2026 XYPN Live

The Foundational Principles

Skylar Liang
Regional Director

September 29, 2026

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

The Foundational Principles

Dimensional

Prices Reflect Information

Prices reflect the aggregate expectations of market participants.

Dimensions of Expected Returns

Fairly priced securities can have different expected returns from one another.

Implementation Requires Expertise

Efficiently capturing higher expected returns requires us to use the information contained in security prices rationally.

The Foundational Principles

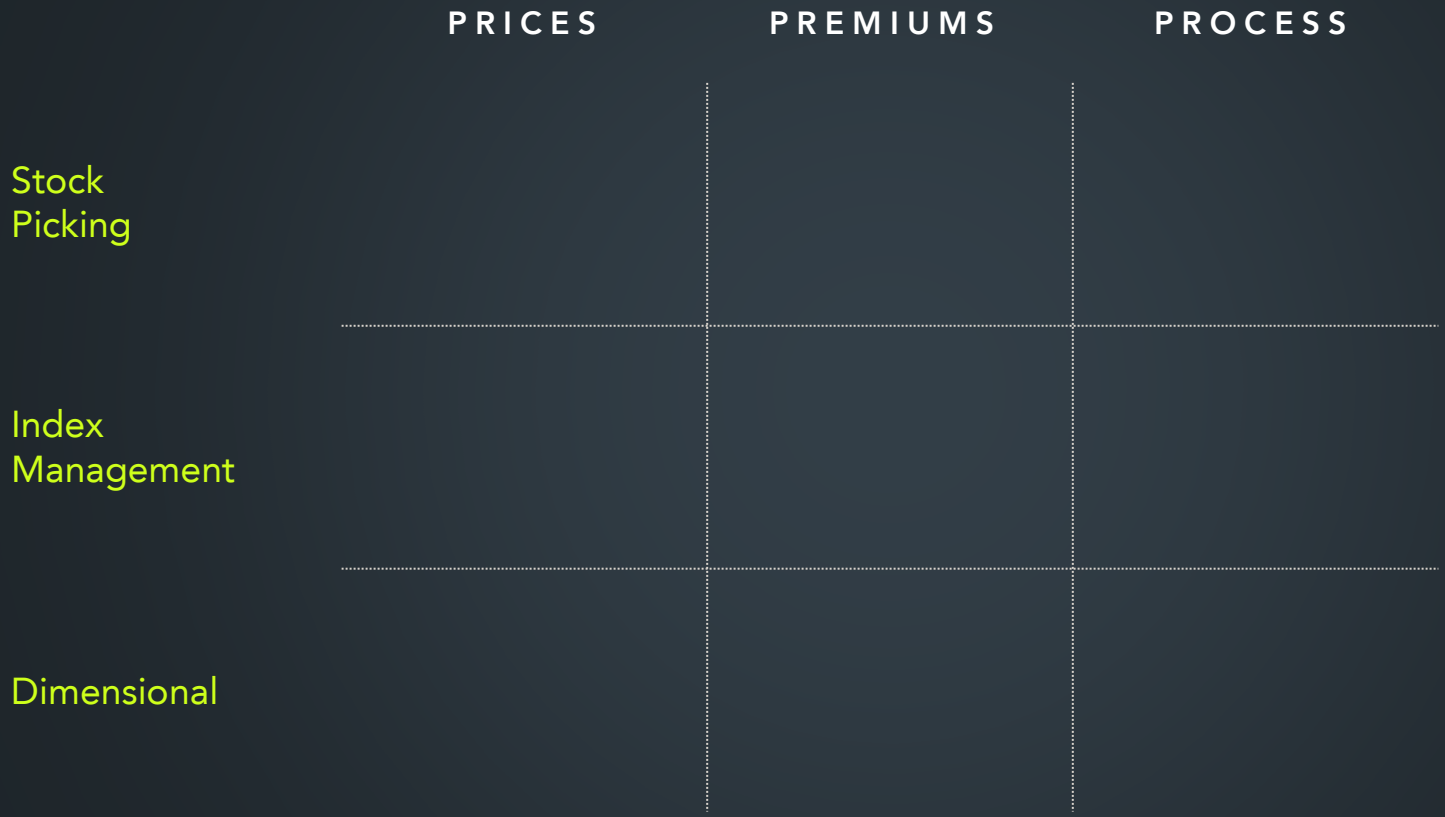
Dimensional

PRICES

PREMIUMS

PROCESS

Dimensional



The Foundational Principles

Dimensional

PRICES

PREMIUMS

PROCESS

Dimensional

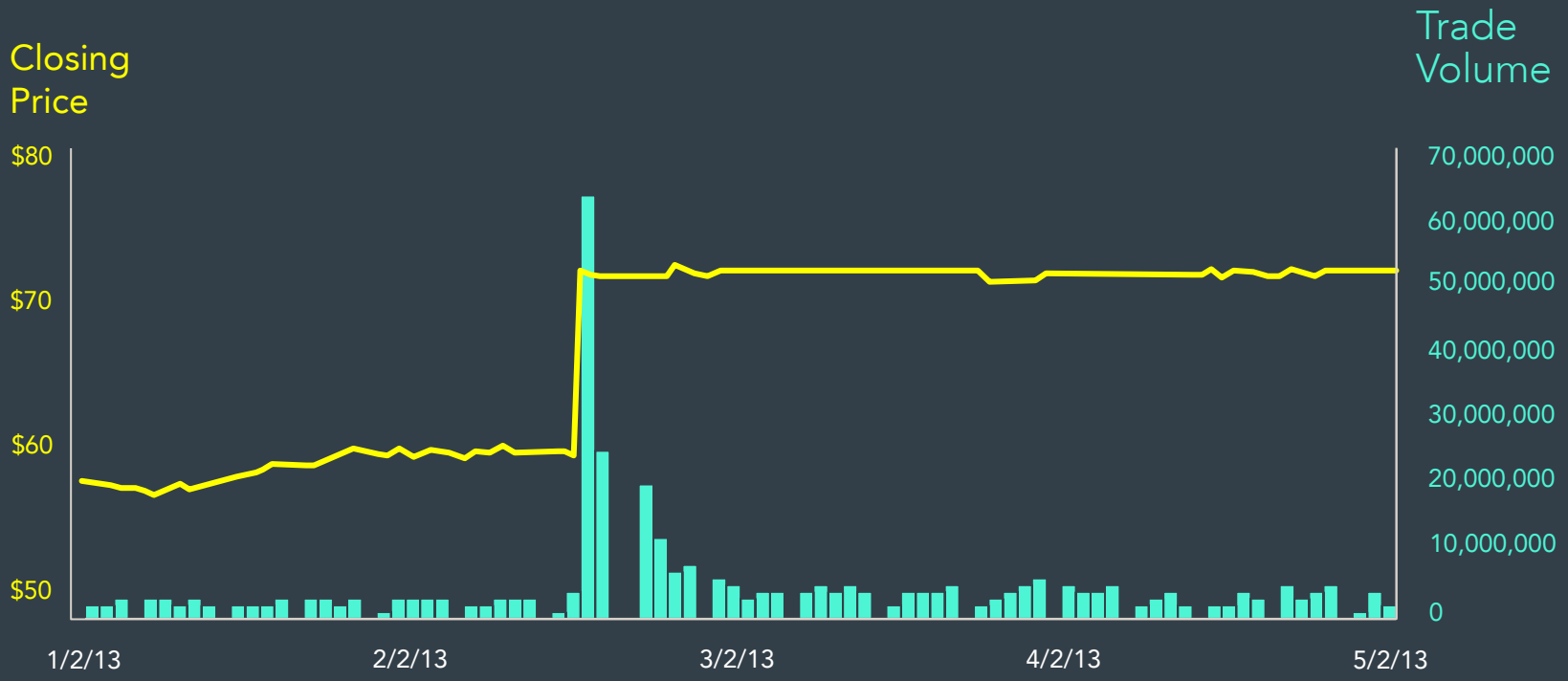
Implications of a Well-Functioning Market

- Prices incorporate relevant information very quickly.

Stock Prices Adjust Quickly

In USD.
Source: Bloomberg.
The security identified is shown for illustrative purposes only to demonstrate the investment philosophy described herein. These materials are not, and should not be construed as, a recommendation to purchase or sell the security identified or any other securities. Actual holdings will vary for each client, and there is no guarantee that any client will hold the security identified.

Stock Prices Adjust Quickly



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Dimensional

Implications of a Well-Functioning Market

- Prices incorporate relevant information very quickly.
- Prices are forward-looking.

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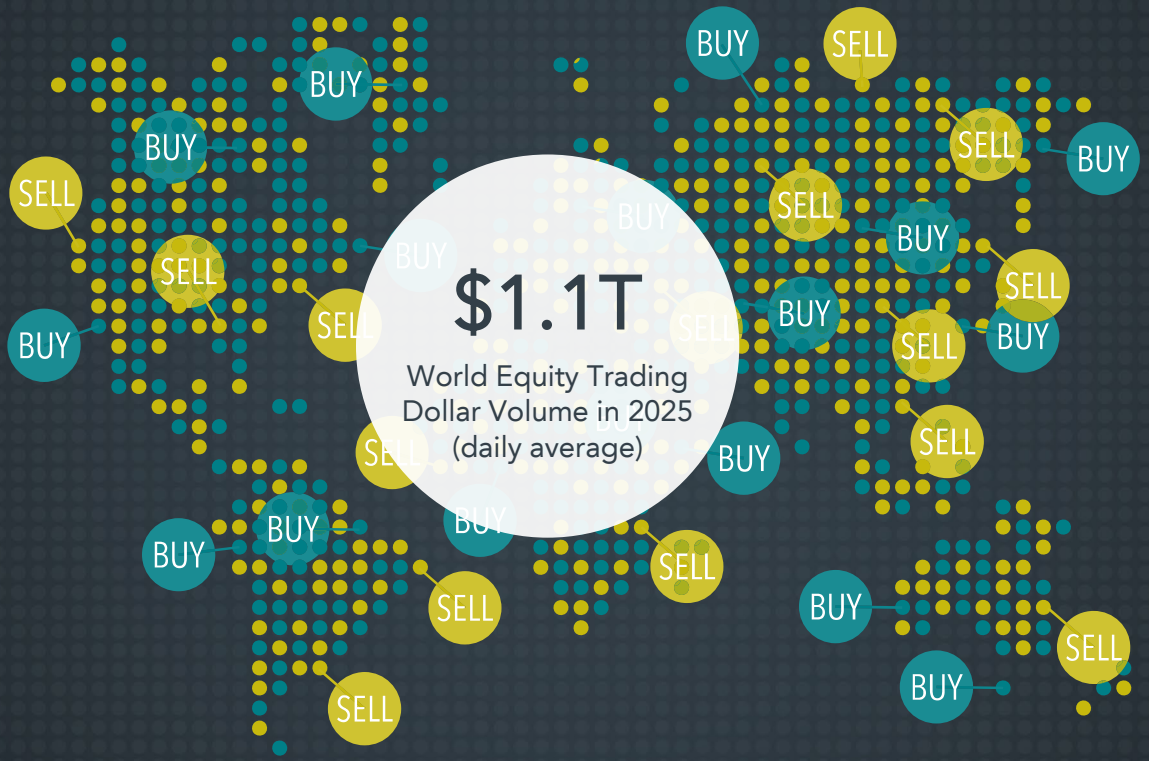
Implications of a Well-Functioning Market

- Prices incorporate relevant information very quickly.
- Prices are forward-looking.
- Competition makes it very hard to systematically identify and profit from mispricing.

Markets Integrate the Combined Knowledge of All Participants



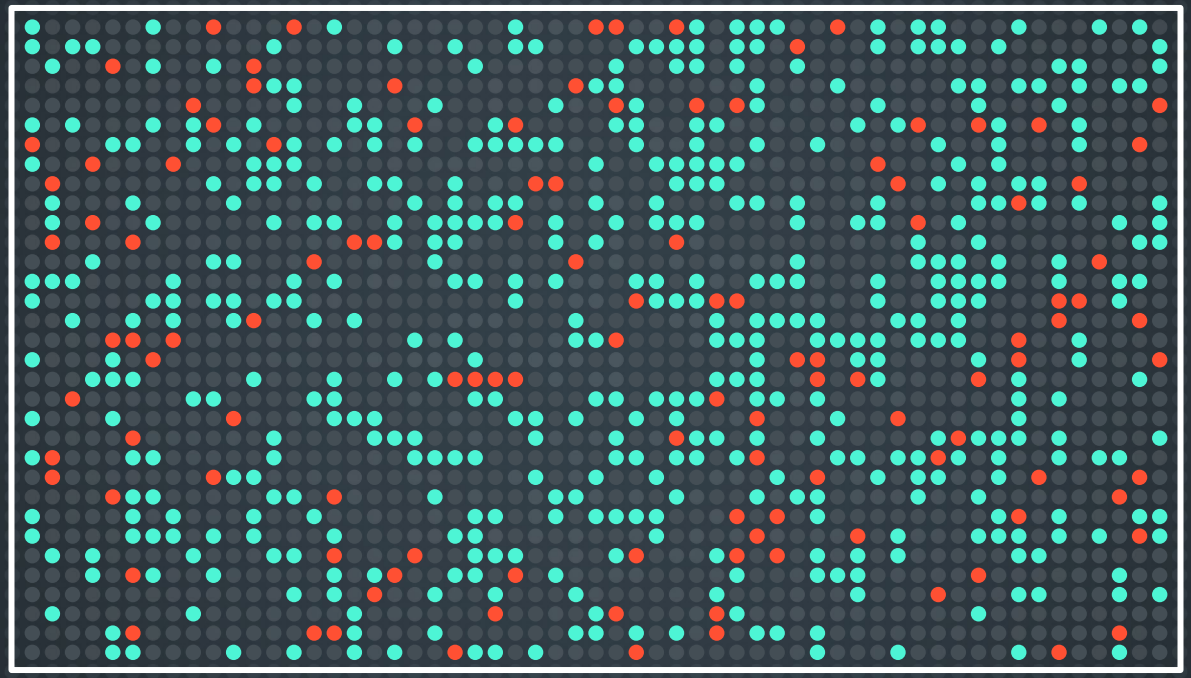
In USD. Source: Dimensional, using data from Bloomberg LP. Includes primary and secondary exchange trading volume globally for equities. Funds are excluded. Daily averages were computed by calculating the trading volume of each stock daily as the closing price multiplied by shares traded that day. All such trading volume is summed up and divided by 252 as an approximate number of annual trading days.

