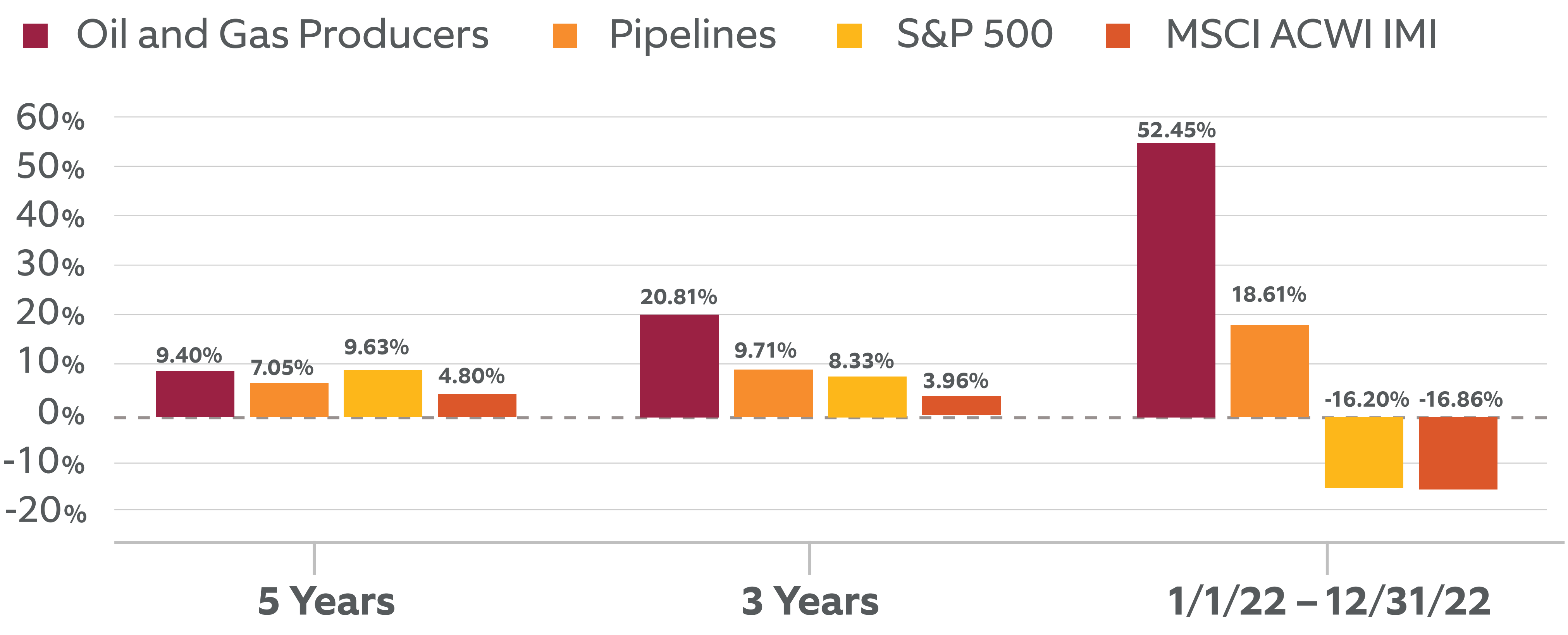
Which Investments May Protect Stock Portfolios From High Energy Prices?

When rising energy prices shock the markets, diversification with energy infrastructure and natural resources may cushion portfolios.

Managing Volatility With Energy Infrastructure

Thanks to their predictable cash flows over the past one-, three-, and five- year time frames, energy infrastructure companies, such as pipelines, have tended to be less volatile than oil and gas producers.

Returns for energy investments vs. broader equities



Source: Bloomberg. Oil & Gas Producers are represented by the Bloomberg US 3000 Energy Total Return Index and Pipelines are represented by the Tortoise North American Pipeline Index. The MSCI ACWI IMI is the MSCI ACWI Investable Market Index (IMI) which captures large, mid and small cap representation across 23 Developed Markets and 24 Emerging Markets (EM) countries. The index covers approximately 99% of the global equity investment opportunity set. Performance for the five-year period is from 1/1/2017 – 12/31/2022 and for the three-year period 1/1/2019 – 12/31/2022. **Past performance is not indicative or a guarantee of future results.** Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index. Index performance is not representative of fund performance.

Inflation Protection Through Energy Investments

Historically, infrastructure and natural resources have had a much higher correlation to inflation than stocks, meaning that when inflation rises, their returns are more likely to rise, too.

Average annualized returns during different inflationary environments

	Normal inflation	High inflation
Fixed income	4.0%	-4.2%
Global equities	8.3%	10.9%
Global listed infrastructure	5.1%	**11.2%**
Natural resources	1.4%	**12.2%**

Source: Bloomberg. As of 12/31/2022 for the time period of 01/01/2003 – 12/31/2022. Fixed income is represented by the Bloomberg US Aggregate Index, Global equities are represented by the MSCI ACWI Gross Total Return USD Index, Global listed infrastructure are represented by the S&P Global Infrastructure Total Return Index, and Natural resources are represented by the S&P Global Natural Resources Return Index. **Past performance is not indicative or a guarantee of future results.** Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index. Index performance is not representative of fund performance. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index. Index performance is not representative of fund performance.

For more information about diversifying portfolios to deal with the ups and downs of energy prices, see our article "Investing Strategies for Volatile Energy Markets."

DEFINITIONS

Bloomberg US 3000 Total Return Index is a float-market-cap-weighted benchmark of the 3000 most highly capitalized U.S. companies.

Bloomberg US 3000 Energy Total Return Index is a float-market-cap-weighted equity benchmark that covers companies classified in Energy among the Bloomberg US 3000 Index.

Tortoise North American Pipeline Index is a proprietary rules-based, capitalization-weighted, float-adjusted index designed to track the overall performance of equity securities of North American Pipeline Companies.

MSCI ACWI Investable Market Index which captures large-, mid- and small- cap representation across 23 Developed Markets and 24 Emerging Markets (EM) countries. The index covers approximately 99% of the global equity investment opportunity set.

Bloomberg US Aggregate Index (inception date 1/1/1976) which is a broad-based flagship benchmark that measures the investment goals of the U.S. dollar-dominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

MSCI ACWI Gross Total Return USD Index (inception date 1/31/1995) which is a free-float-weighted equity index. MXWD includes both Emerging and Developed World Markets.

S&P Global Infrastructure Total Return Index (inception date 11/16/2001) which is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create a diversified exposure, the index includes three distinct infrastructure clusters: Energy, Transportation and Utilities.

S&P Global Natural Resources Return Index (inception date 11/18/2002) which includes 90 of the largest publicly traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified, liquid and investable equity exposure across three primary commodity-related sectors: Agribusiness, Energy, and Metals & Mining.

Before investing, carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus and a summary prospectus, copies of which may be obtained by visiting www.flexshares.com. Read the prospectus carefully before you invest.

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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 Morningstar® Global Upstream Natural Resources Index Fund (GUNR) 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 the global natural resource industry. As the demand for or prices of natural resources increase, the Fund's equity investment generally would be expected to also increase. Conversely, declines in demand for or prices of natural resources generally would be expected to cause declines in value of such equity securities. Such declines may occur quickly and without warning and may negatively impact your investment in the Fund. Investments in foreign market securities involve certain risks such as currency volatility, political and social instability and reduced market liquidity. To the extent that the Fund invests in Emerging markets, those investments may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting that country, market, industry, sector or asset class.

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