

Notification of Methodology Change to Currency Hedged Indices on 3/3/2020

After conducting a market consultation, RAFI Indices would like to announce the following changes to the methodology of the following indices, which will be effective 3/3/2020:

Name	RIC	ISIN
RAFI Multi-Factor Global Index NTR AUD Hedged	.RAMGADHN	DE000SLA4395
RAFI Multi-Factor Developed GBP Hedged Index NTR	.RAMDGBPH	DE000SLA56E8
RAFI ESG Developed Index NTR EUR Hedged	.RAESGDVH	DE000SLA8U68

Rationale for Methodology Change

The change in methodology will improve the index replicability, which would result in reducing the tracking error between the linked product and the underlying index.

Changes to the Index Guideline

The following Methodology changes are implemented in the Index Guidelines of Indices:

RAFI Multi-Factor Global Index NTR AUD Hedged

From:

Section 2.10.3- RAFI Multi-Factor Global Index NTR AUD Hedged Construction

The RAFI Multi-Factor Global Index NTR AUD Hedged is designed to earn the returns of the RAFI Multi-Factor Global Index while shielding investors from changes in the Australian dollar exchange rate relative to other currencies in the index. Weights for the currency hedge are determined and currency exposures are hedged on a monthly basis on the last business day of each month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the hedging methodology can be found here: <https://www.solactive.com/wp-content/uploads/2018/01/Currency-Hedge-Methodology-2019.pdf>

To:

Section 2.10.3- RAFI Multi-Factor Global Index NTR AUD Hedged Construction

The RAFI Multi-Factor Global Index NTR AUD Hedged is designed to earn the returns of the RAFI Multi-Factor Global Index while shielding investors from changes in the Australian dollar exchange rate relative to other currencies in the index. Weights for the

currency hedge are determined on a monthly basis on the day before the last business day of each month; and the currency exposures are hedged on a monthly basis on the last business day of month.

Exception: Due to the RAFI Multi-Factor Global Index rebalancing on the last business day of March, June and September, the weights for the currency hedge are determined based on the indicative weights of the upcoming rebalancing composition based on the prices as of the day before the last business day of the month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the Methodology can be found in the "[RAFI Indices Currency-Hedged Indices Standard Methodology](#)".

Multi-Factor Developed GBP Hedged Index Net Return

From:

Section 2.10.4 RAFI Multi-Factor Developed GBP Hedged Index Net Return Construction

The RAFI Multi-Factor Developed GBP Hedged Index Net Return is designed to earn the returns of the RAFI Multi-Factor Developed Index while shielding investors from changes in the British pound exchange rate relative to other currencies in the index. Weights for the currency hedge are determined and currency exposures are hedged on a monthly basis on the last business day of each month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the hedging methodology can be found here: <https://www.solactive.com/wp-content/uploads/2018/01/Currency-Hedge-Methodology-2019.pdf>

To:

Section 2.10.4 RAFI Multi-Factor Developed GBP Hedged Index Net Return Construction

The RAFI Multi-Factor Developed GBP Hedged Index Net Return is designed to earn the returns of the RAFI Multi-Factor Developed Index while shielding investors from changes in the British pound exchange rate relative to other currencies in the index. Weights for the currency hedge are determined on a monthly basis on the day before the last business day of each month; and the currency exposures are hedged on a monthly basis on the last business day of month.

Exception: Due to the RAFI Multi-Factor Developed Index rebalancing on the last business day of March, June and September, the weights for the currency hedge are determined based on the indicative weights of the upcoming rebalancing composition based on the prices as of the day before the last business day of the month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the Methodology can be found in the "[RAFI Indices Currency-Hedged Indices Standard Methodology](#)".



RAFI ESG Developed Index NTR EUR Hedged

From:

Section 2.7 RAFI ESG Developed Index NTR EUR Hedged

The RAFI ESG Developed Index NTR EUR Hedged is designed to earn the returns of the RAFI ESG Developed Index while shielding investors from changes in the Euro exchange rate relative to other currencies in the index. Weights for the currency hedge are determined and currency exposures are hedged on a monthly basis on the last business day of each month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the hedging methodology can be found here: <https://www.solactive.com/wp-content/uploads/2018/01/Currency-Hedge-Methodology-2019.pdf>

To:

Section 2.7 RAFI ESG Developed Index NTR EUR Hedged

The RAFI ESG Developed Index NTR EUR Hedged is designed to earn the returns of the RAFI ESG Developed Index while shielding investors from changes in the Euro exchange rate relative to other currencies in the index. Weights for the currency hedge are determined on a monthly basis on the day before the last business day of each month; and the currency exposures are hedged on a monthly basis on the last business day of month.

Exception: Due to the RAFI ESG Developed Index rebalancing on the last business day of March, June and September, the weights for the currency hedge are determined based on the on the indicative weights of the upcoming rebalancing composition based on the prices as of the day before the last business day of the month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the Methodology can be found in the "[RAFI Indices Currency-Hedged Indices Standard Methodology](#)".

For any questions regarding this change please contact info@rafi.com.



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