

RESEARCH

Picking the Right Model: Risk Tolerance and Long-Term Investment Goals

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Model portfolios streamline the process of determining an appropriate asset allocation for an investor. But which model is the right one? There are some widely accepted principles: Investors with a high risk tolerance or seeking aggressive wealth growth may prefer stocks; those with a low risk tolerance may prefer to give up the higher expected returns of stocks in exchange for the lower volatility of bonds. Many investors fall somewhere in between.

To identify a model that fits an investor's needs and preferences, it can be helpful to go beyond generalities and quantify such tradeoffs. Investors may want to know, for example, how long it would have taken a 100% equity model to recover from a market downturn vs. a model holding 70% equities and 30% fixed income (70/30), or a 100% fixed income model. To find an asset allocation that an investor can stick with, it is also useful to know how much worse a five-year performance could be for a 70/30 allocation vs. 100% fixed income or 100% equity. Finally, it is helpful to evaluate how different allocations hold up to inflation and changes in standards of living.

In this study we examine the historical performance of different wealth-focused index models to provide financial professionals with a better understanding of all these tradeoffs.

To do so, we use the Dimensional Core Wealth Index Models. The Wealth Index Models are designed to help investors assess the performance of different asset allocations over time. The Core Wealth Index Models have a moderate focus on securities with higher expected returns. For the construction of the Core Wealth Index Models as of December 31, 2021, see the appendix.¹

BALANCING RISK AND RETURN

Model portfolios are often offered in a range of equity/fixed income allocations. Investors’ wealth goals can range from preservation of capital to aggressive wealth growth, and the split between equities and fixed income in a portfolio is one of the most effective tools for meeting those goals.

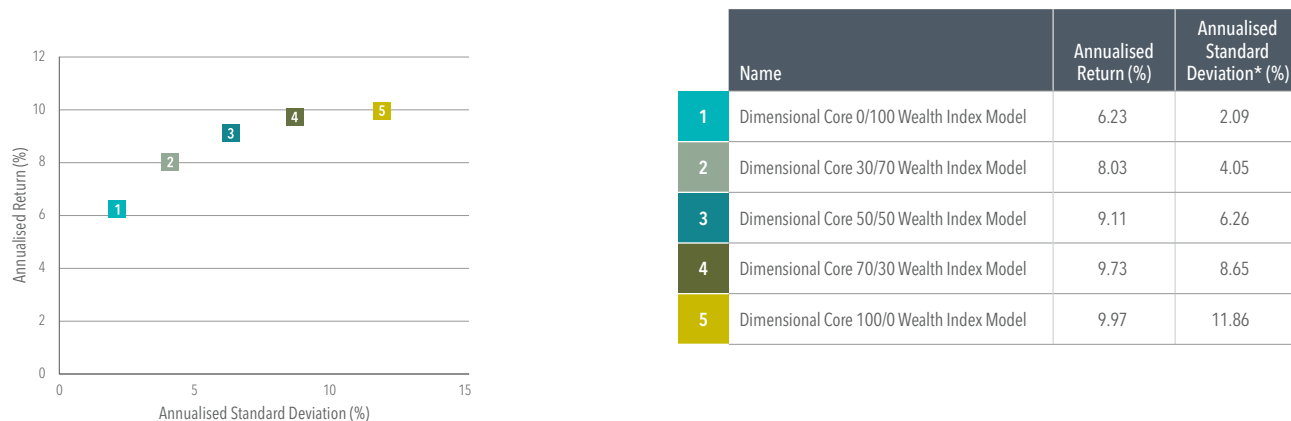
The relative historical performance of the Dimensional Core Wealth Index Models—which range from 100% fixed

income to 100% equity—helps to illustrate how the split between equities and fixed income can be used to find the right balance for an investor. **Exhibit 1** shows the annualised return and standard deviation of the index models over the period January 1990 to December 2021.

Not surprisingly, both realised return and volatility increase as the equity allocation increases across the models. At 30% equity and 70% fixed income, the Dimensional Core 30/70 Wealth Index Model had an annualised return of 8.03% over this period, with an annualised standard deviation of 4.05%. In comparison, the Dimensional Core 70/30 Wealth Index Model, composed of 70% equities and 30% fixed income, had an annualised return of 9.73%, with an annualised standard deviation of 8.65%.

Put differently, a hypothetical \$1 invested in the 30/70 model in 1990 would have grown to \$11.85 by the end of 2021, whereas it would have grown to \$19.50 had it been invested in the 70/30 model.

