WORKBOOK

Dimensional 4S Framework™

Dimensional 4S Framework™

Dimensional has developed the 4S Framework to help you personalize your client communication using scripts, stories, sketches, and supplements. You can combine these elements to have more meaningful and impactful conversations, which can enhance the time spent with clients and improve the consistency of your firm's message.

Supplements

Dimensional slides, videos, articles, and other materials can strengthen the message and enhance a client's learning experience.

Scripts

Short, memorable talking points and specific phrases can help you guide client conversations and explain complex topics while maintaining a consistent message.

Sketches

A simple drawing can help clients make sense of data, ideas, or relationships.

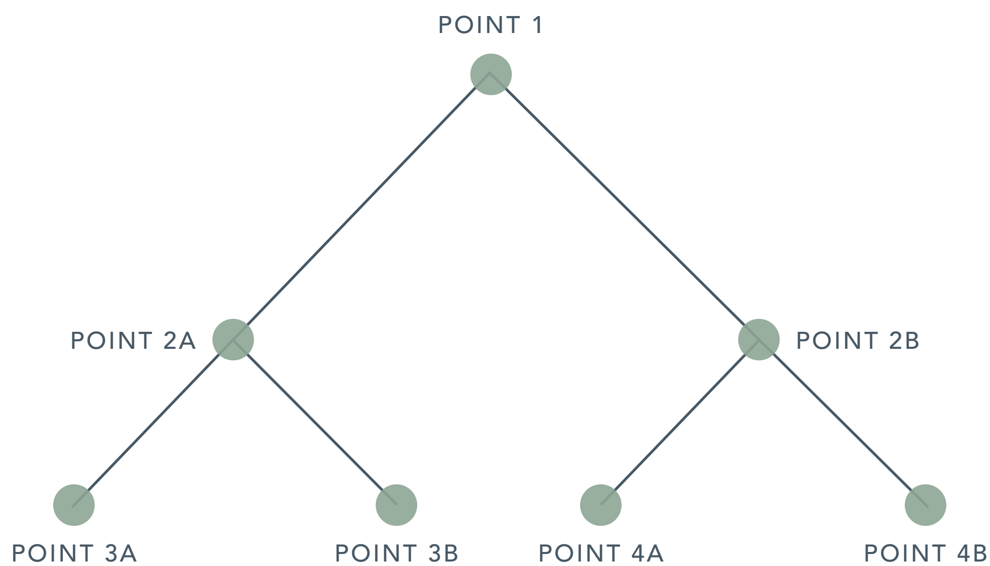
Stories

Sharing stories, examples, and analogies can help clients emotionally connect with the message, and stories can be adapted for different client personas.

Dimensional 4S Framework™

Scripts

Mapping the Conversation



A Framework for Handling Questions

To learn more about how Dimensional can help your business,
contact your Regional Director or visit us online at dimensional.com.

Short, memorable talking points and specific phrases can help you guide client conversations and explain complex topics while maintaining a consistent message.

CONVERSATION:

YOUR SCRIPT:

QUESTION:

YOUR SCRIPT:

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Stories

Personal Storytelling

Five important questions

1. What story are you telling?

2. Who are the main characters?

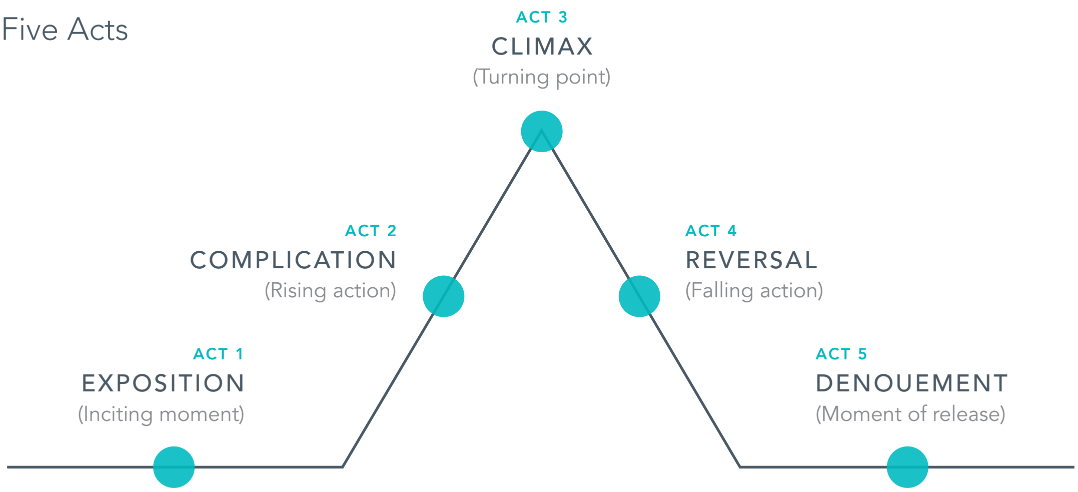
3. When and where is the story set?

