

## THE FUTURE OF INVESTING

The investment world has changed dramatically over the past decade—in many ways for the better, as investors have benefited from an evolving industry marked by a convergence of new products, advancing financial technology, and increased personalization.

The future of investing presents both an opportunity and a challenge to financial professionals who must introduce the value of advice to a new generation of investors. A recent article in the *Wall Street Journal* proposed that younger affluent investors are eschewing traditional financial advice in favor of a self-directed approach.<sup>1</sup> Many are opting for digital platforms that offer convenient access to trading and an expanding range of alternative investments, from cryptocurrency to business startups. Making sense of the vast landscape of options is crucial to pursuing a good investment outcome.

In a future of expanding product choices and rising complexity, we believe that qualified, trusted financial guidance will prove more valuable than ever before. But how will wealth advisors reinforce and enhance their value proposition to investors? Let's consider the challenge within an industry driven by product innovations.

## New Investment Structures

### EXCHANGE-TRADED FUNDS

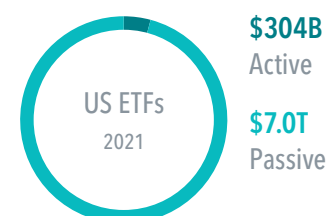
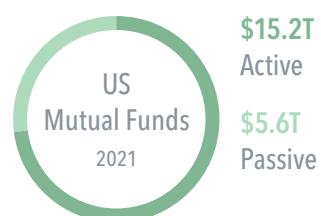
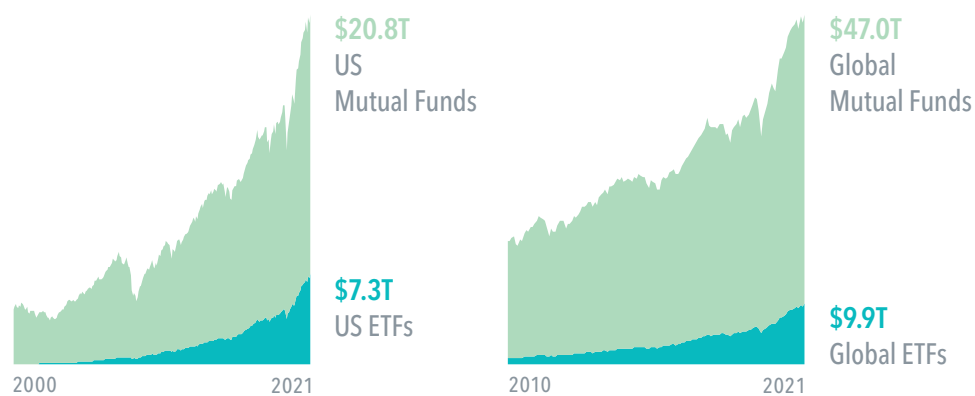
Around the world, mutual funds still capture the lion's share of global investor assets. But the use of other vehicles has been rising. These include exchange-traded funds (ETFs), which were introduced in the US in 1993. Most ETFs in the US have tracked indices and been considered "passive" strategies, but US regulatory changes have enabled an expansion of active transparent approaches that seek to outperform market benchmarks. Specifically, the US Securities and Exchange Commission's 2019 adoption of one new ETF rule provided US managers with greater flexibility in choosing securities for share creations and redemptions—a feature that can reduce costs and help position portfolios for higher expected returns, which benefits Dimensional's investment approach.

With the new rule in place, Dimensional launched our first ETFs in 2020. Like all our investment solutions, the ETFs were developed based on input from and collaboration with a close community of advisors. By the end of 2021, Dimensional had launched 13 equity and fixed income ETFs—quickly becoming one of the largest active transparent ETF managers in the US—with more funds scheduled to launch in 2022.<sup>2</sup> Our goal is to provide financial professionals more ways to access Dimensional Investing to meet the growing needs and preferences of their clients.

### Fund Focus

While mutual funds hold more assets, ETFs have been experiencing faster growth.

In US mutual funds, active strategies dominate, while US ETFs comprise mostly passive approaches.



1. "Rich Millennials to Financial Advisers: Thanks for the Golf Invite, but You Can't Invest My Money," *Wall Street Journal*, Nov. 8, 2021.

