

A Different Way to Invest



Why Invest?

Your Money Today Will Likely Buy Less Tomorrow

1917



2.4p = 2 Pints

1967



2.4p = 1 Glass

2017



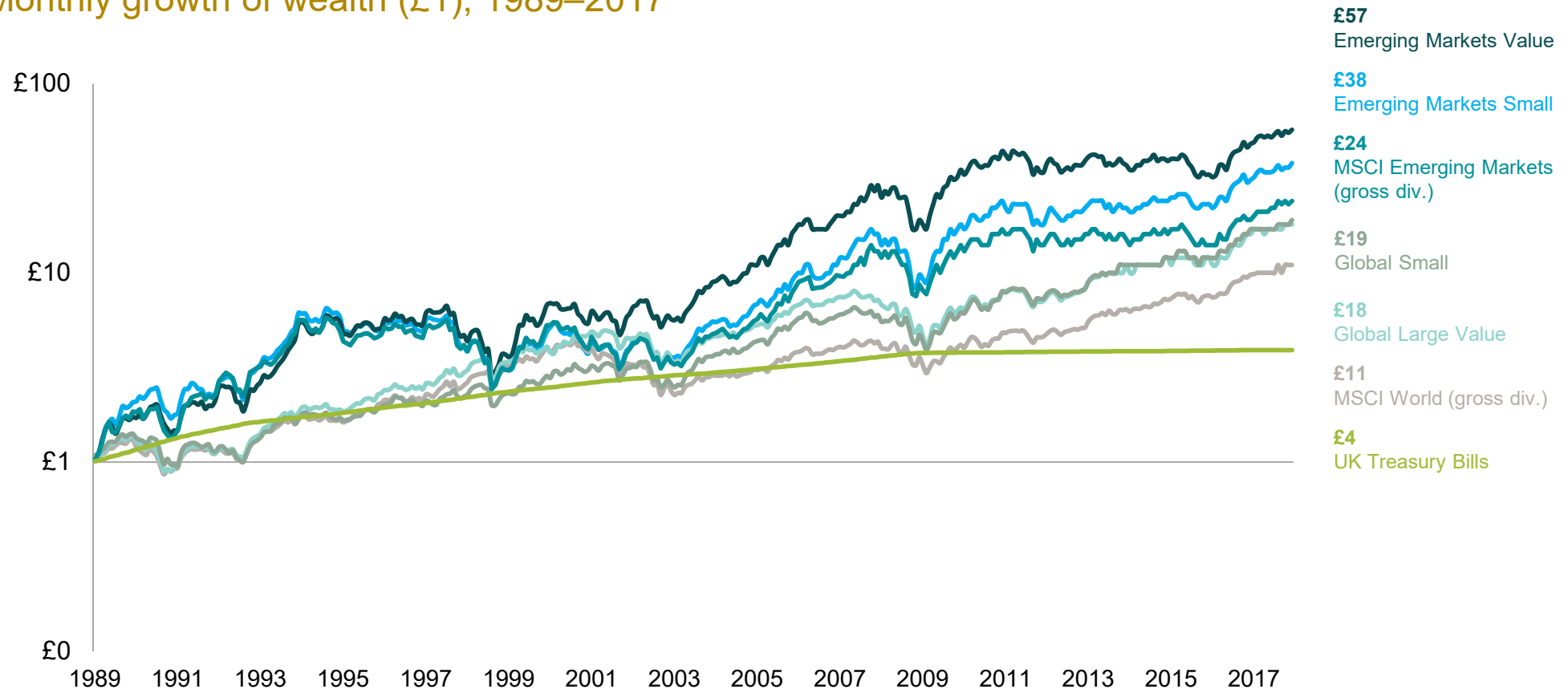
2.4p = 2 Tablespoons

Investing means taking risks!

**Not investing means taking
risks, too!**

Capital Markets Have Rewarded Long-Term Investors

Monthly growth of wealth (£1), 1989–2017



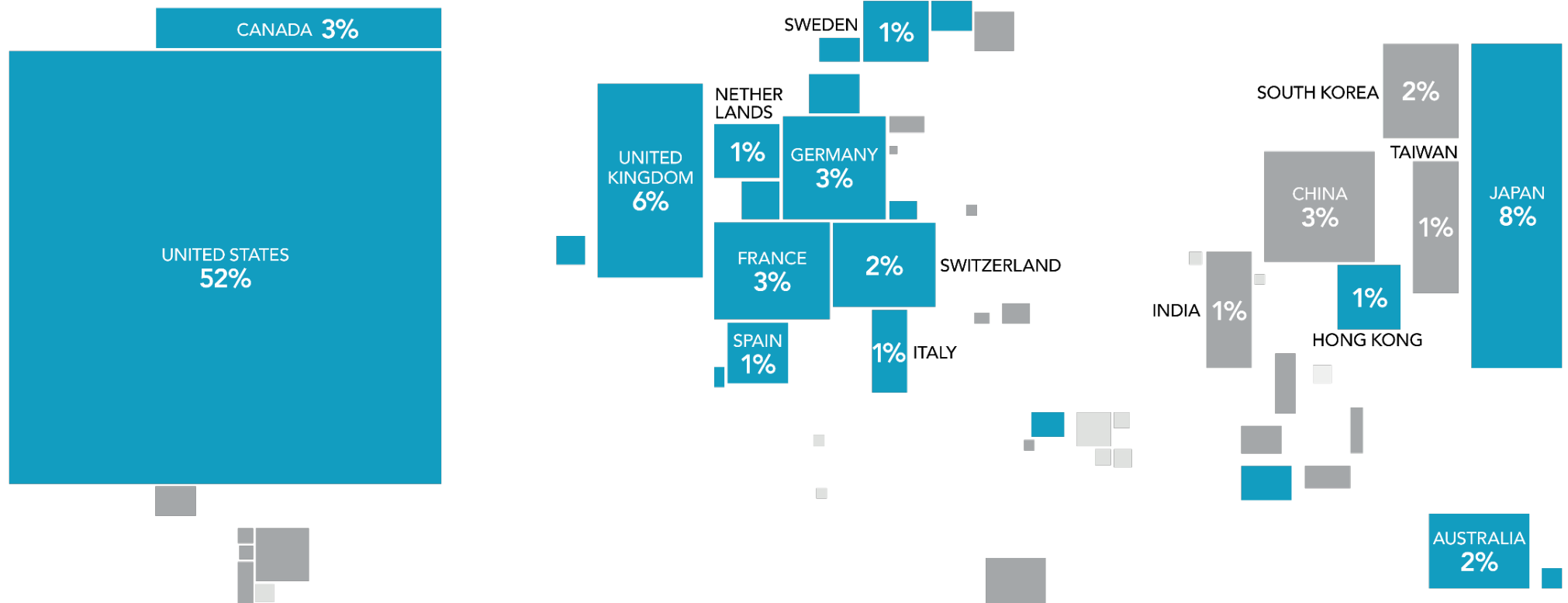
Past performance is no guarantee of future results.

