generation-skipping tax, or estate tax. Check with your tax advisor for the specific effect of Kentucky state transfer taxes on your situation.

**Kentucky Tax-Free Withdrawals for Qualified Expenses.** Kentucky taxable income, which is generally derived from federal adjusted gross income, is taxed by the State. As a result, you or the Beneficiary are generally not subject to Kentucky income tax on the earnings portion of withdrawals for Qualified Expenses. Since different states have different tax provisions, if you or your Beneficiary, as applicable, are not a Kentucky taxpayer, you should consult your own state's tax laws or your tax advisor for more information on your state's taxation of withdrawals for Qualified Expenses.

**Kentucky Taxation of Non-Qualified and Other Withdrawals.** Because Kentucky taxable income is generally derived from federal adjusted gross income, you or the Beneficiary, as applicable, will be subject to Kentucky income tax on the earnings portion of any withdrawal that is included in your federal adjusted gross income.

**Non-Kentucky Taxpayers.** State law determines whether earnings on distributions are taxable, or if state tax deductions for certain contributions are subject to recapture. Residents and taxpayers of other states should consider the tax treatment of their jurisdiction. If you are not a Kentucky taxpayer, consider before investing whether your or your Beneficiary's home state offers a Qualified Tuition Program that provides its taxpayers with favorable state tax or other state benefits, such as financial aid, scholarship funds, and protection from creditors, that may only be available through investment in the home state's Qualified Tuition Program. State-based benefits should be one of many factors to be considered when making an investment decision, and different states have different tax provisions. Consider consulting your tax advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances.

## GENERAL INFORMATION

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**Customer Identification Verification.** When completing an Enrollment Form, we will ask for your name, permanent U.S. street address, date of birth, and Social Security number. If you represent a trust or other entity, we require a tax identification number and information for the person(s), such as Custodian, agent under power of attorney, trustee, or corporate officer, opening your Account. We may also require other information to properly verify your identity. If we do not receive all of the required information, there could be a delay in opening your Account. If, after making reasonable efforts, we are unable to verify your identity, we may take action permitted by law, without prior notice to you, including rejecting contribution and transfer requests, suspending Account services, or closing your Account and issuing a refund at the Unit Value calculated the day your Account is closed. Any refund made under these circumstances may be considered a Non-Qualified Withdrawal. The risk of market loss, tax implications, and any other expenses, as a result of the liquidation will be solely your responsibility.

**Documents in Good Order.** To process any transaction in the Program, all necessary documents must be in good order, which means executed when required and properly, fully, and accurately completed.

**Purpose of Qualified Tuition Programs.** Qualified Tuition Programs are intended to be used only to save for Qualified Expenses. Qualified Tuition Programs are not intended to be used, nor should they be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. You may wish to seek tax advice from an independent tax advisor based on your own particular circumstances.

**Your Account.** A completed Enrollment Form includes an acknowledgment that you agree to be bound by the terms and conditions of this Program Description and the Enrollment Form. The Program Description and the Enrollment Form, when executed by you, are considered the entire agreement between you and the Program with respect to your Account. By signing the Enrollment Form, you are requesting that we open an Account for the benefit of your Beneficiary. Your Account, the Program Description and your signed Enrollment Form are subject to the Act and any rules we may adopt under the Act. Your Account assets will be held, subject to the Act and the Code, the Program Description, and your signed Enrollment Form, for the exclusive benefit of you and your Beneficiary.

**Changes to Your Account.** We are not responsible for the accuracy of the documentation you submit to us to make changes to your Account, whether submitted online or in paper form. If acceptable, notices, changes, Investment Options, and elections relating to your Account will take effect within a reasonable time after we have received the appropriate documentation in good order, unless we notify you otherwise.

**Accuracy of Information in Program Description and Changes to the Program Description.** The information in this Program Description is believed to be accurate as of the cover date but is subject to change without notice. We may amend the Program Description from time to time to comply with changes in the law or regulations or if we determine that it is in the Program's best interest to do so. However, we will not retroactively modify existing terms and conditions applicable to an Account in a manner adverse to you or your Beneficiary, except to the extent necessary to assure compliance with applicable state and federal laws or regulations or to preserve the favorable tax treatment for you, your Beneficiary, the State Administrators, or KY Saves 529. No one is authorized to provide information that is different from the information in the most current form of this Program Description and any subsequent Supplements.



**Keep Legal Documents for Your Records.** You should retain this Program Description and all Supplements to the Program Description for your records. If material modifications are made to KY Saves 529, a revised Program Description or Supplement will be sent to your address of record or notice sent to you by email if you choose to receive documents electronically. In these cases, the new Supplement and/or Program Description will supersede all prior versions. Please note that we periodically match and update the addresses of record against a change of address database maintained by the U.S. Postal Service to reduce the possibility that items sent First Class Mail, such as Account statements, will be undeliverable.

**Changes to State Statutes; Adoption of Rules.** The Kentucky General Assembly may, from time to time, pass legislation, which may directly or indirectly affect the terms and conditions of KY Saves 529 and the Program Description.

**Guide to Interpretation.** The Program is intended to qualify for the tax benefits of Section 529. Notwithstanding anything in the Program Description to the contrary, the terms and conditions applicable to your Account will be interpreted and/or amended to comply with the requirements of Section 529 and applicable regulations.

**Continuing Disclosure.** Certain financial information and operating data relating to the Program will be filed by or on behalf of the Program in electronic form with the Electronic Municipal Market Access system (EMMA) maintained by the MSRB pursuant to Rule 15c2-12 as promulgated by the SEC under the Securities Exchange Act of 1934. Notices of certain enumerated events will be filed by or on behalf of the Program with the MSRB.

**Independent Registered Public Accounting Firm.** We have engaged an independent public accounting firm to audit the financial statements for the Program.

**Privacy Policy.** We are required to treat all prospective and existing Account Owner and Beneficiary information confidentially. We are prohibited from using or disclosing this information, except as may be necessary to perform our obligations to the Program, or if required by applicable law, by court or other order. You can access a copy of the most recent privacy policy on the Program's website at [www.kysaves.com](http://www.kysaves.com) or call **855.840.4855** to request a paper copy.

**Custodial Arrangements.** The Bank of New York Mellon (Mellon) is the Program's custodian. As custodian, Mellon is responsible for maintaining the Program's assets.

**Creditor Protection under U.S. Laws.** Federal bankruptcy law excludes from property of the debtor's bankruptcy estate certain assets that have been contributed to accounts in a Qualified Tuition Program. However, bankruptcy protection in this respect is limited and has certain conditions. For a Qualified Tuition Program account to be excluded from the debtor's estate, the Beneficiary must be a child, stepchild, grandchild, or step-grandchild (including a legally adopted child or a foster child) of the individual who files for bankruptcy protection. In addition, contributions made to all Qualified Tuition Program accounts for the same Beneficiary are protected from becoming property of the debtor's estate as follows:

- Contributions to all Qualified Tuition Program accounts for the same Beneficiary more than seven-hundred twenty (720) days before a federal bankruptcy filing are completely protected;
- Contributions to all Qualified Tuition Program accounts for the same Beneficiary more than three hundred and sixty-five (365) days but less than seven hundred and twenty (720) days

before a federal bankruptcy filing are protected up to an amount set by statute which changes periodically,; and

- Contributions to all Qualified Tuition Program accounts for the same beneficiary less than three hundred sixty-five (365) days before a federal bankruptcy filing are not protected against creditor claims in federal bankruptcy proceedings.

Federal bankruptcy law permits a debtor to exempt certain specified assets from liability notwithstanding the assets being property of the debtor's estate. Under federal bankruptcy law, assets held in a 529 plan account that are property of the debtor's estate are not exempt from debt for domestic support obligations. This information is not meant to constitute individual tax or bankruptcy advice, and you should consult with your own advisors concerning your individual circumstances.

**Representation.** All factual determinations regarding your or your Beneficiary's residency, Disabled status, and any other factual determinations regarding your Account will be made by the Program based on the facts and circumstances of each case.

**Severability.** In the event that any clause or portion of the Program Description or the Enrollment Form, including your representations, warranties, certifications, and acknowledgments, is found to be invalid or unenforceable by a valid court order, that clause or portion will be severed from the Program Description or the Enrollment Form, as applicable, and the remainder of the Program Description or Enrollment Form, as applicable, will continue in full force and effect as if such clause or portion had never been included.

**Kentucky Law.** The Program is created under the laws of the Commonwealth of Kentucky. It is governed by, construed, and administered in accordance with the laws of the Commonwealth. The venue for disputes and all other matters relating to the Program will be in the Commonwealth of Kentucky.

**Claims; Disputes.** All decisions and interpretations by the Program Administrators in connection with the operation of the Program will be final and binding upon you, the Beneficiary, and any other person affected. Any claim by you or your Beneficiary against the Program Administrators, individually or collectively, with respect to your Account will be made solely against the assets in your Account. The obligations of KY Saves 529 under an Enrollment Form are moneys received from you and earnings and/or losses from your Account investments, and neither you nor your Beneficiary will have recourse against the Program Administrators, collectively or individually, in connection with any right or obligations arising out of an Account. Assets in your Account are not an obligation of the State. Accounts are not insured by the State and neither the principal contributed nor the investment return is guaranteed by the Commonwealth of Kentucky or Program Administrators.

Establishment of an Account does not guarantee that a Beneficiary will be admitted to an educational institution or be allowed to continue enrollment at or graduate from an educational institution after admission. Establishing an Account does not establish Kentucky residence for a Beneficiary. The Program Administrators do not guarantee that amounts saved in an Account will be sufficient to cover the Qualified Expenses of a Beneficiary. All obligations under your Account and the Program Description are legally binding contractual obligations of the Program only.

## PROGRAM GOVERNANCE

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**KY Saves 529.** The Kentucky Educational Savings Plan Trust (KY Saves 529) is a Qualified Tuition Program established pursuant to the Act. The purpose of KY Saves 529 is to encourage and make possible the attainment of education by the greatest number of persons by encouraging the investment of funds for future educational use. Under the Act, KHEAA has those powers as may be reasonably necessary to effect the purposes of KY Saves 529, including the power and authority to make and enter into contracts necessary for the administration of the Program, to enter into Participation Agreements with Account Owners, and to promulgate reasonable rules and regulations for the administration of the Program.

**Other Qualified Tuition Programs Administered by KHEAA.** In addition to KY Saves 529, KHEAA also administers KAPT, a closed qualified tuition program for prepaid accounts. KAPT is not managed by or distributed by the Program Manager or any of its affiliates. This Program Description is only intended for use in connection with an Account opened in KY Saves 529. It is not intended for use in connection with accounts in KAPT.

**Program Manager.** Ascensus College Savings Recordkeeping Services, LLC (ACSR) serves as the Program Manager of KY Saves 529. ACSR and its affiliates (collectively, Ascensus) have overall responsibility for the day-to-day operations of the KY Saves 529 including recordkeeping, administrative, marketing, and investment consulting services. The Management Agreement between KHEAA and ACSR is now effective and will terminate in 2027, or earlier as provided in the Management Agreement. The Management Agreement may be extended for an additional eight (8) year term.

**Program Manager Address.** 95 Wells Ave, Suite 155, Newton, MA 02459. All general correspondence, however, should be addressed to **KY Saves 529, P.O. Box 56014, Boston, MA 02205-6014.**

**Investment Managers.** KY Saves 529 has ten (10) Investment Managers: American Funds, Baird Advisors, BlackRock, Cohen & Steers, Dimensional Fund Advisors, Principal Life Insurance Company (the issuer of the Funding Agreement, in which the Capital Preservation Option is 100% invested), PGIM Investments, Schwab, SSGA, and Vanguard.

## APPENDIX A – DESCRIPTIONS OF UNDERLYING FUNDS

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The following descriptions highlight the investment objective, strategy, and principal risks of each Underlying Fund. The Investment Options in KY Saves 529 are more likely to meet their goals if each Underlying Fund in which each Investment Option invests achieves its stated investment objectives.

The information below is provided by the Investment Managers and only lists the principal risks of the Investment Option. Descriptions of the risks listed can be found in [Appendix B](#). Except for the Capital Preservation Option, each Underlying Fund's current prospectus and statement of additional information contains information not summarized here and identifies additional risks that are not discussed below. You may wish to speak to an investment advisor to understand the specific risks associated with each Investment Option.

### AMERICAN HIGH-INCOME TRUST

#### Investment Objective:

The fund's primary investment objective is to provide you with a high level of current income. Its secondary investment objective is capital appreciation.

#### Principal Investment Strategies:

The fund invests primarily in higher yielding and generally lower quality debt securities (rated Ba1 / BB+ or below by Nationally Recognized Statistical Rating Organizations or unrated but determined by the fund's investment adviser to be of equivalent quality), including corporate loan obligations. Such securities are sometimes referred to as "junk bonds." The fund may also invest a portion of its assets in securities tied economically to countries outside the United States.

The fund may also invest in futures contracts and swaps, which are types of derivatives. A derivative is a financial contract, the value of which is based on the value of an underlying financial asset (such as a stock, bond or currency), a reference rate or a market index.

The fund is designed for investors seeking a high level of current income and who are able to tolerate greater credit risk and price fluctuations than those that exist in funds investing in higher quality debt securities.

The investment adviser uses a system of multiple portfolio managers in managing the fund's assets. Under this approach, the portfolio of the fund is divided into segments managed by individual managers.

The fund relies on the professional judgment of its investment adviser to make decisions about the fund's portfolio investments. The basic investment philosophy of the investment adviser is to seek to invest in attractively priced securities that, in its opinion, represent good, long-term investment opportunities. Securities may be sold when the investment adviser believes that they no longer represent relatively attractive investment opportunities.

#### Principal Risks:

Investing in Debt Instruments, Investing in Derivatives, Investing in Lower Rated Debt Instruments, Investing Outside the United States, Issuer Risks, Liquidity Risk, Management Risk, and Market Conditions Risk.

## **BAIRD CORE PLUS BOND FUND**

### **Investment Objective:**

The investment objective of the Baird Core Plus Bond Fund (the “Fund”) is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Bloomberg U.S. Universal Bond Index.

### **Principal Investment Strategies:**

The Fund normally invests at least 80% of its net assets in the following types of U.S. dollar-denominated debt obligations: Obligations of U.S. government and other public-sector entities, Asset-backed and mortgage-backed obligations of U.S. and foreign issuers, Corporate debt of U.S. and foreign issuers. The Fund invests primarily in investment-grade debt obligations, but may invest up to 20% of its net assets in non-investment grade debt obligations (sometimes referred to as “high yield” or “junk” bonds). The Fund may also invest in unrated debt obligations that are determined by Robert W. Baird & Co. Incorporated (the “Advisor”) to be comparable in quality to the rated obligations. After purchase, a debt obligation may cease to be rated or may have its rating reduced below the minimum rating required by the Fund for purchase. In such cases, the Advisor will consider whether to continue to hold the debt obligation. The Fund may hold debt obligations with a “D” or similar credit rating indicating at least a partial payment default.

The Advisor attempts to keep the duration of the Fund’s portfolio substantially equal to that of its benchmark, the Bloomberg U.S. Universal Bond Index. The duration of the Fund’s benchmark as of March 31, 2023 was 6.10 years. The dollar-weighted average portfolio effective maturity of the Fund will normally be more than five years but less than 10 years during normal market conditions. The Fund may invest in debt obligations of all maturities. The Advisor attempts to diversify the Fund’s portfolio by holding debt obligations of many different issuers and choosing issuers in a variety of sectors.

In determining which debt obligations to buy for the Fund, the Advisor attempts to achieve returns that exceed the Fund’s benchmark primarily in three ways: (i) Yield curve positioning: The Advisor selects debt obligations with maturities and yields that it believes have the greatest potential for achieving the Fund’s objective, while attempting to match the average duration of the debt obligations in the Fund with the average duration of the debt obligations in the Fund’s benchmark. (ii) Sector allocation: The Advisor invests in debt obligations in those sectors which it believes represent the greatest potential for achieving the Fund’s objective. (iii) Security selection: The Advisor determines which issuers it believes offer the best relative value within each sector and then decides which available debt obligations of that issuer to purchase.

The Fund may invest in foreign debt obligations as well as money market instruments. The Advisor generally will sell a debt obligation when, on a relative basis and in the Advisor’s opinion, it will no longer help the Fund attain its objective.

### **Principal Risks:**

Bond Market Risk, Call Risk, Credit Quality Risk, Cybersecurity Risk, Extension Risk, Foreign Securities Risk, Government Obligations Risk, Liquidity Risk, Management Risk, Mortgage and Asset Backed Debt Obligations Risk, Municipal Obligations Risk, Non-Investment Grade Quality Risk, Recent Market Events, Sector Risk, and Valuation Risk

## **BLACKROCK LOW DURATION BOND PORTFOLIO**

### **Investment Objective:**

The investment objective of the BlackRock Low Duration Bond Portfolio (the “Low Duration Fund” or the “Fund”) is to seek total return in excess of the reference benchmark in a manner that is consistent with preservation of capital.

### **Principal Investment Strategies:**

The Low Duration Fund invests primarily in investment grade bonds and maintains an average portfolio duration that is between 0 and 3 years. The Low Duration Fund’s benchmark is the ICE BofA 1-3 Year US Corporate & Government Index.

The Low Duration Fund normally invests at least 80% of its assets in debt securities. The Low Duration Fund may invest up to 35% of its assets in non-investment grade bonds (commonly called “high yield” or “junk bonds”). The Low Duration Fund may also invest up to 35% of its assets in assets of foreign issuers, of which 10% (as a percentage of the Fund’s assets) may be invested in emerging markets issuers. Up to 10% of the Low Duration Fund’s assets may be exposed to non-US currency risk. A bond of a foreign issuer, including an emerging market issuer, will not count toward the 10% limit on non-US currency exposure if the bond is either (i) US dollar-denominated or (ii) non-US dollar denominated, but hedged back to US dollars.

The management team evaluates sectors of the bond market and individual securities within these sectors. The management team selects bonds from several sectors including: U.S. Treasuries and agency securities, commercial and residential mortgage- backed securities, collateralized mortgage obligations (“CMOs”), asset-backed securities and corporate bonds.

The Low Duration Fund may buy or sell options or futures on a security or an index of securities, or enter into credit default swaps and interest rate or foreign currency transactions, including swaps (collectively, commonly known as derivatives). The Fund may use derivative instruments to hedge its investments or to seek to enhance returns. The Fund may seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as reverse repurchase agreements and mortgage dollar rolls). The Low Duration Fund may engage in active and frequent trading of portfolio securities to achieve its principal investment strategies.

### **Principal Risks:**

Borrowing Risk, Debt Securities Risk, Derivatives Risk, Dollar Rolls Risk, Emerging Markets Risk, Foreign Securities Risk, High Portfolio Turnover Risk, High Yield Bonds Risk, Illiquid Investments Risk, Leverage Risk, Market Risk and Selection Risk, Mortgage- and Asset-Backed Securities Risk, Repurchase Agreements and Purchase and Sales Contracts Risk, Reverse Repurchase Agreements Risk, Risk of Investing in the U.S., and U.S. Government Issuer Risk

## **COHEN AND STEERS INSTITUTIONAL REALTY SHARES FUND**

### **Investment Objective:**

The investment objective of Cohen & Steers Institutional Realty Shares, Inc. (the “Fund”) is total return through investment in real estate securities.

## **Principal Investment Strategies:**

Cohen & Steers Capital Management, Inc. (the “Advisor”) adheres to a bottom-up, relative value investment process when selecting publicly traded real estate securities. To guide the portfolio construction process, the Advisor utilizes a proprietary valuation model that quantifies relative valuation of real estate securities based on price-to-net asset value (“NAV”), cash flow multiple/growth ratios and a dividend discount model (“DDM”). Analysts incorporate both quantitative and qualitative analysis in their NAV, cash flow, growth and DDM estimates. The company research process includes an evaluation of the commercial real estate supply and demand dynamics, management, strategy, property quality, financial strength and corporate structure. Judgments with respect to risk control, geographic and property sector diversification, liquidity and other factors are considered along with the models’ output and drive the portfolio managers’ investment decisions. The Fund will not seek to achieve specific environmental, social or governance (“ESG”) outcomes through its portfolio of investments, nor will it pursue an overall impact or sustainable investment strategy. However, the Advisor may incorporate consideration of relevant ESG factors into its investment decision-making. For example, although the Advisor does not generally exclude investments based on ESG factors alone, when considering an investment opportunity with material exposure to carbon emissions regulation, this risk may be considered as one factor in the Advisor’s holistic review process.

Under normal market conditions, the Fund invests at least 80%, and normally substantially all, of its total assets in common stocks and other equity securities issued by real estate companies. Real estate equity securities include common stocks, preferred stocks and other equity securities issued by real estate companies, including real estate investment trusts (“REITs”) and similar REIT-like entities. A real estate company is one that (i) derives at least 50% of its revenue from the ownership, construction, financing, management or sale of commercial, industrial or residential real estate and land; or (ii) has at least 50% of its assets invested in such real estate. REITs are companies that own interests in real estate or in real estate related loans or other interests, and their revenue primarily consists of rent derived from owned, income producing real estate properties and capital gains from the sale of such properties. The Fund may invest, without limit, in shares of REITs. A REIT in the U.S. is generally not taxed on income distributed to shareholders so long as it meets certain tax related requirements, including the requirement that it distribute substantially all of its taxable income to such shareholders (other than net capital gains for each taxable year). Foreign REITs and REIT-like entities are organized outside of the U.S. and have operations and receive tax treatment in their respective countries similar to that of U.S. REITs. The Fund retains the ability to invest in real estate companies of any market capitalization.

The Fund may invest up to 20% of its total assets in securities of foreign issuers (including emerging market issuers) which meet the same criteria for investment as domestic companies, including investments in such companies in the form of American Depositary Receipts (“ADRs”), Global Depositary Receipts (“GDRs”) and European Depositary Receipts (“EDRs”).

## **Principal Risks:**

Active Management Risk, Common Stock Risk, Cyber Security Risk, Foreign (Non-U.S.) Securities Risk, Geopolitical Risk, Investment Risk, Large Shareholder Risk, Market Risk, Non-Diversification Risk, Other Investment Companies Risk, Preferred Securities Risk, Real Estate Market Risk, REIT Risk, Regulatory Risk, and Small and Medium Sized Companies Risk

## **DFA EMERGING MARKETS CORE EQUITY PORTFOLIO**

### **Investment Objective:**

The investment objective of the Emerging Markets Core Equity Portfolio is to achieve long-term capital appreciation.

### **Principal Investment Strategies:**

The Emerging Markets Core Equity Portfolio is designed to purchase a broad and diverse group of equity securities associated with emerging markets, which may include frontier markets (emerging market countries in an earlier stage of development), authorized for investment by the Dimensional Fund Advisors LP's (the "Advisor") Investment Committee ("Approved Markets"). The Portfolio invests in companies of all sizes, with increased exposure to smaller capitalization, lower relative price, and higher profitability companies. The Portfolio's increased exposure to smaller capitalization, lower relative price, and higher profitability companies may be achieved by decreasing the allocation of the Portfolio's assets to larger capitalization, higher relative price, or lower profitability companies. An equity issuer is considered to have a high relative price (i.e., a growth stock) primarily because it has a high price in relation to its book value. An equity issuer is considered to have a low relative price (i.e., a value stock) primarily because it has a low price in relation to its book value. In assessing relative price, the Advisor may consider additional factors such as price to cash flow or price to earnings ratios. An equity issuer is considered to have high profitability because it has high earnings or profits from operations in relation to its book value or assets. The criteria the Advisor uses for assessing relative price and profitability are subject to change from time to time.

As a non-fundamental policy, under normal circumstances, the Emerging Markets Core Equity Portfolio will invest at least 80% of its net assets in emerging markets equity investments that are defined in the Prospectus as Approved Market securities.

The Advisor may also increase or reduce the Emerging Markets Core Equity Portfolio's exposure to an eligible company, or exclude a company, based on shorter-term considerations, such as a company's price momentum, short-run reversals, and investment characteristics. In assessing a company's investment characteristics, the Advisor considers ratios such as recent changes in assets divided by total assets. The criteria the Advisor uses for assessing a company's investment characteristics are subject to change from time to time. In addition, the Advisor seeks to reduce trading costs using a flexible trading approach that looks for opportunities to participate in the available market liquidity, while managing turnover and explicit transaction costs.

The Emerging Markets Core Equity Portfolio may gain exposure to companies in Approved Markets by purchasing equity securities in the form of depositary receipts, which may be listed or traded outside the issuer's domicile country. The Portfolio may also invest in China A-shares (equity securities of companies listed in China) and variable interest entities (special structures that utilize contractual arrangements to provide exposure to certain Chinese companies). The Portfolio may purchase or sell futures contracts and options on futures contracts for Approved Market or other equity market securities and indices, including those of the United States, to increase or decrease equity market exposure based on actual or expected cash inflows to or outflows from the Portfolio. Because many of the Portfolio's investments may be denominated in foreign currencies, the Portfolio may enter into foreign currency exchange transactions, including foreign currency forward contracts, in connection with the settlement of foreign securities or to transfer cash balances from one currency to another currency.

