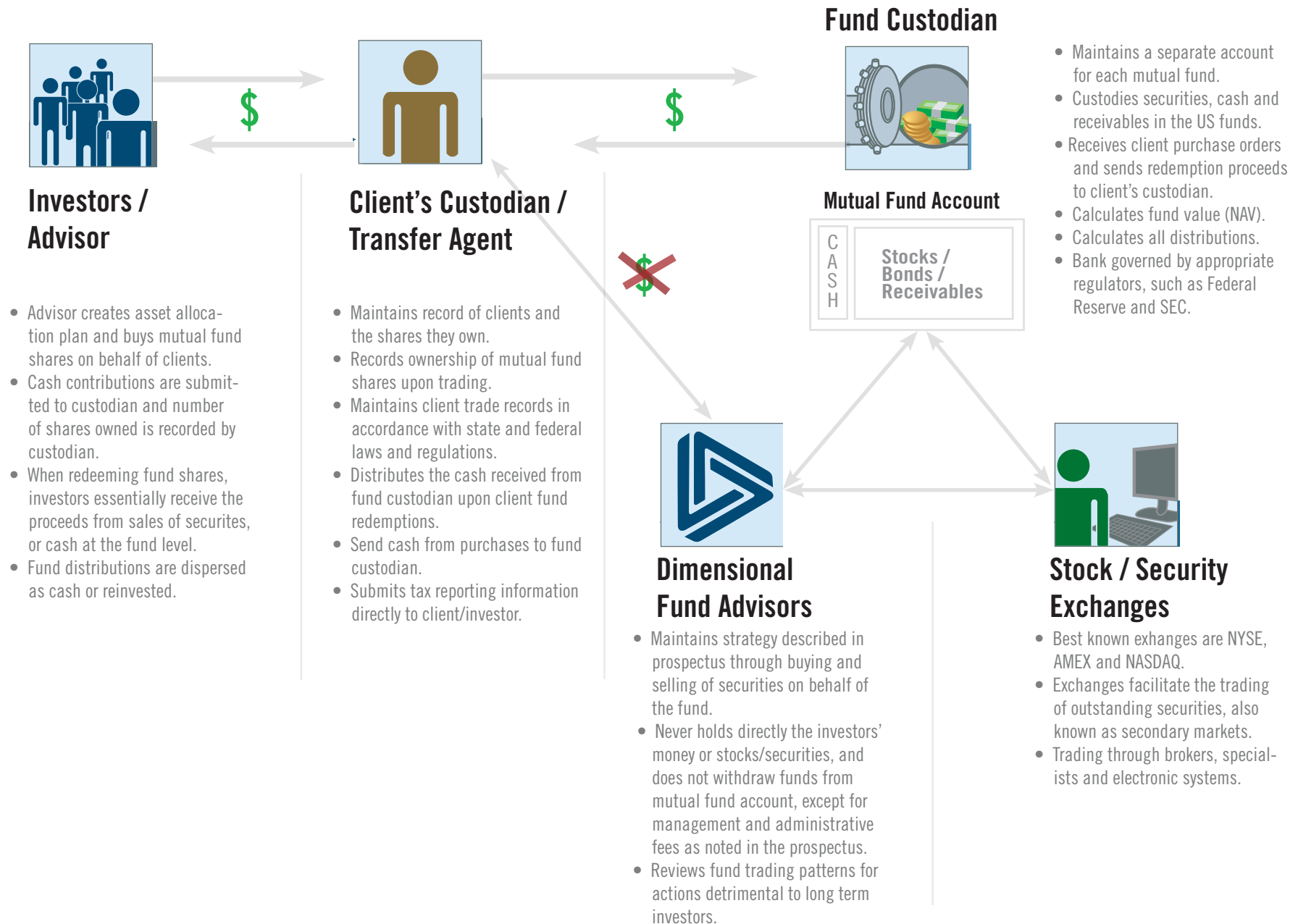


Owning Shares of Domestic Mutual Funds



Investor Protection Frequently Asked Questions

- [Is there “concentration risk” by consolidating substantial percentage of assets in a single investment company’s funds?](#)

