



## **ADV Part 2A - Firm Brochure**

### **WILSHIRE ASSOCIATES INCORPORATED**

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Dated: March 30, 2020

This ADV Part 2A brochure provides information about the qualifications and business practices of Wilshire Associates Incorporated (Wilshire®). If you have any questions about the contents of this brochure, please contact Wilshire at: 310-451-3051, or by email at: [compliance@wilshire.com](mailto:compliance@wilshire.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

Additional information about Wilshire is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Wilshire Associates Incorporated is an SEC registered investment adviser. This registration does not imply any level of skill or training.



## Material Changes

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### **Material Changes since the Last Annual Update**

This section of Wilshire's brochure is intended to provide investors with a summary of material changes to Wilshire's business since our last annual update of this document, which was March 31, 2019.

As of February 28, 2020 Jason Schwarz was appointed Chief Operating Officer of Wilshire Associates Incorporated with oversight of the four business divisions Analytics, Consulting, Funds Management and Private Markets.

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### **Firm Brochure Available**

To receive a complete copy of Wilshire's firm brochure, without charge, please contact us by telephone at: 310-451-3051 or by email at: [compliance@wilshire.com](mailto:compliance@wilshire.com).



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## Advisory Business

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### Firm Description

Wilshire Associates Incorporated (“Wilshire” or “Wilshire Associates”) is a privately held investment technology and advisory firm founded in 1972, with the current CEO as an original co-founder. The founders’ mission was to combine actuarial science with investment principles, and use scientific methods to help institutional investors manage assets and liabilities simultaneously. In its early years, Wilshire introduced its integrated asset / liability modeling technique to the industry and risk management and portfolio optimization models to help plan sponsors and institutional investors arrive at optimal portfolios based on their specific needs. For more than forty five years, Wilshire has been deemed a leader in the investment community by consistently delivering innovative investment research, products and services that transform complex theory into practical applications.

Wilshire is headquartered in Santa Monica, California with approximately 265 employees in 10 offices serving more than 500 clients worldwide through its four business service units.

### WILSHIRE ANALYTICS

Wilshire Analytics is the technology foundation of Wilshire Associates, with more than forty five years of expertise providing investment firms worldwide with multi-asset class solutions for global risk and performance attribution analytics, GIPS reporting and index services. Institutions served include central and custodial banks, asset management firms, insurance companies, plan sponsors, mutual fund companies and hedge funds. Wilshire Analytics provides services in the following broad areas:

- Wilshire Core Analytics: A suite of services for global performance attribution, risk management and GIPS compliance. Our clients benefit from access to comprehensive security data, time-tested models and flexible reporting capabilities, including data visualization dashboards powered by business intelligence tools such as Microsoft Power BI or Tableau. Robust capability sets such as scenario analysis and portfolio optimization help clients make better investment decisions and evaluate their impact. Services include: Wilshire Axiom, Wilshire Atlas, Wilshire Abacus, and Wilshire iQComposite;
- Wilshire Index Solutions: Wilshire provides a wide range of broad and sub-market indexes, benchmarks that measure institutional performance and custom indexes;
  - Wilshire’s broad and sub-market indexes (e.g., Wilshire 5000 Total Market Index™, Wilshire Large-Cap Index™) aim to provide investors with a more accurate measurement of a given market. Wilshire indexes, such as the family of Wilshire Risk Parity Indexes, may be used to build investible products;



- Benchmarks for institutional investor performance provide insight into how institutional investors have allocated assets across US plans over time and the impact of those decisions (e.g., Wilshire Trust Universe Comparison Service®, Wilshire Cooperative);
- Wilshire custom indexes: clients leverage Wilshire's index expertise to help bring new ideas to market quickly. Services range from idea generation, research and testing, to acting as the calculation agent (e.g., Powered by Wilshire™).

## **WILSHIRE CONSULTING**

Wilshire Consulting provides discretionary and non-discretionary investment advisory solutions to large corporate and public retirement plans, endowments, foundations, insurance companies, sovereign wealth funds and other large asset owners.

As a discretionary advisor Wilshire may act as a client's Outsourced Chief Investment Officer (OCIO), providing the above services while making discretionary investment decisions in accordance with the client's defined mandate. Wilshire Solutions Funds Trust is a series of funds which can help clients achieve desired public market exposures through a pre-packaged OCIO solution. Wilshire engages sub-advisers or invests in commingled vehicles to manage the fund and gain desired exposures.

Non-discretionary consulting encompasses all of the traditional services provided by a general investment consultant, including asset-liability analysis, asset allocation, investment policy development, asset class structuring, investment manager evaluation and monitoring, and performance measurement. For defined contribution plans, Wilshire Consulting also assists plan sponsors in establishing custom glide paths and target date funds.

Risk management consulting solutions assist clients in assessing and understanding total fund risk exposures and include the development of risk policies, risk mitigation procedures and risk re-balancing.

Wilshire Compass<sup>SM</sup>, a proprietary software application, offers clients access to the Wilshire investment database and a sophisticated suite of analytics for asset allocation modeling, manager search and evaluation, and total fund analysis.

Wilshire Consulting also provides educational resources, strategic advice, manager insights and risk and performance measurements to help asset owners protect and enhance long-term capital by integrating Environmental Social and Governance (ESG) considerations into investment decisions.

Additionally, Wilshire Consulting provides actuarial services, both in its own capacity and in partnership with third party providers.

## **WILSHIRE PRIVATE MARKETS**

Wilshire Private Markets ("WPM" or "Private Markets") provides discretionary and non-discretionary advisory solutions to assist institutional investors in building portfolios of private market investments that cover the full range of market opportunities (primaries,



secondaries, and co-investments), across an array of investment types —venture capital, leveraged buyout, private debt, real asset, etc. Wilshire Private Markets additionally provides portfolio administration services.