The Emerging Markets Core Equity Portfolio may lend its portfolio securities to generate additional income.



**Principal Risks:**

China Investments Risk, Cyber Security Risk, Derivatives Risk, Emerging Markets Risk, Equity Market Risk, Foreign Securities and Currencies Risk, Operational Risk, Profitability Investment Risk, Securities Lending Risk, Small and Mid-Cap Company Risk, Value Investment Risk

**DFA INFLATION-PROTECTED SECURITIES PORTFOLIO****Investment Objective:**

The investment objective of the DFA Inflation-Protected Securities Portfolio (the “Inflation-Protected Portfolio” or the “Portfolio”) is to provide inflation protection and earn current income consistent with inflation-protected securities.

**Principal Investment Strategies:**

The Inflation-Protected Portfolio seeks its investment objective by investing in a universe of inflation-protected securities that are structured to provide returns linked to the rate of inflation over the long-term. The Portfolio ordinarily invests in inflation-protected securities issued by the U.S. Government and its agencies and instrumentalities and the credit quality of such inflation-protected securities will be that of such applicable U.S. government, agency or instrumentality issuer.

As a non-fundamental policy, under normal circumstances, the Inflation-Protected Portfolio will invest at least 80% of its net assets in inflation-protected securities. Inflation-protected securities (also known as inflation-indexed securities) are securities whose principal and/or interest payments are adjusted for inflation, unlike conventional debt securities that make fixed principal and interest payments. Inflation-protected securities include Treasury Inflation-Protected Securities (“TIPS”), which are securities issued by the U.S. Treasury. The principal value of TIPS is adjusted for inflation (payable at maturity) and the semi-annual interest payments by TIPS equal a fixed percentage of the inflation-adjusted principal amount. These inflation adjustments are based upon the Consumer Price Index for Urban Consumers (CPI-U). The original principal value of TIPS is guaranteed. At maturity, TIPS are redeemed at the greater of their inflation-adjusted principal or par amount at original issue. Other types of inflation-protected securities may use other methods to adjust for inflation and other measures of inflation. In addition, inflation-protected securities issued by entities other than the U.S. Treasury may not provide a guarantee of principal value at maturity.

Generally, the Inflation-Protected Portfolio will purchase inflation-protected securities with maturities between five and twenty years from the date of settlement, although at times, the Portfolio may purchase securities outside of this range. Under normal circumstances, when determining its duration, the Portfolio will consider a weighted average duration similar to the Bloomberg U.S. TIPS Index, which was approximately 6.57 years as of December 31, 2023. Duration is a measure of the sensitivity of a security’s price to changes in interest rates. The longer a security’s duration, the more sensitive it will be to changes in interest rates. The Inflation-Protected Portfolio is authorized to invest more than 25% of its total assets in U.S. Treasury bonds, bills and notes and obligations of U.S. government agencies and instrumentalities. The Portfolio may also invest in money market funds. The Portfolio will not shift the maturity of its investments in anticipation of interest rate movements.

The Inflation-Protected Portfolio may purchase or sell futures contracts and options on futures contracts, to hedge its interest rate exposure or for non-hedging purposes, such as a substitute for direct investment or to increase or decrease market exposure based on actual or expected cash inflows to or outflows from the Portfolio.

The Inflation-Protected Portfolio may lend its portfolio securities to generate additional income.

**Principal Risks:**

Credit Risk, Cyber Security Risk, Derivatives Risk, Income Risk, Inflation-Protected Securities Tax Risk, Inflation-Protected Securities Interest Rate Risk, Interest Rate Risk, Liquidity Risk, Market Risk, Operational Risk, Risks of Investing for Inflation Protection, and Securities Lending Risk

**DFA INTERNATIONAL CORE EQUITY PORTFOLIO**

**Investment Objective:**

The investment objective of the International Core Equity Portfolio is to achieve long-term capital appreciation.

**Principal Investment Strategies:**

The International Core Equity Portfolio is designed to purchase a broad and diverse group of equity securities of non-U.S. companies in developed markets. The Portfolio invests in companies of all sizes, with increased exposure to smaller capitalization, lower relative price, and higher profitability companies as compared to their representation in the International Universe. For purposes of this Portfolio, Dimensional Fund Advisors LP (the “Advisor”) defines the International Universe as a market capitalization weighted set (e.g., the larger the company, the greater the proportion of the International Universe it represents) of non-U.S. companies in developed markets that have been authorized as approved markets for investment by the Advisor’s Investment Committee. The Portfolio’s increased exposure to smaller capitalization, lower relative price, and higher profitability companies may be achieved by decreasing the allocation of the Portfolio’s assets to larger capitalization, higher relative price, or lower profitability companies relative to their weight in the International Universe. An equity issuer is considered to have a high relative price (i.e., a growth stock) primarily because it has a high price in relation to its book value. An equity issuer is considered to have a low relative price (i.e., a value stock) primarily because it has a low price in relation to its book value. In assessing relative price, the Advisor may consider additional factors such as price to cash flow or price to earnings ratios. An equity issuer is considered to have high profitability because it has high earnings or profits from operations in relation to its book value or assets. The criteria the Advisor uses for assessing relative price and profitability are subject to change from time to time.

The International Core Equity Portfolio intends to purchase securities of companies associated with developed market countries that the Advisor has designated as approved markets. As a non-fundamental policy, under normal circumstances, the Portfolio will invest at least 80% of its net assets in equity securities. The Advisor determines company size on a country or region specific basis and based primarily on market capitalization. The percentage allocation of the assets of the Portfolio to securities of the largest high relative price companies will generally be reduced from between 5% and 35% of their percentage weight in the International Universe. As of December 31, 2023, securities of the largest high relative price companies in the International Universe comprised approximately 16% of the International Universe and the Advisor allocated approximately 7% of the Portfolio to securities of the largest high relative price companies in the International Universe. The percentage by which the Portfolio’s allocation to securities of the largest high relative price companies is reduced will change due to market movements and other factors.

The Advisor may also increase or reduce the International Core Equity Portfolio’s exposure to an eligible company, or exclude a company, based on shorter-term considerations, such as a company’s price momentum, short-run reversals, and investment characteristics. In assessing a company’s investment characteristics, the Advisor considers ratios such as recent changes in assets divided by total assets. The

criteria the Advisor uses for assessing a company's investment characteristics are subject to change from time to time. In addition, the Advisor seeks to reduce trading costs using a flexible trading approach that looks for opportunities to participate in the available market liquidity, while managing turnover and explicit transaction costs.

The International Core Equity Portfolio may gain exposure to companies associated with approved markets by purchasing equity securities in the form of depositary receipts, which may be listed or traded outside the issuer's domicile country. The Portfolio also may purchase or sell futures contracts and options on futures contracts for foreign or U.S. equity securities and indices to increase or decrease equity market exposure based on actual or expected cash inflows to or outflows from the Portfolio. Because many of the Portfolio's investments may be denominated in foreign currencies, the Portfolio may enter into foreign currency exchange transactions, including foreign currency forward contracts, in connection with the settlement of foreign securities or to transfer cash balances from one currency to another currency.

The International Core Equity Portfolio may lend its portfolio securities to generate additional income.

**Principal Risks:**

Cyber Security Risk, Derivatives Risk, Equity Market Risk, Foreign Securities and Currencies Risk, Operational Risk, Securities Lending Risk, Profitability Investment Risk, Small and Mid-Cap Company Risk, Value Investment Risk

**ISHARES CORE INTERNATIONAL AGGREGATE BOND ETF**

**Investment Objective:**

The iShares Core International Aggregate Bond ETF (the "Fund") seeks to track the investment results of an index composed of global non-U.S. dollar-denominated investment-grade bonds that mitigates exposure to fluctuations between the value of the component currencies and the U.S. dollar.

**Principal Investment Strategies:**

The Fund seeks to track the investment results of the Bloomberg Barclays Global Aggregate ex USD 10% Issuer Capped (Hedged) Index (the "Underlying Index"), which measures the performance of the global investment-grade (as determined by Bloomberg Index Services Limited (the "Index Provider" or "Bloomberg")) bond market. As of October 31, 2023, there were 12,903 issues in the Underlying Index. The Underlying Index includes investment-grade fixed-rate sovereign and government-related debt, corporate and securitized bonds from both developed and emerging market issuers. Securities included in the Underlying Index are issued in currencies other than the U.S. dollar, must have maturities of at least one year and are required to meet minimum outstanding issue size criteria. The Underlying Index is market capitalization-weighted with a cap on each issuer of 10%. Debt that is publicly issued in the global and regional markets is included in the Underlying Index. Certain types of securities, such as USD-denominated bonds, contingent capital securities, inflation-linked bonds, floating-rate issues, fixed-rate perpetuals, retail bonds, structured notes, pass-through certificates, private placements (other than those offered pursuant to Rule 144A or Regulation S promulgated under the Securities Act of 1933, as amended (the "1933 Act")), and securities where reliable pricing is unavailable are excluded from the Underlying Index. The securities in the Underlying Index are updated on the last business day of each month, and the currency risk of the securities in the Underlying Index are hedged to the U.S. dollar on a monthly basis. As of October 31, 2023, a significant portion of the Underlying Index is represented by non-U.S. government-related bonds. The components of the Underlying Index are likely to change over time.

**Principal Risks:**

Asset Class Risk, Authorized Participant Concentration Risk, Call Risk, Commodity Regulatory Risk, Commodity Risk, Concentration Risk, Credit Risk, Currency Hedging Risk, Currency Risk, Custody Risk, Cyber Security Risk, Derivatives Risk, Extension Risk, Geographic Risk, Illiquid Investments Risk, Income Risk, Index-Related Risk, Indexing Investment Risk, Infectious Illness Risk, Interest Rate Risk, Issuer Risk, Management Risk, Market Risk, Market Trading Risk, Non-Diversification Risk, Non-US Issuers Risk, Operational Risk, Privately Issued Securities Risk, Privatization Risk, Reliance on Trading Partners Risk, Risk of Investing in China, Risk of Investing in the China Bond Market, Risk of Investing in Developed Countries, Risk of Investing in Emerging Markets, Risk of Investing in Russia, Risk of Investing in Saudi Arabia, Sovereign and Quasi- Sovereign Obligations Risk, Tax Risk, Tracking Error Risk, and Valuations Risk.

**iSHARES TOTAL U.S. STOCK MARKET INDEX FUND****Investment Objective:**

The investment objective of iShares Total U.S. Stock Market Index Fund (the “Fund”), a series of BlackRock Funds (the “Trust”), is to seek to track the investment results of a broad-based index composed of U.S. equities.

**Principal Investment Strategies:**

The Fund seeks to track the investment results of the Russell 3000® Index (the “Underlying Index”), which measures the performance of the broad U.S. equity market. As of October 31, 2023, the Underlying Index included issuers representing approximately 96% of the total market capitalization of all publicly-traded U.S.-domiciled equity securities. The Underlying Index is a float-adjusted capitalization-weighted index of the largest public issuers domiciled in the United States and its territories. Total market capitalization reflects all equity shares outstanding, while total market value reflects float-adjusted capitalizations based on equity shares available for general investment. The Underlying Index may include large-, mid- or small-capitalization companies, and components primarily include technology, consumer discretionary and industrials companies. The components of the Underlying Index, and the degree to which these components represent certain industries, may change over time.

BlackRock uses a representative sampling indexing strategy to manage the Fund. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the Underlying Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Underlying Index. The Fund may or may not hold all of the securities in the Underlying Index.

The Fund generally invests at least 90% of its assets, plus the amount of any borrowing for investment purposes, in securities of the Underlying Index.

**Principal Risks:**

Asset Class Risk, Concentration Risk, Consumer Discretionary Sector Risk, Equity Securities Risk, Index Fund Risk, Index-Related Risk, Industrials Sector Risk, Issuer Risk, Management Risk, Market Risk and Selection Risk, Passive Investment Risk, Risk of Investing in the United States, Small and Mid-Capitalization Company Risk, Technology Sector Risk, and Tracking Error Risk.

## **PGIM GLOBAL TOTAL RETURN FUND**

### **Investment Objective:**

The Fund's investment objective is to seek total return, made up of current income and capital appreciation.

### **Principal Investment Strategies:**

The Fund seeks investments that will increase in value, as well as pay the Fund interest and other income. The Fund generally invests in global developed market sovereign, corporate, mortgage-related, and asset-backed debt securities. The Fund may also invest in the debt securities of emerging market sovereign, quasi-sovereign, and corporate issuers.

The Fund may invest in countries anywhere in the world, and normally invests at least 65% of its total assets in income-producing debt securities of US and foreign corporations and governments, supranational organizations, semi-governmental entities or government agencies, authorities or instrumentalities, investment-grade US or foreign mortgage-related securities, asset-backed securities (including collateralized debt obligations and collateralized loan obligations), and US or foreign short-term and long-term bank debt securities or bank deposits. Under normal circumstances, the Fund invests at least 40% of its investable assets in non-U.S. dollar denominated securities, including emerging market securities. The Fund's investments in non-U.S. dollar denominated securities may be lower if conditions are not favorable, but such investments may not be lower than 30% of the Fund's investable assets.

In managing the Fund's assets, the subadvisor uses a combination of top-down economic analysis and bottom-up research in conjunction with proprietary quantitative models and risk management systems. In the top-down economic analysis, the subadvisor develops views on economic, policy and market trends. In its bottom-up research, the subadvisor develops an internal rating and outlook on issuers. The rating and outlook are determined based on a thorough review of the financial health and trends of the issuer. The subadvisor may also consider investment factors such as expected total return, yield, spread and potential for price appreciation as well as credit quality, maturity, and risk. The Fund may invest in a security based upon the expected total return rather than the yield of such security.

### **Principal Risks:**

Credit Risk, Currency Risk, Debt Obligations Risk, Derivatives Risk, Economic and Market Events Risk, Emerging Markets Risk, Foreign Securities Risk, Increase in Expenses Risk Interest Rate Risk, Junk Bonds Risk, Large Shareholder and Large-Scale Redemption Risk, Liquidity Risk, Management Risk, Market Disruption and Geopolitical Risks, Market Risk, Mortgage-Backed and Asset-Backed Securities Risk, and US Government and Agency Securities Risk.

## **SCHWAB SHORT-TERM U.S. TREASURY ETF**

### **Investment Objective:**

The fund's goal is to track as closely as possible, before fees and expenses, the total return of an index that measures the performance of the short-term U.S. Treasury bond market.

### **Principal Investment Strategies:**

To pursue its goal, the fund generally invests in securities that are included in the Bloomberg US Treasury 1-3 Year Index. The index includes all publicly-issued U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than three years, are rated investment grade, and have \$300

million or more of outstanding face value. The securities in the index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. The index excludes U.S. Treasury stripped securities. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month. As of December 31, 2022, there were 93 securities in the index.

It is the fund's policy that under normal circumstances it will invest at least 90% of its net assets (including, for this purpose, any borrowings for investment purposes) in securities included in the index. The fund will notify its shareholders at least 60 days before changing this policy.

Under normal circumstances, the fund may invest up to 10% of its net assets in securities not included in its index. The principal types of these investments include those that the investment adviser believes will help the fund track the index, such as investments in (a) securities that are not represented in the index but the investment adviser anticipates will be added to the index; (b) high-quality liquid investments, such as securities issued by the U.S. government, its agencies or instrumentalities, including obligations that are not guaranteed by the U.S. Treasury, and obligations that are issued by private issuers that are guaranteed as to principal or interest by the U.S. government, its agencies or instrumentalities; and (c) other investment companies. The fund may also invest in cash and cash equivalents, including money market funds, enter into repurchase agreements, and may lend its securities to minimize the difference in performance that naturally exists between an index fund and its corresponding index.

Because it may not be possible or practical to purchase all of the securities in the index, the investment adviser will seek to track the total return of the index by using sampling techniques. These techniques involve investing in a limited number of index securities that, when taken together, are expected to perform similarly to the index as a whole. These techniques are based on a variety of factors, including interest rate and yield curve risk, maturity exposures, and other risk factors and characteristics. The fund generally expects that its portfolio will hold less than the total number of securities in the index, but reserves the right to hold as many securities as it believes necessary to achieve the fund's investment objective. The fund may sell securities that are represented in the index in anticipation of their removal from the index. The fund generally expects that its yield and maturity will be similar to those of the index. In addition, the fund generally expects that its weighted average duration will closely correspond to the weighted average duration of the index, which as of December 31, 2022, was 1.80 years.

The investment adviser seeks to achieve, over time, a correlation between the fund's performance and that of its index, before fees and expenses, of 95% or better. However, there can be no guarantee that the fund will achieve a high degree of correlation with the index. A number of factors may affect the fund's ability to achieve a high correlation with its index, including the degree to which the fund utilizes a sampling technique (or otherwise gives a different weighting to a security than the index does). The correlation between the performance of the fund and its index may also diverge due to transaction costs, asset valuations, timing variances, and differences between the fund's portfolio and the index resulting from legal restrictions (such as diversification requirements) that apply to the fund but not to the index.

**Principal Risks:**

Credit Risk, Interest Rate Risk, Investment Style Risk, Liquidity Risk, Market Risk, Market Trading Risk, Portfolio Turnover Risk, Sampling Index Tracking Risk, Securities Lending Risk, Shares of the Fund May Trade at Prices Other Than NAV, and Tracking Error Risk

## **SCHWAB U.S. AGGREGATE BOND INDEX FUND**

### **Investment Objective:**

The fund's goal is to track as closely as possible, before fees and expenses, the total return of an index that measures the performance of the broad U.S. investment-grade bond market.

### **Principal Investment Strategies:**

To pursue its goal, the fund generally invests in securities that are included in the Bloomberg US Aggregate Bond Index<sup>†</sup>. The index is a broad-based benchmark measuring the performance of the U.S. investment grade, taxable bond market, including U.S. Treasuries, government-related and corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities, and asset-backed securities that are publicly available for sale in the United States. To be eligible for inclusion in the index, a security must be fixed rate, non-convertible, U.S. dollar-denominated and have one or more years remaining to maturity. The index excludes certain types of securities, including, bonds with equity type features (e.g., warrants, convertibles and preferreds), tax-exempt municipal securities, inflation-linked bonds, floating-rate issues, strips, private placements, U.S. dollar-denominated 25 and 50 par retail bonds, structured notes and pass-through certificates. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month. As of August 31, 2023, there were approximately 13,371 securities in the index.

It is the fund's policy that under normal circumstances it will invest at least 90% of its net assets (including, for this purpose, any borrowings for investment purposes) in securities included in the index, including TBA transactions, as defined below. The fund will notify its shareholders at least 60 days before changing this policy. Under normal circumstances, the fund may invest up to 10% of its net assets in securities not included in its index. The principal types of these investments include those that the investment adviser believes will help the fund track the index, such as investments in (a) securities that are not represented in the index but the investment adviser anticipates will be added to the index; (b) high-quality liquid investments, such as securities issued by the U.S. government, its agencies or instrumentalities, including obligations that are not guaranteed by the U.S. Treasury, and obligations that are issued by private issuers; (c) other investment companies; and (d) derivatives, principally futures contracts. The fund may use futures contracts and other derivatives primarily to help manage interest rate exposure. The fund may also invest in cash and cash equivalents, including money market funds, and lend its securities to minimize the difference in performance that naturally exists between an index fund and its corresponding index.

Because it is not possible or practical to purchase all of the securities in the index, the fund's investment adviser will seek to track the total return of the index by using sampling techniques. Sampling techniques involve investing in a limited number of index securities that, when taken together, are expected to perform similarly to the index as a whole. These techniques are based on a variety of factors, including interest rate and yield curve risk, maturity exposures, industry, sector and issuer weights, credit quality, and other risk factors and characteristics. The Fund expects that its portfolio will hold less than the total number of securities in the index, but reserves the right to hold as many securities as it believes necessary to achieve the fund's investment objective. The Fund may sell securities that are represented in the index in anticipation of their removal from the index. The Fund generally expects that its duration will closely correspond to the duration of the index, which as of August 31, 2023, was approximately 6.17 years.

As of August 31, 2023, approximately 26.85% of the bonds represented in the index were U.S. fixed-rate agency mortgage pass-through securities. U.S. fixed-rate agency mortgage pass-through securities are securities issued by entities such as the Government National Mortgage Association (Ginnie Mae), the

Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) that are backed by pools of mortgages. Many transactions in fixed-rate mortgage pass-through securities occur through standardized contracts for future delivery in which the exact mortgage pools to be delivered are not specified until a few days prior to settlement, and are often referred to as “to-be-announced transactions” or “TBA transactions.” In a TBA transaction, the buyer and seller agree upon general trade parameters such as agency, settlement date, par amount and price. The actual pools delivered generally are determined two days prior to settlement date; however, it is not anticipated that the fund will receive the pools, but will instead participate in rolling TBA transactions. The fund anticipates that it may enter into such contracts on a regular basis. This may result in a significantly higher portfolio turnover for the fund than a typical index fund. The fund, pending settlement of such contracts, will invest its assets in high-quality liquid short-term instruments, including Treasury securities and shares of money market mutual funds. The fund will assume its pro rata share of the fees and expenses of any money market fund that it may invest in, in addition to the fund’s own fees and expenses.

The fund will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry, group of industries or sector to approximately the same extent that its index is so concentrated. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities), and repurchase agreements collateralized by U.S. government securities are not considered to be issued by members of any industry.

The investment adviser seeks to achieve, over time, a correlation between the fund’s performance and that of its index, before fees and expenses, of 95% or better. However, there can be no guarantee that the fund will achieve a high degree of correlation with the index. A number of factors may affect the fund’s ability to achieve a high correlation with its index, including the degree to which the fund uses a sampling technique (or otherwise gives a different weighting to a security than the index does). The correlation between the performance of the fund and its index may also diverge due to transaction costs, asset valuations, timing variances, and differences between the fund’s portfolio and the index resulting from legal restrictions (such as diversification requirements) that apply to the fund but not to the index.

† Index ownership — Bloomberg® and Bloomberg US Aggregate Bond Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (BISL), the administrator of the indices (collectively, “Bloomberg”). Bloomberg is not affiliated with Charles Schwab Investment Management, Inc., dba Schwab Asset Management, and Bloomberg does not approve, endorse, review, or recommend Schwab U.S. Aggregate Bond Index Fund. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Schwab U.S. Aggregate Bond Index Fund.

#### **Principal Risks:**

Concentration Risk, Credit Risk, Derivatives Risk, Interest Rate Risk, Investment Style Risk, Leverage Risk, Liquidity Risk, Market Risk, Money Market Fund Risk, Mortgage Dollar Rolls Risk, Mortgage-Backed and Mortgage Pass-Through Securities Risk, Non-U.S. Issuer Risk, Portfolio Turnover Risk, Prepayment and Extension Risk, Sampling Index Tracking Risk, Securities Lending Risk, and Tracking Error Risk

#### **SCHWAB U.S. REIT ETF**

#### **Investment Objective:**

The fund’s goal is to track as closely as possible, before fees and expenses, the total return of the Dow Jones U.S. Select REIT Index™.



### **Principal Investment Strategies:**

To pursue its goal, the fund generally invests in securities that are included in the Dow Jones Equity All REIT Capped Index. The index is a float-adjusted market capitalization weighted index that is subject to capping constraints at each quarterly rebalancing. The index generally includes all publicly traded equity real estate investment trusts (REITs) with a minimum float-adjusted market capitalization of \$200 million and a three-month median daily value traded of at least \$5 million. A security becomes ineligible if its float-adjusted market capitalization falls below \$100 million for two consecutive quarters. The index excludes mortgage REITs, defined as REITs that lend money directly to real estate owners and/or operators or indirectly through the purchase of mortgages or mortgage-backed securities, and hybrid REITs, defined as REITs that participate both in equity and mortgage investing. As of February 28, 2023, the index was composed of 128 REITs.

It is the fund's policy that under normal circumstances it will invest at least 90% of its net assets (including, for this purpose, any borrowings for investment purposes) in securities included in the index. The fund will notify its shareholders at least 60 days before changing this policy. The fund will generally seek to replicate the performance of the index by giving the same weight to a given security as the index does. However, when the investment adviser believes it is in the best interest of the fund, such as to avoid purchasing odd-lots (i.e., purchasing less than the usual number of shares traded for a security), for tax considerations, or to address liquidity considerations with respect to a security, the investment adviser may cause the fund's weighting of a security to be more or less than the index's weighting of the security. The fund may sell securities that are represented in the index in anticipation of their removal from the index, or buy securities that are not yet represented in the index in anticipation of their addition to the index.

Under normal circumstances, the fund may invest up to 10% of its net assets in securities not included in its index. The principal types of these investments include those that the investment adviser believes will help the fund track the index, such as investments in (a) securities that are not represented in the index but the investment adviser anticipates will be added to the index; (b) investment companies; and (c) derivatives, principally futures contracts. The fund may use futures contracts and other derivatives primarily to seek returns on the fund's otherwise uninvested cash assets to help it better track the Index. The fund may also invest in cash, cash equivalents and money market funds, and may lend its securities to minimize the difference in performance that naturally exists between an index fund and its corresponding index.

