

## THIRD QUARTER 2021

# Premier Allocation Portfolios Rebalance Summary

### Overview

Available at Cetera Financial Group's My Advice Architect and MF/ETF platforms, the Wilshire Premier Allocation Portfolios rebalance for Q3 reflects updated views from Wilshire's Investment Strategy Committee (ISC). In addition to the scheduled rebalance to our asset allocation targets for each model, Wilshire used the update to reflect changes to the underlying fund allocations based on near-term market views. The following changes were implemented for the Q1 rebalance:

- **Fixed Income** – Increased overweight to alternatives
- **Fixed Income** – Implemented underweight to duration relative to the Bloomberg Barclays US Aggregate Bond Index
- **Fixed Income** – Removed overweight to Emerging Markets Debt relative to US High Yield fixed income
- **Real Assets** – Implemented an overweight to commodities relative to Global REITS

Wilshire's Investment Strategy Committee meets at least quarterly to reassess our near-term views. Below is a summary of how our outlook has changed since last quarter.

Asset Class	April	Change	July
Fixed Income vs. Equity	Neutral	≈	Neutral
Alternatives vs. Equity	Neutral	≈	Neutral
Alternative vs. Fixed Income	Overweight	↑	Large Overweight
Duration vs. Barclays Aggregate	Neutral	↓	Underweight
Credit vs. Government	Neutral	≈	Neutral
Investment Grade vs. High Yield	Neutral	≈	Neutral
High Yield vs. Bank Loans	Neutral	≈	Neutral
Emerging Markets Debt (EMD) vs. High Yield	Overweight	↓	Neutral
Large Cap vs. Small Cap Equities	Neutral	≈	Neutral
Growth vs. Value Equities	Underweight	≈	Underweight
Global ex-U.S. vs. U.S. Equities	Neutral	≈	Neutral
Emerging vs. Developed Equities	Overweight	≈	Overweight
Emerging vs. U.S. Equities	Overweight	≈	Overweight
Global REITS vs. Global Equities	Neutral	≈	Neutral
Commodities vs. Global REITS	Neutral	↑	Overweight

## Q3 Model Allocation Summary

### Alternatives vs. Fixed Income – Increase of Alternatives overweight to large overweight

Given the rich valuations of government bonds and significant compression in credit spreads over the past year, we have moved to a large underweight in traditional fixed income exposures and are favoring strategies that provide more flexibility and differentiated returns.

### Duration vs. Bloomberg Barclays US Aggregate Bond Index – Implementation of Duration underweight

Given the recent decline in interest rates in midst of rising economic growth and inflation, real yields are near new lows and indicate very rich valuations for nominal bonds. Therefore, we are now reducing our duration exposure through a combination of our underweight to fixed income and/or through actively reducing the duration of our fixed income portfolios.

### Emerging Market Debt (EMD) vs. US High Yield Fixed Income – Removal of EMD overweight

We no longer see an attractive risk-adjusted return difference in EMD vs. high yield.

### Commodities vs. Global REITs – Implementation of commodities overweight

Inflation risk is elevated, particularly for commodities, as supply chain issues are likely to persist through 2022. Therefore, we are sourcing a modest allocation of capital away from global REITs and/or global equities in favor of diversified commodities exposure.

