

RANCHO
BERNARDO
INN

30th Annual Wilshire Consulting Client Conference



April 22-24, 2012

San Diego, California

Wilshire Consulting Client Conference

RANCHO BERNARDO INN
SAN DIEGO, CALIFORNIA
April 22-24, 2012

Sunday April 22, 2012

Optional Activities

CONTINENTAL BREAKFAST

7:00am–9:00am

Buena Vista Terrace

A continental breakfast will be served on the Buena Vista Terrace.

GOLF – SCRAMBLE TOURNAMENT

9:30am–1:00pm

West Course

The annual scramble tournament will commence at 9:30am with a shotgun start. The 18-Hole Championship Golf Course at Rancho Bernardo Inn has hosted both PGA and LPGA events and presents golfers of all skill levels with challenging and rewarding play. *Please meet at the golf starter area before 9:30am for a shot-gun start.*

CRAFT BREWERY TOUR & LUNCH

10:30am–2:00pm

Lobby

Please join us for a tour through the heart of a San Diego favorite: the Stone Brewery, where we'll learn about the brewing process and craft beer culture. The tour will be followed by a guided tasting of Stone beers and an al fresco luncheon at the Stone Brewing World Bistro & Gardens. *Please meet in the lobby for departure at 10:30am.*

WELCOME RECEPTION & DINNER

6:00pm–10:00pm

Veranda

Please join us for cocktails and dinner as we commence the 30th annual Wilshire Consulting Client Conference at the Veranda Grill. *Please bring a light jacket or sweater.*



Monday April 23, 2012

BREAKFAST BUFFET

7:00am–8:00am

Bernardo Patio

OPENING REMARKS

Julia Bonafede, President of Wilshire Consulting

8:15am–8:30am

Bernardo Ballroom

GENERAL SESSION I: ECONOMIC OVERVIEW AND IMPORTANCE OF ASSET ALLOCATION VS. ACTIVE MANAGEMENT

8:30am–9:15am

Bernardo Ballroom

Steve Foresti, Managing Director and Michael Rush, Vice President

This session will begin with a high-level review of recent economic trends. The discussion will turn to the age-old debate about the relative importance of asset allocation vs. active management decisions on the risk profile of institutional portfolios. We will review the findings of the often cited Brinson, Hood, Beebower (BHB) study, explore recent challenges to BHB's conclusions and discuss the practical implications on institutional portfolio structuring.

BREAKOUT SESSIONS

9:30am–10:15am

Session IA: Asset Allocation 101

Santiago I

Ned McGuire, Senior Associate and Emmanuel Salta, Associate

This session will present a brief overview of portfolio theory as it relates to asset allocation for defined benefit plans and endowments. Objectives which should be considered when selecting a policy portfolio will be discussed. The benefits of diversification will be emphasized. We will also discuss recent developments in asset allocation research. The benefits and shortcomings of asset-only optimization, surplus optimization, and Wilshire's proprietary Commitment-Driven Investing (CDI) model will be illustrated.

Session IB: Is all that Glitters Gold? The Role and Utilization of Gold in Institutional Portfolios**¹

Santiago II

Bill Bensur, Managing Director and Joe Dressel, Vice President

In recent years, surging gold prices along with higher market volatility has caused increased interest among investors. This presentation will provide an overview of the gold market from a historical perspective and based on recent market conditions. In addition, the role and utilization of gold within institutional portfolios will be explored along with various asset allocation strategies.

Session IC: A Deep Dive into Hedge Fund Betas: Has Yesterday's Alpha Become Today's Beta?

Santiago III

Thomas Toth, Managing Director and Karim Simplis, Vice President

Beta can be defined as the returns associated with the market and/or various risk factors. Unless these markets and risk factors can be identified and associated returns measured, separating beta returns and alpha returns becomes an exercise in futility. For traditional asset classes, measurement of beta has become relatively straight forward – thereby enabling investors to gauge manager value add (i.e., alpha). This was not always the case, however. Prior to the development of small cap indices, certain traditional managers that focused on small capitalization companies and benchmarked against the broader market may have been credited with being alpha generators – though success was largely due to small cap beta exposure. Similarly, non-traditional managers like hedge funds perhaps enjoy more alpha credit than they deserve as the marketplace continues to define and develop hedge fund risk factors. As these risk factors become more understood and better measured, what is currently viewed as alpha may just turn out to be hedge fund beta.

