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The Future is Unknown, So Plan Accordingly

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I saw a great [Forbes article](#) recently that reinforced the fragility of forecasting using a quarter century-old anecdote about the Pentagon changing the way they identify future threats. The change stemmed from a review of how quickly the geopolitical landscape evolves—yesterday’s adversaries can become tomorrow’s allies. Rather than focusing on one specific forecast, it was more prudent to be prepared for all possible outcomes.

This echoes what we often say at Dimensional: Plan, don’t predict. We all have views about what the future may bring: companies that will succeed, economies that will grow, markets that will take off. Markets set prices based in part on the aggregate of these expectations. So, market prices already represent a forecast of the future. However, some investors may let their personal forecasts drive their asset allocation decisions. Dogmatic adherence to forecasts dictates concentrated investments that fall short in the event the future differs from our predictions. Diversifying portfolios is a tacit admission that we don’t have a crystal ball. You reduce the range of outcomes by preparing for what you can’t see coming.

Country stock market returns are a good example of this. Going all-in on one country because you have a view on where their stocks are headed opens you up to a wide range of outcomes. The average difference between the best and worst performing developed market countries over the past two decades was over 50 percentage points. Get your call right, and you’ll look like a hero. Get it wrong, and you’ll be as apoplectic as when Chevy Chase’s character loses the rock, paper, scissors game in Vegas Vacation.

Best and Worst Yearly Developed Market Returns, 2006–2025

Year	Worst Performer	Worst Return (%)	Best Performer	Best Return (%)	Best–Worst Difference (%)
2006	JAPAN	6.2	SPAIN	49.4	43.2
2007	IRELAND	-20.1	FINLAND	48.7	68.8
2008	IRELAND	-71.9	JAPAN	-29.2	42.7
2009	JAPAN	6.3	NORWAY	87.1	80.8
2010	SPAIN	-22.0	SWEDEN	33.8	55.8
2011	AUSTRIA	-36.4	IRELAND	13.7	50.1
2012	SPAIN	3.0	BELGIUM	39.6	36.6
2013	SINGAPORE	1.7	FINLAND	46.0	44.3
2014	PORTUGAL	-38.2	US	12.7	50.9
2015	CANADA	-24.2	DENMARK	23.4	47.6
2016	DENMARK	-15.8	CANADA	24.6	40.4
2017	NEW ZEALAND	11.7	AUSTRIA	58.3	46.6
2018	AUSTRIA	-27.4	FINLAND	-3.4	24.0
2019	FINLAND	9.5	NEW ZEALAND	38.2	28.7
2020	UK	-10.5	DENMARK	43.7	54.2
2021	NEW ZEALAND	-17.1	AUSTRIA	41.5	58.6
2022	SWEDEN	-28.4	PORTUGAL	0.2	28.6
2023	HONG KONG	-14.8	ITALY	37.1	51.9
2024	PORTUGAL	-25.2	SINGAPORE	32.3	57.5
2025	DENMARK	-13.5	SPAIN	82.4	95.9
Average		-16.4		34.0	50.4

Past performance is not a guarantee of future results. Actual returns may be lower.

In USD. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Diversification neither assures a profit nor guarantees against loss in a declining market. MSCI country indices (net dividends) for each country listed. MSCI data © MSCI 2026, all rights reserved.

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