

## DFA U.S. 9-10 SMALL COMPANY



Dimensional Fund Advisors (DFA) has been a pioneer in small stock research since the firm's start in 1981. Academic research has found that small companies worldwide form an asset class with higher expected returns than large companies. They also add diversification to a portfolio.

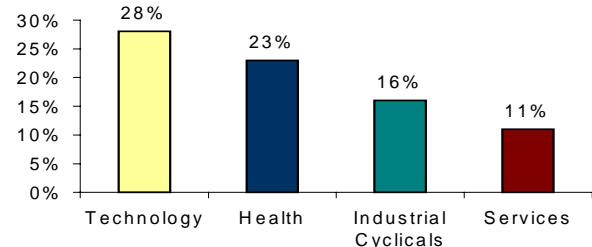
### U.S. Stock Market

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Small companies can be defined by market capitalization (price times shares outstanding). Size ranges are created by ranking the New York Stock Exchange by market capitalization and forming 10 groups (deciles) with each group containing an equal number of companies. AMEX and NASDAQ companies that fall into these size ranges are included. The small-cap (6-10) asset class is defined as anything below \$500 million. The micro-cap (9-10) asset class is anything below \$150 million. The size benefit identified in the research is most prominent in the 9<sup>th</sup> and 10<sup>th</sup> deciles. This fund targets those deciles-hence the use of "9-10" as part of the fund name. The median market cap of equities held by this fund is \$74 million; half of its equities are above \$74 million and half are below.

The fund contained 2,750 stocks on February 29, 2000. The ten largest stocks in the portfolio represent only 6.5% of the net assets of the fund. The significant sector weighting of the stocks are shown in the chart to the right. The expense ratio of the fund is .59%. Its turnover ratio is 26%. As the name implies, all investments are U.S. companies.

Sector Weightings as of 2-29-00



One of the significant benefits of DFA funds is their commitment to an asset class. They strictly adhere to a stated style. An asset class fund targets a class of equities with similar risk and reward characteristics. These funds are different than index funds that seek to replicate the performance of a particular index. For a long time, the DFA 9-10 fund has been the only fund that stayed true to this asset class. There really is no other choice in the market. Other funds that call themselves small cap cover deciles 6 through 10. These other small cap funds often chase market returns by weighting too much to the latest hot sector of the market. Thus the other funds commonly drift away from this asset class and miss out on the small-cap benefit.

DFA adds even more value by outperforming the benchmark of this asset class through the use of trading strategies.

Annualized compound returns for the fund are presented in this chart and contrasted to the Russell 2000 Index (a small fund index including 6-10 stocks) and to the S&P 500 Index.

