

RAFI™ Fundamental Low Carbon Transition Index Series

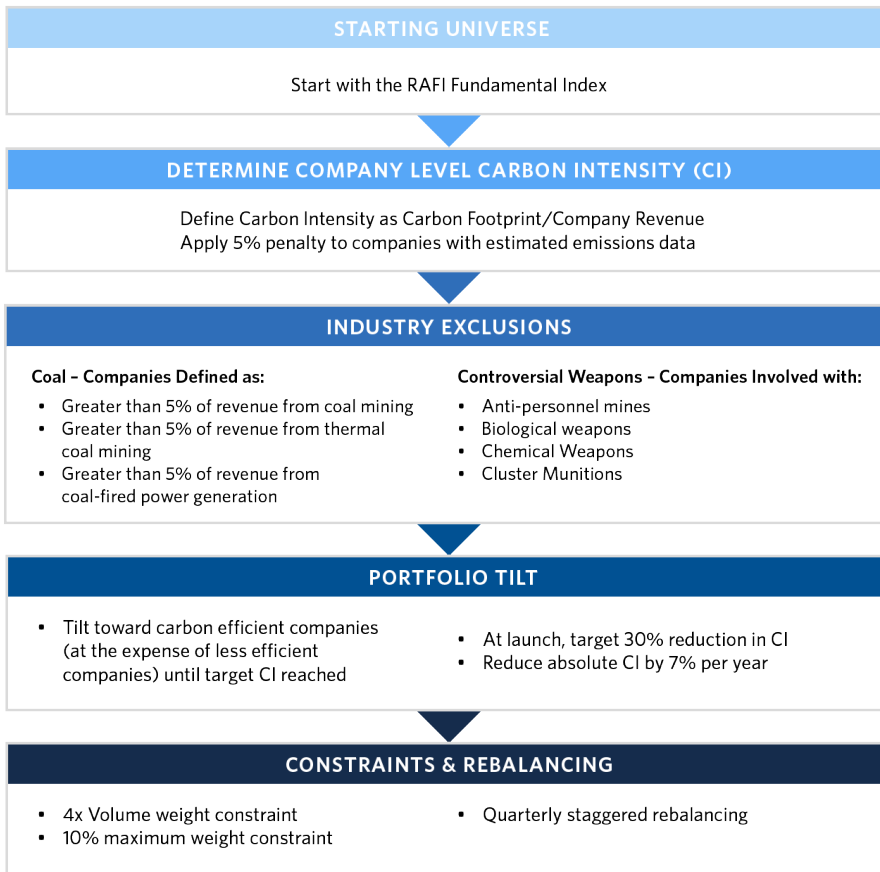
BENEFITS OF FUNDAMENTAL INVESTING WITH A PATHWAY TO NET-NEUTRAL EMISSIONS

The RAFI Fundamental Low Carbon Transition Index strategy provides the benefits of the Fundamental Index™ approach, while offering investors a pathway to net-neutral emissions through an immediate reduction in carbon-intensity level and additional target reductions each year.

The series is designed to reduce carbon intensity by 30% relative to the overall market. At each quarterly rebalance, target carbon intensity is further reduced by roughly 7% a year. Coal companies and controversial weapons companies are excluded from the index.

- Offers immediate and continual carbon reduction
- Meets multiple ESG objectives
- Engages in contrarian rebalancing

RAFI FUNDAMENTAL LOW CARBON TRANSITION METHODOLOGY



INDEX OVERVIEW

Expected Outcomes and Benefits

1. At launch, the index has a 30% reduction in carbon intensity compared to the investable universe, with further reductions at each quarterly rebalance, translating into roughly 7% a year.
2. The strategy offers substantially reduced carbon intensity and continued transition to lower carbon-intensity levels, and removes exposure to controversial weapons companies.
3. Systematically rebalances using a company's fundamental weight as a rebalancing anchor, embedding a buy-low, sell-high approach.
4. The strategy retains all the benefits of the Fundamental Index approach, including transparency, broad market exposure, and low implementation costs.

Investors can retain the benefits associated with the Fundamental Index methodology, while also aligning their investment strategy with the transition to a low-carbon economy.

Signatory of:



BENEFITS OF THE FUNDAMENTAL INDEX APPROACH

The RAFI Fundamental Index approach is founded 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.

The RAFI Fundamental Index strategy is a broadly diversified equity strategy built on the principles of contrarian investing and disciplined rebalancing.

RAFI Benefits

1. Demonstrated excess returns vs. cap-weight index
2. Broadly diversified and economically representative
3. Low tracking error relative to cap-weight index
4. High capacity
5. Low implementation costs

OUR FORECASTING TOOL



Asset Allocation Interactive

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

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RELATED RESEARCH


"Carbon Intensity for Climate Mitigation: Clearing Up 'Scaling' Confusion"

Brightman, Kalesnik, Polychronopoulos, Shim
July 2022

"Necessary Trade-Offs: Climate vs. Investment Objective for Value Strategies"

Chow, Li, Polychronopoulos
September 2022

"Fundamental Indexation"

Arnott, Hsu, Moore
March 2005
Financial Analysts Journal 

"Green Data or Greenwashing? Do Corporate Carbon Emissions Data Enable Investors to Mitigate Climate Change?"

Kalesnik, Wilkens, Zink
January 2021

RESEARCH AFFILIATES

At a Glance

US\$181B*

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

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William F. Sharpe Indexing Achievement Award

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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

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