



Numbers in Context

Third Quarter 2013

U.S. Equity

The U.S. stock market posted a return of 6.0% during the third quarter, despite pulling back 2.2% from its record high close on September 18. The quarter had an impressive start before concerns about the Federal Reserve's possible tapering of its QE programs caused stocks to fall in August. Markets rallied in September once the Fed committed to continuing its monetary policy, but were hampered by concerns of political brinkmanship in Washington D.C.

Small cap stocks outperformed larger-cap equities, as investors shrugged off economic and political volatility. Additionally, growth-oriented stocks outperformed value-oriented issues. The best-performing economic sectors in the third quarter – Consumer Discretionary, Staples and Energy – reflect stronger consumer sentiment, increased spending and international unrest.

Since turning positive on a year-over-year basis in June 2012, U.S. home prices have continued to appreciate strongly through July 2013. The gains come despite an uptick in mortgage rates earlier this year. Annual growth rates are now above 10% for the first time since May 2006. The positive wealth effect that accrues from these increases in home prices has been supportive of consumer confidence and spending.

Non-U.S. Equity

Global stock markets enjoyed strong performance overall for the third quarter, as tensions stemming from Syria's long civil war that have threatened regional stability abated to some extent. Japan began to recover from recent-period lackluster performance with renewed domestic policy to stimulate its economy, while the rest of the Asia-Pacific region joined Europe and the U.S. in a worldwide stock market rally. Emerging markets stocks were buoyed by improved economic indicators for China, but investors remain nervous in anticipation of the U.S. Fed preparing to wind down its current monetary policy.

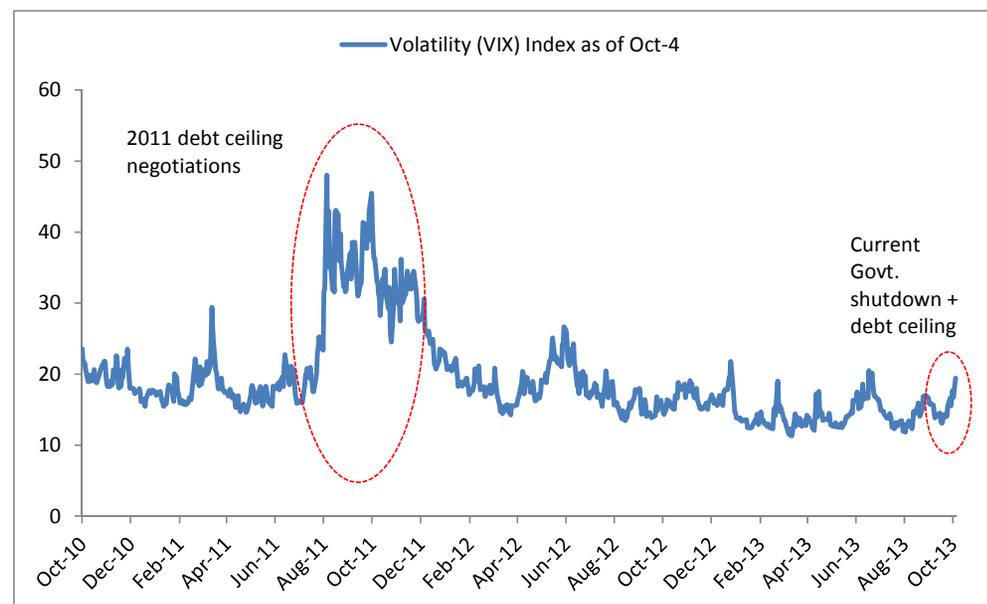
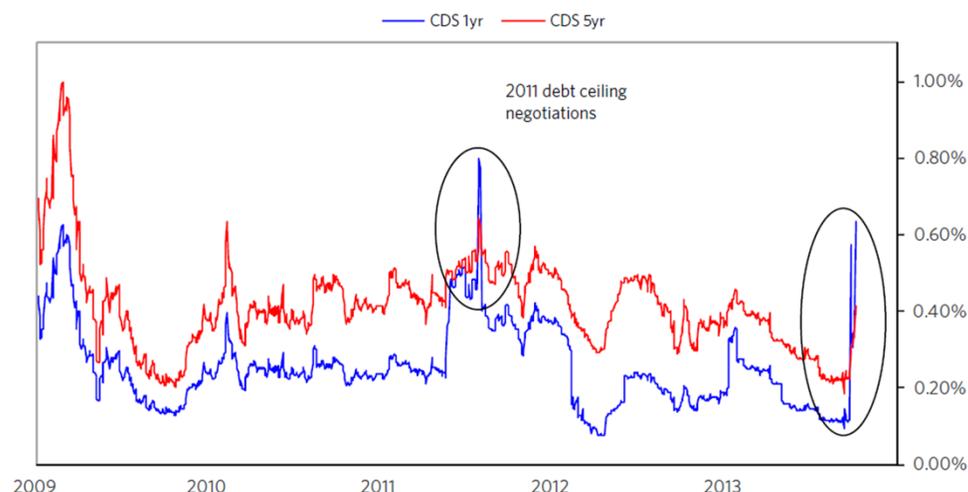
Fixed Income

Bond yields moved upward fitfully in July, picking up momentum in August and peaking in early September. Yields then drifted downward, with the 10-year Treasury settling to 2.64% on September 30, twelve basis points higher than on June 28. The yield curve steepened slightly and flattened in intermediate maturities as investors moved down the curve into shorter paper. Investment-grade and high yield corporate spreads tightened slightly during the quarter as well. Developed market bonds were essentially flat for the quarter, while emerging market debt lost ground.

Government Shutdown – 18th in U.S. History

- Market participants are not currently expecting a government default with any meaningful degree of certainty
- The longer the shutdown, the larger the expected financial impact
 - ~0.3% hit to GDP for 14 days, ~0.8% for 30 days, etc. (Estimates from Macroeconomic Advisors and Bridgewater)
 - More than 800,000 federal workers remain furloughed without pay
- Most recent shutdown (#17) started on Dec. 5, 1995 and lasted for 21 days

CDS Pricing 1 and 5-Year Treasury as of Oct-3



Asset Class Assumptions Update



	Total Return (%)			Risk (%)
	2013 ACA	Q2 2013	Change vs YE	2013 ACA
<u>Investment Categories:</u>				
U.S. Stocks	7.75	7.25	(0.50)	17.00
Dev ex-U.S. Stocks	7.75	7.25	(0.50)	18.00
Emerging Mkt Stocks	7.75	7.25	(0.50)	26.00
Global Stocks	8.00	7.50	(0.50)	17.30
Private Markets	10.75	10.45	(0.30)	27.50
Cash Equivalents	1.55	1.30	(0.25)	1.25
Core Bonds	3.25	3.75	0.50	5.00
LT Core Bonds	3.10	4.35	1.25	10.00
TIPS	2.60	3.40	0.80	6.00
High Yield Bonds	5.15	5.35	0.20	10.00
Non-U.S. Bonds (Hdg)	2.90	3.40	0.50	3.50
U.S. RE Securities	5.30	4.90	(0.40)	15.00
Private Real Estate	6.05	5.65	(0.40)	12.25
Commodities	4.55	4.05	(0.50)	13.00
Real Asset Basket	6.35	6.15	(0.20)	7.75
Inflation:	2.55	2.05	(0.50)	1.75
<u>Returns minus Inflation:</u>				
U.S. Stocks	5.20	5.20	-	
U.S. Bonds	0.70	1.70	1.00	
Cash Equivalents	(1.00)	(0.75)	0.25	
<u>Stocks minus Bonds:</u>	4.50	3.50	(1.00)	
<u>Bonds minus Cash:</u>	1.70	2.45	0.75	

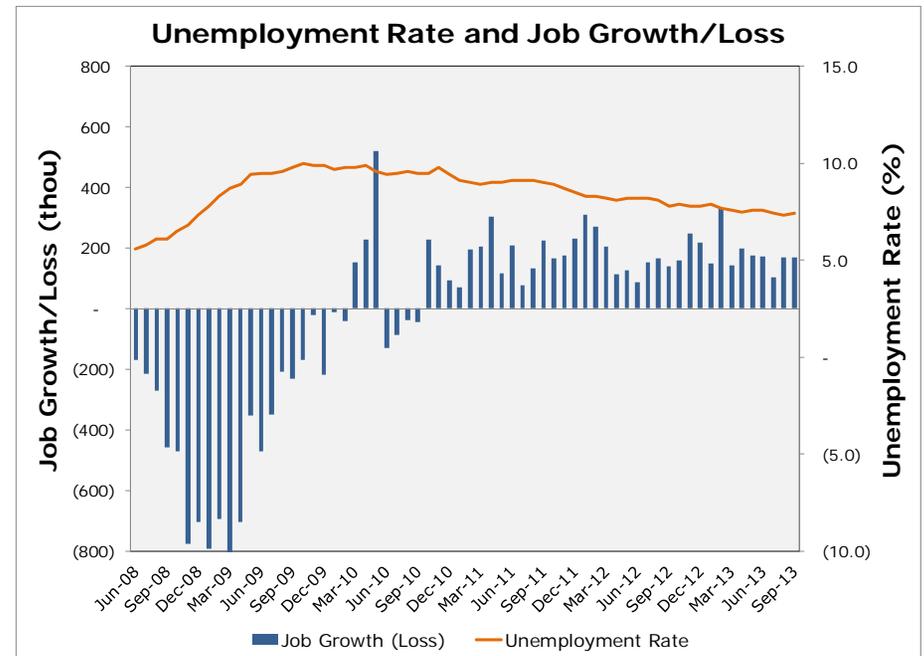
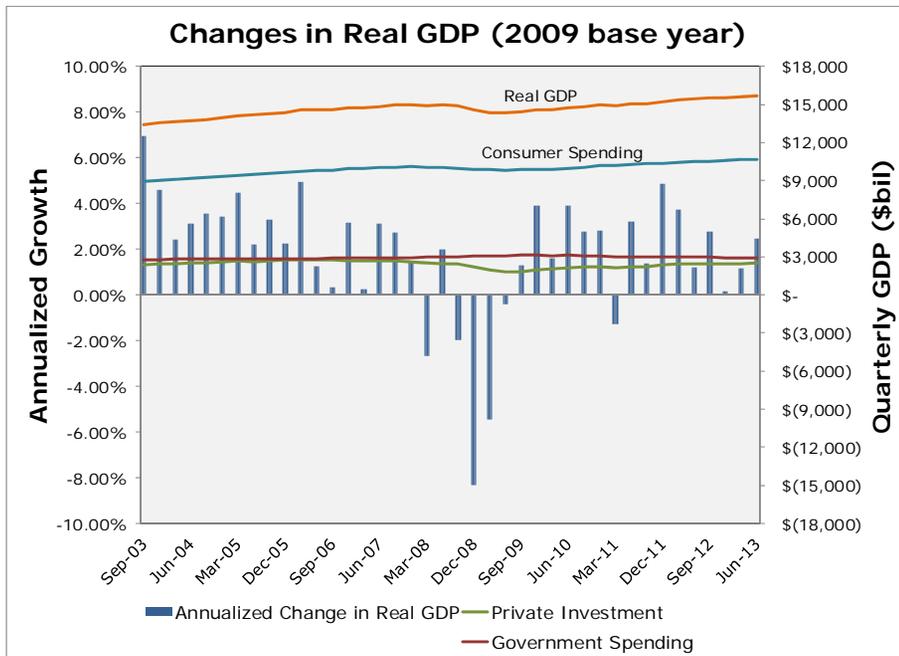
Economic Review



September 30, 2013	Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change	
	Sep-13	0.3	3-Month	0.5
	Aug-13	0.1	12-Month	1.3
	Jul-13	0.2	10-Yr Annual	2.4
Breakeven Inflation	10-Year	2.2		
Consumer Sentiment Unv. of Michigan Survey	Sep-13	77.5		
	Aug-13	82.1		
	1-Yr Ago	78.3	10-Yr Avg	78.5
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Sep-13	56.2	Change in Manufacturing Sector	
	Aug-13	55.7	>50	Expansion
	1-Yr Avg	52.4	<50	Contraction

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.

Sept/2013 CPI and Employment figures based on Federal Reserve of Philadelphia Survey of Professional Forecasters



Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

Fed Statement of June 19th



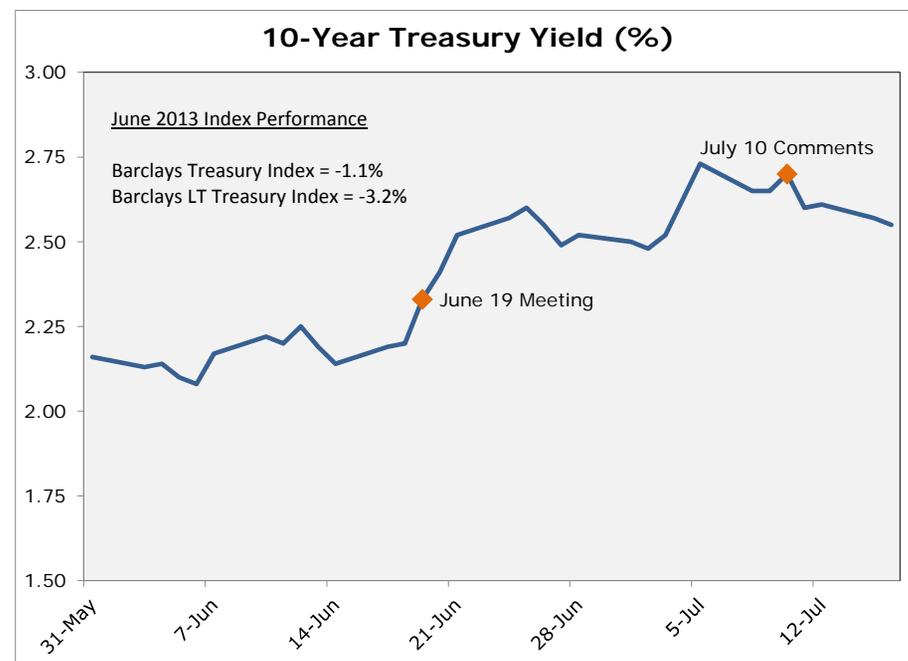
- Excerpt from Chairman Bernanke's press conference:

"If the incoming data are broadly consistent with this forecast [of moderate, improving growth], the Committee...anticipates that it would be appropriate to moderate the monthly pace of purchases later this year...ending purchases around midyear [2014]."

