



Item 1 – Cover Page

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This Brochure provides information about the qualifications and business practices of DFA Australia Limited (“DFAA”). If you have any questions about the contents of this Brochure, please contact us at (512) 306-7400 and/or www.dfaau.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

DFAA is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about DFAA also is available on the SEC’s website at www.adviserinfo.sec.gov.



Item 2 – Material Changes

This Brochure dated March 30, 2012 reflects DFAA’s annual update to Form ADV Part 2A, including among others, the following items:

- Item 4 has been amended to include Dimensional Funds that DFAA has begun to sub-advise and amount of assets that DFAA manages on a discretionary basis since its last amended Brochure.
- Item 8 has been amended to update certain risks.
- Item 10 has been amended to include Dimensional SmartNest (US) LLC, doing business as Dimensional Retirement, as an Affiliated Investment Advisor.
- Item 12 has been amended to update provisions relating to Foreign Currency Exchange Transactions.



Item 3 -Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 -Table of Contents	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	3
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	3
Item 9 – Disciplinary Information.....	3
Item 10 – Other Financial Industry Activities and Affiliations.....	11
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	12
Item 12 – Brokerage Practices	13
Item 13 – Review of Accounts	20
Item 14 – Client Referrals and Other Compensation.....	21
Item 15 – Custody.....	21
Item 16 – Investment Discretion	22
Item 17 – Voting Client Securities.....	22
Item 18 – Financial Information	25
Item 19 – Requirements for State-Registered Advisers	25

Brochure Supplement(s)



Item 4 – Advisory Business

General Description of Advisory Firm

DFAA acts as sub-advisor or agent to its U.S. parent, Dimensional Fund Advisors LP ("DFA"), a U.S. limited partnership which owns 100% of the outstanding shares of DFAA and which serves as investment manager to various institutional clients including mutual fund portfolios and collective trust funds which invest in non-U.S. securities. Except as otherwise indicated, the information provided in Form ADV relates to DFAA's services to its U.S. clients. DFAA has been in business since August 15, 1994 and is a registered investment advisor under the Investment Company Act of 1940.

As of December 31, 2011, DFAA managed approximately \$58,423,105,547 on a discretionary basis.

General Description of Advisory Services

DFAA manages equity and fixed income securities based on fundamental analysis:

- DFAA believes that equity investing should involve a long-term and a systematic focus on sources of expected returns, not on stock picking or market timing. In constructing an equity investment portfolio, DFAA generally identifies a broadly diversified universe of eligible securities with precisely defined risk and return characteristics.
- DFAA believes that fixed income investing should also involve a long-term view and a systematic focus on bond market risk and return, not on interest rate forecasting or market timing. In constructing a fixed-income investment portfolio, DFAA generally identifies a broadly diversified universe of eligible securities with precisely defined maturity ranges and credit quality characteristics.

DFAA provides trading and other investment services to DFA in connection with DFA's management of the Japanese Small Company Series, Asia Pacific Small Company Series, the DFA International Value Series, the Emerging Markets Series, the Emerging Markets Small Cap Series and Dimensional Retirement Equity Fund I of The DFA Investment Trust Company ("DFA ITC"), an open-end investment company, the VA International Small Portfolio, the VA International Value Portfolio, the DFA International Small Cap Value Portfolio, the Large Cap International Portfolio, the Tax-Managed DFA International Value Portfolio, the Emerging Markets Core Equity Portfolio, the International Core Equity



Portfolio, the Emerging Markets Social Core Equity Portfolio, the DFA International Real Estate Securities Portfolio, the CSTG&E International Social Core Equity Portfolio, the DFA Selectively Hedged Global Fixed Income Portfolio, the International Sustainability Core 1 Portfolio, T.A. World ex U.S. Core Equity Portfolio, the DFA Global Real Estate Securities Portfolio, the DFA International Value ex Tobacco Portfolio, the International Vector Equity Portfolio, the DFA Short-Term Extended Quality Portfolio, the DFA Intermediate-Term Extended Quality Portfolio, World ex U.S. Value Portfolio, DFA Commodity Strategy Portfolio, DFA Investment Grade Portfolio, Dimensional Retirement Equity Fund II, Dimensional Retirement Fixed Income Fund I, Dimensional Retirement Fixed Income Fund II, Dimensional Retirement Fixed Income Fund III, Selectively Hedged Global Equity Portfolio and DFA World ex. U.S. Government Fixed Income Portfolio of DFA Investment Dimensions Group Inc. ("DFA IDG"), an open-end investment company, and the Dimensional Emerging Markets Value Fund ("DEM"), an open-end investment company (the "U.S. Dimensional Funds"). DFAA also provides trade execution and related services to DFA in connection with DFA's management of its other mutual fund clients, separate account clients, and other clients investing in non- U.S. securities. DFAA serves DFA clients in a sub-advisory or agency capacity.

DFAA Also provided trading and other investment services to DFA in connection with DFA's management of separate account clients and other clients investing in non-US securities.

DFAA may also from time to time provide information to its clients about the general behavior of certain securities markets. Such information may include summaries of performance of stock markets in the Asia Pacific region and the United States, certain emerging markets in the region and/or of various sections within each market.

Item 5 – Fees and Compensation

Sub-Advisory Fees

For sub-advisory services provided to funds and accounts managed by DFA, DFAA receives a fee equivalent to certain of DFAA's expenses plus a percentage payable by DFA. The specific fees that DFAA charges are set forth in a written sub-advisory agreement with Dimensional and the U.S. Dimensional Funds. No additional fee is payable to DFAA by such clients. For consulting services, DFA pays DFAA quarterly fees equivalent to certain of



DFAA's expenses plus a percentage. Fees are negotiable and are not paid before services are provided.