#### **WILSHIRE FUNDS MANAGEMENT**

Wilshire Funds Management (“WFM”) offers discretionary and non-discretionary investment advisory solutions, services and products to institutions, intermediaries (including banks, broker-dealers, asset managers, mutual fund complexes, insurance companies and retirement plan providers) and individual investors. Wilshire Funds Management provides services in the following broad areas:

- Discretionary and non-discretionary investment strategies including long-only and alternative asset classes;
- Investment advisory services to ERISA and non-ERISA retirement plans and accounts, including ERISA 3(21) and 3(38) solutions, discretionary managed accounts, asset allocation portfolios and custom target date and target risk portfolios;
- Manager research services, including investment manager due diligence;
- Wilshire Mutual Funds and Wilshire Managed Portfolios consisting of multi-manager and/or multi-asset class portfolios delivered directly to financial institutions, including broker-dealers and RIAs;
- A managed account platform for investing in hedge fund and risk premia strategies, delivering discretionary services to qualified purchasers and institutions globally.

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#### **Principal Owners**

Wilshire is a privately held Subchapter S corporation that is 100% owned by its active key employees. Wilshire has no other outside owners. Wilshire periodically offers its key employees an opportunity to acquire equity ownership in the firm, enabling them to become principals. As of December 31, 2019, Wilshire had approximately 72 principals, each of whom is an officer of the firm. The founder and CEO of Wilshire Associates, Dennis Tito, is the majority shareholder of the firm, and no single individual other than Mr. Tito owns more than 10% of the shares of the firm. Retired individuals do not have any ownership interest in the firm.

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## **Types of Advisory Services**

Wilshire is a global financial services firm providing diverse discretionary and non-discretionary investment advisory services and products to investors and intermediaries. Wilshire has assets under advisement of approximately \$1.1 trillion as of December 31, 2019. Wilshire has approximately \$72.2 billion in assets under management, providing discretionary investment services with respect to funds or accounts as follows:

- Wilshire sponsored funds including Wilshire Private Market's funds, the Wilshire Mutual Funds and VITs, the Wilshire Solutions Funds Trust and the Wilshire Institutional Master funds;
- Funds sponsored by third parties for which Wilshire serves as sub-adviser with discretion over security selection, asset allocation and/or manager selection;
- OCIO services where Wilshire has the discretion to hire and terminate investment managers and rebalance portfolio assets;
- Model portfolios where Wilshire has discretion over the model;
- Delegated consulting where Wilshire has the discretion to adjust the asset allocation of a portfolio to meet the ranges dictated by the chosen glide path; and
- Defined contribution plans where Wilshire has the discretion over the fund line-up offered to plan participants.

Wilshire's products, services, investment approach and advice may differ between clients (including discretionary accounts and even where similarly situated) and all of Wilshire's products and services may not be available to all clients. Clients may utilize different classes of the same issuer that have different rights, including, without limitation, with respect to liquidity and fees. The exercise of differentiated rights on behalf of one client may impact the ability of another client to engage in a transaction, investment or activity. Non-discretionary clients may have different rights in the same investment. For example, a private investment (or possibly redemption) on behalf of a discretionary client may prevent the investment into a fund (or redemption out of a fund) of a non-discretionary client.

Different divisions within Wilshire may have different approaches to managers, portfolios, funds or other investment products. Some divisions may favor, and some client portfolios may be better suited for, more active management based on investment ideas derived from short-term market views ("dynamic tilts"). The use of dynamic tilts may affect (positively or negatively) the volatility and expenses of implementing an investment strategy or portfolio and further cause differences between clients.

Greater detail regarding the advisory services provided by Wilshire's business units are as follows:





## **WILSHIRE CONSULTING**

Wilshire Consulting provides discretionary and non-discretionary investment solutions and services to public and private defined benefit and defined contribution pension funds, endowments, foundations, healthcare organizations, insurance companies and sovereign wealth funds. Wilshire Consulting assists clients in developing and implementing an investment plan, including setting investment objectives, engaging in manager selection and determining asset allocation, in-line with the client's risk tolerance and return goals.

Wilshire Consulting applies a consistent philosophy to its advisory services, believing that industry research and our experience over 35 years indicate that asset allocation has the greatest impact on a portfolio's long-term risk and return profile. Wilshire's extensive toolkit of proprietary technology and research provide practical solutions that clients can easily and effectively implement. Wilshire Consulting monitors both the plan and the performance of each underlying manager to evaluate the client's success in obtaining its investment objectives.

Clients are provided regular reports, detailing Wilshire's assessment, and access to Wilshire's qualitative and quantitative software tools to assist in developing and implementing investment objectives.

### ***Outsourced Chief Investment Officer (OCIO) Solutions***

Wilshire Consulting provides discretionary services to clients who wish to outsource their investment process in full or in part. Wilshire's discretionary solutions provide all of the services of Wilshire's non-discretionary consulting practice and assume the decision-making authority to hire and fire investment managers as well as implement asset allocation and manager transition strategies in accordance with the investment policy. The service is provided on a customized basis or in a commingled solution as described below.

### ***The Wilshire Solutions Funds Trust***

Wilshire Consulting serves as the investment manager to the Wilshire Solutions Funds Trust ("WST"), a pooled investment vehicle consisting of a series of funds. WST is a commingled investment platform offered to clients who seek a pre-packaged solution to access Wilshire Consulting's discretionary services. A complete description can be found in WST's offering documents.

### ***Actuarial Consulting***

Wilshire's actuarial consulting practice provides traditional actuarial services to defined benefit and defined contribution plan sponsors. These services include funding and accounting actuarial valuations, benefit administration and strategic consulting. Wilshire's actuarial team works closely with their investment consulting counterparts to assist plan sponsors to develop and manage their plan policies.

