

STOXX® Global Broad Infrastructure Index

May, 2017



Definition of Infrastructure

Textbook definition

- » Infrastructure is the entirety of basic physical systems of a business or nation (e.g. transportation, communication, sewage, water and electric systems)
- » These systems tend to be high-cost investments and are vital to a country's economic development and prosperity.

Implementation in praxis

- » Broad range of definitions which lead to significant differences in the sectors covered by available indices
- » Furthermore, infrastructure indices may be very narrow in nature, often with a substantial tilt towards energy



- » STOXX Global Broad Infrastructure index covers companies from 17 sectors rolling up to five super-sectors (communications, energy, transportation, utilities and government outsourcing / social)
- » The broad definition underlying the index has two main advantages: it covers a broad scope of dimensions of infrastructure vital to a country's development while supporting diversification

Ways to access infrastructure

Unlisted Infrastructure

- » Direct investments
 - » Stand alone
 - » Joint ventures
 - » Co-investments with asset managers
- » Closed end infrastructure funds
 - » Single fund
 - » Fund of funds
- » Broader funds including infrastructure next to real estate and private equity

Listed Infrastructure

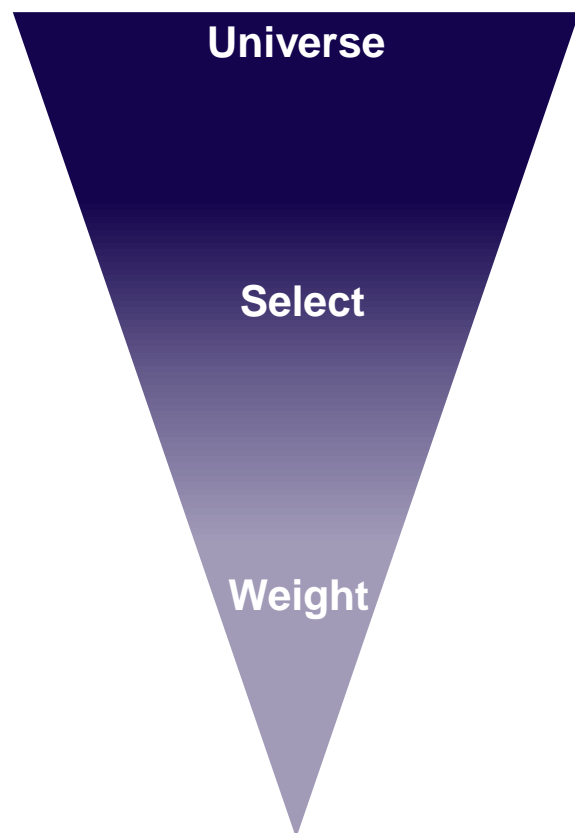
- » Listed equity of companies that own infrastructure assets
- » Investors can directly access those companies by buying into exchange listed shares

Revere defines 17 subsectors which are wrapped into five supersectors by STOXX

Supersectors (5)	Communication	Energy	Government outsourcing/social	Transportation	Utilities
Subsectors (17)	Cable & satellite	Energy utilities	Correctional facilities	Air transportation	Waste management
	Data centers	Midstream energy	Hospitals	Passenger transportation	Water utilities
	Wireless		Postal services	Rail transportation	
	Wireless towers			Road transportation	
	Wireline			Water transportation	

Methodology

STOXX Global Broad Infrastructure Index methodology in a nutshell



- » All companies listed in developed or emerging markets, which are part of the STOXX Global Total Market Index
- » Companies that generate at least 50% of their revenue from selected infrastructure subsectors
- » Selection according to free-float market cap, subject to a minimum 3 month ADTV¹⁾ of USD1 mn
- » Maximum number of companies per supersector [subsector] restricted to 40 (40/# of subsectors)²⁾
- » Components weighted according free-float market capitalization subject to the following caps: companies capped at 5%, countries at 40%, supersectors at 30%

