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# Pursuing a Better Investment Experience

Key Principles to Improve Your Odds of Success



*If you are a retail investor in the UK, Ireland, Germany or the Netherlands, this document has been provided to you by your financial adviser, who can help explain its contents.*

## 1. Embrace Market Pricing

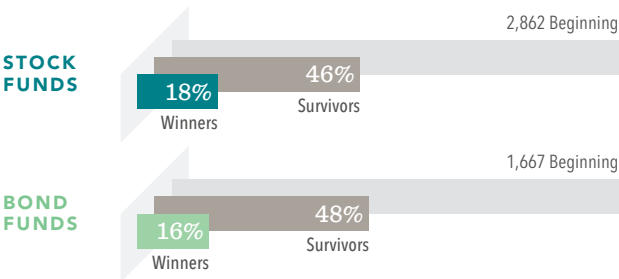
Financial science has taught us that the market is an effective information-processing machine. Each day, the world equity markets process billions of dollars in trades between buyers and sellers—and the real-time information they bring helps set prices.



## 2. Don't Try to Outguess the Market

The market's pricing power works against fund managers who try to outperform through stock picking or market timing. As evidence, only 18% of US-domiciled stock funds and 16% of bond funds have survived and outperformed their benchmarks over the past 20 years.

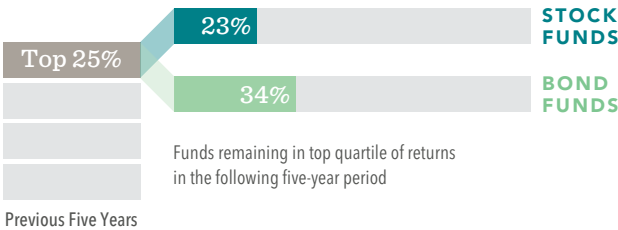
US-Domiciled Stock and Bond Fund Performance, 2005–2024



## 3. Resist Chasing Past Performance

Some investors select funds based on their past returns. Yet, past performance offers little insight into a fund's future returns. For example, most funds in the top 25% of previous five-year returns did not maintain a top-25% ranking in the following five years.

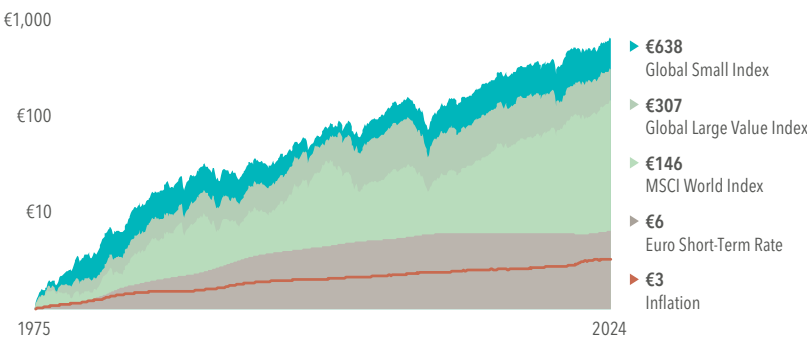
Percentage of Top-Ranked Funds That Stayed on Top, 2005–2024



## 4. Let Markets Work for You

The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and the stock and bond markets have provided growth of wealth that has more than offset inflation, as this chart of the past 50 years shows.

Growth of a Euro, 1975–2024 (compounded monthly)



## 5. Target Higher Returns

Academic research into decades of stock and bond returns has identified long-term drivers of outperformance. By investing systematically in the areas with higher expected returns, you can aim to beat the market.

Dimensions of Expected Returns

### STOCKS

**Small companies**  
outperform large companies over time

**Value stocks**  
outperform growth stocks over time

Companies with **high profitability** outperform those with low profitability over time

### BONDS

**Wider term spreads**  
generally lead to higher term premiums

**Wider credit spreads**  
generally lead to higher credit premiums

**Global currencies** of issuance offer opportunities for higher expected returns and reduced volatility

## 6. Diversify Internationally

Holding a globally diversified portfolio can broaden your opportunities beyond your home market—putting you in a better position to capture higher returns wherever they appear.

### Single Market Example

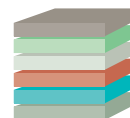
MSCI UK INVESTABLE MARKET INDEX (IMI)



1 COUNTRY  
298 COMPANIES

### Global Market Example

MSCI ACWI INVESTABLE MARKET INDEX (IMI)

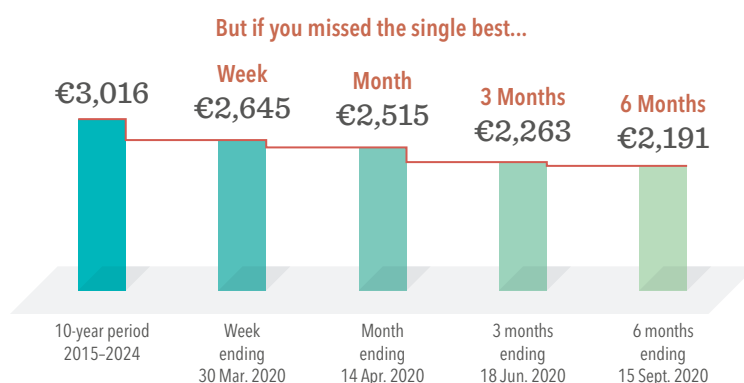


47 COUNTRIES  
8,545 COMPANIES

## 7. Avoid Market Timing

Research has shown there's no reliable way to time the market—targeting the best days to be invested or moving to the sidelines to avoid the worst days. It has also shown the impact of being out of the market even for a short time. Staying invested helps ensure you're in position to capture long-term gains.

