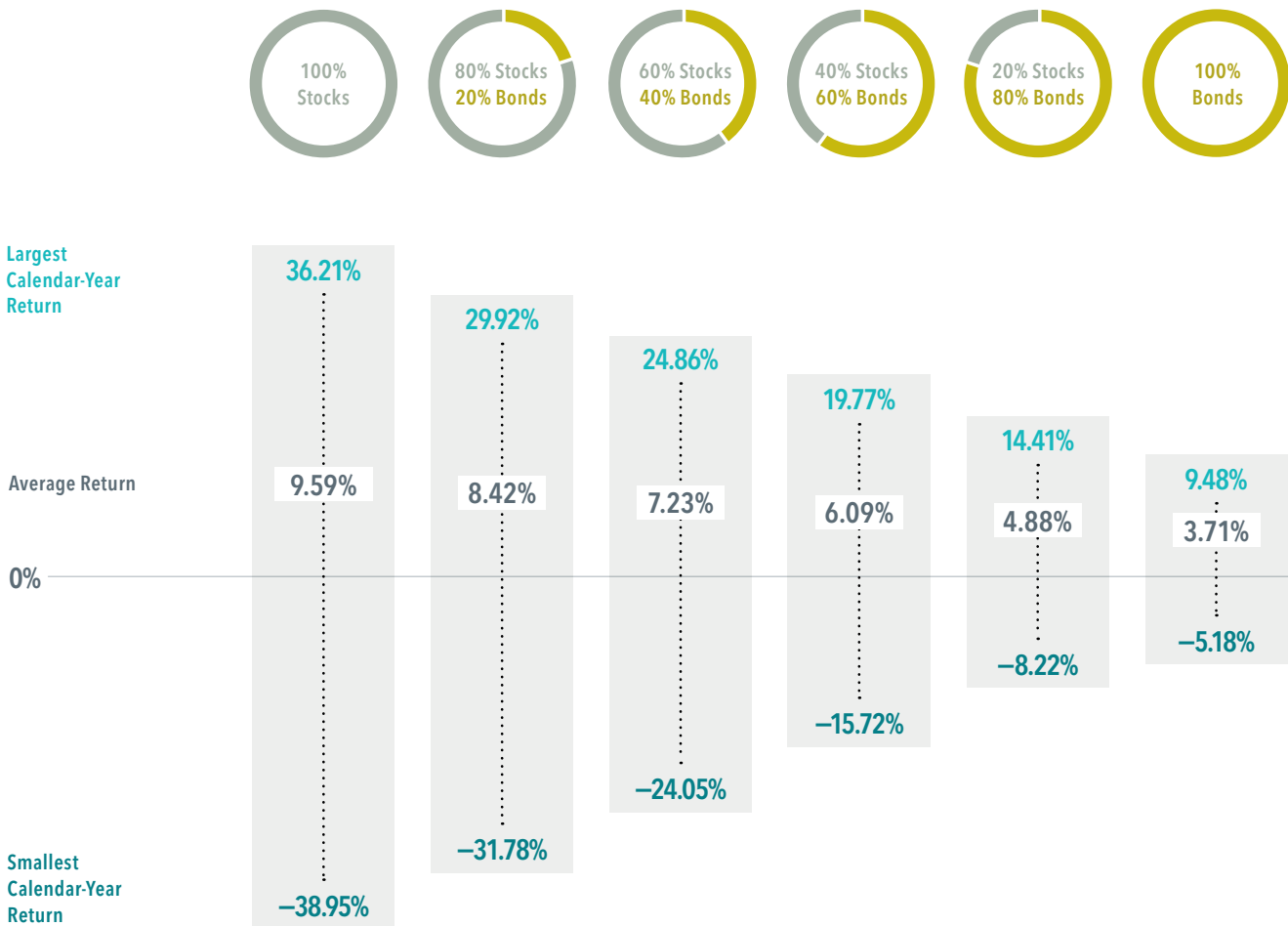


# How Asset Allocation Impacts Risk and Return

LARGEST, SMALLEST, AND AVERAGE RETURNS BASED ON CALENDAR-YEAR PERFORMANCE  
2000–2024



Asset allocation plays an important role in an investment portfolio. For example, the proportion of stocks versus bonds can have a big impact on risk and return.