- Yields responded quickly with the 10-Year Treasury rate up 40 bps in 5 days
- Equity investors reacted as well, with the equity market down -4.8% in 4 days
- Investors found reassurance in Bernanke's comments of July 10th:

"Highly accommodative monetary policy for the foreseeable future is what's needed"

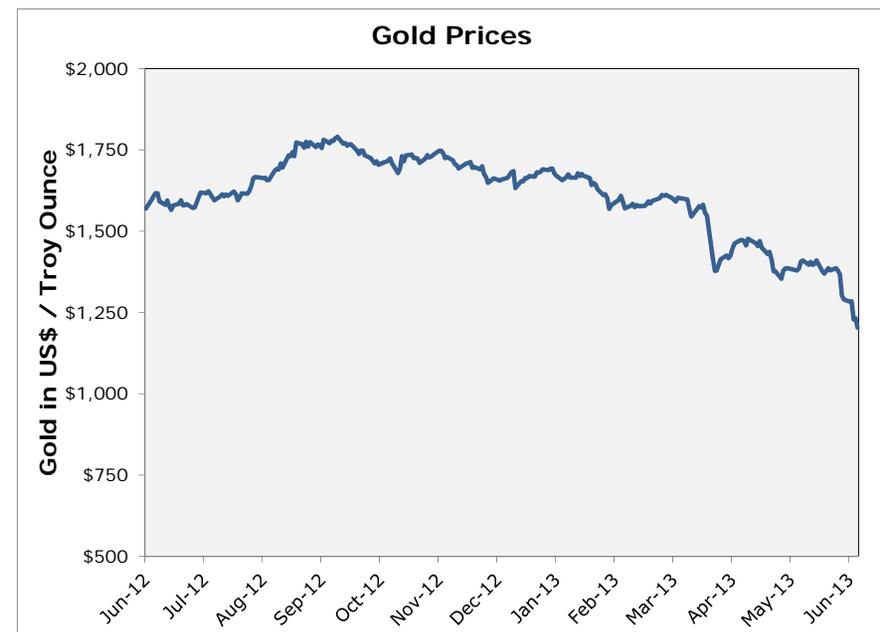
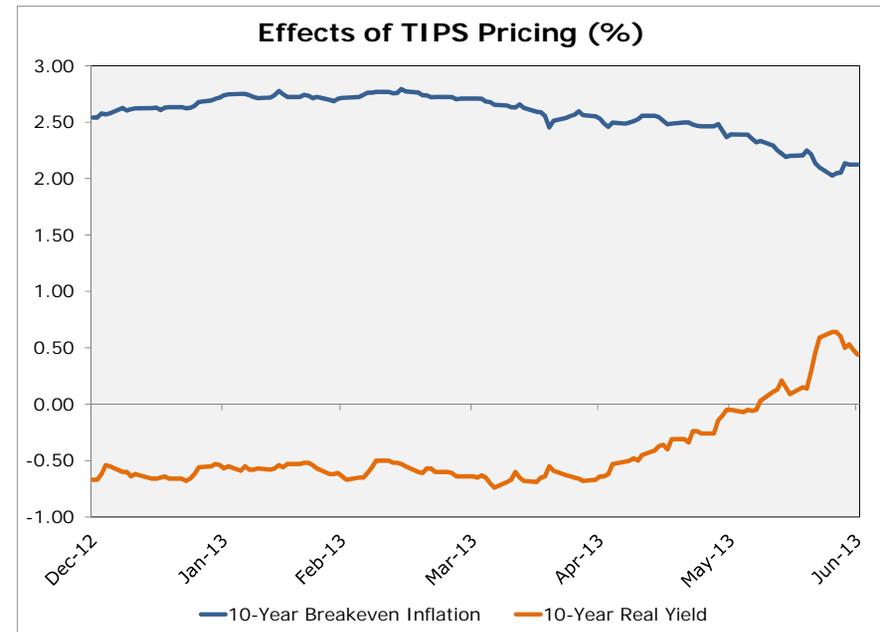
- Global equities experienced a mini-rally and the 10-Year ticked lower



Source: Federal Reserve, U.S. Department of Treasury, Barclays Capital

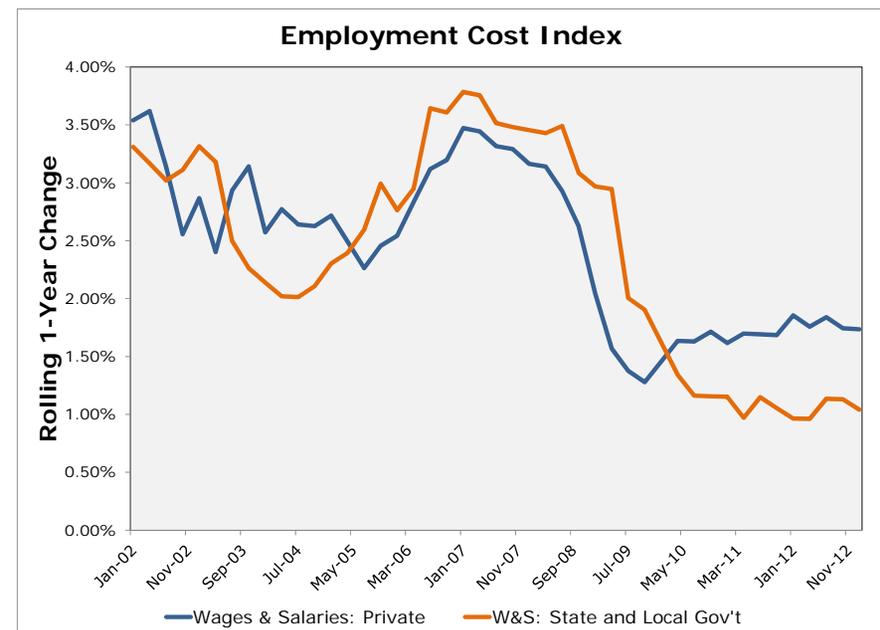
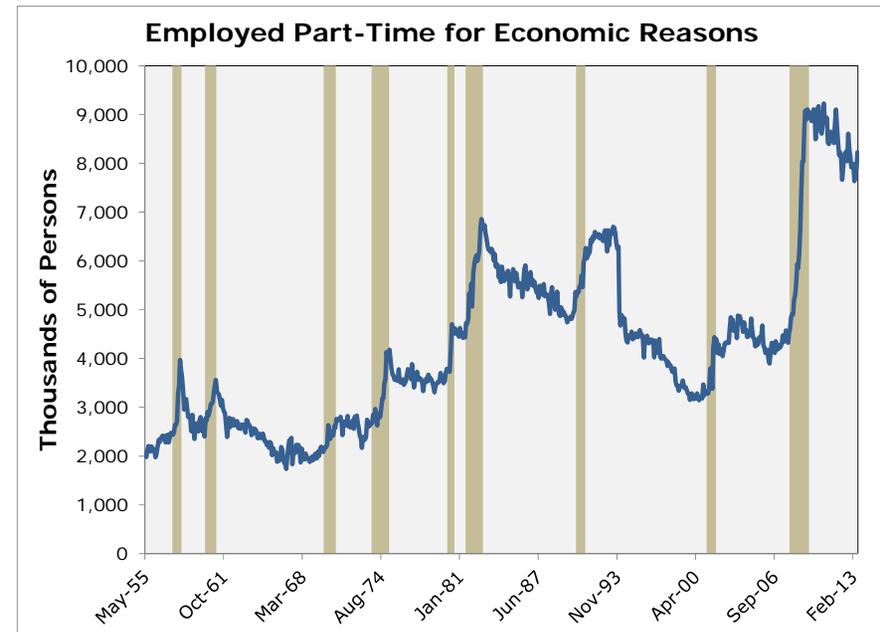
Inflation Signals

- Inflation expectations remain subdued as investors don't seem to think moderate growth will lead to higher inflation
- Breakeven inflation was on the decline for most of the quarter
- Real yields have moved dramatically higher along with nominal yields
- Commodity prices have suffered
 - Global economic growth is below the long-term trend
 - Gold prices were down -23% for the quarter
 - DJUBS Commodity Index down -10% for 2013



Employment Conditions

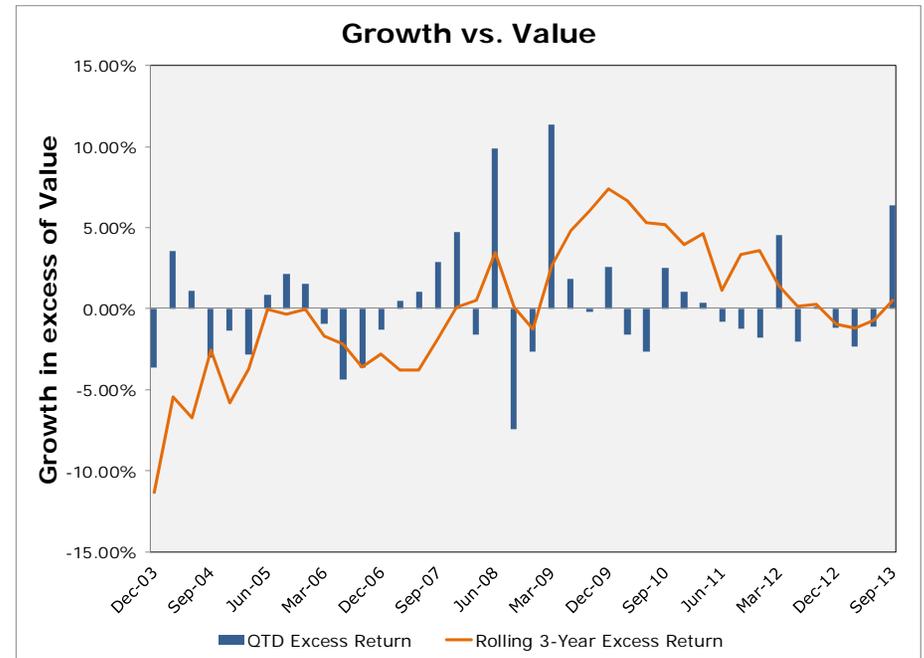
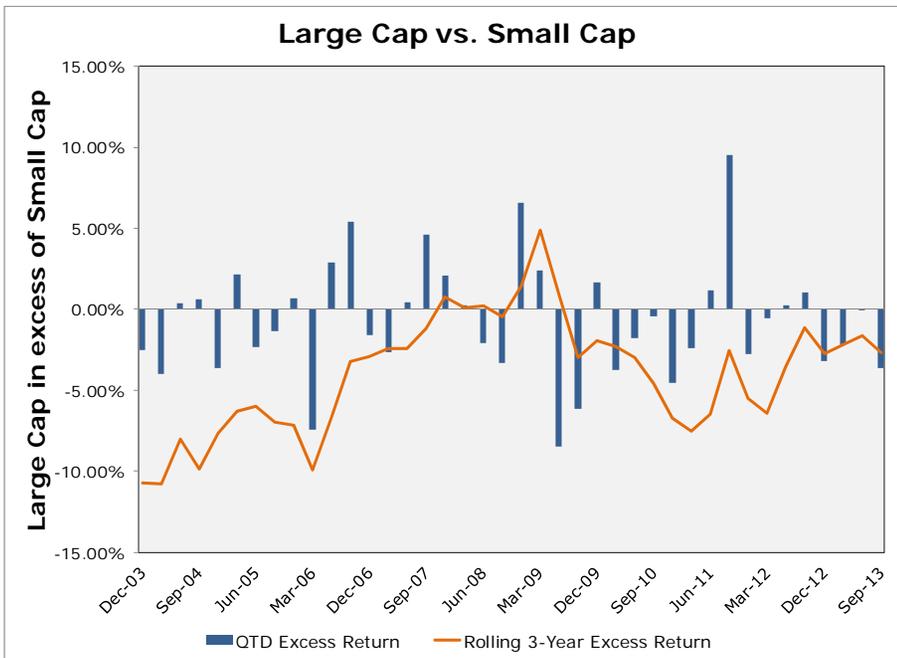
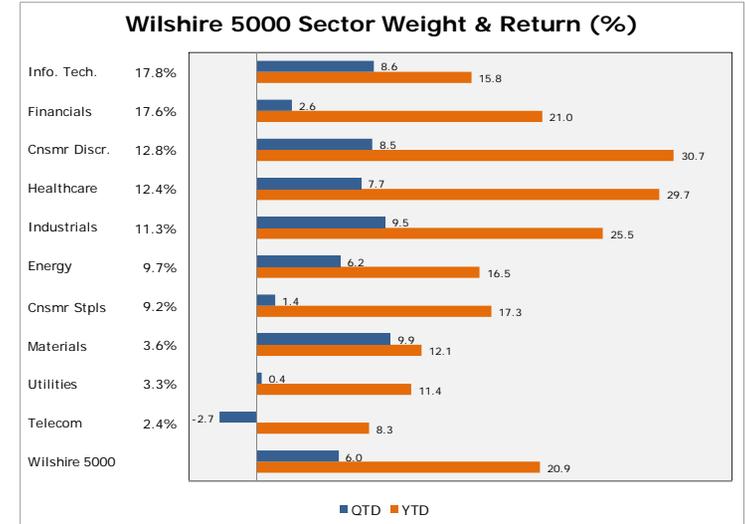
- Employed part-time for economic reasons are those individuals who are unable to find full-time employment
- While this number typically increases during recession (shaded areas), the recent rise was far more dramatic as the number doubled
- Poor job growth has led to stagnant wage growth
- Government, in aggregate, continues to shed jobs



U.S. Equity Market



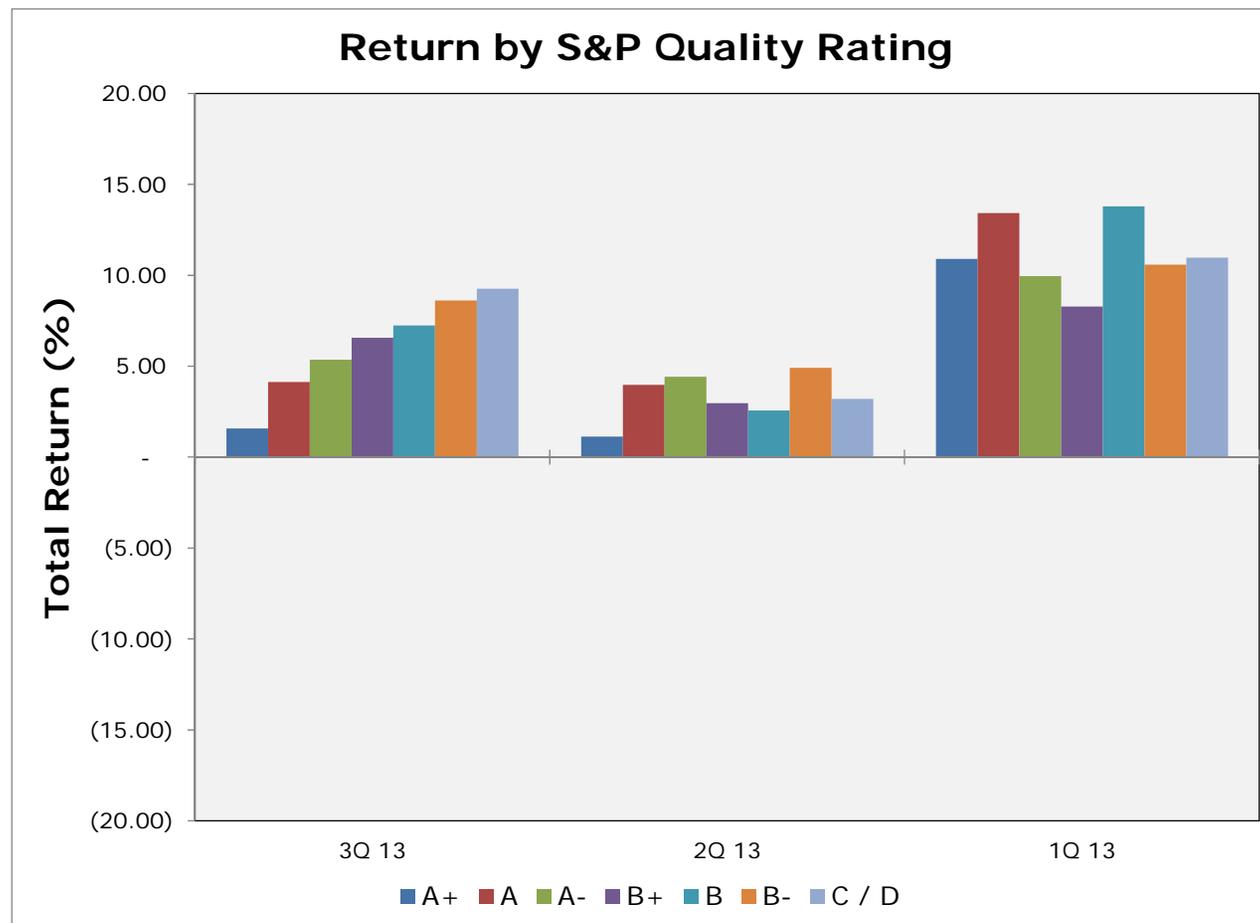
September 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	6.0	20.9	21.0	16.5	10.4	8.2
Wilshire U.S. Large Cap	5.6	20.1	19.8	16.2	10.0	7.9
Wilshire U.S. Small Cap	9.6	27.4	31.4	19.4	14.3	11.3
Wilshire U.S. Large Growth	9.3	21.5	20.6	16.3	11.3	8.1
Wilshire U.S. Large Value	2.7	19.0	19.3	16.0	8.7	7.6
Wilshire U.S. Small Growth	12.6	33.5	35.8	21.0	15.8	12.0
Wilshire U.S. Small Value	6.8	22.1	27.4	17.7	12.8	10.6
Wilshire REIT Index	-3.0	2.7	5.3	12.5	5.6	9.4
MSCI USA Minimum Volatility Index	2.7	15.9	13.8	15.3	9.1	7.8
FTSE RAFI U.S. 1000 Index	5.2	22.8	25.5	17.2	13.2	n.a.



