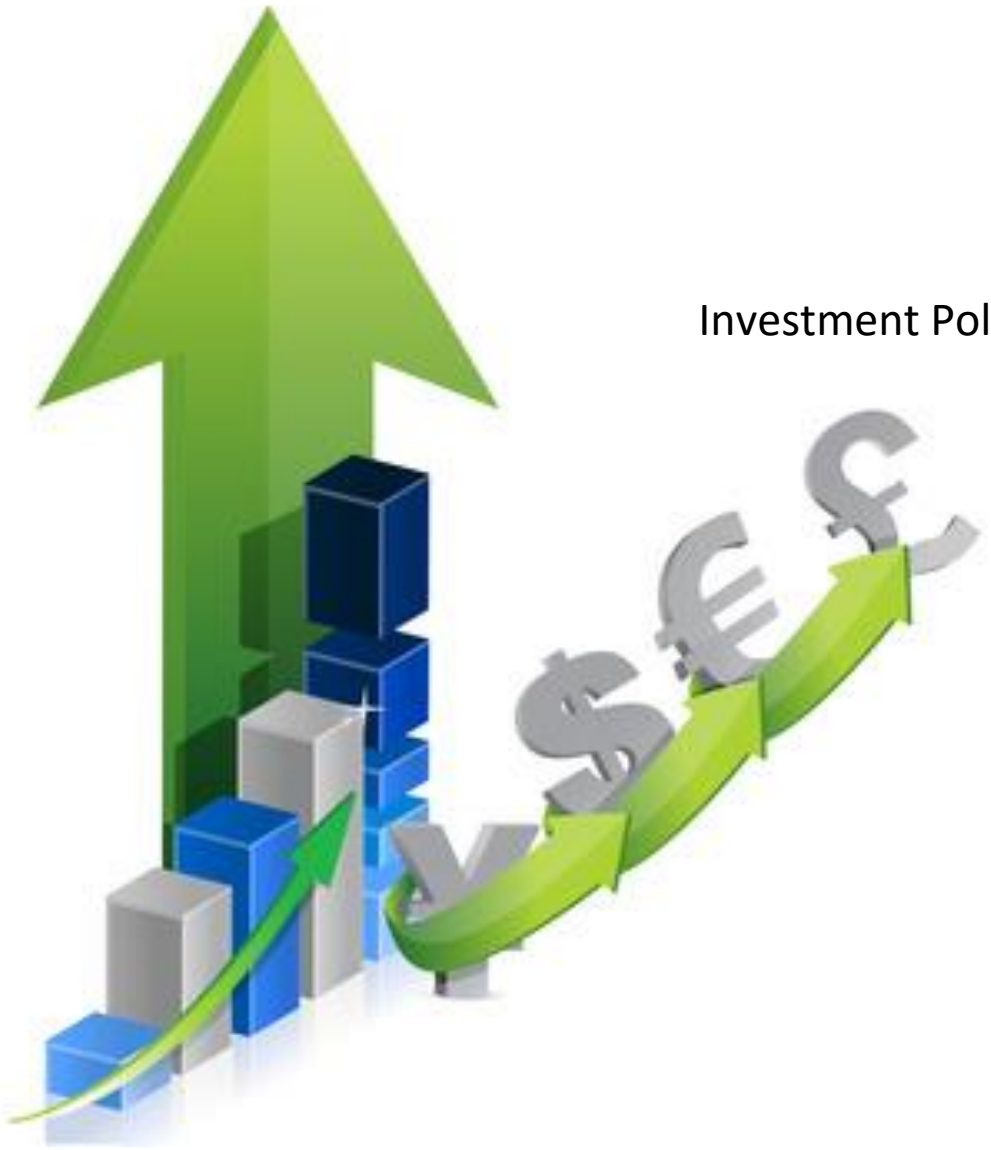
Consilium
Asset Management



Investment Policy Statement

August 2015

Contents

Introduction

The purpose of this Investment Policy Statement is to provide a comprehensive and detailed document of our investment philosophy, strategy, process and reasoning and will be referred to when any questions around investments arise.
This document explains what we will do with client money and why.

Investment Policy Committee

The information in this investment policy statement is a result of the research and due diligence carried out by our Investment Policy Committee. It meets regularly to ensure that information remains up to date and relevant.

Investment Philosophy

Outlined below are the main tenants of our investment philosophy. These help define any decisions we make regarding investment.

Capitalism Creates Wealth:

Capitalism underpins the world's economy and is overwhelmingly the most successful economic model that mankind has devised. The free market is a simple mechanism that brings together ideas for products and services, and the finance required to get them off the ground.

People who invest in an enterprise are taking a risk with their capital and are therefore entitled to share any financial rewards - just as they should accept any losses. The rules of this process are codified by formal capital markets and most investors participate through tightly regulated exchanges of shares and bonds.

Markets Price Assets Fairly:

Many thousands of people participate in capital markets around the world, making them highly competitive, highly efficient and highly effective at assessing large quantities of information.

Behind every security transaction are assessments of the relative trade-offs associated with investing such as the balance of risk and reward and of costs and returns. In most cases, a participant will only transact when they assess the benefits outweigh the costs or risks.

Since the market price of a security is the aggregate of all these decisions, we can say that the market price contains valuable information about people's expectations for that security and that changing security prices reflect people's changing expectations.

Unlike many people, we don't attempt to predict which individual stocks or countries or regions will perform best. Instead, we accept that the market, powered by the wealth-generating capability of capitalism, provides an adequate rate of return, and we pay very careful attention to portfolio construction and the day-to-day management of assets in order to make the most of that market return.

Portfolio Construction and Management:

Decades of academic research into the performance of shares have pinpointed certain information in market prices that explains why one stock performs differently to another. In practical terms, this means we can say that, on average:

- Smaller stocks perform better than larger stocks;
- Low-priced stocks perform better than high-priced stocks;
- Profitable companies perform better than unprofitable companies.

Similar research into bond markets suggests that the length of time to a bond's maturity and the credit quality of the bond's issuer, when analysed relative to the bond's market price, tell us much about future returns.

We use investment funds that exploit these characteristics to build clients' portfolios. Our aim is to achieve a higher return than the market average, without resorting to uncertain market predictions.

These portfolios form an important part of your financial plan and are the engine that powers the return you need to achieve your financial goals.

Diversification is Essential:

Diversification is the principle of spreading your investment risk around. This reduces the risk that any individual manager, security, sector or country can have on an individual portfolio. A well-diversified portfolio helps reduce uncertainty, helps to manage risk and can increase the reliability of investment outcomes. It also gives portfolio managers a high level of flexibility which can prove beneficial when they trade in the market.

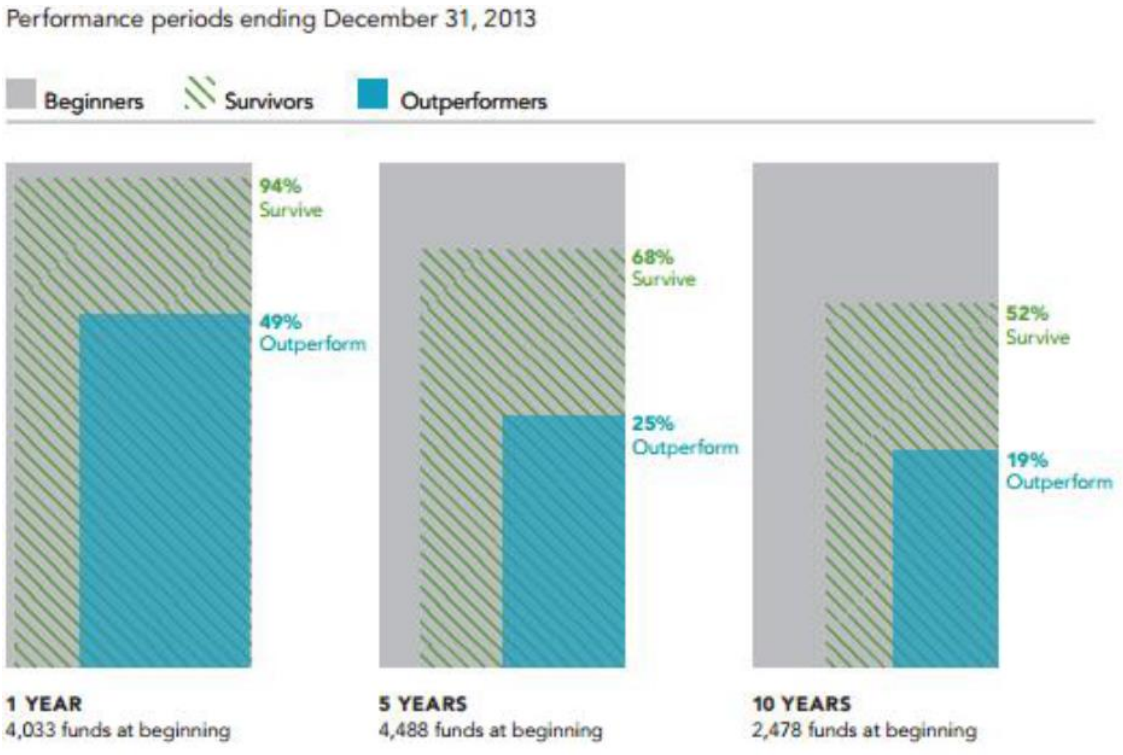
Some people approach achieving a diversified portfolio by buying the funds of many asset managers in each asset class. This approach helps reduce the manager-specific risk in the portfolio, but does not guarantee the diversification of securities in the portfolio because many of the stocks held by manager A will also be held by manager B, just in different proportions.

