EPISODE 93:

Respecting the Process

with Wilshire

Robert Morier: Welcome to the Dakota Live Podcast. I'm your host, Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, and other investment sales leaders who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and their Dakota Live content, please check out our website at dakota.com. Before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker, who is not affiliated with Dakota. Not a solicitation, testimonial, or an endorsement by Dakota or its affiliates, nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota. Today's episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database, built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakotamarketplace.com today.
Well, I am thrilled to introduce our audience today to Steve Foresti, a pivotal figure at Wilshire. Over the past 30 years, Steve has played a key role in guiding Wilshire's investment strategies, helping the firm grow into a leader in investment solutions for institutional investors. In our conversation, we'll explore how Wilshire is addressing today's market volatility, the role of outsourced CIOs, and how institutions are adapting their portfolios for long-term success. We'll also dive into Steve's career journey, leadership style, and his thoughts on the future of asset allocation. Before we introduce our audience to Steve, I want to say hello again to Steve Aiken. Steve, welcome back from Dakota.

Steve Aiken: Of course, thanks for having me.

Robert Morier: Yeah, it's good to see you. We appreciate you being on the desk today. And Steve, welcome to the show… all the way from California virtually. It's great to have you here.

Steven Foresti: Thank you. It's so good to be talking to you.

Robert Morier: Well, we have a lot of questions to ask you. Before I do, I want to quickly share your background with our audience. Steve is a Senior Advisor of Investments at Wilshire. Wilshire offers a wide range of investment solutions and services for institutional investors, financial advisors, and intermediaries. They focus on tailor, advisory, and outsourced CIO services with over $1.4 trillion in assets under advisement and $121 billion in assets under management. Wilshire delivers advanced financial analytics, market-leading indexes, and innovative investment solutions to optimize portfolios and improve investment outcomes. In his current role, Steve supports the management of Wilshire's investment platform and leads the firm's research efforts, including strategic investment and asset allocation research. He is responsible for the development and oversight of Wilshire's capital market forecasts. Steve co-chairs Wilshire's investment oversight and investment strategy committees and is a member of the Wilshire Investment Committee. Prior to stepping into his current role as a Senior Advisor in Investments, Steve served as Chief Investment Officer of Wilshire Consulting from 2015 to 2021 and Chief Investment Officer of the Asset Allocation and Research from 2021 to 2023. Throughout his tenure at Wilshire, he has worked directly with large institutional investors of all types. Steve has guided Wilshire's thought leadership, contributed to the establishment of industry best practices, and has authored an extensive library of innovative papers on a broad range of topics across both the traditional and alternative investment areas. Steve has over 30 years of investment experience. He joined Wilshire in 1994 and spent nine years in Wilshire analytics, where he developed and supported quantitative attribution and risk systems. Steve began his career on Wall Street, where he worked in Dean Witter's Intercapital division. He earned his Bachelor's Degree in Finance from Lehigh University and holds an MBA in Finance and Accounting from the University of Texas at Austin. Steve, congratulations on all your success. Thank you, again, for being here today.

Steven Foresti: Thank you.

Robert Morier: Well, before we dive into your current focus at Wilshire, can you share with our listeners a bit about your path into the investment industry? So how did it all begin for you? When you think back to your days at Lehigh, and you were considering a career, what did that consideration look like?

Steven Foresti: Yeah, so when I arrived at Lehigh, I didn't know exactly what I wanted to do. But just in taking a variety of classes, my freshman year very quickly gravitated towards finance more broadly, but with a particular interest in investments. And then when I graduated, this was in the late '80s, with a degree in finance from Lehigh, looked for opportunities in New York City, in and around the financial district, and was lucky enough to land at Dean Witter… as you mentioned in the bio, in the Intercapital group there, which was Dean Witter's mutual fund area. And it was just a great entry-level position in terms of getting knowledge about all the different offerings across asset classes, different types of investments within individual asset classes. And it was a client-service role… talking to brokers, as well as end-fund investors. So just a great introduction to the industry… it happened to be at a time when I was first starting to save and invest myself. So, kind of seeing the practical side of it and how it applied to my life, and then having a role in terms of a career possibility, I didn't at the time know what form or fashion, or where my career would go. But it was very clear to me that once I was in the industry, I was keen on staying in there.

