

Market Equilibrium

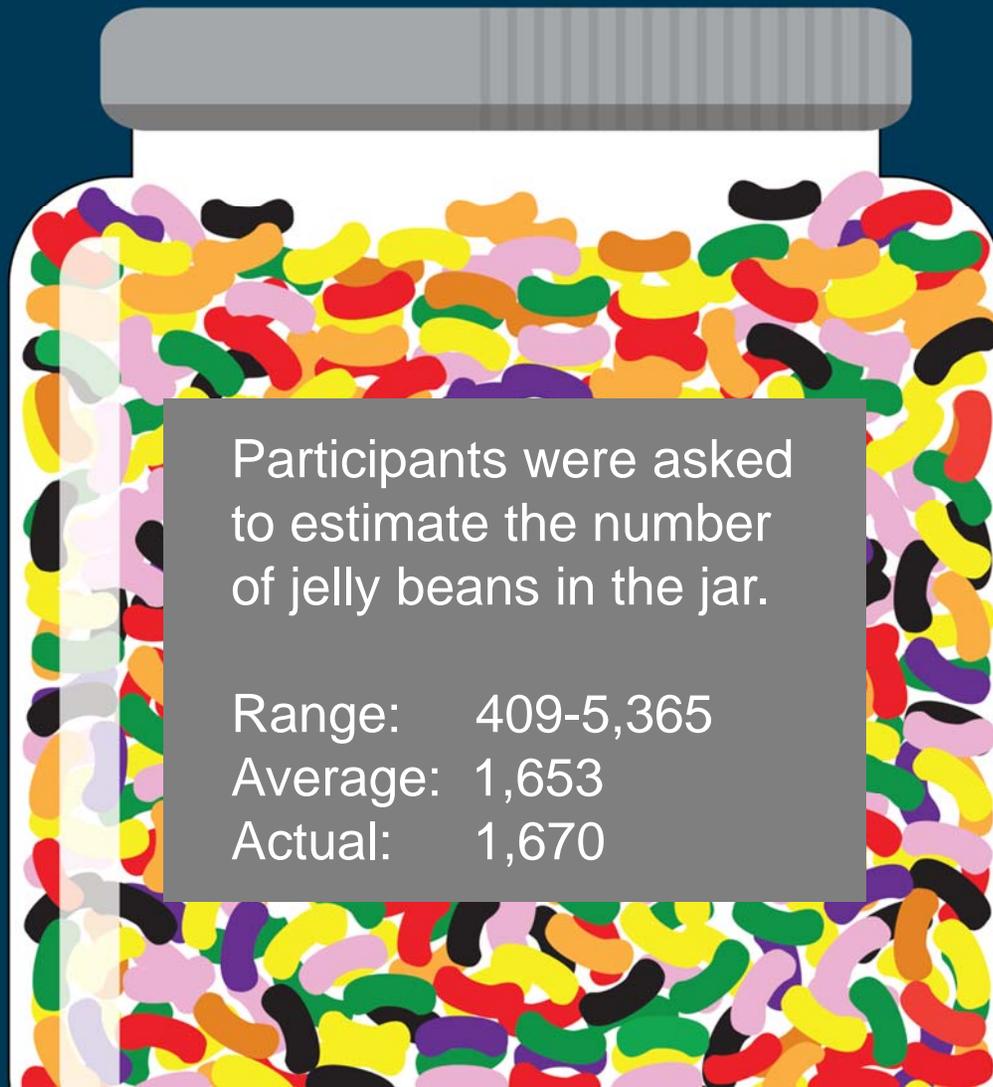
- The market is an information-processing machine
- Prices reflect all available information
- Outsmarting other investors is tough
- Let the market work for you

“In an efficient market, prices fully reflect available information.”

—Eugene Fama

Professor of Finance,
University of Chicago Booth School of Business
Nobel laureate, 2013

What Is Your Guess?



Participants were asked to estimate the number of jelly beans in the jar.

