

RAFI™ ESG Developed Index Attribution Summary: Q3 2021

RAFI ESG Developed Index

Performance Analysis	QTD Return	QTD Excess Return	YTD Return	One-Year Return		
RAFI ESG Developed Index	-0.48%	-0.61%	16.95%	37.70%		
<i>Solactive GBS Dev Mkts Large & Mid Cap Index</i>	0.13%	---	13.62%	29.47%		
ESG Characteristics	ESG Score	Environment Score	Social Score	Governance Score	Diversity Score	Carbon Intensity (CF/Sales)
RAFI ESG Developed Index	57.1	54.4	56.0	70.6	74.2	71.6
<i>Solactive GBS Dev Mkts Large & Mid Cap Index</i>	54.1	52.1	52.4	68.1	68.5	141.7

The RAFI ESG Developed Index underperformed its benchmark by 0.6% for the quarter as the strategy was constrained by value headwinds (the MSCI World Value Index trailed the MSCI World Growth Index by 1.5%). Returns for the full year remained strong as the index has outperformed the benchmark by 3.3% year to date.

From an ESG perspective, the index exhibits an improvement in ESG characteristics versus the broad market. Most notably, due mainly to the exclusion of fossil fuel companies, overall index carbon intensity is reduced by nearly 50%.

The top detractors to excess return were Alphabet and Tesla. Alphabet fails to qualify for the index due to its poor governance score. Companies that rank in the bottom 10th percentile by cumulative fundamental weight within each region for any individual environment, social, governance, diversity or financial discipline metric are excluded from the index.

Alphabet falls into the bottom 6th percentile when ranked by governance score. The exclusion of Alphabet detracted 20 bps from excess return due to the resulting 2.7% underweight as the stock outperformed the developed market by 7.8% for the quarter. Due to its small fundamental weight relative to other Developed large/mid companies, Tesla does not meet the index's minimum weight cutoff of 5 bps, and is therefore excluded, resulting in a 0.9% underweight. The exclusion of Tesla detracted 13 bps from performance as the stock outperformed the market by 14.0% for the quarter.

At the sector level, Healthcare was the largest detractor to excess return at -35 bps, stemming entirely from stock selection. The top detractor within the sector was Moderna, which is not part of the starting universe for this index (large and mid-sized companies), as it is classified as a small company in our starting universe. The omission of Moderna detracted 9 bps. Financials was a bright spot, adding 35 bps as the sector outperformed the market by 2.3% for the quarter.

6/30/2021 to 9/30/2021	RAFI ESG 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	-0.54	100.00	0.13	0.04	-0.72	-0.67
Basic Materials	5.52	-3.53	4.56	-4.80	-0.05	0.07	0.02
Communications	7.97	-2.53	9.58	-0.36	0.01	-0.18	-0.18
Consumer Cyclical	11.07	-3.14	11.28	-1.55	-0.00	-0.19	-0.20
Consumer Non-Cyclical	10.19	-1.70	7.50	-1.69	-0.05	-0.00	-0.05
Energy	0.08	2.80	3.05	1.08	-0.02	0.00	-0.02
Financials	26.16	3.03	13.64	2.47	0.22	0.13	0.35
<i>Wells Fargo & Company</i>	2.44	2.91	0.33	2.91	0.06	--	0.06
<i>Bank of America Corp</i>	1.66	3.49	0.52	3.49	0.04	--	0.04
Healthcare	13.90	-1.59	12.38	0.99	0.00	-0.35	-0.35
<i>Moderna, Inc.</i>	--	--	0.21	63.78	-0.09	--	-0.09
<i>Amgen Inc.</i>	0.60	-12.09	0.23	-12.09	-0.05	--	-0.05
Industrial	6.70	-2.21	10.00	-0.90	0.03	-0.09	-0.05
Real Estate	1.78	-1.86	2.57	-0.36	0.01	-0.03	-0.02
Technology	15.92	0.69	22.71	1.44	-0.12	-0.11	-0.23
Utilities	0.72	4.35	2.72	-0.85	0.02	0.04	0.06

At the region level, the bulk of underperformance came within the United States, which detracted 65 bps, mainly as a result of stock selection. Alphabet, Tesla, Apple, and Moderna were some of the top detractors from within the region.

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	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
Total	100.00	-0.54	100.00	0.13	0.05	-0.73	-0.67
Developed Asia Pacific x JP	4.10	-2.22	3.67	-3.28	-0.02	0.05	0.02
Europe - Non-EU	3.95	-2.39	4.92	-1.84	0.02	-0.01	0.00
European Union	15.50	-1.05	10.08	-1.45	-0.08	0.03	-0.05
Japan	10.94	4.99	7.41	4.67	0.14	0.05	0.19
United Kingdom	6.23	-3.68	4.26	-0.65	-0.02	-0.19	-0.21
United States	55.76	-0.70	65.48	0.41	-0.03	-0.62	-0.65
<i>Alphabet Inc. Class A</i>	--	--	2.71	7.94	-0.20	--	-0.20
<i>Tesla Inc</i>	--	--	0.94	14.09	-0.13	--	-0.13
<i>Apple Inc.</i>	0.92	3.47	4.23	3.47	-0.11	--	-0.11
<i>Moderna, Inc.</i>	--	--	0.21	63.78	-0.09	--	-0.09
Other Developed	3.52	-2.32	3.69	-1.52	0.01	-0.03	-0.02

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