¹ **denotes topic will be repeated

BREAKOUT SESSIONS**10:30am–11:15am****Session IIA: Review of Active Management***Santiago I**David Lindberg, Managing Director and Todd Douds, Senior Associate*

2011 proved to be a difficult year for active management. This session will provide an in-depth look at active management in traditional asset classes over the most recent trailing 1, 3, and 5 year periods. We will examine active returns in both absolute and risk-adjusted terms to identify asset classes where managers were and were not successful in generating alpha. In addition, we will examine common factor returns to which active managers often maintain persistent exposure. The review will examine how these systematic factors have impacted excess returns.

Session IIB: Fixed Income: Should the "Plus" be subtracted from "Core Plus"?***Santiago II**Marlin Pease, Managing Director and Charley Stunkard, Managing Director*

A Core Plus fixed income strategy extends beyond the traditional U.S. dollar denominated investment grade fixed income asset class to include broader opportunities, such as non-U.S. fixed income, currencies, high yield and emerging market debt. While the promise of enhanced returns may seem appealing, especially in today's low interest rate environment, is it worth the extra risk? Investors must be attentive to the various challenges that may accompany the Plus, both within the asset class and beyond.

Session IIC: Target Date Funds: Looking under the Hood at the Glidepath*Santiago III**Felicia Bennett, Managing Director and Russ Walker, Vice President*

The rapid rise in popularity of Target Date Funds (TDFs) as DC Plan investment options can be attributed to passage in 2006 of the Pension Protection Act, which afforded these vehicles special status as Qualified Default Investment Alternatives (QDIAs) under ERISA Rule 404(c)(5), alongside balanced funds and managed accounts. TDFs feature a managed asset allocation across multiple asset classes that moves over time from aggressive or growth-oriented risk levels to conservative or asset protection-oriented risk levels; the actual asset/risk allocation model used for a TDF family is referred to as its *glide path*. We will be analyzing the various methods of constructing glide paths, the wide assortment of investment vehicles fund managers deploy in TDFs, and possible sources of uncontrolled excess risk in these funds.

LUNCH**11:30am–1:15pm***Bernardo Ballroom*

Please join us for lunch followed by a presentation from our guest speaker, Dr. Carmen M. Reinhart. *Dr. Carmen M. Reinhart is the Dennis Weatherstone Senior Fellow at the Peterson Institute for International Economics.*

BREAKOUT SESSIONS**1:30pm–2:15pm****Session IIIA: Investing in MLPs***Santiago I**Michael Rush, Vice President, and Alexander Browning, Senior Associate*

Investing in energy MLPs as an asset class has garnered much attention recently. While their risk profile is equity-like, MLPs offer a relatively steady (and high) level of income. However, there are specific risks associated with MLP investing that must be understood before investing. In this session, we will detail the investment opportunity, highlight historical performance and discuss unique aspects of the asset class.

Session IIIB: Alternative Weighting in Equities: Review of Approaches and Implementation***Santiago II**Ali Kazemi, Vice President, and Patrick Lighaam, Vice President*

An increasing number of managers are introducing new "Alternative Weighting" strategies that shy away from the traditional market cap weighted approach that dominated the investing landscape since the introduction of CAPM. This trend has been fueled by the desire of investors to obtain exposure to portfolios that offer increased diversification while avoiding the trend-following bias that exists within market cap weighted approaches. Both



index providers and managers are claiming superior risk – return characteristics for their approach with improved downside protection in volatile periods. This session will provide an overview of the various types of strategies, with an objective review of the pros and cons associated with each strategy type.

