



“Fiduciaries should strongly consider index funds as an alternative to actively managed funds. Index funds incur about 80% less in transaction costs than actively managed funds...long-term returns for actively managed funds trail their respective indexes.”

— Michael C. Keenan, “The Elephant in the Living Room”, Financial Advisor Magazine, May 2008

Quote of the Week 19

The investing spotlight continues to shine brightly on defined contribution retirement plans, threatening to expose hidden costs that investment managers audaciously believed they could foist upon unsuspecting plan sponsors and participants.

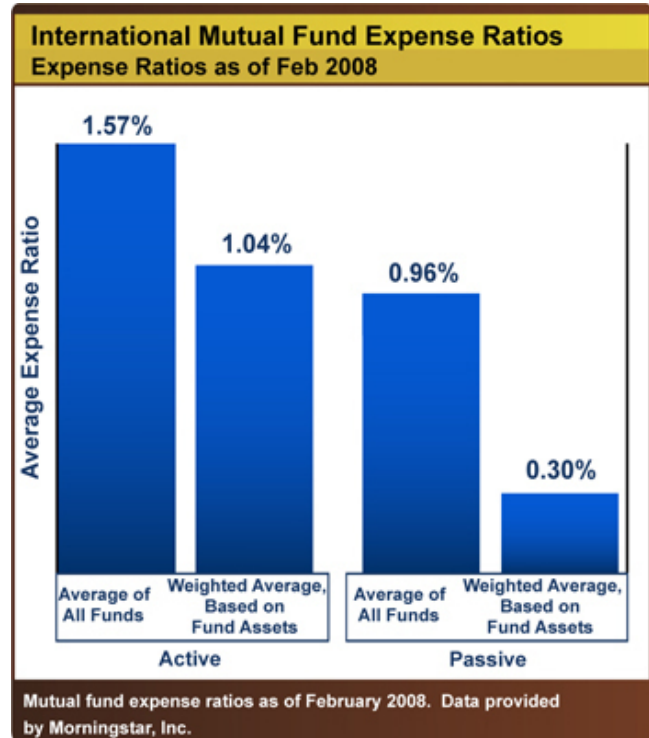
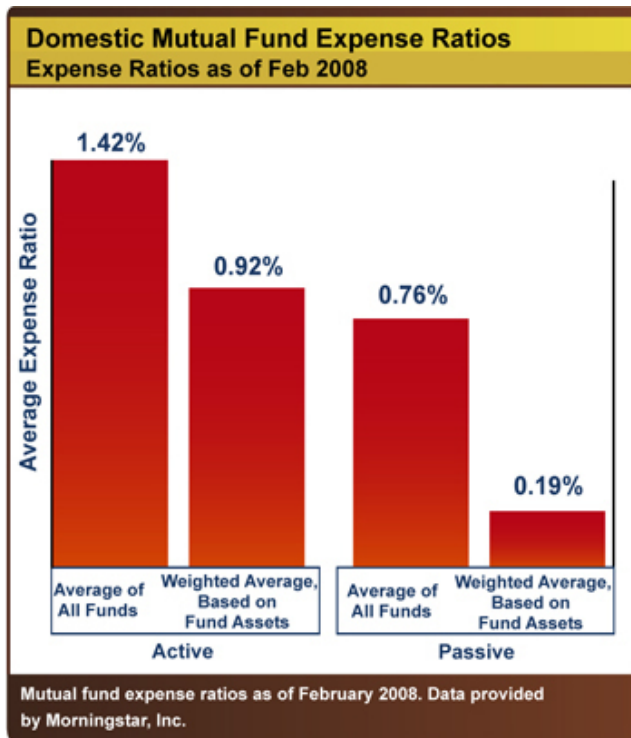
In a flurry of momentous events that have transpired in just a few short weeks, the nearly 50 million American workers who participate in company-sponsored retirement plans, most commonly in the form of 401(k) plans, are poised to get some much-needed clarity on expenses, risks and returns associated with investing their retirement assets.

U.S. Rep. George Miller authored a bill to force disclosure of 401(k) fees and give incentives to companies that offer index funds as a plan option. Meanwhile, The SEC has set forth legislation that would improve the disclosure language regarding fees in the heretofore nebulous fund prospectuses. Not to be left out of the party, the Department of Labor has launched a bill that overlaps Miller's bill, but one which critics say pales in comparison to Miller's. Each of the three new regulations thrown on the table seeks to cast light on the hidden costs associated with company-sponsored retirement plans.

Michael Keenan's article “The Elephant in the Living Room”, found in the May 2008 issue of Financial Advisor magazine, explains the real costs associated with most 401(k) plans—costs that are buried, despite the fact that they cost plenty and suppress returns. Keenan details the known (explicit) costs and hidden (implicit) costs of traditional 401(k) plans, giving plausible explanation as to why many 401(k) plans actually underperform their taxable account brethren.

Mistakenly presumed to carry the lion's share of 401(k) costs, expense ratios are disclosed to plan sponsors and plan participants. Actively managed funds carry higher expense ratios. Active managers seek to beat the market through stock selection and market timing. They generally charge higher fees than passive managers as compensation for their perceived "skill." Most often, these fees inflict a significant penalty on net investment returns. In both U.S. and non-U.S. strategies, the average actively managed mutual fund is considerably more expensive than the average passively managed fund.

The charts below reveal the disparity in expense ratios between actively managed funds and passively managed funds. Active managers, on average, charge more than twice the fees of passive managers. This is also true in the international fund universe, although the differences are not as large due to the higher costs of investing in non-U.S. markets.



When it comes to implicit or hidden costs associated with 401(k)'s, Keenan asserts that transaction expenses associated with actively managed funds are roughly equal to their also high expense ratios. Using research from a 2007 report provided by Investment Technology Group, Inc. (ITG) that studied data collected from its clients, which include "the vast majority of large fund managers in the U.S. and Europe", Keenan determined that if an actively managed fund has 100% annual turnover, it incurs nearly 1% in transaction costs. When this occurs year after year, as is the case with active management, turnover expense is devastating to long-term portfolio growth.

