



# WILSHIRE

Wilshire Consulting



## NMI Settlement Fund

NMI Monthly Flash

*September 30, 2021*

# MARKET COMMENTARY

*Quarter Ended September 30, 2021*

## **U.S. Economy and Markets**

- The U.S. stock market, represented by the FT Wilshire 5000 Index<sup>SM</sup>, was up 0.14% for the third quarter of 2021.
- A slim majority of the eleven sectors were in positive territory, with Financials (+2.6%) and Utilities (+1.2%) representing the best performing sectors. The worst performing sector this quarter was Materials (-4.6%), which represents a relatively small segment of the U.S. market, with a weight of 2.3%.
- From a size perspective, large-cap outperformed small-cap during the quarter. While growth stocks outperformed value within the large-cap segment of the market, growth trailed value within small-cap.

## **International Economy and Markets**

- Performance results within international equity markets were mixed during the third quarter, with developed markets generally positive (in local currency terms) against a meaningful drop within emerging markets. The main sources of weakness were South Korea (-13.2%) and China (-18.1%), the latter of which comprises one-third of the emerging market index.
- Economic conditions in the U.K. appear to be rapidly deteriorating. The Office for National Statistics said that the economy grew by just 0.1% in July, hampered by supply-chain issues and Covid-19 infections. At the same time, inflation has spiked, with consumer prices in the U.K. rising 3.2% in August.
- Germany, Europe's largest economy, is also facing a slowdown while the country's Ifo Index, which measures the business climate, fell for the third month in a row in September. Angela Merkel is set to step down as chancellor after 16 years following an election held just before quarter-end.
- Problems in China include an over-indebted real estate market where a slowdown could result in a drop in personal consumption and property investment.

## **Fixed Income & Real Assets**

- The U.S. Treasury yield curve was up, generally, during the quarter, with yields in the 3- to 10-year maturity range rising the most. The 10-year Treasury yield ended the quarter at 1.49%, up two basis points from June.
- Credit spreads widened, with the spread on the broad high yield market closing the quarter at 2.89%.
- The FOMC met twice during the quarter, as scheduled, with no change to their overnight rate. Through the Fed's "dot plot," they are messaging that the current intent is for a 25 basis point increase in the overnight rate before the end of 2022. Their median forecast for year-end 2023 is for a Fed funds rate of 1.0%.
- Real estate securities were up during the third quarter in the U.S. but down abroad. Gains by sector were led by Apartments (+7.8%) and Residential (+6.7%). Laggards were generally found in the Factory Outlets (-12.7%), Hotels (-2.6%) and Health Care (-2.5%) sectors.
- Commodity results were positive for the quarter, as crude oil was up 2.1% to \$75.03 per barrel. There was some weakness elsewhere in commodity markets, however, particularly within metals and agriculture. Natural gas prices were up 60.7% during the third quarter, ending at \$5.87 per million BTUs. Natural gas prices are now up 125% during the past six months. Midstream energy fell after three strong quarters.
- Finally, gold prices were down -0.9% and finished at approximately \$1,755 per troy ounce.