We manage assets to achieve genuine diversification across capital markets and target the specific risks investors face.

Investing, not speculating:

An active investor is sometimes thought of as one who attempts to beat the market average by making decisions about holding one investment over another.

There is considerable evidence that active managers, on average, fail to outperform their benchmarks. The exhibit below illustrates the findings of a study on the US fund market. It shows that only 19% of investment funds survive and outperform the market over a ten-year period.



Please see Data Sources and Descriptions of Data section for full details.

Similar studies of the European market find the same. Without prior knowledge of which funds will survive and outperform, investors have only a small chance of selecting successful funds.

Our investment approach means we are not making judgements on the relative merits of one investment, or manager, over another. We aim to beat the market average by avoiding costly mistakes and through careful portfolio construction and management.

Costs Matter:

Costs are one of the things that investors can control. They should, therefore, be carefully considered and only costs that are deemed worthwhile should be borne. All investment activity incurs costs. Some, such as management fees, platform charges and expense ratios, are easily observed; others, such as trading costs, are more difficult to measure.

The question is not whether investors must bear some costs, but whether the costs are reasonable and indicative of the value added by a fund manager's decisions. We carefully monitor costs and only expose investors to those we deem worthwhile.

As you can see in the table below, investment is not an enterprise where consumers' experience improves in line with the cost. The opposite is true, in fact, and the more you pay the worse the long-term return.

Winners and losers based on expense ratios (%)

Please see Data Sources and Descriptions of Data for Full details

Sources of Investment Returns

Investment Dimensions

As we explained earlier in the Investment Philosophy section, we believe certain observable characteristics in a stock price explain why it might perform the way it does.

Several of those characteristics are useful to investors because they are reliable over time and can be captured for higher investment returns. We call those particular characteristics, dimensions of expected return.

We consider a dimension to be a factor that explains differences in returns, demonstrates persistence through time and pervasiveness across markets, and is cost-effective to capture in diversified portfolios. These characteristics increase our confidence that returns observed in historical data may appear in the future. From capital markets research over the past 50 years, we have gained a powerful understanding of the dimensions that generate higher expected returns.

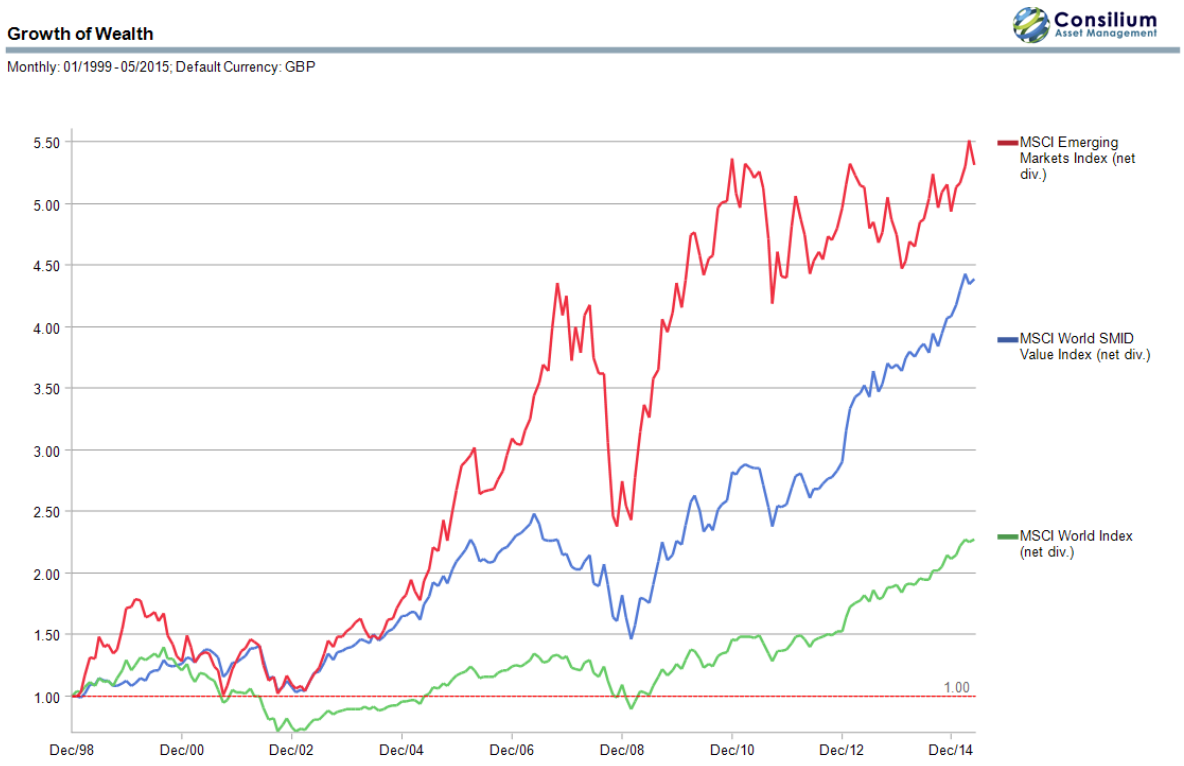
Much of what we have learned can be summarised in simple terms. First, stocks have higher expected returns than bonds. Relative performance among stocks largely depends on company size (small vs. large), relative price (value vs. growth), and profitability (high vs. low). When setting prices, markets effectively apply different discount rates to stocks to reflect differences in underlying risk. Company size, relative price, and profitability are variables—or dimensions—that allow us to identify differences in these discount rates.

In Fixed Income, two dimensions largely drive relative performance: term and credit. Longer-term bonds are more sensitive than shorter-term bonds to unexpected changes in interest rates. Bonds with lower credit quality have a greater risk of default than bonds with higher credit quality.

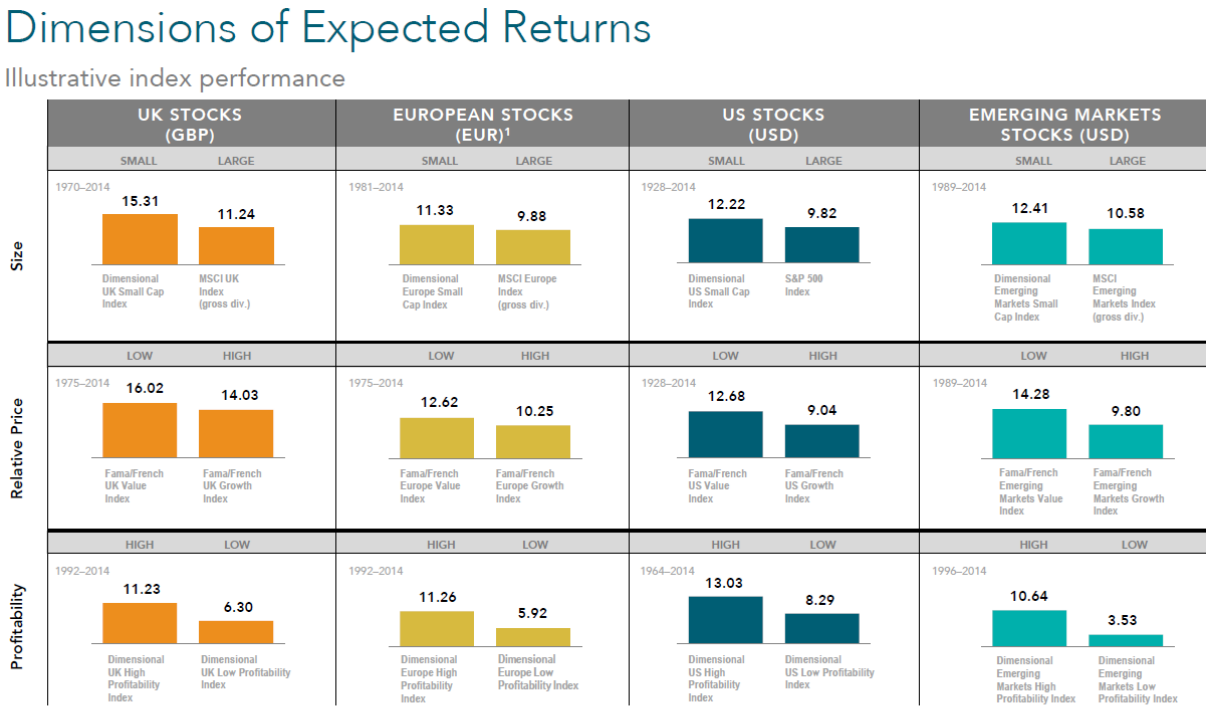
These ideas are backed by decades of academic research which in some cases has been recognized by the award of a Nobel Prize. Some of the significant academic research materials are studied by our investment committee and are referenced in this document.

The clearest evidence of the existence of these dimensions of return is in market performance and the charts below illustrate how, over time, these various portions of the market have performed.

Chart Showing Performance of Equity Asset Classes



Please see Index Descriptions for full details



Annualised compound returns (%) . Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book.
1. Pre-1999 returns calculated in DMY, post-1999 returns calculated in EUR.
Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. 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 "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data. The S&P data are provided by Standard & Poor's Index Services Group. MSCI data © MSCI 2015, all rights reserved.
Eugene Fama and Ken French are members of the Board of Directors for and provide consulting services to Dimensional Fund Advisors LP.

