

# DIMENSIONAL AT A GLANCE



## A belief in the power of markets



- ▶ Each day, the global financial markets process millions of trades between buyers and sellers.
- ▶ These trades embed vast amounts of news, expectations, and information into prices.
- ▶ Dimensional regards a security's price as the best estimate of actual value—and bases its investment approach on market prices.

## A different investment approach

- ▶ **Index fund managers** aim to match index returns, accepting portfolio management and trading constraints that can increase costs.
- ▶ **Traditional managers and quants** may rely on predictions or backtested simulations to find mispriced securities or to time markets.
- ▶ **Dimensional** believes investors can have a successful investment experience without having to outguess the market. The firm trusts market prices and applies a scientific, transparent, and process-driven investment approach to pursue higher expected returns.

## Focusing on the drivers of returns

Long-term drivers of <b>STOCK RETURNS</b> <sup>3</sup>	<b>COMPANY SIZE</b>	<b>RELATIVE PRICE</b>	<b>PROFITABILITY</b>
	Small vs. large companies	Value vs. growth companies	High vs. low profitability companies
Long-term drivers of <b>BOND RETURNS</b>	<b>TERM</b>	<b>CREDIT</b>	<b>CURRENCY</b>
	Sensitivity to interest rates	Credit quality of issuer	Currency of issuance

- ▶ Dimensional believes security prices contain reliable information about expected returns.
- ▶ The firm draws insights from research and prices to emphasize market areas—or dimensions—that drive returns.
- ▶ Equity dimensions with higher expected returns are small, value, and high profitability companies. Fixed income dimensions are term, credit, and currency.
- ▶ Dimensional targets these dimensions in low-cost, broadly diversified strategies.<sup>4</sup>

## Applying financial science to investing

- ▶ Dimensional has forged deep working relationships with top academics in finance.
- ▶ Nobel laureate Eugene Fama, fellow researcher Kenneth French, and other leading academics are directors and consultants to the firm.
- ▶ A scientific perspective guides the firm's culture, philosophy, and investment approach.

*“The research is out there for anybody to access. What distinguishes Dimensional is the way we implement the ideas.”*

—David Booth

## Value-added implementation

Expert implementation sets Dimensional apart. The firm applies financial science in real-world portfolios through a process that integrates:

- RESEARCH** Gain a better understanding of expected returns by evaluating and testing empirical research
- PORTFOLIO DESIGN** Increase expected returns while allowing for robust risk and cost management
- PORTFOLIO MANAGEMENT** Use current market information to balance tradeoffs between competing premiums and costs
- TRADING** Reduce trading costs by employing a flexible approach to participate in available market liquidity

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1. Firmwide assets under management as of December 31, 2023, in USD (billions).
  2. In USD. Source: Dimensional, using data from Bloomberg LP. Includes primary and secondary exchange trading volume globally for equities. Funds are excluded. Daily averages were computed by calculating the trading volume of each stock daily as the closing price multiplied by shares traded that day. All such trading volume is summed up and divided by 252 as an approximate number of annual trading days.
  3. Relative price is measured by the price-to-book ratio; value stocks are those with lower price-to-book ratios. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book equity.
  4. Diversification neither assures a profit nor guarantees against loss in a declining market.

Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

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