2. Dimensional ETF count as of December 31, 2021.

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#### SEPARATELY MANAGED ACCOUNTS

Today, technology has dramatically enhanced the ability of asset managers like Dimensional to deliver low-cost solutions tailored to an investor's objectives. For the next generation of advisors, providing highly personalized investment choices and services is no longer an option. It is a necessity.

Separately managed accounts (SMAs) are an example of technology-driven personalization—made all the more compelling lately with lower minimum account-balance requirements. Advances in financial technology have pushed the costs of investing down, and SMAs are now available to a broader group of investors wanting to customize their portfolio mix to implement specialized tax management, company or industry exclusions, and environmental, social, and governance (ESG) preferences. Dimensional's SMA offering in the US meets the increasing demand of investor customization, streamlines account management for financial professionals through a world-class digital platform, and applies our value-added approach to pursuing higher expected returns. Through customization, advisors are helping their clients take a more holistic view of wealth that aligns with their values and connects with the needs of clients' families.

#### INVESTMENT MODELS

Technology has also fueled the rising popularity of investment models, which provide periodically revised asset allocations in portfolios. Responding to feedback from the advisor community, Dimensional introduced multiple sets of wealth models in the US and UK, built upon our equity and fixed income strategies in 2020. US-based ETF models were added in 2021.

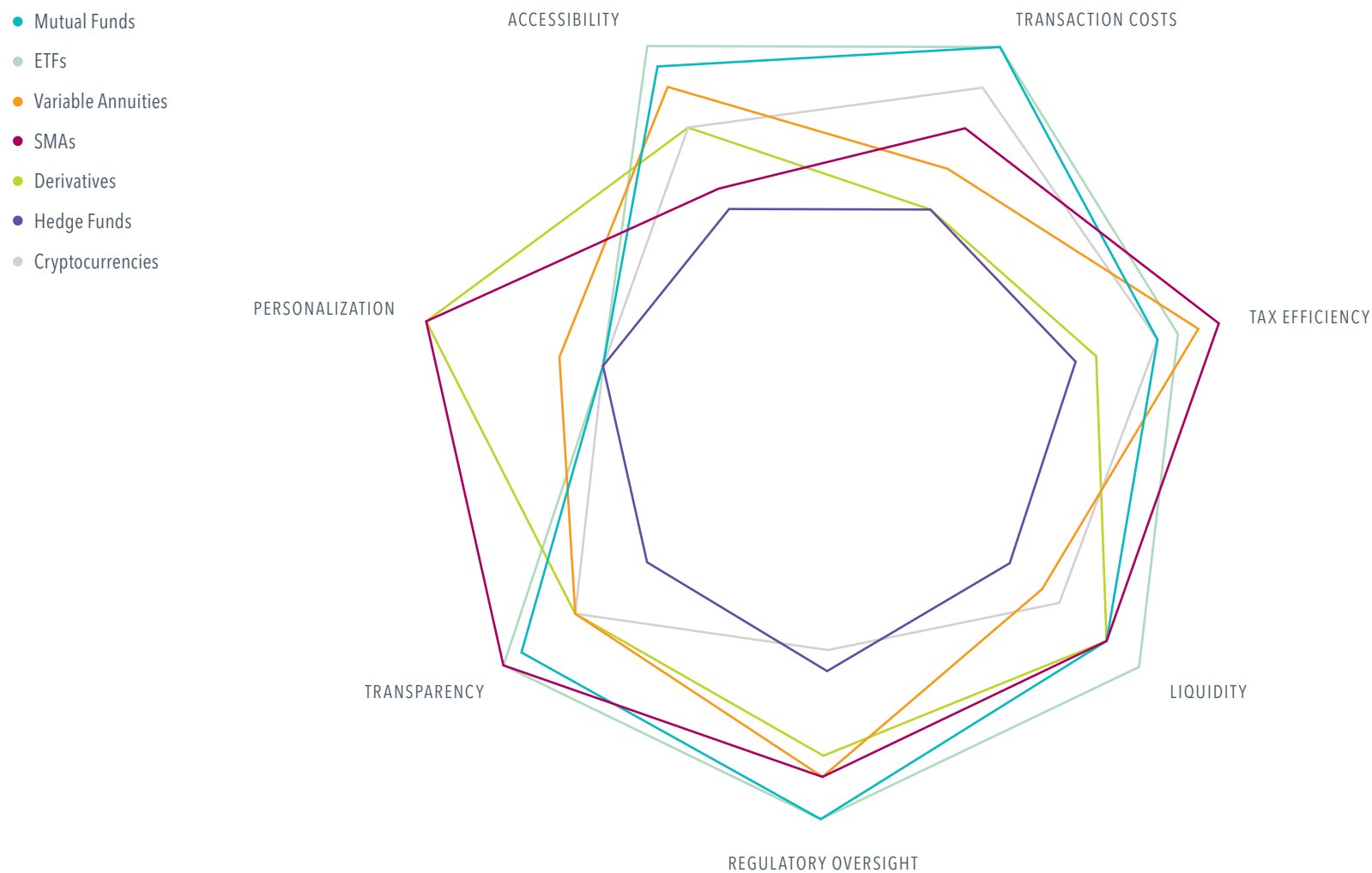
Dimensional has continued to innovate in this evolving industry. We have recently developed strategies in different product structures to give financial professionals more choices in how they integrate Dimensional Investing into client portfolios.

