

Revisiting Core Principles

The RAFI Fundamental Index series utilizes fundamental measures of company size (de-levered sales, cash flow, dividends plus buybacks, and book value) as a rebalancing anchor to trade against the constantly shifting expectations of the market.

This approach results in overweights to out-of-favor securities, which are often undervalued, and underweights to popular securities, which are often overvalued.

Over the short term, these exposures can cause relative performance to vary, but this simple, disciplined approach has historically outperformed the cap-weighted benchmark over the long-term.

As a rebalancing strategy that trades against recent winners, the Fundamental Index™ methodology will often face performance headwinds during periods of trending prices, sustained momentum, or extreme value underperformance - and benefit from performance tailwinds during periods of security mean reversion or value outperformance.

The RAFI Fundamental UK All Company Index is comprised of the largest 98% of U.K.-listed companies by cumulative fundamental weight.

Performance

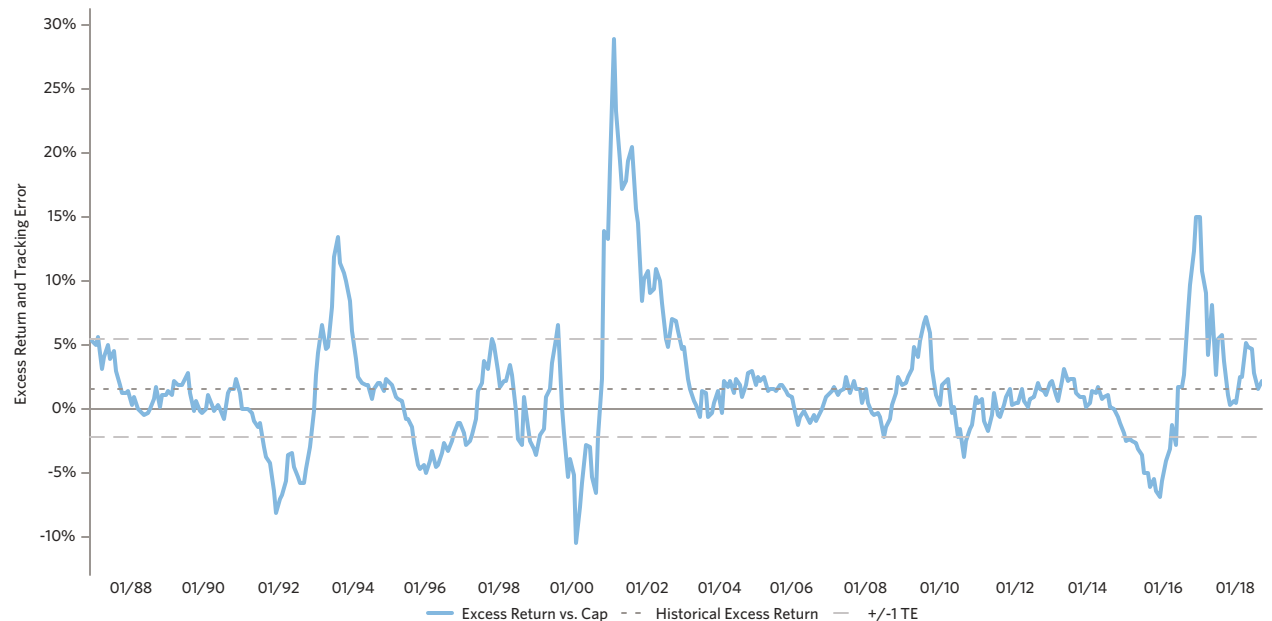
Exhibit 1:
Performance Table

Exhibit 2:
Rolling 1-Year Excess Returns

Exhibit 1: Performance Tableⁱ

	QTD	1-Yr	3-Yr	5-Yr	10-Yr	ITD*
RAFI Fundamental UK All Company Index	-1.0%	8.0%	15.8%	8.6%	10.2%	9.0%
FTSE All-Share Index	-0.8%	5.9%	11.5%	7.5%	9.1%	8.4%
Value Added	-0.2%	2.1%	4.3%	1.1%	1.2%	0.6%
MSCI UK	-0.4%	5.9%	11.7%	6.8%	8.3%	7.9%
Portfolio Standard Deviation		11.8%	10.3%	10.8%	13.9%	10.1%
Benchmark Standard Deviation		10.6%	8.5%	9.3%	12.8%	9.3%
Tracking Error		2.1%	4.7%	3.9%	3.4%	2.6%

