

## Market Consultation: RAFI Fundamental High Liquidity Index Series: Adjustments to Index Methodology

Following a recent market consultation, RAFI Indices would like to announce the following methodology changes, effective 2/13/2026. Should you have any questions regarding this announcement, please contact [indexsupport@rafi.com](mailto:indexsupport@rafi.com).

### Changes to Index Methodology

Addition of the following to the RAFI Fundamental High Liquidity Index Series Rulebook:

#### 2.5 Index Construction & Size Classification

The eligible securities for the Indices are determined by sorting eligible companies from countries listed in Table 1 in descending order by free-float adjusted fundamental weight defined in Section 2.3.1. Companies representing the top 86% by free-float adjusted fundamental weight are classified as Large Company. Companies ranking in the next 86% - 98% threshold are classified as Small Company. Companies ranking in the bottom 2% are classified as Micro.

##### 2.5.1 Banding

In an effort to decrease turnover, a size banding threshold is applied to the selection criteria at each annual reconstitution.

For example, under a  $\pm 1\%$  company banding threshold, a company in the RAFI Fundamental High Liquidity US Large Index will only exit the index (and join the RAFI Fundamental High Liquidity US Small Index) at the next reconstitution if its fundamental ranking falls below 87%. For the RAFI Fundamental High Liquidity US Small Index, a company would graduate to the RAFI Fundamental High Liquidity US Large Index if its fundamental ranking is above 85% and would be removed from the index if its fundamental ranking falls below 98.5%. Table 3 outlines the size banding thresholds applied for each index size classification.

Table 3

| Size Classification | Free-Float Adjusted Fundamental Weight Rank | Size Band                 |
|---------------------|---|---------------------------|
| Large Company       | 0% - 86%                                    | $\pm 1\%$ (85% - 87%)     |
| Small Company       | 86% - 98%                                   | -1% / +0.5% (85% - 98.5%) |
| Micro               | 98% - 100%                                  | -0.5% (97.5%)             |

#### 2.7 Application of Liquidity Limit

The following liquidity limits are applied to the eligible securities.

Let  $FV_i$  be the RAFI fundamental value of the  $i^{\text{th}}$  company. The free-float adjusted fundamental weight, as defined in Section 2.3.1,  $FW_i$  for company  $i$  is:

$$FW_i = (FV_i * Free\_Float_i) / \sum_{i=1}^N (FV_i * Free\_Float_i)$$

Let  $ADTV_i$  be the maximum of the 30-day and 90-day median daily traded value in USD at each quarterly rebalance. The liquidity weight  $LW_i$  for company  $i$  is:

$$LW_i = ADTV_i / \sum_{i=1}^N ADTV_i$$

The 30-day median traded value will be used where there is less than 90 days of historical data. Where there is less than 30 days of historical data, the stock will have a RAFI fundamental value of zero. Where there are multiple lines of equity capital in a company, the traded value will be the aggregation of all lines in the aforementioned company.

The liquidity ratio ( $LR$ ) is defined as the ratio of adjusted fundamental weight to liquidity weight. The liquidity ratio for company  $i$  is:

$$LR_i = FW_i / LW_i$$

Where the liquidity ratio is more than four, the new fundamental value is calculated as:

$$\widehat{FV}_i = 4 \times LW_i \times \sum_{i=1}^N FV_i$$

After the fundamental values are updated for all companies using the above formula, new adjusted fundamental weights and liquidity ratios are calculated. The process is repeated until all liquidity ratios attain a value not exceeding four. Note that this process will only modify the fundamental values of stocks that exceed the liquidity limit.

## Affected Indices:

The change will be effective as of the 2/13/2026 selection date. The following indices will be affected by this change:

| Index Name  | Total Return | Price Return | Net Return |
|---|--------------|--------------|------------|
| RAFI Fundamental High Liquidity Global Real Estate Index    | RAHLGRET     | RAHLGREP     | RAHLGREN   |
| RAFI Fundamental High Liquidity Developed Large Index       | RAHLDVLT     | RAHLDVLP     | RAHLDVLN   |
| RAFI Fundamental High Liquidity Developed ex US Large Index | RAHLXULT     | RAHLXULP     | RAHLXULN   |
| RAFI Fundamental High Liquidity Developed ex US Small Index | RAHLXUST     | RAHLXUSP     | RAHLXUSN   |
| RAFI Fundamental High Liquidity Emerging Markets Index      | RAHLEMLT     | RAHLEMLP     | RAHLEMLN   |
| RAFI Fundamental High Liquidity US All Index                | RAHLUSAT     | RAHLUSAP     | RAHLUSAN   |
| RAFI Fundamental High Liquidity US Large Index              | RAHLUSLT     | RAHLUSLP     | RAHLUSLN   |
| RAFI Fundamental High Liquidity US Small Index              | RAHLUSST     | RAHLUSSP     | RAHLUSSN   |

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