Pursuing a Better Investment Experience

Last updated: June 2, 2015

1. Let Markets Work For You

World Equity Trading in 2014

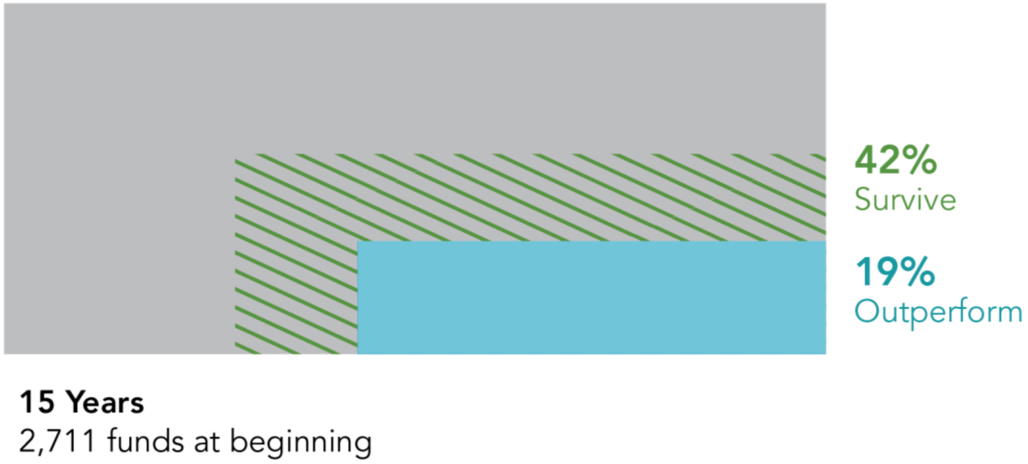
	Number of Trades	Sterling Volume
Daily Average	60 million	£194 billion

The market is an effective information-processing machine. Millions of participants buy and sell securities in the world markets every day, and the real-time information they bring helps set prices.

In GBP. Global electronic order book (largest 50 exchanges). Source: World Federation of Exchanges.

2. Investment Is Not Speculation

US Equity Mutual Fund Performance

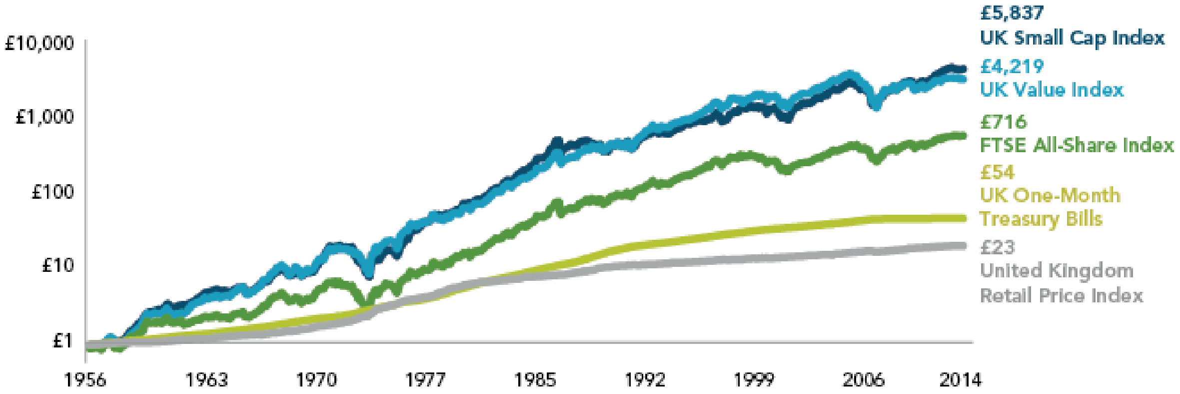


The market's pricing power works against fund managers who try to outsmart other market participants through stock picking or market timing. As evidence, only 19% of US equity mutual funds have survived and outperformed their benchmarks over the past 15 years. In addition, very few managers that do perform well repeat their performance in subsequent time periods. Studies of the European fund market find similar results.