# Monthly Index Performance

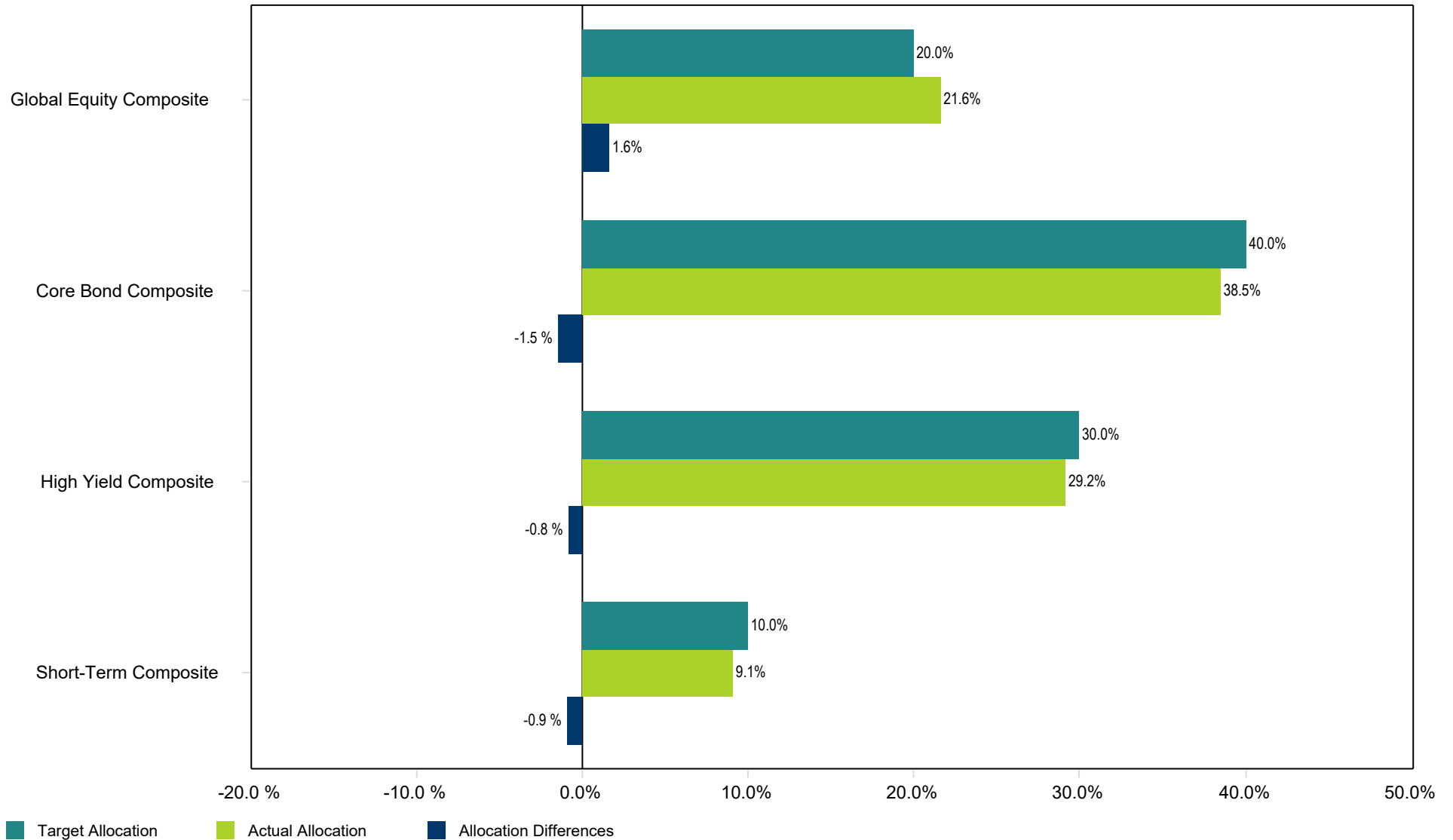
Periods Ended September 30, 2021

	Performance (%)					
	1 Month	QTD	YTD	1 Year	3 Years	5 Years
<b>U.S. Equity</b>						
FT Wilshire 5000 Total Market TR Index	-4.43	0.14	15.62	32.35	16.19	17.01
S&P 500	-4.65	0.58	15.92	30.00	15.99	16.90
FT Wilshire 4500 Completion Index	-3.50	-1.77	14.05	46.33	16.51	16.95
MSCI USA Minimum Volatility Index	-4.97	0.26	9.60	17.19	11.11	12.45
<b>U.S. Equity by Size/Style</b>						
FT Wilshire U.S. Large-Cap Index	-4.60	0.45	15.61	30.86	16.72	17.59
FT Wilshire U.S. Large-Cap Growth Index	-5.26	1.27	15.51	30.26	20.87	21.56
FT Wilshire U.S. Large-Cap Value Index	-3.73	-0.62	14.72	30.35	11.97	12.60
FT Wilshire U.S. Small-Cap Index	-2.71	-2.97	15.39	51.11	11.17	13.36
FT Wilshire U.S. Small-Cap Growth Index	-3.33	-3.77	8.20	40.37	12.99	15.64
FT Wilshire U.S. Small-Cap Value Index	-1.72	-1.81	23.31	63.01	9.40	10.65
FT Wilshire U.S. Micro-Cap Index	-3.18	-6.12	24.94	64.85	9.50	12.94
<b>Non-U.S. Equity (USD)</b>						
MSCI AC World ex USA (Net)	-3.20	-2.99	5.90	23.92	8.03	8.94
MSCI ACWI ex USA Minimum Volatility Index (Net)	-2.62	0.68	6.62	15.27	5.37	6.26
MSCI EAFE Index (Net)	-2.90	-0.45	8.35	25.73	7.62	8.81
MSCI Emerging Markets (Net)	-3.97	-8.09	-1.25	18.20	8.58	9.23
MSCI AC World ex USA Small Cap (Net)	-3.04	0.00	12.23	33.06	10.33	10.28
<b>U.S. Fixed Income</b>						
Blmbg. U.S. Aggregate	-0.87	0.05	-1.56	-0.90	5.35	2.94
Blmbg. U.S. Treasury: Long	-2.86	0.47	-7.49	-10.27	9.22	3.31
Blmbg. U.S. Long Corporate Index	-1.90	-0.12	-2.55	2.46	10.54	6.32
Blmbg. U.S. TIPS	-0.72	1.75	3.51	5.19	7.45	4.34
Blmbg. U.S. Credit Index	-1.07	-0.03	-1.30	1.45	7.10	4.37
Blmbg. U.S. Corp: High Yield	-0.01	0.89	4.53	11.28	6.91	6.52
S&P LSTA Leverage Loan Index	0.64	1.10	4.35	8.33	4.12	4.57

# Asset Allocation Compliance

Total Fund

Periods Ended As of September 30, 2021



# Asset Allocation & Performance

NMI Settlement Fund