Data sources: Wilshire Compass, Wilshire Atlas

Returns by Quality Segment

After fairly broad based gains through June, lower quality names led the market during the third quarter



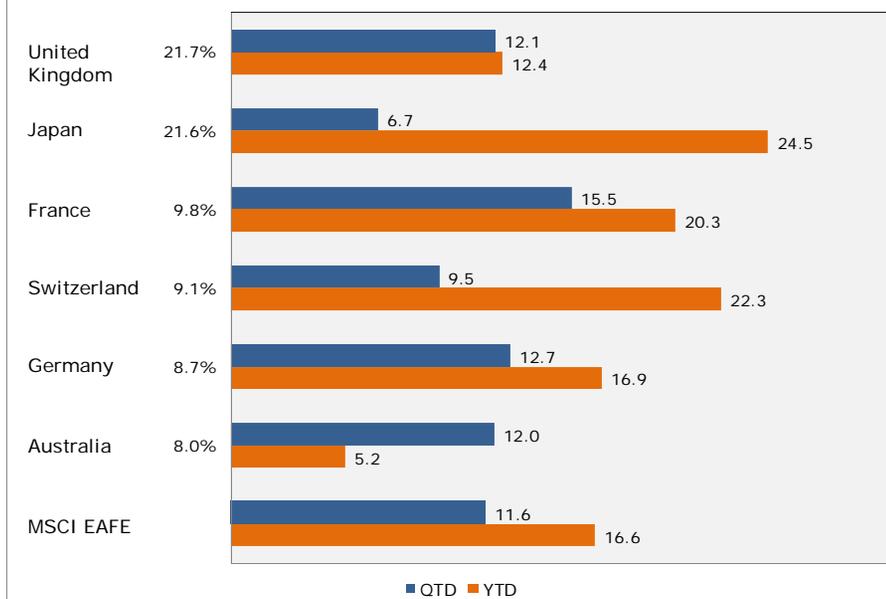
Data sources: Wilshire Atlas

Non-U.S. Equity Market

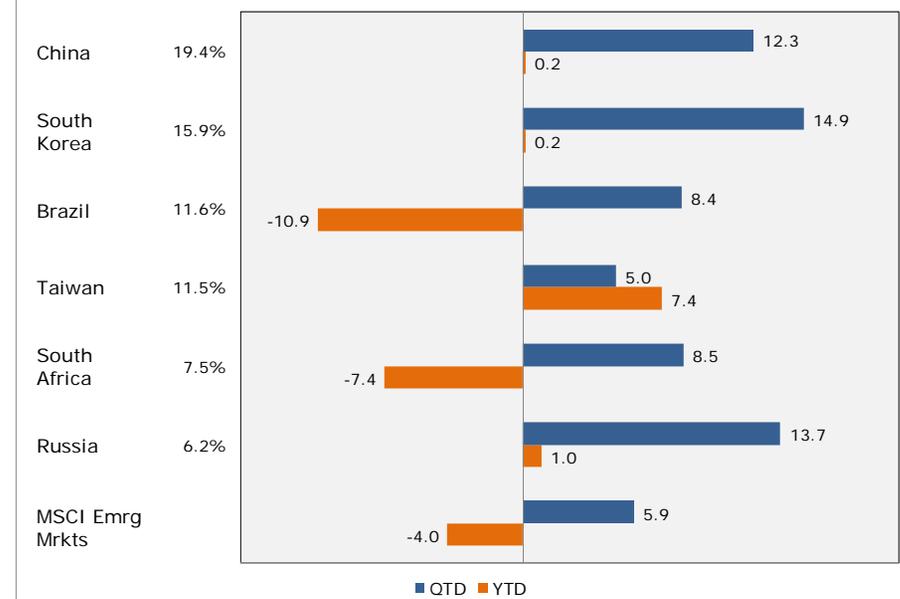


September 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	10.2	10.5	17.0	6.4	6.7	9.2
MSCI EAFE (\$g)	11.6	16.6	24.3	9.0	6.9	8.5
MSCI Emerging Markets (\$g)	5.9	-4.0	1.3	0.0	7.6	13.2
MSCI Frontier Markets (\$g)	6.3	18.5	22.1	4.5	-2.2	7.7
MSCI ACWI ex-US Growth (\$g)	8.9	10.7	16.5	6.5	6.7	8.8
MSCI ACWI ex-US Value (\$g)	11.5	10.2	17.4	6.4	6.8	9.7
MSCI ACWI ex-US Small (\$g)	12.5	14.8	20.5	7.6	11.8	11.5
MSCI EAFE Minimum Volatility Idx	6.9	14.5	14.8	9.6	8.1	10.9
FTSE RAFI Developed ex-US Index	13.6	17.7	26.5	7.5	7.3	n.a.
MSCI EAFE LC (\$g)	7.6	19.8	28.8	9.6	6.0	6.8
MSCI Emerging Markets LC (\$g)	5.8	0.8	6.2	3.1	8.5	12.8

MSCI EAFE: Largest Countries and Return



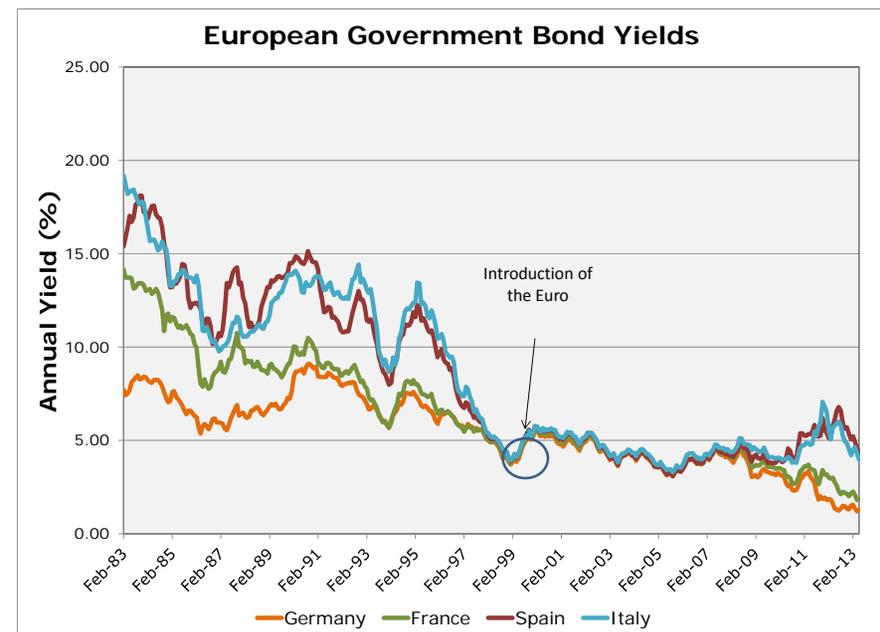
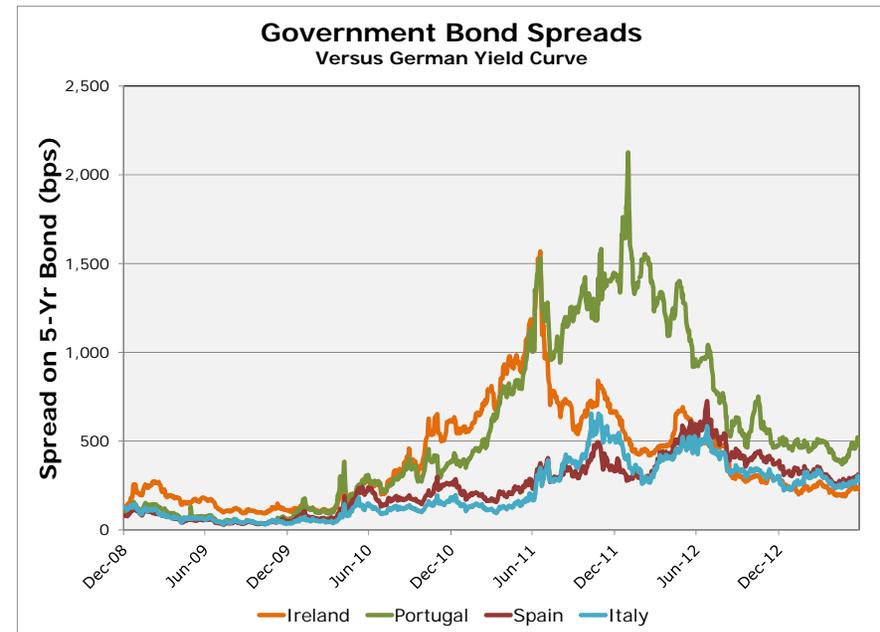
MSCI EM: Largest Countries and Return



Data sources: Wilshire Compass, MSCI Barra

European Debt Issues

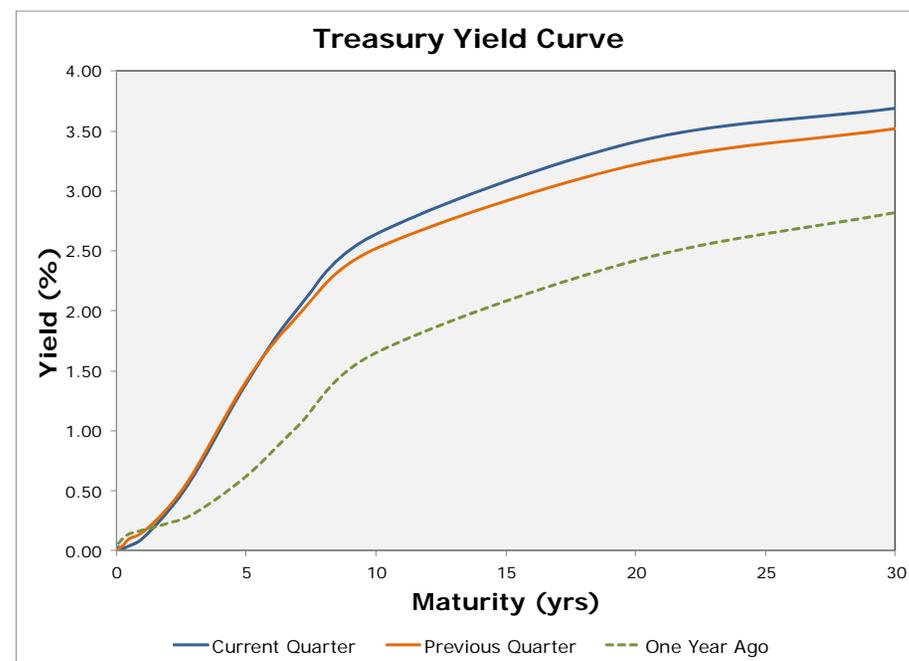
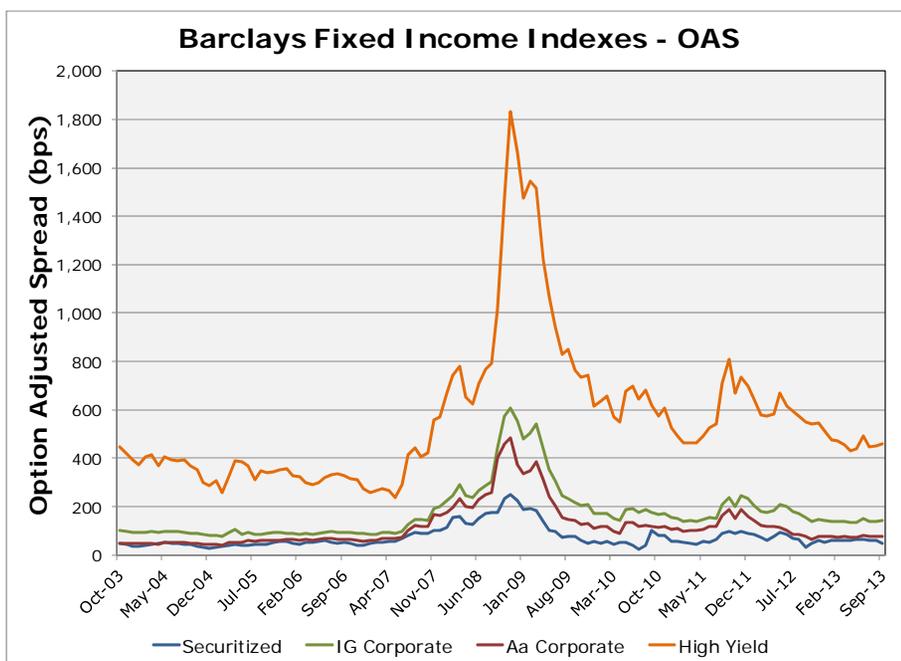
- Spreads have leveled-off to some degree but remain elevated
- Yields on government bonds continue their downward trend, with some spread emerging between France and Germany



U.S. Fixed Income Market



September 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	0.6	-1.9	-1.7	2.9	5.4	4.6
Barclays Treasury Index	0.1	-2.0	-2.1	2.2	4.0	4.3
Barclays Govt-Related Index	0.3	-2.8	-2.2	2.3	4.4	4.3
Barclays Securitized Index	1.0	-1.0	-1.1	2.8	4.9	4.7
Barclays Corporate IG Index	0.8	-2.6	-1.6	4.4	9.2	5.3
Barclays LT Govt/Credit Index	-0.8	-8.7	-8.3	4.7	9.1	6.3
Barclays LT Treasury Index	-2.2	-9.9	-10.6	3.6	6.5	6.1
Barclays LT Govt-Related Index	-0.4	-9.8	-8.3	4.9	7.7	6.7
Barclays LT Corporate IG Index	0.1	-7.4	-6.5	5.4	11.7	6.3
Barclays U.S. TIPS Index	0.7	-6.7	-6.1	4.0	5.3	5.2
Barclays High Yield Index	2.3	3.7	7.1	9.2	13.5	8.9
Treasury Bills	0.0	0.1	0.1	0.1	0.2	1.7



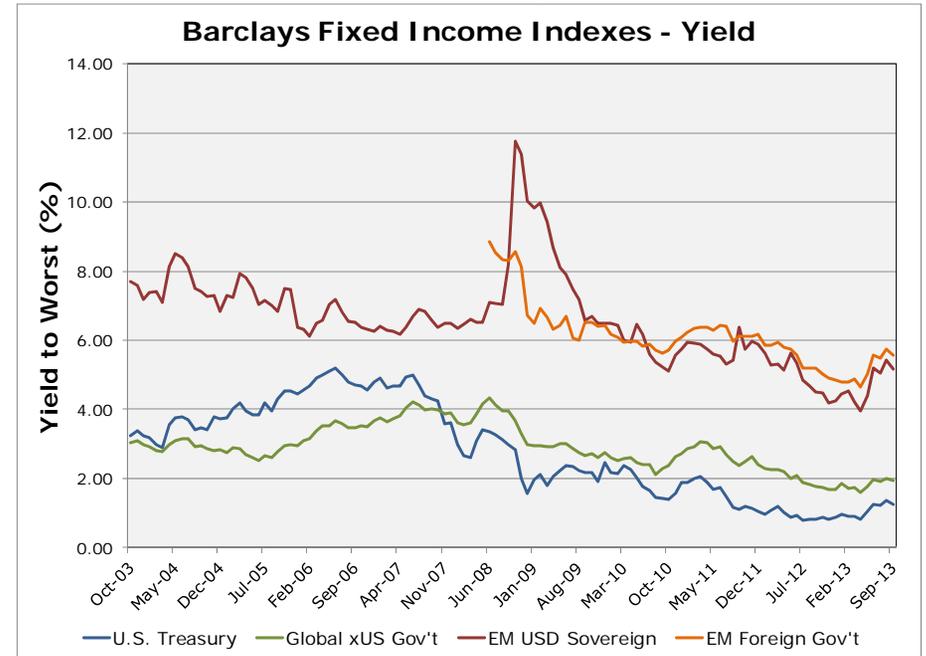
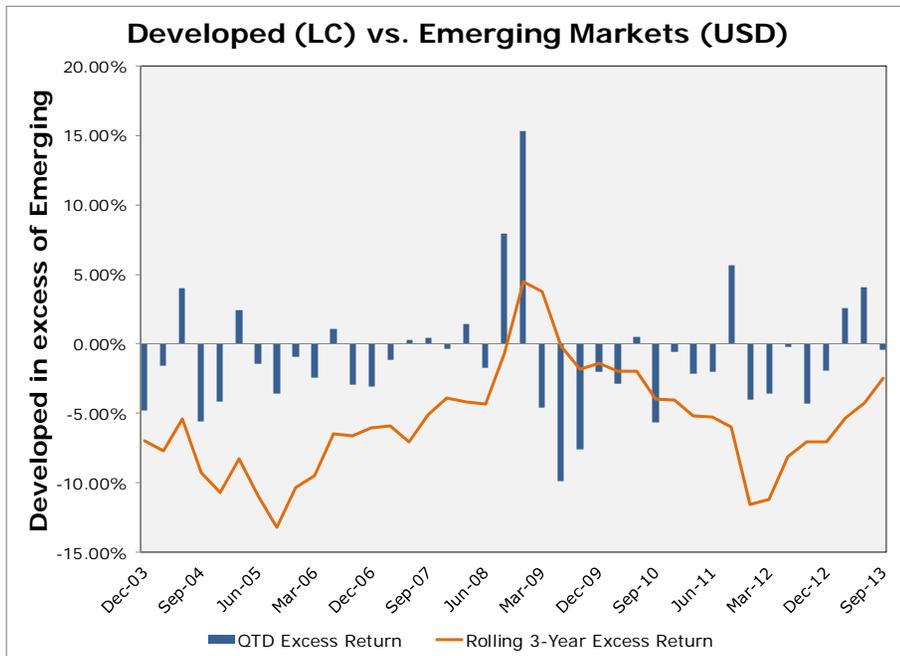
Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