In GBP. Emerging Markets Value is the Dimensional Emerging Markets Value Index. Emerging Markets Small is the Dimensional Emerging Markets Small Index. Global Small is the Dimensional Global Small Index. Global Large Value is the Dimensional Global Large Value Index. MSCI data copyright MSCI 2018, all rights reserved. UK Treasury Bills, January 1955–December 1974: UK Three-Month T-bills provided by the London Share Price Database; January 1975–present: UK One-Month T-bills provided by the Financial Times. The Dimensional and Fama/French Indices reflected above are not “financial indices” for the purpose of the EU Markets in Financial Instruments Directive (MiFID). Rather, they represent academic concepts that may be relevant or informative about portfolio construction and are not available for direct investment or for use as a benchmark. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower. See the appendix for descriptions of the Dimensional and Fama/French indexes. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

There's a World of Opportunity in Equities

Percent of world market capitalisation as at December 31, 2017

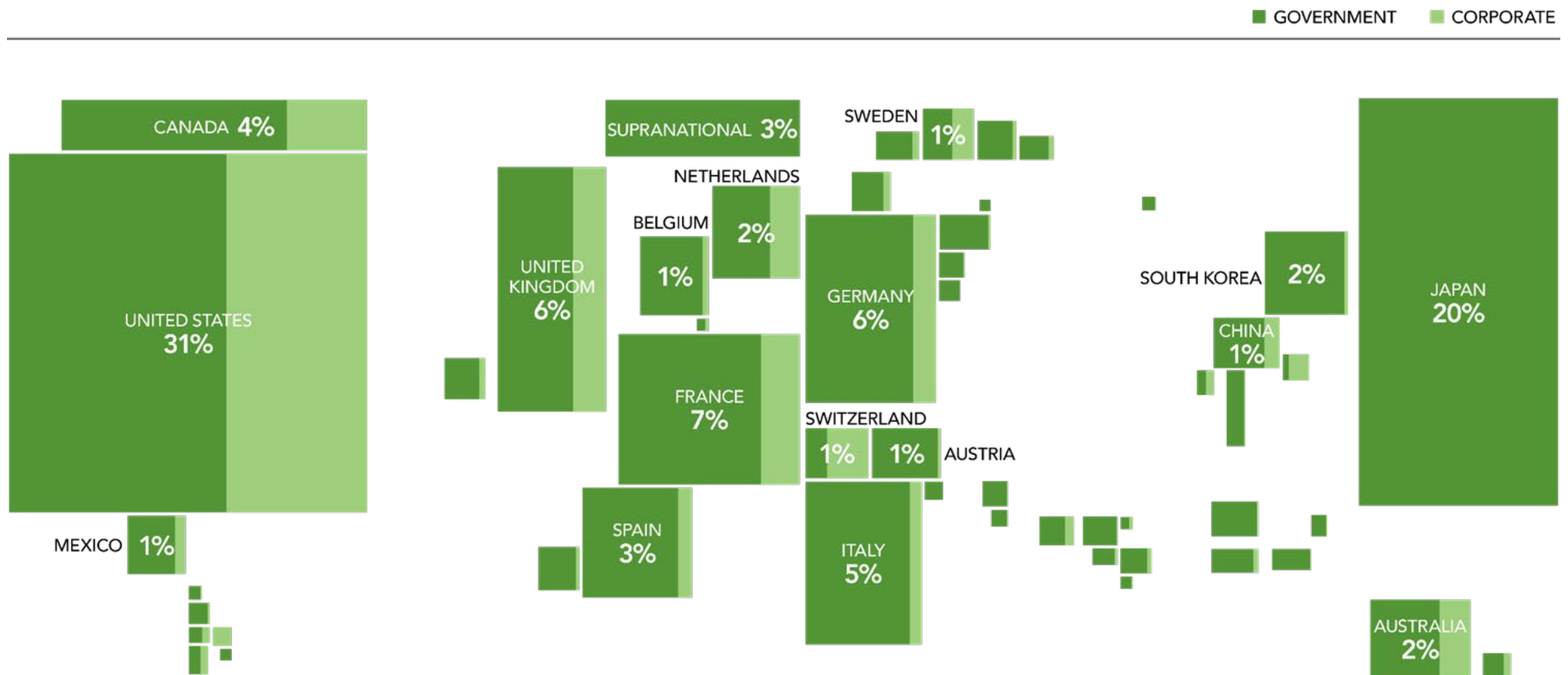
■ DEVELOPED MARKETS ■ EMERGING MARKETS ■ FRONTIER MARKETS



In US dollars. Market cap data is free-float adjusted and meets minimum liquidity and listing requirements. Dimensional makes case-by-case determinations about the suitability of investing in each emerging market, making considerations that include local market accessibility, government stability, and property rights before making investments. China market capitalisation excludes A-shares, which are generally only available to mainland China investors. Many nations not displayed. Totals may not equal 100% due to rounding. For educational purposes; should not be used as investment advice. Data provided by Bloomberg.

There's a World of Opportunity in Fixed Income

Percent of global investment grade bond market as of December 31, 2017



How do many people invest?

They Try to Predict the Future

"I have a proven system for picking winning shares."

"That sector will continue advancing through next year."

"The market is primed for a retreat."