Robert Morier: That's wonderful. Well, you've stayed with Wilshire for over 30 years. We're very excited to learn more about that. But before we do, I was actually very grateful for you sharing some details about your life, specifically that you faced some challenges with vision issues over the years. Would you mind sharing with our audience some of those details? Again, we greatly appreciate you sharing that with us.

Steven Foresti: Yeah, no, happy to. I think, it's a thread that obviously runs through my life. At a very early age, when I was seven, my vision started to drop off pretty rapidly. And eventually, I was diagnosed as having a form of macular degeneration, known as Stargardt disease. And you know, at a very early age, I knew I'd never drive. Reading would be difficult. And so, these were obstacles that, in retrospect, I think I was somewhat fortunate to have encountered very early in my life. But it obviously shapes the way I interact with the world, how I go about my daily work, my life. But I think for all of the potential hardships, and challenges, and resistance that having a disability… like severe vision loss like I have… has created, it also I think strengthens you in lots of ways. And I think a lot of the characteristics that I have come out of that. So, if you made this one aspect of my life go away, I'm not sure it would be completely a net positive. I think I'd lose a lot of the characteristics that I've gained through the years.

Robert Morier: Thank you for sharing that. Has your vision shaped the way you approach problem solving or investing, even leadership? Just if you think about the industry being a very visual industry, I would assume in some ways, it's a benefit to really be able to listen.

Steven Foresti: Yeah, one never knows what I would have turned out to be without the disability, but I credit a lot of my adaptability, resilience to, again, at a very young age, having to develop systems to accommodate and work through it. I do not have a glass jaw. I can take a punch. So, I think whenever I run into… whether it's in life or in markets… run into difficult times, it's a situation where I just know that high. And I think all of us are capable of a lot more than we might think. And if you develop a strategy and a plan, you can overcome most challenges. So, I think, adaptability for sure is one. Resiliency is another. In terms of my leadership style, it's very collaborative. I do… the same characteristics that I describe in myself, I see in other people, in terms of knowing that they're capable of probably more than they think. And working really hard to try to bring that out of them, and in a successful relationship like that, hopefully get them to contribute in ways they didn't think that were possible. So yeah, I think just the toughness… I've got a little bit of a chip on my shoulder, but I don't think in a bad way. I think from a competitive perspective, just needing to run a little bit faster… maybe than others to get the same distance, has just made me a very fiercely competitive but collaborative person.

Robert Morier: And good characteristics. That's inspiring for us to hear, Steve. Thanks so much. We greatly appreciate it. Well, as I mentioned before, at the top of the show, and again, just a few minutes ago, 30 years at Wilshire. I would love to hear how you found your way to Wilshire from the city, from New York City, and what initially attracted you to the firm.

Steven Foresti: Sure. Yeah, many steps along the way, but I could probably summarize the move to Los Angeles as the age-old story of boy meets girl. Boy falls in love with girl. Boy follows girl to California. So, I had met my wife a few months before leaving Lehigh, before I went off to… I'm sorry, before leaving Dean Witter, before heading off to Texas for grad school. And we stayed in touch, and lots of visits, and got engaged my second year at Texas. So, it was a matter of now… do we go to LA, which is where Stacia is from? Or do we go back to New York? And maybe it was my first sign that I was pretty good at risk-management… made the decision to come to LA and look for work there. So that's the first part of it… how did I get out to the West Coast. And the second part, as far as Wilshire, I was just looking for opportunities once I got here… came across a job opportunity at Wilshire, didn't know the firm, or at least didn't think I did. And then as I started doing some research… and back then, doing research was a little bit trickier. There was no Wilshire website. So, it was checking with your network, trying to find information. Turned out I did know of Wilshire because I was very familiar with the Wilshire 5000… didn't make the connection that that's the same Wilshire. But then, as I learned more about this analytics position and what the firm did in terms of providing state of the art analytics to asset managers and asset owners, I got really interested in it because I thought it would tap into some of the computer skills that I had and the quantitative skills that I had. And a series of interviews at Wilshire, and eventually got the position, and that was mentioned 30 years. I'll be hitting 30 years in a couple of weeks here. So, it's been just really interesting and a rewarding ride.

Robert Morier: Congratulations. Can you highlight some of the key work you've done on behalf of Wilshire's clients over that time? I know you've had a variety of different roles, but when you think about some of those consistent threads… how has that work specifically impacted some of those clients?

