



WILSHIRE

COMPASS

Spring 2005

Setting New Standards in Fund Sponsor Information Systems and Investment Technology

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Hilton Head 2005 Investment Technology Conference

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2005 Wilshire Capital Market Assumptions

	2004	2005	Change
Total Returns:			
U.S. Stock	7.75 %	8.00 %	0.25 %
U.S. Bonds	4.50	4.75	0.25
Cash Equivalents	2.75	3.00	0.25
Non-U.S. Stocks	7.75	8.00	0.25
Non-U.S. Bonds	4.25	4.50	0.25
Emerging Markets	7.75	8.00	0.25
High Yield Bonds	6.50	6.25	-0.25
TIPS	4.25	4.25	0.00
Real Estate Securities (REITs)	7.50	7.00	-0.50
Direct Property	6.50	6.00	-0.50
Private Markets	10.75	11.00	0.25
Hedge Funds: Absolute Return	6.50	5.75	-0.75
Inflation:			
	2.25	2.50	0.25
Total Returns minus Inflation:			
U.S. Stocks	5.50	5.50	0.00
U.S. Bonds	2.25	2.25	0.00
Cash Equivalents	0.50	0.50	0.00
Stocks minus Bonds:			
	3.25	3.25	0.00
Bonds minus Cash:			
	1.75	1.75	0.00

	U.S. Stock	Leh Aggr	Sal LPF	LT Treas	Cash	Non-U.S. Stock	Non-U.S. Bond	Emerg Mkt	TIPS	High Yield	REITs	Direct Prop	Prvt Mkts	Abs Return
Expected Return (%)	8.00	4.75	5.25	4.75	3.00	8.00	4.50	8.00	4.25	6.25	7.00	6.00	11.00	5.75
Expected Risk (%)	17.00	5.00	7.00	13.00	1.00	19.00	10.00	25.00	6.00	10.00	16.00	10.00	30.00	8.25
Cash Yield (%)	1.70	4.75	5.25	4.75	3.00	2.50	4.50	2.50	1.75	6.25	4.50	4.50	0.00	0.00
Correlations:														
U.S. Stock	1.00													
Lehman Aggregate	0.29	1.00												
Salomon LPF	0.34	0.95	1.00											
LT Treasury	0.20	0.86	0.87	1.00										
Cash Equivalents	0.00	0.10	0.10	-0.01	1.00									
Non-U.S. Stock	0.78	0.08	0.09	0.08	-0.10	1.00								
Non-U.S. Bonds	0.00	0.33	0.34	0.32	-0.10	0.30	1.00							
Emerging Markets	0.64	0.00	0.01	0.03	0.00	0.68	-0.05	1.00						
TIPS	0.00	-0.01	-0.10	-0.22	0.49	0.11	0.01	0.00	1.00					
High Yield Debt	0.49	0.39	0.40	0.21	0.00	0.30	0.01	0.19	0.01	1.00				
REITs	0.30	0.15	0.15	0.04	0.00	0.20	0.05	0.19	0.20	0.30	1.00			
Property (Direct)	0.30	0.15	0.15	0.05	0.00	0.19	0.05	0.19	0.20	0.30	0.85	1.00		
Private Markets	0.67	0.29	0.30	0.15	0.00	0.48	0.11	0.11	0.10	0.35	0.30	0.30	1.00	
Absolute Return	0.54	0.10	0.10	0.00	0.05	0.58	0.00	0.30	0.00	0.55	0.35	0.25	0.35	1.00

For the complete study, please login the client area of www.wilshire.com with your username and password and search the Resource Library. Should you have any questions, always feel free to contact any of the Compass Client Service team members.

