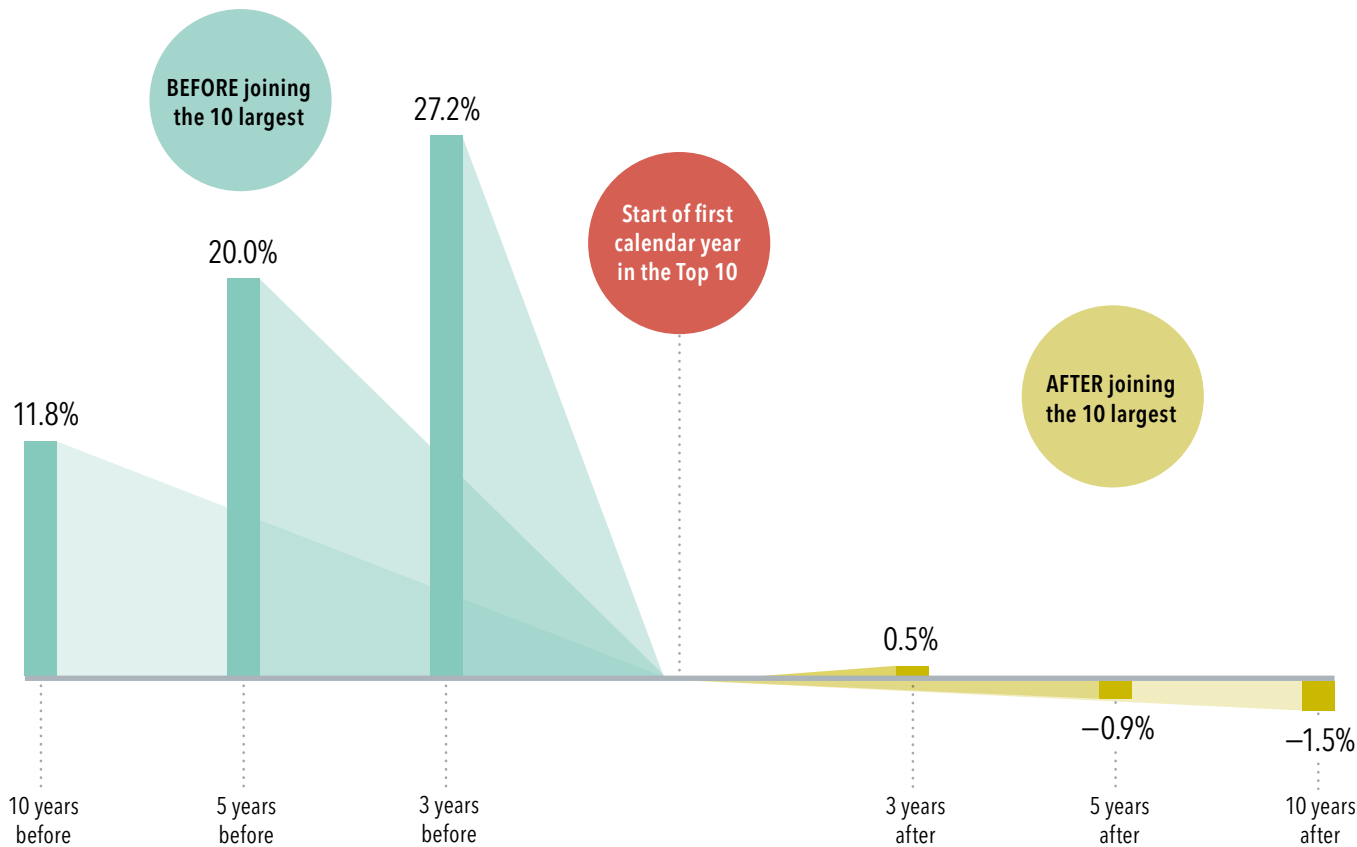


Think Twice about Chasing the Biggest Stocks

AVERAGE ANNUALIZED OUTPERFORMANCE OF COMPANIES BEFORE AND AFTER THE FIRST YEAR THEY BECAME ONE OF THE 10 LARGEST IN THE US
 Compared to Fama/French Total US Market Research Index, 1927–2023



As companies grow to become some of the largest on the US stock market, their returns can be impressive. But not long after joining the Top 10 largest by market cap, these stocks, on average, have lagged behind the market.

- From 1927 to 2023, the average annualized return for these stocks over the three years prior to joining the Top 10 was more than 25% higher than the market.
- Five years after joining the Top 10, these stocks were, on average, underperforming the market—a stark turnaround from before. The gap was even wider 10 years out.

Expectations about a firm's prospects are reflected in its current stock price. Positive news might push prices higher, but those changes are not predictable.

Past performance is no guarantee of future results.

This information is intended for educational purposes and should not be considered a recommendation to buy or sell a particular security. Named securities may be held in accounts managed by Dimensional.

In USD. Source: Dimensional, using data from CRSP. Includes all US common stocks excluding REITs. Largest stocks identified at the end of each calendar year by sorting eligible US stocks on market capitalization. Market is represented by the Fama/French Total US Market Research Index. Ten largest companies by market capitalization. Returns after joining the 10 largest are measured as of the start of the first calendar year after a stock joins the Top 10. Annualized excess return is the difference in annualized compound returns between the stock and the market over the three-, five-, and 10-year periods, before and after each stock's initial year-end classification in the Top 10. Three-, five-, and 10-year annualized returns are computed for companies with return data available for the entire three-, five-, and 10-year periods, respectively. The number of firms included in measuring excess returns prior (subsequent) to becoming a Top 10 stock consists of 44 (56) for the three-year period, 43 (54) for the five-year period, and 35 (49) for the 10-year period.

Fama/French Total US Market Research Index: The value-weighted US market index is constructed every month, using all issues listed on the NYSE, AMEX, or Nasdaq with available outstanding shares and valid prices for that month and the month before. Exclusions: American depository receipts. Source: CRSP for value-weighted US market return. Rebalancing: Monthly. Dividends: Reinvested in the paying company until the portfolio is rebalanced.

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.

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.

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.

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

FOR RESEARCH AND EDUCATIONAL PURPOSES ONLY.

AMERICAS

Austin, Charlotte, Santa Monica, Toronto, Vancouver

EUROPE

Amsterdam, Berlin, Dublin, London, Munich

ASIA PACIFIC

Hong Kong, Melbourne, Singapore, Sydney, Tokyo

dimensional.com

