TIMONIER

Wealth Beyond Financial™

From the Engine Room

4th Quarter 2015

Quarterly Market Review

Fourth Quarter 2015

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios and features a quarterly topic.

"The best way to predict the future…is to create it!"

Overview:

Patience: An Attribute of Wisdom

"You never change things by fighting the existing reality. To change something build a new model that makes the existing model obsolete."

Buckminster Fuller

This time of year is a period normally spent in reflection for what has been accomplished. To evaluate what is working in our lives and identify what is no longer serving us. It gives us time to be present with what's important…and then to dream of what may be. Those who embrace being the choice makers of their existence, breathe life into experiences yet explored, create a life from inspirations of the mind, and live openly to the possibilities of the unknown adventures that await around every corner. Life is an inside out job and creation from those following their intuition live each day abundantly no matter what the world around them is presenting. Those lessons of focusing on what you can control and being aware, but not worrying about what you can't control sometimes must be dusted off. For even a hurricane has a quiet center.

For most of us however, this has been a period that challenges those visions of good vibrations. In recapitulating our 2015 investment results, we find a world that had difficulty providing positive returns in any investment asset class. An analogy that *the world is flat* isn't far off from what was experienced at any of the counters for investing. In fact, it was one to three percent negative depending upon your investment allocations. Investment markets abhors uncertainty and there were plenty of world events that kept the traders guessing.

- Ω J.P. Morgan's Chief Global Strategist, Dr. David Kelly, summed up…The year 2015 was one of divergent themes; flat earnings for US stocks caused by an historic rise in the dollar and plunging oil prices; US Fed tightening while Europe Central Bank easing on interest rates; developed economies growing and emerging markets slowing. Amid all of these cross currents, markets floundered with plenty of volatility, but **little net movement** for U.S stocks, bonds or international assets.
- Ω A *Wall Street Journal* 2015 recap observed that European shares were among the year's top performers, "But the double-digit gains widely predicted for Europe failed to materialize (and were negative for US dollar based investors), as global problems caught up with its markets."
- Ω As for Asian markets, "The Shanghai Composite Index ended up 9.4% in a rollercoaster year in which the index plunged over 40% in late August." The volatile ride took a toll on many investors' nerves, and as we swing into 2016, it looks like we may be in for more.

To test our wealth principles and convictions even further, 2016 has begun on a down beat. It might help to note that Zen masters experience life just as any other citizen of the world. What is different from most of us, is in how they *respond* to their environment. Current conditions can, and often do obscure our view of the decades of solid evidence we've used to construct your personalized, globally diversified portfolio. Evidence, based on human cyclical patterns of behavior embedded in our DNA.

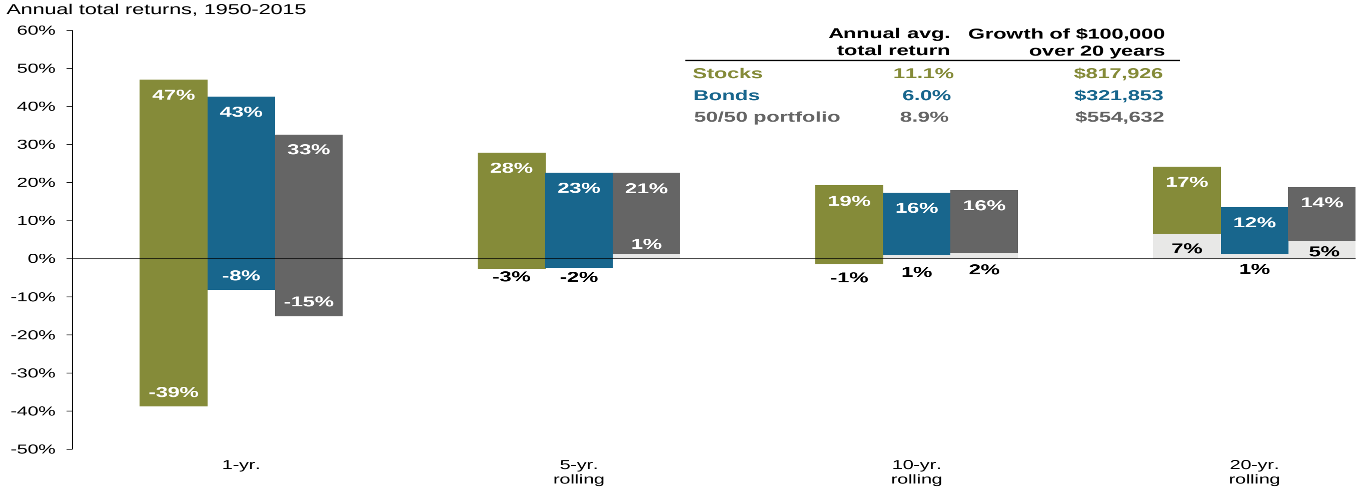
"Being honest may not get you many friends but it'll always get you the right ones."
John Lennon

In fact, overemphasizing near-term performance is so common that there's a name for it: "recency." In "Beware the Recency Pitfall," author and Director of Research at BAM Alliance, Larry Swedroe, describes how investors who succumb to recency in ever-noisy markets tend to fall straight into a "buy high, sell low" trap: "Chasing past performance can cause investors to buy asset classes after periods of strong recent performance, when valuations are relatively higher and expected returns are lower. It can also cause investors to sell or avoid asset classes after periods of weak recent performance, when valuations are relatively lower and expected returns are higher."

This is one reason we recommend investing according to decades, rather than months or even years of performance data. In a market that seems forever intent on playing hide-and-seek with us, we continue to believe that the best way to capture all of the expected market returns is to invest according to our own, evidence-based rules of engagement.

The chart below will illustrate **the benefits of time diversification and volatility**. You will observe that given longer time horizons the returns of stocks are more than worth the temporary periods of price volatility and emotional concerns. In the age of fast everything…from computing power to microwaves to fast access to information, the financial rewards from owning businesses via shares of publicly traded stocks, can be frustrating and sometimes scary. But consistently, over time they have proven worth the patience needed. And, as my 35 years in this field has taught me, patience is an attribute of wisdom.

Range of stock, bond and blended total returns
Annual total returns, 1950-2015



Investing principles

Source: Barclays Capital, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.
Returns shown are based on calendar year returns from 1950 to 2015. Stocks represent the S&P 500 and Bonds represent Strategas/Ibbotson for periods from 1950 to1980 and Barclays Aggregate after index inception in 1980. Growth of $100,000 is based on annual average total returns from 1950 to 2015.
Guide to the Markets – U.S. Data are as of December 31, 2015.