Compass 7 Enhancements

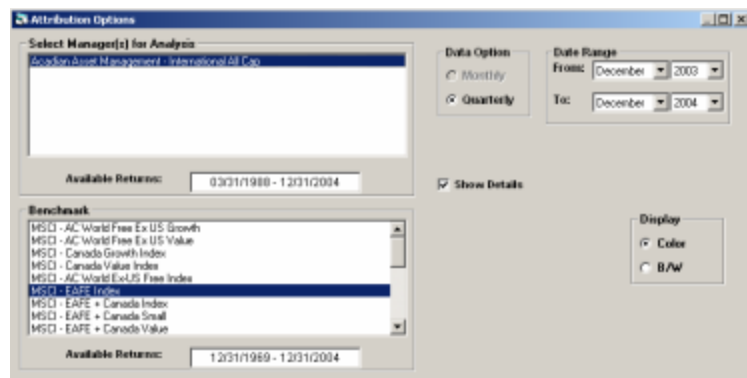
The next release of Compass, to be introduced at the Hilton Head 2005 Investment Technology Conference, will contain many new features including: an enhanced holdings-based Non-US Equity attribution analytic, several new spending model analytics, the use of GICS sectors in the Equity holdings-based analytics, several new data items for the Universe charts, and PDF export capability throughout the system.

Holdings Based Non-US Equity Attribution

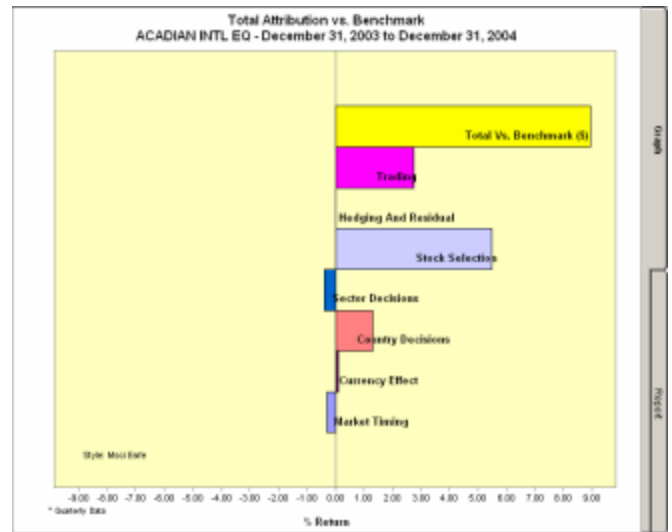
The enhanced Non U.S. Equity Holdings-Based Attribution Model allows users to disaggregate the return differential vs. a benchmark into seven fundamental portfolio factors for a designated time period. The fundamental factors are:

- Country Decisions
- Sector Decisions
- Stock Selection
- Currency Effect
- Market Timing (Residual Cash)
- Trading
- Hedging and Residual

From the setup screen, select a product, a benchmark (available indexes will be visible in the Benchmark list box), and a date range. Users also have the option to Show Details, which will enable users to see all the data that is used to support the graph (including sector weights and returns in every country) in addition to the overall attribution effects. The analysis uses GIC sectors in the calculation of the attribution effects.



Selecting the above options produces the following chart:



Single-period Methodology and Data Item Definitions

The single period methodology and description of each of the attribution effects are defined below.

Total vs. Benchmark – Simply shows the arithmetic excess return for the manager’s Total (\$) Return versus the selected benchmark’s return.

Stock Selection – Stock Selection is defined as the return attributable to the manager’s selection of specific stocks within each sector. The Stock Selection return reflects the manager’s ability to add value by purchasing those stocks which perform better than each country’s sector benchmark as a whole while avoiding those stocks which perform worse than the benchmark. The total Stock Selection return is the sum of the positive and negative contribution from stock selection within each individual sector. Wilshire calculates a Stock Selection return by country and sums the results to create a total portfolio Stock Selection effect for the quarter.

Trading – Trading is defined as the arithmetic difference between the Manager’s Equity-Only (\$) Return and the Manager’s Buy & Hold (\$) Return.

Compass Enhancements (Cont.)

Sector Decisions - Sector Decisions is the return attributable to the manager's sector weighting decisions. It is defined as the sum of the positive and negative contributions from each individual sector weighting decision. The Sector Decisions return reflects the manager's ability to add value by tactically over and under weighting sectors relative to the benchmark. Wilshire calculates a Sector Decisions return by country and sums the results to create a total portfolio Sector Decisions effect for the quarter. All Sector Decisions effects are calculated in each country's local currency.

