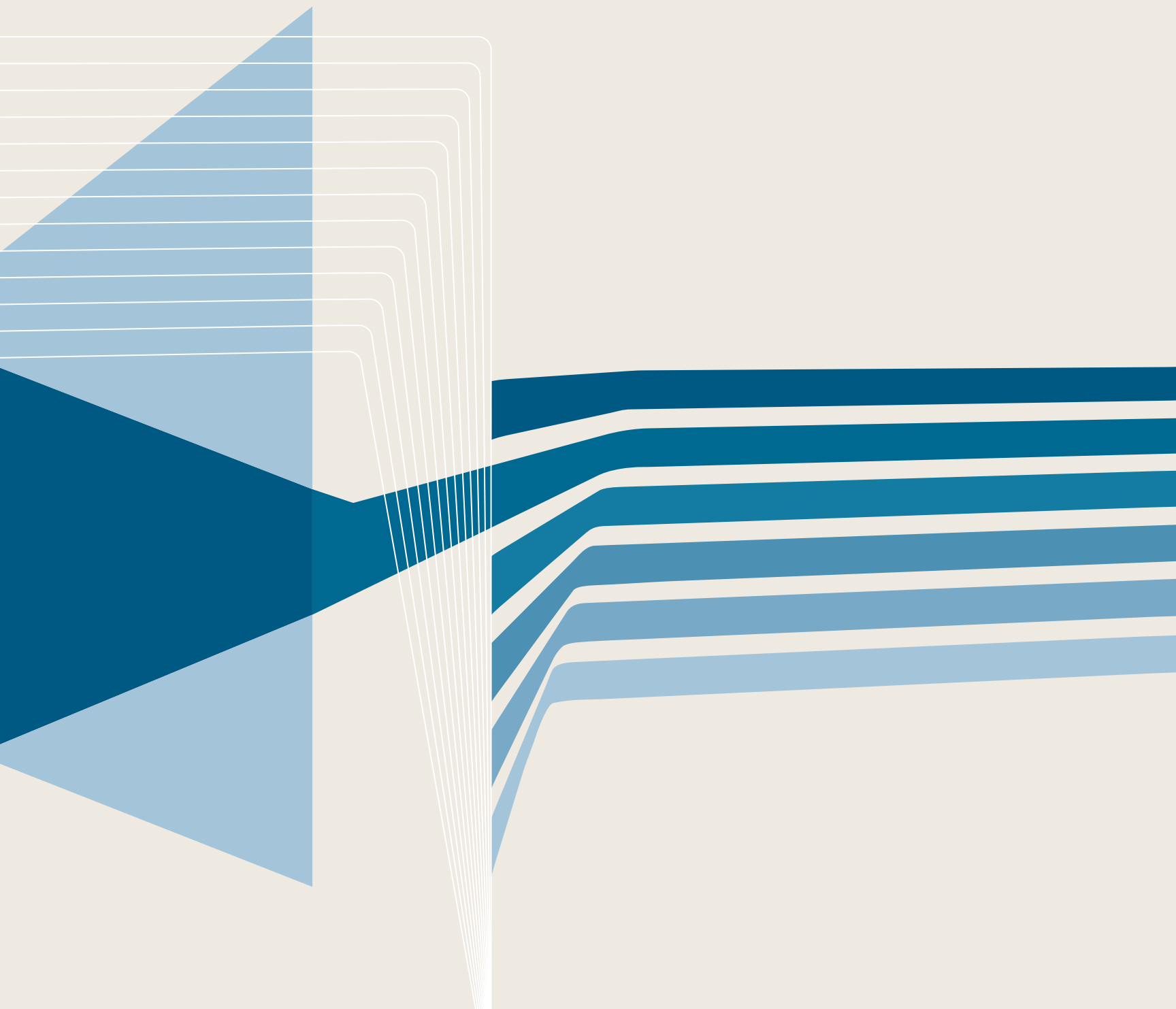


DIMENSIONAL FUND ADVISORS

The Science of Investing





Dimensional invests differently.