Beginning sample includes US equity mutual funds as of the beginning of the 15-year period ending December 31, 2014. Survivors are funds that were still in existence as of December 31, 2014. Non-survivors include funds that were either liquidated or merged. Outperformers are funds that survived and beat their respective benchmarks over the period. Past performance is no guarantee of future results.
Data Source: The US Mutual Fund Landscape 2015, Dimensional Fund Advisors. US-domiciled mutual fund data is from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Benchmark data provided by MSCI, Russell, and S&P. MSCI data © MSCI 2015, all rights reserved. Russell data © Russell Investment Group 1995-2015, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. Benchmark indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Diversification neither assures a profit nor guarantees against a loss in a declining market.

3. Take a Long-Term Approach

Growth of a Pound, 1956–2014
(Compounded monthly)



The financial markets have rewarded long-term investors. People expect a positive return on the capital they invest and, historically, the equity and bond markets have provided growth of wealth that has more than offset inflation.

In GBP. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. For the 58 years from 1956 to 2014, the compound annual growth rate of return was 15.20% for the Value Index, 15.83% for the Small Cap Index, 11.79% for the Broad Market Index, 6.98% for T-bills, and 5.44% for Inflation (RPI). Value Index,1955–December 1993: data provided by the London Business School; 1994–present simulated by Dimensional from Bloomberg securities data. Small Cap Index,1970–June 1981: Hoare Govett Smaller Companies Index; July 1981–December 1993 simulated by Dimensional from StyleResearch securities data; 1994–present simulated by Dimensional from Bloomberg securities data. FTSE All-Share Index published with the permission of FTSE. T-bills, 1955–1974: UK Three-Month T-bills provided by the London Share Price Database; 1975–present: UK One-Month T-bills provided by the Financial Times. Inflation is the UK Retail Price Index provided by the Office for National Statistics. Past performance is not a guarantee of future results.

4. Consider the Drivers of Returns

Dimensions of Expected Returns

EQUITIES

Market
Equity premium—stocks vs. bonds

Company Size
Small cap premium—small vs. large companies

Relative Price
Value premium—value vs. growth companies

Profitability
Profitability premium—high vs. low profitability companies

FIXED INCOME

Term
Term premium—longer vs. shorter maturity bonds

Credit
Credit premium—lower vs. higher credit quality bonds

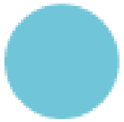
Academic research has identified these equity and fixed income dimensions, which point to differences in expected returns. These robust dimensions are pervasive across different markets and persistent across different time periods. They can also be pursued in cost-effective portfolios.

Diversification does not eliminate the risk of market loss. Relative price as measured by the price-to-book ratio; value stocks are those with lower price-to-book ratios. Profitability is a measure of current profitability, based on information from individual companies' income statements.

5. Practice Smart Diversification

FTSE All-Share Index (1988–2014)

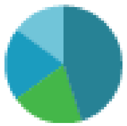
FTSE All-Share Index (gross of fees, GBP)



Annualised Return (%)	9.23
Annualised Standard Deviation (%)	14.42

Globally Diversified Portfolio (1988–2014)

100% Equity Model Portfolio (gross of fees, GBP)