Due to the composition of the index, the fund will concentrate its investments (i.e., hold 25% or more of its total assets) in real estate companies and companies related to the real estate industry. The fund may also invest in a particular industry, group of industries or sector to approximately the same extent that its index is so concentrated.

The investment adviser seeks to achieve, over time, a correlation between the fund's performance and that of its index, before fees and expenses, of 95% or better. However, there can be no guarantee that the fund will achieve a high degree of correlation with the index. A number of factors may affect the fund's ability to achieve a high correlation with its index, including the degree to which the fund utilizes a sampling technique. The correlation between the performance of the fund and its index may also diverge due to transaction costs, asset valuations, timing variances, and differences between the fund's portfolio and the index resulting from legal restrictions (such as diversification requirements) that apply to the fund but not to the index.

### **Principal Risks:**

Concentration Risk, Derivatives Risk, Equity Risk, Investment Style Risk, Large-Cap Company Risk, Liquidity Risk, Market Capitalization Risk, Market Risk, Market Trading Risk, Mid-Cap Company Risk, Real Estate

Investment Risk, REITs Risk, Securities Lending Risk, Shares of Fund May Trade at Prices other than NAV, Small-Cap Company Risk, and Tracking Error Risk

## **SPDR PORTFOLIO DEVELOPED WORLD EX-US ETF**

### **Investment Objective:**

The SPDR Portfolio Developed World ex-US ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index based upon the developed world (ex-US) equity markets.

### **Principal Investment Strategies:**

In seeking to track the performance of the S&P Developed Ex-U.S. BMI Index (the “Index”), the Fund employs a sampling strategy, which means that the Fund is not required to purchase all of the securities represented in the Index. Instead, the Fund may purchase a subset of the securities in the Index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the Index. The quantity of holdings in the Fund will be based on a number of factors, including asset size of the Fund. Based on its analysis of these factors, SSGA Funds Management, Inc. (“SSGA FM” or the “Adviser”), the investment adviser to the Fund, either may invest the Fund’s assets in a subset of securities in the Index or may invest the Fund’s assets in substantially all of the securities represented in the Index in approximately the same proportions as the Index, as determined by the Adviser to be in the best interest of the Fund in pursuing its objective.

Under normal market conditions, the Fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the Index and in depositary receipts (including American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”)) based on securities comprising the Index. In addition, in seeking to track the Index, the Fund may invest in equity securities that are not included in the Index (including common stock, preferred stock, depositary receipts and shares of other investment companies), cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including money market funds advised by the Adviser). In seeking to track the Index, the Fund’s assets may be concentrated in an industry or group of industries, but only to the extent that the Index concentrates in a particular industry or group of industries. Futures contracts (a type of derivative instrument) may be used by the Fund in seeking performance that corresponds to the Index and managing cash flows.

The Index is a float-adjusted market capitalization weighted index designed to define and measure the investable universe of publicly traded companies domiciled in developed countries outside the United States. The Index component securities are a subset, based on region, of component securities included in the S&P Global BMI (Broad Market Index). The S&P Global BMI is a rules-based index that measures global stock market performance. A country will be eligible for inclusion in the S&P Global BMI if it is classified as either a developed or emerging market by the S&P Global Equity Index Committee. Country classification is reviewed annually and determined based on quantitative criteria and feedback from market participants via a publicly available market consultation. All publicly listed companies with float-adjusted market capitalizations of at least \$100 million and sufficient liquidity based on 12-month median value traded ratio and 6-month median daily value traded are included for each country. Once included, all current constituents with float-adjusted market capitalizations of at least \$75 million and sufficient liquidity will remain in the S&P Global BMI for each country. The Index is “float-adjusted,” meaning that only those shares publicly available to investors are included in the Index calculation. All stocks are weighted proportionally to their float-adjusted market capitalization and the Index is reconstituted annually in September. In addition, the Index rebalances

quarterly to allow for changes in shares outstanding and the inclusion of eligible initial public offerings, as well as new listings on eligible exchanges and issues that emerged from bankruptcy.

As of November 30, 2023, a significant portion of the Fund comprised companies in the financial and industrial sectors, although this may change from time to time. As of November 30, 2023, countries represented in the Fund included Argentina, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland and the United Kingdom. As of November 30, 2023, a significant portion of the Fund comprised companies located in Europe and Japan, although this may change from time to time. As of November 30, 2023, the Index comprised 5,291 securities.

**Principal Risks:**

Currency Risk, Depositary Receipts Risk, Equity Investing Risk, Europe Risk, Financial Sector Risk, Fluctuation of Net Asset Value, Share Premiums and Discounts Risk, Geographic Focus Risk, Indexing Strategy/Index Tracking Risk, Industrial Sector Risk, Japan Risk, Market Risk, Non-Diversification Risk, Non-US Securities Risk, Unconstrained Sector Risk

**SPDR PORTFOLIO EMERGING MARKETS ETF**

**Investment Objective:**

The SPDR Portfolio Emerging Markets ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index based upon the emerging markets of the world.

**Principal Investment Strategies:**

In seeking to track the performance of the S&P Emerging BMI Index (the “Index”), the Fund employs a sampling strategy, which means that the Fund is not required to purchase all of the securities represented in the Index. Instead, the Fund may purchase a subset of the securities in the Index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the Index. The quantity of holdings in the Fund will be based on a number of factors, including asset size of the Fund. Based on its analysis of these factors, SSGA Funds Management, Inc. (“SSGA FM” or the “Adviser”), the investment adviser to the Fund, either may invest the Fund’s assets in a subset of securities in the Index or may invest the Fund’s assets in substantially all of the securities represented in the Index in approximately the same proportions as the Index, as determined by the Adviser to be in the best interest of the Fund in pursuing its objective.

Under normal market conditions, the Fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the Index and in depositary receipts (including American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”)) based on securities comprising the Index. In addition, in seeking to track the Index, the Fund may invest in equity securities that are not included in the Index (including common stock, preferred stock, depositary receipts and shares of other investment companies), cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including money market funds advised by the Adviser). In seeking to track the Index, the Fund’s assets may be concentrated in an industry or a group of industries, but only to the extent that the Index concentrates in a particular industry or group of industries. Futures contracts (a type of derivative instrument) may be used by the Fund in seeking performance that corresponds to the Index and in managing cash flows.

The Index is a float-adjusted market capitalization weighted index designed to define and measure the investable universe of publicly traded companies domiciled in emerging markets. The Index component securities are a subset, based on region, of component securities included in the S&P Global BMI (Broad Market Index). The S&P Global BMI is a rules-based index that measures global stock market performance. A country will be eligible for inclusion in the S&P Global BMI if it is classified as either a developed or emerging market by the S&P Global Equity Index Committee. Country classification is reviewed annually and determined based on quantitative criteria and feedback from market participants via a publicly available market consultation. All publicly listed companies with float-adjusted market capitalizations of at least \$100 million and sufficient liquidity based on 12-month median value traded ratio and 6-month median daily value traded are included for each country. Once included, all current constituents with float-adjusted market capitalizations of at least \$75 million and sufficient liquidity will remain in the S&P Global BMI for each country. The Index is “float-adjusted,” meaning that only those shares publicly available to investors are included in the Index calculation. All stocks are weighted proportionally to their float-adjusted market capitalization and the Index is reconstituted annually in September. In addition, the Index rebalances quarterly to allow for the inclusion of eligible initial public offerings, as well as new listings on eligible exchanges and issues that emerged from bankruptcy.

As of November 30, 2023, a significant portion of the Fund comprised companies in the financial sector, although this may change from time to time. As of November 30, 2023, countries represented in the Fund included Brazil, Chile, China (which includes investments in China A Shares), Colombia, Cyprus, the Czech Republic, Egypt, Greece, Hong Kong, Hungary, India, Indonesia, Kuwait, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. As of November 30, 2023, a significant portion of the Fund comprised companies located in China and India, although this may change from time to time. As of November 30, 2023, the Index comprised 6,552 securities.

**Principal Risks:**

China Risk, Currency Risk, Depositary Receipts Risk, Emerging Markets Risk, Equity Investing Risk, Financial Sector Risk, Fluctuation of Net Asset Value, Share Premiums and Discounts Risk, Futures Contract Risk, Geographic Focus Risk, Indexing Strategy/Index Tracking Risk, India Risk, Liquidity Risk, Market Risk, Non-Diversification Risk, Non-US Securities Risk, Risk of Investing in China A Shares, Unconstrained Sector Risk, and Valuation Risk

**SPDR PORTFOLIO HIGH YIELD BOND ETF**

**Investment Objective:**

The SPDR Portfolio High Yield Bond ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of an index that tracks the broad U.S. corporate high yield market.

**Principal Investment Strategies:**

In seeking to track the performance of the ICE BofA US High Yield Index (the “Index”), the Fund employs a sampling strategy, which means that the Fund is not required to purchase all of the securities represented in the Index. Instead, the Fund may purchase a subset of the securities in the Index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the Index. The quantity of holdings in the Fund will be based on a number of factors, including asset size of the Fund. Based on its analysis of these factors, SSGA Funds Management, Inc. (“SSGA FM” or the “Adviser”), the investment adviser to the Fund, either may invest the Fund’s assets in a subset of securities in the Index or may invest the Fund’s assets in substantially all of the securities represented in the Index in approximately the same

proportions as the Index, as determined by the Adviser to be in the best interest of the Fund in pursuing its objective.

Under normal market conditions, the Fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the Index and in securities that the Adviser determines have economic characteristics that are substantially identical to the economic characteristics of the securities that comprise the Index. In addition, in seeking to track the Index, the Fund may invest in debt securities that are not included in the Index, cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including money market funds advised by the Adviser). In seeking to track the Index, the Fund's assets may be concentrated in an industry or group of industries, but only to the extent that the Index concentrates in a particular industry or group of industries. The Fund may use derivatives, including credit default swaps and credit default index swaps, to obtain investment exposure that the Adviser expects to correlate closely with the Index, or a portion of the Index, and in managing cash flows.

The Index is designed to measure the performance of U.S. dollar denominated below investment grade (commonly referred to as "junk") corporate debt publicly issued in the U.S. domestic market. The Index includes securities rated below investment grade (based on an average of Moody's Investors Service, Inc., Fitch Ratings Inc., and S&P Global Ratings) with at least 18 months remaining to final maturity at the time of issuance and at least one year remaining term to final maturity as of the Index's rebalancing date. In addition, individual securities of qualifying issuers must have a fixed coupon schedule and a minimum amount outstanding of \$250 million. Qualifying corporate issuers must have risk exposure to an FX-G10 or Western European country, or a territory of the United States or a Western European country. As of July 31, 2023, the FXG10 includes all Eurozone members, the United States, Japan, the United Kingdom, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Securities included in the Index may include securities that are subject to restrictions on resale under the U.S. federal securities laws ("restricted securities").

The Index is market capitalization weighted, and is rebalanced on the last calendar day of the month based on information available up to and including the third business day before the last business day of the month. As of August 31, 2023, a significant portion of the Fund comprised companies in the consumer cyclical and communication services sectors, although this may change from time to time. As of July 31, 2023, there were approximately 1,869 securities in the Index.

**Principal Risks:**

Below Investment-Grade Securities Risk, Communication Services Sector Risk, Consumer Cyclical Sector Risk, Debt Securities Risk, Fluctuation of Net Asset Value, Share Premiums and Discounts Risk, Europe Risk, Geographic Focus Risk, Income Risk, Indexing Strategy/Index Tracking Risk, Liquidity Risk, Market Risk, Non-U.S. Securities Risk, Restricted Securities Risk, Swaps Risk, Unconstrained Sector Risk, and Valuation Risk

**VANGUARD GROWTH AND INCOME FUND**

**Investment Objective:**

The Fund seeks to provide a total return (capital appreciation plus dividend income) greater than the return of the Standard & Poor's 500 Index.

**Principal Investment Strategies:**

To achieve its objective, the Fund's advisors select a broadly diversified group of stocks that, as a whole, have investment characteristics similar to those of the S&P 500 Index (the Index) (which is primarily composed of large-capitalization U.S. stocks) but are expected to provide a higher total

return than that of the Index. At least 65% (and typically more than 90%) of the Fund's assets will be invested in stocks that are included in the Index. Most of the stocks held by the Fund provide dividend income as well as the potential for capital appreciation. The Fund uses multiple investment advisors. Each advisor independently selects and maintains a portfolio of stocks for the Fund.

**Principal Risks:**

Investment Style Risk, Manager Risk, and Stock Market Risk

**VANGUARD SHORT-TERM INFLATION-PROTECTED SECURITIES INDEX FUND ADMIRAL SHARES**

**Investment Objective:**

The Fund seeks to track the performance of a benchmark index that measures the investment return of inflation-protected public obligations of the U.S. Treasury with remaining maturities of less than 5 years.

**Principal Investment Strategies:**

The Fund employs an indexing investment approach designed to track the performance of the Bloomberg U.S. 0-5 Year Treasury Inflation- Protected Securities (TIPS) Index (the Index). The Index is a market-capitalization-weighted index that includes all inflation-protected public obligations issued by the U.S. Treasury with remaining maturities of less than 5 years.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the securities that make up the Index, holding each security in approximately the same proportion as its weighting in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index. As of September 30, 2023, the dollar-weighted average maturity of the Index was 2.6 years.

**Principal Risks:**

Income Fluctuations and Real Interest Rate Risk.

**ADDITIONAL INFORMATION ABOUT THE PRINCIPAL LIFE INSURANCE COMPANY FUNDING AGREEMENT**

The Funding Agreement is the Funding Agreement with Guaranteed Interest available through Principal Life Insurance Company (Principal Life), a member of the Principal Financial Group®, Des Moines, Iowa 50392. Under the Funding Agreement, principal and a rate of interest are guaranteed to the KY Saves 529 Program by Principal Life. Principal Life guarantees the interest rate under the Funding Agreement will be at least 1%.

The investment risk associated with the funding agreement is that Principal Life will become unable to make its payment obligations under the Funding Agreement. An investment in an Investment Option that invests in the Funding Agreement is not guaranteed. Principal Life's guarantees under the Funding Agreement are to the Board, as trustee for the Program, not to individual Account Owners.

The Funding Agreement is not FDIC insured and is not an obligation or deposit for any bank nor guaranteed by a bank. The guarantees provided through the Funding Agreement are supported by the general account of Principal Life, but the Program does not participate in the investment experience or performance of the general account.

For Principal Life's current credit ratings, visit <https://investors.principal.com/investor-relations/our-business/credit-ratings/default.aspx>.

## APPENDIX B – EXPLANATIONS OF INVESTMENT RISK FACTORS

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The information provided below is a summary of the principal risks of the Underlying Funds. Each Underlying Fund's current prospectus and statement of additional information contains information not summarized here and identifies additional principal risks to which the respective Underlying Fund may be subject.

### AMERICAN FUNDS PRINCIPAL RISKS

**Market Conditions.** The prices of, and the income generated by, the securities held by the fund may decline – sometimes rapidly or unpredictably – due to various factors, including events or conditions affecting the general economy or particular industries or companies; overall market changes; local, regional or global political, social or economic instability; governmental, governmental agency or central bank responses to economic conditions; and currency exchange rate, interest rate and commodity price fluctuations. Economies and financial markets throughout the world are highly interconnected. Economic, financial or political events, trading and tariff arrangements, wars, terrorism, cybersecurity events, natural disasters, public health emergencies (such as the spread of infectious disease) and other circumstances in one country or region, including actions taken by governmental or quasi-governmental authorities in response to any of the foregoing, could have impacts on global economies or markets. As a result, whether or not the fund invests in securities of issuers located in or with significant exposure to the countries affected, the value and liquidity of the fund's investments may be negatively affected by developments in other countries and regions.

**Issuer Risk.** The prices of, and the income generated by, securities held by the fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services; poor management performance; major litigation, investigations, or other controversies related to the issuer; changes in financial condition or credit rating; changes in government regulations affecting the issuer or its competitive environment; and strategic initiatives such as mergers, acquisitions, or dispositions and the market response to any such initiatives.

**Investing in Debt Instruments.** The prices of, and the income generated by, bonds and other debt securities held by the fund may be affected by factors such as the interest rates, maturities and credit quality of these securities. Rising interest rates will generally cause the prices of bonds and other debt securities to fall. Also, when interest rates rise, issuers are less likely to refinance existing debt securities, causing the average life of such securities to extend. A general rise in interest rates may cause investors to sell debt securities on a large scale, which could also adversely affect the price and liquidity of debt securities and could also result in increased redemptions from the fund. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in the fund failing to recoup the full amount of its initial investment and having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities. Bonds and other debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer or guarantor will weaken or be perceived to be weaker, and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Changes in actual or perceived creditworthiness may occur quickly. A downgrade or default affecting any of the fund's securities could cause the value of the fund's shares to decrease. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. Credit risk is gauged, in part, by the credit ratings of the debt securities in which the fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees

as to credit quality or an evaluation of market risk. The fund's investment adviser relies on its own credit analysts to research issuers and issues in assessing credit and default risks.

**Investing in Lower Rated Debt Instruments.** Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in junk bonds.

**Liquidity Risk.** Certain fund holdings may be or may become difficult or impossible to sell, particularly during times of market turmoil. Liquidity may be impacted by the lack of an active market for a holding, legal or contractual restrictions on resale, or the reduced number and capacity of market participants to make a market in such holding. Market prices for less liquid or illiquid holdings may be volatile or difficult to determine, and reduced liquidity may have an adverse impact on the market price of such holdings. Additionally, the sale of less liquid or illiquid holdings may involve substantial delays (including delays in settlement) and additional costs and the fund may be unable to sell such holdings when necessary to meet its liquidity needs, or to try to limit losses, or may be forced to sell at a loss.

**Investing in Derivatives.** The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional securities, such as stocks and bonds. Changes in the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and a derivative instrument may cause the fund to lose significantly more than its initial investment. Derivatives may be difficult to value, difficult for the fund to buy or sell at an opportune time or price and difficult, or even impossible, to terminate or otherwise offset. The fund's use of derivatives may result in losses to the fund, and investing in derivatives may reduce the fund's returns and increase the fund's price volatility. The fund's counterparty to a derivative transaction (including, if applicable, the fund's clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction. In certain cases, the fund may be hindered or delayed in exercising remedies against or closing out derivative instruments with a counterparty, which may result in additional losses. Derivatives are also subject to operational risk (such as documentation issues, settlement issues and systems failures) and legal risk (such as insufficient documentation, insufficient capacity or authority of a counterparty, and issues with the legality or enforceability of a contract).

**Investing Outside the United States.** Securities of issuers domiciled outside the United States, or with significant operations or revenues outside the United States, may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism, and war) in the countries or regions in which the issuers operate or generate revenue. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Issuers of these securities may be more susceptible to actions of foreign governments, such as nationalization, currency blockage or the imposition of price controls, sanctions, or punitive taxes, each of which could adversely impact the value of these securities. Securities markets in certain countries may be more volatile and/or less liquid than those in the United States. Investments outside the United States may also be subject to different regulatory, legal, accounting, auditing, financial reporting and recordkeeping requirements, and may be more difficult to value, than those in the United States. In addition, the value of investments outside the United States may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed



settlement of securities purchased or sold by the fund, which could impact the liquidity of the Fund's portfolio. The risks of investing outside the United States may be heightened in connection with investments in emerging markets.

**Management.** The investment adviser to the fund actively manages the fund's investments. Consequently, the fund is subject to the risk that the methods and analyses, including models, tools and data, employed by the investment adviser in this process may be flawed or incorrect and may not produce the desired results. This could cause the fund to lose value or its investment results to lag relevant benchmarks or other funds with similar objectives. Your investment in the fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity or person. You should consider how this fund fits into your overall investment program.

## **BAIRD PRINCIPAL RISKS**

**Bond Market Risk.** A bond's market value may be affected significantly by changes in interest rates – generally, when interest rates rise, the bond's market value declines and when interest rates decline, its market value rises ("interest-rate risk"). Generally, a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity will entail less interest rate risk but have a lower yield ("maturity risk"). A bond's value may also be affected by changes in its credit quality rating or the issuer's financial condition ("credit-quality risk"). Bonds are also generally subject to credit risk that an issuer will not make timely payments of principal and interest.

**Call Risk.** If the securities in which the Fund invests are redeemed by the issuer before maturity (or "called"), the Fund may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the Fund's yield. This will most likely happen when interest rates are declining.

**Credit Quality Risk.** Debt obligations receiving the lowest investment grade rating or a high yield ("junk bond") rating may have speculative characteristics and, compared to higher grade debt obligations, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings are essentially opinions of the credit quality of an issuer and may prove to be inaccurate.

**Cybersecurity Risk.** With the increased use of technologies such as the Internet to conduct business, the Fund is susceptible to operational, information security, and related risks. Cyber incidents affecting the Fund or its service providers may cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to calculate its net asset value ("NAV"), impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

**Extension Risk.** Extension risk is the risk that debt obligations, including mortgage- and asset-backed debt obligations, will be paid off by the borrower more slowly than anticipated, increasing the average life of such debt obligations and the sensitivity of the prices of such debt obligations to future interest rate changes.

**Foreign Securities Risk.** Foreign investments, even those that are U.S. dollar-denominated, may involve additional risks, including political and economic instability, differences in financial reporting standards, less regulated securities markets and withholding of foreign taxes.

**Government Obligations Risk.** No assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not specifically obligated to do so by law, such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”). To the extent a Fund holds securities of such an issuer and that issuer defaults, the Fund might not be able to recover its investment from the U.S. government.

**Liquidity Risk.** Certain debt obligations may be difficult or impossible to sell at the time and price that the Advisor would like to sell. The Advisor may have to lower the price, sell other debt obligations or forego an investment opportunity, any of which may have a negative effect on the management or performance of the Fund.

**Management Risk.** The Advisor may err in its choices of debt obligations or portfolio mixes. Such errors could result in a negative return and a loss to you.

**Mortgage- and Asset-Backed Debt Obligations Risk.** Mortgage- and asset-backed debt obligations are subject to interest rate risk. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these debt obligations. When interest rates fall, mortgage- and asset-backed debt obligations may be subject to prepayment risk, which is the risk that the borrower will prepay some or the entire principal owed to the investor. When interest rates rise, certain types of mortgage- and asset-backed debt obligations are subject to extension risk. Mortgage- and asset-backed debt obligations can also be subject to the risk of default on the underlying residential or commercial mortgage(s) or other assets.

**Municipal Obligations Risks.** Municipal obligations are subject to risks based on many factors, including economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings, and other factors. The value of municipal obligations may be affected more by supply and demand factors or the creditworthiness of the issuer than by market interest rates. Repayment of municipal obligations depends on the ability of the issuer or project backing such obligations to generate taxes or revenues. There is a risk that interest may be taxable on a municipal obligation that is otherwise expected to produce tax-exempt interest. The repayment of principal and interest on some of the municipal obligations in which the Fund may invest may be guaranteed or insured by a monoline insurance company. If a company insuring municipal obligations in which the Fund invests experiences financial difficulties, the credit rating and price of the security may deteriorate.

**Non-Investment Grade Quality Risk.** Non-investment grade debt obligations involve greater risk than investment-grade debt obligations, including the possibility of default or bankruptcy. They tend to be more sensitive to economic conditions than higher-rated debt obligations and, as a result, are generally more sensitive to credit risk than debt obligations in the higher-rated categories.

**Recent Market Events.** U.S. and international markets have experienced significant periods of volatility due to a number of economic, political and other global macro factors. The war between Ukraine and Russia has passed its second anniversary and the October 2023 attack by Hamas and Israel’s response has added to global tensions. U.S. and China relations remain strained, impacted by sluggish Chinese economic growth and numerous issues affecting trade relations. Domestically, inflation remains an area of focus since getting to the U.S. Federal Reserve Board’s 2% target may prove to be more challenging than the market expects. In addition, 2024 is an election year and the current level of political discord is high. Finally, while the coronavirus (COVID-19) appears to have entered an endemic stage, significant outbreaks present a continued risk to the global economy. These and other events may cause market disruptions and could have an adverse effect on the value of the Fund’s investments.

**Sector Risk.** From time to time, based on market or economic conditions, the Fund may have significant positions in specific sectors of the market. Potential negative market or economic developments affecting one or more of these sectors could have a greater impact on the Fund than on a fund with fewer holdings in that sector.

**Valuation Risk.** The debt obligations held by the Fund are generally valued using prices provided by approved pricing services or, in some cases, using prices provided by dealers or the valuation committee of the Advisor using fair valuation methodologies. The prices used by the Fund may be different from the prices used by other mutual funds or from the prices at which the Fund's debt obligations are actually bought and sold. The prices of the Fund's debt obligations may be subject to frequent and significant change and will vary depending on the information that is available to the party providing the price.

## **BLACKROCK PRINCIPAL RISKS**

**Summary of Principal Risks.** As with any investment, you could lose all or part of your investment in the Fund, and the Fund's performance could trail that of other investments. The Fund is subject to certain risks, including the principal risks noted below, any of which may adversely affect the Fund's net asset value per share ("NAV"), trading price, yield, total return and ability to meet its investment objective.

**Asset Class Risk.** (iShares Total U.S. Stock Market Index Fund and iShares Core International Aggregate Bond ETF) Securities and other assets or financial instruments in the Underlying Index or in the Fund's portfolio may underperform in comparison to the general financial markets, a particular financial market or other asset classes.

