[MUSIC PLAYING]

Investors seeking capital appreciation may look to invest in products that mimic general market indexes in an attempt to capture the overall growth in the market. One of the more common approaches is through a market-weighted index fund, which often means investors own companies in proportion to their size in the market. That can mean potentially higher exposure toward speculative growth and even larger companies.

But research by Eugene Fama and Ken French in 1992 found that size and value were important factors to consider in judging portfolio performance. Their research showed that the level of exposure to value and small capitalization stocks alongside beta explained 90% or more of returns. This demonstrates that there can be a potential advantage to tilting a core equity portfolio to smaller cap in value stocks.

The FlexShares Morningstar US Market Factor Tilt Index suite of funds are engineered to provide deep exposure to the broad equity market while seeking to take advantage of this persistent, longer-term, small cap and value performance advantage. As Morningstar's tilt indexes are the underlying indexes for the FlexShares suite of tilt ETFs, it is important for investors to understand how the indexes are built.

First, Morningstar defines the investable universe. Market candidates are reviewed each year and must pass several liquidity screens. Then, using Morningstar standard breakpoints, stocks are assigned to large, mid, and small capitalization boxes.
Next, Morningstar assigns a value orientation to securities in each of the market cap segments in each index. This incorporates both forward-looking and historical metrics into the methodology. The process is designed to deliver a diversified, low-turnover, core portfolio that captures the small and value premia that could be missed by a legacy market cap weighted approach.

We believe that this tilted stock market option provides investors with a more relevant option to help them meet their longer-term capital appreciation needs.

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.

**MANAGED BY NORTHERN TRUST**