Brokerage, Custodial and Other Expenses

See Item 12 of this Brochure for a discussion of DFAA's brokerage practices.

Item 6 – Performance-Based Fees and Side-By-Side Management

DFAA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

DFAA provides sub-advisory services to DFA, a registered investment advisor, primarily in connection with DFA's management of the U.S. Dimensional Funds, and also certain institutional separate accounts.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

In its role as sub-advisor of funds and accounts managed by DFA or agent of DFA, DFAA will have primary responsibility for determining the best methods and timing of executing securities transactions in Australian, Japanese and Pacific Rim Asian securities or fixed interest instruments, as the case may be, in accordance with the investment decisions, selections and policies of DFA and the respective clients.

DFAA's portfolio managers use a team approach to manage client assets. DFAA's sales staff and client service representatives may discuss DFAA's investment philosophy, strategies and performance, and review client reports, as well as discuss other client-related services offered by DFA. However, they do not formulate investment advice for potential or current clients.

General Investments

Methods of Analysis and Investment Strategies. DFAA primarily utilizes fundamental analysis, with limited technical analysis. Securities analysis will be used to eliminate securities from a portfolio rather than to decide which securities will be added. DFA,



DFAA's U.S. parent company, also has consulting arrangements with several academics who provide expertise with respect to investment management strategies.

Market Risk: Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities, and the portfolio that owns them, to rise or fall. Because the value of your investment in a portfolio will fluctuate, there is the risk that you will lose money.

Equity Investments

Method of Analysis and Investment Strategies. DFAA believes that equity investing should involve a long-term and a systematic focus on sources of expected returns, not on stock picking or market timing. In constructing an equity investment portfolio, DFAA generally identifies a broadly diversified universe of eligible securities with precisely defined risk and return characteristics. It then places priority on efficiently managing portfolio turnover and keeping trading costs low. Generally, DFAA does not intend to purchase or sell securities for investment portfolios based on prospects for the economy, the securities markets or the individual issuers whose shares are eligible for purchase.

Small Company Risk: Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Value Investment Risk: Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to at times underperform equity funds that use other investment strategies.

Foreign Securities and Currencies Risk: Foreign securities prices may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. Investors holding these securities may also be exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar or that a foreign government will convert, or be forced to convert, its currency to another currency, changing its value against the U.S. dollar). A portfolio may seek to hedge foreign currency exposure.

Foreign Government Debt Risk: The risk that (a) the governmental entity that controls the repayment of government debt may be not willing or able to repay the principal and/or to



pay the interest when it becomes due, due to factors such as political considerations, the relative size of the governmental entity's debt position in relation to the economy, cash flow problems, insufficient foreign currency reserves, the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies, and/or other national economic factors; (b) governments may default on their debt securities, which may require holders of such securities to participate in debt rescheduling; and (c) there is no legal or bankruptcy process by which defaulted government debt may be collected in whole or in part.

Emerging Markets Risk: Numerous emerging market countries have a history of, and continue to experience serious, and potentially continuing, economic and political problems. Stock markets in many emerging market countries are relatively small, expensive to trade in and generally have higher risks than those in developed markets. Foreigners are often limited in their ability to invest in and withdraw assets from these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have small economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

Securities Lending: Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, a portfolio may lose money and there may be a delay in recovering the loaned securities. The portfolio could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

Risks of Concentrating in the Real Estate Industry: Portfolios that concentrate in the real estate industry will cause the portfolio to be exposed to the general risks of direct real estate ownership. The value of securities in the real estate industry can be affected by changes in real estate values and rental income, property taxes, interest rates, and tax and regulatory requirements. Investing in REITs and REIT-like entities involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs and REIT-like entities are dependent upon management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. REITs and REIT-like entities also are subject to the possibility of failing to qualify for tax free pass-through of income. Also, because REITs and REIT-like entities typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than



more broadly diversified investments. The performance of the portfolio may be materially different from the broad equity market.

Fixed-Income Investments

Method of Analysis and Investment Strategies. DFAA believes that fixed income investing should involve long-term view and a systemic focus on bond market risk and return, not on interest rate forecasting or market timing. In constructing a fixed-income investment portfolio, DFAA generally identifies a broadly diversified universe of eligible securities with precisely defined maturity ranges and credit quality characteristics. DFAA will then seek to purchase a broad and diverse portfolio of securities meeting these credit quality standards. In making these purchase decisions, if the anticipated maturity risk premium is greater for longer-term securities in the eligible maturity range, DFAA will generally focus investment in that longer-term area; otherwise, the portfolio will focus investment in the short-term range of the eligible maturity range. DFAA also places priority on efficiently managing portfolio turnover and keeping trading costs low.

Interest Rate Risk: Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to these price changes. In addition, falling interest rates may cause a portfolio's income to decline.

Credit Risk: Credit risk is the risk that the issuer of a security, or the counterparty to an agreement or contract (including a derivative instrument, such as a credit default swap), may be unable or unwilling to meet its financial obligations. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact a portfolio's performance.

Risks of Banking Concentrations: Focus on the banking industry would link the performance of a portfolio to changes in the performance of the banking industry generally. Banks are very sensitive to changes in money market and general economic conditions. The profitability of the banking industry is dependent upon banks being able to obtain funds at reasonable costs and upon liquidity in the capital and credit markets to finance their lending operations. Adverse general economic conditions can cause financial difficulties for a bank's borrowers and the borrower's failure to repay their loans can adversely affect the bank's financial situation. Banks are subject to extensive regulation



and decisions by regulators may limit the loans banks make and the interest rates and fees they charge, which could reduce bank profitability.