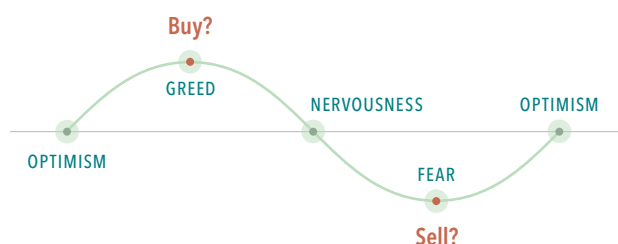
Growth of €1,000 Invested from 1 Jan. 2015 to 31 Dec. 2024



## 8. Manage Your Emotions

When markets go up and down, many people struggle to separate their emotions from investing. Reacting to current market conditions may lead to making poor investment decisions.

Avoid Reactive Investing



## 9. Look Beyond the Headlines

Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future, while others tempt you to chase the latest investment fad. When headlines unsettle you, consider the source—is it news or entertainment? Do yourself a favour and tune out the noise.

The Top 10 Funds to Own Now

Best Stocks for the Coming Recession

It's Time to Bet Against Oil

The Investment That's Safer than Cash

## 10. Control What You Can Control

Work with your financial adviser to stay focused on actions that add value. While you can't control which way the market will turn, following time-tested principles can lead to a better investment experience.

- ▶ Create an investment plan to fit your needs and risk tolerance.
- ▶ Structure a portfolio along the dimensions of expected returns.
- ▶ Diversify globally.
- ▶ Manage expenses, turnover and taxes.
- ▶ Stay disciplined through the market's highs and lows.

Past performance is no guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Diversification does not eliminate the risk of market loss. There is no guarantee investment strategies will be successful. This information is for illustrative purposes only. See back page for additional exhibit information and important disclosures.

**Exhibit 1:** 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.

**Exhibit 2:** The sample includes funds at the beginning of the 20-year period ending 31 December 2024. Each fund is evaluated relative to its primary prospectus benchmark. Survivors are funds that had returns for every month in the sample period. Winners are funds that survived and outperformed their benchmark over the period. Where the full series of primary prospectus benchmark returns is unavailable, non-Dimensional funds are instead evaluated relative to their Morningstar category index.

**Exhibit 3:** This study evaluated fund performance over rolling periods from 2005 through 2024. Each year, funds are sorted within their category based on their previous five-year total return. Those ranked in the top quartile of returns are evaluated over the following five-year period. The chart shows the average percentage of top-ranked equity and fixed income funds that kept their top ranking in the subsequent period.

**Source (Exhibits 2 and 3): Data Sample:** The sample includes US-domiciled, USD-denominated open-end and exchange-traded funds (ETFs) in the following Morningstar categories. Non-Dimensional fund data is provided by Morningstar. Dimensional fund data is provided by the fund accountant. Dimensional funds or subadvised funds whose access is or previously was limited to certain investors are excluded. Index funds, load-waived funds and funds of funds are excluded from the industry sample. **Morningstar Categories (Equity):** Equity fund sample includes the following Morningstar historical categories: Diversified Emerging Markets, Europe Stock, Foreign Large Blend, Foreign Large Growth, Foreign Large Value, Foreign Small/Mid Blend, Foreign Small/Mid Growth, Foreign Small/Mid Value, Global Real Estate, Japan Stock, Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Miscellaneous Region, Pacific/Asia ex-Japan Stock, Real Estate, Small Blend, Small Growth, Small Value, Global Large-Stock Blend, Global Large-Stock Growth, Global Large-Stock Value and Global Small/Mid Stock. **Morningstar Categories (Fixed Income):** Fixed income fund sample includes the following Morningstar historical categories: Corporate Bond, High-Yield Bond, Inflation-Protected Bond, Intermediate Core Bond, Intermediate Core-Plus Bond, Intermediate Government, Long Government, Muni California Intermediate, Muni California Long, Muni Massachusetts, Muni Minnesota, Muni National Intermediate, Muni National Long, Muni National Short, Muni New Jersey, Muni New York Intermediate, Muni New York Long, Muni Ohio, Muni Pennsylvania, Muni Single State Intermediate, Muni Single State Long, Muni Single State Short, Muni Target Maturity, Short Government, Short-Term Bond, Ultrashort Bond, Global Bond and Global Bond-USD Hedged. **Index Data Sources:** Index data provided by Bloomberg, MSCI, Russell, FTSE Fixed Income LLC and S&P Dow Jones Indices LLC. Indices are not available for direct investment. Their performance does not reflect the expenses associated with management of an actual portfolio. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

**Exhibit 4:** In EUR from 1999 to present. Prior to 1999, currency is reported in Deutschmark. Global Small Index is the Dimensional Global Small Index. Global Large Value Index is the Dimensional Global Large Value Index. Inflation is the German consumer price index. Data presented in the Growth of a Euro chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment.