Markets Integrate the Combined Knowledge of All Participants

Trading aggregates a vast amount of dispersed information
and drives it into security prices.

MARKET PORTFOLIO

Investing involves risks such as fluctuating value and potential loss of principal value. There is no guarantee strategies will be successful.



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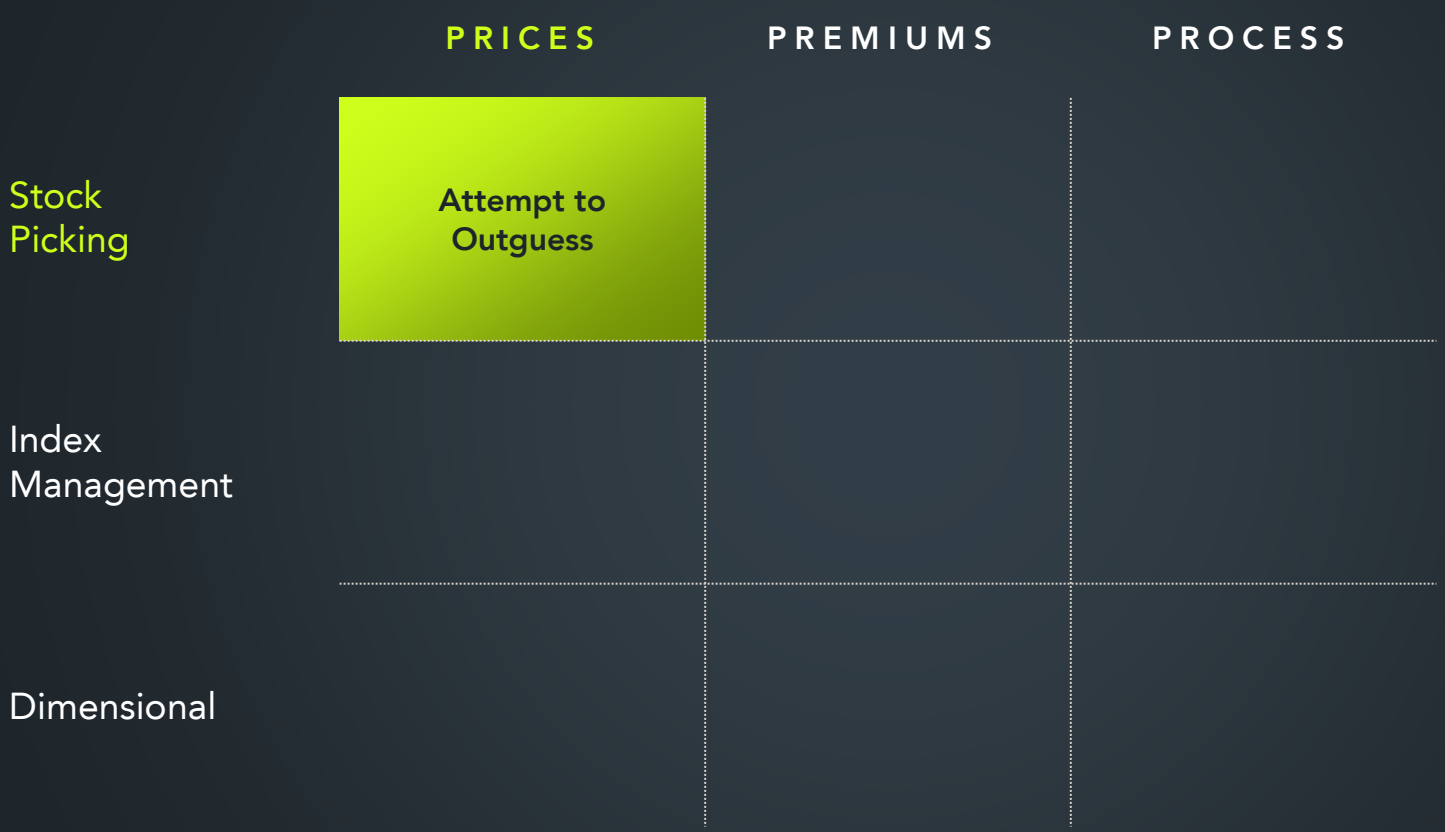

Dimensional

Stale
Information

Current
Information

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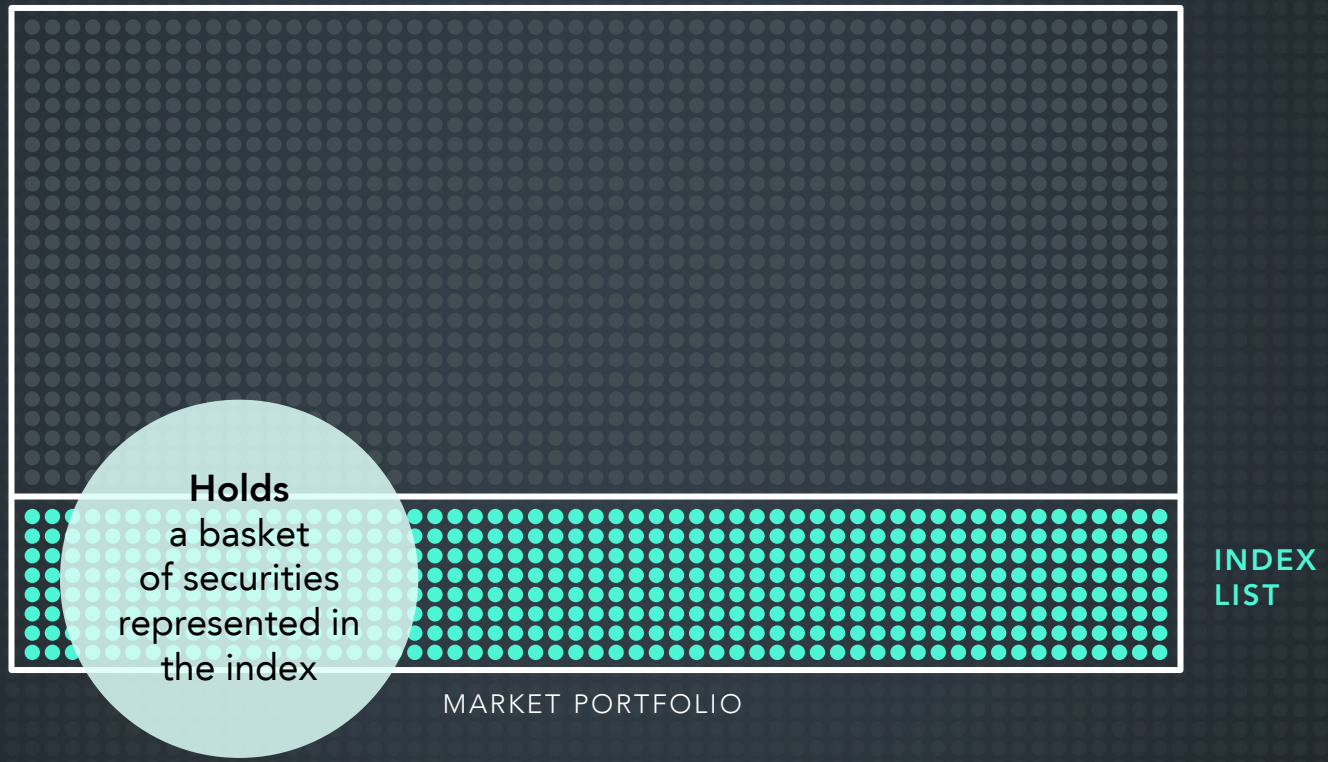
The Indexing Approach



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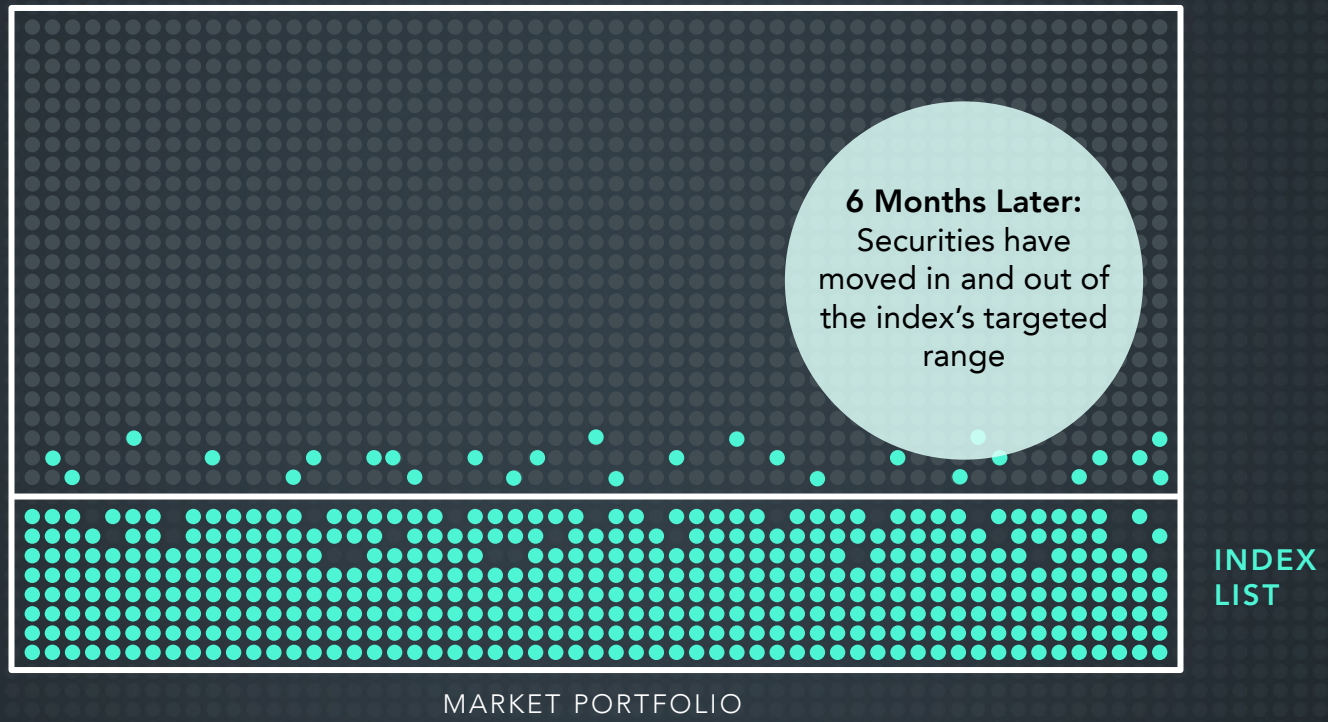

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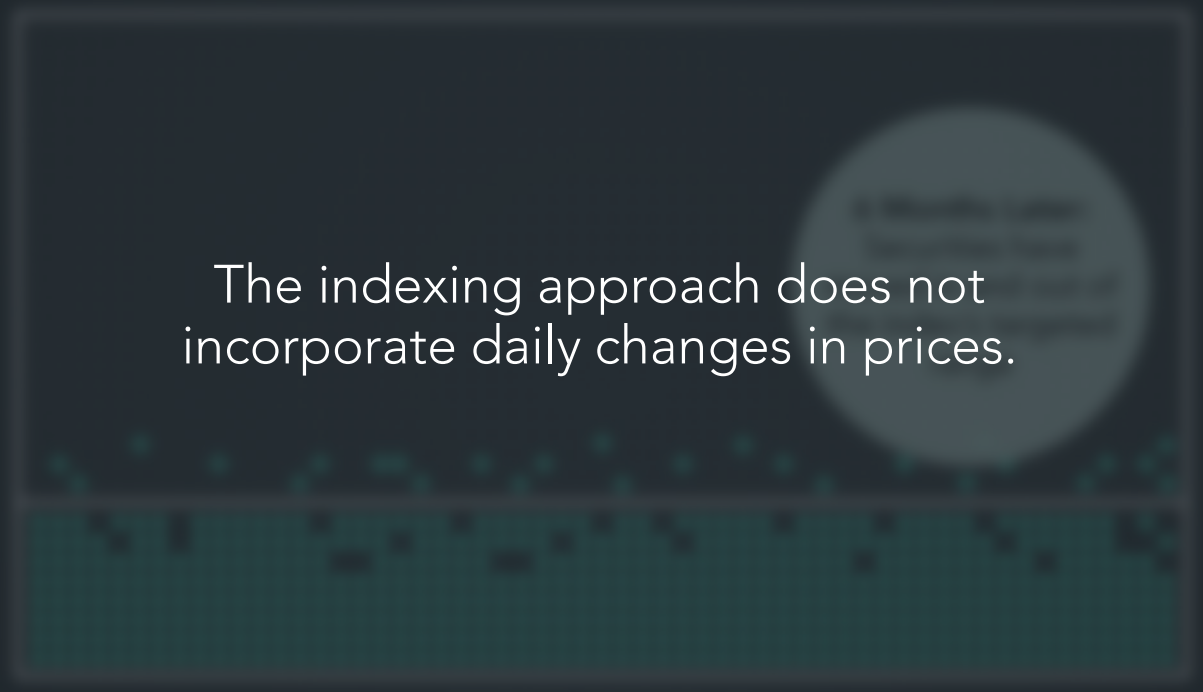
The indexing approach does not incorporate daily changes in prices.



