

PERSPECTIVES

Markets Look Forward. So Should Investors.

Isabelle Williams
Deputy Head of Investment Solutions

Apr 09, 2025

KEY TAKEAWAYS

- With a stark shift in US tariff policy announced on April 2 and ongoing responses worldwide, investors are on edge.
- Pain that investors may be feeling from current volatility reflects markets setting prices such that expected returns are always positive.
- While drops in stock prices can be nerve-racking, markets have historically bounced back from downturns.

With a stark shift in US tariff policy announced on April 2 and ongoing responses worldwide, many investors are on edge. Volatility as measured by the VIX index has spiked to levels not seen in nearly five years.¹ But when there is real economic uncertainty and information is quickly changing, volatility is a sign that markets are functioning.

Sudden drops in the market and heightened volatility can be unnerving, as can rapidly changing economic policies. The market's job is to process uncertainty in real time. When trade policies change swiftly, markets are incorporating a vast amount of information and expectations about how these shifts may shape the global economy. Markets do this on a forward-looking basis, continuously incorporating new information and setting prices so that expected returns are positive.

Economic policies, such as those related to international trade, have financial impacts across the economy beyond market returns. The economic implications that markets almost instantaneously price into securities play out over a longer period in the real economy. This difference in velocity is important to underscore, because it points to a difference in how we experience potentially negative (or positive) economic developments as investors versus as participants in the real economy. Even if you are worried about ongoing economic challenges, you shouldn't necessarily expect a negative investment experience going forward, because markets have already factored

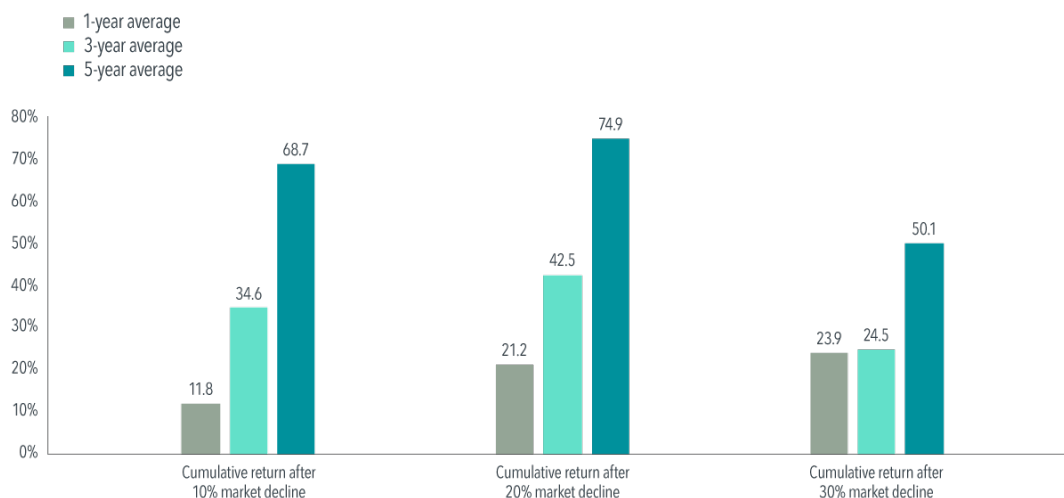
in known information.

Pain you may feel now reflects markets setting prices such that expected returns are always positive. **Exhibit 1** below illustrates that market returns following downturns generally have been positive. When we examine US equity returns following downturns of 10%, 20%, or even 30%, we see one-, three-, and five-year cumulative returns that are positive on average. Viewed in annualized terms across five years, returns after a 20% decline have been close to the US market's historical average of approximately 10%.²

When your portfolio experiences a sudden drop, generally the most important thing an investor can do is to stay invested and look forward to better days ahead.

Exhibit 1**Market Gains Can Add Up After Big Declines**

Fama/French Total US Market Research Index cumulative returns, July 1, 1926–December 31, 2024



Past performance is no guarantee of future results. Actual returns may be lower. Short-term performance results should be considered in connection with longer-term performance results.