Non-U.S. Fixed Income Market



September 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
<i>Developed Markets</i>						
Barclays Global Aggregate xUS	4.4	-2.4	-3.4	1.5	4.8	5.1
Barclays Global Aggregate xUS *	1.0	0.8	2.1	3.1	4.7	4.3
Barclays Wrld Govt xUS IL Bond	5.9	-1.4	1.9	4.2	4.4	6.4
Barclays Wrld Govt xUS IL Bond *	0.5	-1.1	1.6	4.2	4.9	5.2
<i>Emerging Mkts (Hard Currency)</i>						
Barclays EM USD Aggregate	1.4	-5.2	-2.1	5.7	10.4	8.9
<i>Emerging Mkts (Foreign Currency)</i>						
Barclays EM Local Currency Govt	2.3	-4.0	-0.2	3.5	6.6	n.a.
Barclays EM Local Currency Govt *	0.0	-2.2	-0.4	2.7	4.7	n.a.
Euro vs. Dollar	4.1	2.7	5.2	-0.3	-0.8	1.5
Yen vs. Dollar	1.2	-11.9	-20.7	-5.2	1.6	1.3
Pound vs. Dollar	6.8	-0.4	0.3	0.9	-1.9	-0.3

* Returns are reported in terms of local market investors, which removes currency effects.

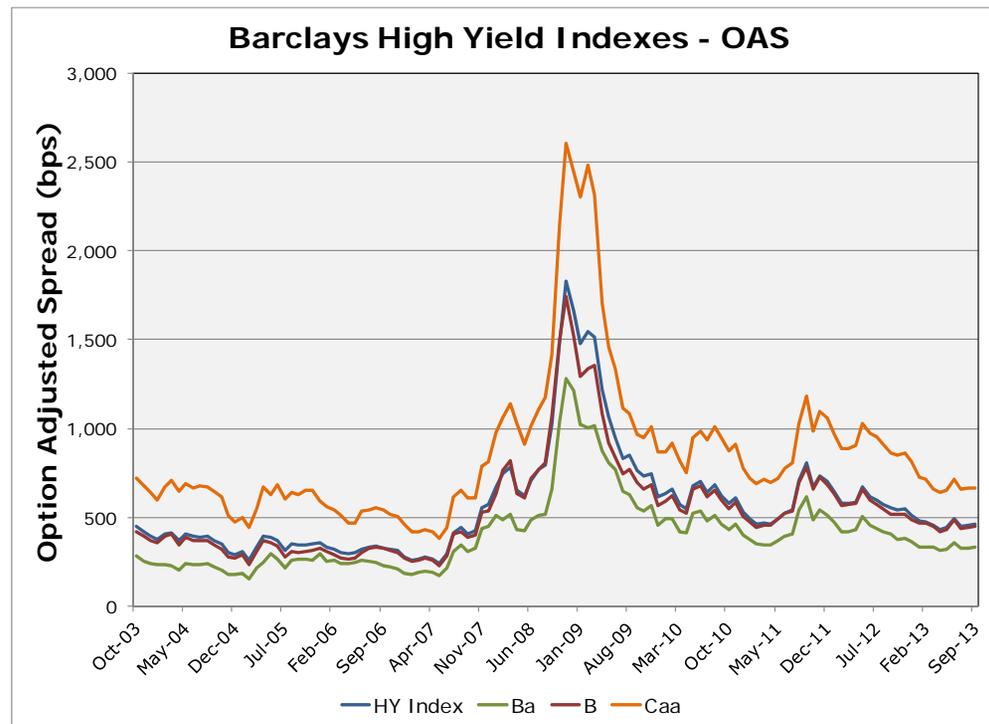


Data sources: Wilshire Compass, Barclays Capital

High Yield Bond Market



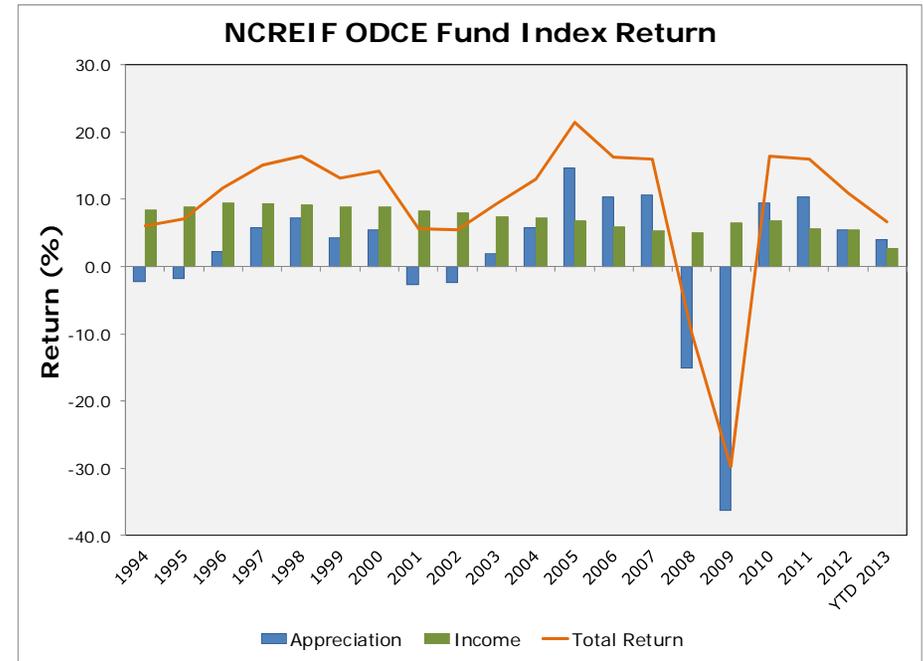
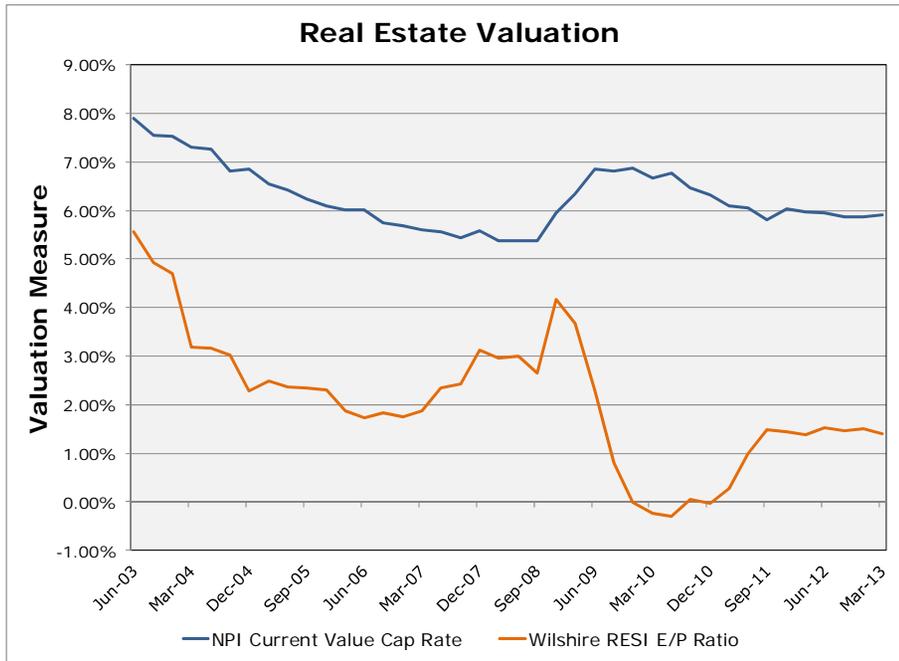
September 30, 2013	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	2.3	3.7	7.1	9.2
Quality Distribution					
Ba U.S. High Yield	38.6%	1.8	1.8	4.7	8.2
B U.S. High Yield	42.9%	2.3	3.6	7.3	9.2
Caa U.S. High Yield	17.6%	3.7	9.2	12.8	11.4
Ca to D U.S. High Yield	0.7%	-5.2	-4.7	1.9	5.8
Non-Rated U.S. High Yield	0.2%	2.5	4.2	6.1	12.5



Data sources: Barclays Capital

June 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	-7.1	-7.4	-4.8	4.6	4.4	5.2
Dow Jones UBS Commodity Index	-9.4	-10.5	-8.0	-0.2	-11.6	2.4
Global Public Real Estate*	-3.5	3.0	10.5	18.4	6.0	11.3
NCREIF ODCE Fund Index	3.9	6.6	12.2	15.0	-0.1	6.9
NCREIF Timberland Index	0.9	2.5	9.4	3.6	2.0	8.2
Alerian MLP Index (Oil & Gas)	1.9	22.1	28.4	21.0	18.2	16.3

* Wilshire Global Real Estate Securities from March 2003 to December, 2004. Wilshire Global REITs from 2004 to present.

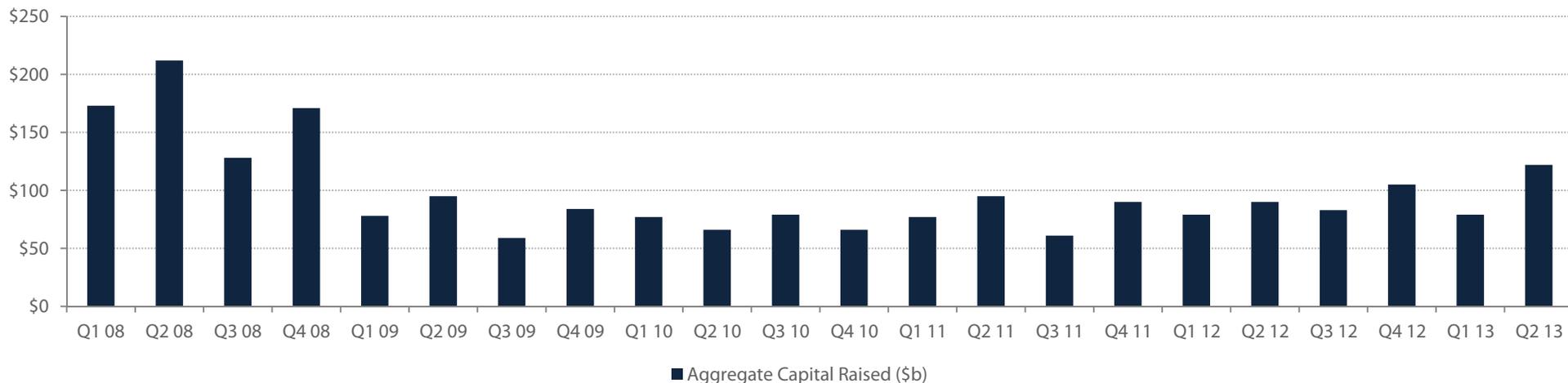


Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries

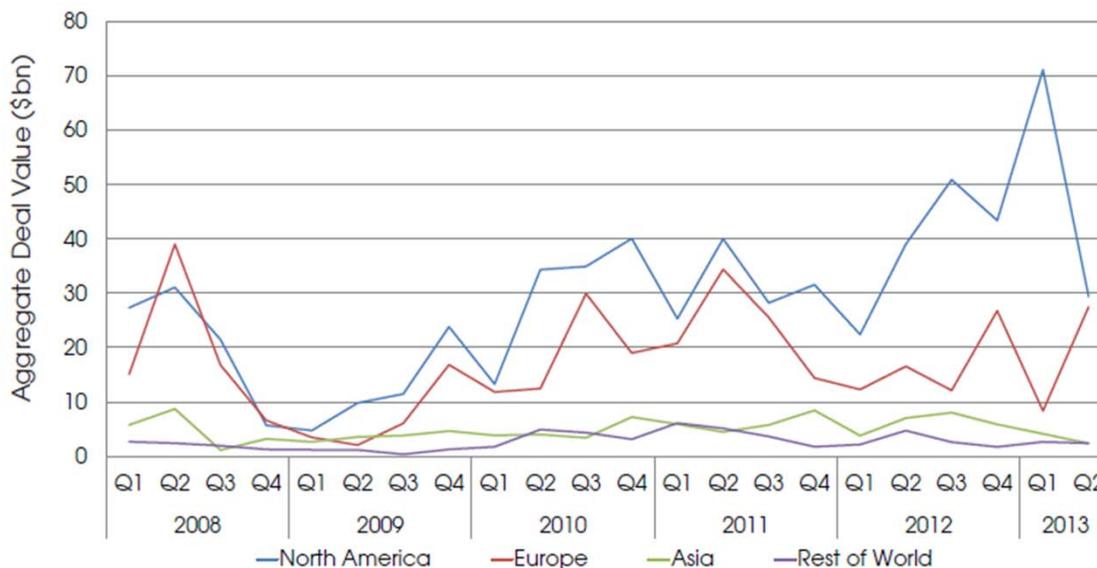
Private Equity Environment – Fundraising & Investment Activity



Global PE Fundraising (Q1 2008 – Q2 2013)



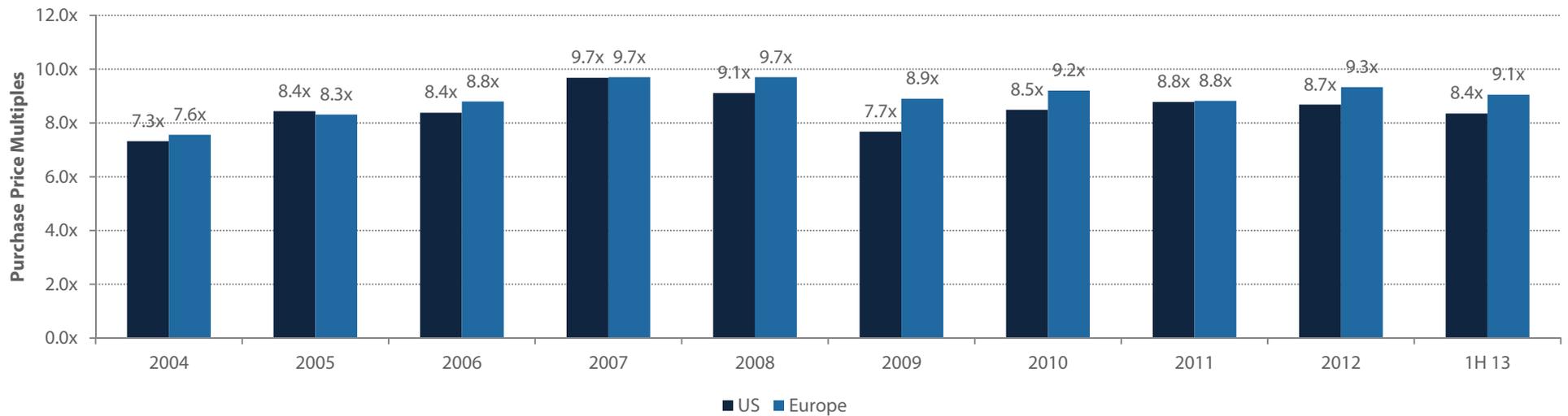
Global PE-Backed Buyout Activity (Q1 2008 – Q2 2013)



