

Research Affiliates, LLC



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March 24, 2021

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This Form ADV Part 2A (Brochure) provides information about the qualifications and business practices of Research Affiliates, LLC (“Research Affiliates”). If you have any questions about the contents of this Brochure, please contact us at (949) 325-8700 or compliance@rallc.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Research Affiliates, LLC is registered as an investment adviser with the SEC. Our registration as an Investment Adviser does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Research Affiliates, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure, dated March 24, 2021 has been updated to make the following changes:

- Update the Firm's regulatory assets under management in Item 4

In addition, Research Affiliates routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies and procedures, and risks as well as to respond to evolving industry best practices.

Research Affiliates encourages each client to read this Brochure carefully and to call with any questions you may have. Our previous version of Form ADV Part 2A was dated March 19, 2020.

At any time if you would like a copy of our Brochure, please contact our Chief Compliance Officer, Asher Ailey, at (949) 325-8700 or compliance@rallc.com.

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Item 4 – Advisory Business

A. Description of Firm

Research Affiliates, LLC (“Research Affiliates”) was founded in 2002 and offers globally innovative investment, smart beta, and asset allocation strategies. One of its competitive advantages rests in the strength of its research and development capabilities and ability to respond to the current needs of the global investment community. Leveraging its strong research focus, Research Affiliates designs and creates innovative products and services, which are distributed through various financial institutions. The strategic alliances Research Affiliates has with major financial institutions throughout the world predominantly take the form of sub-advisory and licensing relationships.

Outside of the United States, Research Affiliates relies on Class Order 03/1100 in Australia pursuant to the local rules promulgated by the Australian Securities & Investment Commission. Additionally, Research Affiliates is registered with the Central Bank of Ireland and acts as an investment manager to certain Irish authorized collective investment schemes.

RAFI Indices, LLC (“RI”) is a California limited liability company established in October 2016, which is a wholly owned subsidiary of Research Affiliates Global Holdings, LLC. RI constructs, publishes, and licenses various indices and does not offer or provide investment advice or offer or sell any securities, commodities or derivative instruments or products. RI does not currently employ any individual and instead relies on the employees of Research Affiliates to provide certain contract-based services. In addition, RI relies on Research Affiliates’ intellectual property to construct its indices pursuant to a licensing agreement.

B. Principal Owners

In 2011, Research Affiliates Global Holdings, LLC (“RAGH”) was formed as a holding company. Effective January 1, 2012, RAGH acquired 100% ownership of Research Affiliates when the owners of Research Affiliates exchanged all ownership interests in Research Affiliates for equivalent interests in RAGH. RAGH is owned and principally controlled by certain members of Research Affiliates’ senior leadership team. RAGH, through its Board of Directors (“Board”), oversees the firm’s strategic direction and supervises the Chief Executive Officer. The Board is comprised of those certain executive and non-executive members of Research Affiliates’ senior leadership team, with Robert D. Arnott, serving as Chairman.

Katrina Sherrerd serves as Chief Executive Officer of Research Affiliates. Investment advisory activities are provided by Research Affiliates, a SEC registered investment adviser. The primary office for Research Affiliates is located in Newport Beach, California.

C. Types of Advisory Services Provided

1. Direct Asset Management

In limited instances, Research Affiliates provides direct asset management services to institutional investors such as pension plans and state or municipal government entities through customized investment strategies offered to its institutional investors through separately managed accounts. Separately managed account clients may impose investment restrictions on investing in certain securities or types of securities.

2. Sub-Advisory Services

Research Affiliates provides investment sub-advisory services on a discretionary and non-discretionary basis to registered investment companies by creating a model portfolio, and providing updated input data and consulting services regarding the models. Research Affiliates also provides sub-advisory services to other independent third-party investment advisers, private funds, registered investment companies, UCITS funds and separately managed accounts (“sub-advised accounts”). The private funds, registered investment companies, UCITS funds and separately managed accounts are offered by unaffiliated third parties. Many services described and offered by Research Affiliates are based on its patented and patent-pending intellectual property.

3. Model Portfolio

Research Affiliates, on a non-discretionary basis, independently selects and designs a series of model portfolios, pursuant to its proprietary research, with monthly weighting allocations and exposure to a wide range of asset classes and geographic regions, (each a “Model Portfolio”). Model Portfolios are generally provided to third parties for implementation in separately managed accounts and / or distribution to financial advisors, including independent advisor (RIAs) or wealth management firms.

4. General Information Relating to Research Affiliates’ Services

Each client will enter into a written agreement with Research Affiliates setting forth the terms and conditions under which Research Affiliates will provide its services (each, an “Agreement”). In accordance with applicable laws and regulations, Research Affiliates will provide its disclosure brochure (Form ADV Part 2A) and most recent privacy notice to each advisory client prior to or contemporaneously with the execution of the Agreement. The Agreement between Research Affiliates and a client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Any fees paid to Research Affiliates in advance shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither Research Affiliates nor any client may assign the Agreement without the written consent of the other party. Transactions that do not result in a change of actual control or management of Research Affiliates shall not be considered an assignment.

Research Affiliates does not currently participate in wrap-fee programs.

Information relating to our senior management team members is provided in Form ADV Part 2B, Research Affiliates' Supplemental Brochure.

As of December 31, 2020, Research Affiliates, LLC managed approximately \$31,312,485,000 in regulatory assets under management, \$29,512,532,991 on a discretionary basis, and \$1,799,951,952 on a non-discretionary basis. In total, the regulatory assets under management, combined with assets managed by third parties utilizing index strategies developed or branded by Research Affiliates, equaled approximately \$152,373,729,000 as of December 31, 2020.

