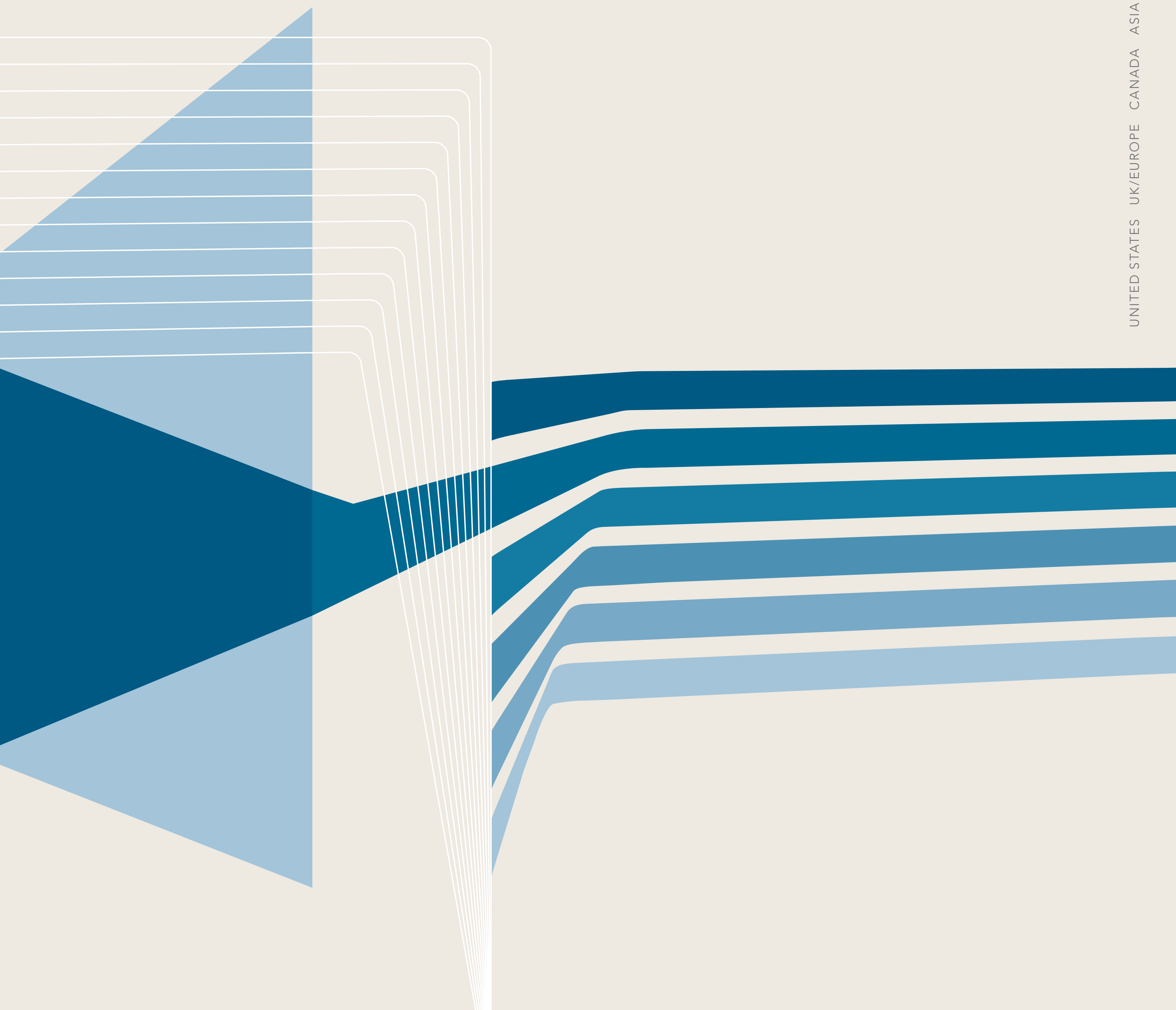
Dimensional

DIMENSIONAL FUND ADVISORS

The Science of Investing

UNITED STATES UK/EUROPE CANADA ASIA PACIFIC



There is a **new model of investing:** a model based not on speculation but on the science of capital markets. Decades of research guide the way.

