

# **RAFI™ Fundamental Low Carbon Transition Index Series**

## **Attribution Summary: Q3 2025**

# Performance

Performance Analysis	QTD Return	QTD Excess Return	YTD Return	1-Year Return	Carbon Intensity (CF/Rev. \$M USD)
RAFI Fundamental Global Low Carbon Transition Index	7.92%	0.03%	20.84%	16.88%	94.47
<i>Solactive GBS Global Markets Large &amp; Mid Cap Index</i>	7.89%	---	19.26%	18.04%	126.88

The RAFI Fundamental Global Low Carbon Transition Index was up 7.9% for the quarter, narrowly outperforming its cap-weight benchmark by 0.03%, despite value headwinds, (the MSCI AC World Value Index underperformed the MSCI AC World Growth Index by 2.70%). The continued growth in American mega-cap AI continued to be a challenge to performance for the quarter. Over the trailing 12-months, the strategy has lagged its benchmark, underperforming by 1.16%.

## Global

Markets continued to grow in Q3 with major indices achieving all-time highs throughout the quarter. Much of this growth falls on the backs of the onward rally in AI-hyperscalers. The vulnerability of the US technology sector was extended throughout the quarter, with large capex spending and investments growing, driving valuations higher. Amid the anticipation and eventual implementation of a rate cut, and as expectations shifted toward a more dovish policy outlook, markets likely adopted a more optimistic view of future conditions, which contributed to market gains. Internationally, emerging markets and developed markets saw sizable gains from a renewed interest in undervalued securities and overall investor sentiment.

### Sector Analysis

Breaking out performance by sector, performance was offset in equal parts by allocation and security selection choices (Allocation effects explained -82 bps while selection effects explained +83bps.) Financials had the greatest impact on performance with a 4.32% overweight, adding 51 bps to excess return. This outperformance was mainly driven by the positive active weights in Citigroup (+0.62% active weight) and Banco Santander (+0.31% active weight) which achieved 20.0% and 26.4% returns for the quarter, respectively. Financials saw a surge in performance mainly due to the anticipation and eventual granting of a Fed rate cut. With rate cuts, banks can generally see improved profitability and stimulation in loan demand. Citigroup announced that they planned to ramp up their stock buyback in Q3 with a target of \$4 billion which is \$250 million larger than the entirety of their buybacks for the first half of the year. Santander agreed to buy

UK-based bank Banco Sabadell for EUR2.65 billion, which was approved by shareholders in August.

Technology continued to be the main detractor of excess returns for the strategy, primarily driven by Nvidia (-4.41% active weight), Broadcom (-1.29% active weight), and Palantir (-0.39% active weight) who posted generous gains of 18.1%, 19.9%, and 33.8%, respectively. Nvidia and other AI-Technology companies continued their trend of massive expenditures and investments within the sector. Notably, Nvidia has pledged an investment of up to \$100 billion in OpenAI and Oracle has struck a \$300 billion infrastructure deal with OpenAI. Oracle and OpenAI both use Nvidia chips to run their models and cloud computing services, which has bartered concern over circular investment in the industry. Palantir saw a 33.4% increase due to their reported 48% revenue increase in Q2 of this year. The Fundamental Low Carbon Transition strategy took a relatively larger exposure to Apple compared to that of the headline Fundamental Index, primarily due to Apple's favorable carbon characteristics.

The Basic Materials sector experienced positive gains driven by increases in precious metal prices, notably gold and silver rising 15.6% and 28.1%, respectively. A major detractor from excess returns relative to the Fundamental Index came from mining companies, specifically BHP Group, Glencore, and Anglo American, which are excluded from the Fundamental Low Carbon Transition strategy due to their high carbon intensity.

## Geographic Analysis

At the region level, a similar effect of separation between allocation and selection effects were seen. Selection effects contributed to +29 bps, while allocation effects detracted -29 bps, resulting in a total effect of 1 bps. The strategy had an 11.27% underweight to the US relative to its cap-weighted benchmark, resulting in a -27 bps impact on its total effect. Performance in the US was largely explained by tech, which continued to achieve higher returns in Q3.

