RAFIIndices™
now part of VettaFi

RAFI™ Multi-Factor Index Series

Benefits of factor investing with increased diversification

The RAFI Multi-Factor Index strategy offers diversified factor exposures through equally weighted allocations to value, low volatility, quality, momentum, and size. By combining multiple factor exposures, investors can achieve increased diversification and lower tracking error, resulting in a smoother path to outperformance relative to a single-factor approach.

- Uses empirically robust single-factor strategies
- Diversifies factor exposures for a smoother ride
- Implements a rules-based, transparent index construct

Theoretical and empirical evidence shows that factors, including value, low volatility, quality, momentum, and size, historically deliver long-term positive excess returns.

Factor	Measure	Why it works
Value	Fundamental weight / Cap-Weight	Performance chasers under-own value securities (preferring fast-growing glamour stocks), driving prices down, yields up, and future returns higher.
Low volatility	Systematic Risk • Global Beta • Industry Beta • Country Beta	Investors' preference for gambling leads them to over-own high-volatility securities.
Quality	High Profitability & Conservative Investment	Investors are drawn to the glamour of empire-building companies and underappreciate conservative capital allocators with wide economic moats.
Momentum	• Standard • Beta-adjusted • Reversal-adjusted	Uninformed investors are slow to react to new information about a company.
Size	Average of value, low volatility, quality, and momentum	The other four factors tend to work better in small-cap markets, because these markets are typically less efficient and experience larger pricing errors.

INDEX OVERVIEW

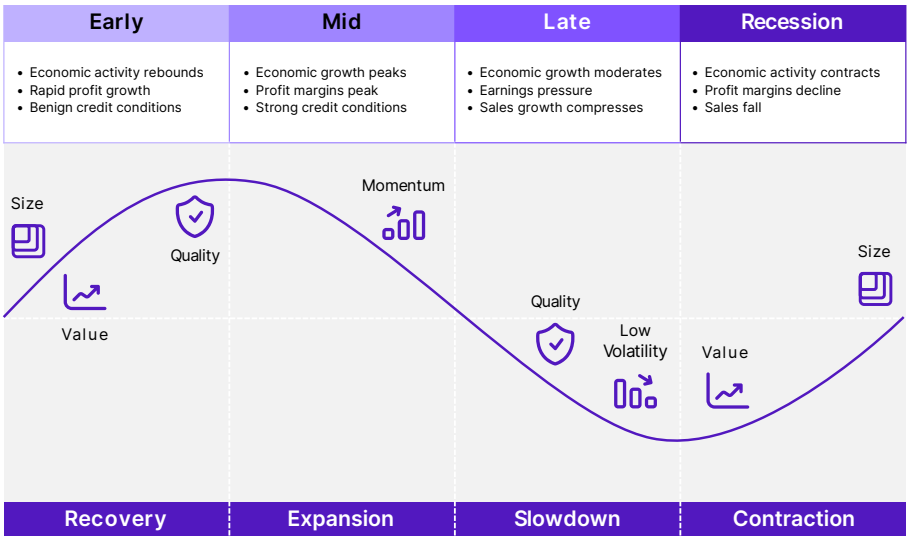
Expected outcomes and benefits

1. The RAFI Multi-Factor Indices combine five theoretically and empirically robust single-factor strategies, offering investors the potential to earn a return premium relative to a market-cap index.
2. The strategy incorporates thoughtful design and low-cost implementation, which allows for straightforward performance measurement and governance.
3. By diversifying the factors in a portfolio, substantially lowering tracking error, and providing shorter periods of underperformance, the strategy offers a favorable risk/return profile compared to a single-factor strategy.
4. By preserving the positives of traditional passive investing—simple, transparent, and low cost—the strategy also uses regular periodic rebalancing to help capture excess return from long-term mean reversion.

The RAFI Multi-Factor is a smart beta equity strategy that offers diversified factor exposures for investors seeking a rules based, transparent multi-factor strategy.

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Factor behavior through the business cycle



For illustrative purposes only.

Related research

"A Framework for Assessing Factors and Implementing Smart Beta Strategies"
Hsu, Kalesnik, Viswanathan
July 2015 | The Journal of Index Investing

"Trade-Off in Multifactor Smart Beta Investing: Factor Premium and Implementation Cost"
Li, Shim
March 2019 | Financial Analysts Journal

"Will Your Factor Deliver? An Examination of Factor Robustness and Implementation Costs"
Beck, Hsu, Kalesnik, Kostka
Septenber 2016 | Financial Analysts Journal

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

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