

Revisiting Core Principles

The FTSE RAFI QSR Index series utilizes fundamental measures of company size (sales, cash flow, dividends, and book value) as a rebalancing anchor to trade against the constantly shifting expectations of the market.

This approach results in overweights to out-of-favor securities, which are often undervalued, and underweights to popular securities, which are often overvalued.

Over the short term, these exposures can cause relative performance to vary, but this simple, disciplined approach has historically outperformed the cap-weighted benchmark over the long-term.

As a rebalancing strategy that trades against recent winners, the Fundamental Index™ methodology will often face performance headwinds during periods of trending prices, sustained momentum, or extreme value underperformance - and benefit from performance tailwinds during periods of security mean reversion or value outperformance.

The FTSE RAFI UK 300 - QSR Index is comprised of the 300 companies with the largest fundamental scores in the UK at the time of reconstitution. The index is reconstituted annually and rebalanced quarterly using a staggered approach.

Performance

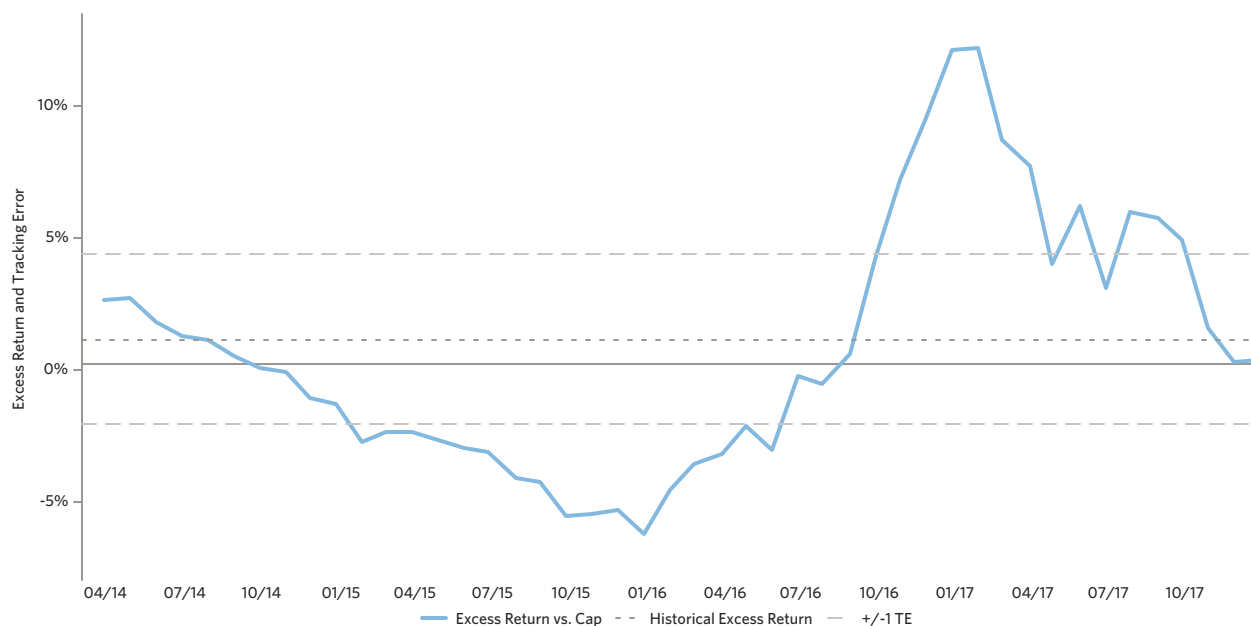
Exhibit 1:
Performance Table

Exhibit 2:
Rolling 1-Year Excess Returns

Exhibit 1: Performance Tableⁱ

	QTD	1-Yr	3-Yr	5-Yr	10-Yr	ITD*
FTSE RAFI™ UK 300 - QSR Index	5.9%	13.2%	11.2%	11.1%	--%	9.5%
FTSE All-Share Index	5.0%	13.1%	10.1%	10.3%	6.3%	8.6%
Value Added	1.0%	0.1%	1.2%	0.8%	--%	0.9%
MSCI UK	4.9%	11.8%	9.3%	9.2%	5.6%	7.6%
Portfolio Standard Deviation		7.8%	10.5%	10.5%	--%	10.4%
Benchmark Standard Deviation		7.8%	9.3%	9.7%	14.0%	9.6%
Tracking Error		3.0%	4.0%	3.2%	--%	3.2%

Exhibit 2: Rolling 1-Year Excess Returnsⁱⁱ



i. Exhibit 1.
Performance derived from FactSet. All returns are total returns in GBP. All returns greater than one year are annualized. Standard deviation and tracking error require a minimum of 1 year return history.
*Inception to Date (ITD) returns are calculated starting the first full month of returns following March 18, 2013.

ii. Exhibit 2.
Performance derived from FactSet. All returns are total returns in GBP. Rolling 1-year excess returns and tracking error are calculated starting April 30, 2013. If applicable, strategy returns prior to inception are simulated. Inception date is March 18, 2013.