Keenan states, "Index funds incur about 80% less in transaction costs than actively managed funds".

According to that assumption, index funds carry just 0.18% in annual transaction expenses.

The table below shows the turnover ratios of various funds for the one-year period for 2006. As you can see, passively managed index funds have far less annual turnover than actively managed funds. For example, the Dimensional Large Cap Value Fund had 9% annual turnover and the Dimensional Small Cap Value Fund had 27%--a sharp contrast to the Rock Canyon Top Flight Fund with turnover of more than 1600%. If we extrapolate from the ITG data, that fund's turnover would have generated a whopping 15% in transaction expenses! What were they thinking?

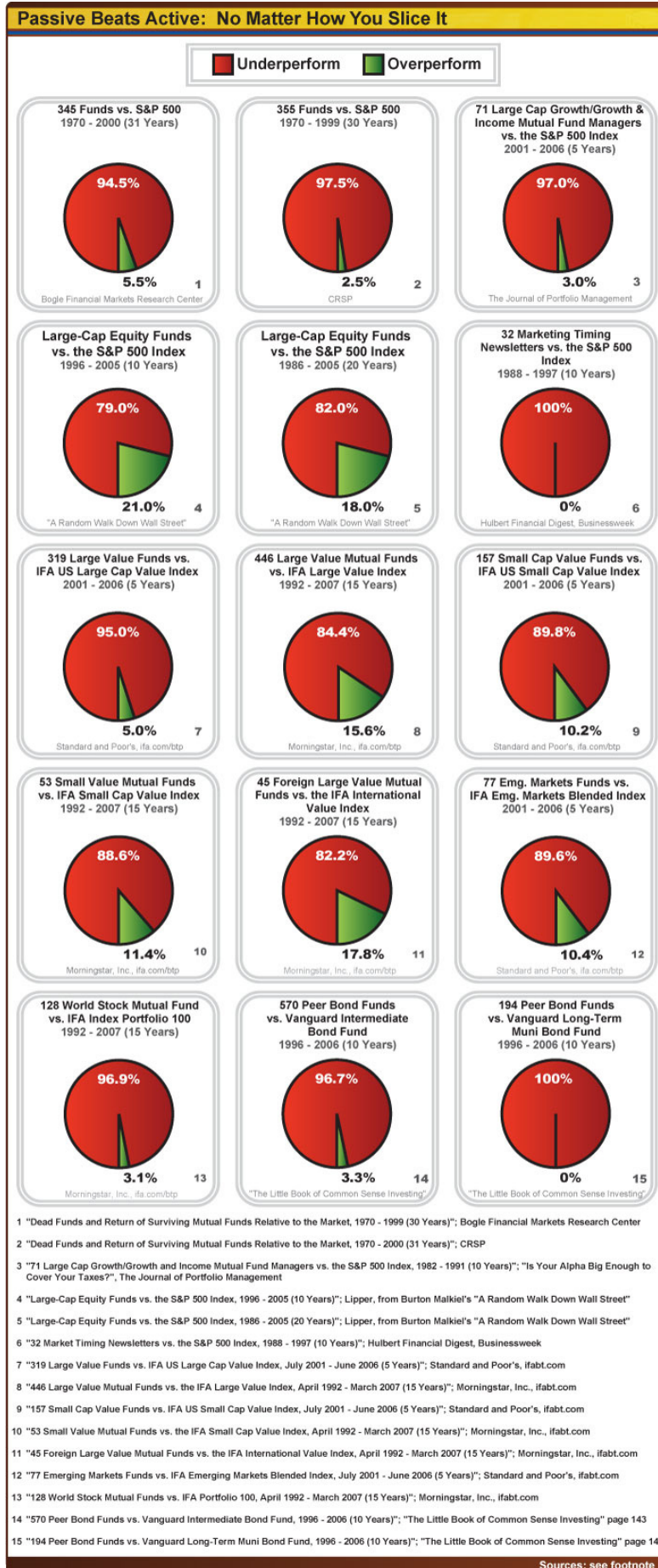
Turnover Ratio of Various Funds	
January to December 2006	
Fund	Turnover
Schwab S&P 500 In e.Sh	3%
Vanguard 500 Index	7%
Dimensional US LgCpVal	9%
Morgan Stanley Growth C	21%
Dimensional US SmCpVal	27%
Vanguard Windsor	38%
Fidelity Contrafund	60%
Fidelity Magellan	74%
Fidelity Growth and Income	120%
Brandywine Advisors	207%
Rock Canyon Top Flight	1,635%

Source: Morningstar® Principia®, Dec. 31, 2006

The general excuse given by active fund managers is that they find opportunities to beat their index, and therefore their higher fees and transaction costs are worthwhile. The evidence, however, is to the contrary. The charts below show how rare it is that active beats passive.

Many investors know that excessive turnover triggers unpleasant tax consequences, but it significantly hampers returns for tax-advantaged accounts, as well. Plan participants suffer under the weight of these excessive and unreported fees.

A movement is under way to clear away the smoke and mirrors associated with retirement investing. There is an acute hunger for clarity and useful information pertaining to the intrinsic relationship between active management and excessive returns, expenses and returns, risk and time, and risk capacity and risk exposure. The proposed solutions, while long overdue, will take time to resolve, implement, and will be met with the usual politicking that will erode precious time. But, investors need answers now. You can obtain a world-class investing lesson at ifa.com. Hundreds of peer-reviewed academic studies, charts, graphs, benchmarking tools, portfolio simulators, calculators and a risk capacity survey will help you learn and invest according to the Science of Investing.



IFA is an expert in providing professional investment education and advice, enabling individuals, 401 (k) plans, institutions and corporations to make sound decisions that can optimize their financial futures. IFA specializes in the passive rebalancing of risk-appropriate, globally diversified index portfolios that are low cost and efficient.

