

Comparing Dimensional Investment Vehicles: Separately Managed Accounts (SMAs) vs. Funds

Dimensional SMAs and funds aim to offer access to a consistent investment philosophy and implementation approach. But SMAs and funds have different features that investors may consider when determining which type of vehicle is right for them.

CONSISTENT INVESTMENT APPROACH ACROSS DIMENSIONAL SOLUTIONS

Sound Investment Design

- Designed to add value over index-based approaches
- Designed to enable broad diversification
- Designed to help minimize turnover

Flexible Implementation

- Portfolio management to consistently focus on higher expected returns
- Efficient rebalancing using real-time information in prices
- Flexible trading across names and timing helps reduce costs

Competitively Priced

When pricing our strategies, Dimensional strives to be competitive relative to other providers' offerings and with Dimensional's other investment solutions.

CONSIDERATIONS PER INVESTMENT VEHICLE

	Ownership	Investment Minimums	Customization	Fee Structure
Dimensional SMAs Direct equity SMAs	Direct security ownership For direct equity SMA investments, investor directly owns the individual securities in their account.	\$500,000 Per strategy in account	Broadly customizable Investors can select a starting equity strategy and apply a broad range of customizations, including for tax management, stock, industry, sector, country, or other personal preferences.	Fixed fee Competitive starting fee for a direct securities sleeve SMA. Relationship pricing may be available.
Dimensional Funds Mutual funds and ETFs	Ownership of fund shares Investor owns shares of the fund, and the fund owns underlying securities.	Low or no minimums The investment minimum for ETFs is the price of one share. No minimum for Dimensional mutual funds.	Not customizable Funds are not customizable; however, investors can customize their overall portfolio by selecting a mix of funds.	Varies by fund Dimensional funds have expense ratios, which include management fees and additional operational expenses.

CONSIDERATIONS FOR TAX MANAGEMENT IN DIMENSIONAL SOLUTIONS

Investors have unique tax circumstances. Comparing tax-management approaches of different investment vehicles can be an important consideration in selecting an investment solution.

Dimensional uses a multifaceted approach to implementing tax management. While both our funds and SMAs may offer tax-efficient investment solutions, Dimensional SMAs—unlike funds—can implement customized tax management approaches¹ based on an investor’s level of tax sensitivity.

Considerations	Opportunities
Income	<ul style="list-style-type: none">Funds and SMAs can use ongoing daily implementation process to delay purchase or sales around dividends to increase qualified dividend income.Funds may exclude REITs from equity strategies, and Dimensional SMA starting strategies exclude REITs by design. REITs are generally required to distribute a substantial percentage of their income to shareholders annually, and this income is considered non-qualified.
Short-Term Capital Gains	<ul style="list-style-type: none">Funds and SMAs apply a tax-advantaged lot selection methodology, which allows for consideration of tax implications of selling particular securities and lots versus others based on their respective cost basis.Funds and SMAs may delay realization of short-term capital gains through flexible implementation and by helping minimize turnover.For SMAs, clients with heightened tax sensitivity can select to apply a tax management approach to prioritize minimizing short-term capital gains.
Long-Term Capital Gains	<ul style="list-style-type: none">Depending on investment objectives (funds) or account design (SMAs), funds and SMAs may delay realization of capital gains for efficient rebalancing. For SMAs, clients with higher tax sensitivity can select either standard or aggressive tax management to prioritize minimizing total capital gains.Funds can use in-kind redemption to delay realization of capital gains. ETFs commonly do in-kind redemptions, while mutual funds historically have done in-kind redemptions on a more limited basis.
Tax Loss Harvesting	<ul style="list-style-type: none">Funds can harvest losses to offset gains from other holdings within the fund but cannot pass through losses to the fund’s investors. Investors can sell a fund held at a loss to offset gains elsewhere in their holdings.SMAs can generally harvest losses within the account and pass through losses to the investor to offset gains elsewhere in their holdings and accounts, because the investor directly holds the underlying stock.

COMMON INVESTING SCENARIOS

Small investment accounts	Personalized strategy design requirements	Investors anticipating large capital gains	Global portfolio allocation with customization
For smaller investment accounts, asset levels may not meet the minimums required for SMAs, and selecting a mix of diversified funds may offer an investor more options for designing a robust asset allocation.	For investors who require personalized strategy designs, such as excluding employer stock or industry of employment or who would like to reflect their personal environmental, social, or governance preferences, SMAs can provide the opportunity for personalization while maintaining sound investment principles, such as diversification and pursuit of higher expected returns.	For investors seeking to offset capital gains with loss harvesting or who otherwise have high tax sensitivity, SMAs may provide more flexibility to manage their portfolios’ holdings to align with their specific tax goals than commingled funds.	For investors who want a globally diversified portfolio but require customization for a portion of their portfolio, such as those who work at a publicly traded company and want to exclude their employer’s stock from their US equity allocation, a Dimensional SMA can combine a customized direct equity strategy with allocations to global Dimensional equity and fixed income ETFs.