Portfolio Characteristics

The FTSE RAFI™ UK 300 - QSR Index is attractively positioned relative to the cap-weighted benchmark.

Exhibit 3:
Portfolio Characteristics

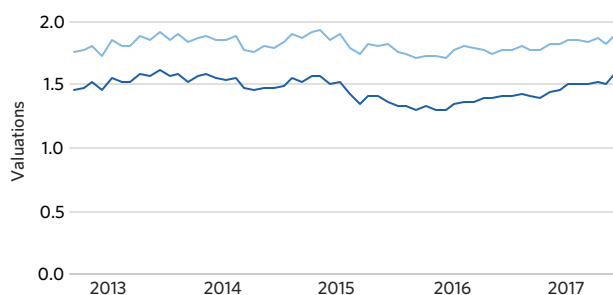
Exhibit 4:
Historical Portfolio Characteristics

Exhibit 3: Portfolio Characteristicsⁱ

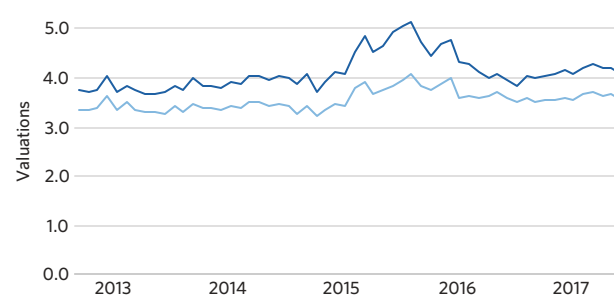
	Number of Holdings	Active Share	Price to Sales	Price to Cash Flow	Price to Book	Div. Yield	Market Cap. (Billions)	Sharpe Ratio*	Info. Ratio*	Tracking Error*
FTSE RAFI™ UK 300 - QSR Index	291	25.5	1.0	7.2	1.6	4.1%	88	0.65	0.28	3.2%
FTSE All Share	641	--	1.4	9.2	1.9	3.5%	71	0.61	--	--

Exhibit 4: Historical Portfolio Characteristicsⁱⁱ

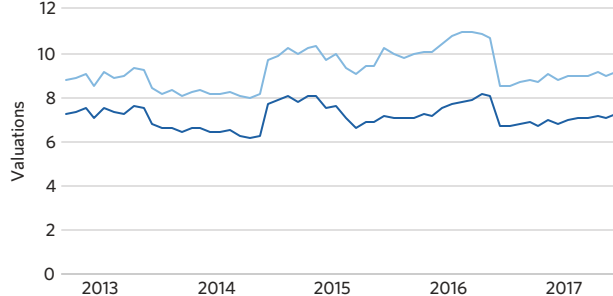
Price to Book



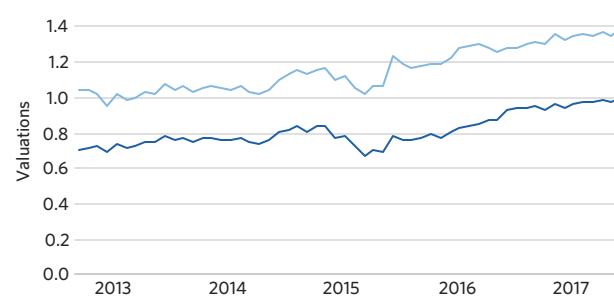
Dividend Yield (%)



