



SPECIAL REPORT

Factor-Based Investing

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Factor-based investing scientific evidence

The following charts and tables compare different factor-based investing strategies with an appropriate benchmark. The purpose of this report is to show specific categories and characteristics of stocks that can perform above basic market returns. The factors reviewed in this report are price, size, momentum, defensive, and profitability. Factor-based investing can be implemented with either mutual funds or exchanged traded funds.

For more details and explanation on how to implement factor-based investing strategies in your portfolio, listen to episode 14 of the Science of Economic Freedom.

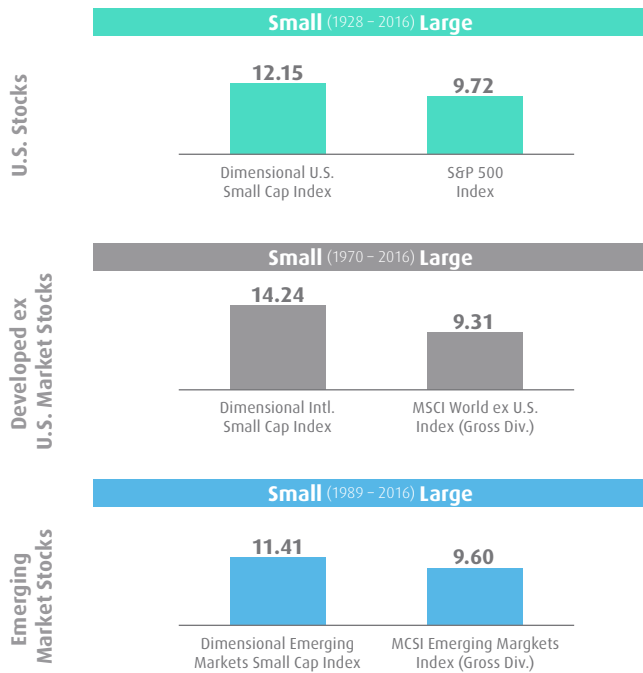
Factors reviewed in this report

1. Size
2. Relative Price
3. Momentum
4. Profitability
5. Defensive

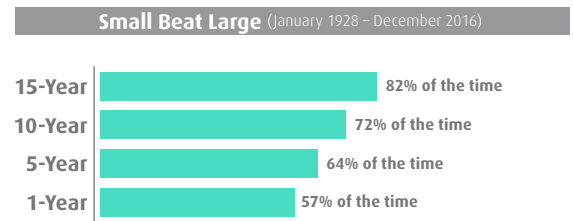
Science-based investing

Illustrative Index Performance (Annualized Compound Returns (%) in U.S. Dollars)

SIZE¹

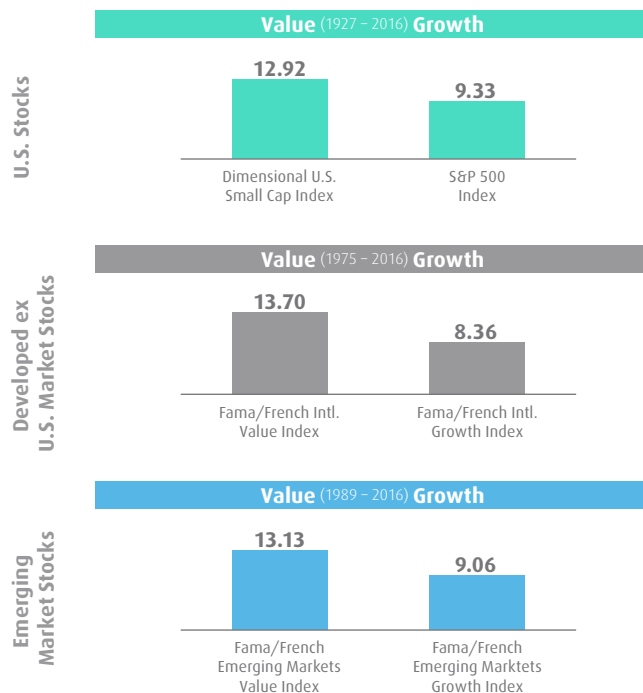


Risk Factor in U.S Market²

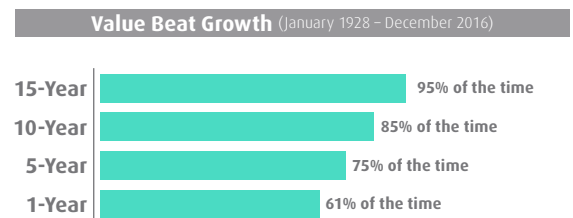


Small is Dimensional U.S. Small Cap Index. Large is S&P 500 Index. There are 896 overlapping 15-year periods, 956 overlapping 10-year periods, 1,016 overlapping 5-year periods, and 1,064 overlapping 1-year periods.

RELATIVE PRICE¹



Risk Factor in U.S Market²

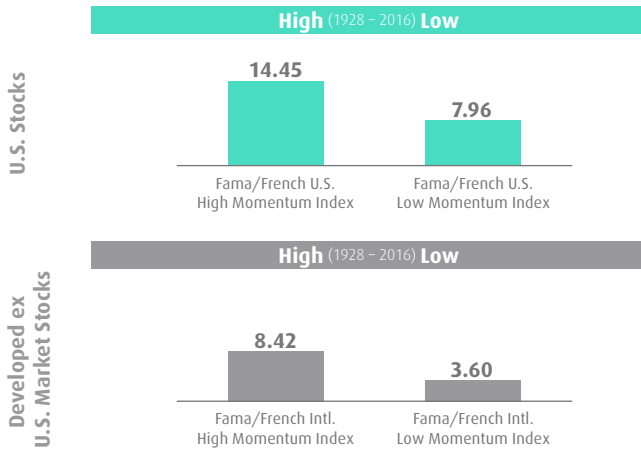


Value is Fama/French Total U.S. Value Index. Growth is Fama/French U.S. Growth Index. There are 907 overlapping 15-year periods, 967 overlapping 10-year periods, 1,027 overlapping 5-year periods, and 1,075 overlapping 1-year periods.