"Life is 10% of what happens to you and 90% of how you respond to it!"
Charles R. Swindoll

I hope this simple but powerful truth will temporarily quench your thirst for information. We have developed a wide ranging audience in which to write. They have varying degrees of appetite for detail and analytics. So, for some, I realize this letter may understate their desire to know more. And, I look forward to sharing with you the more than 100 charts of economic metrics and the dozens of economic forecasts that I've entertained over the past weeks. I can only summarize that I am hopeful for our futures.

It's all a journey from my perspective. Whether we banter about the IMF adding the Yuan to its currency basket for Special Drawing Rights, or discuss the solutions for the 11 million displaced Syrians, to the folly of choices for our next president we have to refocus our attention to our own daily lives to really make a difference in our world and the world around us. It will do little to worry about our Feds' first rate hike, because it is only when they make the last rate hike that their impact is really felt. You can try and out guess if U.S. large company stocks are going to outperform the recently languishing emerging markets or if gold is going to protect you from a chaotic world…but there is only certainty in the actions you take in your daily life of service, family, and stewardship of those surplus savings to reach your goals. The rest is a matter of cyclicality. You can angst over the Chinese manipulating their currency or stock market movements, but you would have that frustration pointing its finger right back at you with our own manipulations. And worrying about temporary market directions, as if we will somehow turn one of them into a permanent decline, is like worrying that the more than 1.75 billion people being added to the world population over the next 25 years, will somehow not have needs and wants…and desires to express their God given talents. Not only will commerce increase with their arrival, but there are a lot of problems that we have to clean up that have been already created living unconsciously…being disconnected from source and feeling that each of us are separate from one another. And, it will take the superhuman efforts of multi-dimensional beings blood, sweat, intellect, and spiritual energy to right this ship. Public and private enterprises, as well as that solo practitioner will provide these solutions and will be rewarded for their entrepreneurial efforts. We will not solve the problems from the same level of consciousness and legacies that created them. And this changing of the guard will be uncomfortable for many. You may even think, that achieving the certain return for the next 10 years of your U.S. treasury bond yielding 2.27% is better than the uncertainty of the returns gained by owning more than 10,000 businesses around the world providing the products and services you dream of having…but you will be betting against the odds of the house and jeopardizing the completion of a long life well lived..

I will also enjoy chatting about what is causing climate change…man or nature, but the fact is we need to be kind to the hand that feeds us and it is good practice to be green with our production and recyclable with our waste. This should not even be an argument…and certainly shouldn't be tolerated in the name of profits. If there is an issue we find ourselves complaining about, we should either put our money or efforts where our mouths are…or be silent. It only creates more negativity and THAT is a cheap commodity. If you don't believe me, just turn on the news…and this I know you've done.

"Ego says, 'Once everything falls into place, I'll feel peace."
Spirit says, 'Find your peace, and there everything will fall into place."
Marianne Williamson

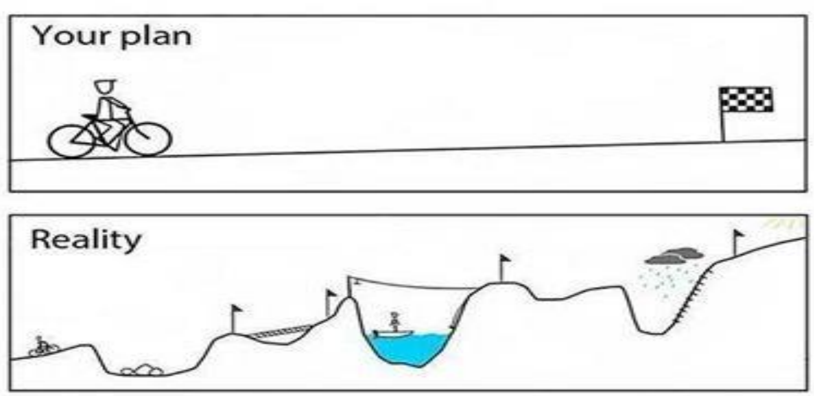
Go back to those New Year's resolutions…and find something to be passionate about. If you haven't already, bring or add excitement to your life. Do something you've never done or try something you previously not thought possible. And while you are at it…hand out a few blankets and sandwiches to a street person. Be kind to someone who doesn't seem to deserve it. Tip your service person in a way that makes a difference. Pay the toll for the car behind you. Make a contribution to your grandson's or granddaughter's…or niece's or nephew's college fund. Start a family foundation…it teaches benevolence, provides education about investing, and discernment of charitable choices. It's easy… and the benefits are immeasurable. You are giving 15% to our military to defend us against attacks (I'm finally being politically correct)…give some small percentage of that to organizations that are supporting the peaceful development of the young generation of the attackers. The singular strategy of an eye for an eye, will one day leave everyone dead.

Be the change you want to see in the world!

I am **in gratitude** each day of you allowing Timonier to be a part of this journey with you. **Remain focused on your goals…and not the passing storms and detours that arise from time to time.** Know that we are accountable as your fiduciaries. And our collaborative team of advisors look forward to assisting you in making conscious choices for this one great life you deserve to live. Please contact us any time, if we haven't contacted you first.