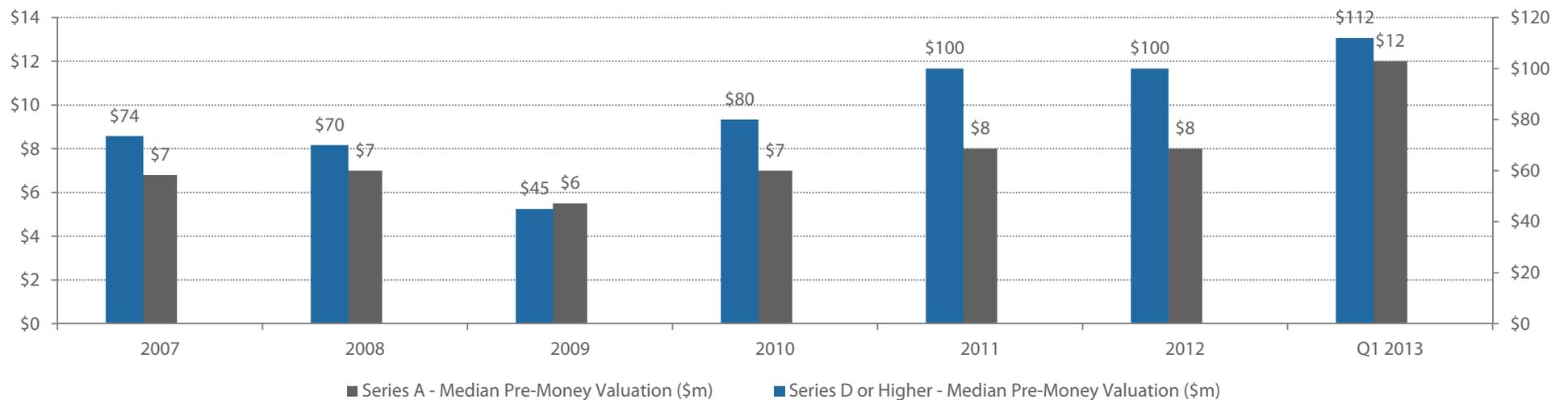
Private Equity Environment – Pricing



Global LBO Multiples (2004 – 1H 2013)



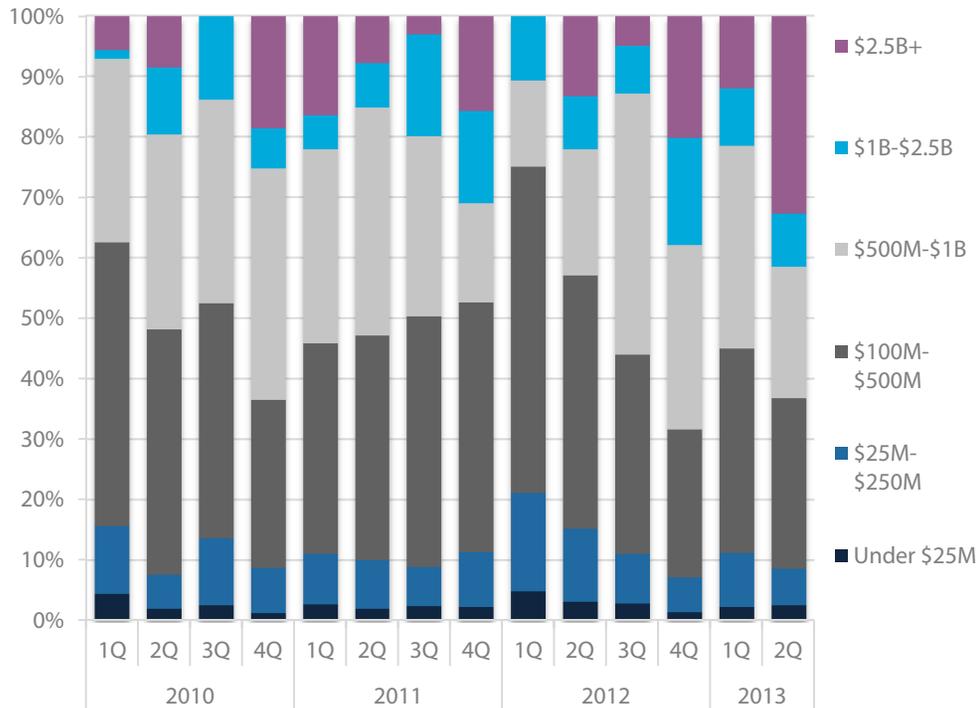
Venture Capital Valuations (2007 – Q1 2013)



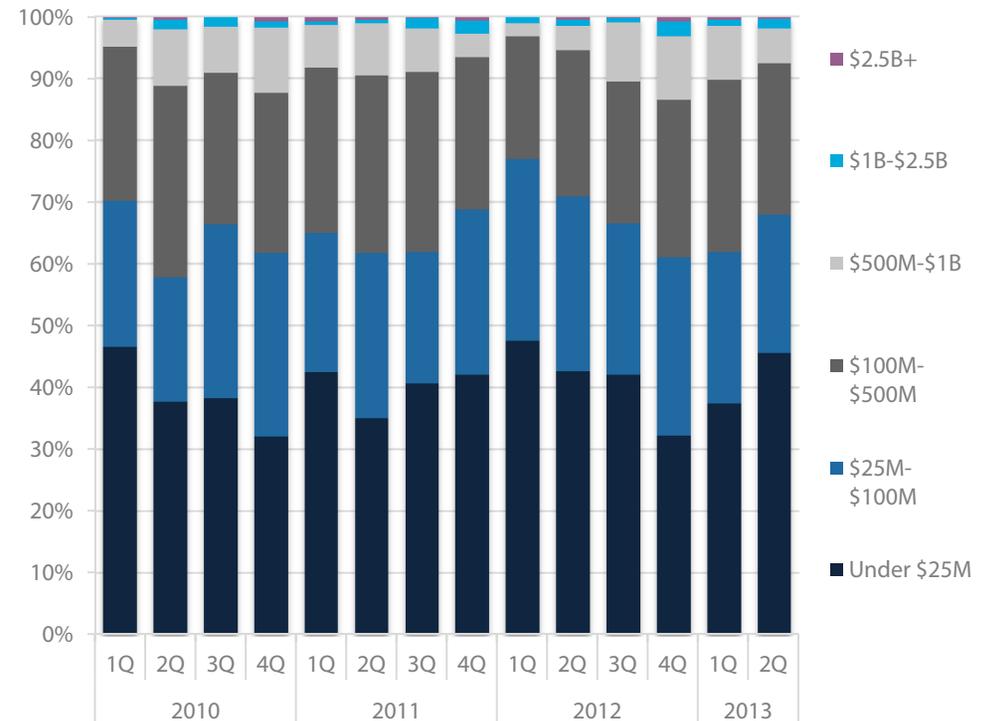
U.S. Investment Activity by Deal Size



Percentage of Deal Volume (capital) by Deal Size



Percentage of Deal Volume (count) by Deal Size

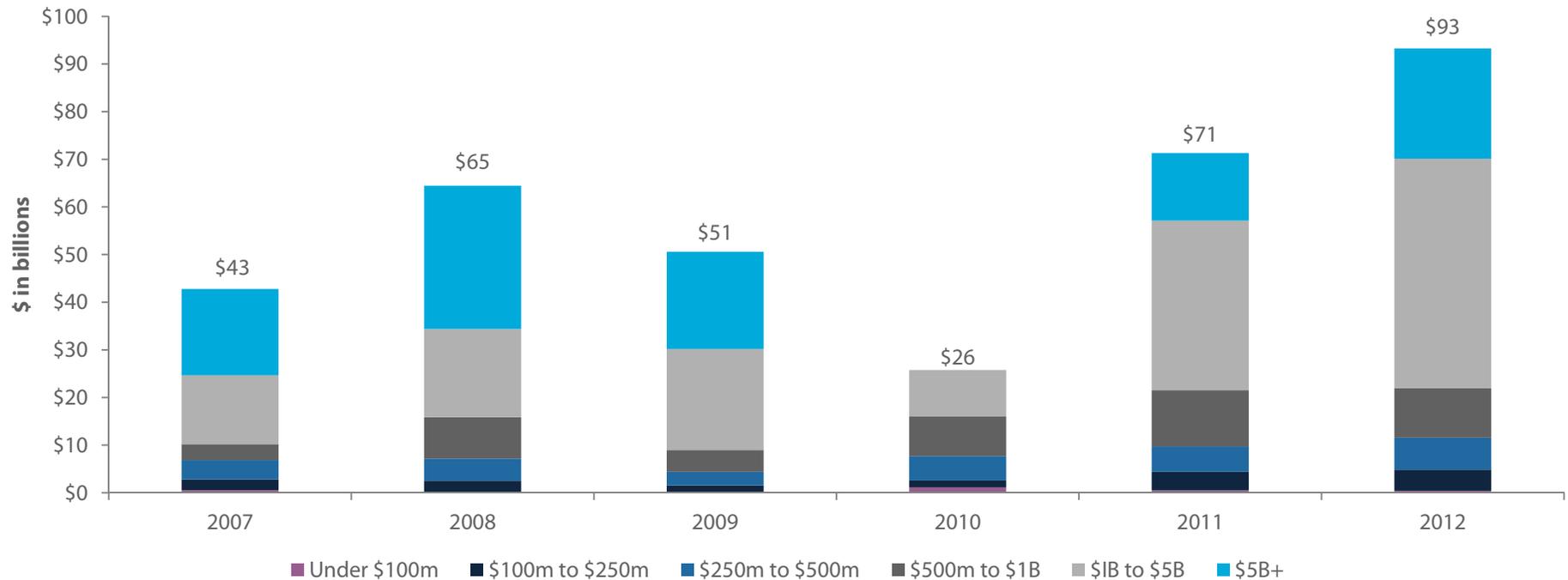


- Smaller deals continue to dominant deal activity by count.
- However, larger deals (\$2.5b+) accounted for 33% of capital invested in Q2 2013.

North American Private Equity Overhang

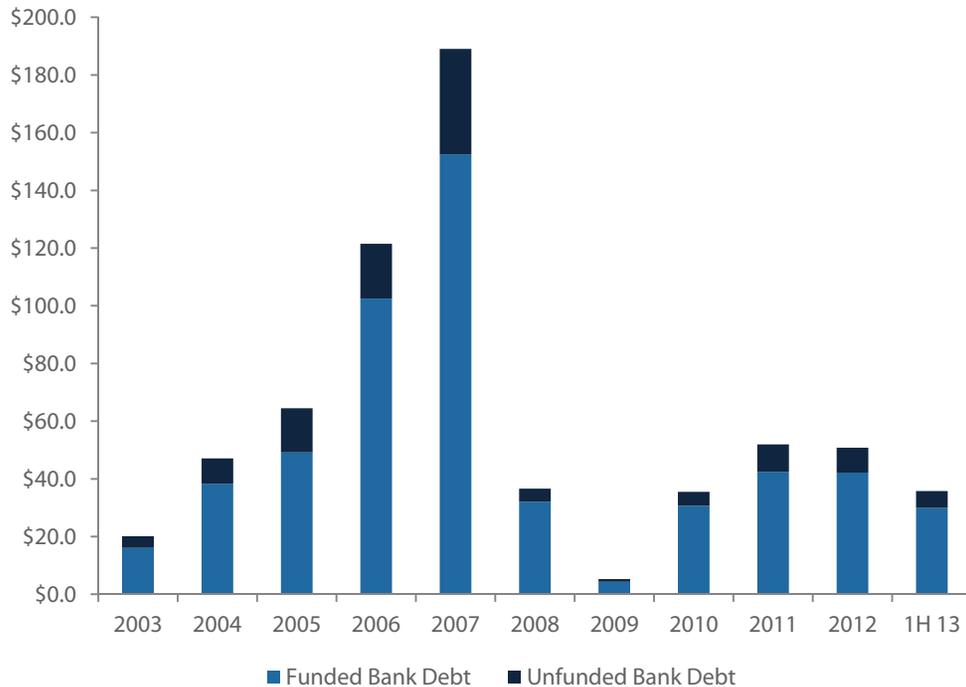


Vintage Year Overhang

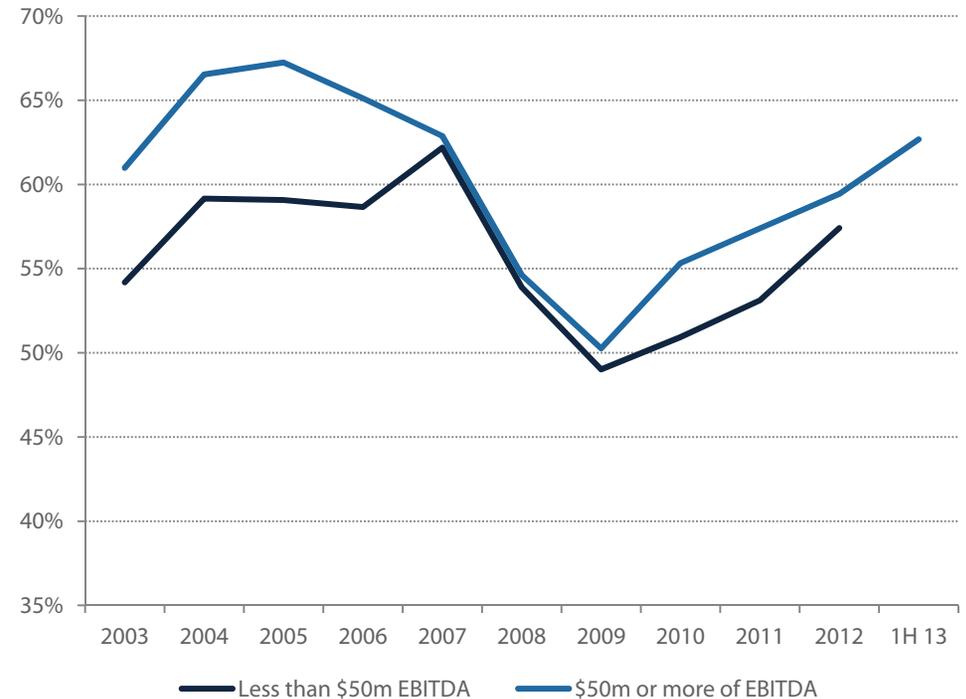


- Total private equity overhang significantly grew to over \$500 billion during the run-up to the financial crisis.
- While the total private equity overhang has decreased to approximately \$348 billion, there still remains a large amount of capital to be deployed.