4. Who is your audience?

5. Why does this story matter?

The Power of Stories

Your Five Acts



ACT 1 – EXPOSITION

ACT 2 – COMPLICATION

ACT 3 – CLIMAX

ACT 4 – REVERSAL

ACT 5 – DENOUEMENT

EXTRA NOTES

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Sketches

Investing vs. Speculating

Building the story in stages:

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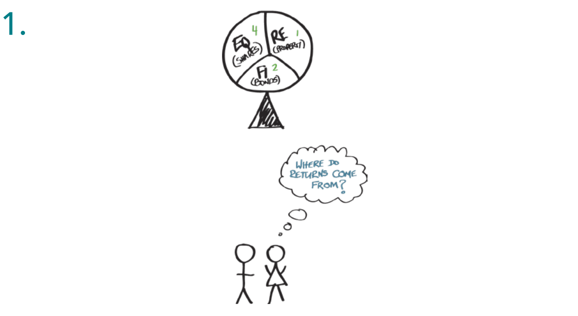

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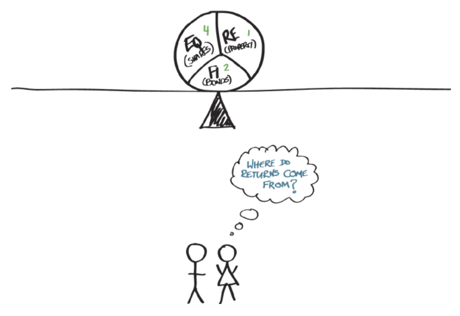

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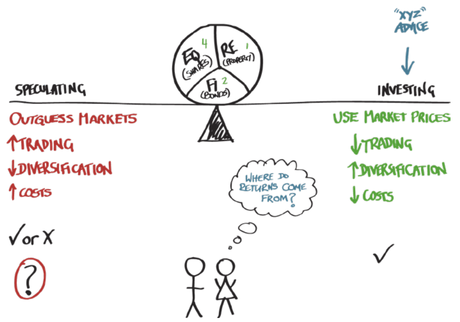

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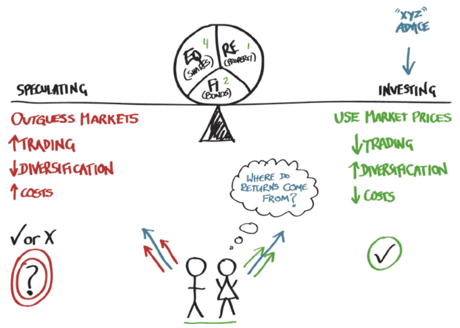

