

# Annual Highlights

Through December 31, 2006



Direct Portfolio

## Director's Message

2006 was an exciting year for CollegeInvest, the 529 College Savings industry and the Direct Portfolio College Savings Plan.

In July, CollegeInvest became the first state ever to partner with another state to offer 529 college savings plans. Reaching out to our neighbors to the north, we have partnered with the state of Wyoming, allowing their residents the opportunity to take advantage of the same preferred fee structures as Colorado residents.

On August 17, 2006, President George W. Bush signed the Pension Protection Act, making the tax exempt status for 529 savings plans permanent. Originally set to expire in 2010, this legislation allows families to invest in 529 plans with confidence, knowing the earning in their accounts will not be subject to federal income taxes.<sup>1</sup>

During the six months ended December 31, 2006, the number of accounts opened increased by approximately 7,200 to approximately 56,000 accounts and the amount invested increased by approximately \$120.9 million to approximately \$598.8 million.

As of December 2006 investments in Colorado's CollegeInvest 529 College Savings Program reached nearly \$2.9 billion in total assets. The Program is made up of three college savings plans, including Direct Portfolio.

We're confident that you will continue to find Direct Portfolio competitive to other plans to save for college with comparable features and look forward to continuing to help you meet your college savings goals. If you have any questions, please call one of our college savings specialists at 1-800-997-4295 or email [savings@collegeinvest.org](mailto:savings@collegeinvest.org).

Sincerely,

Debra L. DeMuth, Director  
CollegeInvest  
Administrator of the Direct Portfolio College Savings Plan

## 2006 Highlights and Updates

- ◆ Direct Portfolio is now able to offer download capabilities into Microsoft Money, as well as downloading a CSV file type that can be used with most spreadsheet programs such as Microsoft Excel. For instructions on downloading account data, log on to your account and go to the main "Account Overview" screen. Then click on "Download Transactions" next to "Transaction History".
- ◆ If your financial advisor assisted you in establishing a Direct Portfolio account, they can now discuss your Direct Portfolio account with a plan representative. You simply need to complete an Authorization to Access 529 Plan Accounts form available on [www.CollegeInvest.org](http://www.CollegeInvest.org). In 2007 we will further enhance our capabilities to allow you to authorize your advisor to perform transactions on your behalf and access your account online. Look for additional details throughout the year.
- ◆ CollegeInvest awarded over \$22,000 through the Matching Grant Program to qualified CollegeInvest account owners during 2006. Designed to help middle- to lower-income Colorado families save for higher education, this Matching Grant Program can provide eligible account owners with matching funds - \$1 for \$1, up to \$500 per year (subject to the availability of funds) in a CollegeInvest 529 Program account. Call 1-800-478-5651 or visit [www.collegeinvest.org/MatchingGrant](http://www.collegeinvest.org/MatchingGrant) for more information.
- ◆ Ten thoughtful Colorado grandparents won \$5,000 each in the form of a CollegeInvest College Savings Plan for their grandchild through the 2<sup>nd</sup> Annual \$50,000 CollegeInvest Grandparent's Scholarship Contest. Read more about it at [www.collegeinvest.org/grandparents](http://www.collegeinvest.org/grandparents).

<sup>1</sup> The earnings portion of a non-qualified withdrawal is subject to federal income taxes and any applicable state income tax, as well as an additional 10% federal tax.

**Direct Portfolio Fund**  
**Audited Statement of Fiduciary Net Assets\***  
**As of June 30, 2006**  
**(dollar amounts expressed in thousands)**

**Assets:**

Investments, at fair value	\$ 476,696
Receivables and other assets	<u>1,184</u>
<b>Total fiduciary assets</b>	<b>477,880</b>
<b>Total liabilities</b>	<u>675</u>
<b>Total fiduciary net assets, held in trust</b>	<b>\$ <u>477,205</u></b>

**Direct Portfolio Fund**  
**Audited Statement of Changes in Fiduciary Net Assets\***  
**For the Year Ended June 30, 2006**  
**(dollar amounts expressed in thousands)**

**Additions:**

Net investment income	\$ 22,835
Participant contributions	146,766
Fee income	<u>104</u>
<b>Total additions</b>	<b><u>169,705</u></b>

**Deductions:**

Benefits paid to participants and withdrawals	23,489
Administrative fees and operating expenses	<u>3,104</u>
<b>Total deductions</b>	<b><u>26,602</u></b>