Country Decisions – Country Decisions measure the impact that weightings to individual countries have on the excess return. The calculation involves looking at the difference between the manager's beginning of period weight for each individual country as compared to the benchmark's beginning of period weight, and multiplying that result by the difference between the benchmark's return for the country in the local currency (LC) and the benchmark's total return (LC). Therefore, if a manager over-weights a country that outperformed the benchmark as a whole, the Country Decisions effect for that country would be positive. All individual Country Decision effects are then summed to create a total portfolio country decisions factor.

Currency Effect – Currency Effect is defined as the return differential attributable to the performance of individual country currencies with relation to the U.S. Dollar. The methodology involves finding individual Currency Effects by country. All individual effects are then summed to create a total portfolio Currency Effect.

Market Timing – The Market Timing return reflects the impact of the manager's decision to hold cash in their portfolio. The market timing return is defined as the difference between the manager's total return and the equity only return.

Hedging And Residual – The remaining return differential that is not explained by the above six attribution effects is a result of Hedging And Residual components. The effect of hedging activity with respect to the manager's currency exposure will be captured in this category.

Multi-period Methodology

When calculating attribution effects over a multi-period time frame, it is important to capture the effect that compounding has on each of the multi-period effects. Compounding is generally accomplished by "re-investing" the excess return attributable to certain factors back into the benchmark and "growing" it over the entire period selected (results greater than one year are annualized). This methodology is used for Sector Decisions, Stock Selection, Country Decisions and Currency Effects. Wilshire calculates linked returns for the Manager's Buy & Hold Return, the Manager's Equity-only Return, the Manager's Total Return, and the Benchmark's Total Return. These linked returns are then used in the calculation of the multi-period Market Timing, Trading, and Hedging And Residual attribution effects.

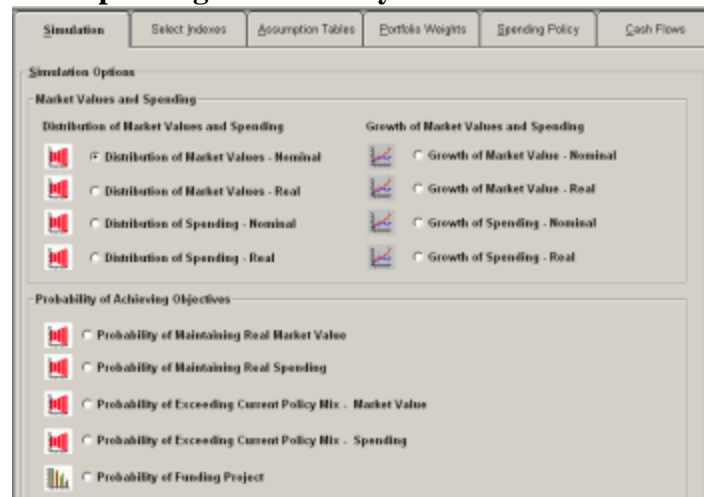
The detailed report is as follows:

	A	B	C	D	E	F	G	H	I	J	
1	Acadian Asset Management - International All Cap										
2	Total Portfolio Summary										
3	December 31, 2003 to December 31, 2004										
4											
5											Return Dr
6	Period End	Mgr Buy & Hold Return \$	Mgr Total Return \$	Index Return \$	Equity Only Return \$	Market Timing	Country Decisions	Currency Effect	Hedging & Residual	Sector Decision	
7	3/31/2004	7.95	7.98	4.40	7.98	-0.03	0.30	0.28	0.10	0.00	0
8	6/30/2004	-1.95	-1.55	0.44	-1.70	0.15	-1.11	-0.12	-0.05	0.00	0
9	9/30/2004	4.40	6.95	-0.23	7.06	-0.11	2.55	0.00	0.07	0.00	0
10	12/31/2004	14.12	14.12	15.36	14.38	-0.27	-0.05	-0.18	-0.10	0.00	0
11	Total	27.17	25.63	20.69	29.92	-4.29	1.30	0.09	0.02	0.00	0
12											
13	Acadian Asset Management - International All Cap										
14	Country Return Analysis										
15	March 31, 2004										
16		Country Weights			Country Buy & Hold Return			Attribution Factors			
17	Country	Manager	Index	Manager LC	Index LC	Index \$	Currency Effect	Country Effect	Sector Select		
18	Argentina	0.00	0.00	-1.59	-1.59			0.00	0.00	0	
19	Australia	6.05	5.06	17.05	19.42	4.00	6.28	0.02	0.01	0	
20	Austria	8.45	0.22	24.32	21.13	13.97	16.00	-0.01	0.04	-0	
21	Belgium	3.52	1.05	-6.62	-8.03	5.77	3.05	-0.07	0.04	-0	
22	Brazil	2.00	0.00	9.57	9.48			-0.01	0.15	0	
23	Canada	6.12	0.00	3.25	9.23			-0.02	0.32	0	
24	China	6.10	0.00	-12.11	-12.42			-0.04	-1.00	0	
25	Colombia	0.00	0.00							0	
26	Denmark	6.64	0.75	14.25	11.43	9.60	6.07	0.00	-0.01	0	
27	Egypt	0.00	0.00							0	
28	Finland	0.15	1.68	6.96	4.11	19.24	16.19	0.05	-0.22	-0	
29	France	5.60	9.86	2.24	-0.29	2.22	-0.41	0.12	0.06	-0	
30	Germany	3.43	7.19	5.16	2.45	-1.93	-4.45	0.11	-0.23	0	
31	Greece	0.00	0.45	0.00	0.00	5.96	3.13	0.00	-0.01	0	
32	Hong Kong	0.71	1.61	3.11	6.73	6.91	6.53	0.00	-0.02	-0	
33	Indonesia	0.70	0.00	5.21	3.47			-0.01	0.01	0	