Steven Foresti: Yeah, so early on, I was in the Analytics division. And as I look back, that was just such an amazing time in the industry because we were… us and the bars of the world… were on the cutting edge of bringing these sophisticated analytics, optimization, quantitative tools to the asset owner and asset management community. And I worked on the equity side of things. But being able to install these systems, train users, and then work with them to solve problems… one example, a woman I worked with when I was at

Dean Witter had brought us in for a demo. And she sat me down and said, Steve, our portfolio managers are really pushing back on this. They don't like the idea. They think this is like a monitoring tool, or it's going to stifle what they're doing. And I said, well, can I sit down with them for a little bit, and talk through, and show them the value side of this to them… that it's not this big brother oversight process, but actually a really useful tool. And that's just one example of many in terms of just helping push these techniques and analytics out through the industry. I had the opportunity to move into consulting a number of years later, had all of these quantitative… this quantitative foundation. But now I suddenly found myself in a world where I was looking across asset classes, as opposed to at portfolios of securities. And this technical backdrop that I was… it took me a little while to figure out how to adapt that to this new role, in terms of running research effort for a consulting firm. But I tapped into that. And for 20 years or so now, I've been really pushing and driving the best practices, both that we use at Wilshire, and, I think, across the industry in terms of asset allocation, how to build a portfolio of managers, how to think about alpha against beta, developed all sorts of models. And it's been just seeing these tools in the hands of clients and benefiting their decision making, it's just been just awesome to be a part of. And it's been a collaborative effort. But being a leader in that effort and seeing my fingerprints all over much of the stuff that we do at Wilshire, it's just been tremendously rewarding.

Robert Morier: In addition to the data and analytics, have you seen an evolution of the manager research process? So, you've been there now three decades, so obviously, it sounds as if the data has improved the way that you look and utilize that data as it relates to asset allocation decisions has improved. But if you think about the blocking and tackling of the manager underwriting process, how has that evolved over your time at Wilshire?

Steven Foresti: I think, Rob, you tapped into… the main advancements have been in technology, just much more… in terms of even the way we gather data from managers. In the past, it was, hey, fill out this Word document. That's a due diligence questionnaire. And now, it's much more direct into a database, direct out of a database, so just massive efficiencies. In the end, the process is still very much a qualitative people process, systems analysis. We have, though, along the way, adapted and evolved the models that we use, different components in the scoring model, how we think about what success looks like, what pattern recognition do you see in terms of successful managers. We've added, for example, a separate ESG component to our manager research scoring process. And then, the governance around all of that has evolved over time in terms of what it takes institutionally for us to move a rating more than a certain amount or move a manager on or off a conviction list… so lots of evolution, most in the area of technology. The process itself, in terms of that pattern recognition, I don't think has changed all that much, but all the tools around that really have.

Robert Morier: How about the number of people? I would assume there's a few more folks that are doing manager research now at Wilshire. So, when you think about the structure today of the manager research function, are you dividing and conquering by asset class? What's the structure today as it relates to how that process operates?

Steven Foresti: There's a little bit of a divide and conquer by asset class, but not in any sort of dogmatic or firm way. So, we want to make sure that the analysts who review strategies cross-fertilize ideas. Oftentimes, you're looking at an asset management firm that provides strategies and product across asset classes. So, putting things into boxes that are purely driven by asset classes really doesn't work. It does when you start digging into particular strategies. But in terms of understanding at a firm, their strengths, their weaknesses, you really need to go across asset classes. So, if you asked me this question a number of years ago, I think we have a lot more resources dedicated to alternative sorts of strategies, whether that's marketable alternatives in the hedge fund world or private markets from private equity to private credit. So, we cover both the public and private markets. And that, as you can imagine, is quite an endeavor.

Steve Aiken: Thanks, Steve, for that. So, for our audience who are hoping to work with Wilshire, you have manager of research professionals across the country, across different asset classes. What is the best way to approach… if I am an asset manager… approach Wilshire?

Steven Foresti: Yeah, I think what we're looking for when we work with managers is just a partnership, and mutual respect, and transparency. So, the first thing, I would say, is follow the process. We ask for a lot of information. We will always be open about what our needs are, what our client needs are. So, while it's an open process, it does not mean that we're going to necessarily spend time evaluating every manager that engages with us. That would not be a useful use of our resources. Follow the process. We'll give guidance in terms of what the client opportunities may or may not be. We're not going to waste your time. If we don't have a need for that particular strategy, we'll be as transparent as possible. So, I would just say, respect the process, follow the process, and probably don't try to call 15 people to just find a way in the door again. But I think that's part of respecting the process.

