

# RAFI™ Fundamental Low Carbon Transition Index Series

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

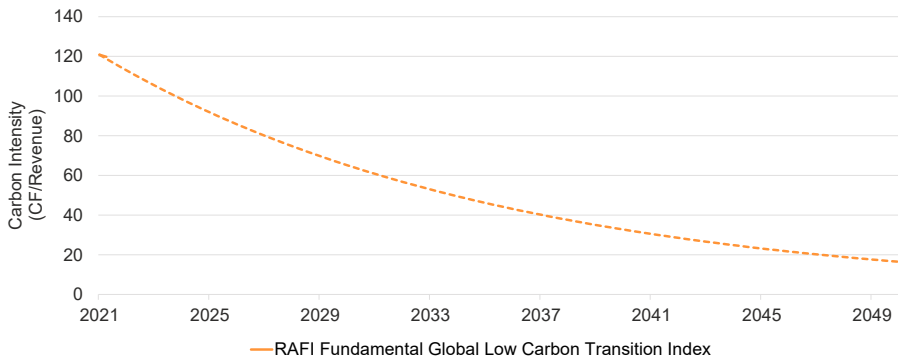
The RAFI Fundamental Low Carbon Transition Index strategy provides the benefits of the Fundamental Index™ approach, while offering investors a pathway to net-neutral emissions through an immediate reduction in carbon-intensity level and additional target reductions each year.

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.<sup>1</sup>

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

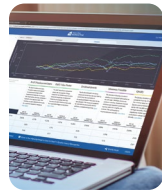
## OUR INTERACTIVE TOOLS



### 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.

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### 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](https://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*



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<sup>1</sup> "Fundamental Indexation." 2005. Arnott, Hsu, and Moore.

## RESEARCH AFFILIATES

### At a Glance

**US\$168B\***

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

### 425+ articles published

Important recognitions include:

#### Graham & Dodd Awards

"What Is Quality?"

"Will Your Factor Deliver?"

#### 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, Senior Advisor

\*As of March 31, 2022