## An Advisor for Life

Product innovations and financial technology can offer more targeted choices for investors and tools for delivering financial advice. But industry competition can also lead to the development of fashionable products that may not reflect sound financial science or stand the test of practical implementation in dynamic, unpredictable markets. All these options mean that top-quality advisors will continue to play a vital role in helping clients manage complex choices and thoughtfully match strategies with objectives and values.

### Matching Structure and Strategy

This diagram plots popular investment options based on common investor considerations, although an investment may vary within the range of each characteristic. Financial professionals can help navigate the complexity when choosing the right structure to complement an investor's wealth goals.



The characteristics of each investment vehicle shown are conceptual illustrations and are not based on observed data. The illustrations are not intended to serve as investment advice and may differ in the actual management of a portfolio.

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Pursuing deeper client relationships through discussions on tax efficiency, charitable giving, retirement, generational planning, ESG integration, and estate planning enables advisors to understand each client's financial situation. Technology is already changing how advisors connect with clients, allowing for longer, more frequent, and deeper conversations in a virtual setting than may have been possible when meetings only took place in person and often just once a year.

History shows that every generation of investors must navigate a changing financial landscape while keeping focused on their goals. This generation, in particular, must deal with the hyperactive flow of information that can lure investors into making hasty investment shifts. In our view, one of a financial professional's most important roles is to teach clients to develop a long-term view of markets. If investors are going to participate in the rewards of the capital markets, advisors should encourage them to stay in their seat, through good times and bad.

Combining technical knowledge with more personalized guidance can help financial professionals continue to work with the current generation and reinforce their value to a younger generation of do-it-yourself investors.

## Going Beyond Indexing: Dimensional's Systematic Approach

One common thread in Dimensional's history is the consistent, systematic application of financial theory and empirical research in managing strategies. Our flexible approach goes beyond indexing to pursue better outcomes than available from tracking benchmarks. We do this by focusing on some fundamental goals.

### Pursue higher expected returns

Market prices contain reliable information that can be used to position portfolios for higher expected returns.

### Build portfolios based on financial science

We apply decades of research insights to identify areas of the market that are associated with higher expected returns, then target them in diversified strategies.

### Improve returns through implementation

We use a systematic approach that focuses on adding value through a flexible, daily process that aims to reduce costs and manage risk.

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## The Long Investment Journey

More than 30 years ago, we started working with a small but growing group of financial professionals who were inspired to deliver client-centered advice and were seeking low-cost, transparent investment strategies rooted in financial science. Ever since, we have worked together to change how investment advice is delivered around the world.

The professionals we work with believe in the power of capital markets, have a strong client commitment, and possess experience in a range of financial disciplines. Dimensional offers investment expertise informed by empirical research and a deep level of insight and support for their business offerings. We are committed to earning their trust by applying a consistent, transparent approach in our value-added strategies and respecting the bond between advisors and their clients.

In a competitive financial services market, the best advisors look to add value in all aspects of their client relationships. They can't afford to offer common solutions or untested strategies built upon spurious theories and research. This is where Dimensional's financial-science-based investment approach and longstanding track record shine.

But helping a diverse advisor community goes well beyond investments—and by working globally with advisors from different financial disciplines and business models, we have accumulated insights that can help drive their organizations to new levels of success. Through Dimensional 360™, our integrated support program, we continue to develop education, services, and tools that can help financial professionals elevate their client experience while strategically managing and growing their businesses.

