



Index Fund Strategies

ASSET CLASS

A monthly update of asset class performance, trends, & topics for long-term investors

Index Returns

	YTD 9/30	% Change From 8/31
Bonds		
Short-term	+4.4%	+0.6%
Intermediate	+6.0%	+1.6%
Long-term	+8.1%	+2.9%
Global	+6.7%	+0.9%
U.S. stocks		
Large Market	+29.5%	+5.5%
Large Value	+31.8%	+5.3%
Small Market	+31.9%	+7.8%
Small Value	+36.6%	+7.7%
Real estate	+17.9%	+9.2%
Int'l stocks		
Large Market	+13.7%	+6.4%
Large Value	+7.2%	+3.7%
Small Market	-7.4%	-2.2%
Small Value	-7.1%	-1.9%
Emerging Mkts.	+1.3%	+4.1%

Short-term bonds = DFA One-Year Fixed Income fund; Intermediate bonds = DFA Intermediate Government Bond fund; Long-term bonds = Vanguard Bond Index Long-term; Global bonds = DFA Global Fixed Income fund; U.S. Large Market = Vanguard Index 500 fund; U.S. Large Value = DFA Large Cap Value fund; U.S. Small Market = DFA 6-10 Small Company fund; U.S. Small Value = DFA Small Cap Value fund; Real Estate = DFA Real Estate Securities fund; Int'l Large Market = DFA International Large Cap fund; Int'l Large Value = DFA International Large Cap Value fund; Int'l Small Market = DFA International Small Company fund; Int'l Small Value = DFA International Small Cap Value fund; and Emerging Markets = DFA Emerging Markets fund.

This information is obtained from sources we believe are reliable, but we cannot guarantee its accuracy. **Past performance does not guarantee future returns.**

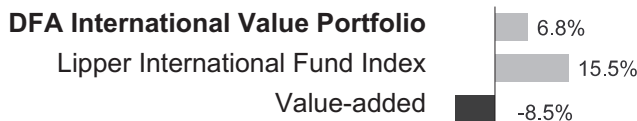
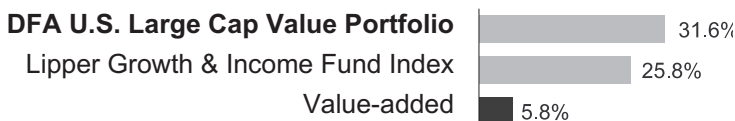
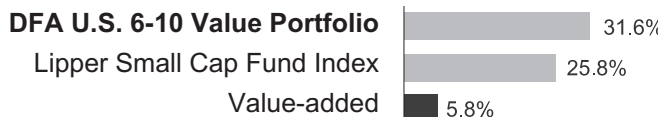
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Markets Update

Performance Highlights through September 30, 1997



On the U.S. side, our investment strategy is enjoying short-term success that is in line with the long-term risk/return relationships of the asset classes—small beats large, value beats growth. What is extraordinary, however, is the margin between the index funds and the average actively-managed fund. It appears that small cap managers, having become frustrated by their lagging performance over the past couple of years, moved too much into larger companies just as the tide began to turn.

In contrast, international fund managers have continued to avoid Japan and other Asian markets with comparatively good results. Small company stocks in Japan, as one might expect, have fared worse than large company stocks as reflected in the DFA International Small Cap Value fund return. Emerging market stocks have moved up and down this year and show only a +1% gain through September.

TAM Model Portfolio Allocations

Fund	Stock/Bond Ratio			
	50/50	65/35	85/15	100/0
FTC Money Market	2%	2%	2%	2%
DFA Five-Year Gov't	48%	33%	13%	0%
DFA U.S. Large Cap Value	15%	20%	20%	23%
DFA U.S. 6-10 Value	15%	20%	31%	35%
DFA International Value	12%	13%	17%	20%
DFA Int'l Small Cap Value	8%	9%	12%	13%
DFA Emerging Markets	0%	3%	5%	7%

Fund Updates

DFA U.S. Large Cap Value Portfolio

(S&P 500 fund characteristics in parentheses)

Weighted ave. market cap.	\$2 billion (\$51.2 billion)
Weighted ave. price-to-book ratio	1.2 (4.3)
Price-to-earnings ratio	14.3 (22.2)
Gross dividend yield	2.12% (1.76%)
Number of stocks	196 (500)
Portfolio turnover	17.76% (3.48%)
Total assets	\$715 million
Dividend schedule	Income quarterly, cap. gains-annually
Inception date	2/18/93

Ten largest holdings

Ford	GM	Chrysler	Aetna
Int'l Paper	Archer Daniels	CSX	Burlington Northrn.
AMR	Amer. General		

Ten largest holdings: S&P 500

GE	Coca-Cola	Exxon	Microsoft
Royal Dutch	Merck	Intel	Philip Morris
Proctor & Gamble	IBM		

DFA International Value Portfolio

Weighted ave. market cap.	\$11.4 billion
Weighted ave. price-to-book ratio	1.45
Price-to-earnings ratio	23.2
Gross dividend yield	2.0%
Number of stocks	746
Portfolio turnover	18.48
Total assets	\$408 million
Dividend schedule	Income & cap. gains-annually
Inception date	2/16/94