We build portfolios based on the science of capital markets. Decades of research guide the way.

For more than 30 years, we have helped investors pursue dimensions of higher expected returns through advanced portfolio design, management, and trading. An enduring philosophy and deep working relationships with the academic community underpin our approach to investing, and form the foundation for new strategies.

Our goal is to deliver an outstanding investment experience to every client.

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 quickly 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 may hold the wrong securities at the wrong time, missing the strong returns that markets can provide. Meanwhile, capital economies thrive—not because markets fail but because they succeed.

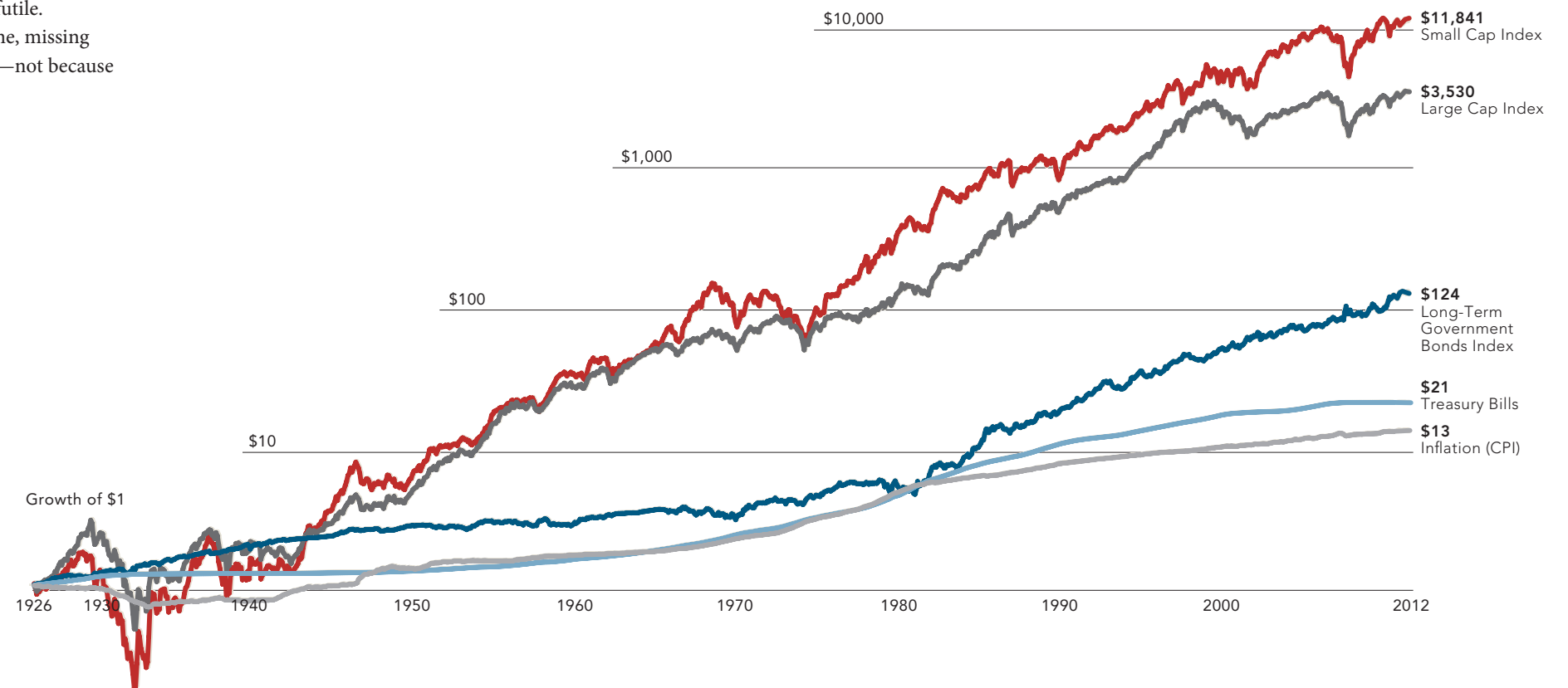
INVESTING VS. SPECULATING

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 portfolio structure. It is certainly possible to outperform markets, but not without balancing risks and costs against expected returns.