The future of investing holds promise for investors and the industry alike. Individuals will continue to get a more personalized investment experience, while financial professionals will continue to deliver investment solutions and services that differentiate their businesses in a dynamic industry.

Advisors have always been at the core of client success—and Dimensional is well-positioned to continue empowering advisors and their investors on that journey.

## Dimensional 360™

Comprehensive Solutions for Financial Professionals



Over the past three decades, we have developed an extensive suite of tools and support to help financial professionals deliver a better client experience while managing complex challenges in their business. We call it Dimensional 360.

This expanding collection of knowledge and resources spans multiple aspects of business to help professionals get the most from Dimensional investment strategies, enhance their client communication with effective techniques, and grow their business using strategic insights from our global practice management initiatives.

Dimensional 360 is adaptable to the specific needs of each financial services organization. Through personal consultations, thematic conferences, communication and business strategy workshops, webcasts, digital and print content, and other resources, we strive to help advisors gain a strategic view of where their businesses can go—and provide the expertise and resources to bring their visions to life.



## Glossary

**Active management**

A portfolio management approach that aims to outperform a market rate or return, or a specific benchmark, by choosing investments that deviate from the market portfolio or benchmark.

**Asset allocation**

The apportionment distribution of assets across various asset classes, often tailored to meet an investor's objectives while considering risk tolerance and investment horizon.

**Benchmark**

A standard against which the performance of an investment portfolio can be measured.

**Cryptocurrency**

A digital or virtual currency built upon blockchain technology and secured through cryptography. Most function in decentralized networks and are not issued by any central authority.

**Derivative**

A financial instrument whose value is based on an underlying asset or security.

**Hedge funds**

Professionally managed investment pools that apply a variety of non-traditional or alternative strategies and trading approaches. They are generally available only to accredited investors.

**Liquidity**

A description of the cost to buy and sell a security. This may be measured using transaction costs or the price impact of trading in the security.

**Passive management**

A portfolio management approach that does not rely on trying to identify mispriced securities or time markets. One example of passive management is indexing.

**Separately managed account (SMA)**

A portfolio of assets managed by a professional asset manager whereby the investor directly owns individual securities.

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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.

#### UNITED STATES

Consider the investment objectives, risks, and charges and expenses of the Dimensional funds carefully before investing. For this and other information about the Dimensional funds, please read the prospectus carefully before investing. Prospectuses are available by calling Dimensional Fund Advisors collect at (512) 306-7400 or at [us.dimensional.com](http://us.dimensional.com). Dimensional funds are distributed by DFA Securities LLC.

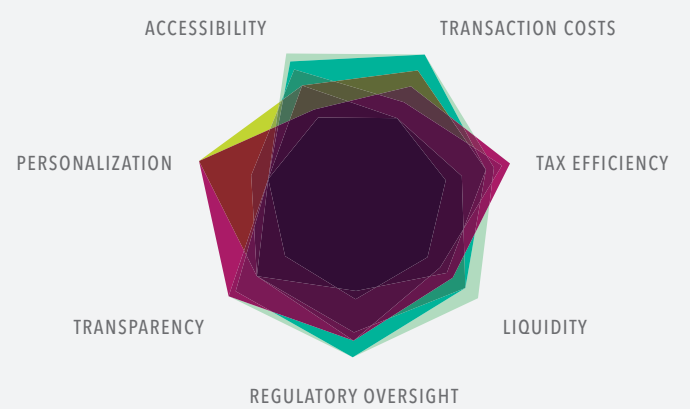
Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

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 risks similar to those of stocks, including those regarding short-selling and margin account maintenance. Brokerage commissions and expenses will reduce returns.

Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment.

Investment products: • Not FDIC Insured • Not Bank Guaranteed • May Lose Value

Dimensional Fund Advisors does not have any bank affiliates.



#### ON THE COVER

Ever-expanding investment options bring new challenges and opportunities for investors. The cover image depicts the growing array of investment choices—like mutual funds, ETFs, SMAs, and cryptocurrencies—and the characteristics investors may consider when choosing the best structures to fit their goals. The broad range of decisions investors face underscores the invaluable role financial advisors play in helping them navigate increasing complexity in strategy selection.

AMERICAS

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EUROPE

Amsterdam, Berlin, Dublin, London

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