Item 5 – Fees and Compensation

A. Description of Fees

1. Direct Asset Management Fees

Separately managed account fees for accounts that are directly managed by Research Affiliates are based on the terms of individual investment management agreements. These fees are negotiated on a case-by-case basis but generally range from 5 to 50 basis points. Most separately managed accounts are billed quarterly, in arrears, based on a percentage of assets under management as of the most recent calendar quarter. Some accounts have fees based on a combination of a percentage of assets under management and a performance fee based on returns above a specific market benchmark. Clients receive quarterly fee invoices and are responsible for arranging payment to Research Affiliates based on the terms of their investment management agreement. Direct Asset Management fees are negotiable in the sole discretion of Research Affiliates.

2. Sub-Advisory Fees

For investment companies, private funds, UCITS and separately managed accounts that Research Affiliates sub-advises, fees are paid to Research Affiliates by the independent third-party investment adviser for such sub-advised accounts. Sub-Advisory fees are negotiated on a case-by-case basis. These fees are generally paid in arrears and are an allocation of the fees received by the third-party investment adviser. In addition, each related sub-advisory agreement is negotiated on a case-by-case basis with the respective third-party investment adviser.

3. Consulting Fees

In limited cases, Research Affiliates offers consulting services to certain unaffiliated index publishers, asset owners and investment advisers that use certain intellectual property and methodologies derived from Research Affiliates. These fees are generally paid to Research Affiliates by these unaffiliated index providers and investment advisers based on a percentage of assets under management as of the most recent calendar quarter.

4. Model Portfolio Fees

For model portfolio services provided on a non-discretionary basis, fees, if applicable, are generally paid in arrears and may include an allocation of the fees received by the third party implementer of the Model Portfolio.

B. Other Fee and Expense Information

All accounts, in addition to the advisory fees payable to Research Affiliates, may incur brokerage commissions, transaction fees and other related costs and expenses in connection with the management of such accounts. The costs are paid directly by the account to an unaffiliated broker-dealer, custodian, or other service provider. Research Affiliates does not receive, directly or indirectly, any of these costs charged to the clients. Please refer to Item 12 Brokerage Practices for more information.

No employees receive, directly or indirectly, any compensation from the sale of securities or investments that are purchased or sold for client accounts. As a result, Research Affiliates is a “fee only” investment adviser. However, Research Affiliates has also entered into a servicing agreement with its affiliated entity, RI, whereby Research Affiliates and its employees provide, among other things, product, accounting, legal and IT support services. RI compensates Research Affiliates for services provided on its behalf pursuant to the terms of this servicing agreement.

Research Affiliates has also entered into certain licensing agreements with RI and other partners and earns a licensing fee for its intellectual property. Additionally, Research Affiliates does have advisory and licensing arrangements (indirect and direct) with certain clients who also have entered into a licensing arrangement with RI. Pursuant to the terms of RI’s licensing agreement, such clients are charged separate asset-based fees for the specific service being performed. These arrangements will under certain circumstances result in conflicts of interest. See Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading for additional information about these potential conflicts of interest.

Item 6 – Performance Based Fees and Side-By-Side Management

Within any given investment strategy that Research Affiliates provides through its direct management services, it will have separately managed accounts with differing fee schedules. One client will, from time to time, have an asset-based fee, while another client has an incentive-based fee. On the accounts for which Research Affiliates serves as a sub-adviser, Research Affiliates will generally receive from the investment adviser an allocation of the investment advisory fees they receive.

While there is a potential conflict of interest due to the fact that performance fees are charged to certain accounts, Research Affiliates takes steps to mitigate this conflict. For example, as part of Research Affiliates’ fiduciary duty to clients, Research Affiliates has adopted policies and procedures designed to address potential conflicts of interest and the importance of putting the interests of clients first. In addition, Research Affiliates’ investment discipline is quantitative and rules based, and where possible, all accounts within a strategy are traded by its portfolio implementation provider at the same time, which mitigates the conflicts. Changes in portfolio

construction and transactions are based on a stated timetable or on client controlled contributions and withdrawals.

Item 7 – Types of Clients

Research Affiliates may provide direct investment management services to institutional investors including pension and profit sharing plans and state or municipal government entities. Research Affiliates also provides discretionary and non-discretionary sub-advisory services to an independent, third-party investment adviser to unaffiliated registered investment companies, UCITS funds, separately managed accounts and private funds.

Additionally, Research Affiliates reserves the right to accept or decline a potential client for any reason in its sole discretion. Prior to engaging Research Affiliates to provide any of the investment advisory services described in this disclosure brochure, the client will be required to enter into one or more written agreements setting forth the terms and conditions under which Research Affiliates shall render its services.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis

As discussed in Item 4 Advisory Business, Research Affiliates offers several investment strategies, including many based on a variation of its patented and patent-pending Fundamental Index™ methodology. The RAFI Fundamental Index™ methodology uses financial accounting measures of company size to gauge the economic footprint of a company (e.g. cash flow, sales, book value and dividends) rather than market capitalization, to select and weight stocks and create an indicative portfolio or index. The RAE™ strategies incorporate additional active insights (e.g., quality of earnings or financial distress) along with more frequent rebalancing.