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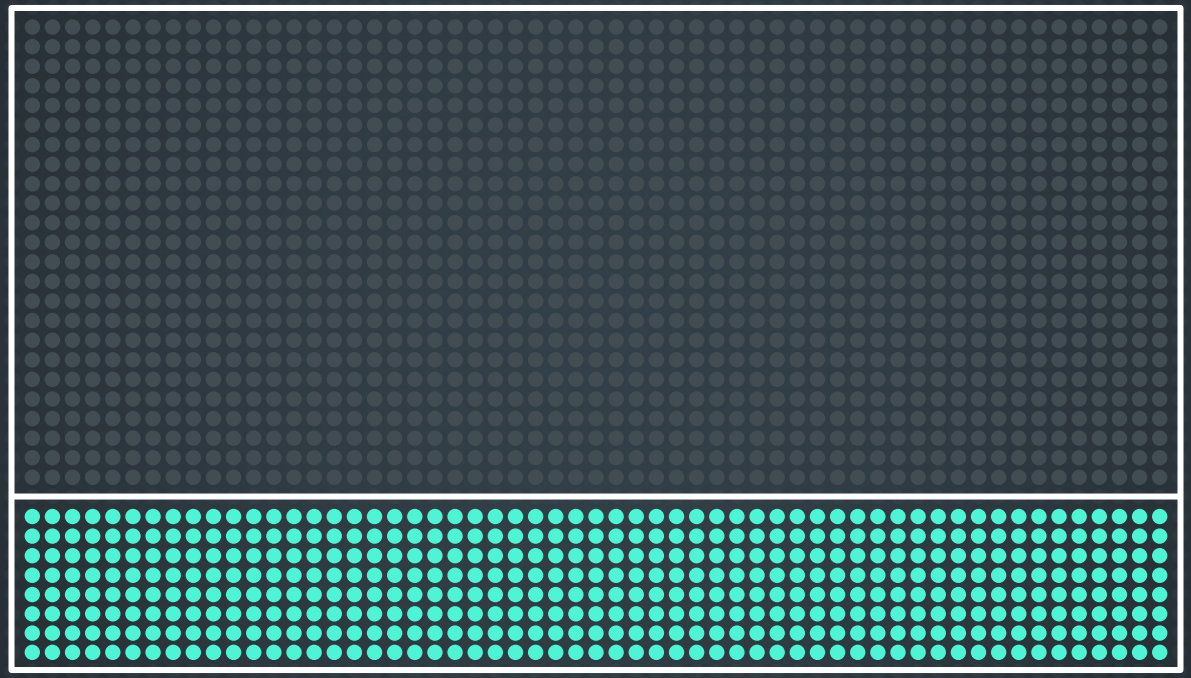

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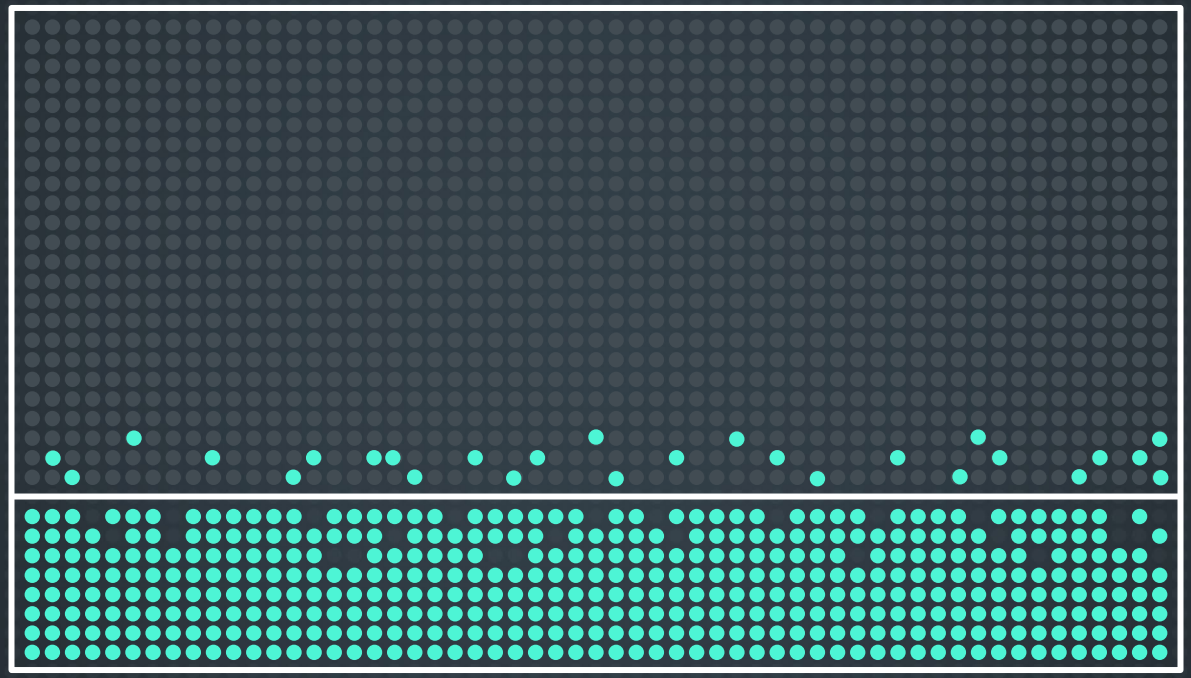

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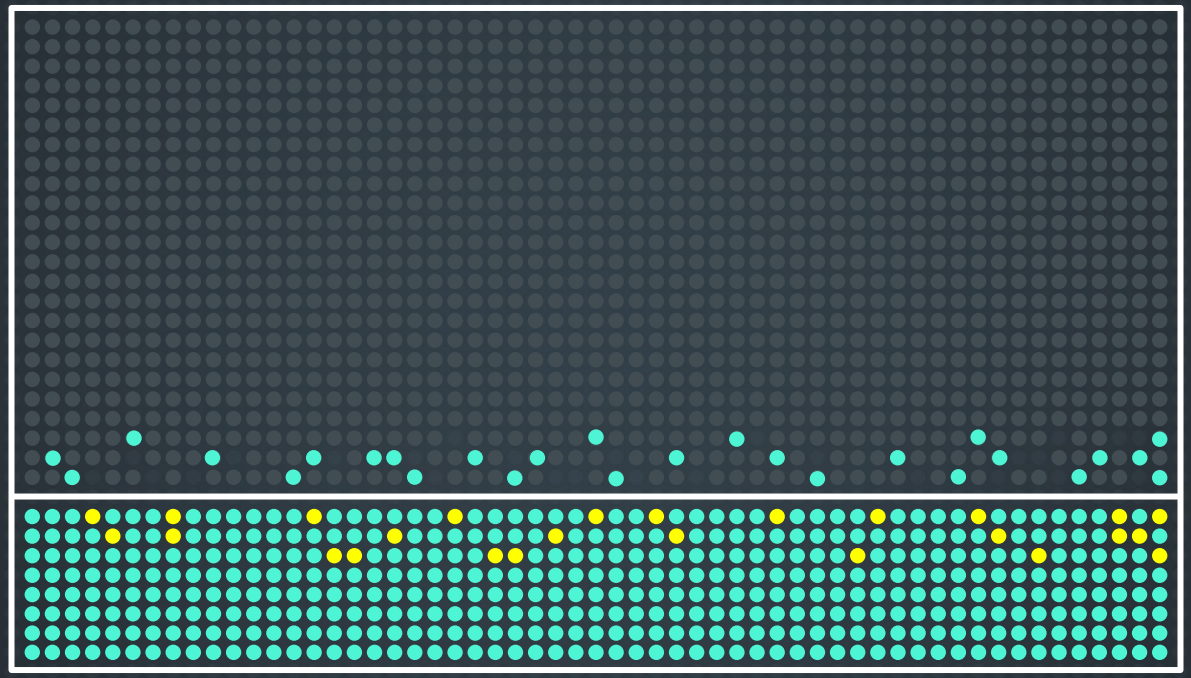

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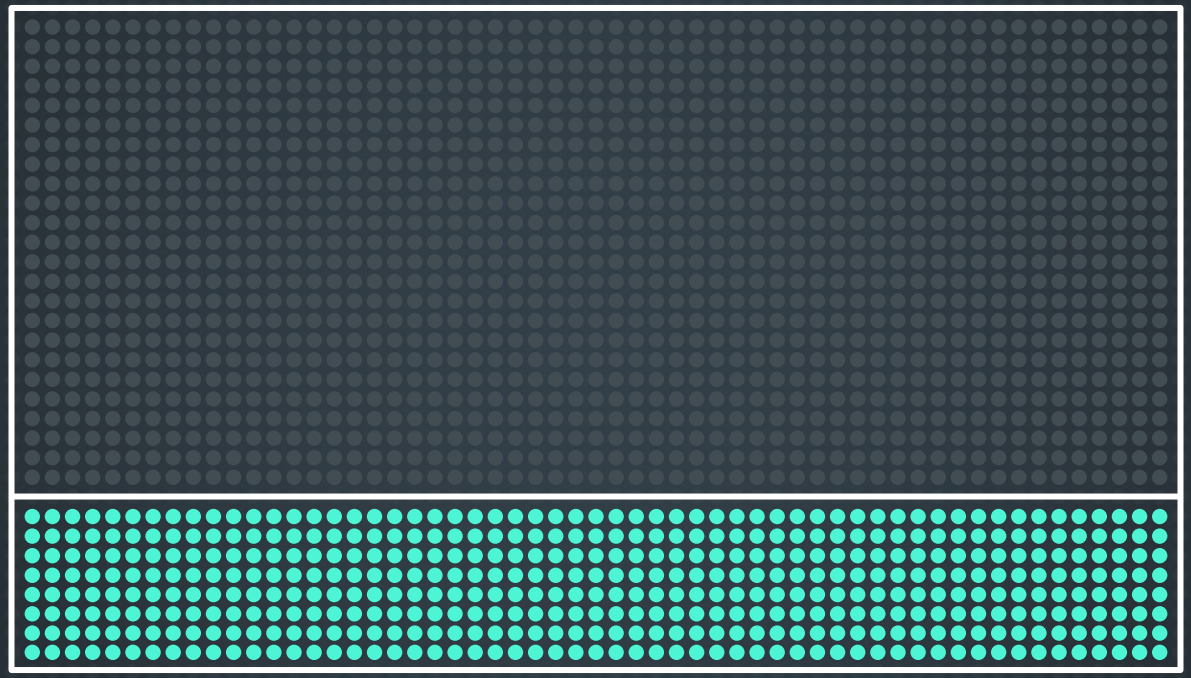

MARKET PORTFOLIO

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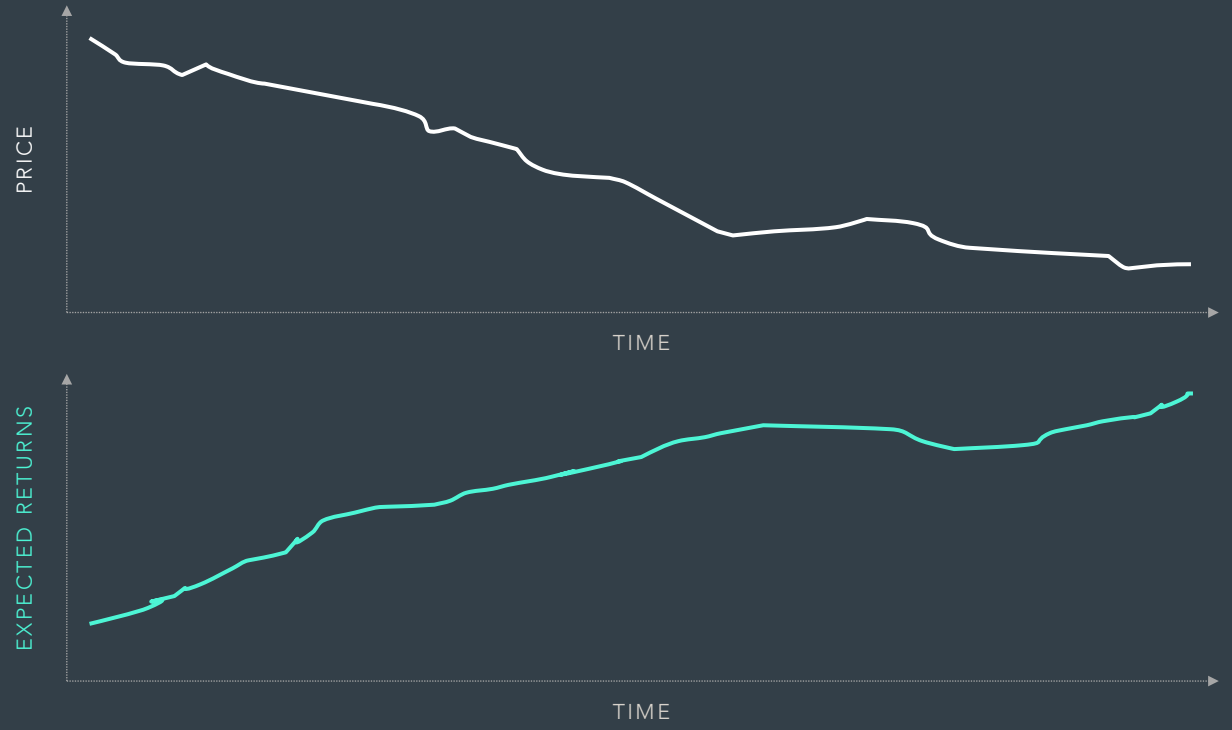
The dynamic nature of prices requires incorporating daily changes into the investment process.

A Security's Price Changes Every Day

As the price of a stock changes, its expected return changes.



