

QDYN

FlexShares Quality Dividend Dynamic Index Fund Analyst Report

The FlexShares Quality Dividend Dynamic Index Fund (QDYN) 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 "above market beta" — jargon used to describe how volatile the performance is relative to the market. It's another way of saying QDYN tries to exceed 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 The FlexShares Quality Dividend Index Fund (QDF), which aim to reduce or match 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. QDYN might have more invested in volatile tech stocks than QDEF, 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, such as the WisdomTree U.S. Total Dividend Fund (DTD) or the Invesco Dividend Achievers ETF (PFM.) There are traditional defensive mainstays like utility ETFs, such as the Utilities Select Sector SPDR (XLU). And there are ultra-cheap dividend funds like the giant Vanguard Dividend Appreciation ETF (VIG) and the Vanguard High Dividend Yield ETF (VYM). at a fraction of the

ESG Themes and Scores

6.68/10

ESG Rate

58.55%

Global Percentile

36.05%

Peer Percentile

Performance Data

	QDYN	ETF Database Category Average	Factset Segment Average
1 Month	5.22%	4.97%	4.37%
3 Month	9.85%	7.29%	7.56%
YTD Return	10.74%	8.77%	9.09%
1 Year Return	16.27%	10.25%	10.46%
3 Year Return	16.98%	6.84%	7.45%
5 Year Return	10.22%	3.01%	3.61%

Top 5 Holdings

Symbol	Holding	% Assets
AAPL	Apple Inc.	9.77%
MSFT	Microsoft Corporation	5.93%
AVGO	Broadcom Inc.	3.87%
CSCO	Cisco Systems, Inc.	2.50%
ACN	Accenture Plc Class A	2.29%

Vitals

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

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

