

FTRUST5

# First Trust Focus Five ETF Model

Model Start Date: October 21, 2009

September 2020

## About Nasdaq Dorsey Wright

Nasdaq Dorsey Wright is a registered investment advisory firm based in Richmond, Virginia. Since 1987, Dorsey Wright has been an advisor to financial professionals on Wall Street and investment managers worldwide. Dorsey Wright offers comprehensive investment research and analysis through their Global Research Platform and provides research, modeling, and indexes which apply Dorsey Wright's expertise in Point & Figure Relative Strength to various financial products, including exchange-traded funds and notes, mutual funds, UITs, structured products, and separately managed accounts. In 2015, Dorsey Wright was acquired by Nasdaq, Inc., allowing Dorsey Wright to work towards even greater innovative solutions for its clients.

## Model Overview

The purpose of the First Trust Focus Five ETF Model is to identify significant themes in the market, have exposure to those sectors controlled by demand, and eliminate exposure to those sectors controlled by supply. It is the dispersion of returns within the model inventory that creates the opportunity for a Relative Strength evaluation process to identify trends to follow and those critical to avoid. The First Trust Focus Five ETF Model inventory of funds provides a diversity of investments that is generally advantageous to trend-based tactical rotation strategies.

## Model Rules

- First Trust sector ETFs are the universe used.
- Remains 100% invested at all times.
- First Trust sector ETFs are compared to each other to determine inclusion. The concept used is based on a Relative Strength matrix of the First Trust sector ETFs.
- The top five sectors within the investable universe are bought and are only sold when they fall sufficiently out of favor versus the other potential sectors on a Relative Strength basis.
- A new sector is only added when one sector falls out of favor.
- When an addition or deletion is made, the model is rebalanced so each position is equally weighted.

## Relative Strength Methodology

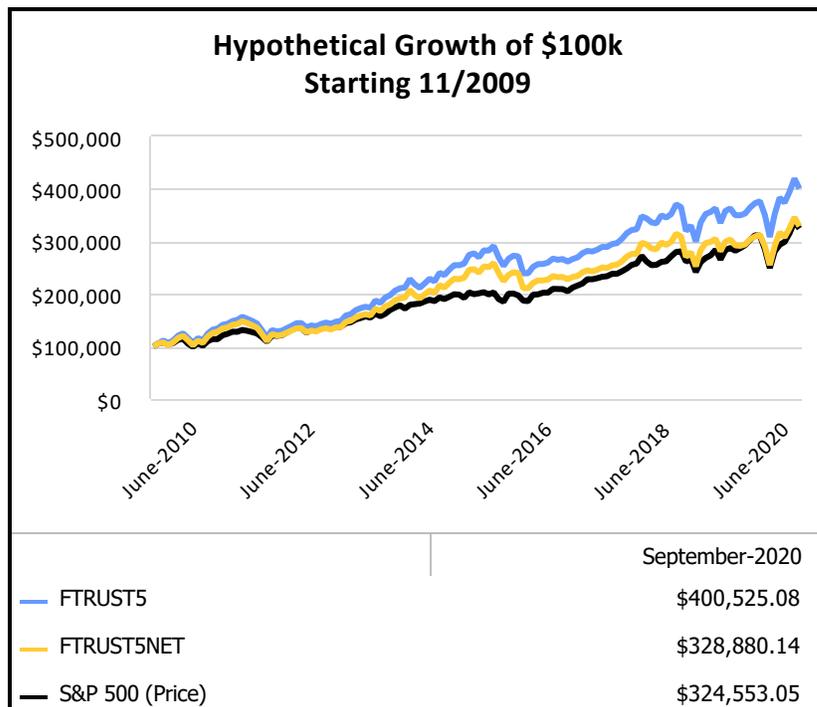
The most adaptive tool we have found to identify the strongest trends from the weakest within an investable universe is Point & Figure Relative Strength. Our Relative Strength calculation is designed to target long term themes of outperformance, while also remaining responsive enough to allow for rotation when market trends necessitate. In short, Relative Strength attempts to minimize exposure to underperforming positions, while letting profitable positions run. Most importantly, this systematic and rules-based approach eliminates the subjective or "emotional" trades, as the calculation is derived from price data alone.