EXHIBIT 1: Annualised Return and Standard Deviation, January 1990–December 2021



Past performance, including hypothetical performance, does not predict future returns.

*Annualised number is presented as an approximation by multiplying the monthly number by the square root of the number of periods in a year. Please note that the number computed from annual data may differ materially from this estimate. In AUD. Source: Dimensional. Indices are not available for direct investment. All performance results of the hypothetical index models are based on performance of indices with model/backtested asset allocations. The performance was achieved with the benefit of hindsight and does not represent actual investment strategies. The model's performance does not reflect advisory fees or other expenses associated with the management of an actual portfolio. There are limitations inherent in model allocations. In particular, model performance may not reflect the impact that economic and market factors may have had on the advisor's decision-making if the advisor were actually managing client money. See appendix for descriptions of the Dimensional Index Models.

1. For additional information on the Dimensional Core Index Models, see Dimensional's *Matrix Book 2021*. See appendix for additional methodology information.

Panel A of Exhibit 2 shows calendar-year returns for the five models over the period January 1990 to December 2021. While the models with larger allocations to equities delivered better performance in many years with strong stock market returns, they also underperformed more when equity returns were negative, leading to more year-over-year volatility in model performance. For instance, in 2008, a disappointing year for equity markets, the return to the all-equity Dimensional Core 100/0 Wealth Index Model was -35.32%.

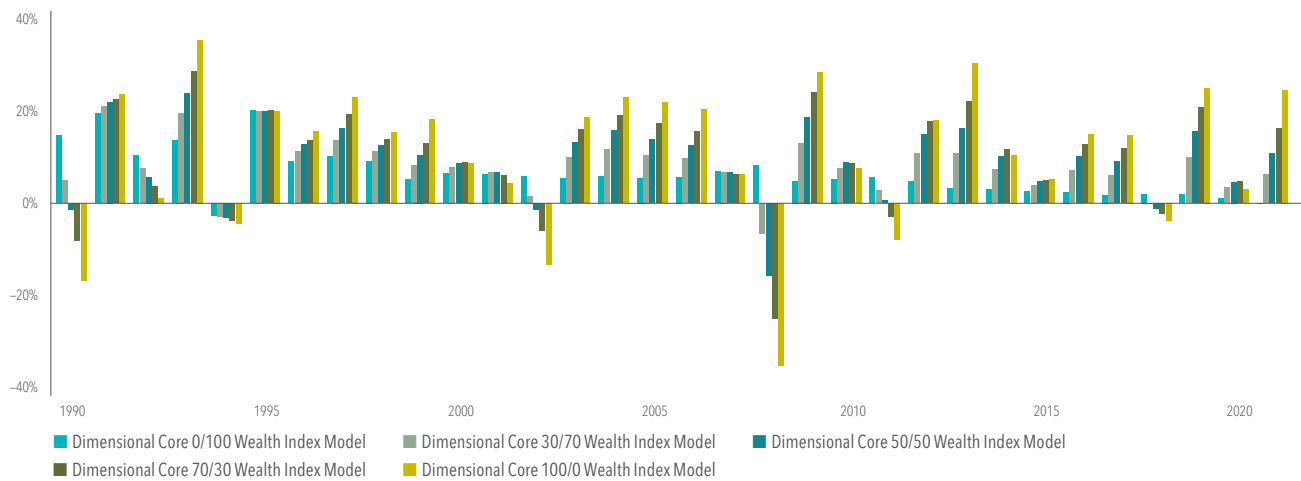
Performance then swung strongly positive in 2009 with a return of 28.40%. By comparison, the all-fixed-income

Dimensional Core 0/100 Wealth Index Model returned approximately 8.17% in 2008 and 4.84% in 2009.

We see a similar pattern in Panel B of Exhibit 2, which presents the average, best, and worst annualised rolling one-year, three-year, and five-year returns to each model. Across all time horizons, as the model weight in equity increases, the average and best performance increase. For example, the average annualised rolling five-year return to the 100% equity model was 10.31%, exceeding the average of 9.92% for the 70/30 model, which in turn exceeded the 6.09% for the all-fixed-income model.

EXHIBIT 2: Calendar-Year Returns and Best and Worst Returns, January 1990–December 2021

PANEL A: Calendar-Year Returns



Past performance, including hypothetical performance, does not predict future returns.