Namaste',

Tim L. Baker, CIMA, GFS



Market Summary

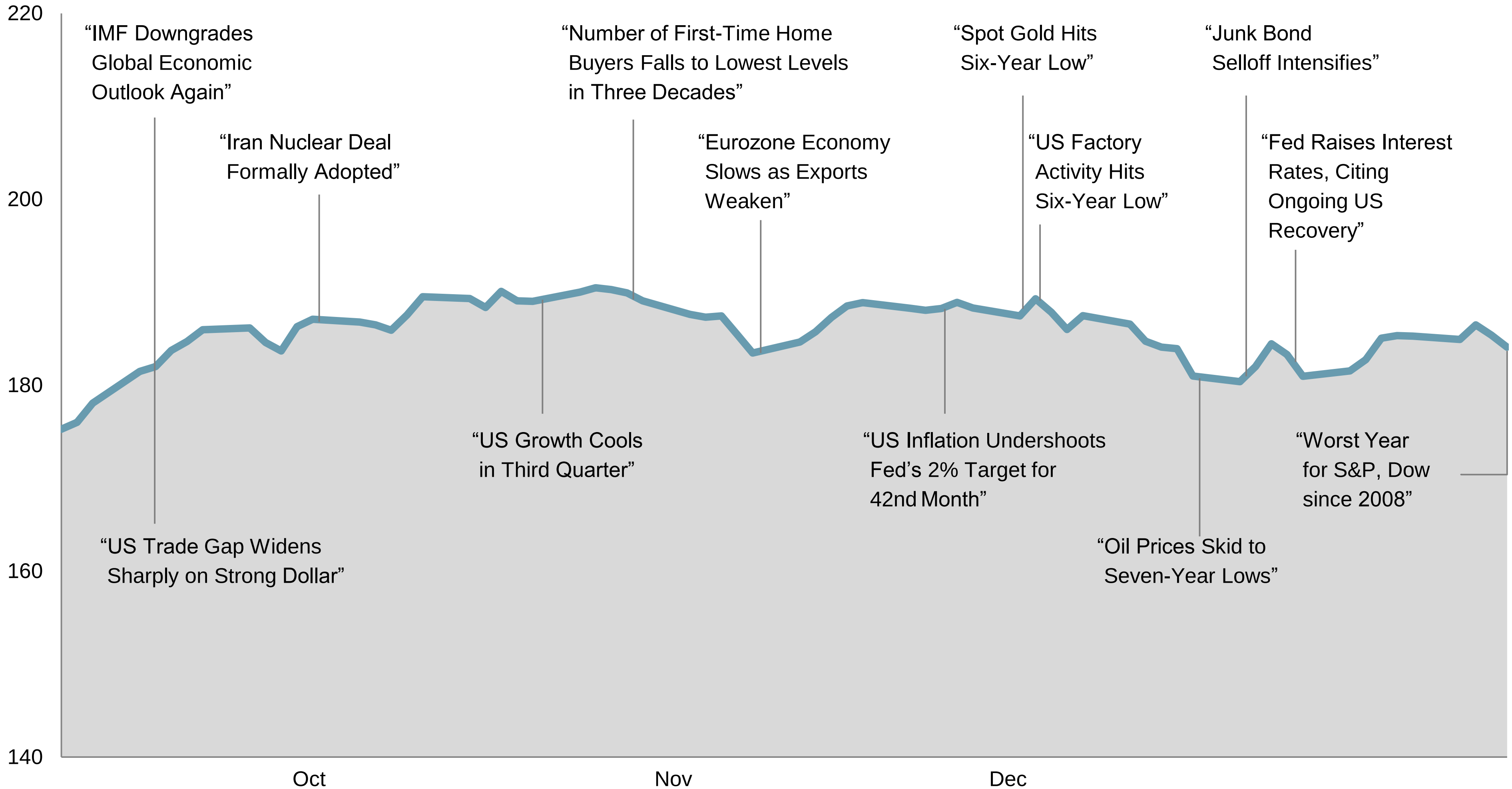
Index Returns

4Q 2015	STOCKS				BONDS	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	6.27%	3.91%	0.66%	4.89%	-0.57%	0.58%
Since Jan. 2001						
Avg. Quarterly Return	1.7%	1.4%	2.9%	2.8%	1.2%	1.1%
Best Quarter	16.8% **Q2 2009**	25.9% **Q2 2009**	34.7% **Q2 2009**	32.3% **Q3 2009**	4.6% **Q3 2001**	5.5% **Q4 2008**
Worst Quarter	-22.8% **Q4 2008**	-21.2% **Q4 2008**	-27.6% **Q4 2008**	-36.1% **Q4 2008**	-2.4% **Q2 2004**	-3.2% **Q2 2015**

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1−30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group.

World Stock Market Performance

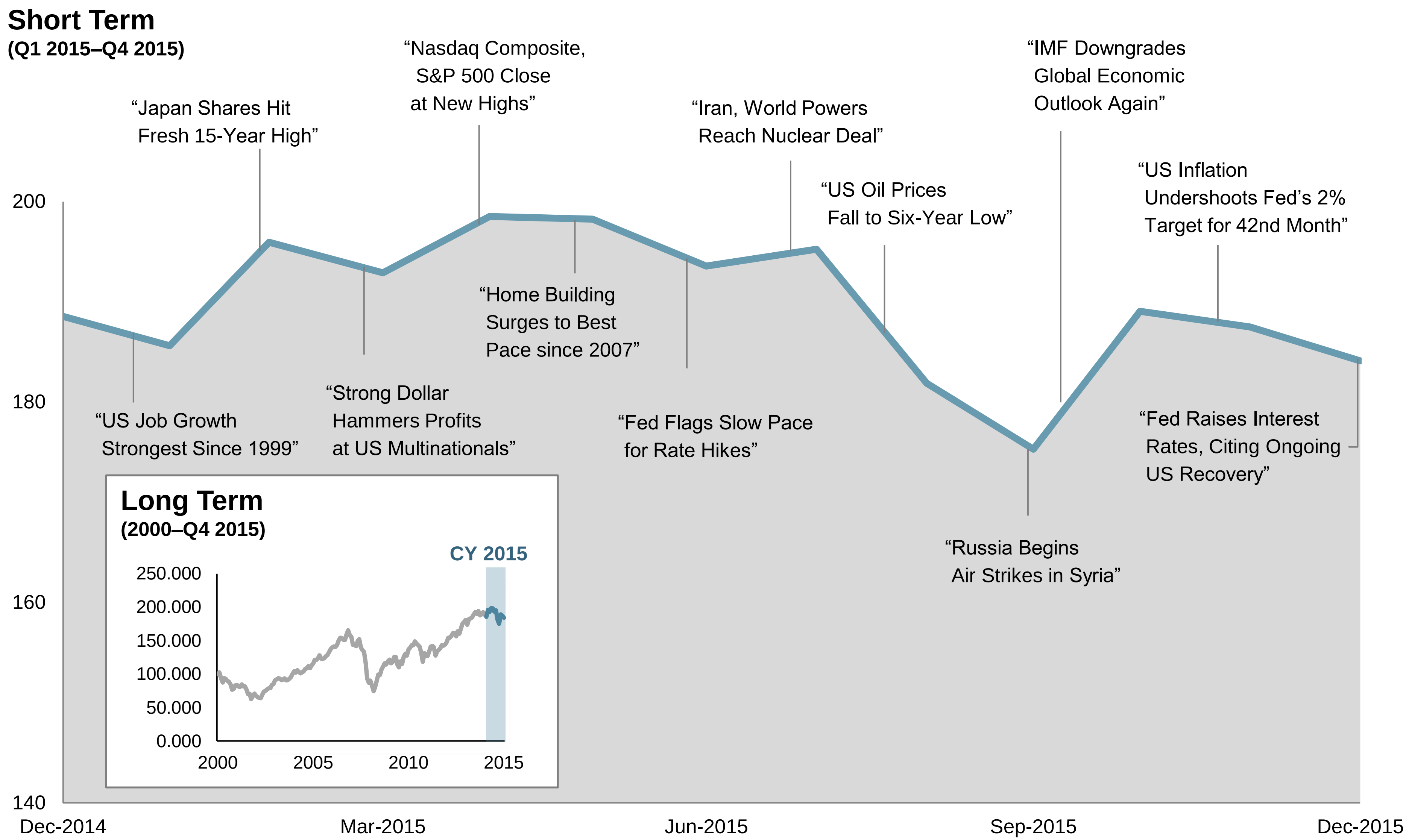
MSCI All Country World Index with selected headlines from Q4 2015



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index.