They Act on Impulse

"I can't take this bear market—
I'm getting out!"

"Everyone's making money—I want
a piece of the action."

They Bet Their Savings on Tips and Hunches

"I heard it on the news.
I'd better sell!"

"I got a hot tip from my neighbour.
It's an open goal."

"I've loved their products for years—
it's a dead cert."

They are Swayed by the Media

“The unlikely stock market that's delivered a 33pc return in 2016”

The Daily Telegraph, 05/04/2016

“From gold to classic cars, wine and stamps, how to make money tax-free from alternative investments”

This Is Money, 18/04/2016

“Why you shouldn't buy London property”

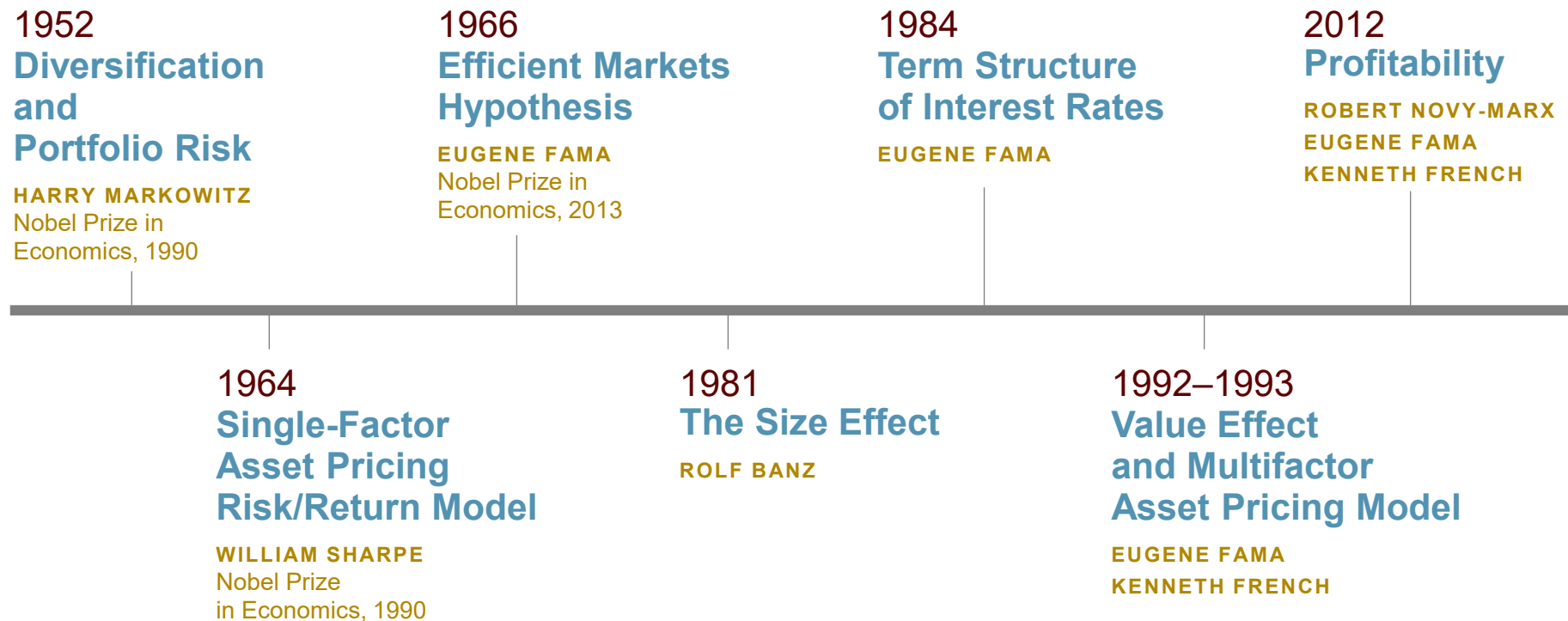
This is Money, 04/04/2014

“4 Small Cap Bargains You Simply Can't Afford To Miss!”

Motley Fool, 22/04/2016

What have we learned?

Many of the Greatest Advancements in Finance Have Come from Academia



Together, We Know More Than We Do Alone



Participants were asked to estimate the number of jelly beans in a jar.

Range: 409 - 5,365

Average: 1,653

Actual: 1,670

Markets Integrate the Combined Knowledge of all Participants



The market effectively enables competition among many market participants who voluntarily agree to transact.

This trading aggregates a vast amount of dispersed information and drives it into security prices.

What is the best way to
Invest?

There are Differing Approaches

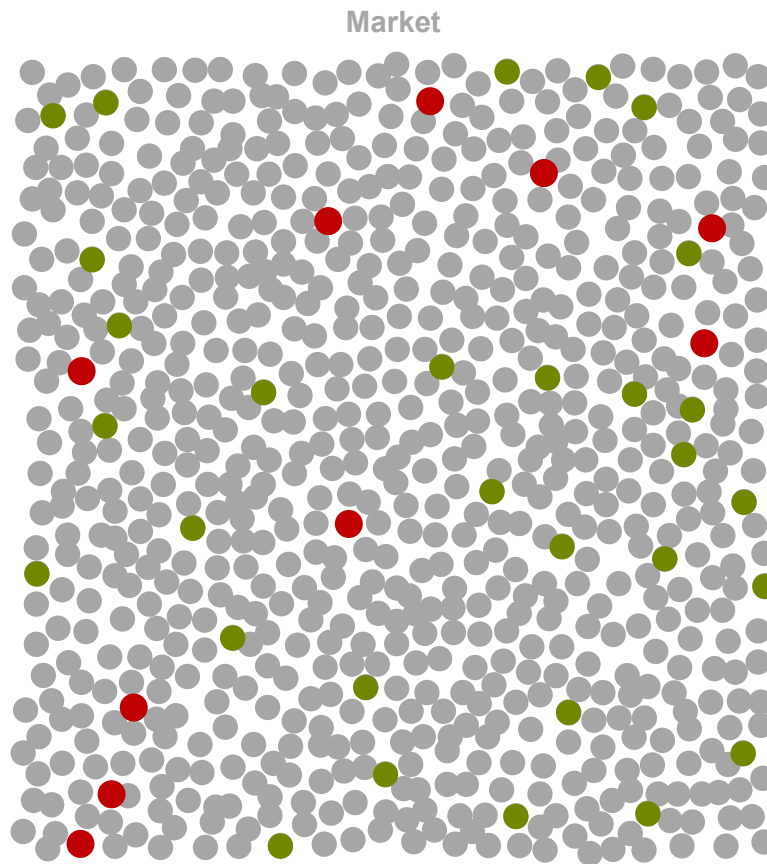
CONVENTIONAL MANAGEMENT

Attempts to identify mispricing in securities

Relies on forecasting to select “undervalued” securities or time markets

Generates higher expenses, trading costs, and risks

The Conventional Approach Attempts to Outguess the Market



Buys a selection of individual securities manager thinks will outperform.