Compass Enhancements (cont.)

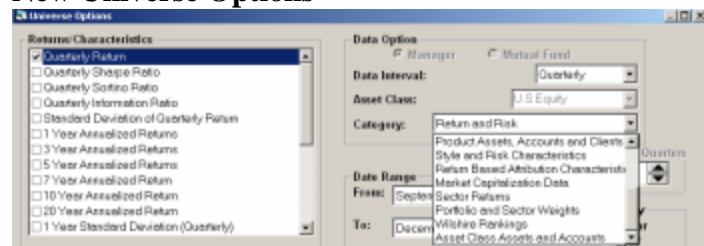
Future newsletters will highlight other enhancements that will be included in the next release, such as:

New Spending Model Analytics



The spending module includes several new analytics. First, the growth of market value and spending through time, both nominal and real values, is now available. The user selects the forecast horizon and either a single portfolio with multiple percentile forecasts or multiple portfolios with a single percentile forecast. Second, a series of probability analytics have been developed, including one to assess project funding.

New Universe Options



Several new data items have been added to the Universe analytic. In addition, they have been organized in categories similar to the organization used in Manager Search and the Custom Line Graph in Style Analysis.

Wilshire Compass Team

Please join us in congratulating the following team members on their recent promotions:

- Michael Tudor-- Vice President
- Chris Tessman-- Senior Associate
- Robin Sedlak -- Associate

2005 Technology Conference

From April 26-28, The Westin Resort in Hilton Head, South Carolina will host the 2005 Wilshire Compass Investment Technology Conference.

TO REGISTER FOR THE SEMINAR:

1. Go to www.wilshirecompass.com.
2. Click on the conference registration link and complete the form.
3. Contact the Westin Resort directly at (843) 681-4000 to make room reservations; ask for hotel reservations. Please mention that you are attending the Wilshire Associates Seminar.

The deadline for reserving a room at the Westin Resort is **March 26, 2005**.

Future Users' Group Meetings

Looking ahead, we are anticipating at least three Users' Group Meetings in 2005. Initially, the following locations and dates are being planned:

Washington, DC	June
Minneapolis, MN	September
San Francisco, CA	November

We will survey users on specific dates and topics of interest in advance of the meetings.

Wilshire Investment Consulting

Julia K. Bonafede, CFA, Senior Managing Director of the Wilshire Consulting Division, will be speaking at the Compass seminar in April. She will be discussing the new asset / liability modeling system that Wilshire has developed to assist fund sponsors. The new model provides a more detailed and thorough perspective of a fund's forecast benefits in the asset allocation decision and underscores Wilshire's innovation and drive as the industry leader. If you cannot attend the conference but are interested in additional information on the asset / liability model, please feel free to contact us at contactconsulting@wilshire.com. We will be happy to assist with this and any other consulting need that you have.