To assist in the model portfolio construction process, Research Affiliates utilizes a broad spectrum of information from academic sources and industry vendors including financial publications, corporate actions, third-party research materials, annual reports, prospectuses and regulatory filings. Each strategy offered is rules based and offers broad market exposures and investment diversification. Since our model portfolio construction and modification processes require computer programming, an error in related computer coding could result in a loss to an investor in a strategy or vehicle dependent upon the given model portfolio and the manner in which it is implemented. Research Affiliates seeks to mitigate the risks of such coding errors, in part, by testing methodology as set forth in the respective technical document for a model portfolio using different programmers, a different programming language and by reconciling differing results, where possible. Non-methodology changes to portfolio construction code are generally tested for repeatability of past-delivered portfolios and results are analyzed. Model portfolios also undergo supervised quality assurance reviews before delivery.

B. Investment Strategies

Research Affiliates has developed multiple investment strategies, many based on patented and patent-pending intellectual property. Research has shown that an index based on market

capitalization has the characteristic of overweighting overvalued stocks and underweighting undervalued stocks, resulting in a performance drag. The RAFI Fundamental Index methodology is designed to capture the benefits of passive indexing while avoiding the performance drag associated with capitalization-weighted indexes. It does this by selecting and weighting stocks in an index using fundamental measures of company size (e.g., cash flow, book value, sales, and dividends). The RAE strategies apply our RAFI Fundamental Index methodology along with additional active insights (e.g., quality of earnings or financial distress) and more frequent rebalancing.

The current investment strategies that are the basis for various investment accounts or products for which Research Affiliates acts as an investment adviser or a discretionary sub-advisor, respectively, include the following:

RAE US Large - The RAE US Large strategy applies our RAFI Fundamental Index concept along with additional active insights to large U.S. listed equities.

RAE US Small - The RAE US Small strategy applies our RAFI Fundamental Index concept along with additional active insights to small U.S. listed equities.

RAE International - The RAE International strategy applies our RAFI Fundamental Index concept along with additional active insights to internationally listed equities.

RAE Emerging Markets - The RAE Emerging Markets strategy applies our RAFI Fundamental Index concept along with additional active insights to listed equities in the emerging markets.

RAE Global All Country - The RAE Global All Country strategy applies our RAFI Fundamental Index concept along with additional active insights to global, including emerging market, equities.

RAE Global All Country ex US - The RAE Global All Country ex US strategy applies our RAFI Fundamental Index concept along with additional active insights to foreign developed and emerging market equities.

RAE Global Developed - The RAE Global Developed strategy applies our RAFI Fundamental Index™ concept along with additional active insights to listed, global developed market equities.

RAE Europe - The RAE Europe strategy applies our RAFI Fundamental Index concept along with additional active insights to listed European equities.

RAE Low Volatility Foreign Equity - The RAE Low Volatility Foreign Equity strategy applies our RAFI Fundamental Index™ concept along with additional active insights to listed, global developed market equities (excluding Japan), emphasizing companies that display lower systematic risk.

All Asset Strategies - All Asset Strategies are global tactical asset allocation (GTAA) solutions that aim to deliver attractive real returns, equity diversification, and inflation protection via tactical long-only exposures. Within our All Asset Strategies, we have two investment strategy concepts.

All Asset is a global tactical asset allocation strategy that employs a contrarian investment process to seek high real returns while diversifying and complementing the traditional 60/40 approach to investing.

The **All Asset All Authority** strategy has similar objectives as All Asset with the added flexibility of leverage and shorting, which can potentially improve returns, risk mitigation, and diversification.

From time to time, Research Affiliates may develop other investment strategies based on specific parameters, including facilitating certain investment restrictions. Such strategies may be tailored around an investment policy statement, objectives or unique restrictions.

C. Risk of Loss

Investing in securities involves risk of loss that each client should be prepared and able to bear. Markets fluctuate significantly over time, and certain strategies may impose more risk than others. As a result, clients with exposure to Research Affiliates strategies risk loss of the assets invested in products or accounts managed according to these strategies. Research Affiliates does not guarantee any level of performance or that clients will not experience a loss in the value of their assets. Any past performance is not a guarantee of future performance.

In general, the strategies Research Affiliates offers may involve more trading activity and related costs as compared to traditional passive indexing strategies, but may involve less trading activity compared to traditional active management strategies. When comparing investment managers or strategies, trading frequency is one of many factors to consider. Frequent trading of securities can have a negative effect on investment performance due to the increased brokerage commissions and related costs involved.

Investments in registered investment companies (e.g., mutual funds and ETFs), private funds, or UCITS that Research Affiliates sub-advises are subject to a number of risks that are identified in detail within each fund's respective offering documents (e.g., prospectus, statement of additional information, etc.). All investors in such funds should receive and carefully review these documents.

- **Market Risk:** Markets can be volatile. In other words, the prices of stocks can go up or fall, sometimes rapidly and unpredictably, in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. In addition, unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; climate change and extreme weather events; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. U.S. and global financial markets and the broader current financial environment have recently been characterized by uncertainty, volatility and instability as a result of global and other events affecting the financial markets, including the “financial

crises” of 2008-2009 and the “COVID-19 pandemic.” Research Affiliates’ investments may decline in value if the markets perform poorly. There is also a risk that Research Affiliates’ investments will underperform either the securities markets generally or particular segments of the securities markets.