**Authorized Participant Concentration Risk.** (iShares Core International Aggregate Bond ETF) Only an Authorized Participant may engage in creation or redemption transactions directly with the Fund. The Fund has a limited number of institutions that may act as Authorized Participants on an agency basis (i.e., on behalf of other market participants). To the extent that Authorized Participants exit the business or are unable to proceed with creation or redemption orders with respect to the Fund and no other Authorized Participant is able to step forward to create or redeem Creation Units (as defined in the Purchase and Sale of Fund Shares section of the Prospectus), Fund shares may be more likely to trade at a premium or discount to NAV and possibly face trading halts or delisting.

**Borrowing Risk.** (BlackRock Low Duration Bond Portfolio) Borrowing may exaggerate changes in the NAV of Fund shares and in the return on the Fund's portfolio. Borrowing will cost the Fund interest expense and other fees. The costs of borrowing may reduce the Fund's return. Borrowing may cause the Fund to liquidate positions when it may not be advantageous to do so to satisfy its obligations.

**Call Risk.** (iShares Core International Aggregate Bond ETF) During periods of falling interest rates, an issuer of a callable bond held by the Fund may "call" or repay the security before its stated maturity, and the Fund may have to reinvest the proceeds in securities with lower yields, which would result in a decline in the Fund's income, or in securities with greater risks or with other less favorable features.

**Commodity Regulatory Risk.** (iShares Core International Aggregate Bond ETF) The Fund is deemed a commodity pool and BFA is considered a commodity pool operator ("CPO") with respect to the Fund under the CEA. BFA is therefore subject to regulation by the SEC and the CFTC. BFA is also subject to regulation by the National Futures Association ("NFA"). The regulatory requirements governing the use of commodity futures, options on commodity futures, certain swaps or certain other investments could change at any time.

**Commodity Risk.** (iShares Core International Aggregate Bond ETF) The Fund invests in companies that are susceptible to fluctuations in certain commodity markets and to price changes due to trade relations. Any negative changes in commodity markets that may be due to changes in supply and demand for commodities, market events, war, regulatory developments, other catastrophic events, or other factors that the Fund cannot control could have an adverse impact on those companies.

**Concentration Risk.** (iShares Total U.S. Stock Market Index Fund) The Fund reserves the right to concentrate its investments (i.e., invest 25% or more of its total assets in securities of issuers in a particular industry) to approximately the same extent that the Underlying Index concentrates in a particular industry. To the extent the Fund concentrates in a particular industry, it may be more susceptible to economic conditions and risks affecting that industry.

**Concentration Risk.** (iShares Core International Aggregate Bond ETF) The Fund may be susceptible to an increased risk of loss, including losses due to adverse events that affect the Fund's investments more than the market as a whole, to the extent that the Fund's investments are concentrated in the securities and/or other assets of a particular issuer or issuers, country, group of countries, region, market, industry, group of industries, sector, market segment or asset class.

**Consumer Discretionary Sector Risk.** (iShares Total U.S. Stock Market Index Fund) The consumer discretionary sector may be affected by changes in domestic and international economies, exchange and interest rates, competition, consumers' disposable income, consumer preferences, social trends and marketing campaigns.

**Credit Risk.** (iShares Core International Aggregate Bond ETF) Debt issuers and other counterparties may be unable or unwilling to make timely interest and/or principal payments when due or otherwise honor their obligations. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also adversely affect the value of the Fund's investment in that issuer. The degree of credit risk depends on an issuer's or counterparty's financial condition and on the terms of an obligation.

**Currency Hedging Risk.** (iShares Core International Aggregate Bond ETF) When a derivative is used as a hedge against a position that the Fund holds, any loss generated by the derivative generally should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. Hedges are sometimes subject to imperfect matching between the derivative and its reference asset, and there can be no assurance that the Fund's hedging transactions will be effective. In seeking to track the performance of the Underlying Index, the Fund will attempt to hedge the currency exposure of non-U.S. dollar denominated securities held in its portfolio by investing in foreign currency forward contracts, which may include both physically-settled forward contracts and NDFs. NDFs may be less liquid than deliverable currency forward contracts and require the Fund to post variation margin to the counterparty, which can increase costs for the Fund. A lack of liquidity in NDFs of the hedged currency could result in the Fund being unable to structure its hedging transactions as intended. In addition, BFA may seek to limit the size of the Fund in order to attempt to reduce the likelihood of a S-5 situation where the Fund is unable to obtain sufficient liquidity in an underlying currency hedge to implement its investment objective. Currency forward contracts, including NDFs, do not eliminate movements in the value of non-U.S. currencies and securities but rather allow the Fund to establish a fixed rate of exchange for a future point in time. Exchange rates may be volatile and may change quickly and unpredictably in response to both global economic developments and economic conditions in a geographic region in which the Fund invests. In addition, in order to minimize transaction costs, or for other reasons, the Fund's exposure to the component currencies may not be fully hedged at all times. At certain times, the Fund may use an optimized

hedging strategy and will hedge a smaller number of component currencies to reduce hedging costs. In addition, because the Fund's currency hedge is reset on a monthly basis, currency risk can develop or increase intra-month. Furthermore, while the Fund is designed to hedge against currency fluctuations, it is possible that a degree of currency exposure may remain even at the time a hedging transaction is implemented. As a result, the Fund may not be able to structure its hedging transactions as anticipated or its hedging transactions may not successfully reduce the currency risk included in the Fund's portfolio. The effectiveness of the Fund's currency hedging strategy will in general be affected by the volatility of both the Underlying Index and the volatility of the U.S. dollar relative to the currencies to be hedged, measured on an aggregate basis. Increased volatility in either or both the Underlying Index and the U.S. dollar relative to the currencies to be hedged will generally reduce the effectiveness of the Fund's currency hedging strategy. In addition, volatility in one or more of the currencies may offset stability in another currency and reduce the overall effectiveness of the hedges. The effectiveness of the Fund's currency hedging strategy may also in general be affected by interest rates. Significant differences between U.S. dollar interest rates and some or all of the applicable foreign currency interest rates may impact the effectiveness of the Fund's currency hedging strategy. Currency hedging activity exposes the Fund to credit risk due to counterparty exposure. This risk will be higher to the extent that the Fund trades with a single counterparty or small number of counterparties.

**Currency Risk.** (iShares Core International Aggregate Bond ETF) Because the Fund's NAV is determined in U.S. dollars, the Fund's NAV could decline if one or more of the currencies of the non-U.S. markets in which the Fund invests depreciates against the U.S. dollar and the depreciation of one currency is not offset by appreciation in another currency and/or the Fund's attempt to hedge currency exposure to the depreciating currency or currencies is unsuccessful. Generally, an increase in the value of the U.S. dollar against the component currencies will reduce the value of a security denominated in the component currencies, as applicable. In addition, fluctuations in the exchange rates between currencies could affect the economy or particular business operations of companies in a geographic region, including securities in which the Fund invests, causing an adverse impact on the Fund's investments in the affected region and the U.S. As a result, investors have the S-6 potential for losses regardless of the length of time they intend to hold Fund shares. Currency exchange rates can be very volatile and can change quickly and unpredictably. As a result, the Fund's NAV may change quickly and without warning.

**Custody Risk.** (iShares Core International Aggregate Bond ETF) Less developed securities markets are more likely to experience problems with the clearing and settling of trades, as well as the holding of securities by local banks, agents and depositories.

**Cyber Security Risk.** (iShares Core International Aggregate Bond ETF) Failures or breaches of the electronic systems of the Fund, the Fund's adviser, distributor, and other service providers, market makers, Authorized Participants or the issuers of securities in which the Fund invests have the ability to cause disruptions and negatively impact the Fund's business operations, potentially resulting in financial losses to the Fund and its shareholders. While the Fund has established business continuity plans and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems. Furthermore, the Fund cannot control the cyber security plans and systems of the Fund's service providers, the Index Provider, market makers, Authorized Participants or issuers of securities in which the Fund invests. Equity Securities Risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. The Underlying Index is comprised of common stocks, which generally subject their holders to more risks than holders of preferred stocks and debt securities because common stockholders' claims are subordinated to those of holders of preferred stocks and debt securities upon the bankruptcy of the issuer.

**Debt Securities Risk.** (BlackRock Low Duration Bond Portfolio) Debt securities, such as bonds, involve interest rate risk, credit risk, extension risk, and prepayment risk, among other things.

**Derivatives Risk.** (iShares Core International Aggregate Bond ETF and BlackRock Low Duration Bond Portfolio) The Fund will use currency forwards and NDFs to hedge the currency exposure resulting from investments in the foreign currency denominated securities held by the Fund. The Fund's use of these instruments, like investments in other derivatives, may reduce the Fund's returns, increase volatility and/or result in losses due to credit risk or ineffective hedging strategies. Volatility is defined as the characteristic of a security, a currency, an index or a market, to fluctuate significantly in price within a defined time period. Currency forwards, like other derivatives, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. A risk of the Fund's use of derivatives is that the fluctuations in their values may not correlate perfectly with the value of the currency or currencies being hedged as compared to that of the U.S. dollar. The possible lack of a liquid secondary market for derivatives and the resulting inability of the Fund to sell or otherwise close a derivatives position could expose the Fund to losses and could make derivatives more difficult for the Fund to value accurately. The Fund could also suffer losses related to its derivatives positions as a result of unanticipated market movements, which losses are potentially unlimited. BFA's use of derivatives is not intended to predict the direction of securities prices, currency exchange rates, interest rates and other economic factors, which could cause the Fund's derivatives positions to lose value. Derivatives may give rise to a form of leverage and may expose the Fund to greater risk and increase its costs. Regulatory requirements may make derivatives more costly, may limit the availability of derivatives, and may delay or restrict the exercise of remedies by the Fund upon a counterparty default under derivatives held by the Fund (which could result in losses), remedies or termination rights by the Fund, and may otherwise adversely affect the value and performance of derivatives.

**Dollar Rolls Risk.** (BlackRock Low Duration Bond Portfolio) Dollar rolls involve the risk that the market value of the securities that the Fund is committed to buy may decline below the price of the securities the Fund has sold. These transactions may involve leverage.

**Emerging Markets Risk.** (BlackRock Low Duration Bond Portfolio) Emerging markets are riskier than more developed markets because they tend to develop unevenly and may never fully develop. Investments in emerging markets may be considered speculative. Emerging markets are more likely to experience hyperinflation and currency devaluations, which adversely affect returns to U.S. investors. In addition, many emerging securities markets have far lower trading volumes and less liquidity than developed markets.

**Equity Securities Risk.** (iShares Total U.S. Stock Market Index Fund) Stock markets are volatile. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions.

**Extension Risk.** (iShares Core International Aggregate Bond ETF) During periods of rising interest rates, certain debt obligations may be paid off substantially more slowly than originally anticipated and the value of those securities may fall sharply, resulting in a decline in the Fund's income and potentially in the value of the Fund's investments.

**Foreign Securities Risk.** (BlackRock Low Duration Bond Portfolio) Foreign investments often involve special risks not present in U.S. investments that can increase the chances that the Fund will lose money. These risks include: The Fund generally holds its foreign securities and cash in foreign banks and securities depositories, which may be recently organized or new to the foreign custody business and

may be subject to only limited or no regulatory oversight. Changes in foreign currency exchange rates can affect the value of the Fund's portfolio. The economies of certain foreign markets may not compare favorably with the economy of the United States with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. The governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Many foreign governments do not supervise and regulate stock exchanges, brokers and the sale of securities to the same extent as does the United States and may not have laws to protect investors that are comparable to U.S. securities laws. Settlement and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments.

**Geographic Risk.** (iShares Core International Aggregate Bond ETF) A natural disaster could occur in a geographic region in which the Fund invests, which could affect the economy or particular business operations of companies in the specific geographic region, causing an adverse impact on the Fund's investments in the affected region.

**High Portfolio Turnover Risk.** (BlackRock Low Duration Bond Portfolio) The Fund may engage in active and frequent trading of its portfolio securities. High portfolio turnover (more than 100%) may result in increased transaction costs to the Fund, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of the securities and on reinvestment in other securities. The sale of Fund portfolio securities may result in the realization and/or withdrawal to shareholders of higher capital gains or losses as compared to a fund with less active trading policies. These effects of higher than normal portfolio turnover may adversely affect Fund performance.

**High Yield Bonds Risk.** (BlackRock Low Duration Bond Portfolio) Although junk bonds generally pay higher rates of interest than investment grade bonds, junk bonds are high risk investments that are considered speculative and may cause income and principal losses for the Fund.

**Illiquid Investments Risk.** (BlackRock Low Duration Bond Portfolio, iShares Core International Aggregate Bond ETF) The Fund may not acquire any illiquid investment if, immediately after the acquisition, the Fund would have invested more than 15% of its net assets in illiquid investments. An illiquid investment is any investment that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. Liquid investments may become illiquid after purchase by the Fund, particularly during periods of market turmoil. There can be no assurance that a security or instrument that is deemed to be liquid when purchased will continue to be liquid for as long as it is held by the Fund, and any security or instrument held by the Fund may be deemed an illiquid investment pursuant to the Fund's liquidity risk management program. The Fund's illiquid investments may reduce the returns of the Fund because it may be difficult to sell the illiquid investments at an advantageous time or price. In addition, if the Fund is limited in its ability to sell illiquid investments during periods when shareholders are redeeming their shares, the Fund will need to sell liquid securities to meet redemption requests and illiquid securities will become a larger portion of the Fund's holdings. An investment may be illiquid due to among other things, the reduced number and capacity of traditional market participants to make a market in fixed-income securities or the lack of an active trading market. To the extent that the Fund's principal investment strategies involve derivatives or securities with substantial market and/or credit risk, the Fund will tend to have the greatest exposure to the risks associated with illiquid investments. Illiquid investments may be harder to value, especially in changing markets, and if the Fund is forced to sell these investments to meet redemption requests or for other cash needs, the

Fund may suffer a loss. This may be magnified in a rising interest rate environment or other circumstances where investor redemptions from fixed-income mutual funds may be higher than normal. In addition, when there is illiquidity in the market for certain securities, the Fund, due to limitations on illiquid investments, may be subject to purchase and sale restrictions.

**Income Risk.** (iShares Core International Aggregate Bond ETF) The Fund's income may decline when interest rates fall. This decline can occur because the Fund may subsequently invest in lower yielding bonds as bonds in its portfolio mature, are near maturity or are called, bonds in the Underlying Index are substituted, or the Fund otherwise needs to purchase additional bonds.

**Index Fund Risk.** (iShares Total U.S. Stock Market Index Fund) An index fund has operating and other expenses while an index does not. As a result, while the Fund will attempt to track the Underlying Index as closely as possible, it will tend to underperform the Underlying Index to some degree over time. If an index fund is properly correlated to its stated index, the fund will perform poorly when the index performs poorly.

**Index-Related Risk.** (iShares Total U.S. Stock Market Index Fund and iShares Core International Aggregate Bond ETF) There is no guarantee that the Fund's investment results will have a high degree of correlation to those of the Underlying Index or that the Fund will achieve its investment objective. Market disruptions or high volatility, other unusual market circumstances and regulatory restrictions could have an adverse effect on the Fund's ability to adjust its exposure to the required levels in order to track the Underlying Index. Errors in index data, index computations or the construction of the Underlying Index in accordance with its methodology may occur from time to time and may not be identified and corrected by the index provider for a period of time or at all, which may have an adverse impact on the Fund and its shareholders. Unusual market conditions may cause the index provider to postpone a scheduled rebalance, which could cause the Underlying Index to vary from its normal or expected composition.

**Indexing Investment Risk.** (iShares Core International Aggregate Bond ETF) The Fund is not actively managed, and BFA generally does not attempt to take defensive positions under any market conditions, including declining markets.

**Industrials Sector Risk.** (iShares Total U.S. Stock Market Index Fund) Companies in the industrials sector may be adversely affected by changes in the supply of and demand for products and services, product obsolescence and changes in general economic conditions, among other factors.

**Infectious Illness Risk.** (iShares Core International Aggregate Bond ETF) A widespread outbreak of an infectious illness, such as the COVID-19 pandemic, may result in travel restrictions, disruption of healthcare services, prolonged quarantines, cancellations, supply chain disruptions, business closures, lower consumer demand, layoffs, ratings downgrades, defaults and other significant economic, social and political impacts. Markets may experience temporary closures, extreme volatility, severe losses, reduced liquidity and increased trading costs. Such events may adversely affect the Fund and its investments and may impact the Fund's ability to purchase or sell securities or cause elevated tracking error and increased premiums or discounts to the Fund's NAV. Despite the development of vaccines, the duration of the COVID-19 pandemic and its effects cannot be predicted with certainty.

**Interest Rate Risk.** (iShares Core International Aggregate Bond ETF) An increase in interest rates may cause the value of securities held by the Fund to decline, may lead to heightened volatility in the fixed-income markets and may adversely affect the liquidity of certain fixed-income investments. The



historically low interest rate environment, together with recent modest rate increases, increases the risks associated with rising interest rates.

**Issuer Risk.** (iShares Total U.S. Stock Market Index Fund and iShares Core International Aggregate Bond ETF) Fund performance depends on the performance of individual securities to which the Fund has exposure. The Fund may be adversely affected if an issuer of underlying securities held by the Fund is unable or unwilling to repay principal or interest when due. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.

**Leverage Risk.** (BlackRock Low Duration Bond Portfolio) Some transactions may give rise to a form of economic leverage. These transactions may include, among others, derivatives, and may expose the Fund to greater risk and increase its costs. The use of leverage may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet any required asset segregation requirements. Increases and decreases in the value of the Fund's portfolio will be magnified when the Fund uses leverage.

**Management Risk.** (iShares Total U.S. Stock Market Index Fund and iShares Core International Aggregate Bond ETF) As the Fund may not fully replicate the Underlying Index, it is subject to the risk that BlackRock's investment strategy may not produce the intended results.

**Market Risk.** (iShares Core International Aggregate Bond ETF) The Fund could lose money over short periods due to short-term market movements and over longer periods during more prolonged market downturns.

**Market Risk and Selection Risk.** (BlackRock Low Duration Bond Portfolio) Market risk is the risk that one or more markets in which the Fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably. Selection risk is the risk that the securities selected by Fund management will underperform the markets, the relevant indices or the securities selected by other funds with similar investment objectives and investment strategies. This means you may lose money.

**Market Risk and Selection Risk.** (iShares Total U.S. Stock Market Index Fund) Market risk is the risk that one or more markets in which the Fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably. The value of a security or other asset may decline due to changes in general market conditions, economic trends or events that are not specifically related to the issuer of the security or other asset, or factors that affect a particular issuer or issuers, exchange, country, group of countries, region, market, industry, group of industries, sector or asset class. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues like pandemics or epidemics, recessions, or other events could have a significant impact on the Fund and its investments. Selection risk is the risk that the securities selected by Fund management will underperform the markets, the relevant indices or the securities selected by other funds with similar investment objectives and investment strategies. This means you may lose money.

A recent outbreak of an infectious coronavirus has developed into a global pandemic that has resulted in numerous disruptions in the market and has had significant economic impact leaving general concern and uncertainty. The impact of this coronavirus, and other epidemics and pandemics that may arise in the future, could affect the economies of many nations, individual companies and the market in general ways that cannot necessarily be foreseen at the present time.

**Market Trading Risk.** (iShares Core International Aggregate Bond ETF) The Fund faces numerous market trading risks, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, periods of high volatility and disruptions in the creation/redemption process. ANY OF THESE FACTORS, AMONG OTHERS, MAY LEAD TO THE FUND'S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.

**Mortgage- and Asset-Backed Securities Risks.** (BlackRock Low Duration Bond Portfolio) Mortgage- and asset-backed securities represent interests in "pools" of mortgages or other assets, including consumer loans or receivables held in trust. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risks. These securities also are subject to risk of default on the underlying mortgage or asset, particularly during periods of economic downturn. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage-backed securities.

**Non-Diversification Risk.** (iShares Core International Aggregate Bond ETF) The Fund may invest a large percentage of its assets in securities issued by or representing a small number of issuers. As a result, the Fund's performance may depend on the performance of a small number of issuers.

**Non-U.S. Issuers Risk.** (iShares Core International Aggregate Bond ETF) Securities issued by non-U.S. issuers carry different risks from securities issued by U.S. issuers. These risks include differences in accounting, auditing and financial reporting standards, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability, regulatory and economic differences, and potential restrictions on the flow of international capital. The Fund is specifically exposed to European Economic Risk.

**Operational Risk.** (iShares Core International Aggregate Bond ETF) The Fund is exposed to operational risks arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of the Fund's service providers, counterparties or other third-parties, failed or inadequate processes and technology or systems failures. The Fund and BFA seek to reduce these operational risks through controls and procedures. However, these measures do not address every possible risk and may be inadequate to address significant operational risks.

**Passive Investment Risk.** (iShares Total U.S. Stock Market Index Fund) Because BlackRock does not select individual companies in the index that the Fund tracks, the Fund may hold securities of companies that present risks that an investment adviser researching individual securities might seek to avoid.

**Privately Issued Securities Risk.** (iShares Core International Aggregate Bond ETF) The Fund may invest in privately issued securities, including those that are normally purchased pursuant to Rule 144A or Regulation S promulgated under the 1933 Act. Privately issued securities are securities that have not been registered under the 1933 Act and as a result may be subject to legal restrictions on resale. Privately issued securities are generally not traded on established markets. As a result of the absence of a public trading market, privately issued securities may be deemed to be illiquid investments, may be more difficult to value than publicly traded securities and may be subject to wide fluctuations in value. Delay or difficulty in selling such securities may result in a loss to the Fund.

**Privatization Risk.** (iShares Core International Aggregate Bond ETF) Some countries in which the Fund invests have privatized, or have begun the process of privatizing, certain entities and industries. Privatized entities may lose money or be re-nationalized.

**Reliance on Trading Partners Risk.** (iShares Core International Aggregate Bond ETF) The Fund invests in countries or regions whose economies are heavily dependent upon trading with key partners. Any reduction in this trading may have an adverse impact on the Fund's investments. Through its portfolio companies' trading partners, the Fund is specifically exposed to Asian Economic Risk, European Economic Risk and North American Economic Risk.

**Repurchase Agreements and Purchase and Sale Contracts Risk.** (BlackRock Low Duration Bond Portfolio) If the other party to a repurchase agreement or purchase and sale contract defaults on its obligation under the agreement, the Fund may suffer delays and incur costs or lose money in exercising its rights under the agreement. If the seller fails to repurchase the security in either situation and the market value of the security declines, the Fund may lose money.

**Reverse Repurchase Agreements Risk.** (BlackRock Low Duration Bond Portfolio) Reverse repurchase agreements involve the sale of securities held by the Fund with an agreement to repurchase the securities at an agreed-upon price, date and interest payment. Reverse repurchase agreements involve the risk that the other party may fail to return the securities in a timely manner or at all. The Fund could lose money if it is unable to recover the securities and the value of the collateral held by the Fund, including the value of the investments made with cash collateral, is less than the value of the securities. These events could also trigger adverse tax consequences for the Fund. In addition, reverse repurchase agreements involve the risk that the interest income earned in the investment of the proceeds will be less than the interest expense.

**Risk of Investing in China.** (iShares Core International Aggregate Bond ETF) Investments in bonds of Chinese issuers (including variable interest entities associated with an underlying Chinese operating company) subject the Fund to risks specific to China. China may be subject to considerable degrees of economic, political and social instability. China is an emerging market and demonstrates significantly higher volatility from time to time in comparison to developed markets. Over the last few decades, the Chinese government has undertaken reform of economic and market practices and has expanded the sphere of private ownership of property in China. However, Chinese markets generally continue to experience inefficiency, volatility and pricing anomalies resulting from governmental influence, a lack of publicly available information and/or political and social instability.

Chinese issuers are also subject to the risk that Chinese authorities can intervene in their operations and structure. Internal social unrest or confrontations with neighboring countries, including military conflicts in response to such events, may also disrupt economic development in China and result in a greater risk of currency fluctuations, currency non-convertibility, interest rate fluctuations and higher rates of inflation.

China has experienced security concerns, such as terrorism and strained international relations. Additionally, China is alleged to have participated in state-sponsored cyberattacks against foreign companies and foreign governments. Actual and threatened responses to such activity and strained international relations, including purchasing restrictions, sanctions, tariffs or cyberattacks on the Chinese government or Chinese companies, may impact China's economy and Chinese issuers of securities in which the Fund invests. Incidents involving China's or the region's security may cause uncertainty in Chinese markets and may adversely affect the Chinese economy and the Fund's investments. Export growth continues to be a major driver of China's rapid economic growth. Reduction in spending on Chinese products and services, supply chain diversification, institution of additional tariffs or other trade barriers (including as a result of heightened trade tensions or a trade war between China and the U.S. or in response to actual or alleged Chinese cyber activity) or a downturn in any of the economies of China's key trading partners may have an adverse impact on the Chinese economy. The

Underlying Index may include companies that are subject to economic or trade restrictions (but not investment restrictions) imposed by the U.S. or other governments due to national security, human rights or other concerns of such government. So long as these restrictions do not include restrictions on investments, the Fund is generally expected to invest in such companies, consistent with its objective to track the performance of the Underlying Index.

