



**Item 1 – Cover Page**

**Dimensional Fund Advisors LP**

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December 10, 2020

This Brochure provides information about the qualifications and business practices of Dimensional Fund Advisors LP (“Dimensional”). If you have any questions about the contents of this Brochure, please contact us at 512.306.7400 and/or <https://us.dimensional.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.

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

Additional information about Dimensional is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 – Material Changes**

This Brochure dated December 10, 2020 is an interim amendment to Dimensional’s annual update to Form ADV Part 2A dated March 30, 2020. Updates are made to Item 4, Advisory Business, to reflect Dimensional as the investment adviser to the Dimensional ETF Trust. Changes are made to other Items, including to Item 5 to reflect the fee structure applicable to the ETF Trust, to Item 8 to include certain ETF-related risks, and to Item 11 to provide more information about investments by Dimensional, or its related persons, in funds managed by Dimensional.



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## Item 4 – Advisory Business

### General Description of Advisory Firm

Dimensional Fund Advisors LP (“Dimensional”) manages securities and other assets for institutional investors generally and clients of independent financial advisors. Dimensional is the investment adviser to five SEC-registered investment companies which represent approximately 132 separate funds in aggregate, including mutual funds and exchange-traded funds (together, “U.S. Dimensional Funds”). The firm (formerly, Dimensional Fund Advisors Inc.) has been in business since 1981.

As of December 31, 2019, Dimensional and its affiliates managed approximately \$646,085,930,751 on a discretionary basis.<sup>1</sup>

Dimensional is organized as a Delaware limited partnership. Its general partner is Dimensional Holdings Inc. Dimensional Holdings LLC (a wholly-owned subsidiary of Dimensional Holdings Inc.) owns approximately 96% of the partnership interest of Dimensional. David G. Booth, executive chairman of Dimensional, is a principal owner of Dimensional Holdings Inc. The other owners primarily include current and former Dimensional employees and directors.

### General Description of Advisory Services

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

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

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<sup>1</sup> Discretionary assets under management include assets that are attributable to: (i) funds-of-funds managed by Dimensional that invest in underlying funds that are also managed by Dimensional; (ii) investments by Dimensional-managed funds in the DFA Short Term Investment Fund, a money-market fund that is also managed by Dimensional; and (iii) institutional investors that invest in Dimensional-managed funds through a discretionary investment program, including programs that involve Dimensional periodically allocating or rebalancing an investment amongst the underlying Dimensional funds. In these circumstances the dollar amount of assets managed includes both the management of the investing fund or account and the management of the underlying fund.



Dimensional manages investment funds, such as the U.S. Dimensional Funds, in accordance with each fund's investment objective. The firm also manages separate accounts and trust vehicles in accordance with investment objectives and guidelines. The investment objectives and guidelines of a separate account can be negotiated with clients, and a client may impose restrictions on investing in certain securities or types of securities.

### Other Business

Dimensional licenses software to intermediaries for use by defined contribution employee benefit plans. The license includes software for a computer-based assessment tool that the intermediary or the plan can use to sort participants into different groups based on certain attributes. The tool will allow the intermediary or the plan to map the groups to a model allocation selected by the intermediary or the plan. Dimensional provides related technical support and maintenance services for the licensed items as well as updates as agreed upon. Under this program, Dimensional does not act as an investment adviser to the plan or its participants.

Dimensional also licenses certain indexes to unaffiliated advisors for their use in connection with fund advice and management. Dimensional developed these indexes and Dimensional's Index Committee oversees the maintenance of the methodology underlying the indexes. In addition, Dimensional has collaborated with an index provider on the development of retirement-focused indices. As part of this collaboration, Dimensional has licensed to the index provider certain intellectual property in order to develop the retirement-focused indices for license and use as a benchmark. Dimensional provides speakers at industry conferences and certain other marketing assistance related to the benchmarks.

Dimensional also provides limited review and reporting services to certain separately managed accounts or sub-advised accounts with respect to such account's securities lending activities conducted by the account's securities lending agent. Dimensional does not act as a securities lending agent for clients.

Dimensional makes available certain model portfolios and other information to financial intermediaries and institutional investors on Dimensional's or certain third parties' websites (each, a "Website"). The model portfolios are provided "as is" and solely for informational purposes. Dimensional has no obligation to update or take any other action with respect to the model portfolios and may stop providing any update of (and may cease to take any action with respect to) the model portfolios at any time in its sole and absolute discretion. Dimensional is not responsible for implementing the model portfolios (e.g., selecting broker-dealers, executing trades or seeking best execution). Dimensional provides investment advisory services to other persons and may, at any time, buy or sell, or make investment decisions with respect to, the same or similar securities or instruments as those that are referred to in or comprise a model portfolio. In such cases, Dimensional's investment decisions may not be reflected in the model portfolios. Accordingly, a person implementing a model portfolio available on a Website may experience results that are different from or less favorable than those experienced by Dimensional clients.



The model portfolios include investment funds that are advised by Dimensional or an affiliate. To the extent a person implements all or part of a model portfolio that is made available on a Website, this will generate advisory and other fees for Dimensional or its affiliate through the payment of management fees by the Dimensional fund to Dimensional, and the management fees of Dimensional funds may be higher than fees charged by other funds.

## Item 5 – Fees and Compensation

### Advisory Fees

Dimensional's advisory fees charged vary due to a number of factors, including the particular circumstances of the client, specific investment strategies or restrictions for the client, account size, client location, scope of the overall client relationship, legal and regulatory considerations applicable to a client, customization of investment guidelines, discretionary character of the account, additional or differing levels of client servicing, and/or as otherwise may be agreed with specific clients. As a result, Dimensional offers certain clients lower fees than other clients, and a client may pay more or less than other clients invested in similar strategies. The table below reflects approximate ranges for the clients and portfolios advised by Dimensional or its advisory affiliates.

<u>General Investment Strategy Categories</u>	<u>Annual Advisory Fee Rates</u>
U.S. Equity	0.06% to 0.70%
Non-U.S. / Global Equity	0.10% to 0.75%
Fixed Income	0.05% to 0.30%
Real Estate Securities	0.15% to 0.40%

*Separate Accounts.* The specific fees that Dimensional charges a separate account client are set forth in the client's written investment management agreement with Dimensional. Dimensional's actual advisory fees, minimum fees and minimum account sizes may be negotiated and vary from client to client due to a number of factors, including those noted above. Dimensional is generally not required to provide notice to, or obtain the consent of, any separate account client when waiving, reducing or varying fees or modifying other contractual terms with any other separate account client.

Certain clients from time to time seek to include most favored nation ("MFN" and each, an "MFN client") clauses in their investment management agreements with Dimensional. Dimensional considers agreeing to an MFN clause in view of a number of factors, which may include the client's overall relationship with Dimensional. These clauses require Dimensional to notify the MFN client if Dimensional has entered into, or subsequently enters into, a more favorable fee arrangement with a comparable client and offer the MFN client the same fee arrangement or notify the MFN client of such fee arrangement. Whether an account will be



considered comparable will depend upon the language of the client's agreement with Dimensional. The agreement may provide for consideration of factors including, but not limited to, the size of the account, scope and type of relationships with Dimensional, restrictions on the account, level of services required for the account, investment strategy, investment objectives, and discretionary character of the account. Dimensional does not under normal circumstances apply an MFN clause negotiated with its own clients to investment management agreements between a Dimensional affiliate and the Dimensional affiliate's clients. Dimensional does not agree to MFN clauses in all circumstances and has sole discretion over whether to grant an MFN clause.

Dimensional generally bills its advisory fees for separate accounts on a quarterly basis in arrears unless otherwise stated in the written management agreement with a client. Clients also may be billed directly for fees or authorize Dimensional to directly debit fees from client accounts. Accounts initiated or terminated during a billing period will generally be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable. In instances where Dimensional provides sub-advisory services to a Dimensional affiliated entity in connection with that entity's management of a separate account, Dimensional generally receives a fee payable by the respective Dimensional affiliated entity that serves as the primary investment manager, and such fee is typically settled on a quarterly basis.

Dimensional invests certain separate account client assets in investment funds, including U.S. Dimensional Funds. Such clients generally bear the costs and expenses charged by the fund to their shareholders, such as management and administrative fees, in addition to Dimensional's advisory fees for the separate account program. In such instances, the advisory fees payable for managing the separate account may be reduced by the U.S. Dimensional Fund's advisory fee applicable to the account, which is payable to Dimensional. See Items 11 and 14 of this Brochure for a discussion of compensation for solicitation activities and possible conflicts of interest with these arrangements.

*Investment Companies.* Dimensional is an investment adviser to the U.S. Dimensional Funds. Dimensional is a sub-adviser to certain Undertakings for Collective Investment in Transferable Securities ("UCITS funds"), and United Kingdom, Australian and Canadian mutual funds managed by Dimensional affiliated entities. Dimensional's advisory fees charged to fund clients are approved by a respective fund's boards of directors/trustees and in some cases, its shareholders. Fees vary by investment discipline, type of account, assets under management, and other competitive factors and are within the ranges of the advisory fee table set out above. Dimensional's advisory, sub-advisory, and administrative fees, if any, for fund clients are disclosed in the respective prospectuses, statements of additional information ("SAIs"), or other offering documents of the funds.

Dimensional's investment advisory fees for the U.S. Dimensional Funds are typically paid monthly. For sub-advisory services provided to UCITS funds as well as the United Kingdom, Australian and Canadian mutual funds, Dimensional receives a fee payable by the respective



Dimensional affiliated entity that serves as primary investment manager to the mutual fund, and such fee is typically settled on a quarterly basis.

In certain instances, Dimensional charges a separate administrative fee to an investor who purchases a mutual fund for administrative services provided to such investors. Any such fee will be outlined in an administrative services agreement with the client. Dimensional is a sub-adviser to certain third-party mutual funds and exchange-traded funds principally advised by unaffiliated entities. For these sub-advisory services, Dimensional typically receives a fee payable directly by the third-party fund's primary investment adviser, and such fee is usually settled on a monthly basis.

*Trust Vehicles.* Dimensional serves as the investment manager to a collective trust fund with various subtrusts, the DFA Group Trust, in which assets of qualified defined benefit plans are invested. Fees charged by Dimensional for investments in the DFA Group Trust range from 0.23% to 0.55% per year. However, as with separate accounts, Dimensional's actual advisory fees, minimum fees and minimum account sizes may be negotiated and vary from client to client due to a variety of factors, including the particular subtrust selected by the client, the particular circumstances of the client, account size, or as otherwise agreed with specific clients. Specific fees that Dimensional charges a client that invests in units of the DFA Group Trust are set forth in the client's written investment management agreement with Dimensional. Dimensional generally bills its advisory fees to DFA Group Trust unitholders on a quarterly basis in arrears, unless otherwise stated in the unitholder's agreement with Dimensional.

In addition, Dimensional has been retained by a third-party trustee to serve as investment advisor of the Dimensional Collective Investment Trust. The Dimensional Collective Investment Trust is a collective investment vehicle established for investment by qualified defined benefit and defined contribution plans, and certain trusts, entities or accounts that invest the assets of such plans. Investors in the Dimensional Collective Investment Trust will be charged an annual fee based on the specific fee class designated in the investor's participation agreement. In some instances, a different fee may be negotiated with an investor, which would be reflected in the fee schedule for the investor's participation agreement. The third-party trustee of the Dimensional Collective Investment Trust retains a portion of the fee, and additional information about fees and expenses are disclosed in the documentation of the Dimensional Collective Investment Trust, including the Confidential Offering Memorandum. The base investment fee charged for investment in the funds of the Dimensional Collective Investment Trust generally range from 0.15% to 0.65% per year. Actual investment management fees, minimum fees and minimum account sizes may be negotiated and vary due to a variety of factors, including the particular fund strategy, the particular circumstances of the investor, account size, or as otherwise may be agreed. Unless otherwise agreed with the investor, the Dimensional Collective Investment Trust's investment management fee is calculated based upon the average class level daily net asset value of the investment in a fund of the Dimensional Collective Investment Trust, accrues daily within the fund, and will be paid monthly in arrears from the assets invested in the fund, including accrued interest and dividends.