- Models and Data Risk: Research Affiliates develops and relies upon quantitative investment models and data in making investment decisions. Models may not adequately take into account certain factors, may contain design flaws or faulty assumptions, and may rely on incomplete or inaccurate data. Errors are often extremely difficult to detect and some may go undetected for long periods of time and some may never be detected. There is no assurance that data sources will always be available, and the loss of access to any data source could have an adverse impact on Research Affiliates’ ability to realize its investment objectives. In addition, data from non-traditional sources, so-called alternative data, may be used for investment models and such data may have additional risks related to its ownership, use, and availability. Models that are predictive in nature may result in an incorrect assessment of future events. Portfolios created using investment models may not reflect the impact that material economic and market factors might have had on Research Affiliates’ decision making if Research Affiliates were directly managing a portfolio.
- Foreign and/or Emerging Markets Risk: Investing in foreign securities or in securities of companies in emerging market countries involves certain considerations comprising both risk and opportunity not typically associated with investing in other more established economies or securities markets or in the securities of U.S. companies. Considerations for investing in foreign securities and/or emerging market securities include, but are not limited to, currency risks (fluctuations in currency exchange rates and currency devaluations), settlement risks, country risks (political and social instability, regional conflicts, expropriation, and government policies that have the effect of limiting or restricting foreign investment or the movement of assets), less liquid markets, less publicly available information than is generally the case in the United States, and less government oversight of exchanges, brokers and issuers which could result in different trading practices.
- Equity Risk: Historically, the equity markets have moved in cycles, and the value of equity securities can fluctuate significantly from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies can suffer a decline in response. These factors contribute to price volatility.
- Business Risk: This risk is associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- Political and Sanctions Risk: Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States. For example, the United Kingdom (“UK”) formally notified the European Council of its intention to leave the European Union and on January 31, 2020 withdrew from the EU (commonly known as “Brexit”). Brexit has resulted in volatility in European and global markets and could have negative long-term impacts on financial markets in the UK and throughout Europe. In addition, economic or other sanctions imposed on a foreign country or issuer by the U.S., or on the U.S. by a foreign country, could impair the ability to buy, sell, hold, receive, deliver, or otherwise transact in certain securities. Sanctions could also affect the value and/or liquidity of a foreign security.
- Liquidity Risk: The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is typically reflected in a wide bid-ask spread or large price movements.
- Model Portfolio Risk: Model Portfolios are subject to the risk that the selection of the underlying funds and the allocation and reallocation of the model portfolio allocation’s assets among the various funds may not produce the desired result. The models may not reflect the impact that material economic and market factors might have had on Research Affiliates’ decision making if Research Affiliates were actually managing a portfolio with assets pursuant to the Model Portfolio. The selection and weighting process across underlying funds is informed based on return estimates driven by Research Affiliates’ forward looking view and risk estimates driven by Research Affiliates’ analytic infrastructure.
- Simulated Data Returns Risk: Certain index or Model Portfolio returns shown may reflect simulated performance. All performance presented prior to the index or model portfolio inception date is simulated performance. Simulated performance is not actual performance, but is hypothetical. The simulated calculations are based on the same methodology that was in effect when the index or Model Portfolio was officially launched. However, simulated data may reflect the application of the index or Model Portfolio methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index. Simulated returns may not reflect the impact that material economic and market factors might have had on the adviser’s decision-making if the adviser were actually managing clients’ money. Indexes are investment management products and cannot be invested in directly. Simulated data has inherent risks that range from data mining, data snooping and crowding. The risk and return characteristics of index or Model Portfolio over a long period of time may represent performance attributes that no longer exist.
- Derivative Risk: The use of derivatives can lead to losses because of adverse movements in the price or value of the asset, index, rate or instrument underlying a derivative, due to failure of the counterparty or tax or regulatory constraints. In this context, derivatives include but are not limited to: futures, forwards, options, participatory notes, warrants, and

other similar instruments that may be valued based upon another or related asset. Derivatives can create economic leverage in a client portfolio, which magnifies the portfolio's exposure to the underlying investment. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of a position or security held by a client portfolio. Derivatives for hedging purposes may not reduce risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and a transaction may be unsuccessful in whole or in part because of market behavior or unexpected events. Derivative instruments may be difficult to value, may be illiquid, and can be subject to wide swings in valuation caused by changes in the value of the underlying instrument. If a derivative counterparty is unable to honor its commitments, the value of a client portfolio may decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. The loss on derivative transactions can substantially exceed the initial investment. Certain strategies use derivatives extensively.

- Shorting Risk: A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position or a theoretically unlimited loss.
- Leverage Risk: Leverage may take the form of borrowings from securities broker-dealers, banks or others that arises from transactions in futures and other derivative contracts. Leverage increases both the possibilities for profit and the risk of loss. The use of leverage increases the possibility that a systematic underperformance of assets versus their hedges in the markets in which the sub-adviser invests (or recommends to invest via a model portfolio) will result in a material, perhaps even total, loss to investors.
- Regulatory Risk: Legal, tax and regulatory changes (both within and outside the United States) could occur that may adversely affect Research Affiliates' investments. New (or revised) laws or regulations may be imposed by the Internal Revenue Service, the SEC, the CFTC, the U.S. Treasury Department, the U.S. Federal Reserve or other banking regulators, other governmental regulatory authorities or self-regulatory organizations that supervise the financial markets that could adversely affect Research Affiliates' investments. In addition, many financial instruments use or may use a floating rate based on the London Interbank Offered Rate, or "LIBOR." The head of the United Kingdom Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. The elimination of LIBOR may adversely affect the interest rates on and value of certain derivatives and floating rate securities as well as any other assets or liabilities the value of which is tied to LIBOR.
- Environmental, Social and Governance Matters Risk: While ESG is only one of the many factors Research Affiliates will consider in making investment recommendations for certain strategies, there is no guarantee that Research Affiliates will successfully implement and make investments in companies that create positive environmental, social or governance ("ESG") impact while enhancing long-term shareholder value and achieving financial returns. Considering ESG qualities when evaluating an investment may result in

the selection or exclusion of certain investments based on Research Affiliates' view of certain ESG-related and other factors, carries the risk that Research Affiliates' recommendations may underperform investment portfolios that do not take ESG-related factors into account because the market may ultimately have a different view of a particular company's performance than that anticipated by Research Affiliates. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a company's ESG-related practices or Research Affiliates' assessment of such practices may change over time.

