Investment flows into infrastructure-focused mutual funds and ETFs have remained strong in recent months despite lowered expectations that the current administration will deliver new spending programs or comprehensive tax reform. We believe the resilient inflows are the result of investors favoring characteristics usually associated with infrastructure investments: potential long-term inflation protection, generally weak correlation to other risk assets and potential downside protection. Important differences in investment objectives exist among the menu of available infrastructure products. These differences will, of course, produce a range of performance outcomes. Two key things to be mindful of when evaluating infrastructure products are the breadth of sectors and the overall portfolio construction methodology. We believe a thoughtful allocation to a broad array of diversified infrastructure assets may best serve the long-term needs of investors.

Source: Bloomberg Data as of 8/2/2017
Performance information is historical, and is not indicative of future results. Index performance does not represent FlexShares fund performance. It is not possible to invest directly in an index.
Infrastructure can be thought of as projects that deliver the movement of people, resources, goods and information. Companies providing these types of essential services typically own location-specific, long-term, capital intensive assets that have high barriers to entry and regulated pricing. These special characteristics cause infrastructure assets to behave differently than everyday common equity. When constructing a value-add portfolio of infrastructure investments, we believe the key is to maximize diversification of asset type, geography and source of revenue. Including novel or recently considered sectors, such as digital communications and government outsourcing (i.e.: cell towers, post offices, health care facilities) may also be helpful. Likewise, seeking an expanded articulation of legacy infrastructure sectors (e.g.: railroads within transportation) may also help to further diversify the portfolio’s overall holdings.

In general, through July 31, 2017, infrastructure equities have performed well as seen in the chart on the previous page. Due to differences in investment approach and segment returns, however, there has been considerable performance variability across funds. This year transportation has exhibited stronger performance while certain newer segments, like communications, have struggled. The FlexShares STOXX® Global Broad Infrastructure Index Fund (NFRA) seeks to achieve global exposure to infrastructure via broad representation across utilities, transportation, energy, communications and government outsourcing sectors. NFRA’s 2017 performance has lagged other comparable infrastructure benchmarks such as the Standard & Poor’s Global Infrastructure Index. The lag in performance is due in part to NFRA’s diversified positioning, particularly by including communications within the index and targeting a transportation sector with greater breadth than other comparable infrastructure benchmarks. We believe over a longer time horizon, however, NFRA’s results have benefited, and may benefit in the future, from its diversified strategy. This broader global approach may help investors take advantage of infrastructure as a potent new tool in their asset allocation while also potentially lowering unique risks through greater diversification.

IMPORTANT DISCLOSURE

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. 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.
FlexShares STOXX® Global Broad Infrastructure Index Fund (NFRA) is subject to infrastructure-related companies risk and MLP risk. Risks associated with infrastructure-related companies include: realized revenue volume may be significantly lower than projected and/or there will be costs overruns; infrastructure project sponsors will alter their terms making a project no longer economical; macroeconomic factors such as low gross domestic product (“GDP”) growth or high nominal interest rates will raise the average cost of infrastructure funding; government regulation may affect rates charged to infrastructure customers; government budgetary constraints will impact infrastructure projects; and special tariffs will be imposed.

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1FactSet, December 31, 2016 through July 31, 2017.
2Ibid.
3Ibid.