

Market Consultation: RAFI™ Bonds Indices

On February 8th, 2024 Research Affiliates published a market consultation regarding changes to the RAFI Bonds Index Series. Following the close of the market consultation, Research Affiliates would like to announce the following changes to the RAFI Bonds Index Series, which will affect the following indices:

1. RAFI Bonds US Investment Grade 1-10 Index
2. RAFI Bonds US High Yield 1-10 Index
3. RAFI Bonds US High Yield 1-10 CAD Hedged Index

Changes to the Index Guideline Effective 3/31/2024

Section 3.1 Composition

From: The RAFI Bonds indices are comprised of US dollar-denominated bonds which are SEC-registered securities, Section 3(a)(2), or SEC Rule 144A securities with Registration Rights (issued after 7/31/2013), and who are US domiciled. Only non-convertible, non-exchangeable, non-zero, fixed coupon corporate bonds qualify for inclusion in the indices. No foreign agencies, governments, municipal bonds, or supra-nationals are allowed. Non-US Issuers are not eligible for the Index Series.

To: The RAFI Bonds indices are comprised of US dollar-denominated bonds which are SEC-registered securities, Section 3(a)(2), or SEC Rule 144A securities ~~with Registration Rights (issued after 7/31/2013)~~, and who are US domiciled. Only non-convertible, non-exchangeable, non-zero, fixed coupon corporate bonds qualify for inclusion in the indices. No foreign agencies, governments, municipal bonds, or supra-nationals are allowed. Non-US Issuers are not eligible for the Index Series.

Section 3.1.3 Rating

From:

RAFI Bonds US Investment Grade 1-10 Index: Each issue must be rated BBB/Baa and higher by both Moody's and S&P as on Selection Day. Split-rated bonds are ineligible if either rating is

below BBB/Baa. Bonds that are downgraded below BBB/Baa during the month are removed from the Index at month-end.

RAFI Bonds US High Yield 1-10 Index: Each issue must be rated Ba1/BB+ or lower by either Moody's or S&P, but not below B3/B- by either Moody's or S&P as on Selection Day. Bonds which fall outside this range due to intra-month upgrades or downgrades are removed from the Index at month-end.

To:

RAFI Bonds US Investment Grade 1-10 Index: Each issue must be rated BBB/Baa and higher by both Moody's and S&P as on Selection Day. Split-rated bonds are ineligible if either rating is below BBB/Baa. Bonds that are downgraded below BBB/Baa during the month are removed from the Index at month-end.

RAFI Bonds US High Yield 1-10 Index: Each issue must be rated Ba1/BB+ or lower by either Moody's or S&P, but not below B3/B- by either Moody's or S&P as on Selection Day. Bonds which fall outside this range due to intra-month upgrades or downgrades are removed from the Index at month-end.

In the case that a newly exchanged bond is not yet rated by Moody's or S&P, or updated by the data vendor, the new bond will carry the rating of the old bond for a period of one monthly rebalance cycle. For example, if a bond is exchanged at the beginning of January, and it is not yet rated, it will carry the rating of the old bond for the end of January rebalance. If it is still missing the rating at the end of February rebalance, the bond will be removed.

Please send any questions regarding the changes to RAIndex@rallc.com.



Important Information

The material contained in this document is for informational purposes only. This material is not intended as an offer or solicitation for the purchase or sale of any security or financial instrument, nor is it advice or a recommendation to enter into any transaction. Research Affiliates, LLC (“RA”), its affiliates, agents, and each of their respective officers, directors, employees, agents, representatives and licensors (collectively “Research Affiliates”) does not make any warranties, express or implied, to anyone regarding the information provided herein, including, without limitation, any warranties with respect to the timeliness, sequence, accuracy, completeness, currentness, merchantability, quality or fitness for a particular purpose or any warranties as to the results to be obtained by any third-party in connection with the use of the information. Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this material should not be acted upon without obtaining specific legal, tax and investment advice from a registered professional. Investors should be aware of the risks associated with data sources and quantitative processes used to create the content contained herein or the investment management process. Errors may exist in data acquired from third party vendors, the construction or coding of indices or model portfolios, and the construction of the spreadsheets, results or information provided. Research Affiliates takes reasonable steps to eliminate or mitigate errors, and to identify data and process errors so as to minimize the potential impact of such errors, however Research Affiliates cannot guarantee that such errors will not occur. Use of this material is conditioned upon, and evidence of, the user’s full release of Research Affiliates from any liability or responsibility for any loss or damage, direct, indirect or consequential, arising from or related to (i) any inaccuracy or incompleteness in, errors or omissions in the provided information or (ii) any decision made or action taken by any third party in reliance upon this information. Research Affiliates shall not be liable to anyone for loss of business revenues, lost profits or any indirect, consequential, special or similar damages whatsoever, whether in contract, tort or otherwise, even if advised of the possibility of such damages.

The trademarks Fundamental Index™, RAFI™, Research Affiliates Equity™, RAE™ and the Research Affiliates™ trademark and corporate name and all related logos are the exclusive intellectual property of RA and in some cases are registered trademarks in the U.S. and other countries. Various features of the Fundamental Index methodology, including an accounting data-based non-capitalization data processing system and method for creating and weighting an index of securities, are protected by various patents of RA. (See applicable US Patents, Patent Publications and protected trademarks located at <https://www.researchaffiliates.com/legal/disclosures#patent-trademarks-and-copyrights>, which are fully incorporated herein.) Any use of these trademarks, logos, or patented methodologies without the prior written permission of RA, is expressly prohibited. RA reserves the right to take any and all necessary action to preserve all of its rights, title, and interest in and to these marks and patents.

RA is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. Our registration as an investment adviser does not imply a certain level of skill or training. RA does not offer or sell any securities, commodities or derivative instruments or products. Any such business may only be conducted through registered or licensed entities and individuals permitted to do so within the respective jurisdiction and only in conjunction with legally required disclosure documents and regulatory filings. RA is not a broker-dealer and does not effect transactions in securities.

© 2024 Research Affiliates, LLC. All rights reserved. Duplication or dissemination prohibited without prior written permission.