A shareholder of a mutual fund owns a percentage of that fund. For a fund set up under a master - feeder structure, the feeder fund in turn owns a percentage of the master fund. The master fund owns the underlying portfolio securities, which are held in custody by independent third party banks. The flowchart on the previous page outlines this operational structure. The advisors and clients should perform a certain level of due diligence with respect to the with respect to understanding the investment manager’s underlying strategies and the diversification within individual funds.

- [What happens if Dimensional ceases to exist as business entity?](#)

In this unlikely event, the fund’s custodian may arrange to sell all the securities and other assets in each fund at the current market prices and then distribute all proceeds to the mutual fund shareholders. In such a liquidation, the investors would receive in cash an amount approximately equal to the fund’s Net Asset Value, which is determined daily for each share of the fund owned. Essentially, if Dimensional ceased to exist as a business entity the investors would have approximately the same amount of money as the mutual fund shares value, but in cash rather than mutual funds. Alternatively, the fund’s Board of Directors may elect to hire a new investment manager (different than Dimensional) and the fund would continue business under the new advisor.

- [What are the mechanisms ensuring shareholders protection against Dimensional malfeasance of employees and officers?](#)

The structure of Dimensional’s mutual funds provide protection against malfeasance of employees and officers. All assets are held by a custodian, separate and independent from Dimensional. The custodian is a bank regulated by U.S. banking laws. Additionally, Dimensional must uphold a fiduciary duty to the shareholders of the mutual funds by virtue of its status as the investment advisor (both the law and the investment advisory agreement force these duties upon Dimensional).

There is of course market risk when investing in the Dimensional mutual funds. The value of the mutual fund shares will rise or fall in value due to a number of market forces, and thus the value of the investment in the mutual funds cannot be guaranteed.

Investor Protection Frequently Asked Questions

- [Who watches and regulates mutual fund investment companies?](#)

Dimensional Fund Advisors Inc. is a registered investment advisor with the United States Securities and Exchange Commission. Registered investment advisors are governed principally by the Investment Advisors Act of 1940, as amended. Additionally, Dimensional's activities are regulated by the state laws of Delaware (where it was formed) and California (its principal place of business), as well as the laws of other states where it does business.

The Dimensional mutual funds are separate investment companies, each registered with the SEC under the Investment Company Act of 1940, as amended. Dimensional manages and advises the investment companies pursuant to investment advisory agreements which must be reviewed and reapproved annually by the individual investment company's board of directors (a majority of disinterested directors must consist of independent directors unaffiliated with the mutual fund advisor). Finally, DFA Securities Inc., a broker-dealer registered with and regulated by the NASD, distributes the mutual funds.

- [What are the mechanisms to ensure the independence of the compliance officers?](#)

The Chief Compliance Officer of the DFA Funds and Dimensional is Christopher Crossan, previously employed at the SEC and other fund companies. Compliance administration and monitoring includes such areas as trading operations, portfolio management, client trade exception reports, marketing, and employee personal transactions. To ensure his independence, Mr. Crossan reports to the Board of Directors of the mutual funds that Dimensional advises for matters related to the mutual funds, and to the CEO of Dimensional for all other advisory matters related to Dimensional and its affiliates. With respect to the Dimensional funds, only the fund's board of directors, including a majority of the directors who are not interested persons of the fund, may remove him from his position. In addition, Dimensional employees are prohibited from coercing or fraudulently influencing him in the course of performing his responsibilities.

- [How is Dimensional watching for market timing, a practice detrimental to long term investors?](#)

Market timing involves in most cases the relative slowness of mutual fund share prices to reflect the price changes of underlying securities, particularly in international stocks. Dimensional has implemented a "Fair Value Pricing" policy, designed to mitigate this issue. Additionally, a task force has been established with the goal of observing unusual trading patterns. Last, but certainly not least, Dimensional funds are only available to a limited group of institutions and clients of financial advisors who typically have a passive approach to investing.