Total U.S. Leveraged Buyout Loan Volume (\$b)



Percentage of Debt Used in Buyouts

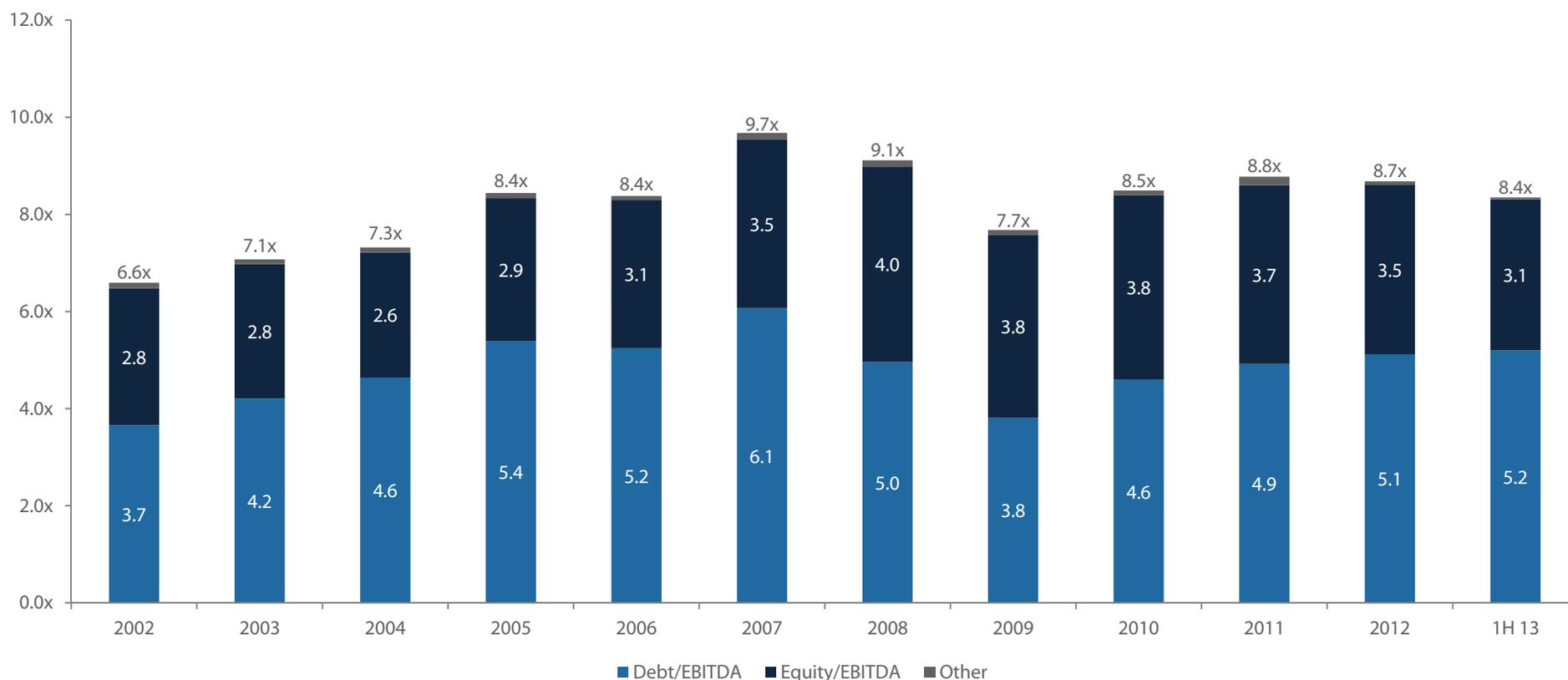


- The amount of capital available for leverage has gone down significantly since its peak volume in 2007, but continues to climb from the historically low levels in 2009.
- Transactions with less than \$50m of EBITDA continue to apply less leverage than those of larger deals by a meaningful percentage.

U.S. LBO Purchase Price Multiples



Purchase Price Multiples of LBO Transactions

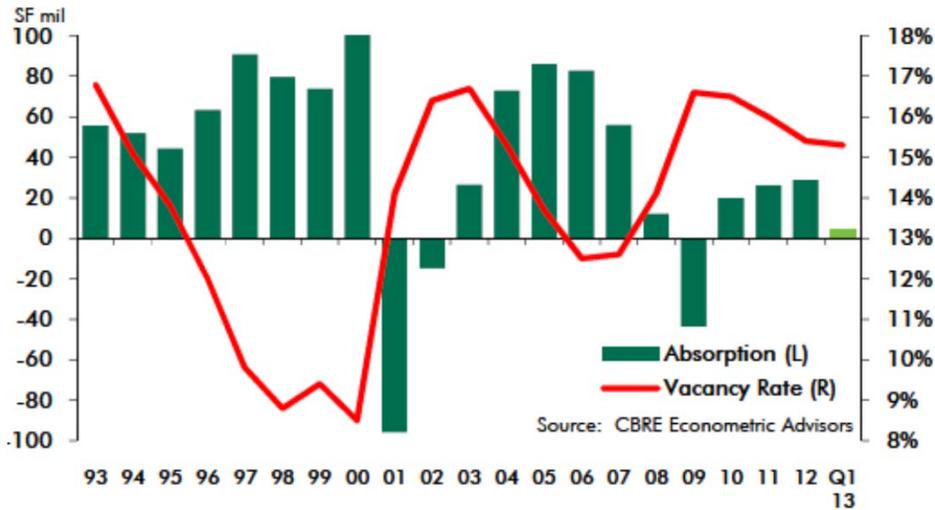


- As the debt markets have come back, purchase price multiples have increased from 2009 and have been stable in the 8.5x to 8.8x range.
- In the first half of 2013, purchase price multiples seem to have slightly decreased.

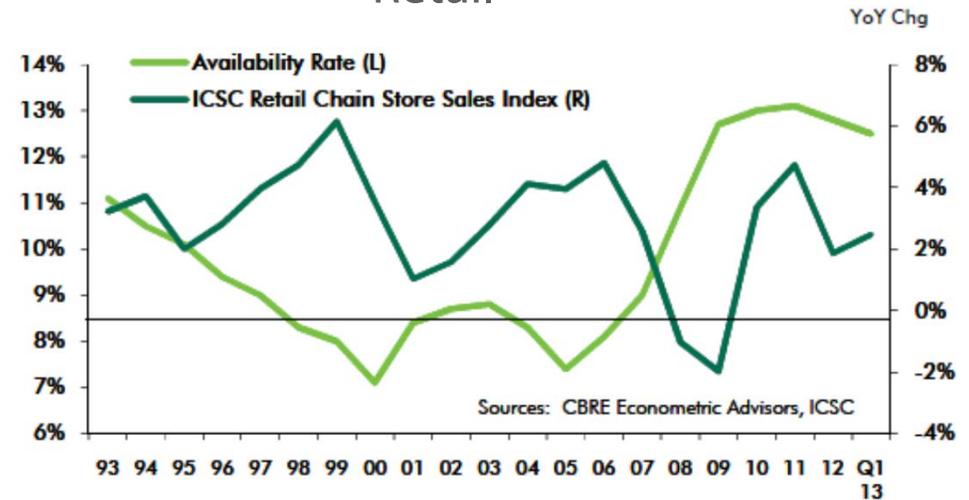
Commercial Property (As of 1Q2013)



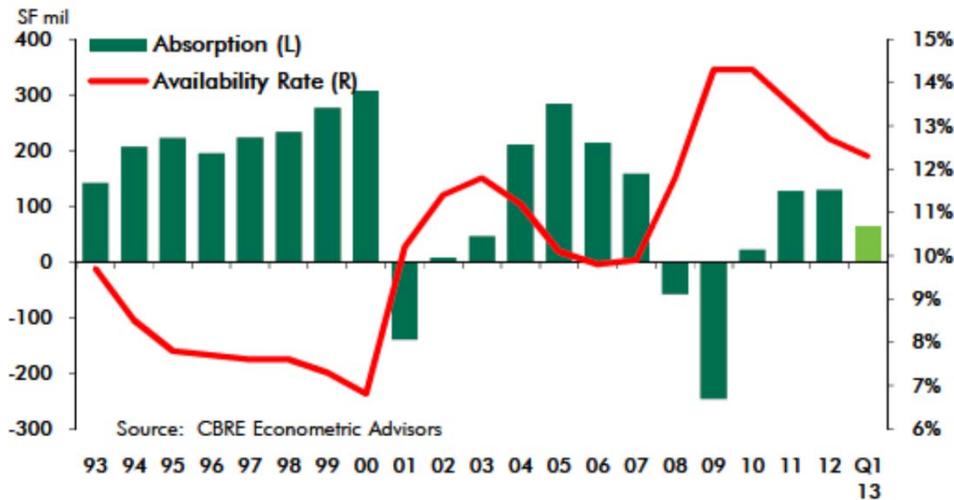
Office



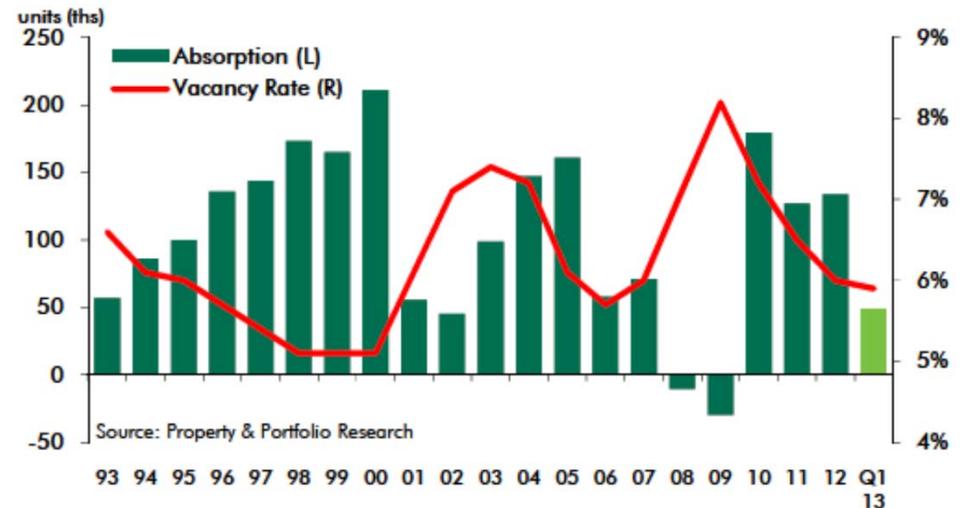
Retail



Industrial

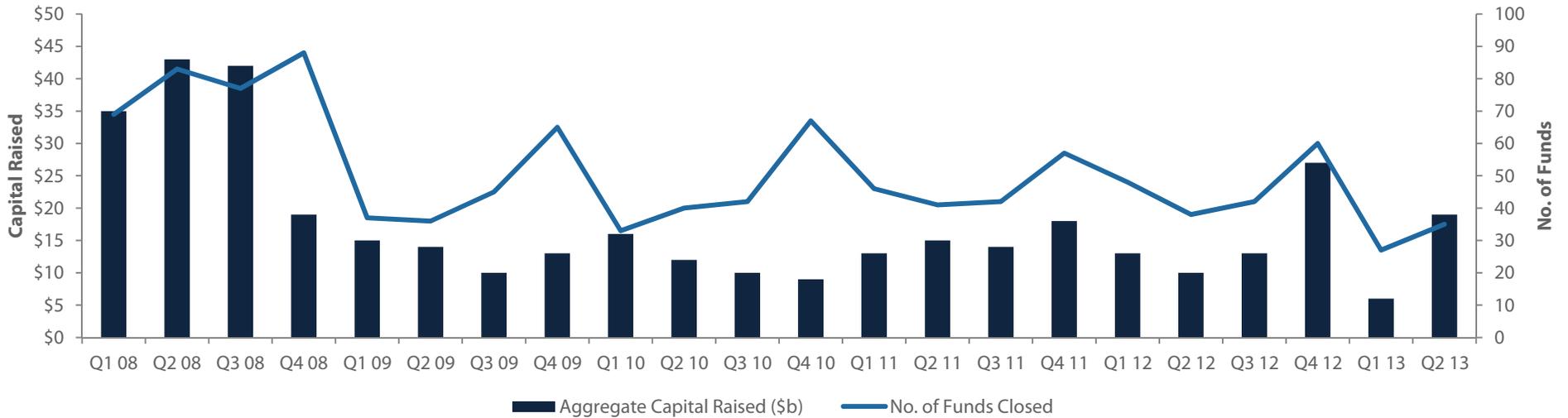


Apartment

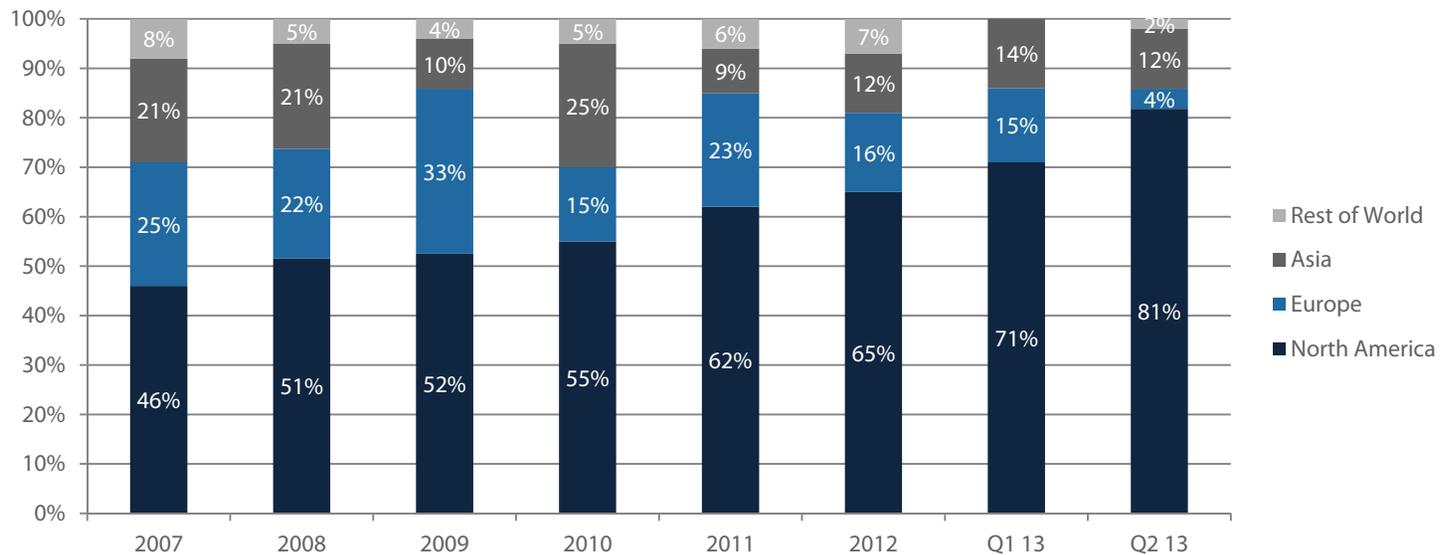


Source: CB Richard Ellis

Quarterly Closed-End Private Real Estate Fundraising (Q1 2008 – Q2 2013)

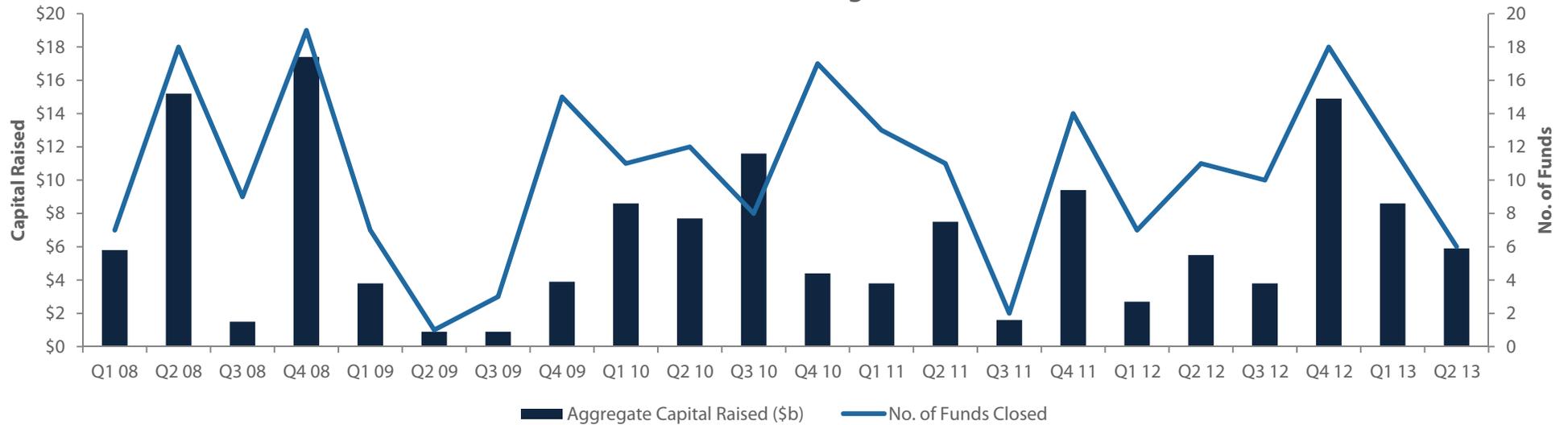


Proportion of Aggregate Capital Raised by Closed-End Private Real Estate Funds by Fund Geographic Focus (2007 – Q2 2013)

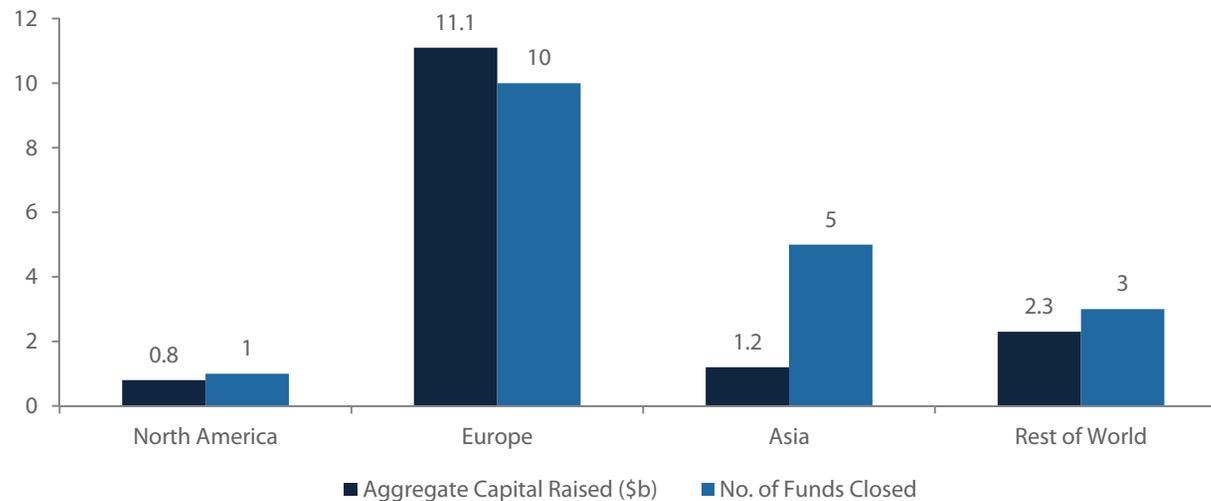


Source: Preqin.

