

RAFI™ Multi-Factor Climate Transition (CTB) Developed Index Series

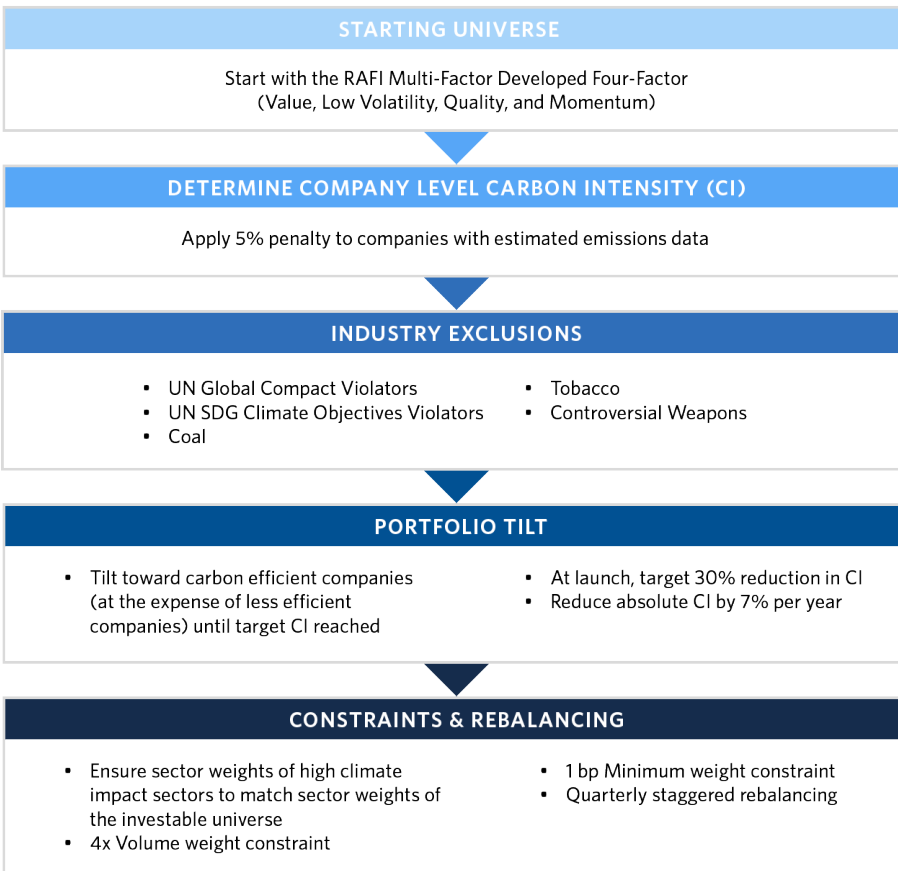
BENEFITS OF FACTOR INVESTING WITH A DECARBONIZATION PATHWAY

The RAFI Multi-Factor Climate Transition (CTB) 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 (CTB) DEVELOPED METHODOLOGY



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 (CTB) Developed Index strategy supports the ambitions of the Paris Agreement.

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, historically deliver long-term positive excess returns.

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

OUR FORECASTING TOOL



Asset Allocation Interactive

Expected returns & volatilities for 140+ assets over 40 countries, model portfolios and other strategies.

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Brightman, Kalesnik, Polychronopoulos, Shim

July 2022

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

Kalesnik, Wilkens, Zink

January 2021

"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*

"Are You a Climate Investor or Growth Investor?"

Polychronopoulos, Steidl

June 2024

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US\$188B*

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

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"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

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*As of March 31, 2026

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