Steve Aiken: Yeah, absolutely. Here in Philly, we are all about trusting the process. So, we get it. So, taking a step further, can you share a story of maybe a manager that you recall that did a great job of following that process and maybe one… without including names, one that maybe didn't follow the process as well?

Steven Foresti: Yeah, so I think I mentioned, we're looking for partnerships of open, transparent, respectful partnerships, so the ones that work well. And it's not a story because in the end, manager research isn't about falling for a story. It's about doing the research, doing the work. But when the partnership is working well, it's an open conversation. And so, for example, a senior member of our research team would engage not just with product specialists who are representing product, but we'll talk with consultant relations, senior consultant relations people. And I have check-ins from time to time in terms of… what else is on your product roster that maybe we're not aware of that you think is high quality? And this is a place where when it's working well, and where we've had really strong relationships, you're getting that honest feedback. It's like we do X, Y and Z. We think X is really strong. We'd love for you to take a look at that. Y and Z might need a little more time. The nature of that conversation is so helpful in terms of both bolstering the trust in that relationship and knowing that there's no time being wasted either… Wilshire asking for folks to jump through hoops on our behalf or the other way around, asking us to look at strategies that probably aren't ready yet for prime time. The other side of it would be, we're very open about our process. We share our written reviews with managers. We do that for a couple of reasons. First is we don't want to sandbag anybody. And I talked about mutual respect and trust. And we want to make sure that whatever our opinion is, we're sharing that with the managers who have spent the time, devoted the time, and provided the data. But the other reason is, we want to… it's another opportunity to make sure of the factuals, what went into us rendering opinions and views, were all correct. We don't do it to get into a debate about why this score is this versus that. And we have had those conversations from time to time. We're pretty adept at shutting them down. But that would be… if you're quibbling about a score, things aren't probably going very well.

Robert Morier: Makes sense, Steve. Thank you for sharing. Steve, the outsourced CIO market has seen significant growth in assets over the last several years, as clients have been increasingly outsourcing their investment management capabilities to firms like Wilshire. So, what do you think has driven this rapid expansion, and how is Wilshire positioning itself to stay competitive in this area?

Steven Foresti: I think that the motivation is for a couple of reasons. One is just the complexity of putting together a resilient, robust portfolio, just in terms of all the different market opportunities managers that one would look to implement. So, complexity is one. And then I think the other is just organizations looking at what they do, and against that complex background, wanting to make sure they're focusing on the things that are important to the organization, and then leaving those investment processes to firms like Wilshire. I think one of the misunderstood things around those CIO is that while it's an outsourcing relationship, you're not completely stepping away from the investment pool. And in fact, if you think about the most important decision that investors make, it's really around setting the risk tolerance, the risk path, the direction, the asset allocation. Even in OCIO relationship, we largely… their work is in an advisory role. And then once that risk direction, and target, and allocation is set, then we take over in terms of implementation. So, when organizations see that value proposition that they still are hanging on to the most important decision, yet outsourcing the rest to a team of experts, I think it's really a compelling case. I think that's driving a lot of it. In terms of how we're positioning ourselves, I think largely the moves that we've made to improve our value proposition is around alternatives. So, we've long been investors in the private markets, being able to bring the access, and the talent, and the skill that we have in terms of working with and identifying talented, private equity and private credit managers… and being able to package that and deliver it through an OCIO platform in a way that works for any size investor. So, from a custom direct line up to a series of potentially co-mingled type of vehicles, that's a really compelling part of it. So, if you outsource, not only do you have somebody that's taking on this complexity, but they have the access and the tools to deliver in some of these alternative classes. Marketable Alts is another example. We had a recent acquisition of the Lyxor team in New York, which have just great capabilities in terms of managed platform and hedge fund research. So, bringing those capabilities to clients, and in particular through our OCIO channel, is one of the things that we've done to really make the value proposition of working with Wilshire and OCIO a really strong one.

Steve Aiken: Maybe taking a next step further, for example, let's maybe focus on an alternative investment like private equity and a private equity manager. Do you and your team have a set criterion when reviewing a manager? It could be firm-size fund, raise-size, track record… what does that look like, if you do have one?