### ***Wilshire Compass***

Wilshire Consulting manages Wilshire Compass, an analytical tool that combines a comprehensive database with proprietary technology to develop and maintain a complete and disciplined investment plan. Wilshire Compass helps its users to:



- Formulate investment policy and implement strategies
- Monitor and evaluate asset class and total fund performance and risk
- Develop asset allocation and rebalancing recommendations
- Select and evaluate investment managers
- Analyze and optimize manager teams

## **WILSHIRE PRIVATE MARKETS**

Wilshire Private Markets provides its clients discretionary and non-discretionary private equity and real asset investment solutions and services. WPM delivers its services and solutions through i) commingled funds (funds of funds) managed by WPM; ii) customized separately managed accounts; and iii) advisory services. Discretionary solutions may be comprised of primary partnership investments, purchases of LP interests in a secondary market, and direct or indirect co-investments alongside private equity fund managers in individual assets and/or securities. Non-discretionary advisory solutions may be comprised of private capital program design, strategy development, investment sourcing, due diligence, monitoring and reporting of private equity fund managers and partnerships for institutional investors. WPM's senior investment professionals execute both diversified and focused investment mandates from four offices in the United States, Europe and Asia, providing a comprehensive approach to the private equity needs of its clients.

WPM monitors private markets investments on behalf of its clients and limited partners. Monitoring activity may involve on-site and telephonic portfolio updates, annual meeting attendance, review of amendments to limited partnership agreements, monitoring of investment pace, capital call schedule and distributions, and ensuring funds adhere to stated investment mandates. In many cases WPM will request and take seats on fund LP advisory boards. WPM utilizes a proprietary investment database to track the status of underlying investments in each partnership. A formal quantitative analysis of relative fund performance is reviewed by the WPM Investment Committee quarterly.

## **WILSHIRE FUNDS MANAGEMENT**

### ***Investment Advisory Services***

Wilshire Funds Management offers discretionary and non-discretionary investment advisory services to financial institutions and intermediaries, commingled funds and mutual fund complexes. WFM's clients include insurance companies, broker-dealers, banks, retirement plan service providers, investment managers and family offices. Services include outcome-oriented asset allocation and manager selection services (ranging from advising on existing asset allocation programs or manager platforms to full-scale implementation of multi-asset class, multi-manager investment programs), providing asset allocation model portfolios, sub-advisory services, and ERISA 3(21) and 3(38) fiduciary services with respect to fund lineups for retirement accounts delivered through plan providers.



### ***Wilshire Mutual Funds***

WFM provides discretionary investment management services to Wilshire Mutual Funds, Inc. and Wilshire Variable Insurance Trust (collectively, the “Funds”). These services include the management of asset class specific multi-manager funds and a global fund. In all cases, WFM either selects investment managers as sub-advisors to manage the investment portfolios of the Funds, or invests in other registered investment companies utilizing a fund of funds approach.

### ***Sub-Advisory Services***

WFM serves as discretionary and non-discretionary sub-advisor to a number of registered investment companies and private funds sponsored and/or managed by third parties. WFM’s role with respect to each such fund is dictated in each case by the authority given to WFM by the sponsor/investment manager of each such fund.

### ***Hedge Fund Advisory, Risk Premia, Liquid Alternatives and Managed Account Services***

WFM offers hedge fund manager and risk premia strategy research, selection and advisory services to its clients, as well as research and advisory services for registered investment companies categorized as liquid alternative strategies. WFM also operates hedge fund managed account platforms as a turn-key alternative investment management solution open to qualified investors. The platforms provide investors the opportunity to allocate capital across one or more segregated portfolios, each with a unique investment strategy and profile. The platforms offer clients a customizable means to access alternative investments with enhanced transparency and liquidity. Investors in third-party feeder vehicles are not deemed to be Wilshire “clients” under the Investment Advisers Act of 1940 (the “Investment Advisers Act”), but are entitled to the rights and benefits described in the applicable disclosure documents, management agreements, limited liability company agreements and other applicable constituent documents.

Wilshire and Asset Management One USA Inc. (“AMO”) maintain a shared database (the “Database”) of investable risk premia index products by banks (“Bank Risk Premia Strategies”); and develop products and services utilizing the Database both together and independently. Wilshire shares with AMO a percentage of its revenues derived from Bank Risk Premia Strategies utilized on Wilshire Institutional Master Fund II SPC where AMO is not retained as the sub-advisor with respect to such strategies. Wilshire and AMO also share revenues where one of the two are engaged to provide advisory services or products involving Bank Risk Premia Strategies to a third party and engages the other to provide support or services with respect to such engagement.

### ***Wilshire Managed Portfolios***

Wilshire Managed Portfolios is WFM’s solution to financial advisors, which provides financial advisors with a turnkey way of accessing Wilshire’s expertise in asset allocation, manager selection and portfolio construction often using Wilshire’s mutual funds and/or mutual fund/ETF based model portfolios. Wilshire Managed Portfolios are generally organized around the following themes:

- Wilshire Asset Allocation Portfolios – several distinct series of portfolios which seek to provide broad diversification across asset classes and investment



managers. These portfolios contain a range of risk/return profiles designed to suit the individual risk tolerance levels of financial advisors' clients.

- Wilshire Diversified Alternatives Portfolio – seeks to provide diversified exposure to a range of liquid alternative strategies and investment managers
- Wilshire Active Income Portfolios – seek to provide exposure to a range of fixed income asset classes and investment managers, while generating an attractive risk-adjusted yield as well as total return.

WFM markets these managed portfolios directly to independent broker-dealers, RIAs, multi-family offices and wealth management platforms.

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## **Tailored Relationships**

Investment goals, objectives and/or guidelines for each advisory client are documented in each client agreement. Clients may impose restrictions on investing in certain securities or types of securities. Advisory agreements may not be amended or assigned without client consent.

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## **Client Agreements**

Prior to the start of any client relationship, Wilshire enters into an agreement with the client. The agreement outlines the terms and conditions of the relationship including a description of the services to be provided by Wilshire, responsibilities of the client, fees as well as other standard contractual terms.

