

Here's Why You Should Invest in All the Sectors, Not Just One

ANNUAL RANKINGS OF EQUITY SECTOR RETURNS 2014-2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Best Return	REITs	Health Care	Energy	Information Technology	Health Care	Information Technology	Consumer Discretionary	Energy	Energy	Information Technology
	Utilities	Consumer Discretionary	Communication Services	Materials	Utilities	Communication Services	Information Technology	REITs	Utilities	Communication Services
	Health Care	Information Technology	Financials	Health Care	Information Technology	Financials	Communication Services	Financials	Consumer Staples	Consumer Discretionary
	Information Technology	Consumer Staples	Materials	Consumer Discretionary	Consumer Discretionary	Industrials	Materials	Information Technology	Health Care	Industrials
	Consumer Staples	Communication Services	Industrials	Industrials	REITs	REITs	Health Care	Materials	Industrials	Financials
	Financials	REITs	Utilities	Financials	Consumer Staples	Consumer Discretionary	Industrials	Consumer Discretionary	Financials	Materials
	Consumer Discretionary	Financials	Information Technology	Consumer Staples	Financials	Consumer Staples	Consumer Staples	Industrials	Materials	REITs
	Industrials	Industrials	REITs	Utilities	Communication Services	Utilities	Utilities	Health Care	REITs	Health Care
	Materials	Utilities	Consumer Discretionary	REITs	Industrials	Materials	Financials	Communication Services	Information Technology	Consumer Staples
	Communication Services	Materials	Consumer Staples	Communication Services	Materials	Health Care	REITs	Consumer Staples	Consumer Discretionary	Energy
Worst Return	Energy	Energy	Health Care	Energy	Energy	Energy	Energy	Utilities	Communication Services	Utilities

Sectors represent groups of companies that make similar products or offer comparable services. Recent history shows the challenge of trying to pick “hot” sectors in advance.

- From 2014 to 2023, no sector was a consistent outperformer.
- Energy, the best performer in 2016, 2021, and 2022, delivered the worst annual returns six times. Tech, the leader in 2023, finished ninth out of 11 in 2022. Health care finished first in 2015, last in 2016, and first again in 2018.
- The absence of a reliable pattern in sector performance supports an “own them all” approach.

Holding stocks across all sectors puts investors in a position to capture higher returns where and when they appear.

Past performance is not a guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

The annual returns are Russell 3000 Index Global Industry Classification Standard (GICS) sector returns. Real estate investment trusts (REITs) are shown as a separate category to illustrate their exclusion from certain funds. REITs are classified according to the GICS. Real Estate is excluded from the chart because it did not exist as a GICS sector category prior to September 2016.

S&P/MSCI changed the GICS methodology after market close September of 2018 to rename "Telecommunication Services" to "Communication Services" and to reclassify a number of companies to that sector. Dimensional reports these changes in company membership to Communication Services starting October 2018, but changes the name historically to Communication Services to maintain consistency.

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Sector Definitions:

Communication Services: Companies that provide telecommunication services, such as wire line, wireless, and internet access.

Consumer Discretionary: Companies that produce nonessential goods and services, such as automobiles, apparel, and leisure activities.

Consumer Staples: Companies that produce basic necessities like food, beverages, and household goods.

Energy: Companies involved in the exploration, production, refining, transportation, and marketing of oil, natural gas, and other energy sources.

Financials: Companies that provide financial services, including banks, insurance companies, and investment firms.

Health Care: Companies that provide health-care products and services, including pharmaceuticals, biotechnology, medical devices, hospitals, and health insurance.

Industrials: Companies that manufacture industrial goods, such as machinery, aerospace, construction materials, and chemicals.

Information Technology: Companies that design, develop, and sell computer hardware, software, and services.

Materials: Companies that produce basic materials, such as metals, chemicals, and forest products.

REITs: Companies known as real estate investment trusts, which own, operate, or finance income-producing properties.

Utilities: Companies that provide essential utilities, such as electricity, water, and natural gas.

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