PANEL B: Average, Best, and Worst Annualised Rolling Returns

	1 Year			3 Years			5 Years		
	Average Return	Best Return (Start Date)	Worst Return (Start Date)	Average Return	Best Return (Start Date)	Worst Return (Start Date)	Average Return	Best Return (Start Date)	Worst Return (Start Date)
Dimensional Core 0/100 Wealth Index Model	6.37%	21.09% Oct-90	-2.64% Nov-93	6.16%	16.49% May-90	0.94% Jan-19	6.09%	12.29% Jun-90	1.31% Jan-17
Dimensional Core 30/70 Wealth Index Model	8.29%	22.04% Nov-92	-8.07% Mar-08	8.09%	17.30% Oct-90	1.24% Mar-06	8.02%	12.89% Oct-90	3.09% Apr-15
Dimensional Core 50/50 Wealth Index Model	9.57%	27.41% Nov-92	-17.51% Mar-08	9.30%	18.01% Oct-90	-2.61% Mar-06	9.21%	14.33% Jan-95	2.89% Jun-07
Dimensional Core 70/30 Wealth Index Model	10.49%	35.67% Apr-09	-26.65% Mar-08	10.06%	21.38% Apr-03	-6.79% Mar-06	9.92%	16.12% Mar-09	0.33% Jun-07
Dimensional Core 100/0 Wealth Index Model	11.27%	43.31% Apr-09	-36.36% Dec-07	10.52%	27.60% Apr-03	-11.46% Mar-06	10.31%	19.32% Oct-02	-3.69% Jun-07

Past performance, including hypothetical performance, does not predict future returns.

In AUD. Source: Dimensional. Indices are not available for direct investment. All performance results of the hypothetical index models are based on performance of indices with model/backtested asset allocations. The performance was achieved with the benefit of hindsight and does not represent actual investment strategies. The models' performance does not reflect advisory fees or other expenses associated with the management of an actual portfolio. There are limitations inherent in model allocations. In particular, model performance may not reflect the impact that economic and market factors may have had on the advisor's decision-making if the advisor were actually managing client money. See appendix for descriptions of the Dimensional Index Models.

On the flip side, increasing the equity allocation leads to a worsening downside. For instance, the worst annualised rolling five-year return for the all-fixed-income model was 1.31%, whereas the worst for the 70/30 model was 0.33%, and for the all-equity model it was -3.69%.

Another related aspect of risk to consider is potential drawdown and length of time it may take to recover lost assets. Over the period 1990 to 2021, the largest drawdown, defined as return from previous peak, for each of the five models occurred during the global financial crisis of 2008–2009.

Exhibit 3 shows the maximum drawdown, duration of peak-to-trough drop, and length of time to recover assets for each of the models during the crisis. As the equity allocation increases across the models, the drawdown was larger and time to recovery lengthened. An investor in the Dimensional Core 100/0 Wealth Index Model would have seen a loss of around 45% of the value of their investment over the 16-month period ending February 2009, and it would have taken 48 months to get back to the previous peak. In contrast, an investor in the Dimensional Core 30/70 Wealth Index Model would have experienced a loss of around 10% during the market downturn, and it would have taken only six months to recover her assets.

Making sure that the asset allocation is consistent with investors' risk tolerance can help them to stick to their investment plan during challenging times.

These results suggest that an all-equity or equity-heavy model portfolio may be appropriate for investors with a focus on growth of wealth and a high risk tolerance. For investors whose investment goal is primarily the preservation of capital or who have low risk tolerance, a model invested predominantly in fixed income securities may be the appropriate allocation. For investors with a moderate risk tolerance or who seek total returns consisting of both capital appreciation and current income, a blended asset allocation, such as 50% equity and 50% fixed income, may be fitting.

INFLATION AND STANDARD OF LIVING RISK

When making asset allocation decisions, investors also face inflation risk and standard of living risk. Positive nominal returns over a given period can still result in a reduction in purchasing power if those returns do not outpace inflation.

Even realised returns that beat inflation can feel like a loss if they do not keep up with the change in societal standard of living, which has been positive annually on average since the 1960s in Australia, as measured by personal consumption expenditure per capita. Standard of living change reflects changes in consumer preferences for the quantity, quality, and diversity of goods and services consumed over time.

