

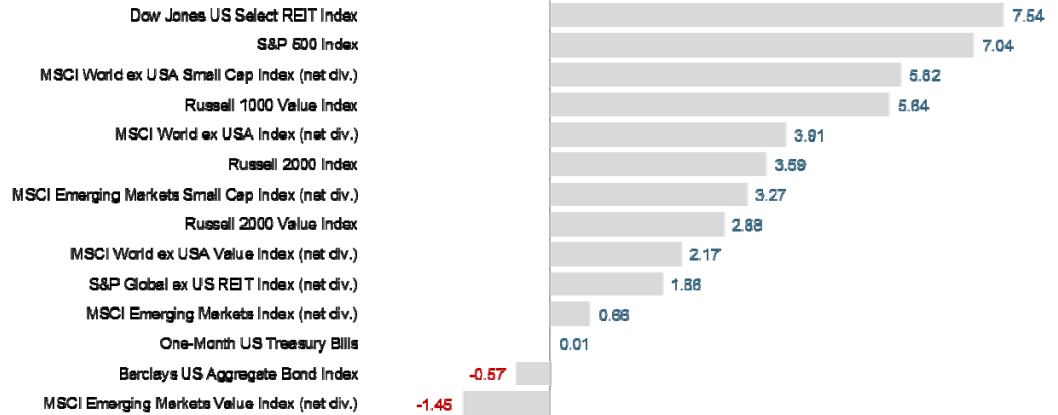


World Asset Classes

Fourth Quarter 2015 Index Returns (%)

Looking at broad market indices, the U.S. equity market again outperformed both developed ex U.S. and emerging markets during the quarter. In a repeat from the third quarter, U.S. REITs recorded the highest returns, outperforming equity markets.

The value effect was negative in the U.S., developed ex U.S. and emerging markets. Small caps outperformed large caps in both developed ex U.S. and emerging markets but underperformed in the U.S.



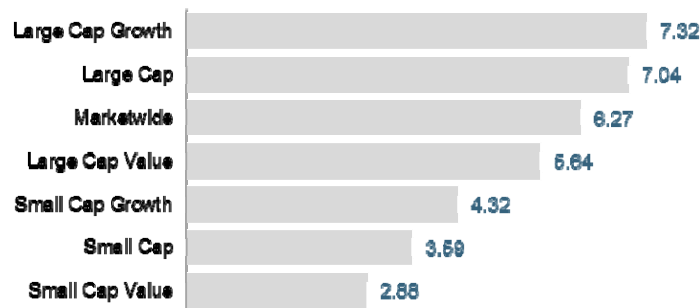
U.S. Stocks

Fourth Quarter 2015 Index Returns (%)

In a turnaround from the previous quarter, the U.S. equity market recorded positive performance.

Small caps underperformed large caps and value indices underperformed growth indices across all size ranges.

Ranked Returns for the Quarter (%)



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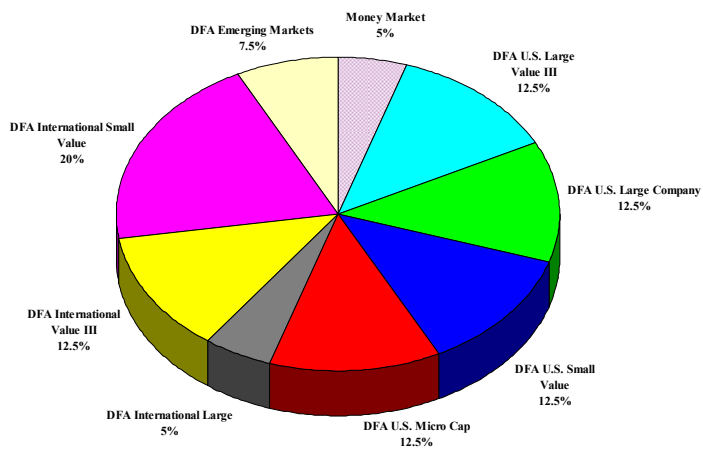
***“Those who have knowledge,
don’t predict.
Those who predict, don’t have
knowledge!”***