Please see Data Sources and Descriptions of Data section for full details

Chart showing performance of Fixed Income Asset Classes

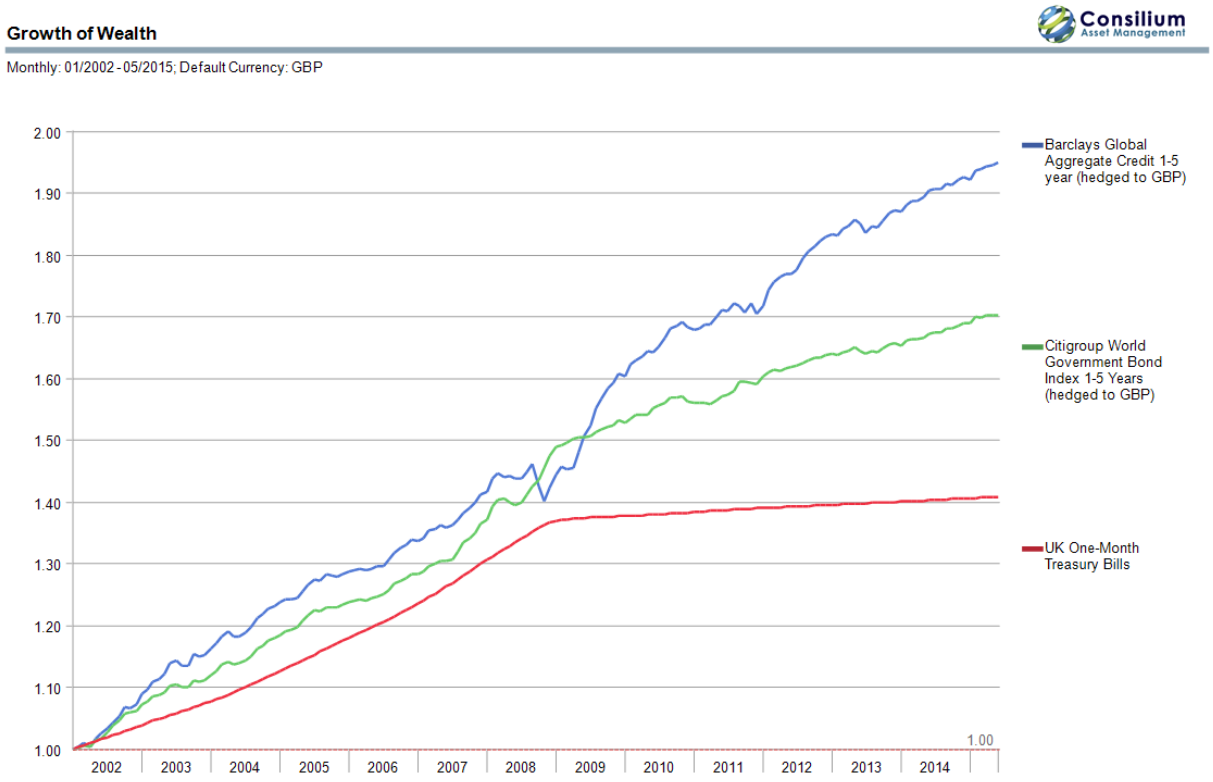
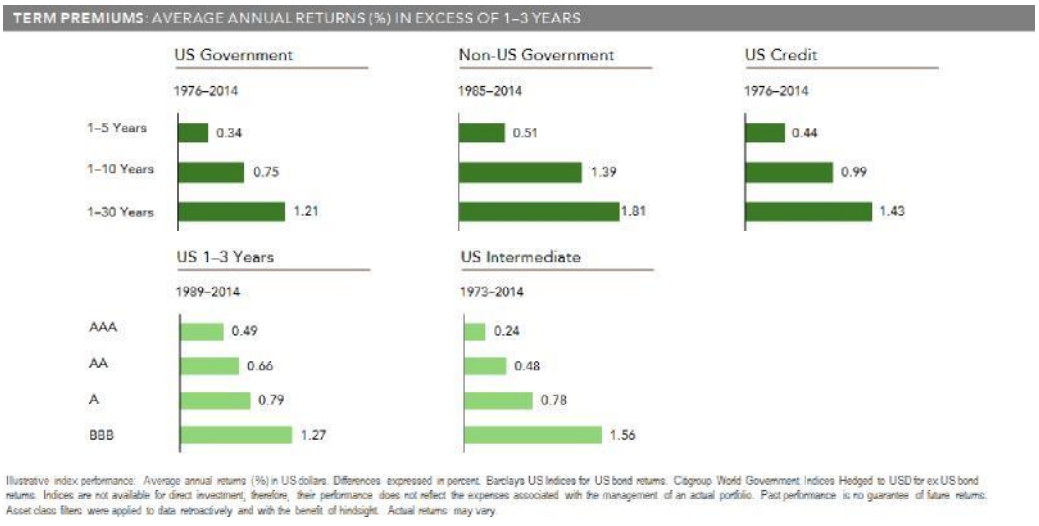


Chart Showing the Dimensions of Fixed Income Returns



Illustrative index performance. Average annual returns (%) in US dollars. Differences expressed in percent. Barclays US Indices for US bond returns. Citigroup World Government Indices Hedged to USD for ex US bond returns. Indices are not available for direct investment, therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future returns. Asset class filters were applied to data retroactively and with the benefit of hindsight. Actual returns may vary.

Please see Data Sources and Descriptions of Data section for full details.

By considering how much of each equity and fixed income dimension to target, investors can adjust the total expected return profile of their portfolios and more easily build a strategy to support their investment goals.

Structure is the Strategy

Successful investing means not only targeting dimensions that generate higher expected returns, but also managing risks that may needlessly compromise performance. Avoidable risks include holding too few securities, acting on market predictions in areas like interest rate movements, and relying solely on information from third-party analysts or rating services. To all these risks, diversification is an essential countermeasure. It lessens the impact of the random fortunes tied to individual securities and positions an investor to participate in the returns of broad economic forces.

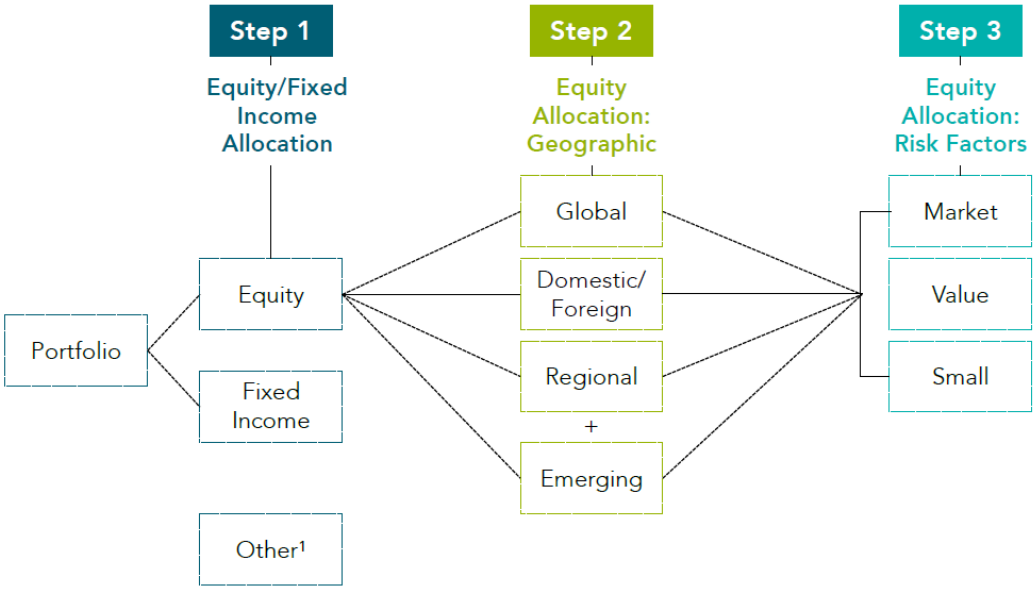
Traditionally, managers do one of two things: They focus on picking individual securities, or they attempt to mimic the performance of arbitrary benchmarks.

Here we design strategies based on research rather than speculation or the need to track commercial indices.

Portfolio Construction

Having identified the characteristics of the different asset classes, a suitable, robust framework needs to be used to combine them into model portfolios. Portfolios should be built around structure, disciple and diversification.