Exhibit 2: Rolling 1-Year Excess Returnsⁱⁱ



i. Exhibit 1.
Performance derived from FactSet. All returns are total returns in GBP. All returns greater than one year are annualized. Standard deviation and tracking error require a minimum of 1 year return history.
*Inception to Date (ITD) returns are calculated starting the first full month of returns following January 31, 2017.

ii. Exhibit 2.
Performance derived from FactSet. All returns are total returns in GBP. Rolling 1-year excess returns and tracking error are calculated starting January 31, 1986. If applicable, strategy returns prior to inception are simulated. Inception date is January 31, 2017.

The Value Premium

The strategy invests broadly across the entire economy; however a byproduct of the strategy's rebalancing process is a value tilt.

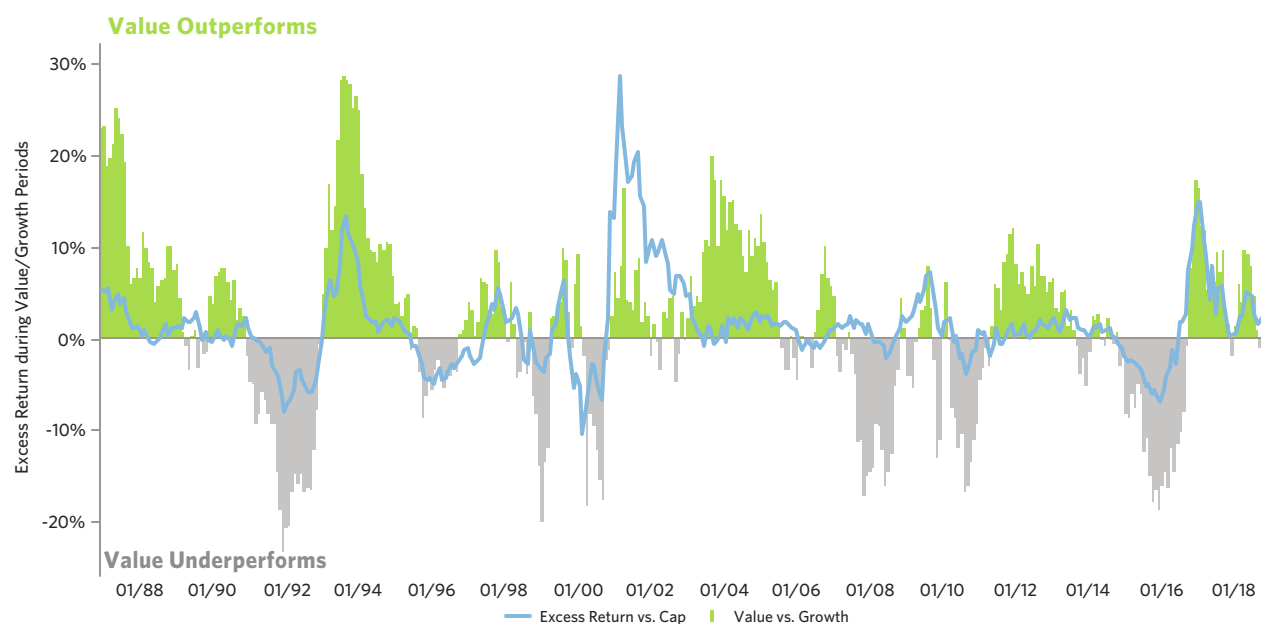
On a one-year rolling basis, the RAFI Fundamental UK All Company Index outperformed 83% of the time when value won and 40% of the time when growth won.

Generally, excess returns were achieved by taking advantage of mean reversion in stock prices which can sometimes take several years to run its course.

The RAFI Fundamental UK All Company Index delivered consistent outperformance over full market cycles, with positive excess returns in 65% of rolling 1-year periods, 73% of rolling 3-year periods, and 79% of rolling 5-year periods.

