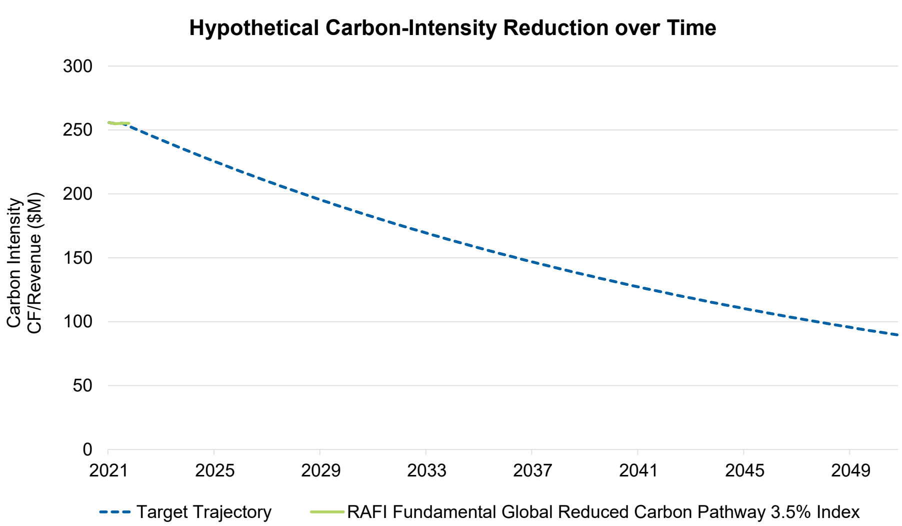
RAFI™ Fundamental Reduced Carbon Pathway Index Series

BENEFITS OF FUNDAMENTAL INVESTING WITH A DECARBONIZATION PATHWAY

The RAFI Fundamental Reduced Carbon Pathway Index strategy breaks the link between price and weight, while seeking to reduce the index's overall carbon-intensity level over time.

The series is designed for investors who wish both to retain the benefits associated with the Fundamental Index™ methodology and to reduce the strategy's exposure to carbon-intensity levels.

- Breaks the link between price and weight
- Seeks to reduce carbon intensity over time
- Thoughtfully designed and highly implementable



Carbon footprint is defined as total greenhouse gas emissions caused by an organization and is expressed as the carbon dioxide equivalent.
Source: Research Affiliates, LLC, based on data from 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 RAFI Fundamental Reduced Carbon Pathway Indices begin with the RAFI Fundamental Index and tilt constituent weights to reduce the overall index carbon intensity by a fixed amount at each rebalance.

2. Given the contrarian nature of the Fundamental Index, the index strategy's positioning tends to overweight traditionally high carbon-intensive sectors, such as energy, utilities, and materials.

3. The strategy reduces overall index carbon intensity by 3.5% a year for the Global Index and 3.0% a year for the Developed and EM indices.

4. The strategy retains all the benefits of the Fundamental Index approach, including transparency, broad market exposure, and low implementation costs.

Investors can capture long-term value and rebalancing premiums, while reducing their exposure to companies with high carbon intensity.

Signatory of:

PRI Principles for Responsible Investment

RAFI Indices™

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

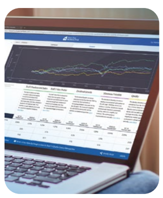
1. Demonstrated returns vs. cap-weight index
2. Broadly diversified and economically representative
3. Low tracking error relative to cap-weight index
4. High capacity
5. Low implementation costs

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$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"

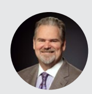
"A Study of Low-Volatility Portfolio Construction Methods"

2002

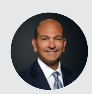
Founded by Rob Arnott and based in Newport Beach, California.

FIRM LEADERSHIP

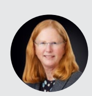
Average of **40 years in industry experience**.



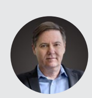
Rob Arnott
Partner, Chair



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

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