Additional features

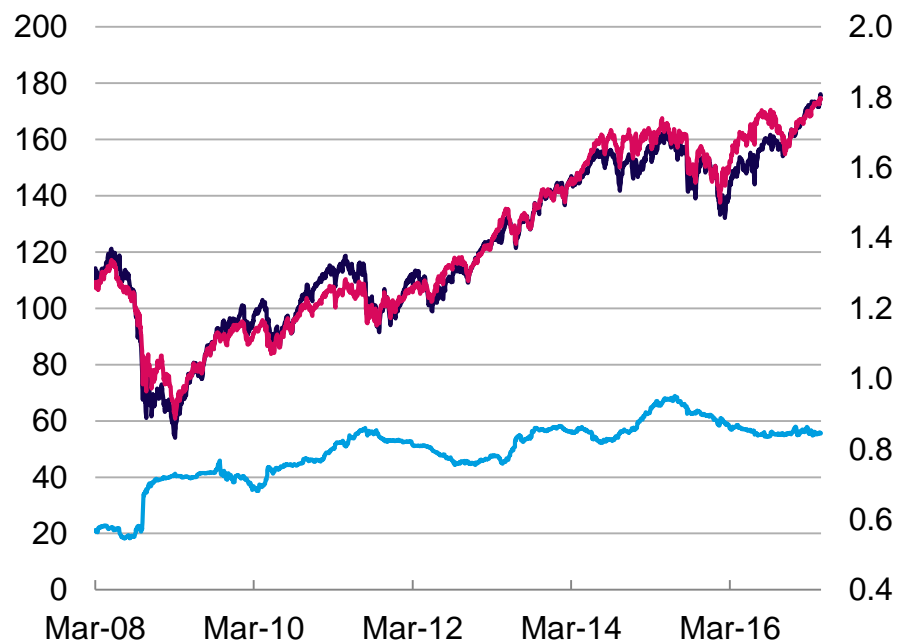
- » Review: The index is reviewed annually in March together with the STOXX Total Market indices

Expectations about characteristics of infrastructure assets

Inflation hedge	<ul style="list-style-type: none">» Offering of non-substitutable goods and comparably low levels of competition enable infrastructure companies to adjust more easily to changes in the economic environment» This (relatively) dominant position is expected to enable them to more easily link revenues to inflation
Lower systematic risk	<ul style="list-style-type: none">» Due to long term contracts, infrastructure investments provide lower sensitivity to short term changes in economic conditions. Demand for infrastructure related goods and services (energy, social and utilities) can be described as inelastic, providing build-in protection against short-term business setbacks
Lower business risk	<ul style="list-style-type: none">» Long-term contracts and demand-inelasticity not only support a company's independence from the market fluctuations but should also lead to greater stability of operating cash flow (business risk)
Lower total risk	<ul style="list-style-type: none">» Hence, lower systematic and lower business risk should also support a reduction on total risk (standard deviation)
Higher payout ratios and higher dividend yields	<ul style="list-style-type: none">» Lower risk, in turn, should enable companies to pay out a higher share of their earnings to investors as the need to retain earnings to meet future uncertain developments decreases

STOXX Global Broad Infrastructure Index provides lower systematic and business risk than the broader market

