

Market Consultation: RAFI Fundamental High Liquidity Index Series: Proposed Adjustments to Index Methodology

RAFI Indices is currently evaluating the following proposed methodology changes to the RAFI Fundamental High Liquidity Index Series.

- 1) The RAFI Fundamental High Liquidity Index series currently applies the below size classification:

Eligible securities for the Indices are determined by sorting eligible companies in descending order by free-float adjusted fundamental weight. Companies representing the bottom 2% in free-float adjusted fundamental weight are removed. Remaining companies that are in the top 87.5% by free-float adjusted fundamental weight are classified as Large Company, and companies ranking below the 87.5% (the bottom 12.5%) threshold are classified as Small Company.

The proposed revision refines the size classification methodology by introducing a systematic size-banding framework, as summarized below.

Size Classification	Free-Float Adjusted Fundamental Weight Rank	Size Band
Large Company	0% - 86%	-/+ 1% (85% - 87%)
Small Company	86% - 98%	-1%/+0.5% (85% - 98.5%)
Micro	98% - 100%	-0.5% (97.5%)

- 2) An additional proposed methodology adjustment introduces an explicit liquidity-based constraint intended to improve investability. The proposed liquidity-based limit is described below.

Let FV_i be the RAFI fundamental value of the i^{th} company. The free-float adjusted fundamental weight, as defined in Section 2.3.1, FW_i for company i is:

$$FW_i = (FV_i * Free_Float_i) / \sum_{i=1}^N (FV_i * Free_Float_i)$$

Let $ADTV_i$ be the maximum of the 30-day and 90-day median daily traded value in USD at each quarterly rebalance. The liquidity weight LW_i for company i is:

$$LW_i = ADTV_i / \sum_{i=1}^N ADTV_i$$

The 30-day median traded value will be used where there is less than 90 days of historical data. Where there is less than 30 days of historical data, the stock will have a RAFI fundamental value of zero. Where there are multiple lines of equity capital in a company, the traded value will be the aggregation of all lines in the aforementioned company.

The liquidity ratio (*LR*) is defined as the ratio of adjusted fundamental weight to liquidity weight. The liquidity ratio for company *i* is:

$$LR_i = FW_i/LW_i$$

Where the liquidity ratio is more than four, the new fundamental value is calculated as:

$$\widehat{FV}_i = 4 \times LW_i \times \sum_{i=1}^N FV_i$$

After the fundamental values are updated for all companies using the above formula, new adjusted fundamental weights and liquidity ratios are calculated. The process is repeated until all liquidity ratios attain a value not exceeding four. Note that this process will only modify the fundamental values of stocks that exceed the liquidity limit.

Affected Indices:

The change would be effective as of the 2/13/2026 selection date. The following indices will be affected by this change:

Index Name	Total Return	Price Return	Net Return
RAFI Fundamental High Liquidity Global Real Estate Index	RAHLGRET	RAHLGREP	RAHLGREN
RAFI Fundamental High Liquidity Developed Large Index	RAHLDVLT	RAHLDVLP	RAHLDVLN
RAFI Fundamental High Liquidity Developed ex US Large Index	RAHLXULT	RAHLXULP	RAHLXULN
RAFI Fundamental High Liquidity Developed ex US Small Index	RAHLXUST	RAHLXUSP	RAHLXUSN
RAFI Fundamental High Liquidity Emerging Markets Index	RAHLEMLT	RAHLEMLP	RAHLEMLN
RAFI Fundamental High Liquidity US All Index	RAHLUSAT	RAHLUSAP	RAHLUSAN
RAFI Fundamental High Liquidity US Large Index	RAHLUSLT	RAHLUSLP	RAHLUSLN
RAFI Fundamental High Liquidity US Small Index	RAHLUSST	RAHLUSSP	RAHLUSSN

We would like to solicit the feedback of RAFI Indices users on the effect of this classification change. If you would like to participate in this consultation, please fill out the below questions

and return to indexsupport@rafi.com by **1/5/2026**. All responses will be kept confidential. RAFI Indices will provide a public announcement regarding the results of this market consultation once it has been completed. Thank you in advance for your participation.

Name	
Title	
Organization	
Email	

1. What is your view on implementing the described methodology change?

2. What is your view on the timeline for implementation (2/13/2026 selection date)?

3. Is there any other feedback you would like to provide?

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