

# Understanding TIPS and Duration

FLEXSHARES EXCHANGE TRADED FUNDS

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We believe that in order to have a successful portfolio, investors need to be adequately protected from the corrosive effects of inflation. Since 1997, investors have been using US Treasury Inflation-Protected Securities, or TIPS to hedge against this threat. For some investors, however, that protection has come with an unanticipated expense-- the added time, effort, and fees incurred by investors attempting to target the duration of their investments to match the risk exposure of their portfolio.

But first, what is duration? Duration is how sensitive your investment is to a change in interest rates. You will often see it expressed as a number of years. The higher the number, the more volatile will be the expected change.

Historically, rising interest rates have often meant falling bond prices, while declining interest rates have meant rising bond prices. So the ability to target a specific duration based on your exposure is key to successfully protecting yourself against the threat of inflation. That's why FlexShares designed its iBOXX Target Duration TIPS Index Funds.

Using a transparent rules based methodology, we have developed a set of funds that target precise durations, so you don't have to do it alone. While other market capitalization weighted TIPS funds are subject to unpredictability as inflation expectations change, our funds are designed to precisely target TIPS durations. This gives investors an opportunity to build inflation hedging strategies that match their overall portfolio strategy.

Whether you're looking for an inflation hedge on a three year timetable or a five year timetable, our funds give you the flexibility you need in a world of shifting inflation expectations.

FlexShares, built by investors for investors.

*Before investing consider the Fund's investment objectives, risks, charges and expenses. Go to [flexshares.com](http://flexshares.com) for a prospectus containing this information. Read it carefully. Foreside Fund Services, LLC, distributor.*

All investments involve risk, including possible loss of principal. Funds' returns may not match returns of their respective indexes. Risks include fluctuation of yield, income, interest rate, non-diversification, asset class and market.

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