FLEXSHARES® EXCHANGE TRADED FUNDS

As the history of exchange traded funds (ETFs) continues to be written, recent innovations are bringing new-and-improved approaches to investors. One central shift lies in a new approach to ETF products that **focuses first and foremost on investors' core objectives.** This shift is a key to ETFs' future, and the foundation of FlexShares.

FROM 2000-2010, ETF ASSETS GREW MORE THAN 30% ANNUALLY.

SOURCE: MCKINSEY & COMPANY

Exchange traded funds (ETFs) have fully entered the investing mainstream, with increasing adoption from institutions, financial advisors and retail investors. Assets have grown considerably and consistently since ETFs began trading in the early 1990s.

The growth path has noticeably accelerated since the early 2000s, as ETFs now provide diverse alternatives across global asset classes and investment approaches. As these alternatives have grown, so too have the ways in which ETFs are utilized, such as:

- Strategic or long-term exposure to targeted asset allocation ranges and portfolio configuration applications
- Rebalancing and tactical allocations to specific asset classes, geographies or industry sectors
- Overlay and liquidity sleeve approaches to add efficiency and reduce implementation costs

These uses are not restricted to certain types of investors. **Eighty-four percent of financial advisors use ETFs, and anticipate that ETFs will account for 30% of their clients' assets by 2015.**[1] In the institutional market, use of ETFs as long-term strategic tools has increased 40%.[2] The ETF vehicle itself delivers the same core benefits as it has from the beginning: liquidity, transparency, and reduced costs relative to other investments. This forms the foundation of why they are attractive investments and helps explain their growing use.

The progress has been substantial. Yet, as the ETF universe offers so many options to investors, the question arises: **What is the next step in their evolution?**

Managed by Northern Trust

[1] *Source: Cogent Research, Apr 2012*

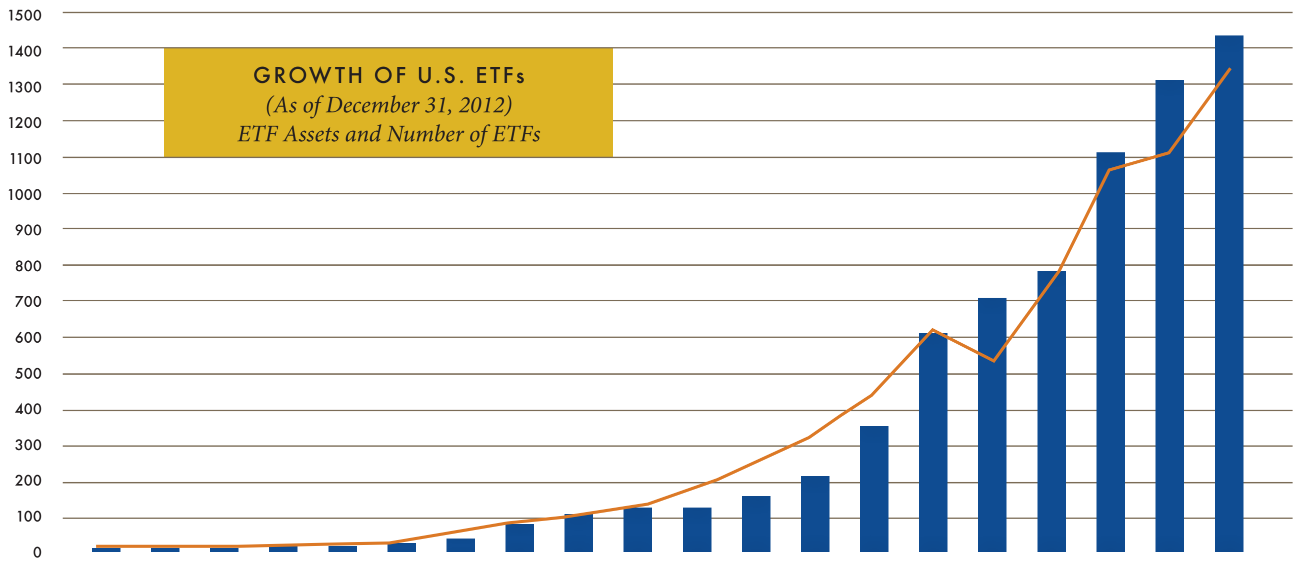
[2] *Source: Institutional Investor, "Institutional Investors Taking a Longer View on ETFs"*

LOOKING BACK: STEPS IN THE EVOLUTION OF ETFS

ETFs have built upon the foundation of basic benchmarks to include more sophisticated, integrated, global investment strategies covering a broad range of approaches and styles. The 1990s saw the growth of ETFs tracking traditional passive benchmarks in the equity space, both domestic and international. Toward the end of the decade, this trend expanded into sector-specific funds that tracked particular industries or regions.

In the new millennium, ETF strategies stepped beyond equity index replication into other asset classes, including fixed income and commodities. Investors gained the ability to use a wide range of ETFs to build diversified portfolios.

As the ETF evolution entered the 2010s, a second wave of innovation gained momentum. This next generation of ETFs is characterized by increasingly specialized investments – customized indices and fundamental or actively managed strategies. With investor awareness and the demand for innovation growing, this trend continues with the separation of asset allocation strategies into the basic components of alpha and beta. Furthermore, expanding market competition has intensified and thus pricing pressures have driven ETF expense ratios down, for basic beta strategies in particular.



