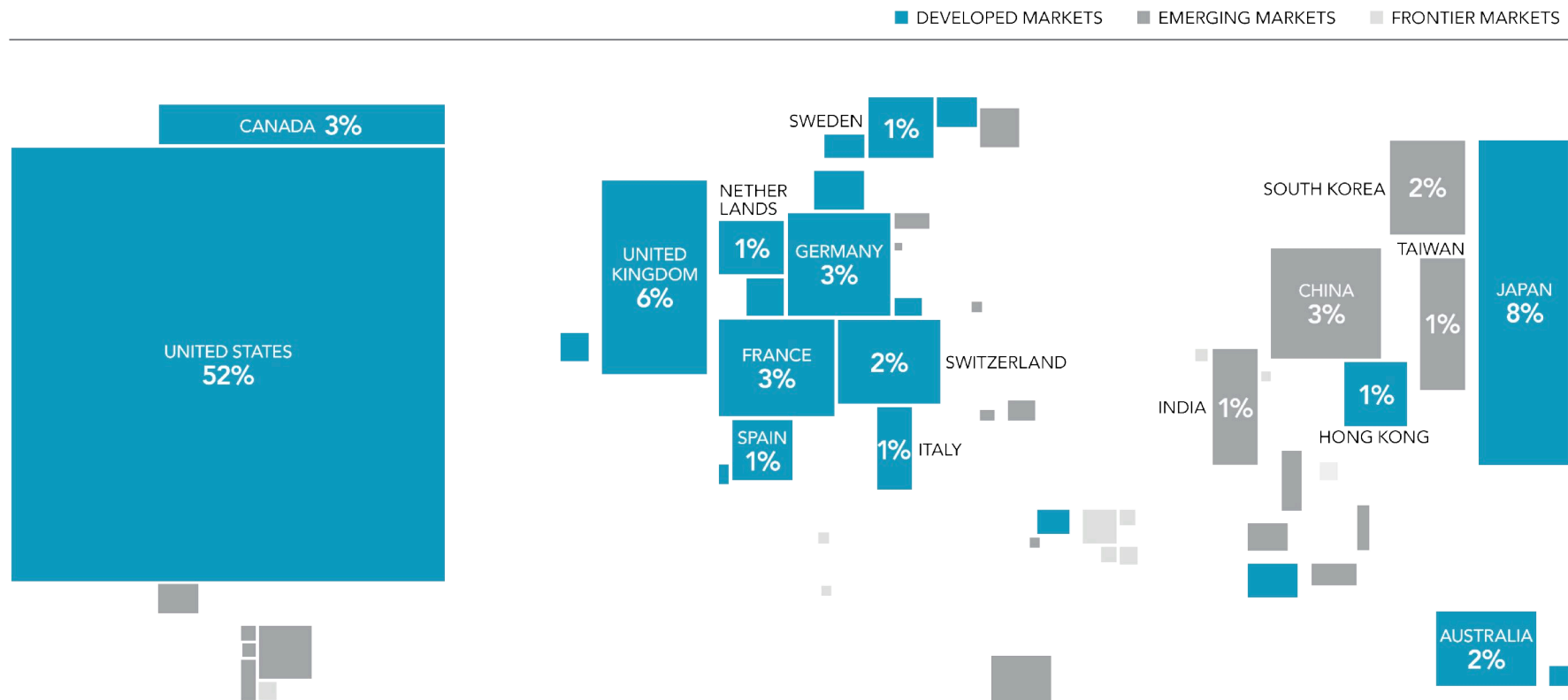


## Diversification

- I. Diversification Helps You Capture What Global Markets Offer
- II. Diversification Reduces Risks That Have No Expected Return
- III. Diversification May Prevent You from Missing Opportunity
- IV. Diversification Smooths Out Some of the Bumps
- V. Diversification Helps Take the Guesswork out of Investing

