

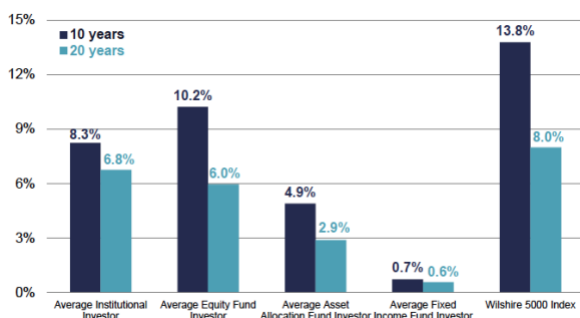
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Staying Focused on Long-Term Investment Goals: The Institutional Approach

Wilshire annually examines the investment returns and relative performance of retail investors as compared to their institutional investor counterparts. Although capital markets present similar levels of uncertainty for all participants, institutions have generally outperformed retail investors over 10- and 20-year time horizons, as illustrated in the exhibit below.

We use data from DALBAR's 2021 Quantitative Analysis of Investor Behavior Report (the "DALBAR Report") and the Wilshire Trust Universe Comparison Service® ("Wilshire TUCS®") in our analysis. The DALBAR Report utilizes monthly mutual fund sales, redemptions and exchanges as the measure of "average investor" behavior, reflecting results net of investment fees. Wilshire TUCS is a cooperative effort between Wilshire Advisors LLC and several global custodian banks and trust companies to aggregate the asset allocation and holdings data of approximately \$4.0 trillion dollars of U.S institutional assets. Data from Wilshire TUCS is used as a proxy for institutional investor performance. Wilshire TUCS provides plan data contributed gross of fees by the participating custodian, bank, or consultant and is calculated using accounting inputs and computational method standards.

10-Year and 20-Year Annualized Returns for Average Institutional Investors Ending 12/31/2020



Source: DALBAR and Wilshire TUCS. Average Equity Fund Investor, Fixed Income Fund Investor, and Asset Allocation Fund Investor from the DALBAR Report. Average institutional investor data from Wilshire TUCS is represented by the median total returns of master trusts - all plans, as of 12/31/20. The chart shown intends to demonstrate what Wilshire believes to be the effect of behavioral biases, including market timing, exhibited by retail investors. Average Institutional Investor returns shown above would be lower if fees were taken into consideration, as they are for the categories drawn from the DALBAR Report. Average Institutional Investor will also include asset classes not included in the three DALBAR categories, which may provide a performance advantage. The reader should view these returns in consideration of other relevant additional factors and should not rely solely on performance data shown. Past performance is not indicative of future results.

There are several factors that contribute to institutional investors' consistently better performance relative to their retail peers. Institutional investors maintain a long-term investment philosophy, digesting poor earnings, market corrections, and economic shocks as a part of regular market activity. This was particularly relevant during the tumultuous market activity in 2020 amidst the ongoing COVID-19 pandemic. Additionally, the practicality of managing large amounts of money involves adherence to firm policy targets, enforcing a more disciplined investing style based on allocating capital in line with set targets rather than fleeting short-term trends. Conversely, many individual investors monitor their portfolios daily, leading them to make impulsive investment decisions in the face of short-term market dislocations. This irrational investor behavior has led to the consistent underperformance of retail investors versus institutions.

There are key differences between institutional investors and their retail counterparts, including, but not limited to, different investment horizons, liquidity requirements, and larger asset pools that generally give institutional investors access to lower investment fees and options restricted to sophisticated investors, such as private investments and other alternatives. However, a wealth of data, including some depicted here, suggests that individual investors could nonetheless benefit from taking cues from their institutional counterparts to improve the overall performance of their portfolios.

These key characteristics and constraints have proven to benefit institutional performance over time, and the continued outperformance of institutional investors supports our thesis that a thoughtfully diversified asset allocation policy has the highest likelihood of maximizing risk-adjusted returns over a full market cycle. Given that no one has certainty as to what the market will deliver, timing the market correctly is virtually impossible. However, staying focused on long-term goals, diligently monitoring risks and exposures, and broadly investing with an institutional mindset is a time-tested approach that has been shown to produce better long-term outcomes.

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