Investor Protection Standard Mutual Fund Coverage

- Fund shares owned are recorded and maintained by PFPC, a subsidiary of PNC Bank and transfer agent to Dimensional Fund Advisors, Inc.
- If Dimensional filed bankruptcy, mutual fund shares would remain intact and safe at PFPC, as these shares are separate from Dimensional's proprietary assets.
- In addition to the above stated policies, Dimensional's fund investors have the benefit of the Investment Company Act and other securities law rules, as well as Dimensional's and the fund's internal compliance procedures.
- An independent auditor performs written audits of PFPC, and these audits include an internal controls report (SAS 70 report). The auditor also issues an Independent Service Auditor's Report on Controls Placed in Operations and Tests of Operating Effectiveness for Shareholder Servicing Operations evaluating PFPC's services.

Investor Protection Standard Mutual Fund Coverage

External

Dimensional does not handle shareholder monies

Investments in Dimensional Funds are sent from the custodian to PFPC, Dimensional's transfer agent. PFPC provides fund accounting, transfer agent services, and custody for hundreds of mutual funds.

The fund custodian custodies the individual securities held by the fund

If Dimensional were to become insolvent, shareholders would continue to own their respective share of the mutual fund.

Annual Audits

Dimensional, PFPC, and the Dimensional funds are audited on an annual basis by Pricewaterhouse Coopers, LLC. In addition, PFPC is also subject to regular reviews by their internal audit department.

Daily Procedures

Dimensional Funds are priced daily by the fund custodian. The number of outstanding mutual fund shares are reconciled daily. Portfolio securities are reconciled daily with DST.

Internal

Compliance Oversight

Christopher Crossan, the Global Chief Compliance officer heads Dimensional's compliance department, which oversees the primary compliance management function within the firm, along with a fully staffed department. Separately, each international office has regional compliance officers.

Regular Investment Committee meetings and reviews.

Dimensional's Investment Committee sets and reviews the advisor's investment policies and procedures and approves major investment strategy decisions. Dimensional's Investment Committee is composed of senior management and the senior portfolio manager from the fixed income, international and domestic equities trading groups.

Trade Review

The Head of Trading, Jeanne Sinuefield, Executive Vice President, reviews summary trading reports generated directly from the trading system. Ms. Sinuefield is a senior member of the Investment Committee and oversees Dimensional's entire trading operation. Additionally, the Investment Committee as a group regularly conducts portfolio reviews.

Investor Protection Dimensional Insurance

- Dimensional owns \$25 million worth of Directors and Officers Liability/Errors & Omissions (Investment Company Asset Protection Professional Liability) coverage with a \$5 million deductible effective 12/01/2004. In short, this coverage provides for executive liability and indemnification for Dimensional, its subsidiaries, and its related investment companies.
- The Directors & Officers Liability provides coverage for the directors and officers of the money management firm against allegations of mismanagement brought against it by shareholders, regulators, creditors, and other third parties.
- The Errors & Omissions provides coverage to protect the adviser from claims alleging mismanagement of customer accounts, breach of fiduciary duty, ERISA liability, misleading sales practices and similar errors and omissions in rendering professional services to customers.
- Chubb provides Dimensional, its subsidiaries and its related investment companies with a Fidelity Bond (Investment Company Asset Protection Bond) policy covering employee dishonesty and computer fraud up to \$10 million with a \$200,000 deductible. The bond provides coverage on a blanket basis against loss of property resulting from a wide range of exposures including employee dishonesty, forgery, theft, destruction or disappearance and satisfies provisions of the Investment Company Act of 1940, which requires every registered investment management company to obtain protection against larceny and embezzlement.
- These policies do not protect directly the shareholders; rather they protect Dimensional and its subsidiaries from mismanagement and/or misleading sales practices.