

Monthly Commentary - FlexShares Core Select Bond Fund

Objective and Strategy

FlexShares Core Select Bond Fund (BND) seeks total return and preservation of capital.

Quarter End Performance (as of 09/30/2021)

	1 Month	QTD	YTD	1 Year	3 Year	Since Inception (11/18/2016)
Market Price	-1.01%	-0.22%	-1.70%	0.06%	5.64	3.68%
NAV	-1.01%	-0.11%	-1.59%	0.10%	5.69	3.67%
Bloomberg Barclays US Aggregate Bond Index (LBSTRUU)	-0.87%	0.05%	-1.55%	0.90%	5.34	3.69%

Month End Performance (as of 11/30/2021)

	1 Month	QTD	YTD	1 Year	3 Year	Since Inception (11/18/2016)
Market Price	0.06%	0.12%	-1.58%	-1.30%	5.89	3.68%
NAV	0.06%	0.08%	-1.51%	-1.30%	5.86	3.67%
Bloomberg Barclays US Aggregate Bond Index (LBSTRUU)	0.30%	0.27%	-1.29%	-1.15%	5.52	3.69%

The fund has a net (gross) expense ratio of 0.35% (0.56%). Northern Trust Investments, Inc. ("NTI" or the "Adviser") has contractually agreed to reimburse a portion of the operating expenses of the Fund (other than Acquired Fund Fees and Expenses) to the extent the "Total Annual Fund Operating Expenses" exceed 0.35% until March 1, 2022.

Performance data quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed or sold in the secondary market, may be worth more or less than the original cost. Investors will incur usual and customary brokerage commissions when buying or selling shares of the exchange-traded funds ("ETFs") in the secondary market, and that, if reflected, the brokerage commissions would reduce the performance returns. Current performance may be lower or higher than the performance shown. Shares are bought and sold at market price not net asset value ("NAV") and are not individually redeemable from the fund. For the most recent month-end performance, please visit the Fund's website at www.flexshares.com or call 855-353-9383 for more information.

Commentary

November 2021 was a volatile month in the capital markets. The general market tone shifted towards risk-off in the second half of the month as concerns over rising inflation and the spreading Omicron coronavirus variant negatively impacted investor sentiment. Speculation over who would be named the next Federal Reserve chair subsided as Jerome Powell was renominated, with Lael Brainard named as Vice Chair. In the last days of the month, a more hawkish Fed Chair Powell stated that the Fed would no longer be using the word "transitory" to describe inflation. Front end Treasury yields rose in response. Throughout the month, the Treasury curve flattened as short end yields rose (1, 2, and 3-year yields rose by 10, 7, and 8 basis points), and mid- and long-term yields fell (5, 7, 10, 20, and 30-year yields fell by -2, -7, -11, -13, and -17 bp's). 1-3-year spreads widened 11 basis points over the course of the month, from 39 to 50 basis points.

US CPI rose 6.2% in October (measured year over year), beating expectations. While base effects and the slow unwinding of supply-chain disruptions need to be considered, this was the largest increase since 1990. The Treasury curve flattened as market participants priced in rate hike expectations in the short-term space to combat perceived inflation. Meanwhile, the labor market has shown continued signs of improvement. Initial jobless claims fell to pre-pandemic levels of 220,000 new claims in the last week of November.

While we are watching the spread of the Omicron variant across the world, markets seem to me more focused on the inflation narrative – and the Fed's response to it – rather than the potential for further lockdowns.

The Core Select ETF outperformed the index by 6bps during the month of November. The long duration aided performance a but it was slightly offset by the sector/security selection. BND remains overweight credit and slightly long duration relative to the US Agg.

Portfolio Management

Morten Olsen

Head of Multi-Sector Portfolio Management

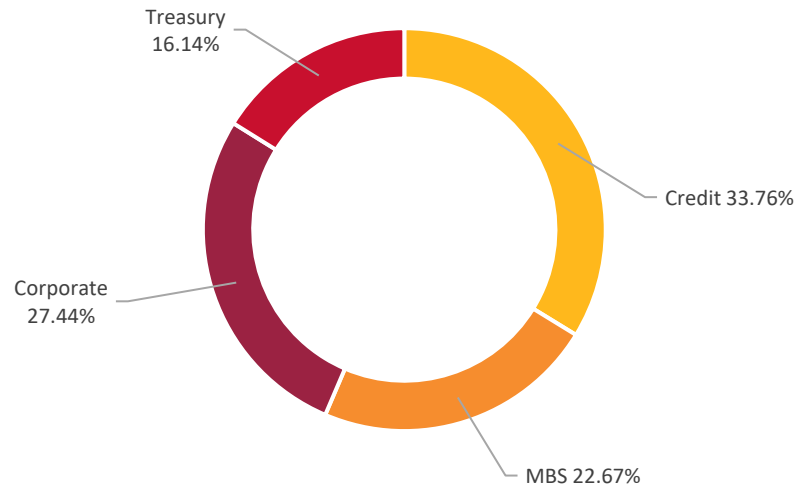


Began career in 2004 | With Northern Trust since 2009. Mr. Olsen received a B.S. in economics and a M.S. in economics, both from University of Copenhagen.

Fund Facts (as of 11/30/2022)

Ticker	BNDC
Inception	11/18/2016
CUSIP	33939L670
Exchange	NYSE Arca
IOPV Ticker	BNDC.IV
Estimated Cash Ticker	BNDC.EU
Net Assets	\$126,429,531.41
Shares Outstanding	4,825,001
No. of Holdings	13

Sector Allocations (as of 11/30/2022)



Important Information

For financial professional use only. Not for use with the investing public.

Before investing, carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by visiting www.flexshares.com. Read the prospectus carefully before you invest.

Foreside Fund Services, LLC, distributor.

FlexShares Core Select Bond Fund is actively managed and does not seek to replicate a specified index. The Fund is subject to increased credit and default risk, where there is an inability or unwillingness by the issuer of a fixed income security to meet its financial obligations, debt extension risk, where an issuer may exercise its right to pay principal on an obligation later than expected, as well as interest rate/maturity risk, where the value of the Fund's fixed income assets will decline because of rising interest rates. The Fund is subject to increased underlying fund risk, where the Fund's investment performance and its ability to achieve its investment objective may be directly related to the performance of the Underlying Funds in which it invests. The Fund may also be subject to increased concentration risk as it may invest more than 25% of its assets into the securities of a single developed market. Additionally, the Fund may invest without limitation in mortgage or asset-backed securities, which puts it at increased risk for interest rate/maturity risk, debt extension risk, and prepayment (or call) risk.