
PURSUING A BETTER INVESTMENT EXPERIENCE

Key Principles to Improve Your Odds of Success



*If you are a retail investor this document
has been provided to you by your financial
adviser, who can help explain its contents.*

1 EMBRACE MARKET PRICING

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.

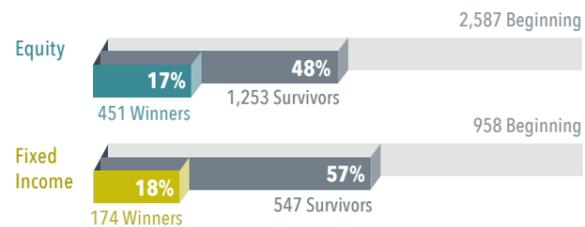
World Equity Trading in 2016 (daily average)



2 DON'T TRY TO OUTGUESS THE MARKET

The market's pricing power works against investment fund managers who try to outperform through stock picking or market timing. As evidence, only 17% of US equity mutual funds and 18% of US fixed income (bond) mutual funds have survived and outperformed their benchmarks over the past 15 years.

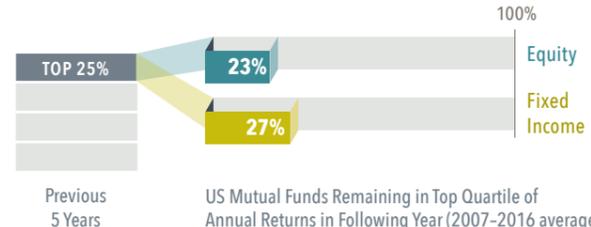
US Mutual Fund Performance, 2002-2016



3 RESIST CHASING PAST PERFORMANCE

Some investors select funds based on past returns. However, research shows that most US mutual funds in the top quartile (25%) of previous five-year returns did not maintain a top-quartile ranking for one-year returns in the following year. Past performance offers little insight into a fund's future returns.

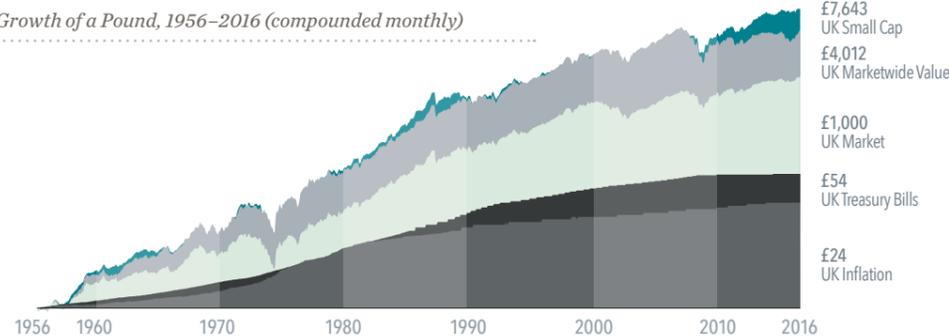
Percentage of Top-Ranked US Mutual Funds That Stayed on Top



4 LET MARKETS WORK FOR YOU

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

Growth of a Pound, 1956-2016 (compounded monthly)



5 CONSIDER THE DRIVERS OF RETURNS

Academic research has identified these equity and fixed income dimensions, which point to differences in expected returns. Investors can pursue higher expected returns by structuring their portfolio around these dimensions.

Dimensions of Expected Returns



6 PRACTICE SMART DIVERSIFICATION

Diversification helps reduce risks that have no expected return, but diversifying within your home market is not enough. Global diversification can broaden your investment universe.

Home Market Index Portfolio



Global Market Index Portfolio



7 AVOID MARKET TIMING

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

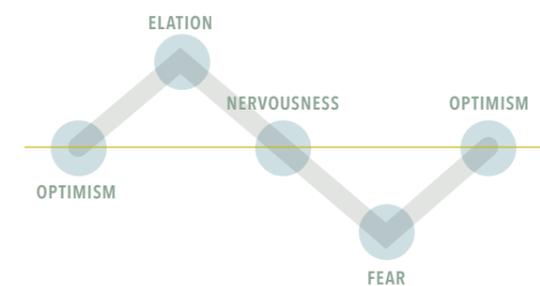
Annual Returns by Market Index



8 MANAGE YOUR EMOTIONS

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.

Avoid Reactive Investing



9 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 to chase the latest investment fad. When headlines unsettle you, consider the source and maintain a long-term perspective.



10 FOCUS ON WHAT YOU CAN CONTROL

A financial adviser can offer expertise and guidance to help you focus on actions that add value. This can lead to a better investment experience.

- Create an investment plan to fit your needs and risk tolerance
- Structure a portfolio along the dimensions of expected returns
- Diversify globally
- Manage expenses, turnover and taxes
- Stay disciplined through market dips and swings

1. Year-end WM/Reuter's London Close FX rates used to convert original US dollars data to British pound sterling.

Past performance is no guarantee of future results. Indices are not available for direct investment.