The following categories of agreements define our typical client relationships:

**Discretionary Investment Management Agreement** – Wilshire develops, manages and monitors a client's portfolio with full discretion to implement investment decisions in accordance with an agreed upon investment policy detailing objectives, time frame and acceptable risks. Wilshire takes a top down, macro approach, providing portfolio construction for the client and hiring third party managers to construct asset portfolios in line with Wilshire's broad investment mandate.

**Non-Discretionary Investment Consulting Agreement** – Wilshire advises a client in the development of an investment policy and assists in manager selection and monitoring, performance monitoring and risk analysis.

**License Agreement** – This is used for clients who want to license Wilshire's analytical tools.

Relationships with clients that invest in Wilshire investment vehicles are regulated by the governing documents of the investment vehicles. Wilshire may also enter into an agreement with clients for unique, specified services.

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**Termination of Agreements**

Generally, after an agreed upon initial term, an advisory client of Wilshire may terminate an agreement with ninety (90) days prior written notice. At termination, fees will typically be billed on a pro rata basis for services provided and Wilshire will refund any unearned portion of paid fees. Alternative termination terms may apply in private markets separately managed accounts and co-mingled closed-end funds.

## **Types of Clients and Fees**

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### **Description of Clients**

Wilshire primarily provides investment advisory services to institutional investors such as pension and profit-sharing plans, trusts, estates, charitable organizations and corporations, and to retirement plans, individual retirement investors and retail investors through financial intermediaries such as recordkeepers, broker-dealers, investment advisors and insurance companies. Wilshire may also provide investment services to U.S. or foreign government entities, state or municipal government entities, public international organizations, investment limited partnerships, and other types of investment vehicles.

Client relationships vary in scope and length of service. Minimum account size can also vary across products. Generally, the minimum account size for institutions will range from \$1,000,000 to \$50,000,000 and for retail investors will vary with Wilshire's relationship with the financial intermediary. In certain situations, Wilshire will accept a startup fund or product with zero assets. In those cases, a minimum fee may be negotiated.

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### **Fees Generally**

Wilshire's advisory fees differ depending on the size of the client, services provided, complexity of the solution and the relationship established. Fees may include i) a fixed fee; ii) a percentage of assets under management or advisement; iii) a usage fee for a particular service (e.g., a license fee for analytical tools); and iv) a performance fee.

Wilshire, in its sole discretion, may waive any minimum fee requirements and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.). All advisory fees are negotiable.

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### **Advisory Fee Schedule by Division**

#### **WILSHIRE ANALYTICS**

##### ***Wilshire Custom Indexes***

Wilshire may receive either a fixed fee or 1 to 25 basis points on assets under management for services to clients engaging Wilshire's index expertise. Fees are commensurate with the services provided.

##### ***Wilshire Index Products***

Wilshire may receive from 1 to 25 basis points on assets under management for products developed from Wilshire's indexes.

#### **WILSHIRE CONSULTING**

##### ***Non-discretionary advisory services***



Wilshire typically receives an annual fixed retainer fee between \$35,000 and \$4 million for general non-discretionary advisory services.

***Discretionary advisory services***

Wilshire typically receives from 10 to 65 basis points on assets under management for general discretionary advisory services.

***Actuarial services***

Wilshire typically receives from \$10,000 to \$500,000 for actuarial services.

***Life-cycle or targeted retirement date investment programs***

Wilshire typically receives from 5 to 25 basis points on assets under management for life-cycle or targeted retirement date investment programs.

***Risk Management***

Wilshire typically receives an annual fixed fee between \$250,000 and \$3 million for full service risk management consulting that delivers the risk measurement and monitoring tools required to implement a risk management program.

***Investment Management***

For serving as investment manager to the WST, Wilshire Consulting receives a fee on assets under management as agreed to between Wilshire and the investor, subject to a minimum annual fee of \$100,000 per investor. The minimum fee may be waived in Wilshire's sole discretion.

***Wilshire Compass***

Wilshire Consulting charges a fixed retainer fee annually for the use of Wilshire Compass. Clients are billed monthly in arrears. Additional costs may be incurred, depending on the number of users to be supported at each client site and/or on other factors.

**PRIVATE MARKETS**

***Separate account management***

Private Markets generally charges a management fee of between 50 and 100 basis points on committed or invested capital for separate accounts. Management fees are generally calculated and billed quarterly in advance. Certain additional services may also be contracted and charged on a fee-for-service basis. The minimum capital commitment under management for a separate account is generally \$25,000,000, which amount may be reduced in Wilshire's sole discretion.

***Fund of funds***

Private Markets serves as the investment manager to pooled investment vehicles, whose limited partners are charged a management fee based on the value of committed capital or invested capital and may charge a performance fee. Fees vary and are as disclosed in the offering documents for each investment vehicle. Commingled vehicles generally require a minimum investment of \$5,000,000, which amount may be reduced in Wilshire's sole discretion.



***Non-discretionary advisory services***

Private Markets may charge a project-based fee, an annual fixed retainer fee or a fee based on a percentage of assets under management for non-discretionary advisory services.

**WILSHIRE FUNDS MANAGEMENT**

Wilshire Funds Management charges both fixed retainer and asset based fees for advisory services. WFM's fixed retainer fees typically range from \$100,000 to \$5 million, depending upon the type of advisory services provided. WFM's asset based fees typically range from 5 to 50 basis points for multi-asset advisory services, offered either under a non-discretionary or discretionary mandate. Fees for custom hedge fund of fund strategies, including risk premia, range from 30 to 120 basis points and in certain instances includes a performance fee of up to 20%. Fees charged for access to hedge fund strategies on the Wilshire Managed Account Platform range from 25 to 75 basis points. Wilshire shares with AMO a percentage of its revenues derived from Bank Risk Premia Strategies utilized on the Wilshire Institutional Master Fund II SPC. Wilshire and AMO may share a percentage of revenues from products or advisory engagements derived from the use of the joint intellectual property contained in the Database (a shared database of investable risk premia index products offered by banks).