Income Risk: Income risk is the risk that falling interest rates will cause a portfolio's income to decline.

Derivatives

Methods of analysis and Investment Strategies. Certain portfolios purchase or sell options on financial futures contracts to gain market exposure on uninvested cash and to maintain liquidity to pay redemptions. They also may purchase, sell and enter into options on indices-related futures contracts as part of its overall investment strategy. Other portfolios may, as a principal investment strategy, invest in options on stock indices, stock index futures, options on stock index futures, swap agreements on stock indices and shares of investment companies that invest in stock indices. These strategies are more fully described in the respective prospectuses, SAI or other offering documents of the portfolios.

Various Risks: Derivatives are instruments, such as futures and foreign exchange forward contracts, whose value is derived from that of other assets, rates or indices. The use of derivatives for non-hedging purposes may be considered more speculative than other types of investments. When a portfolio uses derivatives, the account will be directly exposed to the risks of that derivative. Derivative instruments are subject to a number of risks including liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index; and the portfolio could lose more than the principal amount invested.

Commodity Strategy

Method of Analysis and Investment Strategies. DFAA believes that commodity investing should involve a long-term view and a systemic focus on risk and return, instead of focusing on forecasting or market timing.

Commodity Risk: The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.



Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss (including the likelihood of greater volatility of the Dimensional commodity strategy (the “Commodity Strategy”) net asset value), and there can be no assurance that the Commodity Portfolio’s use of leverage will be successful.

Derivatives Risk: Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. While hedging can reduce or eliminate losses, it also can reduce or eliminate gains. The use of derivatives for non-hedging purposes may be considered more speculative than other types of investments. When the Commodity Strategy uses derivatives, it will be directly exposed to the risks of those derivatives. Derivative instruments are subject to a number of risks, including commodity, correlation, interest rate, liquidity, market, credit and management risks, and the risk of improper valuation. The Commodity Strategy also may use derivatives for leverage. The Commodity Strategy’s use of derivatives, particularly commodity-linked derivatives, involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate, or index, and the Commodity Strategy could lose more than the principal amount invested. For example, potential losses from commodity-linked notes or swap agreements can be unlimited. Additional risks are associated with the use of credit default swaps, including counterparty and credit risk (the risk that the other party to a swap agreement will not fulfill its contractual obligations, whether because of bankruptcy or other default) and liquidity risk (the possible lack of a secondary market for the swap agreement). Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Commodity Strategy will engage in these transactions to reduce exposure to other risks when that would be beneficial.

Focus Risk: The Commodity Strategy may be exposed, from time to time, to the performance of a small number of commodity sectors (e.g., energy, metals or agricultural), which may represent a large portion of the Commodity Strategy. As a result, the Commodity Strategy may be subject to greater volatility than if it were more broadly diversified among commodity sectors.

Non-Diversification Risk: The risk that the Commodity Strategy may be more volatile than a diversified fund because it invests its assets in a smaller number of issuers. The gains or losses on a single security, therefore, may have a greater impact on the Commodity Strategy’s net asset value.



Leveraging Risk: Certain transactions that the Commodity Strategy may enter into may give rise to a form of leverage. Such transactions may include, among others, structured notes, swap agreements, futures contracts, and loans of portfolio securities. The use of leverage may cause the Commodity Strategy to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage may cause the Commodity Strategy to be more volatile than if it had not been leveraged. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Commodity Strategy's portfolio securities.

Regulatory Risk: Governments, agencies, or other regulatory bodies may adopt or change laws or regulations that could adversely affect the issuer, the market value of the security, or the Commodity Strategy's performance.

Valuation Risk: The lack of an active trading market may make it difficult to obtain an accurate price for a security held by the Commodity Strategy. Many commodity-linked derivative instruments are not actively traded.

Other Risks

Securities Lending Risk: Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, a portfolio may lose money and there may be a delay in recovering the loaned securities. The portfolio could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

Class Actions

From time to time, clients of DFAA own or have owned securities that are the subject of class action lawsuits. Generally, holders of securities within a given class period are entitled to participate in the recovery or settlement in a class action lawsuit by filing proofs of claim. All class members normally are bound by a court approved settlement or judgment in a class action unless they have filed a timely opt out notice with the court's claim. The filing of proofs of claim or an opt out notice in class actions is an action that should be undertaken by the custodian for the client and DFAA shall not perform such action unless DFAA has, in a particular case, expressly agreed in writing to accept such an obligation and is provided by the custodian and client with all necessary information and appropriate authorization to permit DFAA to represent the account in such class action(s). DFAA does not actively seek out information concerning pending class actions.



With respect to U.S. securities, each U.S. Dimensional Fund has arrangements with a service provider to provide class action filing services to the U.S. Dimensional Funds. These services include the responsibility generally to file class action claims for all monies or other property associated with U.S. portfolio securities held by a U.S. Dimensional Fund, including coordinating with the custodian with respect to the collection process to the extent a U.S. Dimensional Fund appears to be eligible. Such duties include monitoring for information regarding pending class action lawsuits, making a determination of a U.S. Dimensional Fund's eligibility to participate in a class, filing proofs of claim and coordinating with the custodian with respect to collecting class action lawsuit settlement proceeds.