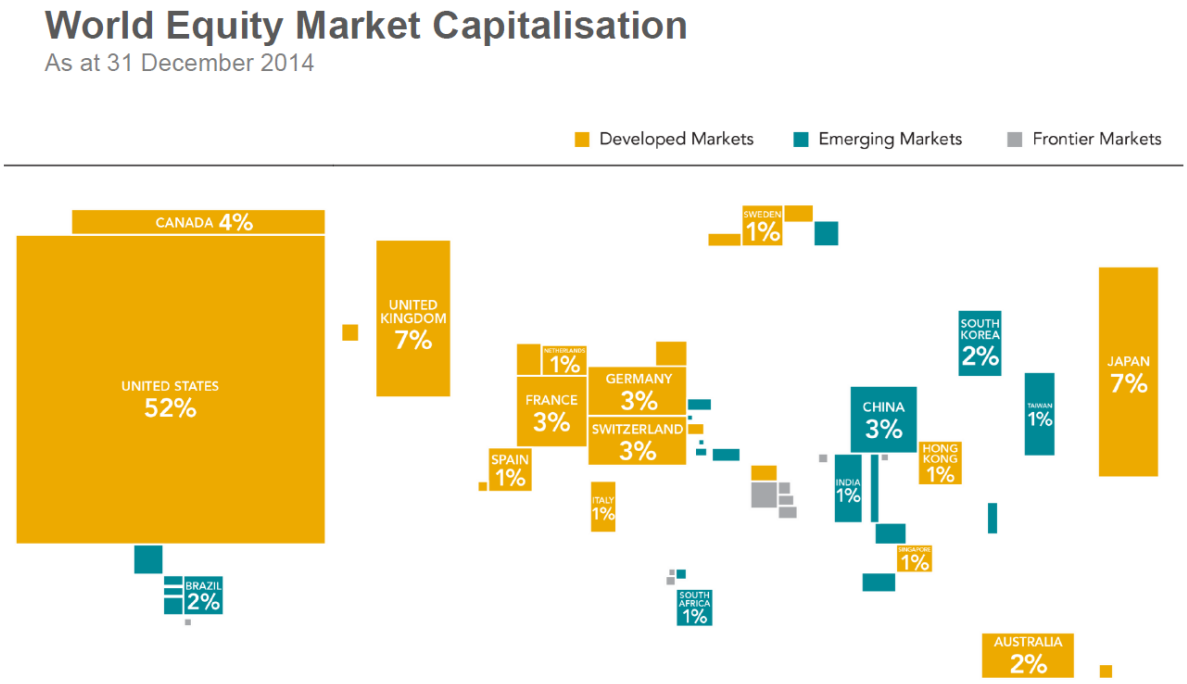
Model portfolios give us the ability to offer a number of different solutions to help achieve client objectives. It has been decided to use the following simple 3 step process –



Step 1 – Equity/Fixed Income Allocation – This is going to be the main driver of return between the portfolios. Consistently increasing the allocation to equities gives each of the portfolios a different set of characteristics. The number of portfolios aligns with the outputs from the risk profiling tool.

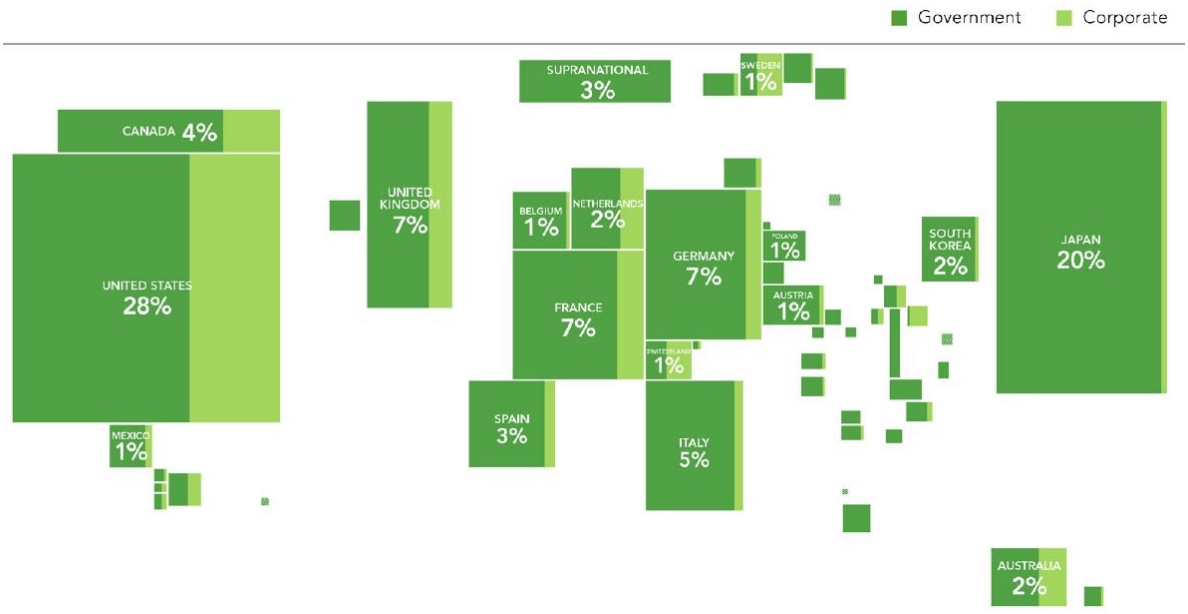
Step 2a –Geographic Allocation: Equities - There is a global opportunity set available for investment within equities. The academic standpoint would be to start with the entire world in its relative proportions and deviate away if necessary.

There's a World of Opportunity in Equities



Step 2b – Geographic Allocation: Fixed Income- This is the opportunity set, or geographic allocation, that the portfolio will invest in. Investors may look to use a global opportunity set, investing beyond just the local fixed income market.

There's a World of Opportunity in Fixed Income

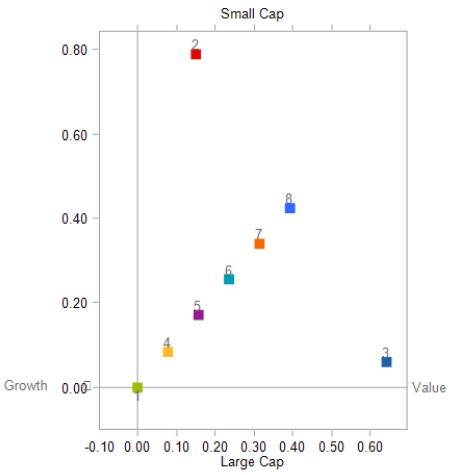


Step 3 – Equity Allocation: Dimensions of higher expected return– As the evidence has shown, there are higher expected returns associated with investing in small companies vs large companies and value companies vs growth companies. However, a decision needs to be made on how much to overweight to these parts of the market. Below is a 3-Factor Regression Model displaying the effect of overweighting these dimensions within a UK concentrated portfolio.

UK 3 Factor Regression Model

Regression Chart

Monthly: 07/1955 - 05/2015 Adjusted by: UKTBL; Default Currency: GBP



		UKSMB	UKHML	Adj R2	E(R)%	Symbol
1	FTSE All-Share Index	0.00	0.00	1.00	0.00	UKLGP
2	Dimensional UK Small Cap Index	0.79	0.15	0.94	3.53	UKSMI
3	Dimensional UK Value Index	0.06	0.64	0.92	3.39	UKV
4	80/10/10	0.09	0.08	1.00	0.69	
5	60/20/20	0.17	0.16	0.99	1.38	
6	40/30/30	0.26	0.24	0.98	2.07	
7	20/40/40	0.34	0.31	0.96	2.76	
8	0/50/50	0.43	0.39	0.94	3.45	

A shaded number indicates significant result (T-stat greater than 2.0)

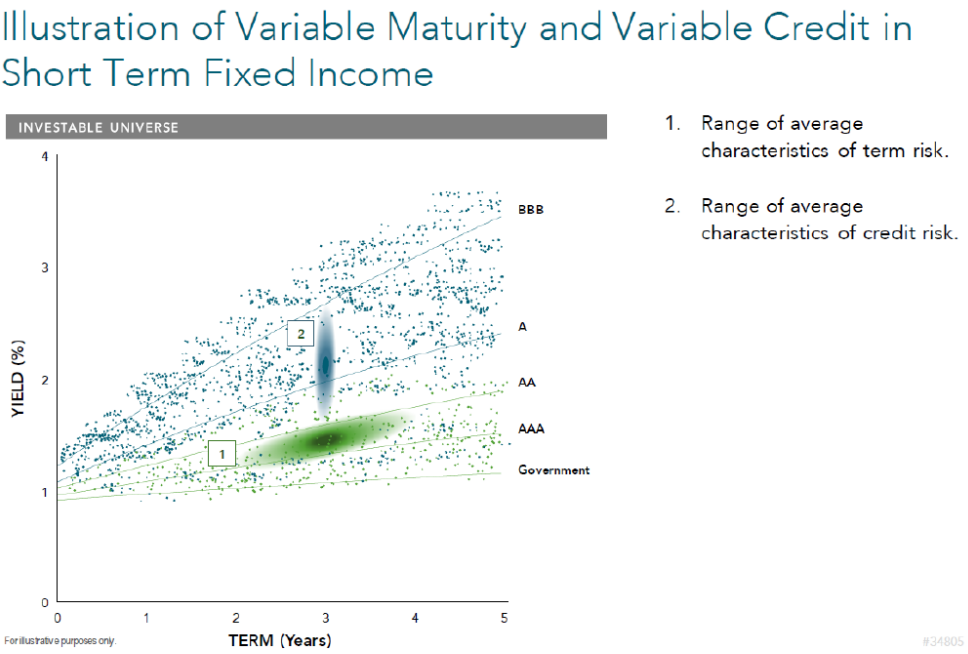
Please see Data Sources and Descriptions of Data section for full details.

Fixed Income Allocations

Fixed Income allocation: Dimensions of higher expected return – As the evidence has shown, there are two considerations when looking at fixed income, Term and Credit.

Exposure to the Term Premium – Consideration needs to be made to how much term premium the portfolio is going to be exposed to and also how long a duration this term exposure is going to have. This will need to align with the investor objectives

Exposure to the Credit Premium – Consideration needs to be made to how much credit exposure the portfolio is going to be exposed to. Portfolios can target the highest quality issues, the whole of the investment grade spectrum or even into junk bonds.



