RAFI Indices™

RAFI™ Fundamental Low Carbon Transition Index Series

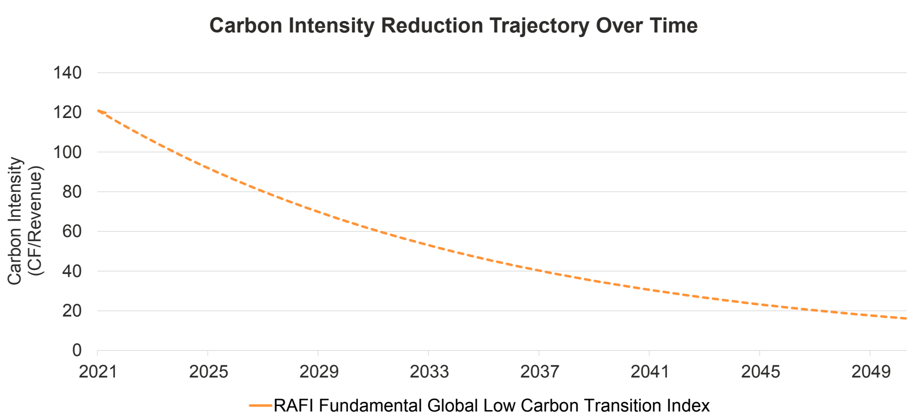
BENEFITS OF FUNDAMENTAL INVESTING WITH A PATHWAY TO NET-NEUTRAL EMISSIONS

The RAFI Fundamental Low Carbon Transition Index strategy provides the benefits of the Fundamental Index™ approach, while offering investors a pathway to net-neutral emissions through an immediate reduction in carbon-intensity level and additional target reductions each year.

The series is designed to reduce carbon intensity by 30% relative to the overall market. At each quarterly rebalance, target carbon intensity is further reduced by roughly 7% a year. Coal companies and controversial weapons companies are excluded from the index.

- Offers immediate and continual carbon reduction
- Meets multiple ESG objectives
- Engages in contrarian rebalancing

RAFI FUNDAMENTAL LOW CARBON TRANSITION INDEX



For illustrative purposes only. This chart represents a simulated RAFI Fundamental Global Low Carbon Transition Index strategy to illustrate the carbon intensity reduction path over time. The data published herein are simulated. Source: Research Affiliates, LLC, based on data from ISS and FactSet.

RELATED RESEARCH

"The Time Is Now: Climate Transition Investing for US Investors"
Brightman, Kalesnik, Polychronopoulos

"Green Data or Greenwashing? Do Corporate Carbon Emissions Data Enable Investors to Mitigate Climate Change?"
Kalesnik, Wilkens, Zink

"Is ESG a Factor?"
Polychronopoulos, West

INDEX OVERVIEW

Expected Outcomes and Benefits

1. At launch, the index has a 30% reduction in carbon intensity compared to the investable universe, with further reductions at each quarterly rebalance, translating into roughly 7% a year.
2. The strategy offers substantially reduced carbon intensity and continued transition to lower carbon-intensity levels, and removes exposure to controversial weapons companies.
3. Systematically rebalances using a company's fundamental weight as a rebalancing anchor, embedding a buy-low, sell-high approach.
4. The strategy retains all the benefits of the Fundamental Index approach, including transparency, broad market exposure, and low implementation costs.

Investors can retain the benefits associated with the Fundamental Index methodology, while also aligning their investment strategy with the transition to a low-carbon economy.

Signatory of:

PRI Principles for Responsible Investment

BENEFITS OF THE FUNDAMENTAL INDEX APPROACH

The RAFI Fundamental Index approach is founded 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.

The RAFI Fundamental Index strategy is a broadly diversified equity strategy built on the principles of contrarian investing and disciplined rebalancing.

RAFI Benefits

1. Demonstrated excess returns vs. cap-weight index
2. Broadly diversified and economically representative
3. Low tracking error relative to cap-weight index
4. High capacity
5. Low implementation costs

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"

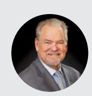
Bernstein Fabozzi/Jacobs Levy Award
"Alice's Adventures in Factorland: Three Blunders That Plague Factor Investing"
"A Study of Low-Volatility Portfolio Construction Methods"

2002

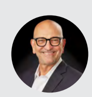
Founded by Rob Arnott and based in Newport Beach, California.

FIRM LEADERSHIP

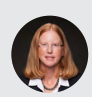
Average of **40 years in industry experience**.



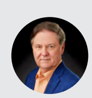
Rob Arnott
Partner, Chair



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 March 31, 2024
**Research Affiliates, LLC and its affiliates did not pay fees to be considered for the awards mentioned herein.

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