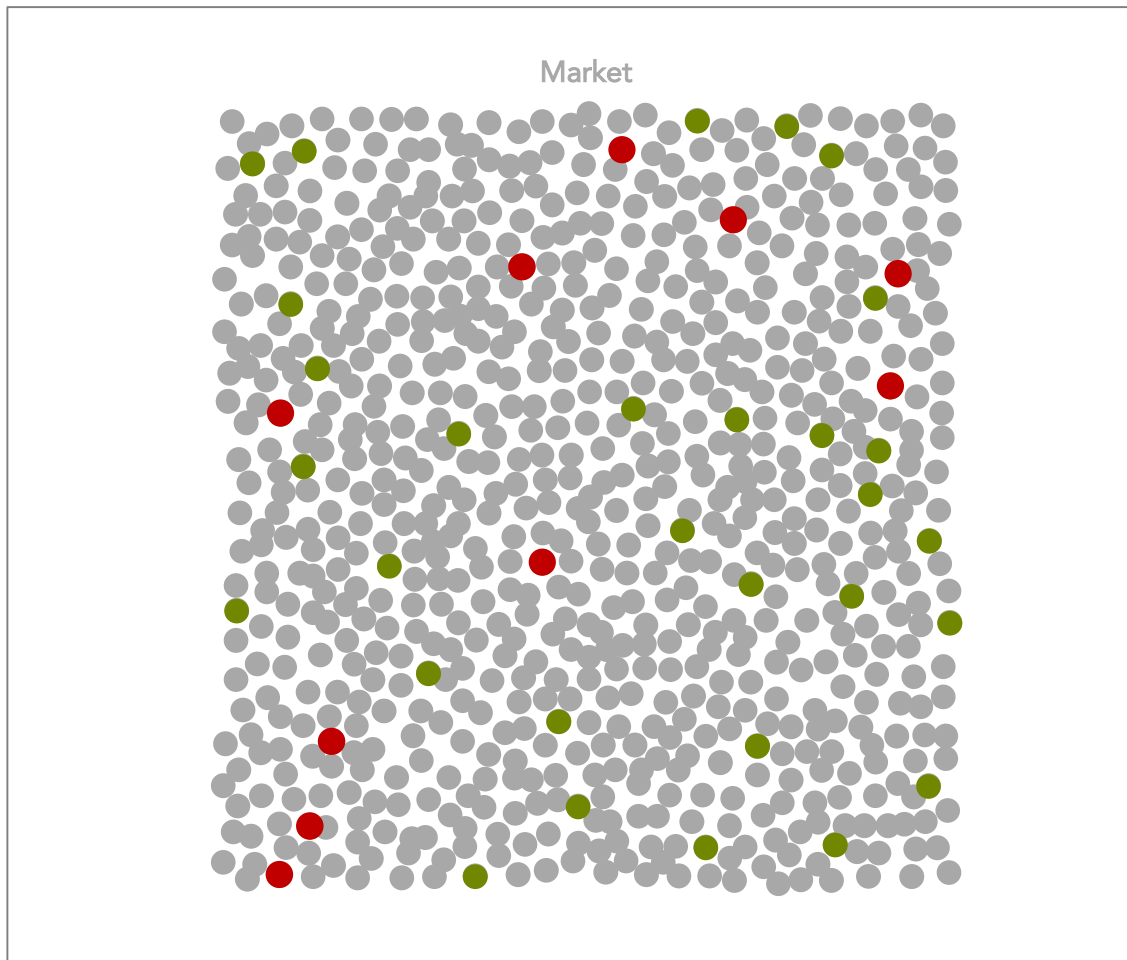




Conventional Management



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.



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



Conventional Investment Methods Have Low Odds of Success

Fraction of mutual funds that beat their benchmark for 15 years, ending December 31, 2016

