

State Capitol
201 W. Capitol Avenue
Jefferson City, MO 65101



(573) 751-2411
www.treasurer.mo.gov

Vivek Malek
Missouri State Treasurer

April 14, 2025

Ascensus College Savings Recordkeeping Services, LLC
95 Wells Avenue, Suite 160
Newton, MA 02459

Re: Addressing Exposure to the People's Republic of China in MOST 529 Investment Options

As Chair of the MOST 529 Education Plan Board, I write to express concern over the lack of international stock index investment options that exclude exposure to markets in the People's Republic of China (PRC). While it is *ultimately* the decision of plan participants to choose their investment options, Missouri families deserve a college savings plan that offers sound, diversified options grounded in long-term performance and prudent risk management. Currently, the MOST 529 Plan does not offer a total international stock index strategy that excludes the PRC. That absence of choice is no longer defensible for a program serving nearly 200,000 Missourians.

For too long, it has been assumed that exposure to equities in the PRC is necessary to achieve aggressive returns in international markets. That assumption no longer holds. According to MSCI, as of March 31, 2025, the ACWI ex-China Index delivered a five-year annualized return of 16.35%, outperforming the standard ACWI Index's return of 15.71% by 64 basis points.¹ This performance directly refutes the notion that the PRC is indispensable to global diversification. Investors can—and do—achieve robust returns by allocating capital to dynamic markets outside of China. The status quo—where families must invest in PRC assets to pursue aggressive returns—is outdated and increasingly unjustifiable.

It is important to note that Vanguard has outlined the elevated risks tied to Chinese investments. In the February 2025 prospectus for the Vanguard Total International Stock Index Fund, the firm warns that companies tied to China face “considerable degrees of social and humanitarian, legal, regulatory, political, and economic uncertainty.” It further notes that such securities may be “restricted or sanctioned by the U.S. government,” that they could “decline in value or become less liquid,” and that exposure through variable interest entities (VIEs) may introduce unique legal and enforceability risks not present in traditional equity markets.² These risks are elevated, compounded, and carry direct consequences for fund performance and investor outcomes.

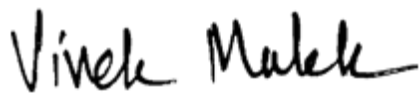
¹ MSCI ACWI ex China Index, <https://www.msci.com/documents/10199/c6639b5f-0887-45cb-8f8c-039a161b77da>.

² The Vanguard Group, Inc, Vanguard Total International Stock Index Fund Prospectus, accessed April 9, 2025, <https://personal1.vanguard.com/pub/Pdf/p113.pdf>.

Missourians, like many Americans, are increasingly wary of China. A 2024 Pew Research Center survey found that 81% of Americans view China as “unfavorable” and over 40% as “very unfavorable.”³ This sentiment is even more pronounced in Missouri, where skepticism of Chinese influence is already shaping public policy. In December 2023, the Missouri State Employees’ Retirement System (MOSERS) followed my recommendation to divest from Chinese public equities.⁴ Missouri is not alone. Multiple states, including Indiana, Florida, Oklahoma, and Kansas, have taken similar steps.⁵ This trend reflects a growing recognition of the financial and operational risks associated with holding Chinese assets. Policymakers across the country are acknowledging that these risks are real, accelerating, and incompatible with long-term fiduciary responsibility.

Accordingly, I am requesting that Ascensus College Savings Recordkeeping Services, LLC, in its capacity as Program Manager and Servicing Agent for the MOST 529 Plan, work with the program investment manager to provide a written plan of action that offers a total international stock index option that excludes Chinese equities within the MOST 529 Plan.⁶ It is my hope that such investment options will be discussed and considered at the May 21, 2025, meeting of the MOST 529 Board. Whether through a new ex-China index fund, a modified portfolio structure, or another appropriate solution, this proposal should provide a product that allows for global diversification without exposure to Chinese securities or the risks they entail.

Sincerely,



Vivek Malek, Treasurer
State of Missouri

³ Christine Huang, “Americans Remain Critical of China,” Pew Research Center, May 1, 2024, <https://www.pewresearch.org/global/2024/05/01/americans-remain-critical-of-china/>.

⁴ Missouri State Employees’ Retirement System Board of Trustees Meeting Special Meeting Regular Session Minutes, December 12, 2023, https://www.mosers.org/docs/default-source/leadership/board/board-meetings/2023-12-12-board-meeting-agenda-and-minutes.pdf?sfvrsn=4c038c83_6.

⁵ Phelim Kine, ‘Circle the Wagons’: State Pension Funds are Dumping Chinese Investments, July 26, 2024, <https://www.politico.com/news/2024/07/26/states-china-pensions-00171437>.

⁶ *The Plan has been implemented and is administered by the Missouri Education Program Board (the "Board"). Ascensus College Savings Recordkeeping Services, LLC, serves as the Program Manager and Recordkeeping and Servicing Agent, and together with its affiliates, has overall responsibility for the day-to-day operations of the Plan, including administrative services and marketing. The Vanguard Group, Inc., serves as Investment Manager for the Plan.*