Fees charged for the management of Wilshire Mutual Funds, Inc. and Wilshire Variable Insurance Trust vary by fund and range from 10 to 60 basis points. Details can be found in each Fund's Prospectus and Statement of Additional Information. Fees charged for WAS range from 15-50 bps. Generally, WAS portfolios that include Wilshire Mutual Funds have a zero fee option.

**CUSTOM SERVICES**

Wilshire will provide specified services for special projects upon request. In such cases, Wilshire provides the prospective client a proposal letter that outlines the scope of the project and the applicable fee. Generally, such projects are of short duration and fees are payable as agreed upon with the client.

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**Fee Billing**

Fees are generally billed monthly or quarterly. Payment in full is expected upon receipt of the invoice.

Fees may be paid out of the client's investment account by the client's custodian. A client must consent in advance to direct debiting of its investment account. When we collect fees in this manner, at the same time we bill the custodian, we will send the client an invoice showing the amount of the fees, the value of the assets on which they are based, and the fee computation. Upon termination, fees will be billed or refunded, as appropriate, on a pro rata basis for the portion of the quarter completed. The portfolio value at the beginning of the period is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.



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## **Other Fees**

Client accounts may incur other fees not associated with Wilshire (e.g., administrative, custodian and/or transaction fees). Client accounts also incur brokerage commissions, which are discussed in the “Brokerage Practices” section of this brochure. Expenses other than advisory and performance fees and brokerage commissions, such as custody fees, are generally paid directly by a client to the service provider.

Funds are generally subject to operating expenses, including advisory fees paid to the investment managers and sub-advisors of the funds. If Wilshire invests a client's assets in a fund (proprietary or nonproprietary), the client will bear a proportionate share of the operating expenses of the fund; in addition to the fees it pays Wilshire. If Wilshire invests a discretionary client's assets in a fund managed by Wilshire, Wilshire will generally waive its advisory fee with respect to those assets; however, Wilshire, as the investment adviser to the fund, will receive a management fee directly from the fund.

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## **Performance Based Fees**

Wilshire may charge a performance fee for certain services to its clients qualified to participate in performance fee arrangements under the Investment Advisers Act. These fees are generally charged on a percentage of the profits earned from investments, at times only after a minimum return has been achieved. The pertinent fee agreement provides details about how these fees are charged.

The use of performance-based fees may result in conflicts of interest. Advisors may devote more time to developing and analyzing investment strategies or allocate opportunities preferentially to accounts for which it could share in investment gains. Wilshire professionals allocate client assets according to our policies. Therefore, accounts with performance-based fees are not granted preferential allocations and no client, regardless of fee model, is favored over another.



# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis

Since 1972, Wilshire has pioneered analytical-driven investment consulting and asset management solutions to manage risk. Wilshire was an early innovator of integrated asset/liability modeling, as well as risk management and portfolio optimization models to help plan sponsors and institutional investors arrive at optimal portfolios based on their specific needs. Industry research and our experience lead us to believe that the asset allocation decision has the greatest impact on a portfolio's long-term return and risk profile. Wilshire embraced this important concept over 35 years ago when the firm introduced its integrated asset/liability modeling technique to the industry.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations and as mutually agreed through an investment policy statement. Wilshire has over 35 years of experience in assisting clients to develop investment policies, procedures and guidelines. Investment policy and guidelines are integral to all aspects of Wilshire's investment advisory services.

For those clients for which Wilshire has investment discretion, Wilshire primarily selects asset managers as sub-advisors to whom Wilshire delegates day-to-day portfolio management or invests in other investment funds, which it monitors and oversees. These investment managers or funds execute various types of investment strategies. Wilshire's selection and monitoring of investment managers is based on various criteria, including, without limitation, investment performance, risk management, investment philosophy, organizational structure, experience and commitment.

Wilshire also engages in quantitative, rules-based investment analytics, which are used in a variety of applications including monitoring broker-dealers' investment platforms and selecting securities for investment portfolios.

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## Risk of Loss

All investment programs have certain risks that are borne by the investor. Wilshire's investment approach seeks to mitigate risk and ensure clients are compensated for the risk they take. The risk for each client varies in accordance with their policies, procedures, goals, guidelines and stated risk tolerance. In addition, all of Wilshire's clients will encounter risks, including, but not limited to:

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying value or the company's circumstances. For example, political, economic and social conditions may trigger market events.

**Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk:** Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This risk primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil companies are subject to the vagaries of both broadly fluctuating demand, and accordingly, prices for their product. They carry a higher degree of risk of loss in comparison to an electric company, which has a more predictable demand for its product at a regulated price.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not, given the lengthy process to sell real estate.

**Financial Risk:** Financial risk represents a broad spectrum of risk associated with a company's financings, including loans and the risk of default.



## Disciplinary Information

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### Legal and Disciplinary

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the adviser or the integrity of the adviser's management. While Wilshire may be engaged in various civil litigation matters from time to time, to the best of Wilshire's knowledge there is no current or pending litigation against Wilshire that would affect its ability to fulfill contractual commitments. Wilshire has no reportable legal or disciplinary events.



## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

Wilshire acts in the capacity of investment adviser to the Wilshire Mutual Funds, Inc. and the Wilshire Variable Insurance Trust. In addition, certain personnel of Wilshire serve as officers and/or directors of Wilshire Mutual Funds, Inc. and the Wilshire Variable Insurance Trust.

Wilshire is registered as a Commodity Pool Operator and Commodity Trading Adviser with the National Futures Association and certain Wilshire employees have been registered as Associated Persons. Certain Wilshire employees are also registered representatives with Foreside Financial Group, LLC, a registered broker-dealer.