Exhibit 4 shows nominal returns, inflation-adjusted returns, and returns adjusted for both inflation and changes in the standard of living in Australia for the Dimensional Core Wealth Index Models over the 20-year period from 2002 through 2021. Inflation is proxied by the Australian Consumer Price Index and standard of living adjustments are computed using the annual change in personal consumption expenditure per capita, excluding expenditure on durable goods.

Both inflation and standard of living adjustments meaningfully chip away at an investor's return.

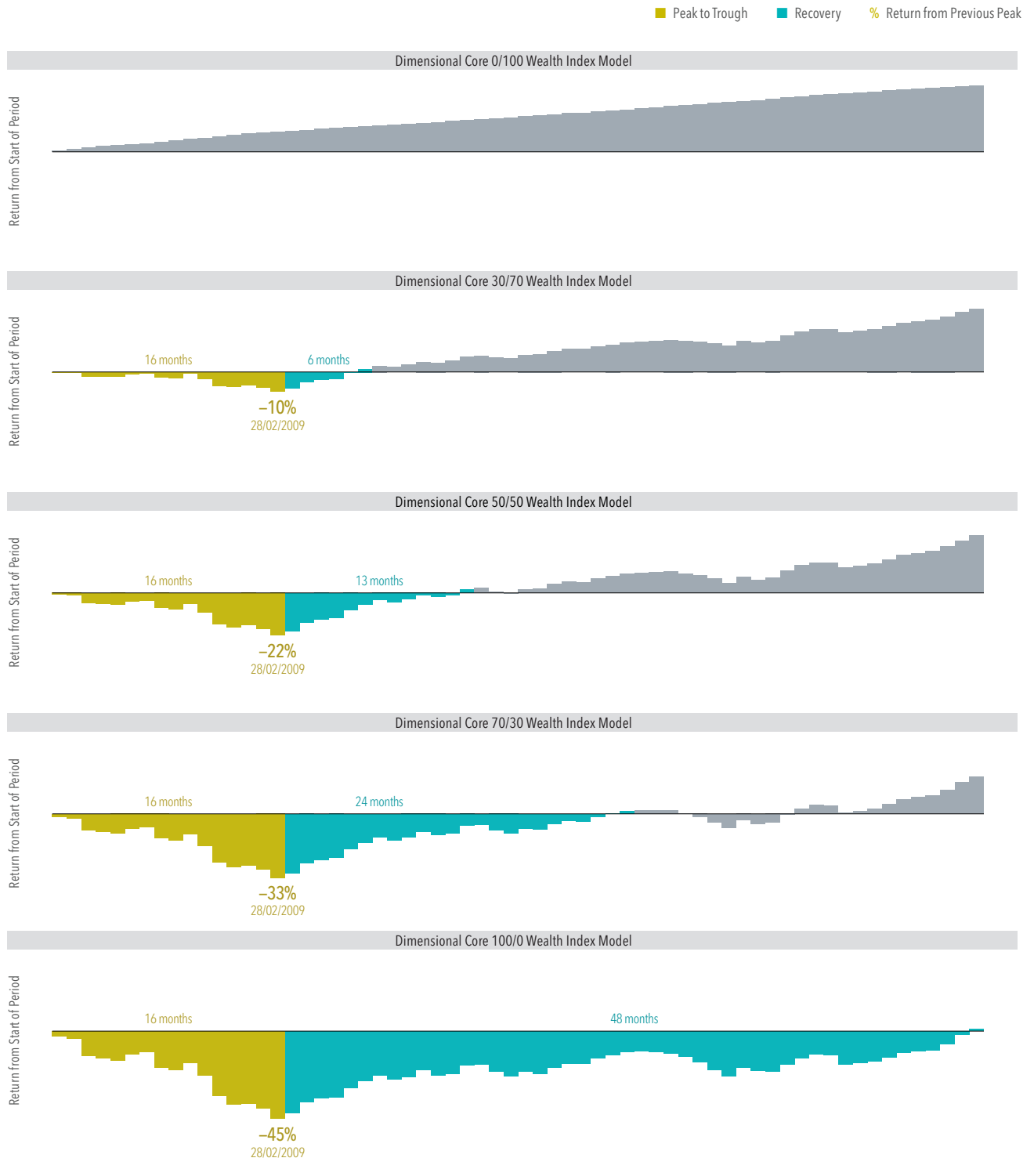
The reduction in purchasing power due to inflation is greater for equity-heavy models and lower for fixed-income-heavy models. Over the past 20 years, the average annual return of the all-fixed-income model falls from 4.06% to 1.61% after adjusting for inflation, a reduction of 2.45 percentage points. By comparison, the all-equity model falls by 2.57 percentage points, from 10.60% to 8.03% when adjusted for inflation over the same period.