Is your portfolio properly diversified to match your risk capacity? Find out with a visit to ifa.com. Take the Risk Capacity Survey. You will be matched with an Index Portfolio that's right for you. Or, if you would like to speak with one of IFA's Investment Advisor Representatives to learn how you can improve your diversification for risk-optimized returns, call 718-380-4374.



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matching people with portfolios

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Index Funds Advisors, Inc. (IFA) is a fee-only Independent Financial Advisor (ifa), registered with the United States Securities and Exchange Commission. IFA incorporated on March 5, 1999 and also is a 50% owner of IFA Canada, Inc.

We match people with portfolios by carefully measuring risk capacity and matching the results to an appropriate risk exposure, in the form of an index portfolio. This process positions our clients for an investment experience that optimizes the trade off between risk and return, based on 80 years of historical index data.

IFA manages brokerage, IRA, 401k, 403b, profit sharing, and all other investment accounts. We also facilitate IRA rollovers from 401ks and 403bs. IFA also provides investment advice to individuals, trusts, corporations, non-profits, and public and private institutions. For institutional accounts, please see our Institutional Division website: ifa-i.com.

IFA assists clients in creating and purchasing diversified portfolios of index funds, primarily from Dimensional Fund Advisors (see DFA Brochure.), Vanguard, Fidelity and Barclays Global Investors (iShares). Dimensional Fund Advisors strives to deliver the performance of capital markets and add value through portfolio design and trading. The firm departs from the rules and rigidity of traditional index funds and avoids the cost-generating activity of stock picking and market timing. Instead DFA focuses on the dimensions of capital markets that reward investors and they deliver them as intelligently and effectively as possible. Their indexes tend to overweight small cap and value stocks, where expected returns are greater. Over 1,000 Investment Advisors rated DFA as the best overall company in the mutual fund business in several surveys. We primarily use their funds to create globally diversified portfolios of index funds. DFA funds are only available to individual investors through DFA approved investment advisors. IFA is approved for the purchase of DFA funds, but receives no compensation from DFA or any other investments. For institutional investors, we design diversified index manager portfolios to minimize vendor concentration risk.

You may select Charles Schwab & Company, Fidelity Investments or TD Ameritrade as the custodian for your account. (see SIPC) If you already have an account with any of these firms, you can easily assign your account to our Master Account to become one of our clients.

We currently have 13 investment advisors; Mark Hebner, Gordon Shuler, Dave Mertz, Brendan Connelly, Denise Delaney, Becky Vasquez, Brad von Grote, Dan Solin, Ted Fischer, Ben Brinkerhoff, Matt Cooper, Brent DeVore, and Venkat Yarlagadda. In addition we have 17 other employees and several independent contractors. In total, about 80 people have contributed to the IFA investor education projects of books, websites, brochures, audio recordings, and videos. We hope that we have helped you better understand how markets work.

SOURCES AND DESCRIPTION OF DATA

The following descriptions of IFA Indexes indicate how indexes are strung together to simulate similar risk and return characteristics back to 1928. This reduces the standard error of the mean which is unacceptably high for periods less than 20 or 30 years. When IFA Indexes are shown in Index Portfolios, all returns data reflects a deduction of 0.9% annual investment advisory fee, which is the maximum Index Funds Advisors (IFA) fee. Fees are based on assets under management at IFA. Unless indicated otherwise, data shown for each individual IFA Index is shown without a deduction of the IFA advisory fee. This method is used because the creation, choice, monitoring and rebalancing of diversified index portfolios are the services of the independent investment advisor. Therefore, fees are deducted from the whole portfolio data.

Live Dimensional Fund Advisors' (DFA) fund data reflects the deduction of mutual fund advisory fees, mutual fund company brokerage fees, other expenses incurred by the mutual funds and incorporates actual trading results. Simulated index data also reflects DFA's current mutual fund expense ratios for the entire period. Both simulated and live data reflect total returns, including dividends, except for IFA/NSDQ.

IFA Indexes Legend

LC - IFA U.S. Large Company Index	RE - IFA Real Estate Securities Index	EM - IFA Emerging Markets Index	2F - IFA 2 Year Global Fixed Income Index
LV - IFA U.S. Large Value Index	IV - IFA International Value Index	EV - IFA Emerging Value Index	5G - IFA 5 Year Government Index
SC - IFA U.S. Small Cap Index	IS - IFA International Small Company Index	ES - IFA Emerging Small Cap Index	5F - IFA 5 Year Global Fixed Income Index
SV - IFA U.S. Small Cap Value Index	ISV - IFA International Small Cap Value Index	1F - IFA 1 Year Fixed Income Index	

LC IFA U.S. Large Company Index (LC)

January 1928 – Dec 1990: S&P 500 minus 1.25 bp/month

Jan 1991 – Present : DFA US Large Company Symbol: DFLCX

Investment Objective of DFA US Large Company Symbol: DFLCX : The US Large Company Portfolio is a no-load mutual fund designed to approximate the investment performance of the S&P 500 Index, both in terms of the price of the Portfolio's shares and its total investment return. The Portfolio intends to invest in all of the stocks that comprise the S&P 500 Index in approximately the same proportions as they are represented in the Index. The S&P 500 Index is comprised of a broad and diverse group of stocks, most of which are traded on the NYSE. Generally, these are the US stocks with the largest market capitalizations and, as a group, they represent approximately 70% of the total market capitalization of all publicly traded US stocks.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Number of Holdings	Price/Earnings (excludes negatives)
US Large Company Portfolio	-36.78%	-8.29%	-2.19%	-1.47%	499	10.20
S&P 500 Index	-37.00%	-8.36%	-2.19%	-1.38%	Weighted Average Market Cap \$78,440M	Dividend Yield 2.99%
					Weighted Average Book-to-Market 0.65	Expense Ratio (as of 11/30/07) 0.15%

*All Data as of Dec 31, 2008, unless otherwise indicated.