Exhibit 3: Rolling 1-Year Excess Returns

Exhibit 3: Rolling 1-Year Excess Returnsⁱ



ⁱ Exhibit 3.
RAFI Fundamental UK All Company Index rolling 1-year excess returns are measured against FTSE All-Share Index. Value / Growth periods measured by rolling 1-year excess returns of MSCI United Kingdom Value vs. MSCI United Kingdom Growth. Calculation starts on January 31, 1986. Strategy returns prior to inception are simulated. Strategy inception is January 31, 2017.

Portfolio Characteristics

The RAFI Fundamental UK All Company Index is attractively positioned relative to the cap-weighted benchmark.

Exhibit 4:
Portfolio Characteristics

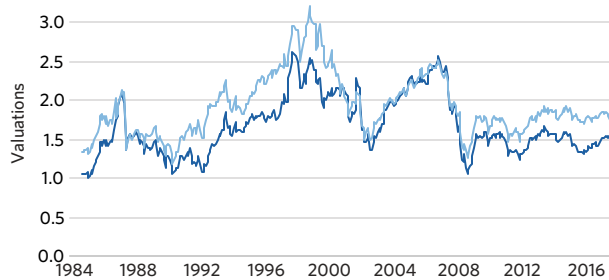
Exhibit 5:
Historical Portfolio Characteristics

Exhibit 4: Portfolio Characteristicsⁱ

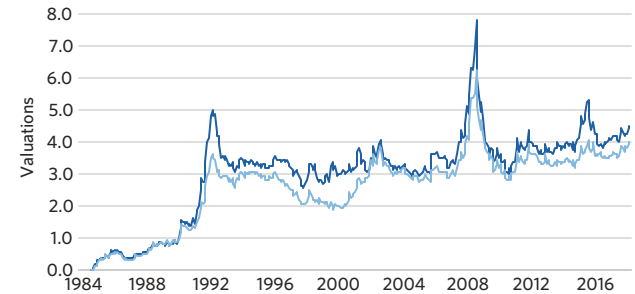
	Number of Holdings	Active Share	Price to Sales	Price to Cash Flow	Price to Book	Div. Yield	Market Cap. (Billions)	Sharpe Ratio*	Info. Ratio*	Tracking Error*
RAFI Fundamental UK All Company Index	266	29.5	0.9	7.3	1.5	4.5%	75	0.99	0.23	2.6%
FTSE All Share	642	--	1.2	9.0	1.8	4.0%	68	1.01	--	--

Exhibit 5: Historical Portfolio Characteristicsⁱⁱ

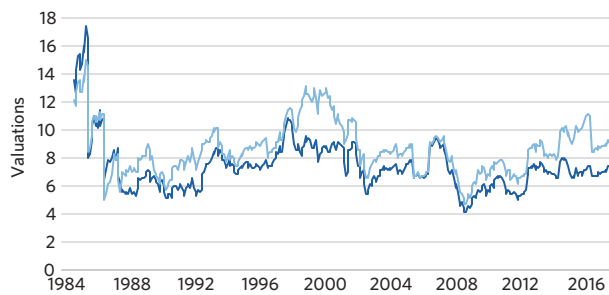
Price to Book



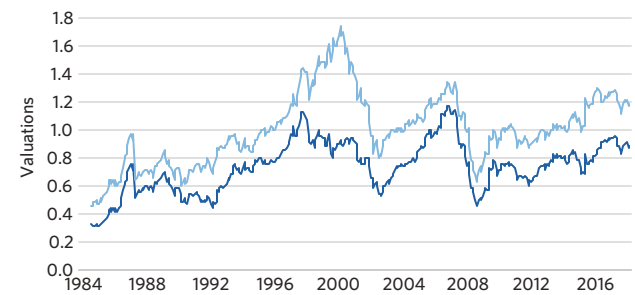
Dividend Yield (%)



Price to Cash Flow



Price to Sales



— RAFI Fundamental UK All Company Index (Left) — FTSE All Share (Left)