- Rules-Based Management Risk: Research Affiliates uses proprietary investment techniques and analyses in making investment decisions for the clients, seeking to achieve its investment objective. The strategies seek to take advantage of certain quantitative characteristics identified by Research Affiliates, utilizing a rules-based process and disciplined rebalancing model. Research Affiliates' rules-based process has limited investment discretion and may not adequately allow for existing or unforeseen market factors or the interplay between such factors. Further, these strategies have not been independently tested or validated, and there can be no assurance that it will achieve the desired results.
- Operational and Cybersecurity Risk: Research Affiliates, its third-party service providers and other market participants are increasingly interrelated and depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks such as cyber-attacks, breaches or failures including, among other things, the corruption of data maintained online, denial of service attacks on websites and disruptions due to environmental or man-made disasters. Such risks may negatively impact the firm's business operations. While Research Affiliates has established business continuity plans and risk management systems in order to address system breaches or failures, these plans and systems have limitations; for instance, Research Affiliates cannot control the cybersecurity systems of its service providers.

Item 9 – Disciplinary Information

Research Affiliates is obligated to disclose any disciplinary event that would be material to clients and prospective clients evaluating Research Affiliates. At this time, Research Affiliates does not have any disciplinary events to report. This statement applies to the company and every employee.

Item 10 – Other Financial Industry Activities and Affiliations

Research Affiliates licenses its intellectual property to registered investment advisers, investors and index providers, including RI. The terms, fees and services provided under each arrangement are negotiated on a case-by-case basis and are governed by a license agreement.

As described in Item 4 above, Research Affiliates' affiliated entity RI constructs, publishes and licenses various indices. Research Affiliates provides RI with employee resources to perform certain support services, as more fully described in Item 5. RI pays Research Affiliates for such

employees' services pursuant to a written agreement between RI and Research Affiliates. This agreement will be reviewed annually and compensation to Research Affiliates adjusted accordingly based on, among other things, the amount of work performed. Conflicts relating to this employee relationship (as described in Item 11 below) are mitigated due to the fact that Research Affiliates employees do not receive compensation for specific sales production relating to RI.

Research Affiliates Global Advisors (Europe) Limited is a UK company, providing support services to certain, non-advisory licensees of Research Affiliates in Europe and support to Research Affiliates, LLC and its affiliate, RAFI Indices, LLC. Research Affiliates Global Advisors (Europe) Limited is a wholly owned subsidiary of Research Affiliates Global Holdings, LLC and does not have any clients other than Research Affiliates.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Research Affiliates does not, directly or indirectly, buy from or sell securities to any client. Research Affiliates' Supervised Persons may have positions in securities recommended for investment that were acquired prior to beginning their employment with Research Affiliates. Supervised Persons and accounts in which they have a beneficial interest are not permitted to purchase individual, publicly traded securities or related derivatives, including securities offered in an initial public offering. Research Affiliates has developed policies and procedures requiring pre-approval by its compliance department of certain securities transactions. Supervised Persons are restricted from any transactions in their own account, or accounts in which they have a beneficial interest, where such transactions may be detrimental to a client.

All Supervised Persons are required to provide authorization for Research Affiliates to receive brokerage account activity and/or duplicate copies of brokerage statements. Daily brokerage account trading activity is fed into a web-based personal trading compliance application and monitored for compliance with personal trading policies and restrictions. As applicable, duplicate copies of brokerage account statements are reviewed quarterly by our compliance department to monitor compliance with personal trading policies and restrictions. All Supervised Persons perform periodic personal trading electronic certifications, such as quarterly reporting of transactions, annual holdings reports, and annual brokerage account reports.

Research Affiliates has adopted policies and procedures concerning the possession of and use of material non-public information. All Supervised Persons receive a copy of the Research Affiliates Compliance Manual, including the Code of Ethics, and any updates, which include written policies and procedures relevant to personal trading and material non-public information.

The Code of Ethics establishes standards of business conduct, states that Research Affiliates will conduct its business in accordance with all applicable laws, rules and regulations, and outlines Research Affiliates' duties and responsibilities as a fiduciary to its clients. A copy of the Code of Ethics is available upon request.

Conflicts of Interest

Research Affiliates and its related entities engage in a range of activities, as described above in Item 4 and Item 10. In the ordinary course of conducting its activities, the interests of a client will, from time to time, conflict with the interests of Research Affiliates, another client or their respective affiliates. A discussion of certain of these conflicts of interest can be found below, although the discussion below does not necessarily describe all of the conflicts that arise in the course of Research Affiliates' activities. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

In the case of all conflicts of interest, Research Affiliates' determination as to which factors are relevant, and the resolution of such conflicts, will be made using Research Affiliates' best judgment, but in its sole discretion. In resolving conflicts, Research Affiliates considers various factors, including the interests of the applicable clients with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Research Affiliates has adopted policies and procedures for resolving specific conflicts of interest.