# RAFI Fundamental Global Low Carbon Transition Index

Inception:  
10/15/2021

Bloomberg Ticker:  
RLCTGLT Index

AS OF 9/30/2025

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 30% reduction in carbon-intensity level relative to the market and additional 7% reduction each year. Security weights are determined by using fundamental measures of company size (adjusted sales, adjusted cash flow, dividends + buybacks, and book value + intangibles) rather than price (market cap). Overall index carbon intensity is reduced by approximately 7% annually.

## PERFORMANCE SUMMARY

Index	QTD	YTD	1 Year	3 Year	5 Year	10 Year	10 Yr Vol	10 Yr Sharpe	10 Yr Tracking Error	10 Yr Info Ratio
RAFI Fundamental Global Low Carbon Transition Index	7.9%	20.8%	16.9%	23.3%	17.5%	--	--	--	--	--
Solactive GBS Global Markets Large & Mid Cap Index	7.9%	19.3%	18.0%	23.8%	14.1%	12.5%	14.6%	0.7	--	--

Based on data from Research Affiliates. All returns are total returns reported in USD. All returns greater than one year are annualized. Index returns prior to inception date are simulated. Inception date is 10/15/2021. Please see important disclosure information at the end.

## PORTFOLIO CHARACTERISTICS

Index	# of Securities	P/B	P/S	Dividend Yield	WAMC	Discount	Median Historical Discount	Turnover	ESG Score	Carbon Intensity (CF/Sales)
RAFI Fundamental Global Low Carbon Transition Index	2552	2.1	1.2	2.5%	517.1	-40.1%	-38.2%	21.4%	58.0	80.1
Solactive GBS Global Markets Large & Mid Cap Index	3506	3.7	2.5	1.6%	912.5	--	--	--	58.0	116.9

Portfolio characteristics are based on data from Bloomberg. Holdings prior to inception are simulated, please see disclosures for important information regarding simulated data. WAMC represents the weighted average market capitalization of the portfolio in USD billions. The discount of the portfolio is measured by the geometric average of the quarterly discounts of price to earnings, price to book, price to sales, price to cash flow, and dividend yield. Turnover represents the average annual turnover from 2017 to 2024. Historical median calculation represents a 10-year rolling window or the earliest date available. Start date: 6/30/2016. Note: ESG characteristics derived from ISS. ESG and component scores transformed from ISS 1-4 scale into 1-100 scores. Carbon Intensity reflects a firm's Scope 1 and 2 carbon emissions per unit \$mm revenue. Please see additional important disclosure information at the end of this document.

## HOLDINGS & WEIGHT

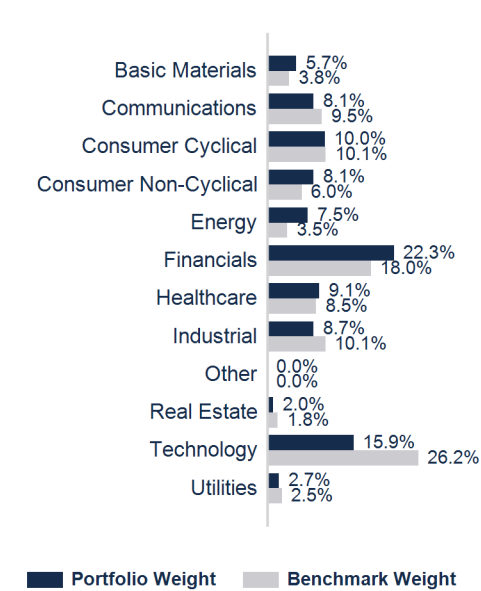
Top Index Holdings	Weight	Top Benchmark Holdings	Weight	Top Active Holdings	Weight
1. Apple	5.2	1. Nvidia	4.9	1. Apple	1.0
2. Microsoft	2.0	2. Microsoft	4.3	2. Citi	0.6
3. Meta Platforms	1.9	3. Apple	4.2	3. Bank Of America	0.5
4. Alphabet	1.5	4. Alphabet	3.0	4. Elevance Health	0.5
5. JPMorgan Chase	1.3	5. Amazon	2.3	5. Royal Dutch Shell	0.5
6. Bank Of America	0.9	6. Meta Platforms	1.8	1. Nvidia	-4.5
7. United Health	0.8	7. Broadcom	1.7	2. Microsoft	-2.2
8. Citi	0.8	8. Tesla	1.4	3. Amazon	-1.7
9. Exxon Mobil	0.7	9. Taiwan Semiconductor	1.2	4. Alphabet	-1.5
10. Royal Dutch Shell	0.7	10. JPMorgan Chase	1.0	5. Broadcom	-1.4

Security data derived from Bloomberg. Benchmark holdings are represented by the Solactive GBS Global Markets Large & Mid Cap Index. Weights shown are ending weights as of factsheet date.

