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# The Fund Landscape 2023

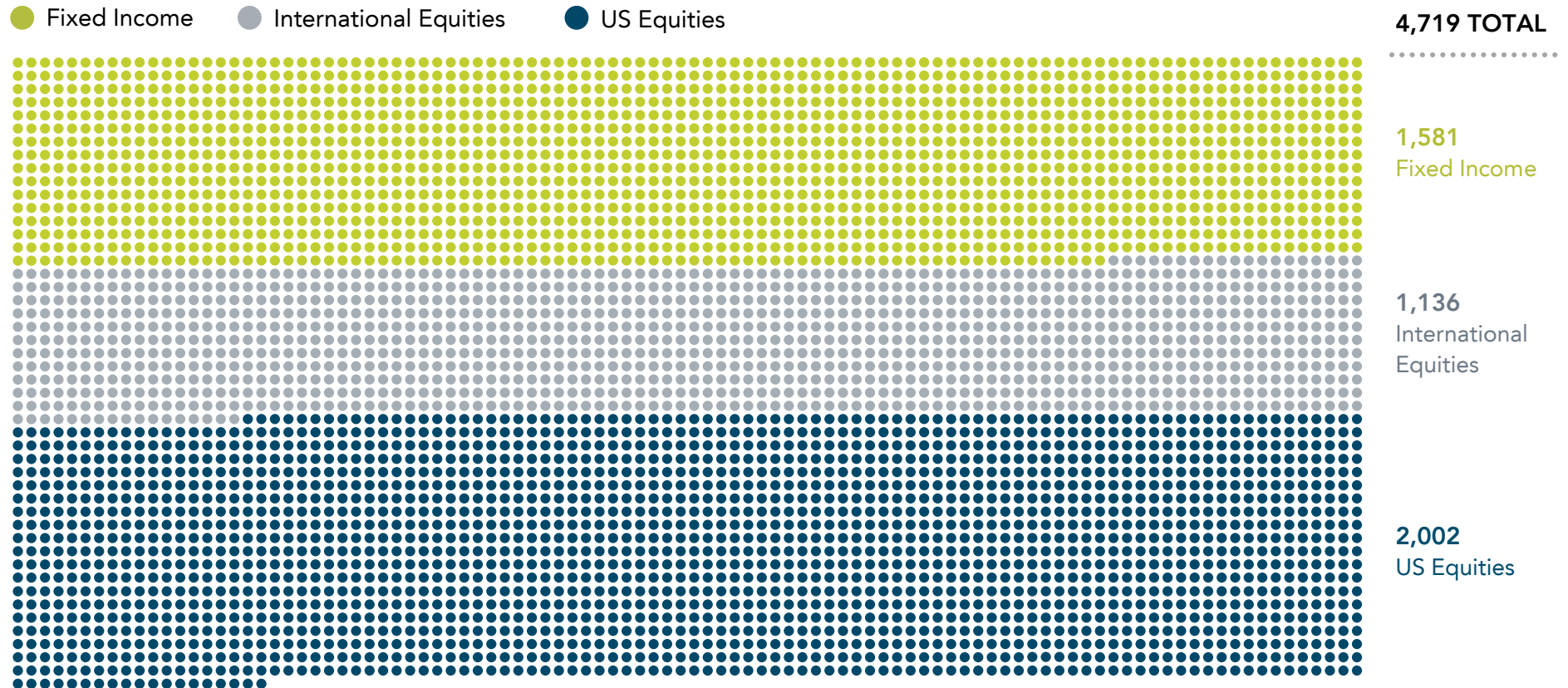
A Study of US-Domiciled Mutual Fund Performance and Exchange-Traded Fund Performance

