

PERSPECTIVES

Expectations vs. Reality in Value Funds

Wes Crill, PhD
Senior Investment Director and Vice President

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KEY TAKEAWAYS

- Value stocks have come roaring back, but the resulting performance lift has varied substantially across value managers.
- A continuous and accurate focus on value can put investors in the best position to capture value premiums when they appear.
- The relative performance of Dimensional strategies during the recent bounce-back for value reflects a continued ability to deliver value when value delivers.

Value is an asset class, not an investment strategy. Identifying low relative price stocks is only one step toward designing and managing a value strategy; differences in managers' implementation skill can lead to a wide range of outcomes experienced by value investors. Investors can evaluate these outcomes by assessing whether managers delivered what they said they would deliver. In the case of systematic value strategies, strong performance during periods when value stocks outperform signals an ability to capture value premiums when they appear.

A DIFFERENCE OF OPINION

If 80% of success is just showing up, it follows that exposure to value stocks is a helpful start to capturing the value premium. However, even within a value category, exposure to low relative price stocks varies substantially across funds. For example, the 200-plus funds in the large cap value Morningstar category over the 10-year period ending December 31, 2022 had average price-to-book ratios ranging from 1.3 to over 5.2. That variation means not all funds in the category shared the same experience when the value premium appeared. In months when the Russell 1000 Value Index outperformed the Russell 1000 Growth Index, the average monthly net return for these funds ranged from -0.98% to 2.44%. A cursory inspection of the returns plotted against price-to-book ratios in **Exhibit 1** reveals a negative relation for these months; all else equal, the greater the value exposure, the better the performance.

Exhibit 1

Categorical Imperative

Performance vs. price-to-book for large cap value funds in months when value outperforms growth, January 1, 2013–December 31, 2022



Performance includes reinvestment of dividends and other earnings. Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Data provided by Morningstar. Sample includes funds available throughout the period with at least one data observation in every year of the sample period and listed in the US Large Value Morningstar category as of the sample start date. Data for fund share classes are aggregated to the fund level. Each data point in the chart is based on time series averages for a single fund. Months when value outperforms growth is based on the return difference between the Russell 1000 Value Index and the Russell 1000 Growth Index.

TESTING GROUNDS

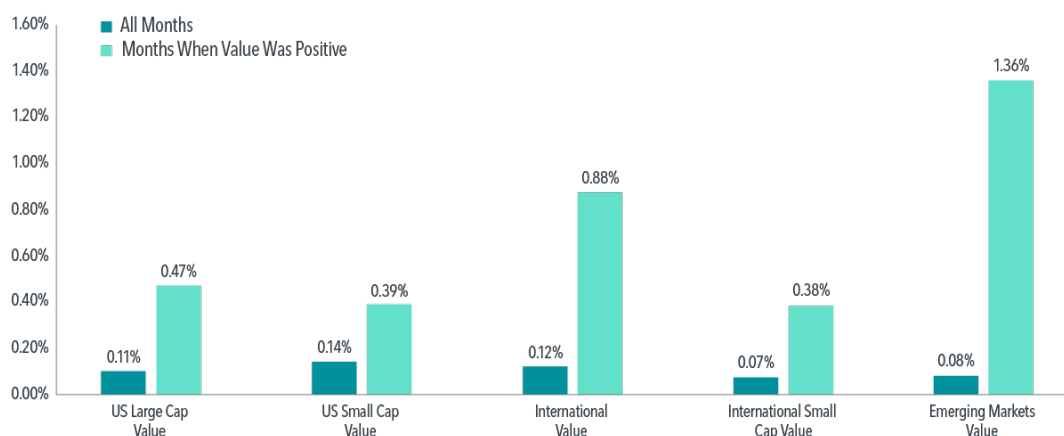
Dimensional's value strategies seek to maintain a consistent focus on value stocks, day in and day out. We do this because we expect a positive value premium every day. While realized premiums can be negative, there is no evidence investors can reliably predict such occurrences.¹ On the other hand, there is ample evidence the value premium can show up in bunches.² A process that stays the course in its pursuit of value can therefore

boost the odds of harvesting the premium when value stocks outperform.

A consistent focus on value stocks means that when the value premium materializes, Dimensional's value strategies are in position to deliver the premium. **Exhibit 2** shows the benefits of consistent focus on the value premium. The results show pervasive outperformance across market segments and geographical regions. When evaluated this way, Dimensional's value funds delivered on their goal of capturing value premiums when they appeared.

Exhibit 2 Delivering the Goods

Average monthly performance relative to Morningstar category peer average, January 1, 2013 – December 31, 2022



Performance for the portfolios is reported net of all advisory fees and includes reinvestment of dividends and other earnings. Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit dimensional.com. Morningstar category peer average returns are sourced from Morningstar. Sample period is 4/1/2012–3/31/2022. US Large Cap Value Portfolio compared to peers in US Large Value Morningstar category, US Small Cap Value Portfolio compared to peers in US Small Value Morningstar category, International Value Portfolio compared to peers in Foreign Large Value Morningstar category, International Small Cap Value Portfolio compared to peers in Foreign Small/Mid Value Morningstar category, and Emerging Markets Value Portfolio compared to peers in Diversified Emerging Markets Morningstar category.