- Lao Tsu

Portfolio Returns: January 1, 2015–December 31, 2015*

AGGRESSIVE GROWTH

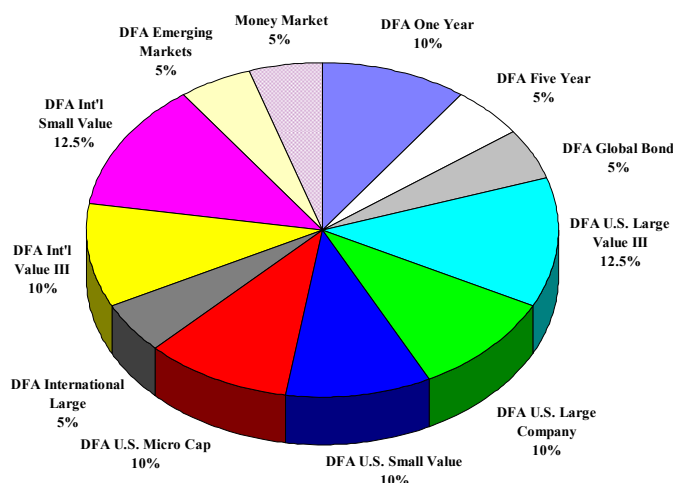
95% Equities/5% Fixed



Rate of Return **-4.12%**

LONG TERM GROWTH

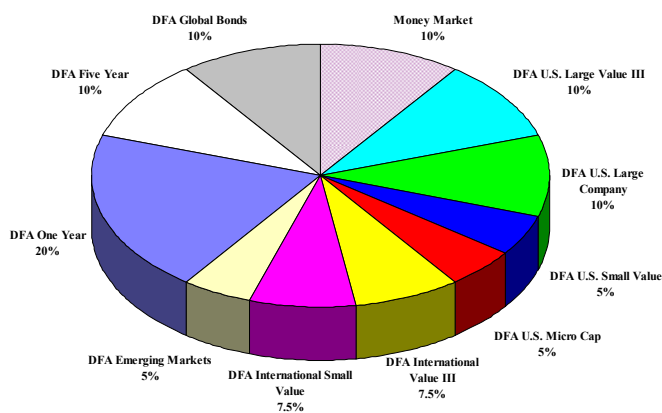
75% Equities/25% Fixed



Rate of Return **-3.96%**

BALANCED GROWTH

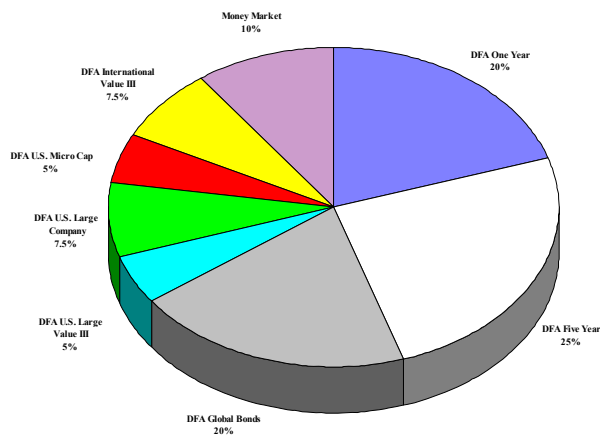
50% Equities/50% Fixed



Rate of Return **-3.15%**

INCOME & GROWTH

25% Equities/75% Fixed



Rate of Return **-2.39%**

*Individual returns may vary slightly based upon assets, size and fees charged, performance shown is net of fees. Performance shown reflects the reinvestment of dividends and other earnings. The returns shown represent past performance and are not indicators of future results.

2015 Investment Overview

In the U.S. equity markets, most major indices logged negative performance, [despite a strong rebound during Q4](#). For the year, the S&P 500 Index returned 1.38%; the Russell 3000 Index 0.48% and the Russell 2000 Index -4.41%.

Non-U.S. developed stock markets experienced mixed performance across almost all major indices (returns in USD, net dividends). The MSCI World ex USA Index, a benchmark for large cap stocks in developed markets outside the U.S., returned -3.04%. Small cap and value stock returns were mixed: The MSCI World ex USA Small Cap Index returned 5.46% and MSCI World ex USA Value Index returned -7.68%. The MSCI World ex USA Growth Index was positive at 1.65%. Emerging markets were among the worst global performers: The MSCI Emerging Markets Index returned -14.92%; the small cap subindex returned -6.85%; the value subindex returned -18.57%.