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# US-Domiciled Funds, 2022

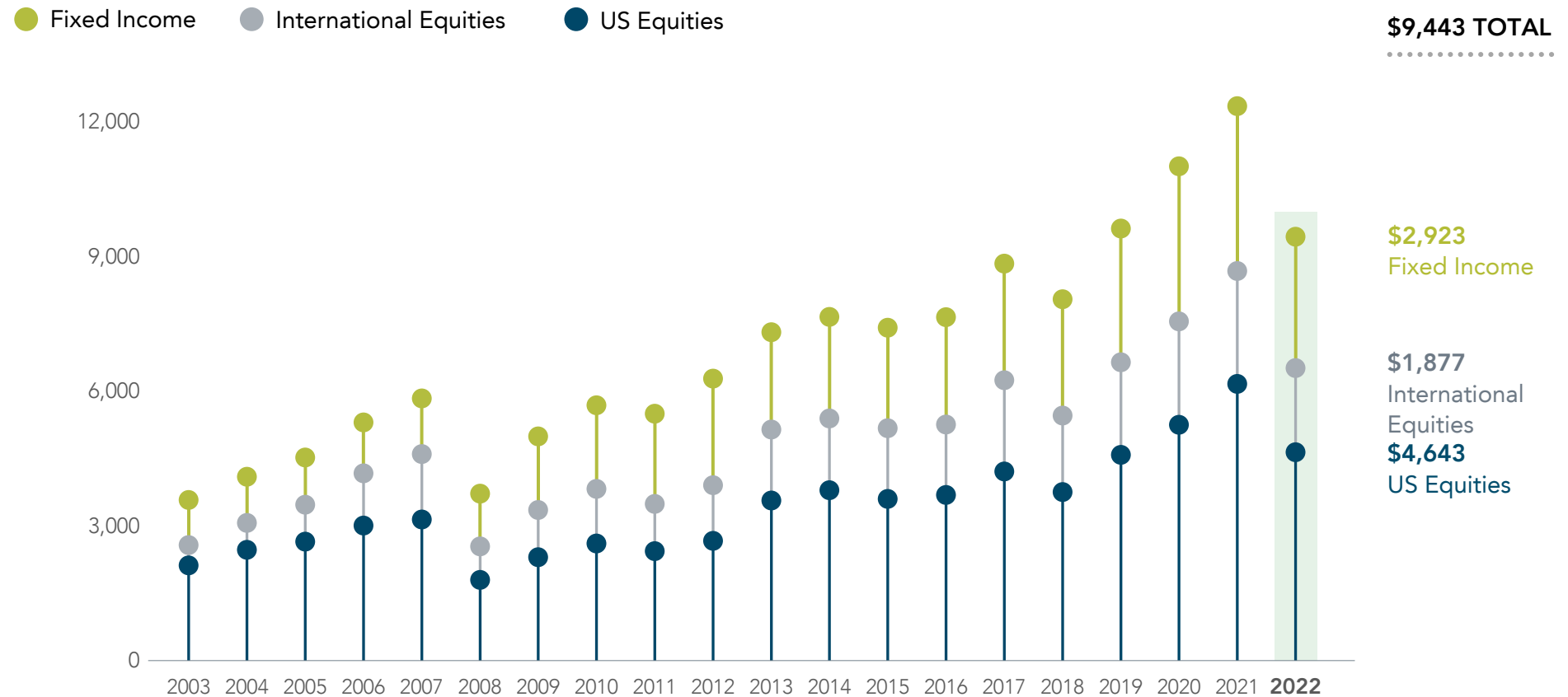
Number of equity and fixed income funds as of December 31, 2022



Number of US-domiciled funds in the sample as of December 31, 2022. International equities include non-US developed and emerging markets funds. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

