

# RAFI™ Fundamental Carbon Neutral Index Series

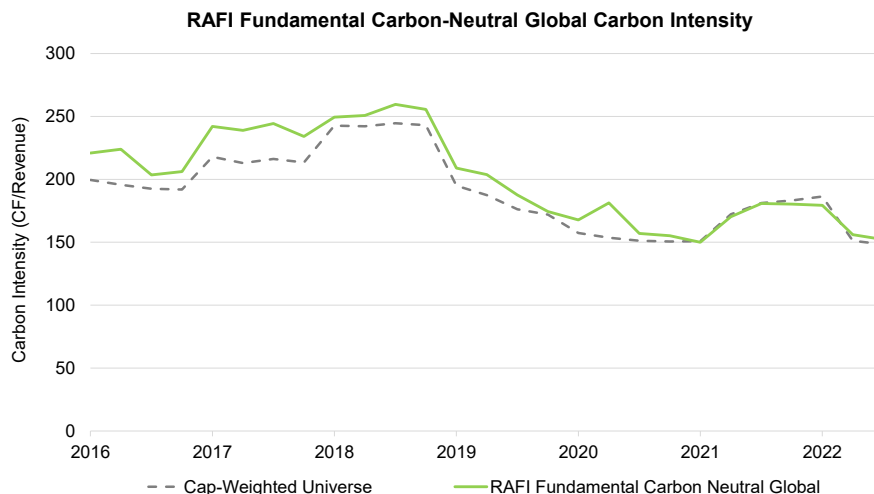
## BENEFITS OF FUNDAMENTAL INVESTING AT CARBON-INTENSITY LEVELS OF THE MARKET

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 seek excess return

## RAFI FUNDAMENTAL CARBON NEUTRAL INDEX



For illustrative purposes only. This chart represents a simulated RAFI Fundamental Global Carbon Neutral Index strategy from 2016–5/2023. 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

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

Kalesnik, Wilkens, Zink

**“Is ESG a Factor?”**

Polychronopoulos, West

## 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 rebalancing, 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:



## 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.

**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 FORECASTING TOOL



### 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](https://researchaffiliates.com/aai).

## 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\$139B\***

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



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



**Katrina Sherrerd, PhD, CFA**  
Partner, Vice Chair



**Campbell Harvey, PhD**  
Partner, Director of Research

\*As of December 31, 2023

\*\*Research Affiliates, LLC and its affiliates did not pay fees to be considered for the awards mentioned herein.

## IMPORTANT INFORMATION

The material contained in this document is for informational purposes only. Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. RAFI Indices, LLC, its affiliates, agents, and each of their respective officers, directors, employees, agents, representatives and licensors (collectively "RI") does not make any warranties, express or implied, to anyone regarding the information provided herein, including, without limitation, any warranties with respect to the timeliness, sequence, accuracy, completeness, currentness, merchantability, quality or fitness for a particular purpose or any warranties as to the results to be obtained by any third-party in connection with the use of the information.

Past performance is not indicative of future results. Certain performance information presented represents simulated performance or performance based on combined simulated index data (pre-index launch) and live index data (post-index launch). Past simulated performance is no guarantee of future performance and does not represent actual performance of an investment product based on an index. No allowance has been made for trading costs, management fees, or other costs associated with asset management, as the information provided relates only to the index itself. Performance data includes reinvestment of all dividends and income. Indexes are unmanaged and cannot be invested in directly. Actual investment results will differ.

The trademarks Fundamental Index™, RAFI™, Research Affiliates Equity™, RAE™ and the Research Affiliates™ trademark and corporate name and all related logos are the exclusive intellectual property of Research Affiliates, LLC ("RA") and in some cases are registered trademarks in the U.S. and other countries. Various features of the Fundamental Index methodology, including an accounting data-based noncapitalization data processing system and method for creating and weighting an index of securities, are protected by various patents of RA. (See applicable US Patents, Patent Publications and protected trademarks located at <https://www.researchaffiliates.com/legal/disclosures#patent-trademarks-and-copyrights>, which are fully incorporated herein.) Any use of these trademarks, logos, or patented methodologies without the prior written permission of RA, is expressly prohibited. RA reserves the right to take any and all necessary action to preserve all of its rights, title, and interest in and to these marks and patents. RAFI Indices, LLC does not offer or provide investment advice or offer or sell any securities, commodities or derivative instruments or products.

© 2024 RAFI Indices, LLC. All rights reserved. Duplication or dissemination prohibited without prior written permission.