The impact of the standard of living adjustment is similar. For the all-fixed-income model, the average annual nominal return falls from 4.06% to an inflation- and standard of living-adjusted 0.67%. In contrast, the average annual nominal return of the all-equity model falls from 10.60% to an adjusted return of 7.01%.

As shown in Dai and Medhat (2021), equities have outpaced inflation over the long term.² This study further contributes to the literature by showing that equities have also outpaced the growth in standard of living over time. The all-fixed-income allocation, however, would only have helped investors to just keep up with the Joneses. It is important for investors to evaluate asset allocation decisions with inflation and standard of living risk in mind and to set expectations for long-term financial goals.

2. For more on this, see: Wei Dai and Mamdouh Medhat, "US Inflation and Global Asset Returns" (white paper, SSRN, July 13, 2021).

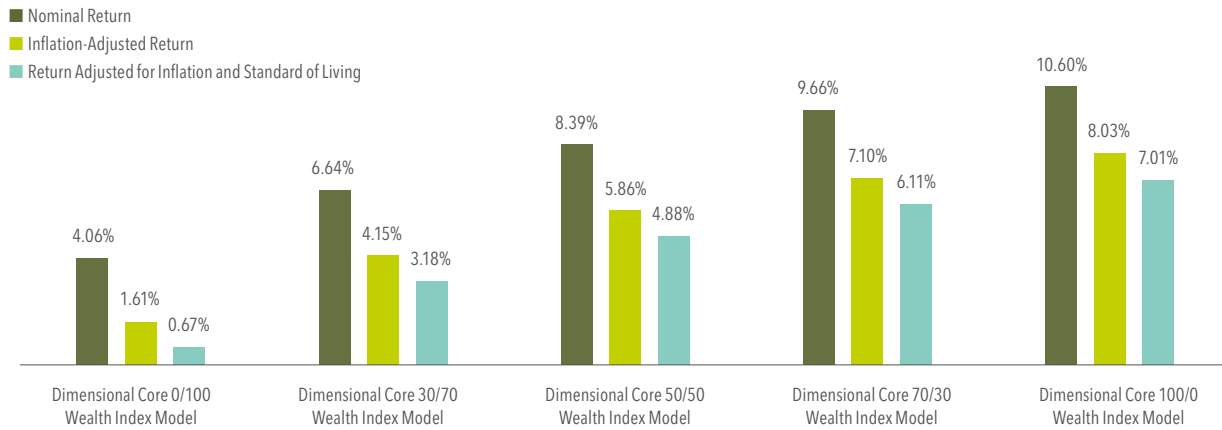
EXHIBIT 3: Maximum Drawdown and Recovery During the Global Financial Crisis, November 2007–February 2013



Past performance, including hypothetical performance, does not predict future returns.

In AUD. Source: Dimensional. Indices are not available for direct investment. Performance for each Dimensional Wealth Index Model shown over the peak-to-trough period and subsequent recovery of the Dimensional Core 100/0 Wealth Index Model, November 2007 to February 2013. All performance results of the hypothetical index models are based on performance of indices with model/backtested asset allocations. The performance was achieved with the benefit of hindsight and does not represent actual investment strategies. The models' performance does not reflect advisory fees or other expenses associated with the management of an actual portfolio. There are limitations inherent in model allocations. In particular, model performance may not reflect the impact that economic and market factors may have had on the advisor's decision-making if the advisor were actually managing client money. See appendix for descriptions of the Dimensional Index Models. Indices are not available for direct investment.

EXHIBIT 4: Average Annual Returns Adjusted for Australian Inflation and Standard of Living, 2002–2021



Past performance, including hypothetical performance, does not predict future returns.

In AUD. Source: Dimensional, Australian Bureau of Statistics, Organisation for Economic Co-operation and Development, and World Bank. Inflation proxied by the Australian Consumer Price Index. Change in Australian standard of living computed using the annual change in personal consumption expenditure per capita, excluding durable goods consumption. All performance results of the hypothetical models are based on performance of indices with model/backtested asset allocations. The performance was achieved with the benefit of hindsight and does not represent actual investment strategies. The models' performance does not reflect advisory fees or other expenses associated with the management of an actual portfolio. There are limitations inherent in model allocations. In particular, model performance may not reflect the impact that economic and market factors may have had on the advisor's decision-making if the advisor were actually managing client money. See appendix for descriptions of the Dimensional Index Models. All rights reserved. Indices are not available for direct investment.