# Assets Under Management

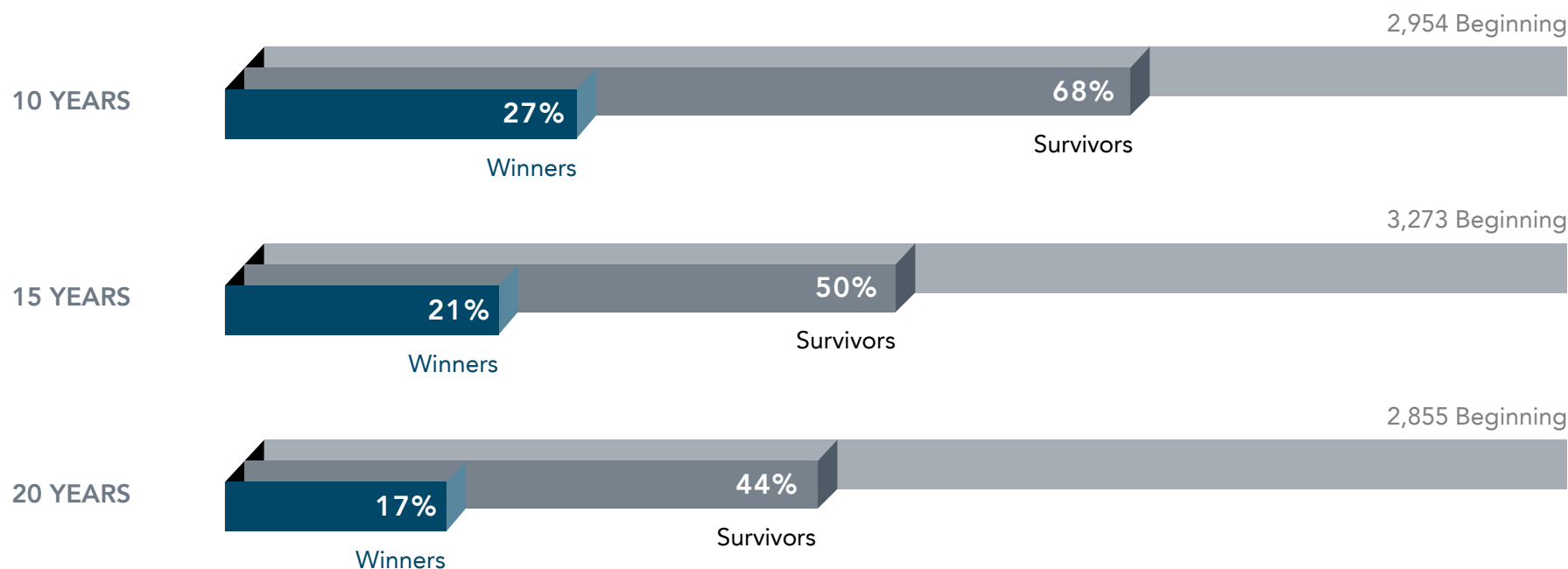
US-domiciled Funds, 2003–2022  
In USD (billions)



Total value of assets in the representative fund samples over the past 20 years. Numbers may not sum due to rounding. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