Chinese issuers are not subject to the same degree of regulatory requirements, accounting standards or auditor oversight as issuers in more developed countries. As a result, information about the Chinese securities in which the Fund invests may be less reliable or complete. There may be significant obstacles to obtaining information necessary for investigations into or litigation against Chinese issuers, and investors may have limited legal remedies. The Fund is not actively managed and does not select investments based on investor protection considerations.

**Risk of Investing in the China Bond Market.** (iShares Core International Aggregate Bond ETF) The Fund invests directly in the domestic bond market in the People's Republic of China ("China" or the "PRC") (the "China Interbank Bond Market") through the northbound trading Bond Connect. All bonds traded through Bond Connect will be registered in the name of the PRC's Central Moneymarkets Unit ("CMU"), which will hold such bonds as a nominee owner. The precise nature and rights of the Fund as the beneficial owner of the bonds traded in the China Interbank Bond Market through CMU as nominee are relatively new and untested areas of PRC law, and the exact nature of the Fund's remedies and methods of enforcement of the rights and interests of the Fund under PRC law are also uncertain.

Market volatility and potential lack of liquidity due to low trading volume of certain bonds in the China Interbank Bond Market may result in prices of certain bonds to fluctuate significantly, and the systems used to trade in the market may not function as expected. Trading through Bond Connect is also subject to regulatory risks, including rules and regulations that are subject to change, and there can be no assurance that Bond Connect or certain features or systems thereof will not be materially altered, suspended, discontinued or abolished. The Fund may also be subject to additional taxation if certain tax exemptions under prevailing PRC tax regulations are withdrawn or amended. Any taxes arising from or to the Fund may be directly borne by, or indirectly passed on to, the Fund, which may result in a substantial impact to its NAV. Investing through Bond Connect subjects the Fund to currency risk, to the extent that currency rates used for Bond Connect are different than the rates used in the China Interbank Bond Market.

**Risk of Investing in Developed Countries.** (iShares Core International Aggregate Bond ETF) The Fund's investment in developed country issuers may subject the Fund to regulatory, political, currency, security, economic and other risks associated with developed countries. Developed countries tend to represent a significant portion of the global economy and have generally experienced slower economic growth than some less developed countries. Certain developed countries have experienced security concerns, such as terrorism and strained international relations. Incidents involving a country's or region's security may cause uncertainty in its markets and may adversely affect its economy and the Fund's investments. In addition, developed countries may be adversely impacted by changes to the economic conditions of certain key trading partners, regulatory burdens, debt burdens and the price or availability of certain commodities.

**Risk of Investing in Emerging Markets.** (iShares Core International Aggregate Bond ETF) Investments in emerging market issuers may be subject to a greater risk of loss than investments in issuers located or operating in more developed markets. Emerging markets may be more likely to experience inflation, social instability, political turmoil or rapid changes in economic conditions than more developed markets. Companies in many emerging markets are not subject to the same degree of regulatory

requirements, accounting standards or auditor oversight as companies in more developed countries, and as a result, information about the securities in which the Fund invests may be less reliable or complete. Emerging markets often have less reliable securities valuations and greater risk associated with custody of securities than developed markets. There may be significant obstacles to obtaining information necessary for investigations into or litigation against companies and shareholders may have limited legal remedies. The Fund is not actively managed and does not select investments based on investor protection considerations.

**Risk of Investing in Russia.** (iShares Core International Aggregate Bond ETF) Investing in Russian securities involves significant risks, including legal, regulatory and economic risks that are specific to Russia. In addition, investing in Russian securities involves risks associated with the settlement of portfolio transactions and loss of the Fund's ownership rights in its portfolio securities as a result of the system of share registration and custody in Russia. A number of jurisdictions, including the U.S., Canada and the European Union have imposed economic sanctions on certain Russian individuals and Russian S-9 corporate entities. These and future sanctions, or even the threat of further sanctions, may adversely affect Russia's economy and the Fund's investments.

**Risk of Investing in Saudi Arabia.** (iShares Core International Aggregate Bond ETF) The ability of foreign investors (such as the Fund) to invest in the securities of Saudi Arabian issuers is relatively new. Such ability could be restricted by the Saudi Arabian government at any time, and unforeseen risks could materialize with respect to foreign ownership in such securities. The economy of Saudi Arabia is dominated by petroleum exports. A sustained decrease in petroleum prices could have a negative impact on all aspects of the economy. Investments in the securities of Saudi Arabian issuers involve risks not typically associated with investments in securities of issuers in more developed countries that may negatively affect the value of the Fund's investments. Such heightened risks may include, among others, expropriation and/or nationalization of assets, restrictions on and government intervention in international trade, confiscatory taxation, political instability, including authoritarian and/ or military involvement in governmental decision making, armed conflict, crime and instability as a result of religious, ethnic and/or socioeconomic unrest. There remains the possibility that instability in the larger Middle East region could adversely impact the economy of Saudi Arabia, and there is no assurance of political stability in Saudi Arabia.

**Risk of Investing in the United States.** (BlackRock Low Duration Bond Portfolio, iShares Total U.S. Stock Market Index Fund) Certain changes in the U.S. economy, such as when the U.S. economy weakens or when its financial markets decline, may have an adverse effect on the securities to which the Fund has exposure.

**Small and Mid-Capitalization Company Risk.** (iShares Total U.S. Stock Market Index Fund) Companies with small or mid-size market capitalizations will normally have more limited product lines, markets and financial resources and will be dependent upon a more limited management group than larger capitalized companies. In addition, it is more difficult to get information on smaller companies, which tend to be less well known, have shorter operating histories, do not have significant ownership by large investors and are followed by relatively few securities analysts.

**Sovereign and Quasi-Sovereign Obligations Risk.** (iShares Core International Aggregate Bond ETF) The Fund invests in securities issued by or guaranteed by non-U.S. sovereign governments and by entities affiliated with or backed by non-U.S. sovereign governments, which may be unable or unwilling to repay principal or interest when due. In times of economic uncertainty, the prices of these securities may be more volatile than those of corporate debt obligations or of other government debt obligations.

**Tax Risk.** (iShares Core International Aggregate Bond ETF) The Fund invests in derivatives. The federal income tax treatment of a derivative may not be as favorable as a direct investment in an underlying asset. Derivatives may produce taxable income and taxable realized gain. Derivatives may adversely affect the timing, character and amount of income the Fund realizes from its investments. As a result, a larger portion of the Fund's withdrawals may be treated as ordinary income rather than as capital gains. In addition, certain derivatives are subject to mark-to-market or straddle provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). If such provisions are applicable, there could be an increase (or decrease) in the amount of taxable dividends paid by the Fund. Income from swaps is generally taxable. In addition, the tax treatment of certain derivatives, such as swaps, is unsettled and may be subject to future legislation, regulation or administrative pronouncements issued by the U.S. Internal Revenue Service ("IRS"). As part of the Fund's currency hedging strategy, the Fund may match foreign currency forward contracts with the non-U.S. dollar denominated securities whose currency risk is intended to be hedged wholly or partially by such contracts. If the Fund were to perform such matching for income tax purposes, this matching would potentially result in the Fund's deferral for U.S. federal income tax purposes of the realized gains or losses attributable to foreign currency forward contracts until such gains or losses offset the currency related losses on the matched non-U.S. dollar denominated securities. If the IRS were to disagree with such deferral treatment or the matching methodology used, the Fund's income could become undistributed and incur tax liabilities. The Fund may reevaluate, adjust, begin, or discontinue the matching of such contracts in the future.

**Technology Sector Risk.** (iShares Total U.S. Stock Market Index Fund ) Technology companies, including information technology companies, may have limited product lines, markets, financial resources or personnel. Technology companies typically face intense competition and potentially rapid product obsolescence. They are also heavily dependent on intellectual property rights and may be adversely affected by the loss or impairment of those rights. Companies in the technology sector are facing increased government and regulatory scrutiny and may be subject to adverse government or regulatory action.

**Tracking Error Risk.** (iShares Total U.S. Stock Market Index Fund) The Fund may be subject to tracking error, which is the divergence of the Fund's performance from that of the Underlying Index. Tracking error may occur because of differences between the securities and other instruments held in the Fund's portfolio and those included in the Underlying Index, pricing differences, differences in transaction costs, the Fund's holding of uninvested cash, differences in timing of the accrual of or the valuation of dividends or interest, tax gains or losses, changes to the Underlying Index or the costs to the Fund of complying with various new or existing regulatory requirements. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because the Fund incurs fees and expenses, while the Underlying Index does not.

**Tracking Error Risk.** (iShares Core International Aggregate Bond ETF) Tracking error is the divergence of a fund's performance from that of the applicable underlying index. Tracking error may occur because of differences between the securities and other instruments held in a fund's portfolio and those included in the applicable underlying index, pricing differences (including, as applicable, differences between a security's price at the local market close and the fund's valuation of a security at the time of calculation of the fund's NAV), differences in transaction and hedging costs and forward rates achieved, the fund's holding of uninvested cash, differences in timing of the accrual of or the valuation of dividends or other distributions, interest, tax gains or losses, changes to the applicable underlying index and the cost to the fund of complying with various new or existing regulatory requirements. These risks may be heightened during times of increased market volatility or other unusual market conditions in the affected securities

and/or foreign exchange markets. In addition, tracking error may result because a fund incurs fees and expenses, while the applicable underlying index does not, and because the fund accepts creations and redemptions during time periods between which it is able to adjust its currency hedges, whereas the applicable underlying index does not adjust its hedging during these periods.

**U.S. Government Issuer Risk.** (BlackRock Low Duration Bond Portfolio) Treasury obligations may differ in their interest rates, maturities, times of issuance and other characteristics. Obligations of U.S. Government agencies and authorities are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. Government. No assurance can be given that the U.S. Government will provide financial support to its agencies and authorities if it is not obligated by law to do so.

**Valuation Risk.** (iShares Core International Aggregate Bond ETF) The price the Fund could receive upon sale of a security or unwind of a financial instrument or other asset may differ from the Fund's valuation of the security, instrument or other asset and from the value used by the Underlying Index, particularly for securities or other instruments that trade in low volume or volatile markets or that are valued using a fair value methodology as a result of trade suspensions or for other reasons. In addition, the value of the securities or other instruments in the Fund's portfolio may change on days or during time periods when shareholders will not be able to purchase or sell the Fund's shares. Authorized Participants who purchase or redeem Fund shares on days when the Fund is holding fair valued securities may receive fewer or more shares, or lower or higher redemption proceeds, than they would have received had the Fund not fair valued securities or used a different valuation methodology. The Fund's ability to value investments may be impacted by technological issues or errors by pricing services or other third party service providers.

## **COHEN AND STEERS PRINCIPAL RISKS**

**Active Management Risk.** As an actively managed portfolio, the value of the Fund's investments could decline because the financial condition of an issuer may change (due to such factors as management performance, reduced demand or overall market changes), financial markets may fluctuate or overall prices may decline, or the Advisor's investment techniques could fail to achieve the Fund's investment objective or negatively affect the Fund's investment performance.

**Common Stock Risk.** While common stocks have historically generated higher average returns than fixed-income securities over the long-term, common stocks have also experienced significantly more volatility in those returns, although under certain market conditions, fixed-income investments may have comparable or greater price volatility. The value of common stocks and other equity securities will fluctuate in response to developments concerning the company, political and regulatory circumstances, the stock market and the economy. In the short term, stock prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, stocks of large companies can react differently than stocks of smaller companies, and value stocks (stocks of companies that are undervalued by various measures and have potential for long-term capital appreciation), can react differently from growth stocks (stocks of companies with attractive cash flow returns on invested capital and earnings that are expected to grow). These developments can affect a single company, all companies within the same industry, economic sector or geographic region, or the stock market as a whole.

**Cyber Security Risk.** With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, the Fund and its service providers (including

the Advisor) may be susceptible to operational and information security risks resulting from cyberattacks and/or other technological malfunctions. In general, cyberattacks are deliberate, but unintentional events may have similar effects. Cyberattacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, gaining unauthorized access to digital systems for purposes of misappropriating assets and causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service. Successful cyberattacks against, or security breakdowns of, the Fund, the Advisor, or a custodian, transfer agent, or other affiliated or third-party service provider may adversely affect the Fund or its shareholders. Each of the Fund and the Advisor may have limited ability to prevent or mitigate cyberattacks or security or technology breakdowns affecting the Fund's third-party service providers. While the Fund has established business continuity plans and systems designed to prevent or reduce the impact of cyberattacks, such plans and systems are subject to inherent limitations.

**Foreign (non-U.S.) Securities Risk.** Risks of investing in foreign securities, which can be expected to be greater for investments in emerging markets, include currency risks, future political and economic developments, including but not limited to, international wars or conflicts (including Russia's military invasion of Ukraine), instability in regions such as Asia, Eastern Europe and the Middle East, terrorism, natural disasters and public health epidemics (including the outbreak of COVID-19 globally), and possible imposition of foreign withholding or other taxes on income or proceeds payable on the securities (including trading and tariff arrangements and restrictions, sanctions and cybersecurity attacks). In addition, there may be less publicly available information about a foreign issuer than about a domestic issuer, and foreign issuers may not be subject to the same accounting, auditing and financial recordkeeping standards and requirements as domestic issuers.

**Geopolitical Risk.** Occurrence of global events similar to those in recent years, such as war (including Russia's military invasion of Ukraine), terrorist attacks, natural or environmental disasters, country instability, public health emergencies (including epidemics and pandemics), market instability, debt crises and downgrades, embargoes, tariffs, sanctions and other trade barriers and other governmental trade or market control programs, the potential exit of a country from its respective union and related geopolitical events, may result in market volatility and may have long-lasting impacts on U.S. and global economies and financial markets. Supply chain disruptions or significant changes in the supply or prices of commodities or other economic inputs may have material and unexpected effects on both global securities markets and individual countries, regions, sectors, companies or industries. Events occurring in one region of the world may negatively impact industries and regions that are not otherwise directly impacted by the events. Additionally, those events, as well as other changes in foreign and domestic political and economic conditions, could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, secondary trading, credit ratings, inflation, investor sentiment and other factors affecting the value of the Fund's investments.

On January 31, 2020, the United Kingdom ("UK") withdrew from the European Union ("EU") (referred to as Brexit). An agreement between the UK and the EU governing their future trade relationship became effective January 1, 2021. Brexit has resulted in volatility in European and global markets and could have potentially significant negative long-term impacts on financial markets in the UK and throughout Europe.

On February 24, 2022, Russia launched a large-scale invasion of Ukraine significantly amplifying already existing geopolitical tensions. The United States and many other countries have instituted various



economic sanctions against Russia, Russian individuals and entities and Belarus. The extent and duration of the military action, sanctions imposed and other punitive actions taken (including any Russian retaliatory responses to such sanctions and actions), and resulting disruptions in Europe and globally cannot be predicted, but could be significant and have a severe adverse effect on the global economy, securities markets and commodities markets globally, including through global supply chain disruptions, increased inflationary pressures and reduced economic activity. Ongoing conflicts in the Middle East could have similar negative impacts. To the extent the Fund has exposure to the energy sector, the Fund may be especially susceptible to these risks. Furthermore, in March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. There can be no certainty that the actions taken by the U.S. government to strengthen public confidence in the U.S. banking system will be effective in mitigating the effects of financial institution failures on the economy and restoring public confidence in the U.S. banking system. These disruptions may also make it difficult to value the Fund's portfolio investments and cause certain of the Fund's investments to become illiquid. The strengthening or weakening of the U.S. dollar relative to other currencies may, among other things, adversely affect the Fund's investments denominated in non-U.S. dollar currencies. It is difficult to predict when similar events affecting the U.S. or global financial markets may occur, the effects that such events may have, and the duration of those effects.

**Investment Risk.** An investment in the Fund is subject to investment risk, including the possible loss of the entire principal amount that you invest.

**Large Shareholder Risk.** The Fund may have one or more large shareholders or a group of shareholders investing in classes of Fund shares indirectly through an account, platform or program sponsored by a financial institution. Investment and asset allocation decisions by such financial institutions regarding the account, platform or program through which multiple shareholders invest may result in subscription and redemption decisions that have a significant impact on the assets, expenses and trading activities of the Fund. Such a decision may cause the Fund to sell assets (or invest cash) at disadvantageous times or prices, increase or accelerate taxable gains or transaction costs and may negatively affect the Fund's NAV, performance, or ability to satisfy redemptions in a timely manner.

**Market Risk.** Your investment in Fund shares represents an indirect investment in the REIT shares and other real estate securities owned by the Fund. The value of these securities, like other investments, may move up or down, sometimes rapidly and unpredictably. Your Fund shares at any point in time may be worth less than what you invested, even after taking into account the reinvestment of Fund dividends and withdrawals.

**Non-Diversification Risk.** As a "non-diversified" investment company, the Fund can invest in fewer individual companies than a diversified investment company. As a result, the Fund is more susceptible to any single political, regulatory or economic occurrence and to the financial condition of individual issuers in which it invests. The Fund's relative lack of diversity may subject investors to greater risk of loss than a fund that has a diversified portfolio.

**Other Investment Companies Risk.** To the extent the Fund invests a portion of its assets in investment companies, including open-end funds, closed-end funds, exchange-traded funds ("ETFs") and other types of pooled investment funds, those assets will be subject to the risks of the purchased investment funds' portfolio securities, and a shareholder in the Fund will bear not only his or her proportionate share of the Fund's expenses, but also indirectly the expenses of the purchased investment funds. Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment funds. Risks associated with investments in closed-end funds also generally include market

risk, leverage risk, risk of market price discount from NAV, risk of anti-takeover provisions and non-diversification. In addition, restrictions under the Investment Company Act of 1940 (“1940 Act”) may limit the Fund’s ability to invest in other investment companies to the extent desired. The Fund may invest in exchange-traded derivatives that are not registered under the 1940 Act.

**Preferred Securities Risk.** There are various risks associated with investing in preferred securities. These risks include deferral and omission of withdrawals; credit risk; subordination to bonds and other debt securities in a company’s capital structure; interest rate risk; prepayment and extension risk; call, reinvestment and income risk; liquidity risk; limited voting rights; and special redemption rights.

**Real Estate Market Risk.** Since the Fund concentrates its assets in companies engaged in the real estate industry, your investment in the Fund will be closely linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from unanticipated economic, legal, cultural or technological developments. Real estate company prices also may drop because of the failure of borrowers to pay their loans and poor management, and residential developers, in particular, could be negatively impacted by falling home prices, slower mortgage origination and rising construction costs.

**REIT Risk.** REITs generally are dependent upon management skills and may not be diversified. REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. In addition, REITs could possibly fail to qualify for favorable tax treatment under applicable tax law. Various factors may also adversely affect a borrower’s or a lessee’s ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments.

**Regulatory Risk.** The U.S. government has proposed and adopted multiple regulations that could have a long-lasting impact on the Fund and on the mutual fund industry in general. The Department of Labor’s (“DOL”) final rule on conflicts of interest on fiduciary investment advice, as well as the Securities and Exchange Commission’s (“SEC”) final rules and amendments to modernize reporting and disclosure and to develop and implement a Liquidity Risk Management Program for open-end investment companies could, among other things, restrict and/or increase the cost of the Fund’s ability to engage in transactions, impact flows into the Fund and/or increase overall expenses of the Fund. In addition, Congress, various exchanges and regulatory and self-regulatory authorities, both domestic and foreign, have undertaken reviews of options and futures trading in light of market volatility. Among the actions that have been taken or proposed to be taken are new limits and reporting requirements for speculative positions, new or more stringent daily price fluctuation limits for futures and options transactions, and increased margin requirements for various types of futures transactions. While the full extent of all of these regulations is still unclear, these regulations and actions may adversely affect the instruments in which the Fund invests and its ability to execute its investment strategy. For example, climate change regulation (such as decarbonization legislation, other mandatory controls to reduce emissions of greenhouse gases, or related disclosure requirements) could significantly affect the Fund or its investments by, among other things, increasing compliance costs or underlying companies’ operating costs and capital expenditures. Similarly, regulatory developments in other countries may have an unpredictable and adverse impact on the Fund.

**Small- and Medium-Sized Companies Risk.** Real estate companies in the industry tend to be small- to medium-sized companies in relation to the equity markets as a whole. There may be less trading in a smaller company’s stock, which means that buy and sell transactions in that stock could have a larger impact on the stock’s price than is the case with larger company stocks. Smaller companies also may

have fewer lines of business so that changes in any one line of business may have a greater impact on a smaller company's stock price than is the case for a larger company. Further, smaller company stocks may perform differently in different cycles than larger company stocks. Accordingly, real estate company shares can, and at times will, perform differently than large company stocks.

## **DIMENSIONAL FUND ADVISORS PRINCIPAL RISKS**

**China Investments Risk.** (DFA Emerging Markets Core Equity Portfolio) There are special risks associated with investments in China and Taiwan, which are considered emerging market countries by the Advisor. The Chinese government has implemented significant economic reforms in order to liberalize trade policy, promote foreign investment in the economy, reduce government control of the economy and develop market mechanisms. But there can be no assurance that these reforms will continue or that they will be effective. Despite reforms and privatizations of companies in certain sectors, the Chinese government still exercises substantial influence over many aspects of the private sector and may own or control many companies. The Chinese government continues to maintain a major role in economic policy making and investing in China involves risks of losses due to expropriation, nationalization, confiscation of assets and property, and the imposition of restrictions on foreign investments and on repatriation of capital invested.

A reduction in spending on Chinese products and services or the institution of additional tariffs or other trade barriers, including as a result of heightened trade tensions between China and the United States may also have an adverse impact on the Chinese economy. In addition, investments in Taiwan could be adversely affected by its political and economic relationship with China. Certain securities issued by companies located or operating in China, such as China A-shares, are also subject to trading restrictions, quota limitations and less market liquidity, which could pose risks to a fund investing in such securities. In addition, investments in special structures that utilize contractual arrangements to provide exposure to certain Chinese companies, known as variable interest entities ("VIEs"), that operate in sectors in which China restricts and/or prohibits foreign investments may present additional risks. The Chinese government's acceptance of the VIE structure is evolving. It is uncertain whether Chinese officials and regulators will withdraw their acceptance of the structure generally, or with respect to certain industries, or whether Chinese courts or arbitration bodies would decline to enforce the contractual rights of foreign investors, each of which would likely have significant, detrimental, and possibly permanent losses on the value of such investments.

**Credit Risk.** (DFA Inflation-Protected Securities Portfolio) Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact the performance of a fund holding such securities. Government agency obligations have different levels of credit support and, therefore, different degrees of credit risk. Securities issued by agencies and instrumentalities of the U.S. Government that are supported by the full faith and credit of the United States, such as the Federal Housing Administration and Ginnie Mae, present little credit risk. Other securities issued by agencies and instrumentalities sponsored by the U.S. Government, that are supported only by the issuer's right to borrow from the U.S. Treasury, subject to certain limitations, and securities issued by agencies and instrumentalities sponsored by the U.S. Government that are sponsored by the credit of the issuing agencies, such as Freddie Mac and Fannie Mae, are subject to a greater degree of credit risk. U.S. government agency securities issued or guaranteed by the credit of the agency may still involve a risk of non-payment of principal and/or interest.

**Cyber Security Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA Inflation-Protected Securities Portfolio, DFA International Core Equity Portfolio) A fund and its service providers' use of internet, technology and information systems may expose the fund to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or fund assets, or cause the fund and/or its service providers to suffer data corruption or lose operational functionality.

**Derivatives Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA Inflation-Protection Securities Portfolio, DFA International Core Equity Portfolio ) Derivatives are instruments, such as futures contracts, and options thereon, and foreign currency forward contracts, whose value is derived from that of other assets, rates or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will work. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains or cause losses if the market moves in a manner different from that anticipated by a fund or if the cost of the derivative outweighs the benefit of the hedge. The use of derivatives for non-hedging purposes may be considered to carry more risk than other types of investments. When a fund uses derivatives, the fund will be directly exposed to the risks of those derivatives. Derivative instruments are subject to a number of risks including counterparty, settlement, liquidity, interest rate, market, credit and management risks, as well as the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index, and a fund could lose more than the principal amount invested.

**Emerging Markets Risk.** (DFA Emerging Markets Core Equity Portfolio) Numerous emerging market countries have a history of, and continue to experience serious, and potentially continuing, economic and political problems. Stock markets in many emerging market countries are relatively small, expensive to trade in and generally have higher risks than those in developed markets. Securities in emerging markets also may be less liquid than those in developed markets and foreigners are often limited in their ability to invest in, and withdraw assets from, these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

**Equity Market Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA International Core Equity Portfolio) Even a long-term investment approach cannot guarantee a profit. Economic, market, political, and issuer-specific conditions and events will cause the value of equity securities, and the fund that owns them, to rise or fall. Stock markets are volatile, with periods of rising prices and periods of falling prices.

**Foreign Securities and Currencies Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA International Core Equity Portfolio) Foreign securities prices may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. Investors holding these securities may also be exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar or that a foreign government will convert, or be forced to convert, its currency to another currency, changing its value against the U.S. dollar). The Portfolio does not hedge foreign currency risk.