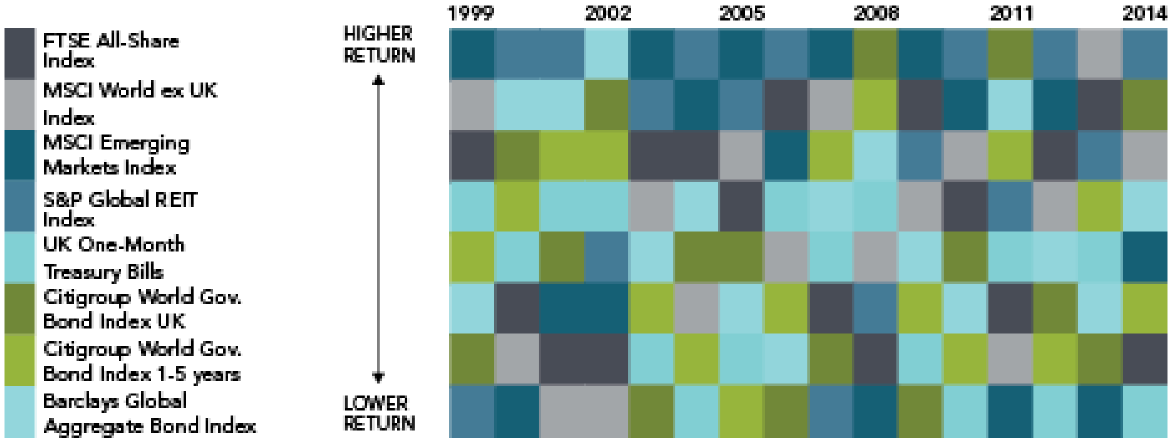
Annualised Return (%)	10.37
Annualised Standard Deviation (%)	16.12

Diversification helps reduce risks that have no return, but diversifying within your home markets is not enough. You should also use diversification to broaden your investment universe.

In British Pounds. Diversification neither ensures a profit nor guarantees against loss in a declining market. Portfolios are for illustrative purposes only. Globally Diversified Portfolio is gross of fees and is composed as follows: 45% MSCI World Index (gross div.), 20% Dimensional Global Large Value Index, 20% Dimensional Global Small Index, 15% MSCI Emerging Markets Index (gross div.). MSCI World Index, MSCI World Ex UK Index and MSCI Emerging Markets Index (gross dividends) copyright MSCI 2015, all rights reserved. Dimensional Global Large Value Index: January 1975-December 1993: Fama/French International Value Country Indices and Fama/French US Large Value Research Index combined using Market Cap Weights. January 1994 - Present: Compiled by Dimensional from Bloomberg securities data. The index consists of 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 emphasizes 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. Dimensional Global Small Index: July 1981-December 1993: Dimensional US Small Cap Index and Dimensional International Small Cap Index combined using small portfolio weights. Source: Compustat, Bloomberg, University of Chicago Center for Research in Security Prices. 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 amortization minus interest expense scaled by book. The Dimensional Global Large Value Index and the Dimensional Global Small Index exclude REITs and investment companies. Both indices has 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.Standard deviation is a statistical measure of risk. Generally speaking, the higher the standard deviation, the greater the risk. Date range selected for the model portfolios is the longest common time series of whole years of data available. Rebalanced annually. Not to be construed as investment advice. Returns of model portfolios are based on back-tested model allocation mixes designed with the benefit of hindsight and do not represent actual investment performance.