Research Affiliates and its affiliates provide services to a number of different clients and licensees. Research Affiliates and its affiliates will under certain circumstances give advice or take actions with respect to one or more clients or licensees that will not be given or taken with respect to other clients or licensees, including those with similar strategies or methodologies. As a result, clients and licensees with similar strategies or methodologies will not necessarily hold the same securities or achieve the same performance.

Fees will also differ from one client or licensee to another, including among clients and licensees with similar strategies or methodologies, and investment personnel in certain circumstances will have conflicts of interest due to these differing fee arrangements. With respect to sub-advised accounts, Research Affiliates receives a portion of the fees investors pay to third-party investment advisers serving the sub-advised accounts. The fees paid by an investor that invests in any sub-advised accounts may be higher or lower than the fees an investor may pay elsewhere for similar investment strategies or services. Research Affiliates provides advisory services to both directly managed accounts (some of which charge incentive-based fees) and sub-advised accounts utilizing similar investment strategies, and the fees received by Research Affiliates for each of these services varies. While there is a potential conflict of interest due to Research Affiliates earning a higher fee on one account versus another, Research Affiliates seeks to address this conflict of interest, including by exercising an investment discipline, which is quantitative and rules based, and where possible, trading all accounts within a strategy at the same time.

However, the timing of updating model portfolios and/or indices will not occur at the same time for all clients and licensees. For example, investment personnel may discover either an error in or improvement to a methodology and the correction and/or updates regarding errors or improvements will not necessarily occur at the same time for all clients or licensees of Research Affiliates and its affiliates. The frequency with which a model and/or index is updated is generally governed by either the contractual arrangements between Research Affiliates, RI and their clients and licensees, or by the relevant index rulebook. Additionally, there will under certain circumstances be instances where a model or index is corrected and the correction is not made with respect to other models/indices. The clients and/or licensees whose models and/or indices are

updated more frequently or corrected may have more favorable performance as compared to the clients and/or licensees whose models and/or indices are not updated as frequently or corrected.

In addition, Supervised Persons may have responsibilities with respect to multiple clients and licensees. Conflicts of interest arise in allocating time, services or functions of such Supervised Persons.

Similarly, Research Affiliates and its affiliates receive and generate various kinds of information, including related to financial, industry, market and other metrics. As a result of obtaining this information, Research Affiliates and its affiliates may be better able to anticipate macroeconomic and other trends, and otherwise develop investment strategies and methodologies. Research Affiliates and its affiliates will in certain instances use this information in a manner that may provide a material benefit to Research Affiliates, its affiliates, or to certain clients or licensees without benefitting the clients or licensees from which such information was obtained.

Research Affiliates and its affiliates do not guarantee the timeliness, accuracy and/or completeness of an index, and Research Affiliates is not responsible for errors, omissions or interruptions in the index (including when Research Affiliates or an affiliate acts as the index provider).

Item 12 – Brokerage Practices

Research Affiliates has engaged Parametric Portfolio Associates LLC (“Parametric”), an unaffiliated SEC registered investment adviser based in Seattle, Washington, to handle front, middle and back office support functions for its RAE accounts and strategies. Please refer to Parametric’s disclosure document for additional information about its brokerage practices. Parametric’s disclosure document can be found on the SEC’s website at www.adviserinfo.sec.gov. Parametric’s CRD number is 114310.

Subject to the investment directives they receive from Research Affiliates, Parametric generally has the authority to make investment decisions without prior consultation with the client. At any time, clients may place limitations or restrictions on Research Affiliates’ discretionary authority in the management of their account. Clients communicate such limitations or restrictions in writing to Research Affiliates. In rendering advisory services, Research Affiliates complies with the investment policies, limitations, and restrictions of each client.

A client may give Research Affiliates discretion for selecting a broker on their behalf. This discretion is delegated to Parametric and in such cases, Parametric considers the following factors when selecting a brokerage firm: quality of execution, clearance and settlement capabilities, financial stability, and commission rates and cost. Considering the circumstances, the overall objective in effecting portfolio transactions is to obtain the best combination of price and execution for clients.

For unaffiliated private funds, investment companies or UCITS funds for which Research Affiliates acts as a non-discretionary sub-advisor, Research Affiliates has no authority to determine the specific securities bought or sold, the amount of such securities, the broker-dealer used, or the commission rate to be paid.

For unaffiliated private funds, investment companies or UCITS funds for which Research Affiliates acts as a discretionary sub-adviser, it may have authority to determine the broker-dealer used or the commission rate to be paid. For such accounts, Research Affiliates delegates to Parametric the selection of a broker-dealer and the determination of the rate to be paid to any such broker-dealer; provided that Research Affiliates will monitor Parametric's brokerage practices, including its policies and procedures related to best execution.

Research Affiliates has a policy to not engage in "soft dollar" arrangements that are related to securities brokerage transactions. Research Affiliates may receive the use of products, research or services from third parties, but they are not paid for through brokerage activities. Research Affiliates does not receive compensation, benefits, products, research or services from any broker-dealer to whom brokerage transactions are directed beyond normal brokerage services. Parametric does not enter into soft dollar agreements to pay for research and does not otherwise allocate brokerage commissions to pay for research or other products or services.

Item 13 – Review of Accounts

Estimated performance of portfolios delegated to Parametric is reviewed daily. This review includes performance over various time horizons and summary position information such as valuation ratios and weighted average market capitalization. Evidence of unusual performance or positions prompts a review of detailed portfolio positions. Parametric sends daily detailed position reports to Research Affiliates.