# Few Equity Funds Have Survived and Outperformed

US-domiciled equity fund performance periods ending December 31, 2022

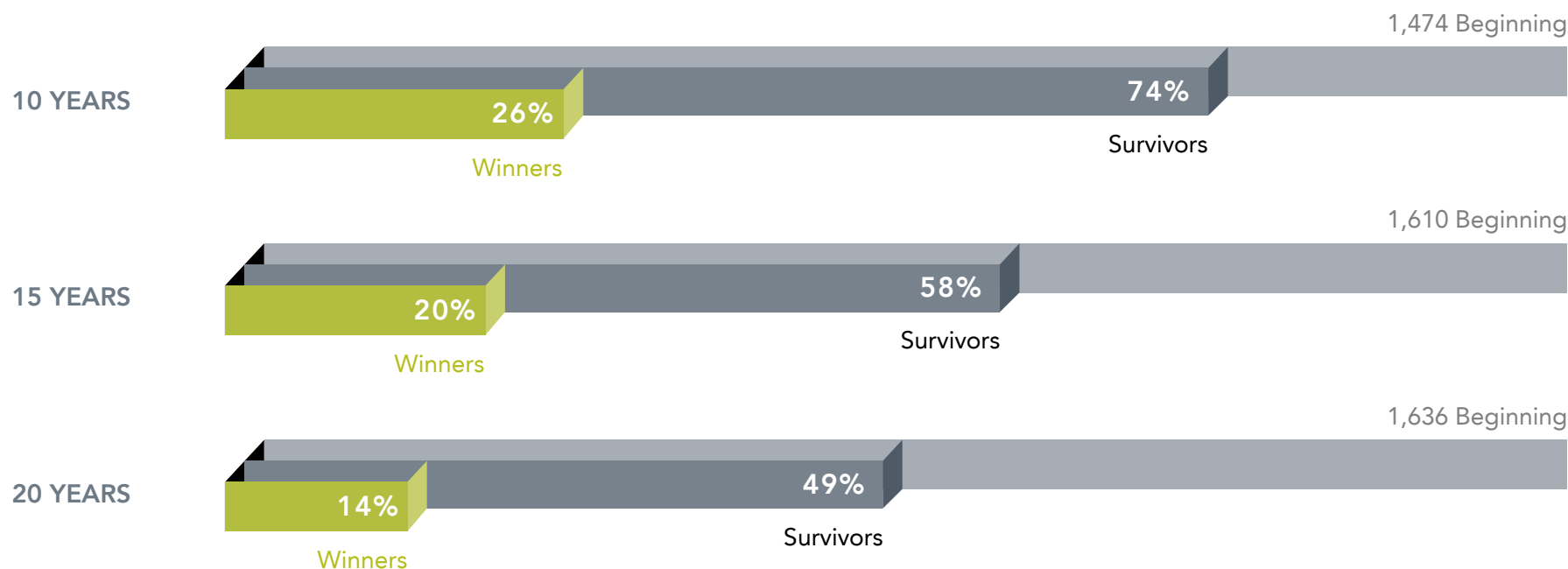


## Past performance is no guarantee of future results.

The sample includes funds at the beginning of the 10-, 15-, and 20-year periods ending December 31, 2022. Survivors are funds that had returns for every month in the sample period. Winners are funds that survived and outperformed their benchmark over the period. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

# Few Fixed Income Funds Have Survived and Outperformed

US-domiciled fixed income fund performance periods ending December 31, 2022



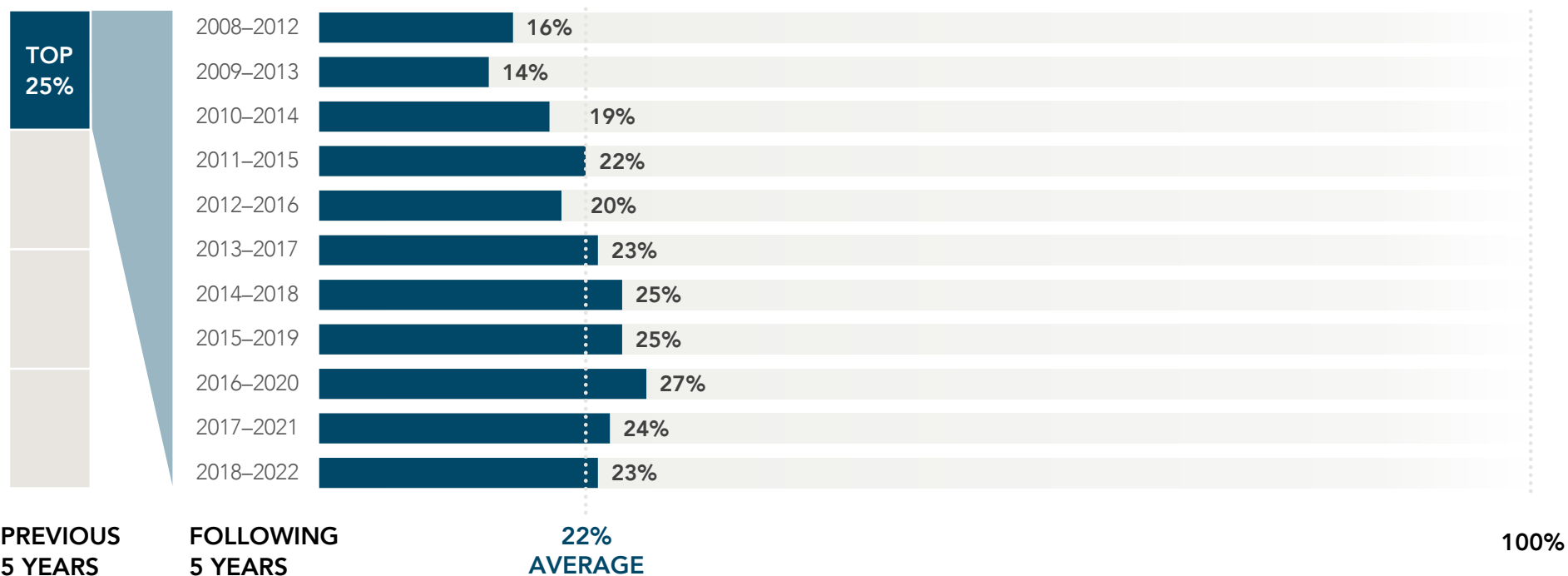
**Past performance is no guarantee of future results.**