Price to Cash Flow



Price to Sales



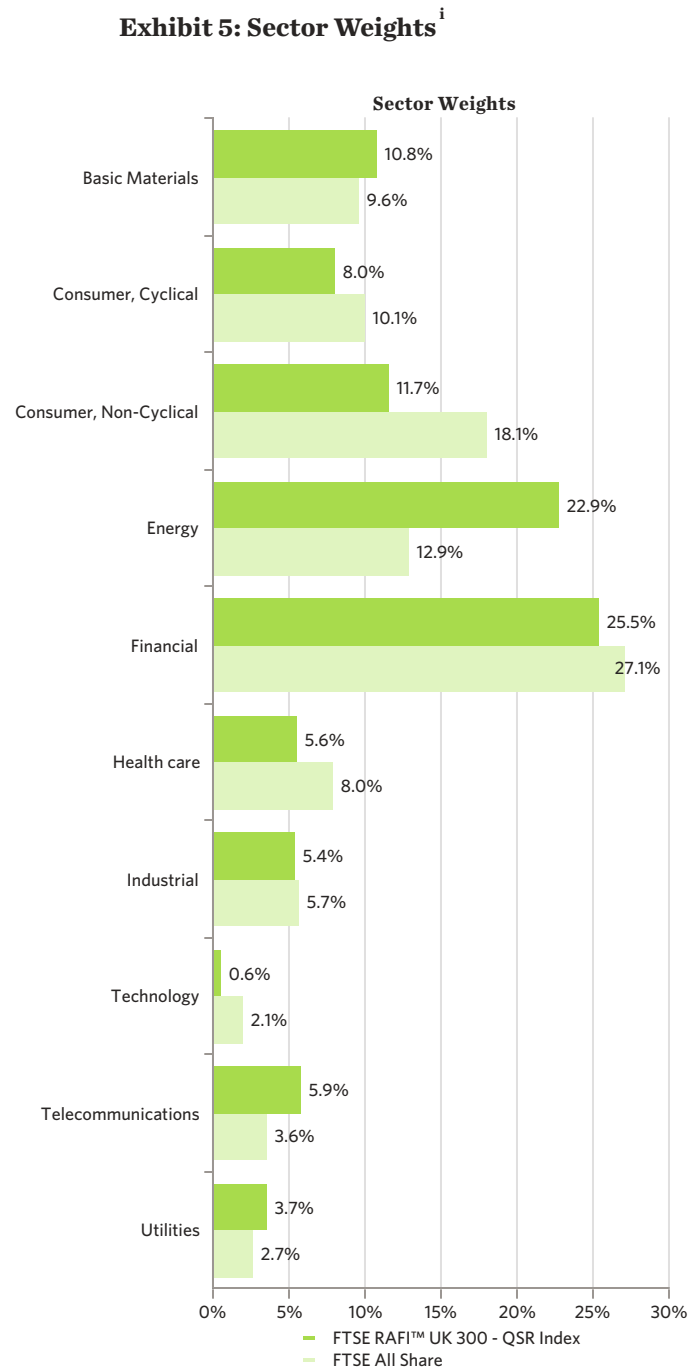
— FTSE RAFI™ UK 300 - QSR Index (Left) — FTSE All Share (Left)

i. Exhibit 3.
Portfolio characteristics data derived from FactSet.
*Sharpe Ratio, Information Ratio, and Tracking Error are calculated starting the first full month of returns following March 18, 2013. Minimum 1-year return history. The 3-mo US Treasury Bill return is used as a proxy for risk-free rate. If applicable, strategy returns prior to inception are simulated. Inception date is March 18, 2013.

ii. Exhibit 4.
Portfolio characteristics derived from FactSet. Data prior to strategy inception is simulated. Strategy inception is March 18, 2013.

Current Position

Exhibit 5: Sector Weights



ⁱ. Exhibit 5.
Portfolio characteristics data derived from FactSet.



Current Position

Exhibit 6:
Top 10 Holdings

Exhibit 7:
Top Over/Underweights

Exhibit 6: Top 10 Holdingsⁱ

FTSE RAFI™ UK 300 - QSR Index vs. FTSE All-Share Index					
Index	Weights	1-Yr Perf.	Benchmark	Weights	1-Yr Perf.
Royal Dutch Shell	13.5%	15.9%	Royal Dutch Shell	8.3%	15.9%
BP	8.8%	9.2%	HSBC	6.2%	24.9%
HSBC	7.6%	24.9%	British American Tobacco	4.6%	14.0%
Vodafone	4.6%	24.3%	BP	4.1%	9.2%
Glencore plc	3.2%	43.9%	Diageo	2.7%	33.1%
Barclays PLC	2.7%	-7.4%	AstraZeneca	2.6%	21.4%
GlaxoSmithKline	2.5%	-10.8%	GlaxoSmithKline	2.6%	-10.8%
AstraZeneca	2.2%	21.4%	Vodafone	2.5%	24.3%
Lloyds Banking Group plc	2.1%	13.9%	Prudential plc	2.0%	21.1%
British American Tobacco	1.9%	14.0%	Lloyds Banking Group plc	2.0%	13.9%

