RAFI™ Fundamental Carbon Neutral Index Series

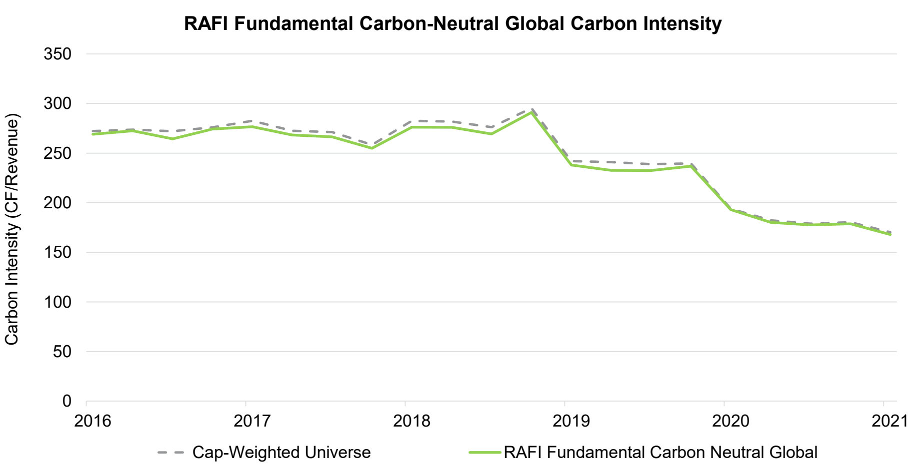
BENEFITS OF FUNDAMENTAL INVESTING AT CARBON-INTENSITY LEVELS OF THE MARKET

The RAFI Fundamental Carbon Neutral Indices begin with the RAFI Fundamental Index™ and tilt constituent weights at each rebalance to be at or below the carbon-intensity levels of the market.

The series is designed for investors who seek both to retain the benefits associated with the Fundamental Index and to mitigate their exposure to high-emitting companies.

- Matches carbon intensity of the market
- Breaks the link between price and weight
- Engages in contrarian rebalancing, helping investors capture excess return

RAFI FUNDAMENTAL CARBON NEUTRAL INDEX



For illustrative purposes only. This chart represents a simulated RAFI Fundamental Global Carbon Neutral Index strategy from 2016-3/2021. The data published herein are simulated. Source: Research Affiliates, LLC, based on data from Worldscope, Datastream and ISS.

RELATED RESEARCH

"The Time Is Now: Climate Transition Investing for US Investors"
Brightman, Kalesnik, Polychronopoulos
April 2021

"Green Data or Greenwashing? Do Corporate Carbon Emissions Data Enable Investors to Mitigate Climate Change?"
Kalesnik, Wilkens, Zink
January 2021

"Is ESG a Factor?"
Polychronopoulos, West
July 2020

INDEX OVERVIEW

Expected Outcomes and Benefits

1. The strategy applies a 5% carbon intensity penalty to companies with estimated emissions data and tilts toward carbon-efficient companies (at the expense of less efficient companies) until target carbon-intensity is reached.
2. Systematically rebalances using a company's fundamental weight as a rebalancing anchor, embedding a buy-low, sell-high approach.
3. At each rebalanace, the strategy ensures carbon intensity is equal to an equivalent cap-weighted index.
4. The strategy retains all the benefits of the Fundamental Index approach, including transparency, broad market exposure, and low implementation costs.

Investors can retain the benefits associated with the Fundamental Index methodology, while also maintaining carbon-intensity levels equal to that of the market.

Signatory of:

PRI Principles for Responsible Investment

BENEFITS OF THE FUNDAMENTAL INDEX APPROACH

The RAFI Fundamental Index approach is founded on principles of contrarian investing and disciplined rebalancing. By using fundamental measures of company size to select and weight companies, the approach eliminates the performance drag associated with traditional passive investment vehicles and has historically led to outperformance in developed markets of approximately 1.5%–2.0% a year.[1]

The RAFI Fundamental Index strategy is a broadly diversified equity strategy built on the principles of contrarian investing and disciplined rebalancing.

RAFI Benefits

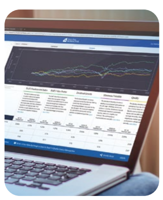
1. Demonstrated excess returns vs. cap-weight index
2. Broadly diversified and economically representative
3. Low tracking error relative to cap-weight index
4. High capacity
5. Low implementation costs

OUR INTERACTIVE TOOLS

Asset Allocation Interactive

Estimates of long-term expected returns for 130+ assets and model portfolios across five currencies with the ability to create, save, and blend customized portfolios.

Visit researchaffiliates.com/aai.



Smart Beta Interactive

Estimates of expected excess returns over popular benchmarks for 25+ strategies and 15 factor variations with ability to analyze expected excess returns, historical returns, and various risk measures and markets.

Visit researchaffiliates.com/sbi.

RELATED RESEARCH

"Fundamental Indexation"
Arnott, Hsu, Moore
March 2005 | *Financial Analysts Journal*

"Rebalancing and the Value Effect"
Arnott, Chaves
August 2012 | *Journal of Portfolio Management*

RESEARCH AFFILIATES

At a Glance

US$138B*

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

425+ 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"

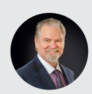
"A Study of Low-Volatility Portfolio Construction Methods"

2002

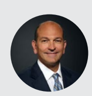
Founded by Rob Arnott and based in Newport Beach, California.

FIRM LEADERSHIP

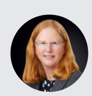
Average of **40 years in industry experience**.



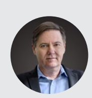
Rob Arnott
Partner, Chair



Chris Brightman, CFA
Partner, Chief Executive Officer & Chief Investment Officer



Katrina Sherrerd, PhD, CFA
Partner, Vice Chair



Campbell Harvey, PhD
Partner, Head of Research

**As of Sep 30, 2022*

[1] "Fundamental Indexation." 2005. Arnott, Hsu, and Moore.