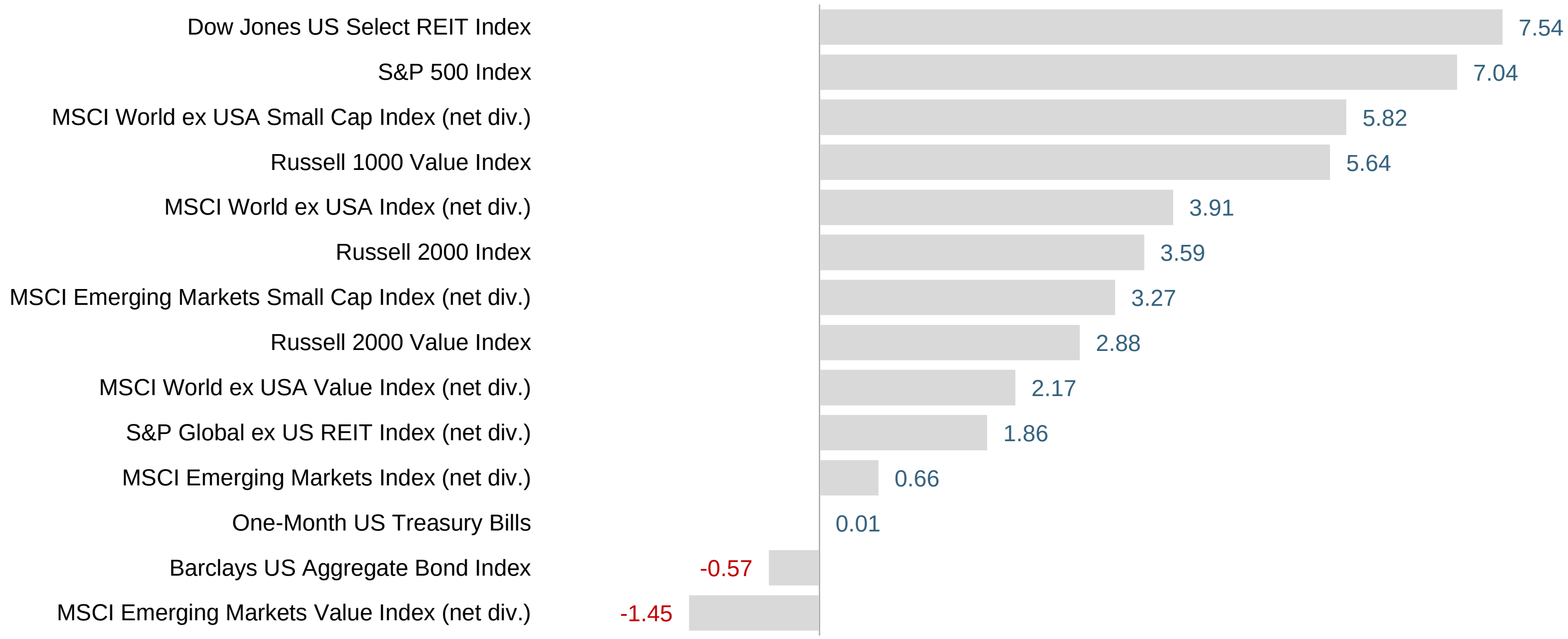
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results**.

World Asset Classes

Fourth Quarter 2015 Index Returns (%)

Looking at broad market indices, the US equity market again outperformed both developed ex US and emerging markets during the quarter. In a repeat from the third quarter, US REITs recorded the highest returns, outperforming equity markets.

The value effect was negative in the US, developed ex US, and emerging markets. Small caps outperformed large caps in both developed ex US and emerging markets but underperformed in the US.



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

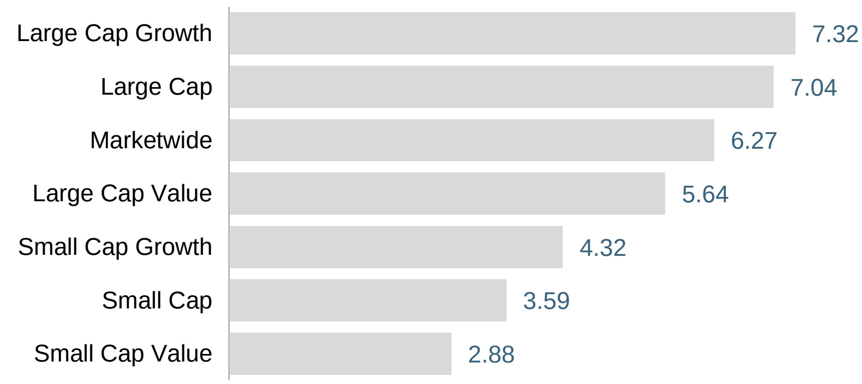
US Stocks

Fourth Quarter 2015 Index Returns

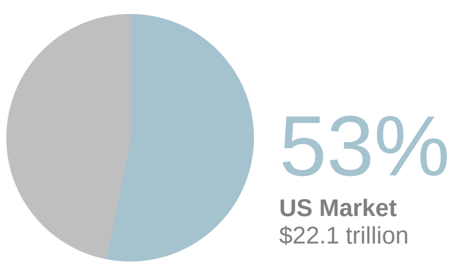
In a turnaround from the previous quarter, the US equity market recorded positive performance.

Small caps underperformed large caps, and value indices underperformed growth indices across all size ranges.

Ranked Returns for the Quarter (%)



World Market Capitalization—US



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	0.48	14.74	12.18	7.35
Large Cap	1.38	15.13	12.57	7.31
Large Cap Value	-3.83	13.08	11.27	6.16
Large Cap Growth	5.67	16.83	13.53	8.53
Small Cap	-4.41	11.65	9.19	6.80
Small Cap Value	-7.47	9.06	7.67	5.57
Small Cap Growth	-1.38	14.28	10.67	7.95

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (S&P 500 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Russell data © Russell Investment Group 1995–2016, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group.