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 to use fixed income to pursue specific financial goals. 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 dimensions of higher expected returns.



For the period 1926 to 2012, the compound annual growth rate of return was 11.4% for the Small Cap Index, 9.8% for the Large Cap Index, 5.7% for the Long-Term Government Bonds Index, 3.5% for Treasury Bills, and 3.0% for Inflation (CPI). Small Cap Index is the CRSP 6-10 Index; Large Cap Index is the S&P 500 Index®; Long-Term Government Bonds Index is 20-year US government bonds; Treasury Bills are One-Month US Treasury bills; Inflation is the Consumer Price Index. CRSP data provided by the Center for Research in Security Prices, University of Chicago. The S&P data are provided by Standard & Poor's Index Services Group. Bonds, T-bills, and inflation data © 2012 and earlier, Morningstar. All rights reserved. Underlying data is from the Ibbotson S&P Yearbook, by Roger G. Ibbotson and Rex A. Sinquefeld. Updated annually.

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.

GAINING CLARITY

In 1981, Dimensional launched its first strategy to help US investors pursue broader diversification, basing the approach on research documenting the stronger performance of US small cap stocks. Our second strategy, a short-term fixed income portfolio launched in 1983, applied 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.

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

INVESTMENT DIMENSIONS

We consider a dimension to be a factor that explains differences in returns, is persistent through time and pervasive across markets, and is consistent with an equilibrium view of investing. These characteristics increase confidence that returns observed in historical data may appear in the future. Capital market research over the last 50 years has brought us to a powerful understanding of the dimensions that drive investment performance.

Much of what we have learned about expected returns can be summarized in the following dimensions. First, stocks are riskier than bonds and have greater expected returns. Relative performance among stocks is largely driven by size (small vs. large), relative price (value vs. growth), and expected profitability (high vs. low). Many economists believe small cap and value stocks outperform because the market rationally discounts their prices to reflect underlying risk. Research also shows that among stocks with similar price-driven characteristics, companies with higher expected profitability have greater expected returns.

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 expected return profile of their portfolios, considering how much of each equity and fixed income dimension to target in pursuit of their financial goals.

Whatever approach you choose, academic research has clarified the investment process by identifying the relevant dimensions of performance.

A powerful way to invest.