## Wilshire Portfolio Allocation Changes

### Taxable Portfolios

Risk Profile Name: My Advice Architect		Conservative		Moderate Conservative		Moderate		Moderate Growth		Growth	
Risk Profile Name: MF/ETF		Conservative Income		Balanced		Moderate Growth		Growth		Aggressive	
Fund Name	Ticker	Q3 2021	Change	Q3 2021	Change	Q3 2021	Change	Q3 2021	Change	Q3 2021	Change
Cash/Money Market	N/A	2.0%		2.0%		2.0%		2.0%		2.0%	
Vanguard Total Bond Market ETF	BND	22.0%	6.0%	17.0%	5.0%	13.0%	3.5%	8.0%	2.0%	3.0%	
Vanguard Long-Term Bond ETF	BLV		-6.0%		-5.0%		-3.5%		-2.0%		
Wilshire Income Opportunities Instl	WIOPX	51.0%		41.0%		30.0%		20.0%		10.0%	
Vanguard S&P 500 Index ETF	VOO	3.0%		5.0%		5.0%		6.5%		8.0%	
Wilshire Large Company Growth Instl	WLCGX	6.5%		8.5%		11.0%		13.5%		15.5%	
Wilshire Large Company Value Instl	WLCVX	7.5%		10.5%		13.0%		16.0%		18.5%	
Wilshire Small Company Growth Instl	WSMGX	1.0%		1.5%		2.0%		2.0%		2.5%	
Wilshire Small Company Value Instl	WSMVX	1.0%		1.5%		2.0%		2.0%		2.5%	
Wilshire International Equity Instl	WLTTX	4.0%		10.0%		17.0%		24.0%		29.5%	
iShares Core MSCI EM ETF	IEMG			1.0%		2.0%		2.0%		2.5%	
Principal Global Real Estate Sec. Instl	POSIX	1.0%	-1.0%	1.0%	-1.0%	1.5%	-1.5%	2.0%	-2.0%	3.5%	-2.5%
Invesco Balanced Risk Commodity Y	BRCYX	1.0%	1.0%	1.0%	1.0%	1.5%	1.5%	2.0%	2.0%	2.5%	2.5%

## Tax Sensitive Portfolios

Risk Profile Name: My Advice Architect		Conservative		Moderate Conservative		Moderate		Moderate Growth		Growth	
Risk Profile Name: MF/ETF		Conservative Income		Balanced		Moderate Growth		Growth		Aggressive	
Fund Name	Ticker	Q3 2021	Change	Q3 2021	Change	Q3 2021	Change	Q3 2021	Change	Q3 2021	Change
Cash / Money Market	N/A	2.0%		2.0%		2.0%		2.0%		2.0%	
Vanguard Tax-Exempt Bond ETF	VTEB	12.5%	-2.0%	10.0%	-1.5%	7.5%	-1.0%	5.0%	-0.5%	2.0%	-0.5%
Nuveen Intermediate Duration Muni Bd I	NUVBX	17.0%	-2.0%	13.5%	-2.0%	10.0%	-1.0%	6.5%	-1.0%	3.0%	
MainStay MacKay ST Municipal Fund	MSTIX	31.0%	6.0%	24.5%	5.0%	18.0%	3.0%	11.5%	2.0%	5.5%	1.0%
MFS Municipal High-Income I	MMIIX	12.5%	-2.0%	10.0%	-1.5%	7.5%	-1.0%	5.0%	-0.5%	2.5%	-0.5%
Vanguard S&P 500 Index ETF	VOO	3.0%		4.0%		6.0%		6.5%		7.0%	
Wilshire Large Company Growth Instl	WLCGX	6.5%		9.5%		12.0%		14.5%		17.0%	
Wilshire Large Company Value Instl	WLCVX	7.5%		11.5%		14.0%		17.0%		20.0%	
Wilshire Small Company Growth Instl	WSMGX	1.0%		1.5%		2.0%		2.5%		3.0%	
Wilshire Small Company Value Instl	WSMVX	1.0%		1.5%		2.0%		2.5%		3.0%	
Wilshire International Equity Instl	WLTTX	5.0%		11.0%		17.5%		25.0%		32.5%	
iShares Core MSCI EM ETF	IEMG	1.0%		1.0%		1.5%		2.0%		2.5%	

## Q3 Manager Allocation Summary

### New allocation to commodities

In the taxable portfolios, we have implemented an allocation to the Invesco Balanced Risk Commodity fund. This allocation is consistent with Wilshire's ISC to overweight commodities relative to global real estate. The fund offers an appealing systematic approach to commodities investing, providing investors with a strategic, risk-parity allocation that is complemented by a tactical allocation overlay. The risk-parity component equal-weights the four major commodity complexes (energy, industrial metals, precious metals, and agriculture) according to historical risk, resulting in higher capital allocations to less volatile sectors like agriculture and lower allocations to more volatile sectors like energy.

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