International Developed Stocks

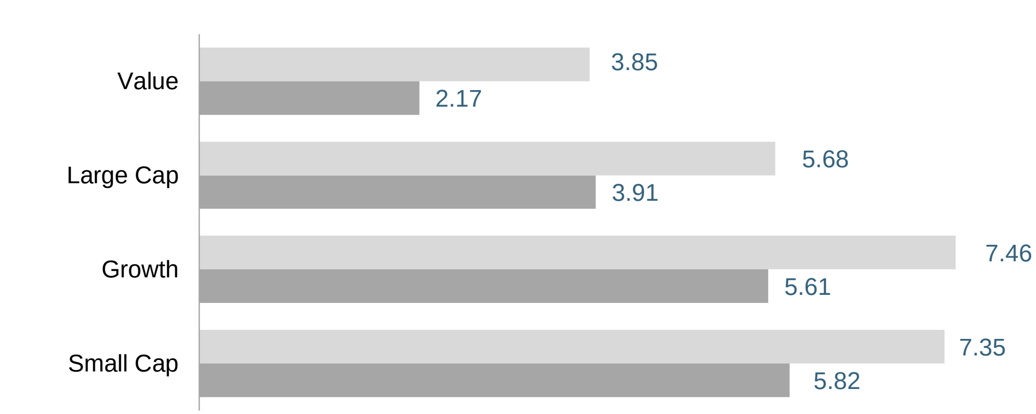
Fourth Quarter 2015 Index Returns

In US dollar terms, developed markets outside the US underperformed the US equity market but outperformed emerging markets indices.

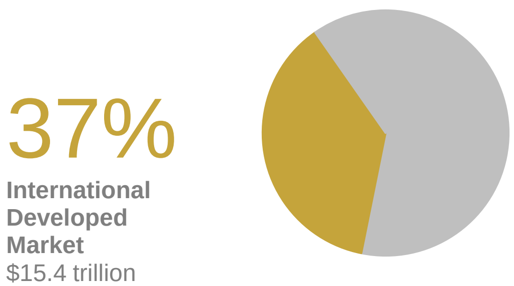
Small caps outperformed large caps in non-US developed markets.

Value indices underperformed growth indices across all size ranges in non-US developed markets.

Ranked Returns (%)



World Market Capitalization—International Developed



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-3.04	3.93	2.79	2.92
Small Cap	5.46	7.82	4.39	4.09
Value	-7.68	1.99	1.90	1.95
Growth	1.65	5.83	3.62	3.81

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index used as the proxy for the International Developed market. MSCI data © MSCI 2016, all rights reserved.

Emerging Markets Stocks

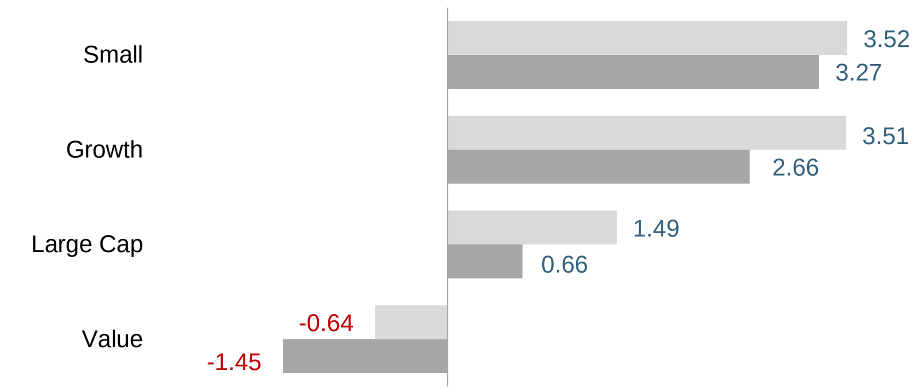
Fourth Quarter 2015 Index Returns

In US dollar terms, emerging markets indices underperformed developed markets, including the US, during the quarter.

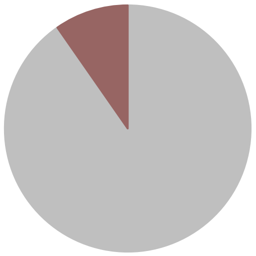
Small cap indices outperformed large cap indices in emerging markets.

Value indices underperformed growth indices in emerging markets across all size ranges.

Ranked Returns (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-14.92	-6.76	-4.81	3.61
Small Cap	-6.85	-1.67	-3.29	6.11
Value	-18.57	-9.50	-6.74	3.39
Growth	-11.34	-4.10	-2.94	3.76

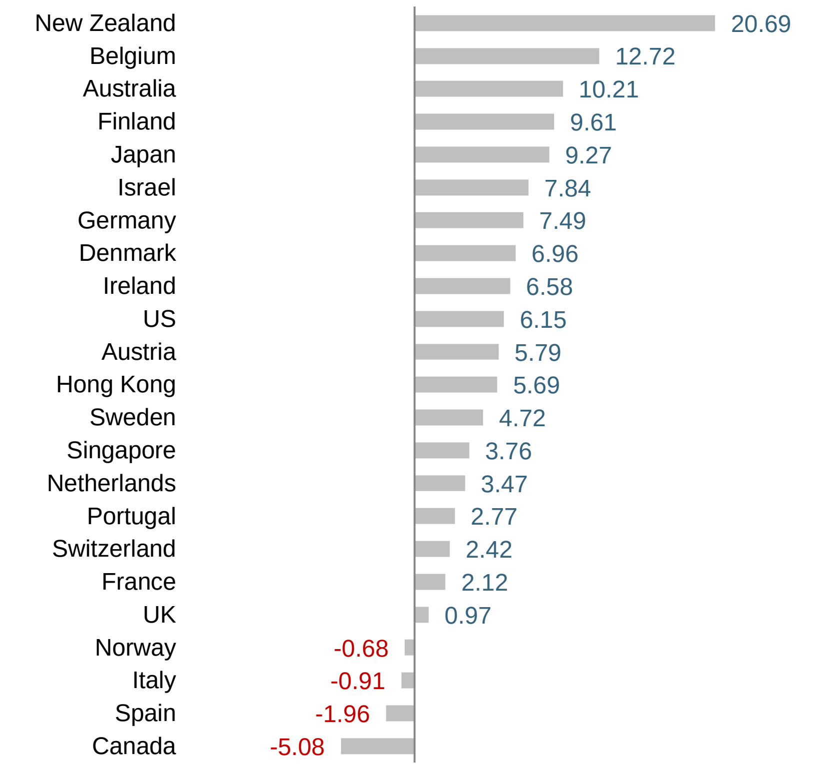
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market.