Steven Foresti: There's no set criteria other than that due diligence process is critical. I think we're probably all familiar in some sense of just the dispersion of outcomes within private equity investment classes, in terms of the distribution of success versus those that are delivering below medium. So, we know that unlike some other asset classes, where you can just put money to work in a passive way and just collect that data, that just doesn't work in private markets. So that due diligence process is critical. In the end, it comes down to both what we're looking at as pattern recognition to see those managers who can deliver it, and we're looking for evidence of that in their process. And we have a model that looks at people process systems, and performance tends to be sticky. So, in working with managers that have delivered success in the past, we're know we're largely able to move forward with them, or, of course, we're going to make sure that that story, that people process system story, is improving, hasn't eroded over time. But once you have that access, and that story, and that capabilities remain the same, then you've got some trusted partners to work with. But due diligence is critical here, and access is paramount.

Robert Morier: Steve, I'm just curious… we're talking about liquid alternatives and the increase of exposure in your client portfolios. In the second quarter of this year, net capital inflows to the liquid alternatives' universe totaled $3.6 billion in performance gains, increased that up to $5 billion. So, we've seen everything in the last few weeks from private credit ETFs to liquid venture solutions. I'm just curious more of your thoughts on the democratization of private market assets as it relates to an individual's portfolio or retail portfolio. I know a large swath of your business is institutional, but just given your extensive history and experience, we'd love to hear your insights.

Steven Foresti: Yeah, it's a great, and I think complicated, question. And the way I would think about it, I start with… why would you want to bring those investments to a broader set? Obviously, outside of just the business aspect of it. And if you think about market opportunity… so just take US equities… if you look at the public market versus the private market, there's four times or more private companies than there are public companies. So, the opportunity set over time has just evolved to be… if you can only focus on the public markets, can you put a good portfolio together? Sure, you can, but clearly, you're only working with a subset. So, there's the potential. If you can harness, if you can deliver these asset classes that have been valuable components of institutional portfolio… if you can take the access, the due diligence that you have, that you've been delivering to institutional clients, can you take that? And can it be packaged? So, I think that's the really attractive part of it. I think there's a cautionary part of this, too, which is that… how many organizations are going to be in a position to be able to do that successfully, where it's more than just pushing complexity and fees down to smaller and eventually retail investors? I do worry a bit about almost selling panic… like you can't put a good portfolio together unless you have these instruments. Can they make a portfolio better? Yes. So that is a concern. So much like many things… I always like to use the example of guns and drugs. Are drugs a good thing or a bad thing? Well, they're a really good thing if they're used in a responsible way. They could be a horrible, devastating thing… same thing with guns. And so, I would look at this the same way… incredible potential to add value to all sorts of investors, but some important risks that need to be… the execution of that dream, I guess, or that vision is really important. And I don't think everybody will be able to pull it off.

Robert Morier: I'm curious, Steve, actually, just using your example, just drug companies… one thing we found in that sector is that the largest drug companies just keep getting bigger. And in private markets, the largest private market managers seemingly just keep getting larger. So how is Wilshire tackling… I guess you could look at it as more of like emerging managers… so smaller boutique managers who are offering private market solutions, but maybe don't have the scale or the scope of some of their larger peers?

Steven Foresti: I'm really glad you asked that because I neglected to mention part of our focus in private markets when I was responding to one of your earlier questions. We do very much favor middle market opportunities. So, with our private markets team, we're really not focused on mega buyouts, sort of opportunities. So, I think, in part, that answers your question. Another example, our European team launched a European venture fund a year or so ago. So really looking for niche opportunities… again, I talked about the distribution of outcomes from success to falling short of even making up for the illiquidity that you're giving up. We really think those opportunities are in some of those middle and smaller markets.

Robert Morier: That's great. Thanks for the additional detail, Steve. We appreciate it. We'd love to ask you a couple questions on market outlook. I've enjoyed researching this episode because you guys do an extensive amount of work, sharing with your clients your views on the markets, whether it's on a weekly basis, monthly, or quarterly. And then following the Fed's most recent rate cut, the market seems to be more optimistic about the possibility of a soft landing here in the US. However, your colleague, Josh Emanuel, Wilshire's CIO, raised concerns that the 50-basis point cut might suggest the Fed is behind the curve. So how are you advising to clients? How are you advising clients to navigate this uncertainty in their portfolios?