LV IFA U.S. Large Cap Value Index (LV)

January 1928 – February 1993: Dimensional Large Value Index minus 2.25 bp/month

March 1993 – Present: DFA US Large Cap Value Symbol: DFLVX

Investment Objective of DFA US Large Cap Value Symbol: DFLVX : The US Large Cap Value Portfolio is a no-load mutual fund designed to capture the returns and diversification benefits of a broad cross-section of US value companies, on a market-cap weighted basis. The Portfolio invests in securities of US companies with market capitalizations within the largest 90% of the market universe or larger than the 1,000th largest US company, whichever results in a higher market capitalization break. The market universe is comprised of companies listed on the New York Stock Exchange, American Stock Exchange, and NASDAQ National Market System. After identifying the aggregate market capitalization break, a value screen is applied to the universe. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value (BtM). This BtM sort excludes firms with negative or zero book values. In assessing value, additional factors such as price to cash flow or price to earnings ratios may be considered, as well as economic conditions and developments in the issuer's industry. The criteria for assessing value are subject to change from time to time.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Number of Holdings	Price/Earnings (excludes negatives)
US Large Cap Value Index Portfolio (I)	-40.80%	-11.56%	-2.05%	2.15%	208	8.36
Russell 1000 Value Index	-36.85%	-8.32%	-0.80%	1.36%	Weighted Average Market Cap \$34,809M	Dividend Yield 3.09%
					Weighted Average Book-to-Market 1.27	Expense Ratio (as of 11/30/07) 0.38%

*All Data as of Dec 31, 2008, unless otherwise indicated.

SC IFA U.S. Small Cap Index (SC)

January 1928 – March 1992: Dimensional Small Cap Index minus 3.17 bp/month

April 1992 – Present : DFA US Small Cap Symbol: DFSTX

Investment Objective of DFA US Small Cap Symbol: DFSTX : The US Small Cap Portfolio is a no-load mutual fund designed to capture the returns and diversification benefits of a broad cross-section of US small companies, on a market-cap weighted basis. The Portfolio invests in securities of US companies with market capitalizations within the smallest 10% of the market universe or smaller than the 1,000th largest US company, whichever results in a higher market capitalization break. The market universe is comprised of companies listed on the New York Stock Exchange, American Stock Exchange, and NASDAQ National Market System.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Number of Holdings	Price/Earnings (excludes negatives)
US Small Cap Index Portfolio (I)	-36.01%	-10.23%	-1.99%	4.84%	2,617	11.13
Russell 2000 Index	-33.79%	-8.23%	-0.93%	3.05%	Weighted Average Market Cap \$729M	Dividend Yield 1.40%
					Weighted Average Book-to-Market 1.09	Expense Ratio (as of 11/30/07) 0.38%

*All Data as of Dec 31, 2008, unless otherwise indicated.

SOURCES AND DESCRIPTION OF DATA

SV IFA U.S. Small Cap Value Index (SV)

January 1928 – February 2000: Dimensional Targeted Value Index minus 3.42 bp/month

March 2000 – Present: DFA US Targeted Value Symbol: DFFVX

Investment Objective of DFA US Targeted Value Symbol: DFFVX : The US Targeted Value Portfolio is a no-load mutual fund designed to capture the returns and diversification benefits of a broad cross-section of US small value companies, on a market cap-weighted basis. The Portfolio invests in securities of US companies whose size (market capitalization) falls in the smallest 18% of the market universe. The market universe is comprised of companies listed on the New York Stock Exchange, American Stock Exchange, and NASDAQ National Market System. After identifying the smallest 18% of aggregate market capitalization, a value screen is applied to the universe. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value (BtM). This BtM sort excludes firms with negative or zero book values. In assessing value, additional factors such as price to cash flow or price to earning ratios may be considered, as well as economic conditions and developments in the issuer's industry. The criteria for assessing value are subject to change from time to time.

Average Annual Total Returns	One Year	Three Years	Five Years	Inception	Number of Holdings	1,506	Price/Earnings (excludes negatives)	9.42
US Targeted Value Portfolio (I)	-33.78%	-10.05%	-0.18%	8.22%	Weighted Average Market Cap	\$1,152M	Dividend Yield	1.86%
Russell 2000 Value Index	-28.92%	-7.49%	0.27%	7.15%	Weighted Average Book-to-Market	1.37	Expense Ratio (as of 11/30/07)	0.41%

*All Data as of Dec 31, 2008, unless otherwise indicated.

RE IFA Real Estate Index (RE)

January 1928 – December 1974: 50% IFA US SC Index and 50% IFA SV Index
January 1993 – June 2008: DFA Real Estate Securities Symbol: DFREX

Jan 1975 – Dec 1992: Don Keim Equity REIT Index minus 2.75 bp/month
July 2008 – Present: DFA Global Real Estate Securities Symbol: DGREX

Investment Objective of DFA Global Real Estate Securities Symbol: DGREX : The Global Real Estate Securities Portfolio is a no-load mutual fund designed to achieve long-term capital appreciation. The Portfolio invests in a broad range of securities of US and non-US companies in the real estate industry, including companies in developed and emerging markets, with a focus on real estate investment trusts or companies that Dimensional considers to be REIT-like entities. The Portfolio primarily purchases shares of Dimensional's Real Estate Securities Portfolio and International Real Estate Securities Portfolio. In addition to investing in these underlying funds, the Portfolio also may invest directly in securities of companies in the real estate industry. The Portfolio is currently authorized to invest in companies in the following countries: Australia, Belgium, Canada, China, France, Germany, Greece, Hong Kong, Japan, the Netherlands, New Zealand, Singapore, South Africa, Taiwan, the United Kingdom, and the United States. Other countries may be authorized for investment in the future.

Average Annual Total Returns	Inception (6/4/2008)	Number of Holdings	285	Price/Earnings (excludes negatives)	13.61
Global Real Estate Sec. Portfolio	-43.68%	Weighted Average Market Cap	\$4,307M	Dividend Yield	7.95%
S&P Global REIT Index (gross div.)	-44.93%	Weighted Average Book-to-Market	1.15	Expense Ratio (as of 6/4/08)	0.58%

*All Data as of Dec 31, 2008, unless otherwise indicated.