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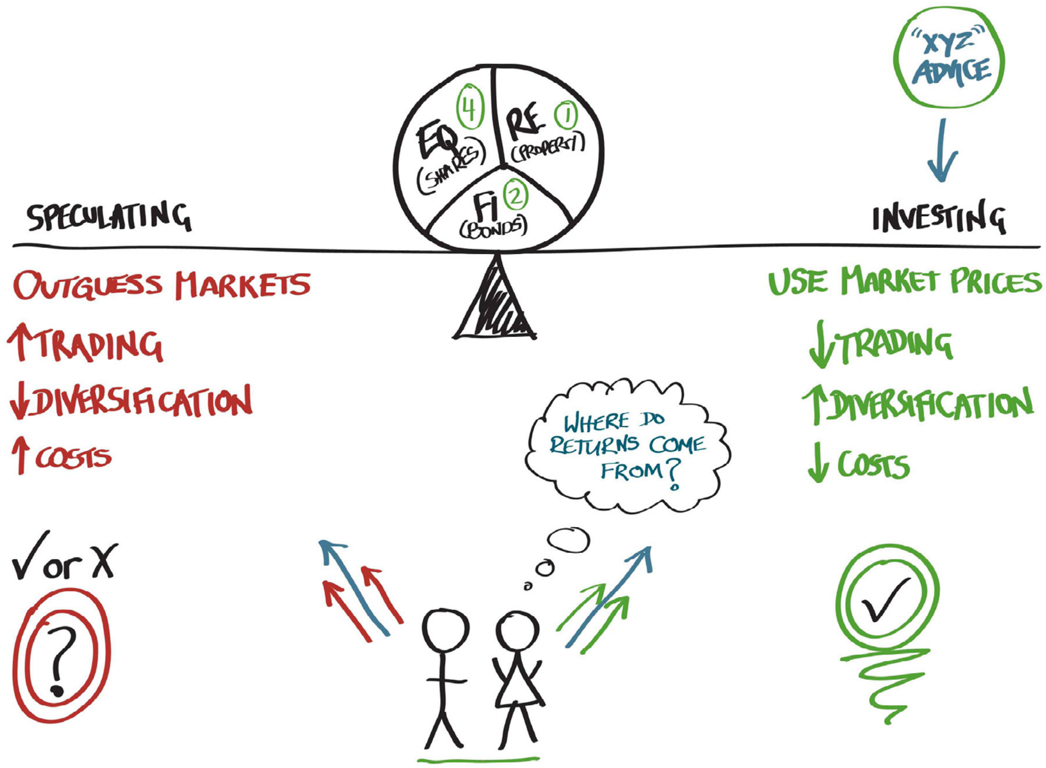

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1. Where do returns come from?

As an investor, you probably have a lot of questions, like "Will I be okay?" or "Will my money last long enough?" These are great questions, but you can define investment success in a more fundamental way.

- Imagine all investments you can trade publicly could fit in a circle.
- Those investments would broadly distill into three groups (fixed income, equities, and property).
- Against this background, a more appropriate question for an investor to ask is, "Where do returns come from?"

2. The role of the academic community

- Fortunately, the academic community has been working on this question for many decades, and the research can tell us a great deal about where returns come from.
- Years of research have identified that there are two dimensions of fixed income return (term and credit), four dimensions of equity return (market, size, relative price, and profitability), and a single dimension in real estate (the market).
- Whether you achieve these returns as an investor depends on a delicate balance of capturing these dimensions and remaining disciplined over time as an investor.

3. Investing vs. speculating

- Investors can choose between two broad approaches.
- The first involves making predictions about the future direction of markets or securities and actively trading the portfolio to pick winners and avoid losers. Under this approach, diversification is generally seen as a drag on performance. It's also seen as acceptable to pay higher fees and charges to get access to "investment expertise."
- The other school of thought is that successful investing shouldn't involve predictions, and that investors are better served by accepting that prices are fair. This approach seeks to minimize trading due to its high costs and impact on net returns, and emphasizes broad diversification as a way to reduce portfolio risk. Likewise, investors who adopt this philosophy are eager to keep costs at a reasonable level.
- We generally label the former approach that involves outguessing the market as "speculating" and the latter as "investing," and our approach is to be a genuine investor.
- Academic research suggests that behaving as a true investor gives you a better chance of having a successful investing experience. Because speculating involves chance, you may or may not succeed.

4. The role of the investor

- As an investor, you can greatly determine the success of your investment program by adhering to certain long-term disciplines.
- Getting spooked by short-term noise in the market and trying to position your portfolio to profit from news events is speculation.
- We believe investors who instead embrace principles of true investing greatly improve the chances that they get the returns they are entitled to from capital markets.

5. Bringing it all together

- In summary, if you combine an evidence-based philosophy of investment management with sound financial advice and great investor discipline, we believe you tilt the odds in your favor and maximize the chance of enjoying a better investor experience.

