RAFI Indices™

RAFI™ ESG Index Series

SUPPORTS INVESTORS' GOALS OF SOCIAL RESPONSIBILITY AND LONG-HORIZON OUTPERFORMANCE

The RAFI ESG Index strategy helps investors seek the dual objectives of sustainability and long-horizon outperformance by combining traditional ESG metrics with financial discipline and gender diversity measures and with the proven return engine of the Fundamental Index™ approach.

- Integrates environmental, social, and governance metrics
- Offers potential for improved returns with financial discipline and diversity
- Systematically rebalances to fundamental weight to achieve excess returns

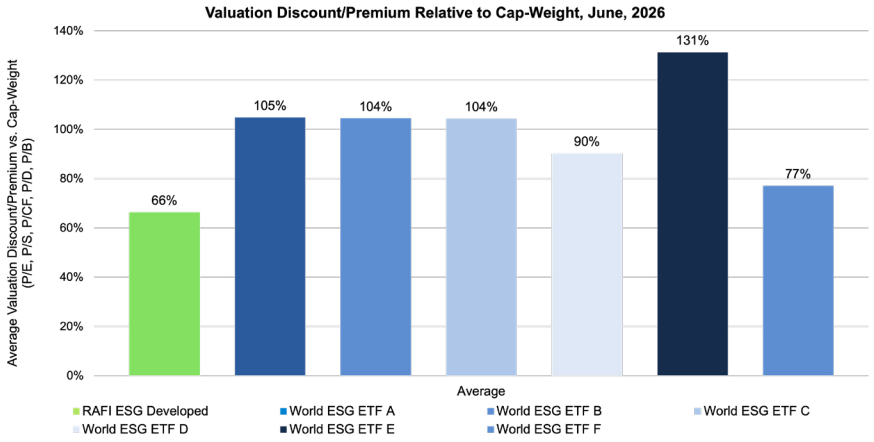
CORNERSTONES OF RAFI ESG INVESTMENT PROCESS

Security Selection
Securities are individually ranked by their environment, social, governance, financial discipline, and diversity scores. Companies in the bottom 10% by RAFI weight by each score are removed.

Exclusions
Companies in the following industries are excluded: fossil fuels,[1] gambling, tobacco, and weapons.[2]

Weighting
Using fundamental weighting, security positions are based on ESG scores and in favor of more sustainable companies.

VALUATION OF RAFI ESG VS. OTHER ESG INDEX STRATEGIES



Source: Research Affiliates, LLC., based on data from Factset. Cap-Weight benchmark used for analysis is the Solactive GBS Developed Markets Large and Mid Cap Index. Discount/Premiums calculated by taking the average P/E, P/S, P/CF, P/D and P/B ratios relative to cap-weight. For illustrative purposes only.

[1] Includes companies that derive greater than 10% of revenue from fossil fuel activities, coal companies, and oil sands.

[2] Includes both controversial weapons and civilian firearms.

INDEX OVERVIEW

Expected Outcomes and Benefits

1. The RAFI ESG Index series is designed for investors seeking to positively impact environmental, social, and governance concerns.
2. The strategy helps investors seek the dual objectives of social responsibility and long-horizon outperformance.
3. By supplementing traditional ESG metrics with a focus on financial discipline and diversity, the approach holds the potential to improve index quality, governance, and return.
4. Constructed by applying the Fundamental Index approach, the strategy incorporates the principles of contrarian investing and disciplined rebalancing.

The RAFI ESG Index strategy promotes sustainability, financial discipline, and gender diversity, while delivering the potential for added returns through a thoughtful smart beta approach.

Signatory of:

PRI Principles for Responsible Investment

BENEFITS OF EMPHASIZING FINANCIAL DISCIPLINE AND DIVERSITY

The RAFI ESG Index strategy offers an effective approach for investors who seek increased risk mitigation along with the integration of their sustainability and investment objectives.

We define the elements of ESG practiced by an entity as follows:

- **Responsible Environmental Management** — Performing as a good steward of the natural environment, measured using a broad array of environmental metrics.
- **Active Social Engagement** — Managing relationships with employees, suppliers, customers, and the community with respect and with appreciation of diverse viewpoints.
- **Good Governance Practices** — Focusing on long-term value creation and appropriately balancing the interests of a company's many stakeholders.

OUR FORECASTING TOOL

Asset Allocation Interactive
Expected returns & volatilities for 140+ assets over 40 countries, model portfolios and other strategies.
Visit researchaffiliates.com/aai.

RELATED RESEARCH

"The Time Is Now: Climate Transition Investing for US Investors"
Brightman, Kalesnik, Polychronopoulos

"Is ESG a Factor?"
Polychronopoulos, West

"Green Data or Greenwashing? Do Corporate Carbon Emissions Data Enable Investors to Mitigate Climate Change?"
Kalesnik, Wilkens, Zink

"What a Difference an ESG Ratings Provider Makes!"
Li, Polychronopoulos

RESEARCH AFFILIATES

At a Glance

US$204B*

in assets managed worldwide using investment strategies developed by Research Affiliates.

400+ articles published

Important recognitions** include:

Graham & Dodd Awards
"What Is Quality?"
"Reports of Value's Death May Be Greatly Exaggerated"

William F. Sharpe Indexing Achievement Award
"Fundamental Indexation"
"Rebalancing and the Value Effect"

Bernstein Fabozzi/Jacobs Levy Award
"Alice's Adventures in Factorland: Three Blunders That Plague Factor Investing"
"A Study of Low-Volatility Portfolio Construction Methods"

2002

Founded by Rob Arnott and based in Newport Beach, California.

FIRM LEADERSHIP

Average of **40+ years in industry experience**.

Rob Arnott
Partner, Chair

Katrina Sherrerd, PhD, CFA
Partner, Vice Chair & Chief Executive Officer

Jim Masturzo
Partner, Chief Investment Officer

Campbell Harvey, PhD
Partner, Director of Research

**As of June 30, 2026*
***Research Affiliates, LLC and its affiliates did not pay fees to be considered for the awards mentioned herein.*

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