



PERSPECTIVES

Dimensional's Takes on 2023 Industry Topics

Dec 27, 2023

Every year, Dimensional produces a range of resources and analysis to help financial professionals and individuals make informed investment decisions.

In 2023, we shared insights directly connected to various happenings around the world, from government debt and bank closures to topics like artificial intelligence and the Magnificent 7 stocks.

Dimensional stressed the importance of focusing on your investment plan rather than rummaging through your portfolio looking for potential trouble spots when news headlines cause concern.

Here is a look at several original pieces published by Dimensional this year around some of the industry's hottest topics.

DEBT CEILING AND DEBT DOWNGRADE

In January, the US hit its debt ceiling, triggering "extraordinary measures" by the Treasury Department to allow continued servicing of existing debts and obligations. The headlines left investors wondering how a breach of the debt ceiling could impact their investments.

In "[Mind over Matter: Perspective for Investors on the US Debt Ceiling](#)," Dimensional emphasized sticking to a sound investment plan rather than trying to predict what would happen with the debt limit and the implications for investors.

In August, Fitch Ratings downgraded the US government's credit rating, triggering another potential worry for investors. The immediate impact appeared to be minimal as US debt markets seemed to barely react. That, Dimensional explained in "[Real-Time Ratings Are More Dynamic than Fitch's](#)," was likely due to the forward-looking nature of markets.

Additional resources:

- [Famous Ceilings in History](#)
- [Not News If It's Not New](#)

BANK CLOSURES

Several high-profile regional banks collapsed in 2023, beginning in March when regulators took control of Silicon Valley Bank as a run on the bank unfolded. Just two days later, regulators took control of a second lender, Signature Bank. The back-to-back collapses resulted in increased anxiety as many investors eyed their portfolios for exposure to these and other regional banks.

In ["When Headlines Worry You, Bank on Investment Principles,"](#) Dimensional stressed the importance of focusing on your investment plan rather than rummaging through your portfolio looking for potential trouble spots when news headlines cause concern.

Additional resources:

- [Banking on Global Diversification](#)
- [The Stock Market vs. Stocks in the Market](#)
- [Staying Focused as Markets Shift](#)

THE MAGNIFICENT 7

For much of the year, the Magnificent 7 stocks—Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla—captured the focus of investors as these stocks outpaced the broader market.

As companies grow to become some of the largest on the US stock market, their returns can be impressive. But, as Dimensional [pointed out](#), not long after joining the top 10 largest by market cap, these stocks, on average, have lagged the market.

In his essay [“The Stock Market vs. Stocks in the Market,”](#) Dimensional Founder and Chairman David Booth notes that a properly diversified portfolio can help ensure that investors reap the rewards of these top performers while also preventing the risks that come from being overly concentrated in a single stock, sector, or country when its performance is poor.

Additional resources:

- [Concern over Market Valuations](#)
- [Over the Top](#)
- [Which Country Will Outperform? Here’s Why It Shouldn’t Matter.](#)
- [The Correlation between Correlation and Diversification](#)

INVESTMENT IMPLICATIONS OF ARTIFICIAL INTELLIGENCE

This year’s developments in artificial intelligence came with a fair share of news headlines and water cooler conversations. Investors and financial professionals alike debated everything from whether AI will help stock pickers make accurate predictions to which stocks will benefit most from the technology.

While recognizing that artificial intelligence has great promise, Dimensional [reminded readers](#) that AI has been around for years and emphasized the firm’s belief that there’s no reason to think it offers investors predictive capabilities. In fact, artificial intelligence pales in comparison with the informational content of the market’s AI—aggregate intelligence.

In addition to aggregating information, the market is forward-looking, reflecting investors’ best estimate of an asset’s value in relation to future expected returns. The market adjusts as new information comes in, setting prices that buyers and sellers agree are fair for millions of stocks and bonds every day. There’s no evidence that anyone can consistently outsmart the market—not even artificial intelligence.

Additional resources:

- [David Booth in the Financial Times: Why the Wisdom of the Market Crowd Beats AI](#)
- [The Power of the Market, the Ultimate AI](#)

- [Gerard O'Reilly: The Difference between AI and Markets](#)
- [My Dear Watson](#)

Named securities may be held in accounts managed by Dimensional.

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.

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.

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.

dimensional.com