In the event a non-U.S. security held by a U.S. Dimensional Fund is the subject of a class action and that fact has come to the attention of a fund's service provider, DFAA, or DFA, and such class action takes place in the U.S. judicial system (e.g., a U.S. class action involving an American Depositary Receipt), DFA works with the fund's service providers to determine the U.S. Dimensional Fund's eligibility to participate in such class action and the service provider handles the filing of appropriate documentation on behalf of the eligible U.S. Dimensional Fund(s). In the event a non-U.S. security held by a U.S. Dimensional Fund is the subject of a class action filed in a non-U.S. judicial system, and that fact has come to the attention of the fund's service provider, DFAA or DFA and the class action process in the non-U.S. jurisdiction is comparable to the U.S. system in that it is unlikely to result in liability to a passive participant, DFA may perform a cost/benefit analysis to determine whether or not it is in the best interest of the U.S. Dimensional Fund to participate.

With respect to U.S. separate accounts and U.S. sub-advised fund clients, neither DFA, nor DFAA agree to act with respect to legal proceedings involving securities held by the account including, but not limited to, class actions or bankruptcies, except in any particular case where DFA or DFAA has expressly agreed in writing to undertake such an obligation and is provided by the custodian and client with all necessary information and appropriate authorization to permit DFA or DFAA to represent the account in such proceeding(s). In addition, DFA or DFAA will only be obligated to assist with notifying a client of or monitoring for class actions or assisting with the filing of proofs of claim to the extent DFA or DFAA has expressly agreed in writing to assume these responsibilities, even if another account that DFA or DFAA manages may be participating in the class action or legal proceeding.



Typically, the custodian for the account will be the party that will receive legal notices for the account and be responsible for notifying the client directly of the action, pursuant to its custodial agreement with the client. If the client has an arrangement for their custodian to notify them of class actions, the client may then evaluate its individual facts and ownership circumstances including the client's overall holdings of that security to determine if participation is in the best interests of that client.

Item 9 – Disciplinary Information

A registered investment adviser is required to disclose in this Item all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the adviser or the integrity of the adviser's management.

DFAA has no disciplinary information to report under this item.

Item 10 – Other Financial Industry Activities and Affiliations

DFAA has several affiliated businesses that are material to its advisory business.

Affiliated Broker-Dealer

DFA has a wholly-owned limited-purpose broker-dealer subsidiary, DFA Securities LLC ("DFA Securities"), which supervises DFA's distribution of shares of the U.S. Dimensional Funds advised by DFA.

Affiliated Investment Advisers

DFAA is affiliated with several other investment advisers, which include:

- DFA
- Dimensional Funds Advisors Ltd. ("DFAL"), a wholly-owned subsidiary of DFA
- Dimensional Fund Advisors Canada ULC ("DFA Canada"), a wholly-owned indirect subsidiary of DFA
- Dimensional SmartNest (US) LLC doing business as Dimensional Retirement ("Dimensional Retirement"), a wholly-owned indirect subsidiary of DFA, subject to a



minority profits interest held by certain employees and consultants of Dimensional SmartNest LLC

DFAA provides trading and other investment services to DFA in connection with DFA's management of certain U.S. Dimensional Funds, as disclosed in their respective prospectuses and SAI's. DFAA also provides trade execution and related services to DFA in connection with DFA's management of its other mutual fund clients, separate account clients and other clients investing in non-U.S. securities. DFAA serves DFA's clients in a sub-advisory or agency capacity. For such services, DFAA receives a fee equivalent to certain of DFAA's expenses plus a percentage, payable by DFAA by such clients.

In addition, DFAA has entered into sub-advisory agreements with DFA and DFAL pursuant to which certain investment and other services are being provided for (a) part of the assets of the International Value Fund and the International Small Companies Fund of Dimensional ICVC, an investment company with variable capital registered in England and Wales managed by DFAL, (b) funds of Dimensional Funds plc, an Irish Undertaking for Collective Investment in Transferable Securities (UCITS), managed by DFAL and (c) funds of Dimensional Funds II plc, an Irish UCITS managed by DFAL.

DFAA, under the supervision of DFA, also provides sub-advisory services to certain funds managed by DFA Canada.

DFAA is an affiliate of Dimensional Retirement, a managed account solution for defined contribution plans and pension schemes.

Affiliated Collective Investment Trust

DFA sponsors one collective trust fund with various subtrusts, the DFA Group Trust, in which assets of qualified defined benefit plans are invested.

Item 11 – Code of Ethics

DFA, DFAL and DFAA (DFA, DFAL and DFAA are collectively referred to as the "Advisors") have jointly adopted a Code of Ethics (the "Code"), under Rule 17j-1 of the Investment Company Act and Rule 204A-1 of the Investment Advisers Act, for certain access persons ("Access Persons"). DFAA will provide a copy of its Code to any client or prospective client upon request.



The Code is designed to ensure that Access Persons act in the interest of the funds, and their shareholders with respect to any personal trading of securities. The Code contains (i) certain reporting requirements applying to purchases of the funds it sub-advises or the purchase of underlying portfolio securities, and (ii) securities trading clearance procedures applying to the purchase of portfolio securities. The Code also requires all Access Persons to pre-clear with a compliance officer all trades in stocks, bonds, initial public offerings, and private investments. Subject to the terms of the Code, employees of the Advisors may purchase for their own accounts shares of the funds advised by the Advisors or securities recommended for purchase by such funds or any of the Advisors' other clients.

The Advisors may recommend to clients that they buy or sell shares or units of investment funds advised or administered by any of the Advisors.

