

RAFI™ ESG Developed Index Attribution Summary: Q2 2022

RAFI ESG Developed Index

Performance Analysis	QTD Return	QTD Excess Return	YTD Return	One-Year Return		
RAFI ESG Developed Index	-12.26%	3.78%	-16.11%	-11.09%		
<i>Solactive GBS Dev Mkts Large & Mid Cap Index</i>	-16.04%	---	-20.35%	-14.16%		
ESG Characteristics	ESG Score	Environment Score	Social Score	Governance Score	Diversity Score	Carbon Intensity (CF/Sales)
RAFI ESG Developed Index	58.8	56.2	58.1	72.0	76.1	61.5
<i>Solactive GBS Dev Mkts Large & Mid Cap Index</i>	54.9	53.2	53.5	69.5	71.3	136.8

The RAFI ESG Developed Index outperformed its benchmark by 378 bps for the quarter. 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 more than half.

3/31/2022 to 6/30/2022	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	-12.23	100.00	-15.99	0.31	3.45	3.76
Basic Materials	5.86	-17.94	4.78	-19.69	-0.04	0.10	0.06
Communications	9.29	-4.03	7.92	-19.26	-0.02	1.35	1.32
<i>AT&T Inc.</i>	1.84	17.06	0.28	17.06	0.46	--	0.46
<i>Verizon Communications</i>	1.54	0.84	0.40	0.84	0.18	--	0.18
<i>Alphabet Inc</i>	--	--	2.56	-21.66	0.15	--	0.15
Consumer Cyclical	7.17	-17.64	10.26	-24.05	0.29	0.49	0.77
Consumer Non-Cyclical	10.41	-5.85	8.17	-6.89	0.20	0.10	0.31
Energy	0.06	-29.35	4.98	-4.55	-0.49	-0.01	-0.51
<i>Exxon Mobil Corporation</i>	--	--	0.72	4.75	-0.13	--	-0.13
Financials	20.59	-15.90	13.65	-16.14	-0.01	0.06	0.05
Healthcare	18.92	-1.62	13.42	-6.74	0.50	0.86	1.36
<i>Merck & Co., Inc.</i>	1.34	12.02	0.42	12.02	0.22	--	0.22
<i>Johnson & Johnson</i>	2.15	0.79	0.89	0.79	0.20	--	0.20
Industrial	6.68	-16.38	9.57	-16.28	0.01	-0.00	0.00
Real Estate	1.64	-17.09	2.67	-14.84	-0.01	-0.03	-0.05
Technology	19.15	-19.03	21.49	-21.76	0.14	0.55	0.69
Utilities	0.21	-9.36	3.09	-7.03	-0.24	-0.00	-0.25

At the sector level, communications was the greatest contributor to performance, adding 132 bps to excess return, entirely from stock selection. AT&T (+1.56% active weight) and Verizon (+1.14% active weight) were the greatest contributors within the sector, as both stocks posted positive returns in a down market. Both companies score in the top 20th percentile of our universe for E, S, and G scores, leading to an upweight in the company's overall weight. An

underweight to Alphabet was also a strong contributor, adding 15 bps to excess return. Alphabet is excluded from the index as it fails the index's governance screen.

Healthcare was another strong contributor, adding 136 bps, through both security selection and allocation effect. Within healthcare, overweights to Merck (0.92% active weight) and Johnson & Johnson (1.26% active weight) added 22 bps and 20 bps, respectively, to top-line performance. Both companies receive an upweight during the ESG tilt process, stemming mainly from strong social and diversity scores.

3/31/2022 to 6/30/2022	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	-12.23	100.00	-15.99	0.24	3.52	3.76
Developed Asia Pacific x JP	3.51	-16.94	3.89	-14.50	-0.00	-0.09	-0.09
Europe - Non-EU	5.88	-12.26	4.71	-15.67	0.01	0.20	0.21
European Union	12.37	-14.15	9.12	-15.67	0.00	0.18	0.18
Japan	10.57	-10.66	6.73	-14.25	0.07	0.38	0.45
United Kingdom	6.09	-6.95	4.48	-10.64	0.09	0.22	0.30
United States	57.34	-12.07	66.54	-16.69	0.05	2.65	2.70
<i>Amazon.com, Inc.</i>	--	--	2.09	-34.84	0.47	--	0.47
<i>AT&T Inc.</i>	1.84	17.06	0.28	17.06	0.46	--	0.46
<i>Tesla Inc</i>	--	--	1.29	-37.51	0.34	--	0.34
<i>NVIDIA Corporation</i>	0.17	-44.43	0.95	-44.43	0.27	--	0.27
Other Developed	4.23	-16.08	4.16	-15.58	0.01	-0.02	-0.01

At the regional level, the bulk of excess return came from selection in the US region, accounting for 265 bps of total outperformance. Given the contrarian nature of the strategy due to fundamental weighting, mean reversion of value and growth stocks were the main driver of outperformance. Growth names such as Amazon, Tesla, and NVIDIA are either excluded from the portfolio or significantly underweighted. Amazon fails the index's governance screen, while Tesla fails the financial discipline screen. The exclusion of these two companies contributed 81 bps of outperformance as they fell by approximately 35% and 38%, respectively, over the quarter. NVIDIA also fails the financial discipline screen and is in the process of being removed from the index through the quarterly staggered rebalance process. The 78 bp underweight to NVIDIA contributed 27 bps to excess return as the stock fell by 44% during the quarter.

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