PUTTING IT ALL TOGETHER






Picking a model portfolio with the appropriate equity/fixed income split and degree of emphasis on securities with higher expected returns may help investors stay the course during periods of high market volatility and better position them to achieve their long-term investment goals.

This study helps quantify the risk-return tradeoffs across different wealth models, examining multiple types of risk: volatility of returns, inflation risk, and standard of living risk. A better understanding of the risk-return tradeoffs of different model portfolios can empower a financial advisor to better align clients' portfolios with their risk tolerance and long-term investment goals and, as a result, provide a better investment experience.

APPENDIX

Wealth Index Model Allocations as of December 31, 2021

Dimensional Core Wealth Index Models

					
EQUITY	0%	30%	50%	70%	100%
Dimensional Australia Core Equity Index	0.0%	10.8%	18.0%	25.2%	36.0%
Dimensional Australia Global Core Equity Index	0.0%	8.4%	14.0%	19.6%	28.0%
Dimensional Australia Global Core Equity Trust Index (hedged to AUD)	0.0%	8.4%	14.0%	19.6%	28.0%
Dimensional Emerging Markets Index	0.0%	2.4%	4.0%	5.6%	8.0%
FIXED INTEREST	100%	70%	50%	30%	0%
Dimensional Two-Year Diversified Fixed Interest Index (hedged to AUD)	80.0%	40.0%	5.0%	0.0%	0.0%
Dimensional Global Short-Term Government Variable Maturity Index (hedged to AUD)	20.0%	15.0%	20.0%	0.0%	0.0%
Dimensional Global Adjusted Investment Grade Index (hedged to AUD)	0.0%	15.0%	25.0%	30.0%	0.0%

See "Index Descriptions" for descriptions of Dimensional index data. Indices are not available for direct investment.

GROWTH OF WEALTH METHODOLOGY

Past performance, including hypothetical performance, is no guarantee of future results. In AUD. Growth of wealth shows the growth of a hypothetical investment of \$1 in the securities in each of the Dimensional indices. Performance includes reinvestment of dividends and capital gains. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment.

Index Descriptions

DIMENSIONAL CORE 0/100 WEALTH INDEX MODEL: Dimensional Wealth Index Model data compiled by Dimensional. The Dimensional Core 0/100 Wealth Index Model combines the following indices: Dimensional Two-Year Diversified Fixed Interest Index (hedged to AUD) (80%), Dimensional Global Short-Term Government Variable Maturity Index (hedged to AUD) (20%). The Dimensional Core 0/100 Index Model (Australia) has been retrospectively calculated by Dimensional and did not exist prior to September 2020.

DIMENSIONAL CORE 30/70 WEALTH INDEX MODEL: Dimensional Wealth Index Model data compiled by Dimensional. 30% of the weight is allocated to the Dimensional Core 100/0 Wealth Index Model, 15% of the weight is allocated to the Dimensional Global Adjusted Investment Grade Index (hedged to AUD), 15% of the weight is allocated to Dimensional Global Short-Term Government Variable Maturity Index (hedged to AUD), and 40% of the weight is allocated to Dimensional Two-Year Diversified Fixed Income Index (hedged to AUD). The Index Model returns are calculated monthly as a weighted average of the returns of the underlying indexes. The Dimensional Core 30/70 Index Model (Australia) has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to September 2020.

DIMENSIONAL CORE 50/50 WEALTH INDEX MODEL: Dimensional Wealth Index Model data compiled by Dimensional. 50% of the weight is allocated to the Dimensional Core 100/0 Index Model (Australia), 25% of the weight is allocated to the Dimensional Global Adjusted Investment Grade Index (hedged to AUD), 20% of the weight is allocated to Dimensional Global Short-Term Government Variable Maturity Index (hedged to AUD), and 5% of the weight is allocated to Dimensional Two-Year Diversified Fixed Income Index (hedged to AUD). The Index Model returns are calculated monthly as a weighted average of the returns of the underlying indexes. The Dimensional Core 50/50 Index Model (Australia) has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to September 2020.