<b>Net change in fiduciary net assets</b>	
<b>before transfers</b>	143,103
<b>Intraprogram administrative fee transfers</b>	272
<b>Fiduciary net assets, beginning of year</b>	<u>333,830</u>
<b>Fiduciary net assets, end of year</b>	<b>\$ <u>447,205</u></b>

\* These financial statements are condensed and do not include any disclosures or certain additional statements required by Generally Accepted Accounting Principles. Complete audited financial statements of the Fund for the year ending June 30, 2006, are available upon request or can be found on the Fund web site, [www.collegeinvest.org](http://www.collegeinvest.org).

**Financial Results as of December 31, 2006**

During the six months ended December 31, 2006, the Plan received approximately \$92.9 million in contributions and reflected an overall unaudited net increase in fiduciary net assets of approximately \$117.1 million.

**Average Tuition vs. Actual Tuition**

The chart below demonstrates Colorado Average Tuition for the 2006/2007 school year compared to a sample of colleges and universities<sup>2</sup> in Colorado. The chart below is for information only and not intended to reflect the value of any account.

Colorado Average Tuition	University of Colorado Boulder	Metropolitan State College of Denver	Front Range Community College
\$3,945	\$4,554	\$2,447	\$2,237

<sup>2</sup> Colleges listed have the largest student population of Colorado schools in the categories of: Public 4-Year University, Public 4-Year College, and Public Community College. Please note this is the cost of tuition only and not the total cost of attendance at each college.

**Portfolio returns reflect strength in equity markets**

The annual returns of the investment options in the Direct Portfolio Plan reflected the overall market environment that favored equity investors. The index-based portfolios, which make up most of the Plan's lineup, captured most of the returns of their target indexes, lagging them by margins consistent with their modest annual expenses of 0.75%. The best performers during the calendar year were the Aggressive Growth Portfolio (16.49%), Stock Index Portfolio (14.87%), and Growth Portfolio (12.01%). The Income Portfolio generated the lowest return of 2.93% due to its allocation to bonds and money markets, while the Money Market Portfolio returned 4.93%.

*The performance data shown represent past performance, which is not a guarantee of future results. Standardized performance as of the most recent quarter-end can be found in the Annual Report.*

**Do you know someone going to college next year?**

Now is the time to complete a Free Application for Federal Student Aid (FAFSA) if you or a member of your family is planning on attending an institution of higher education during the 2007 – 2008 academic year. Check our website at [www.collegeinvest.org/FAFSA](http://www.collegeinvest.org/FAFSA) for helpful tips.

## **Important Considerations**

*Consider the investment objectives, risks, fees and expenses of the Program carefully before investing. The Program Disclosure Statement (PDS) and Participation Agreement contain more complete information about these and other features associated with the Program. These documents should be read carefully before investing. Vanguard Marketing Corporation, Distributor and Underwriter.*

*If you or your designated beneficiary is a resident of a state other than Colorado, you should check with your or your designated beneficiary's home state to see if it offers a 529 program. That program may offer state tax or other benefits to residents of that state that may not be available to investors in programs of other states.*

*Investments in The Plan are not insured or guaranteed by the FDIC, the State of Colorado, CollegenInvest, Vanguard or Upromise. Account Owners assume all investment risks, including the potential for loss of principal, as well as responsibility for federal and state tax consequences.*

The CollegenInvest Direct Portfolio College Savings Plan is a Colorado trust administered by CollegenInvest as Trustees of the College Savings Plans of Colorado. CollegenInvest is the issuer of Plan securities, is the trustee of the plans in accordance with Colorado law, oversees the Manager's activities and provides certain administrative services, such as marketing, audit, and financial statements, in connection with the Plans. Upromise Investments, Inc. serves as Plan Manager for the CollegenInvest Direct Portfolio College Savings Plan and has overall responsibility for the day-to-day operations, including effecting transactions. The Vanguard Group, Inc. also serves as Plan Manager and Investment Manager for the CollegenInvest Direct Portfolio College Savings Plan, and Vanguard Marketing Corporation, an affiliate of The Vanguard Group, Inc., assists CollegenInvest with marketing and distributing the Program.

The Plan's portfolios, although they invest in Vanguard mutual funds, are not mutual funds. Investment returns are not guaranteed and you could lose money by investing in the plan.