

Market Consultation: Separation of Emerging Markets Region into Emerging Markets ex-China and China

Currently, for the purpose of portfolio construction, companies in the RAFI Global Equity Investable Universe (GEIU) are assigned to one of six regions according to country classification as defined in the table below.

DEVELOPED MARKETS					EMERGING MARKETS
United States	Japan	United Kingdom	Developed Europe, ex UK	Other Developed Markets	Emerging Markets
US	Japan	UK	Austria Belgium Denmark Finland France Germany Ireland Italy Netherlands Norway Portugal Spain Sweden Switzerland	Australia Canada Asia Pacific Israel Hong Kong New Zealand Singapore	Brazil China India South Africa South Korea Taiwan Americas Chile Colombia Mexico Peru EMEA Czech Republic Egypt Greece Hungary Kuwait Poland Qatar Saudi Arabia Turkey UAE Asia Pacific Indonesia Malaysia Philippines Thailand

RAFI Indices is proposing breaking out the one Emerging Markets (EM) region into two regions (EM ex China and China) at the March 2023 annual reconstitution. The transition from six to seven regions will affect the portfolio-level turnover and resulting China weight within the affected strategies. The following table shows a comparison of the current and proposed method using RAFI Multi-Factor Emerging Markets Index as an example:

March 2023 Annual Reconstitution				
Method	# of Regions	Expected Turnover	Expected China Weight in EM	# of China Names
Current	6 Regions	~10%	~20%	150
Proposed	7 Regions	~30%	~30%	250

The benefits to treating China separately as its own region is a function of China’s significant market size, its increasing dominance in the EM benchmark, and unique geopolitics and regulatory policy that could affect its performance.

Affected Indices:

The following indices will be affected by this change:

Index Name	Total Return Ticker	Price Return Ticker	Net Return Ticker
RAFI Multi-Factor Index Series			
RAFI Dynamic Multi-Factor Global Index	RADMFGTL	RADMFGLP	RADMFGLN
RAFI Multi-Factor Global Index	RAQMFGTL	RAQMFGLP	RAQMFGLN
RAFI Dynamic Multi-Factor Emerging Markets Index	RADMFEMT	RADMFEMP	RADMFENT
RAFI Dynamic Multi-Factor Emerging Markets South Africa Index	RADMESAT	N/A	RADMESAN
RAFI Multi-Factor Emerging Markets Index	RAQMFEMT	RAQMFEMP	RAQMFENT
RAFI Multi-Factor Emerging Markets Exclusion Screened Index	RQMFEMXT	RQMFEMXP	RQMFEMXN

We would like to solicit the feedback of RAFI Indices users on the effect of this classification change. If you would like to participate in this consultation, please fill out the below questions and return to indexsupport@rafi.com by **8/31/2022**. All responses will be kept confidential. RAFI Indices will provide a public announcement regarding the break out of China once the market consultation has been completed. Thank you in advance for your participation.

Name	
Title	
Organization	
Email	

1. What is your view on breaking out China into its own region?

2. Is there any concern over the one-time increase in turnover in March 2023?

3. Is there any other feedback you would like to provide?

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