Range: 409-5,365

Average: 1,653

Actual: 1,670

The average estimate of all participants was very close to the actual count.

Together, we know more than we do alone.

Markets Integrate the Combined Knowledge of All Participants

World Equity Trading in 2014

	Number of Trades	Dollar Volume
Daily Average	60 million	\$302 billion

The market effectively enables competition among many market participants who voluntarily agree to transact.

This trading aggregates a vast amount of dispersed information and drives it into security prices.

People Trust Market Pricing Every Day



The daily price of fish may vary based on buyer and seller expectations of market forces. We accept the price as an accurate estimate of current value and make decisions accordingly.

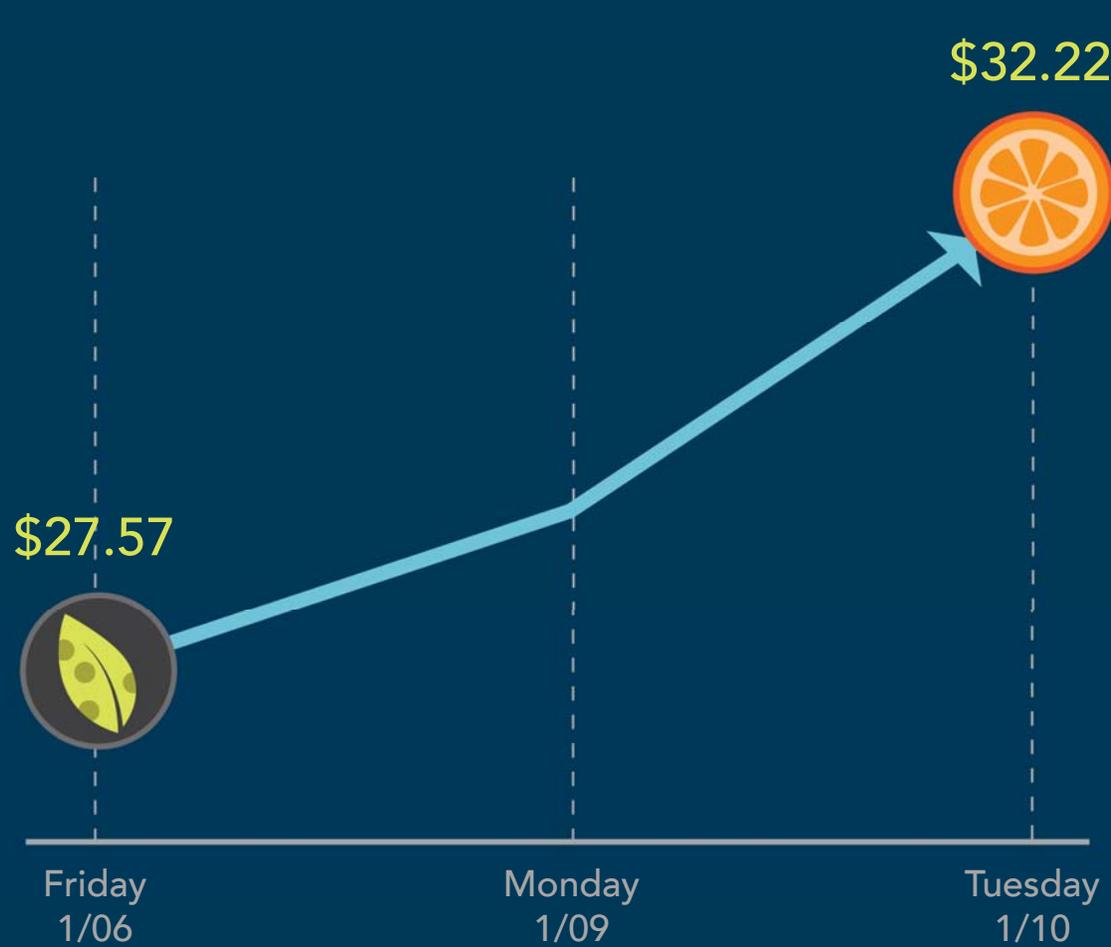
The same is true of a stock price, which reflects all known information about a company.