Systematic risk [Index vs. beta]¹⁾

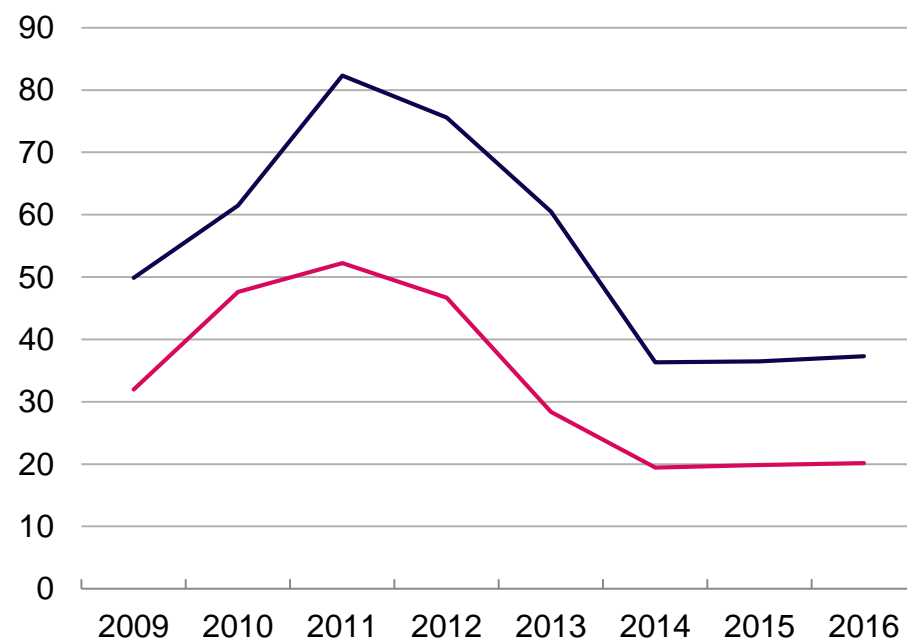


■ STOXX Global Broad Infrastructure (USD GR) – left axis

■ Beta STOXX Global Infrastructure vs. STOXX Global Total Market

■ STOXX Global Total Market (USD GR) – left axis

Operating income volatility in %²⁾

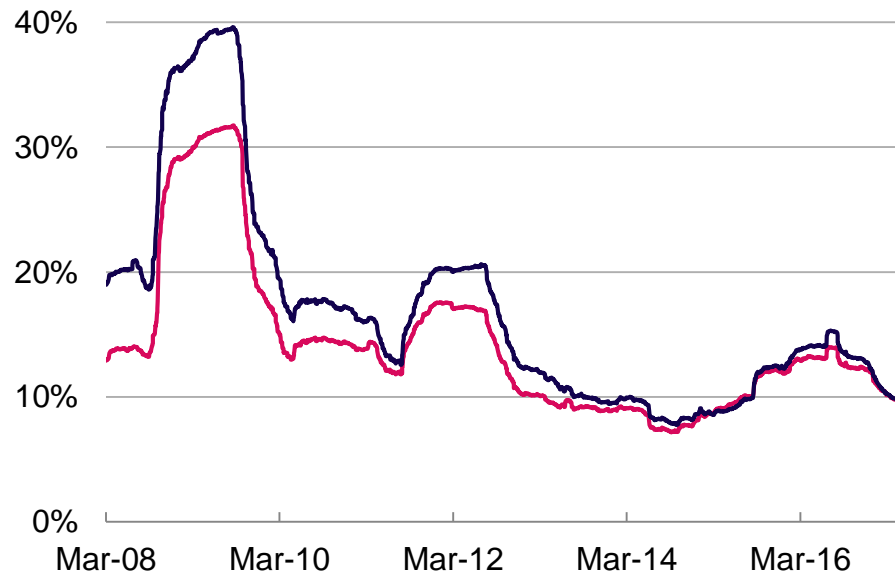


■ STOXX Global Broad Infrastructure

■ STOXX Global 3000

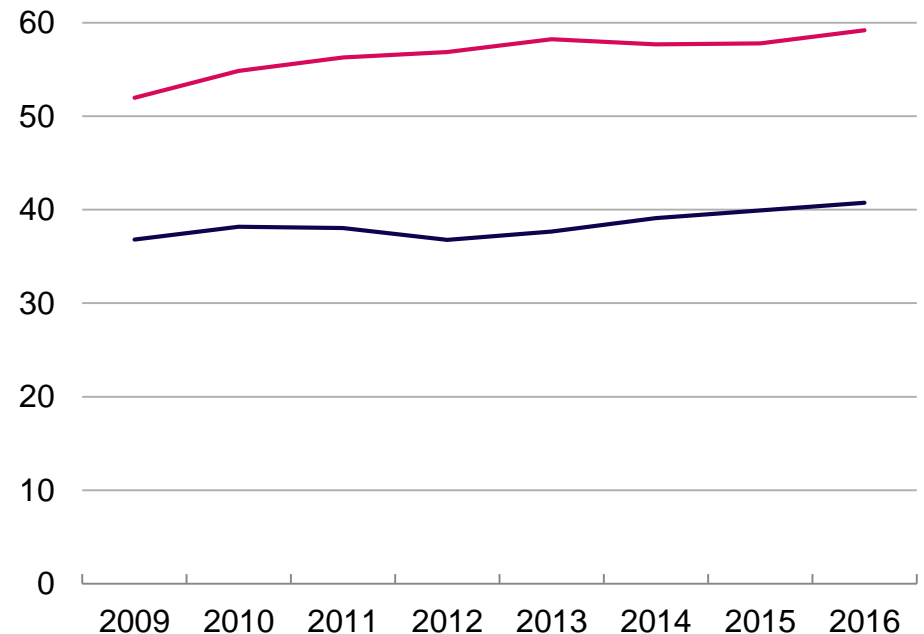
STOXX Global Broad Infrastructure Index shows lower total risk and higher payout ratios than broad market

Total risk [Volatility]¹⁾



■ STOXX Global Broad Infrastructure (USD GR) – left axis
■ STOXX Global Total Market (USD GR)