DFA's subsidiary, DFA Securities, a limited purpose broker-dealer provides investment advice to certain personal brokerage accounts solely with regard to the U.S. Dimensional Funds (for which DFA serves as investment adviser, administrator, or both, and receives compensation for the services provided to the U.S. Dimensional Funds) and such advice is solely incidental to the brokerage services DFA Securities provides. Personal brokerage accounts are established and maintained with a third-party custodian and broker-dealer as an accommodation by DFA Securities to certain individuals seeking to invest in U.S. Dimensional Funds and obtain certain communication and reporting services from the third-party custodian and broker-dealer not generally provided by DFA. Transactions to buy and sell shares of the U.S. Dimensional Funds are placed through the third-party custodian and broker dealer.

Item 12 – Brokerage Practices

Selection of Broker-Dealers

DFAA's overriding objective in selecting brokers and dealers to effect transactions in securities and futures for clients is to seek the best net result in terms of price and execution. The best net price, giving effect to brokerage commissions, if any, is an important factor in this decision; however, in selecting brokers and dealers for any transaction a number of judgmental factors also may enter into the decision. These factors include DFAA's knowledge of negotiated commission rates currently available and other transaction costs; the nature of the security being purchased or sold; the size of the transaction; the desired timing of the transaction; the activity existing and expected in the



market for the particular security; confidentiality; the execution, clearance and settlement capabilities of the broker or dealer selected and others considered; DFAA's knowledge of actual or apparent operation problems of any broker or dealer and the broker's use of electronic communication networks.

Recognizing the value of the noted factors, DFAA may cause a client to pay a brokerage commission in excess of that which another broker may have charged for effecting the same transaction, if DFAA, in good faith, determines that the commissions paid are reasonable in relation to the investment research products or services and brokerage services provided by the broker when viewed in terms of a particular transaction or DFAA's overall responsibilities to its clients. Orders to buy or sell fixed income securities are placed on a competitive basis with a reasonable attempt made to obtain multiple competitive bids or offers from dealers consistent with the advisor's needs in terms of speed, availability and reliability. Generally, there is no stated commission in the case of fixed income securities which are traded in the over-the-counter markets. The price paid by the client often includes an undisclosed dealer mark-up.

DFAA may also make use of direct market access and algorithmic, program or electronic trading methods. DFAA may extensively use electronic trading systems as such systems can provide the ability to customize the orders placed and can assist in DFAA's execution strategies.

"Soft Dollars" Practices

When appropriate, DFAA may execute client trades with broker-dealers who provide DFAA with brokerage and research services. The brokerage commissions used to acquire these services are known as "soft dollars." DFAA will engage in soft dollar practices only in a manner that is consistent with Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). This section provides a "safe harbor" for an investment manager to pay more than the lowest commission, provided that DFAA receives products or services that qualify as brokerage or research services.

DFAA will enter into a soft dollar arrangement only if it receives research services or brokerage services from the broker-dealer under such an arrangement. When making this determination for a particular product or service, DFAA will conclude that such product or service is research or brokerage only if the product provides "lawful and appropriate assistance in carrying out its investment decision-making responsibilities."



Research or brokerage services obtained through soft dollars are supplemental to DFAA's own efforts. DFAA receives a benefit because it does not have to produce or pay for the research, products, or services. DFAA also may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research, products or services, rather than on a clients' interest in receiving most favorable execution. Accordingly, DFAA's soft dollar arrangements may create a conflict of interest between DFAA and its clients.

DFAA may receive a wide range of brokerage and research services provided by brokers and dealers. The brokerage and research services may include: general economic, industry or issuer reports or investment recommendations; subscriptions to specialized financial publications or research data compilations; compilations of securities prices, earnings, dividends and similar data; computerized databases; quotation services, services of economic or other consultants; post-trade matching, electronic communication of allocation instructions and other messages related to the trade among broker-dealers, custodians and institutions, or settlement instruction routing. Research services may be received in the form of written reports, computer generated reports or databases, telephone contacts and in-person meetings with security analysts.

Brokerage and research products or services may also be generated by third-parties who are not broker-dealers, provided that the products or services are provided by or through broker-dealers that participate in effecting the transactions. If a product or service obtained by DFAA has both research and non-research benefits, based on a good faith showing DFAA will treat the product as a "mixed use" item and will pay for the non-research portion with cash rather than soft dollars.

In some cases, soft dollars generated by specific accounts may be used to obtain research and brokerage services for other accounts, including for accounts which do not generate soft dollars. DFAA does not attempt to allocate the relative costs of research among specific client accounts because DFAA believes that, in the aggregate, the research received assists DFAA in fulfilling its overall responsibilities to clients.

If DFAA performs consulting services for a U.S. mutual fund or account advised by DFA, DFAA may not generate soft dollar credits for its own account, rather soft dollar credits will accrue to the benefit of DFA. If DFAA acts as a sub-advisor to non-U.S. funds or accounts, DFAA may engage in soft dollar practices in compliance with DFA's policy and the laws of the jurisdiction of the fund or account.



Research products or services provided by brokers may be used by DFAA for the benefit of clients other than the client(s) that paid commissions to the broker providing such products or services.

Settlement Failures

If any securities transaction fails to settle or otherwise be completed when and as contractually required because of an error by a broker or dealer, DFAA will not be responsible for the actions or failures to act of any such broker or dealer. Notwithstanding the above, DFAA's obligations with respect to any settlement failures for a particular client or account are controlled by the undertakings DFAA has agreed to in writing for that particular client or account. Similarly, where DFAA has agreed in writing to certain undertakings when a settlement failure occurs as a result from DFAA's actions or failures to act, any responsibility or undertakings would only apply in situations where the settlement failure was directly caused by DFAA's actions or inactions and would not have otherwise occurred.

