



Gerard O'Reilly, co-chief executive of Dimensional. Photo: Dimensional.

Waterford's \$777bn man: Gerard O'Reilly on his route to leading Dimensional

Founded in 1981, Dimensional has shaped the world of investing. O'Reilly, who has co-led the firm since 2017, tells his story and discusses investment strategy.

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Tom Lyons
Chief Executive

Initially, Gerard O'Reilly is a little intense. Framed in a well-cut dark suit, O'Reilly sits in The Ivy restaurant in Dublin, where he orders a simple fish meal. O'Reilly asks lots of questions and, unlike many people, drills into the answers. But O'Reilly is not like most people. He has a doctorate in aeronautics from the California Institute of Technology, one of America's best universities, commonly known as Caltech.

And the Waterford native has also risen to the top of Dimensional, an investment firm with \$777 billion in assets under management. But as the conversation continues, O'Reilly warms up and laughs more, showing the personality behind the razor-sharp intelligence that has driven his rise.

O'Reilly has been co-chief executive and co-chief investment officer of Dimensional since 2018, a position he took on at just 40. He has a team of 1,500 people reporting to him from 15 offices around the world, including Dublin.

O'Reilly is in Dublin for a few days to meet clients of the firm.

The day before we meet, O'Reilly was in the Westbury Hotel meeting financial advisors and clients. After our meeting, he is meeting another one in the suburbs.

Over lunch, he admits that telling the Dimensional story is an important part of what the firm does.

But what is his own story?

How did O'Reilly end up running such a big business?

Nobel prize winners

Gerard O'Reilly was not an obvious candidate for the world of international finance. His parents worked in the laboratory of University Hospital Waterford, and his aunts and uncles were teachers, as is his sister.

"I'd good parents; they emphasised education, and we were always aware that at some point we'd need to stand on our own two feet," he tells me.

After completing his degree in theoretical physics at Trinity College Dublin, he moved to the United States in 1998 to complete his PhD at Caltech.

As a then non-US citizen, O'Reilly needed to get a job quickly to stay on the west coast when he finished his education. So he started to think about what sector he could apply his sharply honed research skills to, and what area would also pay him enough to stay in America.

"I was looking for a company that would have an impact on people's lives pretty quickly but have a good foothold in academia," he says.



Gerard O'Reilly: "We're not leaving money on that table that doesn't have to be."

At the time, O'Reilly was living in Los Angeles, so when he heard about Dimensional, the initial thing that drew his attention was that it was then headquartered in Santa Monica, a resort town overlooking the Pacific. O'Reilly was also impressed by the line-up of Nobel prize-winning academics working with the low-profile firm founded by David Booth in 1981.

The list included Professor Eugene "Gene" Fama, a Nobel prize winner best known for his work on the efficient market hypothesis – the idea that in finance, asset prices reflect all available information.

There was also Robert Merton, another Nobel prize-winning economist known for his academic contributions to continuous-time financial analysis, not to mention Kenneth French, a Dartmouth professor who is a world expert in asset pricing.

Dimensional's founder, Booth, was also a serious hitter.

In the early 1970s, at the age of 24, Booth had moved to San Francisco to join an influential think-tank founded by John "Mac" McQuown, who had created the first equity index fund.

In a 2021 interview, Booth described how he and his associates were "excited by the opportunity to turn academic research into a new way of investing". The story of how McQuown, Fama, Booth, and others did this is documented in the best-selling *Trillions*. The 2021 book by financial journalist Robin Wigglesworth tells the astonishing story of how the index fund changed global finance.

Index funds, pooled investments that passively aim to replicate the returns of market indexes without incurring the costs associated with other types of investing, are commonplace today. At the time, they came under fire, especially from hedge funds that were enjoying fat fees by actively managing investments.

"We're systematic. We have a lot of the benefits of the index-based approach."

Booth reflected in a 2021 interview that this style of investing was considered "un-American". "But we didn't worry about the attacks; we focused on how indexing could improve the lives of investors," Booth explained.

The investment approach taken by Dimensional is unique. It is neither actively trying to figure out what company or sector is going to out- or underperform; nor does it have the tight restrictions of an index fund.

O'Reilly explains to me: "We're systematic. We have a lot of the benefits of the index-based approach. We are low-cost, transparent, high-diversification, low-turnover. But in our view, indexing leaves money on the table because of its rigidity. We have a very flexible implementation that is daily. This allows us to be flexible in how we trade but we are rules-based and transparent. People know what they're getting with us, but we're not leaving money on that table that doesn't have to be left on the table."

