

# **RAFI™ Multi-Factor Climate Transition Index Series Attribution Summary: Q4 2025**

## Developed

Performance Analysis	QTD Return	QTD Excess Return	1-Year Return	1-Year Excess Return	Carbon Intensity (CF/EVIC)
RAFI Multi-Factor Climate Transition Developed Index	2.20%	-1.03%	20.33%	-1.79%	181.81
<i>RAFI Multi-Factor ex Size Developed</i>	3.84%	0.61%	26.99%	4.86%	1023.34
<i>Solactive GBS Developed Markets Large &amp; Mid Cap Index</i>	3.23%	---	22.13%	---	596.05
Factor Attribution	QTD Return	1-Year Return	9/30/2025 Allocation	12/31/2025 Allocation	Carbon Intensity (CF/EVIC)
RAFI Value Factor Developed	6.53%	39.91%	20.00%	20.00%	1977.08
RAFI Low Volatility Factor Developed	2.60%	20.91%	20.00%	20.00%	382.88
RAFI Quality Factor Developed	3.32%	21.05%	20.00%	20.00%	694.64
RA Momentum Factor Developed	2.85%	27.80%	20.00%	20.00%	1113.55

The RAFI Multi-Factor Climate Transition Developed Index modestly lagged its cap-weighted benchmark during the fourth quarter of 2025, returning 2.2% versus 3.2% for the Solactive GBS Developed Markets Large & Mid Cap Index. Over the one-year period, the index returned 20.3%, trailing the benchmark's 22.1% by 179 basis points (bps). The strategy benefited from strong contributions from the value and momentum sleeves, which returned 39.91% and 27.80%, respectively. However, underperformance in the low volatility and quality factors contributed to the full-year shortfall.

The first half of 2025 was characterized by a rapidly shifting market environment, driven by heightened geopolitical tensions alongside the continued strength of the AI-led equity rally. Volatility spiked in early April following renewed trade and tariff concerns, triggering a sharp but relatively short-lived market drawdown. As these fears subsided, risk sentiment improved, and equities rebounded into midyear

By midyear, U.S. equities had delivered solid gains, though developed markets outside the U.S. meaningfully outperformed. This international strength was likely supported by a weaker U.S. dollar and expectations for a more accommodative U.S. monetary policy backdrop, which improved relative return prospects abroad and encouraged increased foreign investment into non-U.S. markets.

While large AI-related companies such as NVIDIA and Alphabet continued to post strong performance into the second half of the year, investor scrutiny increased around capital intensity and long-term expenditure sustainability. Elevated debt issuance and significant cross-investment among a small group of mega-cap tech firms to fund large-scale R&D efforts began to weigh on sentiment, as questions emerged around capital efficiency and the durability of

returns. This skepticism was reinforced by well-publicized workforce reductions across parts of the technology sector, including companies such as Meta and Amazon, underscoring uncertainty around the longer-term economic impact of the AI investment cycle.

## Stock Analysis

	Total Weight	Active Weight	Q4 2025 Return	Excess Return Contribution	Initial Factor Sleeve Weights			
					Value	Low Volatility	Quality	Momentum
<b>Top Five Contributors to Return</b>								
Microsoft	0.00%	-4.62%	-6.45%	0.46%	—	—	—	—
Eli Lilly	2.08%	1.07%	41.06%	0.26%	—	0.15%	0.32%	0.07%
Tesla	2.42%	0.84%	1.12%	0.21%	—	—	—	0.72%
Merck & Co	1.10%	0.81%	26.48%	0.17%	—	0.35%	0.20%	—
Regeneron Pharmaceuticals	0.54%	0.45%	37.44%	0.13%	—	0.08%	0.06%	—
<b>Bottom Five Contributors to Return</b>								
Oracle	3.18%	2.68%	-30.58%	-1.05%	—	0.46%	0.59%	0.26%
Alphabet	0.29%	-3.60%	28.88%	-0.82%	—	—	—	0.09%
Netflix	2.43%	1.87%	-21.80%	-0.52%	—	—	0.13%	0.30%
Meta	2.82%	1.01%	-10.04%	-0.18%	—	—	0.32%	0.51%
Micron	0.01%	-0.31%	70.75%	-0.16%	—	—	—	0.02%

Note: RAFI Multi-Factor Climate Transition Index dynamically tilts securities weights as a function of carbon intensity. Sleeve weights may not perfectly map to the final portfolio weight.

Reviewing the strategy's Q4 performance, relative return drivers primarily arose from large active weights in key market-cap names. The exclusion of Microsoft in the portfolio was the largest positive contributor, adding 46bps as the stock declined 6.5% during the quarter. Investor concerns around the growing scale and cost of AI-related infrastructure investment weighed on sentiment, contributing to the stock's modest decline during the quarter. Microsoft did not qualify for inclusion at the rebalance, as its combined value, low volatility, quality, and momentum characteristics ranked below the strategies selection cutoffs.