The mission of Dimensional Fund Advisors is to deliver the performance of capital markets and increase returns through state-of-the-art portfolio design and trading.

Discover how to become a Dimensional investor and capture what markets have to offer.

Capital markets build wealth.

Rather than try to outguess the market, let it work for you.

MARKETS WORK

Markets throughout the world have a history of rewarding investors for the capital they supply. Companies compete with each other for investment capital, and millions of investors compete with each other to find the most attractive returns. This competition quicky drives prices to *fair value,* ensuring that no investor can expect greater returns without bearing greater risk.

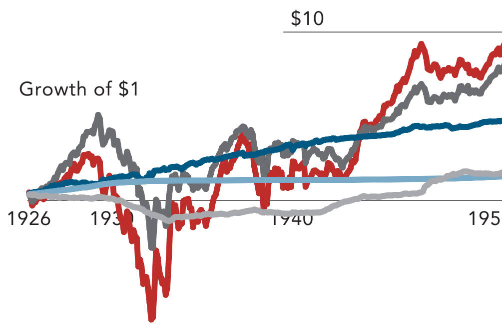
Traditional investment managers strive to beat the market by taking advantage of pricing "mistakes" and attempting to predict the future. Too often, this proves costly and futile. Predictions go awry and managers miss the strong returns that markets provide by holding the wrong securities at the wrong time. Meanwhile, capital economies thrive—not because markets fail but because they succeed.

INVESTING VERSUS SPECULATING

The futility of speculation is good news for the *investor*. It means that prices for public securities are fair and that persistent differences in average portfolio returns are explained by differences in average risk. It is certainly possible to outperform markets, but not without accepting increased risk.

When you reject costly speculation and guesswork, investing becomes a matter of deciding how much to allocate to small, large, value, and growth stocks in markets around the world—and how much term and credit exposure to target in fixed income. Financial research identifies the sources of investment returns. Dimensional provides the tools and experience to achieve them.

A Picture of Growth
Investors need look no further than historical performance to see how markets have compensated higher-risk investments with greater return.