IV IFA International Value Index (IV)

January 1928 – December 1969: IFA US Large Value Index
January 1975 – June 1993: MSCI EAFE Value Gross minus 3.67 bp/month
March 1994 – Present: DFA International Value Symbol: DFIVX

January 1970 – December 1974: MSCI EAFE Gross Dividends minus 3.67 bp/month
July 1993 – February 1994: LWAS/DFA International High BtM Portfolio

Investment Objective of DFA International Value Symbol: DFIVX : The US Large Company Portfolio is a no-load mutual fund designed to approximate the investment performance of the S&P 500 Index, both in terms of the price of the Portfolio's shares and its total investment return. The Portfolio intends to invest in all of the stocks that comprise the S&P 500 Index in approximately the same proportions as they are represented in the Index. The S&P 500 Index is comprised of a broad and diverse group of stocks, most of which are traded on the NYSE. Generally, these are the US stocks with the largest market capitalizations and, as a group, they represent approximately 70% of the total market capitalization of all publicly traded US stocks.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Number of Holdings	528	Price/Earnings (excludes negatives)	6.72
International Value Index Portfolio	-46.33%	-7.41%	3.34%	4.75%	Weighted Average Market Cap	\$30,044M	Dividend Yield	5.47%
MSCI EAFE Index (net dividends)	-43.38%	-7.35%	1.66%	0.80%	Weighted Average Book-to-Market	1.17	Expense Ratio (as of 11/30/07)	0.44%

*All Data as of Dec 31, 2008, unless otherwise indicated.

IS IFA International Small Company Index (IS)

January 1928 – December 1969: IFA US Small Cap Index
October 1996 – Present: DFA International Small Company Symbol: DFISX

January 1970 – September 1996: Dimensional International Small Cap Index minus 4.58 bp/month

Investment Objective of DFA International Small Company Symbol: DFISX : The International Small Company Portfolio is a no-load mutual fund designed to achieve long-term capital appreciation. The Portfolio pursues its objective by investing in the small companies of Canada (0-15%), Europe (25-50%), Japan (15-40%), Pacific Rim (0-25%), and the United Kingdom (15-35%). The Portfolio currently invests in companies in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Number of Holdings	4,040	Price/Earnings (excludes negatives)	7.53
Int'l Small Company Index Portfolio	-43.87%	-9.52%	3.41%	6.96%	Weighted Average Market Cap	\$1830M	Dividend Yield	4.20%
MSCI EAFE Small Cap Index ^	-48.36%	-15.47%	-0.84%	2.27%	Weighted Average Book-to-Market	1.16	Expense Ratio (as of 11/30/07)	0.55%

^(price only) *All Data as of Dec 31, 2008, unless otherwise indicated.

ISV IFA International Small Cap Value Index (ISV)

January 1928 – December 1969: IFA Small Cap Value Index
July 1981 – December 1994: Dimensional International Small Cap Value Index minus 5.75 bp/month

January 1970 – June 1981: IFA International Small Company Index
January 1995 – Present: DFA International Small Cap Value Symbol: DISVX

Investment Objective of DFA International Small Cap Value Symbol: DISVX : The DFA International Small Cap Value Portfolio is a no-load mutual fund designed to achieve long-term capital appreciation. The Portfolio pursues its objective by investing in the stocks of small non-US companies which the Advisor believes to be value stocks at the time of purchase. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value (BtM). This BtM sort excludes firms with negative or zero book values. In assessing value, additional factors such as price to cash flow or price to earning ratios may be considered, as well as economic conditions and developments in the issuer's industry. The criteria for assessing value are subject to change from time to time. The Portfolio currently invests in companies in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and United Kingdom.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Number of Holdings	2,266	Price/Earnings (excludes negatives)	6.40
Int'l Small Cap Index Portfolio	-41.68%	-8.31%	5.07%	9.44%	Weighted Average Market Cap	\$834M	Dividend Yield	4.61%
MSCI EAFE Small Cap Index ^	-48.36%	-15.47%	-0.84%	2.27%	Weighted Average Book-to-Market	1.71	Expense Ratio (as of 11/30/07)	0.69%

^(price only) *All Data as of Dec 31, 2008, unless otherwise indicated.

EM IFA Emerging Markets Index (EM)

January 1928 – December 1969: 50% IFA US Large Value Index and 50% IFA US Small Cap Index
January 1988 – April 1994: Dimensional Equally Weighted Emerging Markets Index minus 5 bp/month

January 1970 – December 1987: 50% IFA IV Index and 50% IFA IS Index
May 1994 – Present: DFA Emerging Markets Portfolio Symbol: DFEMX

Investment Objective of DFA Emerging Markets Portfolio Symbol: DFEMX : The Emerging Markets Portfolio is a no-load mutual fund designed to achieve long-term capital appreciation. The Portfolio pursues its objective by investing in emerging markets equity securities that Dimensional deems to be large company stocks at the time of purchase. Dimensional will consider, among other things, information disseminated by the International Finance Corporation in determining and approving countries that have emerging markets. The Portfolio currently invests in companies in Brazil, Chile, China, the Czech Republic, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Philippines, Poland, South Africa, South Korea, Taiwan, Thailand, and Turkey. Due to repatriation restrictions, the Portfolio currently holds but does not purchase securities in Argentina.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Number of Holdings	593	Price/Earnings (excludes negatives)	8.31
Emerging Markets Index Portfolio	-49.20%	-3.72%	8.53%	9.44%	Weighted Average Market Cap	\$22,123M	Dividend Yield	3.76%
MSCI Emerging Markets Index ^	-53.18%	-4.62%	8.02%	9.31%	Weighted Average Book-to-Market	0.66	Expense Ratio (as of 11/30/07)	0.60%

^(gross dividends) *All Data as of Dec 31, 2008, unless otherwise indicated.

