



The research and Nobel Prize winning academic power behind DFA offers our investors significant value and is a powerful component of our diversified portfolios. Guided by a strong belief in the ultimate efficiency of the markets, DFA helps investors pursue higher expected returns through advanced portfolio design and careful implementation. They add value by identifying relevant dimensions of expected returns and continually balancing the tradeoffs among competing premiums, diversification, and costs. This overview takes a brief look at their process, the 'dimensions' they utilize and their results.

Dynamic Investment Process

An integrated approach to adding value

- **The Market:** Use information in prices and fundamental data to pursue higher expected returns.
- **Portfolio Structure:** Identify the dimensions of expected returns and consider the interactions among premiums, diversification, and costs.
- **Implementation:** Maintain strategy focus while balancing tradeoffs among competing premiums and use a flexible process to help control costs.



Dimensions of Expected Returns

Expected returns are driven by prices investors pay and cash flows they expect to receive

Market

Equity premium = stocks vs. bonds

Company Size

Small cap premium = small vs. large companies

Relative Price

Value premium = value vs. growth in companies

Expected Profitability

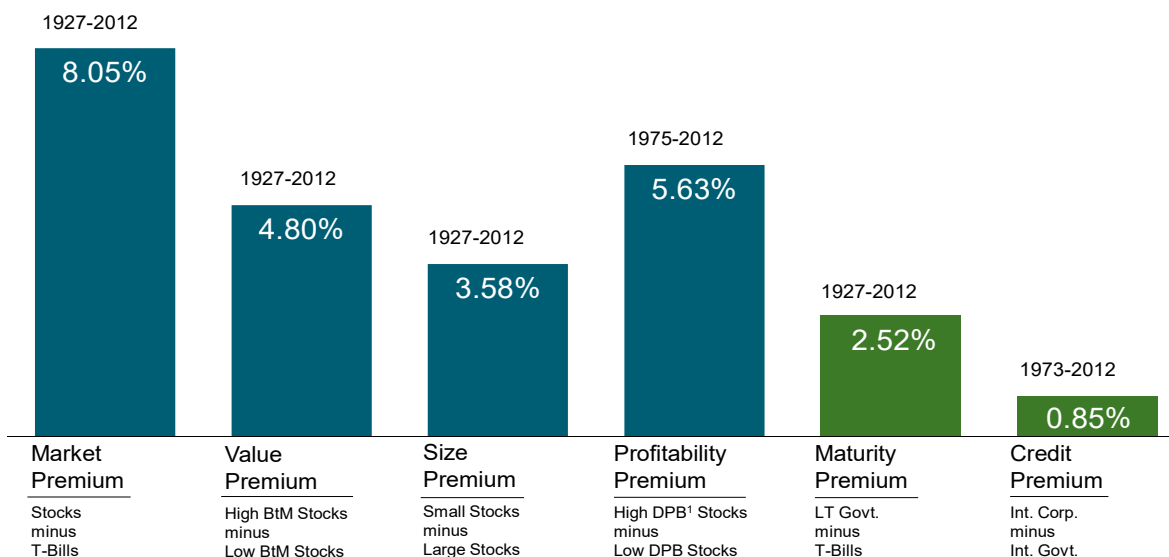
Profitability premium = high vs. low profitability companies

To be considered a *dimension* of expected return, a premium must be:

- **Sensible**
- **Persistent** across time periods
- **Pervasive** across markets
- **Robust** compared to alternative specifications
- **Cost-effective** to capture savings in well-diversified portfolios

Dimensions of Higher Expected Returns

Annual Average US Premiums



1. Operating income before depreciation and amortization minus interest expense scaled by book. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Market, value, and size premiums (1927-2012) provided by Fama/French. Profitability premium computed by Dimensional using CRSP and Compustat data. Profitability is measured as operating income before depreciation and amortization minus interest expense, scaled by book. The annual profitability premium is computed as the average annual return on six high-profitability groups of stocks (Large High Book-to-Market High Profitability, Large Medium Book-to-Market High Profitability, Large Low Book-to-Market High Profitability, Small High Book-to-Market High Profitability, Small Medium Book-to-Market High Profitability, and Small Low Book-to-Market High Profitability) minus the average annual return on six low profitability groups of stocks (Large High Book-to-Market Low Profitability, Large Medium Book-to-Market Low Profitability, Large Low Book-to-Market Low Profitability, Small High Book-to-Market Low Profitability, Small Medium Book-to-Market Low Profitability, and Small Low Book-to-Market Low Profitability). Maturity premium (1927-1972) provided by © Stocks, Bonds, Bills, and Inflation Yearbook®, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Credit premium data (1973-present) provided by Barclays Bank PLC.

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By evolving with advances in financial science, Dimensional has delivered long-term results for investors.



Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the mutual fund, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Investments are subject to risk, including the loss of principal. Because investment return and principal value fluctuate, shares may be worth more or less than their original value. Some investments are not suitable for all investors, and there is no guarantee that any investing goal will be met. Past performance is no guarantee of future results. Talk to your financial advisor before making any investing decisions.

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