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
$0.5	$0.4	$1.1	$2.4	$6.7	$65.6	$84.6	$102.3	$84.6	$102.3
1	1	2	19	19	29	30	31	101	113

2003	2004	2005	2006	2007	2008	2009	2010	2011	2013
$150.7	$227.7	$299.4	$406.8	$580.7	$497.1	$705.5	$1,012	$1,064	$1,349
117	152	201	343	601	698	772	1099	1301	1434

ETF ASSETS (in billions)   #ETFs

THE NEXT STEP: THE MARKET OPENS UP TO INCREASINGLY SOPHISTICATED APPROACHES TO ETF DESIGN

From Core to Specialized: How ETFs Have Evolved

This evolution set the stage for the development of FlexShares – ETFs designed with real-world investor goals in mind. For investors challenged by the rapid proliferation of ETFs, FlexShares represents a thoughtfully-designed approach to the next wave of ETF products.

	EARLY ETF PROVIDER	NEXT-GENERATION ETF PROVIDER
WHAT IS THE PURPOSE OF A NEW ETF?	To provide targeted investment exposure	To meet investors' real-world investment objectives
HOW ARE NEW ETFS DEVELOPED?	By maximizing product via ever-narrower investment exposures	By focusing on select investment ideas that meet investors' needs

FlexShares start not with asset classes and investment strategies, but with important investor goals that we believe have been left unmet by the current ETF market. FlexShares has a straightforward mission: **to meet investors' real-world investment objectives.**

LOOKING AHEAD: MATCHING OBJECTIVES TO INVESTOR NEEDS

Why do people invest? A simple question that deserves a simple answer.

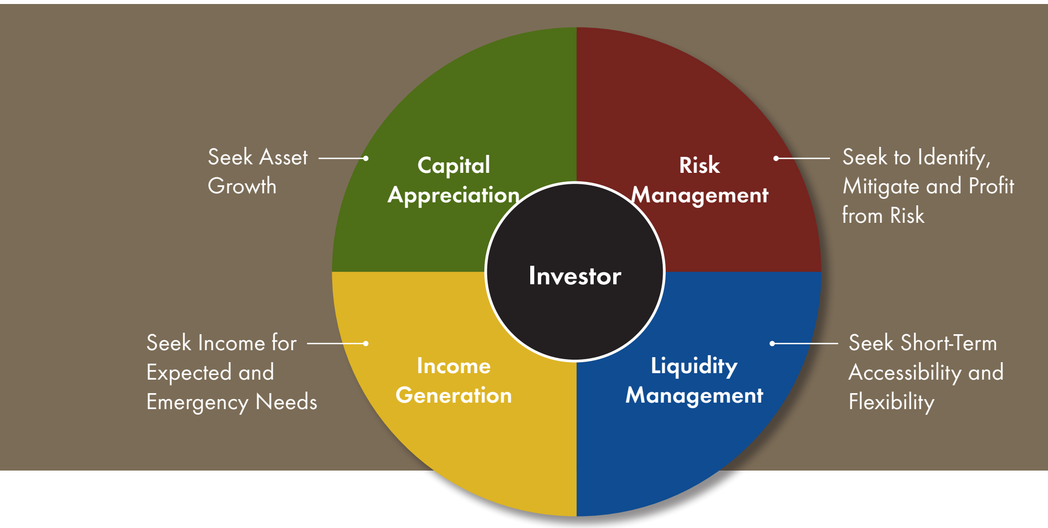
The true reasons are, of course, personal: saving for retirement, paying for a child's education, or enhancing future financial stability.

Our job, and the job of any investment manager, is to provide solutions to help investors craft portfolios to meet their unique goals.

The bridge to these goals begins as financial advisors and individuals define a desired asset mix and a policy to guide portfolio decisions over time. From there, vehicles are selected to address specific portfolio needs.

FlexShares ETFs are designed to fit seamlessly into this kind of investment framework. Each strategy is purposefully matched with one or more core investment objectives:

THE FLEXSHARES FOUNDATION: INVESTOR OBJECTIVES



THESE FOUNDATIONAL OBJECTIVES ARE AT THE HEART OF FLEXSHARES ETFS.

BASED ON UNDERSTANDING.
BUILT ON EXPERIENCE.

FLEXSHARES: A NEW PERSPECTIVE ON THE ETF MARKET

Are there new ETFs investors actually need? The growth in ETF offerings does not necessarily mean there are more and better investment options. Nor does it mean that the differences across strategies, sponsors, and managers are clear.

FlexShares' investor-centric approach demands that we think first about what is valuable to investors. This means that we have to ask fundamentally different questions to create selective products or strategies that are:

- Differentiated
- Rigorously vetted through academic research and robust data analysis
- Representative of our best investment thinking and strongest convictions

Sponsored and managed by Northern Trust, FlexShares product engineering combines a strong understanding of investor needs with thoughtful design and global portfolio management expertise to produce investment strategies that are helping shape the next generation of ETFs.

FOR MORE INFORMATIONABOUT FLEXSHARES
please visit us online at FlexShares.com or call us at 1-855-FlexETF (1-855-353-9383).

Foreside Fund Services, LLC, distributor.

IMPORTANT INFORMATION
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.

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; interest rate / maturity risk; issuer; management; market; market trading; mid cap stock; 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® | Managed by Northern Trust

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