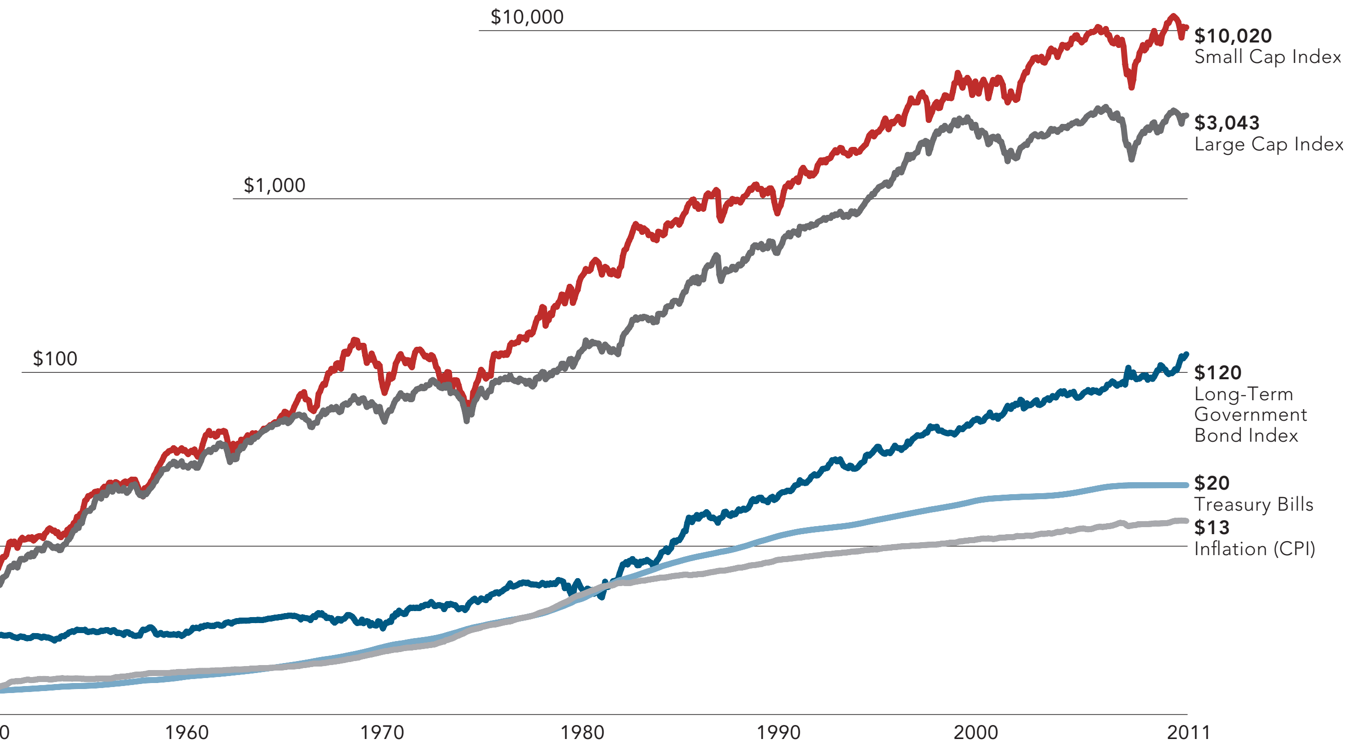


GAINING CLARITY

In 1981, Dimensional launched its first strategy based on research documenting the stronger performance of US small cap stocks. Our second strategy, a short-term fixed income portfolio launched in 1983, applies Eugene Fama's term structure research. Later, a comprehensive analysis of market prices and other research deepened our strategy repertoire and set a new standard for portfolio design. This evolution reflects an abiding belief in the principles of modern finance and the efficacy of capital markets.

At Dimensional, we see markets as an ally, not an adversary. Rather than try to take advantage of the ways markets are mistaken, we take advantage of the ways markets are right—the ways they compensate investors. The firm's portfolios are designed to capture what the market offers in all its dimensions.

Relieve the stress and confusion of investing with a clear and empirical approach to wealth management.



In US dollars. For the 85 years from 1926 to 2011, the compound annual growth rate of return was 11.31% for the Small Cap Index, 9.78% for the Large Cap Index, 5.73% for the Long-Term Government Bond Index, 3.57% for Treasury Bills, and 2.99% for Inflation (CPI). Small Cap Index provided by the Center for Research in Security Prices, University of Chicago. Large Cap Index is the S&P 500 Index®, provided by Standard & Poor's Index Services Group. Long-Term Government Bond Index (twenty-year), Treasury Bills (one-month), and Inflation (Consumer Price Index) are © Stocks, Bonds, Bills and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work of Roger G. Ibbotson and Rex A. Sinquefield).

Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Securities of small companies are often less liquid than those of large companies; as a result, small company stocks may fluctuate relatively more in price. Compound returns have an assumed rate of return, are hypothetical, and are not representative of any specific type of investment. Standard deviation is one method of measuring risk and performance, and is presented as an approximation. Past performance is not a guarantee of future results.

TAKE RISKS WORTH TAKING

Evidence from practicing investors and academics alike points to an undeniable conclusion: Returns come from risk. Gain is rarely accomplished without taking a chance, but not all risks carry a reliable reward. Capital market research over the last fifty years has brought us to a powerful understanding of the risks that are worth taking and the risks that are not.

Much of what we have learned about expected returns in the equity markets can be summarized in three dimensions. The first is that stocks are riskier than bonds and have greater expected returns. Relative performance among stocks is largely driven by the two other dimensions: small vs. large and value vs. growth. Many economists believe small cap and value stocks outperform because the market rationally discounts their prices to reflect underlying risk. The lower prices result in higher returns to investors as compensation for bearing this risk.

A powerful way to **invest.**

Relative performance in fixed income is largely driven by two dimensions: term and credit. Longer-term bonds are subject to the risk of unexpected changes in interest rates. Bonds with lower credit quality are subject to the risk of default. Extending bond maturities and reducing credit quality increases potential returns.