Leading at 40

When O'Reilly joined Dimensional, its research team consisted of about four people. He said he enjoyed working in this team as it was "not an ivory tower," but involved collaborating with leading academics.

"It's people getting together and working on solving investment problems." Dimensional, 20 years later, has 100 people in this team. "It is about taking academic research and bringing it to life." O'Reilly, as a researcher, was working on everything from portfolio design to operational projects, giving him a good understanding of how the business worked. He takes a pragmatic research approach.

"My view on that type of work is either finish it or shut it down," he says. "Come to an answer as quickly as you can. Do the right thing in the right way, and do it right now. That's kind of our mantra."

O'Reilly was working at Dimensional during the financial crisis in 2008. He says communication with investors during that period was crucial to the firm's success, as it managed to increase its assets under management at a time when most other firms were experiencing major outflows, sometimes even causing them to go bust. "What was probably most impactful during that time period was, we did an awful lot of work with financial professionals on letting them know what we were doing. Bringing them inside our strategies, and giving them confidence to stay the course and stay invested."

"At that point in time, stress was so high, so we decided to go out and talk to investors and explain how we are managing risk, and how if the

markets are down, then we've already experienced the pain. The important thing is not to turn paper losses into real losses, so we were having conversations around discipline."



Gerard O'Reilly: "Do the right thing in the right way, and do it right now."

This talkative approach with clients continues today, and it explains why O'Reilly is in Dublin. The firm runs conferences and client events all over the world, sometimes attended by hundreds of people. O'Reilly enjoys listening to clients, as he feels it gives him a better insight into what they are looking for. "It allows us to hear what their needs are, and we can then take that away back to our lab and come up with solutions that actually meet those needs."

O'Reilly was just 40 when he became co-chief executive of Dimensional in 2018. He works closely with Dave Butler, a former professional basketball player who leads the business with him. O'Reilly tends to take more of a lead on investment strategies, while Butler takes the lead with clients. "We've been working together for going on eight years," O'Reilly says. "I much prefer having done it with him than without him. It's great to have someone you can bounce ideas off and talk things through with."

Trade wars and tariffs

I ask O'Reilly what he thinks about trade wars and tariffs. His answer reflects Dimensional's approach to investment. "There's no hiding if the market goes down generally," he says. "But the way I look at it is, if

market prices are predictions of the future, then the fact we are talking about trade wars and tariffs today means that is already reflected in market prices for a few weeks.”

The VIX, a key barometer for market volatility, has already spiked before we meet ahead of US tariff announcements. “Markets are already expecting volatility,” he says. O’Reilly adds that from an asset allocation perspective, it is “not helpful” to try and react, as by the time you do it is too late.

“What we generally advocate is to choose a risk profile and asset allocation that matches you. There will be times when you have disappointing returns, and times when returns are strong. But you have to be disciplined above all else. Don’t make rash decisions, stick to the course. That’s a view on investing that I think will serve investors well.” O’Reilly sends me a paper after our conversation written by his colleague Dr Wes Crill that supports this argument. “Data covering the past century’s 16 US recessions show that investors tended to be rewarded for sticking with stocks,” Crill concludes.

I ask how significant Ireland is to Dimensional. “We work with a number of firms now that are probably in the order of €300 million to half a billion of client assets. So that’s the assets they’re investing on behalf of clients. The typical profile in Ireland would be that they emphasise financial planning along with investing. So they’re kind of more holistic in the sense of the approach of looking at the entire client balance sheet,” he says.

In the United States, he says Dimensional works with clients who could place between €100 million to multiple billions with it, as well as major investment banks like Merrill Lynch and UBS. Globally, it also works with sovereign wealth funds and wealthy clients.

O’Reilly has only ever worked for Dimensional since achieving his doctorate. He loves the job, and tries to come home to Ireland to see his family a few times a year as he crisscrosses the world. He finds the role constantly stimulating.

“Throughout the journey of the past 20 years, I’d sometimes pinch myself and think, did I ever think I would be in a meeting with the Central Bank of XYZ and be able to tell them ‘Here are some ways you

can think about investing, and here's some concepts and ideas that they are unfamiliar with?," O'Reilly laughs. "Growing up in Ireland, the answer would be no, but the opportunities with Dimensional are always a lot of fun."

We finish our meal, there's no suggestion of dessert. The next meeting beckons, disciplined not just in investing.

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