Periods Ended September 30, 2021

	Allocation		Performance (%) net of fees								
	Market Value \$	%	Since Inception	5 Years	3 Years	1 Year	YTD	FYTD	QTD	1 Month	Inception Date
<b>Total Fund</b>	<b>129,393,294</b>	<b>100.00</b>	<b>4.63</b>	<b>5.66</b>	<b>7.03</b>	<b>8.88</b>	<b>3.48</b>	<b>8.88</b>	<b>0.14</b>	<b>-1.10</b>	<b>10/1/2013</b>
Total Fund Policy			4.78	5.46	7.57	7.13	2.84	7.13	0.09	-1.16	
Value Added			-0.15	0.20	-0.54	1.75	0.64	1.75	0.05	0.06	
<b>Vanguard Total World Stock</b>	<b>27,988,375</b>	<b>21.63</b>	<b>12.99</b>		<b>12.65</b>	<b>28.42</b>	<b>11.14</b>	<b>28.42</b>	<b>-1.30</b>	<b>-4.11</b>	<b>7/1/2018</b>
FTSE Global All Cap Net Tax (US RIC) Idx			13.07		12.75	28.94	11.45	28.94	-1.07	-3.97	
Value Added			-0.08		-0.10	-0.52	-0.31	-0.52	-0.23	-0.14	
<b>Global Equity Composite</b>	<b>27,988,375</b>	<b>21.63</b>	<b>10.28</b>	<b>13.31</b>	<b>12.65</b>	<b>28.42</b>	<b>11.14</b>	<b>28.42</b>	<b>-1.30</b>	<b>-4.11</b>	<b>10/1/2013</b>
Global Equity Policy			10.14	13.24	12.75	28.94	11.45	28.94	-1.07	-3.97	
Value Added			0.14	0.07	-0.10	-0.52	-0.31	-0.52	-0.23	-0.14	
<b>PGIM High Yield</b>	<b>37,728,944</b>	<b>29.16</b>	<b>5.08</b>						<b>1.34</b>	<b>0.25</b>	<b>2/1/2021</b>
Bloomberg Barc U.S. High Yield 1% Issuer Cap			4.14						0.88	0.02	
Value Added			0.94						0.46	0.23	
<b>Dodge &amp; Cox Income Fund</b>	<b>49,835,592</b>	<b>38.51</b>	<b>3.95</b>	<b>4.19</b>	<b>6.22</b>	<b>1.97</b>	<b>-0.50</b>	<b>1.97</b>	<b>0.10</b>	<b>-0.60</b>	<b>11/1/2014</b>
Bloomberg U.S. Aggregate			3.15	2.94	5.35	-0.90	-1.56	-0.90	0.05	-0.87	
Value Added			0.80	1.25	0.87	2.87	1.06	2.87	0.05	0.27	
<b>Vanguard Short-Term Bond</b>	<b>11,804,394</b>	<b>9.12</b>	<b>3.36</b>		<b>3.56</b>	<b>-0.01</b>	<b>-0.30</b>	<b>-0.01</b>	<b>0.00</b>	<b>-0.28</b>	<b>7/1/2018</b>
Bloomberg 1-5 Year Gov/Credit			3.42		3.62	0.08	-0.25	0.08	0.05	-0.26	
Value Added			-0.06		-0.06	-0.09	-0.05	-0.09	-0.05	-0.02	