Stocks
2,587 beginning funds



Bonds
958 beginning funds

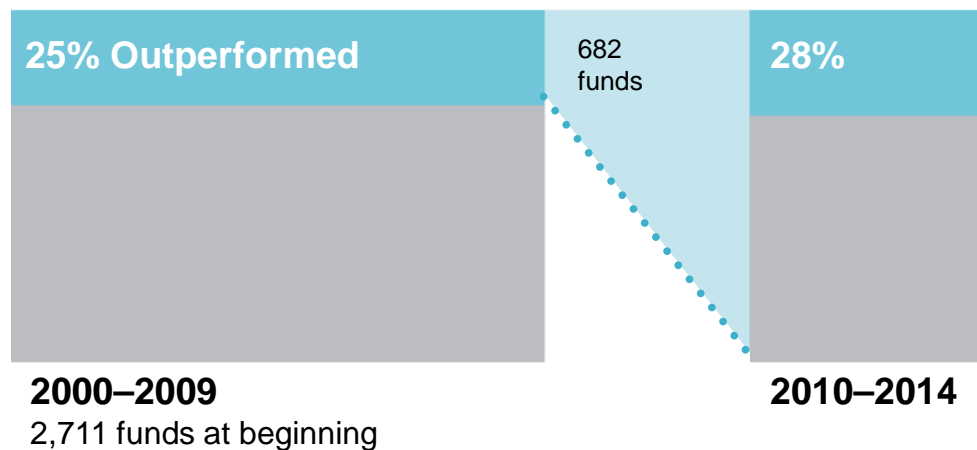


Past performance is no guarantee of future results.

Analysis performed by Dimensional Fund Advisors. Beginning sample includes US-domiciled funds as of the beginning of the 15-year period ending December 31, 2016. 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 mutual fund data is provided by Morningstar. See data appendix for more information.



Do Outperforming US Equity Mutual Funds persist?



Some investors select mutual funds based on past returns. However, funds that have outperformed in the past do not always persist as winners.

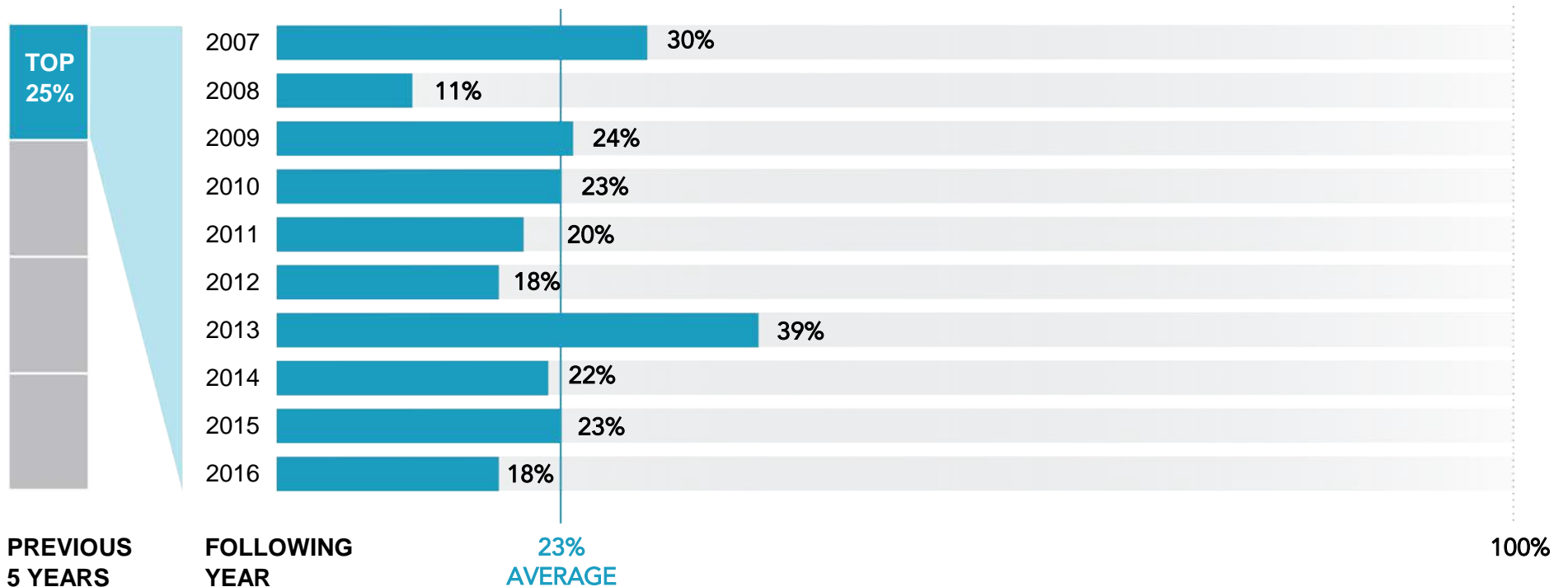
Past performance alone provides little insight into a fund's ability to outperform in the future.