### Brokerage, Custodial and Other Expenses

Dimensional's advisory fees for separate accounts, group trust and fund clients are generally in addition to brokerage commissions, custodial fees, proxy voting service fees, and other transaction costs and expenses which the client may incur. However, for the U.S. Dimensional Funds that are exchange-traded funds ("ETFs"), Dimensional is responsible for substantially all ordinary fund operating expenses, including custodial fees, except for certain expenses, such as brokerage expenses, identified in the ETFs' offering documents.

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

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

In some cases, Dimensional has entered into performance fee arrangements with "qualified clients," as defined under the Investment Advisers Act of 1940, as amended ("Advisers Act"). Such fees are subject to individualized negotiation with each such client. Dimensional will structure any performance or incentive fee arrangement in compliance with legal requirements. In measuring client assets for the calculation of performance-based fees, Dimensional will include realized and unrealized capital gains and losses.

Performance-based fee arrangements create an incentive for Dimensional to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement, such as one based on amount of assets managed. In addition, performance-based fee arrangements create incentives to favor accounts with such arrangements in the allocation of investment opportunities. To address such conflicts, Dimensional designs procedures which seek to treat all clients fairly and equally, including with regard to allocating investment opportunities among clients. For further information about relevant Dimensional procedures, see "Allocation of Investment Opportunities" below and Item 12 of this Brochure.

### Allocation of Investment Opportunities

Dimensional provides investment advisory and investment management services for many clients and may give advice and take action with respect to one client that differs from advice given or the timing or nature of action taken with respect to another client. It is Dimensional's policy not to favor or disfavor any client or class of clients in the allocation of investment opportunities. To the extent practicable, all investment opportunities will be allocated among clients over time on a fair and equitable basis.

Dimensional allocates eligible investment opportunities across portfolios that it manages based on the following factors:

- a. incremental contribution to the desired characteristics of the overall portfolio;



- b. demand relative to target weight of the security within the portfolio compared to that of other portfolios;
- c. anticipated liquidity of the security;
- d. cash position of the portfolio;
- e. anticipated client cash flows in or out of the portfolio; and
- f. anticipated expenses associated with transacting in the security.

The availability of certain investment opportunities is limited under various circumstances, including in certain local and emerging markets, and with respect to regulated industries. Additionally, Dimensional may restrict, limit or reduce the amount of a portfolio's investment in a security where holdings in such a security by a portfolio, or across portfolios in the aggregate, may exceed regulatory or issuer ownership thresholds or would otherwise result in significant costs to, or administrative burdens on, portfolios, a client or Dimensional. For example, limitations may exist if a position or transaction could require a regulatory filing or a license or other regulatory or corporate consent, which could, among other things, result in additional cost and disclosure obligations for, or impose regulatory restrictions on, portfolios, a client or Dimensional, or where exceeding a threshold is prohibited or may result in regulatory or other restrictions. Dimensional also, in allocating investment opportunities, can consider a portfolio's sensitivity to tracking error, and the availability of other appropriate or substantially similar investment opportunities for its portfolios. For example, a portfolio that is sensitive to tracking error may receive a greater allocation of a security that is in the index that is tracked by such portfolio as compared to a portfolio that is not sensitive to tracking error.

When Dimensional allocates investment opportunities, it takes into account the factors described above, as applicable, and as a result, some or all of the eligible portfolios may not receive a pro rata allocation, or any allocation.

See also Item 12 relating to trade aggregation and allocation practices.

## **Item 7 – Types of Clients**

Dimensional's clients generally include institutional investors, high net worth individuals, and clients of registered financial advisors. The institutional investors are typically comprised of the U.S. Dimensional Funds, corporate and governmental pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, sovereign funds, foreign funds such as UCITS funds and other U.S. and international institutions. Dimensional provides investment advisory services to certain clients considered "retail investors" and who receive Dimensional's client relationship summary in addition to this Brochure.



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

The discussion in this Item applies to all Dimensional investment portfolios, including separate accounts, investment funds and trust vehicles.

- For a separate account client, please also carefully review the account's investment management agreement for additional information on the account's investment strategies and risks.
- For an investment fund, including a U.S. Dimensional Fund or a fund of the Dimensional Collective Investment Trust, please also carefully review the fund's prospectus, declarations or other offering documents for additional information on the fund's investment strategies and risks.
- For a client investing in the DFA Group Trust, please also carefully review the DFA Group Trust Agreement and the account's investment management agreement and adoption agreement for additional information on the account's investment strategies and risks.

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

Because the value of a client's investment will fluctuate, there is the risk that a client will lose money. Clients should carefully review the risks of investing and be prepared to bear those risks, including the possible loss of the principal amount invested.

### General Investments

*Method of Analysis and Investment Strategies.* Dimensional primarily utilizes fundamental analysis with limited technical analysis. Securities analysis will generally be used to eliminate securities from a portfolio rather than to decide which securities will be added. Dimensional also has consulting arrangements with several academics who provide expertise with respect to the investment strategies Dimensional implements.

*Market Risk:* Even a long-term investment approach cannot guarantee that a strategy will not lose money. Economic, market, political, and issuer-specific conditions and events will cause the value of securities, and the portfolio that owns them, to rise or fall. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

The value of a portfolio's securities can change daily due to economic and other events that affect market prices generally, as well as those that affect particular regions, countries, industries, or issuers. Economies and financial markets throughout the world have become



increasingly interconnected, which increases the likelihood that events or conditions in one region or country will adversely affect markets or issuers in other regions or countries. Portfolio securities may be negatively impacted by inflation (or expectations for inflation), interest rates, global demand for particular products/services or resources, natural disasters, pandemics, epidemics, terrorism, war, military confrontations, regulatory events and governmental or quasi-governmental actions, among others. Natural and environmental disasters, including weather-related phenomena, also can adversely affect individual issuers, sectors, industries, markets, currencies, countries, or regions. The occurrence of global events similar to those in recent years (e.g., natural disasters, virus epidemics, social and political discord, and terrorist attacks) may result in market volatility and have long-term effects on both the U.S. and global economies and financial markets. Such events could occur in any jurisdiction in which a portfolio invests, leading to changes in regional and global economic conditions and cycles which may have a negative impact on a portfolio's investments. The risks associated with such events may be greater in developing or emerging market countries, many of which have less developed political, financial, healthcare, and/or emergency management systems.

*Fund of Funds Risk:* The investment performance of a portfolio that is a fund-of-funds is affected by the investment performance of the underlying funds in which the portfolio invests. The ability of the portfolio to achieve its investment objective depends on the ability of the underlying funds to meet their investment objectives and on Dimensional's decisions regarding the allocation of the portfolio's assets among the underlying funds. The portfolio may allocate assets to an underlying fund or asset class that underperforms other funds or asset classes. There can be no assurance that the investment objective of the portfolio or any underlying fund will be achieved. When the portfolio invests in underlying funds, investors are exposed to a proportionate share of the expenses of those underlying funds in addition to the expenses of the portfolio. Through its investments in underlying funds, the portfolio is subject to the risks of the underlying funds' investments.

*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.

*Foreign Issuers and Currencies Risk:* Portfolios may acquire and sell securities issued in foreign countries. There are substantial risks associated with investing in the securities issued by governments and companies located in, or having substantial operations in, foreign countries, which are in addition to the risks inherent in U.S. investments. In many foreign countries there is less government supervision and regulation of stock exchanges, brokers, and listed companies than in the U.S., which may result in greater potential for fraud or market manipulation. There is also the risk of substantially more government involvement in the economy in foreign countries as well as the possible arbitrary and unpredictable enforcement of securities regulations and other laws, which may limit the ability of a portfolio to invest in foreign issuers.



Significantly, there is greater possibility of cessation of trading on foreign exchanges, expropriation, nationalization of assets, confiscatory or punitive taxation, withholding and other foreign taxes on income or other amounts, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country), restrictions on removal of assets, political or social instability, military action or unrest, or diplomatic developments. There is no assurance that Dimensional will be able to anticipate these potential events.

In addition, if the base currency of a portfolio is the U.S. dollar, the value of securities denominated in foreign currencies and of dividends and interest paid with respect to such securities will fluctuate based on the relative strength of the U.S. dollar. Foreign currency risk includes the possibility 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 issuers may not be subject to uniform accounting, auditing and financial reporting standards and there may be less publicly available financial and other information about such issuers, comparable to U.S. issuers. Certain countries' legal institutions, financial markets, and services are less developed than those in the U.S. or other major economies. A portfolio may have greater difficulty voting proxies, exercising shareholder rights, securing dividends and obtaining information regarding corporate actions on a timely basis, pursuing legal remedies, and obtaining judgments with respect to foreign investments in foreign courts than with respect to domestic issuers in U.S. courts. The costs associated with foreign investments, including withholding taxes, brokerage commissions, and custodial costs, are generally higher than with U.S. investments. To the extent that a portfolio invests a significant portion of its assets in a specific geographic region or country, the portfolio will have more exposure to economic risks related to such region or country than a portfolio with investments that are more geographically diversified. In addition, economies of some emerging market countries may be based on only a few industries and may be highly vulnerable to changes in local or global trade conditions. Foreign markets also can have substantially less trading volume than the U.S. markets and securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. A portfolio, therefore, may encounter difficulty in obtaining market quotations for purposes of valuing its portfolio assets or calculating its net asset value, as applicable.

It is also possible that the U.S., other nations or other governmental entities (including supranational entities) could impose sanctions against issuers in various sectors of certain foreign countries. This could limit a portfolio's investment opportunities in such countries, impairing the portfolio's ability to invest in accordance with its investment strategy and/or to meet its investment objective. In addition, an imposition of sanctions upon such issuers could result in an immediate freeze of the issuers' securities, impairing the ability of a portfolio to buy, sell, receive or deliver those securities. Further, current sanctions or the threat of potential sanctions may also impair the value or liquidity of affected securities and negatively impact a portfolio.

*Emerging Markets Risk:* Securities of issuers associated with emerging market countries, including, but not limited to, issuers that are organized under the laws of, maintain a principal



place of business in, derive significant revenues from, or issue securities backed by the government (or, its agencies or instrumentalities) of emerging market countries may be subject to higher and additional risks than securities of issuers in developed foreign markets. These risks include, but are not limited to (i) social, political and economic instability; (ii) government intervention, including policies or regulations that may restrict a portfolio's investment opportunities, including restrictions on investment in issuers or industries deemed sensitive to an emerging market country's national interests; (iii) less transparent and established taxation policies; (iv) less developed legal systems allowing for enforcement of private property rights and/or redress for injuries to private property; (v) the lack of a capital market structure or market-oriented economy; (vi) higher degree of corruption and fraud; (vii) counterparties and financial institutions with less financial sophistication, creditworthiness and/or resources as those in developed foreign markets; and (viii) the possibility that the process of easing restrictions on foreign investment occurring in some emerging market countries may be slowed or reversed by unanticipated economic, political or social events in such countries, or the countries that exercise a significant influence over those countries.

In addition, many emerging market countries have experienced substantial, and during some periods, extremely high rates of inflation, for many years. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of these countries. Moreover, the economies of some emerging market countries may differ unfavorably from the U.S. economy in such respects as growth of gross domestic product, currency depreciation, debt burden, capital reinvestment, resource self-sufficiency and balance of payments position. The economy of an emerging market country may be based on a limited number of industries and thus may be highly vulnerable to changes in local or global trade conditions.

