



# ETFs in Depth: FlexShares U.S. Quality Large Cap Index Fund (QLC)

## Summary

QLC combines Quality, Value, and Momentum factors to deliver resilient large-cap equity exposure with disciplined risk controls.

The strategy avoids concentration in mega-cap names and focuses on fundamentals to enhance risk-adjusted returns.

QLC helps investors achieve long-term growth with stability, making it a strong core holding for diversified portfolios.

## Question: What is QLC and why was it created?

**CHRIS HUEMMER:** QLC is the Northern Trust Asset Management’s Quality Large Cap ETF, launched in 2015 to give investors exposure to U.S. large-cap stocks with strong fundamentals – companies that manage debt responsibly, maintain healthy margins, and deliver consistent earnings. Unlike traditional market-cap-weighted strategies, QLC integrates Quality, Value, and Momentum factors to create a more resilient equity allocation.

This approach helps balance risk and return while avoiding concentration in a handful of mega-cap names. By combining these factors, QLC seeks to deliver a disciplined, diversified portfolio emphasizing fundamentals and risk efficiency across market cycles.

## Q&A WITH



**Chris Huemmer**  
*Director of ETF & Funds Strategy*

## QLC’s Proprietary Advanced Factor Model

QLC’s unique design harnesses the powerful relationship between quality, value and momentum to provide exposure to U.S. large-cap companies that manage debt responsibly, maintain healthy margins, and deliver consistent earnings.



For illustrative purposes only.

## How does QLC differ from traditional large-cap ETFs?

**CH:** Most large-cap ETFs track market capitalization, which can lead to heavy concentration in the largest names regardless of fundamentals. While that works when a few mega-cap stocks dominate returns, it introduces risk if those names falter. QLC takes a different path with a disciplined, rules-based approach to select companies with strong financial health, attractive valuations, and positive performance trends. Sector weights remain neutral, so results come from stock-level selection rather than sector bets or momentum-driven rallies.

QLC's foundation is its three-factor approach: Quality, Value, and Momentum. Quality targets companies with solid balance sheets and stable earnings. Value ensures investors aren't overpaying by anchoring decisions to fundamentals. Momentum helps sidestep "value traps" by favoring stocks with positive trends. Closing the triangle, the quality factor helps ensure positive momentum is underpinned by tangible results. Together, these factors create a portfolio built for resilience across market cycles, reducing reliance on any single risk factor and prioritizing disciplined risk management without sacrificing growth potential.

## What investor goals does QLC address?

**CH:** QLC is built for investors seeking long-term growth with risk control. It aims to reduce exposure to overpriced stocks and weak fundamentals while maintaining broad market participation. For advisors, QLC can serve as a core equity holding in client portfolios that prioritizes stability without sacrificing upside potential, a disciplined equity exposure that can weather different market environments.

## What types of markets is QLC designed to perform well in?

**CH:** QLC tends to shine in volatile or late-cycle markets where fundamentals matter most. While the strategy may lag in speculative rallies, its goal is risk efficiency and consistency over time, not chasing short-term trends. For advisors, this means QLC can serve as a stabilizing force in client portfolios during uncertainty while still participating in long-term growth opportunities.

## How does QLC manage risk while seeking outperformance?

**CH:** QLC applies strict risk controls to avoid sector concentration and style bets that don't historically deliver a premium. Risk is allocated to bottom-up stock selection, where quality and valuation metrics matter most. This disciplined approach seeks higher risk-adjusted returns without adding market risk. By remaining sector neutral and focusing on compensated factors, QLC aims to deliver strong performance on both an absolute and peer-relative basis without relying on a handful of mega-cap stocks.

## What drives QLC's performance compared to the broader market?

**CH:** Unlike many large-cap strategies dominated by the “Magnificent 7” – Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia and Tesla – QLC's results are largely driven by companies outside those names.

Historically, its relative performance has been driven by exposure to compensated factors despite an underweight to mega-cap stocks. This factor-based approach helps avoid concentration risk through disciplined stock selection. It's about fundamentals, not momentum-driven rallies.

## How should investors consider using QLC in their portfolios?

**CH:** QLC is often positioned as a core holding in diversified portfolios. While it can fully replace traditional market-cap-weighted equity allocations, its historically low correlation to the broader market has made it especially appealing as a diversifier for investors wishing to maintain some traditional core exposure.

This is especially compelling given the recent concentration of returns in a few large stocks. QLC's lower dependence on those names helps smooth performance and reduce volatility. As with any diversifier, the larger the allocation, the greater the impact. Investors should consult a financial professional to assess how an allocation to QLC can fit within a diversified portfolio.

## 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 U.S. Quality Large Cap Index Fund (QLC) 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.

Additionally, the Fund is at increased dividend risk, as the issuers of the underlying stock might not declare a dividend, or the dividend rate may not remain at current levels. The Fund is also at increased risk of industry concentration, where it may be more than 25% invested in the assets of a single industry. Finally, the Fund may also be subject to increased volatility risk, where volatility may not equal the target of the underlying index.

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, Concentration Risk (IT Sector 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 before you invest.

Quality Factor Risk is the risk that the past performance of companies that have exhibited quality characteristics does not continue or the returns on securities issued by such companies may be less than returns from other styles of investing or the overall stock market. 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.

© 2026 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A.