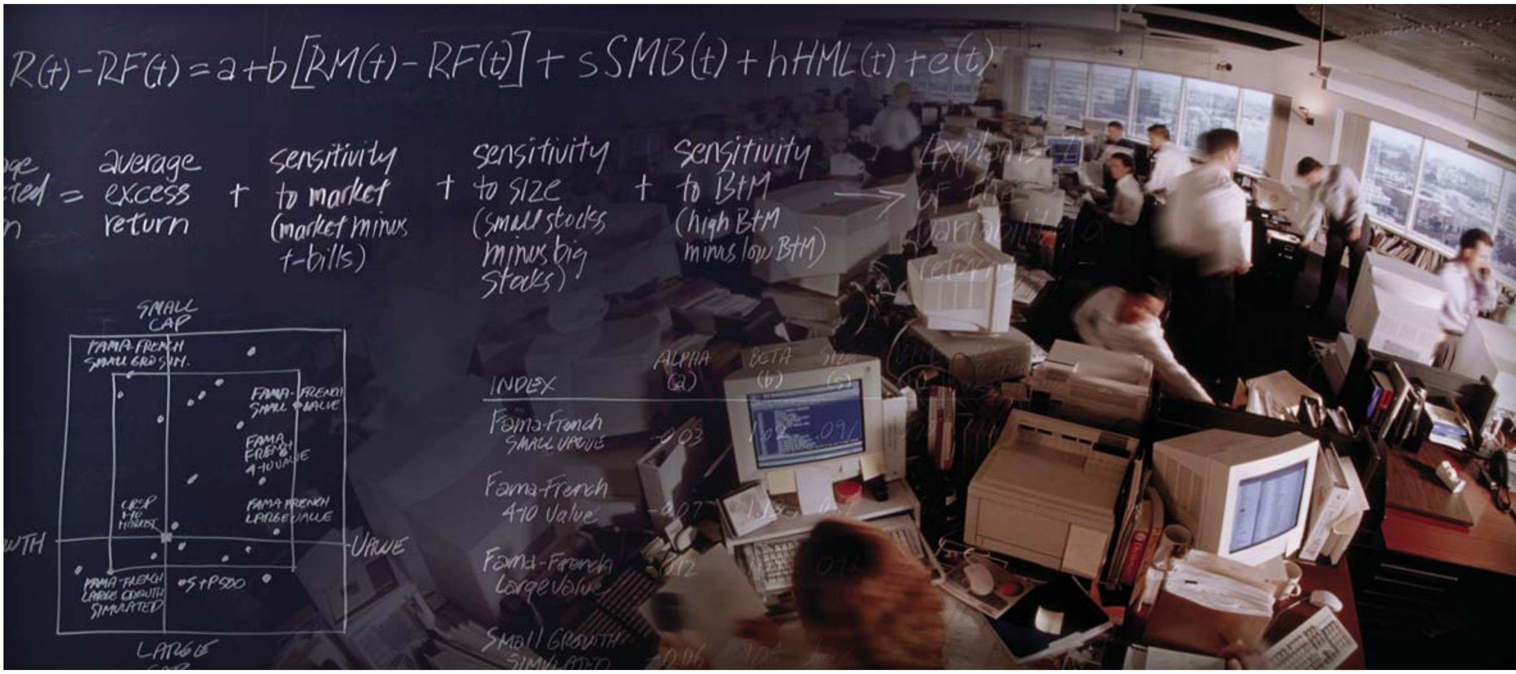


Global Investment Solutions

Dimensional

Dimensional Fund Advisors applies academic research to the practical world of investing. Our objective is to help clients structure globally diversified portfolios and to add value through engineering and trading.

Co-Chairmen David Booth and Rex Sinquefield are pioneers in introducing asset class strategies to institutional investors. Since Dimensional's inception in 1981, they have led the firm amid growing worldwide interest in this approach. Dimensional is owned primarily by employees and directors, and manages assets for both institutional investors and the clients of registered financial advisors. From offices in Los Angeles, London, and Sydney, our professional staff supervises portfolios twenty-four hours a day.

Dimensional's range of investments has grown from the US Micro Cap Strategy to more than forty equity and fixed income strategies invested throughout the world. Most are designed to outperform their benchmarks after fees through trading and portfolio construction, while accurately capturing the performance of their asset classes. As research and financial innovation increase our knowledge of capital markets, Dimensional incorporates the findings.

Principles and Beliefs

Markets Are Efficient

Markets work and, for investment purposes, assets are fairly priced.

Risk and Return Are Related

Priced risk factors determine expected return.