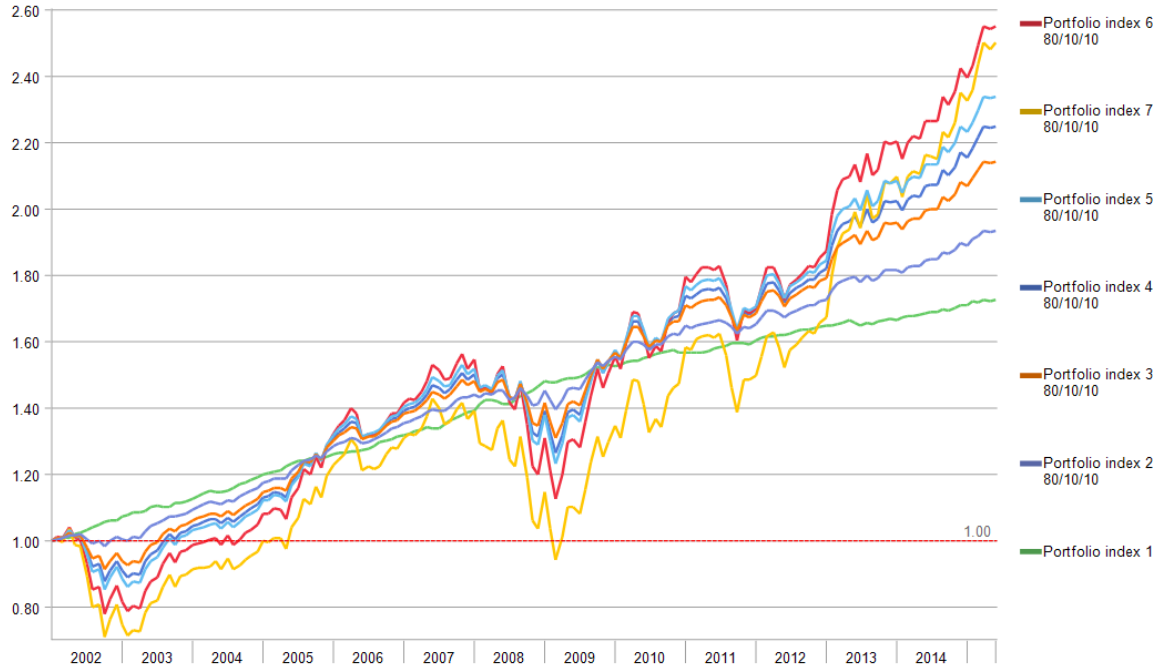
Using the above framework, it has been possible to create the set of model portfolios below:

Asset Class	Index	Portfolios						
		1	2	3	4	5	6	7
Global Market	MSCI Wld Index	0%	14%	28.2%	35.2%	40.2%	56.4%	68.4%
Global Small	MSCI Wld SMID Index	0%	1.8%	3.5%	4.4%	5.3%	7%	8.8%
Global Value	MSCI World SMID Index	0%	1.8%	3.5%	4.4%	5.3%	7%	8.8%
Emerging Markets	MSCI Emerging Markets Index	0%	2.4%	4.8%	6%	7.2%	9.6%	12%
Fixed Income	Citigroup World Gov.Bond Index	93%	74%	55%	45.5%	36%	17%	0%
Property	IA OE Property Index	5%	4%	3%	2.5%	2%	1%	0%
Cash	UK one Month T Bills	2%	2%	2%	2%	2%	2%	2%

Using these allocations we have also back tested the results, using data with the longest history we can find.

Growth of Wealth

Monthly: 01/2002 - 05/2015; Default Currency: GBP



Please see Index Description for Full details

Performance Summary Statistics

02/1991 - 05/2015; Default Currency: GBP

	Portfolio index 1	Portfolio index 2 80/10/10	Portfolio index 3 80/10/10	Portfolio index 4 80/10/10	Portfolio index 5 80/10/10	Portfolio index 6 80/10/10	Portfolio index 7 80/10/10
1-Year Total Return (%)	2.28	4.81	7.38	8.68	9.69	12.64	15.77
3-Year Annualized Return (%)	2.11	4.99	7.91	9.39	10.55	13.89	17.98
5-Year Annualized Return (%)	2.14	3.98	5.81	6.72	7.43	9.45	12.12
10-Year Annualized Return (%)	3.43	4.79	6.09	6.72	7.22	8.50	9.18
20-Year Annualized Return (%)	5.42	6.12	6.72	6.99	7.20	7.67	7.95
Annualized Return (%) 02/1991-05/2015	6.37	7.23	8.00	8.36	8.64	9.29	9.41
Annualized Standard Deviation (%) 02/1991-05/2015	1.67	3.45	6.32	7.82	9.05	12.41	14.64
Growth of Wealth 02/1991-05/2015	4.49	5.47	6.51	7.06	7.52	8.68	8.92
Lowest 1-Year Return (%)	0.21% (1/94-12/94)	-3.31% (3/08-2/09)	-10.13% (3/08-2/09)	-13.44% (3/08-2/09)	-16.04% (3/08-2/09)	-23.54% (4/02-3/03)	-29.98% (4/02-3/03)
Highest 1-Year Return (%)	15.53% (4/92-3/93)	24.21% (9/92-8/93)	34.22% (9/92-8/93)	39.47% (9/92-8/93)	43.83% (9/92-8/93)	56.14% (9/92-8/93)	64.60% (9/92-8/93)
Lowest 3-Year Annualized Return (%)	1.75% (9/10-8/13)	2.44% (3/06-2/09)	-2.00% (4/00-3/03)	-4.29% (4/00-3/03)	-6.06% (4/00-3/03)	-11.09% (4/00-3/03)	-15.33% (4/00-3/03)
Highest 3-Year Annualized Return (%)	13.77% (2/91-1/94)	16.72% (2/91-1/94)	19.58% (2/91-1/94)	20.98% (2/91-1/94)	22.18% (2/91-1/94)	25.07% (2/91-1/94)	23.61% (2/91-1/94)

Please see Index Description for full details

Whilst a specific portfolio might look like it has the correct characteristics for an individual investor, there are number of other considerations that need to be made when choosing the correct portfolios. These include –

1. Time Horizon and Liquidity Needs
2. Attitude to Risk
3. Net Worth
4. Income and Savings Rates
5. Investment Knowledge

Fund Selection

The above framework provides a set of allocations at an asset class level. The aim is to fill each one of those allocations with a fund that will best capture the returns of the asset class. We work closely with an asset manager, Dimensional Fund Advisors, that shares our investment philosophy and, through thoughtful portfolio design, construction and management seeks to outperform the market without attempting to outguess it.

Here are details of the funds we use and some of the techniques Dimensional Fund Advisor's use to enhance investment returns. Our portfolios are constructed as follows:

Asset Class	Live Fund	Portfolios						
		1	2	3	4	5	6	7
Fixed Income - Term	Dimensional Global Short-Dated Bond Fund	46.5%	37%	28.5%	22.75%	19%	8.5%	0%
Fixed Income - Credit	Dimensional Global Short-term Inv Grade Fixed Income	46.5%	37%	28.5%	22.75%	19%	8.5%	0%
Global Market	Dimensional Global Core	0%	14%	28.2%	35.2%	40.2%	56.4%	68.4%
Global Value and Global	Dimensional Global Targeted Value	0%	3.6%	7%	8.8%	10.6%	14%	17.6%
Emerging Markets	Dimensional Emerging Markets Core	0%	2.4%	4.8%	6%	7.2%	9.6%	12%
Property	L&G Property Feeder	5%	4%	3%	2.5%	2%	1%	0%
Cash	Cash Fund	2%	2%	2%	2%	2%	2%	2%

Equity

Security Diversification

Some people argue that a certain number of stocks is "enough"; that once a certain number of stocks is reached in a portfolio, the incremental benefit of adding more is negligible.

Our investment philosophy frees us to take a different approach to diversification. We seek to capture the performance of an entire asset class (such as small-cap stocks), rather than the performance of a single stock idea.

This means we want to own the entire asset class and aim to do this without punitive costs to the portfolio. When the asset class contains many thousands of stocks, our portfolios own many thousands of stocks.

We do, on occasion exclude certain securities from portfolios when we have good reason. Research shows that certain securities behave differently from the rest of the asset class. Companies that have recently 'gone public' are a good example of this.

Dimensional investing scientifically avoids investing in such stocks by enforcing portfolio exclusion rules. This process aims to keep the strategies precisely focused on the desired sources of return.

Asset Class Exclusions

- REIT's
- Investment Funds
- Highly Regulated Utilities (Value Strategies Only)

Pricing Exclusions

- Recent IPO
- Shares Classes with foreign restrictions or with significant premiums
- Extreme financial distress or bankruptcy
- Merger or target of acquisition

Trading Exclusions

- Exchange history
- Insufficient liquidity
- Limited operating history
- Insufficient float
- Listing requirements

Consistent Exposure to Asset Classes

We explained earlier how changing prices are a reflection of investors' changing expectations of future returns. This means that, minute-by-minute, it is possible to reassess a security's expected return by analysing its characteristics through its price. Our investment approach relies on capturing

the return of an asset class and in order to do this, we continually make small adjustments to portfolio holdings. For example, when a small company's price rises, it ceases to become a small company. We have identified a reliable and cost-effective mechanism for managing this.