DIMENSIONAL CORE 70/30 WEALTH INDEX MODEL: Dimensional Wealth Index Model data compiled by Dimensional. 70% of the weight is allocated to the Dimensional Core 100/0 Index Model (Australia), and 30% of the weight is allocated to the Dimensional Global Adjusted Investment Grade Index (hedged to AUD). The Index Model returns are calculated monthly as a weighted average of the returns of the

underlying indexes. The Dimensional Core 70/30 Index Model (Australia) has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to September 2020.

DIMENSIONAL CORE 100/0 WEALTH INDEX MODEL: Dimensional Wealth Index Model data compiled by Dimensional. The Dimensional Core 100/0 Wealth Index Model combines the following indices: Dimensional Australia Core Equity Index, Dimensional Australia Global Core Equity Index (AUD), Dimensional Australia Global Core Equity Index (hedged to AUD), Dimensional Emerging Markets Value Index (AUD), and S&P Global REIT Index (gross div.). The weight of Australian equities is 36%. Within the remaining allocation, equity REITs are overweight relative to their market capitalisation weight. The weights of developed ex Australia equities, emerging markets equities, and global REITs are all rounded to the nearest 1%. Regional weights are determined at each quarter-end and held constant for the next three months. Within the developed ex Australia allocation, the weight each month is split equally between the Dimensional Australia Global Core Equity Index (AUD) and the Dimensional Australia Global Core Equity Index (hedged to AUD). The Index Model returns are calculated monthly as a weighted average of the returns of the underlying indexes. The Dimensional Core 100/0 Index Model (Australia) has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to September 2020.

DIMENSIONAL AUSTRALIA CORE EQUITY INDEX: Targets all of the securities in the eligible markets with an emphasis on companies with smaller capitalisation and lower relative price. The index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of each quarter of the year. Maximum index weight of any one company is capped at 10%. The country currently included is Australia. Exclusions: REITs and investment companies. Source: Bloomberg, ARC, CRIF. January 1990–Present: Dimensional Australia Core Equity Index: Targets all the securities in the eligible markets with an emphasis on companies with smaller capitalisation, lower relative price, and higher profitability, excluding those with the lowest profitability and highest relative price within their country's small cap universe. The index also excludes those companies with the highest asset growth within their country's small cap

universe. Profitability is defined as operating income before depreciation and amortisation minus interest expense divided by book equity. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. The index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of each quarter of the year. Maximum index weight of any one company is capped at 10%. The country currently included is Australia. Exclusions: REITs and investment companies. Source: Bloomberg, ARC, CRIF.

The Dimensional Australian Core Equity Index has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to April 2008. Accordingly, the results shown during the periods prior to April 2008 do not represent actual returns of the Index. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. The index is unmanaged and is not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Past performance is no guarantee of future results. The calculation methodology for the Dimensional Australian Core Equity Index was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index. The calculation methodology for the Dimensional Australia Core Equity Index was amended in November 2019 to include asset growth as a factor in selecting securities for inclusion in the index. Dimensional index data compiled by Dimensional.

DIMENSIONAL AUSTRALIA GLOBAL CORE EQUITY INDEX: Targets all the securities in the eligible markets with an emphasis on companies with smaller capitalisation, lower relative price, and higher profitability, excluding those with the lowest profitability and highest relative price within their country's small cap universe. The index also excludes those companies with the highest asset growth within their country's small cap universe. Profitability is defined as operating income before depreciation and amortisation minus interest expense divided by book equity. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. The index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of each quarter of the year. Maximum index weight of any one company is capped at 5%. Countries currently included are Austria, Belgium,

Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom, and United States. Exclusion: investment companies. Source: Bloomberg.

The Dimensional Australia Global Core Equity Index has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to April 2008. Accordingly, the results shown during the periods prior to April 2008 do not represent actual returns of the Index. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. The index is unmanaged and is not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Past performance is no guarantee of future results. The calculation methodology for the Dimensional Australia Global Core Equity Index was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index. The calculation methodology for the Dimensional Australia Global Core Equity Index was amended in November 2019 to include asset growth as a factor in selecting securities for inclusion in the index. Dimensional index data compiled by Dimensional.

DIMENSIONAL AUSTRALIA GLOBAL CORE EQUITY INDEX

(HEDGED TO AUD): Targets all the securities in the eligible markets with an emphasis on companies with smaller capitalisation, lower relative price, and higher profitability, excluding those with the lowest profitability and highest relative price within their country's small cap universe. The index also excludes those companies with the highest asset growth within their country's small cap universe. Profitability is defined as operating income before depreciation and amortisation minus interest expense divided by book equity. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. The index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of each quarter of the year. Maximum index weight of any one company is capped at 5%. Countries currently included are Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom, and United States. Exclusion: investment companies. Source: Bloomberg.

