

RAFI™ Fundamental Index Series

Attribution Summary: Q1 2024

Performance

Performance Analysis	QTD Return	QTD Excess Return	YTD Return	1-Year Return
RAFI Fundamental Global Index	7.19%	-1.05%	7.19%	21.55%
<i>Solactive GBS Global Markets Large & Mid Cap Index</i>	<i>8.24%</i>	<i>---</i>	<i>8.24%</i>	<i>23.97%</i>
RAFI Fundamental US Index	9.70%	-0.70%	9.70%	26.46%
<i>Solactive GBS United States Large & Mid Cap Index</i>	<i>10.40%</i>	<i>---</i>	<i>10.40%</i>	<i>30.58%</i>
RAFI Fundamental Developed Index	7.96%	-0.99%	7.96%	22.63%
<i>Solactive GBS Dev Markets Large & Mid Cap Index</i>	<i>8.96%</i>	<i>---</i>	<i>8.96%</i>	<i>25.74%</i>
RAFI Fundamental Developed ex US Index	5.99%	0.18%	5.99%	18.61%
<i>Solactive GBS Dev ex US Large & Mid Cap Index</i>	<i>5.80%</i>	<i>---</i>	<i>5.80%</i>	<i>15.95%</i>
RAFI Fundamental Emerging Markets Index	2.03%	-0.53%	2.03%	14.61%
<i>Solactive GBS EM Large & Mid Cap Index</i>	<i>2.55%</i>	<i>---</i>	<i>2.55%</i>	<i>10.72%</i>

The first three months of 2024 saw the stock market continue its upward trend as Global equity markets rose 8.2%. In the wake of trending markets, RAFI Fundamental Index strategies struggled in the quarter, with all strategies, outside of the Developed ex US region, underperforming the cap-weighted benchmark by -0.5% to -1.0%. Over the past 1-year, performance was more mixed. The index strategies with non-US exposure, including Developed ex US and Emerging Markets, outperformed the cap-weight benchmark by 2.7% to 3.9% and strategies with significant US exposure underperforming. The main driver of this underperformance was primarily big technology stocks, which are typically underweighted in the RAFI strategy due to their expensive prices relative to their fundamentals.

Global

The upward trend seen in the last quarter of 2023 continued into the first quarter of 2024. Global equities posted an 8.2% return for the quarter, and the S&P reached a record high in March. The RAFI Fundamental Global Index underperformed its benchmark by -1.0% in Q1. While growth stocks remained strong in Q1, we also witnessed a rally in value stocks. The MSCI ACWI Growth Index posted an impressive 9.6% gain in Q1, while the MSCI AC World Value Index also gained 7.1% during the quarter. The continued widespread fascination with AI (artificial intelligence) provided momentum for the technology sector, helping to maintain the strength of growth stocks this quarter. Moreover, growth stocks are typically more sensitive to interest rates and the expectation of Fed rate cuts also fueled their rise. There was also an upsurge in value stocks during the quarter. Geopolitical issues, along with supply caps, pushed oil prices higher, boosting equities in the energy sector. In addition, strong earnings reports translated into robust returns for the major US banks in the financial sector. The underperformance of the RAFI Fundamental Global Index compared with the cap-weighted index benchmark was driven mainly by the selection effect in the Technology sector. Remarkably, three out of the bottom five contributors to return are the stocks from the Technology sector in the US market.

Stock Analysis

Top Five/Bottom Five Contributors to Excess Return

	Portfolio Weight	Active Weight	Q1 Return	Excess Return Contribution
Top Five Contributors to Return				
Apple Inc.	2.07%	-1.93%	-10.82%	0.39%
Tesla, Inc.	0.07%	-0.73%	-29.25%	0.35%
Citigroup Inc.	0.67%	0.52%	24.11%	0.08%
Adobe Inc.	0.13%	-0.25%	-15.42%	0.06%
Toyota Motor Corp.	0.60%	0.23%	38.12%	0.06%
Bottom Five Contributors to Return				
NVIDIA Corporation	0.23%	-2.28%	82.46%	-1.19%
Eli Lilly and Company	0.18%	-0.71%	33.69%	-0.15%
Intel Corporation	0.90%	0.63%	-11.84%	-0.15%
Amazon.com, Inc.	0.94%	-1.27%	18.72%	-0.13%
Microsoft Corporation	1.48%	-2.90%	12.09%	-0.11%

The largest contributors to excess return in Q1 were two of the “Magnificent Seven” stocks (aka Amazon, Apple, Google, Meta, Microsoft, Nvidia, and Tesla), Apple and Tesla. Despite Apple’s earnings beating analysts' expectations in the first quarter, its iPhone sales in China plunged 24% year-over-year in the first 6 weeks of 2024 as Huawei’s popularity surged. Huawei, Apple’s major competitor in premium smartphones in China, saw unit sales rise by 64% in the period. RAFI’s underweight to Apple of -1.9% contributed to 39 bps in excess return. Combined, the top five contributors had an active weight of -2.2% and added 94bps to excess return.