In USD. The Fama/French indices represent academic concepts that may be used in portfolio construction and are not available for direct investment or for use as a benchmark. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Total returns are calculated for the one-, three-, and five-year periods beginning the day after a downturn of 10%, 20%, or 30% from a new all-time high for the market. The bar chart shows the average total returns for the one-, three-, and five-year periods following the 10%, 20%, and 30% thresholds. For the 10% threshold, there are 30, 29, and 28 observations for the one-, three-, and five-year periods, respectively. For the 20% threshold, there are 16, 15, and 14 observations for the one-, three-, and five-year periods, respectively. For the 30% threshold, there are seven, seven, and six observations for one-, three-, and five-year periods, respectively. 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. Fama/French Total US Market Research Index: July 1926–present: Fama/French Total US Market Research Factor + One-Month US Treasury Bills. Source: Ken French website.

Results shown during periods prior to each index's inception date do not represent actual returns of the respective 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.

1. Source: Cboe.

2. The average annualized return for the Fama/French Total US Market Research Index for the period July 1, 1926–December 31, 2024, was 10.23%. The average annualized returns for the five-year period after 10% declines were 9.59%; after 20% declines, 10.15%; and after 30% declines, 7.18%.

The Cboe Volatility Index, or VIX, is a real-time market index representing the market's expectations for volatility over the coming 30 days.

The information in this material is intended for the recipient's background information and use only. It is provided in good faith and without

any warranty or representation as to accuracy or completeness. Information and opinions presented in this material have been obtained or derived from sources believed by Dimensional to be reliable, and Dimensional has reasonable grounds to believe that all factual information herein is true as at the date of this material. It does not constitute investment advice, a recommendation, or an offer of any services or products for sale and is not intended to provide a sufficient basis on which to make an investment decision. Before acting on any information in this document, you should consider whether it is appropriate for your particular circumstances and, if appropriate, seek professional advice. It is the responsibility of any persons wishing to make a purchase to inform themselves of and observe all applicable laws and regulations. Unauthorized reproduction or transmission of this material is strictly prohibited. Dimensional accepts no responsibility for loss arising from the use of the information contained herein.

This material is not directed at any person in any jurisdiction where the availability of this material is prohibited or would subject Dimensional or its products or services to any registration, licensing, or other such legal requirements within the jurisdiction.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

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. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.

UNITED STATES

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

Investment products: • Not FDIC Insured • Not Bank Guaranteed • May Lose Value
Dimensional Fund Advisors does not have any bank affiliates.

CANADA

These materials have been prepared by Dimensional Fund Advisors Canada ULC. The other Dimensional entities referenced herein are not registered resident investment fund managers or portfolio managers in Canada.

This material is not intended for Quebec residents.

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise noted, any indicated total rates of return reflect the historical annual compounded total returns, including changes in share or unit value and reinvestment of all dividends or other distributions, and do not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

AUSTRALIA

This material is issued by DFA Australia Limited (AFS License No. 238093, ABN 46 065 937 671). This material is provided for information only. No account has been taken of the objectives, financial situation or needs of any particular person. Accordingly, to the extent this material constitutes general financial product advice, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to the investor's objectives, financial situation and needs. Investors should also consider the Product Disclosure Statement (PDS) and the target market determination (TMD) that have been made for each financial product either issued or distributed by DFA Australia Limited prior to acquiring or continuing to hold any investment. Go to dimensional.com/funds to access a copy of the PDS or the relevant TMD. Any opinions expressed in this material reflect our judgement at the date of publication and are subject to change.

