

# Principal Risks

## Fund of Fund Risk

The ability of a Portfolio to achieve its investment objective depends on the ability of the Underlying Funds to meet their investment objectives and on Dimensional's decisions regarding the allocation of the portfolio's assets among the Underlying Funds. Through their investment in the Underlying Funds, the Portfolios are subject to the risks of the Underlying Funds' investments.

## Market Risk

Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and of the Portfolios that own them, to rise or fall. Because the value of your investment in a Portfolio will fluctuate, there is a risk that you will lose money.

## Foreign Securities and Currencies Risk

Foreign securities prices may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) that are less regulated or less liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the US dollar).

## Small Company Risks

Securities of small companies are often less liquid than those of large companies. As a result, small company stocks may fluctuate relatively more in price.

## Tax Advantage Strategy Risk

An investment strategy that considers the tax implications of investment decisions may alter the construction of the Portfolio and affect the Portfolio holdings, when compared to those of non-tax-managed mutual funds. Dimensional anticipates that performance of the Portfolio may deviate from that of non-tax-managed mutual funds.

## Risk of Concentrating in the Real Estate Industry

The DFA Real Estate Securities Portfolio, DFA International Real Estate Securities Portfolio, and DFA Global Real Estate Securities Portfolio are concentrated in the real estate industry. The exclusive focus by these Portfolios on the real estate industry may cause a Portfolio's risk to approximate the general risks of direct real estate ownership. These Portfolios may be materially different from the broad equity market.

## Real Estate Investment Risk

The value of securities in the real estate industry can be affected by changes in real estate values and rental income, property taxes, interest rates, and tax and regulatory requirements. Investing in REITs and REIT-like entities involves certain unique risks in addition to those associated with investing in the real estate industry in general. REITs and REIT-like entities are dependent upon management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. REITs and REIT-like entities are also subject to the possibility of failing to qualify for tax-free pass-through of income. Also, because REITs and REIT-like entities typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

## Emerging Markets Risk

Numerous emerging market countries have a history of, and continue to experience, serious and potentially continuing economic and political problems. Stock markets in many emerging market countries are relatively small, expensive to trade, and risky. Foreigners are often limited in their ability to invest in, and withdraw assets from, these markets. Additional restrictions may be imposed under other conditions.

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## Interest Rate Risk

Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income securities prices rise. In general, fixed income securities with longer maturities are more sensitive prices to these prices changes.

## Inflation-Protected Securities Interest Rate Risk

Inflation-protected securities may react differently from other fixed income securities to changes in interest rates. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

## Credit Risk

Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. Credit risk is greater for fixed income securities with ratings below investment grade.

## Risk of Banking Concentration

Banks are very sensitive to changes in money market and general economic conditions. The profitability of the banking industry is dependent upon banks being able to obtain funds at reasonable costs and upon liquidity in the capital and credit markets to finance their lending operations. Adverse general economic conditions can cause financial difficulties for a bank's borrowers, and the borrowers' failure to repay their loans can adversely affect the bank's financial situation. Banks are subject to extensive regulation, and decisions by regulators may limit the loans that banks make and the interest rates and fees they charge, which could reduce bank profitability.

## Income Risk

Income risk is the risk that falling interest rates will cause the Portfolio's income to decline.

## Call Risk

Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the Portfolio to reinvest with lower interest rates than the original obligations.

## Tax Liability Risk

Tax liability risk is the risk that distributions by the Portfolio may become taxable to shareholders as ordinary income because of state tax laws or adverse interpretations of tax laws by the Internal Revenue Service or state tax authorities.

## State-Specific Risk

The value of a Portfolio's investments will be highly sensitive to events affecting the fiscal stability of a state and its agencies, municipalities, authorities, and other instrumentalities that issue securities.

## Non-Diversification Risk

A Portfolio may be more volatile than a diversified fund if it invests its assets in a smaller number of issues.