

RAFI™ Multi-Factor Climate Transition Index Series

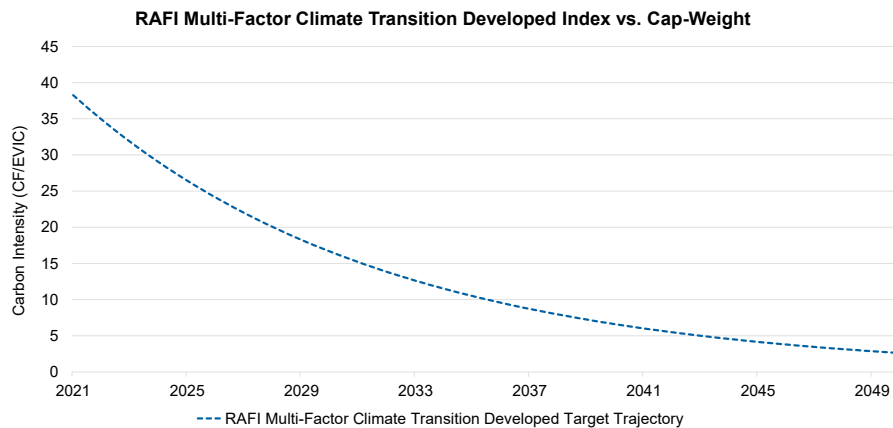
BENEFITS OF FACTOR INVESTING WITH A DECARBONIZATION PATHWAY

The RAFI Multi-Factor Climate Transition 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 DEVELOPED INDEX



For illustrative purposes only. This chart represents a simulated RAFI Multi-Factor Climate Transition Developed Index strategy from 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

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 Index strategy supports the ambitions of the Paris Agreement, while upholding your fiduciary duty to clients.

Signatory of:



* 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, deliver long-term positive excess returns.

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

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/aa/.



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

"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*

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RESEARCH AFFILIATES

At a Glance

US\$143B*

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 June 30, 2022