The Dimensional Australia Global Core Equity Index has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to April 2008. Accordingly, the results shown during the periods prior to April 2008 do not represent actual returns of the Index. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. The index is unmanaged and is not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Past performance is no guarantee of future results. The calculation methodology for the Dimensional Australia Global Core Equity Index was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index. The calculation methodology for the Dimensional Australia Global Core Equity Index (hedged to AUD) was amended in November 2019 to include asset growth as a factor in selecting securities for inclusion in the index. Dimensional index data compiled by Dimensional.

DIMENSIONAL EMERGING MARKETS INDEX: Market cap-weighted index of all securities in the eligible markets. The index monthly returns are computed as the simple average of the monthly returns of four sub-indices, each one reconstituted once a year at the end of each quarter of the year. Maximum index weight of any one company is capped at 5%. Countries currently included are Brazil, Chile, China, Colombia, Czech Republic, Hungary, India, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, South Africa, South Korea, Taiwan, Thailand, and Turkey. Exclusions: REITs and investment companies. Source: Bloomberg. The Dimensional Emerging Markets Index (AUD) has been retrospectively calculated by Dimensional Fund Advisors and did not exist prior to April 2008. Accordingly, the results shown during the periods prior to April 2008 do not represent actual returns of the Index. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. The index is unmanaged and is not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Past performance is no guarantee of future results. Dimensional index data compiled by Dimensional.

DIMENSIONAL GLOBAL ADJUSTED INVESTMENT GRADE INDEX (HEDGED TO AUD): Compiled by Dimensional using data provided by Bloomberg/Barclays. Based on securities in the universe of Bloomberg/Barclays Global Aggregate Index, includes global investment grade government bonds and global investment grade corporate bonds. Eligible Currencies: AUD, CAD, CHF, EUR, GBP, JPY, USD. Within the universe, the index identifies the yield curves that offer highest expected returns, the duration ranges on those yield curves offering the highest expected returns, and assesses the increased expected returns associated with allocation to bonds with different credit qualities. It then overweights (with respect to their market cap weight) bonds of yield curves, duration ranges, and credit qualities that offer higher expected returns. It also employs credit quality, currency, and duration requirements relative to the eligible market. Currency exposure is hedged to Australian dollars. Rebalanced monthly. The Dimensional Global Adjusted Investment Grade Index (hedged to AUD) has been retrospectively calculated by Dimensional Fund Advisors LP and did not exist prior to September 2018. Accordingly, results shown during the periods prior to September 2018 do not represent actual returns of the Index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. Dimensional index data compiled by Dimensional.

DIMENSIONAL GLOBAL SHORT-TERM GOVERNMENT VARIABLE MATURITY INDEX (HEDGED TO AUD): Compiled by Dimensional using FTSE data. Includes securities in the FTSE World Government Bond 1-3 Years and 3-5 Years indices. Countries: Austria, Australia, Belgium, Canada, France, Germany, Japan, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom, and the US as data becomes available. Countries with the steepest yield curves are overweight with respect to their market cap weight. For countries included, duration corresponds to the steepest segment of that country's yield curve. Currency exposure is hedged to Australian dollars. Rebalanced monthly. Dimensional index data compiled by Dimensional.

DIMENSIONAL TWO-YEAR DIVERSIFIED FIXED INCOME INDEX

(HEDGED TO AUD): Compiled by Dimensional using data provided by Bloomberg/Barclays. Based on securities in the universe of Bloomberg AusBond Bank Bill Index and Bloomberg/Barclays Global Aggregate 1-2 Years Index and includes government and corporate AAA-BBB bonds. Within the eligible universe, we apply 50% weight to Bloomberg AusBond Bank Bill Index and 50% weight to Bloomberg/Barclays Global Aggregate 1-2 Years Index to construct the index. Currency exposure is hedged to Australian dollars. Rebalanced monthly. Dimensional index data compiled by Dimensional. Dimensional Two-Year Diversified Fixed Income Index (hedged to AUD) has been retrospectively calculated by Dimensional Fund Advisors LP and did not exist prior to January 2020. Accordingly, results shown during the periods prior to January 2020 do not represent actual returns of the index. Other periods selected may have different results, including losses. Dimensional index data compiled by Dimensional.

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