Index performance does not reflect the expenses associated with the management of an actual portfolio.

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

This information is for illustrative purposes only. See back page for additional exhibit information and important disclosures.

DISCLOSURES

Exhibit 1: In British pound sterling. Source: World Federation of Exchanges members, affiliates, correspondents and non-members. Trade data from the global electronic order book. Daily averages were computed using year-to-date totals as at 31 December 2016, divided by 250 as an approximate number of annual trading days.

Exhibit 2: The sample includes US mutual funds at the beginning of the 15-year period ending 31 December 2016. 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.

Exhibit 3: At the end of each year, funds are sorted within their category based on their five-year total return. US mutual funds in the top quartile (25%) of returns are evaluated again in the following year based on one-year performance in order to determine the percentage of funds that maintained a top-quartile ranking. The analysis is repeated each year from 2007–2016. The chart shows average persistence of top-quartile funds during the 10-year period.

Source (Exhibits 2 and 3): US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. Index funds and fund-of-funds are excluded from the sample. 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. 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. See Dimensional's "Mutual Fund Landscape 2017" for more detail. Benchmark data provided by Bloomberg Barclays, MSCI, Russell, Citigroup and S&P. Bloomberg Barclays data provided by Bloomberg. MSCI data © MSCI 2017, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Citi fixed income indices © 2017 by Citigroup. The S&P data is provided by Standard & Poor's Index Services Group.

Exhibit 4: In British pound sterling. UK Small Cap is the Dimensional UK Small Cap Index. UK Marketwide Value is the Dimensional UK Marketwide Value Index. UK Market is the Dimensional UK Market Index. UK Treasury Bills are UK One-Month Treasury Bills. UK Inflation is the UK Retail Price Index.

DIMENSIONAL UK SMALL CAP INDEX: January 1994–present: Compiled 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 for the Dimensional UK Small Cap Index was amended in January 2014 to include direct profitability as a factor in selecting securities for inclusion in the index. July 1981–December 1993: Includes securities in the bottom 10% of market capitalisation, excluding the bottom 1%. Rebalanced semiannually. Prior to July 1981: Elroy Dimson and Paul Marsh, Hoare Govett Smaller Companies Index 2009, ABN-AMRO/Royal Bank of Scotland, January 2009.

DIMENSIONAL UK MARKETWIDE VALUE INDEX: January 1994–present: Compiled 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 amortization 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 for the Dimensional UK Value Index was amended in January 2014 to include direct profitability as a factor in selecting securities for inclusion in the index. Prior to January 1994: Source: Dimson, Elroy, Stevan Nagel and Garrett Quigley. 2003. "Capturing the value premium in the UK", *Financial Analysts Journal* 2003, 59(6): 35–45. Created Returns, converted from GBP to USD using the WM/Reuters at 4 pm EST (closing spot), from PFFC exchange rate.

DIMENSIONAL UK MARKET INDEX: Compiled by Dimensional from Bloomberg securities data. Market capitalisation-weighted index of all securities in the United Kingdom. Exclusions: REITs and investment companies. The index has been retroactively calculated by Dimensional and did not exist prior to April 2008.

UK ONE-MONTH TREASURY BILLS: Provided by the Financial Times Limited. Prior to 1975: UK Three-Month Treasury Bills provided by the London Share Price Database.

UK RETAIL PRICE INDEX: Provided by the Office for National Statistics; Crown copyright material is reproduced with the permission of the Controller of HMSO.

Exhibit 5: Relative price is measured by the price-to-book ratio; value stocks are those with lower price-to-book ratios. Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book.

Exhibit 6: Number of holdings and countries for MSCI United Kingdom Investable Market Index (IMI) and MSCI ACWI (All Country World Index) Investable Market Index (IMI) as at 31 December 2016. MSCI data © MSCI 2017, all rights reserved. Indices are not available for direct investment. International investing involves special risks such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks.

Exhibit 7: In British pound sterling. UK Large and Mid Cap is the MSCI United Kingdom Index (gross dividends). UK Total Market is the MSCI United Kingdom IMI Index (gross dividends). Developed Markets ex UK is the MSCI World ex UK Index (gross dividends). Emerging Markets is the MSCI Emerging Markets Index (gross dividends). Global Real Estate is the S&P Global REIT Index (gross dividends). UK Treasury Bills are UK One-Month Treasury Bills. WGBI 30-Year UK Hedged is the Citi World Government Bond Index UK 1–30+ years (hedged to GBP). WGBI Five-Year Hedged is Citi World Government Bond Index 1–5 Years (hedged to GBP). Global Fixed Income Hedged is Bloomberg Barclays Global Aggregate Bond Index (hedged to GBP). MSCI data © MSCI 2017, all rights reserved. S&P data provided by Standard & Poor's Index Services Group. Prior to 1975: UK Three-Month Treasury Bills provided by the London Share Price Database; 1975–present: UK One-Month Treasury Bills provided by the *Financial Times*. Citi fixed income indices © 2017 by Citigroup. Data provided by Bloomberg.

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