On the flip side, the largest detractor in Q1 also came from one of the “Magnificent Seven” stocks. The surging performance of Nvidia posted an impressive +82.5% gain, equivalent to a US\$1 Tn market capitalization increase in just three months. The strategy took a -2.3% active weight to Nvidia, which detracted 119 bps from excess return this quarter. US chipmaker Nvidia’s shares soared to record highs, driven by the enthusiasm for AI’s potential and strong demand for AI chips from hyperscale cloud computing providers. Nvidia’s dominant position in AI chips has transformed the leading chipmaker into an AI pure play, with about 90% of its profit originating from AI-related business. Solid revenue growth for the company has been fueled by the surging demand for chips worldwide from companies, industries, and nations. In aggregate, the bottom five contributors held an active weight of -6.5% in Q1 and contributed to a -173bps reduction in excess return during the quarter.

Sector Analysis

12/29/2023 to 3/28/2024	RAFI Fundamental Global Index		Solactive GBS Global Markets Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	7.08	100.00	8.16	-0.46	-0.62	-1.08
Basic Materials	7.19	0.40	4.59	1.82	-0.17	-0.11	-0.27
Communications	7.75	9.27	8.08	11.69	-0.01	-0.19	-0.20
Consumer Cyclical	9.85	9.98	10.49	6.01	0.02	0.39	0.41
Consumer Non-Cyclical	7.63	4.13	6.93	3.38	-0.03	0.06	0.02
Energy	7.46	9.29	4.49	8.82	0.03	0.03	0.06
Financials	21.17	10.86	14.50	9.10	0.07	0.37	0.44
Healthcare	9.14	4.32	11.33	7.40	0.01	-0.28	-0.27
Industrial	9.58	7.94	9.58	8.60	0.00	-0.06	-0.06
Real Estate	1.88	-0.51	2.05	-0.53	0.02	-0.00	0.02
Technology	14.95	5.90	25.43	11.62	-0.34	-0.86	-1.19
Utilities	3.40	2.06	2.52	1.23	-0.06	0.03	-0.03

Examining performance by sector, the Technology sector (-10.5% underweight) was the main detractor of excess return in Q1, subtracting -119 bps. The Technology sector experienced a robust quarter, mimicking what occurred in 2023. The market is anticipating a Fed rate cut in 2024, boosting the performance of technology stocks. Within the Technology sector, allocation effects accounted for -86bps, while selection effects accounted for -34 bps to performance. Nvidia alone played a role in the reduction of -119 bps out of the sector’s total impact of -119 bps, implying the total effect of other stocks within the Technology sector net out with each other. Meanwhile, in the Consumer Cyclical and the Financial sectors, performance was predominantly driven by selection effects, which added 39 bps and 37 bps in excess return, respectively. Additionally, allocation effects further added excess return by 2 bps and 7 bps in Q1 in those two sectors. Notably, Tesla added 35 bps to the Consumer Cyclical segment’s total effect of 41 bps. In the financial sector, excess returns are mainly driven by the strong performance of US large banks including Citigroup, Wells Fargo, JP Morgan, and Bank of America.

Geographic Analysis

12/29/2023 to 3/28/2024	RAFI Fundamental Global Index		Solactive GBS Global Markets Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	7.08	100.00	8.16	-0.61	-0.46	-1.08
Developed Asia Pacific	13.87	8.53	9.03	6.14	-0.10	0.33	0.24
Developed Europe	21.39	4.05	15.55	5.87	-0.14	-0.39	-0.53
Emerging Americas	1.46	-4.69	1.02	-2.79	-0.05	-0.03	-0.08
Emerging Asia	9.82	2.92	8.48	3.27	-0.06	-0.04	-0.10
Emerging EMEA	1.21	0.25	1.44	0.51	0.02	-0.00	0.01
United States	48.72	9.70	61.09	10.44	-0.28	-0.36	-0.64
Other Developed	3.53	4.34	3.20	3.56	-0.01	0.03	0.01
[Unassigned]	--	--	0.19	3.26	0.01	--	0.01