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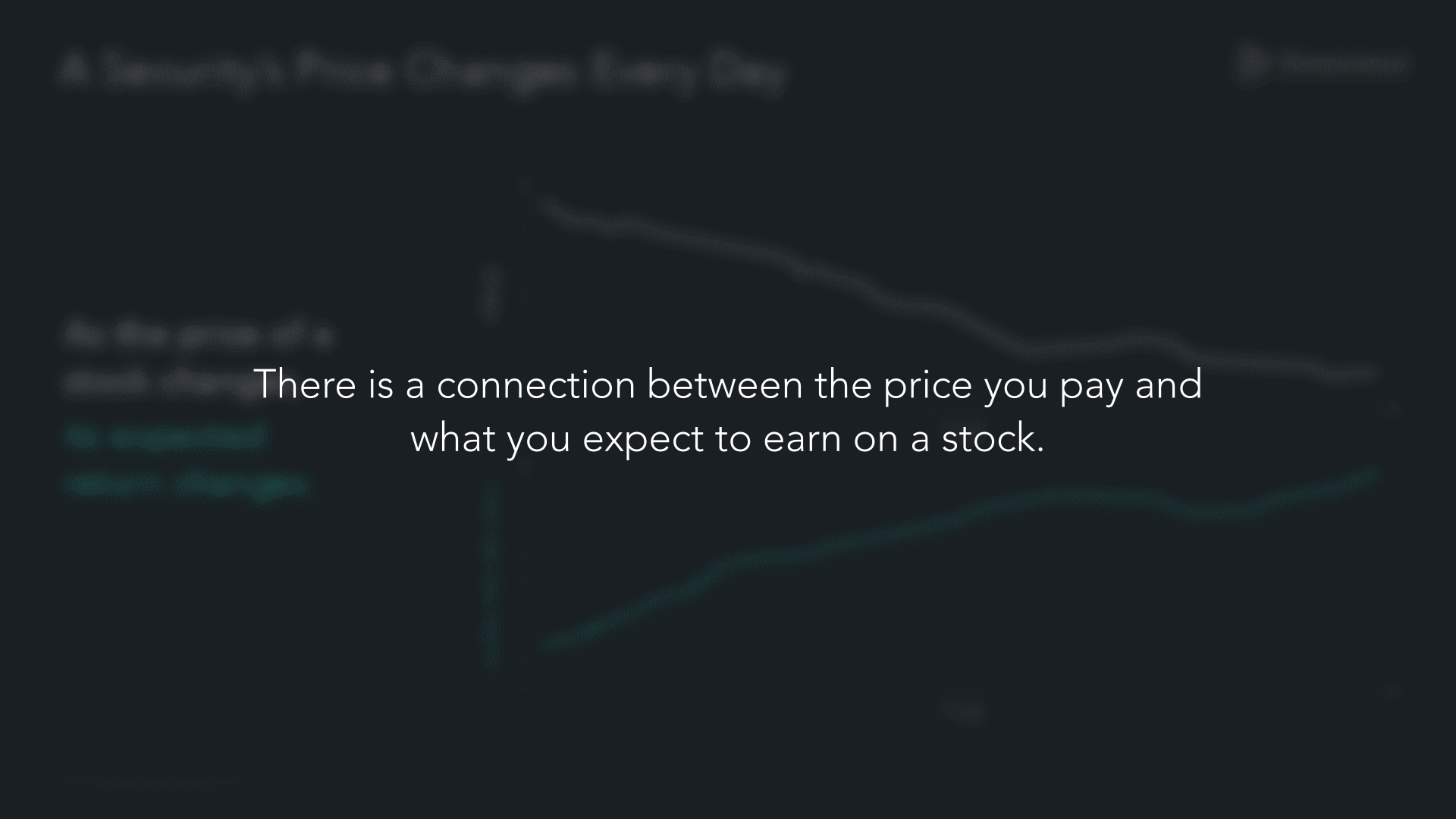
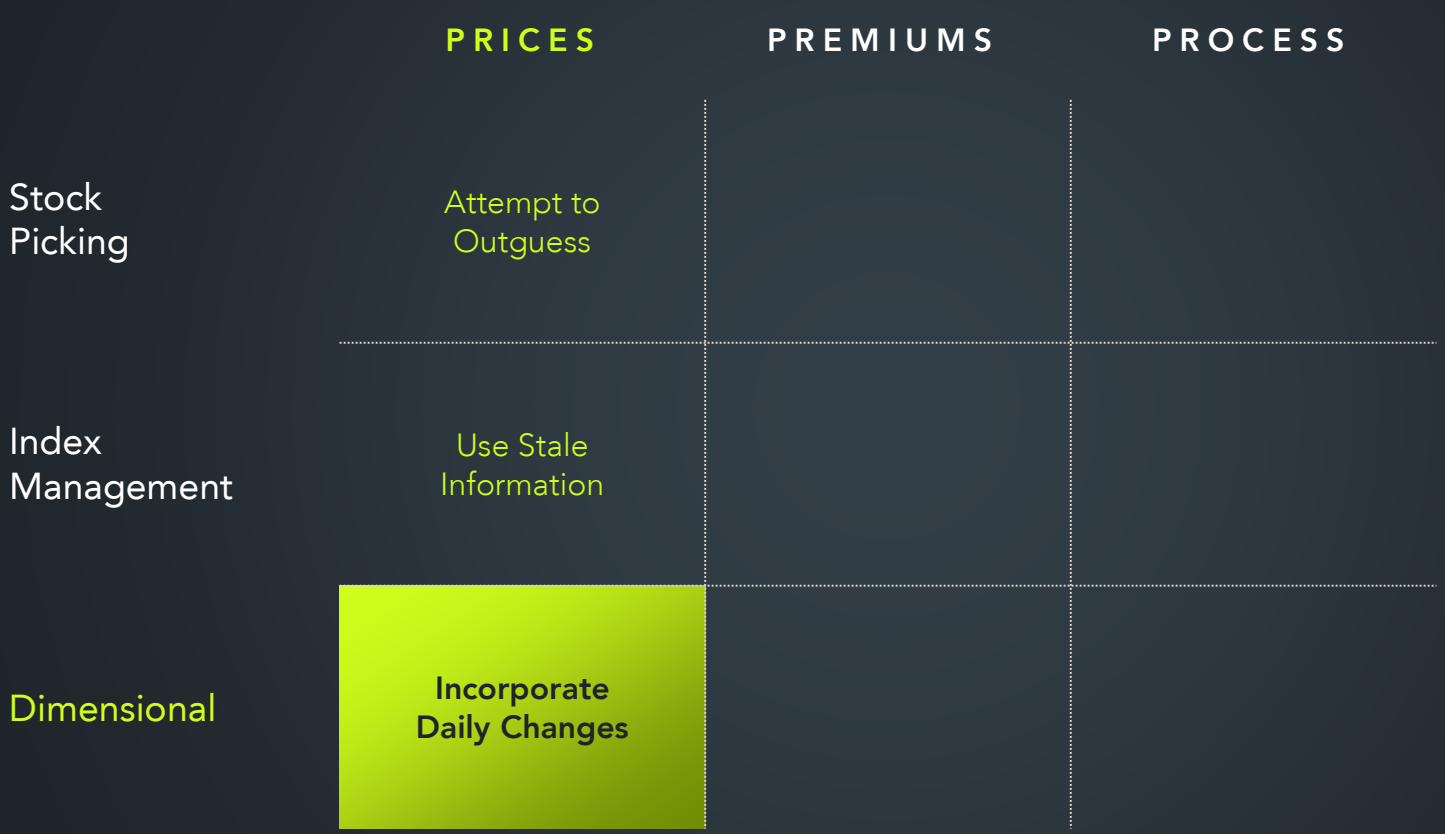


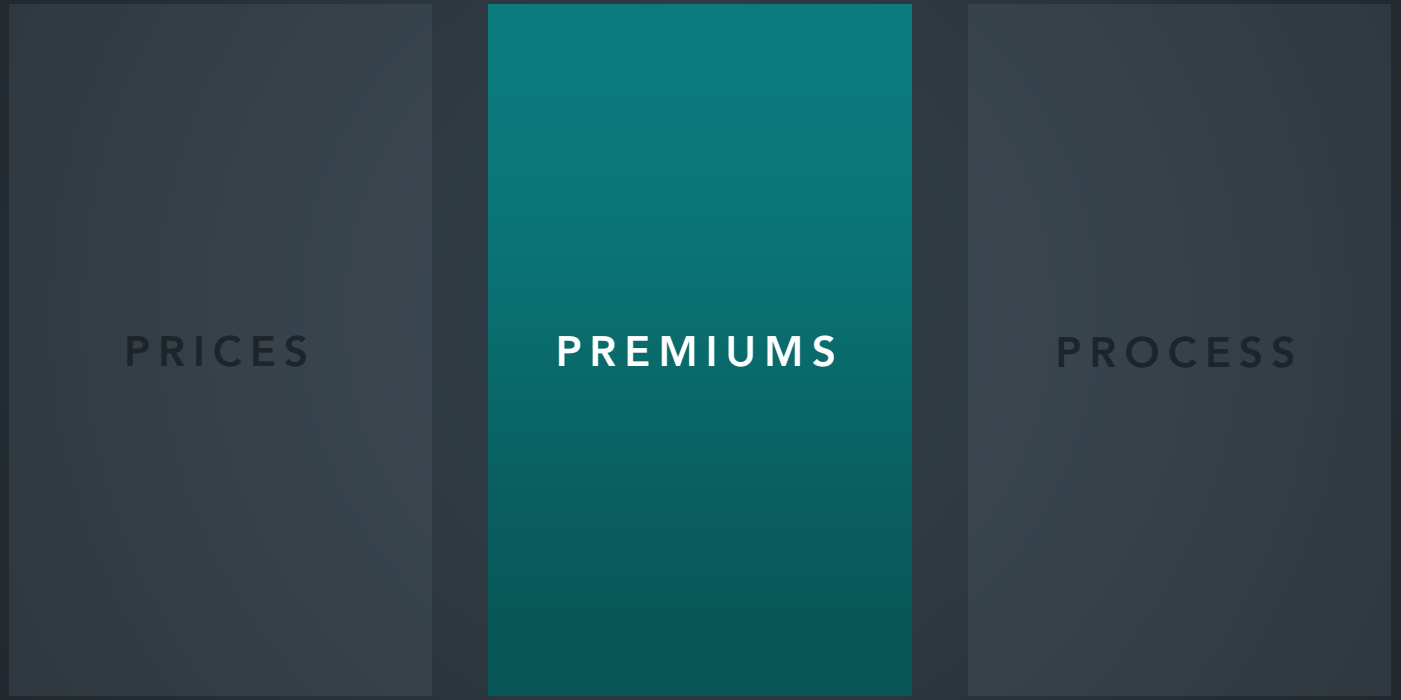
There is a connection between the price you pay and what you expect to earn on a stock.

Dimensional



The Foundational Principles

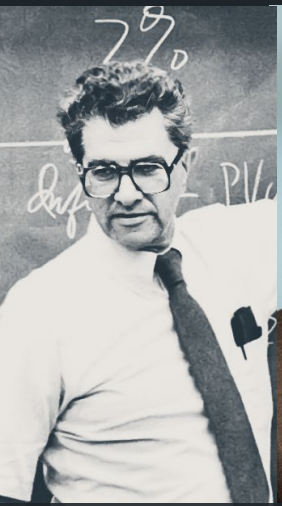
Dimensional



Do all stocks have the same expected return?