Directed Brokerage

A separate account client may negotiate a directed brokerage arrangement pursuant to which some or all of the client's securities transactions are executed only with the broker or dealer with which the client has established an account. In this case, the client should recognize that for those transactions in which DFAA is directed to use certain brokers, brokerage commissions for the execution of transactions in the client's account are not negotiated by DFAA. In addition, DFAA may not be free to seek best price and execution for securities and futures transactions by placing transactions with other brokers or dealers. The client assumes that risk. Similarly, a separate account client may establish an account with certain custodians that impose additional fees or transaction costs for using brokers or dealers not preferred by the custodian. In such cases, DFAA may not be free to seek best price and execution for securities and futures transactions by placing transactions with other brokers or dealers. Again, the client assumes that risk.

Notwithstanding the foregoing, the client may give DFAA the authority to execute transactions on a "step-out" or "trade away" basis to the extent necessary to achieve best execution. In this situation, any brokerage commissions charged in connection with a step-out transaction are not covered by the client's brokerage arrangements and the client shall bear such costs. Clients may wish to satisfy themselves in a directed brokerage arrangement that the broker or dealer participating in the arrangement can provide



adequate price and execution of most or all transactions. A client should also consider that, depending upon the fee the client negotiates with the broker, the amount of portfolio activity in the client's account, the value of custodial services which are provided under the arrangement and other factors, the fee the client pays may exceed the amount the client would pay if DFAA were free to negotiate commissions and seek best price and execution of transactions for the client's account. Additionally, a client who directs trades to particular brokers may not be able to participate in block trades; and DFAA reserves the right to execute trades for directed accounts only after it has executed trades for its other accounts.

Because of the efficiencies that DFAA seeks through its trading practices, DFAA does not recommend and currently does not permit any one client invested in any commingled investment vehicle to direct portfolio transactions to a specified broker or dealer.

Foreign Exchange Transactions

If a written agreement between the client and DFAA expressly provides that DFAA may select currency dealers to effect the client's currency exchange transactions or gives DFAA the authority and discretion to execute currency exchange transactions on a "trade-away" basis, DFAA's objective is to seek an improved execution result in terms of net price for currency exchange transactions in light of all applicable fees and charges. For currencies that are deliverable or tradable, DFAA generally attempts to meet its objective by competing currency exchange transactions among multiple currency dealers and transacting at the best quoted rate for the client, net of any applicable trade-away charges (charges for trades not executed with the custodian). Certain currency hedging transactions are executed by combining two or more currency trades into a single transaction. In these cases, the best quoted rate is determined by reviewing combinations of rates and other relevant factors.

In certain cases, DFAA may not compete currency exchange transactions for a variety of reasons, including but not limited to, an opportunity to receive a potentially better rate by netting against other trades with the custodian or lack of certain risk control measures between the client and a currency dealer. In addition, for currencies that are not deliverable or tradable, DFAA is generally required by local rules and/or practice to transact all such currencies through the custodian. In such cases, DFAA's ability to reduce trading costs is limited. If a client has designated its custodians or currency dealers to execute currency exchange transactions on behalf of the client's account, the client is responsible for ensuring that its arrangements will provide the client with acceptable rates.



DFAA determines all currency exchange transaction policies on behalf of any commingled account it manages, except with respect to sub-advised commingled accounts. For sub-advised commingled accounts, the account's primary adviser or board may require DFAA to use its designated custodians or currency dealers. However, no individual investor in the commingled account will be permitted to determine currency exchange transaction policies for a commingled fund.

DFAA seeks to collect data about trades in both restricted and unrestricted currencies to evaluate the execution prices obtained. However, for restricted currencies where custodians or other third parties execute currency exchange transactions and DFAA is not directly involved with the execution process, DFAA is not able to perform such analysis with precision and is limited by the information available to it.

Trade Allocations

The general principles on which DFAA's trade allocation procedures are based are: (a) fairness to advisory clients both in priority of execution of orders and in the allocation of the price obtained in execution on block orders or trades; (b) timeliness and efficiency in the execution of orders; and (c) accuracy of the investment adviser's records as to both trade order and maintenance of client account positions.

DFAA performs investment advisory and investment management services for various clients and may give advice and take action with respect to any of its clients which may differ from advice given or the timing or nature of action taken with respect to a particular client. However, it is DFAA's policy not to favor or disfavor consistently or consciously any clients or class of clients in the allocation of investment opportunities, with the result that to the extent practical, all investment opportunities will be allocated among clients over a period of time on a fair and equitable basis.

Specifically, DFAA allocates trades in a company or security based on capacity across the portfolios that it manages and for which such company or security is an eligible investment. Calculation of capacity is based on:

- a. eligibility of status of a company within a portfolio;
- b. overall portfolio characteristics such as distribution of securities within a portfolio measured by market capitalization, book value, or currency exchange;
- c. cash available for investment within a particular portfolio;



- d. desired position for a specific security within the portfolio;
- e. percentage of securities of a company already held in the portfolio;
- f. percentage of portfolio already invested in particular security;
- g. status of currently outstanding buy and sell programs;
- h. projected cash flows for a particular portfolio;
- i. anticipated ticket charges and other trading expenses associated with the purchase or sale of a particular security; and
- j. the relative and total weights of a particular security across all portfolios.