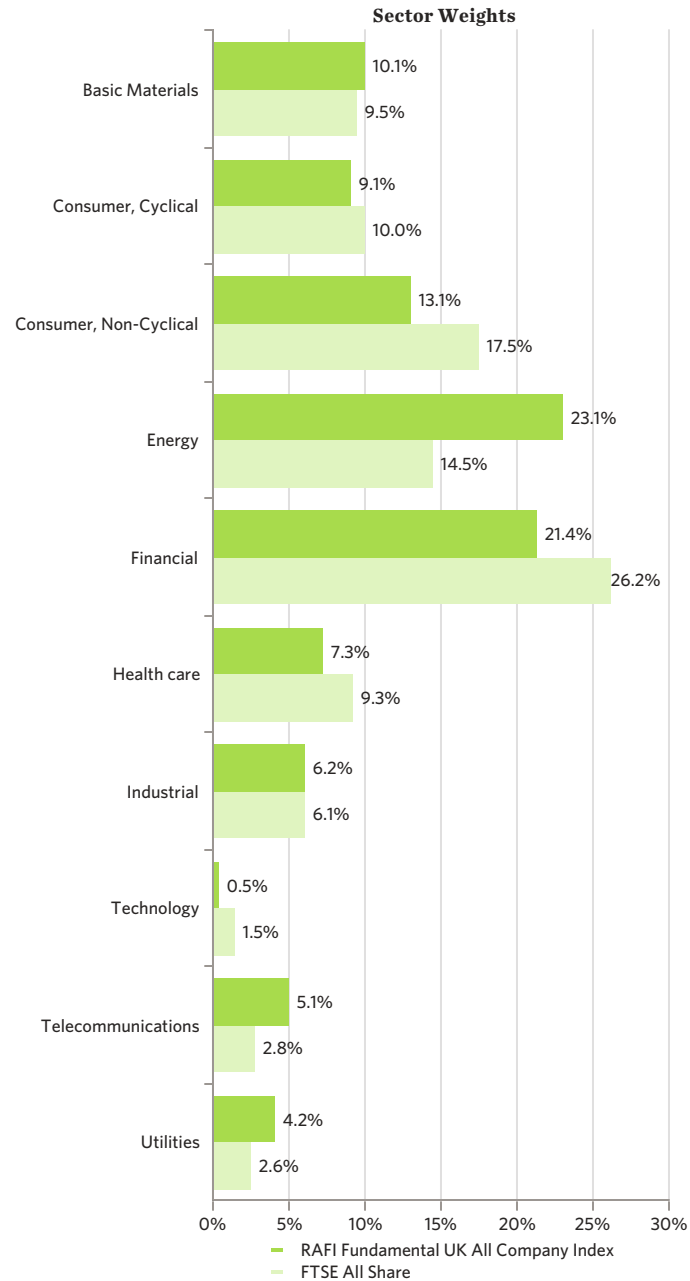
i. Exhibit 4.
Portfolio characteristics data derived from FactSet.
*Sharpe Ratio, Information Ratio, and Tracking Error are calculated starting the first full month of returns following January 31, 2017. Minimum 1-year return history. The 3-mo US Treasury Bill return is used as a proxy for risk-free rate. If applicable, strategy returns prior to inception are simulated. Inception date is January 31, 2017.

ii. Exhibit 5.
Portfolio characteristics derived from FactSet. Data prior to strategy inception is simulated. Strategy inception is January 31, 2017.

Current Position

Exhibit 6: Sector Weights

Exhibit 6: Sector Weightsⁱ



ⁱ. Exhibit 6.
Portfolio characteristics data derived from FactSet.

Current Position

Exhibit 7: Top 10 Holdings

Exhibit 8: Top Over/Underweights

Exhibit 7: Top 10 Holdingsⁱ

RAFI Fundamental UK All Company Index vs. FTSE All-Share Index					
Index	Weights	1-Yr Perf.	Benchmark	Weights	1-Yr Perf.
Royal Dutch Shell	11.1%	24.6%	Royal Dutch Shell	9.1%	24.5%
BP	11.0%	31.0%	HSBC	5.5%	-3.7%
HSBC	6.9%	-3.7%	BP	4.7%	31.0%
Vodafone	3.7%	-14.4%	British American Tobacco	3.4%	-20.3%
GlaxoSmithKline	3.1%	9.7%	AstraZeneca	3.1%	26.3%
Glencore plc	3.0%	2.4%	GlaxoSmithKline	3.1%	9.7%
AstraZeneca	2.9%	26.3%	Diageo	2.7%	14.2%
Barclays PLC	2.2%	-8.6%	Unilever	1.9%	2.0%
BHP Billiton	2.1%	35.8%	Prudential plc	1.9%	1.6%
Rio Tinto	2.1%	20.4%	Rio Tinto	1.8%	20.4%

