



ON THE COVER

People invest so they can live better lives. This year's cover depicts the connection between life and investing, and the cumulative result of the decisions we make each day. In investing as in life, the effects of these decisions can compound over time to lead to a good experience.

How to Invest Better and Live Better

INTRODUCTION BY David Booth, Founder and Chairman

It can be challenging to start a conversation about investing. That's why I encourage having a broader conversation about life as a "preamble" to investing. Connecting life principles to investment principles is a great way to ground abstract concepts in reality and share universal experiences and feelings.

One of the best ways to communicate investing is through stories. Of course, technical data is great, and that's our world at Dimensional. But most people relate better to stories.

We often hear stories from financial professionals and their clients—and it can be truly satisfying to learn how people's lives improved after they started working or investing with us.

We have helped people understand the nature of capital markets and eliminate unnecessary stress about wealth and the future. I'm gratified to see them living better lives and proud of the role, however large or small, Dimensional has played.

Our employees also have stories that connect life with investing. In this year's *Matrix Book*, we feature a few of them. Each highlights a principle and includes an exhibit inspired by data in this book. These simple, intuitive stories reinforce key concepts about markets and investing, and they offer insights that can inform financial decisions.



Having a good investment experience is about more than returns. What matters just as much—maybe even more—is how people feel along their financial journey. And that's really what our business is all about: helping people live better, more fulfilling lives.

I hope you enjoy these stories and get to know a bit more about Dimensional's people. I also encourage you to develop your own stories to share with your clients and with us. In the process, we can all discover how life prepares us for investing—and investing prepares us for life.



Stacey Winning
Chief Talent Officer

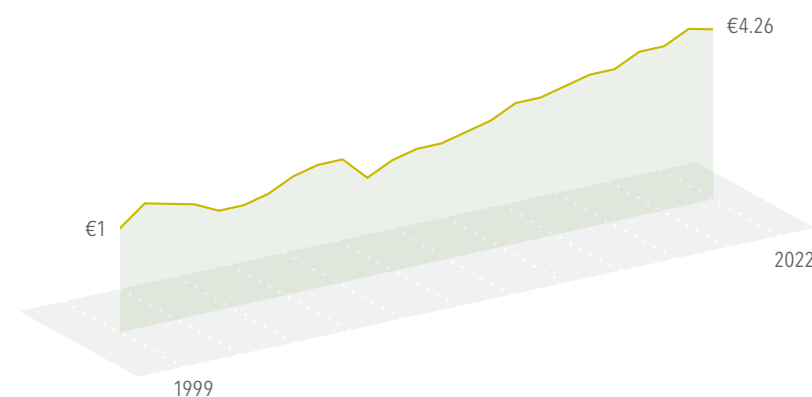
The Power of Compounding

Over time, small improvements really add up. I embraced this principle early in my investment life, but it took longer to master in the context of a career.

When you're first starting out in the workforce, time ticks by at what can feel like a glacial pace, and it's hard to see how all the little things you learn pay off. Yet, just as the whole is greater than the sum of its parts, incremental advances in your knowledge, expertise and relationships accumulate and build upon one another to your benefit. It's like earning a compound return on your investment and watching its value grow exponentially over the years.

In the workplace, your daily wins and experiences accumulate and multiply, producing a far richer and more robust professional journey. And to top it off, one small choice at work—or a bad year in the market—won't make or break your career. Instead, it's how all the parts come together when given the time.

Growth of a Euro, MSCI All Country World Index
1999-2022



In EUR. Data presented in the Growth of €1 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. **Past performance is not a guarantee of future results.** Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI All Country World Index (gross dividends) © MSCI 2023, all rights reserved.

▶ Global equities have rewarded investors with tremendous growth of wealth through compounded returns. The key is to stay invested and let time work for you.

Control What You Can

Last year, I was surfing in Hawai'i when I felt a tightness in my chest. A wave of crippling pain washed over me, and I couldn't breathe. We rushed to the hospital, and the cardiologist said I had suffered a major heart attack. Thankfully, I walked out of the hospital the next day to begin my road to recovery. The doctors said my years of discipline around personal wellness probably saved my life.



Bryce Skaff
Co-Head of Global Client Group

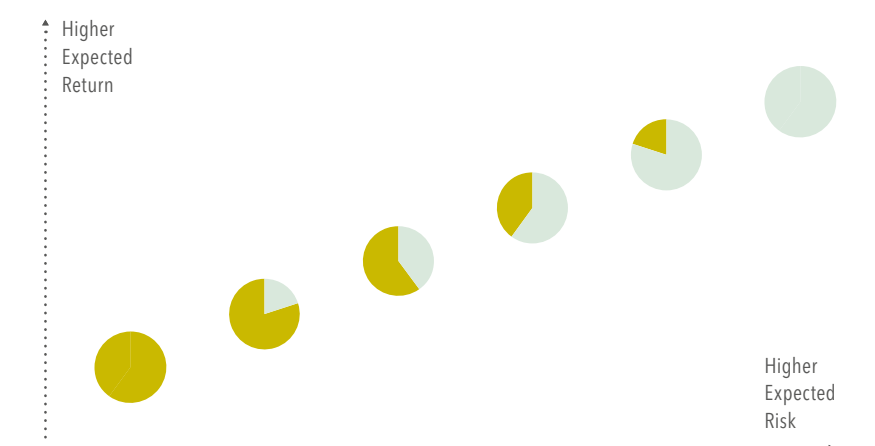
In hindsight, the experience helped me see the parallel between health and financial well-being. While we cannot control what happens in markets or life, preparation can help us get through the tough times. I couldn't predict a heart attack. But through healthy living, I had been preparing to survive one without knowing it. The same applies to investing: We can prepare for uncertainty and extreme events by focusing on controllable factors, such as saving, diversifying, managing risks and costs and practicing discipline.