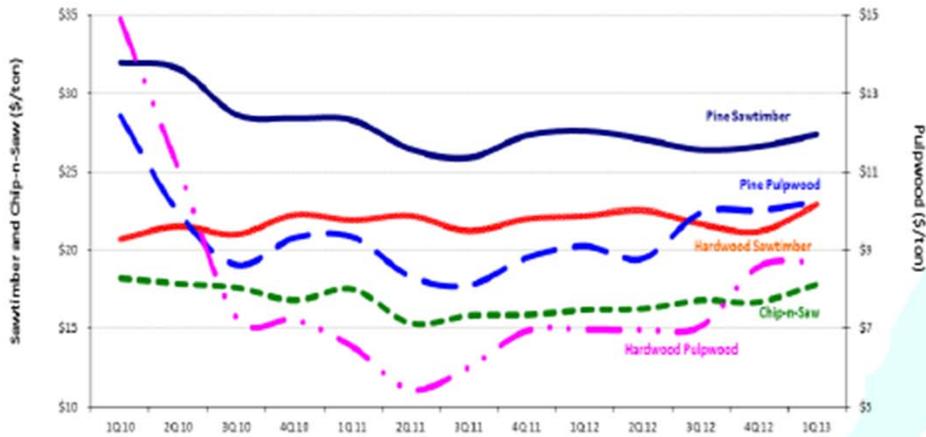
Unlisted Infrastructure Fundraising (Q1 2008 – Q2 2013)



Unlisted Infrastructure Fundraising by Primary Geographic Focus (1H 2013)

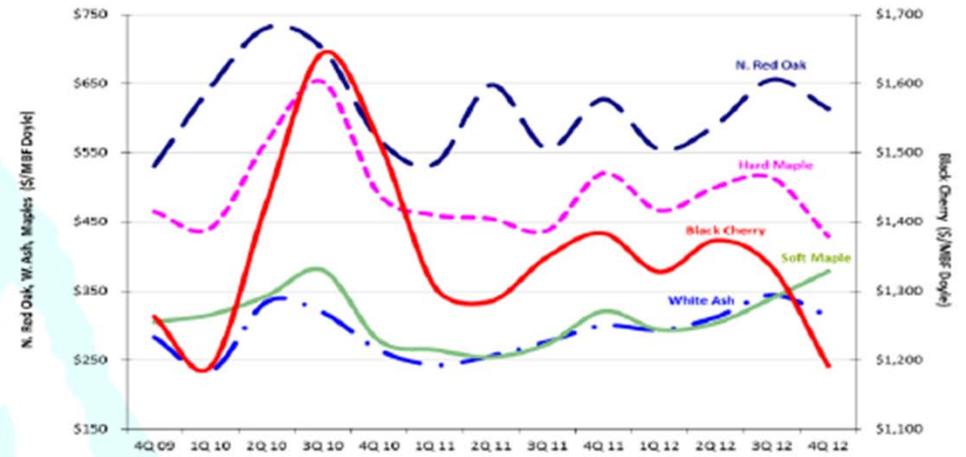


Southeastern Timber Prices



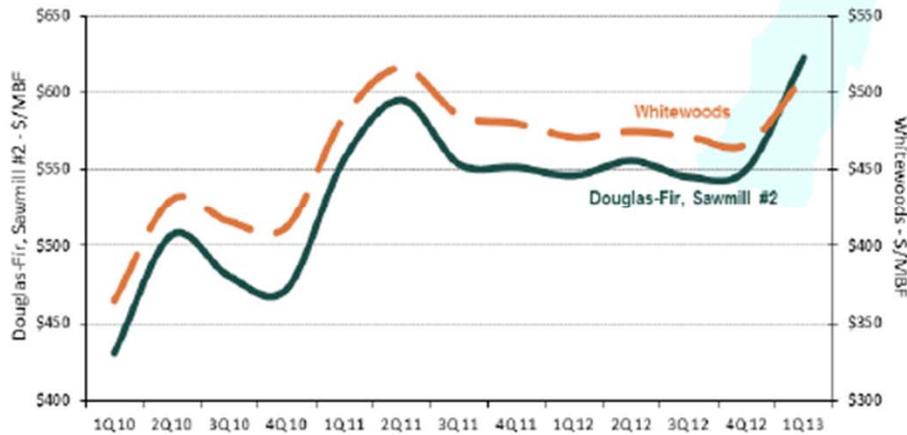
Source: Forest2Market®

Northeastern Hardwood Timber Prices



Source: Pennsylvania Woodlands Timber Market Report - Northwest Region

Pacific Northwest Timber Prices



Source: Log Lines®

Inflation (CPI)

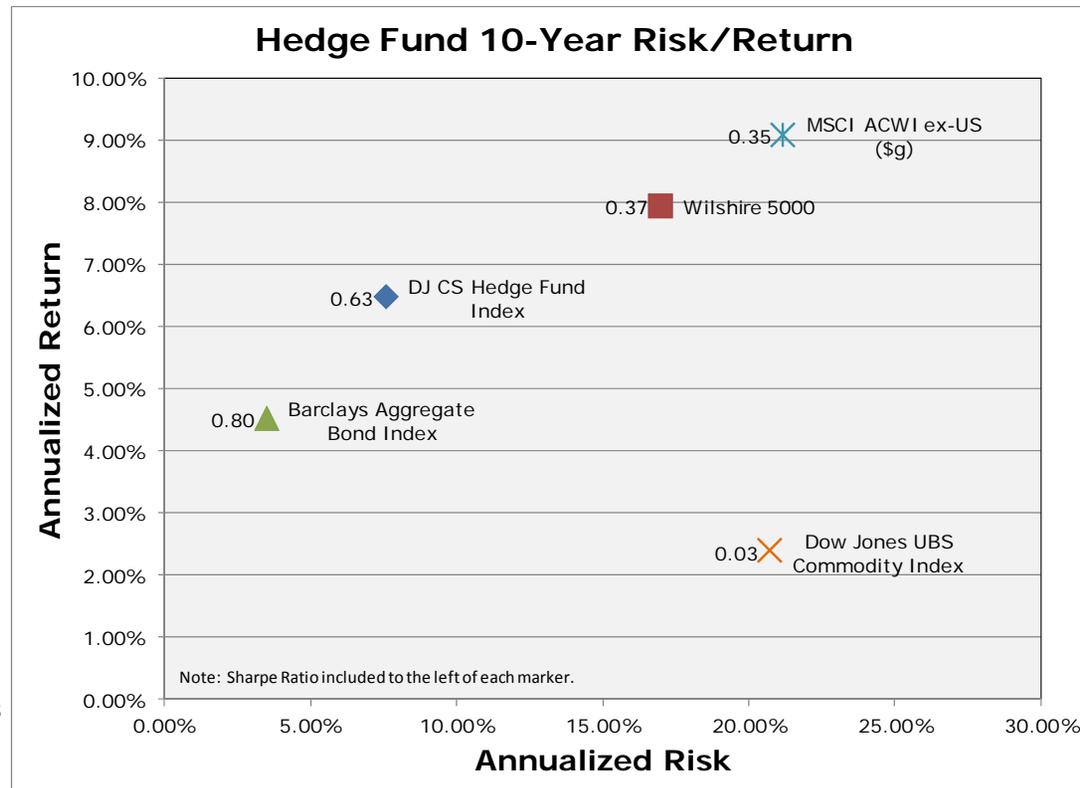


Source: <http://www.bls.gov/cpi/home.htm>

Hedge Fund Performance



June 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	0.1	3.7	9.2	6.3	2.9	6.5
Event Driven Index	2.1	7.0	14.5	6.0	4.0	7.8
Global Macro Index	-0.8	1.3	5.8	7.1	4.5	8.7
Long/Short Equity Index	1.8	7.0	13.3	6.6	2.5	6.9
Multi-Strategy Index	0.7	3.8	10.4	8.5	4.5	6.7
Wilshire 5000	2.8	14.0	21.1	18.5	7.2	8.0
MSCI ACWI ex-US (\$g)	-2.9	0.3	14.1	8.5	-0.3	9.1
Barclays Aggregate Bond Index	-2.3	-2.4	-0.7	3.5	5.2	4.5
Dow Jones UBS Commodity Index	-9.4	-10.5	-8.0	-0.2	-11.6	2.4



Data sources: Wilshire Compass

Asset Class Performance



Annual Asset Class Returns - Best to Worst

2008	2009	2010	2011	2012	YTD 2013	Annualized 5-Year 2008-2012
Core Bond 5.2%	Emrg Mrkts 79.0%	REITs 28.6%	U.S. TIPS 13.6%	Emrg Mrkts 18.6%	U.S. Equity 20.9%	High Yield 10.3%
T-Bills 2.0%	High Yield 58.2%	Emrg Mrkts 19.2%	REITs 9.2%	Developed 17.9%	Developed 16.6%	U.S. TIPS 7.0%
U.S. TIPS -2.3%	Developed 32.5%	U.S. Equity 17.2%	Core Bond 7.8%	REITs 17.6%	High Yield 3.7%	Core Bond 5.9%
High Yield -26.2%	REITs 28.6%	Commodities 16.8%	High Yield 5.0%	U.S. Equity 16.1%	REITs 2.7%	REITs 5.2%
Commodities -35.6%	U.S. Equity 28.3%	High Yield 15.1%	U.S. Equity 1.0%	High Yield 15.8%	T-Bills 0.1%	U.S. Equity 2.0%
U.S. Equity -37.2%	Commodities 18.9%	Developed 8.2%	T-Bills 0.1%	U.S. TIPS 7.0%	Core Bond -1.9%	T-Bills 0.5%
REITs -39.2%	U.S. TIPS 11.4%	Core Bond 6.5%	Developed -11.7%	Core Bond 4.2%	Emrg Mrkts -4.0%	Emrg Mrkts -0.6%
Developed -43.1%	Core Bond 5.9%	U.S. TIPS 6.3%	Commodities -13.3%	T-Bills 0.1%	U.S. TIPS -6.7%	Developed -3.2%
Emrg Mrkts -53.2%	T-Bills 0.2%	T-Bills 0.1%	Emrg Mrkts -18.2%	Commodities -1.0%	Commodities -8.6%	Commodities -5.2%

Data sources: Wilshire Compass

Note: Developed asset class is developed markets ex-U.S., ex-Canada.

Core Fixed Income – Alpha Persistence



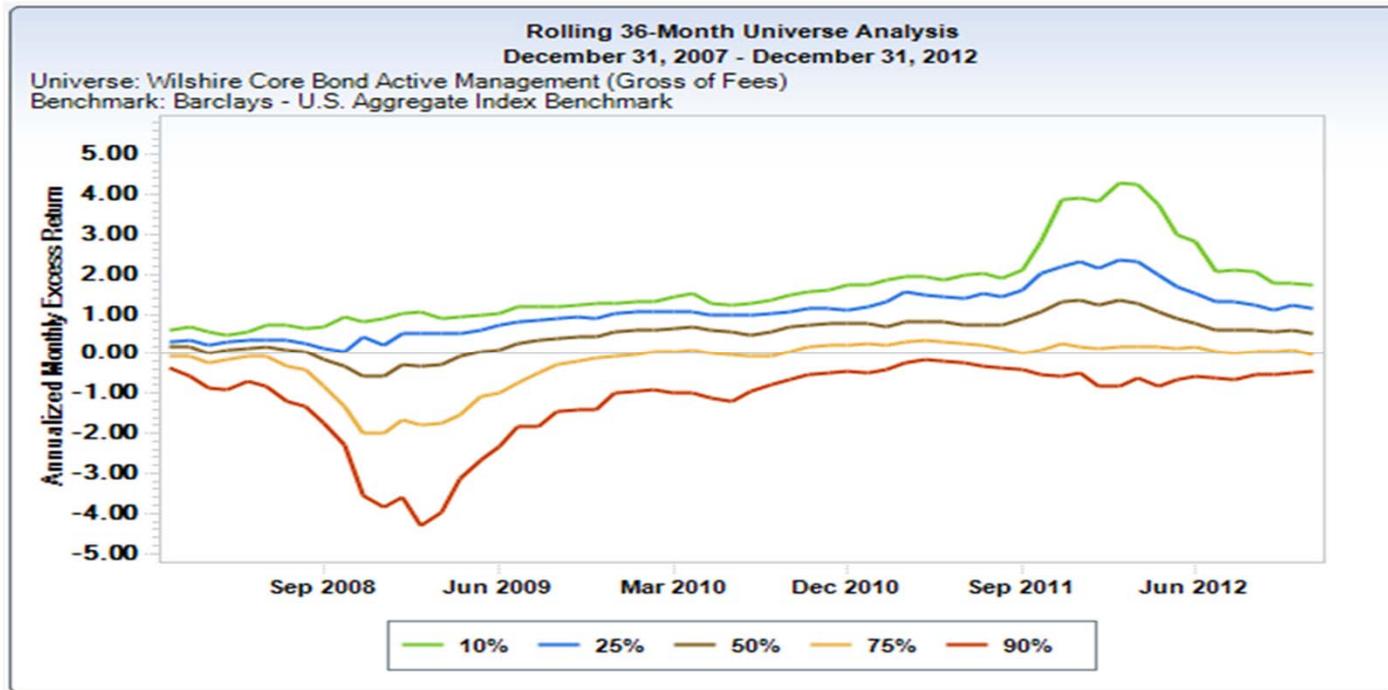
Universe Statistics

As of 12/31/2011	1 Year	3 Years	5 Years	10 Years
Index Ranking	90	75	80	76
Number of Products	68	67	65	62
Average Excess Return	1.43	0.62	0.53	0.34
Median Excess Return	1.31	0.50	0.58	0.32
Average IR	2.35	0.77	0.37	0.29
Median IR	2.24	0.89	0.33	0.27