A portfolio may have limited access to, or there may be a limited number of, potential counterparties that trade in the securities of emerging market issuers. Potential counterparties may not possess, adopt or implement creditworthiness standards, financial reporting standards or legal and contractual protections similar to those in developed foreign markets. Currency and other hedging techniques may not be available or may be limited. The local taxation of income and capital gains accruing to nonresidents varies among emerging market countries and may be comparatively high. Emerging market countries typically have less well-defined tax laws and procedures and such laws may permit retroactive taxation so that a portfolio could in the future become subject to local tax liabilities that had not been anticipated in conducting its investment activities or valuing its assets. Custodial services and other investment-related costs in emerging market countries are often more expensive, compared to developed foreign markets and the U.S., which can reduce a portfolio's income from investments in securities or debt instruments of emerging market country issuers.

Some emerging market currencies may not be internationally traded or may be subject to strict controls on foreign investment by local governments as well as restrictions on currency conversions and limits on repatriation of invested capital. The result can be undervalued or overvalued currencies and associated difficulties with the valuation of assets, including a





portfolio's securities, denominated in that currency. Future restrictive exchange controls could prevent or restrict a company's ability to make dividend or interest payments in the original currency of the obligation (usually U.S. dollars). In addition, even though the currencies of some emerging market countries may be convertible into U.S. dollars, the conversion rates may be different than the actual market values and may be adverse to a portfolio's shareholders.

Frontier market countries generally have smaller economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

*China Investments Risk:* Investments in China-based issuers or those associated with the country, such as those with operations there or deriving revenue from local operations, can be subject to considerable degrees of economic, political and social instability. The Chinese government can significantly influence China's economy through government industrial policies, monetary policy, management of currency exchange rates, and management of the payment of foreign currency-denominated obligations. Changes or uncertainty in government policies or direction can adversely impact industries or companies in China. China is an emerging market, subject to related risks and demonstrates significantly higher volatility from time to time in comparison to developed markets. The China market continues to experience volatility and possible pricing anomalies resulting from governmental influence, a lack of publicly available information and/or political and social instability. The country's economy, particularly its export-oriented industries, may be adversely impacted by trade or political disputes with China's major trading partners, including the U.S. China's currency, which historically has been managed in a tight range relative to the U.S. dollar, may in the future be subject to greater uncertainty as Chinese authorities change the policies that determine the exchange rate mechanism. Social unrest in China or confrontations with other neighboring countries, including military conflicts in response to such events, may also disrupt economic development in China and result in a greater risk of currency fluctuations, currency non-convertibility, interest rate fluctuations and higher rates of inflation.

A portfolio investing in China A-shares through the Shanghai-Hong Kong Stock Connect program or the Shenzhen-Hong Kong Stock Connect program (together, "Stock Connect") is subject to trading, clearance, settlement, and other procedures, which could pose risks to the portfolio. Trading through the Stock Connect program is subject to daily quotas that limit the maximum daily net purchases on any particular day, each of which may restrict or preclude a portfolio's ability to invest in China A-shares through the Stock Connect program. Trading through Stock Connect may require pre-validation of cash or securities prior to acceptance of orders. This requirement may limit a portfolio's ability to dispose of its A-shares purchased through Stock Connect in a timely manner. Certain China A-Share securities may only be available to investors meeting certain qualifications, such as being an institutional professional investor under Hong Kong law.

A primary feature of the Stock Connect program is the application of the home market's laws and rules applicable to investors in China A-shares. Therefore, a portfolio's investments in Stock



Connect China A-shares are generally subject to the securities regulations and listing rules of the People's Republic of China ("PRC"), among other restrictions. Stock Connect can only operate when both PRC and Hong Kong markets are open for trading and when banking services are available in both markets on the corresponding settlement days. As such, the Shanghai and Shenzhen markets may be open at a time when Stock Connect is not trading, with the result that prices of China A-shares may fluctuate at times when a portfolio is unable to add to or exit its position, which could adversely affect the portfolio's performance.

Changes in the operation of the Stock Connect program may restrict or otherwise affect a portfolio's investments or returns. Furthermore, any changes in laws, regulations and policies of the China A-shares market or rules in relation to Stock Connect may affect China A-share prices. These risks are heightened generally by the developing state of the PRC's investment and banking systems and the uncertainty about the precise nature of the rights of equity owners and their ability to enforce such rights under Chinese law. An investment in China A-Shares is also generally subject to the risks identified under "Emerging Markets Risk," and foreign investment risks such as price controls, expropriation of assets, confiscatory taxation, and nationalization may be heightened when investing in China.

*Political, United Kingdom and European Market Related Risks:* Portfolios that have significant exposure to certain countries can be expected to be impacted by the political and economic conditions within such countries. There is continuing uncertainty around the future of the euro, GBP, the United Kingdom and the European Union (EU) following the United Kingdom's vote to exit the EU in June 2016 ("Brexit"). On January 31, 2020 the United Kingdom officially withdrew from the EU and an eleven-month transition phase, set to continue through December 31, 2020, began. It is possible that the transition will be extended past that date. Although the United Kingdom's exit from the EU has not yet modified existing agreements, the United Kingdom and EU will renegotiate and formalize new economic and political agreements, including trade deals, during the transition phase. Given the extended transition and unpredictability surrounding the renegotiation process, there remains a significant degree of uncertainty surrounding the economic and political outcomes which these events may cause. As the outcomes of the negotiations for a new relationship between the United Kingdom and EU remain unclear, the effects on the United Kingdom, EU and the broader global economy cannot be determined at this time. Brexit may cause greater market volatility and illiquidity, currency fluctuations, deterioration in economic activity, a decrease in business confidence, and an increased likelihood of a recession in the United Kingdom, the EU and/or other countries. While it is not possible to determine the precise impact these events may have on a portfolio, during this period and beyond, the impact on the United Kingdom, EU countries, other countries or parties that transact with the United Kingdom and EU, and the broader global economy could be significant and could adversely affect the value and liquidity of a portfolio's investments. In addition, if one or more other countries were to exit the EU or abandon the use of the euro as a currency, the value of investments tied to those countries or the euro could decline significantly and unpredictably.





*Cyber Security Risk:* The use of the internet, technology and information systems by a portfolio as well as its service providers expose the portfolio to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or portfolio assets, or cause the portfolio, its service providers and/or counterparties to suffer data corruption or lose operational functionality. Dimensional's operations are subject to similar risks, including because of incidents that may occur at Dimensional's business service providers and counterparties. Cyber security risks can result in financial losses to Dimensional and its clients. A cyber security incident, either at Dimensional or a third party, could limit Dimensional's ability to manage portfolios or transact on their behalf. Incidents could also result in delays to or mistakes in materials provided to clients. Dimensional has measures designed to address risks associated with cyber security, but there is no guarantee that those measures will be effective, including because Dimensional cannot directly control cyber security defenses or plans of its service providers, financial intermediaries and companies in which Dimensional invests on behalf of clients. A cyber security incident can result in compliance, legal and remediation costs and could also result in reputational harm.

*Data Source Risk:* Dimensional uses a variety of data in connection with managing portfolios and evaluating securities, and the quality of the resulting analysis or implementation depends on a number of factors, including the accuracy and timeliness of data inputs. When such data is incorrect or incomplete, a portfolio can be negatively impacted, such as when incorrect data is entered into an otherwise accurate investment process or system, or when Dimensional's securities analysis is affected by incorrect information. Dimensional cannot guarantee that third-party data is accurate and, unless otherwise agreed in writing with a client, is typically not responsible for errors caused by reasonable reliance on third-party data sources.

*Operational Risk:* Dimensional and the portfolios are exposed to operational risks such as the risk of human error or failures in systems, technology or processes, either internally or at third parties. Dimensional's business operations can be impacted, in part, by software or hardware malfunctions, viruses, glitches, process errors, connectivity loss or system failures. Various operational events or circumstances are beyond Dimensional's control, including instances at third parties, and can include human errors or events in part caused by changes in personnel, system changes, or faults in communication or technology failures. Increased use of and reliance on systems, technology or processes, both internally and at third parties, can cause portfolios and Dimensional to be more susceptible to operational and system risks, including the cyber security risk addressed above. To the extent a trading counterparty uses algorithms to implement orders from Dimensional, and such algorithms are incorrect or incomplete, any decisions or investments made in reliance thereon expose portfolios to additional risks, including losses.

Dimensional seeks to minimize operational risks and related risks through controls and oversight, but there is no guarantee that those measures will be effective, including because Dimensional does not control operational risk management at third parties. There may be failures or instances that cause losses to a portfolio or impact Dimensional's or a third party's functions. Unless otherwise agreed in writing with a client, Dimensional typically will not be responsible



for errors caused by Dimensional's reasonable reliance on third parties, such as brokers, custodians, technology providers, data sources and other providers.

Negative global events can disrupt the operations and processes of any of the service providers for a fund or account. Such events could cause uncertainty in business and market operations, potentially impacting the ability to trade securities and clear and settle transactions as well as causing business uncertainty and closures, supply chain and travel interruptions, the need for personnel and vendors to work at external locations, and extensive medical absences. Not all events that could affect business operations and/or the markets can be determined and addressed in advance. Negative global events, in some cases, could constitute a force majeure event under contracts with service providers or contracts entered into with counterparties for certain transactions.

*Liquidity Risk:* Liquidity risk exists when particular portfolio investments are difficult to purchase or sell. To the extent that the portfolio holds illiquid investments, the portfolio's performance may be reduced due to an inability to sell the investments at opportune prices or times. Liquid portfolio investments may become illiquid or less liquid after purchase by the portfolio due to low trading volume, adverse investor perceptions and/or other market developments. Liquidity risk includes the risk that the portfolio will experience significant net redemptions at a time when it cannot find willing buyers for its portfolio securities or can only sell its portfolio securities at a material loss or at increased costs. Liquidity risk can be more pronounced in periods of market turmoil or in situations where ownership of shares of the portfolio are concentrated in one or a few investors.

*Tax-Management/Tax Advantage Strategy Risk:* Tax-management strategies and strategies that consider the tax implications of investment decisions may alter investment decisions and affect portfolio holdings, when compared to those of non-tax managed portfolios. Dimensional anticipates that performance of such portfolios may deviate from that of non-tax managed portfolios.

*Social Investment/Sustainability Impact Consideration Investment Risk:* Portfolios with social issue screens or sustainability impact considerations limit the number of investment opportunities available to such portfolios, and as a result, at times, a portfolio may produce lower returns than portfolios that are not subject to such special investment conditions. For example, a portfolio may decline to purchase, or underweight its investment in, certain securities due to sustainability impact considerations when other investment considerations would suggest that a more significant investment in such securities would be advantageous, or the portfolio may sell certain securities for social reasons when it is otherwise disadvantageous to do so. Sustainability impact considerations may cause a portfolio's industry allocation to deviate from that of funds without these considerations and of conventional benchmarks.

*Corporate Actions Risk:* Dimensional generally determines whether a portfolio should elect on or otherwise attempt to participate in a corporate action based on a variety of factors, including the stated or expected value of the corporate action and restrictions placed on participation by the



subject company or its agents or intermediaries (e.g., restrictions regarding shareholders in certain jurisdictions). In its determination, Dimensional will consider the uncertainty of successful participation or other risks, such as the lack of timely notice or reliable information for the corporate action or risks in connection with the procedure, certifications, documentation or warranties that may be required. Where relevant, Dimensional can review risks presented by a corporate action against the other options available to a portfolio (e.g., selling rights or exiting the position in the subject company). Dimensional cannot ensure that a portfolio will participate in each corporate action for which a portfolio is eligible, for reasons such as lack of timely notice or reliable information.