# There's a World of Opportunity in Equities

Percent of world market capitalization as of December 31, 2017

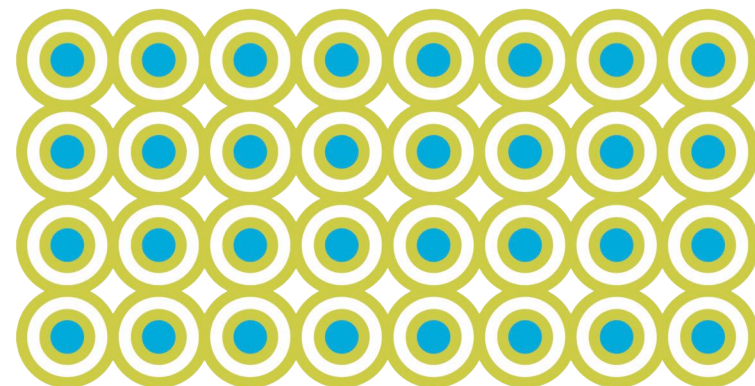
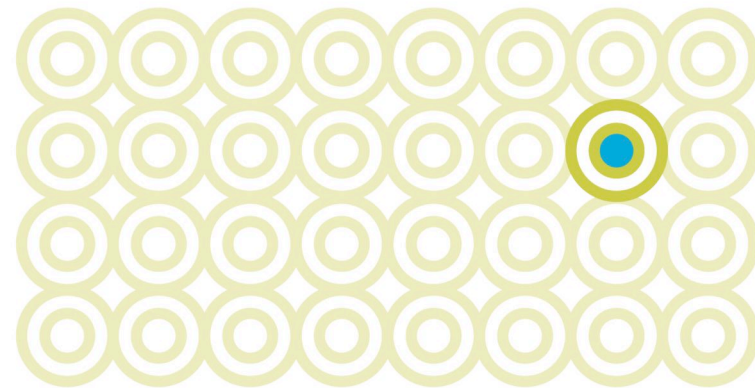


Bloomberg Barclays data provided by Bloomberg. Market cap data is free-float adjusted and meets minimum liquidity and listing requirements. Many nations not displayed. Totals may not equal 100% due to rounding. For educational purposes; should not be used as investment advice. China market capitalization excludes A-shares, which are generally only available to mainland China investors.

## Diversification Reduces Risks That Have No Expected Return

Concentrating in one stock exposes you to unnecessary risks.

Diversification reduces the impact of any one company's performance on your wealth.

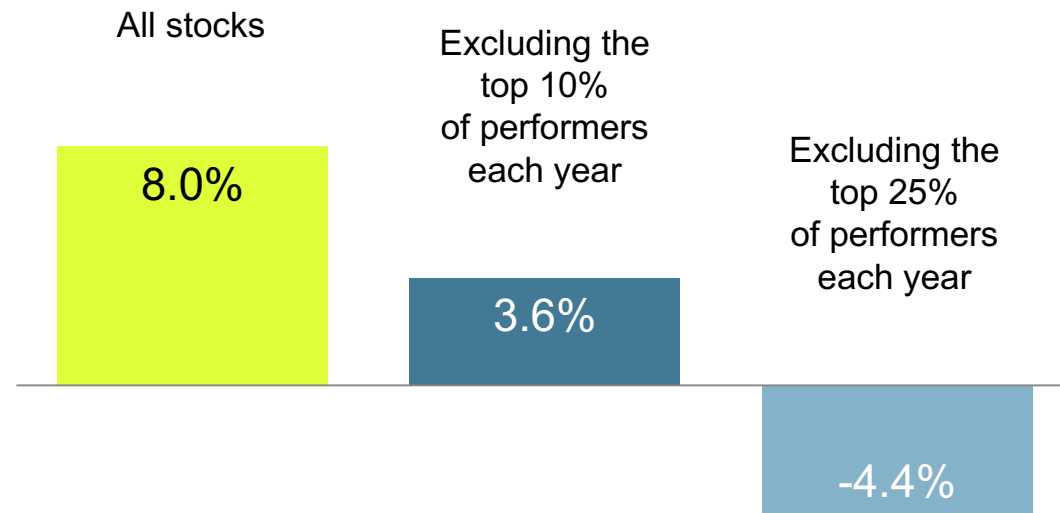


# Diversification May Prevent You from Missing Opportunity

Compound average annual returns: 1994-2017

Attempting to identify that group of future winners is a guessing game.