Depository receipts are generally subject to the same risks as the foreign securities that they evidence or into which they may be converted. In addition, the underlying issuers of certain depository receipts, particularly unsponsored or unregistered depository receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting

rights with respect to the deposited securities. Depository receipts that are not sponsored by the issuer may be less liquid and there may be less readily available public information about the issuer.

**Income Risk.** (DFA Inflation-Protected Securities Portfolio) Income risk is the risk that falling interest rates will cause a fund's income to decline because, among other reasons, the proceeds from maturing short-term securities in its portfolio may be reinvested in lower-yielding securities.

**Interest Rate Risk.** (DFA Inflation-Protected Securities Portfolio) Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. During periods of very low or negative interest rates, a fund may be subject to a greater risk of rising interest rates. In general, fixed income securities with longer maturities are more sensitive to changes in interest rates.

**Inflation-Protected Securities Tax Risk.** (DFA Inflation-Protected Securities Portfolio) Any increase in the principal amount of an inflation-protected security may be included for tax purposes in a fund's gross income, even though no cash attributable to such gross income has been received by a fund. In such event, a fund may be required to make annual gross distributions to shareholders that exceed the cash it has otherwise received. In order to pay such distributions, a fund may be required to raise cash by selling its investments. The sale of such investments could result in capital gains to a fund and additional capital gain distributions to shareholders. In addition, adjustments during the taxable year for deflation to an inflation-indexed bond held by a fund may cause amounts previously distributed to shareholders in the taxable year as income to be characterized as a return of capital, which could increase or decrease a fund's ordinary income distributions to shareholders, and may cause some of a fund's distributed income to be classified as a return of capital.

**Inflation-Protected Securities Interest Rate Risk.** (DFA Inflation-Protected Securities Portfolio) Inflation-protected securities may react differently from other fixed income securities to changes in interest rates. Because interest rates on inflation-protected securities are adjusted for inflation, the values of these securities are not materially affected by inflation expectations. Therefore, the value of inflation-protected securities are anticipated to change in response to changes in "real" interest rates, which represent nominal (stated) interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

**Liquidity Risk.** (DFA Inflation-Protected Securities Portfolio) Liquidity risk exists when particular portfolio investments are difficult to purchase or sell. To the extent that a fund holds illiquid investments, the fund's performance may be reduced due to an inability to sell the investments at opportune prices or times. Liquid portfolio investments may become illiquid or less liquid after purchase by a fund due to low trading volume, adverse investor perceptions and/or other market developments. Liquidity risk includes the risk that a fund will experience significant net redemptions at a time when it cannot find willing buyers for its portfolio securities or can only sell its portfolio securities at a material loss or at increased costs. Liquidity risk can be more pronounced in periods of market turmoil or in situations where ownership of shares of a fund are concentrated in one or a few investors.

**Market Risk.** (DFA Inflation-Protected Securities Portfolio) Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and a fund that owns them, to rise or fall.

**Operational Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA Inflation-Protected Securities Portfolio, DFA International Core Equity Portfolio) Operational risks include human error, changes in personnel, system changes, faults in communication, and failures in systems, technology, or processes. Various operational events or circumstances are outside a fund's or its advisor's control, including instances at third parties. A fund and its advisor seek to reduce these operational risks through controls and procedures. However, measures that seek to reduce these operational risks through controls and procedures may not address every possible risk and may be inadequate to address these risks.

**Profitability Investment Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA International Core Equity Portfolio) High relative profitability stocks may perform differently from the market as a whole and an investment strategy purchasing these securities may cause a fund to at times underperform equity funds that use other investment strategies.

**Risks of Investing for Inflation Protection.** (DFA Inflation-Protected Securities Portfolio) Because the interest and/or principal payments on an inflation-protected security are adjusted periodically for changes in inflation, the income distributed by a fund investing in such securities may be irregular. Although the U.S. Treasury guarantees to pay at maturity at least the original face value of any inflation-protected securities the Treasury issues, other issuers may not offer the same guarantee. Inflation-protected securities are not protected against deflation. As a result, in a period of deflation, the principal and income of inflation-protected securities held by a fund will decline and the fund may suffer a loss during such periods. While inflation-protected securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in the value of a fund holding such securities. For example, if interest rates rise due to reasons other than inflation, a fund's investment in these securities may not be protected to the extent that the increase is not reflected in the securities' inflation measures. In addition, positive adjustments to principal generally will result in taxable income to a fund at the time of such adjustments (which generally would be distributed by the fund as part of its taxable dividends), even though the principal amount is not paid until maturity. The current market value of inflation-protected securities is not guaranteed and will fluctuate.

**Securities Lending Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA Inflation-Protected Securities Portfolio, DFA International Core Equity Portfolio) Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, a fund may lose money and there may be a delay in recovering the loaned securities. A fund could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

**Small and Mid-Cap Company Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA International Core Equity Portfolio) Securities of small and mid-cap companies are often less liquid than those of large companies and this could make it difficult to sell a small or mid-cap company security at a desired time or price. As a result, small and mid-cap company stocks may fluctuate relatively more in price. In general, small and mid-capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

**Value Investment Risk.** (DFA Emerging Markets Core Equity Portfolio, DFA International Core Equity Portfolio) Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a fund to at times underperform equity funds that use other investment strategies.

## PGIM INVESTMENTS PRINCIPAL RISKS

**Credit Risk.** This is the risk that the issuer, the guarantor or the insurer of a fixed-income security, or the counterparty to a contract may be unable or unwilling to make timely principal and interest payments or to otherwise honor its obligations. Additionally, the securities could lose value due to a loss of confidence in the ability of the issuer, guarantor, insurer or counterparty to pay back debt. The longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.

**Currency Risk.** The Fund's net asset value could decline as a result of changes in exchange rates, which could adversely affect the Fund's investments in currencies, or in securities that trade in, and receive revenues related to, currencies, or in derivatives that provide exposure to currencies. Certain foreign countries may impose restrictions on the ability of issuers of foreign securities to make payment of principal and interest or dividends to investors located outside the country, due to blockage of foreign currency exchanges or otherwise.

**Debt Obligations Risk.** Debt obligations are subject to credit risk, market risk and interest rate risk. The Fund's holdings, share price, yield and total return may also fluctuate in response to bond market movements. The value of bonds may decline for issuer-related reasons, including management performance, financial leverage and reduced demand for the issuer's goods and services. Certain types of fixed-income obligations also may be subject to "call and redemption risk," which is the risk that the issuer may call a bond held by the Fund for redemption before it matures and the Fund may lose income.

**Derivatives Risk.** Derivatives involve special risks and costs and may result in losses to the Fund. The successful use of derivatives requires sophisticated management, and, to the extent that derivatives are used, the Fund will depend on the subadvisor's ability to analyze and manage derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses to the Fund. The Fund's use of derivatives may also increase the amount of taxes payable by shareholders. Other risks arise from the potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for the Fund's derivatives positions. In fact, many over-the-counter derivative instruments will not have liquidity beyond the counterparty to the instrument. Over-the-counter derivative instruments also involve the risk that the other party will not meet its obligations to the Fund.

The US Government and foreign governments have adopted (and may adopt further) regulations governing derivatives markets, including mandatory clearing of certain derivatives, margin and reporting requirements. The ultimate impact of the regulations remains unclear. Additional regulation of derivatives may make derivatives more costly, limit their availability or utility, or otherwise adversely affect their performance or disrupt markets.

**Economic and Market Events Risk.** Events in the US and global financial markets, including actions taken by the US Federal Reserve or foreign central banks to stimulate or stabilize economic growth, may at times result in unusually high market volatility, which could negatively impact performance. Reduced liquidity in credit and fixed income markets could adversely affect issuers worldwide.

**Emerging Markets Risk.** The risks of foreign investments are greater for investments in or exposed to emerging markets. Emerging market countries typically have economic and political systems that are less fully developed, and can be expected to be less stable, than those of more developed countries. For example, the economies of such countries can be subject to rapid and unpredictable rates of inflation or deflation. Low trading volumes may result in a lack of liquidity and price volatility. Emerging market

countries may have policies that restrict investment by non-US investors, or that prevent non-US investors from withdrawing their money at will. Countries with emerging markets can be found in regions such as Asia, Latin America, Eastern Europe and Africa.

The Fund may invest in some emerging markets through trading structures or protocols that subject it to risks such as those associated with illiquidity, custody of assets, different settlement and clearance procedures and asserting legal title under a developing legal and regulatory regime to a greater degree than in developed markets or even in other emerging markets.

**Foreign Securities Risk.** The Fund's investments in securities of foreign issuers or issuers with significant exposure to foreign markets involve additional risk. Foreign countries in which the Fund may invest may have markets that are less liquid, less regulated and more volatile than US markets. The value of the Fund's investments may decline because of factors affecting the particular issuer as well as foreign markets and issuers generally, such as unfavorable government actions, and political or financial instability. Lack of information may also affect the value of these securities.

**Increase in Expenses Risk.** Your actual cost of investing in the Fund may be higher than the expenses shown in the expense table for a variety of reasons. For example, expense ratios may be higher than those shown if average net assets decrease. Net assets are more likely to decrease and Fund expense ratios are more likely to increase when markets are volatile. Active and frequent trading of Fund securities can increase expenses.

**Interest Rate Risk.** The value of your investment may go down when interest rates rise. A rise in rates tends to have a greater impact on the prices of longer term or duration securities. When interest rates fall, the issuers of debt obligations may prepay principal more quickly than expected, and the Fund may be required to reinvest the proceeds at a lower interest rate. This is referred to as "prepayment risk." When interest rates rise, debt obligations may be repaid more slowly than expected, and the value of the Fund's holdings may fall sharply. This is referred to as "extension risk." The Fund may face a heightened level of interest rate risk since the US Federal Reserve Board has ended its quantitative easing program and may continue to raise rates. The Fund may lose money if short-term or long-term interest rates rise sharply or in a manner not anticipated by the subadvisor.

**Junk Bonds Risk.** High-yield, high-risk bonds have predominantly speculative characteristics, including particularly high credit risk. Junk bonds tend to be less liquid than higher-rated securities. The liquidity of particular issuers or industries within a particular investment category may shrink or disappear suddenly and without warning. The non-investment grade bond market can experience sudden and sharp price swings and become illiquid due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors, a high profile default or a change in the market's psychology.

**Large Shareholder and Large Scale Redemption Risk.** Certain individuals, accounts, funds (including funds affiliated with the Manager) or institutions, including the Manager and its affiliates, may from time to time own or control a substantial amount of the Fund's shares. There is no requirement that these entities maintain their investment in the Fund. There is a risk that such large shareholders or that the Fund's shareholders generally may redeem all or a substantial portion of their investments in the Fund in a short period of time, which could have a significant negative impact on the Fund's NAV, liquidity, and brokerage costs. Large redemptions could also result in tax consequences to shareholders and impact the Fund's ability to implement its investment strategy. The Fund's ability to pursue its investment objective after one or more large scale redemptions may be impaired and, as a result, the Fund may invest a larger portion of its assets in cash or cash equivalents.



**Liquidity Risk.** The Fund may invest in instruments that trade in lower volumes and are less liquid than other investments. Liquidity risk exists when particular investments made by the Fund are difficult to purchase or sell. Liquidity risk also includes the risk that the Fund may make investments that may become less liquid in response to market developments or adverse investor perceptions. If the Fund is forced to sell these investments to pay redemption proceeds or for other reasons, the Fund may lose money. In addition, when there is no willing buyer and investments cannot be readily sold at the desired time or price, the Fund may have to accept a lower price or may not be able to sell the instrument at all. The reduction in dealer market-making capacity in the fixed-income markets that has occurred in recent years also has the potential to reduce liquidity. An inability to sell a portfolio position can adversely affect the Fund's value or prevent the Fund from being able to take advantage of other investment opportunities.

**Management Risk.** Actively managed funds are subject to management risk. The subadvisor will apply investment techniques and risk analyses in making investment decision for the Fund, but the subadvisor's judgments about the attractiveness, value or market trends affecting a particular security, industry or sector or about market movements may be incorrect. Additionally, the investments selected for the Fund may underperform the markets in general, the Fund's benchmark and other funds with similar investment objectives.

**Market Disruption and Geopolitical Risks.** Market disruption can be caused by economic, financial or political events and factors, including but not limited to, international wars or conflicts (including Russia's military invasion of Ukraine), geopolitical developments (including trading and tariff arrangements, sanctions and cybersecurity attacks), instability in regions such as Asia, Eastern Europe and the Middle East, terrorism, natural disasters and public health epidemics (including the outbreak of COVID-19 globally).

The extent and duration of such events and resulting market disruptions cannot be predicted, but could be substantial and could magnify the impact of other risks to the Fund. These and other similar events could adversely affect the U.S. and foreign financial markets and lead to increased market volatility, reduced liquidity in the securities markets, significant negative impacts on issuers and the markets for certain securities and commodities and/or government intervention. They may also cause short- or long-term economic uncertainties in the United States and worldwide. As a result, whether or not the Fund invests in securities of issuers located in or with significant exposure to the countries directly affected, the value and liquidity of the Fund's investments may be negatively impacted. Further, due to closures of certain markets and restrictions on trading certain securities, the value of certain securities held by the Fund could be significantly impacted, which could lead to such securities being valued at zero.

**Market Risk.** Securities markets may be volatile and the market prices of the Fund's securities may decline. Securities fluctuate in price based on changes in an issuer's financial condition and overall market and economic conditions. If the market prices of the securities owned by the Fund fall, the value of your investment in the Fund will decline.

**Mortgage-Backed and Asset-Backed Securities Risk.** Mortgage-backed and asset-backed securities tend to increase in value less than other debt securities when interest rates decline, but are subject to similar risk of decline in market value during periods of rising interest rates. The values of mortgage-backed and asset-backed securities become more volatile as interest rates rise. In a period of declining interest rates, the Fund may be required to reinvest more frequent prepayments on mortgage-backed and asset-backed securities in lower-yielding investments.

**US Government and Agency Securities Risk.** US Government and agency securities are subject to market risk, interest rate risk and credit risk. Not all US Government securities are insured or guaranteed by the full faith and credit of the US Government; some are only insured or guaranteed by the issuing agency, which must rely on its own resources to repay the debt. Connecticut Avenue Securities issued by Fannie Mae and Structured Agency Credit Risk issued by Freddie Mac carry no guarantee whatsoever and the risk of default associated with these securities would be borne by the Fund. The maximum potential liability of the issuers of some US Government securities held by the Fund may greatly exceed their current resources, including their legal right to support from the US Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future. In addition, the value of US Government securities may be affected by changes in the credit rating of the US Government.

## **SCHWAB PRINCIPAL RISKS**

**Concentration Risk.** (Schwab U.S. Aggregate Bond Index Fund, Schwab U.S. REIT ETF) To the extent that the fund's or the index's portfolio is concentrated in the securities of issuers in a particular market, industry, group of industries, sector or asset class, the fund may be adversely affected by the performance of those securities, may be subject to increased price volatility and may be more vulnerable to adverse economic, market, political or regulatory occurrences affecting that market, industry, group of industries, sector or asset class.

**Credit Risk.** (Schwab Short-Term U.S. Treasury ETF, Schwab U.S. Aggregate Bond Index Fund) A decline in the credit quality of an issuer, guarantor or liquidity provider of a portfolio investment or a counterparty could cause the fund to lose money or underperform. The fund could lose money if, due to a decline in credit quality, the issuer, guarantor or liquidity provider of a portfolio investment or a counterparty fails to make, or is perceived as being unable or unwilling to make, timely principal or interest payments or otherwise honor its obligations.

**Derivatives Risk.** (Schwab U.S. Aggregate Bond Index Fund, Schwab U.S. REIT ETF) The fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The fund's use of derivatives could reduce the fund's performance, increase the fund's volatility and cause the fund to lose more than the initial amount invested. In addition, investments in derivatives may involve leverage, which means a small percentage of assets invested in derivatives can have a disproportionately large impact on the fund.

**Equity Risk.** (Schwab U.S. REIT ETF) The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. In addition, equity markets tend to move in cycles which may cause stock prices to fall over short or extended periods of time.

**Interest Rate Risk.** (Schwab Short-Term US Treasury ETF, Schwab US Aggregate Bond Index Fund) Interest rates rise and fall over time. As with any investment whose yield reflects current interest rates, the fund's yield will change over time. During periods when interest rates are low, the fund's yield (and total return) also may be low. Changes in interest rates also may affect the fund's share price: a rise in interest rates generally causes the fund's share price to fall. The longer the fund's portfolio duration, the more sensitive to interest rate movements its share price is likely to be. Also, a change in a central bank's monetary policy or economic conditions, among other things, may result in a change in interest rates, which could have sudden and unpredictable effects on the markets and significantly impact the

value of fixed-income securities in which the fund invests. A sudden or unpredictable rise in interest rates may cause volatility and the value of fixed income securities to decline.

**Investment Style Risk.** (Schwab Short-Term US Treasury ETF, Schwab US Aggregate Bond Index Fund, Schwab US REIT ETF) The fund is an index fund. Therefore, the fund follows the securities included in the index during upturns as well as downturns. Because of its indexing strategy, the fund does not take steps to reduce market exposure or to lessen the effects of a declining market. In addition, because of the fund's expenses, the fund's performance may be below that of the index. Errors relating to the index may occur from time to time and may not be identified by the index provider for a period of time. In addition, market disruptions could cause delays in the index's rebalancing schedule. Such errors and/or market disruptions may result in losses for the fund.

**Large-Cap Company Risk.** (Schwab US REIT ETF) Large-cap companies are generally more mature and the securities issued by these companies may not be able to reach the same levels of growth as the securities issued by small- or mid-cap companies.

**Leverage Risk.** (Schwab US Aggregate Bond Index Fund) Certain fund transactions, such as derivatives transactions and mortgage dollar rolls, may give rise to a form of leverage and may expose the fund to greater risk. Leverage tends to magnify the effect of any decrease or increase in the value of the fund's portfolio securities. The use of leverage may cause the fund to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations.

**Liquidity Risk.** (Schwab Short-Term US Treasury ETF, Schwab US Aggregate Bond Index Fund, Schwab US REIT ETF) The fund may be unable to sell certain securities, such as illiquid securities, readily at a favorable time or price, or the fund may have to sell them at a loss.

**Market Capitalization Risk.** (Schwab US REIT ETF) Securities issued by companies of different market capitalizations tend to go in and out of favor based on market and economic conditions. During a period when securities of a particular market capitalization fall behind other types of investments, the fund's performance could be impacted.

**Market Risk.** (Schwab Short-Term US Treasury ETF, Schwab US Aggregate Bond Index Fund, Schwab US REIT ETF) Financial markets rise and fall in response to a variety of factors, sometimes rapidly and unpredictably. Markets may be impacted by economic, political, regulatory and other conditions, including economic sanctions and other government actions. In addition, the occurrence of global events, such as war, terrorism, environmental disasters, natural disasters and epidemics, may also negatively affect the financial markets. As with any investment whose performance is tied to these markets, the value of an investment in the fund will fluctuate, which means that an investor could lose money over short or long periods.

**Market Trading Risk.** (Schwab Short-Term US Treasury ETF, Schwab US REIT ETF) Although fund shares are listed on national securities exchanges, there can be no assurance that an active trading market for fund shares will develop or be maintained. If an active market is not maintained, investors may find it difficult to buy or sell fund shares.

**Mid-Cap Company Risk.** (Schwab US REIT ETF) Mid-cap companies may be more vulnerable to adverse business or economic events than larger, more established companies and the value of securities issued by these companies may move sharply.

**Money Market Fund Risk.** (Schwab US Aggregate Bond Index Fund) The fund may invest in underlying money market funds that either seek to maintain a stable \$1.00 net asset value (“stable share price money market funds”) or that have a share price that fluctuates (“variable share price money market funds”). Although an underlying stable share price money market fund seeks to maintain a stable \$1.00 net asset value, it is possible to lose money by investing in such a money market fund. Because the share price of an underlying variable share price money market fund will fluctuate, when the fund sells the shares it owns they may be worth more or less than what the fund originally paid for them. In addition, neither type of money market fund is designed to offer capital appreciation. Certain underlying money market funds may impose a fee upon the sale of shares or may temporarily suspend the ability to sell shares if such fund’s liquidity falls below required minimums.

**Mortgage-Backed and Mortgage Pass-Through Securities Risk.** (Schwab US Aggregate Bond Index Fund) Mortgage-backed securities tend to increase in value less than other debt securities when interest rates decline, but are subject to similar or greater risk of decline in market value during periods of rising interest rates. Certain of the mortgage-backed securities in which the fund may invest are issued or guaranteed by agencies or instrumentalities of the U.S. government but are not backed by the full faith and credit of the U.S. government. There can be no assurance that the U.S. government would provide financial support to its agencies or instrumentalities where it was not obligated to do so which can cause the fund to lose money or underperform. The risks of investing in mortgage-backed securities include, among others, interest rate risk, credit risk, prepayment risk and extension risk. Transactions in mortgage pass-through securities often occur through TBA transactions. The fund could lose money or underperform if a TBA counterparty defaults or goes bankrupt.

**Mortgage Dollar Rolls Risk.** (Schwab US Aggregate Bond Index Fund) Mortgage dollar rolls are transactions in which the fund sells mortgage-backed securities to a dealer and simultaneously agrees to repurchase similar securities in the future at a predetermined price. The fund’s mortgage dollar rolls could lose money if the price of the mortgage-backed securities sold falls below the agreed upon repurchase price, or if the counterparty is unable to honor the agreement.

**Non-U.S. Issuer Risk.** (Schwab US Aggregate Bond Index Fund) The fund may invest in U.S.-registered, dollar-denominated bonds of non-U.S. corporations, governments, agencies and supra-national entities. The fund’s investments in bonds of non-U.S. issuers may involve certain risks that are greater than those associated with investments in securities of U.S. Issuers. These include risks of adverse changes in foreign economic, political, regulatory and other conditions; the imposition of economic sanctions or other government restrictions; differing accounting, auditing, financial reporting and legal standards and practices; differing securities market structures; and higher transaction costs. These risks may be heightened in connection with bonds issued by non-U.S. corporations and entities in emerging markets.

**Portfolio Turnover Risk.** (Schwab Short-Term US Treasury ETF, Schwab US Aggregate Bond Index Fund) The fund may engage in frequent trading of its portfolio securities in connection with its tracking of the index, primarily due to the fund rolling over its positions in TBAs as it tracks the portion of the index represented by mortgage-backed securities. A higher portfolio turnover rate may result in increased transaction costs, which may lower the fund’s performance. A higher portfolio turnover rate can also result in an increase in taxable capital gains distributions to the fund’s shareholders.

**Prepayment and Extension Risk.** (Schwab US Aggregate Bond Index Fund) Certain fixed-income securities are subject to the risk that the securities may be paid off earlier or later than expected, especially during periods of falling or rising interest rates, respectively. Prepayments of obligations could cause the fund to forgo future interest income on the portion of the security’s principal repaid early and

force the fund to reinvest that money at the lower prevailing interest rates. Extensions of obligations could cause the fund to exhibit additional volatility and hold securities paying lower-than-market rates of interest. Either case could hurt the fund's performance.

**Real Estate Investment Risk.** (Schwab US REIT ETF) Due to the composition of the index, the fund concentrates its investments in real estate companies and companies related to the real estate industry. As such, the fund is subject to risks associated with the direct ownership of real estate securities and an investment in the fund will be closely linked to the performance of the real estate markets. These risks include, among others: declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds or other limits to accessing the credit or capital markets; defaults by borrowers or tenants, particularly during an economic downturn; and changes in interest rates.

**REITs Risk.** (Schwab US REIT ETF) In addition to the risks associated with investing in securities of real estate companies and real estate related companies, REITs are subject to certain additional risks. Equity REITs may be affected by changes in the value of the underlying properties owned by the trusts. Further, REITs are dependent upon specialized management skills and cash flows, and may have their investments in relatively few properties, or in a small geographic area or a single property type. Failure of a company to qualify as a REIT under federal tax law may have adverse consequences to the fund. In addition, REITs have their own expenses, and the fund will bear a proportionate share of those expenses.

**Sampling Index Tracking Risk.** (Schwab Short-Term US Treasury ETF, Schwab US Aggregate Bond Index Fund) The fund may not fully replicate the index and may hold securities not included in the index. As a result, the fund is subject to the risk that the investment adviser's investment management strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. Because the fund utilizes a sampling approach it may not track the return of the index as well as it would if the fund purchased all of the securities in the index.

**Securities Lending Risk.** (Schwab Short-Term US Treasury ETF, Schwab US Aggregate Bond Index Fund, Schwab US REIT ETF) Securities lending involves the risk of loss of rights in, or delay in recovery of, the loaned securities if the borrower fails to return the security loaned or becomes insolvent.

**Small-Cap Company Risk.** (Schwab US REIT ETF) Securities issued by small-cap companies may be riskier than those issued by larger companies, and their prices may move sharply, especially during market upturns and downturns.