6. Avoid Market Timing

Annual Returns by Market Index

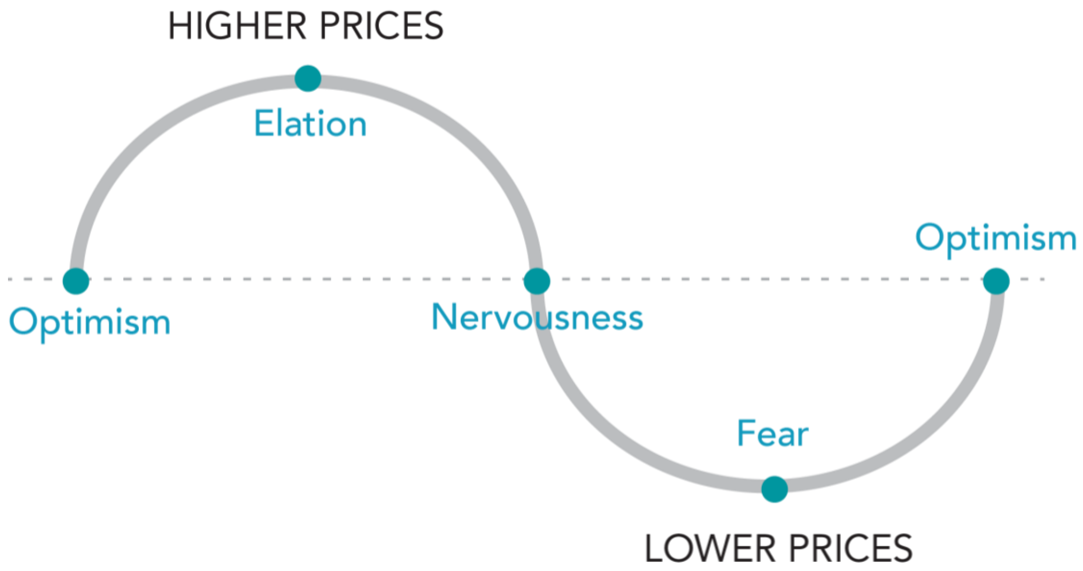


You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to capture returns wherever they occur.

In British Pounds. Chart is for illustrative purposes only. Index descriptions for asset groups: FTSE All-Share Index published with the permission of FTSE. Includes 98%-99% of the UK market capitalisation and is an aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap indices. FTSE™ is a trademark of the London Stock Exchange plc and the Financial Times Limited, and is used by the FTSE International Limited under licence. S&P Global REIT Index (gross dividends) provided by Standard & Poor's Index Services Group. UK One-Month Treasury Bills from January 1975-present: UK One-Month Treasury Bills provided by the Financial Times Limited. Citigroup World Government Bond Index UK is the Citigroup World Government Bond Index UK 1-30+ Years (Hedged), copyright by Citigroup. Citigroup World Government Bond Index 1-5 Years is the Citigroup World Government Bond Index 1-5 Years (Hedged to GBP), copyright by Citigroup. Barclays Global Aggregate Bond Index is the Barclays Global Aggregate Credit Index 1-5 Years (Hedged to GBP) provided by Barclays Bank PLC.

7. Manage Your Emotions

Reactive Investing in a Market Cycle



Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions at the worst times.

For illustrative purposes only.

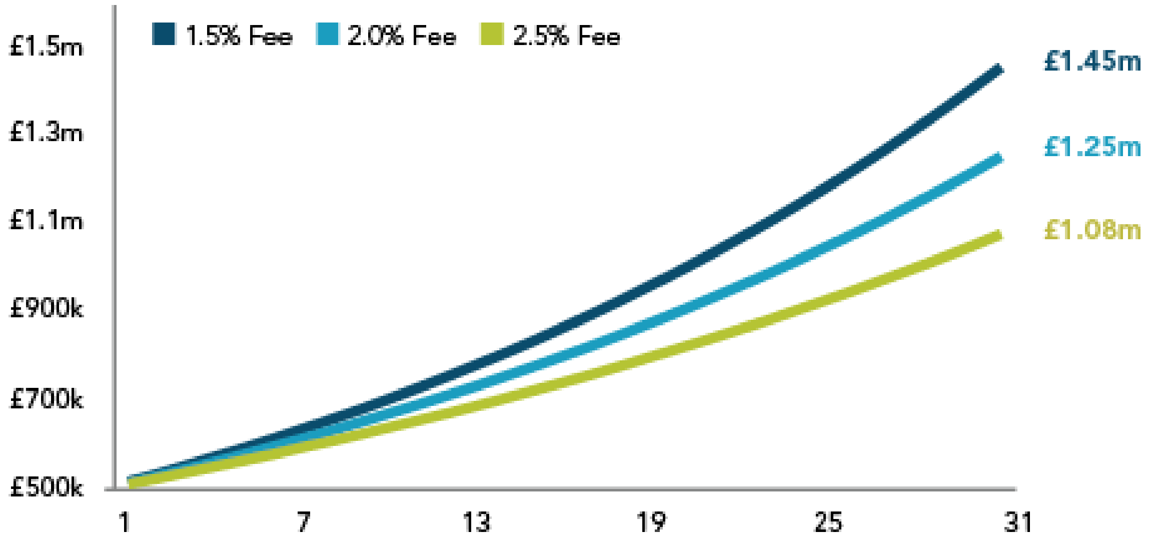
8. Look Beyond the Headlines

Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future while others tempt you with the promise of easy profits. If you are tempted, consider the source and learn to spot the difference between entertainment and real advice.

