

June 30<sup>th</sup>, 2005

We have good news to report to you this quarter both from DEM and our two strategic partners, TDWaterhouse and Dimensional Fund Advisors.

(1) First up, **TDWaterhouse** recently announced an agreement to merge with Ameritrade, pending shareholder approval. The combined company, to be called TD Ameritrade, will become the world's largest online brokerage firm with approximately \$219 billion dollars worth of client assets.

The merger is expected to take approximately six months to complete. In the meantime, our investment advisor division, TDWaterhouse Institutional Services, will continue to operate as usual. The securities in your TD Waterhouse brokerage account remain protected up to \$150 million per customer, including up to \$1 million for cash. And [www.advisorclient.com](http://www.advisorclient.com) will continue to serve as your web account interface. We are excited about the customer and technology service enhancements that TD Ameritrade has in store for both DEM and our clients.

(2) The next bit of good news comes from **Dimensional Fund Advisors**. As you know, both DFA and DEM are research-oriented firms. One of our long-running research projects has been to evaluate how the Emerging Markets asset class fits into our diversified portfolio management techniques. (Emerging Markets is the general term given to the stock markets of non-developed countries such as Mexico, Brazil, Turkey, Thailand, etc.)

Thanks to the Nobel Prize winning research team at DFA, we now have reliable data on Emerging Markets strategies going back to 1990. The inherent political and socioeconomic risks involved with developing nations make their stock markets rather volatile. However, while volatile, these returns are not highly correlated with any of the other asset classes that we currently own. Our research demonstrates convincingly that adding a small dose of Emerging Markets to our current International portfolio mix offers us yet another means for reducing our overall portfolio volatility and increasing our expected long-term returns.

In response to this research, DFA recently launched a new Emerging Markets Core portfolio (symbol DCEFEX). Just as with our other DFA asset class strategies, the Emerging Markets Core portfolio invests across both large/small and growth/value segments of the market. This single fund will bring our portfolios consistent and cost-effective exposure to another non-correlated asset class.

Consequently, we will be looking for opportunities to add this fund to our accounts that currently have International exposure. We will use any combination of available cash, deposits, or our regular portfolio adjustments to purchase this new fund. Our target allocation for Emerging Markets will be approximately 5%.

(3) And finally, **DEM** is proud to announce the addition of Valorie Frederick to our staff. Valorie will be handling various administrative and client service duties for us. We are very proud to be adding someone with her knowledge and experience to our team.

Remember to check your email box for the enhanced version of this newsletter. If you fail to receive it, please notify Valorie at [vfederick@demgt.com](mailto:vfederick@demgt.com) so we can update your information in our database.

Don Davey

Senior Portfolio Manager

Disciplined Equity Management