Select Country Performance

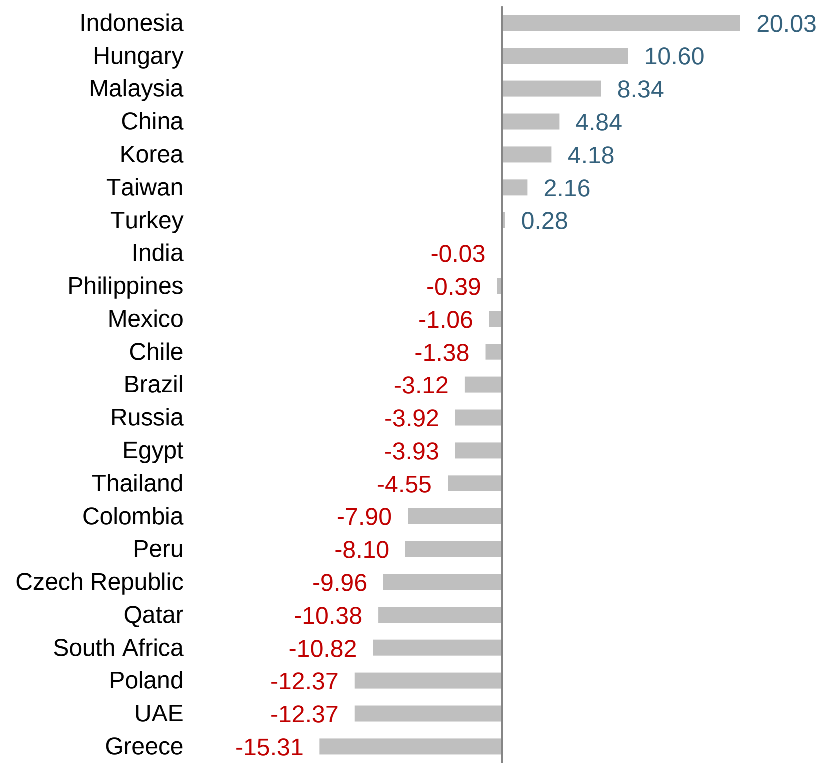
Fourth Quarter 2015 Index Returns

In US dollar terms, there was wide dispersion in country returns across both developed and emerging markets countries. New Zealand recorded the highest country performance in developed markets, while Spain and Canada returned the lowest performance for the quarter. In emerging markets, Indonesia and Hungary posted the highest country returns, while Poland and Greece posted the lowest. China, which had previously dominated news headlines, recorded one of the highest returns in emerging markets.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



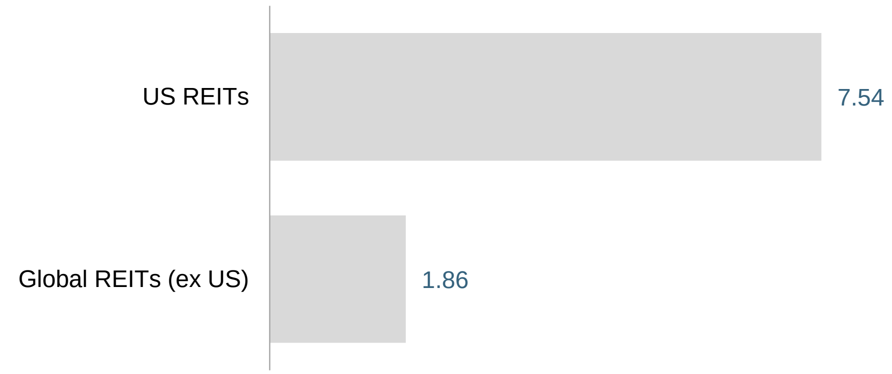
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), Russell 3000 Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2016, all rights reserved. Russell data © Russell Investment Group 1995–2016, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Real Estate Investment Trusts (REITs)

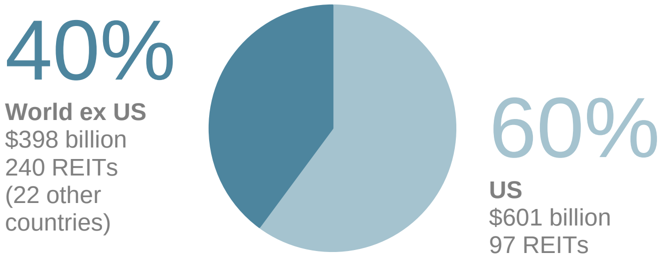
Fourth Quarter 2015 Index Returns

US REITs were one of the best-performing asset classes during the quarter, outperforming equities. But REITs outside the US underperformed non-US broad equity market indices.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
US REITs	4.48	11.76	12.32	7.20
Global REITs (ex US)	-3.54	3.08	5.72	3.32

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2016.