Among the equity markets tracked by MSCI, nearly half of the countries in the non-U.S. developed markets index had negative total returns (in USD) and the range of returns was broad. [The top three return countries](#) were Denmark (23.43%), Ireland (16.49%), and Belgium (12.10%). Countries with the lowest returns were Canada (-24.16%), Singapore (-17.71%), and Spain (-15.64%).

[Returns of major fixed income indices were slightly positive](#). One-year U.S. Treasury notes returned 0.15%, Barclays U.S. Government U.S. Bond Index 0.86%, Citigroup World Government Bond Index (1-5 years, USD hedged) 1.00%, and Barclays U.S. TIPS Index returned -1.44%.

Annual underperformance of the size and value premiums is not unusual from a historical standpoint. [Although small cap and value stocks have offered higher expected long-term returns relative to their large cap and growth counterparts, these return premiums do not appear each year](#).¹ For example, since 1979, U.S. small cap have outperformed large caps in 19 of the 37 calendar years—or 51% of the time. Results are similar for the relative price dimension. Since 1979, U.S. value has outperformed growth in 20 of 37 calendar years—or 54% of the time. Small cap value has outperformed small cap growth in 57% of the calendar years.

History also has produced multiyear periods in which U.S. small cap and value stocks did not outperform large caps and growth. The most recent example is three-year underperformance of small cap value vs. small cap growth (2013-2015). Small value has also underperformed straight years (2009-2011 and 1989-1991). Other multiyear examples include small caps underperforming large caps (1984-1987 and 1994-1998) and value underperforming growth (1989-1991 and 2009-2011). Yet, despite even extended negative-premium periods, small cap and value stocks have outperformed their counterparts over time, and [when the premiums reversed, they often did so strongly and for multiple years](#).

Advisor Byline, Bryan Harris, Dimensional Fund Advisors

1. U.S. Small cap is represented by the Russell 2000 Index; U.S. large cap is the Russell 1000 Index; U.S. value (marketwide) is the Russell 3000 Value Index; and U.S. growth (marketwide) is the Russell 3000 Growth Index. U.S. large value is the Russell 1000 Value Index; U.S. large growth is the Russell 1000 Growth Index. Russell data © Russell Investment Group 1995-2016, all rights reserved.

Meeting Expectations

All DFA portfolios are designed to deliver “market rates of return.” DFA is not trying to “beat” the market by employing crystal ball type strategies, only working to achieve market returns, historically outpacing 90% of the active managers who attempt to beat the market.

To evaluate your portfolio, it is helpful to look at the various DFA funds and **compare them** to the specific markets in which they are invested:

	01/01/15 through 12/31/15 Return*
DFA U.S. Large Co.	1.38%
S&P 500 Index	1.38%
DFA U.S. Large Value	-3.35%
Russell 1000 Value	-3.83%
DFA U.S. Micro Cap	-3.62%
Russell 2000	-4.41%
DFA U.S. Small Value	-7.81%
Russell 2000 Value	-7.47%
DFA Emerging Markets	-15.81%
MSCI Emerging Market Idx	-16.96%
DFA Int'l Large Company	-2.86%
MSCI EAFE Large Co Idx	-3.30%
DFA Int'l Large Value	-6.15%
MSCI EAFE Value	-5.68%
DFA Int'l Small Value	3.99%
MSCI EAFE Sm Cap Index	2.32%
DFA One Yr. Gov't Bond	0.31%
BarCap 1-3 Yr. Gov't	0.57%
DFA Short-Term Gov't Bond	0.99%
BarCap 1-5 Yr. Gov't	0.93%
DFA 5 Yr. Global Bond	1.45%
Citi World Bond Index	-3.15%

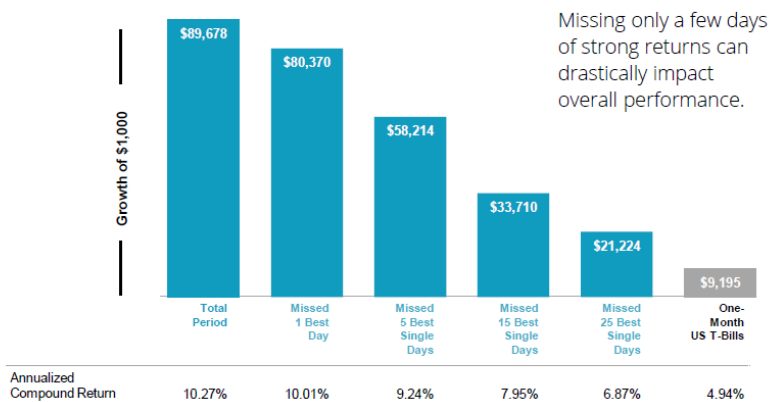
*Morningstar 12/31/15

Investing in Volatile Times

As we start to review the ever changing volatility of equity markets in 2016, it's important to remember that there has been volatility, there is volatility and there will be volatility. [These few slides help show the long term approach will capture the equity premiums.](#)

