

# MARKET CONSULTATION | RAFI MULTI-FACTOR INDEX SERIES | GUIDELINE CHANGE

23 December 2022



## Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to changing the Index Methodology of the following Indices (the 'Indices'):

NAME	RIC	ISIN
RAFI Dynamic Multi-Factor Emerging Markets Index NTR/PR/TR	.RADMFENT	DE000SLA2Z93
	.RADMFEMP	DE000SLA2ZR0
	.RADMFEMT	DE000SLA20T2
RAFI Dynamic Multi-Factor Emerging Markets South Africa Index GTR/NTR/PR	.RADMESAT	DE000SLOEYD0
	.RADMESAN	DE000SLOEYE8
	.RADMESAP	DE000SLOEYF5
RAFI Multi-Factor Emerging Markets Index PR/TR/NTR	.RAQMFEMP	DE000SLA21F9
	.RAQMFEMT	DE000SLA21H5
	.RAQMFENT	DE000SLA21G7

## Rationale for the Market Consultation

For the purpose of portfolio construction, companies in the RAFI Global Equity Investable Universe (GEIU), based on their country classification, are assigned to one of the six regions defined as United States, Japan, United Kingdom, Developed Europe (ex UK), Other Developed Markets and Emerging Markets. Currently, China is included within the Emerging Markets (EM) region. The proposal is to break out the one EM region into two regions (EM ex China and China), to be effective for the March 2023 annual reconstitution. Treating China separately as a region on its own have benefits arising from China's significant market size, its increasing dominance in the EM benchmark, and unique geopolitics and regulatory policy that could affect its performance.

## Proposed Changes to the Index Guideline

The following Methodology changes are proposed in the following points of the Index Guideline (ordered in accordance with the numbering of the affected sections).

To reflect the new regions from the proposed separation of Emerging Markets, the following changes will apply to the corresponding sections:

### Section 2.1



*From:*

*"Eligible developed and emerging market countries are assigned to one of six regions as defined in Table 1."*

*To:*

*"Eligible developed and emerging market countries are assigned to one of seven regions as defined in Table 1."*

*From:*

*"As of March 2022, there are 23 developed market countries and 24 emerging market countries eligible for inclusion."*

*To:*

*"As of March 2023, there are 23 developed market countries and 24 emerging market countries eligible for inclusion."*

### Section 2.3

*From:*

*"Table 2 outlines the 12 region and size classifications used to construct the single factor indices for value, low volatility, quality, momentum and size.*

*Country groups as outlined in Table 1 consist of major nations or small-country groups within each of the six regions."*

*To:*

*"Table 2 outlines the 14 region and size classifications used to construct the single factor indices for value, low volatility, quality, momentum and size.*

*Country groups as outlined in Table 1 consist of major nations or small-country groups within each of the seven regions."*

### Section 2.10

*From:*

*"The RAFI Size Factor Index is the equal weight of the Small Value, Small Quality, Small Low Volatility, and Small Momentum factor portfolios for all regions, except for Emerging Markets."*

*To:*

*"The RAFI Size Factor Index is the equal weight of the Small Value, Small Quality, Small Low Volatility, and Small Momentum factor portfolios for all regions, except for China and Emerging Markets ex-China."*



## Section 2.11

*From:*

*"The RAFI Multi-Factor Index takes an equally weighted allocation to value, low volatility, quality, momentum, and size factor indices for all regions, except for Emerging Markets where the size factor is excluded."*

*To:*

*"The RAFI Multi-Factor Index takes an equally weighted allocation to value, low volatility, quality, momentum, and size factor indices for all regions, except for China and Emerging Markets ex-China where the size factor is excluded."*

### Section 2.11.3

*From:*

*"The RAFI Multi-Factor Emerging Markets ex-China Exclusion Screened Index is built using a custom Emerging Markets region that excludes China."*

*To:*

*"The RAFI Multi-Factor Emerging Markets ex-China Exclusion Screened Index takes an equally weighted allocation to value, low volatility, quality and momentum for the Emerging Markets ex-China region."*

## Section 2.12

*From:*

*"The RAFI Dynamic Multi-Factor Index dynamically allocates to value, low volatility, quality, momentum, and size factor indices for all regions, except for Emerging Markets where the size factor is excluded."*

*To:*

*"The RAFI Dynamic Multi-Factor Index dynamically allocates to value, low volatility, quality, momentum, and size factor indices for all regions, except for China and Emerging Markets ex-China where the size factor is excluded."*



Table 1 in section 2.1 will reflect the two new regions under Emerging Markets as a result of the change:

**Table 1**

DEVELOPED MARKETS					EMERGING MARKETS	
United States	Japan	United Kingdom	Developed Europe, ex UK	Other Developed Markets	China	Emerging Markets ex-China
US	Japan	UK	Austria Belgium Denmark Finland France Germany Ireland Italy Netherlands Norway Portugal Spain Sweden Switzerland	Australia Canada <b>Asia Pacific</b> Israel Hong Kong New Zealand Singapore	China	Brazil India South Africa South Korea Taiwan <b>Americas</b> Chile Colombia Mexico Peru <b>EMEA</b> Czech Republic Egypt Greece Hungary Kuwait Poland Qatar Saudi Arabia Turkey UAE <b>Asia Pacific</b> Indonesia Malaysia Philippines Thailand