Sells securities when deemed overvalued.

Can lead to high turnover and excess costs.

Conventional Investment Methods Have Low Odds of Success

Fraction of US mutual funds that survived and beat their index for 15 years, ending December 31, 2017

Stocks

2,828 beginning funds

14%

A horizontal bar chart for Stocks. The bar is divided into two segments: a blue segment on the left representing 14% and a gray segment on the right representing the remaining 86%.

Bonds

1,599 beginning funds

13%

A horizontal bar chart for Bonds. The bar is divided into two segments: a gold segment on the left representing 13% and a gray segment on the right representing the remaining 87%.

Past performance is no guarantee of future results.

Analysis performed by Dimensional Fund Advisors. Beginning sample includes US-domiciled funds as of the beginning of the 15-year period ending December 31, 2017. The number of beginners is indicated below the asset class label. Outperformers (winners) are funds that had returns for every month in the sample period and outperformed their respective Morningstar category benchmark over the period. US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. See data appendix for more information.

There are Differing Approaches

INDEXING

Allows commercial index to determine strategy

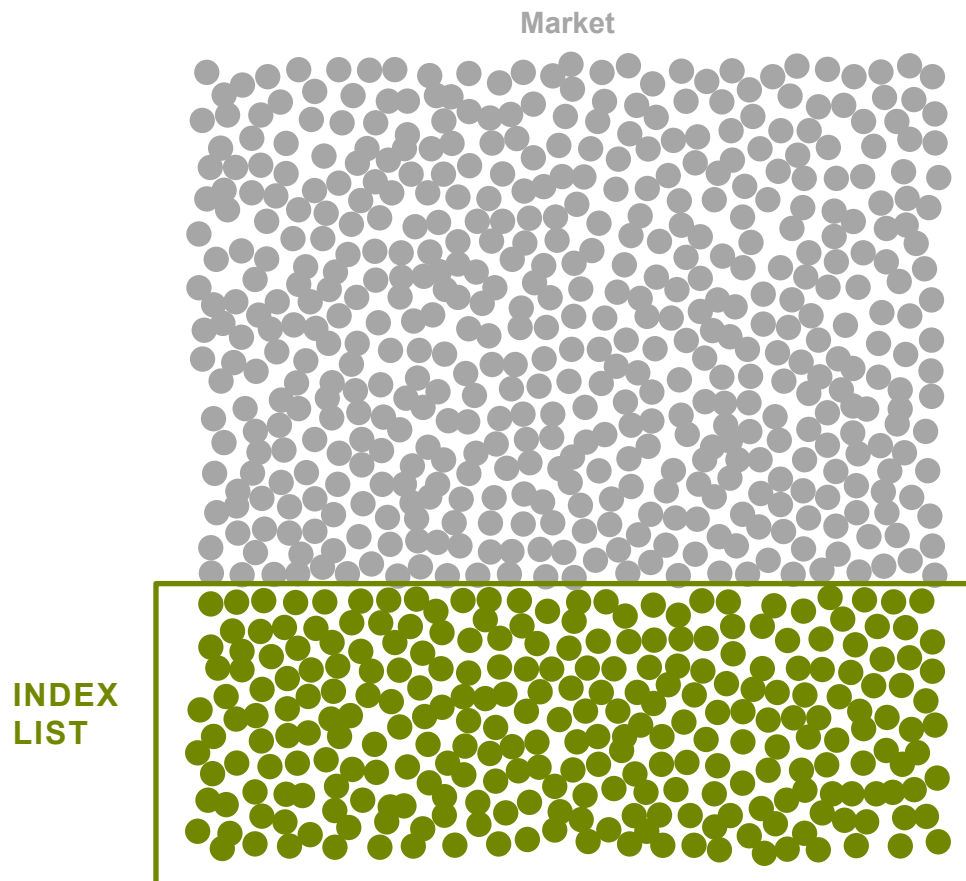
Attempts to match index performance, restricting which securities to hold and when to trade