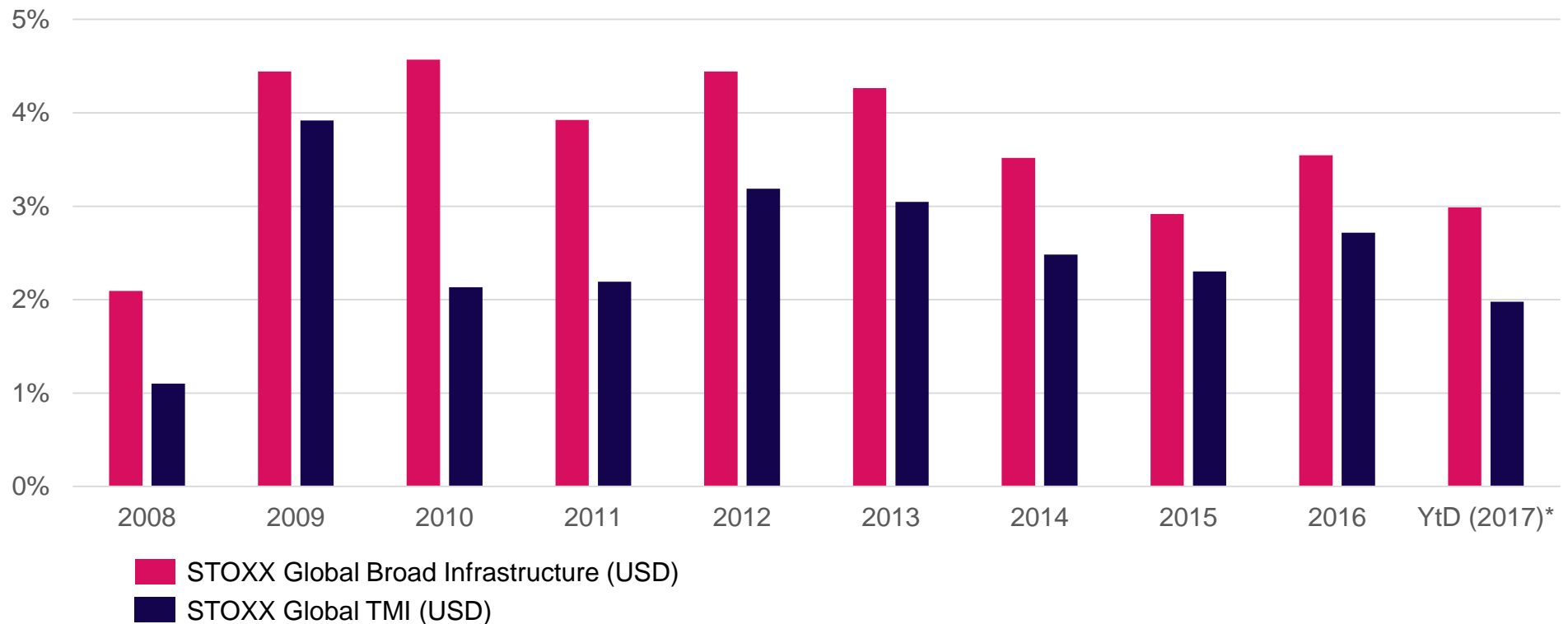
Median pay-out ratio in %²⁾



■ STOXX Global Broad Infrastructure
■ STOXX Global 3000

Historically, the STOXX Global Broad Infrastructure Index has shown a better dividend yield than its benchmark