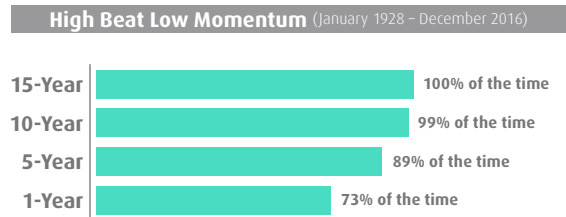
Science-based investing (Continued)

Illustrative Index Performance (Annualized Compound Returns (%) in U.S. Dollars)

MOMENTUM¹

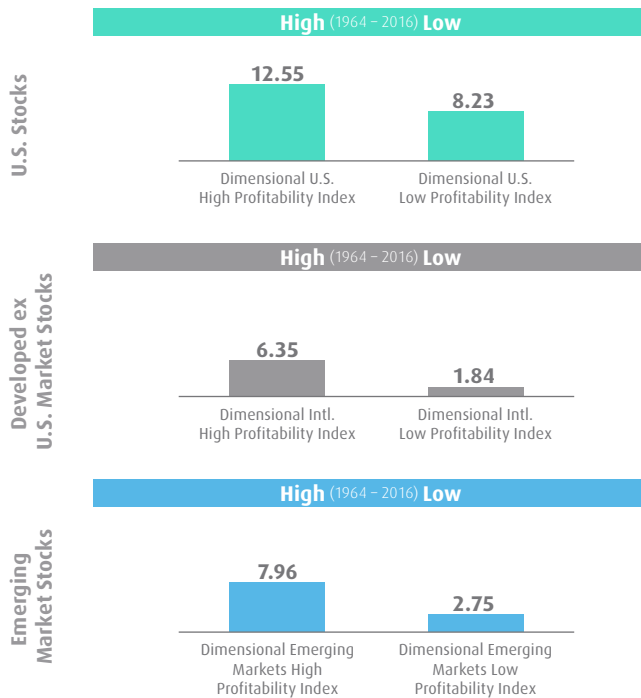


Risk Factor in U.S Market²

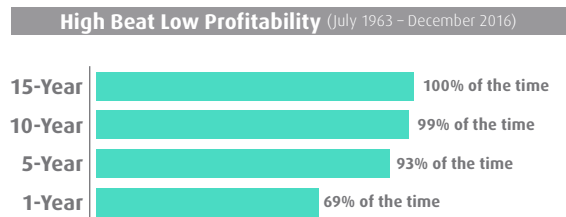


High Momentum is Fama/French U.S. High Momentum Index. Low Momentum is Fama/French U.S. Low Momentum Index. There are 907 overlapping 15-year periods, 967 overlapping 10-year periods, 1,027 overlapping 5-year periods, and 1,075 overlapping 1-year periods.

PROFITABILITY¹



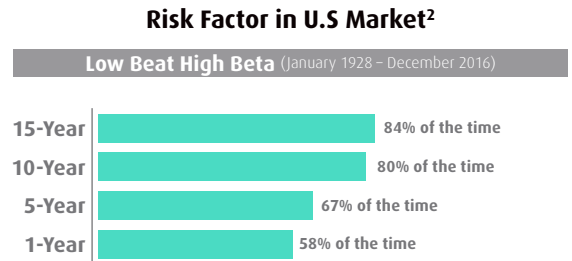
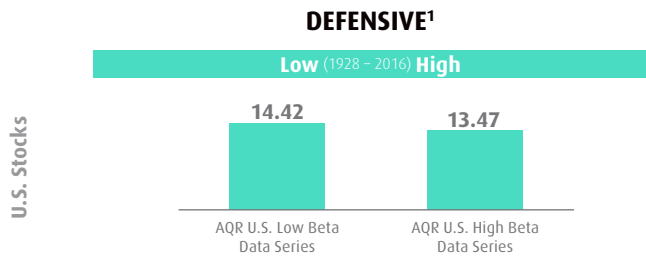
Risk Factor in U.S Market²



High is Dimensional U.S. High Profitability Index. Low is Dimensional U.S. Low Profitability Index. There are 463 overlapping 15-year periods, 523 overlapping 10-year periods, 583 overlapping 5-year periods, and 631 overlapping 1-year periods.

Science-based investing (Continued)

Illustrative Index Performance (Annualized Compound Returns (%) in U.S. Dollars)



Low Beta is AQR U.S. Low Beta Data Series. High Beta is AQR U.S. High Beta Data Series. There are 907 overlapping 15-year periods, 967 overlapping 10-year periods, 1,027 overlapping 5-year periods, and 1,075 overlapping 1-year periods.

¹ Source > Dimensional Fund Advisors, AQR Capital Management, S&P 500 Index, MSCI World ex US Index, MSCI Emerging Markets Index, Fama/French libraries.

² Source > Dimensional Fund Advisors using CRSP Indices from University of Chicago Center of Research in Security Prices.

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