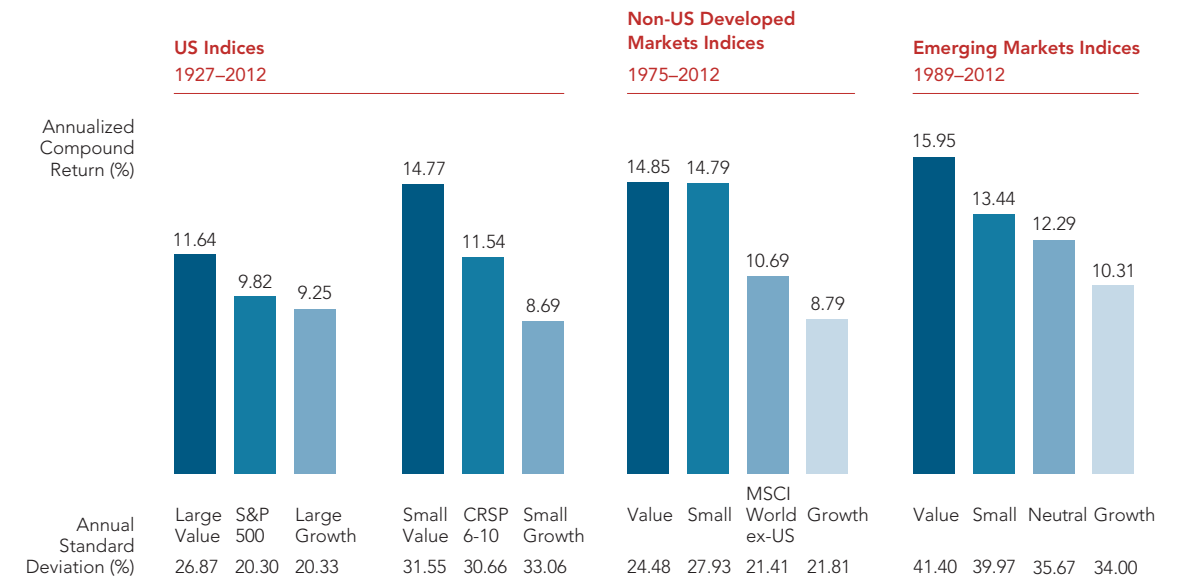
STRUCTURE IS THE STRATEGY

Successful investing means not only capturing dimensions that generate expected return but reducing risks that may needlessly compromise performance. 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 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 research index data provided by Fama/French. The S&P data are provided by Standard & Poor's Index Services Group. CRSP 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, Style Research, London Business School, and Nomura Securities data. MSCI World ex USA Index is gross of foreign withholding taxes on dividends; copyright MSCI 2013, 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. Asset class filters were applied to data retroactively, rebalanced annually, and with the benefit of hindsight. Asset class returns are not representative of indices or actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower.

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 more than 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 more than 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 100 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 have evolved alongside the strategy line. Dimensional's funds are structured to focus on dimensions, 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

Company Size

Dimensional offers investors diversified, cost-efficient access to small companies.

Implementation:

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

1992

Relative Price

Fama/French research identifies market, size, and value factors as the principal drivers of equity returns.

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)

2004

Total Market Solutions

Advancement in portfolio design provides value-added, efficient total market solutions that focus on dimensions of higher expected returns.

Implementation:

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

2012

Expected Profitability

Academic research identifies a robust proxy for a new investable dimension of higher expected returns.

Implementation:

US Large Cap Growth (2012)
US Small Cap Growth (2012)
Int'l Large Cap Growth (2012)
Int'l Small Cap Growth (2012)

FIXED INCOME

1983

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 Govt. (1987)
Short-Term Municipal (2002)

1990

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)

2006

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)

2009

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 financial 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.

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 at www.dimensional.com.

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Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission. Consider the investment objectives, risks, and charges and expenses of the Dimensional funds carefully before investing. For this and other information about the Dimensional funds, please read the prospectus carefully before investing. Prospectuses are available by calling Dimensional Fund Advisors collect at (512) 306-7400 or at www.dimensional.com.

Principal Risks of Investing

The principal risks associated with an investment are fully described in the prospectus in the section called "Principal Risks." The value of an investment will fluctuate based on economic, political, and stock-specific events, and there is a chance you will lose money. Small company stocks may fluctuate more in price than those of large companies. Stocks of non-US companies may also fluctuate due to these factors and expose investors to fluctuations in currency exchange rates. The stocks of companies in emerging markets are subject to additional risks due to the unstable nature of some governments and the small and illiquid nature of their securities markets. The use of derivatives to hedge specific risks may increase expenses, and there is no guarantee that a hedging strategy will work. Past performance is no guarantee of future results. Bonds are subject to market and interest rate risks, and availability.

There is no guarantee that the investment strategies presented will succeed. This information is intended to illustrate products and services available at Dimensional Fund Advisors, and the strategies do not necessarily represent the experience of other clients, nor do they indicate future performance. Investment results may vary. The investment strategies presented are not appropriate for every investor. Individual clients should review with their financial advisors the terms and conditions and risks involved with specific products or services. Diversification does not eliminate the risk of market loss.

Mutual funds distributed by DFA Securities LLC.

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