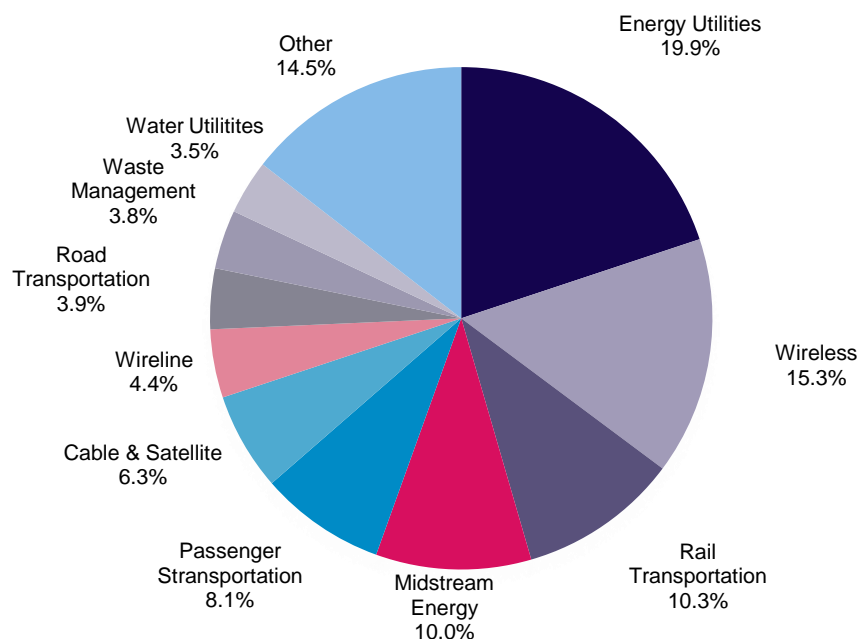
Gross dividend yield¹⁾



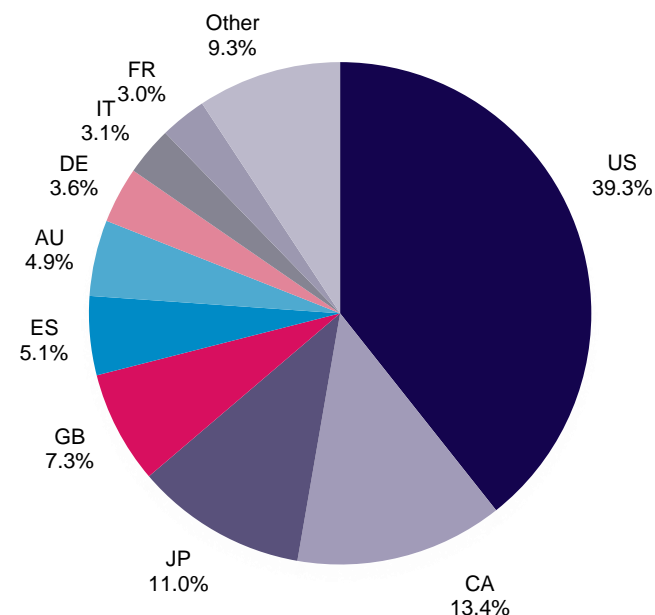
APPENDIX

Capping levels prevent single sectors and countries from dominating the index

Supersector allocation



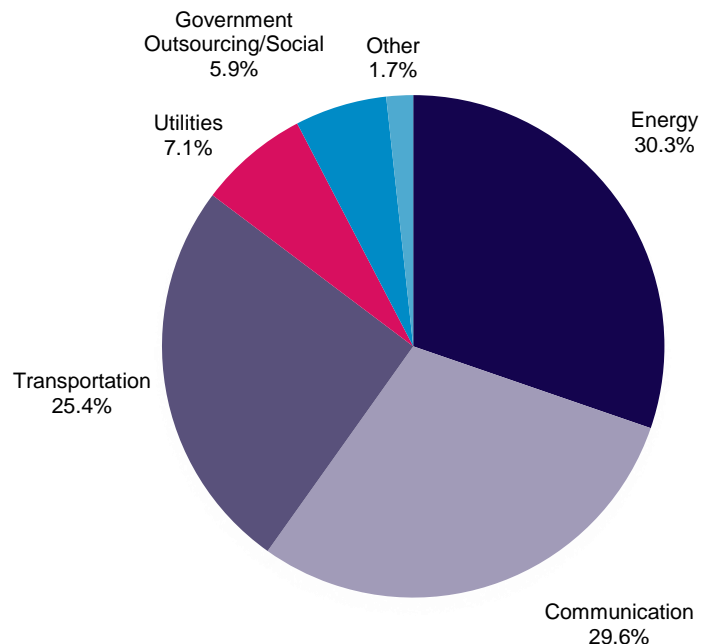
Country allocation



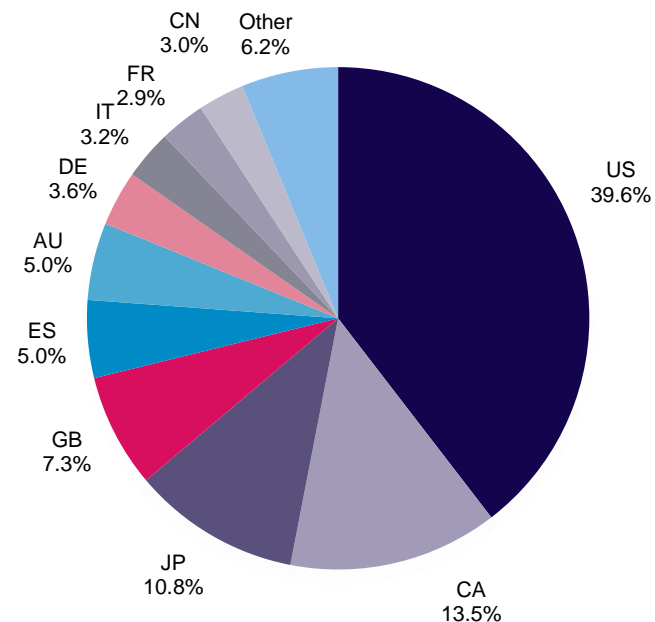
30% cap on supersector ensures sector diversification. Without capping, index would have been dominated by the communication sector

Capping levels prevent single sectors and countries from dominating the index

Sector allocation



Country allocation



30% cap on supersector ensures sector diversification. Without capping, index would have been dominated by the communication sector

STOXX Global Broad Infrastructure Index shows better performance compared to STOXX Global TMI

Index¹⁾



■ STOXX Global Broad Infrastructure (USD GR)

■ STOXX Global Total Market (USD GR)

Risk and return characteristics¹⁾

	STOXX Global Broad Infrastructure (USD GR)	STOXX Global Total Market (USD GR)
Return 1Y	7.5%	15.2%
Return 3Y	17.0%	19.8%
Return 5Y	59.1%	57.8%
Volatility 1Y	9.66%	9.75%
Volatility 3Y	10.74%	11.03%
Volatility 5Y	10.17%	10.87%
Maximum drawdown	50.26%	56.60%
Sharp Ratio 1Y	0.71	1.39
Sharp Ratio 3Y	0.50	0.56
Sharp Ratio 5Y	0.91	0.85
1y gross dividend yield ²⁾	3.34%	2.63%

