



# NEWS RELEASE

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## **WILSHIRE RESEARCH OFFERS TARGET DATE FUND MANAGERS A BETTER WAY TO BUILD 401(k) AND OTHER RETIREMENT PORTFOLIOS**

### ***REITs Found to Boost Returns and Reduce Risk for Every Generation Saving for Retirement***

**Washington, D.C., April 2**—NAREIT, the National Association of Real Estate Investment Trusts®, announced new research by Wilshire® that shows how investors and investment managers can strengthen retirement portfolios and, in particular, target date funds (TDFs). TDFs are popular investment products designed to simplify 401(k) or IRA portfolio planning for millions of Americans now responsible for their own retirement planning. Over the next decade, the vast majority of retirement assets are expected to be invested in TDFs and other asset allocation products.

Wilshire found that a TDF portfolio including U.S. REITs would have produced an ending portfolio value nearly 10 percent higher than a portfolio without REITs over the 35-year period from 1976 through 2010, while also reducing risk. A \$10,000 initial portfolio using REITs would have generated \$322,279 in retirement savings over 35 years, or \$28,634 more than a portfolio without REITs. The improvement is due to REITs' high and stable dividends, long-term capital appreciation, inflation protection, and low to moderate correlation with other assets invested in a well-diversified portfolio.

Ensuring the best possible TDF performance is critical to the financial future of every generation now saving for retirement. Depending on the number of years to retirement, optimally allocated TDFs should include REIT allocations of nearly nine to nearly 18 percent, according to Wilshire's research. While a number of leading TDF providers, including BlackRock, PIMCO, UBS and Alliance Bernstein, have included REIT allocations in their funds, many of the largest TDF providers are giving up performance because they are under-allocated to REITs.

"It's time for target date funds to take a closer look at REITs," said Cleo C. Chang, Managing Director and Head of Investment Research for Wilshire Funds Management, who conducted the research. "They're a triple play asset class, providing income, capital appreciation and inflation protection."

### *About the Wilshire Research and Target Date Funds*

One of the unique attributes of TDFs is the periodic adjustment of asset allocations over time, driven by the glide path, to reflect the decreasing risk tolerance of investors as they approach and then enter their retirement years. To evaluate the appropriate role of REITs and listed real estate securities in the glide path asset allocations of TDFs, Wilshire constructed two sets of portfolios utilizing both Mean Variance Optimization (MVO) and a methodology called Surplus Optimization (SO) for different investment horizons. According to Wilshire, SO offers a better way to allocate assets for investors near or already in retirement, with shorter investment horizons, greater clarity of living expenses and life expectancy, and a lower tolerance for risk.

Using both methodologies, Wilshire found that retirement portfolios constructed with REITs substantially outperform those without REITs while reducing the level of risk. The 35-year historical record (1976-2010) of investment performance reveals that optimal allocations to REITs using Surplus Optimization range from nine percent for investment horizons of five to 10 years to as much as 18 percent for investment horizons of up to 40 years.

Over the 35-year investment period, the TDF portfolio including U.S. REITs using SO would have resulted in a portfolio value at the end of 2010 that was 9.75% higher than that of the MVO portfolio without U.S. REITs and 5.95% higher than that of the MVO portfolio including U.S. REITs.

“A well-designed glide path is essential to accommodate the changing levels of risk investors can tolerate throughout their careers and into retirement,” said Steven A. Wechsler, president and CEO of NAREIT. “The Wilshire analysis demonstrates that an allocation to U.S. or global listed REITs and real estate securities increases the expected long-term investment performance and diversification benefits of a retirement savings and investment portfolio, including those of target date funds.”

The full Wilshire research report on target date funds is available free of charge at [www.REIT.com/TargetDate](http://www.REIT.com/TargetDate).

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