The Dimensional and Fama/French indices reflected above are not “financial indices” for the purpose of the EU Markets in Financial Instruments Directive (MiFID). Rather, they represent academic concepts that may be relevant or informative about portfolio construction and are not available for direct investment or for use as a benchmark. Their performance does not reflect the expenses associated with the management of an actual portfolio. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower. See below for descriptions of the Dimensional and Fama/French indices.

The Dimensional indices have been retrospectively calculated by an affiliate of Dimensional Fund Advisors Ltd. and did not exist prior to their index inception dates. Accordingly, results shown during the periods prior to each index's inception date do not represent actual returns of the index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains.

**DIMENSIONAL GLOBAL SMALL INDEX:** January 1990–present: Compiled by Dimensional from Bloomberg securities data. Market-capitalisation-weighted index of small company securities in the eligible markets, excluding those with the lowest profitability and highest relative price within their country's small cap universe. The index also excludes those companies with the highest asset growth within their country's small cap universe. Profitability is defined as operating income before depreciation and amortisation minus interest expense divided by book equity. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. The index monthly returns are computed as the simple average of the monthly returns of four subindices, each one reconstituted once a year at the end of each quarter of the year. Maximum index weight of any one company is capped at 5%. Countries currently included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US. Exclusions: REITs and investment companies. The index has been retrospectively calculated by Dimensional and did not exist prior to April 2008. Accordingly, the results shown during the periods prior to April 2008 do not represent actual returns of the index. The calculation methodology for the index was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index. The calculation methodology for the index was amended in November 2019 to include asset growth as a factor in selecting securities for inclusion in the index. July 1981–December 1989: Dimensional US Small Cap Index and Dimensional International Small Cap Index combined using market cap weights. Prior to July 1981: 50% Dimensional US Small Cap Index, 50% Dimensional International Small Cap Index.

**DIMENSIONAL GLOBAL LARGE VALUE INDEX:** Compiled by Dimensional from Bloomberg securities data. Consists of large cap companies in eligible markets whose relative price is in the bottom 30% of their country's large companies, after the exclusion of utilities and companies with either negative or missing relative price data. The index emphasises companies with smaller capitalisation, lower relative price and higher profitability. The index also excludes those companies with the lowest profitability within their country's large value universe. Profitability is defined as operating income before depreciation and amortisation minus interest expense divided by book equity. The index monthly returns are computed as the simple average of the monthly returns of four subindices, each one reconstituted once a year at the end of each quarter of the year. Maximum index weight of any one company is capped at 5%. Countries currently included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US. Exclusions: REITs and investment companies. The index has been retroactively calculated

by Dimensional and did not exist prior to April 2008. Accordingly, the results shown during the periods prior to April 2008 do not represent actual returns of the index. The calculation methodology was amended in January 2014 to include profitability as a factor in selecting securities for inclusion in the index. Prior to January 1990: Fama/French international value country indices and Fama/French US Large Value Research Index combined using market cap weights.

**MSCI WORLD INDEX:** MSCI data © MSCI 2025, all rights reserved.

**EURO SHORT-TERM RATE:** January 1999–present: ICE BofA Euro Currency 1-Month Deposit Offered Rate Constant Maturity Index. ICE BofA index data © 2025 ICE Data Indices, LLC. Prior to January 1999: German 3-Month Money Market Rate in deutsch mark currency.

**INFLATION- GERMAN CONSUMER PRICE INDEX:** German consumer price index provided by the Deutsche Bundesbank. Prior to 1995, includes Western Germany only. Excludes West Berlin prior to 1962 and excludes Saarland prior to 1960.

**Exhibit 5:** 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 amortisation minus interest expense scaled by book.

**Exhibit 6:** Number of holdings and countries for the MSCI UK IMI (United Kingdom IMI Index) and MSCI ACWI IMI (All Country World IMI Index) as at 31 December 2024. International investing involves special risks, such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks.

**Exhibit 7:** In EUR. For illustrative purposes. For the purposes of this analysis, we assume the following number of trading days for each period: five trading days in a week, 21 trading days in a month, 63 trading days in three months and 126 trading days in six months. Best performance dates represent end of period (30 March 2020, for best week; 14 April 2020, for best month; 18 June 2020, for best three months; and 15 September 2020, for best six months). The missed best consecutive days examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best consecutive days, held cash for the missed best consecutive days and reinvested the entire portfolio in the MSCI World Index (net dividends) at the end of the missed best consecutive days. Data presented in the Growth of €1,000 exhibit is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The data is for illustrative purposes only and is not indicative of any investment.

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