The following sentences will be removed:

Section 2.1 and 2.3

*“The RAFI Multi-Factor Emerging Markets ex-China Exclusion Screened Index described in Section 2.11.3 excludes China from the Emerging Markets Region.”*

Section 2.10

*“As noted, Emerging Market Small is excluded.”*

Table 2 in section 2.3 will be updated to reflect the new regions as follows:

Table 2	
Region & Size Groups	RAFI Single Factor Construction
US Large/Mid	RAFI Factor Developed, & US for Value, Low Volatility, Quality, and Momentum
Japan Large/Mid	RAFI Factor Developed, & Developed ex US for Value, Low Volatility, Quality, and Momentum



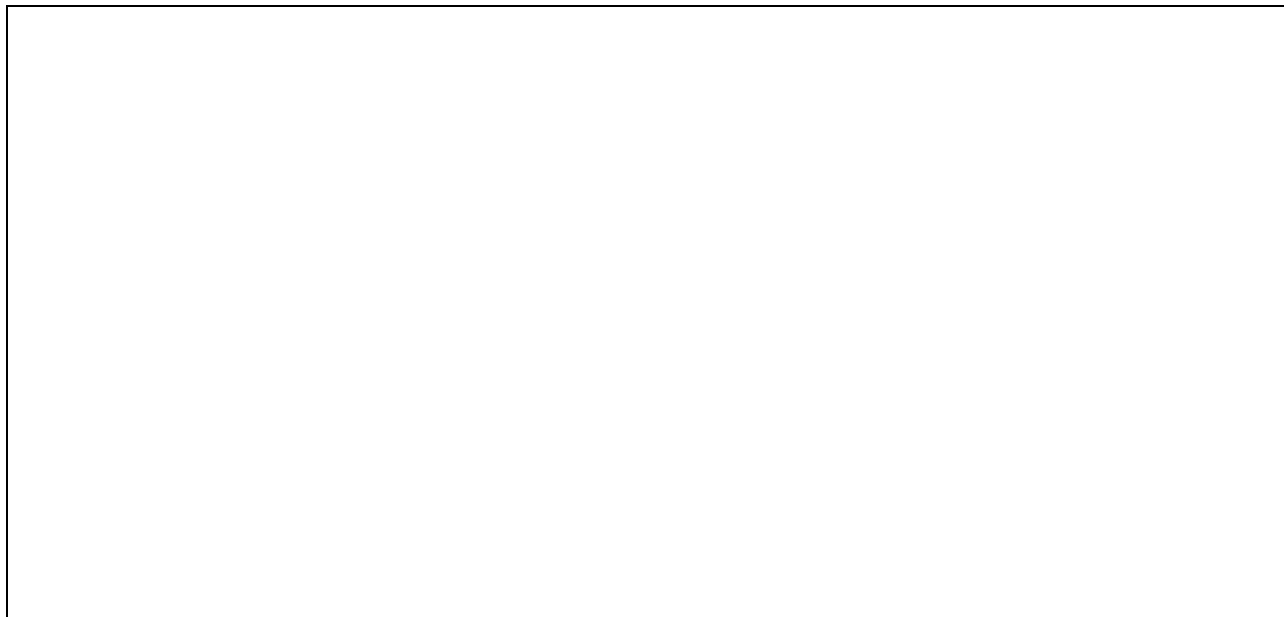
UK Large/Mid	RAFI Factor Developed & Developed ex US for Value, Low Volatility, Quality, and Momentum
Developed Europe, excluding UK Large/Mid	RAFI Factor Developed & Developed ex US for Value, Low Volatility, Quality, and Momentum
Other Developed Markets Large/Mid	RAFI Factor Developed, & Developed ex US for Value, Low Volatility, Quality, and Momentum
China Large/Mid	RAFI Factor EM for Value, Low Volatility, Quality and Momentum
Emerging Markets ex-China Large/Mid*	RAFI Factor EM for Value, Low Volatility, Quality, and Momentum
US Small	RAFI Size Factor Developed & US
Japan Small	RAFI Size Factor Developed & Developed ex US
UK Small	RAFI Size Factor Developed & Developed ex US
Developed Europe, excluding UK Small	RAFI Size Factor Developed & Developed ex US
Other Developed Markets Small	RAFI Size Factor Developed & Developed ex US
China Small	None
Emerging Markets ex-China Small	None

### Feedback on the proposed changes

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.

Name	
Function	
Organization	
Email	
Phone	
Confidentiality (Y/N)	

Solactive is inviting all stakeholders and interested third parties to evaluate the proposed changes to the Methodology for the Indices and welcomes any feedback on how this may affect and/or improve their use of the Indices.



### Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until *2023-01-10*.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *2023-01-17*.

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying "Market Consultation | RAFI Multi-Factor Index Series | December 2022" as the subject of the email, or

via postal mail to: Solactive AG  
Platz der Einheit 1  
60327 Frankfurt am Main  
Germany

Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.