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### **Affiliations**

Operations in Amsterdam and Hong Kong, are conducted through affiliated companies, Wilshire Associates Europe B.V. ("WAEBV") and Wilshire Hong Kong Limited ("WHKL"). Wilshire Private Market's participation as general partner in various offshore limited partnership investment vehicles is conducted through entities controlled by Wilshire's affiliate, Wilshire Global Advisors Inc. Wilshire organized these affiliated entities to comply with local laws.

WAEBV in the Netherlands distributes Wilshire products and services and provides research and advisory support for Wilshire's business in Europe. Members of WPM who are employees of WAEBV are involved in the due diligence and ongoing monitoring of WPM investments and certain WAEBV employees are members of the WPM Investment Committee.

WHKL provides research support for WPM's private markets business. Employees of WHKL are involved in the due diligence and ongoing monitoring of WPM's investments and certain WHKL employees are members of the WPM Investment Committee.

Private Markets also maintains a legal presence in Australia through its affiliate Wilshire Australia Pty Limited ("WAPL"). WAPL, which wholly owns Wilshire Global Advisors Limited ("WGAL"), has a financial services license under Australian law.

## Conflicts of Interest

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### Conflicts of Interest

A conflict of interest exists when circumstances create a risk that Wilshire's professional judgment or actions will be unduly influenced by a secondary interest or when Wilshire's action on behalf of one client may impact another client. More specifically, and without limitation, conflicts of interest may arise when Wilshire is in a position to: i) provide advice or a recommendation to a client with regards to Wilshire's own products or services; ii) provide advice or a recommendation with regards to a product or service with which Wilshire competes; iii) evaluate, review or recommend an investment manager or other financial services provider with which Wilshire has a business relationship or to which it provides services; iv) make a decision whose impact may have different effects on different clients or v) recommend the services of a third party from which Wilshire currently obtains a benefit (economic or otherwise).

Wilshire has extensive business relationships with, and may provide services to, investment managers and other financial services providers that may be evaluated or recommended by us. Wilshire, for example, engages sub-advisors to manage portions of its discretionary funds. It may also be engaged as a sub-advisor by third-party funds. As well, Wilshire's manager research team, which produces manager evaluations may participate in providing certain services to financial services providers, including investment managers and financial services providers that Wilshire may recommend to advisory clients.

Wilshire recognizes that there are potential conflicts of interest between Wilshire's obligation to provide objective advice to clients and our relationships with the investment managers and financial services providers we recommend to those clients.

Wilshire also receives differentiated fees or other compensation (including performance-based fees) from clients and may have incentives to favor some clients or accounts over others. For example, certain investors that are invested in pooled investment vehicles may pay higher or lower fees and expenses or may be subject to higher or lower incentive allocations than similarly situated investors that are invested in the same pooled investment vehicle. Amounts may vary as a result of differentiated factors that may include the particular circumstances of the investor or the size and scope of the overall relationship. Fee and expense allocations to investors may differ depending on the class of shares. In addition, Wilshire provides products and services that compete with those that we evaluate or recommend.

It is Wilshire's policy to make evaluations, recommendations and decisions based solely upon the best interests of the client and without regard to any benefit (economic or otherwise) that Wilshire receives or might receive. Wilshire is committed to ensuring that it does not consider an investment manager's or financial service provider's business relationship with Wilshire, or lack thereof, in performing evaluations for or making recommendations to its advisory clients. Wilshire has implemented policies and procedures that seek to mitigate conflicts of interest through appropriate oversight, transparency and controls.

**Oversight**

Wilshire has charged the Wilshire Management Committee (WMC), made up of the President, Chief Operating Officer, Chief Financial Officer, General Counsel, Chief Compliance Officer and other members of senior management, to identify and evaluate potential conflicts of interest, develop and execute appropriate policies, and oversee conflicts of interest.

Where Wilshire proposes to provide information (i) to a current advisory client about an investment in a fund or other investment vehicle for which Wilshire or one of its affiliates is the investment manager, (ii) to a current advisory client about additional discretionary services of another Wilshire business unit or (iii) to a new client that may retain Wilshire to provide both investment advisory and discretionary investment services (either through a separate account or a Wilshire vehicle), the WMC will review such transaction and determine whether to disallow the additional services or what additional actions if any may be prudent to mitigate the conflict.

**Transparency**

Wilshire has an obligation to make full and fair disclosure of material facts to its clients. A fact is considered to be material when there is a substantial likelihood that a reasonable individual would consider it important or where knowledge of the information would be necessary for the client to make an informed decision.

Wilshire's policy is to disclose material conflicts of interest to its clients and prospective clients. Wilshire will provide existing and prospective investment advisory clients with a Conflicts Disclosure Report ("Disclosure Report"), listing all relationships that Wilshire has with investment managers and other relevant financial services providers along with a summary of the types of services that Wilshire may provide to those entities. Wilshire also provides certain advisory clients with a Disclosure Report when making a manager recommendation or when otherwise deemed appropriate. Clients receiving a Disclosure Report may request more detailed information about managers or service providers with which the client has or is considering a relationship by contacting Compliance. For each manager or financial services provider for which a client has requested additional information, Wilshire will, where appropriate, provide a more detailed report.

When Wilshire recommends a Wilshire fund or other product to a client, Wilshire will provide the client with relevant disclosures including identification of the potential conflict of interest and the benefits (economic and otherwise) that Wilshire may obtain from a client's investment; and, when deemed necessary, the client will be required to acknowledge and accept such conflict.

**Controls**

Wilshire will seek to implement relevant controls to mitigate conflicts. Controls include managing processes by which we deliver services to clients, assuring relevant and necessary personnel are engaged in appropriate activities at Wilshire and managing the exposure relevant parties within Wilshire may have to sensitive information. An ethical wall is a process for mitigating conflicts of interest by limiting the communication of information between individuals or groups, whether written or oral, which may give rise to a conflict of interest. Where reasonable and appropriate, Wilshire has



established ethical walls around business activities where sharing information may create a conflict of interest. The ethical walls seek to prevent members of one group from accessing information that may influence the service they provide to a client. Wilshire recognizes, however, that it may not always be possible to erect ethical walls where it is deemed necessary (e.g. where the personnel necessary for the assignment are limited in number and cannot be divided into select groups around which to erect an ethical wall) and will in such instances seek other means to mitigate the conflict.





## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

Wilshire's Code of Ethics ("Code") was adopted in compliance with the requirements of the Investment Advisers Act and the Investment Company Act of 1940. The Code emphasizes Wilshire's fiduciary duty to its investment management and consulting clients and the obligation of the firm's personnel to uphold that fundamental duty. The Code addresses securities-related conduct and focuses principally on personal securities transactions, insider trading, outside activities, gifts, conflicts of interest, political contributions and employee reporting requirements.

Wilshire has implemented Schwab Compliance Technologies to assist in the management, monitoring and reviewing of employee personal securities accounts and transactions. Employees, with limited exceptions, are required to maintain accounts at approved broker-dealers and are required to obtain pre-approval prior to trading securities listed on the firm's Restricted Companies List ("RCL"). The RCL includes publicly traded companies that are clients of Wilshire's advisory business units (excluding Wilshire Compass clients), individual securities being actively held or traded by a portfolio over which Wilshire has discretionary control, or if Wilshire believes it could be in possession of material nonpublic information about such companies. Business unit managers, in consultation with Wilshire's Compliance Department, determine whether or not to include companies on the RCL.

On an annual basis Wilshire requires employees to certify that they are in compliance with the Code. Wilshire will provide clients and prospective clients with a copy of the Code upon request.

## Brokerage Practices

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### Selecting Brokerage Firms

Wilshire does not have any affiliation with firms that sell products (i.e., broker-dealers). Select employees of Wilshire who engage in activity that may require their registration as a licensed agent of a broker-dealer are affiliated with a brokerage firm, through which Wilshire distributes investment products. Wilshire does not otherwise regularly execute or direct trading on individual securities and Wilshire does not generally make recommendations to clients regarding brokerage services.

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### Best Execution

On occasion, Wilshire may execute transactions through a broker-dealer on behalf of Wilshire managed funds or empower an agent to trade on behalf of Wilshire managed funds. When directly selecting a broker-dealer Wilshire will seek to have orders executed at prices that are as favorable as possible under prevailing market conditions. Wilshire will seek broker-dealers that can provide the best qualitative execution, taking into consideration various factors, including, but not limited to the asset being traded, the capability of the firm to execute trades efficiently, quality of price execution, the competitiveness of commission rates and transaction fees, Wilshire's limited trading activity, and the overall level of customer service. Thus, while Wilshire will give significant weight to the competitiveness of the available commission and transaction rates, it may not necessarily select the broker-dealer that offers the lowest possible rates. Additionally, even where Wilshire uses its best efforts to seek the lowest possible commission rate, it may not obtain the lowest rate for any particular transaction.

If a client directs Wilshire to effect transactions through a particular broker-dealer, Wilshire may not be able to seek best execution services or prices from such directed broker-dealers nor may it be able to "bunch" the client's transactions with orders for other accounts. As such, the client may incur higher commissions or other transaction costs than would otherwise be the case had the client determined to effect transactions through the brokerage relationships generally recommended by the advisory firm.

With respect to Wilshire client assets that are managed by a third-party investment manager, the investment manager has a fiduciary obligation to seek best execution for all transactions executed on behalf of the client in accordance with its own policies and procedures.

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### Soft Dollars

Wilshire does not have any soft dollar arrangements. Wilshire does receive payment from third parties for analytic services as a result of soft dollar arrangements by our clients.

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## **Order Aggregation**

Wilshire does not regularly execute transactions for multiple clients with a broker-dealer. Were it to arise, Wilshire may aggregate transactions if it were unlikely that aggregation would work to the disadvantage of any client whose order is to be aggregated. However, it is possible that the effect of aggregation may work to a clients' disadvantage in relation to a particular order.

## **Review of Accounts**

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### **Periodic Reviews**

Each business unit performs periodic account reviews, as appropriate, when market conditions dictate or as agreed upon with the client. Client account reviews involve various Wilshire personnel and may include portfolio managers, consultants and members of our manager research team.

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### **Review Triggers**

Other conditions that may trigger a review are changes in applicable tax laws, new investment information, and/or changes in a client's situation.

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### **Regular Reports**

Clients receive periodic communications on at least a quarterly basis. The updates may include a valuation statement, portfolio statement, fact sheets, and/or market commentary.

## Client Referrals

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Wilshire engaged Morgan Stanley Japan Securities Co., Limited ("MSJ") to assist Wilshire's marketing efforts with respect to the Wilshire Private Markets Japan Unit Trust (the "Japan Fund"). The Japan Fund is a feeder vehicle through which Japanese investors may invest in Wilshire managed pooled investment vehicles. The Japan Fund has invested in Wilshire Private Markets Japan Master Fund III, Ltd. ("Fund III"). Fund III has invested in each of Wilshire Asia Private Markets Fund VII, L.P., Wilshire European Private Markets Fund VII, L.P. and Wilshire U.S. Private Markets Fund VII, L.P. Wilshire will pay MSJ a subscription fee equal to 1% of the commitment amount of the Japanese investors in the Japan Fund. In addition, Wilshire will pay MSJ 30.77% of the annual management fee paid to Wilshire by each of Wilshire Asia Private Markets Fund VII, L.P., Wilshire European Private Markets Fund VII, L.P. and Wilshire U.S. Private Markets Fund VII, L.P. with respect to investments in such funds by the Japan Fund. In addition, Wilshire pays MSJ an amount equal to 100% of the first two years of annual management fees paid to Wilshire for the investment into Wilshire Asia Private Markets Fund VIII (Offshore), L.P. by certain Japanese investors.