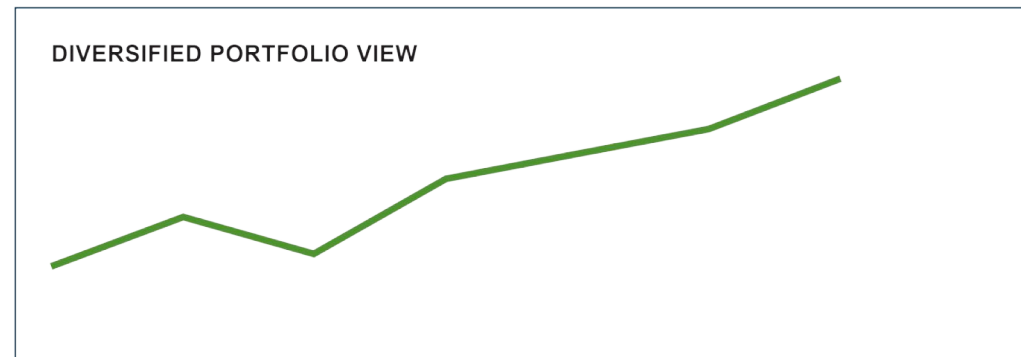
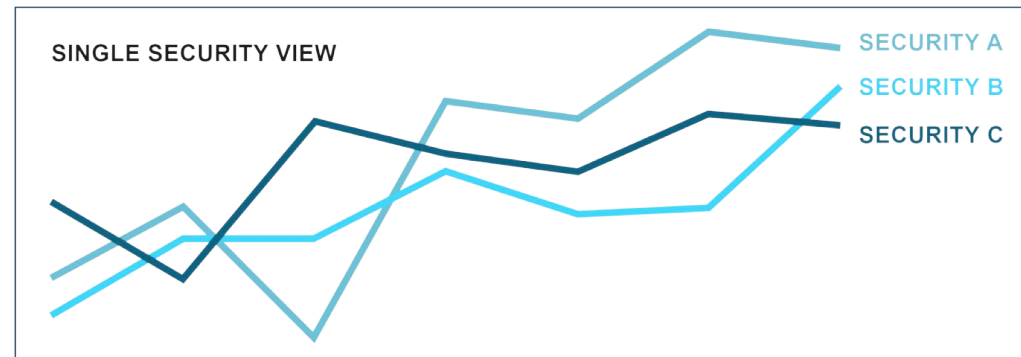
Diversification improves the odds of holding the best performers.



The "All stocks" portfolio consists of all eligible stocks in all eligible Developed and Emerging Markets. The portfolio for January to December of year t includes stocks whose free float market capitalization as of December t-1 is greater than \$10m in developed markets and \$50m in emerging markets and with non-missing price returns for December of year t-1. Annual portfolio returns are value-weighted averages of the annual returns on the included securities. The portfolios "Excluding the top 10%" and "Excluding the top 25%" are constructed similarly. Individual security data are obtained from Bloomberg, London Share Price Database, and Centre for Research in Finance. The eligible countries are: Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Republic of Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Peru, Philippines, Poland, Portugal, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, and the United States. Diversification does not eliminate the risk of market loss. Past performance is no guarantee of future results.

# Diversification Smooths Out Some of the Bumps

A well-diversified portfolio can provide the opportunity for a more stable outcome than a single security.











# Diversification Helps Take the Guesswork out of Investing

Annual returns (%): 2003–2017

You never know which markets will outperform from year to year.

By holding a globally diversified portfolio, investors are positioned to capture returns wherever they occur.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Higher Return	61.6	34.2	34.5	36.0	39.8	8.8	79.0	28.1	9.4	18.7	38.8	32.0	5.3	21.3	37.8
	56.3	33.2	25.2	32.6	8.2	6.6	49.2	26.9	3.4	18.6	32.4	13.7	4.5	12.0	32.0
	47.3	26.0	13.8	24.8	6.3	4.7	28.5	22.9	2.3	17.1	27.3	4.9	1.4	11.6	21.8
	36.2	18.3	4.9	18.4	5.9	-33.8	27.2	19.2	2.1	16.3	1.2	1.9	1.0	6.7	14.6
	28.7	10.9	4.6	15.8	5.5	-37.0	26.5	15.1	0.6	16.0	0.6	1.2	0.9	5.7	3.8
	2.0	2.7	3.1	4.3	5.3	-39.2	2.3	3.7	-4.2	2.1	0.3	0.2	0.2	1.5	1.1
	1.9	1.3	2.4	4.1	-1.6	-47.0	0.8	2.0	-13.6	0.9	-0.1	-1.8	-4.4	1.0	0.7
Lower Return	1.5	0.8	1.3	3.8	-17.6	-53.2	0.2	0.8	-18.2	0.2	-2.3	-5.9	-14.6	0.8	0.6

	S&P 500 Index
	Russell 2000 Index
	Dow Jones US Select REIT Index
	Dimensional International Small Cap index
	MSCI Emerging Markets Index (gross div.)
	ICE BofAML One-Year US Treasury Note Index
	Bloomberg Barclays US Treasury Bond Index 1-5 Years
	FTSE World Government Bond Index 1-5 Years (hedged to USD)

In US dollars. Source: S&P and Dow Jones data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Dimensional Index data compiled by Dimensional. MSCI data © 2018, all rights reserved. ICE BofAML index data copyright 2018 ICE Data Indices, LLC. Bloomberg Barclays data provided by Bloomberg. FTSE fixed income indices © 2018 FTSE Fixed Income LLC. All rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional's index data. Diversification does not eliminate the risk of market loss. Past performance is not a guarantee of future results. Indices are not available for direct investment. Their performance does not reflect expenses associated with the management of an actual portfolio.