At the regional level, the primary driver of outperformance during Q1 was the Developed Asia Pacific region, contributing 24bps to excess returns. The selection effect played a significant role (+33 bps) and outweighed the impact of the allocation effect (-10 bps). Notably, the top 5 contributors in Developed Asia Pacific are all Japanese stocks, including Toyota, Mitsubishi, Softbank, Mitsubishi Heavy Industry and Hitachi. These 5 stocks together added 16 bps to excess return. The Nikkei share average hit its record high during the quarter, driven by cheap valuations, corporate reforms, and investment flows diverted from a battered Chinese stock market. The strategy benefitted from an overweight position (+4.84% active weight) in the Developed Asia Pacific region.

The largest detractor during the quarter was the United States, which reduced -64 bps from excess return. The strategy maintained a consistent underweight position (-12.37% active weight) in the United States market, as the region became more expensive. The allocation effect accounted for -28 bps of excess return while the selection effect further detracted -36 bps from excess return, both hurting the index within this region. Notably, the bottom five contributors to return were all American stocks, including tech giants in the “Magnificent Seven”.

United States

Stock Analysis

Top Five/Bottom Five Contributors to Excess Return

	Portfolio Weight	Active Weight	Q1 Return	Excess Return Contribution
Top Five Contributors to Return				
Tesla, Inc.	0.14%	-1.16%	-29.25%	0.60%
Apple Inc.	4.26%	-2.19%	-10.82%	0.50%
Citigroup Inc.	1.35%	1.10%	24.11%	0.14%
Berkshire Hathaway Inc. Class B	2.60%	1.39%	17.91%	0.10%
Adobe Inc.	0.27%	-0.35%	-15.42%	0.10%
Bottom Five Contributors to Return				
NVIDIA Corporation	0.47%	-3.58%	82.46%	-1.84%
Intel Corporation	1.86%	1.42%	-11.84%	-0.37%
Eli Lilly and Company	0.37%	-1.06%	33.69%	-0.21%
Amazon.com, Inc.	1.94%	-1.63%	18.72%	-0.13%
Charter Communications, Inc. Class A	0.25%	0.17%	-25.23%	-0.08%

Sector Attribution

12/29/2023 to 3/28/2024	RAFI Fundamental US Index		Solactive GBS United States Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	9.72	100.00	10.39	0.28	-0.94	-0.66
Basic Materials	3.41	8.96	2.25	9.84	-0.01	-0.03	-0.03
Communications	10.16	13.80	9.58	15.69	0.04	-0.19	-0.15
Consumer Cyclical	8.76	10.78	10.57	4.72	0.12	0.53	0.65
Consumer Non-Cyclical	7.16	7.98	5.95	7.60	-0.03	0.03	-0.01
Energy	6.30	15.75	3.79	13.04	0.08	0.16	0.25
Financials	19.32	14.45	10.46	13.04	0.23	0.27	0.50
Healthcare	11.91	6.25	12.58	8.88	0.01	-0.32	-0.31
Industrial	8.03	9.11	7.71	10.32	0.00	-0.10	-0.09
Real Estate	1.70	0.81	2.16	-0.91	0.06	0.03	0.09
Technology	20.20	5.37	32.82	12.03	-0.18	-1.38	-1.56
Utilities	3.07	6.15	2.14	4.34	-0.05	0.06	0.01

Developed

Stock Analysis

Top Five/Bottom Five Contributors to Excess Return

	Portfolio Weight	Active Weight	Q1 Return	Excess Return Contribution
Top Five Contributors to Return				
Apple Inc.	2.37%	-2.11%	-10.82%	0.45%
Tesla, Inc.	0.08%	-0.82%	-29.25%	0.41%
Citigroup Inc.	0.77%	0.59%	24.11%	0.08%
Adobe Inc.	0.15%	-0.28%	-15.42%	0.07%
Toyota Motor Corp.	0.68%	0.27%	38.12%	0.07%
Bottom Five Contributors to Return				
NVIDIA Corporation	0.26%	-2.55%	82.46%	-1.33%
Intel Corporation	1.03%	0.73%	-11.84%	-0.18%
Eli Lilly and Company	0.20%	-0.79%	33.69%	-0.16%
Amazon.com, Inc.	1.08%	-1.40%	18.72%	-0.13%
Microsoft Corporation	1.69%	-3.22%	12.09%	-0.10%