- The average calendar-year gain on a portfolio with 100% stocks was +9.59% from 2000 to 2024, but the largest and smallest returns varied widely.
- Investors who opted for a portfolio with 100% bonds saw much less of a swing between the largest and smallest returns—but with less than half the average gain.
- As exposure to bonds increased and exposure to stocks declined, average gains and the range between largest and smallest outcomes both went down.

*When choosing an asset allocation for your portfolio, it's important to understand how stock and bond exposure impacts risk and return.*

## HOW ASSET ALLOCATION IMPACTS RISK AND RETURN

EQUITY	0%	20%	40%	60%	80%	100%
Dimensional US Core Equity Market Index	0.0	14.2	28.4	42.6	56.8	71.0
Dimensional International Core Equity Market Index	0.0	3.8	7.6	11.4	15.2	19.0
Dimensional Emerging Markets Core Equity Market Index	0.0	1.6	3.2	4.8	6.4	8.0
S&P Global REIT Index	0.0	0.4	0.8	1.2	1.6	2.0
FIXED INCOME	100%	80%	60%	40%	20%	0%
Bloomberg US TIPS Index	20.0	10.0	0.0	0.0	0.0	0.0
Dimensional US Ultra-Short Fixed Income Index	20.0	10.0	0.0	0.0	0.0	0.0
Dimensional Short-Term Extended Quality Index	60.0	50.0	40.0	25.0	10.0	0.0
Dimensional US Core Fixed Income Index	0.0	10.0	20.0	15.0	10.0	0.0

### Past performance is no guarantee of future results.

In USD. Weights as of December 31, 2024. Rebalanced monthly. Totals may not equal 100% due to rounding. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

Performance results of the asset allocations are based on performance of indices with backtested performance results; the performance was achieved with the benefit of hindsight; it does not represent actual investment strategies. The allocation's performance does not reflect advisory fees or other expenses associated with the management of an actual portfolio. There are limitations inherent in asset allocations. In particular, performance may not reflect the impact that economic and market factors may have had on the advisor's decision-making if the advisor were actually managing client money.

The Dimensional indices have been retrospectively calculated by Dimensional Fund Advisors LP and did not exist prior to their index inception dates. Accordingly, results shown during the periods prior to each index's inception date do not represent actual returns of the 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.

The Dimensional 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. Their performance does not reflect the expenses associated with the management of an actual portfolio.

**Dimensional US Core Equity Market Index:** Inception: August 2020. Compiled by Dimensional from CRSP and Compustat data. Targets all securities of US companies traded on the NYSE, NYSE MKT (formerly AMEX), and Nasdaq Global Market with an emphasis on companies with smaller capitalization, lower relative price, and higher profitability, excluding those with the lowest profitability and highest relative price within the small cap universe. The index also excludes those companies with the highest asset growth within the small cap universe. Profitability is defined as operating income before depreciation and amortization minus interest expense divided by book equity. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. Exclusions: non-US companies, REITs, UITs, and investment companies.

**Dimensional International Core Equity Market Index:** Inception: August 2020. Compiled by Dimensional using data provided by Bloomberg. Targets all the securities in the eligible markets with an emphasis on companies with smaller capitalization, lower relative price, and higher profitability, excluding those with the lowest profitability and highest relative price within their country's small cap universe. The index also excludes those companies with the highest asset growth within their country's small cap universe. Profitability is defined as operating income before depreciation and amortization minus interest expense divided by book equity. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. Countries currently included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the UK. Exclusions: REITs and investment companies.

**Dimensional Emerging Markets Core Equity Market Index:** Inception: August 2020. Compiled by Dimensional from Bloomberg securities data. Targets all the securities in the eligible markets with an emphasis on companies with smaller capitalization, lower relative price, and higher profitability, excluding those with the lowest profitability and highest relative price within their country's small cap universe. The index also excludes those companies with the highest asset growth within their country's small cap universe. Profitability is defined as operating income before depreciation and amortization minus interest expense divided by book equity. Asset growth is defined as change in total assets from the prior fiscal year to current fiscal year. Countries currently included are Brazil,

Chile, China, Colombia, the Czech Republic, Greece, Hungary, India, Indonesia, Kuwait, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, South Africa, Saudi Arabia, South Korea, Taiwan, Thailand, Turkey, and the UAE. Exclusions: REITs and investment companies.