A Heritage of Leading Research

Dimensional



Merton Miller
University of Chicago
Nobel Laureate, 1990

Independent Director, Dimensional US Mutual Funds, 1981–2000

Eugene Fama
University of Chicago
Nobel Laureate, 2013

Dimensional Director and Consultant, Dimensional,[1] 1981–present

Myron Scholes
Stanford University
Nobel Laureate, 1997

Independent Director, Dimensional US Mutual Funds, 1981–2012

Lead Independent Director, Dimensional US Mutual Funds, 2013–2021

Kenneth French
Dartmouth College

Consultant, Dimensional,[1] 1986–present

Dimensional Director, 2006–present

Robert Merton
MIT
Nobel Laureate, 1997

Director, Dimensional US Mutual Funds, 2003–2009

Resident Scientist, Dimensional Holdings Inc., 2010–present

Robert Novy-Marx
University of Rochester

Consultant, Dimensional,[1] 2014–present

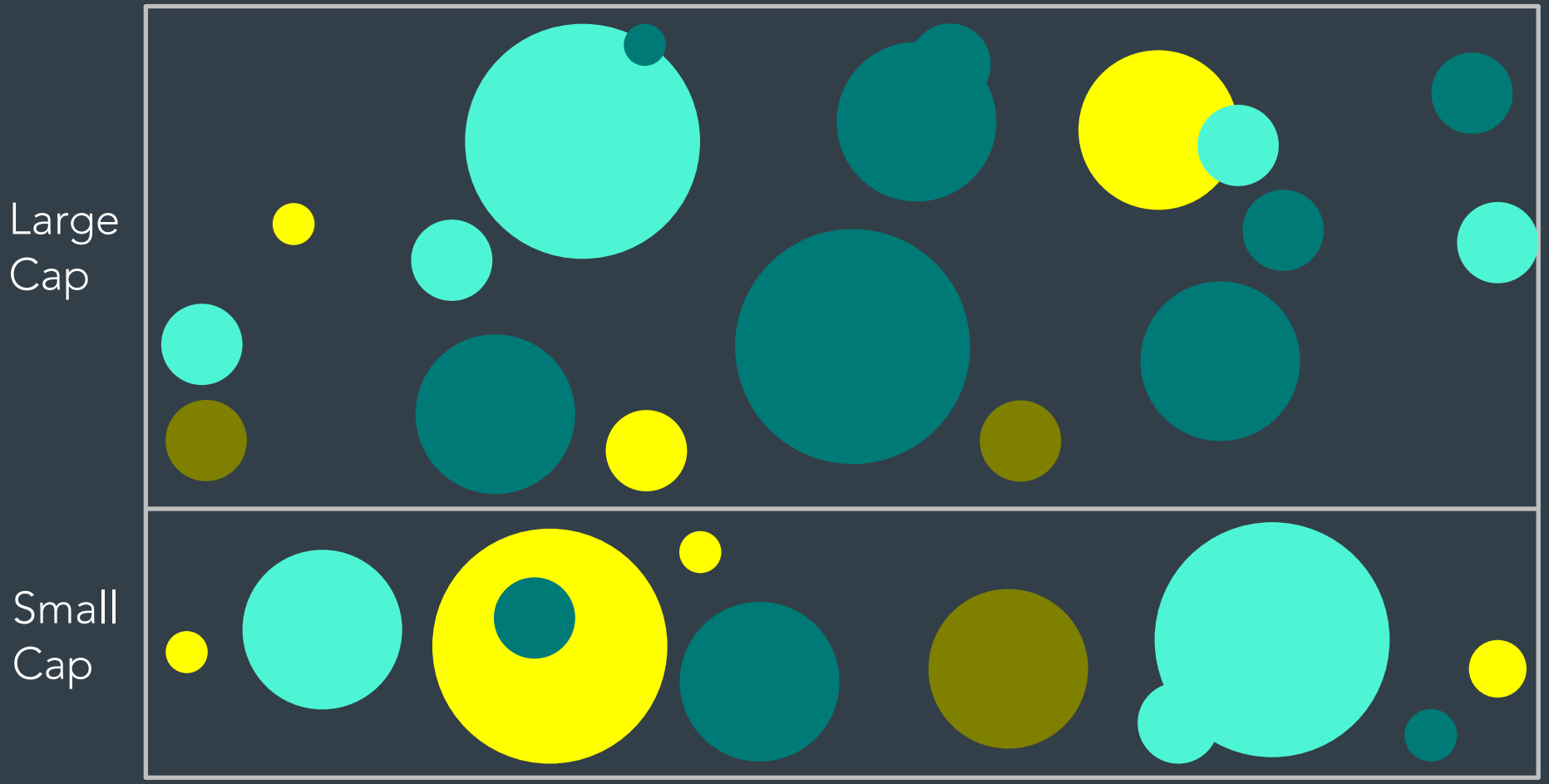
Douglas Diamond
University of Chicago
Nobel Laureate, 2022

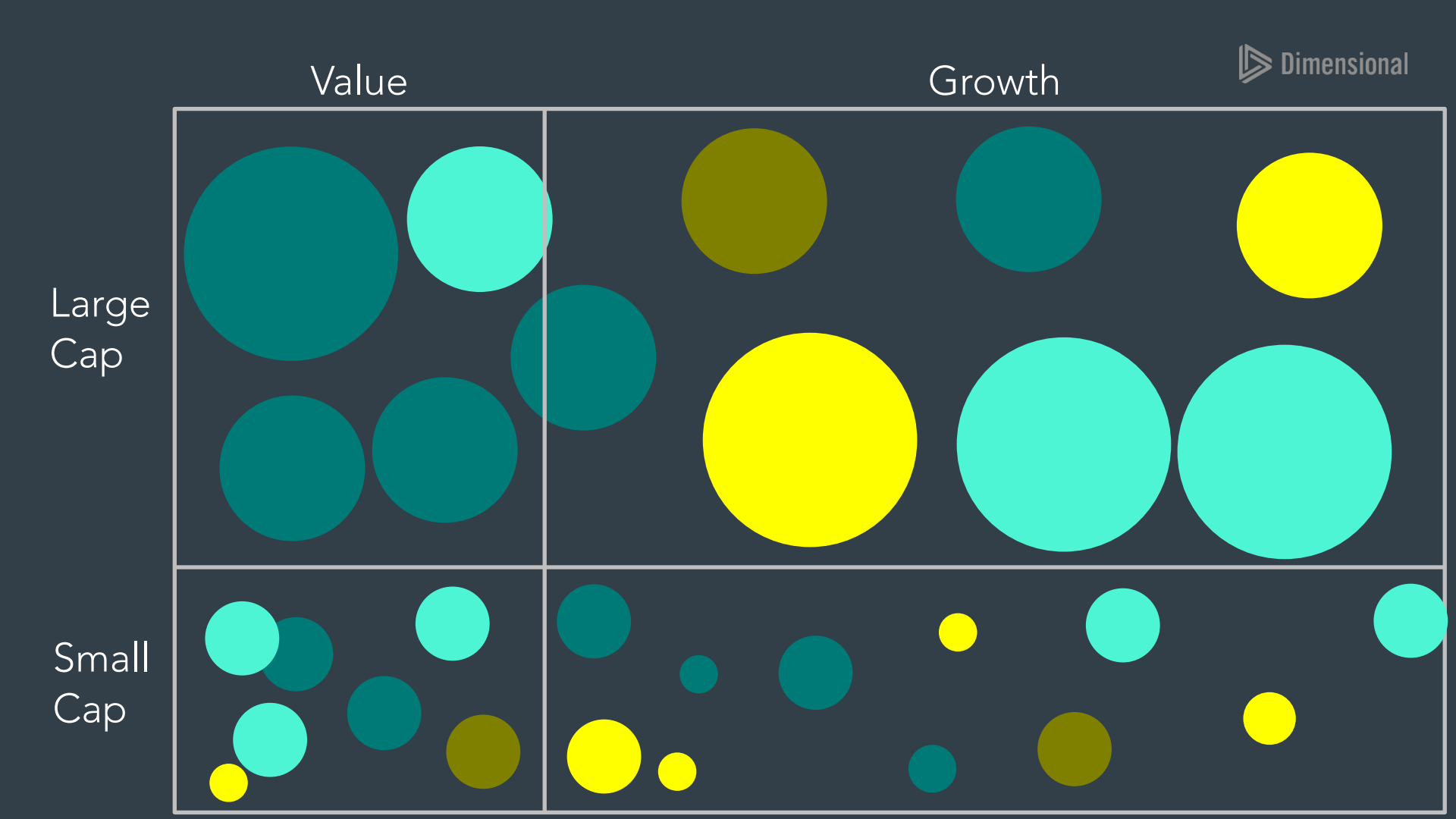
Independent Director, Dimensional US Mutual Funds, 2017–2021

Lead Independent Director, Dimensional US Mutual Funds and ETF Trust, 2022–present

1. Dimensional Fund Advisors LP.
"Dimensional Directors" refers to the Board of Directors of the general partner of Dimensional Fund Advisors LP.

Dimensional




Value
Growth
Dimensional
Large Cap
Small Cap

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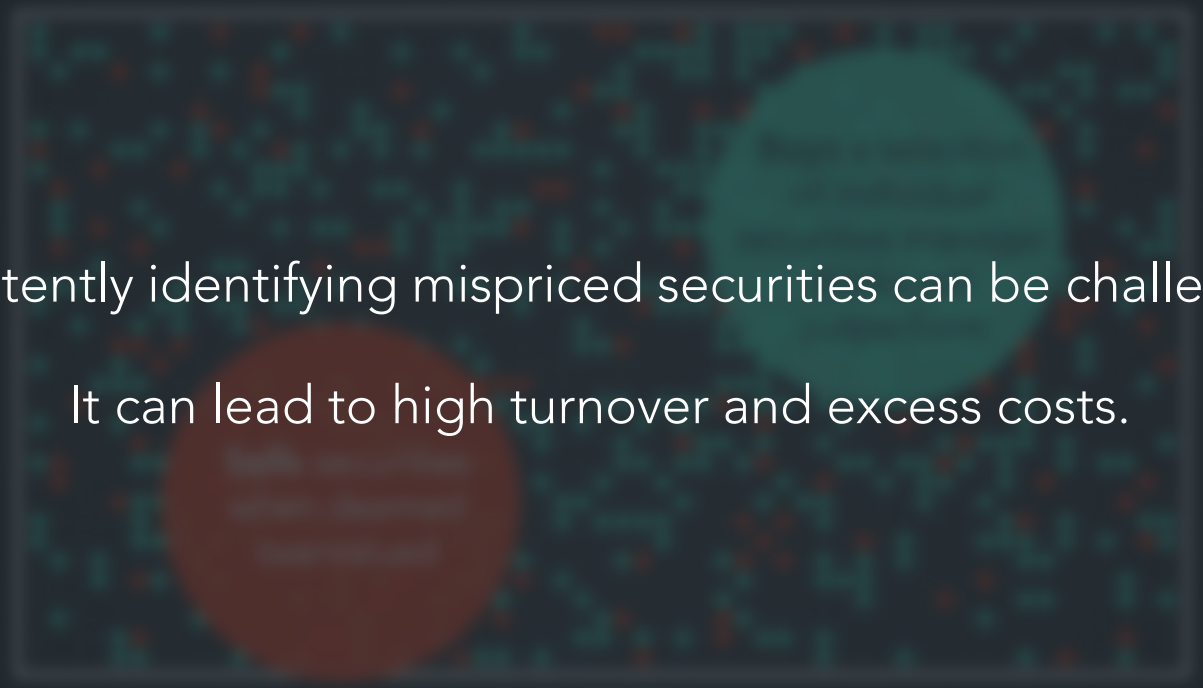
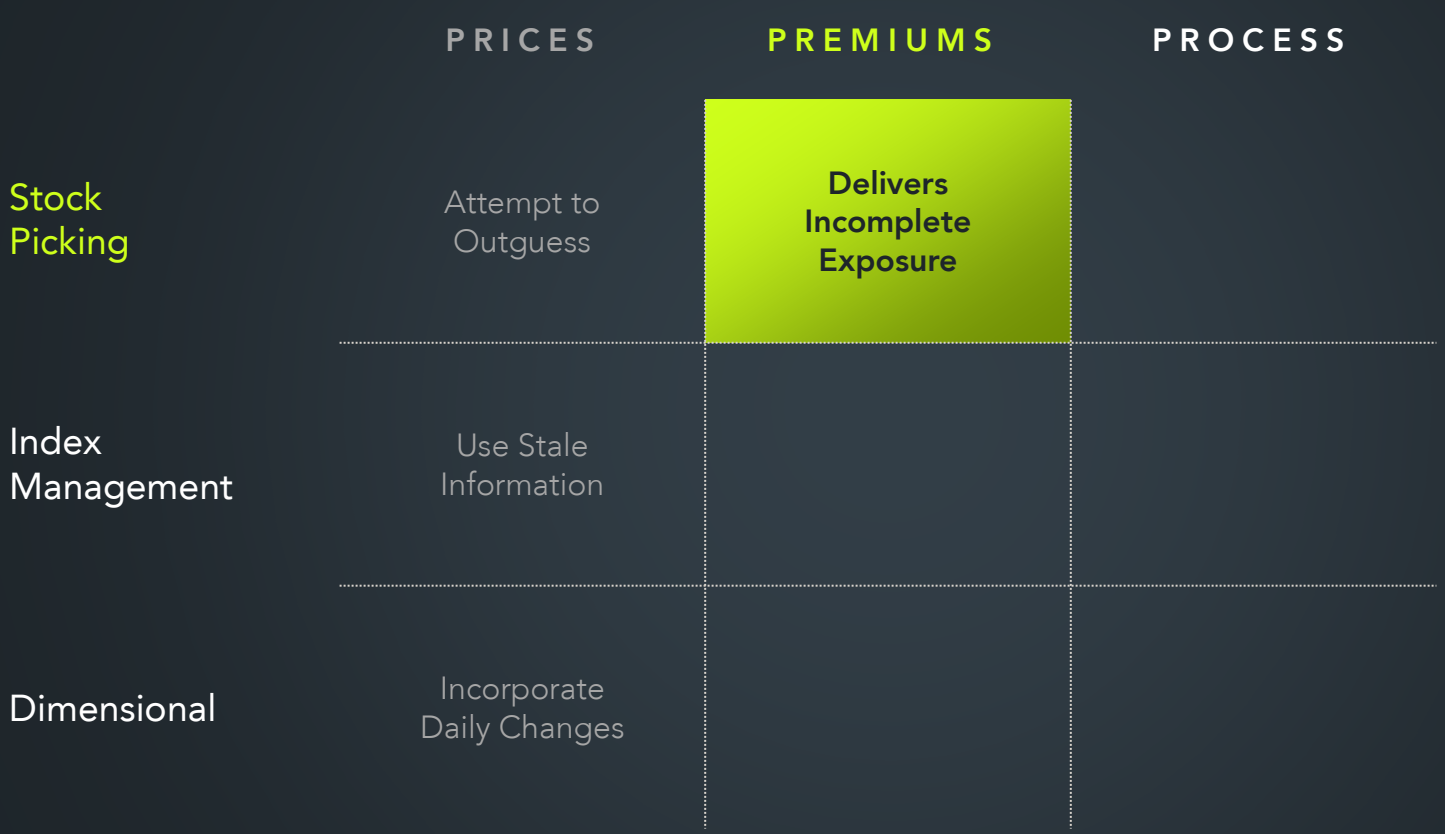