NEW ZEALAND

This material is issued by DFA Australia Limited (incorporated in Australia, AFS License No. 238093, ABN 46 065 937 671). This material is provided for information only. This material does not give any recommendation or opinion to acquire any financial product or any financial advice product, and is not financial advice to you or any other person. No account has been taken of the objectives, financial situation or needs of any particular person. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to the investor's objectives, financial situation and needs. Investors should also consider the Product Disclosure Statement (PDS) and for the Dimensional Wholesale Trusts the target market determination (TMD) that have been made for each financial product or financial advice product either issued or distributed by DFA Australia Limited prior to acquiring or continuing to hold any investment. Go to dimensional.com/funds to access a copy of the PDS or the relevant TMD. Any opinions expressed in this material reflect our judgement at the date of publication and are subject to change.

WHERE ISSUED BY DIMENSIONAL IRELAND LIMITED

Issued by Dimensional Ireland Limited (Dimensional Ireland), with registered office 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland. Dimensional Ireland is regulated by the Central Bank of Ireland (Registration No. C185067).

WHERE ISSUED BY DIMENSIONAL FUND ADVISORS LTD.

Issued by Dimensional Fund Advisors Ltd. (Dimensional UK), 20 Triton Street, Regent's Place, London, NW1 3BF. Dimensional UK is authorised and regulated by the Financial Conduct Authority (FCA) - Firm Reference No. 150100.

Dimensional UK and Dimensional Ireland do not give financial advice. You are responsible for deciding whether an investment is suitable for your personal circumstances, and we recommend that a financial adviser helps you with that decision.

Dimensional UK and Dimensional Ireland issue information and materials in English and may also issue information and materials in certain other languages. The recipient's continued acceptance of information and materials from Dimensional UK and Dimensional Ireland will constitute the recipient's consent to be provided with such information and materials, where relevant, in more than one language.

NOTICE TO INVESTORS IN SWITZERLAND: This is advertising material.

JAPAN

For Institutional Investors and Registered Financial Instruments Intermediary Service Providers.

This material is deemed to be issued by Dimensional Japan Ltd., which is regulated by the Financial Services Agency of Japan and is registered as a Financial Instruments Firm conducting Investment Management Business and Investment Advisory and Agency Business.

Dimensional Japan Ltd.

Director of Kanto Local Finance Bureau (FIBO) No. 2683

Membership: Japan Investment Advisers Association

SINGAPORE

This material is deemed to be issued by Dimensional Fund Advisors Pte. Ltd. (UEN:201210847M), which is regulated by the Monetary Authority of Singapore and holds a capital markets services license for fund management.

This advertisement has not been reviewed by the Monetary Authority of Singapore or the Central Provident Fund (CPF) Board.

FOR PROFESSIONAL INVESTORS IN HONG KONG

This material is deemed to be issued by Dimensional Hong Kong Limited (CE No. BJE760) ("Dimensional Hong Kong"), which is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

This material should only be provided to "professional investors" (as defined in the Securities and Futures Ordinance [Chapter 571 of the Laws of Hong Kong] and its subsidiary legislation) and is not for use with the public. This material is not intended to constitute and does not constitute marketing of the services of Dimensional Hong Kong or its affiliates to the public of Hong Kong. When provided to prospective investors, this material forms part of, and must be provided together with, applicable fund offering materials. This material must not be provided to prospective investors on a standalone basis. Before acting on any information in this material, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice.

Neither Dimensional Hong Kong nor its affiliates shall be responsible or held responsible for any content prepared by financial advisors. Financial advisors in Hong Kong shall not actively market the services of Dimensional Hong Kong or its affiliates to the Hong Kong public.

dimensional.com



https://my.dimensional.com/markets-look-forward-so-should-investors?_cldee=PsOEKFcWNxPPU8LA77UJD1RVKmSoV1ifrMNSVOxz61xOCXZt0Uu_L9LkC1PR3J3a&recipientid=contact-f5a9e2b0239fe71180ffc4346bac0934-43a835538c4b4d20ad6be677b0bfd02e&esid=78e1876a-1c1a-f011-998a-6045bd02b4ca

04/16/2025