Country	% of fund	# stocks	wtd. ave. mkt. cap.	p/b	p/e	div. yield
Japan	33.22	746	\$8.9 bil.	0.75	53.4	0.9
U.K.	18.53	114	\$17.8 bil.	0.61	15.1	3.4
Germany	9.03	35	\$15.1 bil.	0.51	21.2	2.1
France	7.19	39	\$12.0 bil.	0.71	19.9	2.2
Switzerland	6.85	27	\$10.7 bil.	0.53	28.0	1.1
Netherlands	5.43	16	\$23.1 bil.	0.47	20.5	2.3
Hong Kong	3.79	26	\$4.9 bil.	1.10	16.9	3.0
Italy	3.34	19	\$5.2 bil.	1.25	20.7	2.1
Australia	2.77	23	\$6.5 bil.	0.65	16.5	3.7
Sweden	2.75	32	\$5.4 bil.	0.60	12.3	2.6
Spain	2.63	11	\$5.5 bil.	0.61	20.0	2.4
Malaysia	2.15	34	\$2.9 bil.	0.60	15.7	1.9
Belgium	1.21	17	\$4.0 bil.	0.55	16.5	2.2
Singapore	1.10	13	\$1.2 bil.	1.27	16.7	2.2

DFA U.S. 6-10 Value Portfolio

(DFA 6-10 fund characteristics in parentheses)

Weighted ave. market cap.	\$349 million (\$423 million)
Weighted ave. price-to-book ratio	1.52 (2.33)
Price-to-earnings ratio	24.4 (27.0)
Gross dividend yield	0.94% (0.89%)
Number of stocks	1,742 (3,460)
Portfolio turnover	24.24% (39.07%)
Total assets	\$1.8 billion
Dividend schedule	Income & cap. gains-annually
Inception date	3/1/93

Ten largest holdings

Airborne Freight	Sequent Computer	Amer. Freightways
John Alden Fin.	Capital Re.	Micro Warehouse
Rykoff-Sexton	Offshore Logistics	Standard Products
Gerber Scientific		

DFA International Small Cap Value Portfolio

Weighted ave. market cap.	\$285 million
Weighted ave. price-to-book ratio	0.98
Price-to-earnings ratio	25.4
Gross dividend yield	2.0%
Number of stocks	1,289
Portfolio turnover	14.52
Total assets	\$478 million
Dividend schedule	Income & cap. gains-annually
Inception date	12/29/94

Country	% of fund	# stocks	wtd. ave. mkt. cap.	p/b	p/e	div. yield
Japan	29.96	235	\$311 mil.	1.07	79.5	1.1
U.K.	16.50	357	\$276 mil.	0.84	21.5	3.1
Germany	8.81	56	\$294 mil.	0.74	27.5	1.5
France	8.37	80	\$280 mil.	1.08	16.7	2.3
Hong Kong	5.56	139	\$303 mil.	1.57	15.6	2.9
Malaysia	4.77	76	\$297 mil.	0.75	13.9	1.8
Australia	4.49	112	\$316 mil.	0.75	15.4	3.6
Netherlands	4.33	28	\$185 mil.	0.75	15.0	2.9
Spain	3.73	3	\$381 mil.	0.87	19.7	1.6
Switzerland	3.70	3	\$224 mil.	1.49	34.7	1.5
Italy	3.34	40	\$248 mil.	1.66	14.8	2.5
Singapore	2.92	46	\$249 mil.	1.31	21.4	2.4
Sweden	2.28	39	\$147 mil.	0.98	33.9	1.9
Belgium	1.25	17	\$209 mil.	1.03	33.0	2.3

DFA Emerging Markets Portfolio

Weighted ave. market cap.	\$4.8 billion
Weighted ave. price-to-book ratio	1.8
Price-to-earnings ratio	16.8
Gross dividend yield	2.3%
Number of stocks	599
Portfolio turnover	0.91%
Total assets	\$270 million
Dividend schedule	Income & cap. gains-annually
Inception date	4/22/94

Country	% of fund	# stocks	wtd. ave. mkt. cap.	p/b	p/e	div. yield
Turkey	9.99	50	\$1.9 bil.	0.15	30.7	2.8
Indonesia	9.60	51	\$5.3 bil.	0.31	20.5	1.6
Thailand	9.49	90	\$1.3 bil.	0.85	10.3	5.4
Brazil	9.42	47	\$16.8 bil.	0.76	14.3	1.9
Argentina	9.34	31	\$4.6 bil.	0.57	20.9	2.6
Mexico	9.12	43	\$6.1 bil.	0.51	15.6	1.8
Philippines	8.87	32	\$2.1 bil.	0.40	19.3	0.9
Portugal	8.79	27	\$1.7 bil.	0.47	19.4	2.2
Malaysia	8.75	109	\$5.1 bil.	0.34	17.8	1.7
So. Korea	8.63	84	\$1.8 bil.	1.37	13.8	2.2
Israel	8.00	35	\$1.6 bil.	0.66	15.6	1.5

DFA Five-Year Government Portfolio

Average wghtd. maturity	2.27 years
30-day SEC yield	5.98%
Expense ratio	0.30%
Portfolio turnover	13.66%
Total assets	\$192 million
Dividend schedule	Income semi-annually, Cap. gains-annually
Inception date	5/13/87
Portfolio composition (5/30/97)	99.0% U.S. Treasuries