With this understanding, investors can plan the total risk/return profile of their portfolios, considering how much exposure they need to target their performance goals. For example, investors seeking greater expected returns may increase their equity exposure while keeping their bond portfolio short and high-quality. Alternatively, they may choose to hold bonds with slightly longer maturities and slightly lower credit quality while maintaining their equity allocation. Whatever approach you choose, academic research has clarified the investment process by identifying the relevant dimensions of performance.

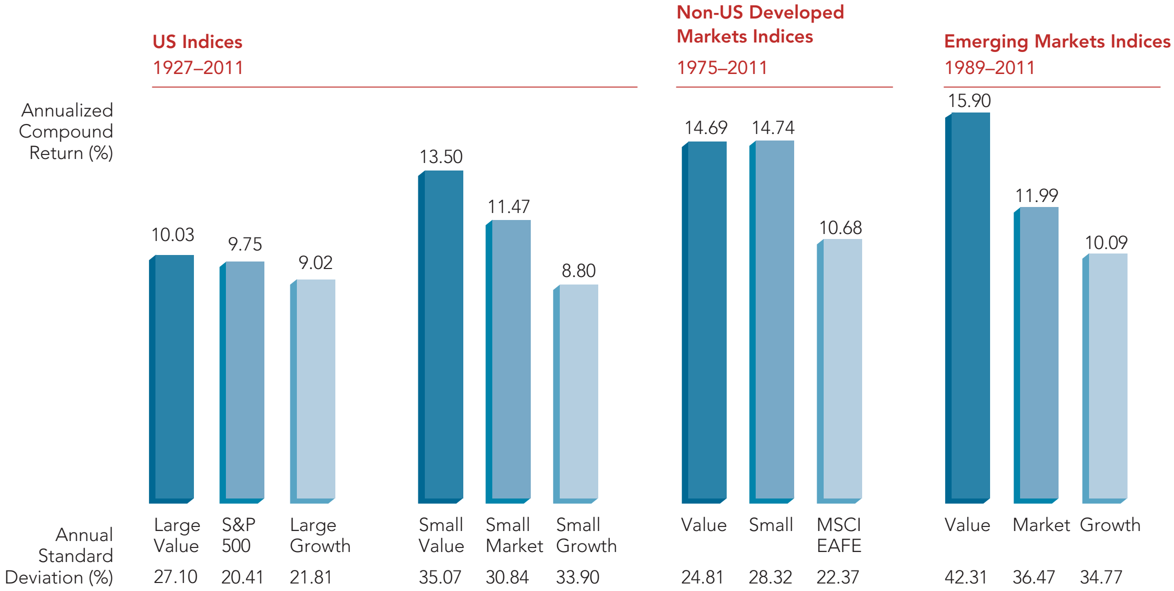
STRUCTURE IS THE STRATEGY

Successful investing means not only capturing risks that generate expected return but reducing risks that do not. Avoidable risks include holding too few securities, betting on countries or industries, following market predictions in areas like interest rate movements, and relying solely on information from third-party analysts or rating services. To all these, diversification is an essential tool available to investors.[1] It lessens the impact of the random fortunes of individual securities and positions your portfolio to capture the returns of broad economic forces.

Traditionally, managers do one of two things: They focus on picking individual securities, or they hold many securities but mimic arbitrary benchmarks.

Dimensional chooses a different path. It structures strategies based on research rather than on speculation or commercial indices. Small cap strategies target smaller stocks more consistently. Value strategies target value returns with greater focus. Fixed income strategies have precisely defined term and credit risk parameters and focus on allowable ranges. As a result, investors achieve more consistent portfolio structure.

1. Diversification does not ensure a profit or protect against a loss in declining markets.



Size and Value Matter
Small cap and value effects are strong around the world. Smaller and lower-priced value stocks have higher risk and greater expected returns than larger and higher-priced growth stocks.