Steven Foresti: Yeah, well, first, thanks for spending the time poking around on our website. And I would encourage anyone listening or viewing this to do the same. I think we've got a lot of good content out there, and I'd love to share it. So, I could go on for 45 minutes here, so I'll try not to. But let me start with the headline, which is, it's interesting to have a view on what we think the Fed's going to do… what's your base case? What do you think might happen? One of my big concerns industry-wide is that oftentimes, we see… I see firms, people taking their base case and building portfolios as if there are no other possible outcomes. So that's a starting point. To answer your question, how are we advising clients, have some humility. It's OK to have a view but recognize that there's a lot of other outcomes along the distribution. And even though your base case might be X, probably unlikely your base case hits. So now I'm back to, I guess, the Fed and the 50-basis point cut. I think what Josh was articulating, and, in part I agree with it, is this notion of how much of this is just a normalization back towards whatever neutral is for the Fed? In my view, it's somewhere between 3 and 3 and 1/2 from where they are. And part of it is, oh, are they reacting to negative market data? There was one dissenting vote in the latest Fed meeting, which I love. It was Governor Bowman, who I think, is now my new kind of spirit animal on the Fed. I love to see debate. And what she said in rationalizing or explaining why she voted against after the meeting, part of what she articulated was exactly what Josh was expressing… which is she feared that a 50-basis point cut would signal to markets that there was something scary there, and something to really be worried about. So, I think Josh was tapping into that. I think the more important question in my mind regarding the Fed is, where is this neutral rate? The path will be dictated, I would imagine, largely by the data as they come in. But the question is, are they looking to get to 3? Are they looking to get to 3 and 1/2? What do they think that the neutral rate is? Bowman, in her other comments, said her guess was the neutral rate was higher than other members of the Fed thought. So, I think that's the important thing. It's very easy to get caught up in every Fed meeting. It's interesting. I love it. But I think we need to have perspective that almost all these forecasts will be wrong.

Robert Morier: That's helpful. I would agree. Thank you. So, as you prepare for… it's September 30. I'll date this episode because I think we're going to release it pretty quickly. But as you prepare for these upcoming quarter end meetings with your clients and probably some year-end meetings as well, I'm always curious your view on public equities. Has your view evolved since the Fed's move? And if so, what are those conversations going to look like? If you can give us a little bit of a precursor.

Steven Foresti: Our view is that valuations are likely a bit stretched, but at the same time, it's very dangerous, or it could be very dangerous, to bet against equities. I think the big risk… and a lot of the valuations have been driven by tech, and in particular, just views around AI and the transformative nature of it. So, I think while valuations look lofty, one of the risks, if you were to bet against that, is that those valuations not only get bailed out by fundamentals increasing in the future, but actually rendered to look actually cheap today. So, I think that's the risk… although we do see valuations as being stretched. That also holds true when we look out in our asset allocation work, when we look at our capital market assumptions. We see a very narrow, indeed nonexistent, equity risk premium, and over time, kind of an equilibrium if you think in that sense. That should be somewhere around 3%, that expectation of what you'll get paid for bearing equity risk against if you sat in high-quality bonds. So, we think there's a lot of headwinds. And our advocacy around public markets would be to look for opportunities to be a bit more balanced. Again, you don't want to fade the asset class completely. But I think a balanced portfolio, if you think about where we've come and where we're going, makes probably more sense than we see expressed in most portfolios today.

Robert Morier: Just thinking regionally, I can't help myself. It's football season, and it seems like non-US equities and emerging market equities have been the backup quarterback to the starting quarterback now for almost too many years. So, if you think about this cycle coming through, the opportunities outside of the United States, do you think that international equity and emerging market equities managers are going to get into the game?