The nature and frequency of written reports provided to separately managed account clients for which Research Affiliates acts as the investment adviser are determined primarily by the particular needs of each client and client instructions. Generally, clients receive monthly reports from Research Affiliates. In addition, clients receive at a minimum, separate quarterly or more frequent, account statements from the broker-dealer, bank or other qualified custodian detailing all cash and asset transactions and activity within their account. In general, meetings with clients are held according to the stated desires of each client. Client reports may include a written analysis of all assets under management, portfolio characteristics, and current and historical performance.

For unaffiliated private funds, investment companies, and UCITS that Research Affiliates sub-advises on a discretionary basis, Research Affiliates provides to the respective investment adviser daily, monthly and annual reports relating to portfolio construction, portfolio performance, and/or other reports as required by the respective manager or SEC rules. Actual holdings in a fund's portfolio are under the control of the fund manager.

Item 14 – Client Referrals and Other Compensation

Research Affiliates does not have any third party referral relationships.

Item 15 – Custody

In all applicable cases, custody shall be maintained with a qualified custodian (brokers/dealers, banks, trust companies, or other qualified institutions). The qualified custodian will maintain client

assets and typically send directly to each directly managed limited partnership and separately managed account quarterly or more frequent account statements detailing all cash and asset transactions and activity within their accounts. Clients are strongly urged to compare the account statements they receive from their qualified custodian to the statements provided by Research Affiliates. Account statement balances may occasionally differ from custodial statements due to accounting practices, reporting dates, currency valuations, or security valuation methodologies of certain securities. For tax and other purposes, the custodial statement is the official record for the account and assets.

Item 16 – Investment Discretion

For each separately managed account for which Research Affiliates acts as the investment adviser, Research Affiliates provides quantitative, rules-based investment strategies and outsources all discretionary decision-making to the client or implementation partner. Except under limited circumstances (i.e., in the context of security selection and weightings with respect to the model portfolios being provided), Research Affiliates generally does not have discretion to make investment decisions that are inconsistent with its rules-based methodology.

A client may give Research Affiliates discretion for selecting a broker on their behalf. In such instances, Research Affiliates delegates this authority to Parametric since it implements trades for Research Affiliates. Parametric considers the following factors when selecting a brokerage firm: quality of execution, clearance and settlement capabilities of the broker, its financial stability, and commissions and cost. See Item 12 – Brokerage Practices for additional details.

For the unaffiliated accounts to which Research Affiliates is a non-discretionary sub-advisor, it has no authority to determine the specific securities bought or sold or the amount of such securities. For unaffiliated private funds, investment companies or UCITS for which Research Affiliates acts as a discretionary sub-advisor, it has authority, subject to investment restrictions and objectives, to determine the specific securities bought or sold and the amount of such securities bought or sold.

Item 17 – Voting Client Securities

Research Affiliates has adopted proxy voting policies and procedures (“Proxy Policy”) designed to ensure the manner in which shares are voted is in the best interest of clients and the value of the investment. Absent a specific written authorization by a client, Research Affiliates does not vote proxies.

As noted in Item 12, Research Affiliates has engaged Parametric to handle front, middle and back office support functions for Research Affiliates’ directly managed and discretionary, sub-advised accounts. Among these functions is the responsibility to vote shareholder proxies. Absent any prior client directive, Parametric shall vote proxies in a manner consistent with the Proxy Policy. Each client retains the right at all times to withdraw the proxy voting authority by providing Research Affiliates with a written notice of withdrawal of authorization. A copy of the Proxy Policy is available upon request.

Research Affiliates' Proxy Policy provides guidance so that Parametric acts in a manner intended to be prudent, diligent and in the best interests of clients. The occasions when ballots may not be voted include, but are not limited to, when the cost of voting the proxy exceeds the expected benefit to the client, where a jurisdiction imposes share blocking restrictions which may impact the ability to affect trades in the related security, or when voting is inconsistent with Research Affiliates' fiduciary obligations. Clients may request at any time a report of all proxies voted for their account. Proxies are not voted where the receipt of proxy materials or related shareholder communications is untimely. In cases where a client has provided specific authorization for Research Affiliates' to vote proxies, clients generally cannot direct Research Affiliates' vote.

Item 18 – Financial Information

Research Affiliates does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Research Affiliates has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.

Part 2B of Form ADV: Brochure Supplement

Item 1 – Cover Page Part 2B of Form ADV: Brochure Supplement

Research Affiliates, LLC
620 Newport Center Drive, Suite 900
Newport Beach, CA 92660
(949) 325-8700
www.researchaffiliates.com

The following individuals listed are the most senior members of Research Affiliates, LLC (Research Affiliates) and formulate investment advice in their respective roles, and / or as members of the Research Affiliates' Investment Committee:

- *Robert D. Arnott – Chairman of the Board
- *Katrina F. Sherrerd – Chief Executive Officer PhD, CFA
- *Christopher J. Brightman – Chief Investment Officer, CFA

*(Member of Board of Directors)

This Brochure Supplement provides information on our personnel listed above and supplements the Research Affiliates' Brochure. You should have also received a copy of the Brochure. If you did not receive Research Affiliates' Brochure or if you have any questions about the contents of this Brochure Supplement, please contact us at (949) 325-8700 or info@rallc.com.

Additional information about Research Affiliates and our personnel is available on the SEC's website at www.adviserinfo.sec.gov.