In US dollars. US value and growth index data (ex utilities) provided by Fama/French. The S&P data are provided by Standard & Poor's Index Services Group. US Small Market index data provided by the Center for Research in Security Prices, University of Chicago. International Value data provided by Fama/French from Bloomberg and MSCI securities data. International Small data compiled by Dimensional from Bloomberg, StyleResearch, London Business School, and Nomura Securities data. MSCI EAFE Index is gross of foreign withholding taxes on dividends; copyright MSCI 2012, all rights reserved. Emerging Markets index data simulated by Fama/French from countries in the IFC Investable Universe; simulations are free-float weighted both within each country and across all countries.

Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Compound returns have an assumed rate of return, are hypothetical, and are not representative of any specific type of investment. Standard deviation is one method of measuring risk and performance and is presented as an approximation. Past performance is not a guarantee of future results.

SMART TRADING CAN INCREASE RETURNS

Trading securities—especially small cap stocks and less liquid bonds—can be expensive. Most managers are only too willing to pay these costs to meet a forecast or follow an index. The costs they generate are buried in financial statements and corporate ledgers, but the investor always pays in the form of lowered returns. Careful trading can reduce or even reverse the costs borne by traditional managers. The savings accrue directly to the investor's return.

Dimensional focuses on trading. Our refusal to forecast or follow indices gives us negotiating strength. Where others feel compelled to buy and sell, the firm can take its time. Dimensional's strategies collectively hold over 16,000 securities. It is more important to us that we capture the systematic performance of broad market dimensions than the random fluctuations of any single security. It is more important that we keep costs low—patiently and expertly.

For over three decades, Dimensional has developed its trading infrastructure to make this possible. Our state-of-the-art desks around the world ensure a formidable presence in financial markets. Such a large scale brings opportunity for cost-effective and lucrative trades. A vast universe of less liquid securities is transacted in a coordinated way. The result: performance driven by a potent combination of investment philosophy and trading power.

A Dimensional investor is not satisfied with traditional definitions of returns. By being patient when others are pushing to transact and by being thrifty when others pay a premium, the firm works daily to improve your results.

Meeting real-world investment challenges.

At Dimensional, a system of research and practice generates financial progress.

PIONEERS IN FINANCIAL ENGINEERING

Dimensional is always researching tomorrow's solutions today. We do this through deep working relationships with leading financial economists. By acting as a conduit between scientists and practicing investors, Dimensional has created investment strategies and consulting technologies to meet the evolving needs of investors.

The firm started in 1981 with a single micro cap portfolio that helped pioneer small cap investing and launched its first fixed income portfolio in 1983. Since then, the fund family has grown to include more than a hundred equity and fixed income portfolios worldwide. This would seem to be a perplexing number of choices were it not for the consulting technology and investment philosophy that evolved alongside the strategy line. Dimensional's funds are coordinated by robust models of risk and return, inspired by academic research, and applied in actual portfolios. The result is increased flexibility. A client's portfolio can target its goals with a wide range of highly engineered vehicles—a range that continues to grow for tomorrow's needs.

Idea Growth Engine
Clients benefit when research and experience combine to solve new investment challenges. As often as a research innovation generates a new technology, a client need or investment problem drives a new solution.

EXAMPLE: CORE STRATEGIES

An example of Dimensional's approach to investing is its core equity strategies. Each core strategy targets stocks across the multiple asset classes of a market. But unlike conventional approaches, the securities are not held in their market-value proportions. The portfolios increase the relative holdings of small cap and value stocks where expected returns are greater. Because the architecture is seamlessly integrated and includes a full range of securities, the costs normally associated with maintaining multiple vehicles are greatly reduced. Frictions caused by risks and costs are continually managed in a fully diversified portfolio designed to increase client wealth.

EQUITY	1981	1992	1999	2005

Small Cap Breakthrough
Dimensional pioneers diversified, cost-efficient trading in small cap stocks.

Implementation:
US Micro Cap (1981)
US Small Cap (1986)
Int'l Small Cap (1994)
EM Small Cap (1996)

Value Strategies
Dimensional designs multifactor approach to expand flexibility across stock market dimensions.

Implementation:
US Small Cap Value (1992)
US Large Cap Value (1992)
Int'l Small Cap Value (1994)
Int'l Value (1994)
EM Value (1998)
US Targeted Value (2000)

Tax Management
Dimensional engineers portfolios tailored to client goals and tax costs.