Prioritises low tracking error over higher expected returns

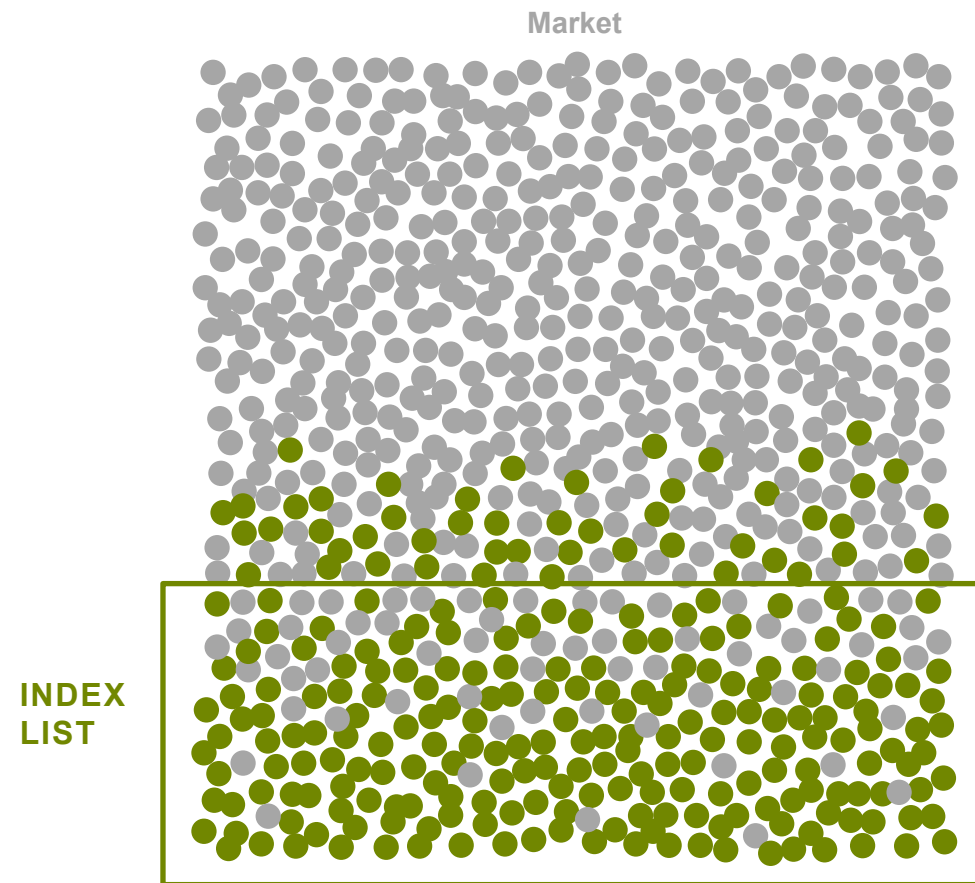
The Indexing Approach Attempts to Match the Returns of a Commercial Benchmark

Holds a basket of securities represented in the index.

Buys and sells the same securities at the same time as all other funds tracking the index.



The Indexing Approach Attempts to Match the Returns of a Commercial Benchmark



Six months later:

Securities have moved in and out of the index's targeted range.

As a result, your investment may have drifted from what you intended.

There are Differing Approaches

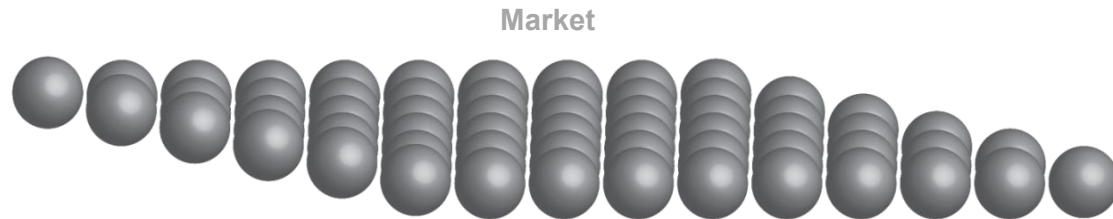
AN ALTERNATIVE APPROACH

Gains insights about markets and returns from academic research

Structures portfolios along the dimensions of expected returns

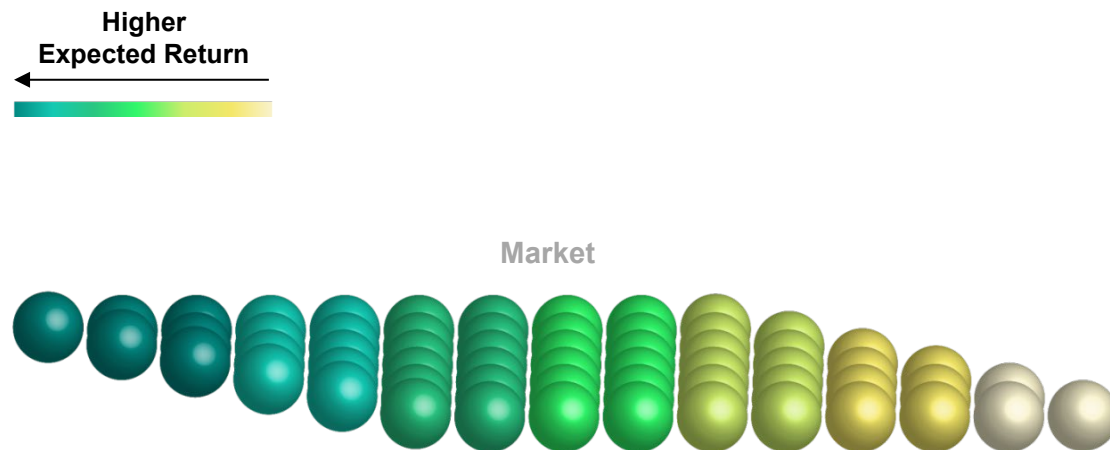
Adds value by integrating research, portfolio management, and trading

Viewing the Market in a Different Dimension



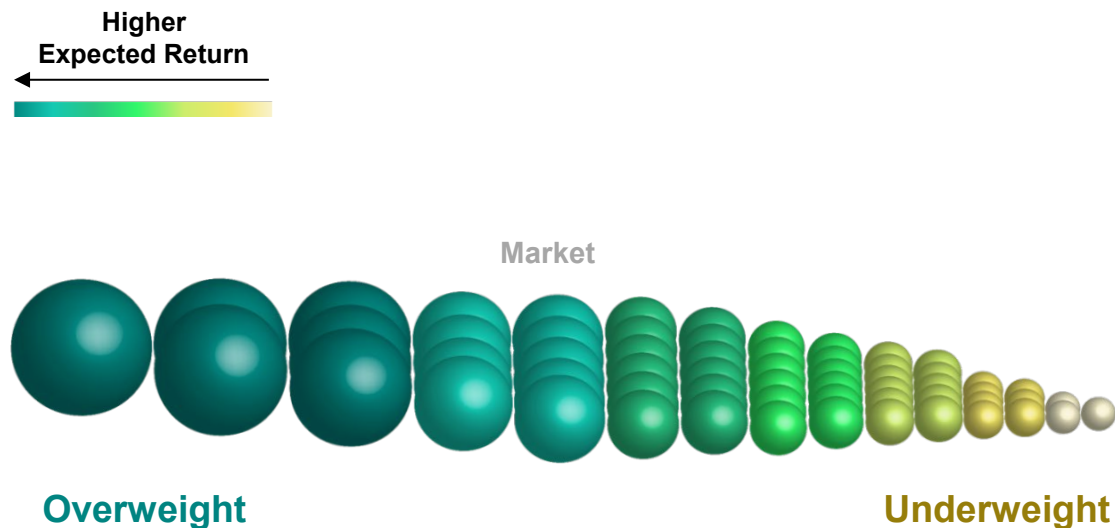
Viewing the Market in a Different Dimension

Decades of academic research have identified relevant dimensions that point to differences in expected returns.



