

FlexShares ETF's

Bright Ideas...

When seeking total equity market exposure is a market cap weighted ETF the best option?

A market weighted index is a common means of capturing total equity market exposure. Many investors believe that owning companies in proportion to their size in the market – as determined by the number of shares available to the public and the market price of the stock- creates the “optimal stock portfolio”.

But academic research and empirical evidence suggest...

Full Discussion:

<https://www.flexshares.com/etf/documents/white-papers/case-for-tilted-indexing.pdf>

ETF Strategist Center Stage...

JOHN BLOOD

CEO & Chief Investment Officer / Efficient Advisors LLC.

Please share your firm's history, investment philosophy and strategy.

History: Efficient Advisors was founded in 2009 to support advisors seeking to offer their clients the prudence of passive, structured investing based on academic discipline. In the aftermath of the financial crisis of 2008-2009, we observed a proliferation in the marketplace of tactical, alternative and other strategies that promised to deliver the holy grail of investing – the combination of upside capture and downside protection. In most cases, however, they subsequently disappointed advisors and their clients by failing to live up to those expectations. I (John Blood) observed this first hand while serving as Chief Market Strategist for a large, independent broker-dealer from 2000-2009 and subsequently as the head of the broker-dealer/TAMP business unit within Dimensional Fund Advisors (DFA) from 2010-2013. The appeal of these tactical and alternative strategies was obvious; the results, however, were profoundly disappointing.

As CEO and Chief Investment Officer of Efficient Advisors, our approach is that, rather than claiming to possess market-beating expertise, we focus on deploying cost-efficient, globally-diversified portfolios which we believe are the foundation for long-term investment success. We deliver our prudent investment solutions by partnering with over 100 financial advisors nationwide, who have placed more than \$1.1 billion under our care. Advisors who partner with us enjoy a collaborative culture based on our core philosophy of

integrity, honesty and open communication. They share our investment philosophy, our commitment to high-touch client service, and our passion for always putting clients' interests first.

Our mission is straightforward: *deliver an excellent investment experience to our advisors and their clients by utilizing the power of academic research as our guiding principle in engineering low-cost, globally diversified portfolios. Then, act as the consummate partner to our advisors by providing ongoing education, world-class technology, and unparalleled practice management support as they implement these strategies with their clients.*

Philosophy: Our investment philosophy is anchored by decades of Nobel Prize-winning research from academic thought leaders in finance and economics such as Eugene Fama, Ken French, William Sharpe, Harry Markowitz, Merton Miller, Myron Scholes and many others. Our belief system is that while no market is perfectly efficient, it also holds true that no individual or firm possesses market-beating expertise that will allow them to consistently outperform the collective wisdom of all market participants over time. In a world where exotic new investment products are constantly being created and marketed, Efficient Advisors is passionate about sharing this research and helping clients to avoid the hype, high fees and hidden agendas that we believe can undermine investors' results over time.

Strategy: We construct globally diversified Disciplined Wealth PortfoliosSM using a multi-factor approach that take strategic “tilts”, or increased exposure relative to the index, towards factors that have been identified in academic research as offering potentially higher expected returns over time. These factors include, but are not limited to: Size, Relative Price, Profitability, Volatility and Momentum.

The Disciplined Wealth PortfoliosSM are managed according to the covenants of Modern Portfolio Theory (MPT) and adhere to four key elements:

- 1) Strategic asset allocation as the core as opposed to tactical or dynamic allocation
- 2) A commitment to broadly diversified, global portfolios with passive or passive-leaning underlying investments
- 3) Strong adherence to the academic research by Eugene Fama, Ken French and other leading minds in finance
- 4) Use of low-cost underlying investments whenever possible

There are a lot of ETF’s available in the marketplace, how do you decide which solutions to utilize in your portfolios?