Aggregation of Trade Orders

DFAA may aggregate brokerage orders for clients to obtain lower average commission costs. All aggregated trades in equity securities are allocated using the same per share price and brokerage commission. When DFAA gives the brokers a buy or sell program across portfolios, DFAA directs the brokers to allocate on a pro-rata basis, subject to some minimum ticket sizes. Block buys are allocated on a pro-rata basis based on the above criteria.

Allocations of sells are determined by individual portfolio managers based on the above criteria and dependent on total trade size. However, no order may be aggregated unless the portfolio managers and traders have determined that such aggregation is in the best interest of the participating accounts/clients and is consistent with the duty to seek best execution. Thus, while allocations can differ across companies within a given day, it is DFAA's intention to treat all portfolios fairly.

DFAA's general policy of allocating partially filled orders is pro-rata, based on the size of the current order, but adjusted for, among other things, (a) available cash, (b) round lots or certain minimum basis points holding as determined by the portfolio manager, (c) the size of the account, or (d) the necessity to obtain a certain level of holdings according to the specific benchmark of the client.

Cross-Transactions

DFAA may conclude that it is appropriate to cause one of its advisory clients to sell a security and another of its advisory clients to purchase the same security at or about the



same time. Consistent with its fiduciary obligations to each client and the requirements of best price and execution, DFAA may, under such circumstances, arrange to have the purchase and sale transactions effected directly between its clients ("cross transactions"). A cross transaction would be effected on the basis of the current market price of the security or at a price reasonably determined to reflect the fair value of the security, which may be based on independent dealer quotes or information obtained from recognized pricing services. Cross transactions may also be executed through third-party brokers.

DFAA will not receive compensation (other than its advisory fee), directly or indirectly, for effecting a cross transaction between advisory clients, and accordingly will not be deemed to have acted as a "broker" with respect to the transaction. Since, in such transactions, DFAA will represent both client-seller and client-buyer, it may have a conflict of interest given the obligation to obtain the best price and most favorable execution. Clients, therefore, should consider the possible costs or disadvantages of this potential conflict versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from such cross transactions. When one of DFAA's advisory clients which is a party to a cross transaction is an investment company, the transaction will be effected pursuant to procedures adopted in compliance with the Investment Company Act. Generally cross transactions may not be effected with any client account that is subject to ERISA unless the provisions of a specific ERISA statutory exemption allowing cross trading have been complied with.

Item 13 – Review of Accounts

DFAA reviews client accounts on a periodic basis. Reviewers include members of the portfolio management team, authorized persons, the Investment Committee, and/or the compliance department.

Reviews of an account occur at differing frequencies and for differing purposes depending on the type of account. For example, separate account investment guidelines are reviewed, at least annually and upon client request, by the Investment Committee to monitor consistency with the client's investment objectives and limitations. Fund portfolio reviews are carried out regularly by portfolio managers to ensure that parameters and characteristics are within acceptable limits. Cash balances for all accounts are reviewed on a daily basis by Authorized Persons in portfolio management to ensure sufficient funds are available in local or base currency, and that overall balances meet internal guidelines.



As an additional tool in portfolio compliance monitoring, Dimensional maintains a portfolio compliance monitoring system which is used in conjunction with its proprietary investment management system. This portfolio compliance monitoring system assesses the underlying positions for accounts after the day's trading system processing is completed and provides independent post-facto daily review of positions against various rules-based compliance tests, covering client-specific guidelines and restrictions, as well as product and regulatory requirements.

Based on client need, DFAA, through its middle office provider, will provide daily, monthly, quarterly or annual transactional reporting to a client. This reporting consists of the name of the security, identification code, price per share, number of shares bought or sold, commission and other fees such as stamp taxes.

Item 14 – Client Referrals and Other Compensation

Individuals, including marketing officers, regional directors, and certain portfolio managers all of whom are employees of DFA, DFAL, DFAA or Dimensional Retirement, may be paid a portion of the advisory fee paid to DFA, DFAL, DFAA or Dimensional Retirement, as applicable, as compensation for soliciting clients. Consultants of DFA, DFAL or DFAA may be paid a commission for client referrals. Such commission may be based on a percentage of total fees received by DFA, DFAL or DFAA, as applicable, as a result of such referrals.

Item 15 – Custody

Each separate account client should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. DFAA may also send a client a separate account statement or invoice if DFAA manages a separate account for a client. If this is the case, then DFAA instructs the client to carefully review such statements and compare such official custodial records to the account statements that we may provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

The cash and securities of DFAA's clients are held by third-party custodians. However, as a registered advisor which acts as trustee to a non-US fund that is structured as a trust, DFAA may be deemed to have "custody" of these assets pursuant to the SEC's recently revised definition of "custody". The trusts are audited by independent public accountants, and the



audited financial statements are distributed to investors as required per local law. Except as otherwise required by law, DFAA will not be liable for any act or failure to act of the client's custodian.

Item 16 – Investment Discretion

DFAA usually receives discretionary authority from the client pursuant to a sub-advisory agreement at the outset of a sub-advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Except as otherwise required by law, DFAA will not be liable for any action or instruction of the client.

When selecting securities and determining amounts, DFAA observes the investment policies, limitations and restrictions of the clients for which it advises. For SEC registered investment companies, DFAA's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to DFAA in writing.