Implementation: Trading

Since we are pursuing the systematic performance of broad market dimensions, we can regard securities with similar characteristics as close substitutes for one another.

This affords flexibility in what securities to trade and when to trade them, resulting in more negotiating power. Most market participants approach trading with urgency; they have to buy a particular security by a particular time. As a consequence, one of the three components of trading (price, quantity, time) must be sacrificed. By staying patient when others are compelled to buy and sell, Dimensional can keep costs low and seek to improve results. Dimensional's trading infrastructure, developed over more than three decades, enhances this opportunistic approach to trading.

Fixed Income

We mentioned in the Investment Philosophy section that financial economists have identified two factors that determine the expected returns of fixed income securities: credit and term. The credit (default) factor is a proxy for changes in economic conditions that change the likelihood of default, while the term factor is a proxy for unexpected changes in interest rates. Together, those two factors explain much of the common variation in the cross-section of bond returns.

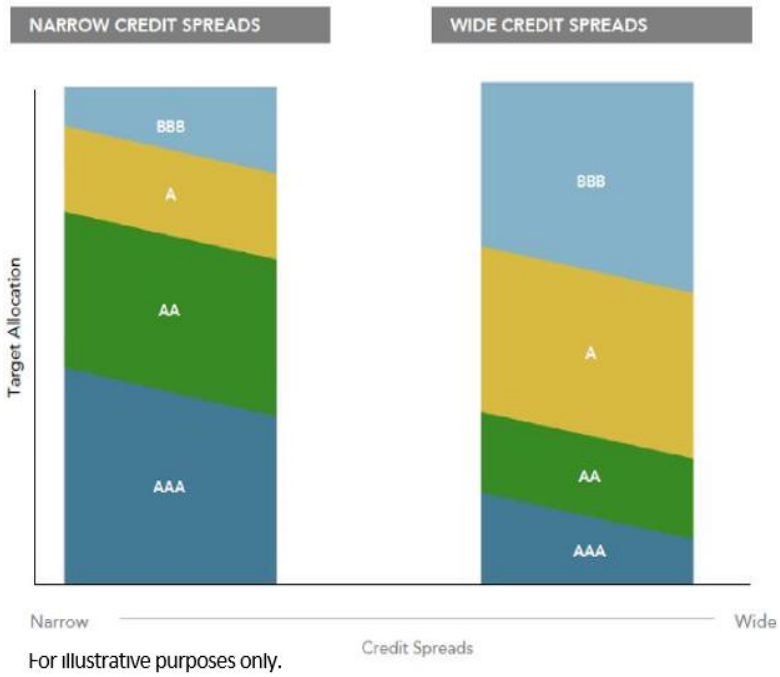
The challenge for investors is deciding how to structure their allocation to fixed income securities to target the credit and term factors in a cost-efficient way that adds value.

We think that the best way to achieve this is to use the information contained in market prices to determine how much credit or term risk one should take. Our fund manager has a dynamic approach to fixed income and varies funds' exposure to credit and term according to where the highest expected returns are. In order to broaden the potential for higher returns, it does this in geographically diverse portfolios.

Implementation: Variable Maturity and Variable Credit

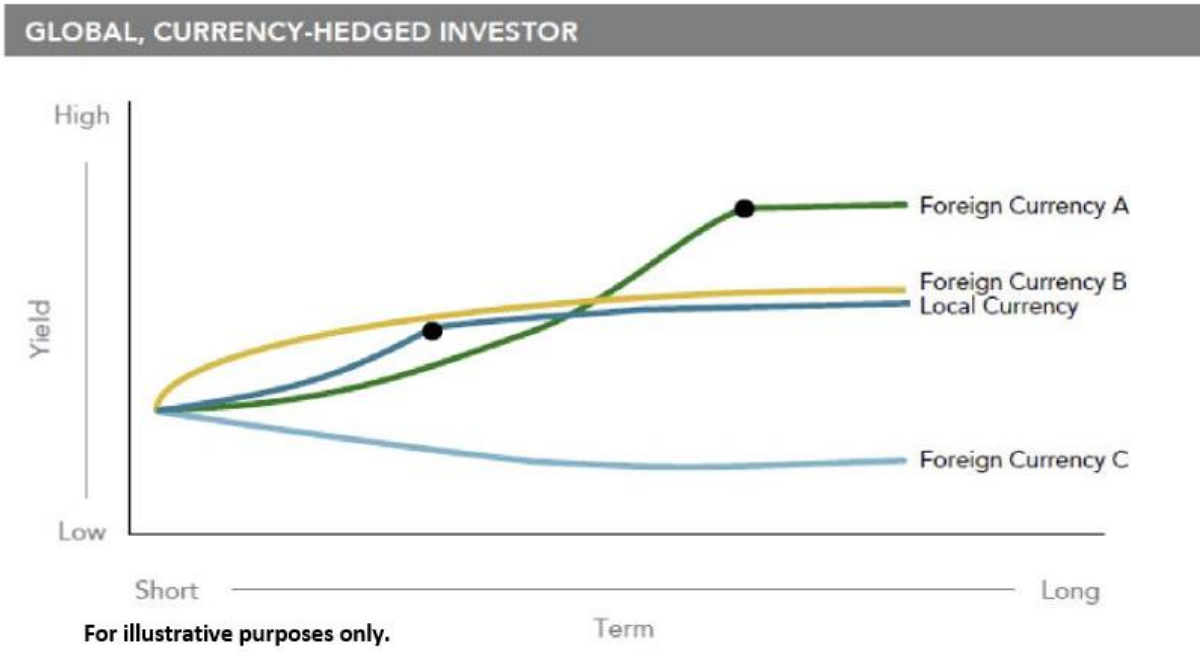
Research has shown that current forward rates contain reliable information about future term premiums. A variable maturity strategy seeks to invest at the steepest part of the yield curve and hold for the period that has the highest expected return. As an example, it might make sense to hold a bond for 6 months, buying at the steepest point and selling after 6 months, to then rebuy and repeat for another 6 months. This would be in contrast to holding a bond for 1 year.

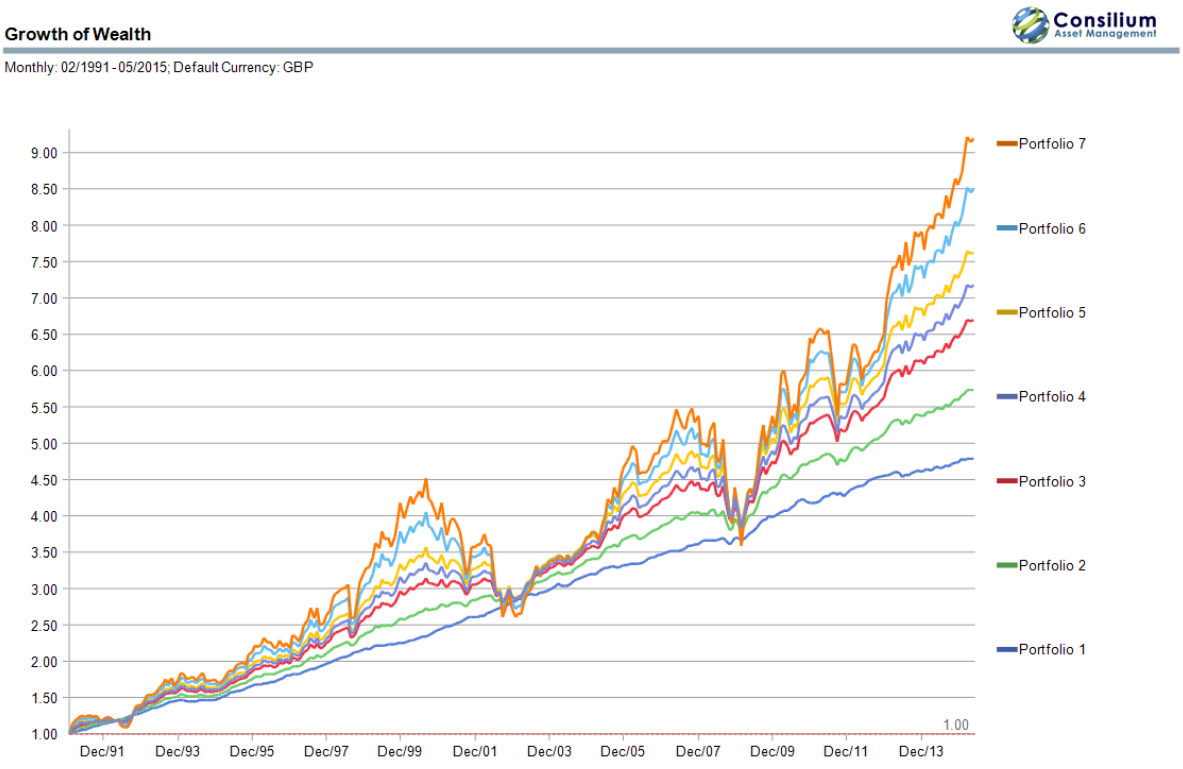
Similarly research has shown that when credit spreads widen, on average, investors are compensated for taking on more credit risk. Therefore, a variable credit strategy will seek to take credit exposure when credit spreads are wide, taking advantage of the higher expected returns.



For illustrative purposes only.

