

RAFI™ Fundamental Index™ Series

FOUNDED ON PRINCIPLES OF CONTRARIAN INVESTING AND DISCIPLINED REBALANCING

The RAFI Fundamental Index approach is a broadly diversified equity strategy built 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.

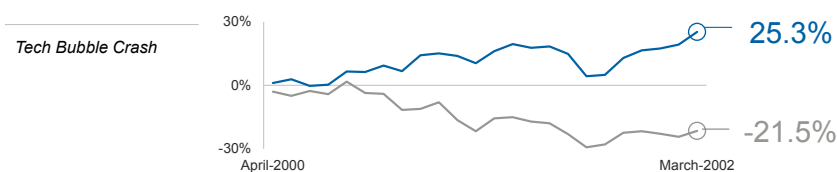
- Broad economic representation with low implementation costs and high capacity
- A history of outperformance based on sound investing principles
- Breaks the link between price and weight
- Engages in contrarian rebalancing, helping investors capture excess return

SEVERING THE LINK BETWEEN PRICE AND PORTFOLIO WEIGHT

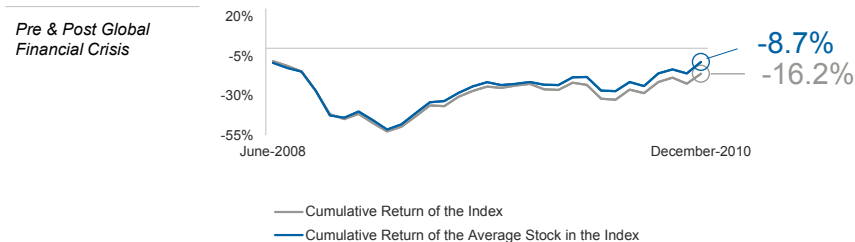
Traditional passive investment vehicles are market capitalization-weighted, which means that as the price of a company increases so does its overall weight in the portfolio, creating a drag on returns. The RAFI Fundamental Index strategy severs that link and embeds a buy-low, sell-high approach, which avoids significant overweights to the trendy, popular, and most expensive securities.

Capitalization Weighting Creates a Drag on Returns

Cumulative Return of the S&P 500 Index



Cumulative Return of the MSCI EAFE Index



Average stock in the S&P 500 Index is calculated by equally weighting the holdings of the S&P 500 as of 4/2000 and price drifting them to 3/2002. The same process is used for the MSCI EAFE from 6/2008 to 12/2010. Source: Research Affiliates, LLC, based on data from FactSet.

INDEX OVERVIEW

Expected Outcomes and Benefits

1. Uses fundamental measures of company size to sever the link between price and portfolio weight.
2. Systematically rebalances using a company's fundamental weight as a rebalancing anchor, embedding a buy-low, sell-high approach.
3. Preserves all the positives of traditional passive investing and uses regular periodic rebalancing to help investors capture excess return from long-term mean reversion.
4. Broadly diversified and economically representative with a low tracking error relative to cap-weight index.

The RAFI Fundamental Index approach allows investors to capture long-term value and rebalancing premiums, while preserving all the positives of traditional passive investing.

THOUGHTFULLY DESIGNED TO DELIVER FOR INVESTORS

Picking active managers is a game with poor odds. The RAFI Fundamental Index approach preserves all the positives of traditional passive investing—simple, transparent, broadly diversified, and low cost—helping investors capture excess return from long-term mean reversion, one of the largest and most persistent active investment opportunities.

Consistency Has Helped Investors Reach Their Goals

Strategy	Annualized Excess Return	3-Yr Rolling Win-Rate	5-Yr Rolling Win-Rate	Start Date
RAFI Fundamental US Index				
vs. MSCI USA Value	3.0%	95.9%	98.9%	12/1997
vs. MSCI USA	1.0%	60.9%	63.9%	3/1986
RAFI Fundamental US Small Company Index				
vs. MSCI USA Small Cap Value	1.2%	80.2%	94.5%	1/2007
vs. MSCI USA Small Cap	1.5%	76.4%	77.0%	1/2001
RAFI Fundamental Dev ex US Index				
vs. MSCI World ex USA Value Index	1.6%	78.0%	97.8%	12/1997
vs. MSCI World ex USA Index	2.3%	87.4%	91.5%	3/1986
RAFI Fundamental Emerging Markets Index				
vs. MSCI Emerging Markets Value Index	4.1%	95.6%	100.0%	12/1997
vs. MSCI Emerging Markets Index	3.6%	80.7%	82.6%	1/2001
RAFI Fundamental Global Index				
vs. MSCI All Country World Value Index	2.4%	98.0%	100.0%	12/1997
vs. MSCI All Country World Index	1.7%	70.8%	64.9%	5/1990

Through December 2025

Data prior to index launch are simulated. Please see important information at the end of this presentation regarding simulated data. The RAFI Fundamental Indices were launched on 1/31/2017. FTSE All-Share returns begin in Jan 1986. Source: Research Affiliates, LLC, based on data from FactSet.

OUR FORECASTING TOOL



Asset Allocation Interactive

Expected returns & volatilities for 140+ assets over 40 countries, model portfolios and other strategies.

Visit researchaffiliates.com/aai.

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*



"RAFI Rocks!! Taking Smart Beta Back to Basics"

Arnott, Leadbetter, Nguyen

February 2023

"Capitalization-Weighted Indexes, RAFI, "Smart Beta," and Factors (JPM Series)"

Arnott

December 2024

RESEARCH AFFILIATES

At a Glance

US\$181B*

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

400+ articles published

Important recognitions** include:

Graham & Dodd Awards

"What Is Quality?"

"Reports of Value's Death May Be Greatly Exaggerated"

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



Katrina Sherrerd, PhD, CFA

Partner, Vice Chair & Chief Executive Officer



Jim Masturzo

Partner, Chief Investment Officer



Campbell Harvey, PhD

Partner, Director of Research

*As of December 31, 2025

**Research Affiliates, LLC and its affiliates did not pay fees to be considered for the awards mentioned herein.

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