**Tracking Error Risk.** (Schwab Short-Term US Treasury ETF, Schwab US Aggregate Bond Index Fund, Schwab US REIT ETF) As an index fund, the fund seeks to track the performance of the index, although it may not be successful in doing so. The divergence between the performance of the fund and the index, positive or negative, is called "tracking error." Tracking error can be caused by many factors and it may be significant.

**Shares of the Fund May Trade at Prices Other Than NAV.** (Schwab Short-Term US Treasury ETF, Schwab US REIT ETF) Fund shares may be bought and sold in the secondary market at market prices. Although it is expected that the market price of the shares of the fund will approximate the fund's NAV, there may be times when the market price and the NAV vary significantly. An investor may pay more than NAV when buying shares of the fund in the secondary market, and an investor may receive less than NAV

when selling those shares in the secondary market. The market price of fund shares may deviate, sometimes significantly, from NAV during periods of market volatility.

## **SSGA PRINCIPAL RISKS**

**Below Investment-Grade Securities Risk.** (SPDR Portfolio High Yield Bond ETF) Lower-quality debt securities (“high yield” or “junk” bonds) are considered predominantly speculative, and can involve a substantially greater risk of default than higher quality debt securities. Issuers of lower-quality debt securities may have substantially greater risk of insolvency or bankruptcy than issuers of higher-quality debt securities. They can be illiquid, and their values can have significant volatility and may decline significantly over short periods of time. Lower-quality debt securities tend to be more sensitive to adverse news about the issuer, or the market or economy in general.

**Communication Services Sector Risk.** (SPDR Portfolio High Yield Bond ETF) Communication services companies are particularly vulnerable to the potential obsolescence of products and services due to technological advancement and the innovation of competitors. Companies in the communication services sector may also be affected by other competitive pressures, such as pricing competition, as well as research and development costs, substantial capital requirements and government regulation. Additionally, fluctuating domestic and international demand, shifting demographics and often unpredictable changes in consumer tastes can drastically affect a communication services company’s profitability. While all companies may be susceptible to network security breaches, certain companies in the communication services sector may be particular targets of hacking and potential theft of proprietary or consumer information or disruptions in service, which could have a material adverse effect on their businesses.

**Consumer Cyclical Sector Risk.** (SPDR Portfolio High Yield Bond ETF) Companies in the consumer cyclical sector are largely impacted by the performance of the overall global economy, changes in interest rates, fluctuations in supply and demand, and changes in consumer preferences. Success depends heavily on disposable household income and consumer spending. As a result, consumer cyclical companies may be adversely affected and lose value quickly in periods of economic downturns.

**China Risk.** (SPDR Portfolio Emerging Markets ETF) The Chinese economy is generally considered an emerging market and can be significantly affected by economic and political conditions and policy in China and surrounding Asian countries. A relatively small number of Chinese companies represent a large portion of China’s total market and thus may be more sensitive to adverse political or economic circumstances and market movements. The economy of China differs, often unfavorably, from the U.S. economy in such respects as structure, general development, government involvement, wealth distribution, rate of inflation, growth rate, allocation of resources and capital reinvestment, among others. Under China’s political and economic system, the central government has historically exercised substantial control over virtually every sector of the Chinese economy through administrative regulation and/or state ownership. The Chinese government may intervene or seek to control the operations, structure, or ownership of Chinese companies, including with respect to foreign investors of such companies. In addition, expropriation, including nationalization, confiscatory taxation, political, economic or social instability or other developments could adversely affect and significantly diminish the values of the Chinese companies in which the Fund invests. International trade tensions may arise from time to time which can result in trade tariffs, embargoes, trade limitations, trade wars and other negative consequences. These consequences may trigger a reduction in international trade, the oversupply of certain manufactured goods, substantial price reductions of goods and possible failure of individual companies and/or large segments of China’s export industry with a potentially severe

negative impact to the Fund. The Fund may invest in shares of Chinese companies traded on stock markets in Mainland China or Hong Kong. These stock markets have recently experienced high levels of volatility, which may continue in the future. The Hong Kong stock market may behave differently from the Mainland China stock market and there may be little to no correlation between the performance of the Hong Kong stock market and the Mainland China stock market. The Fund may also gain investment exposure to certain Chinese companies through variable interest entity (“VIE”) structures. The VIE structure enables foreign investors, such as the Fund, to obtain investment exposure to a Chinese company in situations in which the Chinese government has limited or prohibited non-Chinese ownership of such company. The VIE structure does not involve equity ownership in a China-based company but rather involves claims to the China-based company’s profits and control of its assets through contractual arrangements. In addition to the risk of government intervention, investments through a VIE structure are subject to the risk that the China-based company (or its officers, directors, or Chinese equity owners) may breach those contractual arrangements, or Chinese law changes in a way that adversely affects the enforceability of these arrangements, or those contracts are otherwise not enforceable under Chinese law, in which case the Fund may suffer significant losses on its investments through a VIE structure with little or no recourse available. If the Chinese government takes action adversely affecting VIE structures, the market value of the Fund’s associated portfolio holdings would likely suffer significant, detrimental, and possibly permanent consequences, which could result in substantial investment losses.

**Currency Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF) The value of the Fund’s assets may be affected favorably or unfavorably by currency exchange rates, currency exchange control regulations, and delays, restrictions or prohibitions on the repatriation of foreign currencies. Foreign currency exchange rates may have significant volatility, and changes in the values of foreign currencies against the U.S. dollar may result in substantial declines in the values of the Fund’s assets denominated in foreign currencies.

**Debt Securities Risk.** (SPDR Portfolio High Yield Bond ETF) The values of debt securities may increase or decrease as a result of the following: market fluctuations, changes in interest rates, actual or perceived inability or unwillingness of issuers, guarantors or liquidity providers to make scheduled principal or interest payments, or illiquidity in debt securities markets. To the extent that interest rates rise, certain underlying obligations may be paid off substantially slower than originally anticipated and the value of those securities may fall sharply. A rising interest rate environment may cause the value of the Fund’s fixed income securities to decrease, an adverse impact on the liquidity of the Fund’s fixed income securities, and increased volatility of the fixed income markets. During periods when interest rates are at low levels, the Fund’s yield can be low, and the Fund may have a negative yield (i.e., it may lose money on an operating basis). To the extent that interest rates fall, certain underlying obligations may be paid off substantially faster than originally anticipated. If the principal on a debt obligation is prepaid before expected, the prepayments of principal may have to be reinvested in obligations paying interest at lower rates. During periods of falling interest rates, the income received by the Fund may decline. Changes in interest rates will likely have a greater effect on the values of debt securities of longer durations. Returns on investments in debt securities could trail the returns on other investment options, including investments in equity securities.

**Depository Receipts Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF) Investments in depository receipts may be less liquid and more volatile than the underlying securities in their primary trading market. If a depository receipt is denominated in a different currency than its underlying securities, the Fund will be subject to the currency risk of both the investment in the

depository receipt and the underlying security. Holders of depository receipts may have limited or no rights to take action with respect to the underlying securities or to compel the issuer of the receipts to take action. The prices of depository receipts may differ from the prices of securities upon which they are based. To the extent the Fund invests in depository receipts based on securities included in the Index, such differences in prices may increase index tracking risk.

**Emerging Markets Risk.** (SPDR Portfolio Emerging Markets ETF) Risks of investing in emerging markets include, among others, greater political and economic instability, greater volatility in currency exchange rates, less developed securities markets, possible trade barriers, currency transfer restrictions, a more limited number of potential buyers and issuers, an emerging market country's dependence on revenue from particular commodities or international aid, less governmental supervision and regulation, unavailability of currency hedging techniques, differences in auditing and financial reporting standards, and less developed legal systems. There is also the potential for unfavorable action such as expropriation, nationalization, embargo, and acts of war. The securities of emerging market companies may trade less frequently and in smaller volumes than more widely held securities. Market disruptions or substantial market corrections may limit very significantly the liquidity of securities of certain companies in a particular country or geographic region, or of all companies in the country or region. The Fund may be unable to liquidate its positions in such securities at any time, or at a favorable price, in order to meet the Fund's obligations. These risks are generally greater for investments in frontier market countries, which typically have smaller economies or less developed capital markets than traditional emerging market countries.

**Equity Investing Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF) The market prices of equity securities owned by the Fund may go up or down, sometimes rapidly or unpredictably. The value of a security may decline for a number of reasons that may directly relate to the issuer and also may decline due to general industry or market conditions that are not specifically related to a particular company. In addition, equity markets tend to move in cycles, which may cause stock prices to fall over short or extended periods of time.

**Europe.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio High Yield Bond ETF) European countries may have a significant adverse effect on the economies of other European countries. In addition, one or more countries may abandon the euro and/or withdraw from the EU. For example, on January 31, 2020, the United Kingdom formally withdrew from the EU (commonly referred to as "Brexit") and, after a transition period, left the EU single market and customs union under the terms of a new trade agreement on December 31, 2020. The agreement governs the new relationship between the United Kingdom and EU with respect to trading goods and services, but critical aspects of the relationship remain unresolved and subject to further negotiation and agreement. The full scope and nature of the consequences of the exit are not at this time known and are unlikely to be known for a significant period of time. It is also unknown whether the United Kingdom's exit will increase the likelihood of other countries also departing the EU. Any exits from the EU, or the possibility of such exits, may have a significant impact on the United Kingdom, Europe, and global economies, which may result in increased volatility and illiquidity, new legal and regulatory uncertainties and potentially lower economic growth for such economies that could potentially have an adverse effect on the value of the Fund's investments. In addition, a number of countries in Europe have suffered terrorist attacks and additional attacks may occur in the future. Such attacks may cause uncertainty in financial markets and may adversely affect the performance of the issuers to which the Fund has exposure.



**Financial Sector Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF) Financial services companies are subject to extensive governmental regulation which may limit both the amounts and types of loans and other financial commitments they can make, the interest rates and fees they can charge, the scope of their activities, the prices they can charge and the amount of capital they must maintain. Profitability is largely dependent on the availability and cost of capital funds and can fluctuate significantly when interest rates change or due to increased competition. In addition, deterioration of the credit markets generally may cause an adverse impact in a broad range of markets, including U.S. and international credit and interbank money markets generally, thereby affecting a wide range of financial institutions and markets. Certain events in the financial sector may cause an unusually high degree of volatility in the financial markets, both domestic and foreign, and cause certain financial services companies to incur large losses. Securities of financial services companies may experience a dramatic decline in value when such companies experience substantial declines in the valuations of their assets, take action to raise capital (such as the issuance of debt or equity securities), or cease operations. Credit losses resulting from financial difficulties of borrowers and financial losses associated with investment activities can negatively impact the sector. Insurance companies may be subject to severe price competition. Adverse economic, business or political developments could adversely affect financial institutions engaged in mortgage finance or other lending or investing activities directly or indirectly connected to the value of real estate.

**Fluctuation of Net Asset Value, Share Premiums and Discounts Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF, SPDR Portfolio High Yield Bond ETF) As with all exchange-traded funds, Fund Shares may be bought and sold in the secondary market at market prices. The trading prices of Fund Shares in the secondary market may differ from the Fund's daily net asset value per share and there may be times when the market price of the shares is more than the net asset value per share (premium) or less than the net asset value per share (discount). This risk is heightened in times of market volatility or periods of steep market declines.

**Futures Contract Risk.** (SPDR Portfolio Emerging Markets ETF) A futures contract is a standardized agreement that calls for the purchase or sale of a specific asset at a specific price at a specific future time, or cash settlement of the terms of the contract. Transactions in futures contracts can create investment leverage and may have significant volatility. It is possible that a futures contract transaction will result in a much greater loss than the principal amount invested, and the Fund may not be able to close out the futures contract at a favorable time or price. There is no assurance that a liquid secondary market on an exchange will exist for any particular futures contract. In the event no such market exists, it might not be possible to effect closing transactions, and the Fund will be unable to terminate its exposure to the futures contract. There is also a risk of imperfect correlation between movements in the prices of the futures contract and movements in the price of the underlying assets. The counterparty to a futures contract may be unable or unwilling to make timely settlement payments, return the Fund's margin, or otherwise honor its obligations.

**Geographic Focus Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Market ETF, SPDR Portfolio High Yield Bond ETF) The performance of a fund that is less diversified across countries or geographic regions will be closely tied to market, currency, economic, political, environmental, or regulatory conditions and developments in the countries or regions in which the fund invests, and may be more volatile than the performance of a more geographically-diversified fund.

**Income Risk.** (SPDR Portfolio High Yield Bond ETF) The Fund's income may decline due to falling interest rates or other factors. Issuers of securities held by the Fund may call or redeem the securities during

periods of falling interest rates, and the Fund would likely be required to reinvest in securities paying lower interest rates. If an obligation held by the Fund is prepaid, the Fund may have to reinvest the prepayment in other obligations paying income at lower rates.

**Indexing Strategy/Index Tracking Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Market ETF, SPDR Portfolio High Yield Bond ETF) The Fund is managed with an indexing investment strategy, attempting to track the performance of an unmanaged index of securities, regardless of the current or projected performance of the Index or of the actual securities comprising the Index. This differs from an actively-managed fund, which typically seeks to outperform a benchmark index. As a result, the Fund's performance may be less favorable than that of a portfolio managed using an active investment strategy. The structure and composition of the Index will affect the performance, volatility, and risk of the Index and, consequently, the performance, volatility, and risk of the Fund. Errors in index data, index computations or the construction of the Index in accordance with its methodology may occur from time to time and may not be identified and corrected by the Index Provider for a period of time or at all, which may have an adverse impact on the Fund and its shareholders. To the extent circumstances evolve in between reconstitutions, the Index may include, and the Fund may therefore hold for a period of time, securities of companies that do not align with the Index's objective and/or criteria. When there are changes made to the component securities of the Index and the Fund in turn makes similar changes to its portfolio, any transaction costs and market exposure arising from such portfolio changes will be borne directly by the Fund and its shareholders. The Fund may recognize gains as a result of rebalancing or reconstituting its securities holdings to reflect changes in the securities included in the Index. The Fund also may be required to distribute any such gains to its shareholders to avoid adverse federal income tax consequences. While the Adviser seeks to track the performance of the Index (i.e., achieve a high degree of correlation with the Index), the Fund's return may not match the return of the Index. The Fund incurs a number of operating expenses not applicable to the Index, and incurs costs in buying and selling securities. In addition, the Fund may not be fully invested at times, generally as a result of cash flows into or out of the Fund or reserves of cash held by the Fund to meet redemptions. The Adviser may attempt to track the Index return by investing in fewer than all of the securities in the Index, or in some securities not included in the Index, potentially increasing the risk of divergence between the Fund's return and that of the Index.

**India Risk.** (SPDR Portfolio Emerging Markets ETF) The securities markets in India are comparatively underdeveloped and may subject the Fund to greater uncertainty than investments in more developed securities markets. Investments in Indian issuers may involve greater potential for loss than investments in securities of issuers in developed countries. In comparison to the United States and other developed countries, investments in Indian issuers may be susceptible to greater political and legal uncertainty, government control over the economy, and currency fluctuations. Further, the Indian economy may be based on only a few industries and may be heavily dependent upon trading with key partners. Investing in India involves risk of loss due to expropriation, nationalization, confiscation of assets and property or the abrupt imposition of restrictions on foreign investments and repatriation of capital already invested. Additionally, ethnic and religious tensions could result in economic or social instability in India.

**Industrial Sector Risk.** (SPDR Portfolio Developed World Ex-US ETF) Industrial companies are affected by supply and demand both for their specific product or service and for industrial sector products in general. Government regulation, world events, exchange rates and economic conditions, technological developments and liabilities for environmental damage and general civil liabilities will likewise affect the performance of these companies. Aerospace and defense companies, a component of the industrial sector, can be significantly affected by government spending policies because companies involved in this

industry rely, to a significant extent, on U.S. and foreign government demand for their products and services. Thus, the financial condition of, and investor interest in, aerospace and defense companies are heavily influenced by governmental defense spending policies which are typically under pressure from efforts to control the U.S. (and other) government budgets. Transportation securities, a component of the industrial sector, are cyclical and have occasional sharp price movements which may result from changes in the economy, fuel prices, labor agreements and insurance costs.

**Japan Risk.** (SPDR Portfolio Developed World Ex-US ETF) The growth of Japan's economy has historically lagged that of its Asian neighbors and other major developed economies. The Japanese economy is heavily dependent on international trade and has been adversely affected by trade tariffs, other protectionist measures, competition from emerging economies and the economic conditions of its trading partners. China has become an important trading partner with Japan, yet the countries' political relationship has become strained. Should political tension increase, it could adversely affect the economy, especially the export sector, and destabilize the region as a whole. Japan also remains heavily dependent on oil imports, and higher commodity prices could therefore have a negative impact on the economy. The Japanese yen has fluctuated widely at times and any increase in its value may cause a decline in exports that could weaken the Japanese economy. Japan has, in the past, intervened in the currency markets to attempt to maintain or reduce the value of the yen. Japanese intervention in the currency markets could cause the value of the yen to fluctuate sharply and unpredictably and could cause losses to investors. Japan has an aging workforce and has experienced a significant population decline in recent years. Japan's labor market appears to be undergoing fundamental structural changes, as a labor market traditionally accustomed to lifetime employment adjusts to meet the need for increased labor mobility, which may adversely affect Japan's economic competitiveness. Natural disasters, such as earthquakes, volcanoes, typhoons or tsunamis, could occur in Japan or surrounding areas and could negatively affect the Japanese economy and, in turn, the Fund.

**Liquidity Risk.** (SPDR Portfolio Emerging Markets ETF, SPDR Portfolio High Yield Bond ETF) Lack of a ready market, stressed market conditions, or restrictions on resale may limit the ability of the Fund to sell a security at an advantageous time or price or at all. Illiquid investments may trade at a discount from comparable, more liquid investments and may be subject to wide fluctuations in market value. If the liquidity of the Fund's holdings deteriorates, it may lead to differences between the market price of Fund Shares and the net asset value of Fund Shares, and could result in the Fund Shares being less liquid. Illiquidity of the Fund's holdings may also limit the ability of the Fund to obtain cash to meet redemptions on a timely basis. In addition, the Fund, due to limitations on investments in any illiquid investments and/or the difficulty in purchasing and selling such investments, may be unable to achieve its desired level of exposure to a certain market or sector.

**Market Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF, SPDR Portfolio High Yield Bond ETF) The Fund's investments are subject to changes in general economic conditions, general market fluctuations and the risks inherent in investment in securities markets. Investment markets can be volatile and prices of investments can change substantially due to various factors including, but not limited to, economic growth or recession, changes in interest rates, inflation, changes in the actual or perceived creditworthiness of issuers, and general market liquidity. The Fund is subject to the risk that geopolitical events will disrupt securities markets and adversely affect global economies and markets. Local, regional, or global events such as war, military conflicts, acts of terrorism, natural disasters, the spread of infectious illness or other public health issues, or other events could have a significant impact on the Fund and its investments.

**Non-Diversification Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF) To the extent the Fund becomes “non-diversified,” the Fund may hold a smaller number of portfolio securities than many other funds. To the extent the Fund invests in a relatively small number of issuers, a decline in the market value of a particular security held by the Fund may affect its value more than if it invested in a larger number of issuers. The value of Fund Shares may be more volatile than the values of shares of more diversified funds. The Fund may become non-diversified for periods of time solely as a result of tracking the Index (e.g., changes in weightings of one or more component securities).

**Non-U.S. Securities Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF, SPDR Portfolio High Yield Bond ETF) Non-U.S. securities are subject to political, regulatory, and economic risks not present in domestic investments. There may be less information publicly available about a non-U.S. entity than about a U.S. entity, and many non-U.S. entities are not subject to accounting, auditing, legal and financial report standards comparable to those in the United States. Further, such entities and/or their securities may be subject to risks associated with currency controls; expropriation; changes in tax policy; greater market volatility; differing securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. To the extent underlying securities held by the Fund trade on foreign exchanges that are closed when the exchange on which the Fund’s shares trade is open, there may be deviations between the current price of an underlying security and the last quoted price for the underlying security on the closed foreign market. These deviations could result in the Fund experiencing premiums or discounts greater than those of ETFs that invest in domestic securities. Securities traded on foreign markets may be less liquid (harder to sell) than securities traded domestically. Foreign governments may impose restrictions on the repatriation of capital to the U.S.

(SDPR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF) In addition, to the extent that the Fund buys securities denominated in a foreign currency, there are special risks such as changes in currency exchange rates and the risk that a foreign government could regulate foreign exchange transactions. In addition, to the extent investments are made in a limited number of countries, events in those countries will have a more significant impact on the Fund. Investments in depository receipts may be less liquid and more volatile than the underlying shares in their primary trading market.

(SPDR Portfolio High-Yield Bond ETF) In addition, to the extent investments are made in a limited number of countries, events in those countries will have a more significant impact on the Fund. Certain countries have recently experienced (or currently are expected to experience) negative interest rates on certain fixed income securities, and similar interest rate conditions may be experienced in other regions. Investments in fixed-income securities with very low or negative interest rates may magnify the Fund’s susceptibility to interest rate risk and diminish yield and performance, and such investments may be subject to heightened volatility and reduced liquidity.

**Restricted Securities Risk.** (SPDR Portfolio High Yield Bond ETF) The Fund may hold securities that have not been registered for sale to the public under the U.S. federal securities laws. There can be no assurance that a trading market will exist at any time for any particular restricted security. Limitations on the resale of these securities may have an adverse effect on their marketability, and may prevent the Fund from disposing of them promptly at reasonable prices. The Fund may have to bear the expense of registering the securities for resale and the risk of substantial delays in effecting the registration. Also, restricted securities may be difficult to value because market quotations may not be readily available, and the securities may have significant volatility.

**Risk of Investing in China A Shares.** (SPDR Portfolio Emerging Markets ETF) The A Shares market is volatile with a risk of suspension of trading in a particular security or multiple securities or government intervention. Securities in the A Shares market may be suspended from trading without an indication of how long the suspension will last, which may impair the liquidity of such securities and may impact the ability of the Fund to track its Index. The Chinese securities markets are emerging markets characterized by relatively low trading volume, resulting in substantially less liquidity and greater price volatility. Liquidity risks may be more pronounced for the A Shares market than for other more developed securities markets generally because the A Shares market is subject to greater government restrictions and control, including trading suspensions. China A Shares are only available to non-mainland China investors (i) through certain foreign institutional investors that have obtained a license from the Chinese regulators or (ii) through the Hong Kong-Shanghai Stock Connect or Shenzhen-Hong Kong Stock Connect programs (“Stock Connect”). The Fund may invest in China A Shares through the Adviser, who is licensed as a Renminbi Qualified Foreign Institutional Investor (“RQFII”) from the China Securities Regulatory Commission. The Adviser’s failure to, among other things, observe Chinese regulations could lead to adverse consequences, including the requirement that the Fund dispose of its A Shares holdings. The Fund may also invest in China A Shares through Stock Connect. Trading through Stock Connect is subject to a number of restrictions that may affect the Fund’s investments and returns, including daily quotas that limit the maximum daily net purchases on any particular day.

**Swaps Risk.** (SPDR Portfolio High Yield Bond ETF) A swap is a two-party contract that generally obligates the parties to exchange payments based on a specified reference security, basket of securities, security index or index component. Swaps can involve greater risks than direct investment in securities because swaps may be leveraged and are subject to counterparty risk (e.g., the risk of a counterparty’s defaulting on the obligation or bankruptcy), credit risk and pricing risk (i.e., swaps may be difficult to value). It may not be possible for the Fund to liquidate a swap position at an advantageous time or price, which may result in significant losses.

**Unconstrained Sector Risk.** (SPDR Portfolio Developed World Ex-US ETF, SPDR Portfolio Emerging Markets ETF, SPDR Portfolio High Yield Bond ETF) The Fund may invest a substantial portion of its assets within one or more economic sectors or industries, which may change from time to time. Greater investment focus on one or more sectors or industries increases the potential for volatility and the risk that events negatively affecting such sectors or industries could reduce returns, potentially causing the value of the Fund’s shares to decrease, perhaps significantly.

**Valuation Risk.** (SPDR Portfolio Emerging Markets ETF, SPDR Portfolio High Yield Bond ETF) Some portfolio holdings, potentially a large portion of the Fund’s investment portfolio, may be valued on the basis of factors other than market quotations. This may occur more often in times of market turmoil or reduced liquidity. There are multiple methods that can be used to value a portfolio holding when market quotations are not readily available. The value established for any portfolio holding at a point in time might differ from what would be produced using a different methodology or if it had been priced using market quotations. Portfolio holdings that are valued using techniques other than market quotations, including “fair valued” securities, may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used. In addition, there is no assurance that the Fund could sell or close out a portfolio position for the value established for it at any time, and it is possible that the Fund would incur a loss because a portfolio position is sold or closed out at a discount to the valuation established by the Fund at that time.

## VANGUARD PRINCIPAL RISKS

**Income Fluctuations.** (Vanguard Short-Term Inflation Protected Securities Index Fund) The Fund's quarterly income distributions are likely to fluctuate considerably more than the income distributions of a typical bond fund. In fact, under certain conditions, the Fund may not have any income to distribute. Income fluctuations associated with changes in interest rates are expected to be low; however, income fluctuations associated with changes in inflation are expected to be high. Overall, investors can expect income fluctuations to be high for the Fund.