The rapid innovation and product creation in the ETF space presents both opportunities and challenges for asset managers. Many new products lean towards exotic or concentrated exposures, and are designed to act more as trading vehicles to make a “bet” on a particular investment theme. At Efficient Advisors, our interest lies in products that deliver consistent, broadly diversified, low-cost exposure to capital markets around the world – products that fit with our disciplined, academic approach. As CEO and Chief Investment Officer of Efficient, I seek to apply the unique experience and in-depth knowledge I gained as Chief Market Strategist for an independent broker-dealer and head of a business unit within DFA about the prudence of a disciplined, factor-based approach to investing. Efficient’s extensive due diligence process makes quantitative and qualitative assessments of a wide range of ETF and mutual fund products in determining which will earn a place in our portfolios.

You are currently using some FlexShares ETF’s in your portfolios. Can you briefly explain why you chose them and your thoughts on how they have performed relative to your expectations?

Efficient Advisors seeks out investment products that allow us to construct globally diversified, low-cost portfolios with strategic tilts towards our desired risk factors in the most efficient way possible. Our portfolio construction process begins with a clean slate – we have no bias for or against any particular product provider. Several FlexShares ETFs represent core holdings in our portfolios because they demonstrate many of the key attributes we seek – consistent and disciplined exposures to our desired risk factors, broad diversification, and low costs. Further, FlexShares is able to leverage the resources and experience of their parent company, Northern Trust, a highly respected, institutional money manager.

Sharpen the Saw...

Why do you need e-mail marketing?

McKinsey&Co Said:

Fact: E-mail is more effective to acquire customers than social media – nearly 40 times that of Facebook and Twitter combined.

Reason: 91 percent of all US consumers still use e-mail daily, and the rate at which e-mails prompt purchases is not only estimated to be at least three times that of social media, but the average order value is also 17 percent higher.

Direct Marketing

Association Said:

Fact: Email remains **ROI King** of any direct-to-consumer medium.

Reason: The merit of email is such that the marginal cost of delivery is virtually zero. Unsurprisingly, email brought in **\$40.56** for every dollar spent on it in 2011. This is compared to catalogs’ ROI of \$7.30, search’s return of \$22.24, Internet display advertising’s return of \$19.72 and mobile’s return of \$10.51. Email is projected to bring in \$35.02 for every dollar spent in 2016.

FlexShares on the road...

Join us at our session or stop by our booth...

Event	Location	Date
FlexShares CIO Roundtable	San Francisco, CA	April 21
Investment News Women's Advisor Summit	Dallas, TX	April 6
IMCA 2016 Annual Conference	Las Vegas, NV	April 17-20
Barron's Institutional Consultants Conference	Chicago, IL	April 25-27
Barron's Top Independent Women Advisors	New Orleans, LA	May 18-20
TD Ameritrade Elite Advisor	Dana Point, CA	June 7-9
Pershing Insite	Orlando, FL	June 7-9
Quad A	Baltimore, MD	Sept 11-13
Barrons Top 100	Palm Beach, FL	Sept 21-23
FlexShares Investment Summit	Chicago, IL	Oct 5-7
Schwab Impact	San Diego, CA	Oct 24-27
Investment News Alternatives	Miami, FL	Nov 15-16

For insights or details on any of the newsletter content please contact:

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Carefully consider the FlexShares Funds' investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the prospectus, which may be obtained by calling 1-855-353-9383 (1-855 FlexETF) or by visiting www.flexshares.com. Read the prospectus carefully before investing; investing involves risk, including possible loss of principal. Foreside Fund Services, LLC, distributor.

An investment in FlexShares is subject to investment risk, including the possible loss of principal amount invested. Fund returns may not match the return of its respective index. The Funds may invest in emerging and foreign markets, derivatives and concentrated sectors. In addition, the Funds may be subject to asset class risk, small cap stock risk, value investing risk, non-diversification risk, fluctuation of yield, income risk, interest rate/maturity risk, currency risk, passive investment risk, inflation protected security risk, market risk and manager risk. For a complete description of risks associated with each Fund, please refer to the prospectus.