Diversification Is Key

Diversification reduces uncertainty. Concentrated investments add risk with no additional expected return.

Structure Explains Performance

Asset allocation principally determines results in a broadly diversified portfolio.

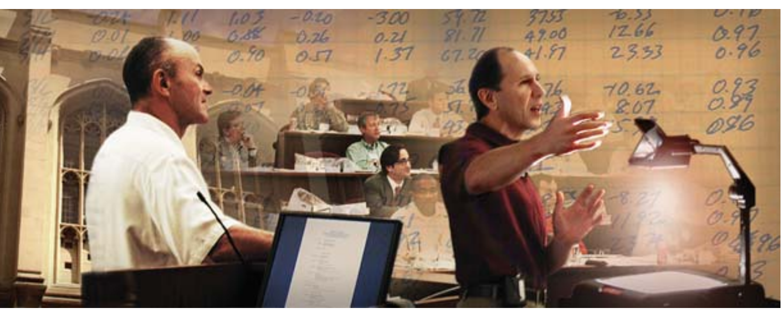
Founded in a Brooklyn brownstone, Dimensional is led by Co-Chairmen David Booth and Rex Sinquefield from its Santa Monica headquarters.

Investment Philosophy

Academic Contributions

Financial economists lead the way in understanding risk and return in securities markets. Working with some of the industry's most respected financial economists, Dimensional brings academic research to practicing investors in the form of distinctive empirical strategies.

This is an ongoing process to which we commit substantial resources. Academics share in the revenue, ensuring that they maintain the data and research. Clients benefit from strategies that have higher expected returns and more focused implementation.



Dimensional's researchers include Professors Eugene Fama of the University of Chicago and Kenneth French of Dartmouth College. Leading academics interact with Dimensional's clients at educational conferences throughout the year.

Markets Work

Our core belief is that markets are "efficient," meaning prices reflect the knowledge and expectations of all investors. Though prices are not always correct, markets are so competitive that it is unlikely any single investor can routinely profit at the expense of all other investors. Dimensional distinguishes itself by applying this philosophy to its entire range of investments.

Many investment managers either believe they can actively exploit "mispricings," so they engage in traditional active management; or they believe they can do nothing to add value over benchmarks, so they engage in traditional index management. Dimensional takes a different approach. Our strategies combine the broad diversification, low cost, and reliable asset class exposure of passive strategies and add value through engineering and trading.

Dimensional Compared to Traditional Portfolio Management

Dimensional's Value-Added Management

- Grounded in the efficiency of capital markets.
- Captures specific dimensions of risk identified by academic research.
- Minimizes transaction costs and enhances returns through trading and engineering.

Active Management

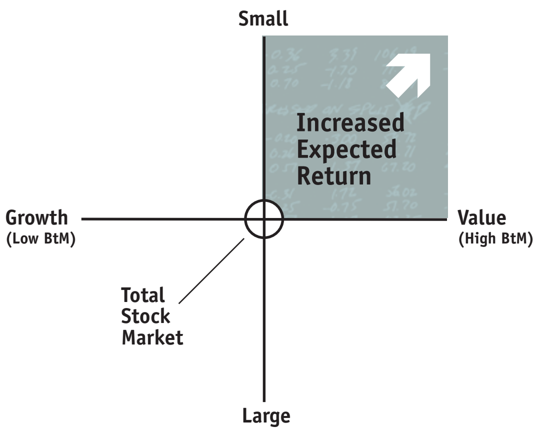
- Attempts to beat the market through security selection and market timing.
- Undermines asset class exposure to keep up with the most "promising" securities.
- Generates higher fees, trading costs, and taxes due to increased turnover.

Passive/Index Management

- Accepts asset class returns.
- Allows commercial benchmarks to define strategy.
- Sacrifices transaction costs and turnover in favor of tracking.

Portfolio Engineering

Dimensional's portfolio structure is based on leading research by two members of its investment management team, Eugene Fama of the University of Chicago and Kenneth French of Dartmouth College. Their analysis of the sources of investment returns has reshaped portfolio theory and greatly improved understanding of the factors that drive equity performance.



Eugene F. Fama and Kenneth R. French, "The Cross-Section of Expected Stock Returns," Journal of Finance 47, no. 2 (June 1992): 427-65.

Three Factors

Equity Market (complete value-weighted universe of stocks)
Stocks have higher expected returns than fixed income.

Company Size (measured by market capitalization)
Small company stocks have higher expected returns than large company stocks.

