

Citi RAFI Bond Index Series

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Citi Fixed Income Indices (Citi) and Research Affiliates have developed a new series of investable bond indices based on the Research Affiliates Fundamental Index* (RAFI*) methodology.

The Citi RAFI Bond Index Series will include sovereign and corporate bond indices and uses fundamental measures to weight the index components.

The Citi RAFI Bond Index Series weights index components by the issuer's economic footprint and proxies for ability to service debt. This provides an alternative to market capitalization weighting, where index components are weighted by the issuer's amount of outstanding debt.

A Strategic Partnership

Citi brings its expertise and experience in fixed income index related products and services to provide stable and replicable indices.

Research Affiliates brings its research strength, product development capabilities and pioneering proprietary methodology on securities selection and weighting based on fundamental measures.

The Citi RAFI Bond Index Series is available in The Yield Book, Citi's web-based analytical tool that enables clients to manage their portfolios against various indices, analyze portfolio positions, quantify risk and identify drivers of performance.

* Please see important information at the back of this document

The Citi RAFI Bond Index Series will include:

Citi RAFI Bond Index Series					
Sovereign Developed Markets Bond Index Series		Sovereign Emerging Markets Local Currency Bond Index Series		Corporate Bond Index Series	
Master	Liquid	Master	Liquid	Master	Liquid

Research Affiliates' Innovative Fundamental Index Methodology

An alternative approach to securities weighting

Traditional fixed income indices use market capitalization weights which tend to increase exposure to issuers as they become more indebted.

Research Affiliates has developed an innovative methodology for constructing indices which determines component weightings based on fundamental measures.

The essence of this approach is to focus on capturing the economic "footprint" of a sovereign or company, which reflects its ability to service its debt.

Simultaneously, Research Affiliates Fundamental Index methodology preserves the advantages of passive investing:

- Diversification
- Liquidity
- Transparency
- Broad economic representation
- Limited transaction costs

Sovereign index methodology

Holdings are weighted based on metrics that signify the importance of a country in the world economy:

Population | GDP | Energy consumption | Rescaled land area

Corporate index methodology

Holdings are weighted based on four measures of a company's size:

Sales | Cash flow | Book value of assets | Dividends

Note that the Fundamental Index factors

- are not correlated, or have very low correlation, with market value
- are not affected by investor behavior
- reflect objective measures of relative size

An approach for an inefficient market

Research Affiliates believes that markets are not perfectly efficient and that this inefficiency is particularly evident in the sovereign debt markets.

Why should we deliberately choose to lend more to those who are most deeply in debt?

Weighting countries based on their economic fundamentals instead of their outstanding debt moderates exposure to more indebted countries.

Citi's Expertise in Index Design and Production

A recognized fixed income index provider with more than 30 years of experience

Experience in Indexing

Citi has been producing fixed income indices for more than 30 years. Citi's indices have been widely used in ETFs, structured products and swaps.

Desirable Index Qualities

Indices are based on objective rules and strike a balance between comprehensiveness and replicability. They are designed to facilitate replicating portfolios and to minimize tracking error.

Coverage

Citi indices offer a broad array of currencies, regions, asset classes and credit qualities.

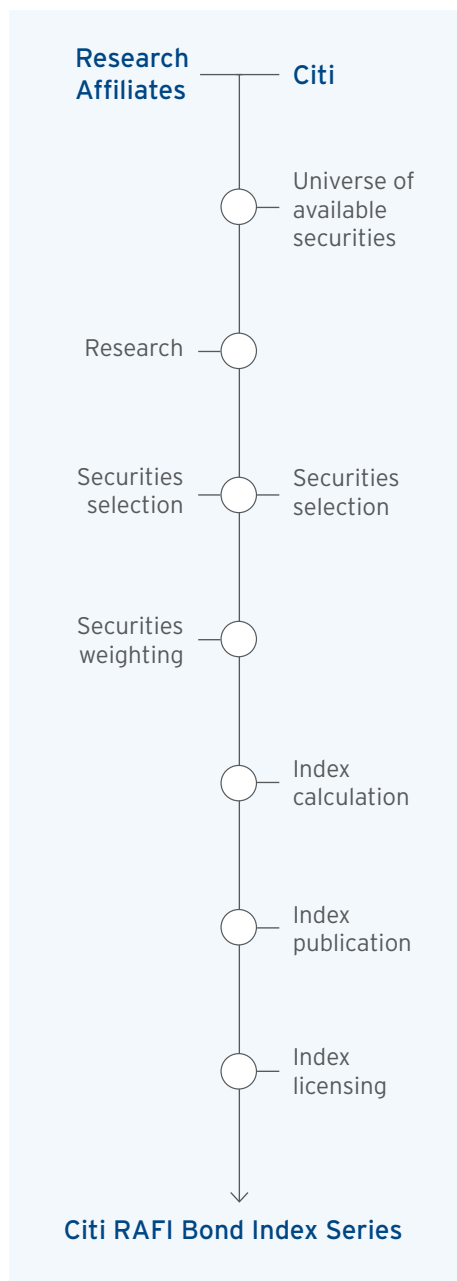
Fixed Income Analytics

All Citi indices are available in The Yield Book, Citi's portfolio analytics system for index analysis and risk management.

Accessibility

For more information about the Citi RAFI Bond Index Series, please go to:

- Citi Fixed Income Index website: www.yieldbook.com
- Research Affiliates website: www.researchaffiliates.com
- The Yield Book
- Bloomberg:
 - CRFDMU - Citi RAFI Sovereign Developed Markets Bond Index Master in USD terms
 - CRFDU - Citi RAFI Sovereign Developed Markets Bond Index Liquid in USD terms
 - CRFELMU - Citi RAFI Sovereign Emerging Markets Local Currency Bond Index Master in USD terms
 - CRFEMLU - Citi RAFI Sovereign Emerging Markets Local Currency Bond Index Liquid in USD terms



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Important Information

Citi, the leading global financial services company, has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions. Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management.

Research Affiliates, a global leader in innovative investing and asset allocation strategies, operates worldwide from its base in Newport Beach, California. Dedicated to solving complex investment issues, the firm creates innovative strategies that respond to the current needs of the market. Leveraging its strong research focus, Research Affiliates® distributes products in partnership with some of the world's leading financial institutions. These affiliations take the form of direct asset management, sub-advisory services, and licensing agreements.

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