Item 17 – Voting Client Securities

The Advisors have jointly adopted proxy voting policies and procedures (the "Voting Procedures") for voting proxies on behalf of clients to the extent that: (i) relationships with such clients are subject to the Investment Advisers Act; or (ii) the clients are registered investment companies under the Investment Company Act. The following is a summary of the Voting Procedures:

The Investment Committee at DFA is generally responsible for overseeing the Advisors' proxy voting process. The Investment Committee has formed a Corporate Governance Committee composed of certain officers, directors and other personnel of the Advisors and has delegated to its members authority to (i) oversee the voting of proxies, (ii) make determinations as to how to vote certain specific proxies, (iii) verify the on-going compliance with the Voting Procedures and (iv) review the Voting Procedures from time to time and recommend changes to the Investment Committee. The Corporate Governance Committee may designate one or more of its members to oversee specific, ongoing



compliance with respect to the Voting Procedures and may designate other personnel of the Advisors to vote proxies on behalf of clients, including all authorized traders of the Advisors.

Generally, the Advisors will vote proxies or refrain from voting proxies in accordance with the guidelines set forth in the Voting Procedures unless a client has expressly directed the Advisor to vote differently for such client's account or an Advisor has contractually agreed to follow a client's individualized proxy voting guidelines.

The guidelines provide a framework for analysis and decision making. However, the guidelines do not address all potential issues. An Advisor may vote counter to the guidelines if, after a review of the matter, the Advisor believes that the best interests of the client would be served by such a vote. Each Advisor may, but will not ordinarily take social concerns into account in voting proxies with respect to securities held by clients, including those held by socially screened portfolios or accounts.

An Advisor may determine that voting is not in the best interest of a client and refrain from voting if the costs, including the opportunity costs, of voting would, in the view of the Advisor, exceed the expected benefits of voting. For securities on loan, each Advisor will balance the revenue-producing value of loans against the difficult-to-assess value of casting votes. It is the Advisors' belief that the expected value of casting a vote generally will be less than the securities lending income, either because the votes will not have significant economic consequences or because the outcome of the vote would not be affected by the relevant Advisor recalling loaned securities in order to ensure they are voted. The Advisors do intend to recall securities on loan if, based upon information in an Advisor's possession, the relevant Advisor determines that voting the securities is likely to materially affect the value of the client's investment and it is in the client's best interests to do so.

For proxies of non-U.S. companies, it is typically both difficult and costly to vote proxies. An Advisor will not vote proxies of non-U.S. companies if it determines the costs associated with voting outweigh any anticipated economic benefit of voting. In the event the Advisor is made aware of and believes an issue to be voted is likely to materially affect the economic value of a client account, that its vote is reasonably likely to influence the ultimate outcome of the contest, and the expected benefits of voting the proxies exceed the costs, the Advisor will make every reasonable effort to vote such proxies.

Most proxies that the Advisors receive on behalf of their clients will be voted in accordance with predetermined procedures and guidelines. Therefore, conflicts of interest should not



impact the proxy votes. In the limited instances where (i) an authorized person of the Advisor is considering voting a proxy contrary to the guidelines set forth in the Voting Procedures, and (ii) the authorized person believes a potential conflict of interest exists, the authorized person will disclose the potential conflict to a member of the Committee. If the Committee member has actual knowledge of a conflict of interest and recommends a vote contrary to the guidelines (or in cases where the guidelines do not prescribe a particular vote and the vote is contrary to the recommendation of Institutional Shareholder Services, Inc. ("ISS"), the proxy service provider as discussed below), the Committee member will bring the vote to the Committee. The Committee will then determine (a) how the vote should be cast keeping in mind the principle of preserving shareholder value or (b) to abstain from voting, unless abstaining would be materially adverse to the client's interest. To the extent the Committee makes a determination regarding how to vote or to abstain from a proxy on behalf of a U.S. Dimensional Fund in the circumstances described in this paragraph, the Advisor will report annually on such determinations to the Board of Directors of the U.S. Dimensional Funds.

The Advisors and the U.S. Dimensional Funds have retained ISS to provide certain services with respect to proxy voting. ISS will provide information on shareholder meeting dates and proxy materials; translate proxy materials printed in a foreign language; provide research on proxy proposals and voting recommendations in accordance with the guidelines; effect votes on behalf of clients; and provide reports concerning the proxies voted ("Proxy Voting Services"). In addition, the Advisors may retain the services of supplemental third party proxy service providers to provide research on proxy proposals and voting recommendations for certain shareholder meetings, as identified in the guidelines. Although each Advisor may consider the recommendations of third party proxy service providers on proxy issues, each Advisor remains ultimately responsible for all of its proxy voting decisions. In this regard, the Advisors use commercially reasonable efforts to oversee the directed delegation to third-party proxy voting service providers, upon which the Advisors rely to carry out the Proxy Voting Services. In the event that the Guidelines are not implemented precisely as Advisors' intend because of the actions or omissions of any third party service providers, custodians or sub-custodians or other agents, or any such persons experience any irregularities (e.g. misvotes or missed votes), then such instances will not necessarily be deemed by the Advisors as a breach of the Voting Procedures.

Clients of each Advisor may obtain a complete copy of the Voting Procedures, including a summary of the guidelines, and records of how their securities were voted by writing to



their customer service representative at Dimensional Fund Advisors, Level 43 Gateway, 1 Macquarie Place, Sydney NSW, 2000 Australia.

To the extent that a separate account or a sub-advised fund client has not authorized DFAA or DFAA has not agreed to vote proxies for securities in the client's account, the client will be responsible for receiving and voting proxies for any and all securities maintained in client portfolios, and DFAA is not responsible for forwarding proxies to the client. Depending on the circumstances and the terms of the client's agreement, DFAA may provide advice about a proxy from time to time.

Item 18 – Financial Information

A registered investment adviser is required to provide certain financial information or disclosures about DFAA's financial condition. DFAA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers

Not applicable.