*Non-Diversification Risk:* To the extent a portfolio invests its assets in a smaller number of issuers than a more diversified portfolio, gains or losses on a single security may have a greater impact on the portfolio's value and the portfolio may be subject to greater volatility.

#### Equity Investments

*Method of Analysis and Investment Strategies.* Dimensional believes that equity investing should involve a long-term view and a systematic focus on sources of expected returns, not on stock picking or market timing. In constructing an equity investment portfolio, Dimensional generally identifies a broadly diversified universe of eligible securities with defined risk and return characteristics. It then places priority on efficiently managing portfolio turnover and keeping trading costs low. Generally, Dimensional 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, smaller 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.

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

*Growth Investment Risk:* Securities that have high valuation ratios and/or high profitability may perform differently from the market as a whole and an investment strategy purchasing these securities may cause a portfolio to at times underperform equity funds that use other investment strategies.



*Risks of Concentrating in the Real Estate Industry:* Portfolios that concentrate in the real estate industry will 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, and tax and regulatory requirements. In addition, the value of securities in the real estate industry may decline with changes in interest rates. 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. Many foreign REIT-like entities are deemed for tax purposes to be passive foreign investment companies (PFICs), which could result in the receipt of taxable dividends to shareholders at an unfavorable tax rate. Also, because REITs and REIT-like entities typically are invested in a limited number of properties or in a particular market segment, these entities are more susceptible to adverse developments affecting a single property or market segment than more broadly diversified investments. The performance of the portfolio may be materially different from the broad equity market.

*Country/Region Market Risk:* The performance of portfolios that concentrate investments in a single country or region is expected to be closely tied to the social, political, and economic conditions within such country or region and may be more volatile than the performance of portfolios with more geographically diverse investments.

#### *Fixed-Income Investments*

*Method of Analysis and Investment Strategies.* Dimensional believes that fixed income investing should 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, Dimensional generally identifies a broadly diversified universe of eligible securities with defined maturity ranges and credit quality characteristics. Dimensional will then seek to purchase a broad and diverse portfolio of securities meeting these credit quality standards.

*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 changes in interest rates.

*Credit Risk:* Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. 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. Government agency obligations have different levels of credit support and, therefore, different degrees of credit risk. Securities issued by agencies and instrumentalities of the U.S. Government that are supported by the full faith and credit of the United States, such as the Federal Housing Administration and Ginnie Mae, present little credit risk. Other securities



issued by agencies and instrumentalities sponsored by the U.S. Government that are supported only by the issuer's right to borrow from the U.S. Treasury, subject to certain limitations, and securities issued by agencies and instrumentalities sponsored by the U.S. Government that are sponsored by the credit of the issuing agencies, such as Freddie Mac and Fannie Mae, are subject to a greater degree of credit risk. U.S. government agency securities issued or guaranteed by the credit of the agency may still involve a risk of non-payment of principal and/or interest.

*Income Risk:* Income risk is the risk that falling interest rates will cause a portfolio's income to decline because, among other reasons, the proceeds from maturing short-term securities in its portfolio may be reinvested in lower-yielding securities.

*Foreign Government Debt Risk:* The risk that (a) the governmental entity that controls the repayment of government debt may not be 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.

*Call Risk:* Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the portfolio to reinvest in bonds with lower interest rates than the original obligations.

*High Yield Risk:* Fixed income securities rated below investment grade may be subject to greater interest rate, credit and liquidity risks than investment grade securities. Fixed income securities that are below investment grade involve high credit risk and are considered speculative. Below investment grade fixed income securities may also fluctuate in value more than higher quality fixed income securities and, during periods of market volatility, may be more difficult to sell at the time and price desired.

*Risks of Investing for Inflation Protection:* Because the interest and/or principal payments on an inflation protected security are adjusted periodically for changes in inflation, the income distributed by a portfolio may be irregular. Although the U.S. Treasury guarantees to pay at least the original face value of any inflation-protected securities the Treasury issues, other issuers may not offer the same guarantee. Also, inflation-protected securities, including those issued by the U.S. Treasury, are not protected against deflation. As a result, in a period of deflation, the inflation-protected securities held by the portfolio may not pay any income and the portfolio may suffer a loss during such periods. While inflation-protected securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in a portfolio's value. For example, if interest rates rise due to reasons other than inflation, a portfolio's investment in these securities may not be protected to the extent that the increase is not reflected in the securities' inflation measures. In addition, positive adjustments to





principal generally will result in taxable income to a portfolio at the time of such adjustments (which generally would be distributed by the portfolio as part of its taxable dividends), even though the principal amount is not paid until maturity. The current market value of inflation-protected securities is not guaranteed and will fluctuate.

*Inflation-Protected Securities Interest Rate Risk:* Inflation-protected securities may react differently from other fixed income securities to changes in interest rates. Because interest rates on inflation-protected securities are adjusted for inflation, the values of these securities are not materially affected by inflation expectations. Therefore, the value of inflation-protected securities are anticipated to change in response to changes in “real” interest rates, which represent nominal (stated) interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

*Inflation-Protected Securities Tax Risk:* Any increase in the principal amount of an inflation-protected security may be included for tax purposes in a portfolio’s gross income, even though no cash attributable to such gross income has been received by the portfolio. In such event, a portfolio may be required to make annual gross distributions to shareholders that exceed the cash it has otherwise received. In order to pay such distributions, a portfolio may be required to raise cash by selling its investments. The sale of such investments could result in capital gains to the portfolio and additional capital gain distributions to shareholders. In addition, adjustments during the taxable year for deflation to an inflation-indexed bond held by a portfolio may cause amounts previously distributed to shareholders in the taxable year as income to be characterized as a return of capital.

*Tax Liability Risk (municipal portfolios):* Tax liability risk is the risk that distributions by a portfolio become taxable to shareholders due to noncompliant conduct by a municipal bond issuer, unfavorable changes in federal or state tax laws, or adverse interpretations of tax laws by the Internal Revenue Service or state tax authorities or other factors. Such adverse interpretations or actions could cause interest from a security to become taxable, possibly retroactively, subjecting shareholders to increased tax liability. In addition, such adverse interpretations or actions could cause the value of a security, and therefore, the value of a portfolio’s shares, to decline.

*State-Specific Risk (municipal portfolios):* The investments of portfolios that focus their investments primarily in a single state’s municipal securities will be highly sensitive to events affecting the fiscal stability of such state and its agencies, municipalities, authorities and other instrumentalities that issue securities. These events may include economic or political policy changes, tax base erosion, unfunded pension and healthcare liabilities, state limits on tax increases, budget deficits and other financial difficulties, and changes in the credit ratings assigned to the state’s municipal issuers. A negative change in any one of these or other areas could affect the ability of the state’s municipal issuers to meet their obligations. If a portfolio invests in obligations of government issuers of a single state, there will be greater credit risk exposure to a smaller number of issuers due to economic, regulatory or political problems in the



state. It is important to remember that economic, budget and other conditions within a particular state can be unpredictable and can change at any time. For these reasons, an investment in a municipal portfolio that focuses its investments primarily in municipal securities of a single state involves more risk than an investment in a fund that does not focus on municipal securities of a single state.

*TBA Securities Risk:* If a portfolio invests in “to be announced” or “TBA” securities, it is subject to similar risks to those with when-issued or forward commitment transactions. TBA securities represent an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics for an approximate principal amount, with settlement on a scheduled future date beyond the typical settlement period for most other securities. A portfolio may use TBA securities for investment purposes to gain exposure to certain securities, or for hedging purposes. A TBA transaction typically does not designate the actual security to be delivered. For a TBA transaction, it is possible that the securities will never be issued and the commitment cancelled. The value of the security to be purchased or sold is subject to market fluctuations and may be worth more or less on the settlement date than the amount committed to pay or receive for the security.

### Derivatives

*Method of Analysis and Investment Strategies.* Certain portfolios may purchase or sell futures contracts and options on futures contracts to adjust market exposure based on actual or expected cash inflows to or outflows from a portfolio. Certain portfolios may also use derivatives, such as swaps, futures and forwards to hedge against fluctuations in currency exchange rates; transfer balances from one currency to another; hedge credit exposure; seek inflation protection; gain market or issuer exposure without owning the underlying securities; or to seek to increase the portfolio’s total return.

*Various Risks:* Derivatives are instruments, such as swaps, futures, and options thereon, as well as foreign exchange forward contracts, whose value is derived from that of other assets, rates or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will work. While hedging can reduce or eliminate losses, it also can reduce or eliminate gains or cause losses if the market moves in a manner different from that anticipated by the portfolio or if the cost of the derivative outweighs the benefit of the hedge. The use of derivatives for non-hedging purposes may be considered to carry more risk than other types of investments. When a portfolio uses derivatives, the portfolio will be directly exposed to the risks of those derivatives. Derivatives expose a portfolio to counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligations), including credit risk of the derivative counterparty, and settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty). The possible lack of a liquid secondary market for derivatives and the resulting inability of a portfolio to sell or otherwise close a derivatives position could expose the portfolio to losses and could make derivatives more difficult for the



portfolio to value accurately. Some derivatives are more sensitive to interest rate changes and market price fluctuations than other securities. A portfolio could also suffer losses related to its derivatives positions as a result of unanticipated market movements, which losses are potentially unlimited. Dimensional may not be able to predict correctly the direction of securities prices, interest rates, currency exchange rates, and other economic factors, which could cause a portfolio's derivatives positions to lose value. Valuation of derivatives may also be more difficult in times of market turmoil since many investors and market makers may be reluctant to purchase derivatives or quote prices for them. 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.

*Currency Hedging Risk:* Certain portfolios may enter into foreign currency forward contracts to seek to protect against uncertainty in the level of future foreign currency rates, to hedge against fluctuations in currency exchange rates or to transfer balances from one currency to another. With currency hedging, it is generally not possible to precisely match the foreign currency exposure of such foreign currency forward contracts to the value of the securities involved due to factors including fluctuations in the market values of such securities. The decision to hedge a portfolio's currency exposure with respect to a foreign market will be based on, among other things, a comparison of the respective, relevant interest rates and the portfolio's existing exposure to a given foreign currency.

#### Exchange-Traded Funds

*Market Trading Risk:* Active trading markets for a U.S. Dimensional Fund that is an ETF may not be developed or maintained by market makers or authorized participants. Authorized participants are not obligated to make a market in the U.S. Dimensional Fund ETF shares or to submit purchase or redemption orders for creation units. Trading in shares on an exchange may be halted in certain circumstances. There can be no assurance that the requirements of the listing exchange necessary to maintain the listing of the U.S. Dimensional Fund ETFs will continue to be met.

*Premium/Discount Risk:* The net asset value ("NAV") of a U.S. Dimensional Fund ETF and the value of any investment in a U.S. Dimensional Fund ETF may fluctuate. Disruptions to creations and redemptions or the market price of the ETF holdings, the existence of extreme market volatility or potential lack of an active trading market for shares may result in shares trading at a significant premium or discount to NAV. If a shareholder purchases shares at a time when the market price is at a premium to the NAV or sells shares at a time when the market price is at a discount to the NAV, the shareholder may sustain losses.

*Small Fund Risk:* When a U.S. Dimensional Fund ETF's portfolio is small, the ETF may experience low trading volume and wide bid/ask spreads. In addition, the fund may face the risk of being delisted if it does not meet certain conditions of the listing exchange.





