

# RAFI™ Multi-Factor Climate Transition (CTB) Developed Index Series

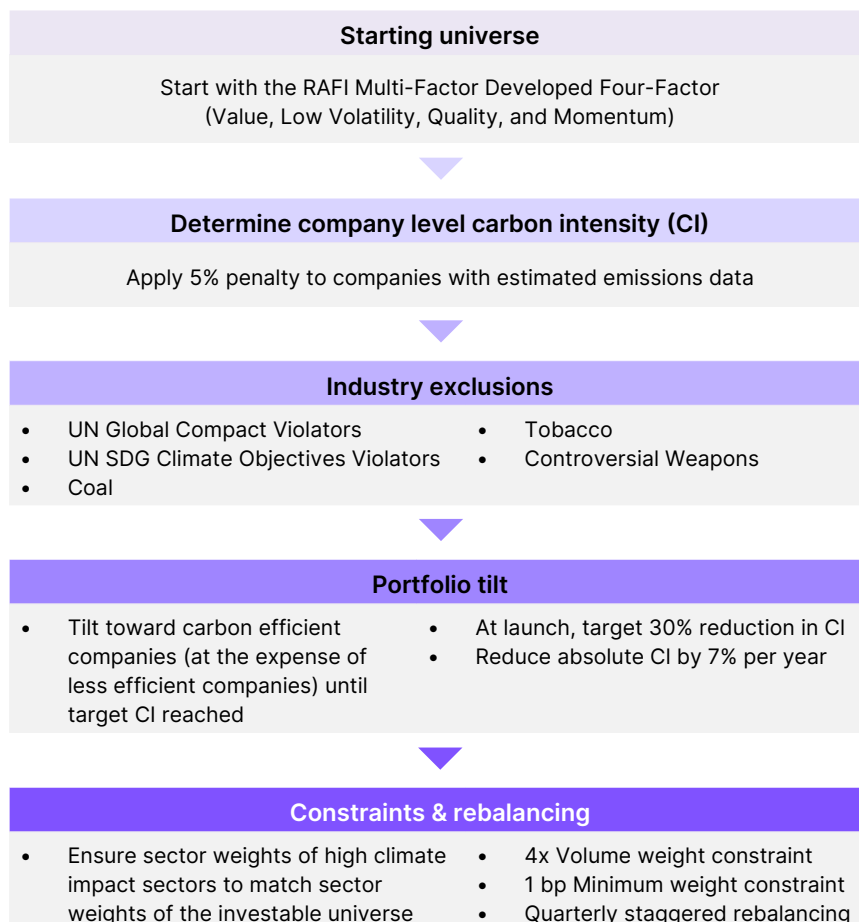
## Benefits of factor investing with a decarbonization pathway

The RAFI Multi-Factor Climate Transition (CTB) Developed Index strategy aims to provide diversified exposures through allocations to value, low volatility, quality, and momentum while simultaneously incorporating specific objectives related to greenhouse gas (GHG) emission reductions and the transition to a low-carbon economy.

## Next generation in climate-focused strategies

- Integrates objectives related to GHG emission reductions
- Diversifies exposure to robust factors
- Incorporates thoughtful design and implementation

## RAFI Multi-Factor Climate Transition (CTB) Developed methodology



## INDEX OVERVIEW

### Aligned with EU climate transition benchmarks\*

1. At index launch, 30% carbon intensity reduction.
2. Minimum 7% reduction in carbon intensity per year.
3. Exposure to high-impact sectors.
4. Minimum exclusions align with engagement programs:
  - UN Global Compact Violators
  - Coal
  - Controversial weapons
  - Tobacco

### Additional benefits

1. Promotes emissions disclosure by penalizing companies that fail to disclose carbon emissions.
2. Reduces exposure to carbon-inefficient companies slow to adopt to a low-carbon economy.

**The RAFI Multi-Factor Climate Transition (CTB) Developed Index strategy supports the ambitions of the Paris Agreement.**

\* Minimum benchmark standards per EU climate transition benchmark requirements as of March 2020.

## A diversified multi-factor approach

Theoretical and empirical evidence shows that factors, including value, low volatility, quality, and momentum, historically deliver long-term positive excess returns.

| Factor                                                                                                     | Measure                                                                                                                    | Why it works                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>Value</b>          | Fundamental weight<br>Cap-Weight                                                                                           | Performance chasers under-own value securities (preferring fast-growing glamour stocks), driving prices down, yields up, and future returns higher. |
| <br><b>Low volatility</b> | Systematic Risk <ul style="list-style-type: none"> <li>Global Beta</li> <li>Industry Beta</li> <li>Country Beta</li> </ul> | Investors' preference for gambling leads them to over-own high-volatility securities.                                                               |
| <br><b>Quality</b>        | High Profitability & Conservative Investment                                                                               | Investors are drawn to the glamour of empire-building companies and underappreciate conservative capital allocators with wide economic moats.       |
| <br><b>Momentum</b>     | <ul style="list-style-type: none"> <li>Standard</li> <li>Beta-adjusted</li> <li>Reversal-adjusted</li> </ul>               | Uninformed investors are slow to react to new information about a company.                                                                          |

## Related research

### “Carbon Intensity for Climate Mitigation: Clearing Up ‘Scaling’ Confusion”

Brightman, Kalesnik, Polychronopoulos, Shim  
July 2022

### “Green Data or Greenwashing? Do Corporate Carbon Emissions Data Enable Investors to Mitigate Climate Change?”

Kalesnik, Wilkens, Zink  
January 2021

### “A Framework for Assessing Factors and Implementing Smart Beta Strategies”

Hsu, Kalesnik, Viswanathan  
July 2015 | The Journal of Index Investing



### “Trade-Off in Multifactor Smart Beta Investing: Factor Premium and Implementation Cost”

Li, Shim  
March 2019 | Financial Analysts Journal

### “Are You a Climate Investor or Growth Investor?”

Polychronopoulos, Steidl  
June 2024

## AT A GLANCE

**\$303B+**

Indexed AUM

**300+**

Clients worldwide

**2,100+**

Indexes across asset classes, geographies, themes, and more

**100+**

Years of combined experience

**20+**

Years of pioneering fundamental index and factor investing expertise

**2004**

RAFI Fundamental Index methodology introduced

**2026**

RAFI Indices became part of VettaFi, bringing together its research-driven approach with VettaFi's modern indexing platform and capabilities.

## Now a part of VettaFi

Combining RAFI's established index expertise with VettaFi's capabilities to help asset managers build and grow differentiated investment products.

Data as of September 30, 2026

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