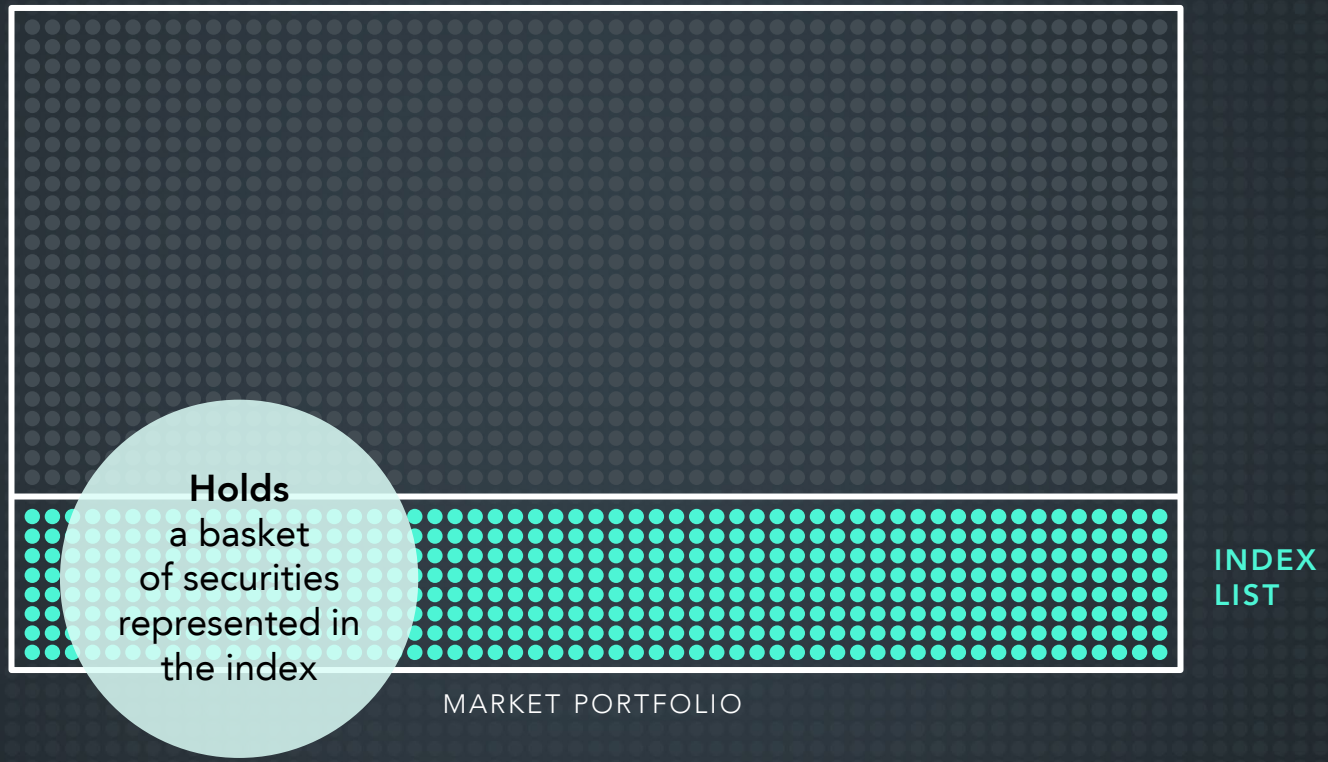
Consistently identifying mispriced securities can be challenging.

It can lead to high turnover and excess costs.

Dimensional



The Indexing Approach



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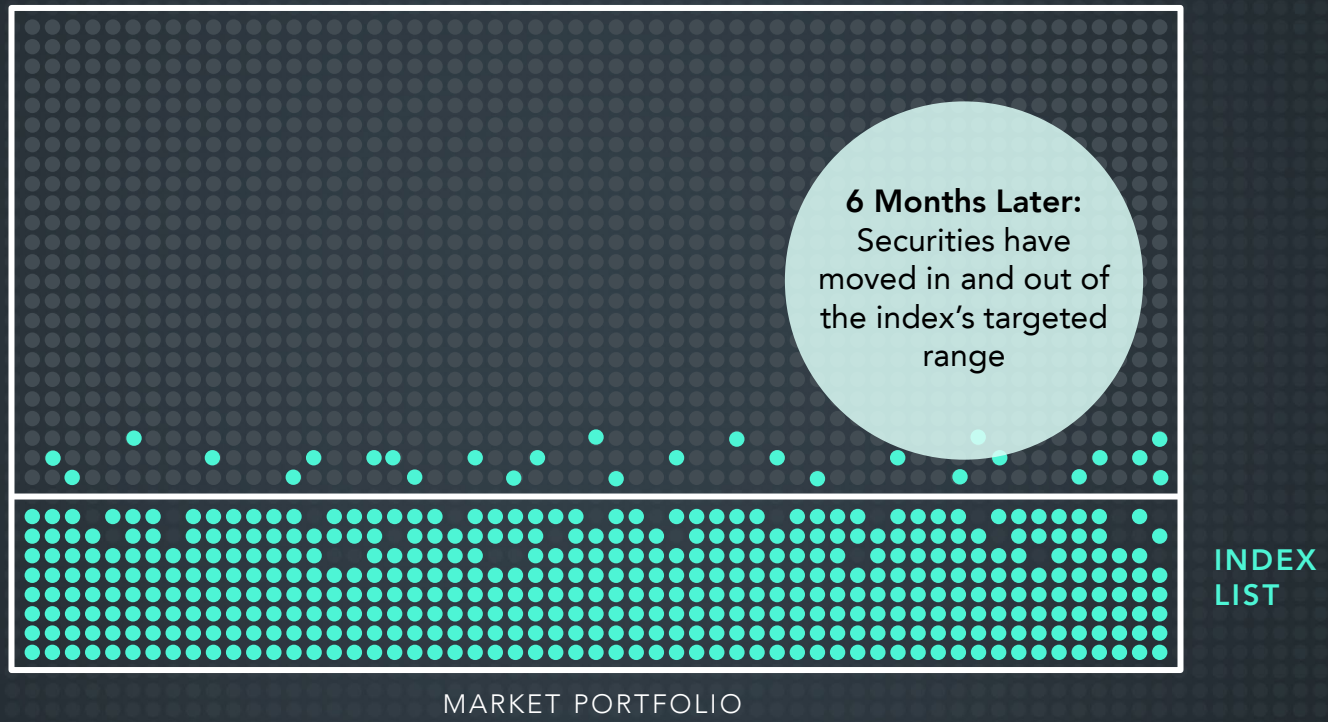

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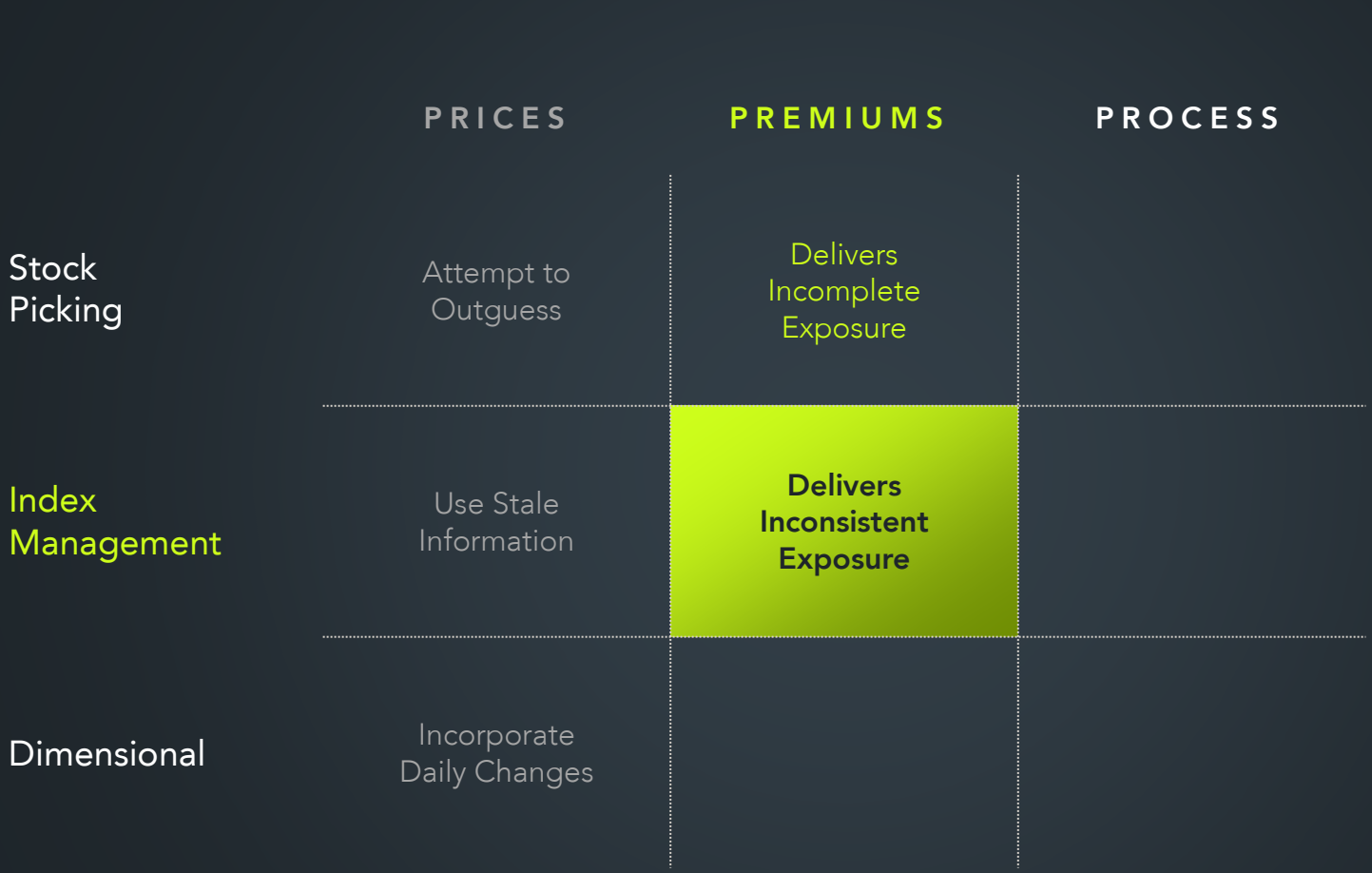
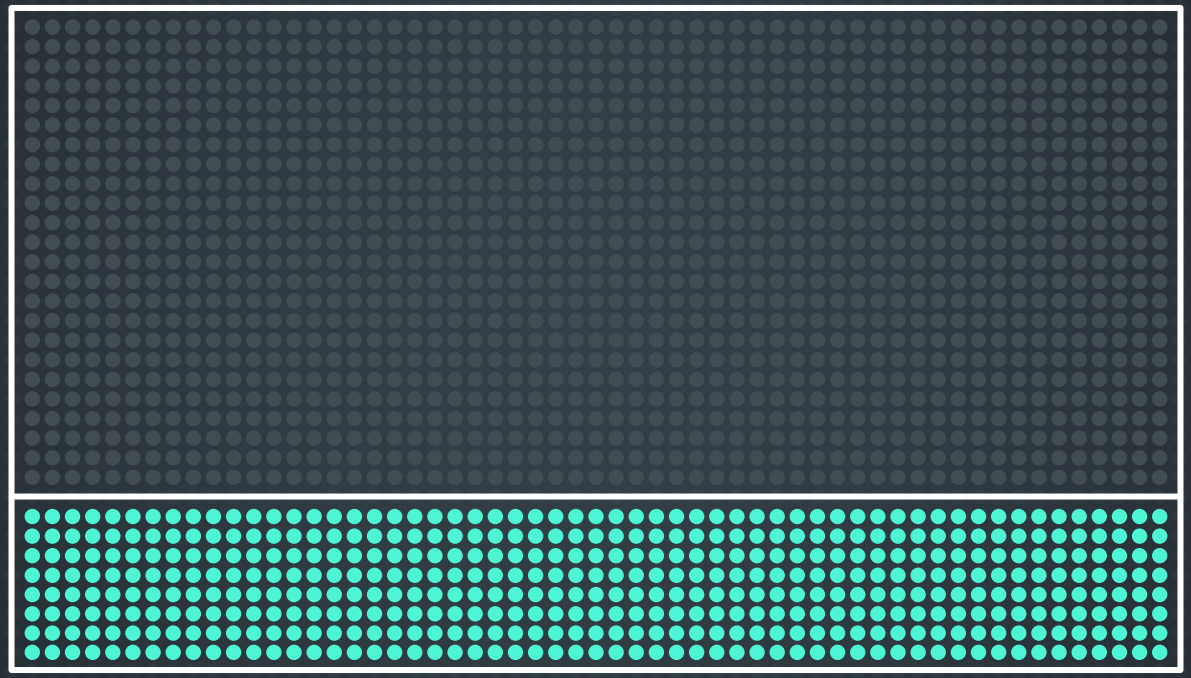
As a result of not continuously incorporating changes in a price, your investment may have drifted from what you intended.