What Affects a Stock's Current Price?



Given all information, a stock's current price offers the best approximation of actual value.

Markets React to Events



“Orange juice futures surge to record on fungicide fears”

–Reuters, January 10, 2012

Prices adjust when unexpected events alter the market’s view of the future.

In US dollars.

Source: Dow Jones-UBS Orange Juice Subindex. Dow Jones data provided by Dow Jones Indexes.

Stock Prices Adjust Quickly

Heinz, 2/14/2013

CLOSING PRICE

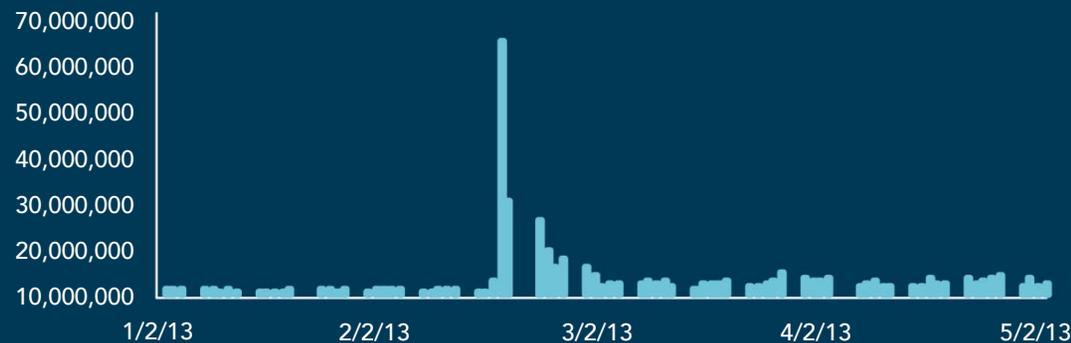


“Heinz agrees to buyout by Berkshire Hathaway, 3G”

–USA Today, February 14, 2013

News travels quickly, and prices can adjust in an instant.

TRADE VOLUME



In US dollars.

Source: Bloomberg.

The security identified is shown for illustrative purposes only to demonstrate the investment philosophy described herein. These materials are not, and should not be construed as, a recommendation to purchase or sell the security identified or any other securities. Actual holdings will vary for each client, and there is no guarantee that any client will hold the security identified.

Picking the Fastest Lane Is a Stressful Guessing Game

Likewise, trying to anticipate the movement of the market adds anxiety and undue risk.

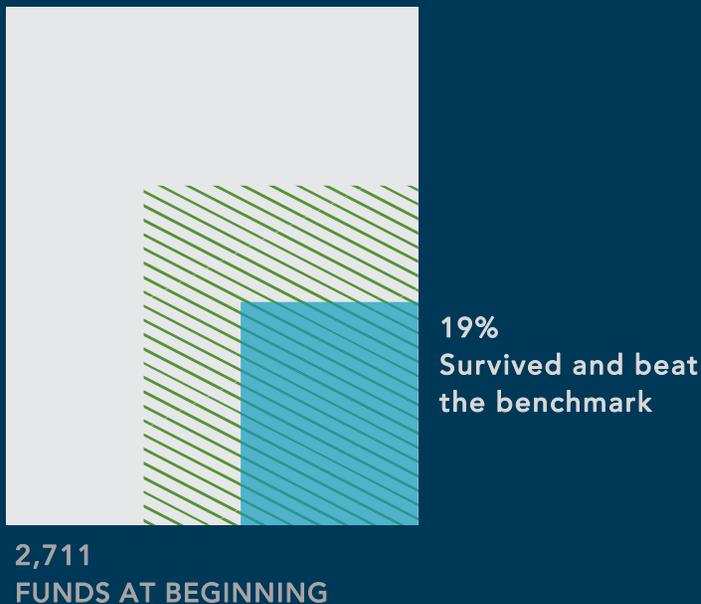


Outsmarting Other Investors Is Tough

Few mutual funds survive and beat their benchmarks,
15-year performance period ending December 31, 2014