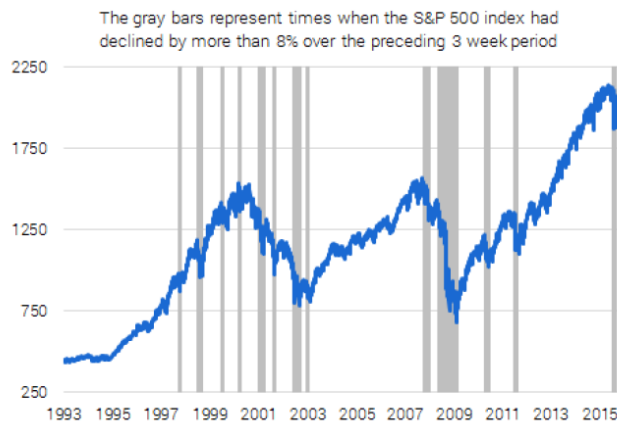
Time Out of the Market Can Hurt Performance

Performance of the S&P 500 Index: 1970 - 2015



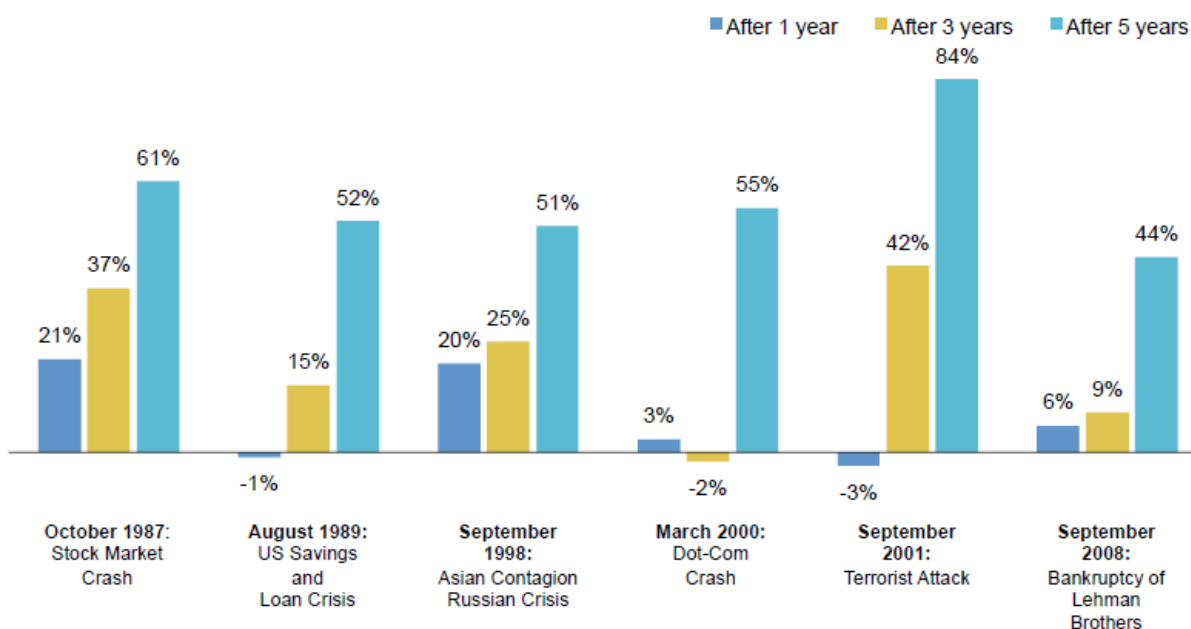
Market Performance After Large Declines

Performance of the S&P 500 Index, 1970 - 2015



The Market's Response to Crisis

Performance of a Normal Balanced Strategy: 60% Stocks, 40% Bonds Cumulative Total Return



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