Healthcare drove several of the largest positive stock-level contributions. Eli Lilly added 26bps on the back of a 41.1% gain, supported by meaningful exposure through the low volatility, quality, and momentum sleeves. Merck & Co and Regeneron Pharmaceuticals added 17bps and 13bps, respectively, as both stocks posted strong absolute performance (26.5% and 37.4%) alongside overweight positioning. Tesla contributed 21bps during the period, reflecting the Multi-Factor Climate Transition strategy's meaningful overweight (1.1% active) to the EV manufacturer.

These gains were more than offset by a small number of large detractors, highlighting the continued influence of benchmark concentration in the developed markets' top names. Oracle was the largest overweight out of the bottom-five contributors held at an overweight due to its favorable low volatility, quality, and momentum characteristics combined with its favorable carbon intensity profile that drove a 2.7% active weight. However, the stock's roughly 30%

decline over the period led to a 105bp drag on relative performance. Alphabet also weighed materially on results, subtracting 82bps as the portfolio remained meaningfully underweight (-3.6% active weight) while the stock returned 28.9% during the quarter. Additional underperformance came from overweight positions in Netflix (1.9% active weight) and Meta (1.0% active weight), which detracted 52bps and 18bps, respectively, amid negative quarterly returns (-21.8% and -10.0%). As has been the case throughout much of the year, relative performance remained heavily influenced by exposure to a narrow set of benchmark heavyweights.

## Sector Analysis

9/30/2025 to 12/31/2025	RAFI Multi-Factor Climate Transition Developed Index		Solactive GBS Developed Markets Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
<b>Total</b>	<b>100.00</b>	<b>2.18</b>	<b>100.00</b>	<b>3.23</b>	<b>0.93</b>	<b>-1.98</b>	<b>-1.05</b>
Basic Materials	3.36	5.86	3.39	5.79	0.00	-0.00	0.00
Communications	9.22	-11.48	9.52	3.80	0.01	-1.51	-1.51
Consumer Cyclical	11.00	1.98	9.87	1.31	0.03	0.03	0.06
Consumer Non-Cyclical	7.05	3.28	5.79	1.69	-0.02	0.12	0.10
Energy	3.39	-0.77	3.32	2.56	0.00	-0.12	-0.11
Financials	17.89	5.99	16.77	4.69	0.04	0.23	0.27
Healthcare	17.95	12.42	9.46	10.99	0.61	0.24	0.85
Industrial	9.40	0.13	10.22	2.45	0.01	-0.22	-0.22
Real Estate	0.54	1.08	1.75	-1.21	0.06	0.01	0.07
Technology	18.69	-3.18	27.34	1.02	0.18	-0.80	-0.62
Utilities	1.51	6.65	2.55	2.64	0.01	0.06	0.07

From a sector perspective, allocation effects were positive, but negative selection effects (-198bps) resulted in 105bps of total underperformance. Healthcare was the largest contributor to performance, adding roughly 85bps, supported by both allocation (+61bps) and selection (+24bps). The sector's 8.5% active overweight was largely driven by the strategy's dynamic carbon tilt, which increases exposure to lower carbon-intensity companies and resulted in an additional 6.6% overweight relative to the standard RAFI Multi-Factor strategy. Financials also contributed 27bps, driven by favorable selection effects, including the exclusion of stocks facing recent headwinds such as Fiserv, which declined 47.9% during the quarter.

These gains were offset by sectors such as Communications, which was the largest detractor, subtracting 151bps, driven primarily by negative stock selection as several large constituents rebounded sharply despite the strategy's limited exposure. Technology also weighed on results, detracting 62bps, as unfavorable security selection of -80bps outweighed a modestly positive 18bp allocation effect, reflecting continued strength in a narrow set of mega-cap growth names. Impacts from other sectors were relatively muted, with smaller detractors from Industrials (-22bps) and Energy (-11bps).

## Geographic Analysis

9/30/2025 to 12/31/2025	RAFI Multi-Factor Climate Transition Developed Index		Solactive GBS Developed Markets Large & Mid Cap Index		Attribution Analysis		
	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Total Effect
<b>Total</b>	<b>100.00</b>	<b>2.18</b>	<b>100.00</b>	<b>3.23</b>	<b>0.22</b>	<b>-1.27</b>	<b>-1.05</b>
Developed Asia Pacific x JP	2.13	-2.18	2.84	-0.45	0.03	-0.04	-0.01
Europe - Non-EU	6.93	6.81	4.17	7.89	0.12	-0.07	0.05
European Union	9.08	4.47	8.69	5.01	0.00	-0.05	-0.04
Japan	7.64	2.40	6.25	2.89	0.00	-0.04	-0.04
United Kingdom	3.98	5.26	3.66	6.83	0.02	-0.06	-0.05
United States	66.71	1.21	70.58	2.54	0.03	-0.91	-0.89
Other Developed	3.53	4.69	3.43	7.65	0.00	-0.10	-0.10
Other	--	--	0.18	8.27	-0.01	--	-0.01
[Unassigned]	--	--	0.19	-8.43	0.02	--	0.02

At the regional level, relative performance was driven primarily by stock selection within the United States, where the strategy maintained a 3.9% underweight. While U.S. allocation effects were modestly positive, security selection proved a significant headwind, resulting in a total regional detractor of 89bps. Given that U.S. equities comprise more than 70% of the benchmark, differences in both active weights and security eligibility tend to have an outsized impact on relative performance, amplifying the effect of selection outcomes in the region.