SOURCES AND DESCRIPTION OF DATA

EV IFA Emerging Markets Value Index (EV)

January 1928 – December 1969: IFA US Small Cap Value Index
January 1989 – March 1998: Fama/French Emerging Markets Value Index minus 5 bp/month

January 1970 – December 1988: IFA Emerging Markets Index
April 1998 – Present: DFA Emerging Markets Value Portfolio Symbol DFEVX

Investment Objective of DFA Emerging Markets Value Portfolio Symbol DFEVX : The Emerging Markets Value Portfolio is a no-load mutual fund designed to achieve long-term capital appreciation. The Portfolio pursues its objective by investing in emerging markets equity securities that Dimensional deems to be value stocks at the time of purchase. Dimensional will consider, among other things, information disseminated by the International Finance Corporation in determining and approving countries that have emerging markets. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value (B/M). This B/M sort excludes firms with negative or zero book values. In assessing value, additional factors such as price to cash flow or price to earning ratios may be considered, as well as economic conditions and developments in the issuer's industry. The criteria for assessing value are subject to change from time to time. The Portfolio currently invests in companies in Brazil, Chile, China, the Czech Republic, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Philippines, Poland, South Africa, South Korea, Taiwan, Thailand, and Turkey. Due to repatriation restrictions, the Portfolio currently holds but does not purchase securities in Argentina.

Average Annual Total Returns	One Year	Three Years	Five Years	Inception**	Number of Holdings	2,051	Price/Earnings (excludes negatives)	6.57
Emerging Markets Value Portfolio (I)	-53.94%	-2.56%	11.05%	10.85%	Weighted Average Market Cap	\$7405M	Dividend Yield	3.76%
MSCI Emerging Markets Index ^	-53.18%	-4.62%	8.02%	5.28%	Weighted Average Book-to-Market	1.09	Expense Ratio (as of 11/30/07)	0.60%

^(gross div) *All Data as of Dec 31, 2008, unless otherwise indicated. **Since 4/1/98 Inception

ES IFA Emerging Markets Small Cap Index (ES)

January 1928 – December 1969: IFA US Small Cap Index
January 1989 – February 1998: Fama/French Emerging Markets Small minus 6.5 bp/month

January 1970 – December 1988: IFA Emerging Markets Index
March 1998 – Present: DFA Emerging Markets Small Cap Symbol: DEMSX

Investment Objective of DFA Emerging Markets Small Cap Symbol: DEMSX : The Emerging Markets Small Cap Portfolio is a no-load mutual fund designed to achieve long-term capital appreciation. The Portfolio pursues its objective by investing in emerging markets equity securities that Dimensional deems to be small company stocks at the time of purchase. Dimensional will consider, among other things, information disseminated by the International Finance Corporation in determining and approving countries that have emerging markets. The Portfolio will invest in companies whose market capitalization is less than \$2.3 billion. The Portfolio currently invests in companies in Brazil, Chile, China, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Philippines, Poland, South Africa, South Korea, Taiwan, Thailand, and Turkey. Due to repatriation restrictions, the Portfolio currently holds but does not purchase securities in Argentina.

Average Annual Total Returns	One Year	Three Years	Five Years	Inception**	Number of Holdings	1,882	Price/Earnings (excludes negatives)	6.35
Emerging Markets Small Cap Portfolio (I)	-54.53%	-4.84%	6.91%	11.37%	Weighted Average Market Cap	\$623M	Dividend Yield	4.41%
MSCI Emerging Markets Index ^	-53.18%	-4.62%	8.02%	9.31%	Weighted Average Book-to-Market	1.30	Expense Ratio (as of 11/30/07)	0.78%

^(gross dividends) *All Data as of Dec 31, 2008, unless otherwise indicated. **Since 3/5/98 Inception

1F IFA One-Year Fixed Income Index (1F)

January 1928 – June 1963: One-Month T-Bills minus 1.5 bp/month
August 1983 – Present: DFA One-Year Fixed Income Symbol DFIHX

July 1963 – July 1983: One-Year T-Note Index minus 1.5 bp/month

Investment Objective of DFA One-Year Fixed Income Symbol DFIHX : The investment objective of the DFA One-Year Fixed Income Portfolio is to achieve stable real returns in excess of the rate of inflation with a minimum of risk. Generally, the Portfolio will acquire high quality obligations which mature within one year from the date of settlement. However, when greater returns are available, substantial investments may be made in securities maturing within two years from the date of settlement as well. In addition, the Portfolio intends to concentrate investments in the banking industry under certain circumstances. The Portfolio is diversified, and with respect to corporate debt obligations and commercial paper, the Portfolio generally invests in securities rated A1/P1 or better.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Duration	0.77 Years
One-Year Fixed Income Index Portfolio	4.02%	4.66%	3.42%	3.96%	Average Portfolio Maturity Range	0.77 Years
Merrill Lynch 6-Month US Treasury Bill Index	3.58%	4.66%	3.65%	3.80%	Expense Ratio (as of 11/30/07)	0.18%
Merrill Lynch 1-Year US Treasury Note Index	4.75%	5.00%	3.62%	4.15%		

*All Data as of Dec 31, 2008, unless otherwise indicated.