## Model Inventory

SYMBOL	ETF Name
FBT	First Trust NYSE Arca Biotechnology Index Fund
FDN	First Trust Dow Jones Internet Index Fund
FXD	First Trust Consumer Discretionary AlphaDEX® Fund
FXG	First Trust Consumer Staples AlphaDEX® Fund
FXH	First Trust Health Care AlphaDEX® Fund
FXO	First Trust Financials AlphaDEX® Fund
FXU	First Trust Utilities AlphaDEX® Fund
FTXD	First Trust Nasdaq Retail ETF
FTXN	First Trust Nasdaq Oil & Gas ETF
FTXO	First Trust Nasdaq Bank ETF
FXN	First Trust Energy AlphaDEX® Fund
FXR	First Trust Industrials/Producer Durables AlphaDEX® Fund
QQXT	First Trust Nasdaq-100 Ex-Technology Sector Index Fund
QTEC	First Trust Nasdaq-100-Technology Sector Index Fund
FRI	First Trust S&P REIT Index Fund
FXL	First Trust Technology AlphaDEX® Fund
FXZ	First Trust Materials AlphaDEX® Fund
FTXG	First Trust Nasdaq Food & Beverage ETF
FTXR	First Trust Nasdaq Transportation

## DISCLOSURE

First Trust has arranged with Dorsey Wright to provide this specialized ETF model which holds First Trust ETFs. The Point & Figure analysis, models and resulting rankings, including any information, data or commentary included therein, are created and provided solely by Dorsey, Wright & Associates. Such analysis, models and rankings should not be considered an offer to purchase or sell, a solicitation of an offer to buy or purchase any security, including First Trust ETF shares. Neither First Trust nor Dorsey Wright through this ETF page provide investment advice or recommendations regarding any security, fund or market. The percentage of the portfolio devoted to any ETF is at the sole discretion of the financial advisor or the customer, and not Dorsey, Wright & Associates or First Trust. If you are not familiar with the First Trust ETF product, or Exchange Traded Funds (ETFs), we suggest you visit [www.ftportfolios.com](http://www.ftportfolios.com). The Relative Strength strategy is NOT a guarantee. There may be times where all investments and strategies are unfavorable and depreciate in value. Relative Strength is not predictive and there is no assurance that forecasts based on Relative Strength can be relied upon.



3 Year Risk Statistics

Product Name	Information Ratio 3 Years	Excess Returns 3 Years	Annualized Alpha 3 Years	Sharpe Ratio 3 Years
FTRUST5	-0.08	-0.60	-1.09	0.38
FTRUST5NET	-0.30	-2.23	-2.62	0.30
S&P 500 (Price)	—	0.00	0.00	0.48

5 Year Risk Statistics

Product Name	Information Ratio 5 Years	Excess Returns 5 Years	Annualized Alpha 5 Years	Sharpe Ratio 5 Years
FTRUST5	-0.33	-2.28	-2.57	0.49
FTRUST5NET	-0.56	-3.91	-4.09	0.39
S&P 500 (Price)	—	0.00	0.00	0.72

	YTD	1 Year	3 Years	5 Years	10 Years
FTRUST5	7.42	14.45	9.51	9.58	12.38
FTRUST5NET	6.22	12.75	7.88	7.95	10.70
S&P 500 (Price)	4.09	12.98	10.11	11.86	11.41

	FTRUST5	FTRUST5NET	S&P 500 (Price)
2019	24.39	22.54	28.88
2018	-7.28	-8.66	-6.24
2017	19.87	18.08	19.42
2016	-0.74	-2.21	9.54
2014	20.84	19.04	11.39
2015	6.63	5.03	-0.73
2013	42.08	39.96	29.60
2012	14.15	12.45	13.40
2011	-7.96	-9.34	0.00

*\*\*Model inception date is 10/21/2009. Performance data after model inception date is model data. The model's gross numbers do not reflect the deduction of investment advisory fees; and the client's return will be reduced by the investment advisory fees and any other expenses the client may incur in the management of its investment advisory account. The model's net numbers reflect a theoretical annual fee of 1.5%, deducted quarterly, and is not a fee charged by Nasdaq Dorsey Wright. Actual management fees may vary. Investors cannot invest directly in an index, like SPX. Neither the returns for the model nor SPX include the reinvestment of dividends. Past performance is not indicative of future results—the potential for profits is accompanied by the possibility of loss. Please see the disclosures for important information on model data.*

DISCLOSURE

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