Dimensional

	PRICES	PREMIUMS	PROCESS
Stock Picking	Attempt to Outguess	Delivers Incomplete Exposure	
Index Management	Use Stale Information	**Delivers Inconsistent Exposure**	
Dimensional	Incorporate Daily Changes		

Dimensional's Approach



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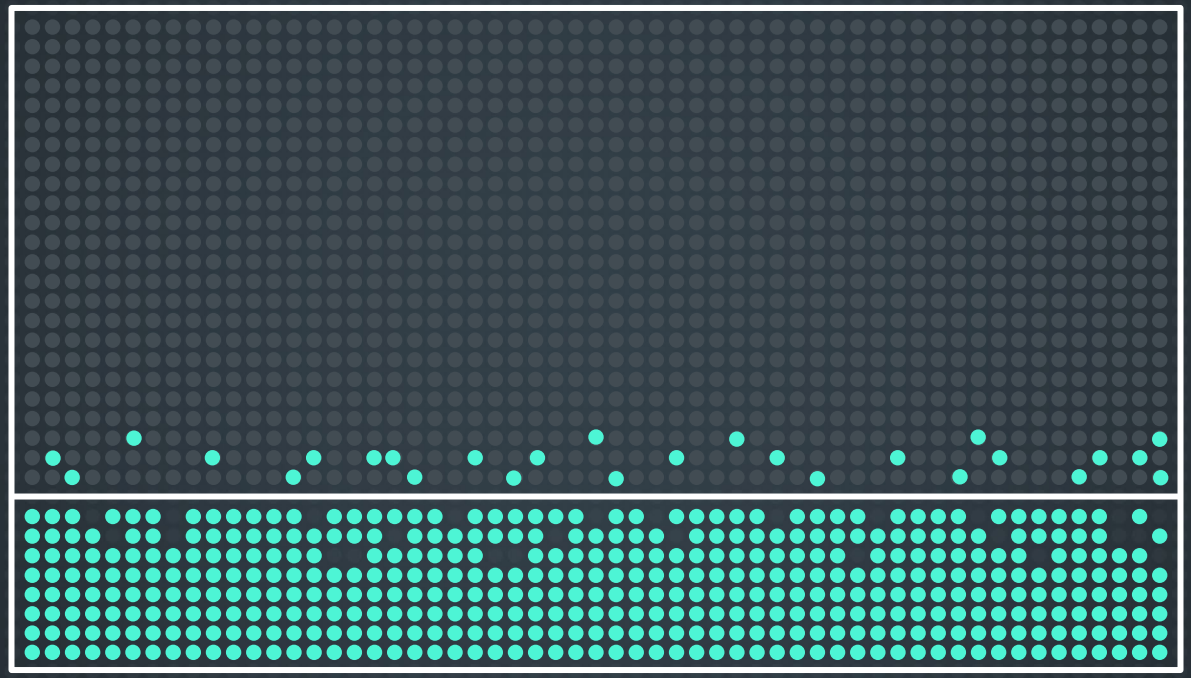

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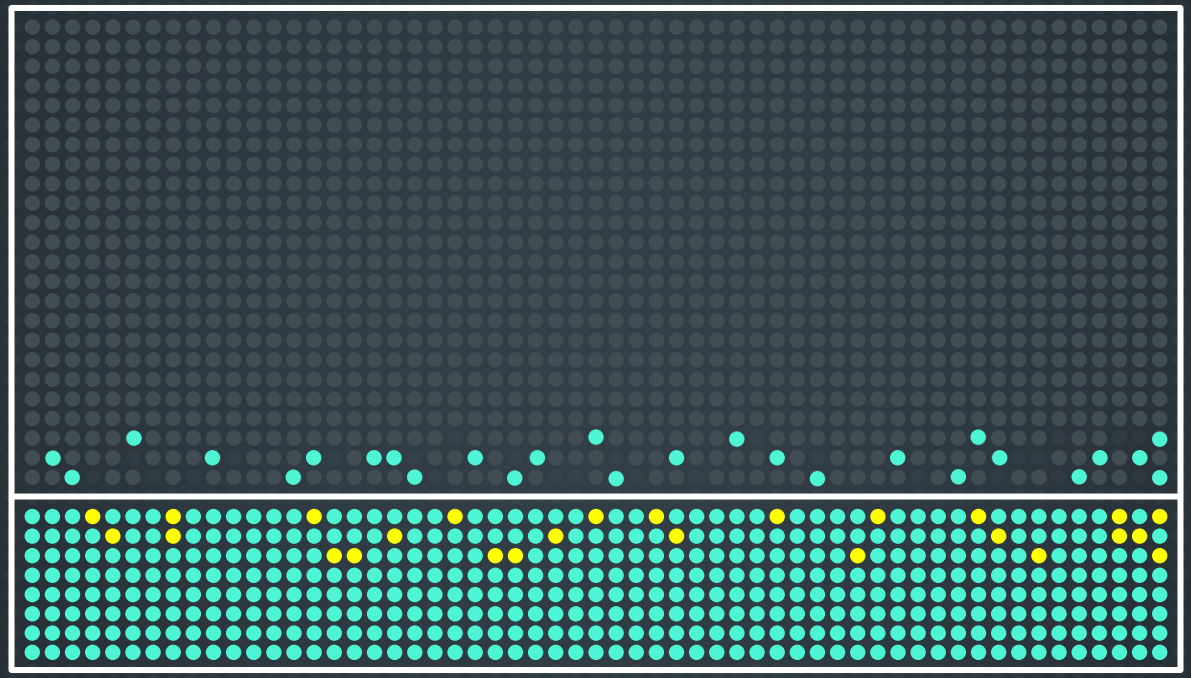

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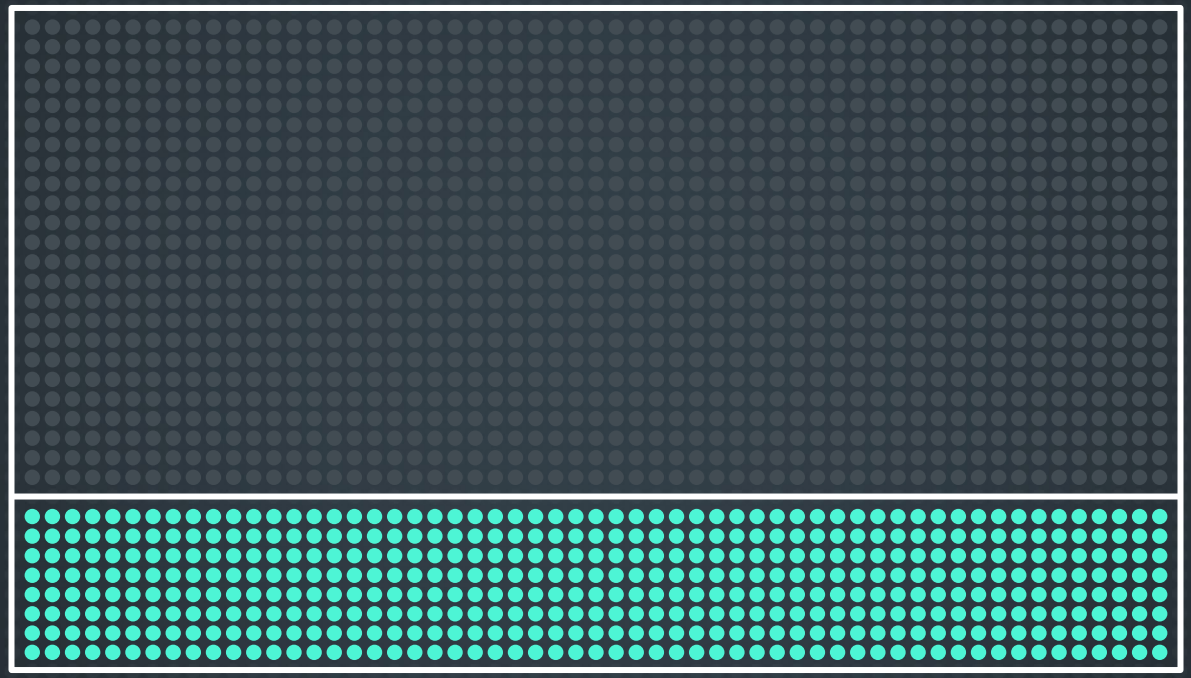

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The Foundational Principles

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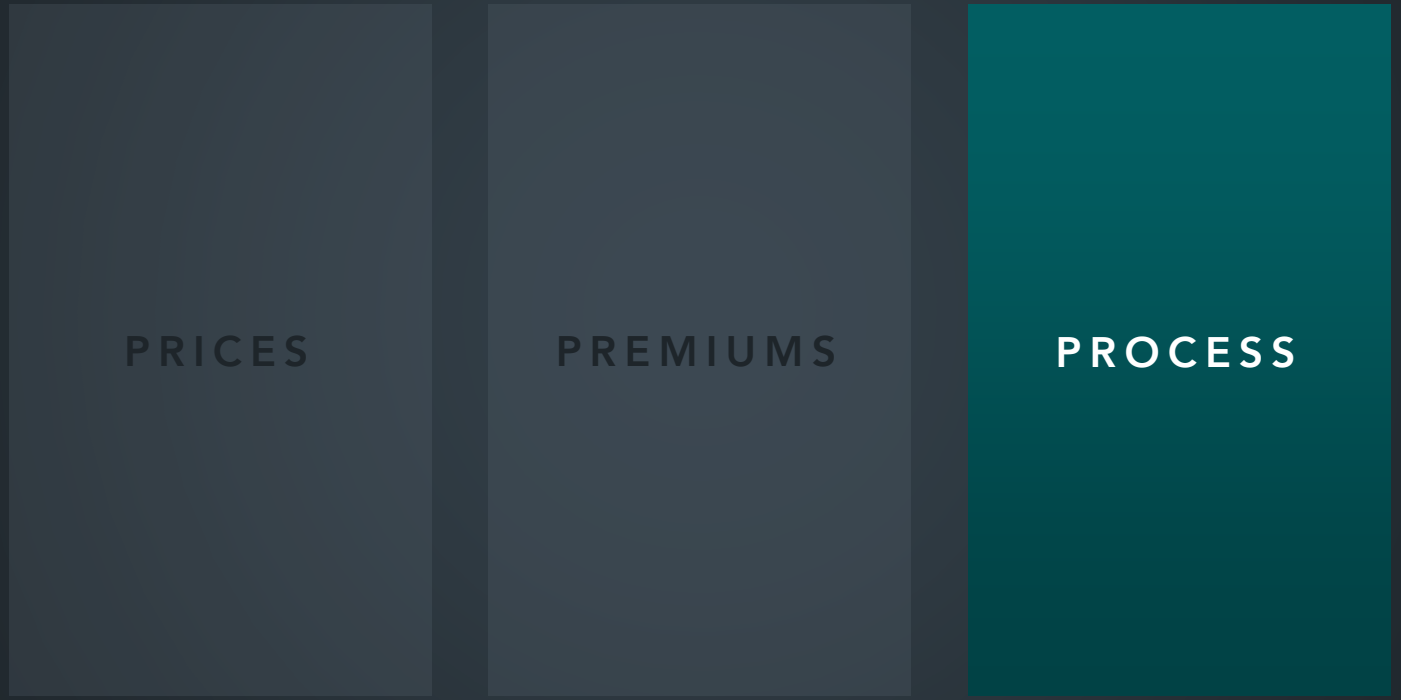
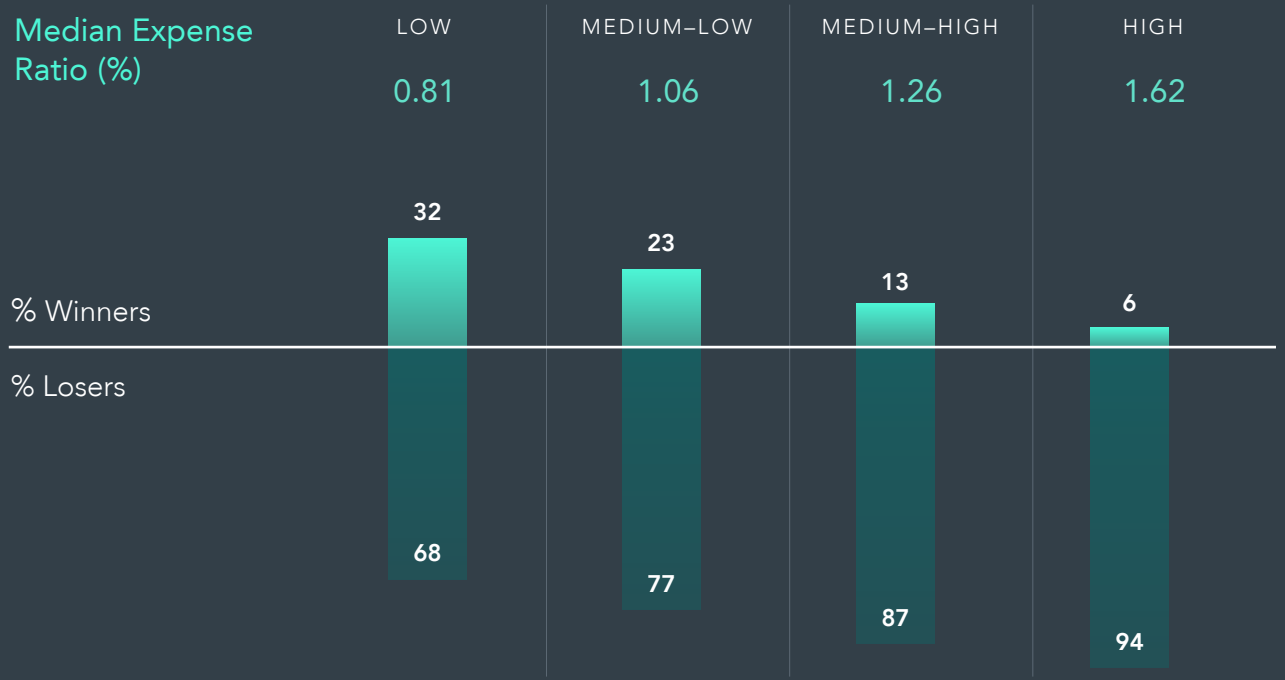


Impact of Fees on Performance

US-domiciled equity funds, 20 years

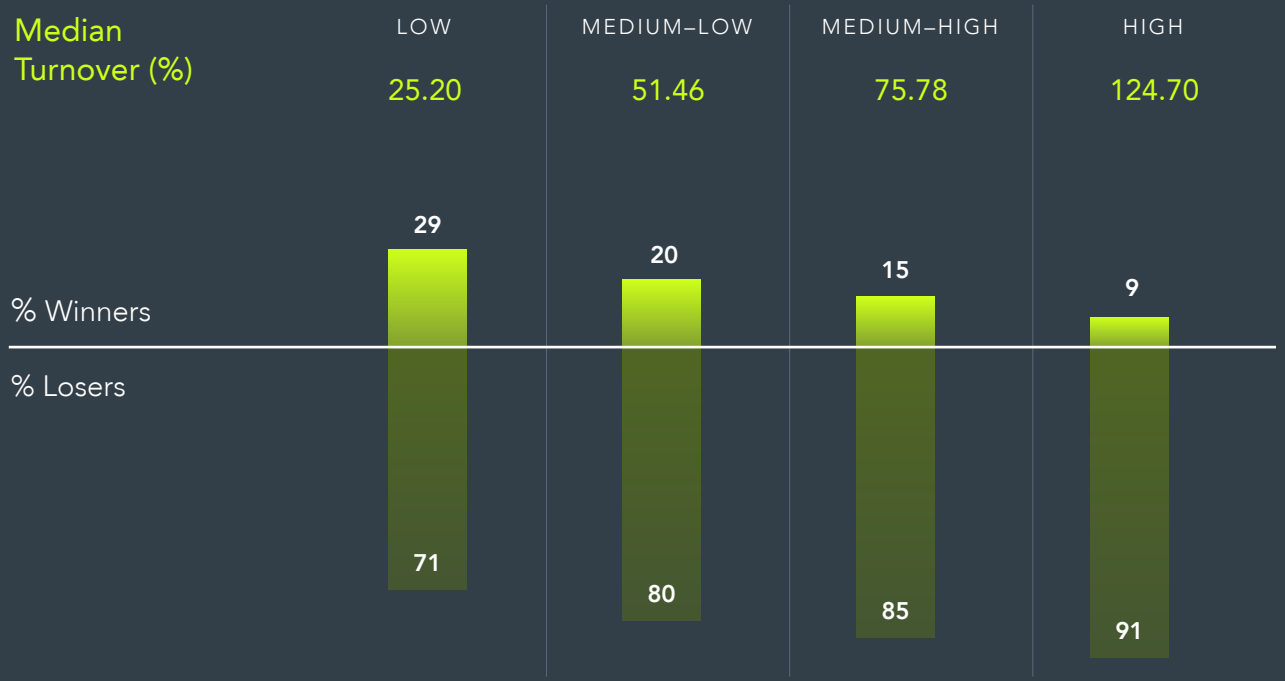


High costs of active management make outperformance difficult.

