

# ICE BofA® Constrained Duration US Mortgage Backed Securities Index

The above index is the underlying index for the FlexShares Disciplined Duration MBS Index Fund (MBSD), and is designed to reflect the performance of a rules-based approach to managing Mortgage-Backed Securities (MBS) portfolio duration more consistently.

## Specify the Universe



US-Dollar denominated 15-Year, 20-Year and 30-Year fixed rate mortgage backed securities issued by US Agencies

	Individual production years must have:	
<b>1 Year</b>	Minimum one year remaining to final maturity	<b>\$1 BN</b> Minimum \$1 billion outstanding face value to enter index
<b>\$5 BN</b>	Minimum amount outstanding of at least \$5 billion per generic coupon	<b>\$250 M</b> Minimum \$250 million outstanding face value to remain in the index

### Excludes:

- Balloon Mortgages
- Mobile Home Mortgages
- Graduated Payment Mortgages
- Quarter Coupon Fixed Rate Mortgages
- Collateralized Mortgage Obligations

## Initial Index



### Capitalization-Weighted

#### Based On:



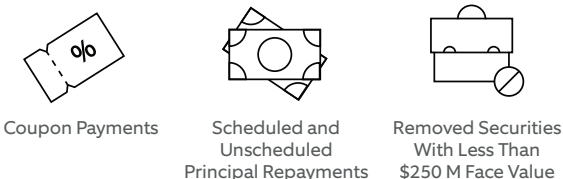
The index duration\* is between 3.25 to 4.25 years



Securities above and below the target shifted on a pro-rata basis

## Monthly Rebalancing

Calculate total proceeds available to invest based on:



Invest total proceeds back to attempt to match a duration\* between 3.25 and 4.25 years, in following manner:

- Calculate target purchase duration\* (TPD) that when combined the retained holdings are between 3.25 and 4.25 years
- Invest proceeds in the security that meets all qualifying criteria and has a duration closest to the TPD with a 1% exposure limit
- Recalculate TPD and continue to invest until all proceeds are invested
- Once completely invested, calculate the index duration\*; if between 3.25 and 4.25 years, process is complete
- If index is outside the range, shortest (longest) holding is sold and invested in the longest (shortest) qualifying security, subject to the 1% cap
- Repeated until duration is within 3.5 to 4 years or no more securities are available

To learn more about FlexShares, contact our team at 1-855-FlexETF (1-855-353-9383) or visit our website, [www.flexshares.com](http://www.flexshares.com).

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](http://www.flexshares.com). Read the prospectus carefully before you invest.

Foreside Fund Services, LLC, distributor.

Please see back for additional important information.



*\*Duration: concerning fixed income investing, duration is how sensitive an investment is to a change in interest rates. It is expressed as a number of years – the higher the number, the more volatile the expected change.*

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. A full description of risks is in the prospectus.

FlexShares Disciplined Duration MBS Index Fund (MBSD) is passively managed and uses a representative sampling strategy to track its underlying index. Use of a representative sampling strategy creates tracking risk where the Fund's performance could vary substantially from the performance of the underlying index along with the risk of high portfolio turnover. It is subject to credit risk, which is the risk that the inability or unwillingness of an issuer or guarantor of a fixed-income security, or a counterparty to a TBA, repurchase or other transaction, to meet its payment or other financial obligations will adversely affect the value of the Fund's investments and its returns. Changes in the credit rating of a debt security held by the Fund could have a similar effect. Debt extension risk is the risk that an issuer will exercise its right to pay principal on an obligation held by the Fund (such as a mortgage-backed security) later than expected. This may happen during a period of rising interest rates. Under these circumstances, the value of the obligation will decrease and the Fund will suffer from the inability to invest in higher yielding securities. Mortgage-backed pass-through securities risk is the risk of investing in mortgage-backed securities issued by a U.S. Agency. These securities may not be backed by the full faith and credit of the U.S. government. As interest rates rise, bond prices fall, reducing the value of fixed income investments.

The ICE BofAML® Constrained Duration US Mortgage Backed Securities Index is the intellectual property (including registered trademarks) of ICE BofAML® and/or its licensors ("Licensors"), which is used under license. The securities based on the Index are in no way sponsored, endorsed, sold or promoted by ICE BofAML® and its Licensors and neither of the Licensors shall have any liability with respect thereto.