Global diversification is also important within fixed income portfolios, for a number of reasons. Firstly, diversification reduces idiosyncratic risk associated with holding an individual bond. Secondly, global fixed income markets are not perfectly correlated. Therefore, when rates fall in one country they may stay the same or rise in another. Added to that, yield curves and currency curves themselves have different shapes. As an example, whilst yield curves might be flat or inverted in one country, they may be steep in another. Importantly, it generally makes sense to hedge this currency risk back to the base currency to reduce volatility within fixed income.





Performance Summary Statistics

02/1991 - 05/2015; Default Currency: GBP

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 5	Portfolio 6	Portfolio 7	Portfolio 4
1-Year Total Return (%)	2.39	4.52	6.69	8.63	11.11	13.10	7.78
3-Year Annualized Return (%)	2.74	5.40	8.10	10.53	13.60	16.10	9.46
5-Year Annualized Return (%)	3.27	4.80	6.25	7.48	8.94	10.01	6.95
10-Year Annualized Return (%)	3.91	5.09	6.20	7.14	8.18	8.97	6.72
20-Year Annualized Return (%)	5.76	6.48	7.10	7.61	8.00	8.28	7.36
Annualized Return (%) 02/1991-05/2015	6.65	7.44	8.12	8.71	9.19	9.55	8.43
Annualized Standard Deviation (%) 02/1991-05/2015	1.99	3.73	6.48	9.20	12.39	15.11	7.93
Growth of Wealth 02/1991-05/2015	4.79	5.73	6.69	7.63	8.49	9.20	7.17
Lowest 1-Year Return (%)	-0.01% (3/08-2/09)	-6.25% (3/08-2/09)	-12.24% (3/08-2/09)	-17.42% (3/08-2/09)	-23.50% (3/08-2/09)	-29.52% (4/02-3/03)	-15.14% (3/08-2/09)
Highest 1-Year Return (%)	15.53% (4/92-3/93)	23.28% (9/92-8/93)	32.25% (9/92-8/93)	41.71% (9/92-8/93)	51.65% (9/92-8/93)	61.00% (9/92-8/93)	36.92% (9/92-8/93)
Lowest 3-Year Annualized Return (%)	2.71% (8/11-7/14)	0.65% (3/06-2/09)	-1.88% (3/06-2/09)	-5.49% (4/00-3/03)	-10.66% (4/00-3/03)	-14.76% (4/00-3/03)	-3.72% (4/00-3/03)
Highest 3-Year Annualized Return (%)	13.77% (2/91-1/94)	15.73% (2/91-1/94)	17.59% (2/91-1/94)	19.37% (2/91-1/94)	21.31% (1/97-12/99)	24.28% (1/97-12/99)	18.49% (2/91-1/94)

Practical Considerations

Portfolio Rebalancing

After careful consideration relating to the advantages and disadvantages of regular portfolio rebalancing. The Consilium Investment committee has decided to use providers and platforms that offer a fully automated rebalancing facility. After careful consideration of the data and academic material available, the committee decided that controlling risk within the relevant portfolios was a priority. Portfolios will therefore be rebalanced on a quarterly basis.

Risk Profiling Tool

The investment committee decided to carry out a review of the current risk profiling tool that was used within the practice and then compare it against alternative options. A “best of breed approach” was adopted within the practice to introduce a consistent process. A number of risk profiling tools were considered, including:

- Advisa Centa
- Distribution Technology
- Oxford Risk
- Fina Metrica

The committee felt that using a product provider’s risk profiling tool would not be seen as a best of breed approach and were therefore discounted. After careful consideration and due diligence that had been carried out it was decided that the Finametrica risk profiling tool would be implemented.

Cashflow Planning Tool

Consilium Asset Management has for some time used the Voyant Cash Flow Analysis software. The investment committee consider this a best of breed application and will continue to utilize its service.

Platforms

Consilium Asset Management conduct on an annual basis due diligence on the Platform Market. The analysis is carried out using the Adviser Asset software. Specific criteria has been used to analyse the most appropriate platform for its clients. A copy of this analysis is available on request. The Zurich Intermediary platform has been chosen as its preferred platform. The following criteria was used:

- Financial Strength of the Platform provider.

- Platform costs and charges. The ability to aggregate assets for family members to obtain a reduced platform charge
- The use of technology to help the client experience
- Prefunding of fund switches and sales
- The depth and breadth of funds available including Ethical Investment Funds
- The ability to offer automated portfolio rebalancing

Investor Protection

A review of Investor protection has been carried out and is documented. A copy of this document is available on request.

UK Reporting Fund Status

A review of the UK reporting fund status was carried out. The conclusion was that the majority of Consilium's client's would not be affected by this.

Monitoring Fund Performance vs Benchmarks

A review of the portfolios is carried out on an annual basis. The portfolios are back tested and compared against their relevant benchmarks. This will ensure that portfolio risk and appropriateness of the assets within each portfolio is maintained.

Data Sources and Descriptions of Data

P6 - Survivorship and Outperformance Chart

Beginning sample includes funds as of the beginning of the one-, five-, and 10-year periods ending in 2013. The number of beginners is indicated below the period label. Survivors are funds that were still in existence as of December 2013. Non-survivors include funds that were either liquidated or merged. Outperformers (winners) are funds that survived and beat their respective benchmarks over the period. **Past performance is no guarantee of future results.** 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.

P7 - High Costs Make Outperformance Difficult

The sample includes funds at the beginning of the one-, five-, and 10-year periods ending in 2013. Funds are ranked by quartiles based on average expense ratio over the sample period, and performance is compared to their respective benchmarks. The chart shows the proportion of winner and loser funds within each expense ratio quartile. Past performance is no guarantee of future results. 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.

P9 - Chart Showing the Dimensions of Equity Returns

Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book.

1. Pre-1999 returns calculated in DMY, post-1999 returns calculated in EUR.
Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. 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 “Index Descriptions” in the appendix for descriptions of Dimensional and Fama/French index data. The S&P data are provided by Standard & Poor’s Index Services Group. MSCI data © MSCI 2014, all rights reserved. Eugene Fama and Ken French are members of the Board of Directors for and provide consulting services to Dimensional Fund Advisors LP.

P10 - Chart Showing Dimensions of Fixed Income Returns

Illustrative index performance: Average annual returns (%) in US dollars. Differences expressed in percent. Barclays US Indices for US bond returns. Citigroup World Government Indices Hedged to USD for ex US bond returns. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future returns. Asset class filters were applied to data retroactively and with the benefit of hindsight. Actual returns may vary.

P12 – There's a World of Opportunity in Equities

Market cap data is free-float adjusted from Bloomberg securities data. Many nations not displayed. Total may not equal 100% due to rounding. For educational purposes; should not be used as investment advice.
China market capitalization excludes A-shares, which are generally only available to mainland China investors.

P12 – There's a World of Opportunity in Fixed Income

Market cap data is from Barclays Global Aggregate Ex-Securitized Bond Index. Many nations not displayed. Total may not equal 100% due to rounding.
For educational purposes; should not be used as investment advice. Barclays data provided by Barclays Bank PLC.

P13 – UK 3-Factor Regression Model

* Expected return above market is calculated from historical 3-factor premia.
Source: FTSE data published with the permission of FTSE. Dimensional index data compiled by Dimensional from StyleResearch and Bloomberg securities data; not available for direct investment.

Index Descriptions

UK One-Month Treasury Bills - August 2004 - present: UK One-Month Treasury Bills Source: UK Debt Management Office. January 1975-July 2004: UK One-Month Treasury Bills Source: Datastream, from the Financial Times. January 1955 - December 1974, UK Three-Month T-Bills Source: LSPD

MSCI World Index (Net Div.) - Total returns net dividends in USD January 1970 - Present: MSCI World Index (Net Div.)Source: MSCI Currency: GBP MSCI data copyright MSCI 2013, all rights reserved.

Dimensional Global Small Index - January 1970-June 1981: 50% Dimensional US Small Cap Index, 50% Dimensional International Small Cap Index July 1981-December 1993: Dimensional US Small Cap Index and Dimensional International Small Cap Index combined using Small Portfolio Weights. January 1994 - Present: Dimensional Global Small Index Composition: Market-capitalization-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 index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of each quarter of the year. Countries currently included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Israel, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland, Sweden, United Kingdom, United States. Exclusions: REITs and Investment Companies Source: Bloomberg The Dimensional Global Small Index has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to April 2008. Accordingly, the results shown during the periods prior to April 2008 do not represent actual returns of the Index. 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. The Index is unmanaged and is not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Past performance is no guarantee of future results. The calculation methodology for the Dimensional Global Small Index was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index. Currency: GBP Dimensional Index data compiled by Dimensional.

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: Dimensional Global Large Value Index Composition: 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 capitalization, 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 amortization minus interest expense scaled by book. The index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of each quarter of the year. Countries currently included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Israel, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland, Sweden, United Kingdom, United States. Exclusions: REITs and Investment
Companies Source: Bloomberg The Dimensional Global Large Value Index has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to April 2008. Accordingly, the results shown during the periods prior to April 2008 do not represent actual returns of the Index. 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. The Index is unmanaged and is not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Past performance is no guarantee of future results. The calculation methodology for the Dimensional Global Large Value Index was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index. Currency: GBP Dimensional Index data compiled by Dimensional.

MSCI Emerging Markets Index (Net Div.) - Source: MSCI January 1988 - present: MSCI Emerging Markets Index (Net Div.) (formerly MSCI Emerging Markets Free Index Net Div) Total returns net dividends in USD Currency: GBPMSCI data copyright MSCI 2013, all rights reserved.