Analysis performed by Dimensional Fund Advisors. The sample includes funds at the beginning of the 20-year period ending December 31, 2024. Funds are sorted into quartiles within their category based on average expense ratio over the evaluation period. The chart shows the percentage of winner and loser funds by expense ratio quartile for each period. Winners are funds that survived and outperformed their benchmark, and losers are funds that either did not survive or did not outperform their benchmark. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. Past performance is no guarantee of future results. See The Fund Landscape Appendix for more information.

Impact of Turnover on Performance

US-domiciled equity funds, 20 years



More trading can result in more costs and lower returns.

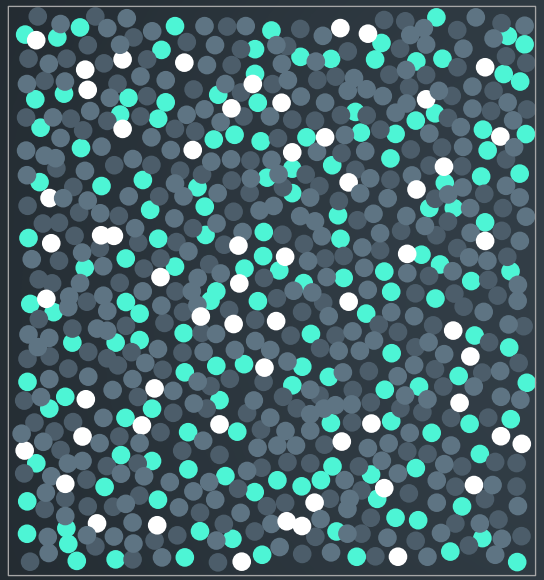
Analysis performed by Dimensional Fund Advisors. The sample includes equity funds at the beginning of the 20-year period ending December 31, 2024. Funds are sorted into quartiles within their category based on average turnover during the evaluation period. The chart shows the percentage of winner and loser funds by turnover quartile for each period. Winners are funds that survived and outperformed their benchmark, and losers are funds that either did not survive or did not outperform their benchmark. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. Past performance is no guarantee of future results. See The Fund Landscape Appendix for more information.

Dimensional

	PRICES	PREMIUMS	PROCESS
Stock Picking	Attempt to Outguess	Delivers Incomplete Exposure	**Adds Unnecessary Cost**
Index Management	Use Stale Information	Delivers Inconsistent Exposure	
Dimensional	Incorporate Daily Changes	Provides Continuous Focus	

Index Fund Construction Process

Dimensional



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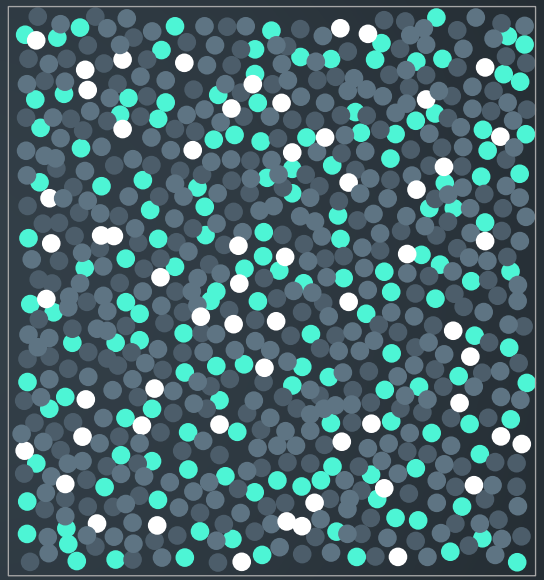

INDEX FUND

Index Fund Construction Process

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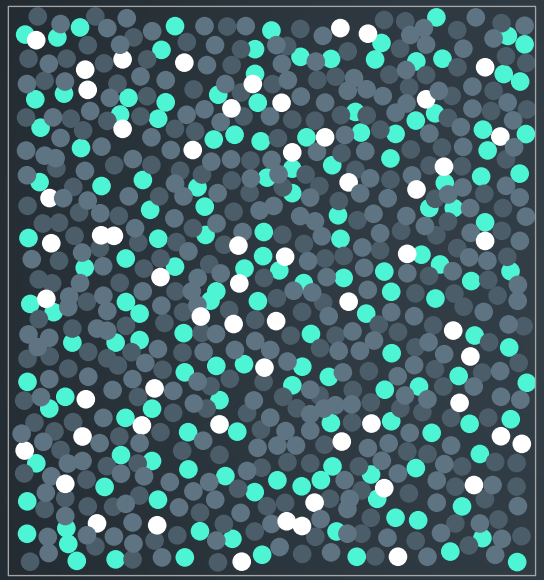

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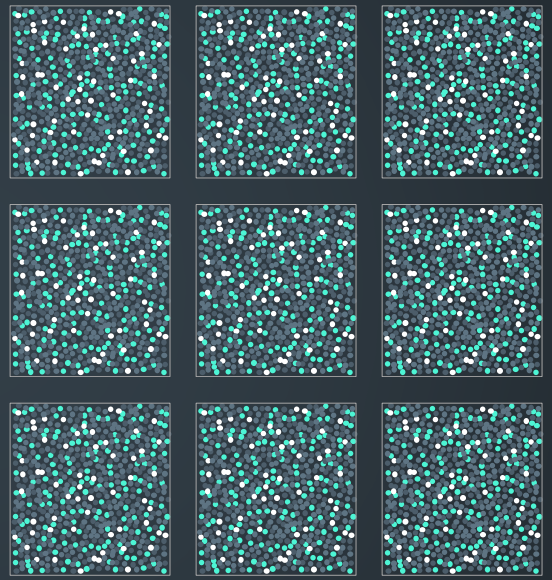
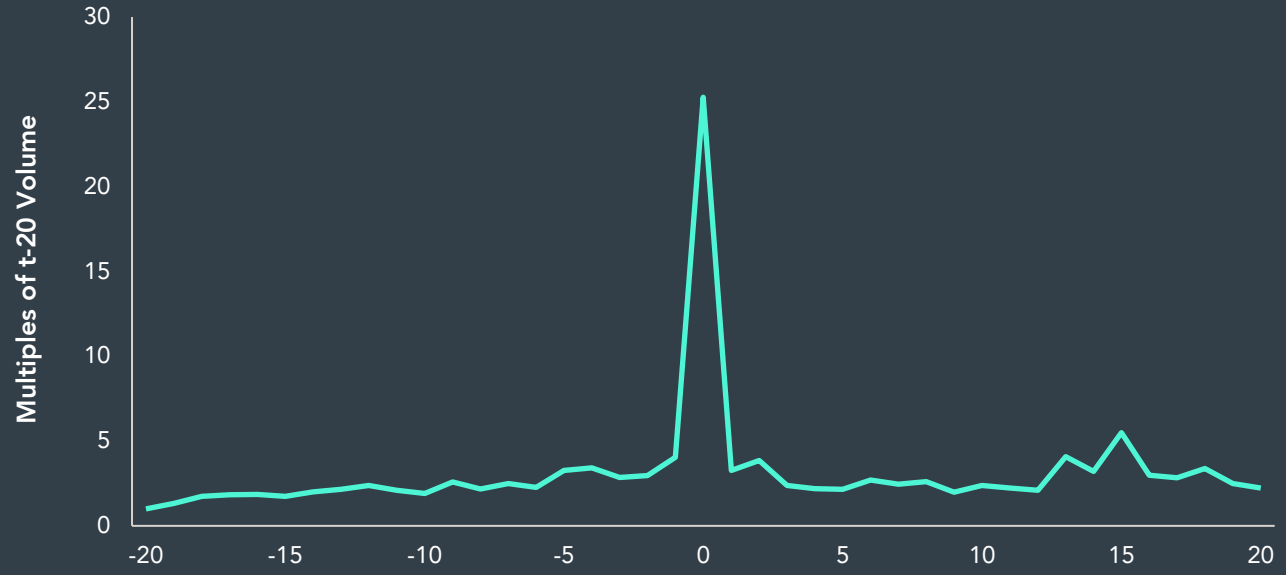


INDEX FUNDS

Avoiding Immediacy-Driven Price Movement

Equal-weighted average trade volume for index additions and deletions

Russell 2000 (2016–2025)



Dimensional

Investment objectives can drive turnover.

Past performance is no guarantee of future results. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Trading volume sourced from Bloomberg L.P. Multiples of t-20 volume is the trading volume at the specific time relative to trading volume at t-20 (20 days prior to index addition or deletion). Indices are unmanaged and cannot be invested into directly.
Indices change their reconstitution dates and methodologies from time to time. The data depicted during the relevant period may reflect a number of different reconstitution practices. This data does not suggest that past performance will re-occur in future periods, as index reconstitution may be different in the future. Other simultaneous events, such as triple-witching dates, could lead to spikes in volume, in addition to reconstitution dates and fund trades which follow them.

Intraday Volume Effects of Reconstitution

Dimensional

Reconstitution/pre-reconstitution ratio for the Russell 2000 Index

Sample includes all additions and deletions to the Russell 2000 Index from January 2019 through December 2023. The security-day-level intraday volume multiple is based on the ratio of observed intraday volume levels on the index reconstitution date relative to the observed equal-weighted average intraday volume over the 30-calendar-day period prior to the reconstitution date. The value-weighted average intraday volume multiples are then calculated across all securities and reconstitution days, using securities' respective free-float market capitalizations, which are month-end values from the most recent month before reconstitution date. Migrating events for the index are excluded; see "Appendix: Index Migrations" for more information. Indices change their reconstitution dates and methodologies from time to time. The data depicted during the relevant period may reflect a number of different reconstitution practices. This data does not suggest that past performance will re-occur in future periods, as index reconstitution may be different in the future. Other simultaneous events, such as triple-witching dates, could lead to spikes in volume, in addition to reconstitution dates and fund trades which follow them.

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Index Management	Use Stale Information	Delivers Inconsistent Exposure	**Lacks Flexibility**
Dimensional	Incorporate Daily Changes	Provides Continuous Focus	

Adding Value in All Aspects of Implementation

Dimensional

Research

Understand what drives expected returns

Portfolio Design

Increase expected returns

Manage risks

Control costs

Portfolio Management

Use up-to-date information to pursue premiums every day

Maximize the value of our holdings

Trading

Use flexibility to reduce trading costs

Appendix

The Fund Landscape Appendix

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 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.

Methodology
The beginning samples include funds as of the start of the 10-, 15-, and 20-year periods. Surviving funds are those with return observations for every month of the sample period. Each fund is evaluated relative to its primary prospectus benchmark. Where the full series of primary prospectus benchmark returns is unavailable, non-Dimensional funds are instead evaluated relative to their Morningstar category index. Outperformers are funds that survived the sample period and whose cumulative net return over the period exceeded that of their respective benchmark. We aggregate funds with multiple share classes to the strategy level.

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
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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.

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RISKS
Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Diversification neither assures a profit nor guarantees against a loss in a declining market. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.

Appendix: Index Migrations

S&P	Russell	CRSP
S&P 500: Additions (deletions) that are deleted from (added to) the S&P 400 or S&P 600 indices	Russell 2000: Additions (deletions) that are deleted from (added to) the Russell 1000 Growth or Russell 1000 Value indices	CRSP US Large Cap Growth: Additions (deletions) that are deleted from (added to) the CRSP US Small Cap or CRSP US Large Cap Value indices (or weights adjusted in either index)
S&P 400: Additions (deletions) that are deleted from (added to) the S&P 500 or S&P 600 indices	Russell 1000 Growth: Additions (deletions) that are deleted from (added to) the Russell 2000 or Russell 1000 Value indices (or weight adjusted in Russell 1000 Value Index)	CRSP US Large Cap Value: Additions (deletions) that are deleted from (added to) the CRSP US Small Cap or CRSP US Large Cap Growth indices (or weights adjusted in either index)
S&P 600: Additions (deletions) that are deleted from (added to) the S&P 400 or S&P 500 indices	Russell 1000 Value: Additions (deletions) that are deleted from (added to) the Russell 2000 or Russell 1000 Growth indices (or weight adjusted in Russell 1000 Growth Index)	CRSP US Mid Cap: Additions (deletions) that are deleted from (added to) the CRSP US Small Cap Index (or weight adjusted in the CRSP US Small Cap Index)
		CRSP US Small Cap: Additions (deletions) that are deleted from (added to) the CRSP US Large Cap Growth, CRSP US Large Cap Value, or CRSP US Mid Cap indices (or weights adjusted in either index)