*Large Shareholder Risk:* Certain shareholders, including other funds or accounts advised by Dimensional, may from time to time own a substantial amount of a U.S. Dimensional Fund ETF's shares. In addition, a third party investor, Dimensional, an authorized participant, a lead market maker, or another entity may invest in a U.S. Dimensional Fund ETF and hold its investment for a limited period of time solely to facilitate commencement of the U.S. Dimensional Fund ETF or to facilitate the U.S. Dimensional Fund ETF achieving a specified size or scale. There can be no assurance that any large shareholder would not redeem its investment, that the size of a U.S. Dimensional Fund ETF would be maintained at such levels or that a U.S. Dimensional Fund ETF would continue to meet applicable listing requirements. Redemptions by large shareholders could have a significant negative impact on a U.S. Dimensional Fund ETF. In addition, transactions by large shareholders may account for a large percentage of the trading volume on the listing exchange and may, therefore, have a material upward or downward effect on the market price of the shares.

#### *Commodity Strategy Portfolio*

Dimensional acts as an advisor to the DFA Commodity Strategy Portfolio of DFA Investment Dimensions Group Inc. (the "Commodity Portfolio"). The Commodity Portfolio invests in commodity-linked derivative instruments and fixed income investments. The Commodity Portfolio may invest up to 25% of its total assets in Dimensional Cayman Commodity Fund I Ltd. (the "Subsidiary"), a wholly-owned subsidiary of the Commodity Portfolio formed in the Cayman Islands, which has the same investment objective as the Commodity Portfolio and has a strategy of investing in derivative instruments, such as commodity-linked swap agreements and other commodity-linked instruments, futures contracts on individual commodities or commodity indices, and options on these instruments.

*Method of Analysis and Investment Strategies.* Dimensional 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 Commodity Portfolio's 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 to carry more risk than other types of investments. When the Commodity Portfolio uses derivatives, it will be directly exposed to the risks of those



derivatives. Derivative instruments are subject to a number of risks, including commodity, counterparty, correlation, interest rate, liquidity, market, credit and management risks, as well as the risk of improper valuation. The Commodity Portfolio also may use derivatives for leverage. The Commodity Portfolio'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 Portfolio 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). Credit risk increases when the Commodity Portfolio is the seller of swaps and counterparty risk increases when the Commodity Portfolio is a buyer of swaps. In addition, where the Commodity Portfolio is the seller of swaps, it may be required to liquidate portfolio securities at inopportune times in order to meet payment obligations or segregation requirements. Swaps may be illiquid or difficult to value. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Commodity Portfolio will engage in these transactions to reduce exposure to other risks when that would be beneficial.

*Focus Risk:* The Commodity Portfolio 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 Portfolio. As a result, the Commodity Portfolio may be subject to greater volatility than if it were more broadly diversified among commodity sectors.

*Leveraging Risk:* Certain transactions that the Commodity Portfolio 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 Portfolio 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 Portfolio 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 securities utilized in the Commodity Portfolio.

*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 Portfolio's performance.

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

*Subsidiary Risk:* By investing in the Subsidiary, the Commodity Portfolio is indirectly exposed to the risks associated with the Subsidiary's investments. The derivatives and other investments held by the Subsidiary are generally similar to those that are permitted to be held by the



Commodity Portfolio and are subject to the same risks that apply to similar investments if held directly by the Commodity Portfolio. There can be no assurance that the investment objective of the Subsidiary will be achieved. The Subsidiary is not registered under the Investment Company Act of 1940, as amended (the “1940 Act”), and, unless otherwise noted in the Commodity Portfolio’s prospectus, is not subject to all of the investor protections of the 1940 Act. Subsidiary Risk is more fully described in the prospectus, SAI or other offering documents of the Commodity Portfolio.

*Tax Risk:* The tax treatment of commodity-linked derivative instruments may be adversely affected by changes in legislation, regulations or other legally binding authority. If, as a result of any such adverse action, the income of the Commodity Portfolio from certain commodity-linked derivatives was treated as non-qualifying income, the Commodity Portfolio might fail to qualify as a regulated investment company and be subject to federal income tax at the portfolio level. Tax Risk is more fully described in the prospectus, SAI or other offering documents of the Commodity Portfolio.

#### *Securities Class Actions and Similar Proceedings*

From time to time, clients of Dimensional own or have owned securities or engaged in transactions that are the subject of class action lawsuits. Generally, in U.S. courts, persons or entities that have held or transacted in the subject securities or transactions within a specified 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 administrator. The filing of proofs of claim or an opt out notice in class actions is an action that should be undertaken by the client, custodian, or other service provider for the client, and Dimensional shall not perform such action unless Dimensional 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 Dimensional to represent the account in such class action(s). Dimensional does not actively seek out information concerning pending class actions.

With respect to securities and certain other types of class actions in U.S. or Canadian courts, each U.S. Dimensional Fund and the DFA Group Trust has arrangements with a service provider to provide class action claims filing services. These services include the responsibility generally to file class action claims for all monies or other property associated with U.S. or Canadian portfolio securities held, or transactions engaged in, by a U.S. Dimensional Fund or a subtrust of the DFA Group Trust, including coordinating with the custodian with respect to the collection process to the extent a U.S. Dimensional Fund and/or a subtrust 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 or subtrust’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. A U.S. Dimensional Fund may choose to opt-out of a securities class action in a U.S. court and file a direct action against the defendants. In such instances,



Dimensional may assist the U.S. Dimensional Fund by working with the Fund's independent counsel to evaluate the prospective litigation and proposed litigation counsel. Dimensional does not consider the interests of other accounts that it manages when it assists eligible U.S. Dimensional Funds in evaluating prospective opt-out litigation.

With respect to a non-U.S. security held by a U.S. Dimensional Fund that is subject of a class action or similar proceeding filed in a judicial system in certain jurisdictions outside the United States or Canada, each U.S. Dimensional Fund and the DFA Group Trust has arrangements with a service provider to provide claims filing services. These services include the responsibility generally, at the direction of Dimensional, to file claims for all monies or other property associated with the portfolio securities held, or transactions engaged in, by a U.S. Dimensional Fund or a subtrust of the DFA Group Trust, including coordinating with the custodian with respect to the collection process to the extent a U.S. Dimensional Fund and/or a subtrust appears to be eligible. Such duties include monitoring for information regarding pending class action lawsuits or similar proceedings making a determination of a U.S. Dimensional Fund's or subtrust's eligibility to participate in the litigation, providing information regarding eligibility to participate, and related information to Dimensional. When the proceeding 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, Dimensional may perform a cost/benefit analysis on behalf of the affected U.S. Dimensional Fund, to determine whether or not it is in the best interest of the affected U.S. Dimensional Fund to participate, without regard to the interests of other accounts Dimensional manages. To the extent that Dimensional determines it is beneficial for the affected U.S. Dimensional Funds to participate in a non-U.S. class action or similar proceeding, the service provider will typically file class action claims for all monies or other property associated with the affected security, including coordinating with the custodian with respect to the collection process, filing proofs of claim, and coordinating with the custodian with respect to collecting class action lawsuit settlement proceeds.

With respect to separate account clients, sub-advised fund clients, and the Dimensional Collective Investment Trust, Dimensional does not typically agree to act with respect to legal proceedings involving securities held or transactions entered by the account including, but not limited to, class actions or bankruptcies, except in any particular case where Dimensional 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 Dimensional to represent the account in such proceeding(s). In addition, Dimensional will only be obligated to assist with notifying a client of or monitoring for class actions or assisting with the filings of proofs of claim to the extent Dimensional has expressly agreed in writing to assume these responsibilities, even if another account that Dimensional manages may be participating in the class action or legal proceeding.

Typically, the custodian for the account is the party that receives legal notices for the account and is responsible for notifying the client directly of the action, pursuant to its custodial agreement with the client. If the client has an arrangement for its custodian to notify it 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 the 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 or prospective client's evaluation of the adviser or the integrity of the adviser's management. Dimensional has no disciplinary information to report under this Item.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Dimensional has several affiliated entities engaged in other financial industry activities.

#### *Affiliated Broker-Dealer*

Dimensional has a wholly owned limited-purpose broker-dealer subsidiary, DFA Securities LLC ("DFA Securities"), which acts as distributor of shares of the U.S. Dimensional Funds. Certain of Dimensional's personnel, including management personnel, are registered representatives of DFA Securities.

Dimensional Hong Kong Limited, an indirect subsidiary of Dimensional, holds a Type 1 dealing in securities license in Hong Kong to market collective investment schemes managed by its affiliates to professional investors. Dimensional Canada (defined below) acts as an exempt market dealer to certain Canadian investors purchasing certain U.S. Dimensional Funds or UCITS funds on a private placement basis for which it receives a fee equivalent to Dimensional Canada's expenses plus a percentage, payable by Dimensional or Dimensional UK (defined below) depending on the fund privately placed.

#### *Affiliated Investment Advisors*

Dimensional is affiliated with several other investment advisors. The investment advisors affiliated with Dimensional are its direct and indirect subsidiaries:

- DFA Australia Limited ("Dimensional Australia"). Dimensional is a sub-adviser to certain Australian mutual funds and separate accounts managed by Dimensional Australia.
- Dimensional Fund Advisors Ltd. ("Dimensional UK"). Dimensional is a sub-adviser to certain UCITS funds and United Kingdom mutual funds and separate accounts managed by Dimensional UK.



- Dimensional Fund Advisors Canada ULC (“Dimensional Canada”). Dimensional is a sub-adviser to certain Canadian mutual funds and separate accounts managed by Dimensional Canada.
- Dimensional Japan Ltd. (“Dimensional Japan”).
- Dimensional Fund Advisors Pte. Ltd. (“Dimensional Singapore”).
- Dimensional Ireland Limited (“Dimensional Ireland”).

In providing services to a client, Dimensional may use personnel or services of one or more of its Affiliated Investment Advisors. Services provided by these affiliates or their personnel include investment advice, portfolio execution and trading, back office processing, accounting, reporting and client servicing. These services are provided through arrangements that take a variety of forms, including dual employee, participating affiliate, delegation arrangement, sub-advisory, consulting, or other servicing agreements. When using such arrangements, Dimensional remains responsible for the account from a legal and contractual perspective. Clients are not charged any fees other than those specified in the client’s agreement with Dimensional.

Dimensional Australia and Dimensional UK provide trading and other investment advisory services to Dimensional in connection with Dimensional’s management of certain U.S. Dimensional Funds, as disclosed in their respective prospectuses and SAI’s, and also to certain of Dimensional’s separate account and other clients. Dimensional Australia and Dimensional UK may also provide investment, trade execution and related services to Dimensional in connection with Dimensional’s management of its other mutual fund clients, separate account clients and other clients investing in non-U.S. securities. For such services, Dimensional Australia and Dimensional UK each receive a fee equivalent to certain of their expenses plus a percentage, payable by Dimensional. Clients of Dimensional will not be required to pay additional fees to Dimensional Australia or Dimensional UK for such services.

#### Participating Affiliates and Related Arrangements

In reliance on a series of SEC no-action letters, Dimensional and Dimensional Australia have entered into arrangements with certain of their Affiliated Investment Advisors (the “Participating Affiliates”) whereby Dimensional or Dimensional Australia use the investment management capabilities and related services of certain personnel of these Participating Affiliates in providing investment advice to Dimensional’s clients. The Participating Affiliates are not registered with the SEC as investment advisers. However, personnel of the Participating Affiliates that assist in providing investment advice to the U.S. clients of Dimensional or Dimensional Australia through Dimensional or Dimensional Australia, or who have access to information concerning securities recommendations made to the U.S. clients of Dimensional or Dimensional Australia prior to the effective dissemination of such recommendations, are subject to the oversight of Dimensional or Dimensional Australia, including that such personnel must comply with Dimensional’s Global





Code of Ethics and Standard of Conduct and other compliance policies and procedures adopted by Dimensional and Dimensional Australia pursuant to the requirements of the Advisers Act.