Exhibit 8: Top Over/Underweightsⁱ

RAFI Fundamental UK All Company Index vs. FTSE All-Share Index					
Top Overweights	Active Weights	1-Yr Total Effect	Top Underweights	Active Weights	1-Yr Total Effect
BP	6.3%	1.4%	British American Tobacco	-1.4%	0.6%
Royal Dutch Shell	2.0%	0.4%	Diageo	-1.3%	-0.1%
Vodafone	1.9%	-0.5%	Reed Elsevier	-1.0%	0.1%
HSBC	1.4%	-0.2%	Shire	-0.9%	-0.1%
Glencore plc	1.4%	0.0%	CRH Plc	-0.9%	0.2%
Barclays PLC	1.0%	-0.2%	Prudential plc	-0.8%	0.0%
Standard Chartered	0.8%	-0.2%	Unilever	-0.8%	0.1%
J Sainsbury plc	0.8%	0.2%	Reckitt Benckiser Group plc	-0.5%	0.0%
BHP Billiton	0.7%	0.2%	Compass Group PLC	-0.5%	0.0%
Tesco	0.6%	0.2%	London Stock Exchange Group plc	-0.4%	-0.1%

i. Exhibit 7, Exhibit 8.
Portfolio characteristics and securities data derived from FactSet. 1-Yr Total Effect is calculated using a holdings based attribution, and measures the impact that a security had on relative performance. It is a function of the active weight of a company as well as that company's performance versus the overall benchmark.

Attribution

Exhibit 9: Sector Attribution

Exhibit 9: Sector Attributionⁱ

1-Quarter Ending 09/30/2018

1-Year Ending 09/30/2018

Sector	Portfolio Weight	Bench. Weight	Sector Excess Return	Allocation Effect	Selection + Interaction Effect	Total Effect	Sector	Portfolio Weight	Bench. Weight	Sector Excess Return	Allocation Effect	Selection + Interaction Effect	Total Effect
Basic Materials	10.12%	9.51%	-1.91%	-0.01%	0.00%	-0.01%	Basic Materials	10.12%	9.51%	8.86%	0.06%	0.50%	0.56%
Consumer, Cyclical	9.11%	10.00%	-0.99%	0.01%	-0.02%	-0.02%	Consumer, Cyclical	9.11%	10.00%	0.77%	-0.04%	-0.23%	-0.27%
Consumer, Non-Cyclical	13.14%	17.50%	-0.45%	0.01%	-0.01%	0.00%	Consumer, Non-Cyclical	13.14%	17.50%	-2.81%	0.36%	0.53%	0.89%
Energy	23.07%	14.52%	3.68%	0.25%	0.13%	0.37%	Energy	23.07%	14.52%	21.82%	1.78%	0.26%	2.04%
Financial	21.35%	26.20%	-2.92%	0.05%	-0.39%	-0.34%	Financial	21.35%	26.20%	-8.80%	0.20%	-0.89%	-0.69%
Health care	7.32%	9.26%	7.49%	-0.13%	0.08%	-0.05%	Health care	7.32%	9.26%	10.20%	-0.17%	0.12%	-0.05%
Industrial	6.15%	6.08%	-1.21%	0.00%	0.00%	0.00%	Industrial	6.15%	6.08%	3.83%	0.00%	0.07%	0.07%
Technology	0.45%	1.49%	-0.98%	0.03%	0.01%	0.04%	Technology	0.45%	1.49%	2.41%	0.12%	0.06%	0.18%
Telecommunications	5.12%	2.81%	-5.50%	-0.10%	-0.06%	-0.16%	Telecommunications	5.12%	2.81%	-20.56%	-0.50%	0.05%	-0.45%
Utilities	4.17%	2.63%	-3.41%	-0.07%	0.04%	-0.03%	Utilities	4.17%	2.63%	-14.71%	-0.17%	0.04%	-0.13%
Excess Return						-0.19%	Excess Return						2.13%

i. Exhibit 9
Portfolio characteristics and securities data derived from FactSet. The attributions have been normalized to match the return of the strategy, as presented in the performance table on page 2. Data prior to strategy inception is simulated. Strategy inception is January 31, 2017.



Disclosures

Source: FactSet based on data from Solactive.

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