

# MFEM

## PIMCO RAFI Dynamic Multi-Factor Emerging Markets Equity ETF

### Fund Description

MFEM tracks an index of emerging-market companies that are selected and weighted by a combination of fundamental and technical factors.

### FactSet Analyst Report

MFEM aims for increased exposure to outperforming investment factors in the emerging-market space. The methodology calculates a fundamental weight stand-in for market-cap for each security in its universe, using four fundamental metrics: current book value, and the last five years of de-levered sales, cash flow, and dividends plus buybacks. Each security is also scored on five investment factors: value, low volatility, quality, momentum, and size. These factors are used to create five sub-portfolios within the fund, with each stock potentially appearing in multiple sub-portfolios. For the value, quality, and low volatility portfolios, stocks are ranked by the factor score and the top 25% by fundamental weight are selected. The momentum portfolio selects the top 50%. The size portfolio includes all of the small-cap firms from the other portfolios. All sub-portfolios are weighted by fundamental weight. The factor portfolios are equal-weighted to start, with the weights then adjusted based on momentum and long-term reversal signals. The index uses a rolling rebalance, only rebalancing 25% of each sub-portfolio every quarter.

