

22 AUG 2006

21 August 2006

Regional Director
Australian Competition & Consumer Commission
GPO Box 3648
SYDNEY NSW 1044

FILE No:

DOC:

MARS/PRISM:

YOUR REF:

OUR REF: MRH: 5554031

WRITER'S TEL: (02) 9334 8806

WRITER'S NAME: Michael Hodgson

Dear Sir

**DFA AUSTRALIA LIMITED – NOTIFICATION OF EXCLUSIVE DEALING UNDER
SUB-SECTION 93(1) OF THE TRADE PRACTICES ACT**

We act for DFA Australia Limited ("Dimensional").

On behalf of Dimensional, we lodge:

1. a Form G Exclusive Dealing Notification ("Notification"); and
2. a cheque in favour of the Australian Competition & Consumer Commission for \$1,000.

Our client has instructed us to make the following submissions in relation to the Notification.

Background

In 2003, Dimensional notified exclusive dealing conduct to the ACCC (the "2003 notification") and the ACCC granted immunity for that conduct. The 2003 notification and ACCC correspondence is attached for ease of reference.

The 2003 notification was intended to cover all of the registered managed investment schemes of which Dimensional was the responsible entity, which at that time consisted of 9 schemes, and the 2003 notification referred to 9 schemes.

Since that time, 3 new schemes have been registered, and further schemes may be formed in the future. Dimensional wishes to ensure that all registered schemes (currently known as the Dimensional Australian Resident Trusts) from time to time

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are covered by the notification, and accordingly, for the avoidance of any doubt, is lodging this Notification.

Our client wishes the Notification to replace the 2003 notification. Accordingly if (and only if) the ACCC grants immunity in relation to the Notification, our client does not object to the ACCC revoking the 2003 notification.

The nature of the proposed conduct, public benefits and effect on competition are the same as for the 2003 notification, however we set these out again below for completeness.

Dimensional is the responsible entity of registered managed investment schemes structured as unit trusts ("the Trusts"), which are currently collectively known as the Dimensional Australian Resident Trusts. The Trusts comprise "equity" trusts that invest in shares of local and overseas companies and "fixed income" trusts that invest in local and overseas fixed interest securities.

Most of the funds invested in the Trusts are received from "professional investors" (as that term is defined in section 9 of the Corporations Act), including institutional investors and operators of wrap accounts and master trusts. However, from time to time Dimensional receives applications for units in the Trusts from other persons (referred to in this letter and in the accompanying notice as "individual investors").

Proposed conduct

Dimensional wishes to be able to require, as a condition of accepting an application from an individual investor, that the investor first receives advice on the proposed investment from an independent financial adviser approved by Dimensional. In addition and in the alternative, Dimensional wishes to be able to reject an application for units in a Trust made by an individual investor who has not received advice, or who has not agreed to receive advice, on the proposed investment from an independent financial adviser approved by Dimensional.

Impact of Trade Practices Act

The proposed conduct may be in breach of sub-sections 47(6) or (7) of the Trade Practices Act.

Why Dimensional wishes to engage in the proposed conduct

Dimensional wishes to engage in the proposed conduct in order to protect the interests of all investors in the Trusts, as well as those of the individual investors concerned.

The investment strategies of the Trusts are complicated, and are aimed primarily at professional investors. If an individual investor does not understand these strategies, there is a risk not only that the individual investor's interests will not be served by investing in the Trusts, but also that the interests of all other investors in the Trusts could be adversely affected by subsequent applications or redemptions of units in the relevant Trusts by the individual investor. This is explained further below.

The Trusts are not intended to be stand-alone investment vehicles. The equity trusts are designed to deliver capital market rates of returns from individual asset classes and should only be used as components of a broadly diversified long-term investment strategy. The fixed income trusts are used to mitigate the volatility of these strategies.

The strategies of many of the Trusts are designed to have very different return characteristics to commonly used market indices. These strategies have been designed to complement investments in more traditional asset classes that dominate market indices. As a consequence, on a stand alone basis these strategies can exhibit large out-performance and under-performance relative to commonly used market indices. This "tracking error" is often much higher than that for unit trusts managed by other investment managers commonly available to Australian retail investors.

In addition, many of the Trusts invest in securities that are relatively illiquid. Investors who base investment decisions on short-term performance tend to induce higher turnover in these Trusts' investments (this occurs because a redemption of units in the relevant Trust may need to be funded by the Trust selling investments; ie there may be insufficient cash on hand). This introduces additional trading costs that are borne by all investors. Dimensional's strategies are designed to provide strategic allocation to these asset classes and in the interests of all investors Dimensional discourages active trading of units in the Trusts.

To address these issues Dimensional limits direct access to the Trusts to professional investors, and wishes to limit direct access by any individual investors to those who have an appropriate understanding of Dimensional's strategies and how to incorporate them as part of an overall portfolio, or who are advised by a financial adviser with such an understanding.

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Typically, advisers obtain the required level of understanding by attending a two day conference run by Dimensional, and/or by extensive meetings and discussions with Dimensional's staff. Each adviser's knowledge is kept up to date by ongoing communication with Dimensional.

Dimensional does not offer advice to individual investors or invite individual investors to these conferences or meetings. Without such advice and training, it is Dimensional's view that individual investors would be unlikely to obtain the requisite level of understanding of its strategies and how to incorporate them as part of an overall portfolio. Consequently, as a practical measure an individual investor would need to be advised by a financial adviser that meets Dimensional's criteria to be granted access to the Trusts.

