

RAFI™ Fundamental Low Carbon Transition Index Series

BENEFITS OF FUNDAMENTAL INVESTING WITH A PATHWAY TO NET-NEUTRAL EMISSIONS

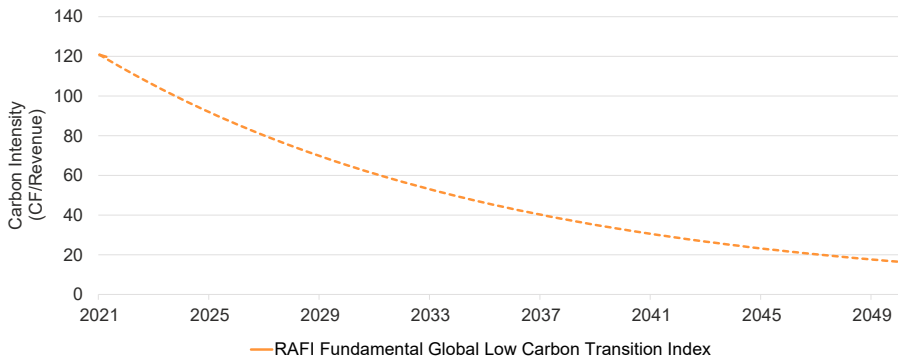
The RAFI Fundamental Low Carbon Transition Index strategy provides the benefits of the Fundamental Index™ approach, while offering investors a pathway to net-neutral emissions through an immediate reduction in carbon-intensity level and additional target reductions each year.

The series is designed to reduce carbon intensity by 30% relative to the overall market. At each quarterly rebalance, target carbon intensity is further reduced by roughly 7% a year. Coal companies and controversial weapons companies are excluded from the index.

- Offers immediate and continual carbon reduction
- Meets multiple ESG objectives
- Engages in contrarian rebalancing

RAFI FUNDAMENTAL LOW CARBON TRANSITION INDEX

Carbon Intensity Reduction Trajectory Over Time



For illustrative purposes only. This chart represents a simulated RAFI Fundamental Global Low Carbon Transition Index strategy to illustrate the carbon intensity reduction path over time. The data published herein are simulated. Source: Research Affiliates, LLC, based on data from ISS and FactSet.

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. At launch, the index has a 30% reduction in carbon intensity compared to the investable universe, with further reductions at each quarterly rebalance, translating into roughly 7% a year.
2. The strategy offers substantially reduced carbon intensity and continued transition to lower carbon-intensity levels, and removes exposure to controversial weapons companies.
3. Systematically rebalances using a company’s fundamental weight as a rebalancing anchor, embedding a buy-low, sell-high approach.
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 aligning their investment strategy with the transition to a low-carbon economy.

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 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*



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. 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. 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.

© 2022 RAFI Indices, LLC. All rights reserved. Duplication or dissemination prohibited without prior written permission.

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

RESEARCH AFFILIATES

At a Glance

US\$148B*

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 Dec 31, 2022