2F IFA 2-Year Global Fixed Income Index (2F)

January 1928 – June 1977: Five-Year T-Notes minus 1.5 bp/month
January 1990 – February 1996: Citi World Government Bond 1-3 Years Hedged minus 1.5 bp/month

July 1977 – December 1989: ML US Treasury Index 1-3 Years minus 1.5 bp/month
March 1996 – December 2007: DFA Two-Year Global Fixed Income Symbol: DFGFX

Investment Objective of DFA Two-Year Global Fixed Income Symbol: DFGFX : The investment objective of the DFA Two-Year Global Fixed Income Portfolio is to maximize total returns consistent with preservation of capital. Generally, the Portfolio will acquire high quality obligations which mature within two years from the date of settlement. The Portfolio expects to invest in obligations issued or guaranteed by countries that are members of the Organization of Economic Cooperation and Development, but may invest in other countries as well. Investments in corporate debt obligations, bank obligations, commercial paper, repurchase agreements, and obligations of other domestic and foreign issuers with high quality ratings may also be included. The Portfolio will also enter into forward foreign currency contracts solely for the purpose of hedging against fluctuations in currency exchange rates. The Portfolio is diversified; and with respect to corporate debt obligations and commercial paper, the Portfolio generally invests in US securities rated A1/P1 or better and non-US securities rated AA/Aa2 or better.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Duration	0.82 Years
Two-Year Global Fixed Portfolio (I)	4.08%	4.60%	3.28%	4.06%	Average Portfolio Maturity Range	0.83 Years
Citigroup World Government Bond Index 1-3 Years	5.56%	5.31%	4.15%	4.48%	Expense Ratio (as of 11/30/07)	0.18%

*All Data as of Dec 31, 2008, unless otherwise indicated.

5G IFA 5-Yr Government Fixed Income Index (5F)

January 1928 – December 1972: Five-Year T-Notes minus 1.92 bp/month
June 1987 – Present: DFA Five-Year Gov't Income Symbol: DFFGX

January 1973 – May 1987: Barclays Intermediate Government Bond Index minus 1.92 bp/month

Investment Objective of DFA Five-Year Gov't Income Symbol: DFFGX : The investment objective of the DFA Five-Year Government Portfolio is to maximize total returns available from the universe of debt obligations of the US government and US government agencies. Ordinarily, the Portfolio will invest at least 80% of its assets in US government obligations and US government agency obligations that mature within five years from the date of settlement. The Portfolio may also acquire repurchase agreements.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Duration	3.34 Years
Five-Year Gov't Portfolio	8.36%	5.93%	4.24%	5.29%	Average Portfolio Maturity Range	3.58 Years
Merrill Lynch US Treasury/Agency Index 1-5 Years	8.37%	6.75%	4.60%	5.21%	Expense Ratio (as of 11/30/07)	0.23%

*All Data as of Dec 31, 2008, unless otherwise indicated.

5F IFA 5-Yr Global Fixed Income Index (5F)

January 1928 – December 1984: IFA Five-Year Government Fixed Income Index
December 1990 – Present: DFA Five-Year Global Fixed Income Symbol: DFGBX

January 1985 – November 1990: Citi Global Government Bond Hedged minus 2.33 bp/month

Investment Objective of DFA Five-Year Global Fixed Income Symbol: DFGBX : The investment objective of the DFA Five-Year Global Fixed Income Portfolio is to provide a market rate of return for a fixed income portfolio with low relative volatility of returns. Generally, the Portfolio will invest in high quality obligations which mature within five years from the date of settlement. The Portfolio expects to invest primarily in obligations issued or guaranteed by any of the following countries (but may invest in other countries as well): Australia, Canada, Denmark, EMU countries, Japan, Sweden, Switzerland, the United Kingdom, and the United States. Investments in obligations of other foreign issuers rated AA or better, corporate debt obligations, bank obligations and commercial paper may also be included. The Portfolio will also enter into forward foreign currency contracts solely for the purpose of hedging against fluctuations in currency exchange rates.

Average Annual Total Returns	One Year	Three Years	Five Years	Ten Years	Duration	2.34 Years
Five-Year Global Fixed Portfolio	4.02%	4.38%	3.54%	4.71%	Average Portfolio Maturity Range	2.51 Years
Citigroup World Government Bond Index 1-5 Years	6.60%	5.66%	4.53%	4.79%	Expense Ratio (as of 11/30/07)	0.28%

*All Data as of Dec 31, 2008, unless otherwise indicated.

DISCLOSURE FOR BACKTESTED PERFORMANCE DATA

Disclosure for Backtested Performance Information on the Simulated Strategies of IFA Indexes and IFA Index Portfolios (Indexfolios):

1. Index Funds Advisors, Inc. (IFA) was incorporated in March 1999 and placed its first independent client investments in early 2000. The performance information presented in the chart or table represents backtested performance based on combined simulated index data and live (or actual) mutual fund results from Jan 1, 1928 to period ending date shown using the strategy of buying, holding and annually rebalancing globally diversified portfolios of index funds. **Backtested performance is hypothetical (it does not reflect trading in actual accounts) and is provided for informational purposes to indicate historical performance had the index portfolios been available over the relevant period. IFA did not offer the index portfolios until November 1999.** Prior to 1999, IFA did not manage client assets. The IFA indexing investment strategy is based on the principles of Modern Portfolio Theory and the Fama and French Three Factor Model for Equities and Two Factor Model for Fixed Income. Index portfolios are designed to provide substantial global diversification (approximately 15,000 companies in 40 countries) in order to reduce investment concentration and the resulting increased risk caused by the volatility of individual companies, indexes, or asset classes. Client portfolios are monitored and rebalanced, taking into consideration risk exposure consistency, transaction costs, and tax ramifications to maintain target asset allocations as shown in the twenty index portfolios.

