

# ETFs in Depth: FlexShares International Quality Dividend Index Fund (IQDF)

## Summary

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IQDF is built for investors seeking international equity income with a focus on dividend sustainability.

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Instead of prioritizing headline yield, the strategy emphasizes companies with the financial strength to support ongoing dividend payments.

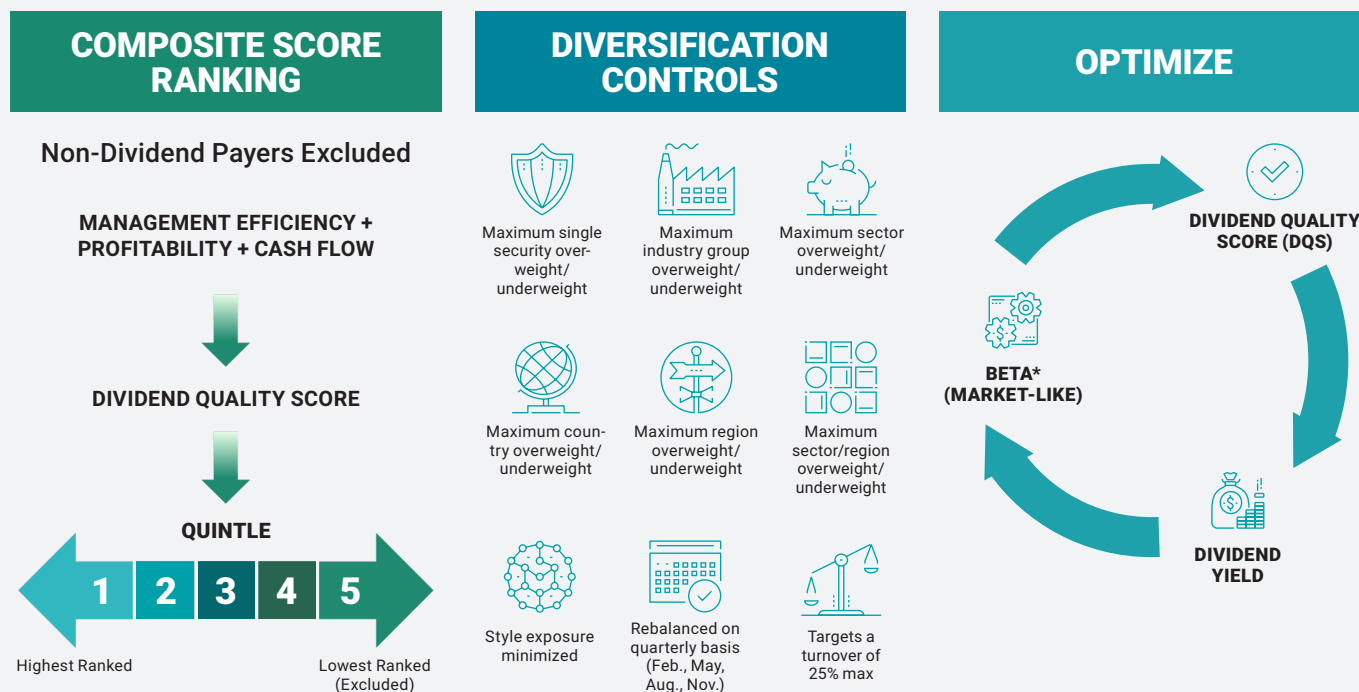
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This approach seeks to balance income, diversification, and long term capital growth across global markets.

## What is IQDF and why was it created?

IQDF is an international equity ETF designed for investors seeking dividend income from non U.S. markets while maintaining a focus on quality. It was created to address the challenges inherent in international dividend investing, where high yields can often signal financial stress, concentration risk, or unsustainable payout policies.

IQDF tracks the Northern Trust International Quality Dividend Index, which applies a systematic framework to identify dividend paying companies with strong financial foundations. The goal is to pursue income while reducing exposure to so called “dividend traps” that can undermine long term results.



## How does IQDF differ from traditional international dividend ETFs?

Many international dividend ETFs prioritize yield first, selecting stocks based largely on dividend level or dividend history. That approach can lead to overexposure to companies, sectors, or countries where dividends appear attractive but are at greater risk of being cut.

IQDF takes a different approach by emphasizing dividend quality alongside yield. Companies are evaluated on their ability to sustain dividends based on financial strength, rather than simply offering the highest payout today. This helps shift the focus from headline yield to durability of income.

## What does “dividend quality” mean in the context of IQDF?

Dividend quality in IQDF is measured using a multi factor Dividend Quality Score that evaluates companies across profitability, management efficiency, and cash flow. These factors are designed to assess whether a company’s dividend is supported by its underlying business fundamentals.

By focusing on financial health rather than payout alone, the strategy seeks to identify companies that are better positioned to maintain or grow dividends over time, even as economic conditions change.

## What role does emerging markets exposure play in IQDF?

IQDF includes both developed and emerging market companies, but exposure is driven by quality and dividend sustainability rather than geography alone. Emerging market stocks must meet the same quality standards as developed market holdings to be included.

This allows the strategy to access dividend opportunities across the global opportunity set while maintaining a consistent focus on financial strength and risk management.

## How should advisors think about IQDF relative to high yield international equity strategies?

IQDF is not designed to maximize yield. Instead, it seeks to balance income with quality and diversification. As a result, its yield may be lower than that of strategies that concentrate in the highest yielding stocks or regions. For advisors, the trade off is intentional: a focus on sustainable dividends and risk control rather than short term income optimization.

## Where does IQDF typically fit in a portfolio?

IQDF is commonly used as a core international equity income allocation. It can complement U.S. dividend strategies by adding geographic diversification and exposure to non U.S. sources of income.

Within a broader portfolio, IQDF may also serve as part of an income oriented equity sleeve or as a diversifier alongside growth focused international allocations.

IMPORTANT INFORMATION

**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 Service, LLC, distributor. FlexShares and Foreside are not related.**

FlexShares International Quality Dividend Index Fund (IQDF) 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.

As with any investment, you could lose all or part of your investment in a FlexShares ETF, and the ETF's performance could trail that of other investments. An ETF is subject to certain risks, including the principal risks notes below, any of which may adversely affect the ETF's net asset value ("NAV"), trading price, yield, total return and ability to meet its investment objective.

For more complete information on the Fund's Principal Risks, please read the prospectus and summary prospectus, including all principal risk information such as: **Equity Securities Risk, Mid -Cap Stock Risk, Emerging Markets Risk, Geographic Risk, Concentration Risk, Dividend Risk, Quality Factor Risk** and other principal risks. Copies of the prospectus and summary prospectus may be obtained by visiting [www.flexshares.com](http://www.flexshares.com). Read the prospectus carefully before you invest.

Foreign Securities Risk is the risk that investing in foreign (non -U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies, due to less liquid markets and adverse economic, political, diplomatic, financial, and regulatory factors. **Authorized Participant Concentration Risk** is the risk that the Fund may be adversely affected because it has a limited number of institutions that act as authorized participants. **Market Trading Risk** is the risk that the Fund faces because its shares are listed on a securities exchange, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, periods of high volatility and disruption in the creation/redemption process of the Fund. ANY OF THESE FACTORS MAY LEAD TO THE FUND'S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.

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