Steven Foresti: Well, it's a good timing on asking the question because I think we've just seen almost a 20% advance in China within the emerging markets so far this month. Horizon is important. But looking at the long term, we have had a premium actually outside the US market in our assumptions. So, when we model asset classes, we're looking at the flip side of what you've described, which is the love for the US markets and some of the fading of international markets. We think geographic diversification still makes a ton of sense, even though it's been hard to do. A US-centric portfolio has just been the portfolio you'd want to be in. It's not just for a year or two. It's been for a decade plus. We don't think that's a story that goes on in perpetuity. So, we would favor a geographically diverse portfolio now. I don't want to minimize the big decisions about risk tolerance for these different forms of risk. You start getting into the emerging markets, and China, and all of the geopolitics that is at play today, and I think every investor needs to understand their risk tolerance… and if there's a role for these assets in their portfolio and what that role might be. But this is in our research. This is the way we try to guide clients. So, you mentioned our website earlier, so I'll take this opportunity to plug it again. One of the webinars that we did in the last 12 months was focused on exactly this. It was a China update. What are the risks? What are the opportunities? How should investors think about an allocation to China in their portfolio? But these are critical questions. At some point, folks are going to want to or wish they had some geographic diversification, despite what we've seen last 10, 20 years.

Steve Aiken: Steve, you work with many large pools of capital. Are there times where does it feel almost impersonal at times? And how do you ensure that that advice that you're giving your clients remains client-centered despite working at such a large scale?

Steven Foresti: When you start working with large numbers, it's very easy to look at… and I'll use the example maybe of a pension plan… of a pension plan being a balance sheet with assets on one side, liabilities on another, and just approaching it that way. So, I think, one way… and one obvious way is, even when we're working with some of the largest investors, we're working with a smaller group of people who are maybe on the staff, or they're decision makers on an investment committee or a board. And you can personalize things very quickly by just understanding their goals, their objectives, the constraints that they work under, the pressures that they feel… putting yourself in their shoes and understanding the consequence that goes well beyond this portfolio. That's one. But perhaps a bigger one, I think, is just recognizing what these dollars are meant to do. It's not some video game. These are, oftentimes… again, using a defined benefit plan as an example. These are dollars put aside to pay benefits when people retire, people that have served the organization, or if it's a public plan, maybe the municipality or the state… and just understanding that what we're doing is trying to support that goal of providing safe, secure retirement. And to Wilshire's credit, this notion is an important part of our mission statement, what we do. It's about the end goals of what these pools of capital have been set aside to do. Personally, for me, I just have to look to my mom. My mom was a public-school teacher in New York for years, and I just looked at the retirement that she has. And her ability to live a dignified, comfortable retirement is largely because of that pension. So, when I go into these pension plans, and I work with them, I always get my mom in the back of my mind to keep me grounded on what we're doing here and what the stakes are.

Robert Morier: Thanks for sharing that, Steve. We appreciate it. I was intrigued. You mentioned ESG at the beginning of the discussion, at a time when ESG is being omitted from a lot of discussions, particularly among allocators as they're thinking about what ESG is going to mean for the future of investment management. So, you seem to be remaining committed. Can you share with us what is it about ESG today that is keeping you committed to the process of sustainability, and how you're dealing with that with clients?

Steven Foresti: Yeah, let me just start by saying, it's been a bit disappointing to see the politics around ESG on both sides of the issue. And I think, our approach at Wilshire has been very serious, very sober from day one. We approached it in a thoughtful, and in a conservative way. We never swayed too far one way or the other. We have internal debates. We're a group of people that have strong opinions. My role in this, and I'm proud of the role that I've played within Wilshire, and I think that we play around ESG in the industry, is to try to bring those opposing perspectives together and point out… in some ways, you're talking past each other. So, I get the critics of ESG being worried that it's against fiduciary interest, but at the same time, educating that there's a risk here. We're risk managers. Let's understand the risk. How you manage it then is part of the process. But we've not had to pull back or flinch because we never got over our skis. And we continue to believe that these are important risks to monitor, to potentially manage. How they're managed, I think, is unique to every institution, what they mean to them. So, over the years, we've very steadily developed capabilities, developed thoughts. We can be very helpful to clients in terms of thinking through policy around ESG. And because of that, because we've played it right down the middle of the fairway, we're able to keep moving forward. And we believe that folks that recognize some of these risks and want to honestly incorporate them into the way they build an investment platform are perfect clients for us to work with, because that's the way we've approached it.

Robert Morier: That's great, Steve. Thank you for sharing. We're getting to the top of the show, and we always like to end the conversation by asking a couple of questions. First, around advice… we have an increasing number of students and educators who are tuning in to the show, using this for information… and not just about asset allocation and manager research, but also career and career journeys. So, what advice would you give a young professional now entering the industry after your experience?

