

MBS Liquidity with Duration Management

FLEXSHARES EXCHANGE TRADED FUNDS

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We hear a lot about duration in investing. But what is it?

Well, when it comes to fixed income investing, 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 the expected change. Historically, rising interest rates have often meant falling bond prices, while declining interest rates have meant rising bond prices.

Investors need to be aware of one of the main risks that can affect a fixed income's investment value, interest rate risk or rate fluctuations. The duration indicator provides investors with the opportunity to understand how much their investment will go up or down.

Over the past 40 years, mortgage backed securities have often provided investors with quality fixed income returns. However, this has come with the added burden of having to keep track of their duration. That's why Flex Shares built the Disciplined Duration MBS Index Fund, which unites market liquidity with duration management for an improved MBS investing experience.

So what is this fund's investment process? We start by designing a passive rules-based index that takes into account key factors like Federal Reserve policy, outlooks for US interest rates and potential reforms of agency mortgage programs. We then extensively test and refine our index with the goal of providing investors with reduced effective duration variability, improved investment returns, less turnover and enhanced liquidity.

Our methodology helps manage duration within a disciplined band. Staying disciplined helps control the fund's duration, allowing investors to diversify a fixed income allocation without any unwanted headaches. That's an improvement that keeps on giving.

FlexShares, built by investors for investors.

Before investing consider the Fund's investment objectives, risks, charges and expenses. Go to 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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