The sample includes funds at the beginning of the 10-, 15-, and 20-year periods ending December 31, 2022. Survivors are funds that had returns for every month in the sample period. Winners are funds that survived and outperformed their benchmark over the period. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

# A Fund's Past Performance Is Not Enough to Predict Future Results

Percentage of US-domiciled equity funds that were top-quartile performers in consecutive five-year periods

## EQUITY FUNDS



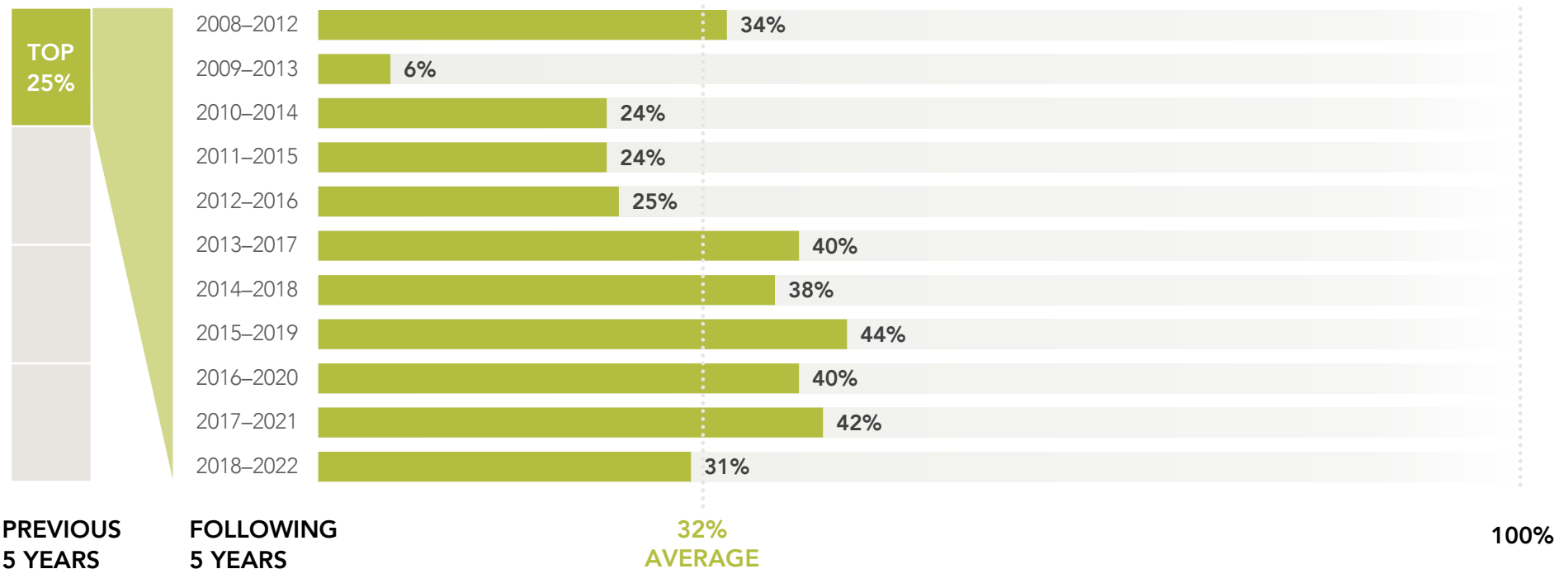
### Past performance is no guarantee of future results.

At the end of each year, funds are sorted within their category based on their five-year total return. The exhibit shows the percentage of funds in the top quartile of five-year performance that ranked in the top quartile of performance over the following five years. Example (2018–2022): For equity funds ranked in the top quartile of performance in their category in the previous period (2013–2017), only 23% also ranked in the top quartile in the subsequent period (2018–2022). US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

# A Fund's Past Performance Is Not Enough to Predict Future Results

Percentage of US-domiciled fixed income funds that were top-quartile performers in consecutive five-year periods

## FIXED INCOME FUNDS



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

At the end of each year, funds are sorted within their category based on their five-year total return. The exhibit shows the percentage of funds in the top quartile of five-year performance that ranked in the top quartile of performance over the following five years. Example (2018–2022): For fixed income funds ranked in the top quartile of performance in their category in the previous period (2013–2017), only 31% also ranked in the top quartile in the subsequent period (2018–2022). US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