As of the date of this brochure, the Participating Affiliates include: Dimensional Singapore and Dimensional Japan. Clients of Dimensional and Dimensional Australia will not be required to pay additional fees to the Participating Affiliates for any services provided.

Dimensional has also entered into arrangements with Dimensional UK and Dimensional Australia, which are registered with the SEC as investment advisers, pursuant to which Dimensional uses the investment management capabilities and related services of personnel of Dimensional UK and Dimensional Australia, that are generally subject to the same oversight and other requirements that apply to the Participating Affiliate arrangements described above.

#### Trust Vehicles

Dimensional serves as investment manager to a collective trust fund, the DFA Group Trust, which consists of various subtrusts in which assets of qualified defined benefit plans are invested. Dimensional also serves as investment advisor to the investment funds of the Dimensional Collective Investment Trust, which are available for the benefit of certain qualified defined benefit and defined contribution plans, and certain trusts, entities or accounts that invest the assets of such plans.

#### Commodity-Related Registrations

Dimensional is registered as a commodity pool operator and is a member of the National Futures Association. Certain of Dimensional's personnel, including management personnel, are registered with the NFA as principals and/or associated persons.

#### Payments to Non-Affiliates

Dimensional and its Affiliated Investment Advisors have entered into arrangements with certain unaffiliated third parties pursuant to which Dimensional or its Affiliated Investment Advisors make payments from their own assets or provide services to such unaffiliated third parties as further described in Item 14 below. Certain of the unaffiliated third parties who have entered into such arrangements with Dimensional or its Affiliated Investment Advisors are affiliated with independent financial advisors whose clients may invest in the Dimensional funds. Generally, Dimensional does not consider the existence of such arrangements with an affiliate by itself to be determinative in assessing whether a financial advisor is independent.



## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Dimensional has adopted a Global Code of Ethics and Standard of Conduct to maintain the appropriate standard of professional conduct at Dimensional and otherwise aid in meeting the requirements of Rule 17j-1 of the 1940 Act as well as Rule 204A-1 of the Advisers Act. The Code applies to officers, general partners, directors/trustees and employees of Dimensional and its Affiliated Investment Advisors, in addition to other persons as required (collectively, “Access Persons”). Dimensional will provide a copy of its Code and Standard of Conduct to any client or prospective client upon request.

The Code seeks to ensure that Access Persons act in the interest of clients with respect to any personal trading of securities. The Code contains (i) certain reporting requirements applying to purchases of funds advised by Dimensional and its Affiliated Investment Advisors as well as investment accounts in which Access Persons have beneficial ownership and (ii) pre-clearance procedures for personal securities transactions. The Code requires all Access Persons to pre-clear with a compliance officer trades in certain securities, such as stocks, bonds, and derivatives. Access Persons are also prohibited from participating in certain transactions, such as initial public offerings. Subject to the terms of the Code, employees of Dimensional may purchase for their own accounts shares of the funds advised by Dimensional and/or its Affiliated Investment Advisors or securities that Dimensional and/or its Affiliated Investment Advisors recommend that their clients (including the funds they advise) purchase.

Dimensional, Dimensional UK, or Dimensional Australia, or a related person, when appropriate and in accordance with applicable laws, investment objectives and guidelines, may recommend to clients that they buy or sell shares or units of investment funds advised or administered by any of those investment advisers. In making such recommendations, Dimensional intends to primarily use U.S. Dimensional Funds unless there is no U.S. Dimensional Fund that is consistent with the desired asset allocation. As a result, in some cases a U.S. Dimensional Fund may be recommended notwithstanding the fact that there may be a similar fund with a higher rating, lower fees and expenses, or substantially better performance. Additionally, Dimensional and its affiliates will indirectly benefit from investments made in U.S. Dimensional Funds through fees paid by the U.S. Dimensional Fund to Dimensional and its affiliates for advisory, administrative and other services.

Dimensional or its affiliates may purchase shares of a U.S. Dimensional Fund ETF through a broker-dealer to “seed” the ETF as it is launched, or may purchase shares of an ETF from other broker-dealers that have previously provided “seed” capital for the ETF when it was launched, or otherwise in secondary market transactions. When providing initial investment capital for a fund launch, Dimensional, Dimensional UK, or Dimensional Australia, or a related person, may have a greater than 25% interest in one or more of those advised funds. The sale or other exit of the initial investment capital from the ETF could disadvantage other investors in the applicable fund, such as by impacting the price or liquidity of the fund shares. Moreover, the sale of or exit from an initial investment in an ETF may enable Dimensional or an affiliate to reduce its costs





associated with providing the initial investment and/or use the proceeds to provide initial investment capital for other funds and products that it manages or is developing or realize other benefits. Dimensional has implemented policies and procedures designed to prevent Dimensional or its affiliates from improperly benefitting from the management of those funds where it has provided initial investment capital. To address conflicts of interest, decisions to sell or otherwise exit the initial “seed” investment are made by an identified internal group and without considering pending investment management decisions for the funds.

Dimensional serves as investment adviser under arrangements where a client’s assets are managed in a separate account but, at the discretion of Dimensional, some or all of the account assets are invested in one or more U.S. Dimensional Funds that meet the account’s investment objectives. In such instances, the advisory fees payable for managing the separate account may be reduced by the U.S. Dimensional Fund’s advisory fees that otherwise would be applicable to the account’s investment. Under certain circumstances, such fund fees could exceed the fees otherwise payable to Dimensional for managing the account when the fund fees are higher than the separate account advisory fees.

In deciding to invest a client’s assets in a U.S. Dimensional Fund under such an arrangement, Dimensional has a conflict of interest if managing a client’s assets through a pooled arrangement offers certain efficiencies and economies to Dimensional that would result in the fund fees being more profitable than identical fees received from managing a separate account. Additionally, in the circumstances outlined above, Dimensional may receive higher advisory fees by investing account assets in U.S. Dimensional Funds than it receives for managing a separate account. However, although economies of scale in connection with investing in the U.S. Dimensional Funds generally result in relatively smaller administrative, custodial, and/or transactional expenses than would be the case if the client’s assets were to be managed in a separate account, the U.S. Dimensional Funds incur certain regulatory, governance, distribution, and other expenses that are apportioned among their investors, which a separate account would not have. Additionally, in favorable markets, the need for a U.S. Dimensional Fund to retain cash or to liquidate securities to meet redemption requests may cause its performance to fall below that of a separate account that does not have similar cash or liquidity needs and thus can remain fully invested.

Dimensional’s subsidiary, DFA Securities, a limited purpose broker-dealer, provides services to certain personal brokerage accounts established and maintained with third-party custodians or broker-dealers as an accommodation by DFA Securities to certain individuals seeking to invest in U.S. Dimensional Fund mutual funds and obtain communication and reporting services from the third party not generally provided by Dimensional. Transactions to buy and sell shares of the U.S. Dimensional Fund mutual funds are placed through the third party and neither Dimensional nor DFA Securities provides advice or recommendations in connection with such transactions.

See Item 12 relating to brokerage, trade allocation, and cross transaction practices.



In certain limited circumstances, an employee of Dimensional or its affiliates may serve on the board of directors of a public company and may receive directors' fees in connection with that service, which may give rise to certain conflicts of interest. Fees and compensation received by the employees of Dimensional or its affiliates that serve on public company or other boards of directors are not shared with the U.S. Dimensional Funds or other clients. Under Dimensional's Standard of Conduct any position on the board of directors of a public company is generally not authorized but in the event such a position were to be approved it would be after thorough consideration of the role of the employee with Dimensional or the applicable affiliate, the period the employee would serve on the board of a public company, whether that company is one whose securities are held by the U.S. Dimensional Funds or other clients (a "Portfolio Company"), and after consideration of what measures would be appropriate to take to seek to mitigate the potential for a conflict of interest (which would generally, in the case of a directorship involving a Portfolio Company, involve some restrictions on trading of the Portfolio Company or the implementation of information barrier procedures). A directorship of a Portfolio Company will receive additional scrutiny, as serving in such capacity gives rise to conflicts of interest to the extent that an employee's fiduciary duties to the Portfolio Company as a director conflict with the interests of the U.S. Dimensional Funds or other clients. However, because the U.S. Dimensional Funds or other clients will be investors in the Portfolio Companies, it is expected that such interests will generally be aligned. If such interests are not aligned, the employees of Dimensional or its affiliates will have a duty to act in the best interests of the Portfolio Company. A Dimensional employee's appointment as a director of a public company will necessitate receiving prior approval from Dimensional's board of directors as well as from Dimensional's Compliance department and other approvals as required by the Standard of Conduct. In addition, a board of Dimensional or its affiliate can have policies or practices with respect to independent board members' positions with other corporate entities.

Dimensional has adopted an insider trading and information barrier policy to provide for the proper handling of any confidential information (i.e., non-public information received by Dimensional in connection with its activities) to prevent violations of laws and regulations prohibiting the misuse of such information and to avoid situations that might create an appearance of such misuse. Dimensional's Compliance Department is responsible for monitoring the information barriers established by Dimensional, administering the information sharing policies and procedures and overseeing potential conflicts of interest.

## **Item 12 – Brokerage Practices**

### *Selection of Broker-Dealers*

Dimensional's overriding objective in selecting brokers and dealers to effect transactions in securities and derivatives (with respect to foreign currency transactions, subject to the limitations described below) for clients is to seek the best net result in terms of price and execution so a client's total cost or proceeds are the most favorable under the circumstances. Cost includes the "all in" costs of the trade or proceeds, not necessarily the lowest commission rate, nor the most



expeditious execution. The best net price, giving effect to brokerage commission, 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 may include one or more of the following: Dimensional'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; local market compliance or restrictions; and whether the legal agreements and operational systems considered to be necessary or desirable by Dimensional to use a broker or dealer, or a counterparty, are in place. Dimensional may also execute client transactions with brokers and dealers that have customized their technology to facilitate Dimensional's trading process. This gives Dimensional an incentive to execute through such brokers and dealers in order to realize operational efficiencies.

Orders to buy or sell fixed income securities are typically placed on a competitive basis when available 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.

Equity commissions vary by stock price, country, type of brokerage and execution style, or portfolio. Futures commissions vary by contract type, broker, or portfolio. Some foreign exchange transactions have commissions or discretionary spreads which vary by currency, execution style, counterparty, custodian, or client.

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

#### "Soft Dollars" Practices

Dimensional does not presently use client brokerage commissions to generate credits to purchase brokerage or research services. Certain broker-dealers with whom Dimensional executes trades in pursuit of best execution may share unsolicited proprietary research (research created or developed by the broker-dealer), but Dimensional does not take such research into account when selecting broker-dealers to execute transactions.

Dimensional receives certain brokerage services from executing broker-dealers related to the execution of trades for client accounts. This can include, for example, electronic communication services that provide connectivity between Dimensional and broker-dealers, including order routing and transmission; post-trade matching, confirmation and settlement; and other trading systems or software such as those that provide algorithmic trading strategies. Dimensional



directs client transactions to broker-dealers that provide brokerage services in pursuit of best execution. Brokerage services may be used by Dimensional for the benefit of clients other than the client(s) that paid commissions to the broker providing such products or services.

Under current U.S. regulations, Dimensional may pay a broker-dealer who executes a portfolio transaction on behalf of a client a commission or similar fee that is a higher commission than another broker-dealer would have charged for effecting the same transaction, provided that Dimensional determines in good faith that such commission was reasonable in relation to the value of the brokerage and research services provided, determined on the basis of either that particular transaction or Dimensional's overall responsibility for accounts over which it exercises investment discretion. If Dimensional determines in the future to resume soft dollar crediting arrangements or otherwise to obtain research services, it will do so in a manner consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended, and SEC interpretations thereunder.