WPM investors in the Japan Fund are subject to the same management fees and carried interest. Investors introduced by MSJ are charged a subscription fee. Notwithstanding the foregoing, certain funds established by Wilshire with investment strategies substantially identical to the Japan Fund do not require the payment of a carried interest or a subscription fee and have fees and expenses which could be substantially lower than those of the Japan Fund.

Wilshire has engaged TopCap Partners, Inc. to refer potential prospects to Wilshire Private Markets, primarily in European markets. Wilshire will pay TopCap Partners, Inc. fees in accordance with out agreement. Clients referred by TopCap Partners, Inc. will pay no additional fees for substantially similar services provided by Wilshire.

Wilshire has engaged Moravia Capital AG to refer potential prospects to Wilshire Private Markets, primarily in European markets, all of whom are required to be non-U.S. citizens or residents. Wilshire will pay Moravia Capital AG fees in accordance with out agreement. Clients referred by Moravia Capital AG will pay no additional fees for substantially similar services provided by Wilshire.

Wilshire Institutional Master Fund II SPC ("MAP") has engaged Mizuho Securities Co., Ltd. ("MS"), a member of Mizuho Financial Group, and an affiliate of a Sub-Advisor on MAP, as placement agent in Japan for the A-1 and A-2 share classes of certain segregated portfolios of MAP. MAP shall pay MS out of the A-1 Share Class of such segregated portfolios a fee equal to 0.05% per annum of the daily NAV of the class A-1 shares. MAP shall pay MS fees as agreed upon on a case by case basis for placement of the A-2 share class of certain segregated portfolios of MAP. Prospective investors in the A-2 shares class will be informed of the applicable fee prior to an initial investment shares. Other share classes of such segregated portfolios of MAP will not pay the associated fees for substantially the same interest in such segregated portfolios.

## **Custody**

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### **Private Investment Funds**

Wilshire is deemed to have custody of the assets held by private investment funds for which Wilshire serves as general partner or managing member. With respect to the assets held by these funds, Wilshire takes the following steps: 1) all assets held by the funds are held by qualified custodians; 2) the funds are audited annually by a member of the Public Company Accounting Oversight Board; 3) either Wilshire or the applicable custodian sends, not less than quarterly, statements to all investors in a fund; and 4) audited financial statements prepared in accordance with "generally accepted accounting principles" will be distributed to all investors in a fund within 120 days (180 days for a fund of funds) of the end of each fiscal year.

## **Investment Discretion**

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### **Discretionary Authority**

Wilshire provides investment discretionary services and accepts discretionary authority to manage assets on behalf of clients, as more fully detailed above under Types of Advisory Services. Wilshire's discretionary authority on behalf of a client will be as detailed in the client's investment advisory agreement, including any investment restrictions.

## **Voting Client Securities**

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### **Proxy Votes**

Non-discretionary clients are expected to vote their own proxies unless they delegate this responsibility to the applicable investment manager. Wilshire may have responsibility for voting proxies for discretionary clients and where a client has designated Wilshire such responsibility. In those instances, Wilshire will act prudently and in the best interest of its clients, in accordance with our policies.

## **Financial Information**

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### **Financial Condition**

Wilshire does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

## **Information Security Program**

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### **Information Security**

Wilshire maintains an information security program to reduce the risk that personal and confidential information may be breached.

## **Business Continuity Plan**

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### **General**

Wilshire has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as pandemics, earthquakes, snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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### **Alternate Offices**

Alternate offices and working remotely are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients, within a reasonable timeframe, of a disaster that dictates moving our office to an alternate location.

## Privacy Notice

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### Privacy Notice

Wilshire is a global company and conducts business around the world, including within regions with unique rules that apply to the collection, processing, and retention of Personal Information (as defined below) from individuals within those areas. Wilshire has developed specific policies relevant to those regions which can be obtained upon requests.

Wilshire considers privacy to be a fundamental aspect of our relationships. We are committed to maintaining the confidentiality, integrity, and security of private, personal and confidential information in our possession. In the course of providing our products and services, we may collect, retain, and use private, personal and confidential information for the purpose of administering our operations, and complying with legal and regulatory requirements. The kinds of information we may collect will depend on the nature of the relationship in which we are engaged and may include Personal Information (as defined below) for all applicable global privacy laws. This information may include contact details such as address, email address and telephone number and, where required for contractual, legal or regulatory obligations, additional information (including, but not limited to, date of birth, bank account details and tax identification documents or numbers).

The term “Personal Information” as used in this Privacy Policy, and for purposes of all global privacy laws, means any information that identifies, relates to, describes, is reasonably capable of being associated, or could reasonably be linked, directly or indirectly to an identified or identifiable natural person; an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.

In most cases, we collect information directly from the person or entity with whom we have the relationship (e.g. through account applications, investment policy statements, website usage, customer surveys, and electronic or verbal correspondence); but may also obtain information from other sources (e.g. transactions; brokers, consultants or financial advisory firms; or public registers for background searches). Wilshire, generally, does not disclose private, personal and confidential information with outside organizations except for third party processors and service providers that are essential in administering our operations, or as otherwise required or permitted by law. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports and account statements. These companies may be provided access to private, personal and confidential information solely to provide the specific service or as otherwise required or permitted by law. We may also provide confidential information to brokerage, financial advisory, or other third party financial intermediaries.

Wilshire reserves the right to disclose private, personal and confidential information where we believe in good faith that disclosure is required either under law or to cooperate with regulators or law enforcement authorities. In addition, we may disclose





Personal Information to a non-affiliated third party upon the owner's written request. Wilshire takes seriously the obligation to safeguard private, personal and confidential information (including Personal Information). We maintain appropriate safeguards which includes the use of security procedures to prevent revealing such information. Any questions regarding Wilshire's Privacy Policy should be referred to the Chief Compliance Officer. As required by regulations, Wilshire will provide to its clients annually a statement regarding their rights to privacy.