# High Costs Can Reduce Performance

US-domiciled equity fund winners and losers based on expense ratios (%)

● Winners ● Losers



## Past performance is no guarantee of future results.

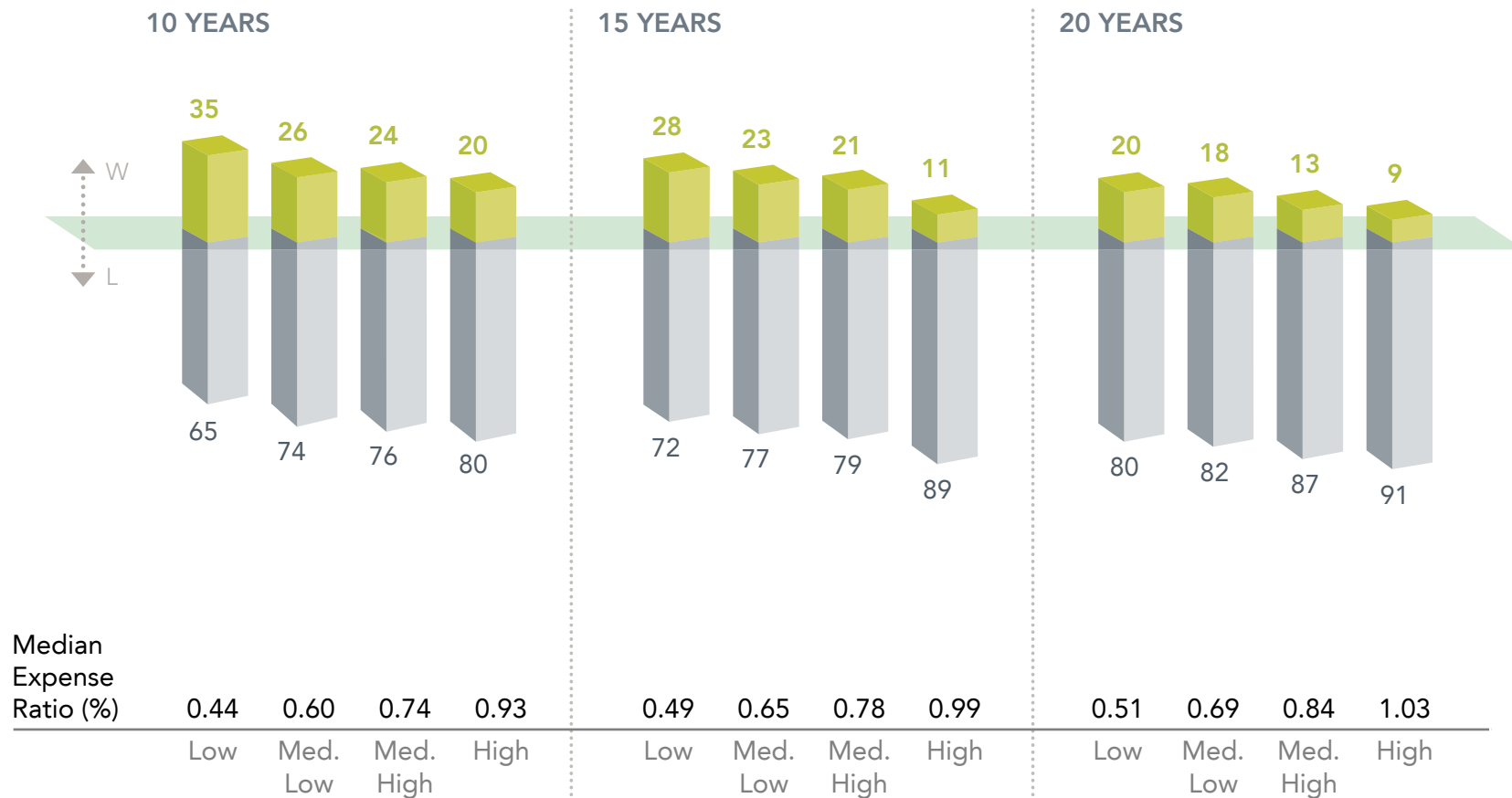
The sample includes funds at the beginning of the 10-, 15-, and 20-year periods ending December 31, 2022. Funds are sorted into quartiles within their category based on average expense ratio during the sample period. The chart shows the percentage of winner and loser funds by expense ratio quartile for each period. Winners are funds that survived and outperformed their benchmark over the period. Losers are funds that either did not survive or did not outperform their respective benchmark. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.