A Lifetime of Investing

Building the story in stages:

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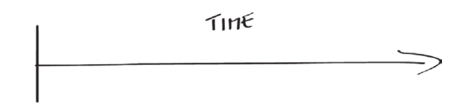

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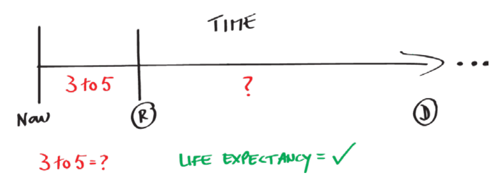

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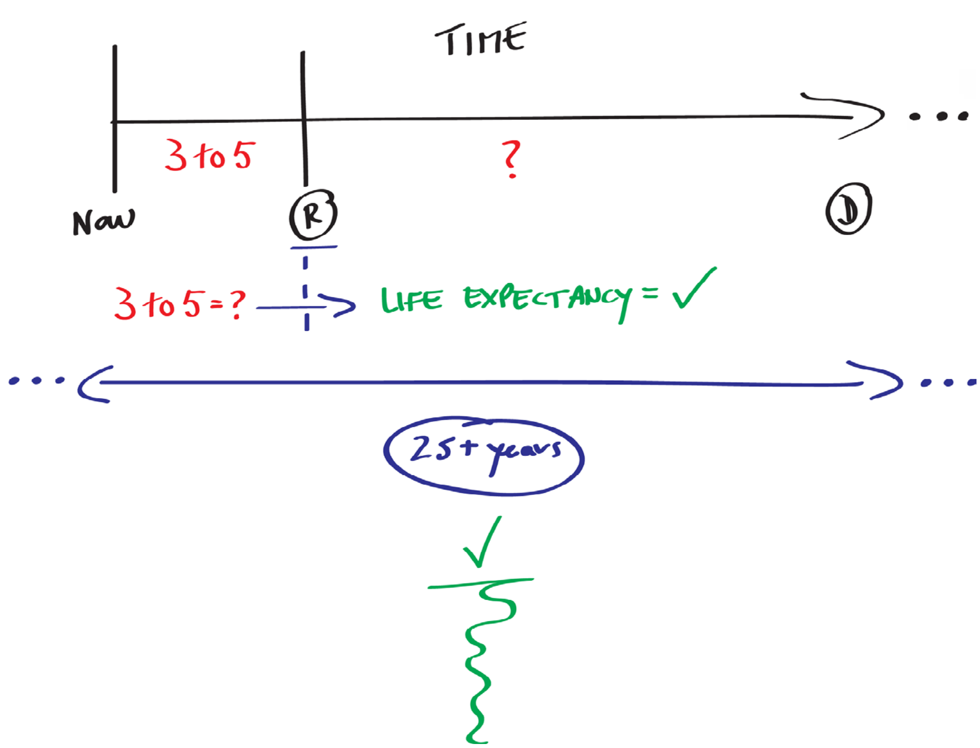

For illustrative purposes only.

1. Investing across time

- Unlike speculation, successful investing is a long-term activity.
- So let's think about what it means to invest across time.

2. Retirement is merely a point along the way.

- This is where you are now.
- You're going to retire at some point in the future, and at some future stage the inevitable occurs, though there are usually beneficiaries who survive us.

3. How long is your money going to last?

- Some people are concerned that because retirement is imminent (let's say three to five years away), there is a need to adjust their portfolio to become much more conservative.
- Their concern may come from not knowing how long retirement capital may last, the possibility that markets may deliver negative performance before retirement, and the risk of outliving their money.

4. Think about your life expectancy.

- If we think about preretirement and postretirement periods as separate time segments, some of those concerns are legitimate.
- We can't say with any certainty that markets will be higher or lower in the next three to five years.
- But if we think about the period after retirement as "life expectancy," including that of our beneficiaries, we can feel more confident that markets will give us the positive returns we need to enjoy a better investment experience.