1. Certain UMA account types such as IRAs, solo 401(k)s, and other non-ERISA tax-advantaged accounts may only select no tax management when choosing a tax management approach.

GLOSSARY

Separately Managed Accounts: a portfolio of assets managed by a professional asset manager in which the investor directly owns individual securities held in individual accounts

Funds (or commingled funds): a fund with pooled assets from more than one investor, such as a mutual fund or ETF

Index-based approach: an investment approach that offers investors the ability to track the index or a subset of the market

Expected Returns: an estimate of average anticipated returns informed by historical data

Basis points (bps): one basis point equals 0.01%.

Qualified Dividend Income: A dividend that meets specific requirements put in place by the IRS, and consequently is taxed at rates that are lower than the income tax rates on non-qualified, or ordinary, dividends.

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission. **Consider the investment objectives, risks, and charges and expenses of the Dimensional funds carefully before investing. For this and other information about the Dimensional funds, please read the prospectus carefully before investing. Prospectuses are available by calling Dimensional Fund Advisors collect at (512) 306-7400 or at dimensional.com.** Dimensional funds are distributed by DFA Securities LLC.

Dimensional may be directed to manage separate accounts in a predetermined tax-sensitive manner by utilizing certain measures, including, but not limited to, tax loss harvesting, seeking to minimize short-term capital gains, maximizing the qualified portion of dividend income, applying a tax-efficient lot selection methodology, and considering tradeoffs among premiums, costs, diversification, wash-sale rules, and capital gains in daily portfolio management. Additionally, certain events (including, but not limited to, client requests to update custodians, strategies, or client-directed restrictions; ongoing client activities like contributions, redemptions, and gifts; incorrect custodian account settings; and advisor direction) may limit Dimensional's ability to engage in tax loss harvesting and to evaluate the tradeoffs outlined above. While Dimensional will regularly monitor accounts for tax loss harvesting opportunities, Dimensional might not engage in daily tax loss harvesting. For accounts that select light tax management, Dimensional will seek to reduce highly overweight positions if there are losses available to offset any potential gains. If losses are not available, Dimensional may not sell down the overweight positions unless directed.

Dimensional will generally seek to limit potential wash sales in all accounts. "Wash sales" relate to a tax regulation that seeks to prevent investors from selling securities at a loss and then repurchasing the same or a substantially identical security in a span of 30 days before or after the sale. Dimensional may be unable to avoid wash sales or other tax consequences, particularly around client cash flows, corporate actions, or when clients hold substantially identical securities in accounts that are not managed by Dimensional or in accounts that are not linked to the separate accounts Dimensional manages (external accounts).

Certain UMA account types such as IRAs, solo 401(k)s, and other non-ERISA tax-advantaged accounts may only select no tax management when choosing a tax management approach.

Dimensional is solely reliant on accurate, thorough, and timely tax lot reporting from custodians. Should custodians fail to provide accurate, thorough, and timely tax lot data, Dimensional may be unable to transact in those accounts. The tax consequences of tax loss harvesting, including wash sale rules, are complex and uncertain and subject to rulings by tax authorities. Dimensional does not provide tax advice, and each client should consult their own tax advisor or accountant. As such, Dimensional will not be responsible for any tax consequences of such transactions. Dimensional does not guarantee any particular tax outcome.

Dimensional is not a tax advisor and does not know the effective tax position of any individual client. Tax management is limited to managing the account's investment approach in a tax-sensitive manner. This information is not meant to constitute investment advice, a recommendation of any securities product or investment strategy (including account type), or an offer of any services or products for sale, nor is it intended to provide a sufficient basis on which to make an investment decision. Investors should consult with a financial professional regarding their individual circumstances before making investment decisions.

Risks include loss of principal and fluctuating value. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. The fund prospectuses contain more information about investment risks.

ETFs trade like stocks, fluctuate in market value and may trade either at a premium or discount to their net asset value. ETF shares trade at market price and are not individually redeemable with the issuing fund, other than in large share amounts called creation units. ETFs are subject to risks similar to those of stocks, including those regarding short-selling and margin account maintenance. Brokerage commissions and expenses will reduce returns.