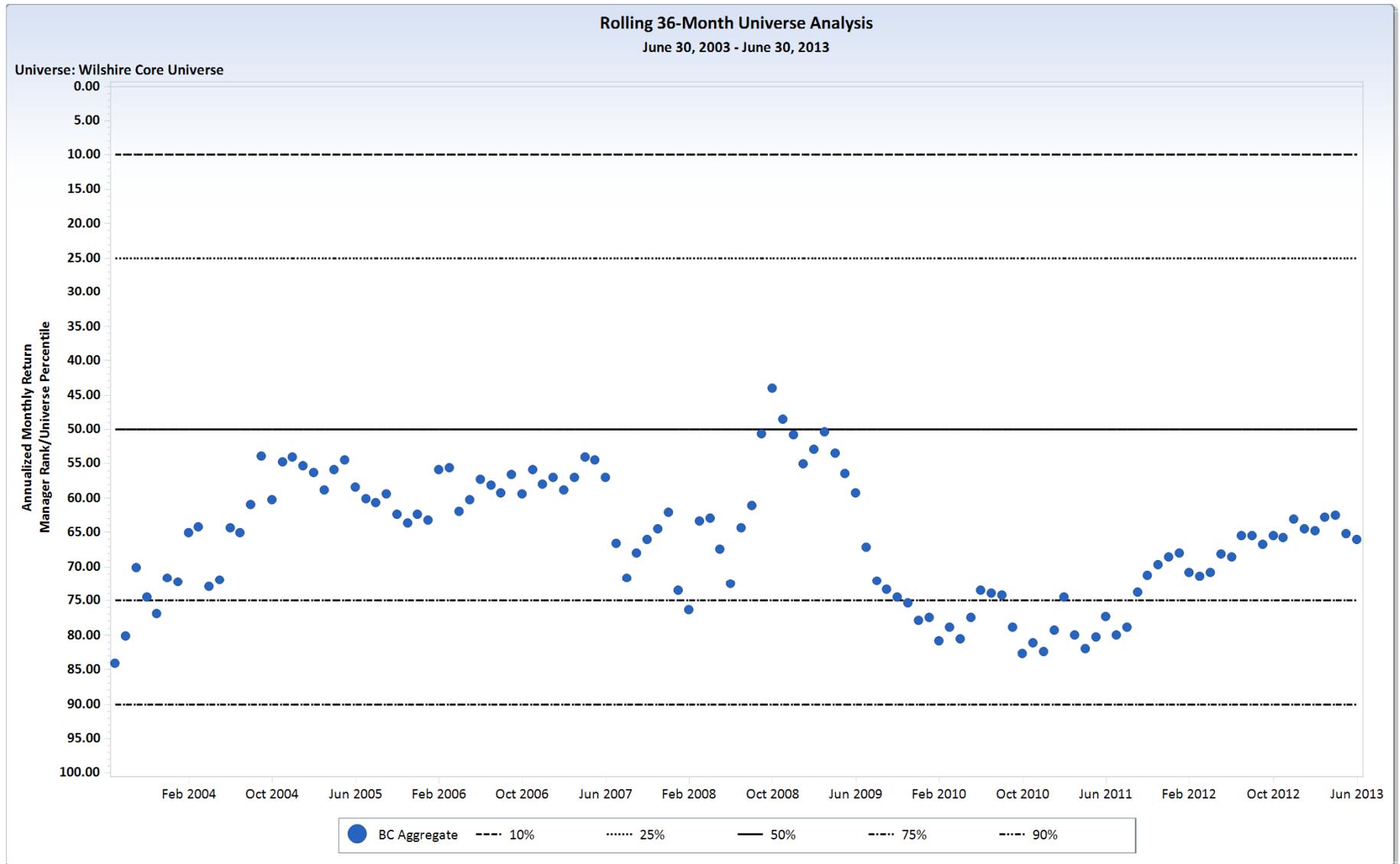
Manager Consistency

Annualized Quarterly Excess Returns

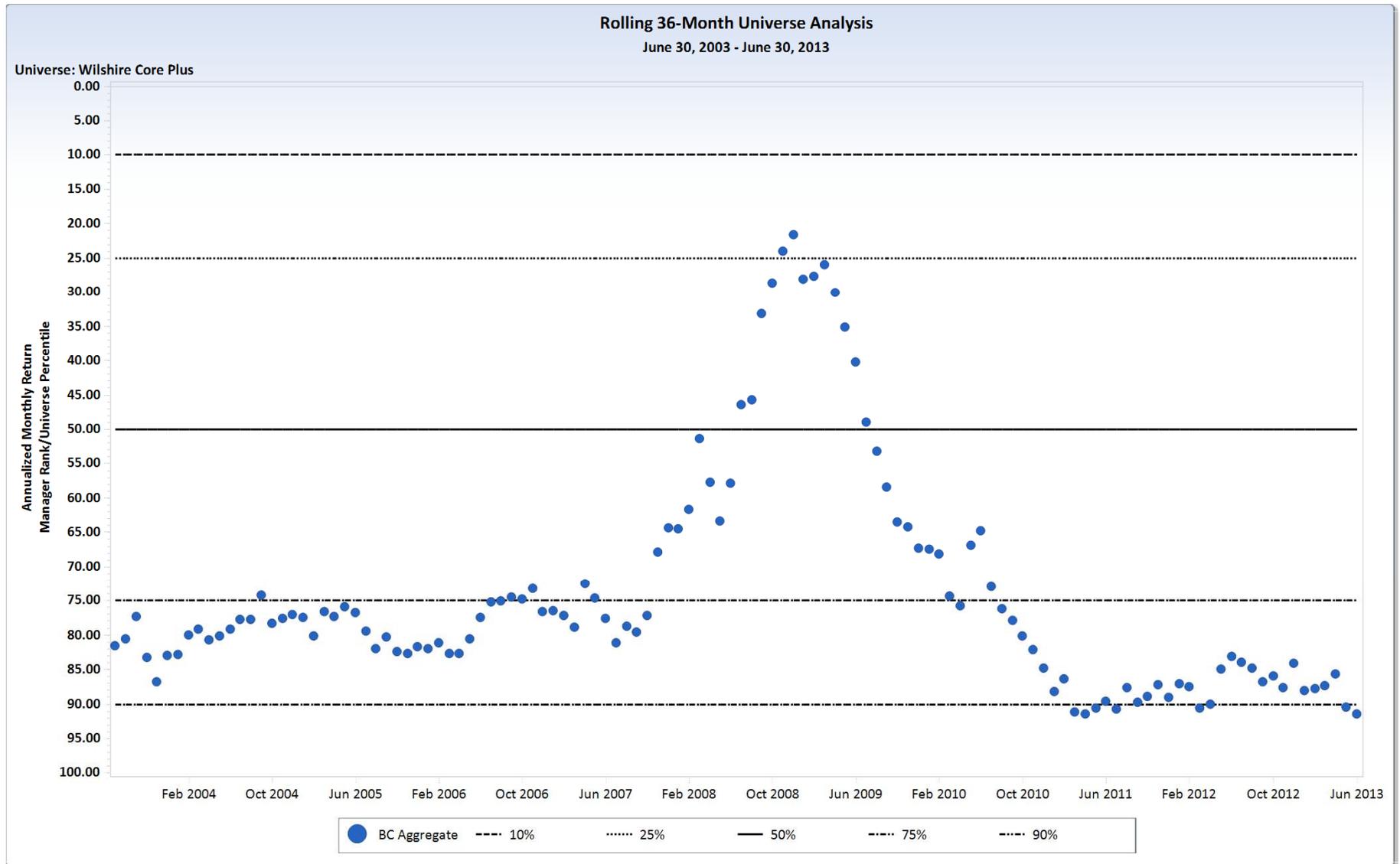
3 Year Quartile Rank 2009	3 Year Quartile Rank 2012				
	1 st	2 nd	3 rd	4 th	Total
1 st	29%	12%	29%	24%	94%
2 nd	18%	18%	41%	18%	94%
3 rd	12%	35%	6%	47%	100%
4 th	29%	29%	24%	12%	94%
No Data	100%	0%	0%	0%	100%



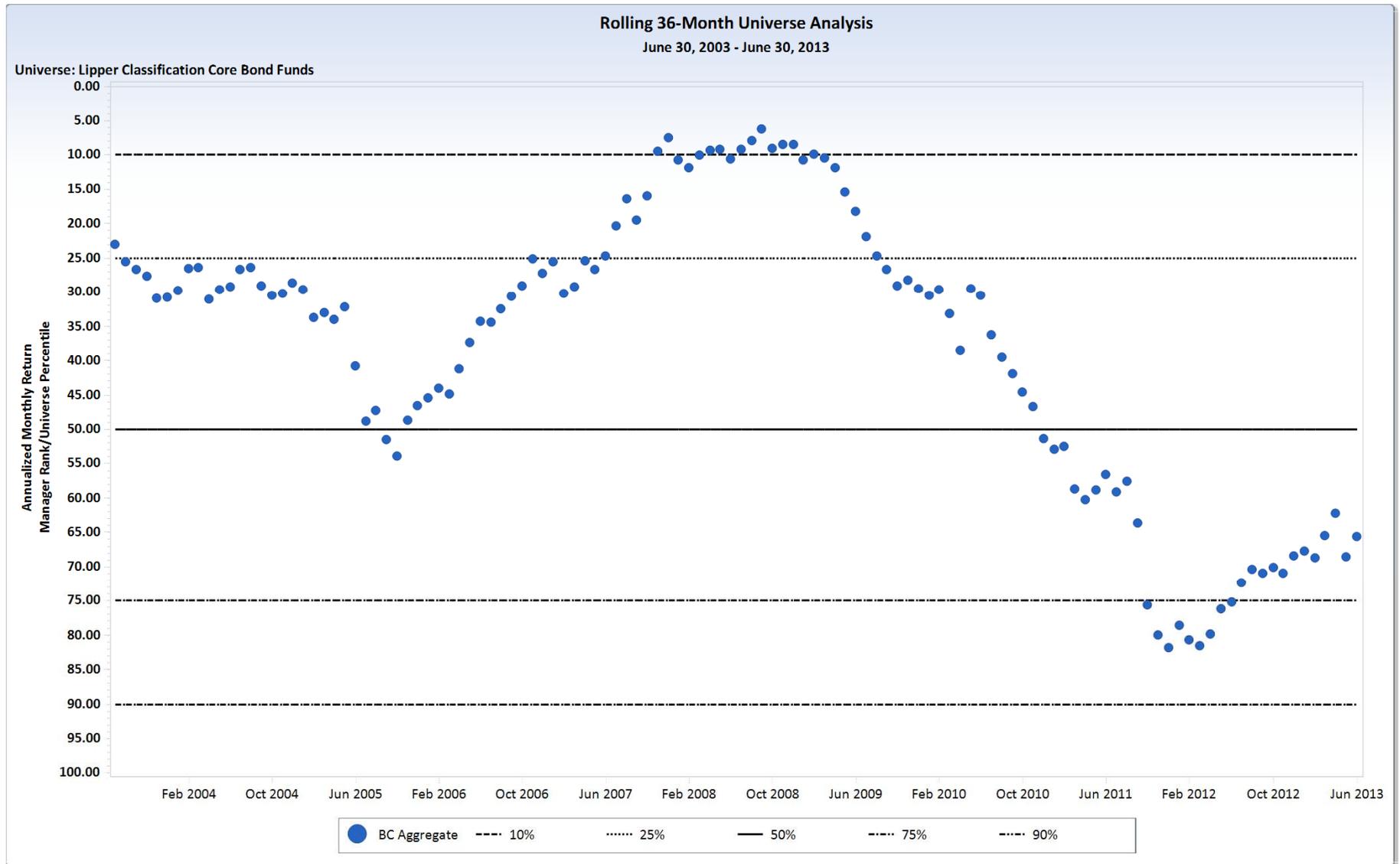
Institutional Core Fixed Income Universe



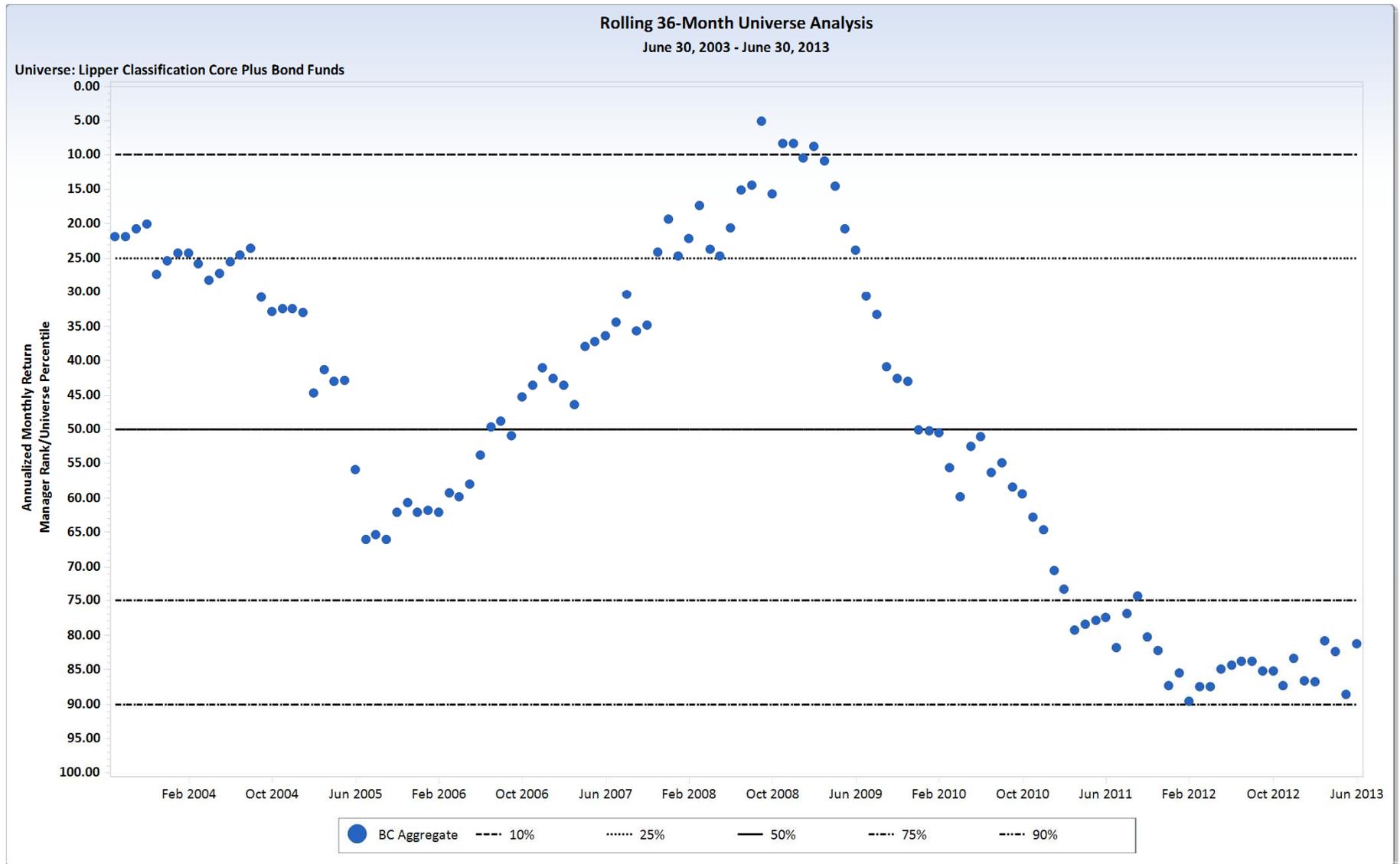
Institutional Core Plus Fixed Income Universe



Core Fixed Income Mutual Funds



Core Plus Fixed Income Mutual Funds



Important Information



This material contains confidential and proprietary information of Wilshire Consulting, and is intended for the exclusive use of the person to whom it is provided. It may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity without prior written permission from Wilshire Consulting. The information contained herein has been obtained from sources believed to be reliable. Wilshire Consulting gives no representations or warranties as to the accuracy of such information, and accepts no responsibility or liability (including for indirect, consequential or incidental damages) for any error, omission or inaccuracy in such information and for results obtained from its use. Information and opinions are as of the date indicated, and are subject to change without notice.

This material is intended for informational purposes only and should not be construed as legal, accounting, tax, investment, or other professional advice.

This presentation represents the current opinion of the firm based on sources deemed reliable. The information and statistical data contained herein are based on sources believed to be reliable. Wilshire does not represent that it is accurate and should not be relied on as such or be the basis for an investment decision. This Presentation is for information purposes only. Past performance is no guarantee of future results.

Any opinions expressed in this Presentation are current only as of the time made and are subject to change without notice. Wilshire assumes no duty to update any such statements. Any holdings of a particular company or security discussed herein are under periodic review by the author and are subject to change at any time, without notice.

This report may include estimates, projections and other "forward-looking statements." Due to numerous factors, actual events may differ substantially from those presented.

This presentation is not to be used or considered as an offer to sell, or a solicitation to an offer to buy, any security. Nothing contained herein should be considered a recommendation or advice to purchase or sell any security. Wilshire, its officers, directors, employees or clients may have positions in securities or investments mentioned in this publication, which positions may change at any time, without notice.

Wilshire® is a registered service mark of Wilshire Associates Incorporated, Santa Monica, California. All other trade names, trademarks, and/or service marks are the property of their respective holders.

Copyright © 2013 Wilshire Associates Incorporated. All rights reserved.