Months When Value Was Positive defined as months when the return of the Russell 1000 Value Index is greater than the Russell 1000 Growth Index for the DFA US Large Cap Value Portfolio, as months when the return of the Russell 2000 Value Index is greater than the Russell 2000 Growth Index for the DFA US Small Cap Value Portfolio, as months when the return of the MSCI World ex USA Value Index (net div.) is greater than the return of the MSCI World ex USA Growth Index (net div.) for the DFA International Value Portfolio, as months when the return of the MSCI World ex USA Small Value Index (net div.) is greater than the return of the MSCI World ex USA Small Growth Index (net div.) for the DFA International Small Cap Value Portfolio, and as months when the return of the MSCI Emerging Markets Value Index (net div.) is greater than the return of the MSCI Emerging Markets Growth Index (net div.) for the DFA Emerging Markets Value Portfolio. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2022, all rights reserved. See Exhibit A for additional important information and "Standardized Performance Data and Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

BUYER BEING AWARE

Delivering on expectations helps investors pursue their goals by keeping the asset allocation decisions in their hands, not the manager's. After all, uncertainty over what

you’re going to get should be reserved for boxes of chocolates, not investment strategies.

Appendix
Annualized
Performance
As of June 30, 2024

	Symbol	Average Annual Total Returns³ (%)			Gross Expense Ratio⁴	Net Expense Ratio⁴
		1 Year	5 Years	10 Years		
US Equity Mutual Funds						
US Large Cap Value Portfolio⁵	DFLVX	16.03	9.64	8.39	0.32%	0.22%
US Small Cap Value Portfolio⁶	DFSVX	15.75	12.25	7.69	0.31%	0.31%
Non-US Equity Mutual Funds						
International Value Portfolio⁷	DFIVX	13.56	8.11	4.27	0.49%	0.28%
International Small Cap Value Portfolio⁶	DISVX	16.37	7.95	4.44	0.43%	0.43%
Emerging Markets Value Portfolio⁵	DFEVX	16.68	5.90	3.93	0.54%	0.44%

Standardized performance and complete information on investment objectives, risks, advisory fees, and expenses of Dimensional’s funds are available here: <https://www.dimensional.com/us-en/funds?ft=mutualFund&ac=equity&f=international%2Cus%2Cvalue%2Cemerging>

Performance for the portfolios is reported net of all advisory fees and includes reinvestment of dividends and other earnings. **Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit [dimensional.com](https://www.dimensional.com).**

	DFA US Large Cap Value Portfolio	DFA US Small Cap Value Portfolio	DFA International Value Portfolio	DFA International Small Cap Value Portfolio	DFA Emerging Markets Value Portfolio
Number of Months When Value Outperforms Growth	49	48	51	55	48

The sample period for the analysis is January 1, 2013 to December 31, 2022. Total number of months for the sample period is 120.

Performance in different environments may differ and may include losses. Premiums can be defined and measured differently from what is used here. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

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1. Wei Dai, "[Premium Timing with Valuation Ratios](#)" (white paper, Dimensional Fund Advisors, 06/30/23).
 2. "[An Exceptional Value Premium](#)," *Insights* (blog), Dimensional Fund Advisors, October 2020.
 3. Performance information as of 6/30/24.
 4. Fee and expense information as of the prospectus dated 02/28/24.
 5. The Advisor has agreed to permanently waive all or a portion of the Portfolio's management fee to the extent necessary to limit the total management fees paid to the Advisor by the Portfolio, including the fees the Portfolio pays to the Advisor indirectly through its investment in other funds managed by the Advisor (excluding investments in affiliated cash management vehicles).
 6. The Portfolio has not entered into a fee waiver and/or expense assumption arrangement with the Advisor.
 7. The Advisor has agreed to permanently waive all or a portion of the Portfolio's management fee to the extent necessary to limit the total management fees paid to the Advisor by the Portfolio, including the fees the Portfolio pays to the Advisor indirectly through its investment in other funds managed by the Advisor (excluding investments in affiliated cash management vehicles). In addition, the Portfolio has entered into fee waiver and/or expense assumption arrangements with the advisor. In these cases, the advisor has contractually agreed, under certain circumstances, to waive certain fees and/or assume certain expenses of the Portfolio. The fee waiver will remain in effect through February 28, 2025, and may only be terminated by the Portfolio's Board of Directors/Trustees prior to that date. The net expense ratio reflects the gross expense ratio of the Portfolio after taking into account any such fee waiver and/or expense assumption arrangements. The gross expense ratio reflects the Total Annual Fund Operating Expenses as disclosed in the prospectus. Please read the Portfolio's prospectus for details and more information.

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

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Risks include loss of principal and fluctuating value. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Small and micro cap securities are subject to greater volatility than those in other asset categories. Value investing is subject to risk which may cause underperformance compared to other equity investment strategies. International and emerging markets investing involves special risks, such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks. The fund prospectuses contain more information about investment risks.

ETFs trade like stocks, fluctuate in market value and may trade either at a premium or discount to their net asset value. ETF shares trade at market price and are not individually redeemable with the issuing fund, other than in large share amounts called creation units. ETFs are subject to risk similar to those of stocks, including those regarding short-selling and margin account maintenance. Brokerage commissions and expenses will reduce returns.

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