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

#### Trade Errors

Trade errors ("Trade Errors") may occur in connection with Dimensional's management of client accounts. Dimensional has policies and procedures that address identification and handling of Trade Errors, consistent with applicable standards of care and any relevant offering documents or client agreements. Dimensional makes its determinations regarding Trade Errors pursuant to its policies and procedures.

The assessment of compensation for Trade Errors is performed on a case-by-case basis under the appropriate facts, per Dimensional's policy. Trades not in accordance with one or more internal guidelines or procedures that Dimensional may establish from time to time will not be considered Trade Errors if they do not also breach guidelines in a prospectus, statement of additional information, or those agreed with a client, or violate applicable law. Unless otherwise agreed in writing between Dimensional and a client, Dimensional will not be responsible for errors caused by Dimensional's reasonable reliance on certain third parties (such as brokers, data providers, and custodians). Dimensional generally notifies clients of any identified and corrected



Trade Error, but the form and timing of this notification may differ based on the particular account and the facts and circumstances.

As a general policy, Dimensional will make clients whole for losses Dimensional caused due to a Trade Error. Resolution of Trade Errors may include, but is not limited to, permitting client accounts to retain gains or reimbursing client accounts for losses resulting from the Trade Error. The calculation of the amount of any gain or loss will depend on the particular facts surrounding the Trade Error, and the methodology used by Dimensional to calculate gain or loss may vary. Compensation is generally expected to be limited to direct and actual out-of-pocket monetary losses (in certain circumstances, net of any associated gains). The policy of making clients whole for realized or unrealized losses does not apply to negative investment performance returns resulting from the good faith implementation of an investment strategy.

#### *Directed Brokerage; Brokerage for Certain Separate Account Clients*

Because of the efficiencies that Dimensional seeks through its trading practices, Dimensional does not recommend and currently does not permit any one client invested in a commingled fund, including a U.S. Dimensional Fund, to direct portfolio transactions to a specified broker or dealer (i.e., “directed brokerage”).

A separate account client may negotiate a directed brokerage arrangement pursuant to which some or all of the client’s transactions are executed 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 Dimensional is directed to use certain brokers or dealers, brokerage commissions (or other costs) for the execution of transactions in the client’s account may not be negotiated by Dimensional. In addition, Dimensional 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. 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.

Separate account clients independently select their custodians for their account and Dimensional does not make recommendations as to the use of any particular custodian. Separate account clients enter into arrangements for custody of their account (which may be as part of an overall arrangement with a custodian’s affiliated financial advisor) pursuant to which the costs of custodial services as well as advisory and/or brokerage services using affiliates of the custodian for some or all of the client’s investment management and transactions have been set. Dimensional is not a party to such arrangements and generally is not aware of the terms of such arrangements. Sometimes in connection with these arrangements brokerage rates offered by affiliates of the custodian to such clients may have already been agreed to by the client, and Dimensional is informed of the agreed upon rate. Where those rates are unfavorable given market rates, Dimensional will not select such brokerage unless directed by the client. Where such brokerage is preferential, Dimensional may take that rate into account in selecting the broker for the account. In such case, the client should recognize that Dimensional’s ability to



seek best price and execution for transactions in the account will be limited to a review of the pricing information available to it and an evaluation of the execution received from the custodian's affiliated broker-dealer. In such circumstances Dimensional may not be aware of other pricing or costs to the client as a result of the totality of the arrangements (with a client's custodian, its affiliated broker-dealer or its affiliated financial advisor) or all of the financial or other benefits to such parties. As a result, Dimensional cannot evaluate such costs and the client should independently satisfy itself with the totality of the fees and expenses of the arrangement and that the broker or dealer participating in the arrangement can provide adequate price and execution of most or all transactions.

These arrangements may also establish that Dimensional has the authority to execute transactions on a "step-out" or "trade-away" basis and may impose additional fees or transactions costs for using brokers or dealers not affiliated with or preferred by the custodian. In this situation, the client has independently negotiated what the costs are of "trading away" and using another broker-dealer unaffiliated with the custodian for the account. 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. These additional costs, expenses or additional operational difficulties imposed by the custodian may impact Dimensional's ability to select such other unaffiliated broker-dealers as the costs will impact the price received and operational difficulties may impact execution. Dimensional may therefore not be free to seek best price and execution for securities, futures and foreign exchange transactions by placing transactions with other unaffiliated brokers or dealers as it otherwise would if such pricing arrangements agreed to by the client did not exist. The client assumes the risk of these arrangements.

A client should also consider that, depending upon the fee the client negotiates in these arrangements, 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 Dimensional were free to negotiate commissions and seek best price and execution of transactions for the client's account. Additionally, a client who has these arrangements may not be able to participate in block trades. Dimensional reserves the right to execute trades for directed accounts only after it has executed trades for its other accounts.

#### Foreign Currency Exchange Transactions

If a written agreement between the client and Dimensional expressly provides that Dimensional may select currency dealers to effect the client's currency exchange transactions or gives Dimensional the authority and discretion to execute currency exchange transactions on a "trade-away" basis (i.e., transactions not executed with the account's custodian), Dimensional'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 Dimensional considers to be freely deliverable, Dimensional 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).

In certain cases, Dimensional may not compete currency exchange transactions for a variety of reasons, including, but not limited to: counterparty or operational risk reduction considerations; an opportunity to receive a potentially better rate by netting against other trades with a single currency dealer; lack of certain risk control measures between the client and a currency dealer; lack of trading agreements with additional counterparties; or because of restrictions imposed by local rules or practices. Dimensional's list of restricted markets may change over time and may differ depending on the type of transaction. Dimensional may consult with third parties, including brokers or dealers and custodians, and rely upon the information provided by such third parties in making a good faith determination on whether a market is considered restricted. Dimensional may therefore be required or determine to trade such currencies through either the client's custodian or, in certain cases, a single currency dealer. In such cases, Dimensional'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 and Dimensional assumes no responsibility for the oversight of currency exchange transactions in such situations.

Dimensional 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 Dimensional 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 account.

A currency can be considered restricted based on a variety of factors, including regulatory or governmental restrictions. Dimensional may receive information from third parties, such as broker-dealers or custodians, to determine whether a currency should be considered restricted. Dimensional 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 Dimensional is not directly involved with the execution process, Dimensional is not able to perform such analysis with precision and is limited by the available information. In such cases, Dimensional's ability to reduce trading costs may be limited.

#### Aggregation and Allocation of Trade Orders

It is Dimensional's policy to treat all accounts fairly and equitably over time and not to favor or disfavor any clients or class of clients. The general principles on which Dimensional's trade allocation procedures are based are: (a) fairness to advisory clients, both in priority of order execution and in the allocation of aggregated orders or trades; (b) timeliness and efficiency in the execution of orders; and (c) accuracy of the investment adviser's records both as to trade orders



and maintenance of client account positions. However, allocations of orders may differ across accounts or clients within a given day, according to the relevant factors affecting each account (or client). An authorized trader may determine whether to aggregate, delay, alternate or rotate orders, or to effect execution of orders according to certain criteria, provided that such execution supports the fair and equitable treatment of clients over time.

No order may be aggregated unless an authorized trader has determined that such aggregation is in the best interest of the participating accounts or clients and is consistent with the duty to seek best execution. Dimensional may aggregate brokerage orders for clients to obtain lower average commission costs. When Dimensional gives the brokers instructions to execute orders representing multiple portfolios, orders that are fully executed will be allocated according to the current trade order instructions. Aggregated orders that remain only partially filled at the end of the trading day shall generally be allocated pro rata based on the size of the current order, subject to some minimum ticket or minimum trade sizes and adjustments for partially filled orders as described below. In addition, when executing sell orders, Dimensional will seek to avoid leaving small positions in a client account. Therefore, Dimensional may allocate a greater than pro rata share of a sell order for a security to an account if Dimensional intends to sell the account's entire position in such security.

Dimensional'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, minimum trade size or certain minimum basis points holding as determined by an authorized trader, (c) the size of the account, (d) the necessity to obtain a certain level of holdings according to the specific benchmark of the client, or (e) compliance with the laws of a foreign jurisdiction.

### Cross-Transactions

Dimensional 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, Dimensional 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.

Dimensional 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, Dimensional will represent both client-seller and client-buyer, it has a conflict of interest given Dimensional's obligation to seek to obtain the best price and most favorable execution for its clients. Clients, therefore, should consider the possible costs or disadvantages of cross transactions versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from





such cross trades. When one of Dimensional'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 1940 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. Dimensional typically does not engage in cross transactions on behalf of U.S. institutional investor clients or U.S. third-party funds that are sub-advised by Dimensional.

### **Item 13 – Review of Accounts**

Dimensional 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. Portfolio reviews are carried out regularly by portfolio managers to monitor 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 so that 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 that 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.

All direct accountholders of the U.S. Dimensional Fund mutual funds receive reports on investment results monthly. Investors in the DFA Group Trust receive reports on investment results monthly. All separate account clients receive monthly and/or quarterly reports unless their custodians cannot produce the requisite data with that frequency, in which case Dimensional produces reports with the same frequency as the custodians produce the required asset and transaction data. These periodic reports typically contain the total return for each account held by a client which is calculated on the basis of net asset value plus dividend and interest income, and in cases where required by the clients, compared to an appropriate benchmark index.

In addition, investors in the U.S. Dimensional Funds and the DFA Group Trust, and separate account clients, may receive additional reports pursuant to the negotiated terms of investment management agreements or as mutually agreed upon. These additional reports include, but are



not limited to: portfolio characteristics, assets listings, discussions of the investment entity's general strategy, and reports containing results of proxy voting. The trustee for the Dimensional Collective Investment Trust provides reporting for investors in the funds of the Dimensional Collective Investment Trust.

All clients invested in the U.S. Dimensional Funds receive semi-annual and annual financial reports. In the case of the DFA Group Trust, clients receive an annual financial report. Dimensional may provide additional reports to clients to the extent required by a client's written investment management agreement with Dimensional or as mutually agreed upon.

## **Item 14 – Client Referrals and Other Compensation**

### *Training and Education Related Services*

From time to time, Dimensional or its Affiliated Investment Advisors provide certain non-advisory services to financial intermediaries ("Intermediaries") with business relationships with clients or with investors in Dimensional funds. Intermediaries include, without limitation, independent financial advisors ("FAs"), broker-dealers, institutional investment consultants, and plan service providers (such as recordkeepers). These Intermediaries may be involved in the distribution of U.S. Dimensional Funds and may recommend Dimensional's strategies or the purchase of Dimensional funds for their clients. Services provided to Intermediaries may include: (i) providing personnel and outside consultants to Intermediaries for purposes of continuing education, internal strategic planning and, for FAs, practice management; (ii) data collection and analysis, including historical market analysis and risk/return analysis; (iii) continuing education to investment advisers (some of whom may be dual registered investment advisers/broker-dealers); and (iv) other services.

Dimensional regularly provides educational speakers and facilities for conferences or events for Intermediaries, customers or clients of the Intermediaries, or such customers' or clients' service providers, and may also sponsor such events. For its sponsored events, Dimensional typically pays any associated food, beverage, and facilities related expenses. Dimensional or its Affiliated Investment Advisors sometimes pay a fee to attend, speak at or assist in sponsoring conferences or events organized by others, and on occasion, pay travel accommodations of certain participants attending such conferences or events. Dimensional's sponsorship of conferences or events organized by others from time to time includes direct payments to vendors on behalf of, and/or reimbursement of expenses incurred by, the organizers of such events. Also, from time to time Dimensional makes direct payments to vendors on behalf of, and/or reimburses expenses incurred by, Intermediaries in connection with the Intermediaries hosting educational training, customer appreciation or other events for such Intermediaries and/or their customers. Dimensional personnel may or may not be present at any of the conferences or events hosted by third parties described above. Dimensional generally will promote its participation in or sponsorship of such conferences or events in marketing or advertising materials. At the request



of a client or potential client, Dimensional may also refer such client to one or more Intermediaries.

