

# FlexShares Disciplined Duration MBS Index Fund

Capital  
Appreciation

Risk  
Management

Income  
Generation

Liquidity  
Management

## Objective and Strategy

The Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of The BofA Merrill Lynch Constrained Duration US Mortgage Backed Securities Index (Underlying Index).

## Different, by Design

1. Create a disciplined duration MBS portfolio, managing to an effective duration between 3.25 and 4.25 years
2. Track an innovative index that applies security and pool constraints to help manage portfolio liquidity

## FUND FACTS

Ticker	MBS
Inception	09/03/2014
CUSIP	33939L779
Exchange	NASDAQ
Underlying Index	ICE BofAML <sup>®</sup> Constrained Duration US Mortgage Backed Securities Index <sup>SM</sup>
Index Ticker	M375
IOPV Ticker	MBS.DV
Estimated Cash Ticker	MBS.EU
Net Assets	\$34,181,825
Shares Outstanding	1,450,001
No. of Holdings	366

## EXPENSE RATIO (%)

As of September 30, 2019

Management Fee	0.20
Acquired Fund Fees and Expenses	0.00
Other Expenses	0.00
<b>Gross Expense Ratio</b>	<b>0.20</b>
Expense Reimbursement	0.00
<b>Net Expense Ratio</b>	<b>0.20</b>

## FUND CHARACTERISTICS

As of September 30, 2019

Weighted Average Effective Duration (years)	2.50
Weighted Average Option Adjusted Spread (basis points)	56.46
Weighted Average Life (years)	4.53
SEC Subsidized Yield	2.44%
SEC Unsubsidized Yield	2.44%

## QUARTER END PERFORMANCE (%)

As of September 30, 2019

	QTD	YTD	1 Yr.	3 Yr.	5 Yr.	Since Inception
MBS NAV Return	1.50	5.38	6.62	1.60	2.03	2.04
MBS Market Return (Bid-Ask Midpoint)	1.54	5.47	6.71	1.54	2.03	2.06
ICE BofAML <sup>®</sup> Constrained Duration US Mortgage Backed Securities Index <sup>SM</sup> Return	1.58	5.99	7.38	2.19	2.55	2.53
Bloomberg Barclays Capital U.S. MBS Index Return	1.37	5.60	7.80	2.32	2.80	2.74

One cannot invest directly in an index.

Performance 1-year and less are cumulative; performance over 1-year are average annualized total returns.

**Performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the original cost. The fund has a net (gross) expense ratio of 0.20% (0.20%). Northern Trust Investments, Inc. ("NTI" or "Investment Adviser") has contractually agreed to reimburse certain expenses (amount is less than 0.005%) of the Trust's independent trustees until March 1, 2020.**

For the most recent month-end performance, please visit the Fund's website at [www.flexshares.com](http://www.flexshares.com).

## TOP FUND HOLDINGS

As of September 30, 2019

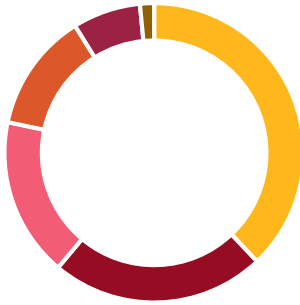
Name	COUPON	MATURITY	Weight (%)
1. UMBS MORTPASS 2.5% 01/JUN/2043 CL PN# ZS3760	2.500%	06/01/2043	2.38
2. UMBS MORTPASS 3% 01/JAN/2043 CL PN# AB7575	3.000%	01/01/2043	1.11
3. UMBS MORTPASS 2.5% 01/SEP/2046 CL PN# MA2764	2.500%	09/01/2046	1.09
4. GNMA I MORTPASS 4.5% 15/NOV/2047 SP PN# 784393	4.500%	11/15/2047	1.06
5. UMBS MORTPASS 3% 01/OCT/2044 CL PN# FM1130	3.000%	10/01/2044	0.96
6. FHLMCGLD MORTPASS 2.5% 01/DEC/2046 G0 PN# G08736	2.500%	12/01/2046	0.87
7. FHLMCGLD MORTPASS 3% 01/MAR/2042 Q0 PN# Q06771	3.000%	03/01/2042	0.82
8. UMBS MORTPASS 6% 01/JUL/2041 CL PN# BM3118	6.000%	07/01/2041	0.81
9. UMBS MORTPASS 5% 01/JAN/2044 CL PN# AL8427	5.000%	01/01/2044	0.79
10. FHLMCGLD MORTPASS 3% 01/APR/2043 Q1 PN# Q17451	3.000%	04/01/2043	0.78
<b>Total</b>			<b>10.67</b>