# High Costs Can Reduce Performance

US-domiciled fixed income fund winners and losers based on expense ratios (%)

● Winners ● Losers



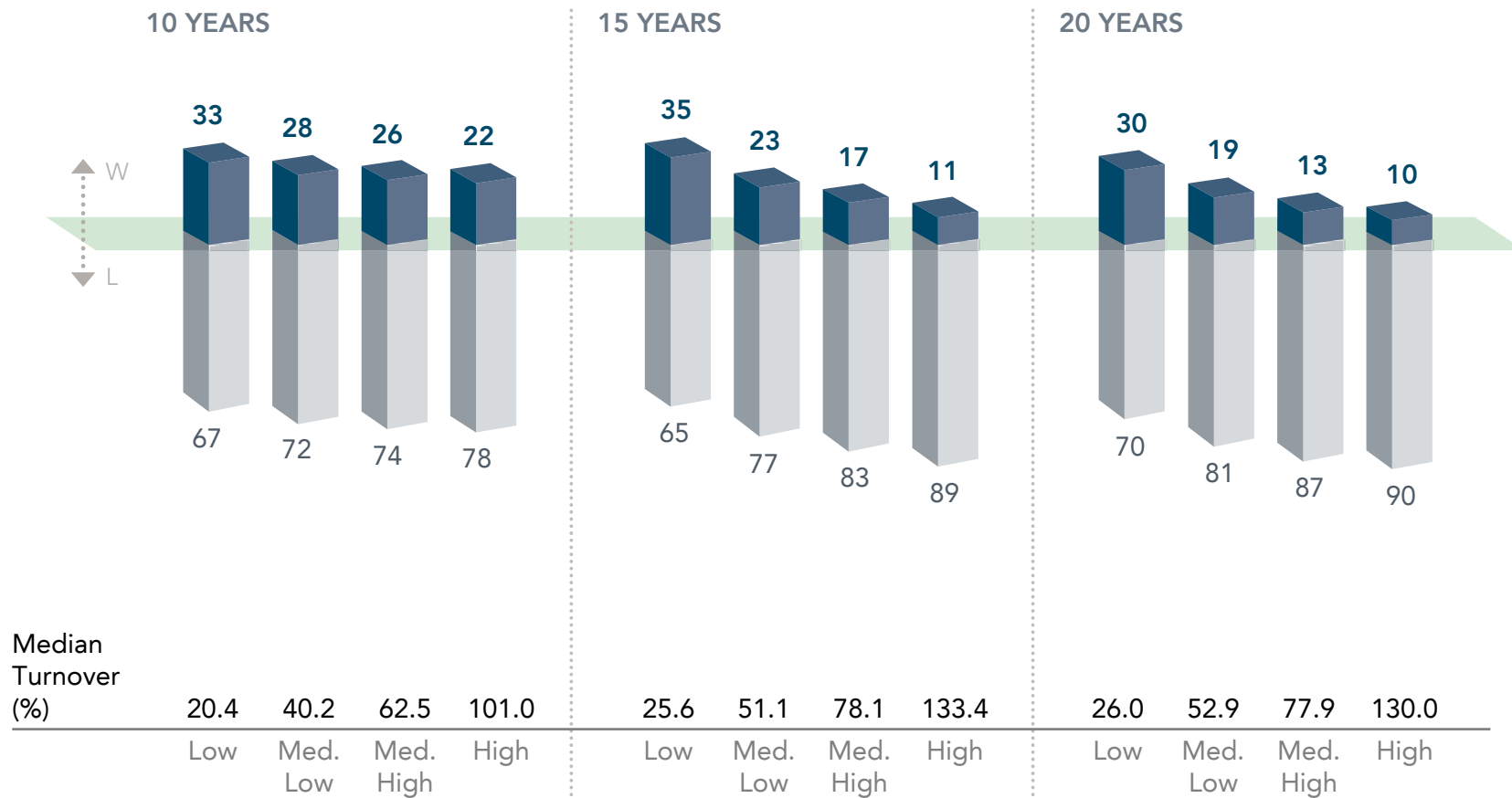
## Past performance is no guarantee of future results.

