RAFIIndices™
now part of VettaFi

RAFI™ Fundamental Index™ Series

Founded on principles of contrarian investing and disciplined rebalancing

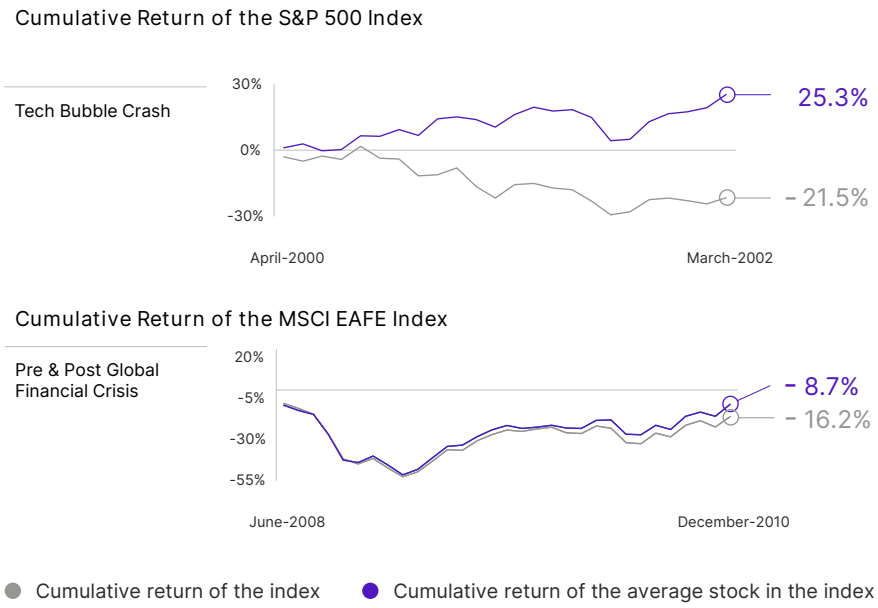
The RAFI Fundamental Index approach is a broadly diversified equity strategy built on principles of contrarian investing and disciplined rebalancing. By using fundamental measures of company size to select and weight companies, the approach eliminates the performance drag associated with traditional 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



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.

RAFIIndices™
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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	3.2%	96.1%	99.0%	01/1998
vs. MSCI USA	1.2%	59.4%	65.1%	04/1986
RAFI Fundamental US Small Company Index				
vs. MSCI USA Small Cap Value	0.9%	77.7%	87.1%	01/2007
vs. MSCI USA Small Cap	1.1%	72.3%	77.2%	01/2001
RAFI Fundamental Dev ex US Index				
vs. MSCI World ex USA Value Index	1.5%	74.2%	92.7%	01/1998
vs. MSCI World ex USA Index	2.5%	88.0%	91.8%	04/1986
RAFI Fundamental Emerging Markets Index				
vs. MSCI Emerging Markets Value Index	4.8%	89.0%	92.3%	12/1997
vs. MSCI Emerging Markets Index	4.0%	74.5%	85.6%	01/2001
RAFI Fundamental Global Index				
vs. MSCI All Country World Value Index	2.5%	98.1%	100.0%	01/1997
vs. MSCI All Country World Index	1.8%	69.8%	66.8%	01/1988

Through September 2026

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.

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

AT A GLANCE

$303B+
Indexed AUM

300+
Clients worldwide

2,100+
Indexes across asset classes, geographies, themes, and more

100+
Years of combined experience

20+
Years of pioneering fundamental index and factor investing expertise

2004
RAFI Fundamental Index methodology introduced

2026
RAFI Indices became part of VettaFi, bringing together its research-driven approach with VettaFi's modern indexing platform and capabilities.

Now a part of VettaFi
Combining RAFI's established index expertise with VettaFi's capabilities to help asset managers build and grow differentiated investment products.

Data as of September 30, 2026

Important information

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Past performance is not indicative of future results. Certain performance information presented represents simulated performance or performance based on combined simulated index data (pre-index launch) and live index data (post-index launch). Past simulated performance is no guarantee of future performance and does not represent actual performance of an investment product based on an index. No allowance has been made for trading costs, management fees, or other costs associated with asset management, as the information provided relates only to the index itself. Performance data includes reinvestment of all dividends and income. Indexes are unmanaged and cannot be invested in directly. Actual investment results will differ.

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