Steven Foresti: Yeah, the advice I always give here, and it's probably not popular advice, but I'll provide it nonetheless is, don't necessarily follow the money. I think it's really important to find something that you're interested in, passionate about, have some talent for. Work really hard. Make yourself valuable, and I promise you the money will come. If you become an expert in your field, you become valuable to your employer. I've been on the other side of the table, trying to figure out how to compensate people and how to make things work. Believe me. Talented people are recognized. The people that they report to want to move them along, want to keep them engaged and happy. So, I would just say, don't worry about the money you make the first few years. It's really easy to say. I know sometimes people have financial situations where they can't make those kinds of trade-offs. But to the extent you can, I think you'll be happy where you end up, both in terms of the work you're doing and the money you're making. And so, I would just say, hopefully you get both. It's the perfect job, and it's the highest-paying job. But I would say, don't necessarily follow the money there. The money will follow you if you're successful, you're doing a good job, and you add value to your organization.

Robert Morier: I took that advice. I'm a teacher.

Steven Foresti: Well done.

Robert Morier: So I did not follow the money.

Steven Foresti: And you look like a happy teacher.

Robert Morier: I am a happy teacher. Thank you for saying that. And I appreciate you sharing the positive influence of your wife as it relates to your career and your mom as it relates to how you work with your clients. Any other professional mentors that you would want to share with us that have been influential to you in your career?

Steven Foresti: Yeah, no. Thanks for the opportunity to do that. I've worked with so many people over the years, countless Wilshire colleagues I could probably list. But two immediately come to mind. One is Julia Bonafede, who in the 30 years I was at Wilshire… I think half the time I worked with and reported to Julia. And in particular, it was Julia that gave me the opportunity to move from analytics into consulting. I worked with her in analytics. She was tapped to lead Wilshire consulting in 2004, and she reached out and asked me if… I think it was poses if I had the choice. But in the end, it probably didn't. But I was happy to be asked. And that gave me the opportunity to move into consulting. And it was daunting. It was intimidating. And where she really helped me was just giving me confidence, pointing out all the things I had done. And yes, there was going to be a learning curve. But that could be applied to consulting. It just encouraged me to get in there, and meet the consultants, and do my thing. And at the same time, she was going through it, too, in terms of new position, new role, most people welcoming you, but some challenging you. And I was able to… and she was under a bigger spotlight than I was at the time… was able to draft behind her, watch how she navigated that, built relationships, built trust, and learned a lot just from how she went through that process. The other is Charlie Stunkard, who retired from Wilshire a couple of years ago. And Charlie was one of those people I met when I moved into consulting and started working with more. And he was one of the most welcoming people at the time to this interloper who landed in the consulting business unit. And where Charlie really helped me was, he was running at the time our Wilshire compass product, which is a consultant in a box technology platform… incredible technical skills. And watching him is what basically taught me how to take the technical and quant skills that I had and apply them to this advisory or consulting business. So, watching Charlie just break down the complex into understandable nuggets and get people to nod their heads that they understand… I learned so much from him. And then I've mentioned this to other people too, as it relates to Charlie, but his level of preparation is just phenomenal. So just being in meetings with him and watching, it's almost like he knew what questions were coming at him in every meeting we were in. So that just that also encouraged me to up my game and try to never have… pardon the pun here, coming from a blind guy… but not have a blind spot to questions. Make sure you've hopefully thought about all the things that can go wrong. And so, when the question comes up, you've got a button-down answer, like, yeah yeah, we thought about that, and this is how we deal with it. So, I definitely call out Julia and Charlie, but there's been many, many others in my career.

Robert Morier: Thank you for sharing that. Well, I can hear Charlie's influence on you distilling the complex because you did that for us today. So, thank you so much. Thank you for being here. Congratulations on all your success. We wish you many more years of continued success as well. Thank you for being open and transparent during this conversation. It was really a pleasure for us.

Steven Foresti: Thanks, it was a lot of fun. I appreciate it, guys.

Robert Morier: Yeah, and Steve, as always, thank you for being here. If you want to learn more about Steve and Wilshire, please visit their website at www.wilshire.com. You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We are also available on YouTube, if you prefer to watch while you listen. If you'd like to catch up on past episodes, check out our website at dakota.com. Finally, if you like what you're seeing and hearing, please be sure to like, follow, and share these episodes. We welcome your feedback as well. Steve, thank you for joining us, again. And to our audience, thank you for investing your time with Dakota.