Dimensional UK Small Cap Index was created by Dimensional in April 2008 and is compiled by Dimensional. January 1970–June 1981: Elroy Dimson and Paul Marsh, Hoare Govett Smaller Companies Index. July 1981–December 1993: it includes UK securities in the bottom 10% of market capitalization, excluding the bottom 1%. All securities are market capitalization weighted. Rebalanced semiannually. January 1994–Present: Market-capitalization-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 index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of a different quarter of the year. Exclusions: REITs and Investment Companies. The calculation methodology for the Dimensional UK Small Cap Index was amended on January 1, 2014, to include direct profitability as a factor in selecting securities for inclusion in the index. Source: Bloomberg, LSPD

Dimensional UK Low Profitability Index was created by Dimensional in January 2013 and represents an index consisting of UK companies. It is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization of each eligible country. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three low-profitability subgroups. The index is rebalanced twice per year. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Source: Bloomberg

Dimensional UK High Profitability Index was created by Dimensional in January 2013 and represents an index consisting of UK companies. It is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization of each eligible country. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three high-profitability subgroups. The index is rebalanced twice per year. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Source: Bloomberg

Dimensional Europe Small Cap Index was created by Dimensional in April 2008 and is compiled by Dimensional. January 1981–December 1993: Dimensional Europe ex UK Small Cap Index and Dimensional UK Small Cap Index combined using small portfolio weights. It includes European securities in the bottom 10% of market capitalization, excluding the bottom 1%. All securities aremarket capitalization weighted. Rebalanced semiannually. January 1994–Present: Dimensional Europe Small Index Composition. Market-capitalization-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 index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of a different quarter of the year. Countries currently included are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Switzerland, Sweden, United Kingdom. Exclusions: REITs and Investment Companies. The calculation methodology for the Dimensional Europe Small Cap Index was amended on January 1, 2014, to include direct profitability as a factor in selecting securities for inclusion in the index. Source: Bloomberg

Dimensional Europe Low Profitability Index was created by Dimensional in January 2014 and represents an index consisting currently of companies in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Switzerland, Sweden, United Kingdom. It is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization of each eligible country. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three low-profitability subgroups. The index is rebalanced twice per year. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Source: Bloomberg

Dimensional Europe High Profitability Index was created by Dimensional in January 2014 and represents an index consisting currently of companies in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Switzerland, Sweden, United Kingdom. It is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization of each eligible country. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three high-profitability subgroups. The index is rebalanced twice per year. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Source: Bloomberg

Dimensional US Small Cap Index was created by Dimensional in March 2007 and is compiled by Dimensional. It represents a market-capitalization-weighted index of securities of the smallest US companies whose market capitalization falls in the lowest 8% of the total market capitalization of the Eligible Market. The Eligible Market is composed of securities of US companies traded on the NYSE, NYSE MKT (formerly AMEX), and Nasdaq Global Market. Exclusions: Non-US companies, REITs, UITs,

and Investment Companies. From January 1975 to the present, the index also excludes companies 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. Source: CRSP and Compustat. The index monthly returns are computed as the simple average of the monthly returns of 12 sub-indices, each one reconstituted once a year at the end of a different month of the year. The calculation methodology for the Dimensional US Small Cap Index was amended on January 1, 2014, to include direct profitability as a factor in selecting securities for inclusion in the index.

Dimensional US High Profitability Index was created by Dimensional in January 2014 and represents an index consisting of US companies. It is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three high-profitability subgroups. It is rebalanced twice per year. Profitability is measured as Operating Income before Depreciation and Amortization minus Interest Expense scaled by Book. Source: CRSP and Compustat

Dimensional US Low Profitability Index was created by Dimensional in January 2014 and represents an index consisting of US companies. It is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three low-profitability subgroups. It is rebalanced twice per year. Profitability is measured as Operating Income before Depreciation and Amortization minus Interest Expense scaled by Book. Source: CRSP and Compustat

Dimensional Emerging Markets Small Cap Index was created by Dimensional in April 2008 and is compiled by Dimensional. January 1989 - December 1993: Fama/French Emerging Markets Small Cap Index. January 1994 - Present: Dimensional Emerging Markets Small Index Composition: Market-capitalization-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 index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of a different quarter of the year.

The calculation methodology for the Dimensional Emerging Markets Small Cap Index was amended on January 1, 2014, to include direct profitability as a factor in selecting securities for inclusion in the index. Source: Bloomberg.

Dimensional Emerging Markets Low Profitability Index was created by Dimensional in April 2013 and represents an index consisting of emerging markets companies and is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization of each eligible country. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three low-profitability subgroups. The index is rebalanced twice per year. Profitability is measured as Operating Income before Depreciation and Amortization minus Interest Expense scaled by Book. Source: Bloomberg

Dimensional Emerging Markets High Profitability Index was created by Dimensional in April 2013 and represents an index consisting of emerging markets companies and is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization of each eligible country. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three high-profitability subgroups. The index is rebalanced twice per year. Profitability is measured as Operating Income before Depreciation and Amortization minus Interest Expense scaled by Book. Source: Bloomberg

Dimensional UK Small Cap Index was created by Dimensional in April 2008 and is compiled by Dimensional. January 1970–June 1981: Elroy Dimson and Paul Marsh, Hoare Govett Smaller Companies Index. July 1981–December 1993: it includes UK securities in the bottom 10% of market capitalization, excluding the bottom 1%. All securities are market capitalization weighted. Rebalanced semiannually. January 1994–Present: Market-capitalization-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 index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of a different quarter of the year. Source: Bloomberg, LSPD

Dimensional UK Low Profitability Index was created by Dimensional in January 2013 and represents an index consisting of UK companies. It is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization of each eligible country. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three low-profitability subgroups. The index is rebalanced twice per year. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Source: Bloomberg

Dimensional UK High Profitability Index was created by Dimensional in January 2013 and represents an index consisting of UK companies. It is compiled by Dimensional. Dimensional sorts stocks into three profitability groups from high to low. Each group represents one-third of the market capitalization of each eligible country. Similarly, stocks are sorted into three relative price groups. The intersections of the three profitability groups and the three relative price groups yield nine subgroups formed on profitability and relative price. The index represents the average return of the three high-profitability subgroups. The index is rebalanced twice per year. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Source: Bloomberg

Fama/French UK Value Index: 2008–present: Provided by Fama/French from Bloomberg securities data. 1975–2007: Provided by Fama/French from MSCI securities data.

Fama/French UK Growth Index: 2008–present: Provided by Fama/French from Bloomberg securities data. 1975–2007: Provided by Fama/French from MSCI securities data.

Fama/French Europe Value Index: 2008–present: Provided by Fama/French from Bloomberg securities data. 1975–2007: Provided by Fama/French from MSCI securities data.

Fama/French Europe Growth Index: 2008–present: Provided by Fama/French from Bloomberg securities data. 1975–2007: Provided by Fama/French from MSCI securities data.

Fama/French UK Value Index: 2008–present: Provided by Fama/French from Bloomberg securities data. 1975–2007: Provided by Fama/French from MSCI securities data.

Fama/French UK Growth Index: 2008–present: Provided by Fama/French from Bloomberg securities data. 1975–2007: Provided by Fama/French from MSCI securities data.

Fama/French US Value Index Provided by Fama/French from CRSP securities data. Includes the lower 30% in price-to-book of NYSE securities (plus NYSE Amex equivalents since July 1962 and Nasdaq equivalents since 1973).

Fama/French US Growth Index Provided by Fama/French from CRSP securities data. Includes the higher 30% in price-to-book of NYSE securities (plus NYSE Amex equivalents since July 1962 and Nasdaq equivalents since 1973).

Fama/French Emerging Markets Value Index: 2009–present: Provided by Fama/French from Bloomberg securities data. Simulated strategy using IFC investable universe countries. Companies in the lower 30% price-to-book range; companies weighted by float-adjusted market cap; countries weighted by country float-adjusted market cap; rebalanced monthly. 1989–2008: Provided by Fama/French from IFC securities data. IFC data provided by International Finance Corporation.

Fama/French Emerging Markets Growth Index : 2009–present: Provided by Fama/French from Bloomberg securities data. Simulated strategy using IFC investable universe countries. Companies in the higher 30% price-to-book range; companies weighted by float-adjusted market cap; countries weighted by country float-adjusted market cap; rebalanced monthly. 1989–2008: Provided by Fama/French from IFC securities data. IFC data provided by International Finance Corporation.

Citigroup World Government Bond Index 1-5 Years (hedged to GBP) - Source: Citigroup Total returns hedged to GBP January 1985-present: Citigroup World Government Bond Index 1-5 Years (hedged) Country Code EX Currency: GBP Citigroup bond indices copyright 2013 by Citigroup.

Barclays Global Aggregate Credit 1-5 year (hedged to GBP) - January 2002 - Present: Barclays Global Aggregate Credit 1-5 Year (Hedged to GBP) Total Returns hedged to GBP Country Code: EX Currency: GBP Barclays Capital data provided by Barclays Bank PLC.

Barclays UK Government Inflation Linked 5-15 Year Bond Index - October 1981 - Present: Barclays UK Government Inflation Linked 5-15 Year Index Total Returns in GBP Country Code EX Currency: GBP Barclays Capital data provided by Barclays Bank PLC.