**Dimensional US Ultra-Short Fixed Income Index:** Inception: October 2023. February 1999–present: Compiled by Dimensional using data provided by Bloomberg. Based on securities in the universe of the Bloomberg Global Aggregate Bond Index and includes government and corporate AAA–BBB USD bonds, with maturity 1–2 years. The Dimensional US Ultra-Short Fixed Income Index is 50% ICE BofA US 3-Month Treasury Bill Index and 50% Dimensional US 1–2 Year Government/Corporate AAA–BBB bonds. Relative to the US 1–2 Year Government/Corporate bond market weights, the index can overweight corporate bonds with respect to the government bonds when the credit spreads between corporate and government bonds are wide. Within the corporate bonds, it can also overweight corporate BBB bonds with respect to their market weights, when the expected returns of BBB corporate bonds are higher than those of other corporate bonds. Rebalanced monthly. Prior to February 1999: ICE BofA US 3-Month Treasury Bill Index.

**Dimensional Short-Term Extended Quality Index:** Inception: January 2020. Compiled by Dimensional using data provided by Bloomberg. Includes securities in Bloomberg US 3–5 Year Government, Credit Aaa, Aa, A, Baa indices, and Bloomberg US 1–3 Year Government, Credit Aaa, Aa, A, Baa indices. Securities can be over- or underweighted based on government/credit spreads. When the difference in yields between credit and government bonds is narrow, government bonds may be overweighted. When the difference in yields between credit and government bonds is wide, government bonds may be underweighted. Securities can be over- or underweighted with respect to their market cap weight based on credit spreads. When the difference in yields between AAA+AA and A+BBB is narrow, AAA+AA bonds may be held above market cap weight. When the difference in yields between AAA+AA and A+BBB is wide, AAA+AA bonds may be held below market cap weight. When the difference in yields between AAA+AA and BBB is narrow, BBB bonds may be held below market cap weight. When the difference in yields between AAA+AA and BBB is wide, BBB bonds may be held above market cap weight. The duration of the index is based on the term spread between the 3–5 year government/credit bonds and 1–3 year government/credit bonds. When the term spread is wide, the duration of the index can be longer than the duration of the Bloomberg US Credit 1–5 Year Index. When the term spread is narrow, the duration of the index can be shorter than the duration of the Bloomberg US Credit 1–5 Year Index. The duration of the government component is based on the term spread between 3–5 year government bonds and 1–3 year government bonds. When the term spread is wide, the duration of the index can be longer than the duration of the Bloomberg US Government 1–5 Year Index. When the term spread is narrow, the duration of the index can be shorter than the duration of the Bloomberg US Government 1–5 Year Index. Rebalanced monthly.

**Dimensional US Core Fixed Income Index:** Inception: December 2021. Compiled by Dimensional using data provided by Bloomberg. Includes securities in the Bloomberg US 5–10Y Government, Credit Aaa, Aa, A, Baa indices; Bloomberg US 1–5Y Government, Credit Aaa, Aa, A, Baa indices; and Bloomberg Remix Portfolio (TBA Proxy) Index. Securities can be over- or underweighted based on government/credit spreads. When the difference in yields between credit and government bonds is narrow, government bonds may be held above 50%. When the difference in yields between credit and government bonds is wide, government bonds may be held below 50%. Securities can be over- or underweighted with respect to their market cap weight based on credit spreads. When the difference in yields between AAA+AA and A+BBB is narrow, AAA+AA bonds may be held above market cap weight. When the difference in yields between AAA+AA and A+BBB is wide, AAA+AA bonds may be held below market cap weight. When the difference in yields between AAA+AA and BBB is wide, BBB bonds may be held above market cap weight. The duration of the index is based on the duration of its government/credit component and the duration of the Bloomberg Remix Portfolio (TBA Proxy) Index. The duration of the government/credit component of the index is based on the term spread between 5–10 year government/credit bonds and 1–5 year government/credit bonds. When the term spread is wide, the duration of the government/credit component can be slightly shorter than the duration of the Bloomberg US Aggregate Bond Index. When the term spread is narrow, the duration of the government/credit component can be moderately shorter than the duration of the Bloomberg US Aggregate Bond Index. The duration of the government component is based on the term spread between 5–10 year government bonds and 1–5 year government bonds. When the term spread is wide, the duration of the government component can be slightly shorter than the duration of the Bloomberg US Government Index. When the term spread is narrow, the duration of the index can be moderately shorter than the duration of the Bloomberg US Government Index. The index's backtested performance is based on the performance of the government/credit component, the Bloomberg Remix Portfolio (TBA Proxy) Index, and the ICE 1M USD LIBOR Index. Rebalanced monthly. Data includes composite data from multiple sources or custom blends.

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