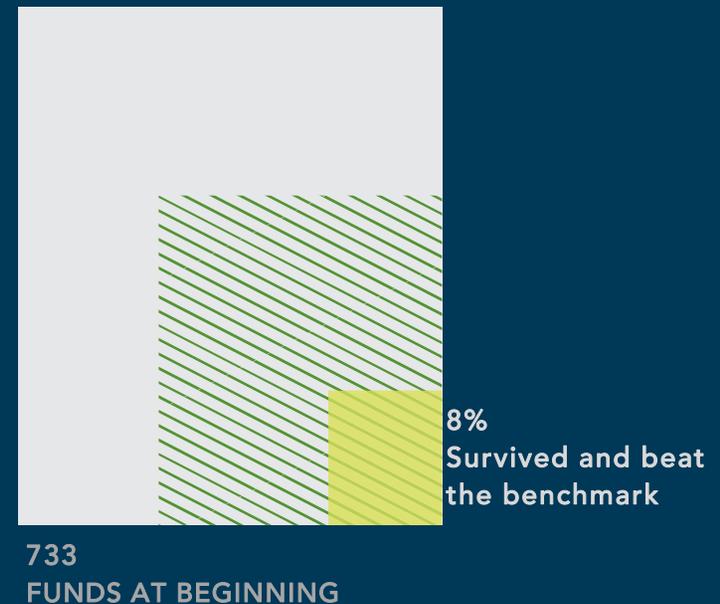
EQUITY FUNDS

Beginning
 Survivors
 Winners



FIXED INCOME FUNDS

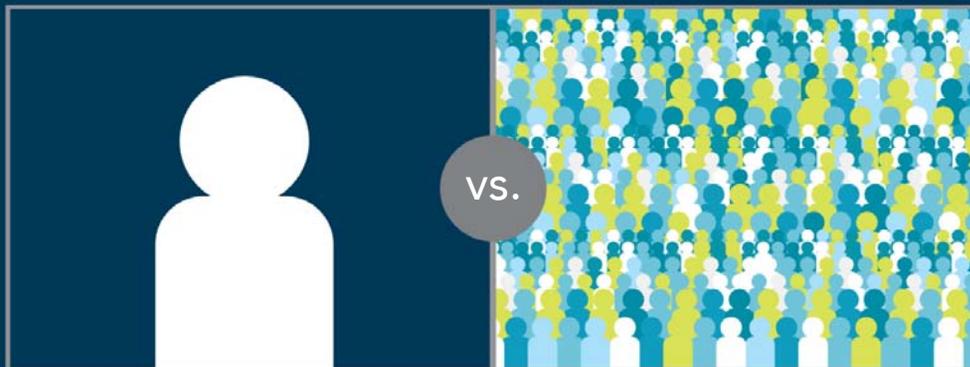
Beginning
 Survivors
 Winners



In US dollars.

Past performance is no guarantee of future results. US-domiciled mutual fund data is from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Beginning sample includes funds as of the beginning of the 15-year period ending in 2014. The number of funds as of the beginning is indicated below the exhibit. Survivors are funds that are still in existence as of December 31, 2014. Winners are funds that survive and beat their respective benchmarks over the period. Funds are identified using Lipper fund classification codes and are matched to their respective benchmarks at the beginning of the sample period. Loser funds are funds that did not survive the period or whose cumulative return did not exceed their respective benchmark.

Let the Market Work for You



When you try to outwit the market, you compete with the collective knowledge of all investors.



By harnessing the market's power, you put their knowledge to work in your portfolio.

Disclosures

November 11, 2015

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.