Portfolios Can Be Structured along Dimensions of Expected Returns

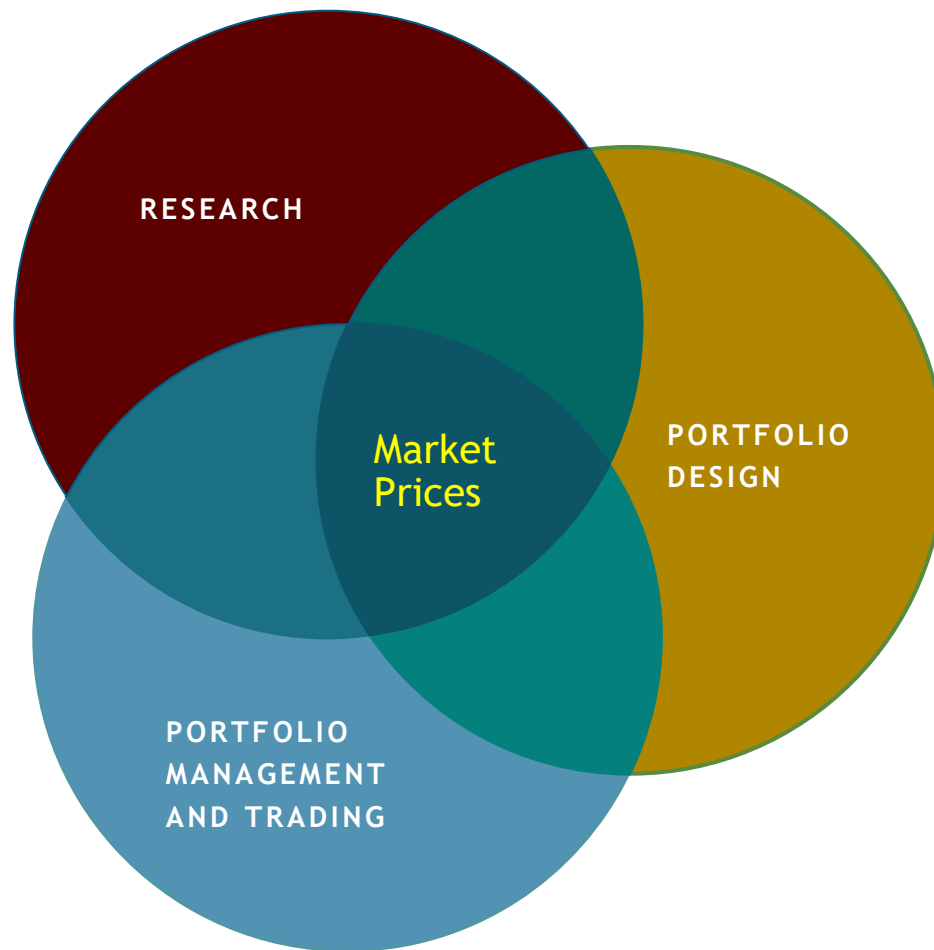
A well-diversified portfolio can emphasise market areas offering higher expected return potential.



Diversification neither assures a profit nor guarantees against loss in a declining market. Investing involves risks such as fluctuating value and potential loss of principal value. There is no guarantee strategies will be successful.

Applied to practical investing

From Insights to Implementation

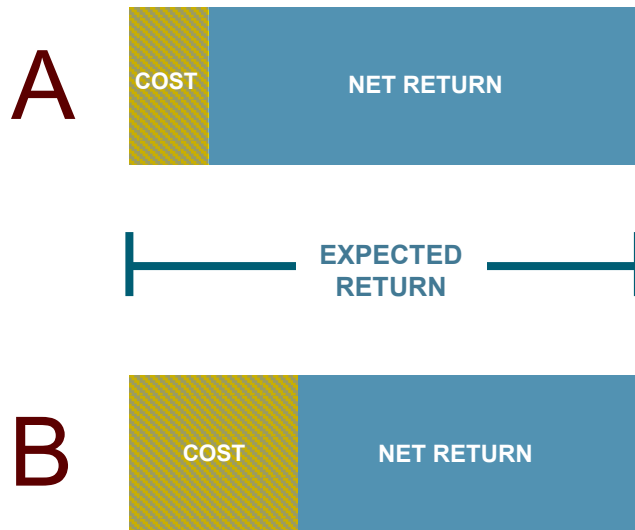


An integrated investment process adds value at each step.

Research can be applied throughout the process for an advanced understanding of all aspects of investing.

Balancing Investment Tradeoffs

INVESTMENT OPPORTUNITY



CONDITIONS

Broad diversification and patient, flexible trading can lead to **lower turnover and costs**.

Concentrated holdings and urgent, inflexible trading can result in **higher turnover and costs**.