On that fateful day, I controlled what I could by staying calm, trusting my body and letting the doctors do their job. The experience was a reminder of how preparation, discipline and quality professional guidance can help us weather any storm.

▶ To position for different market outcomes, investors can choose an asset allocation that reflects their time horizon, financial goals and risk tolerance.

Consider Risk and Return When Allocating Assets

■ FIXED INCOME ■ EQUITY



For illustrative purposes only. The risk and expected return shown in this illustration are not reliable indicators of actual risk profiles. There is no guarantee strategies will be successful.

Planning over Prediction



Savina Rizova
Global Head of Research

I became a “petrol head” 18 years ago when I met my husband, and we’ve since attended F1 races all over the world. I see many similarities between fast cars and investing. First, you need expertise in both endeavours to transform science into practice. Combining robust insights from scientific models with real-world considerations can help you plan and eliminate much of the guesswork in building an investment solution or a racing machine. Science is the engine.

Technology is also crucial. F1 technology means carbon fiber, wind tunnels and computational-fluid-dynamics software. Systematic investing involves scalable databases, platforms and processes that guide daily portfolio decisions. Both efforts also require a process for collecting and evaluating a huge amount of information. Two gigabytes of data are sent by the race car to the team in just one lap. A robust investment approach may process hundreds of thousands of data points each day to help inform portfolio positioning and rebalancing.

In systematic active investing and racing, the objective is to outperform. While you cannot accurately predict the result, planning for a range of possibilities can help you get the most from design, technology and information—and reduce the role of chance in the outcome.

Dimensions of Expected Returns

EQUITIES

Company Size Market Capitalisation	Relative Price Price/Book Equity	Profitability Operating Profits/ Book Equity
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FIXED INCOME

Term Sensitivity to Interest Rates	Credit Credit Quality of Issuer	Currency Currency of Issuance
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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. Diversification does not eliminate the risk of market loss.

Financial science offers insight into the drivers of higher expected returns. Rather than trying to predict which securities will outperform, investors can follow a systematic process in an effort to capture what the markets offer.

Uncertainty and Opportunity

After many years of public speaking, I had an unexplainable panic attack during a presentation. Later, the anxiety I felt about having another episode was new and uncomfortable to me. In search of an answer, and thanks to my mother, I discovered positive psychology—the scientific study of what helps humans flourish.

Since then, I’ve read many books about the personal qualities that lead to a greater sense of well-being. I’ve also learned ways to manage anxiety: When you sense it coming, lean into it. Rather than resisting the uncomfortable feeling, greet it like a friend and much of it goes away. Resistance only makes it grow.

How does this connect to investing? Resisting market downturns that inevitably will occur fuels anxiety as an investor. However, rather than merely accepting the setback, embrace it because risk and return are related. You cannot achieve much in life or investments without accepting uncertainty.

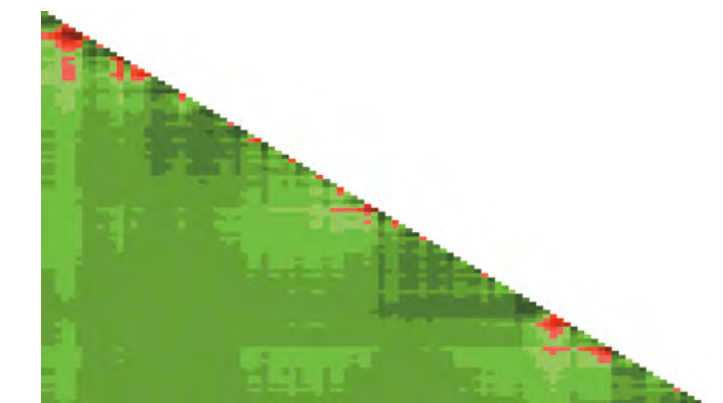
Life’s setbacks are rarely as bad as you fear. Stay focused on the important things. The rest will come.



Brad Steiman
Head of Wealth Management Group, Canada

The graphic below converts annualised returns into shades of red and green based on positive and negative ranges. Investors must endure periods of short-term negative performance, as depicted in red, for the opportunity to earn positive average returns, in green, over the longer term.

S&P 500 Index
1926–2022



In USD. Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

The Value in Flexibility

At 14, I moved with my family from a small village in India to Los Angeles. That began a life of change and adaptation for me. After college, I expected to work in accounting. Instead, I learned about Dimensional and joined the firm as a trading assistant in Santa Monica.

I didn't know much about asset management and trading, so I leveraged my computer programming courses to help create tools for the trading desk. Throughout my Dimensional trek—from Santa Monica to Chicago, Sydney, Austin, and back to Sydney—I had to adapt to different roles, personalities and cultures. Now Sydney is home.

In life, we should all expect change and be ready to respond. The same goes for investing. Stock prices change continually as markets adapt to new information. When managing portfolios and trading, being flexible can result in lower costs, better prices and higher returns. Flexibility can help you add value in dynamic markets—just as it can help you navigate life.

World Equity Market Capitalisation as at 31 December 2022



See page 60 for sources and description. Information above may not reflect the experience of all investors.



Bhanu Singh

Chief Executive Officer, Australia
Head of Asia-Pacific Portfolio Management

In this cartogram, the size of each country reflects its total relative stock market capitalisation. These markets around the world are adapting every second to new information and to changing expectations. A flexible investment strategy can make the most of the opportunities the markets present.

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