Outside the U.S., regional impacts were more muted during the quarter. In Europe ex-EU, modest allocation benefits were largely offset by weaker stock selection, consistent with the broader attribution profile in which allocation effects added 22bps while selection detracted 127bps overall, resulting in a total underperformance of 105bps for the strategy. As with other regions, relative results were shaped less by regional positioning and more by security-level outcomes within a concentrated benchmark environment.

Overall, the quarter's relative results were shaped primarily by U.S. mega-cap positioning and selection effects in a small number of benchmark-dominant names. Over the full year, the Multi-Factor Climate Transition strategy delivered a substantially lower portfolio carbon intensity; however, the associated tilts and selection effects coincided with a 105bp shortfall relative to the benchmark.

## Rebalance Analysis

The following table lists the top five largest stocks by cap-weight that failed to make it into the index at the rebalance period due to their factor scores. While Tesla would qualify for the momentum sleeve, it is excluded due to its violation of UNGC principles. Cumulative-weight rank represents a stock's position by weight within each factor sleeve prior to selection; value, low volatility, and quality select the top 25% of stocks by RAFI weight, and momentum selects the top 50% of stocks by market capitalization.

### Top 5 excluded names by Market Cap

Company	Region	Cap-Weight (12/31/2025)	Cumulative Weight Rank			
			Value	Low Volatility	Quality	Momentum
Microsoft	US	4.39%	95.9%	58.4%	38.3%	59.7%
Amazon	US	2.72%	91.6%	89.7%	93.6%	82.0%
Tesla, Inc.	US	1.61%	99.5%	99.8%	90.2%	96.2%
Berkshire Hathaway	US	0.85%	59.1%	19.5%	84.6%	62.9%
Exxon Mobil	US	0.63%	16.1%	81.1%	42.9%	51.6%

## Important Information

The material contained in this document is for informational purposes only. This material is not intended as an offer or solicitation for the purchase or sale of any security or financial instrument, nor is it advice or a recommendation to enter into any transaction. RAFI Indices, LLC ("RI"), its affiliates, agents, and each of their respective officers, directors, employees, agents, representatives and licensors (collectively "Research Affiliates") 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. 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. The general information contained in this material should not be acted upon without obtaining specific legal, tax and investment advice from a registered professional. Investors should be aware of the risks associated with data sources and quantitative processes used to create the content contained herein or the investment management process. Errors may exist in data acquired from third party vendors, the construction or coding of indices or model portfolios, and the construction of the spreadsheets, results or information provided. Research Affiliates takes reasonable steps to eliminate or mitigate errors, and to identify data and process errors so as to minimize the potential impact of such errors, however Research Affiliates cannot guarantee that such errors will not occur. Use of this material is conditioned upon, and evidence of, the user's full release of Research Affiliates from any liability or responsibility for any loss or damage, direct, indirect or consequential, arising from or related to (i) any inaccuracy or incompleteness in, errors or omissions in the information or (ii) any decision made or action taken by any third party in reliance upon this information. Research Affiliates shall not be liable to anyone for loss of business revenues, lost profits or any indirect, consequential, special or similar damages whatsoever, whether in contract, tort or otherwise, even if advised of the possibility of such damages.

Past performance is not indicative of future results. 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. Performance data includes reinvestment of all dividends and income. Indexes are unmanaged and cannot be invested in directly. Actual investment results will differ. The simulated data may have under- or over- compensated for the impact, if any, of certain market factors. Simulated returns may not reflect the impact that material economic and market factors might have had on an investor's decision making. Simulated data is subject to the fact that it is designed with the benefit of hindsight. Simulated returns carry the risk that actual performance is not as depicted is not due to inaccurate predictive modeling. Simulated returns cannot predict how an investment strategy will perform in the future. Investors may experience loss of all or some of their investment.

Any applicable financial instruments are not sponsored, promoted, sold or supported in any other manner by RI or Solactive AG nor does RI or Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index and/or Index trade mark or the Index Price at any time or in any other respect. The Index is calculated and published by RI and Solactive AG. RI and Solactive AG use their best efforts to ensure that the Index is calculated correctly. Irrespective of their obligations towards Licensee, neither RI nor Solactive AG has any obligation to point out errors in the Index to third parties including but not limited to Licensee, investors and/or financial intermediaries of the financial instrument. Neither publication of the Index nor the licensing of the Index or Index trade mark for the purpose of use in connection with the financial instrument constitutes a recommendation by RI or Solactive AG to invest capital in said financial instrument nor does it in any way represent an assurance or opinion of RI or Solactive AG with regard to any investment in the financial instrument.

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 non-capitalization 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 or patents.

RI does not offer or provide investment advice or offer or sell any securities, commodities or derivative instruments or products. Any such business may only be conducted through registered or licensed entities and individuals permitted to do so within the respective jurisdiction and only in conjunction with the legally required disclosure documents and regulatory filings.

© 2026 RAFI Indices, LLC. All rights reserved. Duplication or dissemination prohibited without prior written permission.