Session IIIC: Structuring Global Equity Portfolio

Santiago III

Mark Brubaker, Managing Director and Michael Patalsky, Managing Director

In this presentation, we build on last year's Global Equity conference presentation which took a broad look at utilizing a global equity allocation and take a deep dive into various decisions involved in structuring a global equity allocation. We will examine such issues as the use of global equity managers versus regional/country specialist managers, style exposure, market capitalization exposure, the use of active/passive management in a global equity portfolio, and issues related to currency management.

BREAKOUT SESSIONS

2:30pm–3:15pm

Session IVA: De-Risking Liabilities

Santiago I

Stephen Marshall, Managing Director and Maggie Ralbovsky, Managing Director

This presentation will focus on the “de-risking” of mature defined benefit plans. Specific emphasis will be given to corporate plans and glide paths which reduce risk as funded status improves.

Session IVB: Currency: Exploring Hedging and Excess Return Considerations**

Santiago II

Karyn Williams, Managing Director and Howard Yata, Managing Director

With the shift toward more globalized investments and the expectations of volatile foreign markets, currency risk has become an increasingly important factor in U.S. institutional investor portfolios. Naturally, investors want to understand whether or not currency exposure diversifies the portfolio: should they hedge currency risk, and if so, is a passive or active approach best? In this presentation, we examine how institutional investors should view the role of currency in their portfolios and evaluate potential currency strategies.

Session IVC: Structuring Real Asset Portfolios

Santiago III

Michael Dudkowski, Managing Director and Jim Neill, Managing Director

This session will demonstrate how to structure real asset portfolios. The *Real Assets Basket* published in Wilshire's Asset Class Assumptions will be used as a starting point. Following selection of an optimal allocation, we will demonstrate in “case study” format steps in defining a real assets portfolio structure. Included will be discussion of practical considerations and constraints such as liquidity, size of opportunity set, availability of institutional-quality managers, minimum investment requirements, and other issues.

GENERAL SESSION II: INVESTING IN A LOW YIELD ENVIRONMENT

3:30pm–4:15pm

Bernardo Ballroom

Eileen Neill, Managing Director and Michael Schlachter, Managing Director

Bond yields are at their lowest levels in seventy years and forecast to remain low for the foreseeable future. Most defined benefit plans maintain 20+% bond allocations, which means it will be difficult to produce total fund returns to sufficiently grow assets without increased contribution rates if yields continue to remain so low. This session discusses strategic and implementation options for plan sponsors to consider in this unique environment to better hedge their assets and liabilities.

EVENING DINING

6:00pm–10:00pm

El Bizcocho

Please join us for an elegant dining experience at El Bizcocho, the signature restaurant of the Rancho Bernardo Inn.



Tuesday April 24, 2012

BREAKFAST BUFFET

7:30am–8:30am

Bernardo Patio

BREAKOUT SESSIONS

8:30am–9:15am

Session VA: Alternative Weighting in Equities: Review of Approaches and Implementation

Santiago I

Ali Kazemi, Vice President, and Patrick Lighaam, Vice President

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Session VB: Fixed Income: Should the "Plus" be subtracted from "Core Plus"?

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Marlin Pease, Managing Director and Charley Stunkard, Managing Director

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BREAKOUT SESSIONS

9:30am–10:15am

Session VIA: Currency: Exploring Hedging and Excess Return Considerations

Santiago I

Karyn Williams, Managing Director and Howard Yata, Managing Director

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Session VIB: Is all that Glitters Gold? The Role and Utilization of Gold in Institutional Portfolios

Santiago II

Bill Bensur, Managing Director and Joe Dressel, Vice President

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GENERAL SESSION III: ROLE OF MULTI-STRATEGY / GLOBAL MACRO HEDGE FUNDS

10:30am–11:15am

Bernardo Ballroom

Julia Bonafede, President of Wilshire Consulting and Andrew Junkin, Managing Director

LUNCH

11:30am–1:00pm

Santiago Courtyard