Implementation:
US Small Cap (1999)
US Targeted Value (1999)
US Marketwide Value (1999)
Int'l Value (2000)
US Equity (2001)

Applied Core Equity
Integrated portfolios designed to deliver broad diversification and low-friction factor exposures.

Implementation:
US Core Equity (2005)
US Vector Equity (2005)
Int'l Core Equity (2005)
EM Core Equity (2005)
Int'l Vector Equity (2008)

FIXED INCOME	1983	1990	2006	2009

Variable Maturity
Dimensional develops a term-aware approach designed to maximize expected returns within a short-term, high-quality, low-volatility range.

Implementation:
One-Year (1983)
Short-Term Gov't (1987)
Short-Term Municipal (2002)

Global Bond Diversification
Dimensional designs global bond strategies that pursue reduced volatility and increased expected returns.

Implementation:
Five-Year Global (1990)
Two-Year Global (1996)
Selectively Hedged Global (2008)

Inflation Protection
Dimensional builds strategies designed to provide protection against unexpected inflation.

Implementation:
Inflation-Protected Securities (2006)
Sterling Inflation-Linked Intermediate Duration Fixed Income (2011)
Euro Inflation-Linked Intermediate Duration Fixed Income (2011)

Variable Credit
Dimensional develops diversified, risk-aware portfolios that seek higher expected returns and access to the entire range of non-securitized investment-grade credit.

Implementation:
Short-Term Extended Quality (2009)
Intermediate-Term Extended Quality (2010)
Investment Grade (2011)

A PLAN FOR THE FUTURE

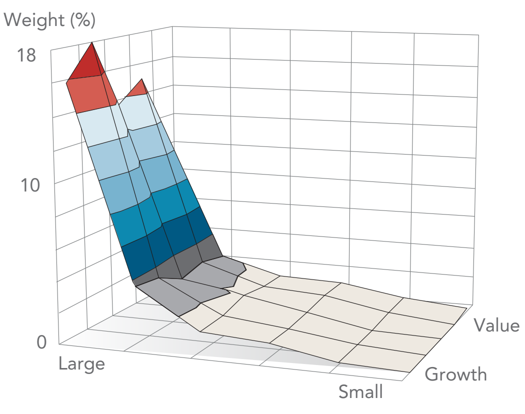
The work is never complete. The final chapter will never be written. But a process grounded in science can only improve your financial plan. The consistency and clarity of such an approach would be reward enough were it not for its long history of documented performance.

By applying modern financial principles to wealth management, Dimensional has developed many innovative investment solutions and stands ready to address your future needs.

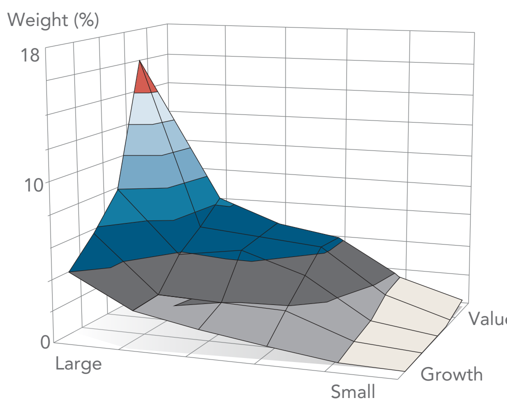
Get involved today. Become a Dimensional investor and bring financial science to the life of your wealth.

Integration across the Market
Surface maps of the equity weights in the total stock market and Dimensional's US Core Equity Portfolio give a sense of the breadth and complexity of the core structure. Each core strategy covers most stocks in the market, with increased weighting in small cap and value.

Total US Stock Market



US Core Equity Portfolio



Total US Stock Market data provided by the Center for Research in Security Prices, University of Chicago. Simulations are not available for investment. As of 2011.

An approach that targets the expected returns of capital market dimensions complements your investment program.

For more on how you can become a Dimensional investor, visit us online. www.dimensional.com

AMSTERDAM

AUSTIN

BERLIN

LONDON

SANTA MONICA

SYDNEY

VANCOUVER

www.dimensional.com

Dimensional

260: V8: 02/12: US