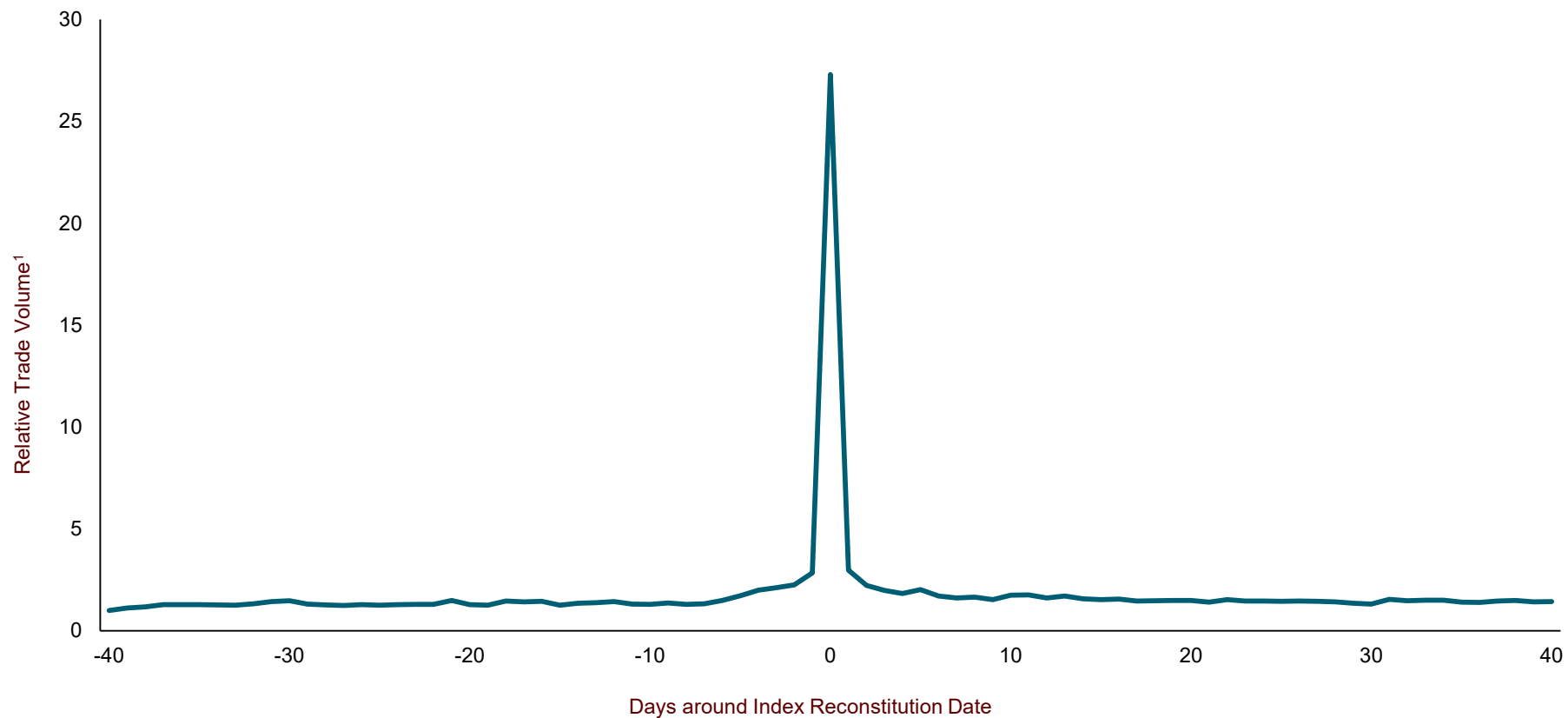
Two investment opportunities can have the same expected return but invite very different conditions.

These conditions can result in different costs, which impact net returns.

Forced Trading Can Raise Costs

Higher than normal trading activity around the reconstitution date can drive up costs

AVERAGE RELATIVE TRADE VOLUME OF SECURITIES ADDED TO OR DELETED FROM THE S&P 500 INDEX: 2013–2017

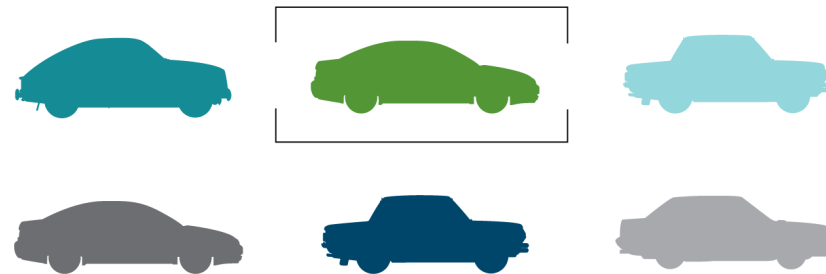


1. Relative Trade Volume = Trade volume on day X / Trade volume 40 days prior to the day the security was added to or deleted from the index.

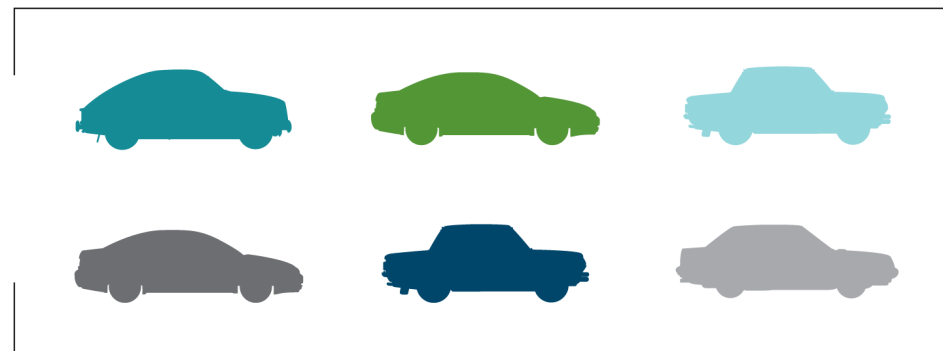
For all securities added to or deleted from the S&P 500 Index between 2013 and 2017, Dimensional calculated the relative trade volume of each security 40 days prior to, through 40 days after, the day such security was added to or deleted from the index. '0' is the date on which the security was added to or deleted from the index, or the index reconstitution date. Relative trade volume is calculated by dividing the trade volume for the day by the trade volume 40 days prior to the index reconstitution date. The chart shows the average of the relative trade volumes of all securities added to or deleted from the index and illustrates the spike in relative trade volume around the day that securities were added to or deleted from the index. Indices are not available for direct investment. Index additions and deletions sourced from S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Source of trade volume: Bloomberg L.P.

Adding Value Through Flexible, Patient Trading

"I want this one—today!"



"I'm flexible."



Focus on What You Can Control



A financial adviser can help you create a plan and focus on actions that add value.