The **30-Day SEC Subsidized Yield** is computed under an SEC standardized formula based on net income earned over the past 30 days. It is a "subsidized" yield, which means it includes contractual expense reimbursements and it would be lower without those reimbursements. It may also include an inflation adjustment that can cause the yield to vary substantially from one month to the next. The **30-Day SEC Unsubsidized Yield** calculation is also computed under the same SEC standardized formula based on net income earned over the past 30 days, but excludes contractual expense reimbursements, resulting in a lower yield. It may also include an inflation adjustment that can cause the yield to vary substantially from one month to the next.

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ISSUER BREAKDOWN (%)

As of September 30, 2019



FEDERAL NATIONAL MORTGAGE ASSOCIATION	37.93
FEDERAL HOME LOAN MORTGAGE CORPORATION - GOLD	23.16
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	17.20
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION I	12.85
FEDERAL HOME LOAN MORTGAGE CORPORATION	7.34
Other	1.52

MATURITY BREAKDOWN (%)

As of September 30, 2019



0 - 5 years	2.46
5 - 10 years	19.52
10 - 15 years	7.92
15 - 20 years	16.49
20 - 25 years	33.99
25+ years	19.62

DISCLOSURES

Before investing, carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus and a summary prospectus, copies of which may be obtained by visiting [www.flexshares.com](http://www.flexshares.com). Read the prospectus carefully before you invest. Foreside Fund Services, LLC, distributor.

An investment in FlexShares is subject to numerous risks, including possible loss of principal. Fund returns may not match the return of the respective indexes. The Funds are subject to the following principal risks: asset class; commodity; concentration; counterparty; currency; derivatives; dividend; emerging markets; equity securities; fluctuation of yield; foreign securities; geographic; income; industry concentration; inflation-protected securities; infrastructure-related companies; interest rate / maturity risk; issuer; large cap; management; market; market trading; mid cap stock; MLP; momentum; natural resources; new funds; non-diversification; passive investment; privatization; small cap stock; tracking error; value investing; and volatility risk. A full description of risks is in the prospectus.

Performance would have been lower without fee waivers and reimbursements in effect.

FlexShares Disciplined Duration MBS Index Fund (MBSD) is subject to credit risk, which is the risk that the inability or unwillingness of an issuer or guarantor of a fixed-income security, or a counterparty to a TBA, repurchase or other transaction, to meet its payment or other financial obligations will adversely affect the value of the Fund's investments and its returns. Changes in the credit rating of a debt security held by the Fund could have a similar effect. Debt extension risk is the risk that an issuer will exercise its right to pay principal on an obligation held by the Fund (such as a mortgage-backed security) later than expected. This may happen during a period of rising interest rates. Under these circumstances, the value of the obligation will decrease and the Fund will suffer from the inability to invest in higher yielding securities. Mortgage-backed pass-through securities risk is the risk of investing in mortgage-backed securities issued by a U.S. Agency. These securities may not be backed by the full faith and credit of the U.S. government. As interest rates rise, bond prices fall, reducing the value of fixed income investments.

Shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Market performance is determined using the bid/ask midpoint at 4:00pm Eastern time. NAV return is determined using the daily calculated Net Asset Value (NAV).

Weighted Average Effective Duration is the sum of the duration of the underlying securities, weighted by its market value with respect to the total market value of the portfolio. Weighted Average Option Adjusted Spread is the sum of the spreads of the fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option of the underlying securities, weighted by its market value with respect to the total market value of the portfolio. Weighted Average Life is the sum of the average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding of the underlying securities, weighted by its market value with respect to the total market value of the portfolio.

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