# Asset Allocation & Performance

NMI Settlement Fund

Periods Ended September 30, 2021

	Allocation		Performance (%) net of fees								
	Market Value \$	%	Since Inception	5 Years	3 Years	1 Year	YTD	FYTD	QTD	1 Month	Inception Date
<b>Fixed Income Composite</b>	<b>99,369,084</b>	<b>76.80</b>	<b>3.88</b>	<b>4.36</b>	<b>5.46</b>	<b>5.05</b>	<b>1.63</b>	<b>5.05</b>	<b>0.55</b>	<b>-0.24</b>	<b>10/1/2013</b>
Fixed Income Policy			3.86	3.96	5.76	2.58	0.75	2.58	0.36	-0.46	
Value Added			0.02	0.40	-0.30	2.47	0.88	2.47	0.19	0.22	
<b>Mutual Fund Cash</b>	<b>2,035,836</b>	<b>1.57</b>	<b>0.68</b>	<b>1.09</b>	<b>1.18</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.00</b>	<b>0.00</b>	<b>10/1/2013</b>

# Cash Flow Summary

Total Fund

One Month Ending September 30, 2021

	Begin Value	Net Cash Flow	Expenses	Capital Apprec./ Deprec.	End Value
<b>Total Fund</b>	<b>130,837,763</b>		<b>-6,027</b>	<b>-1,438,441</b>	<b>129,393,294</b>
<b>Global Equity Composite</b>	<b>29,186,769</b>			<b>-1,198,394</b>	<b>27,988,375</b>
Vanguard Total World Stock	29,186,769			-1,198,394	27,988,375
<b>Fixed Income Composite</b>	<b>99,609,148</b>			<b>-240,064</b>	<b>99,369,084</b>
Vanguard Short-Term Bond	11,837,850			-33,456	11,804,394
Hotchkis & Wiley High Yield Fund					
PGIM High Yield	37,636,447			92,497	37,728,944
Dodge & Cox Income Fund	50,134,696			-299,104	49,835,592
Mutual Fund Cash	2,041,846		-6,027	17	2,035,836