2. A review of the IFA Index Data Sources and IFA Indexes Time Series Construction is an integral part of and should be read in conjunction with this explanation of backtested performance information. For detailed descriptions and definitions of the underlying criteria and data used to construct backtested performance, see these two links: Data Sources and IFA Indexes Time Series Construction. Simulated index data is based on the performance of indexes as described in the Data Sources page. The index mutual funds used in IFA's twenty index portfolios are IFA's best estimate of a mutual fund that will come closest to the index data provided in the simulated indexes. Simulated index data is used for the period prior to the inception of the relevant live mutual fund data an equivalent mutual fund expense ratio is deducted from both live and simulated data. Live (or actual) mutual fund performance is used after the inception of each mutual fund. The IFA Indexes Times Series Construction goes back to Jan. 1928 and consistently reflects a tilt towards small and value equities over time, with an increasing diversification to international markets and the real estate index as data became available. In Jan. 1928, there are 4 equities indexes and 2 bond indexes, in Jan. 1970 there are a total of 8 indexes, and there are 15 indexes in March 1998 to present. If the original 4 equity indexes from 1928 are held constant until Dec. 2007, the annualized rate of return is 10.88%, after the deduction of a 0.9% IFA advisor fee and a standard deviation of 22.61%. The evolving IFA Indexes over the same period have a 11.14% annualized return after the same IFA fees and a 21.75% standard deviation. It is IFA's advice that the value of having a longer time series exceeds the concerns of index substitutions over the 1928 to present period. Due to the very high standard deviations of returns (22%) a 60 year or more sample size of data is recommended to reduce the standard error of the mean. In other words, in IFA's opinion, smaller sample sizes introduce larger errors than the errors introduced by stitching together indexes over time. This is the advice IFA provides to its clients. Check website to see the analysis of the evolution of these portfolios. Backtested performance is calculated by using a computer program and monthly returns data set that starts with the first day of the given time period and evaluates the returns of simulated indexes and index mutual funds, see Data Sources. In 1999, tax-managed funds became available for many different index funds. IFA uses tax-managed funds in taxable accounts. The tax-managed funds are consistent with the indexing strategy, however, they should not be expected to track the performance of corresponding non-tax-managed funds in the same or similar indexes. As such, the performance of portfolios using tax-managed funds will vary from portfolios that do not utilize these funds.

3. **Backtested performance does not represent actual performance and should not be interpreted as an indication of such performance. Actual performance for client accounts may be materially lower than that of the index portfolios.** Backtested performance results have certain inherent limitations. Such results do not represent the impact that material economic and market factors might have on an investment adviser's decision-making process if the adviser were actually managing client money. Backtested performance also differs from actual performance because it is achieved through the retroactive application of model portfolios (in this case, IFA's twenty index portfolios) designed with the benefit of hindsight. As a result, the models theoretically may be changed from time to time to obtain more favorable performance results.

4. History of Changes to the IFA Indexes:

1. **1991-1999:** Index portfolios 10, 30, 50, 70 and 90 were originally suggested by Dimensional Fund Advisors (DFA), merely as an example of globally diversified investments using their many custom index mutual funds, back in 1991 with moderate modifications in 1996 to reflect the availability of index funds that tracked the emerging markets asset class. Portfolios between each of the above listed portfolios were created by IFA in 1999 by interpolating between the above portfolios. Portfolios 5, 95 and 100 were created by Index Funds Advisors in 1999, as a lower and higher extension of the DFA 1991 risk and return line. See History of Changes to the IFA Indexes and Portfolios at <http://www.ifa.com/btp/historyofchange.html>

5. Backtested performance results assume the reinvestment of dividends and capital gains and annual rebalancing. The performance of the strategy reflects and is net of the effect of IFA's annual investment management fee of 0.9%, billed monthly. Monthly fee deduction is a requirement of our software used for backtesting. Actual IFA advisory fees are deducted quarterly, in advance. This fee is the highest fee IFA has ever charged. Depending on the size of your assets under management, your investment management fee may be less. Backtested risk and return data is a combination of live (or actual) mutual fund results and simulated index data, and mutual fund fees and expenses have been deducted from both the live (or actual) results and the simulated index data. Although index mutual funds minimize tax liabilities from short and long term capital gains, any resulting tax liability is not deducted from performance results. Performance results also do not reflect transaction fees (as seen here) and other expenses charged by broker-dealers, which reduce returns. IFA is not paid any brokerage commissions, sales loads, 12b1 fees, or any form of compensation from any mutual fund company or broker dealer. The only source of compensation from client investments is obtained from asset based advisory fees paid by the client. More information about advisory fees, expenses, no-load mutual fund fees, prospectuses for no-load index mutual funds, brokerage and custodian fees can be found on the Fee link in the gold navigation bar below and on every page at www.ifa.com.

6. For all data periods, annualized standard deviation is presented as an approximation by multiplying the monthly standard deviation number by the square root of twelve. Please note that the number computed from annual data may differ materially from this estimate. We have chosen this methodology because Morningstar uses the same method. (see IFA Indexes Time Series Construction)

7. Not all of IFA clients follow our recommendations and depending on unique and changing client and market situations we may customize the construction and implementation of the index portfolios for particular clients, including the use of tax-managed mutual funds, tax-loss-harvesting techniques and rebalancing frequency and precision. In taxable accounts, IFA uses tax-managed index funds to manage client assets. However, the tax-managed index funds are not used in calculating the backtested performance of the index portfolios, unless specified in the table or chart. Some clients substitute the mutual funds recommended by IFA with investment options available through their 401k or other accounts, thereby creating a custom asset allocation. The performance of custom asset allocations may differ materially from (and may be lower than) that of the index portfolios.

8. Performance results for clients that invested in accordance with the Index Portfolios will vary from the backtested performance provided on the site due to market conditions and other factors, including investments cash flows, mutual fund allocations, frequency and precision of rebalancing, tax-management strategies, cash balances, lower than 0.9% advisory fees, varying custodian fees, and/or the timing of fee deductions. As the result of these and potentially other variances, our clients have not and are not expected to have achieved the exact results shown since November 1999, when we placed our first investment. Actual performance for client accounts may differ materially from (and may be lower than) that of the index portfolios. Clients should consult their account statements for information about how their actual performance compares to that of the index portfolios.

9. **As with any investment strategy, there is potential for profit as well as the possibility of loss.** IFA does not guarantee any minimum level of investment performance or the success of any index portfolio or investment strategy. All investments involve risk (the amount of which may vary significantly) and investment recommendations will not always be profitable.

10. Past performance does not guarantee future results.

11. IFA Indexes and Index Portfolios (Indexfolios) Value Data are based on a starting value of one, as of Jan 1, 1928. Sources and Disclosures: As stated above, dfa.com, and yahoo.com

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