The graph shows the proportion of US equity mutual funds that outperformed and underperformed their respective benchmarks (i.e., winners and losers) during the initial 10-year period ending December 31, 2009. Winning funds were re-evaluated in the subsequent five-year period from 2010 through 2014, with the graph showing winners (outperformers) and losers (underperformers). Fund count and percentages may not correspond due to rounding. **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.

Past Performance Is Not Enough to Predict Future Results

Percentage of top five-year performers that also ranked in the top quartile of annual performance in the following year

EQUITY FUNDS



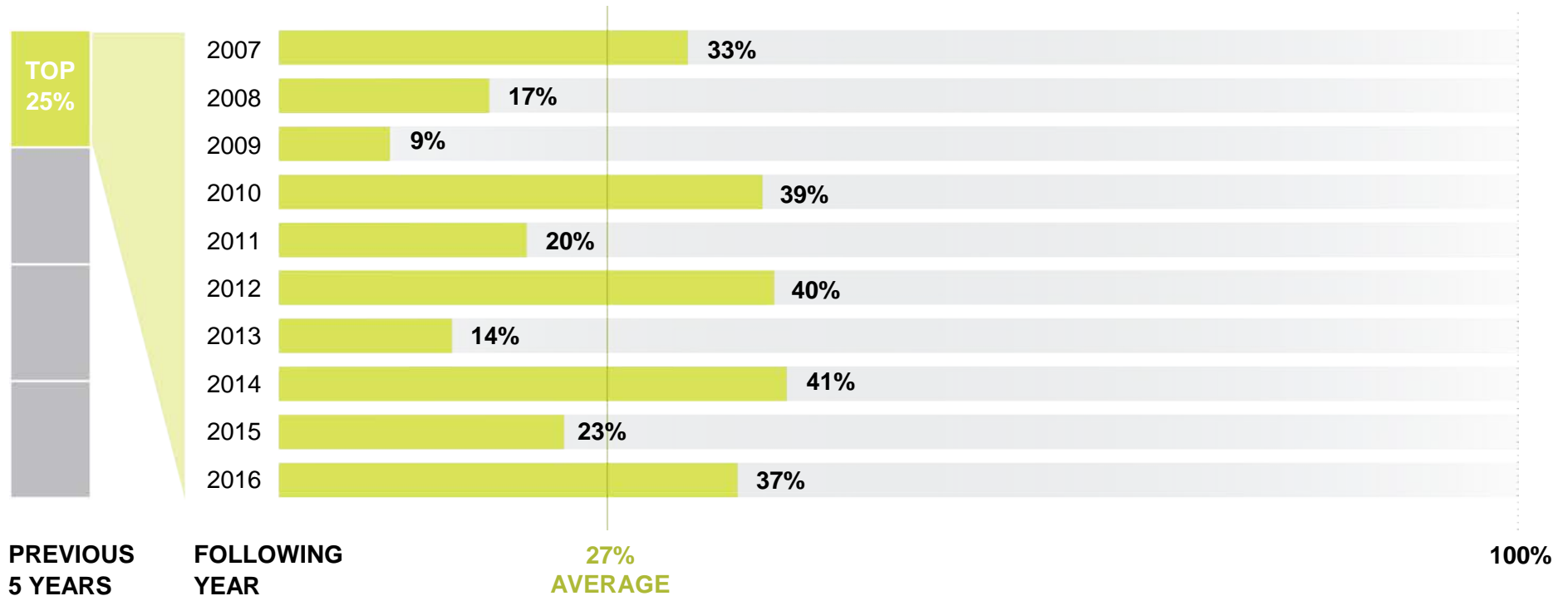
At the end of each year, funds are sorted within their category based on their five-year total return. The tables show the percentage of funds in the top quartile (25%) of five-year performance that ranked in the top quartile of one-year performance in the following year. Example: For 2007, only 30% of equity funds in the top quartile of previous five-year returns through the end of 2006 maintained a top-quartile ranking for one-year returns in 2007. US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. **Past performance is no guarantee of future results. See Data Appendix for more information.**



Past Performance Is Not Enough to Predict Future Results

Percentage of top five-year performers that also ranked in the top quartile of annual performance in the following year

FIXED INCOME FUNDS



At the end of each year, funds are sorted within their category based on their five-year total return. The tables show the percentage of funds in the top quartile (25%) of five-year performance that ranked in the top quartile of one-year performance in the following year. Example: For 2007, only 33% of fixed income funds in the top quartile of previous five-year returns through the end of 2006 maintained a top-quartile ranking for one-year returns in 2007. US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. **Past performance is no guarantee of future results. See Data Appendix for more information.**