Investment Opportunity: STOXX Global Broad Infrastructure Index Fund (NFRA)

As of Mar. 31, 2016 ¹⁾	NFRA
Inception Date	Oct. 08, 2013
Net Expense Ratio	0.47%
# of Holdings	159
Price to Earnings Ratio	24.48
Price to Book Ratio	3.32
Price to Cash Flow Ratio	11.04
Price to Sales Ratio	3.09

Important FUND information FlexShares

FlexShares STOXX® Global Broad Infrastructure Index Fund (NFRA) is subject to infrastructure-related companies risk and MLP risk. Risks associated with infrastructure-related companies include: realized revenue volume may be significantly lower than projected and/or there will be costs overruns; infrastructure project sponsors will alter their terms making a project no longer economical; macroeconomic factors such as low gross domestic product ("GDP") growth or high nominal interest rates will raise the average cost of infrastructure funding; government regulation may affect rates charged to infrastructure customers; government budgetary constraints will impact infrastructure projects; and special tariffs will be imposed.

The STOXX® Global Infrastructure Index is the intellectual property (including registered trademarks) of STOXX® Limited, Zurich, Switzerland 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 STOXX® and its Licensors and neither of the Licensors shall have any liability with respect thereto.

Top Ten Holdings – as of February 28, 2017

FlexShares STOXX Global Broad Infrastructure Index Fund (NFRA)

AT&T INC	4.9%
VERIZON COMMUNICATIONS INC	4.1%
COMCAST CORP	3.7%
CANADIAN NATIONAL RAILWAY CO	3.5%
EAST JAPAN RAILWAY CO	2.5%
CENTRAL JAPAN RAILWAY CO	2.4%
DEUTSCHE POST AG	2.3%
NATIONAL GRID PLC	2.3%
UNION PACIFIC CORP	2.3%
ENBRIDGE INC	1.9%

Important information FlexShares

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.

Foreside Fund Services, LLC, distributor.

An investment in FlexShares is subject to investment risk, including the possible loss of principal amount invested. Funds' returns may not match the returns of their respective Indexes. 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.

Disclaimer STOXX Ltd.

The indices in the presentation and the trademarks used in the index names are the intellectual property of STOXX Ltd., Deutsche Börse Group or their licensors.

The use of the STOXX® indices, DAX® indices or on any other indices supported by STOXX and of the respective index data for financial products or for other purposes requires a license from STOXX or Deutsche Boerse Group. STOXX, Deutsche Börse Group and their licensors, research partners or data providers do not make any warranties or representations, express or implied, with respect to the timeliness, sequence, accuracy, completeness, currentness, merchantability, quality or fitness for any particular purpose of its index data. STOXX, Deutsche Börse Group and their licensors, research partners or data providers are not providing investment advice through the publication of indices or in connection therewith. In particular, the inclusion of a company in an index, its weighting, or the exclusion of a company from an index, does not in any way reflect an opinion of STOXX, Deutsche Börse Group or their licensors, research partners or data providers on the merits of that company. Financial instruments based on STOXX® indices, DAX® indices or on any other indices supported by STOXX are in no way sponsored, endorsed, sold or promoted by STOXX, Deutsche Börse Group and their licensors, research partners or data providers.

About STOXX

STOXX Ltd. is an established and leading index specialist, which started in Europe. The launch of the first STOXX® indices in 1998, including the EURO STOXX 50® Index, marked the beginning of a unique success story, based on the company's neutrality and independence. Since then, STOXX has been at the forefront of market developments and has continuously expanded its portfolio of innovative indices. STOXX now operates globally across all asset classes.

STOXX indices are licensed to more than 500 companies, which include the world's largest financial products issuers, capital owners and asset managers. STOXX indices are used not only as underlyings for financial products, such as ETFs, futures and options and structured products but also for risk and performance measurement.