# Historical Hybrid Composition

Total Fund Composite

Periods Ended September 30, 2021

Policy Index	Weight (%)	Policy Index	Weight (%)
<b>Feb-2021</b>		<b>Sep-2020</b>	
Blmbg. U.S. Aggregate	40.00	Blmbg. U.S. Aggregate	46.55
Blmbg U.S. High Yield 1% Issuer Cap Index	30.00	ICE BofAML High Yield BB-B Constrained Index	20.10
Blmbg. 1-5 Year Gov/Credit	10.00	Blmbg. 1-5 Year Gov/Credit	17.67
FTSE Global All Cap Net Tax (US RIC) Index	20.00	FTSE Global All Cap Net Tax (US RIC) Index	15.68
<b>Jan-2021</b>		<b>Dec-2019</b>	
Blmbg. U.S. Aggregate	40.65	Blmbg. U.S. Aggregate	50.00
ICE BofAML High Yield BB-B Constrained Index	29.26	ICE BofAML High Yield BB-B Constrained Index	20.00
Blmbg. 1-5 Year Gov/Credit	9.65	Blmbg. 1-5 Year Gov/Credit	20.00
FTSE Global All Cap Net Tax (US RIC) Index	20.44	FTSE Global All Cap Net Tax (US RIC) Index	10.00
<b>Dec-2020</b>		<b>Oct-2019</b>	
Blmbg. U.S. Aggregate	45.31	Blmbg. U.S. Aggregate	40.00
ICE BofAML High Yield BB-B Constrained Index	20.64	ICE BofAML High Yield BB-B Constrained Index	20.00
Blmbg. 1-5 Year Gov/Credit	16.83	Blmbg. 1-5 Year Gov/Credit	15.00
FTSE Global All Cap Net Tax (US RIC) Index	17.22	FTSE Global All Cap Net Tax (US RIC) Index	25.00
<b>Nov-2020</b>		<b>Jul-2018</b>	
Blmbg. U.S. Aggregate	45.85	Blmbg. U.S. Aggregate	50.00
ICE BofAML High Yield BB-B Constrained Index	20.37	ICE BofAML High Yield BB-B Constrained Index	32.00
Blmbg. 1-5 Year Gov/Credit	17.10	Blmbg. 1-5 Year Gov/Credit	12.00
FTSE Global All Cap Net Tax (US RIC) Index	16.68	FTSE Global All Cap Net Tax (US RIC) Index	6.00
<b>Oct-2020</b>		<b>Jan-2018</b>	
Blmbg. U.S. Aggregate	46.73	Blmbg. U.S. Aggregate	50.00
ICE BofAML High Yield BB-B Constrained Index	20.12	ICE BofAML High Yield BB-B Constrained Index	32.00
Blmbg. 1-5 Year Gov/Credit	17.74	MSCI AC World Index (Net)	6.00
FTSE Global All Cap Net Tax (US RIC) Index	15.41	Blmbg. Intermed. U.S. Government/Credit	12.00
		<b>Oct-2016</b>	
		TF Policy custom2	100.00



# Historical Hybrid Composition

Total Fund Composite

*Periods Ended September 30, 2021*

<b>Policy Index</b>	<b>Weight (%)</b>
<b>Jan-2015</b>	
MSCI AC World Index (Net)	10.00
ICE BofAML High Yield BB-B Constrained Index	20.00
Blmbg. U.S. Aggregate	50.00
Blmbg. Intermed. U.S. Government/Credit	20.00
<b>Apr-2014</b>	
MSCI AC World Index (Net)	15.00
ICE BofAML High Yield BB-B Constrained Index	20.00
Blmbg. U.S. Aggregate	45.00
Blmbg. Intermed. U.S. Government/Credit	20.00
<b>Oct-2013</b>	
TF Policy custom1	100.00