The provision of these services, arrangements and payments by Dimensional or its Affiliated Investment Advisors is not dependent on the amount of Dimensional funds or strategies sold or recommended by such Intermediaries, customers or clients of Intermediaries, or such customers' or clients' service providers.

#### *Payments to Intermediaries*

Additionally, Dimensional or its Affiliated Investment Advisors may enter into arrangements with, and/or make payments from their own assets to, certain Intermediaries to enable access to Dimensional funds on platforms made available by such Intermediaries or to assist such Intermediaries to upgrade existing technology systems or implement new technology systems or programs in order to improve the methods through which the Intermediary provides services to Dimensional and its Affiliated Investment Advisors, and/or their clients. Such arrangements or payments may establish contractual obligations on the part of such Intermediary to provide Dimensional fund clients with certain exclusive or preferred access to the use of the subject technology or programs or preferable placement on platforms operated by such Intermediary.

#### *Conflicts of Interest*

The services, arrangements and payments described above under "Training and Education Related Services" and "Payments to Intermediaries" present conflicts of interest because they may provide incentives for Intermediaries, customers or clients of Intermediaries, or such customers' or clients' service providers to recommend, or otherwise make available, Dimensional's strategies or Dimensional funds to their clients in order to receive or continue to benefit from these arrangements from Dimensional or its Affiliated Investment Advisors.

#### *Consultation Referral Fees and Other*

From time to time, consultants of Dimensional are paid a commission for client referrals. Such commissions typically are calculated based on a flat fee, percentage of total fees received by Dimensional as a result of such referrals, or other means agreed to between Dimensional and the consultant.

With respect to Dimensional UK's management of UCITS funds, Dimensional UK or any of its sub-advisers, is permitted, at its discretion, to rebate part or all of the management fees charged to the UCITS funds to any UCITS funds' shareholder or use part of such management fees to remunerate certain financial intermediaries of such UCITS funds for services provided to fund shareholders.

Additionally, certain international service providers retained by Dimensional Australia are paid a fee based on a percentage of investment advisory fees received by Dimensional Australia. This



fee is payment for services provided to Dimensional Australia to assist Dimensional Australia in servicing certain international clients in accordance with the requirements of applicable international laws.

### Charitable Contributions

From time to time, Dimensional chooses to donate to charitable organizations that are clients or are supported by clients, prospects, or their employees. In general, we make those donations in response to requests from one of those parties. Dimensional takes into account the nature of the business relationship as one factor in determining whether to approve a charitable contribution.

### Data Services

Dimensional purchases certain data services, such as products to gather analytic data used by Dimensional's research department. In limited circumstances, a data vendor or its affiliate also provides investment consulting services, and such vendor or affiliated entity may serve as a consultant to an advisory client or refer one of its consulting clients to Dimensional or funds managed by Dimensional. Any investment consulting services and referrals are unrelated to Dimensional's process for the review and purchase of certain data services.

## **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 the client's investment assets. Dimensional may also send a client a separate account statement or invoice if Dimensional manages a separate account for the client. If this is the case, then Dimensional urges the client to carefully review such statements and compare such official custodial records to any account statements that we 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 Dimensional's U.S. clients are held by third-party custodians. Except as otherwise required by law, Dimensional will not be liable for any act or failure to act of the client's custodian.

Pursuant to certain contractual arrangements, Dimensional or an affiliate of Dimensional has the right to have a client's custodian automatically deduct Dimensional's or the affiliate's advisory fees from the client's account. Thus, under Rule 206(4)-2 of the Advisers Act, Dimensional or the affiliate may be deemed to have custody of client assets for this limited purpose and Dimensional has a policy regarding steps to take with respect to such deduction arrangements.

Certain of Dimensional's Affiliated Investment Advisors act as trustee to, or in another capacity, that gives such Affiliated Investment Advisors legal ownership of or access to the assets of, non-U.S. funds for which Dimensional provides investment sub-advisory services. These



arrangements technically result in Dimensional being considered to have custody of the relevant non-U.S. fund assets for purposes of the U.S. custody rules. The assets of these non-U.S. funds are also held by third-party custodians and the funds are audited by independent public accountants and the audited financial statements are distributed to investors as required per local law.

## **Item 16 – Investment Discretion**

Dimensional usually receives discretionary authority from the client pursuant to an investment management agreement at the outset of an 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, Dimensional will not be liable for any action or instruction of the client or the client's custodian.

When selecting securities and determining amounts, Dimensional observes the investment policies, limitations, and restrictions of the clients for which it advises. For SEC-registered investment companies, Dimensional'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 Dimensional in writing.

## **Item 17 – Voting Client Securities**

Dimensional, Dimensional UK, Dimensional Japan, Dimensional Singapore, Dimensional Australia, and Dimensional Ireland (each, an "Advisor," and collectively, 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 Advisers Act or ERISA or (ii) the clients are registered investment companies under the 1940 Act. The following is a summary of the Voting Procedures:

The Investment Committee at Dimensional is generally responsible for overseeing each Advisor's proxy voting process. The Investment Committee has formed the Investment Stewardship Committee (previously known as the Corporate Governance Committee), which is 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 and third-party proxy service providers (discussed further below), (ii) make determinations as to how to instruct the vote on certain specific proxies, (iii) verify ongoing compliance with the Voting Procedures, (iv) receive reports on the review of the business practices of the third-party proxy service providers, and (v) review the Voting Procedures from time to time and recommend changes to the Investment Committee. The Investment Stewardship Committee may designate one or more of its members to oversee



specific, ongoing compliance with respect to the Voting Procedures and may designate personnel of each Advisor to instruct the vote on proxies on behalf of an Advisor's clients, such as authorized traders of the Advisors.

Generally, Dimensional, along with the other Advisors, will seek to instruct the vote for proxies, or refrain from voting proxies, in accordance with the Voting Procedures. A client may direct an Advisor to vote for such client's account differently than what would occur in applying the Voting Procedures. An Advisor may also agree to follow a client's individualized proxy voting guidelines or otherwise agree with a client on particular voting considerations.

The guidelines set forth in the Voting Procedures provide a framework for analysis and decision making. However, those guidelines do not address all potential issues. Dimensional may vote counter to the guidelines if, after a review of the matter, Dimensional believes that the best interests of the client would be served by such a vote. A client's investment strategy can impact voting determinations. For example, the Advisors consider social issues when voting proxies for socially screened portfolios and accounts and consider environmental issues when voting proxies for sustainability screened portfolios and accounts. The Advisors may also take social or environmental issues into account when voting proxies for portfolios and accounts that do not have social or sustainability screens if the Advisors believe that doing so is in the best interest of the relevant client(s) and otherwise consistent with the Advisors' duties, such as where material environmental or social risks may have economic ramifications for shareholders.

Dimensional from time to time discusses governance matters with portfolio companies to represent client interests; however, Dimensional on behalf of its clients, regardless of such conversations, acquires securities solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of any portfolio company. Dimensional does not intend to engage in shareholder activism with respect to a pending vote or matter that Dimensional reasonably expects to be the subject of a shareholder vote in the foreseeable future.

In certain cases, Dimensional determines that voting is not in the best interests of a client and refrains from voting, such as if the costs, including the opportunity costs, of voting to the client would, in Dimensional's view, exceed the expected benefits of voting to the client. For securities on loan and when Dimensional, or an affiliate of Dimensional, has agreed to monitor the securities lending program of the client account, Dimensional will balance the revenue-producing value of loans against the difficult-to-assess value of casting votes. It is Dimensional's 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 Dimensional recalling loaned securities for voting. Dimensional does intend to recall securities on loan if, based upon information in Dimensional's possession, Dimensional determines that voting the securities is likely to materially affect the value of a client's investment and it is in the client's best interests to do so.

For proxies of non-U.S. companies, it can be both difficult and costly to vote proxies. Dimensional does not intend to vote proxies of non-U.S. companies if it determines the expected





costs of voting outweigh any anticipated economic benefit to the client of voting. In the event Dimensional is made aware of and believes an issue to be voted is likely to materially affect the economic value of a portfolio, that its client's vote is reasonably likely to influence the ultimate outcome of the contest, and the expected benefits to the client of voting the proxies exceed the expected costs, Dimensional will seek to make reasonable efforts to vote such proxies.

Proxies that Dimensional receives on behalf of its clients will generally be voted in accordance with predetermined guidelines, and when proxies are voted consistently with such predetermined guidelines, Dimensional considers such votes not to be affected by any conflicts of interest. In the limited instances where (i) an authorized person is considering voting a proxy contrary to the predetermined guidelines (or in cases where the guidelines do not prescribe a particular vote and the proposed vote is contrary to the recommendation of the proxy advisory firm primarily used by Dimensional to provide voting recommendations) and (ii) the authorized person or any member of the Investment Stewardship Committee believes a potential conflict of interest exists, the authorized person will disclose the potential conflict to a member of the Investment Stewardship Committee or, in the case of a member of the Investment Stewardship Committee who believes a potential conflict of interest exists, the member will disclose the conflict to the Investment Stewardship Committee. If the Investment Stewardship Committee member has actual knowledge of a conflict of interest and recommends a vote contrary to the predetermined guidelines (or in cases where the guidelines do not prescribe a particular vote and the proposed vote is contrary to the recommendation of the proxy advisory firm), the Investment Stewardship Committee member will bring the vote to the Investment Stewardship Committee, which will 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 Investment Stewardship 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, Dimensional will report annually on such determinations to the relevant Board of Directors/Trustees of the affected U.S. Dimensional Fund. Dimensional will also consider, where appropriate, other disclosure to clients regarding potential conflicts of interest, dependent upon the agreement with the client.

The Advisors and the U.S. Dimensional Funds have retained certain third-party proxy service providers ("Proxy Advisory Firms") to provide certain services with respect to proxy voting. These Proxy Advisory Firms will provide information on shareholder meeting dates and proxy materials; translate proxy materials printed in a foreign language; provide research on proxy proposals; operationally process votes in accordance with predetermined voting guidelines on behalf of clients for whom the Advisors have voting responsibility; and provide reports concerning the proxies voted ("Proxy Voting Services"). Although Dimensional retains the Proxy Advisory Firms for Proxy Voting Services, Dimensional remains ultimately responsible for its proxy voting decisions. The Advisors have designed policies and procedures to oversee and evaluate the Proxy Advisory Firms. Prior to the selection of a new Proxy Advisory Firm and annually thereafter or more frequently if deemed necessary by Dimensional, the Investment Stewardship Committee will consider whether the Proxy Advisory Firm: (a) has the capacity and competency to adequately analyze proxy issues and provide the Proxy Voting Services the Proxy



Advisory Firm has been engaged to provide and (b) can make its recommendations in an impartial manner, in consideration of the best interests of the Advisors' clients, and consistent with the Advisors' voting policies. In the event that voting guidelines are not implemented precisely as Dimensional intends because of the actions or omissions of any Proxy Advisory Firm, 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 Dimensional as a breach of the Voting Procedures. In certain instances, Dimensional may not be able to exercise voting rights because proxies or other documentation for a vote are not received in a timely fashion.

Clients 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, 6300 Bee Cave Road, Building One, Austin, Texas 78746.

To the extent that a separate account or a sub-advised fund client has not authorized Dimensional or Dimensional 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 its portfolio, and Dimensional is not responsible for forwarding proxies to the client. Depending on the circumstances and the terms of the client's agreement, Dimensional 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 the adviser's financial condition. Dimensional believes that it 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