

David Booth Brings Academic Research to Life

The Kansas native headed to the University of Chicago to study economics. Now the graduate school of business bears his name.

By Julie Segal



MANAGER LIFETIME ACHIEVEMENT WINNER DAVID BOOTH, CHAIRMAN AND CO-CEO, DIMENSIONAL FUND ADVISORS

In 1981, David Booth co-founded an asset management firm that nurtured the innovative theories about market efficiency that had been coming from the University of Chicago Graduate School of Business since the mid-1950s. Along with his partner Rex Sinquefeld, another Chicago graduate, Booth shaped Austin, Texas-based Dimensional Fund Advisors into a manager that both refined these academic theories and applied them so investors could profit in the real world.

Dimensional, which has more than \$400 billion in assets, has developed a fiercely loyal following among advisers and investors who are true believers in the philosophies and processes that underpin its performance. Booth, 69, is chairman and co-CEO of Dimensional, the birthplace of what is now known as strategic beta and multifactor investing. The firm offers strategies in U.S. and non-U.S. developed-market equities, global equities, emerging markets and fixed income.

Booth studied economics at the University of Kansas, in his hometown of Lawrence. As a graduate student at the

university, where he received an MS in 1969, he came across Eugene Fama's Ph.D. dissertation on the unpredictable nature of stock prices. Fama was a finance professor at Chicago; Booth applied and got in. "One day I'm minding my own business in Kansas, and the next day I'm taking Fama's class," boasts Booth, who got his MBA in 1971. "But I decided I'd rather apply ideas than teach them."

Thanks to an introduction by Fama, Booth went to work for John (Mac) McQuown, who was starting the first index fund at Wells Fargo & Co. A decade later, when Booth and Sinquefeld started Dimensional, the firm was the first manager to treat small-cap stocks as a separate asset class. "We sold it as a diversification story," Booth says. "Institutions weren't holding small caps in any meaningful amount, and we pointed it out." Once Booth started

the small-cap fund, he found research examining the performance of small-cap stocks versus large caps. "The numbers were eye-popping," he says. Dimensional expanded from there into fixed income and other asset classes.

From the start, Booth's idea was to launch an investment firm that would use the latest research. He brought on Fama, who became a Nobel laureate in 2013 for his contributions to the Efficient Market Hypothesis, as a founding director. Fama had helped develop the three-factor asset-pricing model, which identifies the main drivers of investment returns and was the basis of Dimensional's multifactor approach. The model's other creator, Kenneth French, is now co-chairman of Dimensional's investment policy committee.

Booth is most proud of his firm's ability to keep clients invested during hard times. When investors withdrew \$500 billion from U.S. equity funds during the crisis of 2008-'09, Dimensional had positive flows. "It wasn't because returns were better; we actually lost more than the market," Booth says. "But clients trusted us."

Eugene Fama and Ken French are members of the Board of Directors for and provide consulting services to Dimensional Fund Advisors LP. John "Mac" McQuown is a member of the Board of Directors for Dimensional Fund Advisors LP.

There is no guarantee an investing strategy will be successful. Diversification does not eliminate the risk of market loss. This material is solely for informational purposes and shall not constitute an offer to sell or a solicitation to buy securities. The opinions expressed herein represent the current, good faith views of the author(s) at the time of publication and are not definitive investment advice, and should not be relied on as such.

FOR LICENSED OR EXEMPT FINANCIAL ADVISORS IN SINGAPORE

This document is deemed to be issued by Dimensional Fund Advisors Pte. Ltd., which holds a capital markets services license for fund management serving accredited and institutional investors under the Singapore Securities and Futures Act. **This document has not been filed with the Monetary Authority of Singapore and should not be forwarded to prospective investors.**

For licensed or exempt financial advisor use only in Singapore. For informational purposes only. This information should not be considered investment advice or an offer of any security for sale. Not for use with the public. All information in this presentation is given in good faith and without any warranty and is not intended to provide professional, investment or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation or needs of individual recipients. Before acting on any information in this presentation, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice. Dimensional Fund Advisors Pte. Ltd. does not accept any responsibility and cannot be held liable for any person's use of or reliance on the information and opinions contained herein. Neither Dimensional Fund Advisors Pte. Ltd. nor its affiliates shall be responsible or held responsible for the contents prepared by financial advisors.

FOR LICENSED FINANCIAL ADVISORS IN HONG KONG

This document is deemed to be issued by Dimensional Fund Advisors Pte. Ltd., which holds a capital markets services license for fund management serving accredited and institutional investors under the Singapore Securities and Futures Act.

This document should not be forwarded to prospective investors. For use by licensed financial advisors only in Hong Kong solely for educational purposes and not for the purpose of inducing, or attempting to induce, such financial advisors to make an investment. Not for use with the public. None of the Dimensional entities is currently licensed by or registered with or supervised by the Securities and Futures Commission under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") to conduct any regulated activity (as defined in the SFO). This presentation is intended for distribution to professional investors (as defined in the SFO and its subsidiary legislation) only, and any unauthorized use, disclosure, distribution, transmission or printing of this document is prohibited. This document and the distribution of this document is not intended to constitute and do not constitute an offer or an invitation to offer to the Hong Kong public to acquire, dispose of, subscribe for or underwrite any securities, structured products or related financial products or instruments nor investment advice thereto. Any opinions and views expressed herein are subject to change. Neither Dimensional Fund Advisors Pte. Ltd. nor its affiliates shall be responsible or held responsible for the contents prepared by the licensed financial advisors.