

# **RAFI™ ESG Developed Index Attribution Summary: Q1 2023**

# RAFI ESG Developed Index

Performance Analysis	QTD Return	QTD Excess Return	YTD Return	One-Year Return		
RAFI ESG Developed Index	5.57%	-2.36%	5.57%	-3.79%		
<i>Solactive GBS Dev Mkts Large &amp; Mid Cap Index</i>	7.93%	---	7.93%	-6.56%		
ESG Characteristics	ESG Score	Environment Score	Social Score	Governance Score	Diversity Score	Carbon Intensity (CF/Sales)
RAFI ESG Developed Index	58.6	57.6	58.5	72.4	77.9	71.5
<i>Solactive GBS Dev Mkts Large &amp; Mid Cap Index</i>	54.9	54.5	54.1	70.1	72.8	135.9

The RAFI ESG Developed Index was up 5.6% in the first quarter of the new year, trailing its reference benchmark by 2.4%. Over the course of the past 12-months, the index has outpaced its benchmark by 2.8%.

## Stock Analysis

### Top Five/Bottom Five Contributors to Excess Return

	Total Weight	Active Weight	Q1 2023 Return	Excess Return Contribution	ESG Score	Env. Score	Social Score	Gov. Score	Div. Score	Carbon Intensity
<b>Top Five Contributors to Return</b>										
Intel	1.54%	1.31%	25.18%	0.23%	63.5	56.5	66.4	92.0	92.5	41.4
Charles Schwab	0.00%	-0.22%	-36.89%	0.12%	41.3	37.2	39.8	70.4	54.3	4.4
Chevron	0.00%	-0.63%	-8.29%	0.11%	50.1	48.1	50.6	60.0	81.1	392.0
Meta	0.98%	0.24%	76.12%	0.11%	49.3	51.6	44.4	64.5	91.6	0.5
Exxon Mobil	0.00%	-0.89%	0.19%	0.07%	49.1	43.1	46.8	82.8	67.1	424.1
<b>Bottom Five Contributors to Return</b>										
NVIDIA	0.00%	-0.98%	90.10%	-0.58%	62.1	58.7	63.4	77.7	86.3	3.1
Tesla	0.00%	-0.89%	68.42%	-0.40%	60.4	69.8	44.7	66.2	67.3	10.9
Apple	2.71%	-1.87%	27.11%	-0.33%	69.9	74.0	64.3	77.1	78.6	0.2
Amazon	0.00%	-1.67%	22.96%	-0.23%	47.3	51.2	44.9	51.8	77.1	34.4
Pfizer	1.15%	0.67%	-19.64%	-0.22%	62.6	53.9	64.8	63.3	83.6	14.5

Note: Carbon Intensity is measured as Scope 1 & 2 carbon footprint (tons CO2 eq.)/company revenue (\$M)

At the stock level, NVIDIA was the largest detractor in Q1 at 58 bps. The share price of NVIDIA leaped 90.1% in Q1, a reversal of the company's poor 2022 calendar year performance (-50%). The company is excluded from the index as it fails the financial discipline screen, resulting in a -0.98% active underweight versus the benchmark. Amazon was another large detracting growth company that failed to qualify for the index based on the governance and financial discipline screen. Combined, the bottom 5 contributors to excess return detracted 177 bps, while the top 5 contributors to return only added 64 bps (a 113 bps shortfall).

## Sector Analysis

12/30/2022 to 3/31/2023	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
<b>Total</b>	<b>100.00</b>	<b>5.56</b>	<b>100.00</b>	<b>7.93</b>	<b>-0.52</b>	<b>-1.85</b>	<b>-2.37</b>
Basic Materials	6.62	10.10	4.70	6.54	-0.03	0.23	0.20
Communications	9.06	13.68	7.09	17.77	0.20	-0.37	-0.16
Consumer Cyclical	7.62	10.64	10.05	17.25	-0.20	-0.47	-0.68
Consumer Non-Cyclical	8.99	3.59	8.23	3.42	-0.04	0.02	-0.02
Energy	0.00	3.36	5.34	-3.03	0.62	-0.00	0.62
Financials	21.93	-1.17	14.16	-1.32	-0.75	0.07	-0.67
Healthcare	17.74	-4.13	13.60	-1.50	-0.43	-0.53	-0.95
Industrial	6.95	10.21	10.32	7.28	0.02	0.20	0.22
Real Estate	1.28	1.41	2.45	0.88	0.08	0.01	0.09
Technology	19.53	15.55	21.12	21.42	-0.21	-1.03	-1.24
Utilities	0.27	7.37	2.95	0.50	0.21	0.02	0.23

At the sector level, technology, healthcare, and financials were the top 3 detractors to excess return. Technology (-1.6% active weight) detracted 124 bps. The bulk of performance drag came via selection effects, with the two notable companies within the sector being NVIDIA and Apple. The tech sector in-large experienced a snapback in performance as represented by the closely watched NASDAQ Composite, which rose an impressive 17.1% in Q1 (down 13.3% over the past 12 months). The second largest detractor at 95 bps was healthcare. Both allocation and selection effects were a factor. The third largest detractor was consumer cyclical (2.4% active weight) at 68 bps. The index took its largest hit on performance within the sector by means of Amazon and Tesla.

## Geographic Analysis

12/30/2022 to 3/31/2023	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
<b>Total</b>	<b>100.00</b>	<b>5.56</b>	<b>100.00</b>	<b>7.93</b>	<b>0.21</b>	<b>-2.58</b>	<b>-2.37</b>
Developed Asia Pacific x JP	3.56	-1.56	3.93	2.12	0.02	-0.14	-0.12
Europe - Non-EU	5.35	8.30	4.77	7.87	-0.01	0.02	0.02
European Union	15.41	13.60	10.01	14.02	0.31	-0.06	0.25
Japan	11.20	5.24	6.89	6.28	-0.06	-0.12	-0.18
United Kingdom	6.58	7.85	4.50	6.13	-0.04	0.11	0.08
United States	54.36	3.58	65.57	7.89	-0.01	-2.37	-2.38
Other Developed	3.54	3.50	3.91	3.99	0.01	-0.02	-0.00

At the regional level, the biggest detractor to excess return was the United States. This is not a surprise as all of the bottom 5 contributors to return are all US companies. The US region had a 11.2% underweight in the index versus the benchmark and detracted 238 bps of performance via

selection effects. While the US negatively impacted returns in Q1, looking over the course of the past 12 months, the United States has contributed 162 bps to excess returns.

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