For illustrative purposes only.

9. Keep Costs Low

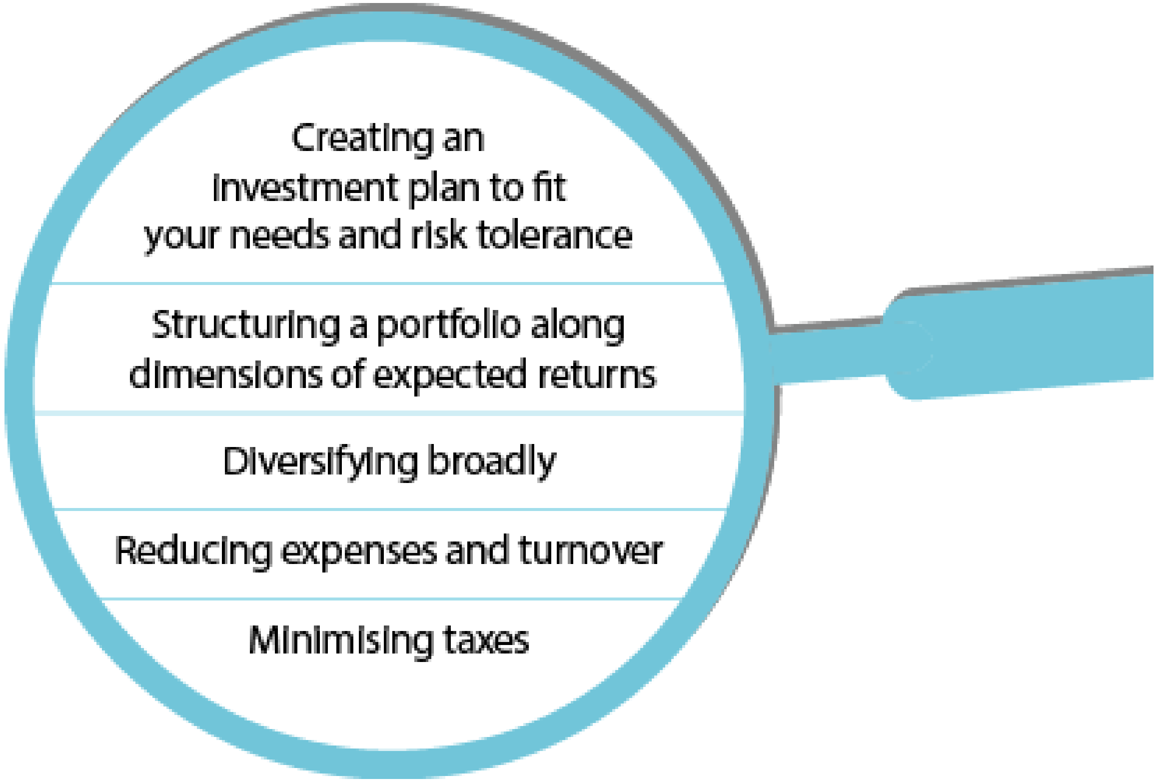
Net Growth of £500,000



Over long time periods, high costs such as management fees, fund expenses and taxes can drag on wealth accumulation in a portfolio. You should strive to incur only those costs that are unavoidable and those that add value to your investments.

For illustrative purposes only. Assumes 5% annualised return over 30 years.

10. Focus On What You Can Control



A financial adviser can create a plan tailored to your personal financial needs while helping you focus on actions that add value. This can lead to a better investment experience.

Diversification does not eliminate the risk of market loss. There is no guarantee investment strategies will be successful. For illustrative purposes only.