Commodities

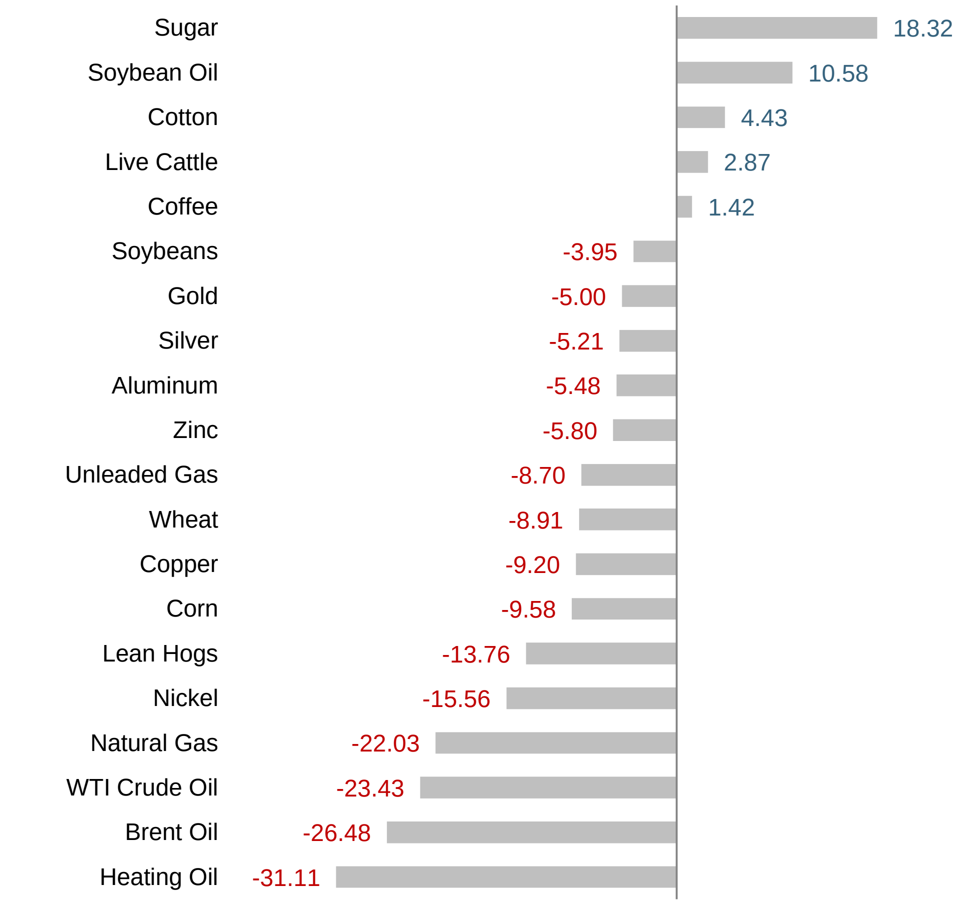
Fourth Quarter 2015 Index Returns

Commodities had mostly negative performance in the fourth quarter. The Bloomberg Commodity Index Total Return fell 10.5%. The energy complex again led the decline with heating oil falling 31.1%. WTI crude oil declined 23.4%, while natural gas fell 22.0%.

Sugar was the strongest performer with an 18.3% increase. Soybean oil was also among the stronger performers, increasing by 10.6%.

The index declined 24.7% during 2015. Cotton was the only commodity to post positive returns for the year.

Ranked Returns for Individual Commodities (%)



Period Returns (%)

** Annualized*

Asset Class	Q4	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-10.52	-24.66	-17.29	-13.47	-6.43

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
All index returns are net of withholding tax on dividends. Securities and commodities data provided by Bloomberg.

Fixed Income

Fourth Quarter 2015 Index Returns

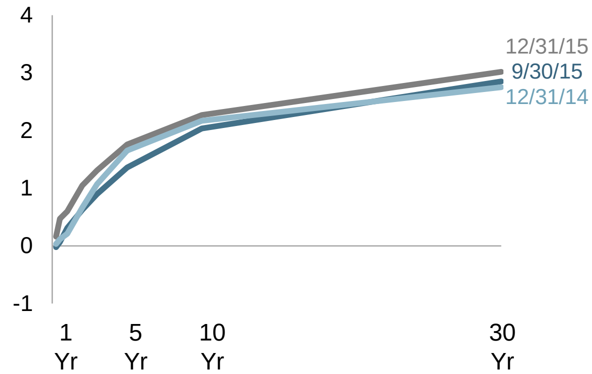
Interest rates across the US fixed income markets increased in the fourth quarter. The yield on the 5-year Treasury note gained 39 basis points to end the quarter at 1.77%. The yield on the 10-year Treasury note increased 22 bps to 2.27%. The 30-year Treasury bond added 14 bps points to finish with a yield of 3.01%.

The short end of the yield curve experienced the largest increase in yields during 2015.

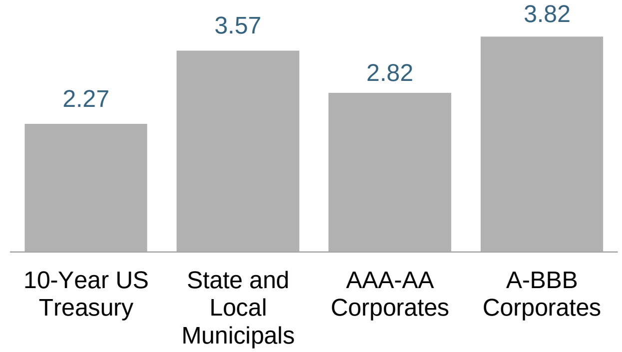
Short-term corporate bonds declined 0.14% during the quarter but gained 1.01% for the year. Intermediate-term corporates fell by 0.42% during the quarter but climbed 1.08% in 2015.[1]

Short-term municipal bonds returned 0.08% for the quarter and 1.21% for the year. Intermediate-term municipal bonds returned 1.26% for the quarter and 3.28% for the year.[2]

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.05	0.05	0.07	1.24
BofA Merrill Lynch 1-Year US Treasury Note Index	0.15	0.20	0.28	1.78
Citigroup WGBI 1−5 Years (hedged to USD)	1.00	1.17	1.58	2.90
Barclays Long US Government Bond Index	-1.16	2.55	7.65	6.67
Barclays US Aggregate Bond Index	0.55	1.44	3.25	4.51
Barclays US Corporate High Yield Index	-4.47	1.69	5.04	6.96
Barclays Municipal Bond Index	3.30	3.16	5.35	4.72
Barclays US TIPS Index	-1.44	-2.27	2.55	3.94

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

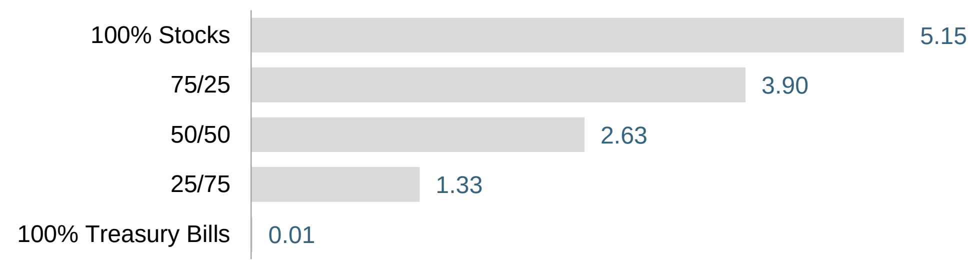
1. Barclays Short and Intermediate US Corporate Bond Indices. 2. Barclays Short and Intermediate Municipal Bond Indices. Yield curve data from Federal Reserve. State and local bonds are from the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Barclays data provided by Barclays Bank PLC. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). Citigroup bond indices © 2016 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2016 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation.