"Dimensional's criteria" are that the adviser either hold an Australian financial services licence, or be an authorised representative of a licensee, under the Corporations Act; that the adviser has a business plan which is consistent with Dimensional's investment strategies, and that the adviser has the required level of understanding as referred to above. There are no other criteria.

All approved advisers are independent of Dimensional. Dimensional has no contractual relationship with the advisers and does not pay them any commissions.

At present, Dimensional has approved approximately 120 financial advisers, located throughout Australia.

The public benefit from the proposed conduct

The public benefit from the proposed conduct is:

1. enhanced protection of the interests of individual investors, by ensuring that they have received advice on the proposed investment from an independent, licensed financial adviser who has demonstrated to Dimensional that they understand its strategies;
2. enhanced protection of the interests of other investors in the Trusts, by reducing the possibility of the value of their investment being adversely affected by trading decisions in respect of units in the Trusts made by individual investors who do not understand Dimensional's strategies.

Effect on competition

Our submission is that the effect on competition of the proposed conduct is negligible.

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The retail and wholesale funds management industry in Australia represents over \$920 billion invested on behalf of over 9 million Australians (source: Investment & Financial Services Association website). Our client, with approximately \$3 billion under management in the Trusts, is a relatively small "boutique" funds manager in the Australian market, whose Trusts only first became open for investment from 1999. Dimensional competes vigorously with its many competitors in this market for new funds from existing and prospective clients. Professional investors and individual investors alike have a huge choice of investment vehicles and managers with which to place their funds.

In respect of the financial advisors, the number of financial advisers in Sydney and throughout Australia runs into many hundreds. Dimensional has already approved approximately 120 financial advisers at the present time. This list is not closed, and Dimensional expects the number of approved advisers to rise over time as Dimensional and its Trusts become better known to the Australian investment community.

Our client submits that the public benefits of the proposed conduct far outweigh any anti-competitive impact of the conduct.

If you have any queries or require any further information in relation to this submission or the attached notification, please contact the writer.

Yours sincerely



Michael Hodgson
Partner

Form G

Commonwealth of Australia
Trade Practices Act 1974 ---- Sub-section 93(1)

N31720

EXCLUSIVE DEALING NOTIFICATION

To the Australian Competition and Consumer Commission:

Notice is hereby given, in accordance with sub-section 93(1) of the Trade Practices Act 1974, of particulars of conduct or of proposed conduct of a kind referred to in sub-section 47(2), (3), (4), (5), (6) or (7), or paragraph 47 (8) (a), (b) or (c) or (9) (a), (b), (c) or (d) of that Act in which the person giving notice engages or proposes to engage.

1. (a) Name of person giving notice

DFA Australia Limited ABN 46 065 937 671 ("Dimensional").

(b) Short description of business carried on by that person

Australian financial services licensee and responsible entity of registered managed investment schemes.

(c) Address in Australia for service of documents on that person

c/- Michael Hodgson
Abbott Tout Lawyers
Level 14, Australia Square
264-278 George Street
SYDNEY NSW 2000

2. (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates

Dimensional is the responsible entity of registered managed investment schemes structured as unit trusts ("the Trusts"), which are collectively known, at the date of this notice, as the Dimensional Australian Resident Trusts. This notice relates to units in the Trusts for which applications are made by "individual investors" (as defined below). This notice also relates to the supply of advisory services to individual investors by financial advisers approved by Dimensional.

(b) Description of the conduct or proposed conduct

Most of the funds invested in the Trusts are received from "professional investors" (as that term is defined in section 9 of the Corporations Act), including institutional investors and operators of wrap accounts and master trusts. However, from time to time Dimensional receives applications for units in the Trusts from other persons (referred to in this notice as "individual investors").

For the reasons outlined in the accompanying submission, Dimensional wishes to be able to require, as a condition of accepting an application from an individual investor, that the investor first receives advice on the

proposed investment from an independent financial adviser approved by Dimensional. In addition and in the alternative, Dimensional wishes to be able to reject an application for units in a Trust made by an individual investor who has not received advice, or who has not agreed to receive advice, on the proposed investment from an independent financial adviser approved by Dimensional.

3. (a) **Class or classes of persons to which the conduct relates**

Individual investors applying for units in the Trusts, who are not advised by an independent financial adviser approved by Dimensional.

(b) **Number of those persons:**

(i) At present time: None - to date Dimensional has not rejected an application into any of the Trusts on this basis.

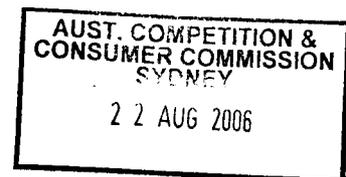
(ii) Estimated within the next year: At the date of this notice the Trusts have a minimum investment of \$1,000,000 per Trust (this may change in the future). As a consequence we would expect that individual investors that can meet this minimum and who wish to invest directly without advice within the next year will number less than 10.

(c) **Where number of persons stated in item 3 (b) (i) is less than 50, their names and addresses**

Not applicable.

4. **Name and address of person authorised by the person giving this notice to provide additional information in relation to this notice**

Michael Hodgson
Abbott Tout Lawyers
Level 14, Australia Square
264-278 George Street
SYDNEY NSW 2000



Dated: 18 August 2006

Signed on behalf of
DFA Australia Limited



(Signature)

ANDREW CAIN

(Full name)

DIRECTOR

(Description)