Please note: While Research Affiliates is a registered investment adviser with the SEC, clients should be aware that registration itself does not imply any level of skill or training.



Robert D. Arnott
Chairman, Board of Directors

Item 2 – Educational Background and Business Experience

Year of Birth: 1954

Education:

- BA Applied Mathematics, Computer Science and Economics, University of California, Santa Barbara 1977

Recent Business Experience:

- | | |
|----------------------------|---|
| • Research Affiliates, LLC | 2018 – Present, Chairman, Board of Directors |
| • Research Affiliates, LLC | 2002 – 2018, Chairman & CEO |
| • PA Distributors, LLC | 2003 – 2004 Registered Representative |
| • First Quadrant, L.P. | 2002 – 2004 Chairman |
| • First Quadrant, L.P. | 1988 – 2002 President & Board of Directors, CEO |

Item 3 – Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice.

No information is applicable to this Item for Mr. Arnott.

Item 4 – Other Business Activities

- Investment Related Activities
 - Mr. Arnott is not engaged in any other investment related activities.
- Non-Investment Related Activities
 - Mr. Arnott is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

Item 5 – Additional Compensation

Mr. Arnott receives compensation for providing advisory services solely from his responsibilities at Research Affiliates and from no other source.

Item 6 – Supervision

Mr. Arnott reports directly to the Research Affiliates' Board of Directors as disclosed on the cover page. You may contact the Board of Directors members at (949) 325-8700.



Katrina F. Sherrerd, PhD, CFA
Partner, Chief Executive Officer
Member, Board of Directors

Item 2 – Educational Background and Business Experience

Year of Birth: 1957

Education:

- PhD Finance, University of Virginia 1987
- MS Transportation Studies, Massachusetts Institute of Technology 1983
- BS Finance, University of Virginia 1979

Recent Business Experience:

- | | |
|----------------------------|---|
| • Research Affiliates, LLC | 2018 – Present, Partner, CEO, Member, Board of Directors |
| • Research Affiliates, LLC | 2014 – 2018, President, Chief Operating Officer |
| • Research Affiliates, LLC | 2009 – 2018, Managing Director, Chief Operating Officer |
| • Research Affiliates, LLC | 2006 – 2009 Managing Director, Strategic Planning & Affiliate Relations |
| • CFA Institute | 1987 – 2006 Managing Director |

Professional Designations:

- Chartered Financial Analyst (CFA)

The CFA charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

- Issued by CFA Institute
- Prerequisites/Experience Required:
 - Candidate must meet one of the following requirements:
 - Undergraduate degree and 4 years of professional experience involving investment decision making, or
 - 4 years of qualified work experience (full-time, but not necessarily investment related)
- Educational Requirements
 - Self-study program (250 hours of study for each of the 3 levels)
- Examination Type: 3 course exams

- Continuing Education/Experience Requirements: None

Item 3 – Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice.

No information is applicable to this Item for Ms. Sherrerd.

Item 4 – Other Business Activities

- Investment Related Activities
 - Ms. Sherrerd is not engaged in any other investment related activities.
- Non-Investment Related Activities
 - Ms. Sherrerd is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of her time.

Item 5 – Additional Compensation

Ms. Sherrerd receives compensation for providing advisory services solely from her responsibilities at Research Affiliates and from no other source.

Item 6 – Supervision

Ms. Sherrerd reports directly to the Research Affiliates' Board of Directors as disclosed on the cover page. You may contact the Board of Directors members at (949) 325-8700.



Christopher J. Brightman, CFA
 Partner, Chief Investment Officer
 Member, Board of Directors

Item 2 – Education Background and Business Experience

Year of Birth: 1961

Education:

- MBA, Loyola University Maryland 1989
- BS Finance, Virginia Tech University 1983

Recent Business Experience:

- | | |
|--|--|
| • Research Affiliates, LLC | 2018 – Present, Member, Board of Directors |
| • Research Affiliates, LLC | 2014 – Present, Partner, Chief Investment Officer |
| • Research Affiliates, LLC | 2013 – 2014 Managing Director, Head of Investment Management |
| • Research Affiliates, LLC | 2011 – 2012 Head of Investment Management |
| • Research Affiliates, LLC | 2010 – 2011 Director, Strategy |
| • University of Virginia Investment Management Company | 2004 – 2010 CEO |
| • Strategic Investment Group | 2001 – 2004 Chief Investment Officer |

Professional Designations:

- Chartered Financial Analyst (CFA)

The CFA charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

- Issued by CFA Institute
- Prerequisites/Experience Required:
 - Candidate must meet one of the following requirements:
 - Undergraduate degree and 4 years of professional experience involving investment decision making, or
 - 4 years of qualified work experience (full-time, but not necessarily investment related)
- Educational Requirements

- Self-study program (250 hours of study for each of the 3 levels)
- Examination Type: 3 course exams
- Continuing Education/Experience Requirements: None

Item 3 – Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice.

No information is applicable to this Item for Mr. Brightman.

Item 4 – Other Business Activities

- Investment Related Activities
 - Mr. Brightman is not engaged in any other investment related activities.
- Non-Investment Related Activities
 - Mr. Brightman is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

Item 5 – Additional Compensation

Mr. Brightman receives compensation for providing advisory services solely from his responsibilities at Research Affiliates and from no other source.

Item 6 – Supervision

Mr. Brightman reports directly to Katrina Sherrerd. You may contact Katrina Sherrerd at (949) 325-8700.