Global Diversification

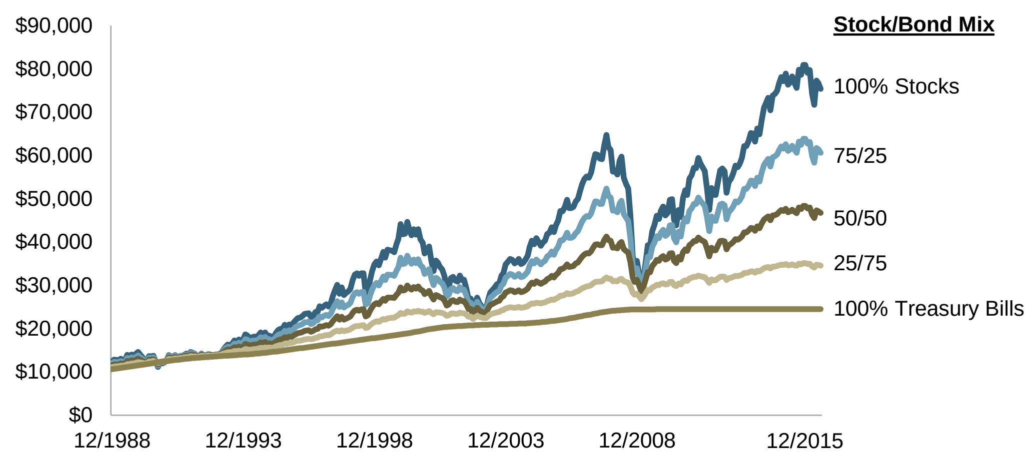
Fourth Quarter 2015 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)



Growth of Wealth: The Relationship between Risk and Return



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	-1.84	8.26	6.66	5.31
75/25	-1.22	6.25	5.13	4.54
50/50	-0.70	4.21	3.51	3.58
25/75	-0.29	2.13	1.81	2.44
100% Treasury Bills	0.02	0.02	0.03	1.13

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. Index performance does not reflect expenses associated with the management of an actual portfolio**. Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2016, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield).

So…Are We Keeping Pace with the Indices?

Our financial forecasts developed in our ***MasterPlan*** reports are predicated on achieving investment returns as illustrated by globally diversified indices. Below are the primary equity asset class structures that we use to design our investment portfolios. Their returns are compared to the benchmark of stocks that they have a high degree of correlation with (as noted by R^2). In order for our forecasts to have validity we need to at least match the indices returns ***in aggregate***. **So far so good!** The results are illustrated for the past 5 and 10 years and since inception. By example, the US Micro Cap Portfolio has outperformed the Russell Microcap / Russell 2000 Index by 166 basis points per year since 1982. 166 basis points is equal to 1.66% of outperformance on average per year.

Performance against Conventional Benchmarks

As of December 31, 2015

Annualized difference (100 bps equals 1.0%)

Dimensional Structured Stock Portfolio	Inception	Conventional Benchmark Indices	Last 5 Years	Last 10 Years	Since Inception	R^2
US Micro Cap Portfolio	1982	Russell Microcap / 2000 Index	130	-2	166	0.93
US Small Cap Portfolio	1992	Russell 2000 Index	131	102	142	0.98
US Small Cap Value Portfolio	1993	Russell 2000 Value Index	119	68	186	0.94
US Targeted Value Portfolio	2000	Russell 2000 Value Index	149	116	219	0.95
US Large Cap Value Portfolio	1993	Russell 1000 Value Index	72	51	44	0.93
International Small Company Portfolio	1996	MSCI World ex USA Small Cap Index	55	110	88	0.96
International Small Cap Value Portfolio	1995	MSCI World ex USA Small Cap Index	132	122	178	0.93
International Value Portfolio	1994	MSCI World ex USA Index	-200	-47	119	0.92
Emerging Markets Small Cap Portfolio	1998	MSCI Emerging Markets Index	257	357	489	0.89
Emerging Markets Value Portfolio	1998	MSCI Emerging Markets Index	-308	10	343	0.92
Emerging Markets Portfolio	1994	MSCI Emerging Markets Index	17	34	135	0.94

* Long-term outperformance of popular benchmarks with reasonable tracking (as noted by R^2)

The Rise of Short-Term Rates

Fourth Quarter 2015

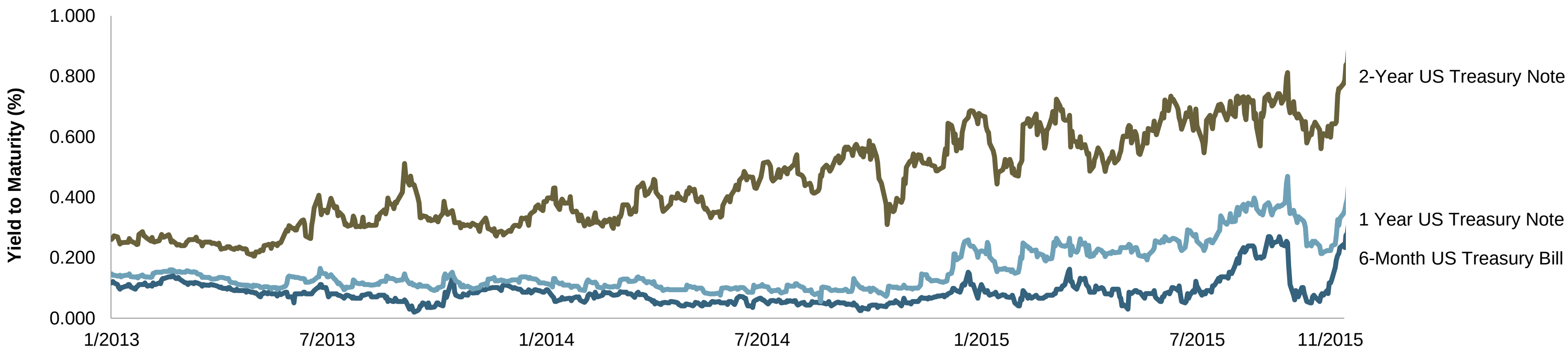
While many market participants were waiting for the "inevitable" rise in short-term interest rates expected when the Federal Reserve tightened its monetary policy, some investors may have missed the increase in short-term rates already underway as a result of market forces.

Looking at the zero- to two-year segment of the yield curve—the segment that many believe will be most affected whenever the Fed "normalizes interest rates"—it may be surprising to see how much rates have increased since 2013.

In fact, the yield on the 2-Year US Treasury note has nearly doubled since the beginning of 2015, rising from 0.45% in January to almost 0.90% in late November.[1] The yield on the 1-Year US Treasury note more than tripled, from 0.15% to more than 0.50% over the same period. The 6-Month US Treasury bill's yield rose from a low of 0.03% in May to over 0.30% in late November. Yet, despite the higher rates, we have not experienced the conjectured financial storm in the fixed income market.

The question of how far the Fed will go in raising its overnight target rate is still open. Similarly, we can ask ourselves a more complex question: Will the market lead the Fed or is the Fed leading the market through setting expectations?

US Treasury Yields, January 2013 to November 2015



Past performance is no guarantee of future results. Source: Barclays Bank PLC.

1. As of November 18, 2015. Source: Barclays Bank PLC.

Adapted from "The Rise of Short-Term Rates," Issue Brief, November 2015. Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

Fixed income securities are subject to increased loss of principal during periods of rising interest rates and may be subject to various other risks, including changes in credit quality, liquidity, prepayments, and other factors. Sector-specific investments can increase these risks.

All expressions of opinion are subject to change. This information is intended for educational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services.