

QDF

FlexShares Quality Dividend Index Fund

Analyst Report

The FlexShares Quality Dividend Index Fund (QDF) is part of Northern Trust's stable of proprietary twists on factor investing. The fund follows a Northern Trust index that selects dividend-paying large-cap U.S. equities. Simple enough, but then the index weights the portfolio toward companies that earned the highest "dividend quality" scores. To prevent unintentional concentrations, the methodology caps the weighting of individual securities, industry groups, sectors and styles. Lastly, the fund tries to deliver "market-like beta" — jargon used to describe how volatile the performance is relative to the market. It's another way of saying QDF tries to match market volatility.

The approach to market beta is the nuance that sets it apart from its sister funds FlexShares Quality Dividend Defensive Index Fund (QDEF) and FlexShares Quality Dividend Dynamic Index Fund (QDYN), which aim to reduce or exceed market swings, respectively. In practice, all three funds share many of the same top holdings, including blue-chip stocks like Apple, Johnson & Johnson and Microsoft. The difference comes down to weighting. QDEF might have less invested in volatile tech stocks than QDYN, while QDF will be somewhere in the middle.

As with many FlexShares funds, investors will pay a premium. Management fees, though not eye-popping for proprietary index strategies, are multiples higher than U.S. equity ETFs offered by massive passives like Vanguard and iShares. Is it worth it? Investors can look at it several different ways. There are plenty of other variations on dividend investing. There are traditional defensive mainstays like utility ETFs, such as the Utilities Select Sector SPDR (XLU). There are also the ultra-cheap dividend ETFs like the giant Vanguard Dividend Appreciation ETF (VIG) or the Vanguard High Dividend Yield ETF (VYM). Both offer more liquidity than QDF at a fraction of the price.



ESG Themes and Scores

6.5/10

ESG Rate

53.49%

Global Percentile

42.24%

Peer Percentile

Performance Data

	QDF	ETF Database Category Average	Factset Segment Average
1 Month	2.50%	1.95%	1.51%
3 Month	12.80%	9.99%	8.70%
YTD Return	10.84%	9.90%	8.12%
1 Year Return	12.50%	12.53%	10.92%
3 Year Return	15.37%	11.04%	8.66%
5 Year Return	13.29%	6.02%	5.70%

Top 5 Holdings

Symbol	Holding	% Assets
AAPL	Apple Inc.	7.75%
NVDA	NVIDIA Corporation	6.90%
MSFT	Microsoft Corporation	5.34%
AVGO	Broadcom Inc.	3.78%
META	Meta Platforms Inc Class A	3.43%

Vitals

Issuer	Northern Trust
Brand	FlexShares
Structure	ETF
Expense Ratio	0.37%
Inception	Dec 14, 2012
Index Tracked	Northern Trust Quality Dividend (TR)

ETF Database Themes

Category	All Cap Equities
Asset Class	Equity
Asset Class Size	Multi-Cap
Asset Class Style	Blend
Region (General)	North America
Region (Specific)	U.S.

FactSet Classifications

Segment	Equity: U.S. - Total Market
Category	Size and Style
Focus	Total Market
Niche	Broad-based
Strategy	Multi-factor
Weighting	Multi-Factor