Past performance, including simulated performance, is no guarantee of future performance and actual index results may differ.

SECTOR BREAKDOWN

Sector Weights



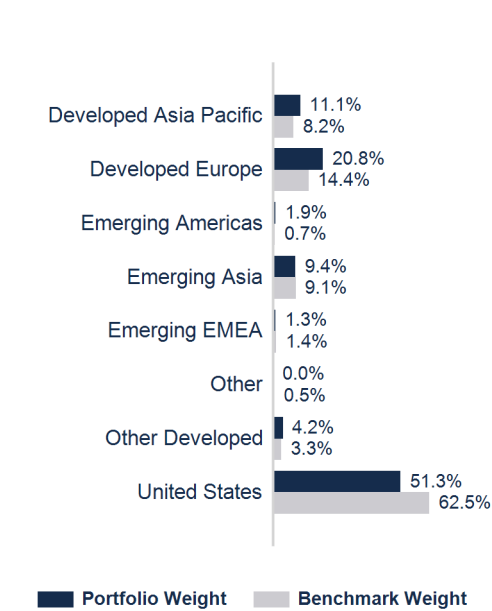
QTD Sector Attribution

Name	Portfolio Weight	Bench. Weight	Sector Excess Return	Allocation Effect	Selection Effect	Total Effect
Basic Materials	5.74	3.81	3.79	0.07	-0.02	0.05
Communications	8.13	9.47	5.00	-0.06	-0.28	-0.34
Consumer Cyclical	10.04	10.14	1.91	0.01	0.10	0.11
Consumer Non-Cyclical	8.06	5.97	-9.00	-0.19	0.14	-0.05
Energy	7.47	3.49	-1.87	-0.08	0.24	0.17
Financials	22.28	17.99	-3.00	-0.13	0.65	0.52
Healthcare	9.05	8.51	-4.10	-0.01	-0.04	-0.05
Industrial	8.68	10.07	-2.67	0.03	-0.08	-0.04
Other	0.00	0.00	-18.51	0.00	0.00	0.00
Real Estate	1.98	1.83	-4.59	-0.01	0.07	0.06
Technology	15.91	26.19	4.46	-0.45	0.11	-0.34
Utilities	2.66	2.54	-2.61	0.00	-0.05	-0.05
Excess Return						0.03

Portfolio characteristics and securities data derived from Bloomberg. Portfolio weights shown above are the average weight over the past quarter for RAFI Fundamental. Benchmark holdings represented by the Solactive GBS Global Markets Large & Mid Cap Index.

REGION BREAKDOWN

Region Weights



QTD Region Attribution

Region	Portfolio Weight	Bench. Weight	Region Excess Return	Allocation Effect	Selection Effect	Total Effect
Developed Asia Pacific	11.12	8.15	-0.66	-0.02	0.11	0.10
Developed Europe	20.82	14.35	-4.07	-0.28	0.30	0.03
Emerging Americas	1.88	0.73	1.32	0.01	0.02	0.03
Emerging Asia	9.37	9.14	3.55	0.01	-0.01	0.00
Emerging EMEA	1.33	1.36	0.24	0.00	0.03	0.04
Other	0.00	0.51	-9.20	0.05	0.00	0.05
Other Developed	4.22	3.29	1.10	0.01	0.03	0.04
United States	51.27	62.46	0.53	-0.06	-0.19	-0.25
Excess Return						0.03

Portfolio characteristics and securities data derived from Bloomberg. Portfolio weights shown above are the average weight over the past quarter for RAFI Fundamental strategies. Benchmark holdings represented by the Solactive GBS Global Markets Large & Mid Cap Index.

Past performance, including simulated performance, is no guarantee of future performance and actual index results may differ.

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