# Historical Hybrid Composition

*Periods Ended September 30, 2021*

<b>Policy Index</b>	<b>Weight (%)</b>	<b>Policy Index</b>	<b>Weight (%)</b>
<b>Global Equity Policy : Jul-2018</b>		<b>Fixed Income Policy : Feb-2021</b>	
FTSE Global All Cap Net Tax (US RIC) Index	100.00	Blmbg. 1-5 Year Gov/Credit	12.50
<b>Global Equity Policy : Oct-2013</b>		Blmbg U.S. High Yield 1% Issuer Cap Index	37.50
MSCI AC World Index (Net)	100.00	Blmbg. U.S. Aggregate	50.00
		<b>Fixed Income Policy : Jan-2021</b>	
		Blmbg. 1-5 Year Gov/Credit	12.13
		ICE BofAML High Yield BB-B Constrained Index	36.78
		Blmbg. U.S. Aggregate	51.09
		<b>Fixed Income Policy : Dec-2020</b>	
		Blmbg. 1-5 Year Gov/Credit	20.33
		ICE BofAML High Yield BB-B Constrained Index	24.93
		Blmbg. U.S. Aggregate	54.74
		<b>Fixed Income Policy : Nov-2020</b>	
		Blmbg. 1-5 Year Gov/Credit	20.52
		ICE BofAML High Yield BB-B Constrained Index	24.45
		Blmbg. U.S. Aggregate	55.03
		<b>Fixed Income Policy : Oct-2020</b>	
		Blmbg. 1-5 Year Gov/Credit	20.98
		ICE BofAML High Yield BB-B Constrained Index	23.78
		Blmbg. U.S. Aggregate	55.24
		<b>Fixed Income Policy : Sep-2020</b>	
		Blmbg. 1-5 Year Gov/Credit	20.96
		ICE BofAML High Yield BB-B Constrained Index	23.84
		Blmbg. U.S. Aggregate	55.20

# Historical Hybrid Composition

*Periods Ended September 30, 2021*

<b>Policy Index</b>	<b>Weight (%)</b>	<b>Policy Index</b>	<b>Weight (%)</b>
<b>Fixed Income Policy : Dec-2019</b>		<b>Fixed Income Policy : Oct-2019</b>	
Blmbg. 1-5 Year Gov/Credit	22.22	Blmbg. 1-5 Year Gov/Credit	20.00
ICE BofAML High Yield BB-B Constrained Index	22.22	ICE BofAML High Yield BB-B Constrained Index	26.67
Blmbg. U.S. Aggregate	55.56	Blmbg. U.S. Aggregate	53.33

# Historical Hybrid Composition

*Periods Ended September 30, 2021*

<b>Policy Index</b>	<b>Weight (%)</b>	<b>Policy Index</b>	<b>Weight (%)</b>
<b>Fixed Income Policy : Jul-2018</b>		<b>Fixed Income Policy : Jan-2018</b>	
Blmbg. 1-5 Year Gov/Credit	12.77	Blmbg. Intermed. U.S. Government/Credit	12.77
ICE BofAML High Yield BB-B Constrained Index	34.04	ICE BofAML High Yield BB-B Constrained Index	34.04
Blmbg. U.S. Aggregate	53.19	Blmbg. U.S. Aggregate	53.19

# Historical Hybrid Composition

*Periods Ended September 30, 2021*

<b>Policy Index</b>	<b>Weight (%)</b>	<b>Policy Index</b>	<b>Weight (%)</b>
<b>Fixed Income Policy : Oct-2016</b>		<b>Fixed Income Policy : Jan-2015</b>	
Fixed Income Policy custom2	100.00	ICE BofAML High Yield BB-B Constrained Index	22.20
		Blmbg. Intermed. U.S. Government/Credit	22.20
		Blmbg. U.S. Aggregate	55.60

# Historical Hybrid Composition

*Periods Ended September 30, 2021*

<b>Policy Index</b>	<b>Weight (%)</b>	<b>Policy Index</b>	<b>Weight (%)</b>
<b>Fixed Income Policy : Apr-2014</b>		<b>Fixed Income Policy : Oct-2013</b>	
ICE BofAML High Yield BB-B Constrained Index	23.55	Fixed Income Policy custom1	100.00
Blmbg. Intermed. U.S. Government/Credit	23.55		
Blmbg. U.S. Aggregate	52.90		