Appendix

Disclosures

The returns of Dimensional indices presented herein reflect hypothetical performance and do not represent returns that any investor actually attained. Changes in the assumptions upon which such performance is based may have a material impact on the hypothetical returns presented. Hypothetical backtested returns have many limitations. Unlike actual performance, it does not represent actual trading. Since trades have not been actually executed, results may have under-or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity, and may not reflect the impact that certain economic or market factors may have on the decision-making process. Hypothetical backtested performance is also developed with the benefit of hindsight. Other periods selected may have different results, including losses. There can be no assurance that Dimensional will achieve profits or avoid incurring substantial losses.

Data presented in the Growth of £1 chart on slide 5 'Capital Markets Have Rewarded Long-Term Investors' is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. Performance may increase or decrease as a result of currency fluctuations.

Index Descriptions

Dimensional Emerging Markets Value Index

January 1994–present: Compiled by Dimensional from Bloomberg securities data. The index consists of companies whose relative price is in the bottom 33% of their country's companies after the exclusion of utilities and companies with either negative or missing relative price data. The index emphasises companies with smaller capitalisation, lower relative price, and higher profitability. The index also excludes those companies with the lowest profitability and highest relative price within their country's value universe. Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book. Exclusions: REITs and investment companies. The index has been retroactively calculated by Dimensional and did not exist prior to April 2008. The calculation methodology was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index.

Prior to January 1994: Fama/French Emerging Markets Value Index.

Dimensional Emerging Markets Small Index

January 1994–present: Compiled by Dimensional from Bloomberg securities data. The index is a market-capitalisation-weighted index of small company securities in the eligible markets excluding those with the lowest profitability and highest relative price within the small cap universe. Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book. Exclusions: REITs and investment companies. The index has been retroactively calculated by Dimensional and did not exist prior to April 2008. The calculation methodology was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index.

Prior to January 1994: Fama/French Emerging Markets Small Cap Index.

Dimensional Global Small Index

January 1994–present: Compiled by Dimensional from Bloomberg securities data. Market capitalisation-weighted index of small company securities in the eligible markets excluding those with the lowest profitability and highest relative price within the small cap universe.

Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book. Exclusions: REITs and investment companies. The index has been retroactively calculated by Dimensional Fund Advisors and did not exist prior to April 2008. The calculation methodology was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index.

July 1981–December 1993: Dimensional US Small Cap Index and Dimensional International Small Cap Index combined using Small Portfolio Weights.

Prior to July 1981: 50% Dimensional US Small Cap Index and 50% Dimensional International Small Cap Index.

The Dimensional Indices have been retrospectively calculated by an affiliate of Dimensional Fund Advisors Ltd. and did not exist prior to their index inception dates. Accordingly, results shown during the periods prior to each Index's index inception date do not represent actual returns of the Index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains.

Index Descriptions

Dimensional Global Large Value Index

January 1994–present Compiled by Dimensional from Bloomberg securities data. Targets large cap companies whose relative price is in the bottom 30% of their country's large companies after the exclusion of utilities and companies with either negative or missing relative price data. The index emphasises companies with smaller capitalisation, lower relative price and higher profitability. The index also excludes those companies with the lowest profitability and highest relative price within their country's large value universe. Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book. Exclusions: REITs and investment companies. The index has been retroactively calculated by Dimensional and did not exist prior to April 2008. The calculation methodology was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index.

Prior to January 1994: Fama/French international value country indices and Fama/French US Large Value Research Index combined using market cap weights.

The Dimensional Global Large Value Index and the Dimensional Global Small Index exclude REITs and investment companies. Both indices have been retroactively calculated by Dimensional Fund Advisors and did not exist prior to April 2008. Their calculation methodology was amended in January 2014 to include direct profitability as a factor in selecting securities for inclusion in the indices.

The Dimensional Indices have been retrospectively calculated by an affiliate of Dimensional Fund Advisors Ltd. and did not exist prior to their index inception dates. Accordingly, results shown during the periods prior to each Index's index inception date do not represent actual returns of the Index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains.

Data Appendix

US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago.

Equity fund sample includes the Morningstar historical categories: Diversified Emerging Markets, Europe Stock, Foreign Large Blend, Foreign Large Growth, Foreign Large Value, Foreign Small/Mid Blend, Foreign Small/Mid Growth, Foreign Small/Mid Value, Japan Stock, Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Value, Miscellaneous Region, Pacific/Asia ex-Japan Stock, Small Blend, Small Growth, Small Value, and World Stock. For additional information regarding the Morningstar historical categories, please see "The Morningstar Category Classifications" at morningstardirect.morningstar.com/clientcomm/Morningstar_Categories_US_April_2016.pdf.

Fixed income fund sample includes the Morningstar historical categories: Corporate Bond, Inflation-Protected Bond, Intermediate Government, Intermediate-Term Bond, Muni California Intermediate, Muni National Intermediate, Muni National Short, Muni New York Intermediate, Muni Single State Short, Short Government, Short-Term Bond, Ultrashort Bond, and World Bond. For additional information regarding the Morningstar historical categories, please see "The Morningstar Category Classifications" at morningstardirect.morningstar.com/clientcomm/Morningstar_Categories_US_April_2016.pdf.

Index funds and fund-of-funds are excluded from the sample. Net assets for funds with multiple share classes or feeder funds are a sum of the individual share class total net assets. The return for funds with multiple share classes is taken as the asset-weighted average of the individual share class observations. Fund share classes are aggregated at the strategy level using Morningstar FundID and CRSP portfolio number.

Each fund is evaluated relative to the Morningstar benchmark assigned to the fund's category at the start of the evaluation period. Surviving funds are those with return observations for every month of the sample period. Winner funds are those that survived and whose cumulative net return over the period exceeded that of their respective Morningstar category benchmark. Loser funds are funds that did not survive the period or whose cumulative net return did not exceed their respective Morningstar category benchmark.

Benchmark data provided by Bloomberg Barclays, MSCI, Russell, FTSE, and S&P. Bloomberg Barclays data provided by Bloomberg. MSCI data © MSCI 2018, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices copyright 2018 FTSE Fixed Income LLC. All rights reserved. S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Benchmark indices are not available for direct investment. Their performance does not reflect the expenses associated with management of an actual portfolio.

US-domiciled mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Diversification neither assures a profit nor guarantees against a loss in a declining market. There is no guarantee investment strategies will be successful. Past performance is no guarantee of future results.