Exhibit 7: Top Over/Underweightsⁱ

FTSE RAFI™ UK 300 - QSR Index vs. FTSE All-Share Index					
Top Overweights	Active Weights	1-Yr Total Effect	Top Underweights	Active Weights	1-Yr Total Effect
Royal Dutch Shell	5.1%	0.1%	British American Tobacco	-2.7%	0.1%
BP	4.8%	-0.2%	Diageo	-1.4%	-0.2%
Vodafone	2.0%	0.2%	Shire	-1.1%	0.4%
Glencore plc	1.4%	0.6%	Reckitt Benckiser Group plc	-1.0%	0.1%
HSBC	1.4%	0.2%	Unilever	-0.9%	-0.2%
Barclays PLC	1.3%	-0.3%	Reed Elsevier	-0.5%	-0.1%
Tesco	0.9%	-0.1%	Compass Group PLC	-0.4%	0.0%
Standard Chartered	0.7%	0.1%	AstraZeneca	-0.4%	-0.1%
BHP Billiton	0.6%	0.1%	Micro Focus International plc	-0.4%	0.0%
Aviva plc	0.5%	0.0%	Experian PLC	-0.3%	0.0%

i. Exhibit 6, Exhibit 7.
Portfolio characteristics and securities data derived from FactSet. 1-Yr Total Effect is calculated using a holdings based attribution, and measures the impact that a security had on relative performance. It is a function of the active weight of a company as well as that company's performance versus the overall benchmark.

Attribution

Exhibit 8: Sector Attribution

Exhibit 8: Sector Attributionⁱ

1-Quarter Ending 12/31/2017

1-Year Ending 12/31/2017

Sector	Portfolio Weight	Bench. Weight	Sector Excess Return	Allocation Effect	Selection + Interaction Effect	Total Effect	Sector	Portfolio Weight	Bench. Weight	Sector Excess Return	Allocation Effect	Selection + Interaction Effect	Total Effect	
Basic Materials	10.80%	9.61%	5.67%	0.07%	0.23%	0.31%	Basic Materials	10.80%	9.61%	17.01%	0.41%	-0.06%	0.35%	
Consumer, Cyclical	8.04%	10.13%	-0.37%	-0.02%	-0.07%	-0.09%	Consumer, Cyclical	8.04%	10.13%	-3.94%	0.06%	-0.09%	-0.03%	
Consumer, Non-Cyclical	11.71%	18.10%	-1.71%	0.07%	-0.08%	-0.01%	Consumer, Non-Cyclical	11.71%	18.10%	-4.23%	-0.03%	-0.15%	-0.18%	
Energy	22.86%	12.91%	6.36%	0.63%	0.00%	0.63%	Energy	22.86%	12.91%	-0.77%	-0.10%	0.09%	-0.01%	
Financial	25.45%	27.11%	0.16%	0.00%	-0.01%	-0.02%	Financial	25.45%	27.11%	2.91%	-0.01%	-0.10%	-0.11%	
Health care	5.56%	7.95%	-8.07%	0.19%	-0.07%	0.12%	Health care	5.56%	7.95%	-11.18%	0.47%	-0.28%	0.19%	
Industrial	5.44%	5.74%	-2.80%	0.01%	0.02%	0.03%	Industrial	5.44%	5.74%	4.08%	-0.02%	0.02%	0.01%	
Technology	0.56%	2.08%	4.31%	-0.04%	0.01%	-0.02%	Technology	0.56%	2.08%	22.38%	-0.32%	0.21%	-0.10%	
Telecommunications	5.90%	3.64%	4.99%	0.05%	0.10%	0.15%	Telecommunications	5.90%	3.64%	0.66%	-0.09%	0.19%	0.10%	
Utilities	3.68%	2.74%	-13.66%	-0.09%	-0.05%	-0.14%	Utilities	3.68%	2.74%	-27.38%	-0.13%	0.04%	-0.09%	
						Excess Return							Excess Return	0.12%

i. Exhibit 8
Portfolio characteristics and securities data derived from FactSet. The attributions have been normalized to match the return of the strategy, as presented in the performance table on page 2. Data prior to strategy inception is simulated. Strategy inception is March 18, 2013.



Disclosures

Source: FactSet based on data from FTSE Russell.

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Prior to 11/1/2016, the 1-yr performance values reported in the Top 10 Holdings exhibit and the Top Over/Underweights exhibit were incorrect. The calculation has been modified to report the appropriate values moving forward.

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