The sample includes funds at the beginning of the 10-, 15-, and 20-year periods ending December 31, 2022. Funds are sorted into quartiles within their category based on average expense ratio during the sample period. The chart shows the percentage of winner and loser funds by expense ratio quartile for each period. Winners are funds that survived and outperformed their benchmark over the period. Losers are funds that either did not survive or did not outperform their respective benchmark. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

# High Trading Costs Can Also Impact Returns

US-domiciled equity fund winners and losers based on turnover (%)

● Winners ● Losers



## Past performance is no guarantee of future results.

The sample includes funds at the beginning of the 10-, 15-, and 20-year periods ending December 31, 2022. Funds are sorted into quartiles within their category based on average turnover during the sample period. The chart shows the percentage of winner and loser funds by turnover quartile for each period. Winners are funds that survived and outperformed their benchmark over the period. Losers are funds that either did not survive or did not outperform their respective benchmark. US-domiciled, USD-denominated, non-Dimensional open-end and exchange-traded fund data is from Morningstar. See The Fund Landscape Appendix for more information. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.

# Report Summary

The US-domiciled mutual fund and ETF landscape

## Findings

- Outperforming funds were in the minority.
- Strong track records failed to persist.
- High costs and excessive turnover may have contributed to underperformance.

## Lessons

- Markets effectively aggregate investor knowledge and expectations into prices that are reliable.
- Managers attempting to outguess market prices may incur high costs that raise the barrier to outperforming an index.
- Successful investing involves more than picking a top-performing fund from the past.
- Consider a fund's investment philosophy, robustness in portfolio design, and attention to costs, among other factors.

# Appendix: The Fund Landscape

## Data Sample

The sample includes US-domiciled, USD-denominated open-end and exchange-traded funds (ETFs) in the following Morningstar categories. Non-Dimensional fund data provided by Morningstar. Dimensional fund data is provided by the fund accountant. Dimensional funds or subadvised funds whose access is or previously was limited to certain investors are excluded. Index funds, load-waived funds, and funds of funds are excluded from the industry sample.

## Methodology

The beginning samples include funds as of the start of the 10-, 15-, and 20-year periods. Surviving funds are those with return observations for every month of the sample period. Each fund is evaluated relative to its primary prospectus benchmark. Where the full series of primary prospectus benchmark returns is unavailable, non-Dimensional funds are instead evaluated relative to their Morningstar category index. Outperformers are funds that survived the sample period and whose cumulative net return over the period exceeded that of their respective benchmark. We aggregate funds with multiple share classes to the strategy level.

## Morningstar Categories (Equity)

Equity fund sample includes the following Morningstar historical categories: Diversified Emerging Markets, Europe Stock, Foreign Large Blend, Foreign Large Growth, Foreign Large Value, Foreign Small/Mid Blend, Foreign Small/Mid Growth, Foreign Small/Mid Value, Global Real Estate, Japan Stock, Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Miscellaneous Region, Pacific/Asia ex-Japan Stock, Real Estate, Small Blend, Small Growth, Small Value, Global Large-Stock Blend, Global Large-Stock Growth, Global Large-Stock Value, and Global Small/Mid Stock.

## Morningstar Categories (Fixed Income)

Fixed income fund sample includes the following Morningstar historical categories: Corporate Bond, High Yield Bond, Inflation-Protected Bond, Intermediate Core Bond, Intermediate Core-Plus Bond, Long-Term Bond, Intermediate Government, Long Government, Muni California Intermediate, Muni California Long, Muni Massachusetts, Muni Minnesota, Muni National Intermediate, Muni National Long, Muni National Short, Muni New Jersey, Muni New York Intermediate, Muni New York Long, Muni Ohio, Muni Pennsylvania, Muni Single State Intermediate, Muni Single State Long, Muni Single State Short, Muni Target Maturity, Short Government, Short-Term Bond, Ultrashort Bond, Global Bond, and Global Bond-USD Hedged.

## Index Data Sources

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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.**