**Investment Style Risk.** (Vanguard Growth and Income Mutual Fund Class Admiral) The chance that returns from large-capitalization stocks in which the Fund invests will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse— than other segments of the stock market or the stock market in general. These periods have, in the past, lasted for as long as several years.

**Manager Risk.** (Vanguard Growth and Income Mutual Fund Class Admiral) The chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective. In addition, significant investment in the information technology sector subjects the Fund to proportionately higher exposure to the risks of this sector.

**Real Interest Rate Risk.** (Vanguard Short-Term Inflation Protected Securities Index Fund) The chance that the value of a bond will fluctuate because of a change in the level of real, or after inflation, interest rates. Although inflation-indexed bonds seek to provide inflation protection, their prices may decline when real interest rates rise and vice versa. Because the Index is a market-capitalization-weighted index that includes all inflation-protected public obligations issued by the U.S. Treasury with remaining maturities of less than 5 years, real interest rate risk is expected to be low for the Fund.

**Stock Market Risk.** (Vanguard Growth and Income Mutual Fund Class Admiral) The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

## APPENDIX C - GLOSSARY OF DEFINED TERMS

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**Defined Terms.** Terms used in this Program Description have the following meanings:

**ABLE Account:** An account, as defined in 529A(e)(6) of the Code, maintained under a qualified ABLE Program.

**ABLE Program:** A program designed to allow individuals with disabilities to save for qualified Disability expenses. Qualified ABLE Programs are sponsored by states or state agencies and are authorized by Section 529A of the Code.

**Account:** An account in KY Saves 529 established by an Account Owner for a Beneficiary.

**Account Owner or you:** An individual 18 years or older, an emancipated minor (as determined by Kentucky law), a trust, an estate, a partnership, an association, a company, a corporation, or a qualified Custodian under the UGMA/UTMA, who signs an Enrollment Form establishing an Account. In certain cases, the Account Owner and Beneficiary may be the same person.

**ACH:** Automated Clearing House.

**ACSR:** Ascensus College Savings Recordkeeping Services, LLC

**Act:** Sections 164A.300 to 164A.380 of Title XIII of the Kentucky Revised Statutes Annotated, as amended.

**Apprenticeship Program Expenses:** Expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under Section 1 of the National Apprenticeship Act.

**Ascensus:** Ascensus is used to refer collectively or individually, as the case requires, to ACSR and its affiliates.

**Beneficiary:** The individual designated by an Account Owner, or as otherwise provided in writing to KY Saves 529, to receive the benefit of an Account.

**Board:** The KHEAA Board of Directors, which acts as administrator and trustee of KY Saves 529.

**Code:** Internal Revenue Code of 1986, as amended. References to various Sections of the Code throughout this Program Description include Section 529 as it currently exists and as it may subsequently be amended, and any regulations adopted under it.

**Custodian:** The individual who opens an Account on behalf of a minor Beneficiary with assets from an UGMA/UTMA account. Generally, the Custodian will be required to perform all duties of the Account Owner with regard to the Account until the Beneficiary attains the age at which the custodianship terminates under the applicable UGMA/UTMA law (usually 18 or 21), is otherwise emancipated, or the Custodian is released or replaced by a valid court order. The Custodian of an Account funded from an UGMA/UTMA account may not change the Account Owner or Beneficiary.

**Disabled or Disability:** Condition of a Beneficiary who is unable to do any substantial gainful activity because of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. We will require medical documentation to verify this condition.

**Educational Assistance:** Educational Assistance generally refers to the tax-free portion of any scholarships or fellowships, Pell or other grants; employer-provided educational assistance, veteran's educational assistance, and other tax-free educational assistance (other than gifts or inheritances). See IRS Publication 970 online at <https://www.irs.gov/forms-pubs/about-publication-970> for more information.

**Education Tax Credits:** American Opportunity Tax Credit or Lifetime Learning Tax Credits. These are federal tax credits available to eligible students to offset qualified higher education expenses.

**EFT or Electronic Funds Transfer:** A service in which an Account Owner authorizes KY Saves 529 to transfer money from a bank or other financial institution to an Account in KY Saves 529.

**Eligible Educational Institution:** An institution as defined in Section 529(e) of the Code. Generally, the term includes accredited postsecondary educational institutions or vocational schools in the United States and some accredited postsecondary educational institutions or vocational schools abroad offering credit toward a bachelor's, an associate's, a graduate level or professional degree, or another recognized postsecondary credential. The institution must be eligible to participate in a student financial aid program under Title IV of the Higher Education Act of 1965 (20 U.S.C. §1088). To determine if a school is an Eligible Education Institution, search for its Federal School Code (identification number for Title IV financial aid programs) at: <https://studentaid.gov>.

**Enrollment Form:** The process by which an Account Owner enrolls in the Program by signing an Account application either manually or electronically and agrees to the terms and conditions of the Program Description and Participation Agreement.

**Exchange-traded-funds (ETFs):** ETFs are funds that trade like other publicly traded securities and are designed to track an index. Similar to shares of an index mutual fund, each share of an ETF represents partial ownership in an underlying portfolio of securities intended to track a market index. Unlike shares of a mutual fund, the shares of an ETF are listed on a national securities exchange and trade in the secondary market at market prices that change throughout the day.

**Federal Penalty Tax:** A federal surtax required by the Code that is equal to 10% of the earnings portion of a Non-Qualified Withdrawal.

**Fees:** The Underlying Funds, Program Management Fee, and any other fees, costs, expenses, and charges associated with KY Saves 529.

**Force Majeure:** Includes but is not limited to: regulatory or legislative changes, worldwide political uncertainties, general economic conditions including inflation and unemployment rates, acts of God, acts of civil or military authority, acts of government, accidents, environmental disasters, natural disasters, suspensions of trading, epidemics, pandemics, public health crises, quarantines, wars, acts of war, terrorism or threats of terrorism, insurrections, embargoes, cyberattacks, riots, strikes, lockouts or other labor disturbances, disruptions of supply chains, civil unrest, revolutions, power or other mechanical failures, loss or malfunction of utilities or communications services, delays or stoppage of postal or courier services, delays in or stoppages of transportation, and any other events or circumstances beyond our reasonable control whether similar or dissimilar to any of the foregoing.

**IRS:** Internal Revenue Service.

**Investment Options:** The Year of Enrollment Options, Asset Allocation Options, or Capital Preservation Option available to Account Owners in KY Saves 529.

**Investment Managers:** Baird Advisors, BlackRock, Cohen & Steers Capital Management, Inc. (Cohen & Steers), Dimensional Fund Advisors (DFA), Principal Life Insurance Company (the issuer of the Funding Agreement, in which the Capital Preservation Option is 100% invested), PGIM Investments LLC (PGIM Investments), Charles Schwab Investment Management, Inc. (Schwab), Vanguard, and State Street Global Advisors (SSGA).



**K-12 Tuition Expenses:** Expenses for tuition in connection with the Beneficiary’s enrollment or attendance at an elementary or secondary public, private, or religious school, not to exceed \$10,000 in withdrawals per tax year per Beneficiary in the aggregate across all 529 Plans making withdrawals for that same Beneficiary in such year.

**KAPT:** Kentucky’s Affordable Prepaid Tuition program. KAPT is a 529 Plan that is closed to new investors.

**KESPT:** Kentucky Education Savings Plan Trust. KESPT is the Commonwealth’s official 529 education savings plan and is administered by KHEAA.

**KHEAA:** Kentucky Higher Education Assistance Authority.

**KY Saves 529:** The Qualified Tuition Program offered by the Commonwealth of Kentucky – Kentucky Educational Savings Plan Trust.

**Kentucky or State:** The Commonwealth of Kentucky.

**Management Agreement:** An agreement between KHEAA and ACSR to provide KY Saves 529 with program management, investment consulting, recordkeeping, administrative services, and marketing services. The Management Agreement between KHEAA and ACSR is now effective and will terminate in 2027, or earlier as provided in the Management Agreement. The Management Agreement may be extended for an additional eight (8) year term.

**Maximum Account Balance:** The maximum aggregate balance of all accounts for the same Beneficiary in Qualified Tuition Programs sponsored by the Commonwealth of Kentucky, as established by the Board from time to time, which will limit the amount of contributions that may be made to Accounts for any one Beneficiary, as required by Section 529. The current Maximum Account Balance is \$450,000.

**Member of the Family:** An individual as defined in Section 529(e)(2) of the Code who is related to the Beneficiary including:

1. a child or stepchild;
2. a sibling, stepsibling, or half-sibling (i.e., brother or sister);
3. a parent, or stepparent;
4. a grandparent;
5. a grandchild;
6. a niece or nephew;
7. an aunt or uncle;
8. a first cousin;
9. a mother- or father-in-law, son- or daughter-in-law, brother- or sister-in-law; or
10. a spouse of any individual listed (except first cousin).

For purposes of determining who is a Member of the Family, a legally adopted child or a foster child of an individual is treated as the child of that individual by blood.

**MSRB:** Municipal Securities Rulemaking Board.

**NAV:** Net Asset Value.

**Non-Qualified Withdrawals:** A withdrawal from an Account that is not a Qualified Withdrawal or an Other Withdrawal.

**Participation Agreement.** A participation agreement between an Account Owner and the Program, establishing the obligations of each and prepared in accordance with the provisions of KY Saves 529.

**Program:** KY Saves 529.

**Program Administrators:** The State, KHEAA, the Board, any other agency of the State (including their respective affiliates and agents), the Program Manager (including its affiliates and agents), or the Investment Managers (including their respective affiliates and agents), and any other counsel, advisor, or consultant retained by, or on behalf of, those entities and any employee, officer, official, or agent of those entities.

**Program Description:** This document, which is intended to provide substantive disclosure of the terms and conditions of an investment in KY Saves 529, including the Participation Agreement and any attached appendices, exhibits or Supplements distributed from time to time.

**Program Management Fee:** The Program Management Fee as described under [Fees](#).

**Program Management Services:** Investment consulting, recordkeeping and administrative services, marketing and other program management duties provided to KY Saves 529 by ACSR, as an independent contractor.

**Program Manager:** ACSR has been engaged by KHEAA to provide the Program Management Services, as an independent contractor, on behalf of KY Saves 529.

**Qualified Withdrawal:** A withdrawal from an Account that is used to pay Qualified Expenses of the Beneficiary.

**Qualified Expenses:** Qualified Higher Education Expenses, K-12 Tuition Expenses, Qualified Education Loan Repayments, and Apprenticeship Program Expenses collectively.

**Qualified Education Loan Repayments:** Amounts paid as principal or interest on any qualified education loan (as defined in section 221(d) of the Code) of the Designated Beneficiary or a sibling of the Designated Beneficiary, with respect to the loans of any individual, not to exceed a \$10,000 lifetime aggregate limit.

**Qualified Higher Education Expenses:** Certain educational expenses of a Beneficiary at an Eligible Educational Institution, such as tuition, fees, and the cost of books, supplies, and equipment required for the enrollment or attendance (including expenses for special needs services in the case of a special needs Beneficiary), expenses for the purchase of computer or peripheral equipment, computer software, or internet access and related services, if the equipment, software, or services are to be used primarily by the Beneficiary during any of the years enrolled at an Eligible Educational Institution, and certain room and board expenses of a Beneficiary attending school at least half-time, as allowable under Section 529.

**Qualified Tuition Program or 529 Plan:** A qualified tuition program established under Section 529 of the Code and sponsored by a state, state agency, and educational institution to help pay for Qualified Expenses.

**Recurring Contribution:** A service in which an Account Owner authorizes KY Saves 529 to transfer money, on a regular and predetermined basis, from a bank or other financial institution to an Account in KY Saves 529.

**Refunded Withdrawal:** A withdrawal taken for Qualified Expenses in the same year of a refund by the Eligible Educational Institution recontributed to a Qualified Tuition Program that meets the following requirements:

- The recontribution must not exceed the amount of the refund from the Eligible Educational Institution;
- The recontribution must not exceed the amount of withdrawals previously taken to pay the Qualified Higher Education Expenses of the beneficiary;
- The recontribution must be made to an account in a Qualified Tuition Program of the same beneficiary to whom the refund was made; and
- The funds must be recontributed to a Qualified Tuition Program within sixty (60) days of the date of the refund from the Eligible Educational Institution.

**Rollover Distribution:** A rollover or transfer of assets (i) between Qualified Tuition Programs for the same Beneficiary or (ii) from a Qualified Tuition Program for the same Beneficiary or a different Beneficiary who is a Member of the Family, provided another rollover or transfer for the same Beneficiary has not occurred in the previous twelve (12) months.

**SEC:** U.S. Securities and Exchange Commission.

**Section 529:** Section 529 of the Internal Revenue Code of 1986, as amended.

**Standing Allocation:** The selection made by an Account Owner indicating how contributions are allocated among Investment Options.

**State Administrators:** The State, KHEAA, the Board, and any other agency of the State (including their respective affiliates and agents).

**Successor Account Owner:** The person named in the Enrollment Form or otherwise in writing to KY Saves 529 by the Account Owner, who may exercise the rights of the Account Owner under KY Saves 529 if the Account Owner dies or is declared legally incompetent. The Successor Account Owner may be the Beneficiary if the Beneficiary is 18 years or older.

**Supplement:** An addendum to the Program Description, issued from time to time.

**Total Annual Asset-Based Fee:** The sum of the Underlying Fund Fee, the Program Management, and the State Administration Fee as described under **Fees** on page 32.

**UGMA/UTMA:** Uniform Gifts to Minors Act/Uniform Transfers to Minors Act.

**Underlying Funds:** The mutual funds, exchange traded funds and other investment products in which assets of the Investment Options are invested.

**Unit or Units:** The measurement of an Account's interest in an Investment Option.

**Unit Value:** The value per Unit in an Investment Option.

**Upromise Program:** A loyalty program offered by Upromise, LLC that enables Account Owners who have signed up for this optional service to earn rewards from participating merchants. The Upromise Program is separate from the Program and not affiliated with the Program Administrators.

**Vested Participation Agreement:** A Participation Agreement that (i) meets certain requirements pursuant to KRS 164.330 and (ii) allows the Beneficiary to qualify for state resident tuition rates at Kentucky Eligible Educational Institutions.

**We, our or us:** KY Saves 529 and the Program Administrators, as applicable.

## **PARTICIPATION AGREEMENT**

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**In this section, we ask you to indemnify the Program Administrators, to make certain representations to us and to acknowledge your responsibilities. When you sign the Enrollment Form, whether manually or by electronic signature, you agree to the terms and conditions specified in the Program Description and this Participation Agreement.**

### **Indemnity**

As an Account Owner, I agree to and acknowledge the following:

I am opening an Account in the Program based upon my statements, agreements, representations, warranties, and covenants as set forth in the Program Description and the Enrollment Form.

I, through the Enrollment Form and the Program Description, indemnify and hold harmless the Program Administrators from and against any and all loss, damage, liability, penalty, tax, or expense, including costs of reasonable attorneys' fees, which they incur by reason of, or in connection with, any misstatement or misrepresentation that is made by me or my Beneficiary, any breach by me of the acknowledgments, representations, or warranties in the Program Description or the Enrollment Form, or any failure by me to fulfill any covenants or agreements in the Program Description, or the Enrollment Form.

### **Representations, Warranties and Acknowledgments**

I, as Account Owner, represent and warrant to, and acknowledge and agree with, the Program Administrators regarding the matters set forth in the Program Description and the Enrollment Form including that:

1. I have received, read, and understand the terms and conditions of the Program Description and Enrollment Form and any additional information provided to me by the Program Administrators with respect to KY Saves 529.
2. I certify that I am a natural person, at least 18 years of age and a citizen or a resident of the United States of America, who resides in the United States of America or, that I have the requisite authority to enter into this Participation Agreement and to open an Account for the benefit of the Beneficiary. I also certify that the person named as Beneficiary of the Account is a citizen or a resident of the United States of America.
3. I understand that KY Saves 529 is intended to be used only to save for Qualified Expenses of the Beneficiary.
4. I understand that any contributions credited to my Account will be deemed by the Program Administrators to have been received from me and that contributions by third parties may result in adverse tax or other consequences to me or those third parties.
5. If I am opening an Account as a Custodian for a minor under UGMA/UTMA, I represent that (i) I am duly authorized to act as the UGMA/UTMA custodian and open an Account for Beneficiary, (ii) the Program Description may not discuss tax consequences and other aspects of KY Saves 529 of particular relevance to UGMA/UTMA accounts, and (iii) I, as Custodian will consult with and rely on the advice of a professional advisor as necessary to discharge my duties to the Beneficiary with respect to the Account. I understand and agree that I assume responsibility for any adverse consequences resulting from the establishment, maintenance, or termination of the Account.

6. If I am opening an Account as a trustee for a trust, I represent that (i) I am duly authorized to act as trustee for the trust and open an Account for the benefit of the Trust; (ii) the Program Description may not discuss tax consequences and other aspects of KY Saves 529 of particular relevance to the trust and individuals having an interest in the trust; and (iii) I, as trustee, for the benefit of the trust, will consult and rely upon the advice of a professional advisor as necessary to discharge my duties to the Trust with respect to the Account. I understand and agree that I assume responsibility for any adverse consequences resulting from the establishment, maintenance, or termination of the Account.
7. If I am opening an Account on behalf of an entity, I represent that (i) I am duly authorized to act on the entity's behalf and to open an Account for the benefit of the entity, (ii) the Program Description may not discuss tax consequences and other aspects of KY Saves 529 of particular relevance to the entity and individuals having an interest in the entity, and (iii) I will consult with and rely on the advice of a professional advisor as necessary to discharge my duties to the entity with respect to the Account. I understand and agree that I assume responsibility for any adverse consequences resulting from the establishment, maintenance, or termination of the Account.
8. I have been given an opportunity to ask questions and receive answers concerning the terms and conditions of KY Saves 529 and the Program Description.
9. I understand that KY Saves 529 assets may be allocated among equity funds, fixed-income funds, cash management funds, and other investments.
10. In making my decision to open an Account and completing my Enrollment Form, I have not relied upon any representations or other information, whether written or oral, other than as set forth in the Program Description, and I have considered the availability of alternative education savings and investment programs, including other Qualified Tuition Programs.
11. I understand that I am solely responsible for determining which Qualified Tuition Program is best suited to my needs and objectives. I understand that each of the Investment Options within KY Saves 529 may not be suitable, and that KY Saves 529 may not be suitable for all investors as a means of saving and investing for higher education costs. I have determined that an investment in KY Saves 529 is a suitable investment for me as a means of saving for the Qualified Expenses of the Beneficiary.
12. I have been given an opportunity to obtain any additional information needed to complete my Enrollment Form and/or verify the accuracy of any information I have furnished. I certify that all of the information that I provided in the Enrollment Form and any other documentation subsequently furnished in connection with the opening or maintenance of, or any withdrawals from, my Account is and shall be accurate and complete. I agree to notify KY Saves 529 promptly of any material changes in such information.
13. The value of my Account depends upon the performance of the Investment Options. I understand that at any time the value of my Account may be more or less than the amounts contributed to the Account. I understand that all contributions to my Account are subject to investment risks, including the risk of loss of all or part of the contributions and any return or interest earned. I understand that the value of my Account may not be adequate to fund actual Qualified Expenses.

14. I understand that although I own interests in an Investment Option, I do not have a direct beneficial interest in the Underlying Funds and other investment products approved by the Board from time to time, and therefore, I do not have the rights of an owner or shareholder of those Underlying Funds or other investments. I further understand that I received no advice or investment recommendation from, or on behalf of, the Program Administrators.
15. I understand that after I make my initial contribution to a specific Investment Option, I will be allowed to direct the further investment of that contribution no more than two times per calendar year.
16. I cannot use my Account as collateral for any loan. I understand that any attempt to use my Account as collateral for a loan would be void. I also understand that KY Saves 529 will not lend any assets to my Beneficiary or to me.
17. I understand that the Program Manager has the right to provide a registered investment adviser identified by me with access to financial and other information regarding my Account.
18. I understand that, unless otherwise provided in a written agreement between me and a registered investment adviser, no part of my participation in KY Saves 529 will be considered the provision of an investment advisory service.
19. Except as described in this Program Description, I will not assign or transfer any interest in my Account. I understand that, except as provided under Kentucky law, any attempt to assign or transfer that interest is void.
20. I acknowledge that KY Saves 529 intends to qualify for favorable federal tax treatment under the Code. Because this qualification is vital to KY Saves 529, KHEAA may modify KY Saves 529 or amend this Program Description at any time if KHEAA decides that the change is needed to meet the requirements of the Code or the regulations administered by the IRS pursuant to the Code or State law or to ensure the proper administration of KY Saves 529.
21. I understand that my Account(s), including assets and records, may be transferred to a different program manager, and/ or investment manager at KHEAA's direction in the event of a change in Program Manager or Investment Manager.
22. The Program Administrators, individually and collectively, do not guarantee that my Beneficiary: will be accepted as a student by any educational institution or apprenticeship program institution; if accepted, will be permitted to continue as a student; will be treated as a state resident of any state for tuition and fee purposes; will graduate from any educational institution or apprenticeship program; or will achieve any particular treatment under any applicable state or federal financial aid programs.
23. The Program Administrators, individually and collectively, do not guarantee any rate of return or benefit for contributions made to my Account or guarantee the amount of tuition and fees that may be charged by an educational institution or apprenticeship program.
24. The Program Administrators, individually and collectively, are not:

- a. liable for a failure of KY Saves 529 to qualify or to remain a Qualified Tuition Program under the Code including any subsequent loss of favorable tax treatment under state or federal law;
  - b. liable for any loss of funds contributed to my Account or for the denial to me of a perceived tax or other benefit under KY Saves 529, the Program Description or the Participation Agreement; or
  - c. liable for any loss, failure or delay in performance of each of their obligations related to your Account or any diminution in the value of your Account arising out of or caused, directly or indirectly, by circumstances beyond their reasonable control, including in the event of a Force Majeure (defined in [Appendix C](#)).
25. I understand that under Kentucky law, Kentucky residency is not established for the Beneficiary merely because I have designated him or her as the Beneficiary of the Account.
26. **Arbitration. This is a pre-dispute arbitration clause. Any controversy or claim arising out of or relating to the Program or the Program Description, or the breach, termination, or validity of this Program or the Enrollment Form, including but not limited to any dispute over the scope of this arbitration clause, shall be submitted to arbitration administered by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures and its Policy on Consumer Arbitrations, both of which are made part of this Agreement, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.**

In connection with any arbitration, I understand that:

Both the Program Administrators and I are giving up important rights under state law, including the right to sue in court and the right to a trial by jury, except as provided by the JAMS rules incorporated herein. I further understand that:

1. arbitration awards are generally final and binding, and my ability to have a court reverse or modify an arbitration award is very limited;
2. my ability to obtain documents, witness statements, and other discovery is generally more limited in arbitration than in court proceedings;
3. the potential cost of arbitration may be more or less than the cost of litigation;
4. the arbitrators generally do not have to explain the reason(s) for their award, and the Program does not guarantee that it will join any request I may make for such an explanation;
5. the arbitrator(s) selected to hear the case may or may not be affiliated with the securities industry;
6. in limited circumstances, a claim that is ineligible for arbitration may be brought in court; and
7. the rules of the arbitration forum are incorporated by reference into this Participation Agreement and are available by contacting the Program or at [www.JAMSadr.com](http://www.JAMSadr.com).

To the extent permitted by applicable law, the terms and conditions of the agreement between me and the Program Administrators and Kentucky law will be applied by the arbitrator(s) without regard to conflict of laws principles.

**Neither the Program Administrators nor I can bring a putative or certified class action to arbitration, or seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; who is a member of a putative class who has opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the person is excluded from the class by the court. A failure to enforce this arbitration provision does not constitute a waiver of any of the Program Administrator's rights under the Program Description or the Enrollment Form or my Account except to the extent set forth in this Arbitration Section.**

27. By opening an Account, I submit (on behalf of myself and my Beneficiary) to the exclusive jurisdiction of courts in Kentucky for all legal proceedings arising out of or relating to my Account. KHEAA or the Program Manager may apply to a court at any time for judicial settlement of any matter involving my Account. If KHEAA or the Program Manager does so, they will give me or my Beneficiary the opportunity to participate in the court proceeding, but they may also involve other persons. Any expense incurred by the Program Administrators in legal proceedings involving my Account, including attorney's fees and expenses, are chargeable to my Account and payable by me or my Beneficiary if not paid from my Account.
28. The Program Description and this Participation Agreement are binding upon the parties and their respective heirs, successors, beneficiaries, and permitted assigns. By signing the Enrollment Form, I agree that all my representations and obligations are for the benefit of the Program Administrators, all of whom can rely upon and enforce my representations and obligations contained in the Program Description and the Enrollment Form.
29. My statements, representations, warranties, and covenants will survive the termination of my Account.
30. I understand that, if I so elect, the Program Manager has the right to provide the financial professional I have identified to the Program with access to financial and other information regarding my Account. I acknowledge that the Program Manager may terminate my financial professional's authority to access my Account at the Program Administrator's discretion.



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