

Wilshire Focused Liquid Alternative IndexSM

The Wilshire Focused Liquid Alternative IndexSM measures the performance of a broad basket of mutual funds that provide exposure to equity hedge, global macro, relative value, and event driven alternative investment strategies. Created in 2014, with a time series of data beginning on December 31, 2007, the Wilshire Focused Liquid Alternative Index is an optimized subset of the Wilshire Liquid Alternative IndexSM that embeds intelligent screening criteria and is designed to help firms build investable products.

Membership

To be included in the Wilshire Focused Liquid Alternative Index, a strategy must:

- Be registered under the Investment Company Act of 1940
- Be categorized by Wilshire Manager Research as: Equity Hedge, Event Driven, Relative Value, or Global Macro
- Have 18-months of returns
- Have at least \$50 million assets under management at the time of inclusion
- Not have a monthly correlation to the Wilshire 5000 Total Market Index that exceeds 0.9 or is less than -0.9 over the trailing 18-month period
- Not have a monthly correlation to the Barclays Capital Aggregate Bond Index that exceeds 0.8 or is less than -0.8 over the trailing 18-months period
- Not be in the remaining bottom quartile (25%) within each category for the trailing 18-month period

Adjustments & Maintenance

Changes to the indexes' composition and updates of component weights are based on the following rules:

Composition Changes

The composition of the Wilshire Focused Liquid Alternative Index is reviewed semi-annually in June and December using month-end May and November data. Additions and deletions occur after market close on the last trading day of December and June. Additions and deletions are pre-announced two weeks prior to the implementation date.

- Additions include any new non-component strategy that meets the index inclusion screens as of the close of trading on the month-end prior to the rebalance date
- Deletions include any component strategy that fails the index inclusion screens
- Replacements include any component strategy that has a more desirable share class

A component fund will be removed monthly from the Wilshire Focused Liquid Alternative Index and a rebalance of the remaining funds in its former category will occur at month end, if:

- It enters liquidation proceedings; or
- Its assets under management fall below \$25 million at month end.

Share Class Treatment

A hierarchy that places a bias toward institutional over retail is used to determine the share classes for pricing in the index. The share class with the longest track record is selected as the baseline upon which to evaluate each strategy.

Weighting

The index is based on a volatility parity framework.

The index is rebalanced on a semi-annual basis coinciding with the semi-annual additions and deletions of constituents. New weights are determined using month-end May and November data.

An 18-month time series of returns is created for each of the four categories by taking an equal-weighted average of the 18-month return history of the proposed constituents of each category.

Volatility parity of the four categories is used to determine the weights of each category in the index:

$$w_i = \frac{1}{\sigma_i} \left(\sum_{j=1}^4 \frac{1}{\sigma_j} \right)^{-1}$$

Where i and j represent the four categories, w_i represents the weight of each category in the index, and σ_i represents the 18-month composite volatility for the category. As a result, the weight that a single constituent in the i th category would be w_i/N_i where N_i is the number of funds that are current constituents of each category that passed all filters.

For Further Information

Please visit www.wilshire.com, email wilshireindexes@wilshire.com, or call Jeffrey Foley at 1.310.260.6616.

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20-0706-IXMEIM-28