5. On the path to a successful investment experience

- Against this background, it makes sense to stand back and consider the whole lifetime of our investment program, instead of focusing on multiple short periods of time.
- If we do this, and examine the returns of a portfolio over 25 years or more, we can feel more confident that the result is going to be positive, and that unlike those who speculate, we are on the path to a better investment experience.

Understanding the Emotions of Investing

Building the story in stages:

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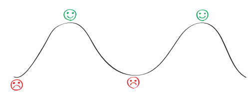

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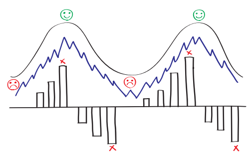

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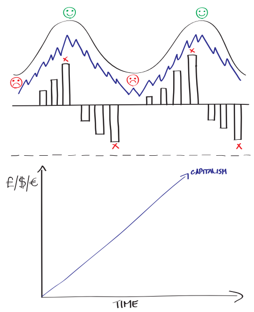

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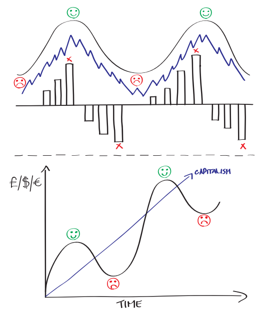

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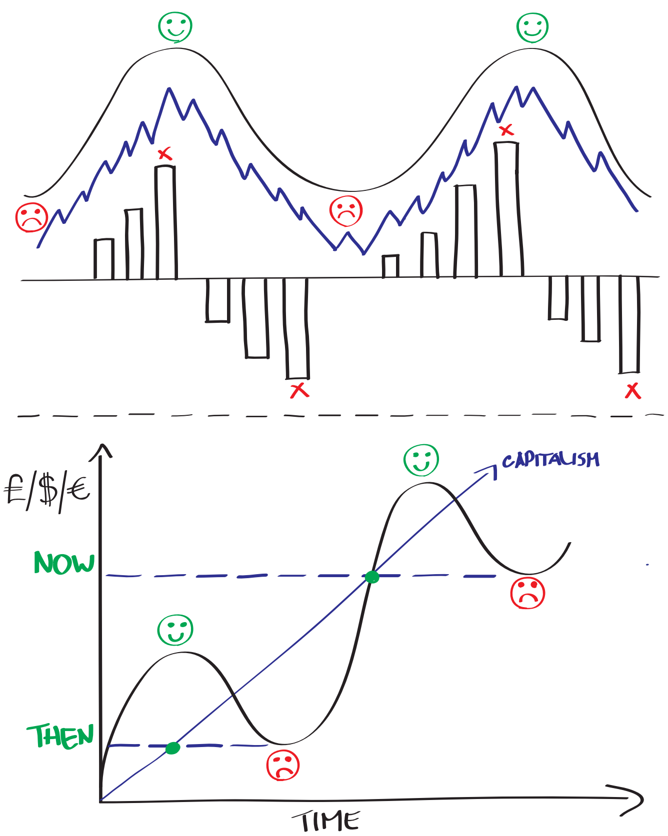

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1. Markets go up and down—so do emotions.

- When we invest, our emotions naturally go up and down.
- These emotions usually follow the path of markets—up and down.
- This means that sometimes we are happy, and at other times we are unhappy.

2. Should we act on our emotions?

- Unfortunately, some people act on these emotions when they think about their money, and that means they tend to add more money to markets when markets are rising, and scale back when they fall.
- But this behavior is damaging to wealth creation, because buying high and selling low becomes a repeated process.

3. Reframing the investment horizon

- So it is worth taking the time to reframe the long-term nature of true investing in our minds.
- If we consider the lifetime of an investment program, and potential net wealth, we should remember that we are actually investing along an upwardly sloping line of capitalism, which, despite short-term dips has delivered investors positive long-term results in the past.

4. Markets will rise and fall.

- Along the way, markets will rise and fall.
- Therefore, investors will still feel happy about their portfolio sometimes, but unhappy about it at other times.

5. There is positive wealth creation over time.

- If, during a period of short-term negative performance, we stand back and measure the wealth creation we have enjoyed from markets over time, it is often the case that we are wealthier now than when we started (even if it doesn't feel like it).

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