RAFI Indices™

RAFI™ Fundamental Index™ Series

FOUNDED ON PRINCIPLES OF CONTRARIAN INVESTING AND DISCIPLINED REBALANCING

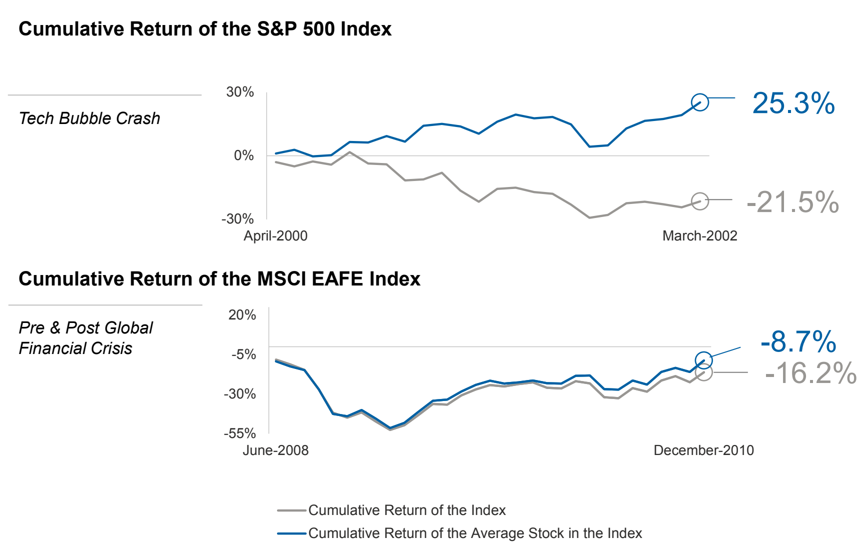
The RAFI Fundamental Index strategy is a broadly diversified equity strategy built on principles of contrarian investing and disciplined rebalancing. By using fundamental measures of company size to select and weight companies, the approach eliminates the performance drag associated with traditional passive investment vehicles.

- Broad economic representation with low implementation costs and high capacity
- A history of outperformance based on sound investing principles
- Breaks the link between price and weight
- Engages in contrarian rebalancing, helping investors capture excess return

SEVERING THE LINK BETWEEN PRICE AND PORTFOLIO WEIGHT

Traditional passive investment vehicles are market capitalization–weighted, which means that as the price of a company increases so does its overall weight in the portfolio, creating a drag on returns. The RAFI Fundamental Index strategy severs that link and embeds a buy-low, sell-high approach, which avoids significant overweights to the trendy, popular, and most expensive securities.

Capitalization Weighting Creates a Drag on Returns



Average stock in the S&P 500 Index is calculated by equally weighting the holdings of the S&P 500 as of 4/2000 and price drifting them to 3/2002. The same process is used for the MSCI EAFE from 6/2008 to 12/2010. Source: Research Affiliates, LLC, based on data from FactSet.

INDEX OVERVIEW

Expected Outcomes and Benefits

1. Uses fundamental measures of company size to sever the link between price and portfolio weight.
2. Systematically rebalances using a company's fundamental weight as a rebalancing anchor, embedding a buy-low, sell-high approach.
3. Preserves all the positives of traditional passive investing and uses regular periodic rebalancing to help investors capture excess return from long-term mean reversion.
4. Broadly diversified and economically representative with a low tracking error relative to cap-weight index.

The RAFI Fundamental Index strategy allows investors to capture long-term value and rebalancing premiums, while preserving all the positives of traditional passive investing.

THOUGHTFULLY DESIGNED TO DELIVER FOR INVESTORS

Picking active managers is a game with poor odds. The RAFI Fundamental Index strategy preserves all the positives of traditional passive investing—simple, transparent, broadly diversified, and low cost—helping investors capture excess return from long-term mean reversion, one of the largest and most persistent active investment opportunities.

Consistency Has Helped Investors Reach Their Goals

Strategy	Annualized Excess Return	3-Yr Rolling Win-Rate	5-Yr Rolling Win-Rate	Start Date
RAFI Fundamental US Index *vs. Mstar US Large-Mid Cap Index*	1.8%	60.2%	75.2%	1/1992
RAFI Fundamental US Small Company Index *vs. Mstar US Small Cap Index*	2.7%	81.3%	91.1%	1/1992
RAFI Fundamental Dev ex US Index *vs. MSCI EAFE Index*	2.3%	80.0%	89.9%	5/1984
RAFI Fundamental Emerging Markets Index *vs. MSCI Emerging Markets Index*	4.6%	82.4%	84.2%	5/1996
RAFI Fundamental Global Index *vs. MSCI All Country World Index*	2.1%	69.0%	70.4%	5/1996

Through 2022

Data prior to index launch are simulated. Please see important information at the end of this presentation regarding simulated data. The RAFI Fundamental Indices were launched on 1/31/2017. FTSE All-Share returns begin in Jan 1986. Source: Research Affiliates, LLC, based on data from FactSet.

OUR FORECASTING TOOL

Asset Allocation Interactive

Estimates of long-term expected returns for 130+ assets and model portfolios across five currencies with the ability to create, save, and blend customized portfolios.

Visit researchaffiliates.com/aai.

RELATED RESEARCH

"Fundamental Indexation"
Arnott, Hsu, Moore
March 2005 | *Financial Analysts Journal*

"Rebalancing and the Value Effect"
Arnott, Chaves
August 2012 | *Journal of Portfolio Management*

RESEARCH AFFILIATES

At a Glance

US$147B*

in assets managed worldwide using investment strategies developed by Research Affiliates.

400+ articles published

Important recognitions** include:

Graham & Dodd Awards

"What Is Quality?"

"Reports of Value's Death May Be Greatly Exaggerated"

William F. Sharpe Indexing Achievement Award

"Fundamental Indexation"

"Rebalancing and the Value Effect"

Bernstein Fabozzi/Jacobs Levy Award

"Alice's Adventures in Factorland: Three Blunders That Plague Factor Investing"

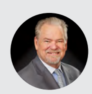
"A Study of Low-Volatility Portfolio Construction Methods"

2002

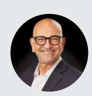
Founded by Rob Arnott and based in Newport Beach, California.

FIRM LEADERSHIP

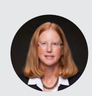
Average of **40 years in industry experience**.



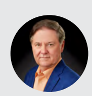
Rob Arnott
Partner, Chair



Chris Brightman, CFA
Partner, Chief Executive Officer & Chief Investment Officer



Katrina Sherrerd, PhD, CFA
Partner, Vice Chair



Campbell Harvey, PhD
Partner, Director of Research

**As of Marchr 31, 2024*

***Research Affiliates, LLC and its affiliates did not pay fees to be considered for the awards mentioned herein.*

IMPORTANT INFORMATION