Announcement from Wilshire Consulting

January 30, 2018

Dear Client:

I am writing today to share an important update from the Wilshire Consulting team regarding a new manager diversity initiative. We believe that our clients can benefit from a diversity of ideas, experience, skills and perspectives, and the inclusivity initiatives outlined below represent new steps to help bring this conviction to life.

Wilshire Consulting provides customized consulting and investment solutions to public and corporate clients, including more than 115 corporate and public defined contribution and defined benefit pension funds, foundations, endowments, healthcare and insurance companies. Research is at the heart of our consulting business, and we have built our reputation by producing insightful and independent investment research focused on addressing the investment opportunities and challenges facing our clients. Our industry-leading manager research process includes both ongoing manager research and evaluations as well as client-directed manager searches and selection. Within our proprietary manager database, we maintain information on over 10,000 investment products, 27,000 mutual funds and 10,000 hedge funds.

As a consultant, our focus is on our clients and their evolving needs. We recognize that many of our clients are looking to enhance the diversity of the investment management firms represented in their portfolios. With this in mind, we are always thinking about new ways to work more effectively with women and minority-owned firms to improve manager diversity and client outcomes.

Despite women representing 49.5% of the global population[1] and meeting or exceeding the educational levels of men, women remain underrepresented in the investment management industry. Women in the U.S. have earned more bachelor degrees than men since 1982 and surpassed men in Master's and Doctoral degrees since 1987 and 2006, respectively[2]. When considering women and minorities together, the preponderance of degrees tilts even further. Broadly, this represents the talent pool from which asset management firms in the U.S. draw.

According to Wilshire Compass, Wilshire's manager database, women and minority-owned firms (those with greater than 50% of ownership held by women and minorities) account for just 12% of all firms voluntarily reporting within the public markets. Assets under management for the same data set show a similar skew with women and minority-owned firms representing only 7% of the assets under management.

In response to this data, we paused and asked ourselves why this might be the case, and what we can do to help address this issue. One response is to ensure that we make clients aware of talented firms run by underrepresented groups and give them an opportunity to consider these firms when we lead or assist clients in manager search efforts. Another is to continue to broaden our outreach and accessibility to such organizations.

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[1] Source: The World Bank
[2] Source: U.S. Department of Education

We are working with our clients to encourage the inclusion of diversity, sustainability and governance practices in their investment decision-making processes. Today, there are diverse-owned asset managers across the markets that deliver strong investment performance.

In recognizing both the evidence and the potential value to our clients, and in support of our commitment to diversity, we are making the following changes at Wilshire:

1. **Change to Manager Search Process** – Unless a client opts out, Wilshire Consulting will now include a diverse-owned firm in every public securities manager search we conduct for advisory clients, where products are available that fit the client mandate. This expands the opportunity set of prospective products to which clients have access, highlights diversity in the investment management community and provides our clients with exposure to that diversity. While our manager search process is customizable for each client, our intent is to provide such options in all cases where we have identified talented managers.

2. **Diverse Ownership** – A statistic representing the percentage of ownership held in firms by women or minorities will now be included in our standard search books to highlight diversity in the manager search process.

3. **Aligning Interests** – Beginning this year, one of the criteria for each senior consultant's discretionary compensation will be to increase the quality and level of their interaction with diverse-owned firms. This specifically aligns the interests of our senior leaders with this important effort.

4. **Internal Governance** – We have reconstituted our "Emerging Manager Asset Class Committee" as a "Diverse-Owned Manager Asset Class Committee." While the focus of this committee has largely been on finding talented, diverse-owned firms (representing over 75% of evaluation activity over the past three years), it has also historically dealt with smaller (less than $2 billion in AUM) firms.

5. **Education** – In order to provide additional support, Wilshire Consulting will broaden its diverse-owned manager outreach and create a series of educational seminars for this group beginning in 2018.

As always, we very much welcome your thoughts and feedback and look forward to working together on these initiatives.

Best Regards,

Andrew Junkin, CFA, CAIA
President of Wilshire Consulting
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