Company Price (measured by ratio of company book value to market equity)
Lower-priced "value" stocks have higher expected returns than higher-priced "growth" stocks.

The notion that equities behave differently from fixed income is widely accepted. Within equities, Fama and French find that differences in stock returns are best explained by company size and price characteristics.

The Dimensions of Stock Returns

Dimensional believes that because they are riskier, financially less healthy "value" companies have higher costs of capital than financially healthier "growth" companies. When they borrow from a bank, value companies pay higher interest rates; likewise, when they issue stock, they receive lower prices. A company's cost of capital is the investor's expected return. Small value companies therefore have higher expected returns than large growth companies. Long-term increases in expected return can only be achieved by accepting greater small cap and/or value risk.

The three-factor model defines risk with a precision that has made it the modern research standard. Size and price characteristics, along with broad stock market exposure, are the major explanatory variables in equity returns.

The Dimensions of Fixed Income Returns

The primary role of fixed income is diversification to dampen portfolio volatility. While low-grade obligations and long-term bonds have higher expected returns than high-grade obligations and short-term bonds, Dimensional believes that the corresponding premiums are not large enough to reward the additional risk.

By keeping maturities short and credit quality high, Dimensional minimizes portfolio risk from fixed income so that investors can focus on the much-higher equity market return factors. Within our fixed income maturity and credit range, we strive to maximize returns and outperform conventional benchmarks through engineering.

Performance Advantage

Dimensional's strategies have added returns over comparable indexes for more than twenty years. Academic studies have documented these results. Our return premiums come from structure and execution.

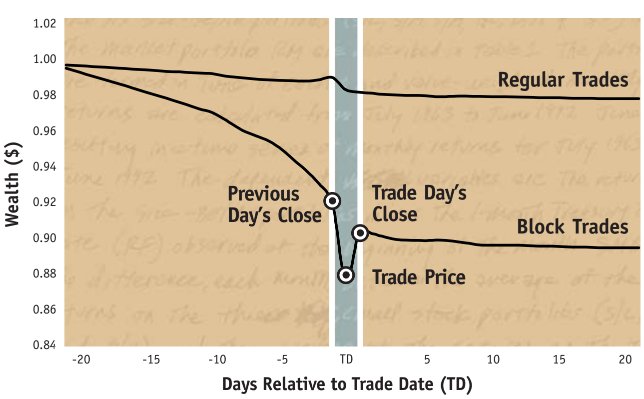
Focused and Flexible

Dimensional's strategies are designed to capture stronger exposure to the factors that drive returns. Our portfolios are broadly diversified to reduce excess risk, but several conditions must be met before we include instruments. We require financial viability for every stock we purchase. Portfolio eligibility rules are detailed and based only on reliable financial data from stable investment markets. Rather than replicate an index in mechanical fashion, we allow slight variations from precise market weighting. This flexibility allows us to take advantage of favorable trading costs.

Better Returns through Execution

Dimensional uses its capacity, reputation, and trading expertise to take advantage of the lower liquidity of the small cap marketplace. Whenever possible, we provide a fair price to sellers who are willing to accept a discount for faster execution on large blocks of stocks. Historically, our average block purchase price is 3% below the next day's closing price, which directly results in higher investment returns for clients.

Small Cap Stock Trades (Buys Only) January 1985-December 2003



Dimensional continually monitors its trading advantage. On a quarterly basis, Professor Donald Keim of the University of Pennsylvania's Wharton School of Business measures the value that the firm adds from trading small cap stocks at a discount.

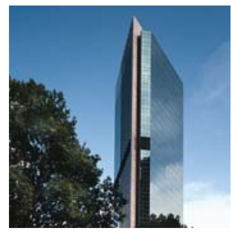
Dimensional's trading operation employs extensive professional staff and sophisticated information systems in three offices around the world.

Pinpointing the Best Maturity

Fixed income strategies use a "variable maturity" approach to high-grade corporate and government debt that involves no interest rate forecasting. Dimensional shifts the maturity structure in response to changes in the yield curve. We identify the points on the curve offering the highest expected return per unit of volatility. Our global strategies are diversified across international markets and seek to hedge exchange rate risk.

Tax Management

Recognizing that some clients are tax-sensitive while others are tax-exempt, we offer several tax-managed strategies that target market segments like value stocks and small cap stocks, which have higher expected returns but are otherwise costly or unsuitable for taxable investors. The tax-managed strategies deliver the same consistent exposure to their asset classes that Dimensional is known for, but with a special emphasis on maximizing after-tax returns. For high net worth investors we offer separate accounts based on the same engineered approach to tax management.



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