Sector Attribution

12/29/2023 to 3/28/2024	RAFI Fundamental Developed Index		Solactive GBS Developed Markets Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	7.87	100.00	8.90	-0.37	-0.66	-1.03
Basic Materials	6.54	2.20	4.06	3.71	-0.13	-0.10	-0.23
Communications	7.94	10.51	7.95	13.15	0.01	-0.21	-0.20
Consumer Cyclical	9.92	11.19	10.43	7.13	0.02	0.39	0.41
Consumer Non-Cyclical	8.08	4.86	7.07	4.06	-0.05	0.06	0.01
Energy	7.27	9.96	4.33	9.39	0.03	0.04	0.07
Financials	20.72	12.26	13.46	10.51	0.12	0.36	0.48
Healthcare	10.28	4.43	12.28	7.77	0.02	-0.35	-0.33
Industrial	10.10	8.11	10.01	8.85	0.00	-0.07	-0.07
Real Estate	1.86	1.60	2.11	-0.02	0.03	0.03	0.06
Technology	13.89	5.86	25.86	11.92	-0.33	-0.85	-1.18
Utilities	3.40	1.71	2.43	0.72	-0.08	0.04	-0.04

Geographic Attribution

12/29/2023 to 3/28/2024	RAFI Fundamental Developed Index		Solactive GBS Developed Markets Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	7.87	100.00	8.90	-0.32	-0.70	-1.03
Developed Asia Pacific x JP	3.42	-2.20	3.11	-2.40	-0.03	0.01	-0.03
Europe - Non-EU	4.49	-0.06	4.51	3.49	0.00	-0.17	-0.17
European Union	13.71	6.18	9.10	8.30	-0.03	-0.28	-0.32
Japan	12.30	11.80	6.98	10.42	0.08	0.17	0.24
United Kingdom	6.24	2.43	3.84	3.05	-0.14	-0.05	-0.19
United States	55.80	9.70	68.51	10.44	-0.20	-0.41	-0.61
Other Developed	4.04	4.34	3.58	3.56	-0.02	0.03	0.01
Other	--	--	0.17	-0.58	0.02	--	0.02
[Unassigned]	--	--	0.20	3.50	0.01	--	0.01

Developed ex US

Stock Analysis

Top Five/Bottom Five Contributors to Excess Return

	Portfolio Weight	Active Weight	Q1 Return	Excess Return Contribution
Top Five Contributors to Return				
Toyota Motor Corp.	1.82%	0.46%	38.12%	0.12%
Nestle S.A.	0.83%	-0.77%	-8.24%	0.11%
Mitsubishi Corporation	0.64%	0.25%	45.42%	0.08%
AIA Group Limited	0.28%	-0.22%	-22.95%	0.07%
Honda Motor Co., Ltd.	0.81%	0.50%	20.25%	0.07%
Bottom Five Contributors to Return				
ASML Holding NV	0.44%	-1.45%	28.18%	-0.28%
Novo Nordisk A/S Class B	0.33%	-1.70%	24.24%	-0.28%
Tokyo Electron Ltd.	0.28%	-0.25%	45.62%	-0.08%
SAP SE	0.54%	-0.44%	26.49%	-0.08%
Adyen NV	0.00%	-0.24%	31.41%	-0.05%

Sector Attribution

12/29/2023 to 3/28/2024	RAFI Fundamental Developed ex US Index		Solactive GBS Dev Markets ex US Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	5.76	100.00	5.66	-0.30	0.40	0.10
Basic Materials	10.56	-0.23	8.15	0.23	-0.13	-0.05	-0.18
Communications	5.03	2.87	4.25	1.09	-0.04	0.09	0.06
Consumer Cyclical	12.39	12.30	10.12	13.10	0.17	-0.09	0.08
Consumer Non-Cyclical	9.28	2.13	9.62	-0.72	0.02	0.27	0.29
Energy	8.30	5.30	5.56	3.97	-0.04	0.11	0.07
Financials	21.77	9.81	20.27	7.65	0.03	0.46	0.50
Healthcare	7.95	1.16	11.61	5.07	0.02	-0.32	-0.30
Industrial	12.66	7.29	15.24	7.17	-0.04	0.01	-0.02
Real Estate	2.15	1.06	2.01	2.14	-0.00	-0.02	-0.03
Technology	5.94	7.94	10.05	11.14	-0.21	-0.19	-0.39
Utilities	3.97	-1.98	3.11	-4.71	-0.09	0.12	0.02

Geographic Attribution

12/29/2023 to 3/28/2024	RAFI Fundamental Developed ex US Index		Solactive GBS Dev Markets ex US Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	5.76	100.00	5.66	0.65	-0.55	0.10
Developed Asia Pacific x JP	8.40	-2.01	9.99	-2.10	0.13	0.01	0.14
Europe - Non-EU	9.62	-0.09	14.47	3.04	0.13	-0.32	-0.19
European Union	29.59	6.17	28.42	8.11	0.02	-0.55	-0.53
Japan	29.87	11.87	22.84	10.42	0.33	0.40	0.73
United Kingdom	13.87	2.29	12.30	2.87	-0.04	-0.09	-0.13
Other Developed	8.65	4.34	11.43	4.35	0.04	-0.00	0.04
Other	0.00	-0.93	0.51	0.25	0.03	0.00	0.03

Emerging Markets

Stock Analysis

Top Five/Bottom Five Contributors to Excess Return

	Portfolio Weight	Active Weight	Q1 Return	Excess Return Contribution
Top Five Contributors to Return				
Hon Hai Precision Industry Co., Ltd.	1.06%	0.49%	42.70%	0.19%
PetroChina Company Limited	0.70%	0.49%	29.35%	0.12%
Wuxi Biologics (Cayman) Inc.	0.00%	-0.13%	-51.80%	0.10%
SK hynix Inc.	1.38%	0.55%	20.48%	0.09%
Hyundai Motor Company	0.99%	0.68%	15.19%	0.09%
Bottom Five Contributors to Return				
Samsung Electronics Co., Ltd.	7.76%	4.04%	-1.09%	-0.16%
POSCO Holdings Inc.	0.94%	0.61%	-18.91%	-0.15%
Vale S.A.	1.29%	0.56%	-20.09%	-0.14%
Nu Holdings Ltd.	0.00%	-0.32%	43.22%	-0.11%
Country Garden Holdings Co. Ltd.	0.20%	0.18%	-37.96%	-0.09%

Sector Attribution

12/29/2023 to 3/28/2024	RAFI Fundamental Emerging Markets Index		Solactive GBS Emerging Markets Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	1.82	100.00	2.30	0.20	-0.68	-0.48
Basic Materials	11.37	-6.54	8.92	-4.98	-0.19	-0.20	-0.38
Communications	6.15	-0.64	9.19	2.09	0.01	-0.17	-0.16
Consumer Cyclical	8.99	1.70	11.00	-2.24	0.11	0.34	0.45
Consumer Non-Cyclical	4.32	-4.65	5.77	-3.17	0.08	-0.07	0.01
Energy	8.79	5.72	5.78	5.28	0.08	0.04	0.12
Financials	24.84	3.06	23.09	2.45	-0.00	0.16	0.15
Healthcare	1.25	-1.24	3.52	-2.29	0.11	0.01	0.12
Industrial	5.85	6.21	6.09	5.20	-0.00	0.05	0.05
Real Estate	2.12	-13.09	1.55	-6.08	-0.05	-0.17	-0.22
Technology	22.86	5.76	21.85	8.85	0.05	-0.66	-0.60
Utilities	3.43	4.03	3.24	4.57	0.01	-0.02	-0.01

Geographic Attribution

12/29/2023 to 3/28/2024	RAFI Fundamental Emerging Markets Index		Solactive GBS Emerging Markets Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	1.82	100.00	2.30	-0.45	-0.03	-0.48
Brazil	8.40	-6.53	6.00	-5.17	-0.19	-0.12	-0.31
China	25.29	0.44	23.50	-2.18	-0.08	0.66	0.58
Emerging Europe	3.03	7.91	1.94	7.38	0.05	0.01	0.07
India	11.76	7.54	19.05	6.55	-0.32	0.12	-0.20
Latin America x Brazil	2.71	1.37	3.46	1.43	0.01	-0.00	0.01
Middle East and Africa	6.56	-3.20	10.55	-0.97	0.14	-0.15	-0.02
South Korea	20.64	1.79	12.64	1.44	-0.06	0.05	-0.02
Southeast Asia	21.52	5.02	22.55	8.04	-0.04	-0.63	-0.67
Other	0.08	14.94	0.28	-20.49	0.05	0.03	0.07
[Unassigned]	--	--	0.05	-5.08	0.00	--	0.00

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